



## Governance and Finance for Public Higher Education in Cambodia

This policy brief examines the key issues in higher education governance and finance that need to be addressed to enhance the capacity of the higher education system to produce high-quality graduates and services that meet the needs of the society and economy. Current finance and governance practices are deemed inadequate to strengthen and align higher education ecosystems with the government's long-term goals. Systematic and comprehensive higher education reforms will be required. A number of interlocking reform measures are proposed.

### Introduction

The impact of higher education (HE) interventions has been limited because they have been developed and implemented in a piecemeal and unsystematic way, without a relevant guiding model. Consequently, the HE system has failed to nurture talent and produce high-quality graduates and services needed to serve the society and economy. Shaped since the 1990s by selective market economy principles and laissez-faire state interventions, the system has been allowed to “take on a life of its own” that “has given Cambodia both pride and concern at the same time” (Ahrens 2013 cited in Un and Sok forthcoming; Chet 2009, 154). Although public higher education institutions (HEIs) have gained a certain degree of freedom, governance and financial management practices have barely changed. The Royal Decree on Legal Status of Public Administrative Institutions (PAIs) introduced in 1997 (revised in 2015, pending implementation) was to make HEIs more autonomous and accountable, but it has been applied selectively and sparingly. Even PAI HEIs<sup>1</sup> have not veered away from traditional centralised management and institutionalised academic culture (Touch, Mak and You 2014).

The need for systematic and broad reforms, especially in HE governance and finance, to create an HE system that can quickly advance Cambodian

society and economy has taken on a new urgency. If the status quo is allowed to persist, the quality assurance and improvements needed across the board will be nearly impossible.

### Approach to the study

This policy brief draws on a research study to explore at both system and institutional levels the governance and financing of HE in Cambodia (Mak et al. forthcoming). The study is significant in that it is one of the first few published papers dealing with HE governance and finance in Cambodia. It reflects on conceptual discussions in education governance, which is considered a structure, process or object of decision making; and examines financing mechanisms for public HEIs, funding sources, tuition fees, scholarships, student loans and subsidies at system level, and sources of funding, revenue generation, especially research and innovation (R&I) commercialisation, and expenditure mechanisms at institutional level.

The study relies significantly on academic research and development literature on HE in Cambodia, policy documents and reports, legal documents, project documents (analytical and advisory work, evaluations), formal and informal research papers. Publications on HE finance and governance in Asia, let alone in Cambodia, by Asian scholars are

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<sup>1</sup> A PAI HEI is a semi-autonomous public agency, with its own governing board and a fair degree of institutional autonomy, including freedom to hire staff and generate revenue for institutional development.

scant, with many in the form of collaborations with Western scholars. Albeit informative, such studies do not fully grasp or pay enough attention to different contexts. This study, in addition, is complemented by information drawn from the authors' extensive and sometimes intense discussions and interactions (formal and informal) with diverse stakeholders over the course of their professional work.

## **The findings**

The research revealed many key issues for HE governance and finance that affect not only HE quality but also its role in national development. The findings have important policy implications for HE development in Cambodia and will contribute significantly to academic debates on HE governance and finance.

### **Key issues in the governance of public HE**

**HE policy and legal framework:** There is no overarching HE law and the existing legal framework has perpetuated inefficient and reactive regulatory practices. HE development has been dictated by a distorted market system without comprehensive policy or well-thought-out state interventions. It was not until 2014 that Higher Education Vision 2030 was issued and 2017 that it was fleshed out by Cambodian Higher Education Roadmap 2030 and Beyond.

**HE system fragmentation:** The Ministry of Education, Youth and Sport and the Ministry of Labour and Vocational Training oversee the majority of the total of 121 HEIs (73 and 25, respectively), and 14 different state agencies supervise the rest (MOEYS 2017a). The resultant HE governance structure is too fragmented for the execution of creative, visionary strategic planning not to mention a connected ecosystem. Cross-ministerial cooperation and collaboration have been limited. In particular, there is no permanent dialogue mechanism. This weak coordination is stifling innovation and effective investment in HE.

**Stakeholder participation:** The legacy of a centrally planned economy and lack of operational autonomy has held back full participation by nonstate stakeholders (i.e. student and faculty representatives, professional organisations, academic societies) in policy and decision making. Prominent individuals

such as top administrators can engage in national policy dialogues and planning, but student and community participation in institutional management such as through the governing board and/or academic council is virtually absent. All public HEIs provide for the establishment of a student body, which plays a subdued role, mainly in supporting charitable activities and mentoring new students (Un and Sok 2014).

