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# **Accountability and**

# **Human Resource Management in Decentralised Cambodia**

**CDRI Working Paper Series No. 40**

**ENG Netra and David CRAIG**



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**March 2009**

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ENG Netra and David CRAIG

*Responsibility for the ideas, facts and opinions presented in this research paper rests solely with the authors. Their opinions and interpretations do not necessarily reflect the views of CDRI.*

**CDRI**

☎ 56, Street 315, Tuol Kork, Phnom Penh, Cambodia

✉ PO Box 622, Phnom Penh, Cambodia

☎ (+855-23) 881-384/881-701/881-916/883-603/012 867-278

☎ (+855-23) 880-734

E-mail: [cdrimail@online.com.kh](mailto:cdrimail@online.com.kh)

Website: <http://www.cdri.org.kh>

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## Table of Contents

Executive Summary .....	7
Acknowledgements .....	9
List of Acronyms .....	11
<b>Chapter 1. Introduction.....</b>	<b>13</b>
1.1. Accountability in Cambodia: Concept and Application to Decentralisation .....	14
1.2. Accountability Challenges within Decentralisation of Sub-National HRM .....	16
1.3. Overview: the Wider Study, Research Questions and Chapter Summaries.....	18
1.4. Main Research Themes.....	19
1.5. Research methods .....	19
1.5.1. <i>Conceptualisation</i> .....	19
1.5.2. <i>Selection of Case Studies</i> .....	19
1.5.3. <i>Selection of Respondents</i> .....	20
1.5.4. <i>Formal Fieldwork</i> .....	20
1.5.5. <i>Constructing Case Studies</i> .....	21
1.5.6. <i>Scope of the Study</i> .....	21
<b>Chapter 2. Analytical Framework and Literature Review .....</b>	<b>23</b>
2.1. Conceptualising Accountability and HRM in Cambodia .....	24
2.2. Accountability in Cambodian HRM: From Administrators to Service Providers .....	26
2.2.1. <i>Organisational Structure and Management</i> .....	26
2.2.2. <i>Quality Human Inputs: Recruitment and Career Management Based on Merit</i> ....	27
2.2.3. <i>Competitive Pay and Overall Incentives</i> .....	28
2.2.4. <i>Organisational Culture and Context</i> .....	28
2.3. Decentralising Civil Service: Shifting Employer Functions to Lower Government ..	29
2.4. The Path Other Decentralisers Have Followed.....	31
2.5. HRM Accountability within Hybrid Governance: the Neo-patrimonial Perspective ...	32
2.5.1. <i>Patronage</i> .....	32
2.5.2. <i>Neo-Patrimonialism</i> .....	33
2.6. Accountability: the Role of Donors and Their ‘Modalities’ .....	34
<b>Chapter 3. Human Resource Management in the Civil Service.....</b>	<b>37</b>
3.1. Overview.....	38
3.1.1. <i>Composition</i> .....	38
3.1.2. <i>Sub-National Staff</i> .....	40
3.2. Institutional Actors and Their Responsibilities.....	42
3.3. Sub-National Employer Functions: Theory and Reality.....	43
3.4. Other Aspects of Cambodia’s HRM System .....	46
3.4.1. <i>Vertical Programmes, PIUs and Their Sub-National Effects</i> .....	46
3.4.2. <i>NGOs and Their Sub-National Effects</i> .....	47
3.5. Reform Programmes and Progress to Date.....	48
3.5.1. <i>Overall Reforms: Towards Programme-Based Approaches</i> .....	48
3.5.2. <i>Public Administration Reform</i> .....	49

<b>Chapter 4. Centralisation and Politicisation of HRM .....</b>	<b>53</b>
4.1. Centralisation of Sub-National Administrative Employer Functions .....	55
4.1.1. <i>Realities of Central and Local Control: Planning</i> .....	58
4.1.2. <i>Centralised, Merit-Based Recruitment and Centre-Province Deployment</i> .....	60
4.1.3. <i>Performance Management and Discipline</i> .....	62
4.1.4. <i>Counterfactual Evidence: the Value of Provincial Discretion</i> .....	63
4.1.5. <i>Transfers: Keeping the Best for the Centre</i> .....	64
4.1.6. <i>Need for Clearer Assignment of HRM Functions</i> .....	65
4.1.7. <i>Provincial Employer Functions: What Might Be Possible under D&amp;D?</i> .....	66
4.2. Politicisation and Neo-Patrimonialism, and Implications for Accountability .....	70
4.2.1. <i>Institutionalised versus Personalised Authority</i> .....	70
4.2.2. <i>Political Complications</i> .....	74
4.2.3. <i>Appointment and Promotion</i> .....	75
4.2.4. <i>Completing Appointments</i> .....	76
4.3. Summary of Main Findings .....	76
<b>Chapter 5. Other Reform Issues: Pay and Salary Supplements; Complexity in Donor Models and Government Reforms .....</b>	<b>79</b>
5.1. Pay, Pay Reform and Implications for HRM Accountability .....	82
5.1.1. <i>Low Pay and Its Implications for Accountability</i> .....	83
5.1.2. <i>Pay Reform and Implications for Accountability</i> .....	86
5.2. Salary Supplements and Their Effects on Sub-National Accountability .....	88
5.2.1. <i>Distortion of Establishment Control, Performance and Retention of Staff</i> .....	90
5.2.2. <i>Centralisation and Politicisation of Salary Supplements</i> .....	92
5.3. Complex Donor Modalities and Government Reforms .....	93
5.3.1. <i>Accountability Difficulties Emerging from Partial Reforms</i> .....	94
5.3.2. <i>Weak Government Structure Produces Weak Accountability</i> .....	95
5.3.3. <i>Donor Modalities Reproduce Government Outcomes and Create Weak Accountability</i> .....	96
5.3.4. <i>Ambitious Reforms Run into Barriers and Blockages</i> .....	99
5.3.5. <i>Specific Examples</i> .....	102
5.4. Summary of Main Findings .....	103
<b>Chapter 6. Conclusion and Possible Ways Forward for D&amp;D.....</b>	<b>105</b>
6.1. Highlights of Major Findings .....	106
6.2. Constraints, Realities and Real Opportunities .....	107
6.3. Strategic Opportunities and Effective Tactics .....	109
6.4. Practical Actions: Specific Areas to Work for D&D in HRM .....	110
6.5. Overall Conclusions .....	112
<b>References .....</b>	<b>113</b>
<b>Appendix 1: Forestry, Human Resources, and D&amp;D .....</b>	<b>120</b>
<b>Appendix 2: SEILA's ExCom: Performance-Based Management of Sub-National Staff .....</b>	<b>124</b>
<b>Appendix 3: Phnom Penh Water Supply .....</b>	<b>127</b>
<b>CDRI Working Papers .....</b>	<b>130</b>

## **Executive Summary**

This study addresses accountability and human resource management (HRM) in the Cambodian civil service. The paper aims to understand the current situation and major issues that affect HRM accountability, especially sub-national accountability, and to draw out the implications for Cambodia's future decentralisation and deconcentration (D&D) reforms. The goal of D&D is to bring government closer to the people, so that it can be responsive to the needs of the poor. D&D aims to achieve this by providing sub-national governments with adequate resources and, in particular, with good and capable civil servants who are accountable, motivated and committed, loyal and professional and responsive regarding service delivery for the poor. However, achieving both accountability and better outcomes for the poor is a complex problem and requires understanding of its key dimensions and effective engagement to promote and strengthen sub-national accountability. That understanding is what this paper, alongside the other papers emerging from this study, aims to build.

## **Key Findings**

The study's findings suggest that although governance is organised around modern-day rational bureaucratic structures, accountability within Cambodia's wider HRM system faces a number of constraints that directly and indirectly weaken sub-national accountability and the ability of sub-national managers to get staff to perform. These include:

- entrenched and harmful public service centralisation, especially around key employer functions such as recruitment, appointments and performance monitoring;
- politicisation of civil servants, non-meritocratic recruitment and complex accountabilities created by patronage interests;
- the debilitating effects of low pay;
- the further complexity and fragmentation of accountability created by the use of salary supplements by NGOs and vertical donor programmes.

Beyond this, lack of consistent progress of major related HRM reforms, and further fragmentation and complexity emerging in existing government reforms, also impede progress in accountability. In all of this, we recognise that good might be said of neo-patrimonial arrangements in creating wider political stability, or donor arrangements in creating incentives and enabling public servants to survive. Nonetheless, we argue that the combination of patronage-based distortion and donor fragmentation has especially strong and long-lasting negative effects.

## **Implications for Sub-National Accountability**

The implications for sub-national accountability are clear:

- Provincial administration is not in control of its jurisdiction as a result of the centralised control of employer functions and funds, which is exacerbated by neo-patrimonialism, resulting in weakened "vertical" and "intergovernmental" accountability.
- Local managers cannot hold their staff accountable and motivate them to work for the administration, and the staff are constantly drawn to outside interests and accountabilities.
- Pay is extremely low, which provides a strong incentive to become part of networks of political and entrepreneurial interest within the state, resulting in civil servants operating completely counter to the public administrative reform goals. This has negative impacts on the economy and citizens, and particularly disadvantages the poor through widespread rent seeking and informal fee charges for public services.
- The use of salary supplements and project-based management by donor and NGO

projects, while delivering concrete services in the short term, introduces fragmentation and jealousy, and redirects accountability from the government to the projects, which in turn hampers efforts to achieve accountability.

- The informal, political and neo-patrimonial aspects of Cambodia's governance structures greatly influence HRM and accountability. They are not the central problem, but, together with the other issues and weaknesses in the system, they have a powerful disabling effect on many aspects of accountability.

### **Understanding the Context and Opportunity for Reforms**

Looking ahead, the paper concludes by arguing that if the D&D reform is to promote sub-national accountability for democratic development, the reform must find and make use of appropriate strategic opportunities, looking at both specific HRM issues and the wider political and administrative context. Leveraging these opportunities will require reform champions and leadership, responding to local and wider electoral politics resulting from demographic change and the expectations of an emerging middle class and private sector.

To understand and make the most of these opportunities, the paper strongly suggests that the design and implementation of HRM reform pay attention to the following factors:

- personal and systemic incentives, resources and rewards within current governance arrangements (both formal and informal);
- personalised norms and political leadership and strategy of key individuals in the more and less reformed sectors that enable them to obtain better accountability or to entrench negative neo-patrimonial outcomes;
- the nature of central-local government relations, especially around development and recurrent funds, which heavily shape local discretion and thus accountability; and
- the likely effects of various donor HRM modalities (such as salary supplements).

### **Specific Recommendations**

Finally, the paper argues that there are specific and practical areas where D&D can start to achieve some short-term impact and build on the foundation for the long-term transformation they aim to plant. These could include:

- establishing a study group to look into HRM needs and “how to” questions before the organic law is published and implemented;
- strengthening basic payroll and human resource management systems;
- establishing clearer definitions of employer functions;
- better monitoring and learning from demonstration effects of successful reforms in a sector/ministry; and
- promotion of local and wider political dialogue based on policy and research-based evidence, and on an understanding of how the system really works in order for reforms to be better geared toward addressing the real issues: neo-patrimonialism, funds and human capacity.

### **Overall Conclusions**

Achieving accountability in Cambodia is complex and requires understanding of its key dimensions of its sub-national features. Effective engagement to promote and strengthen these key dimensions of sub-national accountability is crucial for poverty reduction. The question we are reaching toward and proposing an answer to in our research is what more should be done and how to do it. We can start now with dialogue and policy discussion of research-based information.



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*Phnom Penh, March 2009*



## **List of Acronyms**

ADB	Asian Development Bank
CAR	Council of Administrative Reform
CARERE	Cambodia Resettlement and Rehabilitation Project
CDC	Council for Development of Cambodia
CDRI	Cambodia Development Resource Institute
CPP	Cambodian People's Party
D&D	Decentralisation and Deconcentration
DFID	Department for International Development, UK
HRM	Human Resource Management
HR	Human Resource
MEF	Ministry of Economy and Finance
MoI	Ministry of Interior
NGOs	Non-Government Organisations
NSDP	National Strategic Development Plan
OECD	Organisation for Economic Cooperation and Development
PAM	Public Financial Management
IPU	Project Implementation Unit
PMG	Priority Mission Group
PAWS	Phnom Penh Water Supply Authority
UNDP	United Nations Development Programme
WB	World Bank



# **Chapter 1**

## **Introduction**

## Chapter 1. Introduction

This paper is about accountability and human resource management (HRM), in the civil service in general and sub-nationally, in Cambodia. It considers the current situation, its interactions with the political dimensions of the wider governance reforms and the implications for future decentralisation and deconcentration (D&D) reform.

### 1.1. Accountability in Cambodia: Concept and Application to Decentralisation

It is generally agreed that accountability is an essential part of any effective governance system. In many ways, it defines the quality of that particular governance arrangement (World Bank 2006). Yet accountability has different meanings to different people.

Most simply and narrowly defined, accountability is a process by which one actor holds another responsible for what the latter has done, and involves answerability (giving an account of one's own performance) and enforcement (giving rewards or imposing sanctions according to performance) (Schedler 1999). Internationally the term "accountability" has been given various definitions, many of which expand greatly on this individual-focussed sense. Definitions are discussed in Chapter 2.

For our study, accountability in HRM needs both individuals and the wider system to be functioning well. And this does not mean just the administrative system. The meaning of the concept becomes more complicated as it is used with different adjectives, such as "political" and "electoral" accountability (see Schedler 1999), "social" accountability (see Burke & Nil 2004) and "primary" accountability, or to refer to the answerability of elected officials to those who voted for them (Rohdewohld & Porter, 2006). Reviewing this complexity, Mulgan (2000) comments that the "scope and meaning of accountability have been extended in a number of directions well beyond" the core sense. He further describes accountability as "a complex and chameleon-like term". The impression of accountability as a vast and fuzzy concept is also acknowledged by Keohane (2002), who likens defining accountability to the proverbial blind men trying to describe an elephant.

Among Cambodian public servants, as our and other research discovered, current definitions of accountability are highly varied; some even argue that there is no equivalent word in Khmer. In Cambodia, "accountability" is mainly equated to accounting practices (such as a transparent use of public funds), the two words translating very similarly into Khmer. In addition, many Cambodian civil servants tend to link the word with traditional Khmer values of governance, such as responsibility, honesty, helpfulness or serving people (Pak *et al.* 2007).

Following the international literature, we recognised the need for our definition to include key elements of the wider system: administrative, political and even cultural. Here, however, it seems that Cambodian governance is not equipped with appropriate mechanisms to ensure sub-national accountability. For example, provincial departments do not receive adequate funds to implement their development plans (and so can't really be held accountable for the plan not being carried out), and provincial civil servants are employed at low pay without a formal job requirement (and so can't be held accountable for poor and limited service delivery). More broadly, we have argued at length that fulfilling all five generic elements of accountability listed above in a developing country is very difficult (see Pak *et al.* 2007) because the state's capacity is weak and the market faces many distortions (e.g. ordinary citizens cannot "exit" even though the service provider, the state, is not performing). Therefore, the bases for delegation, finance, performance, information and enforceability cannot be fully met. Nevertheless, to say that sub-national accountability does not exist at all because these

five elements cannot be fully achieved would be misleading. It is more appropriate to say that “formal” accountability, which is defined on legal-rational principles, is not strong in current sub-national governance. Meanwhile, however, as we will discuss in the following chapters, many “informal” sub-national accountability relationships do exist, which are defined and influenced by a combination of political, administrative, social, cultural and patrimonial norms. For example, provincial departments whose director is better connected to influential central politicians are much more able to obtain funds. In such a case, the local people benefit, but the system’s ability to deliver accountably is at the same time weakened. In this case, nonetheless, the director exhibits his/her accountability to both local people and his/her political connection, without which resources would not have been transferred to the province. Another example could be that a patient who is a relative of the head of a public hospital is able to receive quicker care than other patients. What is problematic about these ways of seeking service delivery accountability? Clearly, this kind of informal accountability is highly unpredictable and personalised. With this informal accountability, results are often neither pro-poor nor reliably sustained (see chapters 4 and 5).

Although the ideal is predictable, transparent and reliable pro-poor accountability in a formal process, we are mindful that such an ideal is not realistic. The paper therefore attempts to understand how the current sub-national accountability relationships really work, and the degree to which they can be transformed to be more pro-poor by investigating the formal and informal influencing factors. Again, we found that actors had different interpretations of the concept, many of which were not associated with the five legal-rational elements mentioned above (Pak *et al.* 2007; Knowles & Department of Local Administration 2007). Many political, economic, personal and social factors routinely influence how people understand accountability.

There is a huge difference between the notion of accountability in the wider international literature and accountability as understood and practised in Cambodia. A definition therefore becomes necessary that contextualises both international and Cambodian perspectives so as to make sense to both Cambodians and the wider audience and also explain how to achieve Cambodian accountability.

As described more fully in Pak *et al.* (2007), we set out to arrive at a definition that meets international standards yet is sufficiently practical and familiar in Cambodia. It relates to familiar Cambodian expectations of good leadership (being responsible to those above and responsive to those below, building trust and fulfilling obligations, being effective and protecting public interests, using personal discretion only where appropriate); to realities such as the dependence of accountability on relationships and the need for support from higher-ups; and to realities of everyday government in Cambodia, where there are often not enough resources or incentives to do a job properly. Bringing these international and local elements together, we define accountability in the following terms:

**Box 1: Defining Accountability within Cambodian Governance**

- Accountability is a personal, administrative and political value found in all systems of government, in formal and informal, political and administrative forms.
- It involves not just a relationship between two actors, in which one holds the other responsible for what he/she does, but also the mechanisms, rules and resources to enable a governance system to function responsibly.
- An accountable governance system needs to be Cambodian owned and to reflect Cambodian values. It needs to aim at building trust and protecting public interests, in particular, the interests of the poor, effectively and highly responsibly.
- It requires support from higher up, public participation and political responsiveness, administrative neutrality and responsibility and the right mix of discretion and obligation.
- A better, more accountable system will be structured to provide a clear assignment of roles and responsibilities, adequate and predictable resources, horizontal and vertical coordination, transparency, law enforcement and incentives for all to perform.

These elements are further related to HRM in Cambodia in an extended discussion in Chapter 2.

**1.2. Accountability Challenges within Decentralisation of Sub-National HRM**

Cambodia is embarking on a major programme of reforms, which have the potential to transform the way the country is governed and to build greater accountability into its governmental system. The D&D reforms promise to transfer much greater powers and capabilities to the provinces. Provincial public servants will have the responsibility to deliver most services and to be accountable to elected councils. Potentially, they will move government closer to the people in important ways. However, if they are to do this responsively and accountably, a great deal will have to change in the ways that public administration—and especially the civil service—is structured and operated.

The current provincial/municipal management system has been weak and fragmented. The governors, although possessing the authority to coordinate the activities of line departments, have in practice very limited powers over operations and development issues beyond security and social order. In many ways, the governor acts more like the head of a provincial department of the Ministry of the Interior (MoI)—managing a small part of provincial financial and human resources—than a coordinator of government services and activities in the province. A majority of the resources are planned, budgeted and implemented in a highly centralised and fragmented manner by various line departments. Like the governor, however, these departments lack many of the essentials to fulfil their mandates, including the human resources.

These issues significantly undermine provincial and district accountability. First, provincial management's power to define and generate formal accountability is weak. Given the lack of clear and appropriate assignment of roles, responsibilities and resources and the generally poor management and control system, there seem to be no mechanisms by which the central government can hold line departments accountable for their performance, or even, sometimes, compliance. This is especially the case in the areas of provincial human



resource management. Furthermore, sub-national administration and management are strongly centralised in formal structures and within both political and informal systems. Sub-national administrators primarily act as agents of the Phnom Penh administration, and in so doing concentrate and strengthen their own power by aligning with centralised power. The governor, in particular, is left in an awkward situation regarding what he should and can do to serve the people in his territory. This also implies uncertainty about the extent to which the governor should be held accountable for what happens in the province. This is an important consideration in regard to what authority (employer functions and horizontal coordination) will be provided in the new D&D to strengthen the accountabilities of sub-national civil servants.

Second, accountability for performance is weak. At an average \$51 per month, the salary paid to provincial civil servants is obviously low compared to the amount needed for a decent living and, importantly, NGO and private sector salaries. Previous studies have pointed out that low pay is a prime cause of poor service delivery, lack of professionalism and motivation and corruption (Fitzgerald & So 2007; Ballard 2007; World Bank 2000). Many staff have to take on multiple outside jobs, and even during working hours some resort to informal activities such as “processing the paper work” and rent seeking. Ghost staff are common in all departments and offices: their names are on payrolls, but they seldom or never appear at work. Discipline and rules cannot be enforced or performance monitored because local managers lack the means and authority. This results in weak accountability and poor service. Further, the province is unable to attract and retain competent staff.

Third, accountability among public servants is divided along a number of lines. Currently, a number of perverse practices—many driven by donors—complicate and frustrate administrative reform. Current solutions to low pay are dominated by the use of salary supplements by NGOs and donors and high level pay reform by the government. The extensive use of salary supplements distorts accountability and work incentives, as workers look more to NGO than public service accountabilities. Local managers suffer because their staff are diverted to work for NGO projects and donor-supported programmes. Resentment from and disincentives for those who do not receive salary supplements but have to perform the same or even greater loads of work are inevitable. In many cases salary supplements provide short-term individual incentives but systemic loss, affecting long-term capacity development and motivational stability. More importantly, they affect HRM accountabilities and the ability of provincial departments to retain good staff and hold them accountable.

All of the above three factors create a great deal of room for other kinds of accountability to come into play. They create strong incentives for staff to align with strong patrons and one or another political party. They increase the importance of informal accountabilities to family, group or team members. This creates split accountability, wherein the executive is both highly politicised and reliant on institutionalised rent seeking linked to powerful patrons, family or other informal alignments.

Clearly, reforms are needed, and a number have begun. Through D&D, the government envisions addressing some of these problems by creating a unified sub-national administration (RGC 2005b). The organic laws required by the constitution for sub-national governments are still in the making.<sup>1</sup> Further, the government, with support from donors, has also embarked on several substantial reforms: of public financial management (PFM), administration, law and judiciary, anti-corruption and more (Danida 2004). PFM and administrative reform have been set up specifically to enhance the performance

<sup>1</sup> With support from UNDP, the MoI has started drafting these organic laws. The law was passed in May 2008.

of public services and the quality of service delivery. PFM focusses on reliable and predictable resource allocation to provincial managers, while administrative reform deals with improving pay and enhancing the institutional and technical capacity of civil services. These reforms are critical in achieving a better understanding of what will be possible in improving sub-national HRM accountability.

### ***1.3. Overview: the Wider Study, Research Questions and Chapter Summaries***

This paper forms a part of a wider investigation of sub-national accountability, focussed on identifying what needs to be considered in the new D&D reforms: CDRI's research programme on democratic governance, public sector reform and the accountability of provincial governance. Other papers introduce more fully accountability issues in Cambodia and in international literature (Pak *et al.* 2007), and address closely related issues of sub-national PFM and planning (Pak & Craig 2008; Horng & Craig 2008). We would stress the importance of reading these papers together, in order to gain a fuller understanding of the issues.

Ultimately, our research focuses on these four questions:

1. How does the government mainstream work, in general and in terms of accountability?
2. How have reforms and donor programmes affected government accountability?
3. How have the government mainstream and the reforms been affected by neo-patrimonialism (in relation to the above questions)?
4. What are the implications for D&D and similar future reforms?

The answers to these questions are to be found in the chapters that follow. In the remainder of this chapter, we introduce basic accountability issues in HRM and offer a brief account of this study's methodology. The paper's analysis of Cambodia's HRM begins in Chapter 2 with a critical overview drawn from our literature review's definition and discussion of accountability and major public administration concepts, neo-patrimonialism and in particular HRM within D&D. Chapter 3 provides an overview of the current civil service administration,<sup>2</sup> including a description of the structure, the employer functions, defined roles within the system and the lines of formal authority. In order to complete the overview of HRM, the paper also discusses major initiatives of the Council of Administrative Reform (CAR) and the roles and impact of NGOs and donor programmes on sub-national HRM. Chapter 4 recounts and analyses stories related to centralisation and the politicisation of major employer functions, and their implications for provincial accountability. Chapter 5 analyses of pay and salary supplements and the complexity caused by donor models and government reforms related to accountability in provincial HRM. Both chapters 4 and 5 show the accountability challenges within the formal system and the manifestations of the informal or political processes, which is where this paper will argue the real accountability relationships operate. Chapter 6 concludes summarises major findings and constraints and opportunities, as well as recommendations for future sub-national HRM.

Before describing methods and main analytical themes (later in this chapter) and the background concepts and realities underpinning our study (in Chapter 2), we wish to orient the reader to some of our key themes. We also wish to foreshadow some findings, so that the reader develops a clear sense of the directions in which this paper is moving. In order to do this, we often begin with a story, drawn from our field experience.

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2 Cambodian government documents defines human resources as "those who work in the public sector", in contrast to the civil service, which specifically means "a set of civil servants who are located in both main and regional offices, as indicated under the Common Statute of Civil Servants" (UNPAN 2004).

## 1.4. Main Research Themes

In analysing the accountability of the sub-national civil service, the paper structures its argument around four themes. These themes are complex and interrelated and reinforce each other, ranging from government system and Cambodian cultural/political systems to external influences and system from donors and NGOs. These themes are centralisation, politicisation and patronage, pay and salary supplement issues and complexity of donor models and government reforms. Chapters 4 and 5 will explore each theme in detail.

## 1.5. Research methods

This study is based on data and information from fieldwork and literature.

### 1.5.1. Conceptualisation

The study, and CDRI's wider study of sub-national accountability, depart from most previous CDRI work, in that from outset to conclusion it was conceptualised by Cambodian researchers, with support from research advisers. It was obvious from the beginning that the most challenging part was for Cambodian researchers to understand better the multi-disciplinary framework that draws in different concepts, and then contextualises for governance characterised by high patronage networks and aid dependency. A literature review on accountability and neo-patrimonialism in Cambodia was produced and published in early 2007 (Pak *et al.* 2007) to serve as a conceptual foundation for this more field-focussed paper. This contributed a great deal to understanding the complexities of accountability: where its key notions come from and how they might be defined and observed in Cambodia. Conceptualisation and literature review on HRM and aid management were also done, focussing on the implications from and for patronage networks.

### 1.5.2. Selection of Case Studies

Selection focussed on two major issues. One was the structure and economy of accountability. The other was the possible intertwining, overlapping or separation of the formal and informal and the administrative and political. These criteria informed our selection of provincial departments and three case studies. The departments chosen were the governor's office (*salakhet*); Health; Agriculture, Forestry and Fisheries; and Rural Development. The three case studies were on the Forestry Administration (FA), ExCom staff management and Phnom Penh Water Supply. We chose them because each department presented some similarities and variations in their involvement with SEILA and donor/NGO activities, influence in the administration, economic and political strengths, historical background, management and administrative practices and horizontal and vertical interaction with other government administrations.

Our selection of the four provinces was based on broad representativeness, within which a number of factors were considered, although not necessarily carefully weighed. These included political set-up (we chose one province with a FUNCINPEC governor); geographical variation (provinces close to and far from Phnom Penh), accessibility, economic and political variations (rice farming and resource-based economies, relatively rich and poor) and previous CDRI experience of working in the area (which enabled access to people who might be prepared to talk frankly). The four provinces selected were Takeo, Siem Reap, Kratie and Banteay Meanchey.

### ***1.5.3. Selection of Respondents***

In order to study power relations and political/informal aspects of governance within central-local relations, the study combined vertical and horizontal approaches. Actors in the hierarchy and horizontally related were interviewed in selected provinces and nationally. Besides provincial officials, we also interviewed others such as senior provincial programme advisers, ExCom and staff of selected projects and NGOs. In each department, the team needed to meet at least two people, i.e. provincial governor or deputy, line department directors or deputy and personnel office chief or deputy. Moreover, there were interviews with ordinary staff. In some cases, the team also visited health operational districts to interview staff. Centrally, we selected the Ministry of Economy and Finance (MEF), MoI, the Council of Administrative Reform, the State Secretariat of Public Functions and four line ministries for further interviews. The individuals we interviewed were:

- directors of departments of line ministries
- key individuals from the State Secretariat of Public Functions, CAR, MEF, MoI
- director and/or personnel officer at the FA, Phnom Penh Water Supply Authority (PPWSA), ExCom
- staff of Programme Support for Decentralisation and Deconcentration and senior provincial programme advisers
- provincial governors or deputy governors
- directors of provincial departments or their deputies
- heads of offices of departments
- staff of departments
- NGO personnel

All together, the team carried out 66 interviews with 98 respondents. This enabled the team to gain some understanding of power relations among institutions and individuals, and the related challenges their institutions face. The team spent more time than anticipated for each interview in order to discuss relatively sensitive issues in a frank and trusting manner. The team had fewer problems obtaining valuable information once some time was spent explaining the aspirations of the study, the institution the researchers came from and the purposes for which the results would be used. Confidentiality was also emphasised, as was the fact that this was part of a broader study that would cover other departments and provinces.

### ***1.5.4. Formal Fieldwork***

Fieldwork involved three stages, starting with a formative phase, followed by two iterative research rounds. The first stage was conducted in December 2005 with the intention of gaining a preliminary understanding of the formal structures and management systems of the civil service in the provinces. The two following stages, in May and December 2006, revisited and expanded on informal influences and some underlying issues. This research method enabled the researchers to gain a clearer understanding of situations and sensitive issues, because respondents were not willing to provide full answers at the first meeting.

The study employed three techniques to collect the primary data: (1) formal interviews, (2) informal discussions and (3) other observations at meetings and events. Because this was qualitative research, the team developed some key questions and used them as guides. Research protocols were applied for the whole process: sending an official letter to the *salakhet* and then circulating the governor's approval to the target line departments, self-introduction, providing a contact number, presenting study purposes and so forth. Analytical memos were written after returning from the field. There were breaks of a few weeks from one province to another, because the team needed time to write up their experience and meet with key people at the centre.