**Governing boards:** The boards of public and PAI HEIs are, with few exceptions, small and government-centric with few members representing internal and external stakeholders (Chan et al. 2008; RGC 1997, 2015; Sok 2016). Many are not fully functional. In some cases, members merely fulfil their routine duties without adding value to the HEI because of their lack of strategic perspective and oversight capacity. The board's authority is less overarching than that of more advanced regional peers. It is a stand-alone entity with no permanent secretariat and standing committees. With a generally crippled board and no permanent academic council, ultimate power often rests with an HEI's top senior executives.

**Academic involvement:** The academic council and its committees have generally lapsed, leaving academics with no formal space to meaningfully voice their opinions and engage in institutional decision making. What exists are ad hoc committees usually chaired by the rector or director, or their designated representative (Touch, Mak and You 2014; Sok 2016). The council and its committees (and faculty-level council), if properly established and nurtured, could serve as a checks-and-balances mechanism to ensure broad participation, transparency and accountability, support a move towards rules-based institutional governance, and promote academic culture. The Office of Internal Quality Assurance and the Study Office lead the management and implementation of academic affairs, again with little faculty involvement.

**Professionalisation of the teaching corps:** Academic and professional services staff need career progression and ongoing capacity development, but there are no clear career paths and little systematic training. The career development of non-civil servant staff also needs attention. The use of casual employment has eroded sense of belonging, collegiality and self-esteem among the teaching corps. Moreover, it is a

barrier in the transformation of HE systems and in the recruitment and retention of qualified staff to deliver high-quality education.

**Institutional autonomy and accountability:** The reforms set out in Education Strategic Plan 2006–10 and subsequent policies afford HEIs greater operational autonomy, yet their translation into law and practice has been limited. Legal loopholes and political pressure to allow some discretionary institutional power due to genuine financial pressure have created much room for institutional entrepreneurialism and variation in degree of discretionary power. Legal constraints on institutional operations and management, and existing practices of institutional autonomy, have resulted in two opposing narratives. One contends there is limited institutional autonomy in all aspects of management: institutional setup, financial management (especially of public monies), personnel (especially civil servants) management, and academic affairs (e.g. program approval). The other argues there is too much discretionary non-codified power in PAIs and non-PAIs in all aspects of management, including use of self-generated revenues, payment of salary top-ups/wages, management of contractual services financed from self-generated revenues, and academic freedom provisions.

Institutional accountability as a mechanism and process is still immature. Limited representation, rigid bureaucracy, centralised appointments and promotions, life tenure, and unclear key performance indicators are some of the causal factors. Governance via academic committees and councils and codified delegation of authorities and functions are alien notions.

### ***Key issues in the finance of public HE***

**Financing mechanisms:** HE financing in Cambodia has deep roots in historical and/or political funding (Hauptman 2007). This archaic model is inappropriate for creating a robust and responsive system. The customary practice of line item budgeting, which allows little room for flexibility and creativity, is obsolete. Bureaucratic financial management has reportedly created many loopholes and obstacles.

**Funding sources:** By any measure, public HE is underfunded. Public funding covers just 10–30 percent of the operational costs of some large public

HEIs in Phnom Penh. This percentage is much higher for smaller Phnom Penh-based and provincial HEIs, but still mainly covers recurrent costs only. Public HEIs rely on tuition fees (for 70–90 percent of institutional spending in some large HEIs) for institutional survival. Tuition revenues chiefly go to salary top-ups, teachers' wages, and infrastructure investment. There is little or no investment in research and innovation (R&I) and capacity development. Funding from development partners depends on the HEI's agenda, interests and ability to attract funding, but is mostly minimal. Reliance on tuition fees and lack of externally funded research or research collaborations have turned public HEIs into privately oriented teaching enterprises.

**Tuition fees:** Tuition fees, especially for undergraduate programs, is a sensitive issue in any country. On a continuum of total state to total institutional control, many countries have found a workable middle ground, with the government setting the minimum fee, especially for local undergraduates, but providing a range of fees for HEIs to manipulate. In Cambodia, while there is no legal stipulation on fee setting, public HEIs will be reluctant to increase tuition fees significantly, partly for competitive reasons. In absolute terms, the annual average fee of USD300–400 seems relatively affordable; but in terms of per capita GDP, which in 2017 was USD1,300, it is quite high, though compared to that of more advanced neighbours, the fee is quite low.<sup>2</sup> Nearly all public HEIs are heavily dependent on tuition fees as the main source of revenue. Such dependency is particularly debilitating because it hinders long-term institutional development, financial stability and quality education.