Observation and informal discussions away from designated fieldwork were also important. These issues are widely discussed in Cambodia: they are something that “everyone knows about, but no-one will say much about in public”. These kinds of discussions informed the analysis. Team members were also involved in wider central discussions around HRM, PFM and D&D and in a number of different forums and contexts, over several years. These afforded many opportunities for observation and discussion. Finally, all of us have worked in, or have close family working in the public service. Anyone familiar with these contexts will confirm that the observations we make are the common experience and knowledge of everyday governance. The Khmer sayings related to governance and HRM are another result of ongoing observation and informal meetings. (This paper does not use the real names of respondents in the case writing or quotes.)

#### ***1.5.5. Constructing Case Studies***

Beyond interviews, our work came to focus on cases which we saw as embodying many key features of sub-national accountability, such as donor reforms creating complexity, or new approaches, whether more or less successful, that were subsequently undermined by neo-patrimonial relations. Many of the boxed sections throughout this study outline cases. For specific reform programmes, such as the Danida/Forestry Administration programme, we conducted iterative discussions with some of those involved on both sides of the programme, taking notes, retiring to reflect on and write these up and then going back to test our insights.

Other cases emerged from a more complex and difficult situation. It soon became clear that we would need to present the material in a way that highlighted the situation of particular local managers trying to deal with a difficult situation and create accountabilities around recruitment or deployment. Each situation, however, was closely embedded in particular relationships, and we were sure that these relationships and situations would be recognised by those involved if we did not obscure their origins. Accordingly, the cases are constructed, drawing on elements of two or more situations and assembling them into a single narrative. They are thus not literally true; however, we think they represent a great deal of the true situation in Cambodian sub-national HRM accountability.

#### ***1.5.6. Scope of the Study***

The study does not intent to provide a full account of HRM or civil service reform. Rather, it focusses on aspects of HRM that are key for sub-national governance within D&D. Furthermore, the study identifies critical aspects of HRM that are commonly targeted by neo-patrimonial interests and which therefore strongly affect accountability outcomes.



## **Chapter 2**

# **Analytical Framework and Literature Review**

## Chapter 2. Analytical Framework and Literature Review

This chapter will explain in more detail accountability and this study's definition of it. It reviews the concepts of sub-national accountability and human resource management by examining formal administrative aspects, informal or political aspects and neo-patrimony, which together influence HRM accountability in Cambodia. The chapter also reviews HRM literature and the principles and aims of decentralising the civil service. Finally, it provides an overview of the roles and implications of donors' modalities.

### 2.1. Conceptualising Accountability and HRM in Cambodia

The definition of accountability in the international literature varies a great deal, depending on the context.<sup>3</sup> One common definition is that accountability is the process by which one actor holds another responsible for what the latter has done. However, accountability is not just a relationship between two actors, but also the quality or "essence" of a governance system in which different actors (government, civil society, citizens etc) operate and constitute accountability relationships among themselves (WB 2006).

Accountability in its simplest form has two features: answerability and enforcement. Both of these relate directly to HRM, which is concerned with performance. Here, answerability refers to an employee being held accountable when giving information and justification—that is, an account of her or his performance. Enforcement is about giving rewards or imposing sanctions according to performance. The further expanded definition given by the World Bank had five features, also relevant to HRM:

- delegation (employees being clear about what their employer wants, and having clear mandates to do what is required),
- finance (employees having adequate pay and resources to do the job),
- performance (incentives to do the job, measurement of what is done against clear requirements) ,
- information (about whether employees are doing their jobs, or whether enough employees have been deployed)
- enforcement (whether sanctions or rewards are provided based on the information received) (WB 2004b: 47).

These qualities are important in both individual employee and institutional relationships. They are also useful because they show how the ways in which the system functions create an environment that is either useful or harmful to accountability.

These basic concepts have been extensively elaborated in recent years, in both public management and HRM. New public management, for example, offers a different set of approaches to promoting public sector accountability. It does this by focussing on the role and powers of managers to achieve outcomes, and by applying more private-sector notions of incentives and sanctions for performance (Hood 1991). These might include clearly defined requirements (such as annual reviews) and proper incentives (such as pay rises) to perform well, as well as steps to prevent public servants from using their positions for personal interest. According to Drucker (1964), performance objectives need to be defined in quantifiable and measurable ways, and the quality of the work needs to be controlled. At the same time, managers should be free to choose how to achieve the agreed-upon objectives and results, although in practice this is often within very closely defined and monitored parameters. In short, manager accountability is based on various measurements related to the meeting of centrally defined objectives.

3 The variety of definitions is covered at greater length in Pak *et al.* (2007).



On the other hand, accountability has particular meanings in Cambodian HRM systems that need to be understood. It is crucial that accountability has a strong hierarchical and relational dimension: it is a relationship between people, usually of different rank, in which both the support and moral leadership of the higher up and the deference and loyalty of the lower down matter a great deal. Accountability relationships and the five formal elements listed above are influenced by informal personalised and political interests that operate alongside the formal process. While in many cases these practices are dismissed as corrupt, this paper aims to go beyond such simplistic characterisations to produce a closer but still practical understanding of how accountability works differently under the different governance arrangements that exist in reality. In order to discuss these aspects further, this chapter uses the international concept of “new patron-client” or “neo-patrimonial relationships”.<sup>4</sup> As discussed much more fully later in this chapter, these relationships between groups, friends, family and different networks create very powerful accountabilities, but not necessarily the best ones for the system to work. For instance, promotion and appointment to lucrative positions are reserved for friends and relatives, undermining civil service codes and the accountability of individuals for the performance of public offices. Many of these informal accountabilities undermine legal enforcement and create an opportunity for extracting rent. None of this helps ensure the performance of public servants or good quality services for the poor.

Bringing these international and Cambodian elements together, our research defined accountability as described in Box 2. In this paper, when we refer to HRM accountability, we define it as a Cambodian-owned system that serves public interests, performs to its highest ability and is responsible for its actions in order to deliver pro-poor outcomes within a unified provincial administration. As readers will see, there is both a wider definition and a more focussed definition relevant to HRM in Cambodia.

#### **Box 2: Contextualised HRM Accountability Definition for Cambodia**

- A Cambodian-owned system that serves public interests
- Which promotes and inspires organisations, departments and individuals to be (1) motivated and committed to their work (2) loyal to the state and the people (3) responsive and oriented to service delivery and (4) professional and answerable for their duties and performance
- And performs to its highest ability and is responsible for its actions in order to deliver pro-poor outcomes within a unified provincial administration.

Specifically, such a system requires:

- competitive and transparent recruitment, appointment, promotion and transfer based on merit;
- a clear and appropriate delegation of roles and responsibilities, with specific expectations and outputs;
- competitive and attractive pay provided through adequate and efficient intergovernmental transfers;
- trusted and enforceable management oversight;
- a neutral and responsive HRM administration.

<sup>4</sup> In governance, “neo-patrimonialism” is defined as “a mixed system of government administration, with a rational-legal veneer overlaying a web of personalistic ties characteristic of patrimonial rule” Brinkerhoff and Goldsmith (2002: 40).

These requirements can be met only through:

- strong political will and commitment to delegate and devolve significant HRM functions and corresponding funds from the centre,
- minimising interference and the influence of politics;
- prioritisation and balance of accountability and commitment for public office before other accountabilities (e.g. particular groups, party or family);
- reduction of opportunities for rent seeking in public office;
- strict and objective enforcement of performance, and sanctions for poor performance, of public officials.

## **2.2. Accountability in Cambodian HRM: From Administrators to Service Providers**

Accountability also has particular meanings in the fine details of everyday HRM: in administration of employer functions, and in civil service reforms.

HRM deals with the ways in which organisations manage their staff and their performance. It involves what are widely recognised as fairly standard “employer functions”: hiring, firing, promotion and transfers; the use of monetary and non-monetary rewards to motivate employees; and the allocation and management of work within an organisation (Keuleers 2004.). How these factors are managed and implemented is very important in determining the success or failure of HRM and hence good or poor performance of the organisation. They are thus central to the basic conditions under which accountability can happen. If staff are underpaid, they have incentives, not to perform well, but to extract rent or work outside the system. If they are not hired by credible and legitimate processes, and do not have clear duties, jobs will be occupied by people without the skills or motivation to do the job.

These issues are reflected in the government programmes of public administrative reform. In these, the government attempts to shift the culture of civil servants from administration to service provision, and from responding to top-down demands towards being more responsive to the poor and bottom-up demands. Currently, six policies are being drafted and undergoing consultation within the government. They are human resource development, human resource management, capacity development, public service delivery, remuneration policy and information technology management. At the same time, several donors are considering ways to develop merit-based employment arrangements for public servants.

### **2.2.1. Organisational Structure and Management**

The way responsibilities are assigned and how major policy and management are institutionalised are both important starting points. There are two choices for HRM organisation: centralised and decentralised. The centralised model requires a high degree of control and professional standardisation; it usually has multiple organisations managing aspects such as policy and finance. This system works if the different organisations have clear mandates and work with good coordination. There could also be room for deconcentrated government to take on some responsibility in aspects such as routine personnel information management. In the other model, the centre is mainly responsible for overall policy guidelines while major decisions and autonomy on personnel are given to line managers (Nunberg 1992:15). This approach provides more and faster response to local

needs but has to be carefully implemented because it often works best with sophisticated technology and information systems, sound financial management and good local capacity. Furthermore, it is important that key functions such as control and planning be strengthened and appropriately institutionalised and that the centre take on these functions (Nunberg 1992:17). Whether the centralised or decentralised model is more suitable here will be taken up in Section 2.3.

### ***2.2.2 Quality Human Inputs: Recruitment and Career Management Based on Merit***

Appointing the right individual for a function is critical to the performance of the organisation and the HRM system (Nunberg 1992: 21). Merit can be defined as good and worthwhile qualities (*Collins Dictionary* 2001). Meritocratic recruitment can then be narrowly defined as recruitment based on identified qualities such as educational qualifications and work experience (Therkildsen *et al.* 2005). A merit system, according to Keuleers (2004), should also feature impartiality and neutrality in recruiting and promoting. As Cambodia moves towards a merit-based system of recruitment and pay, these aspects will become more important.

Merit-based recruitment creates a better context for accountability. Cross-national empirical studies have consistently shown a strong link between merit-based recruitment and organisational performance. Grindle (1997) found that organisations that perform well in poor countries share features including merit-based recruitment. In his study for UNDP on civil service personnel management (2004), Keuleers also found merit-based HRM to be key to responsive and accountable public service. He included in his list of characteristics of an effective civil service the willingness to hire the best people based on a fair and transparent process. Selection based on merit after fair and open competition, and equality of entry, are two main benchmarks included in the OECD's checklist for its work in central and eastern Europe (Bana & McCourt 2005). Across a wide range of countries, it is found that meritocratic recruitment was the most important factor in explaining organisational performance, closely followed by internal promotion and career stability (Rach and Evans 1990 as cited in Boesen & Therkildsen 2004). Tandler (1997) in her work in Brazil also showed that meritocratic recruitment and the associated hiring practices reinforced the performance and accountability of health agents. On the other hand, where there is non-meritocratic promotion and recruitment, staff motivation and skills can decline badly (Boesen & Therkildsen 2004).

As part of the Council for Administrative Reform's support to the National Strategic Development Plan, a new human resource management policy being developed recognises recruitment by merit as "the rule". Initial entry is to be based on meeting eligibility criteria: academic qualification and competitive examination (CAR 2007).

#### **Box 3: Eight Elements in Merit-Based Recruitment Arrangements**

1. job analysis leading to a written statement of duties (the job description) and the knowledge and skills which the jobholder will need (the person specifications);
2. an advertisement disseminated to eligible groups, including a summary of the job analysis;
3. a standard application form;
4. a scoring scheme based on the job specification;

5. a short-listing procedure to reduce applications, if necessary, to a manageable number;
6. a final selection procedure based, again, on the person specification, and including a panel interview;
7. an appointment procedure based on the scoring scheme; and
8. notification of results to both successful and unsuccessful candidates.

Source: Keuleers (2004)

In addition to recruitment, the use of merit is also widely recommended in all aspects of HRM. Merit-based promotions aim to assign the right people to the right jobs and make full use of their potentials and skills.

Studies of public servant management in Tanzania and Uganda, which now typically apply merit-based principles in HRM, show that organisations which to a high degree apply merit as a criterion for recruitment and promotions perform above average, whereas among the below-average performers there were clear cases of breach of merit principles (Therkildsen *et al.* 2005). The CAR's new policy on HRM strives to bring about merit-based promotion of public servants. According to the new civil servant classification system, career advancement can be made through either progression between levels, or promotion between categories and grades. Under this policy, the government increasingly seeks to complement seniority-based promotion with performance-based promotion.

Merit-based promotions require a formal performance appraisal system, which should be relevant to the culture (Keuleers 2004). Good criteria and mechanisms are important but not sufficient, because care and caution should go into the selection of public servants for promotion or other rewards. According to surveys in Therkildsen *et al.*'s (2005) studies in Tanzania and Uganda, after the formulation and implementation of this principle, civil servants are still not motivated because they feel that "unfair" practices persist.

### **2.2.3. Competitive Pay and Overall Incentives**

Merit-based HRM helps guarantee overall performance. However, qualified people might not be attracted to apply or motivated to work if pay is low and not comparable to private sector pay (Nunberg 1992: 30). According to Therkildsen *et al.* (2005), public servants in several African countries tend to compare their pay with what other sector employees get, not with the income of the average (poor) person. Thus, if government pay is not comparable to private sector pay, it is difficult to attract, retain and motivate qualified staff. Keuleers (2004) thus included, in the list of characteristics of effective civil service, competitive pay, which fosters a motivational climate for state employees. In focus group discussions and questionnaire surveys among public servants in Tanzania and Uganda (Therkildsen *et al.* 2005), the respondents confirmed that pay is the key motivating factor, 37 percent calling it the most important factor. Therefore, outputs may not be produced or may be produced inefficiently should incentives be absent or weak (Boesen & Therkildsen 2004).

### **2.2.4. Organisational Culture and Context**

Organisational culture is a shared set of norms and behavioural expectations characterising a corporate identity (Grindle 1997: 482). It provides another lens through which to examine how individuals and organisations are bound by common understanding and behaviour to achieve organisational goals. Theories that treat pay as the sole motivator should be regarded with scepticism. Usually taken to be "self-interested", public servants have on

the contrary been proved to be motivated also by non-monetary factors. Many studies have found a range of monetary and non-monetary motivations, in addition to competitive pay. Surveys in Tanzania and Uganda show that allowances are as important as pay for most respondents' incomes. Non-monetary rewards such as job security, career prospects, clear job expectations and public approval and appreciation for work done are significant in achieving increased motivation among public servants (Tendler 1997; Grindle 1997; Therkildsen *et al.* 2004).

In Cambodia, the political, cultural, historical and socio-economic conditions, and the legacy of patron-client practices, are especially important in determining the performance of public servants. For instance, a teacher was highly valued and well paid before the Khmer Rouge period. People valued teachers because they knew that to become a teacher, one had to go through a rigorous examination, and therefore teachers had a reputation for intelligence and professionalism. A male teacher could easily find a bride. This is no longer the case. Teachers rank almost in the lowest category of job seekers, and students who finish high school apply for teaching jobs only as a back-up if other jobs fail. Teachers are poorly paid and are seen as not very competent, sometimes very corrupt (because of informal fees from students) and to some extent politicised.

Furthermore, factors such as organisational mystique, management style and performance expectations contribute to a positive organisational culture (Grindle 1997). In Cambodia, it would be critical to find the factors that could contribute to accountable and performing organisations as "positive deviant" cases for demonstration and replication. The paper will use case studies of the PPWSA and SEILA to discuss this aspect.

### **2.3. Decentralising Civil Service: Shifting Employer Functions to Lower Government**

Decentralisation reforms can have three forms. First is simple deconcentration, which moves certain functions but without shifting political or fiscal power; second is intermediate delegation, which might shift centrally responsible bureaucrats geographically closer to service recipients; third is the devolution of power and control over key resources from central to lower government (Manor 1999; Peterson 1997). What is important in D&D—and crucial for decentralised HRM—is the reallocation of functions and resources to fulfil mandated responsibilities. Experience increasingly shows that an accountable civil service is key to successful decentralisation. Creating local capacity, incentives for people to stay in the provinces and autonomy and local accountability are at the core of administrative reforms. Yet the Cambodian decentralisation has shown weak links in the reform. These are directly correlated to an inability to establish enforcement to ensure that accountability is at the root of decentralisation. Although the commune councils are required to deliver services in support of local development, prepare and implement commune budgets and development plans, have their own personnel and administrations and collect own revenues, they are not really able to fulfil these requirements after three years of decentralisation. Districts and provinces face similar challenges.

Cambodia's devolution difficulties influence how administrative, human resource and fiscal features are decentralised. Generally, extensive decentralisation can hamper development of competent and professional local staff if promotional and financial opportunities are absent. Decentralisation also fails when lower elected bodies do not have substantial resources or powers, administrators are not accountable to elected representatives and elected representatives are not accountable to ordinary people (Green 2005; Crook & Manor 1999). At the same time, maintaining a central government role to ensure provision of uniform basic services is necessary, but difficult to ensure in practice.

A decentralised civil service can work when it follows five principles, again all central to HRM (Green 2005). First, local government functions are defined so that staff know what is expected of them and managers can adapt the local civil service to reflect needs. Second, local governments require authority to allocate staff across functions. Third, local governments need to be able to attract and retain qualified individuals, which includes being able to ensure competitive pay, career opportunities and other incentives. Fourth, local governments require flexibility in managing finances, such as making adjustments to pay or staff numbers. Fifth, local governments must be authorised to supervise, reward and punish staff in order to maintain their accountability.

It is useful to unpack the HRM functions in analysing how D&D are going to devolve these functions. There are six broad categories of employer functions (Evans 2004):

- budget control: authority over recurrent budgets and authority to dismiss surplus staff;
- establishment control: control of overall staffing numbers and in local offices and facilities;
- recruitment: the status of formal employer and the authority to hire staff using the independent merit-based recruitment mechanism;
- career management: authority over promotion, transfer and horizontal mobility of staff;
- performance management: directing and supervising activities and tasks and conducting evaluations that lead to rewards or disciplinary measures;
- pay policy: setting overall wage rates and allowances.

Furthermore, decentralising employer functions is mainly a means to achieve the HRM decentralisation goals, which are the ability of sub-national governments to manage staff and finances. There are four broad goals that should be considered before the start of HRM decentralisation:

- Sub-national governments must be able to hold staff accountable for performance. This requires that sub-national governments: (1) direct and supervise the activities and tasks of staff, (2) conduct evaluations and make promotions, (3) have the ability to discipline and fire, (4) are formal employers and (5) use independent merit-based recruitment.
- Sub-national governments need the ability to allocate staff where need is greatest. This requires that they: (1) control staff numbers in local offices and facilities, (2) have the authority to dismiss surplus staff, (3) have the authority to transfer staff within local government and (4) allow for horizontal mobility of staff.
- Sub-national governments need to be able to manage their finances. This requires that they: (1) pay staff from their own funds, (2) determine the wage envelope (3) control overall staffing numbers and (4) set overall wage rates.
- Sub-national governments should have the means to attract and retain skilled staff. This requires that they: (1) have financial rewards/promotion authority, (2) set allowances and (3) establish a civil service cadre.



Table 1 shows that in order for sub-national governments to hold their staff accountable, they need authority to (1) direct and supervise the activities and tasks of staff; (2) conduct evaluations and make promotions, (3) to discipline and fire, (4) to employ staff formally and (5) to recruit using independent merit-based mechanisms. The next chapter will describe these functions in Cambodia.

**Table 1: Authority Needed to Provide Administrative Autonomy**

<b>Employer functions</b>	<b>Hold staff accountable</b>	<b>Allocate staff</b>	<b>Manage finances</b>	<b>Attract and retain staff</b>
<b>Budget Control</b> <ul style="list-style-type: none"> <li>• Paying staff from own funds</li> <li>• Determine wage envelope</li> <li>• Authority to dismiss surplus staff</li> </ul>		√	√ √ √	
<b>Establishment Control</b> <ul style="list-style-type: none"> <li>• Overall staffing numbers</li> <li>• Local staffing numbers</li> </ul>		√	√	
<b>Recruitment</b> <ul style="list-style-type: none"> <li>• Formal employer</li> <li>• Authority to hire</li> <li>• Independent merit-based recruitment mechanism</li> </ul>	√ √ √	√		
<b>Career Management</b> <ul style="list-style-type: none"> <li>• Promotion</li> <li>• Local transfers</li> <li>• Horizontal mobility</li> </ul>		√ √		√ √
<b>Performance Management</b> <ul style="list-style-type: none"> <li>• Direct and supervise activities and tasks</li> <li>• Conduct evaluations</li> <li>• Financial rewards/promotion</li> <li>• Ability to discipline/fire</li> </ul>	√ √ √ √			√
<b>Pay Policy</b> <ul style="list-style-type: none"> <li>• Set overall wage rates</li> <li>• Set local allowances</li> </ul>		√	√	√

Source: Entirely from ADB/DFID/WB 2004: 61

## 2.4. The Path Other Decentralisers Have Followed

While a great deal has been written about Cambodia's decentralisation, comparatively, it is quite limited. Manning and Evans (2004) have considered HRM and decentralisation in detail and advanced the idea of there being strong and weak decentralisers. Reviewing eight countries' experience, they conclude that there are similar HRM characteristics among strong decentralisers; countries that are most decentralised tend to be decentralised in the same ways. Strong decentralisers have strong decentralised mechanisms for:

- budget transparency (paying staff from local funds);
- budget and establishment control;
- performance management;
- own recruitment;
- career management.

However, Evans and Manning note that the resulting arrangements give only marginal ability to attract and retain staff—especially in local control over promotion, horizontal mobility, discipline/firing and local allowances.

To move from “intermediate” to “strong” decentralising, according to Evans and Manning (2004: 15), a country needs some control over recruitment, career performance management within local government and performance management. Clearly, local government needs to have control over performance and promotion in order to achieve basic accountability of staff. Ability to discipline and reward performance is very important for accountability, but is usually possible only in strongly decentralised countries. Local control over transfers is crucial so that managers can match needs and resources. Other issues to be tackled by strong decentralisers are establishment control over numbers of staff and wage rates.

### **2.5. HRM Accountability within Hybrid Governance: the Neo-patrimonial Perspective**

The use of a patronage and neo-patrimonial framework of analysis is not intended to judge what is “bad” or “negative” in Cambodian governance. It is an attempt to understand more clearly how HRM accountability works. Here the paper also tries to explain why neo-patrimonialism may have positive aspects at this stage in a post-conflict society needing stability.

We should acknowledge that all systems have some element of personalised trust and patronage built into them. We should also note that not all patronage and neo-patrimonial practices are always negative: institutions involving patronage can provide stability, and, as they have in Japan, Singapore and China, a predictable basis for building a state, its development and institutional infrastructure, its ruling and capitalist classes. However, it is important to differentiate and understand what aspects of neo-patrimonialism are destructive and damaging to the state’s capacity and public interests, while some other aspects foster development and democratic institutions in the long run (Khan 2004). This paper uses the framework to illuminate the Cambodian reality.

#### **2.5.1. Patronage**

Patronage has been a feature of political and social organisations for as long as they have existed. The theoretical analysis of patronage (patrimonialism), however, was first substantially elaborated in the early 20<sup>th</sup> century by Max Weber, in *Politics as a Vocation* (1965), and *Economy and Society* (1978). Using the term “traditional patrimonial governance”, Weber described a situation in which administrative positions and structures are set up by patrons who then assign authority to deputies over certain parts of the patronage domain. In short, patrimonialism is based on the personal power of the patron and his/her discretionary ability to dispense favours and resources to clients, who in turn rule as sub-patrons within their own domains (Weber 1978: 1010f).

Such patron-client relationships remain common in south-east Asia, South America, much of Africa and less developed sections of Europe (Scott 1977; Neher 1981). Several prominent scholars propose that such relationships make up the heart of power and authority both locally and centrally (Scott 1977; Hanks 1975; Neher 1981). Scott defines



patronage in these contexts as “a special case of dyadic (two person) ties involving a largely instrumental friendship in which an individual of higher social-economic status (patron) uses his influence and resources to provide protection or benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services” (Scott 1977: 92). Patronage is certainly important in Cambodian governance. Its particular characteristics are described at some length in Pak *et al.* (2007), and other useful contributions to the literature (Chandler 1991; Marston 1997; Ledgerwood & Vijghen 2002; Hughes & Conway 2004; Un 2005; Hughes 2003; Kim & Ojendal 2007).

At least three features of the traditional patron-client relationship have a particularly negative effect on HRM and accountability: centralisation, personalisation and politicisation and blurred lines of accountability.

### **2.5.2. Neo-Patrimonialism**

Neo-patrimonialism maintains the essential features of classic patrimonialism, but combines them with features of legal-rational government, such as the rule of law and bureaucracy. Bratton and van de Walle (1994: 458) define neo-patrimony as a regime in which:

“ the chief executive maintains authority through personal patronage, rather than through ideology or law. As with classic patrimonialism, the right to rule is ascribed to a person rather than an office. In contemporary neo-patrimonialism, relationships of loyalty and dependence pervade a formal politics and administrative system and leaders occupy bureaucratic offices less to perform public service than to acquire personal wealth and status. The distinction between private and public interests is purposely blurred. The essence of neo-patrimonialism is the award by public officials of personal favours, both within the state and in society. In return for material rewards, clients mobilise political support and refer all decisions upwards as a mark of deference to patrons.”

A shorter definition by Brinkerhoff and Goldsmith (2002: 40) depicts neo-patrimonialism “a mixed system of government administration, with a rational-legal veneer overlaying a web of personalistic ties characteristic of patrimonial rule”. In essence, neo-patrimonialism concerns a hybrid form of governance incorporating both traditional patrimonial behaviours and rational-legal administrative arrangements. Neo-patrimonial power is maintained through mastery of the formal and informal systems, combining resources from the cultural, family, economic, political and administrative worlds (Bayart 1993; Braathen 2002). Common features include centralised control of major resources and positions and their use to amass wealth by elites and their families, systemic fiscal crisis and the entanglement of personal, political and administrative systems and accountability relationships (Brinkerhoff & Goldsmith 2002; Bratton & van de Walle 1994; Chabal & Daloz 1999; Erdmann & Engel 2006; Kettering 1988; O'Donnell 1996; van de Walle 2001). All of this has enormous implications for the success of sub-national HRM.

In Cambodia, neo-patrimonialism most commonly involves powerful “backers” who provide security, protection and opportunity for advancement and extra rewards in return for personalised loyalty. Clients become part of an entourage around the backer, or, more commonly, part of a “line”, a hierarchical connection extending up to the powerful, centrally connected backer. Whole ministries can become to a significant extent the personalised fief of a patron, who will install members of his network in all the significant roles and offer advancement based on further alignment with the network and its members' interests. The personalised authority within networks is to a large extent respected and desired. On a day-to-day basis, it is presented in ceremonial and other displays of power and style,

terms of address and respect and even in the kinds of cars powerful figures drive and the number plates attached. Personalised neo-patrimonial rule is captured perfectly in the Khmer saying, “The rule is on my lips”.

Party politics in Cambodia also operate around strings and backers, but these are closely related to the electoral system. Party politics in Cambodia is dominated by the Cambodian People’s Party, which has 5 million members. Not only does it dominate national and commune electoral politics (1598 of 1621 communes have elected CPP chiefs), but lines from its factions dominate most of the ministries and departments.

People seeking political advancement must make a considerable investment in party politics, making major contributions of time and resources, especially around elections. Much of this involves travelling to provinces to forge and strengthen networks there.

Finally, there are horizontal networks or groups of colleagues, sometimes composed of friends who have forged close relations over years, particularly in the provinces, in military or political struggles. Other groups form vertical and horizontal links around a powerful backer. Members of these look after each other’s interests, spreading opportunities and watching each other’s backs. Membership of such groups is the norm, rather than the exception in Khmer culture. These groups exert a powerful influence on HRM.

In this paper, neo-patrimonial perspectives are used to understand the ways in which political and personal interests have become closely entangled with HRM. They affect every employer function and every aspect of accountability, throughout government. They are also entangled with donors’ HR arrangements, even when these are ostensibly based on new public management approaches such as competitive recruiting and contracted outsourcing.

## **2.6. Accountability: the Role of Donors and Their ‘Modalities’**

In recent years a great deal more focus has been put on ways in which donors’ practices and management techniques (called “donor modalities”) change accountability. In particular, analysts have focussed on the ways in which donors’ requirements can undermine the ability and incentives of the recipient country to create strong accountabilities.

Donors’ preferred modalities usually involve very clear accountabilities, often drawn from new public management approaches (Pak *et al.* 2007). Each project will have very clear, but often very narrow, objectives, often described in terms of narrowly defined outputs. For example, a project might specify the digging of a certain number of wells, or the holding of a certain number of training events for a certain number of people. Often, these outputs are framed in such a way as to encourage competitive bidding by private sector or NGO contractors. The successful contractor then has to demonstrate delivery of the outputs to obtain payment. For the next contract, the process is repeated, with no guarantee that the same people will be involved.

Most NGO and other aid projects use this approach, the NGOs or project managers themselves often being on a contract to deliver outputs to their donors. In theory, and in good practice over the short term, this means accountability is strengthened because there is transparency around the services or goods provided: open bidding specifying the outputs, their prices and when and where they will be delivered. But critics have noted other effects, which over the longer term can reduce important forms of accountability.

First of all, there is the question of whom the project staff are accountable to. Often the main accountability is to the donor, who might not even have an office in the country. Recipient

country oversight is very difficult because there are so many projects going on at any one time. Even where they have established “partnership” relationships with government ministries, the effect on the ministry of many different projects can often be destructive. Ministry work is allocated into many small units within, linked to or even outside the ministry (often called project implementation units or PIUs). Staff are primarily focussed on the objectives of the PIUs, which supply their wages and set their work. Ministry staff become contractors to the NGO or other donor programmes, and are accountable to the donor for outputs, for which they receive salary supplements. These programmes (sometimes called “vertical programmes”) can extend from Phnom Penh directly to the local site, cutting out sub-national government, or making sub-national public servants and even the governor into contractors. The ability of a ministry or department to plan and have its staff focus on strategic change can be reduced, as day-to-day activities of the ministry are “crowded out” by multiple donor activities.

Short-term contracting can also affect relationships, reducing wider accountabilities. Public servants and service contractors become attuned to thinking about where their next contract will come from, and can treat their daily jobs as simply a launching pad for contracting to NGOs. In practice some contractors also learn how to work the system, using informal networks to get around competitive bidding. In this way, what appears to be a transparent process can act as a cover for neo-patrimonial practices. What was meant to simplify accountability has in many cases made it more complex and fragmented (Craig & Porter 2006).

Other critics note that donor approaches can have a highly distorting effect on a government’s practices (Brautigam 2000; Moss *et al.* 2006; OECD 2005). They can remove or distort budgetary constraints, so that instead of the government setting priorities, the budget becomes a list of donor projects, with no policy-driven priorities. They can also remove incentives for government to collect taxes and, as a result, if services fail due to lack of money or weak government systems, government can claim helplessness and look to donors to meet the shortfall. This reduces the primary accountability of the elected government too: ministers know they will not be held accountable for the quality of services, and concentrate on building voter loyalty by other means, such as gifts and creating lines or groups of clients (for an overview of the literature, see Moss *et al.* 2006). All of these factors affect Cambodian HRM.

Because of these widely known problems, the OECD has begun a programme promoting harmonisation and alignment of donor programmes with government goals. Under the banner of “aid effectiveness”, a global programme has been established to reduce fragmentation and the number of PIUs, and to make donor programmes more accountable to government leadership and strategy. It also seeks to integrate programmes more into the budget, and reform the budget to reflect more fully real donor support. In HRM, it aims to move away from salary supplements and other practices that distort and fragment accountabilities, and which encourage public servants to look outside the government. In Cambodia’s case the work is being led by the CDC, and an initial assessment of the situation can be found in CDC (2007).



## **Chapter 3**

# **Human Resource Management in the Civil Service**

## Chapter 3. Human Resource Management in the Civil Service

This chapter aims to give readers an understanding of the civil service in Cambodia, especially sub-nationally. It focusses on the following issues:

- how the formal civil service system<sup>5</sup> works in Cambodian public institutions;
- how authority is shared;
- the strengths and weaknesses of the system.

This chapter begins with an overview of civil servants, key actors and their responsibilities and important central and provincial employer functions. It concludes with a discussion of other aspects of HRM (NGOs and donor-supported programmes) and progress in and challenges to public administrative reforms. It foreshadows several issues that will be discussed in chapters 4 and 5.

### 3.1. Overview

#### 3.1.1. Composition

The Cambodian civil service has grown gradually, increasing, from 148,353 in 1994 to 167,778 in 2003 (13 percent) (WB & ADB 2003: 99), and remain stabilised until 2006 (RGC 2006c). Small increase during 1994-2003 were due to new recruitment, the raising of the retirement age from 55 to 60 and new appointments of commune clerks (WB & ADB 2003). Within this period, the government also attempted to cut the number of people on civil service lists but not actually performing public service work (ghost civil servants) by undertaking two extensive reviews. First, in 1995 the government conducted a staff count that led to the cutting of 17,700 civil servants (CAR 2006). Second, in 2001 it carried out a census of civil servants, and subsequently created a computerised payroll, which was able to remove more than 9000 ghost staff, achieving USD1.8 million in annual savings (Ministry of Planning 2001b).

There are several sources of civil servant figures, so there is reason to question whether the available figures provide a true picture. Uncertainty arises for two reasons. First, there is no list of legitimately employed staff either in Phnom Penh (the Council for Administrative Reform, State Secretariat of Public Functions and ministries keep separate records) or in the provinces. While CAR keeps the civil servant database, no one has been able to access it, perhaps reflecting reluctance to move to electronic monitoring of staff numbers. Second, the MEF, which is responsible for approving the nationwide payroll for budget preparation, accepts CAR's figures from the database, although the figures contradict the figures sent from individual ministries. The number of staff is very unclear, but is certainly much lower than suggested by the figures.

#### Box 4: Staff Records: Capacity and Incentives

The State Secretariat of Public Functions is responsible for keeping all staff records, particularly for new recruits. However, records are not complete, because hiring, transfer and promotion are not conducted through the secretariat. The more reliable HRM records are kept by each ministry. The office of personnel of each department and ministry is

5 Civil servants are those who are employed by the state, excluding judges, officials of the legislative order, the military and police (RGC 1994a). In addition, there are staff hired on either a short-term or a contractual basis, who are called contractual staff and floating staff.

responsible for keeping staff records. A poorly maintained record space, lack of storage system security and weak management of records lead to both central and provincial records being incomplete. While the centre lacks access to accurate data, the ministries lack the resources and incentives to maintain a functional system. In many cases, the lack of a functioning system makes informal practices easier.

Cambodia employs relatively few female civil servants; in 2004, females accounted for only 28 percent of the total (Ministry of Planning 2005). By comparison, in Thailand the figure is 48 percent, and in the Philippines 53 percent (UNPAN 2004).

The ratio of civil servants to the total population is comparable with other countries in the region. The Cambodian civil service in 2004 was 1.23 percent of the total population, in Thailand 2 percent, Laos 1.22 percent, Singapore 1.41 percent and Philippines 1.75 percent.<sup>6</sup> In the government's 2005 budget, the total wage bill and related expenses for the civil service were 727,801 million riels, 2.87 percent of GDP (CDRI 2007) and 23 percent of total revenue. The centre consumed more than the provinces, about 62 percent of the total wages bill (MEF 2005).

Although the size of the Cambodian civil service is comparable its neighbours', it is not small given the government's weak and uneven capacity. The numbers are very unevenly distributed between the centre and sub-national administration, and between sectors. Studies have already highlighted the oversupply of civil servants in urban areas, lucrative sectors and dynamic provinces and the understaffing in rural areas and the priority sectors of education and health (Hansen 2005; WB & ADB 2003). A large proportion of this workforce is assigned to provinces, where they supposedly function as administrators. *Salakhet* administration alone in Takeo, for example, employs 425 staff. Yet their duty performance is minimal. However, in all of the offices of the studied provinces, no one complained of being overstaffed. On the contrary, all suggested the need for large increases in new recruits.

Despite increases in priority areas, the overall picture of the Cambodian public service has remained substantially unchanged over recent years. An unfortunate equilibrium has emerged, in which there has been little increase in the revenue base, allowing for neither significant new recruitment nor significant salary increases and incentives. At the same time, office holders and their networks remain highly entrenched.

There are a number of reasons for this. First, many officials hold positions as sinecures, retaining some privileges and possibilities, while making little real contribution. Thus, many offices have long payrolls but lack competent and active staff. An average of only about 50 percent of the payroll are individuals actually present in the office.<sup>7</sup>

Second, most staff joined the government before 1993, when there was no merit-based recruitment. Because the government has never fired staff, this ageing population of civil servants has been joined by new recruits, resulting in a constant expansion of the payroll.

Third, in many cases, public servants retain their positions more for political loyalty and organisational reasons than for any other. In fact, all civil servants are encouraged or forced to register as political party members. Clearly, it is useful for a political organisation if the payroll is long.

6 The number of civil servants of each country is from UNPAN 2004, the total population in the same year from *ASEAN Statistical Yearbook 2005*.

7 Observations and interviews during the study fieldwork and informants at the central level.



Fourth, lack of provincial establishment control has led to the inability of provinces to control or deploy their staff as needed. Despite two rounds of government efforts to reduce ghost staff, the relationship between the numbers quoted and the actual number of staff is not clear. Consequently, total staff numbers by sectors and provinces are unevenly distributed on paper and reality (e.g. staff whose names are on the provincial payroll but who work in Phnom Penh). The movement of staff across provinces and sectors to seek incentives will negatively affect provinces.

Therefore deployment and transfer of staff to local levels have been unimpressive despite some attempts by the CAR to implement a rational deployment policy. This result again is due to the tendency to appoint and deploy staff according to ties rather than according to rational needs. For example, the movement of a provincial governor from province A to province B is always followed by senior staff transfers. Staff prefer to be with their own network and kin because it provides opportunities for rent seeking and salary supplements.

Finally, a substantial number of provincial staff are employed by donor-supported projects or NGO activities, or do much of their work in private practice. Many provincial staff work privately or with NGOs while keeping their names on the government payroll. A great number of midwives have given up their jobs with government health centres to work for NGOs and private hospitals.

#### **Box 5: Civil Service Working Hours**

Public civil servants work eight hours a day, five days a week. Official working hours are 7–11:30 and 14–17:30 daily. In practice, many offices open between 8 and 11 in the morning, and from 2:30 to 4:30 in the afternoon. Working hours in the province are shorter than in Phnom Penh. Some officials take Friday off in order to travel to Phnom Penh or to their hometown. Many district civil servants work even shorter hours. This part-time work is of long standing, having become the norm in the early 1980s. Although illegal, it has become institutionalised and is now justified on the basis of the low salaries. However, many officials work long hours. Typical cases are those working on supported projects, who receive salary supplements. Administrative staff may take some working hours for outside jobs. On the other hand, in offices such as the Fisheries Office and Veterinary Office, staff seem to be more active and overworked, because they are in lucrative jobs.

#### **3.1.2. Sub-National Staff**

Provincial staff who work in line departments but are employed by the central ministries are a high proportion of total staff (74 percent in 2006). However, staff distribution by locations and sectors is still problematic. As a result of low pay and the absence of “moonlighting” opportunities in remote areas, staff prefer to work in Phnom Penh and provincial capitals (WB & ADB 2003). For example, the Ministry of Agriculture, Forestry and Fisheries has 4343 staff employed at its central office, compared to 3998 employed in all its departments across the 24 provinces.

There are two groups of provincial staff: technical and administrative. The former have technical knowledge and are able to solve technical problems; their work includes regular field visits as service providers, conducting follow-up activities and writing reports. Administrative staff work in provincial offices handling administrative work. The two



groups are divided into four ranks: A, B, C, D. Category D staff make up about 50 percent of the total. Staff in this category have no high school diploma or specific skills. This is a very stable and therefore ageing workforce.

Thus the provincial workforce has similar overall characteristics to the national. The majority of the middle and senior provincial staff (categories A, B and C) are also in their early 50s and 60s. Most provincial staff are married, with children, and have a home in the province. Relatively few are transferred from other provinces or cities. About 70 percent of provincial staff have worked in the government for more than 15 years, and entered into the service without going through a selection process. However, a considerable number entered the government in 1993–98, when different political parties and factions were integrated into the government. While some of them have many years of experience in provincial administration, in many cases this experience was under previous regimes in which political loyalty and family affiliation were important in determining their positions and work.

**Table 2: Civil Servant Categories**

Category		Ranks	Functions
A (Administrator)	A1	Chief administrator	Secretary general, deputy secretary general, director general, general inspector, provincial and municipal governor
	A2	Principal administrator	Deputy director general, deputy general inspector, director of central department, provincial and municipal vice governor, chief of district, inspector
	A3	Administrator	Deputy director of central department, chief of local department, bachelor, master and doctor without position
B (Middle civil servant)	B1	Chief middle civil servant	Central office head, vice chief of local department, deputy chief of district
	B2	Principal middle civil servant	Central deputy office head, provincial office head
	B3	Middle civil servant	Provincial deputy office head, district office head
C (Secretary or skilled operators)	C1	Chief secretary	Deputy district office head
	C2	Principal secretary	Commune clerk
	C3	Secretary	
D (Administrative Agents)	D1	Chief administrative agent	Highly skilled worker
	D2	Principal administrative agents	Moderately skilled worker
	D3	Administrative agent	Low-skilled worker

Source: UNPAN 2004

### 3.2. Institutional Actors and Their Responsibilities

Cambodia is a unitary state. It is divided into central and sub-national administrations. Sub-national administration is subdivided into provinces and municipalities, districts (*srok* and *khan*) and communes (*khum* and *sangkat*).

The central government mainly consists of ministries, secretariats and the Council of Ministers. Overall control of the recurrent human resources (or “establishment”) budget rests with the Council of Ministers, which thereby retains centralised authority over overall numbers of staff and, in many cases, the appointments of individuals. Individual ministers or senior political leaders sign off even on local appointments.

Two bodies are responsible for public administration: the Council of Administrative Reform and the State Secretariat of Public Functions. The latter is a central institution with responsibility for monitoring the performance of line ministries in all staff movements: recruitment, transfer, promotion, appointment, dismissal, sanctions etc. It has jurisdiction to cancel or object to any civil servant requests of line ministries or departments, and reports directly to the Council of Ministers. However, in reality it does not often make objections, especially on appointments to senior positions. Rather it represents another signing off on appointments.

The CAR leads in civil service reform, in particular in pay reform and database management. This is a relatively orthodox arrangement in which the State Secretariat of Public Functions acts as a check on the executive’s hiring practices, while the CAR is responsible for administrative reform. The CAR has made some progress in the provinces, especially in improving civil service pay. More specific efforts will be discussed below.

The provincial/municipal administration comprises line departments and the *salakhet*, which includes a first deputy governor and six to nine deputy governors. All are formally appointed by and accountable to the Ministry of the Interior, appointments always related to politics. The district is composed of technical offices and the district governor’s office. Technical offices have one head and two or three deputy heads who supervise sub-offices. The district governor and three deputy governors report to and work for the *salakhet*. The district governor is appointed by the MoI, although in practice there are both political and financial considerations involved. Although the district governor has limited powers and possibilities, this appointment, too, is largely political. The commune is administered by an elected chief and council, and one clerk appointed by MoI.

Provincial departments are extensions of their central ministries, while the *salakhet* is a division of the MoI. Therefore, these two bodies have very limited authority in civil service management, while the central ministries control overall staff numbers, central and local staff movement and assignment of functions. Provincial governors are consulted by line departments on the appointment of their staff, according to a sub-decree (RGC 2006a).

Overall, communications and relationships are structured around the central-provincial hierarchy. In this hierarchy, the centre has the main authority over important functions, including funding, staff recruitment, career management and pay. Departments and offices in the provinces have authority over less significant functions, including deploying staff to districts and communes, directing and supervising and, most importantly, forwarding their requests and problems to their ministries for approval and guidance. The departments and offices also supervise their line offices in districts. This hierarchy means that all provincial departments and offices have a degree of vertical accountability to their ministries, but less accountability to provincial actors, including departmental chiefs and the governor. Horizontal accountability to the governor’s office, while it exists on paper, is much weaker.

### 3.3. Sub-National Employer Functions: Theory and Reality

Civil service management oversees many processes. It starts from a person applying for a position and continues until the person retires. In this section, we consider civil service employer functions. These include budget control, establishment control, recruitment, career management, performance management, pay and incentives. We highlight these because they are the most fundamental functions in need of reform. They also illustrate the degree of power sharing by central and sub-national governments, and the political entanglement in the current system.

**Budget control:** Provincial civil servants are paid from central funds. Provincial departments prepare recurrent budgets based on the previous year's budget and send these to the ministry for approval. Provinces manage their chapter 10 funds (staff salaries, allowances etc, excluding mission pay) but do not have authority to retain savings and use them for other purposes. Overall, provinces have very limited authority concerning budgets.

The payroll, which is prepared by each line department using a common form, provides detailed information on each employee, including position, grade, salary and attendance record. The department submits the payroll to the Treasury, and the provincial Department of Economy and Finance approves it. Then the payroll is sent to the Ministry of Finance for payment through the Treasury. The Treasury in Phnom Penh issues a cheque to the provincial Treasury, and cash is collected and transported from Phnom Penh to the provincial office to be paid to the employees. Payroll processing and approval are centralised.

**Establishment control:** Overall control of sub-national staff numbers and deployment in different ministries is managed by the centre, because it is strongly linked with the national budget. Because the provinces lack both devolved budgetary discretion and own revenues, they cannot choose to employ their staff. However, there are questions about the reality of central control. Establishment control is difficult, because of the issue of ghost staff.

**Recruitment and deployment:** An annual civil servant recruitment is conducted nationwide. Recruitment is supposed to be based on merit and competition. Applicants must be Cambodian; 18 years of age and not more than 25 (unless a diploma of higher education is held, extending the age to 30); not convicted of a crime; and have "good attitude" (RGC 1994a). However, because recruitment is highly centralised, recruits are mainly Phnom Penh-based and typically want to stay in Phnom Penh. This has very negative implications for provincial governance and accountability between provincial department managers and staff.

Recruitment involves a great deal of coordination between line ministries, the State Secretariat of Public Functions, CAR, MEF and the Council of Ministers. This is a multistage, time-consuming process, in which provincial departments have a very limited role. The line ministries are key, consolidating requests from their provincial departments, organising exams, including arranging questions,<sup>8</sup> and giving scores under the oversight of the State Secretariat of Public Functions. Upon selection, candidates have probationary status<sup>9</sup> for

8 The written examination covers three main areas: the main subject (law, IT, finance etc), general knowledge and language (English) (UNPAN 2004).

9 When they are recruited, candidates who are students are placed in category C and those who have previously been civil servants and hold an old category are placed in a new higher category, (RGC 2000). Category A requires at least a bachelor's degree, category B at least a higher vocational certificate (high school diploma + 2 years of additional study), category C at least a high school diploma. (UNPAN 2004). During probation, candidates are ineligible for promotion, transfer, leave without pay or work outside their responsibility. Candidates receive base salaries and are eligible for training.

six to 12 months, depending on their previous status. They are subject to sanctions or dismissal if they are found guilty of misconduct.<sup>10</sup> In theory, then, a provincial department might have control over probationary aspects, but in practice sanction or dismissal has to be decided by the central ministry.

One exception to central control is the appointment of commune clerks, who are appointed by the MoI, but usually in close consultation with the commune chief. As a result, commune clerks have strong local knowledge, but also strong political and often family loyalties to the commune chief.

**Career management: promotion, appointment, and transfer:** Promotion can occur in three ways. One is promotion from a lower grade to a higher grade within the same scale.<sup>11</sup> Every staff member being reviewed is usually promoted one grade of the scale system (e.g. promotion from scale 2 grade 10 to scale 2 grade 9) until they reach grade one. Second, there is promotion of scale within the category (e.g. promotion from scale 2 to scale 1). This is less common, and happens only for staff who receive intensive training, receive very high scores on performance appraisal or have strong support. Promotion between categories (e.g. from C to B) is rare and can take place only by competitive examination and when there are vacant positions. Staff who are already in grade 1 of scale 1 can also be promoted from one category to another.

Promotion is complicated and time-consuming because it requires many sign-offs in many posts. It requires a staff performance review and appraisals by a committee, a supervisor's assessment, approval from the line ministry or MoI and, finally, approval from the Secretariat of Public Functions. A ministerial *prakas* is issued to confirm the new rank and salary scale. Although Article 20 of the Common Statute of Civil Servants guarantees that "a promotion in grade and category of civil servants shall be effected solely through selection or seniority", in reality this does not happen. Low-level promotion, from one grade to another, often involves understanding, incentives and helpfulness from their boss. However, "running the work" is often needed for higher promotion, where money is needed to pass through all the procedures and checkpoints.

The formal system of transfer between provinces, departments or districts operates like this: an individual who wishes to be transferred must have preliminary approval from his/her current employer and the potential employer. First, the individual prepares a request to be reviewed and approved by the current ministry. Second, the individual prepares another request to the intended ministry. Third, a transfer request form, with agreement statements from both ministries, is submitted to the Secretariat of Public Functions. The secretariat reviews the matter, endorses the recommendation and makes an official adjustment to the civil servant list. The transfer takes effect after a ministerial *prakas* of the new employer has been signed. It is very important that the individual who wants to transfer has found out, before beginning, if the institution will accept her/him in order to avoid the waste of time and money spent on "running the work". The number of hands the request needs to pass through, and the heights it must rise to, mean that this process is not merely inefficient but also multiplies the opportunities for rent seeking.

For higher positions, transfer is especially centralised. Formal approval from the king is required before the prime minister can appoint, transfer or dismiss provincial and municipal governors. However, the prime minister has the authority to appoint, transfer and dismiss

10 Misconduct includes being absent more than 30 days and not complying with directions or staff allocations of the department director.

11 Categories A–D have three scales, scale 1 consisting of six grades, scale 2 of 10 grades and scale 3 of 14 grades.

senior officials such as department directors, deputy provincial governors and district governors. Ministers can appoint, transfer and dismiss staff below the rank of department director, using ministerial *prakas* (RGC 1994b). This arrangement shows that the civil service is highly centralised and politicised, and is increasingly subject to patron-client politics.

**Performance management:** Performance appraisal is conducted every two years for each staff member, in the context of regular increments and promotions within a category. All ministries have an Inspection Department for managing this work, appraising half the staff one year and the other half the next. In the provinces, the offices of administration and personnel and *salakhet* take on these responsibilities. Each department typically forms a committee consisting of five members, which commonly includes the director and deputy director, head of administration and personnel office and two other staff. This committee is in charge of conducting the appraisal and gives scores based on performance. Seniority and length of work experience are excluded from the criteria. Staff fill in the assessment form themselves beforehand and submit it to the committee for review. Provincial managers feel that this performance management is mainly paper-processing, the outcome being determined centrally by the state secretariat and CAR. Many staff do not take it seriously because it will not translate into something real, such as a salary increase or promotion. Most employer functions delegated to provinces come without power or resources.

**Pay:** Pay is set centrally for all public employees. In addition to base pay, there is a complex set of allowances, outlined in Table 3.

The base pay of civil servants is based on category, rank, functions, work experience<sup>12</sup> and wage grade; it is not based on the job, which means that the higher the personal rank of civil servants, the higher their salaries (UNPAN 2004). This is not applicable to staff on contract and short-term arrangements.

Allowances of government employees are divided into four packages: functional benefit; benefit for risk, which includes health care and zone benefit; family support; and education allowances (only for teachers), as summarised in Table 6. Civil servants receive their base salaries plus allowances monthly (RGC 2001).

**Table 3: Public Sector Pay and Allowances**

Type	Recipients	Details
Base salary	All staff	The base salary is not paid to retirees, resigned/fired staff, or other cases specified in the law. Each unit of the base salary is worth 300 riels, which is used to calculate the total base salary.
Functional allowance	All staff in categories A–C.	The payment for each position and sector or ministry is classified into five grades according to time and experience in the public service.
Risk benefits	All staff	Provided to staff who work in locations that have potential health and related risks: 1500 riels per month.
Family benefits	All staff	2500 riels per month for each child and 3000 riels per month for the spouse.

Source: UNPAN 2004

12 For staff in category A, B and C, work experience is divided into five levels: level 5 for less than 3 years, level 4 for 3–6 years, level 3 for 6–10 years, level 2 for 10–16 years and level 1 for more than 16 years. Benefits are allocated based on these levels.



The base salaries of civil servants are low compared to those in private companies, NGOs and garment factories. Salary ranges from 165,000 riels (USD41) for the highest ranking profession to 30,000 riels (USD7.50) for the lowest (UNPAN 2004). Although salaries combine base salaries and benefits, the total pay of civil servants is generally lower than the minimum that will provide a decent living. The government has committed to an annual pay increase for civil servants of 15 percent of the base salary. In 2006, average monthly salary increased to USD45 per month from USD28 in 2004.

When retiring, civil servants who have worked less than 20 years receive a one-time payment. Those who have worked for 20 years obtain 60 percent of their salaries as a pension, rising 2 percent for each additional year of service to a maximum of 68 percent.

There are both grades for each position and a personal grade assigned to each employee. While there should be considerable correlation between the two, there are reasons why the personal and position grades may differ. Over time, promotion to a higher personal grade will occur, even if the employee remains in the same post. In addition, employees with a lower personal grade can be appointed to a post with a position up to two grades higher. A third possible reason, particularly relevant to today's situation, would be that unqualified persons are being appointed to positions because of patronage.

### **3.4. Other Aspects of Cambodia's HRM System**

In order to understand fully Cambodian HRM, two major aspects must be grasped: donors' vertical programmes and project implementation units (PIUs), and NGOs. Both of these have huge implications for sub-national accountability and HRM. Due to low motivation, meagre salaries and weak HRM, government staff have long been seconded to work in donors' and NGOs' parallel programmes and projects, which provide salary supplements. Salary supplements are common at all levels and across sectors. Donors and NGOs require them so that specific performance and output can be secured. In 2002, about 20,000 of 165,000 civil servants were working in projects and receiving salary supplements. The majority on supplements are support staff, field staff and local personnel. While on the surface many such programmes appear or even claim to be capacity building, they often contribute to the undermining of government capacity (Fukuyama 2004: 54).

#### ***3.4.1. Vertical Programmes, PIUs and Their Sub-National Effects***

Cambodia is highly dependent on foreign aid. The number of actors and diversity of projects and interests in Cambodia's development have increased significantly; for example, donor-funded projects have jumped from 257 in 1997 to 532 in 2005. Donors often implement their projects as stand-alone vertical programmes. Because of a lack of interaction with the government and very little coordination among themselves, donors have created more than 1000 PIUs (Talvela 2006). Implementation of these stand-alone projects is highly dependent on both foreign technical advisers and the intensive use of salary supplements and other incentives. Although these modalities are said to have delivered short-term benefits to underpaid staff, they have created distortions in the government, affecting both central and decentralised HRM and accountability.

PIUs can be described as "a system within a system", with little or no integration with the government, and possessing their own staffing arrangements and parallel structures. PIUs have been seen provide flexibility in hiring and increased incentives, and as alternatives to institutional weaknesses (UNDP 2003). However, they raise many fundamental issues of accountability, ownership and capacity development. The proliferation of PIUs has resulted in "islands of excellence in a sea of Government failure" with "short-term improvements in specific outcomes ... with little, if any, impact on institutional changes" (World Bank

2004a: 112). They create lack of sustainability and leave behind no specific impact once the project is finished and the donors leave (Fukuyama 2004). They also risk duplication of projects and overlapping efforts. In addition, PIUs have sucked up much of the available time of government staff, specifically the most highly qualified, and diverted their attention from serving core ministries to performing tasks for donor projects. For example, a survey shows that senior provincial and local staff have to participate in some 45 committees and spend 50 percent of their time in meetings, so that there is barely any time left for them to implement development activities (CDC 2007; Talvela 2006). This undermines accountability, effective use of resources and the capacity of the government.

There is arguably little overall benefit in sacrificing long-term capacity for short-term efficiencies (UNDP 2003). In a growing recognition of the distorting effect PIUs have on aid delivery and institutional development, the 2005 Paris Declaration on Aid Effectiveness resolved to aim for aid delivery that promotes ownership and harmonisation by tackling the remaining challenges, which include weaknesses in partner countries' institutional capacities, insufficient integration of global programmes and initiatives into partner countries' agendas and corruption, which inhibits donors from relying on partner country systems.

In an aid dependent country like Cambodia, excessive reliance on foreign experts or technical advisers is not uncommon. The number of technical advisers (estimated around 800) and the spending on them (approximately \$162 million in 2000—more than the government's total wage bill) is extremely high (World Bank 2004a). These people are crucial to develop capacity and bring into the country new and creative knowledge. However, in many cases this has not happened due to poor management and weak institutions within the country. Dependence on technical advisers to manage projects and reforms can greatly undermine national ownership and prevent long-term development of capacity (World Bank 2004b). Donors and the government need to redefine the roles of technical advisers and develop principles to guide their use to transfer skills and develop capacity.

Of particular concern to the government is the extensive use of salary supplements, which distorts accountability and work incentives.

### ***3.4.2. NGOs and Their Sub-National Effects***

The exact number of non-government organisations operating in Cambodia is not known. As of 2002, there were some 600 NGOs, 200 international and 400 local, plus some 400 associations (NGO Forum Cambodia 2002). With a total budget reaching USD96 million in 2002, NGOs have had a range of effects, both positive and negative. Early in the NGO era there was, as there still is, high hope for NGOs to deliver the development that the government had not been able to offer. NGOs have been engaged in development of infrastructure, and of better and more reliable service delivery. Some development experts also place trust in NGOs to create a good working culture among civil servants. Independent from the government, NGOs are able to keep out its patrimonial influence, encouraging competitive staff selection based on education and experience, and promotion based on merit. In the long run, if development experts are right, NGOs will promote a better working culture, which will result in better HRM and wider institutional capacity. They have in some cases made it possible for government offices, particularly sub-national ones, to perform their tasks despite government funding being small and unreliable. In addition, they have given employment to some 13,000 Cambodians. But while the positive impacts of NGOs are starting to be realised, our research suggests that they also have an important influence on sub-national HRM and accountability.

The lack of coordination among NGOs and especially with the state has weakened the state's capacity to carry out its tasks. Often vertically integrated, NGOs are like commercial service providers contracted to offer specific services to the people. Their performances are evaluated, under new public management, based on outputs set forth by the donors, and meeting the donors' expectations is crucial for them to secure their funding. This has caused NGOs to be more accountable to their funders than to the people they set out to serve. This accountability reinforces their tendency to direct implementation; their actions are planned so as to provide services independently of the government and other NGOs that may be working on similar projects.

The effects on sub-national HRM will be explored in Chapter 5. Here, we will see that NGOs have also had some negative impacts due to their tendency to employ capable government staff for NGO projects.

### **3.5. Reform Programmes and Progress to Date**

#### ***3.5.1. Overall Reforms: Towards Programme-Based Approaches***

Cambodia is heavily dependent on donor support for both funds and external technical assistance. Cambodia is also viewed as a weak and corrupt country; therefore, donors have established stand-alone programme implementation units to manage their funds. Education, health and agriculture are the priority areas. PIUs are effective in achieving project-defined goals. Most importantly for sub-national HRM, they bring salary supplements, which are a mechanism to address low civil service pay. As a consequence, provincial government is able to retain and motivate the best staff, but PIUs can cause internal conflicts due to pay inequality and brain drain when staff are pulled out for donor projects. Accountability then goes to donors rather than the government (WB & ADB 2003).