**Scholarships, student loans and subsidies:** Government scholarships (mainly tuition fee waiver and meagre living allowance) cover about 15 percent of enrolments, roughly 10 percent of annual intakes at public HEIs. Public HEIs offer many other scholarship packages (mainly tuition fee waivers) in the name of prominent public figures or non-state institutions, though there are no clear institutional mechanisms or procedures to manage these schemes. Many HEIs meet all or part of these costs, which in more advanced ASEAN states are met by government

<sup>2</sup> Notably, in 1997, when HE was first privatised and when GDP per capita was USD305, many HEIs charged around USD400 a year.

subsidies. Cambodia does not have a national student loan scheme, but a policy on scholarships, loans and subsidies has been drafted.

**R&I commercialisation:** With sparse R&I activities at HEIs and negligible domestic R&I spending, revenue generation via R&I is limited. Besides the USD5.5 million for research grants under Higher Education Quality and Capacity Improvement Project 2010–17, there has been no public funding for R&I. Further, there are no national and institutional mechanisms to manage national research funds. The few HEIs that engage in research rely on support from external partners, and lag far behind more advanced regional peers in research intensity and R&I funding. Some HEIs engage in consultancy work, but at best contracts are procured by individual academics with the understanding that they give the HEI a portion of the revenue if they bid in its name. R&I commercialisation initiatives are barely developed and none of the few patents are registered at an HEI.

**Institutional financial management:** Along with limited effort to loosen traditional financial controls, financial management in public HEIs is generally not robust, transparent or accountable enough for deregulation (Vickery 2016). Financial management is usually tightly controlled with little participation from other institutional actors, including faculty. Resource use, allocation and management are inefficient and ineffective. Capable resources in accounting, financial management and planning are scarce. Institutional management by permanent committees and professionalisation of services are absent or weak.

**Expenditure mechanisms:** Expenditure mechanisms vary depending on several factors, including if funds are public or self-generated and if the institution is a PAI or a non-PAI. Management of public funds at both types of HEIs must adhere to government rules and regulations and as such is rather rigid and bureaucratic. Disbursement of funds is often slow, reportedly plagued by red tape. At the institutional level, public funds are managed with little meaningful participation of dependent units, let alone faculty. Similarly, the management of private funds is often dominated by top administrators, with broad endorsement from the board (if functional) and limited involvement of staff. There are no formal

mechanisms and processes for delegating authority and functions, nor is there any legal stipulation on the matter. Procurement and petty cash management follow rules and regulations made by the Ministry of Economy and Finance (MEF). Institutional oversight and financial monitoring systems are weak or non-existent (Vickery 2016). HEIs must present their budget plans for the use of public funds to the supervising ministry for endorsement and MEF for review and approval. Some HEIs do not devise a clear budget plan for self-generated funds; expenditure is ad hoc, with all transactions, however small, needing approval from top management.

### **Implications and policy recommendations**

The challenges of HE governance and finance are inextricably entangled. But if they are allowed to persist, there is little hope that the role of HE in producing high-quality graduates and services can be realised. To break the status quo, and in line with Policy on Higher Education Governance and Finance for Cambodia (MOEYS 2017b), this brief recommends 12 interlocking measures. These measures are aimed at creating an enabling ecosystem that produces high-quality graduates and services for the betterment of society and the economy.

1. **Adopt overarching regulation:** The subsector cannot be effectively regulated and nurtured without comprehensive regulation for HE that provides a uniform legal framework to govern every aspect of institutional and operations management, including governance and finance.
2. **Implement and track the outcomes of Cambodian Higher Education Roadmap 2030:** The Roadmap is a good start for systematic, comprehensive reforms. It should be disseminated widely and implemented in its entirety, its implementation monitored and evaluated, and its content reviewed and revised regularly to reflect the latest developments.
3. **Establish a national coordinating body:** Cambodia can ill afford to have a fragmented HE system if it aspires to a vibrant HE sector with proactive institutional engagement. This calls for the creation of a coordinating body to oversee national HE system reform.
4. **Authorise professionalisation of the teaching corps and their involvement in institutional management:** Academic and administrative staff need clear career paths and ongoing

capacity development and their involvement in institutional management needs to be codified and institutionalised. Strategic actions should consider the status, core services, salaries, recruitment and appointment of PAI and public HEI staff, and establish permanent mechanisms and processes for their routine involvement in institutional management.