Since the introduction of PIUs, Cambodia has confronted a lack of donor harmonisation and alignment, which continually undermines accountability and the effectiveness of aid. Programme-based approaches are now being proposed and introduced in the hope of replacing PIUs and securing more formalised coordination and harmonisation among donors. These aim to build the strategic and policy leadership of the host country, create a single budget framework and increase the use of local systems in design, financial management, monitoring and evaluation etc. Programme-based approaches have already been used to replace PIUs in health and education. Land management is also to some extent using this method (Talvela 2006).

Programme-based approaches have components that might contribute to strengthening provincial accountability in D&D. They involve a clearer nationally owned sector policy and strategy, a medium-term expenditure programme, systematic arrangements for managing programme resources, a performance monitoring system, broad consultation with multiple stakeholders, a formalised government-led process for aid coordination and dialogue and an agreed process for moving towards a harmonised system (Talvela 2006).



**Box 6: Cambodian Public Administration and Reform Programmes**

Cambodian public administration was rebuilt from the ground up after the fall of the Khmer Rouge regime in 1979. During the 1980s the reconstruction took place under Vietnamese supervision, based on socialist ideology. After the Paris peace accords in 1991, international donors with more liberal and pluralistic backgrounds became the main development partners.

There have been few available resources, including educated and experienced staff. Furthermore, due to internal conflict, which lasted until the late 1990s, party affiliation and loyalty have been key qualifications in public administration. Patronage systems and informal networks have been developed to accumulate power and maintain control. In return for loyalty, civil servants are provided access to rents.

Soon after its formation in 1993, the first royal government launched a reform programme to improve governance and public administration. A key objective was to integrate the various administrations into a unified civil service by identifying a core group of civil servants to be given sufficient remuneration and qualifications. Other priorities related to establishing appropriate legal and management frameworks and a better understanding of the nature and composition of the civil service. However, due to political rivalries, distrust and tension between the government coalition partners, this first round of public administration reforms achieved scant results. The outbreak of conflict in mid-1997 put the entire reform process on hold.

After the formation of the second government in 1998, the formulation of the National Public Administration Reform set the goals for a comprehensive reform. This was followed by the Governance Action Plan in 2000, and by the Strategy to Rationalise the Civil Service in 2001. These three programmes are the government's main efforts to enhance governance, and they continue to provide the foundation for the reform agenda. The Rectangular Strategy, launched in July 2004 by the third government, and *Serving the People Better*, an August 2004 update, are both based on the former programmes.

Other related plans are the Poverty Reduction Strategy Programme, the two Socio-Economic Development Plans and the Cambodian Millennium Development Goals. Encompassing and building on the governance reforms, these set the overall development goals.

(Source: Danida 2004)

**3.5.2. Public Administration Reform**

The coming D&D reforms, which are being formulated to achieve sub-national “democratic development”, potentially will have a great impact on civil service reform. This will particularly be the case if they provide some clearer objectives for national and provincial ownership, vertical and horizontal accountability, clear functional responsibility and resourcing according to functions (Rohdewohld & Porter 2006).

Yet D&D and programme-based approaches remain future prospects in sectors such as health, education, forestry and land. In the meantime, Cambodia has begun a number of public administration reforms, which also need to be emphasised for a complete picture of current HRM. Box 4 gives an overview of the most significant.

Civil service reforms have become increasingly important to donors and in government policies. The 2004 Rectangular Strategy describes civil service reform as contributing to good governance by strengthening institutional capacity, eliminating overlapping work and streamlining the bureaucracy to ensure quality and service delivery. The strategy mentions an increase in salaries of 10–15 percent per annum (RGC 2004).

The 2004 public financial management reform is closely related to public administration reform, especially to the possibilities of raising salaries, because it aims to deliver reliable and predictable resources to managers and to improve pay and civil service management. During the 2005–06 first phase, concrete achievements included: (1) improved salary budgeting through coordination among line ministries, CAR, MEF etc.; (2) implementation of the Priority Mission Group and Merit-Based Pay Initiative, which offered benefits to 263 of the most senior civil servants (the supplements ranged from USD50 for secretary to USD400 for secretary general and director general [CAR 2005]); (3) placement of internal audit offices within line ministries (19 have been set up and six are in operation); (4) a preliminary appraisal to identify capacity development needs within departments; and (5) the initial step of functional analysis and information alignment between MEF and CAR on budget and personnel establishment control (MEF 2007).

CAR envisions the civil service as an effective provider of public services and a trusted development partner, focussing on strengthening four areas: motivation, loyalty, service and professionalism. So far, CAR has initiated a number of reforms. In October 2001, it began the National Public Administration Reform phase 1, focussing on consolidating the public service, and continued to phases 2 and 3 by formulating the Strategy to Rationalise the Civil Service.

The Strategy to Rationalise the Civil Service, referred to as the “pay and employment reform”, is to improve civil service pay in order to motivate, attract and retain skilled staff, especially in the high management and priority sectors. Also it intends to contribute to reducing pervasive corruption within public institutions (WB 2004a: 45–46). Another focus is to build government staff capacity and bring staff closer to the people.

Three strategies have been followed to raise salaries. First, the government increased the total amount of funding for the recurrent budget. Second, it tried to reallocate resources from defence and security to fund civil servant salaries, especially in priority sectors, and reduce the size of the civil service. Third, the government has asked for budget support from donors.

CAR is continuing the reform under a 2004–08 “Programme for Administrative Reform—Serving People Better”. It aims mainly at improving the quality and delivery of public services, especially in education and health, and the allocation of funds for salaries. The reform has four focusses: improving service delivery, enhancing pay and employment, developing the capacity of people and institutions and promoting information and communication technologies. Under pay and employment, the reform centres on three areas: increasing pay, redeploying the civil service to meet needs and strengthening HRM and controls.

However, the evidence is that civil service reform has not met the government’s stated objectives, especially in the provinces. The annual increase in salaries has not had a significant impact on provincial recruitment and retention of skilled staff. The Priority Mission Group, for example, has not addressed the problem of low salaries, beyond a small group of public servants. Like many other initiatives, it fails to replace the *ad hoc* arrangements of donors.

Another challenge is that the CAR reforms do not address the centralisation and

politicisation of the civil service. CAR is highly focussed on improving pay, but has overlooked deconcentration. “At present the government is identifying deconcentration as a priority, but sustained political commitment among political and bureaucratic leaders will be necessary to ensure that bureaucracies actually continue to devise and implement deconcentrating initiatives” (Turner 2002: 362). This observation remains relevant in 2007. It is also obvious that current provincial administration is seen as “a collection of departments of central ministries, operating at the provincial level and connected only by weak and tenuous coordination mechanisms” (WB & ADB 2003). There is little clarity about the extent to which deconcentration will progress.



## **Chapter 4**

# **Centralisation and Politicisation of HRM**

## Chapter 4. Centralisation and Politicisation of HRM

In Chapter 3 we examined sub-national HRM's administrative and formal structure and process. Here we will look at the interactions between this formal structure and the informal, neo-patrimonial and political aspects of HRM, and at the implications for accountability. This chapter examines centralisation and politicisation, specifically addressing the following questions:

- What are provincial employer functions?
- What informal, neo-patrimonial and political structures and processes influence and interact with formal/administrative structures and processes?
- What are the outcomes and challenges for accountability of HRM?

### Box 7: Managing Sub-National Service Delivery: Addressing Existing Constraints and Weaknesses and Building on Existing Realities

Mr Sok Kiri is currently the director of a provincial department. Intelligent, he is 50 years old, and has worked for the government for more than 20 years. He remains eager to learn and progress, and has just completed his master's degree. He is busy supervising and coordinating many development projects, but at the same time has to manage staff.

His four main responsibilities in HRM are: (1) staff planning and requests for annual recruitment, (2) direction and supervision of activities, (3) recruitment of floating staff and (4) evaluations. Mr Kiri does a lot of staff management, but he personally thinks this work does not make them really accountable. Most days there are not many staff in the office, nor are there very many in the districts and communes offering support and advice to farmers. Although he tries to get his staff to travel to the districts, his efforts often fail, staff always returning to the offices complaining about their low salaries and inadequate allowances when they travel.

Directing and supervising staff activities are also challenges. He finds it easy to guide staff in what to do, but difficult to make them obey rules. His staff are not well paid, and they turn up only to sign their names or to perform personal activities such as "running work". Many of them for many years have been maintaining their positions as sinecures, while operating businesses or undertaking other activities that offer them more incentives and rewards. Like other provincial departments, his seems to have a lot of staff, given the department's activities. In fact, less than one-fifth of his staff come to work. In an election year, these staff will contribute cash and mobilise villagers to vote, making the department's achievements look good to party bosses.

He agrees that his authority to direct and supervise depends on resources and the feelings of the staff. He has rarely punished staff. A few years ago, following many complaints, he disciplined one staff member who worked at a district office. However, he merely suspended that person for a few weeks, and afterwards he let the staff member return to work. This is the limit of his authority: if he wants to do more, he must report to the ministry in Phnom Penh, and this takes much time. The disciplinary process might also be interfered with, if the staff member uses central contacts to influence the officials whose support the director will need.

He has similarly few options regarding incentives. Medals are used to encourage quality performance, along with small annual salary increments of 1000–6000 riels for one grade promotion. However, in his department, most staff receive them as rewards for good work, “honesty” or “struggle”. The staff are unimpressed with the salary increase because it is too little to make any difference to their situation.

Perhaps a bigger problem is getting the funds to hire sufficient staff in the first place. There has never been a proper needs evaluation of new recruitment. Mr Kiri proposes annual estimates of the number of permanent, contractual and floating staff to the ministry. He submits the request but doesn’t hear back. The process takes a year. Two years ago he requested five staff but received only one. Last year he requested four staff, but a year later had not received any. Mr Kiri has not questioned the ministry about the matter: he sees it as within the authority of the line ministry, and he knows that clarification would take much time. He also knows that staff who have been appointed to him are likely to have paid to be able to stay in Phnom Penh. Nonetheless, he is still under pressure to recruit: he has trouble managing phone calls and requests from the centre to have people’s friends and relatives work with him.

Furthermore, he has to deal with his staff’s resentment and jealousy of the head of a district office because of the large amounts of money the latter makes from public procurement. For many years, he has had to deal with competition from the private sector: just recently, Kiri lost another doctor, who now works in a private hospital. He says all this is the reality of provincial line department HRM. He does not consider any of this his own or his staff’s fault. When asked the root of his problems, he points to Phnom Penh.

#### 4.1. Centralisation of Sub-National Administrative Employer Functions

Previous chapters have highlighted that the Cambodian state is highly centralised politically and fiscally. This section will discuss several fundamental challenges within HRM arising from centralisation and their accountability implications, as Cambodia looks forward to decentralised governance.

The World Bank and ADB expenditure review noted, “... the vast majority of civil servants, approximately 79 percent, are based in the provinces” (2003: 101). However, the vast majority of provincial public servants (with the exceptions, usually, of the health and education) do not perform significant duties. Most crucial aspects of Cambodian HRM—and thus most of the real power over employer functions such as recruitment and discipline—remain very highly centralised.

Regionally, Cambodia ranks last in sub-national staffing authority, both *de facto* and *de jure*. A comparative study of regional staffing management shows that the central government controls and dominates almost all sub-national employer functions, from setting wage rates to recruitment to deployment to disciplining and firing. The study also shows that this centralised control has huge effects on the accountability of sub-national government, whereby punishment for staff non-attendance is rare because monitoring attendance is the responsibility of line ministries in Phnom Penh (Green 2005: 147).

Table 4: Staffing Authority Among Sub-National Governments

	Cambodia	China	Indonesia	Philippines	Thailand	Vietnam
<b>Budget control</b>						
• Determine the wage envelope	○	○	○	◐	○	◐
• Dismiss surplus staff	○	◐	◐	●	○	○
<b>Establishment control</b>						
• Control overall staffing numbers	○	◐	○	◐	○	◐
• Control staffing numbers in individual offices and facilities	○	◐	◐	●	○	◐
<b>Recruitment</b>						
• Formal employer	●	●	○	●	◐	●
• Have authority to hire	◐	●	◐	●	○	●
• Have independent merit-based recruitment mechanism (local civil service commission)	○	◐	◐	○	○	○
<b>Career management</b>						
• Promotion is available	○	●	◐	●	○	○
• Transfers within local government are possible	○	●	●	●	○	◐
• Horizontal mobility within local civil service	○	○	○	○	○	○
<b>Performance management</b>						
• Direct and supervise activities and tasks	●	●	◐	●	●	●
• Conduct evaluations	○	●	◐	●	○	○
• Offer financial rewards	○	○	◐	◐	○	○
• Discipline and fire under-performing staff	○	○	◐	◐	○	◐
<b>Pay policy</b>						
• Set overall wage rates	○	○	○	○	○	○
• Set local incentives/salary top-ups	◐	●	◐	●	○	◐

Source: Green 2005

● = yes; ◐ = partial; ○ = no. Data are for most recent available year between 2000 and 2003. Ratings refer to the sub-national administration prioritised by the country's decentralisation policy and to *de facto* practices as well as *de jure* authority.



Cambodia is strongly centralised administratively and fiscally. The fact that the majority of the village to provincial public sector workforce is on the central government's payroll emphasises this centralisation. The consequence is that all employer authority is vested with the government in Phnom Penh, meaning that in many aspects public officials in the provinces work under Phnom Penh's supervision. Provincial and district administrations are designed as branches of their ministries. They must maintain regular relations with the centre by attending regular meetings, by sending weekly, monthly and quarterly reports and by asking for instructions.

Table 8 summarises the sources of provincial and central employers' authority. The table further confirms the regional study that current sub-national governance is very limited in its capacity and authority over staff.

**Table 5: Location of Employer Functions**

		Provincial	Central
Budget Control	Pays salaries from its own funds		√
Establishment Control	Controls overall staff numbers		√
	Deploys staff to various provinces		√
	Deploys staff within provinces		√
	Ability to dismiss ghost staff		√
Recruitment	Planning and requesting	√	
	Authority to hire permanent staff		√
	Authority to hire floating and contract staff	√	
Career Management	Offers promotion		√
	Offers appointment		√
	Offers transfers		√
Performance Management	Directs and supervises activities and tasks	√	
	Conducts evaluations	√	
	Dismisses and disciplines staff		√
Pay Policy	Sets overall pay rates		√
	Sets hardship or remoteness allowances		√

As a result, provincial actors from governors to lower public servants feel disempowered and frustrated by the lack of resources and discretion to do their jobs.<sup>13</sup> Some of this frustration can be heard in these quotes drawn from provincial fieldwork interviews:

“I feel like a scarecrow watching over my province, but cannot act if I see a crow destroying the crop. This is because the central interest is stronger in this area.”

“We have to ask for permission from the centre even when we want to make noodles.”

“Every move we make must first be approved by the centre.”

<sup>13</sup> However, there are areas in which governors hold significant power, such as managing armed force and natural resources.

#### ***4.1.1. Realities of Central and Local Control: Planning***

The powers and responsibilities of the provincial and district administrations are determined (and therefore can be withdrawn) by the central government. Although provinces and districts are legally recognised units of administration, they are not intended to be autonomous in policy other than having some flexibility in implementing centrally determined programmes. Even within the areas that are delegated functions of the province, the extent to which the centre can influence decisions is blurred. For instance, on paper provinces have some autonomy in budget preparation and execution, and in hiring short-term floating or contract staff. In reality, this role is limited to making requests for additional staff at the start of budget preparations, and doing so in ways that allow for formal and informal trimming of allocations. Even when recruiting floating and contract staff, the line department needs to make a plan and request funds from its ministry.

Each provincial department prepares a request and returns it to its ministry. The ministries compile the requests from all provinces along with their own needs and submit them to the State Secretariat of Public Functions and CAR. Numbers requested are generally inflated to allow for trimming by the central authorities, but also to allow for a funds surplus to be shared among the central officials, and to fund political party and social functions. Thus provincial requests provide a falsified basis that covers and legitimises central (political and neo-patrimonial) agendas. This does not provide the province itself any additional benefits. In terms of new recruits, the requests are mostly “wish list” or “fishing” exercises, the total number of recruits requested being based, not on assessed staffing needs and rationalisation of the workload, but on the potential annual funding increase for each ministry. Altogether, those in the province see the whole process as ineffective and demotivating. The outcome is that the centre throws away the provincial request even when the need is greatest and even though the request has helped the ministry fulfil its own agendas. There were more than 9000 recruitment requests from government agencies in 2004, but only 5000 were approved by the prime minister, and the recruitment of that year did not take place until mid-2005 (Hansen 2005).

The provincial frustration is reflected in these comments of officials:

“The department does not have any authority to recruit its own staff; that is the responsibility of the ministry. The department makes an annual staff request for its own needs, if any, to its ministry and then waits for the results. If we cannot have new staff this year, we have to wait and see in the following years. We have no more role to play.”

“I am tired of running requests to hire contracting and floating staff to ministries. I spend two or three days to take and coordinate the request to ministries in Phnom Penh. The approval takes a long time, about a year. Moreover, ministries always trim the number; for example, last year I submitted a request for 20 contract staff, but only 10 were approved. I am tired of going through this process. However, I keep doing it because I find that contract staff are helpful for line departments.

“We work hard to prepare our plan for staff recruitment. Our plan is approved and recruitment takes place. We are happy to receive new staff; however, it usually turns out that all the new staff are for Phnom Penh offices and that no persons ever turn up in provincial offices. We are the victims in this process.”

**BOX 8: Recruitment, Posting and Retention of Health Staff**

The Ministry of Health is facing difficulties in its attempt to recruit, place and retain an adequate number of staff at rural health facilities, partly, it recognises, because of the centralised nature of recruitment. In 2005, the ministry experimented with decentralising recruitment. It achieved partial success, but also encountered a number of instructive difficulties.

**The Standard Recruitment Process: Centralised Arrangements**

Civil service recruitment—information dissemination, distribution and receipt of applications, examinations and marking, selection and posting—is historically centralised in Phnom Penh despite the fact that most available positions are, at least nominally, located in the provinces. Consequently, the process favours Phnom Penh applicants and creates barriers for provincial ones. Phnom Penh applicants are much less likely to stay for any length of time in a provincial posting, and are much more likely to exploit informal means to get back to the centre. Because few names are ever struck from official records (meaning their pay continues to be allocated despite their not performing duties), numbers recruited are tiny, measured against need.

The process normally starts with advertising the recruitment, mainly in the form of posting notices at the ministry and through a small number of advertisements in *Reasmey Kampuchea* newspaper and a few radio slots. No active recruitment, such as visits by recruitment officers, takes place in regional training centres. Applicants have to travel to Phnom Penh to obtain application forms. Numbered forms are available from just one central office, where for a short time they can be purchased. This arrangement imposes huge financial costs on applicants from provinces and remote areas, as evidenced by the low number of applications. These arrangements provide opportunities for centralised rent seeking, again at provincial expense.

Applicants can apply to go to any province, and no preference is given to residents of provinces. Applicants have to apply for a criminal record check at the Ministry of Justice and submit it before their examination, which requires an additional trip to Phnom Penh. Applicants have to sit their civil service examination in Phnom Penh; the date of the exam, however, is announced only a very short time beforehand, again restricting the numbers and favouring those able to stay in the capital. Informal arrangements around the exam involve visits to Phnom Penh-based officials' offices, usually in the company of parents and/or a centrally based influential figure. Some observers feel that the questions in the general knowledge section of the exam favour those who know, for example, the names of key leaders' families and other information circulating in Phnom Penh circles. Examination results are posted at the ministry around two weeks later, which requires out-of-town applicants either to make another trip to learn the results or to have a relative or friend check on their behalf.

Candidates and provincial health departments are not notified of examination grades, but only of whether they passed or failed. In theory, where there are more applicants than positions, candidates with higher marks should be selected, but this is impossible given the non-release of marks, leaving the posting vulnerable to corruption. Exam results function simply as a central gatekeeping device.

Following notification of examination results, recruits have to undergo civil service orientation in Phnom Penh, and the provincial health department chiefs then assign recruits to wherever they feel there is a need. There is no scope, for example, for rural applicants to express a preference for placement near their existing locale. Allocation of positions is quite unsystematic, and result in major imbalances, some institutions (especially the ministry, the provincial health departments and provincial hospitals) being overstaffed, and others, especially health centres and rural referring hospitals, being understaffed.

### **Weakness of the Standard Recruitment Process**

The recruitment process involves a number of stages, the most important of which is setting the number of public servants. Because people are rarely removed from national or provincial lists, and because there is so much disparity between the numbers assigned to provinces and those actually working there, provinces are at a disadvantage in having recruits allocated. Central decision makers are apt to tell ministries to send the people actually assigned there already, rather than offering replacements. Even when people retire, they are unlikely to be formally replaced, because, again in the perception of the centre, there are too many staff in the provinces, when in reality there are very few who are performing duties. Both centrally and locally, the practice of keeping several different, unreconciled records of staff means that allocation is not rational, and that there are many opportunities for rent seeking and corruption around ghost staff and their salaries. Nonetheless, a number of staff are recruited each year—an unpredictable number, but always many fewer than requested.

Thus, standard recruitment is not effective at attracting adequate numbers of applicants or posting and retaining trained health staff in remote facilities. The process is open to corruption, recruits sometimes being assigned to positions that do not match their qualifications, or being reassigned to urban institutions after a short period in allocated posts, upon request or payment of a bribe. Overall, it functions, not so much as a recruiting process for health professionals looking to work for the government in specific parts of Cambodia, but as a gateway to the sinecure of a nominal government appointment for a fairly small group of well-connected, usually centrally located, children of parents who know how the system works. Its overall configuration appears to maximise the possibilities for extracting rent from these kinds of applicants.

Source: Hansen (2005)

### ***4.1.2. Centralised, Merit-Based Recruitment and Centre-Province Deployment***

After the government approves the budget and staffing requests, each ministry starts recruitment. Formally, all recruiting should be done through the State Secretariat of Public Functions. Its processes are supposed to ensure high national standards and other important aspects of establishment control. However, in a centralised neo-patrimony, the formal system enables informal practices. Standardised and centralised national selection not only become opportunities for rent seeking but also have an inherent bias that prevents provinces getting the recruits they need. Despite formal examinations and other centralised procedures, cheating and informal networks remain key to entry to government posts. Exams have no content that provides a measure of individuals' competence for the job; the exam involves simply filling in dates, names and numbers. One informant said that of any 10 public sector vacancies, at least five spots are reserved for families, friends and comrades. Three spots are for those who pay for the jobs, and the other two spots might be for merit-based recruitment.

In our research, many respondents described the problems with the current system, especially in the role of informal influence.

“It is still far from merit-based recruitment because we have only created a system but have not changed people’s practices or social values.”

“The exam is prone to cheating ... It is easy for someone to help a candidate because the exam consists of filling in names, numbers and dates.”

“In my position as director of department, my most challenging task is to say no to someone who wants to have their families or friends working in the department. In most cases, I have to accept them because my boss at the centre gives me a call.”

Of 10 spots for new recruits, more than half are already secured for relatives, friends ... before the exam. Others have to pay \$3000 to pass the exam.”

To combat such arrangements, formal exams were introduced in 1999. However, it seems that the selling of public positions is even more pervasive now, partly because the exams themselves offer many opportunities for rent seeking. To begin with, the exam represented a restriction on entry into public sector jobs; the previous system of automatic employment for individuals who finished university reduced the need to buy positions. Currently, centralisation and informal processes (including systematic cheating) ensure that a large proportion of successful candidates are from families with good connections and high status and, most likely, from Phnom Penh. These candidates are likely to be able to use their backgrounds further in the future, especially if they are able to stay close to the action in Phnom Penh. From this pool of candidates, ministries select and appoint new staff through their Phnom Penh headquarters. Personalised and centralised relationships count. Individuals are appointed, or at least selected for interview, on the basis of their relationship to a person already working in the government. This person will be approached privately, usually at his or her house or through a third party, and offered inducements.

The results are mixed. Information circulates mainly around the centre, with minimal publicity (or closer, more personalised information) going to other areas. This restricts candidacy mainly to those living at the centre. On one hand, this means recruiting can attract more qualified graduates from the capital. On the other hand, the majority of new recruits in Phnom Penh never transfer to the provincial offices to which they are assigned, but do anything they can to stay in or near Phnom Penh. This reinforces central patrimony and rent-seeking.

Staff who do go to the provinces stay for only a short time, often just long enough to request (and make payment for) permission to transfer to Phnom Penh. From anecdotal evidence and researchers’ experiences, this kind of staff mobility is quite considerable. The most significant cases are in education and health, in which recruitment is conducted centrally and candidates are then assigned to district and provincial posts. A large number of teachers and health workers never visit their posts. Instead, they leave their name on the records and their salary to be divided between central and locally well-placed officials. After the required minimum 12 months, many recruits apply for leave without pay, or they give their salary to the host institution and find work elsewhere or request a transfer to the centre. All this comes at a cost, to the system and to the individual.

The consequences for accountability are several. Recruits are not always those most capable of doing the job, which reduces the extent to which they can be professionally accountable. Those who get the jobs already have debts and obligations to networks and

patrons, which they will be expected to continue to meet. They in turn will support and replicate the network, and the cycle will continue. As indicated, most networks have strong connections to the centre, meaning that if a member is sent to the provinces, this will be in part in order to extend central links and fulfil central network needs.

#### ***4.1.3. Performance Management and Discipline***

One other area where the province has formal responsibility is the management and evaluation of staff. Provincial line department managers have the authority to assign tasks for their staff, and to hold them accountable for performing them. However, this often represents devolving a responsibility for something over which the province has little real control. Many line departments are cynical about few staff turning up to whom they can delegate tasks and manage their performance. The centre passes responsibility to the province in a situation where it is clear that there are insufficient resources for staff to perform assigned tasks, and that evaluations must therefore be futile and falsified. Evaluated staff may be rewarded with a medal or an incremental promotion, but their pay is such that they seldom attend work. Even ghost employees routinely get incremental promotions, which end up in a few central and higher-up provincial pockets. Because the provinces perform the evaluation, they are given the task of legitimating a failed centralised system and coping with the fallout from under-motivated staff.

Staff evaluation is seen as a routine procedure because work quality is minimal and increases in salaries are insignificant.

“Grade promotion is conducted every two years. But no one seems really to care because the salary difference between grades is almost nothing.”

“Medals are used to ensure the quality of staff performance. However, most of my staff get them. Some of them receive medals for reasons of good work, and they can get it very early. Others can also get medals, but for other reasons such as ‘honesty’ or ‘struggle’.”

Promotion to higher categories, is a different matter. It rarely happens; most provincial public servants do not advance beyond basic grades. For higher positions, the criteria are related to performance, but not simply actual job performance. Here, too, it is often the relationship between civil servants and the centre that determines outcomes. Provincial patronage and politics are additional crucial factors.

Furthermore, staff discipline is a serious problem. Expectations of performance are already low due to the lack of resources. For the same reason, the threat of discipline is not highly effective, and punishment of wrongdoing is rare. The authority to fire is held centrally, and in most cases provincial staff can only be stood down for a period. This might affect their small salary and their ability to gain rent from their job, but it does not affect the basic value of their sinecure, their ability to do political party work or their contribution to the total number of employees against which central officials can generate rents. The inability of the province to fire ghost workers is especially convenient for both the centre and for high provincial officials, who keep some of the ghosts’ salary.

In practice, enforcement is generally not to punish staff, but to reward them, allowing them to take time out for other income generation and routinely passing them on performance review. This happens because provincial employers acknowledge that poor performance is caused, not by staff, but by the system. Provincial employers feel guilty about their inability to take care of staff. Hence, discipline would not improve the problems but would cause further deterioration when staff resign.



“I cannot enforce the rules on my staff because I understand their situations. I sometimes open one eye and close the other and pretend to know nothing by letting my staff leave early, say at 10 am, so that they can spend from 10 am to 2 pm on outside work to make extra money.”

I feel tense working in this [administrative and personnel] office sometimes because, apart from staff management, I try to understand my staff’s situations, be flexible and make everything easy for them.”

“I have been working for this department for three years. In that time, only one staff member who worked at district was suspended for a short time for bad conduct. Afterwards I let him come back to work again.”

#### ***4.1.4. Counterfactual Evidence: the Value of Provincial Discretion***

##### **Box 9: Provincial Control of Performance and Floating Staff Recruitment**

Mr Kiri does have more discretion over some staff, whom he is able to recruit on short-term (one-year) contracts. However, this too can lead to disappointment: he has the authority to identify potential candidates, but no authority to determine their actual number. He finds contractual staff particularly useful because they are young and qualified and cost little. But even when he can recruit them, he has no control over retention or getting them permanent jobs. Their poor pay and job insecurity mean that these highly valued staff are especially likely to move on.

One opportunity that might arise is the arrival of a donor-funded project. A few years ago, the department had many donor projects. Some years ago, Mr Kiri looked at his existing workforce and came up with an idea. He knows that his staff are able to do the department work, but only if they are sufficiently committed, work full time and do not leave for outside jobs. To retain young, motivated and skilled staff, he created new roles. Mr Kiri started to talk up the issue with those staff and allowed them to apply for project work while retaining their positions. Because there were often short-term projects, he began devoting greater effort to seeking other NGO and donor-funded projects. These projects took away his best staff and reduced their ability to concentrate on official duties. However, there are three benefits: more collaboration from NGOs and donor projects means a wider range of opportunities for everyone; his department now is better able to handle any unexpected mainstream work because it has been able to retain qualified staff; and, despite their project activity, they can usually do just enough so that he can keep the department running properly. What the department does is not particularly demanding.

There used to be jealousy in the department from unskilled staff or those who did not receive project work. To avoid this, Mr Kiri allows some of them to go to the field even though it is unnecessary, so that they can earn mission pay, or allows them flexible time, which means they start working late and leave early for outside jobs. Mr Kiri believes that to be a good leader, he has to know how and when to make a demand of his staff, and whether the work fits their interests or not. In addition, the head should understand the situations of staff and encourage them. In the current system, a leader should not stick to the rules too much, but should provide some space or no one will stay with him. Mr Kiri often refers to the phrase “open one eye and close the other”. As a result, most of Kiri’s staff are very respectful, loyal and cooperative with him.

Kiri faces another challenge when the department has several NGO projects. He is no longer able to control the activities and movements of his staff when they are all working with different NGOs. Kiri also lacks sufficient time to plan and deal with the problems he needs to address, such as staffing needs and priority planning.

The authority to hire floating and contract staff has proved critical in providing space and flexibility for the province to manage its personnel and resources. Line departments in particular are pleased that they can be a formal employer of contract staff, who they believe are respectful and easier to supervise. Contract staff are also useful when staff needs are urgent, because selection and appointment are conducted and supervised locally.

“The Department of Health had 38 contract staff in 2006, which included doctors, nurses and people with computer skills. Most of them are graduates of schools. I find they play very important roles in helping the department; for example, they can be placed wherever they are needed.”

“I find contract staff helpful for line departments because they are young students and most of them are fast learners. I want to keep them working in the departments after the end of their contracts, but most of them work for line departments only for experience or opportunities to work for NGO projects. Their ultimate goals are in fact to work for NGOs or the private sector for better pay.”

On the other hand, with this arrangement, provincial managers tend to select their relatives and friends because there is less scrutiny, and to falsify contract durations and exaggerate staff numbers in the payroll. In many offices, floating staff are mainly sons and daughters of relatives and friends of the head because they see this as a step to becoming permanent staff. Several informants told us that contracts were the fastest way to appoint relatives and friends to provincial or central government. They are also an entry point for new staff.

Contract staff, once approved, can be a bonus to provincial governments in formal and informal ways. Contracts offer a short-term opportunity for up and coming public servants, and show what locally devolved hiring and firing mandates might achieve. But they do not offer a permanent solution to provincial human resource problems: these require the long-term sustained recruitment of skilled and motivated officers in a system in which recruitment, adequate pay, transfers and promotions are routine.

#### ***4.1.5. Transfers: Keeping the Best for the Centre***

Transfers are another area in which HRM can enable or constrain a strong and accountable provincial public service. If transfers are readily available, a province can regularly turn over its staff from a range of different sources and attract public servants from elsewhere. Transfer offers staff a quick fix, enabling them to move on from one job or office to another without having to undergo selection. Currently, staff with permission from the centre can transfer between departments and provinces, but this by no means operates at an optimum.

Transfers affect a small but significant proportion of provincial staff. Most lower staff stay in one place and one job for a long period. For example, in Siem Reap the Department of Rural Development has not recruited staff for the last few years. In 2006, it had 74 staff, about 70 percent of whom had worked there since the department was established in 1994. Since then, two or three staff have transferred in from other provinces and other departments each year. Altogether, in the period between 1999 and 2006, 17 staff transferred into the department.



As might be expected, there are many issues with this transfer system and centralised deployment authority. Staff transfer is a lucrative business. A transfer request for a teacher to be relocated from Svay Rieng to Phnom Penh costs USD500. In a system where a single signature enabling an application to pass through one loop in the procedure costs USD200–500, and where altogether a successful transfer request can cost up to USD2000, individuals at the centre who must sign off on such transfers can earn a lot of money. Nonetheless, they are usually kept busy processing requests. As a result, transfers are available on the basis, not of needs, but of the desires of the staff and the greed of central controllers, as the comment and descriptions below reveal.

“There is lots of work for my department. I am extremely busy with all types of paper work and requests, especially transfer requests. Many of these are requests to transfer from district to provinces and centre.”

Dara is 32 years old. He was previously office deputy chief of the Department of Rural Development in Kompong Cham. He transferred to the same department in Siem Reap with no title. However, he can earn more in Siem Reap than in Kompong Cham. He spends 80 percent of his time as a tour guide, coming to the department just to show his face and when needed.

Pisey, formerly a high school teacher in Prey Veng, transferred to the Department of Rural Development in Siem Reap. She hopes to do better financially there. In order to have her request processed by the personnel department and the State Secretariat of Public Functions, she spent almost US\$500.

The transfer system enables skilled staff to avoid provincial postings. Overall, the provinces suffer through the uneven distribution of staff between priority sectors and locations. For example, about 70 percent of doctors are employed in Phnom Penh, leaving the remaining 30 percent of doctors to serve 70 percent of the population in rural areas. The Ministry of Health has more than 3000 (18 percent) of its 17,000 staff who are either on leave without pay or who have transferred to urban centres from rural areas (Hansen 2005).

This kind of distortion severely constrains provincial departments’ accountability for service delivery and other functions. The centre does well from this, because it gets to keep many of the most qualified people. But the role of informal systems and the strength of centralised patronage networks are increased by the transfer system.

#### ***4.1.6. Need for Clearer Assignment of HRM Functions***

In addition to the employer function difficulties discussed so far, the current arrangements suffer from both being highly centralised and the fact that the provinces cannot realistically perform the responsibilities devolved to them. At the same time, they have multiple upward accountabilities. These arrangements are confusing and ineffective in enabling local control, articulating provincial needs or obtaining responses from the centre.

Thus *salakhet* and line departments are seen as two separate lines of command and responsibility. The department directors are responsible for reporting their progress and challenges to the governors. They attend a range of meetings, and submit weekly, bi-monthly, monthly and quarterly reports. Yet governors say this communication is too weak; hence the relationship is very poor and often fails to coordinate the activities of the departments and governors (except on party and SEILA work, where a different arrangement exists).

Provincial governors, who are assigned considerable authority to represent the central government and are responsible for provincial development, are appointed by the prime

minister, but this fact gives them no leverage over line ministries. All administrative heads are responsible for implementing their ministries' programmes and are named by and accountable to their ministries. These central and provincial relationships are fraught and do not result in either staff or other resources being allocated sustainably to the province.

Many interviewees expressed concerns over the current arrangements regarding personnel management and both vertical and horizontal accountability. The power and authority of provincial governors vis-à-vis directors of line departments need to be clearly assigned in order to correspond to their mandates.

"The current arrangement is very messy ... overlapping roles and responsibilities of ministries and departments. Line departments and governors' offices are legally equal because they are supervised by ministerial *prakas*, and this creates ambiguity over who looks after whom."

"The centre does not trust the provinces, especially on important matters like revenue collection. Central staff come to collect revenues themselves and manage projects without consultation with the provinces. This arrangement is complicated and ineffective ... and needs to change."

There are a number of challenges. First, there are ambiguities in the authority of provincial governors to supervise provincial administration. When the governors are not consulted or involved, they cannot coordinate the activities of provincial line departments or secure rationalised (let alone prioritised) HR deployments and accountabilities. Second, the fact that line ministries have the authority to hire and promote line departments' staff undermines accountability and reporting between department heads and the governor. The consequence is a lack of horizontal and coordinating accountability in provincial administration, making impossible the governor's mission to harmonise and coordinate development activities.

Thus some governors see their role as being a scarecrow in the provinces. What the governors really express is that they are ordered to be responsible for the development and welfare of their jurisdictions, but are not provided with the power and resources to do so. Although the prime minister has permitted provincial governors to hold approval authority over investments of less than USD2 million, so far no investment proposal to a provincial governor has been able to proceed because they all require technical clearance from line ministries, which have no interest in moving them forward. A similar story can be read in Horng & Craig (2008) and Pak & Craig (2008). However, provincial governors remain very powerful as head of the party committee for the province, facilitating the channelling upward of resources, supervising and monitoring party networks and district officials and commune councils, and strengthening information flow upward and downward.

#### ***4.1.7. Provincial Employer Functions: What Might Be Possible under D&D?***

As acknowledged by the government, "decentralization to communes will work only if supporting functions are deconcentrated to the provinces and districts" (RGC 2000). This crucial element was developed in more detail by the design team for the last phase of the SEILA programme in 2000:

"Particularly relevant is MoI's initiative to draft an organic Law on the mandate and powers of Governors and District chiefs and the lessons learned in the SEILA programme about how to articulate provincial and district-level support and supervision to local autonomy at commune level. The lack of strong and systematic coordination between the CAR Secretariat and the main actors involved in 'decentralisation experiences' and the development of

decentralisation policy and legislation would be detrimental to *both* the deconcentration and decentralisation reforms. In many instances, donors are simultaneously supporting the work of the CAR and the SEILA programme and this should increase the opportunities for cross-linkage between these efforts. Also, most critical in the immediate future will be the establishment of organic linkages between the CAR and the forthcoming NCSC". (Porter *et al.* 2000).

The subsequent extremely slow progress in all these areas has been one of the major reasons that sub-national HRM remains in the state it is. A 2006 *prakas* provided some change, empowering provincial governors to be the official representatives of the government and the primary coordinators and promoters of provincial development (RGC 2006a). Provincial governors have been very supportive of and pleased with this development, although they would like to receive more devolved real functions: information coordination, natural resource management, private investment management and approval, oversight and monitoring of line department activities, funds and HRM. Specifically, there are now *salakhet* demands for power in sub-national HRM management equal to the power held by the prime minister and ministers.

The detailed codification of the long anticipated organic law remains a work in progress. The preliminary (2006) draft aimed to:

- establish policies, structures and processes for provincial, municipal, district and commune councils;
- set out policies and processes for the reallocation and transfer of governmental functions, duties and resources to these councils (including fiscal and financial arrangements, personnel and assets);
- establish a unified administration for each council;
- ensure that the councils enhance and facilitate local democratic representation, participation, transparency and accountability;
- ensure greater and improved delivery of services, facilities and infrastructure;
- facilitate improved government-donor coordination and cooperation in these areas; and
- establish a strong authority to oversee implementation of the organic law, including the transfer of functions, resources and personnel to sub-national councils. (Prum 2006)

All of these aspects will impact on sub-national HRM. However, exactly which will do what and how is still almost entirely unknown. A subsequent edited summary of the law, revealed and endorsed by Prime Minister Hun Sen in December 2007, left many aspects undefined, especially the powers of the proposed unified administrations. HRM was certainly one of these areas. As one long-term observer noted, however, it is likely that "a great deal will be left to regulations and evolution and the national programme, which is planned to be formulated through most of 2008, will take on enormous importance" (S. Leiper, personal communication, 2007). It remains largely to be seen how the law, its related decrees and executive orders and the programme for implementing the reform respond to the challenge to devolve more HRM. These debates are the context of the details of this study.

Equally important will be the impact of electoral or democratic accountability. At present, neither national nor commune elections provide a great deal of democratic accountability for the actions of public servants, national or local. The proposed indirect elections of district and province councils do not appear to hold much further promise in this area. Ultimately, however, such accountability is likely to arise from a taxpaying public demanding better performance from public servants and holding governments accountable at the ballot box.

Here, there is clearly a great deal of room for debate, and for a range of practices appropriate to different functions and different departments. Our interviews show that although many department staff are extremely cautious in suggesting functional devolution, a common suggestion is that provincial governors should have power over provincial recruitment, and that appointments and transfers of all sub-national staff should be made by provincial governors. With these powers and responsibilities, it is possible that at least some direct HRM accountability to the provincial administration could be promoted. Some governors comment as follows:

“The prime minister has control over all civil service employees nationally. The governors, who represent the prime minister in the provinces, should hold authority over HR in the provinces, being able to recruit, fire, promote, transfer and manage funds for provincial staff. Today, department staff are ministry staff and hence all decisions are made centrally, while the province is responsible for their performance—this is just ineffective and inefficient.”

“Appointment and recruitment are critical in strengthening the accountability of line departments to the *salakhet*. From here I can also be better informed about how many and who should be recruited, so that funds are used to optimal effect.”

“I welcome only real functions that are supported by proper resources. Otherwise I am happy with what I currently have.”

“I am looking forward to the adoption of the organic law and its revision of provincial powers and functions, which I am sure will help in solving some of the problems.”

The example of the recruitment and allocation of midwives by the Ministry of Health (Box 10) shows that one experiment with decentralised authority of the directors of provincial health departments failed to achieve the intended outputs because traditional methods were used instead of the agreed process and criteria. More importantly, the case shows that result-focussed reforms have not altered centralised control of employer functions, weakening reforms and provincial capacity, and that there is a need to understand this reality so that we do not risk having a decentralisation that only creates another bureaucratic layer for rent seeking.

#### **Box 10: 2005 Experiment with Decentralised Recruitment of Midwives**

The 2005 recruitment was the first to decentralise distributing and receiving applications, conducting examinations and allocating posts. This was accompanied by attempts to publicise the recruitment, especially in the provinces, through a much wider range of media: radio, newspapers, posters and even television. Application forms were sent to all health regions, making it easier for applicants to obtain and submit them. However, there were no active recruitment visits to regional training centres by provincial or district health officers due to limited funding.

There was also an attempt to match candidates from a particular place to the vacancies there or nearby, and to offer candidates a choice of three preferred posts. These initiatives aimed to give those with a real interest in working in a provincial location an advantage over those willing to accept any placement as a prelude to bribing their way back to urban centres. In turn, it was hoped, this would reduce opportunities for rent seeking around placement in urban centres. The examinations were held in the health regions instead of Phnom Penh, although the papers were still marked in Phnom Penh.

The central Personnel Department staff were in favour of the decentralised recruitment and examination, but noted that it would entail extra costs, such as payments to members of a greater number of subcommittees. It would also involve considerable travel and per diem costs for central staff to travel to train regional staff, and to coordinate and monitor the form distribution and examinations in the regions. Examinations for recruitment of residents of each province to posts in their own province did, however, provide greater opportunity for provincial residents to be selected, because they had to compete only with candidates from their own province rather than from all around the country (and especially from Phnom Penh). This aspect was widely praised and regarded as fairer by midwife recruits, provincial Health Departments, regional training centre staff and Personnel Department staff. Yet the experiment did not induce more transparency in the release of examination marks. According to the Personnel Department's draft *Recruitment Policy and Guidelines 2005*, examination marks are one of the criteria for allocating posts to recruits, after assessment against the post(s) they applied for. However, the examination marks were not released to candidates. This created opportunities for informal posting and rent seeking.

Another general problem was that assignments or transfers were still often approved in the Ministry of Health and could involve corruption. Some provincial staff interviewed in the evaluation of the experiment suggested that all students and staff should be clearly under the jurisdiction of their provincial Health Department and have a contract with it, in order to avoid decisions being made nationally that undermine the authority of provincial departments. One regional training centre director emphasised that there should be stricter enforcement of rules regarding service in place of assignment and for requesting transfers. This is because many candidates apply to work in the civil service just to be selected, with the intention of submitting a request for transfer back to their home area soon after assignment (and this is often granted). This is also the case even for candidates working within their own province.

More issues affecting provincial capacity to recruit and retain good staff were also identified. It has been quite common for training centres to accept students from outside their areas—despite rules prohibiting this—applicants falsifying their addresses and bribing officials in order to be enrolled. This has had serious consequences. In cases where students from Phnom Penh cannot get accepted into the Technical School for Medical Care, they often apply to regional training centres, crowding out students from these regions. It has been easier to pass examinations and receive civil service appointments in the regions upon graduation, but many recruits have paid bribes to be reassigned to provincial urban areas or Phnom Penh after a short period, leaving many (especially remote) posts vacant. In other cases, people from the regions have been accepted to study in Phnom Penh and remained in Phnom Penh after graduation. The overall effect has been to overstaff Phnom Penh (and other urban centres) with nurses and midwives, and severely to understaff rural and remote areas.

The experimental recruitment of 2005 made numerous improvements: information was more widely available to the provinces and remote areas; applications could be submitted within a health region; applicants were able to select their preferred posts; and examinations were held in regional centres. However, crucial problems remained, including the centralised marking of examinations, non-release of marks and the transfer of health staff from remote to urban areas because of poor retention incentives. All of these continue to be a main source of income for central ministry staff. Perhaps most problematic of all, the 2005 experiment did not become standard, and recruitment returned to the former centralised basis.

Source: Plummer (2006)



## **4.2. Politicisation and Neo-Patrimonialism, and Implications for Accountability**

Many of the above arrangements have become entangled with politics and neo-patrimonialism, further restricting provincial governors' and line departments' abilities to manage HRM in ways that promote accountability.

Since 1993 and the tenure of UNTAC, significant changes appear to have established many aspects of democratic government. An important element is an accountable and responsive administration. First, there have been many efforts to restructure administrative systems, including the public sector reforms described in Chapter 3. Second, many factional and political comrades from disparate backgrounds (including the Khmer Rouge and many political party members) were integrated into the government and given positions. This political entanglement is one of many cases that are not caused by technical and procedural issues, but are shaped by complex political dynamics.

### ***4.2.1. Institutionalised versus Personalised Authority***

This section discusses several entangled dimensions of the politicisation of the civil service, including neo-patrimonialism, and the complexities in party politics and bureaucracy emerging from widespread patronage, faction and group networks.

Neo-patrimonialism is the interweaving of formal bureaucracy and more traditional patronage networks (Pak *et al.* 2007; Bratton & van de Walle 1994; Brinkerhoff & Goldsmith 2002). In Cambodia, this most commonly involves powerful "backers" who provide security, protection and opportunity for advancement and reward within formal, informal and political systems in return for personalised loyalty. Clients become part of an entourage around the backer or, more commonly, part of a "line", a hierarchical string extending to the backer. The personalised authority within networks is both powerful and to a large extent respected and desired. It creates very strong informal sanctions and incentives, arguably much stronger than those in the formal system. In Cambodia as elsewhere, informal accountabilities can to a significant extent determine the outcomes organisations produce (Fukuyama 2004).

While there are formal appointment procedures to vacancies in the public sector, the way into government is often through backers. Posts are seen as the gift of an individual: prime minister, ministers, governors and heads of departments. Officials can offer their services to those seeking positions in return for financial or other incentives. Overall, there is a strong tendency among provincial officials to consolidate their positions through ties with networks and supporters rather than by addressing the needs of the province. Movement of a provincial governor from one province to another has always been followed by senior staff transfers.

Party politics in Cambodia also operates around backers and lines, but closely related to the electoral system. Party politics are dominated by the CPP, which has 5 million members. Not only does the CPP dominate national and commune electoral politics, but lines from its factions dominate most if not all ministries and departments.

Throughout government, administrative and secretariat staff readily identify themselves as party members or activists. Some consider their engagement with a political party as a way to show respect and loyalty to their "second parents" (CPP) or to the king (FUNCINPEC). Some join a political party because they have no alternative if they want job security, opportunities and advancement. A CPP saying is: "With the CPP it's as if you live in a

concrete house; if you are with others you can only live in a hut". The interviews described several aspects of this:

"The division between political parties at work is very strong. Staff belonging to and registered for the CPP have a greater chance of being promoted and benefiting from project work under the CPP-headed departments and ministries. Similarly, CPP ministers are more powerful and get a more substantial share of development funds than FUNCINPEC ministers."

"Sometimes I wonder where I would be today if I were not with the CPP. Do you think I would have been given this position? I think not, not without the support of my boss and the CPP."

"I am a CPP member because that is the political party I've been in for a long time and I don't want to change. I love the policies of the CPP even though some individuals in the party do not behave well. The CPP provides many supports and initiatives to my village. For example, children of good CPP members can enrol in Build Bright University free of charge. H.E. Sok An also supports us and visits us often."

This arrangement may suit the career needs of many of those signing up, but it enormously complicates HR operations and wider accountability. It creates a two- or more headed accountability system, in which party and everyday accountabilities are profoundly convoluted.

While the CPP dominates, this situation is by no means restricted to that party. Other parties, notably FUNCINPEC, have dominated some ministries and aspects of provincial government, and have extended various patronage arrangements through these ministries. This creates considerable contradictions, for example, where a FUNCINPEC provincial governor is in place, but most ministry and departmental lines (and therefore most practical powers) are CPP. This has sometimes resulted in a situation where the formal head of the department's hierarchical order (or even a provincial governor) may be much less powerful than his or her deputy.

Within parties, factions are a common feature of neo-patrimonial governments, often (although not significantly in Cambodia) leading to their instability. They emerge where different party leaders have consolidated control over particular sectors and extended lines of patronage through the institution. Different ministries are recognised as controlled by different lines, with links converging at the top in the Council of Ministers, and ultimately in mutual accommodation at the very top. Practically, authority and power extending into and from the centre tend to consolidate among a few officials along one party and patron line, but spreading out to the provinces. However, factional and patronage lines can jump across ministries, sometimes distorting hierarchical accountabilities. Here too, a senior official in a ministry may in reality be subordinate to someone formally ranked lower, because of the latter's personal links to a very powerful backer.

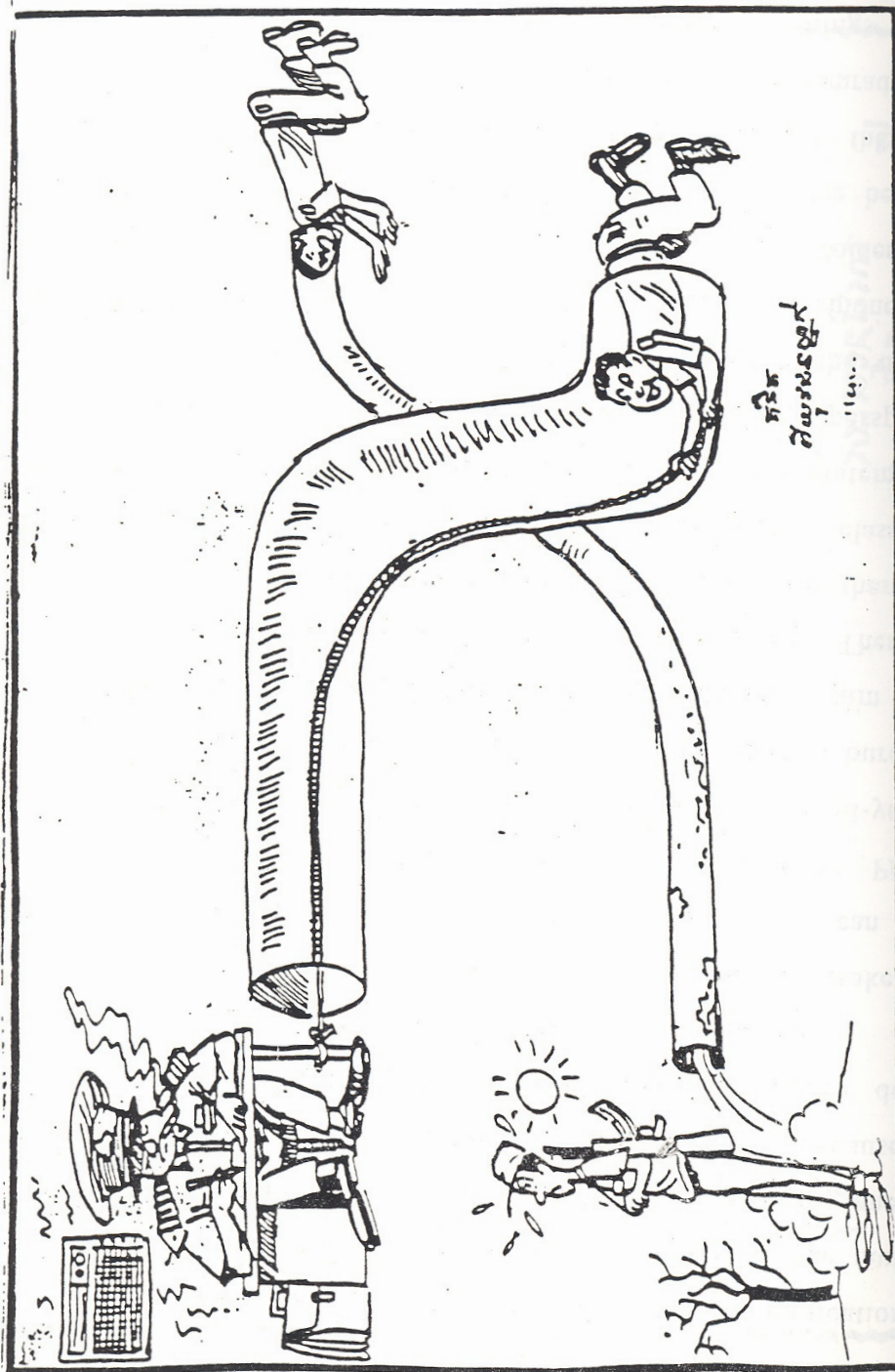
**Box 11: How Formal, Informal and Neo-Patrimonial Systems Can Exist at the Same Time**

Mr Ty Sok is a deputy director of the Department of Water Resources. He was also recruited and appointed by the ExCom recruitment committee to be the deputy head of the Technical Support Unit. His father owns a construction company. His boss— the head of the TSU— has a share in Sok’s father’s company. Both the head and deputy head of the TSU are related and strongly connected to *salakhet* officials, but not to the governor, because he is from FUNCINPEC.

The performance of Mr Ty Sok was initially no problem. But soon after several construction contracts were found to have been provided to his father’s company, the senior provincial programme adviser asked the head of the TSU to take action. Nothing happened during the first year and Sok’s contract with SEILA was extended for another year. Sok started to neglect his responsibilities. More contracts were awarded to his father’s company. The head of the TSU, the permanent head of the ExCom, and even the governor were not willing to solve the problem, acknowledging the issue but remaining unresponsive to the programme adviser’s request and pressure. Another year passed by and the incumbent FUNCINPEC governor was replaced by a CPP governor. The adviser saw this as an opportunity and pressured the new governor to address Sok’s case. He argued that SEILA was not the mainstream government and needed to be protected from such rent seeking and patronage if donor confidence was to be maintained. Due to this credible risk of exposure, the governor fired the head of the TSU. Then an evaluation was conducted, and Mr Ty Sok was found to be incompetent and to have breached his contract, and he was finally fired.

In this case, it took three years to impose sanctions for the bad performance of ExCom staff. In the meantime, it became clear that the formal HR system could harbour patronage and shield rent-seeking coming from patronage. This illustrates how much the formal system can be impacted by informal patronage norms.





PICTURE E. From Reaksmeay Kampuchea, Aug. 24, 1993.

Source: Marston (1997)

Finally, there are horizontal networks or groups of colleagues and kin, sometimes composed of old friends who have forged close relations over years, particularly, in the provinces, in military or political struggles. Other groups develop an entourage, forming working and/or family links immediately around a powerful figure. Other groups simply look after each other's interests, spreading opportunities and watching each other's backs. Financially, many public servants prefer to be with their own network and kin because this offers opportunity for rent seeking and the salary supplements that come with development projects. Such relationships are strong and enduring. Many provincial and lower positions are secured for individuals within this network, which has held its position from the early days of the People's Republic of Kampuchea until now. In the provinces studied, for example, all district governors and most directors of provincial departments were in their positions because they had endured long struggles and hardship with the ruling party before and/or after the Khmer Rouge, and because they were originally from these areas. In the 24 provinces, the majority of province and district governors and deputy governors are old CPP comrades who have been in such positions for more than 10 years. Loyal membership of such groups is the norm rather than the exception in Khmer culture, and, like political and patronage arrangements, they exert a powerful influence on accountability and all other areas.

Thus the HRM system and the real accountabilities at work within it are heavily influenced if not controlled by informal and political systems and processes. These processes and systems are intertwined in such ways that in any given situation, the same actor wears at least two hats (formal and neo-patrimonial, technical and political/factional), changing from one to the other as necessary to balance obligations. The informal and political have been built into the heart of the system of government. For public servants, "That is just how the government works". Government, including in public service HRM, is shaped by these loyalties and powers to the extent that unpredictable, even extraordinary outcomes can emerge. In the words of a well-known saying, "Anything is possible if our group agrees, even if the decision is outrageous".

#### ***4.2.2. Political Complications***

The complex centralisation of authority along patronage lines is further destabilised by the complicated political and electoral system, involving proportional representation and, until 2005, the need for political compromises to obtain a two-thirds majority. These arrangements allow and provide incentives for party influence over and capture of a range of employer functions. In the last three national elections, government was formed based on a quota of seats in the government divided among the winners of the election. This quota system applied throughout government (ministries, governors, departments and villages). The distribution of offices related directly to the election results: the winning party appointed the governor, the second party appointed the deputy.

Electoral outcomes are also reflected in the distribution of high provincial offices. Provinces have a governor, a deputy governor and six to nine sub-deputy governors from the main political parties. As part of the political settlement and coalition negotiations, large numbers of high central and provincial positions have been created. Thus provincial departments are headed by a director and four deputy directors. Most of these appointees receive their positions on a "spoils" basis, rather than on ability. Yet each has the right to sign off on a range of decisions, particularly appointments. Each has opportunities for rent seeking and strong incentives for cementing patronage loyalties up and down the system.

"In provinces where the struggle for overall political control between the CPP and FUNCINPEC is less clear, the centre exercises stronger control in all kinds of appointments. This situation has progressed since the first government coalition

in 1993 and has led to a struggle for control of the province with FUNCINPEC governors, who could not exert authority and command over provincial staff.”

“My position exists only on paper, not in reality. I am the provincial governor but have no real power and only very limited authority and influence. I can sign but have no power to say no.” (FUNCINPEC governor)

“It is like walking on a tightrope in my position. I have to be careful not to upset the key and powerful CPP figures in the province; otherwise I am in a dead end, not able to move my fingers.”

Another demonstration of the power of politics over provincial appointments is the way some appointments are made—and the incumbents replaced—prior to the paperwork being completed. For instance, there were reports that the firing a FUNCINPEC director of a line department and his replacement by a CPP director were implemented by a sub-decree and the issuing of paperwork. Generally it takes months or even years to pass through all the loops.

#### ***4.2.3. Appointment and Promotion***

It is generally accepted that all senior sub-national staff positions have to be approved or appointed by the centre, although it is often the informal rather than the official power of ministers or senior officials. Formally, Phnom Penh has the authority to appoint directors of provincial departments and district governors, but in provinces with strong CPP governors, this authority is often rather ceremonial. In provinces dominated by strong governors (who often have strong links to the party or higher individuals), most senior staff owe their positions, and therefore their loyalty, to provincial party committees (usually headed by the governor), which select and propose appointees to the centre. Thus the CPP has established a formidable local political network, supported by trusted and loyal officials carefully selected from the ground up.