5. **Delegate more autonomy to public HEIs:** Public HEIs arguably have limited autonomy, yet significant de facto, albeit not codified, power over all aspects of institutional management. There is a need to formalise and codify management practices at the system and institutional levels. Institutional autonomy, including the appointive power of HEIs, needs to be protected in law and codified in institutional statutes and regulations to ensure transparency, accountability, consistency and collegiality. The key documents needed are royal decrees on HE and on public autonomous universities. Autonomy assessments should be conducted and support provided to grant selected leading public HEIs full autonomy.
6. **Adopt forms of institutional accountability that make public HEIs more responsible for quality:** Accountability mechanisms and processes are not robust or participatory enough to increase or allow full institutional autonomy. Institutional checks-and-balances and dynamic, participatory, collegial mechanisms and processes are needed to ensure that more autonomy translates into better services. Reform of the governing board, rectorate and lower level administration, including their structure and duties, and the procedure for appointment of board directors, rectors and other administrators, and establishment and empowerment of the academic council are necessary. The following priority actions are suggested: enlarge stakeholder representation on the board and grant it more appointive and decision-making power; establish and strengthen the academic council to run academic affairs; create terms, team and performance contracts for administrators; and provide necessary training to these key actors.
7. **Provide state funds in the form of block grants and performance-based funding:** Current funding practice is obsolete and not sophisticated enough to allow institutional flexibility and creativity, let alone results orientation. To ensure institutional performance and better

alignment between institutional outcomes and national needs, there is a need to 1) develop and implement block grants, especially for public autonomous HEIs, and 2) supplement them with performance-based funding, especially to promote R&I and priority areas of study for national development.

8. **Increase and improve public funding for the HE system:** If Cambodia is to reach middle-income status by 2030, it will need to increase public spending on HE to at least 0.4 percent of GDP by 2030, as indicated in Cambodian Higher Education Roadmap 2030 and Beyond. A national database system to monitor the entire HE investment process with indicators for comparator countries will be needed. National scholarship, subsidy and student loan schemes should be developed and implemented to improve demand-side funding and increase enrolments in priority areas of study that serve national development needs.
9. **Stratify HEIs to serve national development and societal needs:** Because there is no formal stratification of (public) HEIs, they are all funded based on the same formula; they simply compete for student enrolments. The consequent focus on teaching and neglect of R&I does not allow them to play prominent and appropriate roles in national development. Efforts to stratify public HEIs based on their core missions to the economy and society and human resource development are needed. Two strategic actions are to formally classify public HEIs into different tiers with different funding schemes, and to revise the standards and guidelines for institutional assessment and accreditation and funding schemes, accordingly.
10. **Allow public HEIs to vary tuition fees, with fee waivers available from and funded by the state:** Inadequate public subsidy for scholarship students and absence of other subsidy schemes is holding back system development, and the current level of tuition fees and laissez-faire approach to tuition management are not conducive to quality enhancement. HEIs should be allowed to set tuition fees, with the government setting minimum tuition fees for local undergraduate students and providing a range of fees for HEIs to manipulate. State-sponsored scholarships (including a liveable stipend) should be covered by government subsidy. Other subsidy schemes could be established.

11. **Increase public funding of R&I, with funds provided on a competitive and categorical basis:** State funding for R&I should be significantly increased and national and institutional mechanisms and procedures to manage national research funds established. To that end, priority actions are to: establish a National Research Fund; provide R&I funds on a competitive and categorical basis; allocate R&I funds, especially to national centres of excellence and quality PhD programs; encourage and incentivise HEIs to allocate R&I funds and attract international collaborations; and encourage government agencies and private industries to fund R&I at HEIs.
12. **Install reliable financial management systems and strong internal controls:** The financial management systems at public HEIs are not robust or reliable enough to prevent non-compliance and potential leakage and ensure strong performance that can deliver the desired results. Internal controls are inadequate to ensure efficiency and effectiveness and eliminate mismanagement and malpractice. External controls are generally known to be pro forma, lax and inconsistent. Accounting software and management information systems should be improved and capacity of the finance, accounting and auditing staff and units strengthened. To that end, external monitoring, evaluating and auditing need to be streamlined.

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