The executive is highly politicised. Political loyalty is widely seen as crucial to advancement, especially to higher posts. At the same time, high officials are expected to use both their own and their position-related resources to help the party win elections and maintain a strong party base. The accountabilities generated by this political line are remarkably effective and important, and need to be understood and taken into account by any programme of sub-national reform.

Within these general constraints, promotion to higher provincial or central positions occurs if there is a vacancy, or what is known as a “vacant box”. This aspect is critical, creating patronage and rent-seeking opportunities: the box offers power and possible income, as well as an opportunity to extend a line of clientelism or influence upward or downward. Incumbents can also be removed (often, to save face, “kicked upstairs”) in order to create an empty box for other candidates, providing a regular flow of cash around a few central patrons. When there is a vacancy for a director of a line department or a governor, the motivation to secure the position is high, and many candidates pop up. If it is a lucrative position, candidates know that it is likely that they will be able to keep the job only for a short time, and make their bids (and retain patronage support) accordingly.

To win the competition, there are several important criteria besides being a qualified candidate:

- alignment with one or more central patrons (friends or kin);
- how much you can pay your patrons (usually equal to a minister or higher);

- how much you might be able to pay after you get the job (per month or per year and as necessary);
- being a loyal, trusted and active party member (which will mean considerable involvement in electioneering and other party support);
- a good working record;
- academic background, or involvement in further study.

Of all factors, one above all remains necessary. “You don’t have to possess the required qualifications to be in powerful and financially rewarding positions in the government. What you need is a powerful backer from the right line.” This has strong centralising effects:

“Appointments are made secretly by consensus among a few top officials, and are confirmed from higher up before the appointment is shared with everyone in the *salakhet*.”

“The most negative aspect of the government is promoting loyalty of government members to a few individuals and a powerful political party.”

#### **4.2.4. Completing Appointments**

In HRM as elsewhere, formal authority, while interwoven with informal, is not a sufficient basis for making decisions or reforms. Formal accountabilities, likewise, can matter very little. Particular institutions might have the formal authority to review and approve certain functions or appointments, but several top officials must also approve or at least be consulted before decisions are made. Such processes require much informal networking in and after working hours, and also often extensive paperwork travelling from one desk to another within the same office or ministry and, in some cases, to several other desks of other ministries. Both centrally and provincially, departmental work, including HRM, involves this kind of “running work”. The paperwork will often involve formal ratification of arrangements discussed and agreed elsewhere. It will require everyone involved to sign consent, the signature signalling that the party’s interests have been taken into account. These interests can be resolved on the spot (with a payment for the signature in cash) or in longer term arrangements.

#### **4.3. Summary of Main Findings**

- The formal system is in place, with a reasonably good structure.
- The formal system is weak in its enforcement of performance rewards and sanctions.
- Neo-patrimonial and informal practices and structures are strong and have better enforcement mechanisms for reward and punishment.
- The centralisation of employer functions creates a very powerful few at the centre. Interaction between the formal and neo-patrimonial systems creates a very powerful few centrally and provincially along political party lines.
- The highly centralised control of HRM has resulted in the dysfunction of provincial administration, overstaffing and poor resource management; has led to fear of making suggestions and taking initiative; has disengaged the majority of capable individuals from the work of the government; and has led to outcomes geared to serve political interests.
- Capture of recurrent funding by a political party through appointment and promotion for party loyalties makes possible a large number of civil servants and highly politicises the civil service. The influence of politics has often prevented the appointment of qualified and competent staff.

- A project model does not translate into wider influence on the informal sphere, as shown in the case of decentralised recruitment for the health sector.
- The hybrid HRM system produces mixed results. On the positive side, it has been able to appoint some excellent individuals to public jobs who overcome adversities presented by the job and its environment. Personal accountabilities can be strong and can often be mobilised to produce good outcomes.
- On the negative side, the civil service is profoundly politicised all the way to the lower reaches. The power of personal relationships over the formal institution is the norm. Sharing benefits with one's network and making decisions on government matters on the basis of backing are common.



## **Chapter 5**

### **Other Reform Issues: Pay and Salary Supplements; Complexity in Donor Models and Government Reforms**

## Chapter 5. Other Reform Issues: Pay and Salary Supplements; Complexity in Donor Models and Government Reforms

This chapter discusses pay and incentives for sub-national civil servants, and the complexities challenging the reform programme, including the implications of donor models for HRM accountability.

Low pay is a major underlying factor in HRM accountability because it continuously influences staff motivation and behaviour. Although low pay and pay reform are repeatedly recognised as major issues in government reforms, they have not been resolved despite enormous pressure and support from donors. Merit-based pay and salary supplements are here analysed from administrative and political perspectives, and in particular from the perspective of neo-patrimonialism. The chapter will address the following questions:

1. What are the major features and challenges for pay and pay reform, and donor models and government reforms? How do these challenges operate and interact?
2. What are their implications for sub-national HRM accountability?
3. What are the lessons and the policy options to strengthen sub-national HRM accountability?

Box 12 illustrates some aspects of the problem.

### Box 12: Mr Dara's and Mr Sok's Accountability Dilemmas

Two long-term civil servants are old friends from the revolutionary period. They are now professionally qualified and steadily upgrading their education. Both started work at a department in their province in the early 1980s as basic staff. Since then, their progress and standing at work and in society have differed.

Mr Sem Dara is the head of an Administration and Personnel Office. He is now 47 years old, has four children and holds a high school diploma. He was in service for 12 years before being promoted to his current position. He receives a monthly salary of 200,000 riels (USD50). Mr Dara is not happy with the low salary, but in the bigger picture he is less concerned because he is able to make a good deal of extra money, enough to support his family. He values his government job because it is long-term employment that has financial benefits. His position also enables him to deal with local authorities and police from a protected position. Moreover, he has the possibility of further promotion, with the help of his brother, who is a senior official in the central government.

He feels proud of his position because he enjoys a good reputation and receives recognition from his subordinates and neighbours. This is especially true with his new title, because he gets to sign off on all papers. He is in demand all the time to process requests. Previously he spent most of his time helping his wife with their family business, but he is now very busy and comes to work regularly and on time. This position has enabled Dara to get closer to his boss in the province, and to central senior figures with whom deals (in promotion, appointment and transfer) are often made. He has also become much more involved in politics, contributing his time and money to help his party in local elections. In general, Dara and his wife are very busy following the provincial and central bosses, particularly at election times.



His family is much better off now with the additional income Dara makes: \$1000 to \$3000 per month from “ink fees”, “understanding fees” and “gratitude fees”. The family has also been very lucky because of high land prices in the province. Recently, he sold a plot of land and bought a new car for \$20,000. He proudly shows several bigger plots that were given to him by the administration long ago. Dara is starting to think that he can become the director if he wants to; he just needs to use money to make more money. To boost his likelihood of promotion, he has just finished a “weekend bachelor’s degree” and is now starting master’s degree classes in Phnom Penh.

Dara was also selected to be part of the ADDESS programme as M&E officer. In this contract role, Dara got \$80 per month and was required to go into the field once or twice a week. He enjoyed the field visits, but the job had no impact on his permanent role. The programme ended in 2006; Dara lost his salary supplement.

Mr Seng Sok is a staff member of the Technical Office. He is 49 years old, has three children, and holds a high school diploma. He earns about 160,000 riels (\$40) per month. Sok’s family faces many difficulties. Because they have no strong network or backer, the family does not receive the benefits, such as land and promotion, that Dara’s family has. Once, when his daughter was very sick, they were forced to sell their rice field to pay for hospitalisation and medicine. Every day he has to spend at least 4000 riels on the children. In addition, he is responsible for the family’s everyday food needs, which cost about 10,000 riels. His three children are in school (one in grade 2 and the other two in grade 4). He must also pay water fees of about 20,000 riels and electricity fees of around 8000 riels each month. Using their savings, Sok’s wife bought a stall at the provincial market to sell cloth and other things. She makes about 20,000 riels a day. Sok used to take some working hours every day to help his wife handle the work, including dealing with clients, transporting goods and so on. Sok complains about his low salary to his friends who are NGO workers and private sector staff. However, he has never wanted to quit his government job because he thinks it is long-term, secure employment.

One day in late 2002, Sok was told that SEILA was recruiting government staff to work with the ExCom. He found this attractive because he could retain his title and receive additional salary. Sok applied and, in the more open recruiting process, was appointed a deputy head of the Technical Support Unit. He now gets \$80 as salary supplement, a motorbike and about \$20 for petrol. He is required to go to the district and commune once or twice a week to follow up on projects. He also gets to use a new office space with adequate facilities and supplies. He has opportunities to build his capacity through many short training courses.

Sok comes to work regularly, goes into the field and no longer take time off to assist his wife, both because he is busy and because he is afraid of being fired from the project. Working in this project has also enabled Sok to do some tasks for the department. This is unusual: instead of pulling him away from the department’s work, the SEILA supplement has enabled him to do his real job. And while Sok is checking on his SEILA project, he can also collect data that he needs for his department. It creates smoother relationships and communication within the department, especially between Sok and his boss. Sok’s meaningful contribution to department work gains him more respect, and he finds that his boss and colleagues are helpful. Sok works very hard in order to have his contract renewed every year. His wife is happy because she can save her income from the business.

Sok has another idea: he wants to study for a bachelor's degree, which he believes might improve his chances of moving up the ladder and being involved in other projects in the future. He has already spent some of his savings for an associate diploma in economic and agricultural management at the National University of Agriculture. He paid \$660 for the tuition fee and \$60 per month for transportation, accommodation and food. His study for a bachelor's degree next year will require him to spend an additional \$900.

While Sok's story has a happy ending, many of his colleagues and friends from the past have stagnated and are miserable. They have no identified position or "box": no real work and no formal job description. Most of them have an old motorbike or a bicycle, and their salaries are only \$10 to \$20 per month. They have no access to outside money and opportunities, but they still get excited talking about their experiences during the civil war. They know they are not going to be removed from the payroll, but they are not going to progress either. They are very pessimistic and unhappy with their situation, but have no room to negotiate. They come to work just to read newspapers and talk. They watch young officials going in and out, being promoted and getting rich. During local visits of the central and political elites, they do all the hard work, preparing for the visit by doing such things as going from house to house to mobilise people and distributing pamphlets. Although they participate at election time, they are less interested with each campaign.

### 5.1. Pay, Pay Reform and Implications for HRM Accountability

Civil service wage rates are established centrally. With the exception of recent increases for teachers and health staff, pay is uniform across ministries and provinces. There is very little differentiation across grades, and the pay is extremely low, especially for junior or unskilled positions. In our field interviews, low pay was raised as the most serious issue in all provinces. It results in low morale, a poor work ethic, second jobs and staff departures to NGOs and donor projects. It also strengthens those in a position to offer inducements in return for services and loyalty.

"In Siem Reap, low pay is the key issue in HRM. Staff need better salaries for better living standards. Although salaries have recently been increased, they are not enough for current expenses; this is even more obvious when comparing the prices of electricity [800 riels/kwh] and water [1200 riels/m<sup>3</sup>]."

The provincial staff categories A, B, C and D are paid different base salaries and receive different benefits, paid together monthly. The money is disbursed from chapter 10 of the provincial budget. Although the government spends around USD78 million per year (23 percent of total revenues) on civil servants' salaries, this amounts to only around \$40 per month, one-fifth to one-eighth of the minimum cost of living. In addition, local managers provide mission money to cover expenses, including per diem and travel costs.

The government is committed to increasing civil service pay annually by 15 percent of the base salary, but it hardly keep up with that promise. In addition, in real terms this increase in base salary is very small; for example, between 2005 and 2006 there was a 16 percent increase in the index of base salary but for lower rank officials the increase is worth less than a dollar. As many provincial officials put it, "My salary cannot even cover the cost of gas for my motorbike to come to work". A socio-economic survey by the Ministry of Planning in 2001 found that \$280 a month was necessary to meet basic needs in Phnom Penh, \$180 in provincial towns and \$80 in rural areas (MOP 2001a). Pressure continues for

pay increases across the board. Even for unskilled workers in the lowest grades, there is evidence that comparable private sector and NGO wages are on the rise. Cambodian civil servants receive the lowest pay in the region (ASEAN 2005).

**Table 6: Monthly Salary Comparison (USD in 2004)**

Category	Civil Servants			Local NGOs			Private sector		
	Min	Ave	Max	Min	Ave	Max	Min	Ave	Max
D	10	15	20	74	84	98	52	68	81
C	20	30	45	108	187	217	87	130	154
B	30	40	50	208	225	257	104	163	230
A	50	100	200	276	390	520	217	700	1,192

Source: Hugh Grant Associates (2004)

### ***5.1.1. Low Pay and Its Implications for Accountability***

Despite remarkable macroeconomic growth and the substantial increase in government spending, civil servant wages have not increased substantially. The majority of male civil servants rely on their wives' small businesses to support the family. Many others have second or even third jobs. A handful of staff rely on informal networks within the government to allow them to "run work" and seek rents. A small group of staff receive additional income from salary supplements provided by donor and NGOs projects.

Poor pay for teachers and health professionals has led to a proliferation of sector initiatives such as Priority Action Programmes and use of service charges to pay front office staff as well as salary supplements. These payments are important to keep teachers and doctors working rather than leaving after an hour or two to provide private services. However, the fact that these incentives are far larger than their public salaries creates serious management difficulties. Outside of health and education, salary supplements for provincial staff are more rare, often because these have generally been allocated to central agencies and PIUs.

There are a number of reasons that the government has not been able to expedite pay increases for civil servants. First, spending on pay is not seen as a good investment, especially given the very low government tax income (the lowest in ASEAN—IMF 2007). Pay is kept low to secure fiscal discipline and avoid wasting state money on a bloated, non-performing civil service. Second, low pay has created complacency, inactivity and a kind of dependency in civil servants. This works in a vicious circle: because of low pay there is no performance sanction in the formal system, while certain activities are tolerated or encouraged and loyalty toward superiors is expected. This in turn permits inactivity, with poor performance linked to abject dependence. Furthermore, if pay were to increase significantly without discipline and firing sanctions for non-performers and corrupt officials, little change could be expected (see the Indonesian case in Filmer & Lindauer 2001). This is reflected in common sayings:

"I help you to survive, so you must stay with me."

"Surviving together means surviving for a longer time."

"No one is interested in work with no money attached; they therefore do what they are told and no more."

Third, low pay makes civil servants non-functioning for the state, while transforming them into elements of the political and entrepreneurial networks that operate within the state. These networks illegally channel resources. Rent seeking and corruption are allowed within public offices to compensate for the low salary (Hughes 2006; General Accounting Office 2002). This creates another vicious circle: rent is unevenly distributed to reinforce the unequal power of the patrons, and to give them further opportunities for rent seeking and patronage. This strips resources from the formal system that might have gone to paying salaries. As the common saying goes, “Big eats lots, small eats little”. This is an economic base for neo-patrimonial power on which protective shields and obligations are sustained, as reflected in comments from officials:

“I paid to get my position because I know I can make extra from the post. But even then I don’t get to keep a lot because I have to give lots of it to my bosses.”

“I have to pay my bosses; otherwise they will kick me out. And I have to pay more, not less; otherwise I can be the scapegoat for anything.”

This has far-reaching implications: state services such as health and education continue to be poorly resourced and become explicitly dependent on informal fees that burden the poor (Fitzgerald & So 2007; World Bank 2000). It also affects non-service ministries, for example in natural resource management, land, tax and customs, and in market regulation, where strategic sites exist with the greatest potential for neo-patrimonial rent. Whether through poor services, or through rent and plunder of vital natural resources, the poor and vulnerable miss out.

Overall, this creates a system dominated by individuals deeply implicated in informal practices. Individuals in the most lucrative positions are there to pump revenues, which the government makes it easy for them to do. These individuals are obligated to circulate revenues to their group, to satisfy their immediate backer and central group, to support social-charitable activities of the patrons and to fund political activities. These people are seen as meeting the requirements expressed in a Khmer phrase that translate as, “Know how to corrupt, know how to feed the boss, know how to perform”. Cambodians understand that anyone who lacks one of these qualities cannot maintain their position for long. The most obvious and economically significant cases are police deployed in strategic locations, tax and customs officers, fisheries and forestry officers, cadastre, treasury officers and personnel managers. These people receive a salary not much higher than their colleagues, but are extremely rich, powerful and influential. Low pay works to maintain this system, because it allows, provides incentives and, indeed, forces people into informal activities.

**Table 7: Monthly Earnings of Civil Servants (USD)**

	Formal				Informal			
	State salary	Salary supplement	Daily allowance	Sub-total	Direct contact	Registering	Sharing among peers	Sub-total
High school teacher <sup>14</sup>	90	-	-	90	300	-	-	300
Health worker	60	50	-	110	250	-	50	300
Traffic police	50	-	-	50	150	-	50	200
Commune chief	25	-	50	75	400	200		600
PDoRD	200	800	-	1000	1000	-	200	1200
PDoWA	200	500	-	700		-	200	200
PDoH	200	1000	-	1200	1000	-	200	1200
PDoE	200	1000	-	1200	1000	-	200	1200
Forestry Office	80	-	-	80	10,000	-	-	10,000
								10,080

PDoRD: Provincial Department of Rural Development. PDoWA: Provincial Department of Women's Affairs.

PDoH: Provincial Department of Health. PDoE: Provincial Department of Education.

Source: Authors' calculation of data collected in interviews

<sup>14</sup> High school teacher earns extra from tutoring—about \$10 per day.

Fourth, and related to the above reasons, there are minimal pressures and few attempts within the state apparatus to increase revenue to support civil servants' wages. Revenue from natural resources is diverted to patrimonial interests. Forestry, which in the past was very lucrative, contributed about 4 percent of government revenue at its peak in 1994 and only 0.5 percent in 2004 (Independent Forest Sector Review Team 2004: 10). Tax revenues have increased but are still small, and a large percentage are kept informally. This situation makes state institutions incapable of demanding more resources from the government, while almost half of government funds are allocated for military and security expenses.

Finally, although the government has made several pay increases, it has failed to make any progress towards across-the-board increases as agreed in principle at the Consultative Group meeting in 2006. This failure makes salary top-ups and projects the main means to resolve salary tensions for some key sectors. The well-documented consequence is that NGOs or external partners handle a large share of Cambodia's service delivery. Some officials are cynical about this approach because the government is relieved of the need for serious commitment to pay reform, while the arrangement diverts development responsibility from the state to partners.

All these reasons enable the centre to consolidate resources and power upward, and to ensure that sub-national staff remain highly controlled and politicised. Sub-national HRM accountability is extremely weak, with no correlation between incentives and performance, and opportunities for rent seeking are increasing.

### ***5.1.2. Pay Reform and Implications for Accountability***

The government has committed to developing a new pay policy that provides adequate pay and incentives to civil servants. The government and development partners recently embarked on a targeted approach in which 700 AA<sup>15</sup> officials in high priority sectors and functions are raised to competitive salaries, through a pay increase of \$130 to \$205 per month. In late 2005, programmes including the Priority Mission Group and the Merit-Based Pay Initiative started to roll out, but so far cover only a small number. Both successes and challenges have been documented, and a recent evaluation has raised many lessons (Sok 2007). Successes include (1) achieving major planned activities; and (2) a majority of staff involved found performances improved and motivation and commitment also high. However, challenges remain, including:

- problems of centralised management and decision making;
- disincentives for staff who are not part of the initiatives and therefore lower performance and resistance to cooperation;
- continued benefit sharing, which is counter to performance-based pay;
- jealousy and comparisons between high and low, national and sub-national officials destroying morale and commitment;
- conflicts and ownership issues among actors within government and donors.

Pay reforms will be particularly difficult to put in place. Even when implemented, the impact of pay improvement on performance and the reduction of informal activities might not always be significant in light of the far higher rents from the informal economy that civil servants can extract (see Table 10). Low pay is less significant for officials in higher positions and places with potential rents. So far, attempted pay increases have targeted mainly central and high officials. Some of these people are technically able, and will benefit

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15 These allowances are given to officials from director general down to deputy director of department.



greatly from being able to spend more time doing their job, and less time making ends meet. Second, in the absence of reliable audit and interdiction systems, many managers will still not be able to discipline civil servants over performance and accountability. In the World Food Programme and World Bank demobilisation projects, despite significant reported losses from project funds, no government officials were held accountable (Ear 2007).

Pay increases across the board will be critical, not least because there are few opportunities to trade off staff numbers against pay. Retrenchment is politically implausible, and would save very little because salaries are low. Nonetheless, pay is a central part of improving sub-national accountability.

### **BOX 13: Public Finance Management Reform**

There is a great deal of hope that merit-based pay can make a difference. One area where this looks like advancing is in public finance reform. Here, with the support of bilateral partners and international agencies, the government has produced a vision document as a guide for the stage-by-stage implementation of a comprehensive and systematic Public Financial Management Reform Programme. It is envisioned that this will be achieved in 2015.

The most important difference between this reform and previous ones is that it has a clear structure and a realistic time frame, with clear and comprehensive stage-by-stage action plans, effective institutional and human capacity building. Especially important is the incentive system for officials participating in this reform, along with the necessary equipment and supports as well as appropriate technical assistance. The reform has three platforms.

The keys objectives of platform one are: to provide encouragement for energetic participation of officials in the reform system and its ongoing operation; and to do so in a form that helps build towards merit-based pay across the public service. All officials are eligible to participate. The programme for this platform is divided into four major stages. In the first stage, which took 15 to 21 months, all departments under the MEF implement more than 200 activities spanning 27 fields. In stage one, a maximum of 300 officials were included in the scheme.

In the second stage, individuals ranging from secretary to director general were selected. They received a total salary ranging from \$121 to \$679. These amounts were deposited directly into individual accounts at the ANZ-Royal Bank. Funding came from government funding for PMG, which covered 80 participants, and from development partners' contributions for a maximum of 220 officials.

In the third stage, individuals selected from a personnel pool spend at least 50 percent of their time working on the reform programme. The selection and appointment of 300 officials went through processes similar to the standard appointment routes. Although each step was checked to ensure that patrimonial network was represented, this process must guarantee that some capable and well-educated individuals were on board, unlike the usual appointments, where most appointees were not competent in the position. The process involved: (1) selection and nomination by the head of department, (2) agreement by the reform committee secretariat, (3) checking and nomination from the Personnel Department, (4) agreement and nomination by the incentives and recruitment subcommittee, (5) approval by the reform committee and (6) signing off by the minister. Each individual then signed a contract with the secretariat on role, responsibilities and performance expectations. Annual performance assessments and contract renewals were conducted.

The MBPI scheme has been implemented and monitored closely by the programme subcommittee. There has been good progress in several areas during first platform implementation: (1) Salary payment through the banking system has been introduced. Three hundred MEF officials have opened accounts at the ANZ-Royal Bank, and their salaries have been paid by direct transfer since July 2006. The new system has been operating well. (2) A functional review has been conducted, and technical assistance to work on establishment control was secured and started in early 2007. (3) The terms of reference for the merit-based pay auditor have been circulated for review and comment. (4) The Personnel Department, under the guidance of the subcommittee, has conducted individual and departmental performance reviews. The overall results have been satisfactory. (5) The increasing government contribution has been agreed with the development partners.

Several issues emerged during implementation: (1) There was sharing of payment among staff in some offices. This arose because more people were involved in the reform than was anticipated. However, such practices were not in line with the manual. In response, the subcommittee convened a meeting with all departments, which concluded that the practice was incorrect and that all departments had to make sure it did not happen again. The mismatch between merit pay recipients and the scope of work are reviewed and modified in the next platform. (2) Staff attendance monitoring was found to be inappropriate. The Personnel Department replaced the responsible officials and removed them from the programme. (3) There was a risk, resulting from the direct transfer of payments to individual accounts, that officials who were on long-term absence from work may still receive the payment. Each department head and the Personnel Department worked together to ensure that this did not happen. So far, the scheme has produced more satisfied, but not necessarily more motivated and accountable, staff, because the performance accountability mechanisms were still weak.

Other ministries would now like to follow the model. However, the CAR is not very keen for this to happen because it sees its PMG and role being undermined. The ministries of Land Management, Agriculture, Forestry and Fisheries, Health and a few others are seeking ways to introduce similar initiatives. Time will tell whether this represents the will to do something meaningful about pay reform or is just a donor fashion that allows the government to pay more to high officials. Without clear functions and job descriptions and the rationalisation of staff numbers, how much can merit-based pay contribute to solving the problems? Will improved pay really mean that the most effective people are attracted to work in the ministry, or will hiring be dominated by patronage, while workers still spend a great deal of time on external activities? With most merit pay initiatives not targeting sub-national officials, where will incentives for them come from?

## 5.2. Salary Supplements and Their Effects on Sub-National Accountability

Salary supplements in Cambodia are extraordinarily significant, taking up to 25 percent of all donors' disbursements (Danida 2005). They are also highly significant due to low state salaries, weakness and distrust of government administration and lack of donor coordination, leading to aid delivery through technical assistance and PIUs. Overall, the use of technical advisers and PIUs has resulted in a lack of national ownership, limited capacity development, distorted incentives, capable staff diverted from serving the state and reduced pressure on the government to reform its administration (Mysliwiec 2003; OECD 2005; CDC 2007). But they remain crucial to programmes and to the livelihoods of many public servants. According to the Council for the Development of Cambodia, the



average salary of state civil servants is around \$28, roughly \$1 per day (CDC 2004). This is certainly not enough, and they have to look elsewhere.

Salary supplementation needs to be addressed with care and a deep understanding of the context, both holistically and in terms of specific projects. Throughout the fieldwork, there were several explanations given of why salary supplements are favoured and how they intertwine with neo-patrimonial interests. First, supplements can improve administrative efficiency and have enabled government staff to spend more time attending to their responsibilities (especially, but not exclusively, where project function aligns with department core function). They contribute to improving service performance and to completing necessary work and field visits. In projects with salary supplements, there is evidence that good things can happen within the current administration.

Second, they have also created incentives, not all of them good, to show greater respect and loyalty to local managers. This may or may not result in better performance of duties. Because of low pay, local managers relax discipline and do not press their staff too hard, so that even when there is a performance problem, it is rare for any sanction to be imposed on people receiving salary supplements. Most officials take a short-term view of supplements, regarding them as one-off deals.

“I respect my boss because he helps us get involved with projects so we receive salary supplements.”

“It is very difficult for me to punish my staff who are on projects while being relaxed about those who are not. We share one roof and so need to understand and forgive. They know how to behave when they are selected to work with a project, but there are times when other needs or commitments arise and they cannot turn their backs on us. Otherwise they will be called ‘crocodile’ and might be excluded from future opportunities.”

This makes it very difficult to take a strong stand on formal accountability. They are afraid to disrupt their long-term staff relationships, and often avoid conflict with staff and colleagues altogether. Leadership benevolence is also in play, local managers feeling pity for their staff and helping them get outside money to survive. Some offices share the mission money from the department budget, using false receipts. It is not uncommon for them to overclaim salary supplements and to cover for non-existent fieldwork.

“Not all of us get to be project staff. In order to live together, we often share our bit with colleagues who don’t have salary supplements and therefore get them to help us in activities for the project.”

“It is important that I, as leader, take care of my staff. We don’t ignore anyone but try our best to help and share our little cake so that we all can live in difficult times.”

Third, these possibilities create incentives for public servants to invest time and money into their own professional development and education to improve their chances of joining projects. However, because only 30 percent of overall government staff receive supplements, these opportunities and incentives are not universally or equally distributed. Many provincial staff, including older staff who might not be expected to show an interest, try to travel to Phnom Penh for study. Whether this means they are able and have the time to do a better job is another question.

In general, despite the disruptive effects discussed below, there is very little opposition to salary supplements from those able to access them. They are said to be useful to ensure staff morale and loyalty, and also to get their work completed. They are good for neo-patrimonial interests because they take pressure off scarce resources and allow staff to undertake activities with outside support. They create personal gain and loyalty, support patron network servicing and stabilise the patron-client network. Salary supplements create obligations for staff who are in the network, while shielding and even enabling rent seeking and other informal activities that those staff perform for the neo-patrimonial interest.

All this illustrates how everyday new public management HRM, relying on incentives to meet outputs, can be assimilated by the neo-patrimonial system. Rather than transforming it, they reinforce its day-to-day functioning.

### ***5.2.1. Distortion of Establishment Control, Performance and Retention of Staff***

PIUs and donor-supported programmes are commonly staffed by government officials. These officials retain a position within their ministry, but are recruited to work mainly for the project, by which they are paid benefits in addition to their base salary. Many staff are grateful for the salary supplements and training allowances, which are needed for survival. The overall and long-term effects might not be as promising. As one interviewee recalled, receiving a salary supplement of \$80 per month makes him happy and committed to his work, so he devotes all his time to the project. When the project ends, however, he increases his commitment to help his wife with her business. This implies an increase in short-term individual incentives but a loss of overall system gain, affecting long-term capacity and motivational stability. Most importantly, accountability is distorted because staff members whose salaries are supplemented see their government work as secondary.

Thus while salary supplementation has made it possible for civil servants to carry out their expected tasks, it also draws capacity away from core activities. Public servants may retain their sinecures, but it is not uncommon for them to devote all their time to a donor or NGO project. Especially in sub-national government, the promise of better pay in the NGO sector has attracted many of the more capable staff away from state institutions.

“We lose our good staff to NGO projects and the private sector because they can earn more and work more effectively. We cannot do the same—poorly equipped office, no computer, little money ...”

“Our office is as quiet as an abandoned building because staff go to work for their businesses and for NGOs.”

State offices can be seen merely as launching pads for NGO careers. Fresh graduates who do not have a job or work experience tend to seek government positions, where they are trained to be better workers. As soon as they possess the skills and confidence they need, they leave in search of outside work, usually with NGOs. This has transformed state offices into training camps where people come and go with no commitment to their operation.

However, one should not jump to the conclusion that no capable and committed staff remain to work for the government. There are a handful of good people who resist the temptation of a higher salary and continue to perform their work to their own cost. But even some of the better supported people who receive supplements, such as SEILA staff, have resigned after a few years to accept jobs with NGOs or on projects that pay more.

“I do not have enough capable staff to help me with the department work. Sometimes, I have to ask my son and relatives to help me.”

Moreover, resentment from and disincentives for those who do not receive supplements but have to perform the same or even greater workloads are inevitable. A good example is the provincial Health Department staff who, feeling left out of the special privileges, tend to under-perform, knowing that they cannot be disciplined, transferred or dismissed (Rohdewohld & Porter 2006). At the same time, their incentives to develop policy and ownership are undermined by many donors’ policy of giving outside technical assistance the power to frame policy. Some technical assistance is given in ways that support and build local capacity, but some replaces and crowds out local ownership and capacity.

Thus the impact of salary supplements has gone beyond the desertion of good staff. Our research suggests that they have psychological effects on the government staff who are not selected for supplements. There is considerable evidence from international literature that staff routinely compare their jobs and salaries with those doing similar work. The usual result of having the same responsibility but different pay is demotivation to work. Adams (1965) argues that employees try to ensure equity in their workplace by comparing the ratio of their outcomes to pay with other employees’ ratios. Equity is achieved by adjusting the amount of work they do to the money they are paid. Those who remain in the office without salary supplements work less.

“Almost half of my department staff are category D. These people spend only 40 to 60 percent of their total working hours [at the office]. They don’t have any responsibilities. They do not produce any output. They come to work just to show their faces, and that is it.”

Other outcomes and directions are emerging. Partly because high salary differentials occur in a context of a strong tradition of patronage within government, NGOs may, perversely, have contributed to changing public service performance in two new ways. The unequal pay between NGO and government jobs creates incentives for government staff to seek rents. And it places stress on monetary benefits to motivate civil servants, while the experience of other countries is that other factors in addition to salary are critical for motivation.

“How could you [project staff] expect us [government staff] to perform like you if we earn only about one-tenth of your salary? We actually work harder than you, because we work during off hours as well to make ends meet.”

“We should not be expected to have a standard of performance and commitment like you because our pay is not standard. If we don’t resort to other informal or formal activities that can help us make a living, where do you expect us to get money?”

“I think there has been too much talk about increasing pay. I know it is very important, but it will take time to achieve what we want. We should start talking about creating a working environment and culture that expect all individuals to work hard, commit, be professionally ethical and socially responsible.”

NGOs have helped Cambodia with infrastructure, service delivery, the concept of democracy and a better working culture (within NGOs themselves). But what has happened shows little sign of sustainability. If development is to be judged on the basis of state institutional development, it can be concluded that NGOs have largely failed. Lack of NGO coordination, the desertion of government offices, uneven motivation caused by salary supplements

and their complex relation to rent seeking can all be argued to have weakened the state's capacity to perform its tasks. Both locally and centrally, there has been created a culture of salary top-ups, competition for the best staff and taking people away from government offices. Pay reform is a serious and urgent priority to compensate for the overall system loss through short-term individual incentives and patronage benefits. Most importantly, accountability needs to be redirected from donors and NGOs towards the government and poor people.

### ***5.2.2. Centralisation and Politicisation of Salary Supplements***

Salary supplements exist throughout the government. However, even when a project is located in the provinces, a majority of the new opportunities and the supplementation often stays in Phnom Penh. This is in part because most of the PIUs and project management units are located there, where they are able to attract and employ senior staff. In the capital, staff are equipped with modern offices and amenities, on top of which they receive salary supplements and per diems and allowances for their regular travel to the field. Phnom Penh people, who receive travel allowances for their sub-national work, routinely staff many of the provincial field positions.

“I receive a \$150 salary supplement per month on top of my 830,000 riels, because I am a central coordinator and sit in many meetings of donor-supported projects.”

“Working in the field, I receive less supplement. I don't benefit from travel and vehicle allowances, unlike the central staff, who earn more and frequently travel to the field and get more travel allowances too.”

The effect of donor support is to exacerbate the already urban middle class skewing of staff distribution. Overall, the skewing of supplementation toward Phnom Penh is another example of the government's extreme centralisation and how centralised self-enrichment strengthens central power over sub-national administration.

Despite the obvious advantage for provincial departments in producing specific outputs and extending government work, salary supplements have several shortcomings. First, they affect the relationship between central and provincial staff because of comparisons of pay and degree of hardship. Many provincial staff believe that they have more responsibility and hardship but receive smaller supplements. Also, the fact that not all staff benefit from supplementation creates distortions and jealousy within offices. In most cases the managers deal with the problems by providing mission pay and petrol money to staff who are not included in the scheme.

“I am not part of any project because I am not capable and have no skills. I am not jealous of the others; it depends on the director's decision. But I do receive an allowance of 8000 riels per day when I go to work in the district and village collecting data for the department.”

“I don't see a problem working with a project or SEILA because we can still do some work for our department.”

“Compared with national government staff, our access to and benefit from salary supplements is small. I heard that some officials (both here and at the centre) have their names in a few projects with salary supplements. The amount of money received from salary supplements by officials in Phnom Penh is also much higher than in the province and district. It follows ‘Earn more, give more’.”

Second, because networks also influence appointments, this centralisation reinforces already highly centralised neo-patrimonial power. Officials within government agencies that work alongside NGOs or provide staff to them have strong incentives for enabling their own clients to be recruited. Supplements create situations in which staff are accountable to their bosses and have to share a percentage of their salary with them as gratitude for being appointed to the project. In many instances, technical staff have to forfeit the salary supplement if it might harm their relationship to the network and backer which determine their career prospects. In addition, supplements strengthen those who can control who receives them: those able to broker supplements for their networks create an alternative accountability structure that has a range of negative effects.

“I am deputy head of a rural road office. I was with SEILA as deputy head of the TSU from 2000 to 2004. I received \$80 per month and petrol and a moto in addition to my government salary. Now I am full time with the department and no longer work for the TSU because TSU work kept me too busy. I am currently working on a number of road construction projects under a Ministry of Rural Development-provincial department contract. I receive \$150 per month on top of my salary. This contract supports 15 staff, who receive \$150–200 per month. So you see my director is good, because he has projects and supports staff being part of such projects.”

“To be part of the salary supplement and project, the director selects and proposes potential candidates to the projects and we possibly have to go through a test. But as you know, it is also very important to have a close and trusting relationship with the director to secure such opportunities.”

Lastly, while salary supplements tend to secure both long-term loyalty and short-term commitment from technical staff, they lack long-term incentives for technical staff to carry forward their skills and engagement when the project ends, especially if the political elites do not support them.

Overall, salary supplements have improved short-term administrative efficiency but have not strengthened weak provincial administration. Indeed, sometimes they complicate provincial efforts to coordinate development activities, funds, planning and personnel management. They also provide resources for neo-patrimony.

### **5.3. Complex Donor Modalities and Government Reforms**

With the intention of overcoming deficiencies in service delivery and achieving poverty reduction, the government has initiated many reforms. Some are pilots and experimental programmes, based on a centralised office and a master plan, which try to coordinate with many ministries and actors as they are implemented. These include D&D, the Public Administration Reform and wider Public Finance Reform. Other reforms are latecomers, and are based on international experience and implemented as stand-alone projects, often by vertically integrated (and often centralised) PIUs in single ministries. Some reforms are left to the initiative of individual ministries and may contradict previous initiatives and stall other reforms.

Part of the challenge is coordinating and combining new and old practices. Complexity has produced difficulties and a broad sense that reforms are partial and in many cases stalled. Now, with so many major and minor reforms happening at once, each in many ways depending on the others, the question is where to start to undo this reform “gridlock”.

### ***5.3.1. Accountability Difficulties Emerging from Partial Reforms***

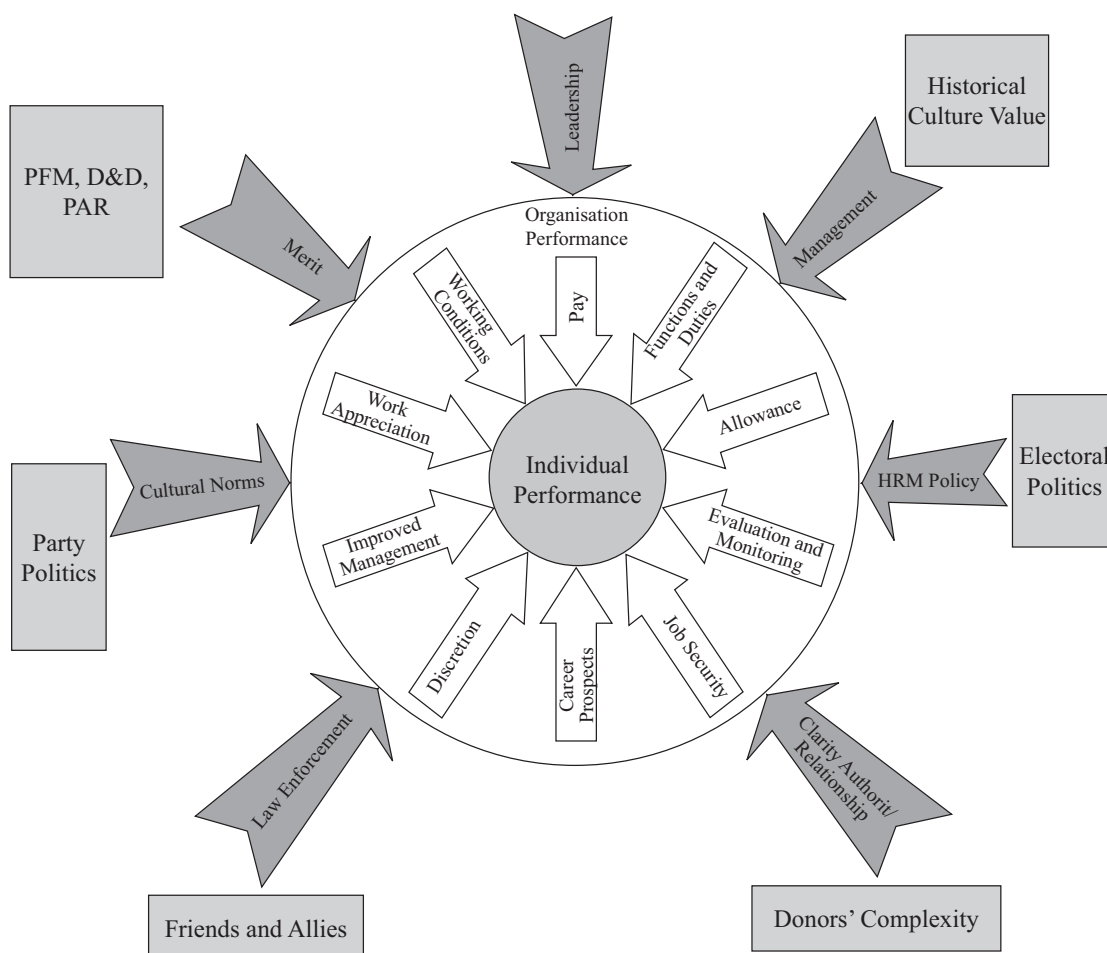
Cambodia is not alone in trying to improve the accountability of the civil service through public reforms. Individual and organisational performance and accountability will depend on a numbers of factors, which, according to one study, are: Organisational Performance = Merit + Motivation + Management + Context (Therkildsen *et al.* 2005). To improve organisational performance, staff must be hired, fired, promoted and transferred on the basis of merit. Motivation is also required if employees are to work towards fulfilling organisational mandates. In addition, the organisation's management must help to structure work in an appropriate manner and to encourage cooperation, communication and meaningful jobs. Therkildsen also shows that individual public sector organisations are not islands. Organisational performance also depends on the context in which the organisation operates—its “enabling environment” and the prevailing norms. Obviously, these four factors interact. Merit-based recruitment does not enhance performance if employees are not motivated; staff management—and the political and economic context—may influence staff motivation. Moreover, each factor needs to be specified in relation to concrete organisations. What this study shows is the importance of non-monetary rewards and the context in which organisations function.

The chart below illustrates this complexity.

- a) At the centre, individual performance might be affected by pay, allowances, job security, career prospects, improved management, appreciation for work done, working conditions etc.
- b) This is surrounded by “organisation”, the environment individuals work in, which is also influenced by factors such as policy and regulations, clarity of role and responsibility, cultural norms and values, management and leadership etc.
- c) Intertwined with this are boxes that illustrate key factors such as patrimonies, cultural and historical factors, “contingent reforms” and donor-driven complexity.



**Diagram 1: Accountability Influencing Factors on Individual and Organisational Performance**



### **5.3.2. Weak Government Structure Produces Weak Accountability**

The government has brought about political and macroeconomic stability over the past decade. However, overall, it has been unable to institute effective and sustainable accountability around planning and budget management, HRM and ministerial coordination. This is in part because centralised control of budgets and planning, and the disconnection between planning and budgeting, weaken the government system.

Planning processes are often “wish list” exercises, because plans are prepared without any knowledge of available resources (Horng & Craig 2008). Provincial departments do not have a development budget, because the budget is centrally managed, and spending is also centrally determined. The government spends about 23 percent of its revenue to finance recurrent spending, of which 70 percent is for personnel costs of provincial administration. This might be all that the province has from government revenues; however, it has little control over this funding, and planning and prioritisation around it are minimal. There is extremely weak connection between accountability for service delivery and what the provincial administration or its personnel do in their daily or annual plan. This has made provincial planning for personnel issues and development activities futile.



In addition, all the available plans and public expenditure management systems are disjointed and suffer from asymmetry and complexity. They have at least three systems for planning: government system, reforms and donor vertical programmes. As the PEM paper in this series shows, each of these systems works in parallel and to some extent separate domains: the government system for recurrent funds, the reformed system and the vertical programmes for development and capital investment. This is further complicated by the fact that development budgets are formulated and executed as individual projects with their own separate planning, HRM and PEM, where the majority of the financing comes from development partners. Any careful reading of these plans in a province indicates that they do not talk to each other to any significant degree. Given this non-alignment between the plans, even when funds are available, the outcomes might be sporadic, leading to fragmented accountability.

Weak formal systems of planning and PEM have allowed neo-patrimonial interests to grow, weakening the accountability for performance and contributing to overall weakness. Key characteristics are over-centralisation and too much focus on “compliance” and “formality” (spending especially requires multiple sign-offs and checking) rather than on results. Weak management and control combined with weak local and national political accountability have also enabled an already strong patronage network to expand.

### ***5.3.3. Donor Modalities Reproduce Government Outcomes and Create Weak Accountability***

A good deal of interest has recently developed around improving developing countries’ governance of aid (OECD 2005; Brautigam 2000, Moss *et al.* 2006; Rajan & Subramanian 2005; Rajan 2007; Collier 2007). Donors have played a significant role in Cambodia, from arranging priority needs to substituting for local capacity with technical inputs and project management to providing finance for projects whose operation and recurrent funding is not planned or sustainable. Furthermore, the restricted focus on output accountability for each project and donor competition for profile come at a cost to government, the country and donors. In many ways, salary supplementation exemplifies and introduces this problem. In this section, we discuss two further acute problems: general short-term focus and donor fragmentation, which lead to the lack of broader and more strategic objectives and therefore crowd out domestic accountability; and heavy employment of technical assistance, some of it quite ineffective, and the poaching of capable local staff, which weaken state capacity and long-term reform efforts of the government. Both of these approaches open space for neo-patrimonial interests.

#### **Short-Term Focus and Donor Fragmentation**

The Public Investment Programme is the centrally managed database for most development projects. The majority of the sectoral projects listed are financed by external sources, and often these projects are executed by a central project management unit or PIU. This project-based planning and execution not only use capital and development funds but also provide recurrent funds as salary supplements and operation and maintenance costs. There are currently more than 150 project management units or PIU in Cambodia (CDC 2007 acknowledges that the figures under-report reality). The problem is exacerbated by the fact that only 17 percent of aid uses the government system for budget execution (CDC 2007). Of the 662 donor-supported projects in the CDC database, only 338 were listed in the PIP between 2004 and 2006. This shows a large amount of aid being implemented off budget and with few government inputs. This has reduced incentives for the government to improve its planning, budgeting and implementation or to generate resources (Brautigam 2000). It is exacerbated by the fact that these investments create claims on future recurrent

funds, which the government will have to pay through its chaotic and non-transparent budget decisions. These donor modalities have a huge impact on sub-national HRM. Local managers are not in control of priorities and needs; they mainly respond to higher demands. Working with many projects and counterparts, local managers lack the time and are not in position to focus on long-term plans and strategies.

The many donor and NGO projects introduce fragmentation that hampers efforts to achieve long-run accountability and broader national objectives. There is a proliferation of donor programmes (especially “vertical” programmes) and NGO projects, many of which provide issue-specific support, focussing on narrowly defined problems. While their positive contribution should not be understated, it is equally essential to understand the unintended negative consequences of this approach, which has established a “path dependency” that favours accountability based on short-term and quantifiable results rather than on sustained systemic outcomes. Also, many government and donor processes and meetings are “ritual”, keeping the donors busy but rarely connecting with decision or policy making.

According to CDC (2007), Cambodia is one of the most aid-competitive and aid-fragmented countries in the world; donor partners are reluctant to participate in decision making and policy dialogues, resulting in high transaction costs for the government and donors. This problem is exacerbated by donors’ focus on their outputs, which causes them to lose sight of broader strategic objectives. With the huge number of projects and PIUs in Cambodia and the related administrative and management processes, many government leaders end up functioning more as project and meeting coordinators rather than dealing with strategic and policy decisions.

“We actually want them [other donors] to help on this issue. One donor is interested but cannot do it all and so requires cooperation from others. I meet other donors and try to persuade them to support the same issue but they say they can’t if X already does it.” (Donor)

“I spend most of my time meeting with delegations and missions on their project support. It is a headache and very difficult to manage and follow up.” (Ministry official)

“I don’t have time for myself to plan and think about the work that my department wants to do because of the demands for immediate attention I must give to the many projects we have.” (Ministry official)

“We want to do more in the project but can’t because our time and commitment at the office are less than the project needs. I think in the end the project team takes all the work because they can’t wait for us, and besides it is their job—they get paid more, are better trained and have clearer work assignments. And if I get more involved and hit a problem, I will be identified as problematic, so it is safer for me to do little.” (Ministry official)

“There is also a situation when the government agency does not want to get too deeply involved in a donor project because, conceptually, the project is not owned by the government, and a project team (some inside and some outside) has been created to do the job rather than them. Often the project team is like a working ‘silo’ and has little interaction or sharing with the government agency.” (Ministry official)

### **Heavy Use of Technical Assistance and Poaching of Local Staff**

In many ways, technical assistance mirrors the salary supplement problem: both are modes of managing in which “short-termism” and uneven incentives create unfortunate outcomes. More than half of the aid in Cambodia is technical assistance-related (CDC 2007). Some arrangements do not assist local people to perform their tasks, but rather take responsibility and ownership from them because the technical advisers do the work. This undermines efforts to maintain skilled government staff. The huge disparities in skills, work conditions and remuneration between technical assistance and local staff create jealousy and resentment and therefore reduce work commitment and project inputs from local staff. Donor projects often take the most qualified civil servants away from their positions through the overuse of salary supplements. This model has contributed to slow progress, and in some cases has been counter to reforms. Capacity building of civil servants will not achieve if the current donor modalities continue. Painful lessons have been learned about this, as many government officials have reflected.

“How could you expect us to perform like you when we barely earn enough to live and when we don’t have all the accessories to do the job like computers and vehicles—and, more importantly, when we are not appreciated for what we can do, and when you don’t even want to engage with us? So let’s see what you can do and who is going to use your work after you leave. That’s one of the main reasons why many projects fail after they are finished.”

“Some technical advisers come to work in a cell. They don’t ask and talk to us, and so they never learn what it might be possible to achieve. In the end, they produce documents and leave them on the shelf. This is a waste of their money and our time.”

“It is good for our individual staff to get higher pay and other benefits such as overseas training and participation in seminars. But our institutions lose greatly because we don’t have good staff and we don’t get to learn from those good staff and there is no sharing of experience among peers.”

Where neo-patrimonial interest is strong, it is beneficial to the political elites to support aid requests. For instance, large amounts of aid supplement technical assistance inputs and office facilities. This type of technical assistance has created a national and local consultant sector. But even recruitment and payment of these consultants are quite problematic. If directly negotiated between consultant and government officials, a 30 percent salary reduction is common, and appointment of relatives and connections is normal.

“I work in the engineering section because of my education. But that job has no pay and really nothing to do. I am now acting as a national consultant, which pays me about \$2000 per month. But I don’t get the full amount because I have to share about 40 percent with others and my boss.”

All these models of short-term outputs and donor-driven accountability must end, or the goal of improving the government system and accountability will take place only on paper. There is no point in donors preaching at the government to demonstrate good governance, when they are taking away the government functions of leadership, capacity building and managing and providing services.

### 5.3.4. *Ambitious Reforms Run into Barriers and Blockages*

Most major Cambodian reforms, namely D&D, PFM and public administrative reform, are struggling, and many seem gridlocked. A fourth major reform, aid effectiveness, requiring harmonisation and alignment around programme-based approaches, is also struggling. There are a number of reasons for these challenges.

First, there are cases where reforms are too ambitious and try to achieve everything at once, with no clear priority or sequencing. The long-due draft organic law for D&D shows that this is not an easy task, and one that should not be hurried. Administrative reform is another example in which many policy papers and big goals have been written up, driven mainly by external advisers; however, slow progress in implementation gives rise to suspicions that the reforms are empty promises and are being used to cover the usual activities. However, PFM has proved to be somewhat different; it is able to claim some progress, at least in terms of its Platform 1 goal of creating some realism about what appears in the official budget. This may be because it was conceptualised with clear step-by-step goals and an action plan, an annual assessment being conducted before the next goal or implementation is embarked upon. It may also be because it has chosen not to pursue areas of informal practice, which are vital to Cambodia's real public finance but which do not appear in the budget.

While the big reforms move slowly, smaller sectoral interests have moved much more quickly, creating their own structures that will make D&D reforms difficult. The Forestry Administration's structure was radically changed in 2003, and somewhat decentralised. Its experience of decentralisation, especially in relation to HRM, is highly instructive and illustrates many of the challenges that other departments can expect, from struggles over formal functions and local staff assignments, to central and local neo-patrimonialism (the detailed story is in Appendix 1). The health sector has another related example, with its move to decentralise the recruitment of nurses (detailed story is in Box 9 in Chapter 4). The two examples show that partially implemented reforms can create more layers for neo-patrimonial interests. These issues are clearly reflected by these comments from governors<sup>16</sup> and ministry officials:

“It will be impossible to devolve resources and powers as envisioned in the D&D strategic framework with this draft organic law. Already, some sectors and agencies have decided to go their own way, far from what D&D might have done.”

“We need to decentralise carefully, not like magic and not merely on paper.”

“It took two years to have the one-window project actually start, and there are still only a few minimal service functions from line ministries.”

“It is very easy to talk and agree during a meeting about what needs to be done to make decentralisation work. But implementation and follow-up are extremely difficult.”

Second, the reforms run into problems related to centralised and personalised accountability, and interfere with either rent seeking opportunities or patronage relations. On one hand, strong alignment with political accountability can assist some reforms. D&D belong to the Ministry of the Interior, which is dominated by particular CPP interests. There have been many achievements in the election and establishment of commune councils, and the

16 This discussion took place in July 2007 during a four-day management seminar for all provincial and deputy provincial governors hosted by MoI.

framing of measures into laws. However, this has not made taking other ministries along any easier. Sectoral deconcentration and fiscal decentralisation have made no substantial progress since 2002. This reform is made difficult by the fact that each sector is highly centralised and has little motivation to give away power and resources. Each ministry is concerned about potential loss of resources and control, whether to each other, to MoI or to provincial government. Deconcentration will involve not only a major restructuring of administrative arrangements, but also a reconfiguration of central and sub-national power. A critical reason that deconcentration has failed to progress is that at the heart of this reform is the devolution of employer functions and the “economy” related to them.

Public administrative reform is steered by CAR and its secretariat, which is directly answerable to the Council of Ministers and the prime minister. It is very centralised, and its relationship with ministries and agencies has proven difficult; its capable staff are stretched across many competing and poorly resourced tasks. Generally, CAR is seen as vulnerable and powerless in that it does not have a reciprocal relationship with central ministries or sub-national government. At best, it may be able to call for inter-ministerial meetings, but it does not have the muscle to manage the participation of ministries in the reform process. Like CAR, line ministries and agencies are highly centralised; they rarely interact or collaborate with one another. Each has its own needs and central patrimony to look after. Hence, each ministry has an agenda for reform, and here CAR can be seen as competing with the ministries for reform resources. Public administrative reform, like D&D, needs coordination among all the ministries to move forward, not to mention consensus, which is often lacking. Politically, CAR is important and supports the ruling party in consolidating certain power and resources to keep reforms that have potential impacts on political interests under the direct control of the Council of Ministers. It also manages the flow of funds from development partners and distributes them to various ministries. Many officials at the centre believe that CAR has failed in many initiatives and not really produced any outputs because it seems to attempt many things with no careful ground work before formulating policy and embarking on implementation. Therefore, it ends up managing paperwork, but not real work.

PFM reform faces similar challenges; however, outcomes here actually help the reform to progress, because the MEF would benefit from tighter control over the budgets and expenditures of agencies. There has been a smoother progress of its Platform 1 aim to establish credible and comprehensive budget and expenditure management. Currently, the majority of sub-national spending is off budget. Much spending is not in the budget law passed by the National Assembly and therefore not under the MEF. Recently, there was a vast flow of aid to rural areas, and those controlling the resources were able to command substantial rents. The MEF is extremely keen for reform because it would like to consolidate the rural economic control lost to other ministries.

Generally, the secretariat of each reform, or the ministry responsible for it, and other line ministries do not talk to or coordinate with one another. This is another reason that consultation in the form of technical working groups and inter-ministerial bodies does not function. The secretariat model of reform clearly has limitations. Information sharing within a ministry and across ministries or sectors is rare, and the secretariats appear to struggle to do much about this. When discussing why fiscal decentralisation is not making progress, for instance, one blames the other, but relevant ministries do not discuss the matter to seek solutions, but rather wait for someone to make a call while criticising and silently resisting any suggestion or direction.

“The fact that information and knowledge are rarely shared between offices and ministries makes coordination almost impossible. This problem adds to the fact



that the turnover of many staff has created difficulty in information sharing and management.”

“There is personalised management of departments and ministries, where delegation is almost non-existent. We end up naming an office or institution as belonging to this or that person. Rule enforcement becomes personalised as well. So when this individual and minister are not talking to one another, institutions cannot talk to each other. This is acutely observed in the government, but it is also very true for NGOs and donors as well.”

Third, many reforms have stalled because of the lack of capable personnel and technical advice. PFM, D&D and public administrative reform are huge initiatives and very challenging, not only because of their complexity but also because of their interconnections. Often the institutions or the working groups responsible are poorly placed and poorly equipped financially and in capacity to handle the tasks. The few capable individuals are often overloaded with un-prioritised commitments and are unable to influence decisions. Overall, staff are poorly trained and inexperienced, and therefore depend on external advisers who are sometimes not able to understand the real problems. It is not unusual to hear government officials complain about ineffective and problematic advisers. In one government office, there could be as many as five different advisers, each with a different agenda.

“I know how to do what needs to be done for this paper to be good and able to be implemented. But I cannot do this job well alone, because I have too many things on my plate and most of the time no one helps me. The few good and capable people are too occupied with other activities, and they can either do one thing well or do everything badly. The latter is our situation.”

“I have respect for good technical advisers. But I feel that Cambodia is quite unfortunate in that we often receive bad advice and drop-from-the-sky technical advisers who have no clue about what we want and how we work. Often we just ignore their advice and let them do what they need to, to save their face.”

Fourth, many reforms are at the mercy of politics and neo-patrimony as well as the commitment and support of higher officials. Many higher officials and key personnel are very busy in politics, often using their own resources and time for their party. During an election year, most public offices are either closed or preoccupied with election campaigns. State revenues are diverted to partisan activities as well. At such times, there is little progress in reform.

“During an election year, we invest quite a lot of time and resources to help our party win. Similarly, in the offices, many of my staff have to sacrifice their time and money to pay for necessary activities so that the offices can function (paper, photocopy, ink, computers etc). That means that if we cannot later benefit from our offices or more broadly from the reforms that are being embarked on, there will be limited motivation and space for them to progress. Even more importantly, on many occasions the progress and success of a reform depend on the individual politicians involved, whether they strongly support and push it forward or not. Back legs [reform] can start moving only when the front legs [politicians] walk.”

“I know that A is doing illegal activities, but what can I do? When I asked for support from higher up to address the problem, he said, ‘Don’t bring headaches to me; do what you can’. This is because dealing with this issue won’t benefit any political or neo-patrimonial interest.”

Finally, many interrelated reforms have been initiated and backed by different ministries and donors, yet they have not been implemented in a clear sequence and in a collaborative manner, thus stalling progress. Broadly, the manner in which these reforms have been executed has created two outcomes. First, a series of partial reforms means that parts of some sectors are now better aligned than others in planning and budgeting. Second, a logjam of reforms means none can really move ahead without the others. Partial and stalled reforms contribute to a complex and confusing situation in which institutional arrangements are piled on top of each other, but none has sufficient reach to change the system. Faced with this complexity, reform-minded donors and government are likely to secure their own programmes by making them more vertical and less integrated, thus compounding the problem. These major reforms require coordinated implementation if the logjam is to be cleared and accountability sustained.

### ***5.3.5. Specific Examples***

The paragraphs that follow are only short summaries of case studies. The full versions of these cases can be read in Appendices 1–3.

#### **Forestry Administration**

The Department of Forestry and Wildlife was renamed the Forestry Administration by Sub-decree 64 in 2003. Its structure was also radically changed, from organisation at the centre, province, district and commune to organisation by inspectorate, cantonment, division and office (referred to as “triage”). Because its research told it that vertical organisation would improve effectiveness, reduce deforestation and increase sustainable forest management, and because of urging from donors, the Forestry Administration pursued a vertical integration reform to increase technical ability and decision-making powers and internal patronage lines while cutting out other horizontal patronage. It has also attempted to move to decentralisation. In 2007, it had a total of 1642 staff, of whom 292 were based at the centre. However, it still reports staff shortages due to a lack of official positions, equipment shortages and low incentives in rural settings, and the poaching of capable staff by NGOs and donor projects. Moreover, for recruitment, transfer, promotion and appointment, its requests still have to go through the MAFF for approval. Forestry Administration staff receive salaries and allowances plus a share of fines for illegal logging. Some staff receive a salary supplement from donor projects. Due to differences in opportunities, there are wide income gaps among staff, and this has created competition for lucrative positions, a brain drain to NGOs, an internal job market and patron-client relations within the organisation. Several years of experience show that several aspects have deteriorated, and Forestry Administration officials observe that the assumptions justifying vertical integration (i.e. removal of horizontal interference, reduced influence of other actors) failed to hold; therefore, more serious reforms are still needed if the organisation is to be able to do what it is supposed to do.

#### **SEILA’s ExCom**

The government originally established the provincial rural development committees and executive committees (ExCom) with support from the CARERE programme, which became SEILA, to provide a strong provincial base for SEILA. The programme brought badly needed resources, funding and capacity to the provinces. Many donors have aligned their provincial funding to the ExCom and Commune/*Sangkat* Fund, greatly simplifying things. Under the overall management of the permanent member of the ExCom, its practical work within the development committee is divided among the TSU, the contract administration unit, the finance unit and the local administration unit. Recruitment and appointment



within each unit (aside from the head) are competitive, without being dominated or greatly distorted by central agencies. Recruitment involves many steps, from job announcement to screening and examination (writing, interviews etc). There has been a large improvement in most aspects of provincial HRM, but challenges persist. In units that require staff with high technical knowledge, candidates often end up being directly appointed from departments without going through an examination. Problems of appointment of relatives or friends still exist. SEILA staff receive salary supplements and a wide range of other benefits to enable them to do fieldwork. Their work is monitored more by output than daily attendance, with clear functions and output indicators that have led to low fund leakage, non-performance of contracts and technical failure. However, performance evaluation is limited to a yes or no assessment of contract performance because promotion in rank or salary is non-existent. Performance incentives are also somewhat diminished by the role of external advisers, who are accountable to ensure key tasks are performed. Because they are paid more, they often come under pressure to help ExCom staff fulfil these tasks, creating a double accountability that has advantages and disadvantages, as well as costs, incentives and disincentives built in.

### **Phnom Penh Water Supply**

The Phnom Penh Water Supply Authority became a fully autonomous commercial entrepreneur in 1996, and has since restructured its administrative, institutional, technical and financial systems (Hughes & Un 2006), creating a board of directors and developing its own personnel policy based on honest and meritocratic internal organisational cultures, which directly challenged the norms of patronage and protection within the civil service. Since becoming autonomous and coming under the leadership of its current director general, Ek Son Chan, the authority has provided high quality water and customer service, clean and welcoming office space and reliable garbage collection. Water loss has been at an all-time low (the second best in the region, following Singapore); revenue has steadily increased; the distribution system has expanded. One distinctive aspect of its success is the use of a business entrepreneur model. The authority employs 569 staff, of whom only two are civil servants. The rest are employed under the Public Enterprise Code. Recruitment is based on merit and involves three steps: internship without pay, a six-month contract on half salary and appointment as permanent staff. Successful candidates have to pass through the steps based on evaluation of their performance. Tough recruitment has enabled the authority to move away from neo-patrimonial practices. It also pays a highly competitive salary and other benefits, including a 13<sup>th</sup> month salary. Staff also receive special performance bonuses, some of which are from the pocket of the director general—an example of how neo-patrimonial or personal loyalties can be used to make things work better. Staff assessment and sanctions are regularly and strictly observed—outstanding staff receive rewards while incompetent or non-performing staff are fired. Recently, the authority was asked by the Vietnamese government to help train and support its water authority. Such peer learning, although very important, has not taken place within the country, however, due to cultural norms and strong vested interests in appointing friends and family. The successes of the authority demonstrate the cultural changes that have occurred in Cambodia.

### **5.4. Summary of Main Findings**

Civil service wage rates are established centrally, in Phnom Penh.

Low pay is consistently raised as the most serious issue faced by all provinces. Despite an annual increase of 15 percent in the base salary, civil servants' pay is far less than a living wage, and less than in other sectors.

Low pay results in deteriorating morale, a poor work ethic, second jobs and staff departures to take up positions with NGOs and donor projects.

For a number of reasons, the government has not been able to expedite pay increases for civil servants. First, spending more on pay is not seen as a good investment, especially given very low government tax income (the lowest in the region). Second, low pay has also created complacency, inactivity and dependency on the part of civil servants. Third, low pay leads to civil servants not functioning for the state, transforming them into networks of political and entrepreneurial interest within the state. Fourth, there is minimal pressure within the state apparatus to increase state revenue to support civil servants' wages.

The government and its development partners recently embarked upon a targeted approach in which high priority sectors and functions are raised to competitive salaries, in addition to a small pay increase to about 700 AA officials, ranging from \$130 to \$205 per month. Late in 2005, programmes including the Priority Mission Group and the Merit-Based Pay Initiative started to be rolled out, so far covering, however, only a small number of individuals. Both successes and challenges have been documented for this initiative, and a recent evaluation raises many lessons.

There is no doubt that pay reforms will be difficult. Even when implemented, the impact that better pay has on performance and reduction of informal activities might not always be significant, in light of far higher rents that civil servants can extract from their positions.

Salary supplementation is a serious issue. In money terms, it is extraordinarily significant, taking up to 25 percent of all donors' disbursements. It is also highly significant because of low state salaries, weakness and distrust of government administrative structures and lack of donor coordination, which leads to aid delivery as technical assistance and via PIUs.

There were several explanations as to why salary supplements are favoured, and how they intertwine with neo-patrimony. Supplements can improve aspects of administrative efficiency and have enabled government staff to spend more time at their regular work. They have also created incentives, not all of them good, to show greater respect and loyalty to local managers. These possibilities also create incentives for public servants to invest time and money in their professional development and education.

The government has initiated many reforms with the intention of overcoming deficiencies in service delivery and reducing poverty. Some initiatives are pilots and experimental programmes, based on a centralised office and a master plan, which try to coordinate with many ministries and actors as they are implemented. These include the D&D, the public administration reform and PFM.

HRM difficulties are arising from partial reforms, and this problem is exacerbated by many initiatives being stuck, for three reasons. First, the government mainstream structure is weak, especially in planning, budget management, HRM and coordination within and between ministries. Second, donor modalities reproduce the government outcomes and create weak accountability. Finally, many ambitious reforms run into barriers and blockages.

## **Chapter 6**

# **Conclusion and Possible Ways Forward for D&D**

## Chapter 6. Conclusion and Possible Ways Forward for D&D

This study has aimed to describe and analyse sub-national HRM accountabilities, with a view to seeing how understanding these realities might indicate what might be done. In this chapter, we turn to the “what might be done” by examining constraints, opportunities and what it might be feasible for D&D to embark upon, strategically and tactically.

### 6.1. Highlights of Major Findings

Cambodia’s current HRM system, although organised around modern rational bureaucratic structures, exhibits informal, political and neo-patrimonial conditions that have emerged from its history, all deeply embedded in Cambodian social and political practices. In many ways, informal practices are the legitimate base of accountability within governance, yet they will hinder future development if not addressed, resulting in a monolithic and dysfunctional HRM system that will be unable to deliver services.

The centralisation and politicisation of civil servants, combined with their low pay, support neo-patrimonial interests and weakens HRM accountability:

- While the technical capacities of government staff are undoubtedly strengthening, the state apparatus remains fragmented along vertical and horizontal lines, much to the disadvantage of sub-national administration. Reliance upon directives from the top is high, formal accountability mechanisms are weak, and evidence of effective inter-ministerial or vertical or horizontal coordination is rare.
- Our study and interviews show that government remains highly centralised and politicised. Centralised control and lack of resources weaken sub-national government and make local personnel management, planning and expenditure management futile.
- Perversely, low pay works because (1) spending more on pay is not seen as a good investment; (2) it has created complacency, inactivity and a kind of dependency in civil servants; (3) it leads to civil servants not functioning for the state, transforming them into networks of political and entrepreneurial interest.
- This situation makes salary top-ups and projects the main resources to resolve salary tensions for some activities. This explains the proliferation of salary supplements from NGOs and vertical donor programmes. The situation “works” for NGOs and vertical programmes, in that they have no difficulty attracting public servants away from their mainstream jobs.

The implications for sub-national accountability are clear:

- Provincial administration is not in control of its jurisdiction, resulting in weakened vertical accountability.
- Local managers cannot hold staff accountable and motivate them to work for the administration, and staff are constantly drawn to outside interests and accountabilities.
- Pay is extremely low, creating a strong incentive to become part of networks of political and entrepreneurial interest within the state, civil servants operating completely counter to the public administrative reform goals. This has negative impacts on the economy and citizens, and particularly disadvantages the poor, with widespread rent seeking and informal fees for public services.
- Salary supplements and project-based management by donor and NGO projects, while delivering services in the short term, introduce fragmentation and jealousy, and redirect accountability from the government to the projects, which hampers efforts to achieve long-run accountability.

- The informal, political and neo-patrimonial aspects of Cambodia's governance structures greatly influence HRM and accountability. They are not the central problem, but together with other issues and weaknesses have a powerful disabling effect on many aspects of accountability.

## 6.2. Constraints, Realities and Real Opportunities

Given both the ambitions of D&D and the realities of sub-national accountability, what can be done? This section seeks to describe both constraints and opportunities for decentralised accountability.

Promoting accountability in concept and policy papers is one thing, but achieving accountability in implementation and in outcomes is another and requires considerable commitment. The big picture challenges are considerable constraints. It is even more critical to have a deep understanding of the big cultural and political picture before picking up some of the reform tactics and specific reforms that we suggest in section 6.4 and 6.5.

**Context awareness 1.** The history and cultural socio-economic milieu of Cambodia promote or hinder different aspects of accountability reforms. The several regime changes that have taken place in Cambodia have not been peaceful, and one effect of this is that people have not learned to trust the system. Recent political developments also create mistrust and fear of asking or challenging the government and authority. Habits of conflict avoidance and structured hierarchical order within the bureaucracy stifle innovation and weaken the expression of innovative ideas, particularly in the most politicised policy areas. Such obstacles to reform, and pessimism and scepticism about reformers, can be heard in common everyday sayings in Cambodian governance:

“If they are a certain way, we have to be that way.”

“Don’t put a bone in your throat.”

“Don’t put glue in your armpit.”

“Eat smoked fish if you are easy-going, but eat salt if you are difficult.”

Culturally, too, Cambodians believe in karma, face-saving and appreciation of benevolent leaders, which enables authorities and leaders to legitimate their actions and accountabilities, even if these differ from what they ought to be. These norms have strengthened the patronage system, and the common language and sayings further support it. It is becoming clearer that personal relationships and connections are more important than merit in public life, and especially in public office advancement. This creates a vicious cycle of transactions and obligations, which embed patronage strongly in everyday life (Kim & Ojendal 2007; Pak *et al.* 2007; Ledgerwood & Vijghen 2002).

**Context awareness 2.** The ability of political elites to capture and sequester, and the growing importance of partisanship, make reforms difficult. Political protection of neo-patrimonial governance limits the possibility of creative policy ideas or bottom-up initiatives being generated and operating in the formal system. Reform-minded officials are reluctant to promote the initiatives for fear of vested interests. There is a strong belief that CPP partisanship is critical because the CPP has power to control violence and security, which has led to the belief that these areas must be kept under the CPP to ensure peace and stability. The need to be aware of and avoid potential no-go zones for policy creates a need among officials for good political intelligence. This means that reform is most likely to be achieved by high-ranking political figures who can negotiate the political minefield with

confidence; hence even reformist policy making remains in the hands of political elites or individuals with powerful connections. Some officials explain this situation by saying a “political mind” knows what to do: “If a cat eats a rat, we punish the cat, but when a tiger eats a cow, we let it go” and by the saying that one should mind only one’s own business. This reaction is also reflected in other common sayings:

“The cake cannot be bigger than the cake tin.”

“If you enter the water there’s a crocodile, if you get out there’s a tiger.”

In this context, even strong donor-led reforms such as SEILA may struggle to spill over into wider governance. They will create only islands of good governance and HRM accountability: a big challenge is to have these mainstreamed.

**Context awareness 3.** The space for demand articulation and civic engagement may be diminishing. Information disclosure and social accountability mechanisms are censored, while sensitive and vested interest areas cannot be reported or discussed by media or public forums. For instance, a recent survey by the MoI on the use of the *Commune/Sangkat* Fund and the role of its accountability committee shows that issues related to land and natural resource management are seldom dealt with by commune councils, despite abundant complaints from the people (Knowles & DOLA 2007). CDRI’s poverty assessment of the Tonle Sap also found people fatigued by having to make demands on authority to help them address security problems (youth gangs, for example), and also unwilling to be part of any organisation or movement due to fear of authority (Ballard 2007). Existing legislative bodies are unlikely to be a channel for civic engagement or the voice of citizens because of strong partisanship.

**Context awareness 4.** Demographic change, the memory of the last two decades and television expectations will contribute to areas on which D&D could have an impact. An increasing proportion of the population was born after 1979. This large population does not have any recollection of the Khmer Rouge regime or the People’s Republic of Kampuchea. They may have little appreciation of the relative stability and peace that are CPP strengths, and they cannot connect themselves with the older generation and the revolutionary period. Furthermore, more accessible educational opportunities within Cambodia and abroad, and interaction with the outside world (including media channels) have created expectations about how government should act. Another factor is the growing middle class and private sector, which are increasingly important and take part in major development activities as well as engaging more with political elites.

**Context awareness 5.** There is a growing understanding of the weaknesses and limits of donors and their modalities. Donors’ awareness of how the government really functions—and therefore how best to affect it—seems poor. The driving interest of donors seems to many to be their own agendas, which focus mainly on millennium development goals and service delivery outputs, rather than on long-term institutional reforms through engagement with government, and they therefore avoid affecting vested interests.

### 6.3. Strategic Opportunities and Effective Tactics

Analysing the constraints and opportunities above suggests that, while some can be changed, many cannot, at least in the short term. It is therefore important to look for features and tactical approaches that could promote a shift towards more accountability through D&D. Here are some possibilities.

**Tactics 1.** Champions and leadership matter. Neo-patrimonial relations do not capture everyone. Our case studies clearly show that improved accountability and better results are often pushed for and demanded by particular individuals before larger reform takes place (Adler & Porter 2006; Hughes & Un 2006). These individuals are important as transmitters for change. But not all capable and technically competent individuals can achieve such changes unless they have strong connections and know when, who and how to approach, and are able to negotiate confidently with high officials and even political figures. We also need to pay attention to personal characteristics, political leadership and the strategy of key individuals in the hybrid governance arrangement.

**Tactics 2.** Understand the strengths and weaknesses of the mainstream system. This paper and the other two of this series show how weak the formal government system is in promoting primary and other forms of sub-national accountability, especially when dealing with the natural resources that affect rural livelihoods. At the same time, it suggests where the system is strong. Neo-patrimonialism is a useful basis for understanding the system's weaknesses and strengths. We consider it vital to understand how patrimonial interests occupy the formal system and create a different accountability that constrains reform. In particular, we need to pay attention to:

- the political economy of hybrid governance;
- the nature of central-local relations, especially the “who” of these relations;
- the core structures where these economies and other relations operate, such as public finance and human resource management.

**Tactics 3.** There is a need to engage more creatively with the mainstream system. Given better understanding, we need also to engage in and not bypass the province, district and commune government system if we are to get sustained pro-poor service delivery and enhanced accountability. This creative engagement will mean going beyond binary conceptions of donor systems (as good) and government systems (as bad) into more hybrid conceptions. As a number of commentators have noted (see especially Khan 2004) analyses like the neo-patrimonial one deployed here can create unhelpful black and white characterisations of governance, which limit our ability to engage constructively. There are always “hybrid” forms of governance where systems converge. The prevailing form—government, donor or hybrid—changes according to the sector, economy and province. Therefore, to engage in a sector, there is a need to have a more elaborate understanding of the governance arrangement likely to prevail there, and to engage accordingly. What would a more elaborate engagement look like? How does and can the hybrid produce better outcomes, such as social transformation and security?

**Tactics 4.** Remind everyone, especially donors, that political economy, donor effectiveness and complexity matter. Some hybrid donor-government programmes and systems are disjointed and can seem almost designed to fail after a short period. Many were designed only to be managed by or for donors rather than managed and owned long term by the government. Donor reform does not link to Cambodian public administration reality, and therefore the management response is very negative. Also, many reforms produce “layering”, not full reform. In particular, donors must recognise that salary supplements



weaken pressure for reform, and they must look for shifts towards phasing out salary supplements in favour of budget support.

**Tactics 5.** Be smart about choosing entry points for reform. Within all the above constraints, there are always opportunities for reform: sectors, leaders or programmes that offer opportunities to break from conventional situations and instigate reforms, whether top down or bottom up. D&D will provide more of these, and good leaders will make the most of them. In Box 14, Anne Evans and Nick Manning lay out some areas where they think decentralisation and HRM reforms can emerge and strengthen each other.

#### **Box 14: Lessons for Developing an Action Strategy**

##### *Some Points of Entry Are More Feasible*

First, think about developing authority over:

- performance management (directing and supervising activities and tasks, conducting performance evaluations, and undertaking discipline)
- career management (managing promotions, and developing control over transfers within local government)
- recruitment (legally recognizing local government as the employer)

Ensure that stuff can be moved to where the need is greatest.

Provide local government with control over number of staff.

##### *Build on These in the Medium Term*

Where this has not already been achieved, decentralize mechanisms for:

- budget transparency (paying staff from local budgets)
- budget and establishment control (controlling overall staffing numbers and disposition of staff within local offices and facilities, and authority to dismiss surplus staff)
- own recruitment (legally recognizing local government as the employer authorized to hire)
- career management (offering promotion, making transfers within local government)
- performance management (directing and supervising activities and tasks, conducting performance evaluations and undertaking discipline)

Recognize that performance management authority will be tempered by centrally established guidelines or directives. Note the persistent problem for local government of attracting and retaining staff.

Source: Evans & Manning (2004: 17)

#### **6.4. Practical Actions: Specific Areas to Work for D&D in HRM**

These realities will inevitably translate into the D&D arrangements that emerge and, there too, create accountability issues. At the time of writing, the details of the D&D reform are yet to emerge. The strategic framework for D&D adopted by the government in mid-2005 has been the only document to provide a far-reaching vision. One thing clear is that the government perceives the D&D reform as profound, prompting substantial changes to how government agencies work and relate to citizens. But they will also impact on patronage lines and friendship networks, job-selling revenues and politicised executive functions. They go to the heart of existing public service—and, to some extent, political—arrangements (Sar 2005).

There are specific and practical areas where we think D&D reform can start to achieve some short-term impact and build the foundation for long-term transformation. Here, HRM issues are important, but they are also intermeshed with other accountability issues and

areas. This perspective and the already positive examples of various initiatives can be built on and scaled up. These could include:

- **Establish a study group** involving selected government officials (central and sub-national) with research support to begin a discussion about what needs to be done and how to do it regarding decentralising HRM. The study group could also report to the National Committee to Support Decentralisation and Deconcentration sub-group on capacity building and human resource management. For instance, the group could start work on understanding the current system and the sub-national challenges, then look into what D&D want to achieve and the organic law intentions, contextualise other countries' experience and explore opportunities to improve recruitment, appointment and promotion. The study group could also follow particular reform efforts, such as those being explored by the Forestry Administration (in partnership with Danida) around alignment of job descriptions with decentralised functions and a merit-based pay initiative.
- **Strengthen basic payroll and HRM systems.** Construction of a database should begin with data that are automatically provided the Ministry of Economy and Finance through the payroll and line ministries with data that both need to know for personnel management. This reflects a broader need to strengthen central and sub-national establishment control in order better to collect, verify, store and manage staffing information. Furthermore, major HRM processes such as need identification and recruitment must be reviewed to ensure that priority needs and new recruits are matched, and appointment and promotion of staff are transparent and based on performance and merit. The CAR is redrafting six policies in order to progress the recently adopted policy on public service delivery.
- **Define functions by agency and rank.** Without clearly reviewing the functions of each agency and rank—and even the roles of individual staff—any reform that tries to improve establishment control, improve pay and strengthen HRM will be defeated. Agencies and staff need to have clear job descriptions and clear lines of accountability. This is also a key PFM reform benchmark. The Ministry of Health is doing major baseline work on identifying functions and outputs by offices and departments in order to appoint the right person for each job and rationalise workload. The other key is merit-based pay for those with clear job descriptions so that performance can be strictly monitored. Merit-based pay is also an attempt to strengthen monitoring of performance and enforcement of discipline for individual staff and delegate appropriate discretion to local managers. The Forestry Administration and Ministry of Land Management are also attempting to align pay, functions and staff capacity.
- **Build on the Ministry of Health's attempt to decentralise recruitment.** This experiment, for all its difficulties, was especially useful for showing what can be achieved and the challenges. This type of initiative should be scaled up, particularly in regard to delegating authority to provinces for recruitment, posting and transfer of staff. If recruitment remains centralised, it creates vicious cycles of only low capacity personnel remaining in local positions. In such initiatives, the centre must ensure that another layer of rent seeking does not result.

- **Learn from the good examples of SEILA and PPWSA:**
  - Autonomy in aspects such as planning, expenditure management and HRM can result in accountability and effective administration.
  - Salary supplements can be used to help people do their mainstream government job, not to take them away from it.
  - Recruitment can make or break an organisation's HR base: finding ways to say no to soft appointments of relatives is essential.
  - Leadership matters, as do motivation and support for staff who have leadership potential and commitment to reforms.
  - Non-monetary incentives matter; the working environment, organisational expectations of performance and enabling management can make a huge difference in how staff and organisations perform.
- **Pilot HRM decentralisation.** Devolving of resources and personnel to provinces and districts can be realised in part through the ways that provincial governors manage their personnel. The MoI should devolve recruitment, appointment, transfer, promotion, evaluation and establishment control of *salakhet* personnel to the governors in order to create clear accountability to local managers. This would also provide lessons for the ongoing review of the Subcommittee on Personnel and HRM Development Policy, as it examines risks and opportunities for decentralised public administration.
- **Find space to talk about the real issues.** Promote political and administrative dialogue based on policy and research-based evidence.
- **Reforms should be better geared to address the real issues,** such as the nature and operation of political and patronage networks.

## 6.5. Overall Conclusions

Achieving accountability in Cambodia is complex and requires understanding of the key dimensions of its sub-national features. Promoting and strengthening these dimensions are crucial for reducing poverty. The question is what more should be done and how to do it. The goal of D&D is to get government closer to the people so that it can be responsive to the needs of the poor by supporting sub-national governments with adequate resources and capable civil servants who are accountable, motivated and committed, loyal and professional, and responsive to service-delivery for the poor. We can start now a dialogue and policy discussion with research-based information.

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## **Appendix 1: Forestry, Human Resources, and D&D**

The Forestry Administration was renamed from the Department of Forestry and Wildlife by Sub-decree 64 in 2003. Instead of being organised by centre, province, district and commune, it is now organised along alternative lines, from inspectorate, to cantonment, division and triage (see below for more details). The shift, urged by donors at the 2000 Consultative Group meeting in Tokyo, was made to remove horizontal interference with a single line of control, i.e. eliminate military, police etc influence and strengthen vertical authority on forest management, and to enable it to govern larger forests that cross province lines. Another motivation for this move was strong belief that elimination of interference from provincial and local authorities was critical to decision-making autonomy. The restructure may also in the future try to escape the central control and political influence over the administration's major decisions about forestry and land concession approval.

This motivation is not new according to long-time Forestry Administration officials. Chan Saron, then the director, ordered several staff to conduct studies on the benefits of going vertical. The studies did show that vertical integration would improve effectiveness, reduce deforestation and achieve sustainable forest management. However, the minister of Agriculture, Forestry and Fisheries, Chea Song, was not convinced and believed that vertical integration would take away the “rice pots” of the ministry's provincial and district offices. By the time Chan Saron was promoted to be the minister and Ty Sokun the director general, there was adequate support for vertical integration.

In addition, an attempt at decentralisation was also observed in that some decision making was delegated; for example, the authority to issue forestry permits, previously held centrally, was to some extent decentralised to districts. On the other hand, the department's moves to reorganise itself along different lines from other ministries meant that it would be more difficult to align with unified provincial or district administration emerging from D&D. Here, reforms have pre-empted D&D, and may well enable the department to retain control along its own vertical lines.

Under the new structure, the central Forestry Administration is equivalent to the authority of a central department of MAFF. It has 10 offices, one institute and two centres. Below the centre are four regional inspectorates, which are equivalent to provincial departments; their responsibilities are to control, advise, coordinate and inspect. One regional inspectorate can cover several provinces depending on forest boundaries, administrative authorities and available human resources and infrastructure. Fifteen cantonments are beneath the regional inspectorates, holding equal status to central offices and having similar duties to the regional inspectorates, but no inspection role. Fifty-five divisions are approximately equal to provincial offices, operating under cantonments; they are the interface with forest users. One hundred and seventy triages are equivalent to central offices; each covers one commune or one district depending on forest size. The triage has multiple roles, including patrolling and reporting offences and educating the community (Independent Forest Sector Review in Cambodia: Part II).

In 2007 the Forestry Administration had a total of 1642 staff working in the five divisions, of which 292 were at the centre. The question raised in chapter 2 of over-staffing and under-staffing applies to this department. Overall, while appearances at the office on an average day might indicate there is not a lot of work pressure, the administration reports staff shortages of about 100 due to lack of official posts. Equipment shortages and poor incentives in rural settings also discourage staff. It also reports difficulty in placing staff in rural posts. However, the majority of staff are located in provincial towns or along main roads, where timber traffic policing occurs.

While patronage operates, the Forestry Administration formally follows the procedures of the common statute of civil servants to recruit, transfer, promote and appoint staff. Decisions and requests have to go through MAFF. Requests for new recruits have rarely been met, and each year the administration gets what MAFF wants to provide, making the personnel plan futile. Every year the administration employs more than 100 floating staff on contract at 3000riels/day (interview). Appointment, promotion and transfer take several months to process because there is a price tag attached to each position. After the 2003 reform, many staff were redeployed from urban to rural areas, without prior consultation or clear job descriptions. As a result, there were complaints about unsuitable conditions, and 33 percent of staff made requests to transfer back or move to other government offices.

Staff salary and allowance arrangements are somewhat centralised but, importantly, particular to the Forestry Administration. The provincial administration does not use Department of Agriculture, Forestry and Fisheries accounts to transfer salaries; rather, each cantonment comes to take the salary from the centre, and division and triage staff pick up their salaries from the cantonment. In addition to the salary, staff receive a share of fines for illegal logging. Formal and informal aspects of this arrangement have both centralised and decentralised features.

The decentralisation of many positions is driven by opportunities for revenue raising. Formal job descriptions for decentralised opportunities seem to remain much less important than the qualifications of the employee.

Other incentives and accountabilities also impact on staff activities. A number of staff work with partner NGOs or donor projects and receive salary supplements, training and other opportunities. The administration in 2007 dealt with 48 NGO programmes and projects, meaning many staff are preoccupied with PIU activities. These arrangements raise many questions of accountability.

The staff revenue gaps, especially between those who work in lucrative and non-lucrative positions, those who have authority and those who do not and those who speak English and those who don't, are all widely known. This creates competition for good positions, brain drain to NGOs, internal bidding for jobs and patron-client relationships within the institution.

More than half of the staff hold a bachelor degree or higher. Most have been with the institution since 1980; among them some have no skills while some are upgrading academically. However, while qualifications can help with getting better appointments, the cost of the job is not based on technical skill so much as whether it offers lucrative opportunities. Lucrative positions are those that involve approval processes, such as around annual coupes and longer term concessions. Local interdiction and policing positions can also be lucrative, as staff get a share of all formal fines, and there is also space for negotiation. This might be said to create incentives for staff to allow and then fine people for illegal logging and other activities. However, Forestry officials are just one agency seeking to raise revenues from policing illegal logging: local government, police, the gendarmerie and parts of the armed forces also obtain revenue from these sources, and at current market prices for the quality of remaining wood, there is only so much money to go around.

Some observations were made by administration staff about what has been achieved. Many officials believe that the effectiveness of the new structure remains the same or somewhat deteriorating in several aspects:

- Appointments to local posts with no clear function and minimal resources have demotivated staff and worsened relations with local authorities. Many new staff were appointed after 2003–04. Although most of them have technical capacity, most had no history or experience of function in the assigned location, where they had no office and no house.
- These staff have to deal with strong local vested interests that resist collaborating, especially with those newly appointed to the area. Some new staff cannot ask for a place to stay because of the resentment of local authorities. This is why many people spend money to move or return to the centre or leave Forestry.
- Although some authority is delegated to sub-national offices, major decisions are controlled by the department and even higher authority, and sub-national offices mainly act upon higher decisions. This includes evaluating forest areas for economic land concessions.

The vertically integrated structure cannot guarantee accountability for performance, according to officials, because the administration cannot sustain itself financially, does not have discretion regarding needs and priorities, cannot provide adequate incentives to recruit good people and is under higher-ups' influence and political interference. One official said that everyone claims to be forest inspectors because it is an opportunity to seek rents. More serious reforms are needed to enable the Forestry Administration to do what it is supposed to:

- The department is not strong enough to deal effectively with all the vested interests. It needs to be higher and closer to the prime minister.
- It can protect forests only if it has interdiction and enforcement authority. No one is afraid of the law because there is no enforcement and all Forestry lawsuits against all illegal actions have failed.
- It does not have updated forest maps.
- The judiciary and court system are weak and often bought by vested interests.
- There is no cooperation or support from the police or military.
- There are not enough staff on the ground to report what is happening and what need to be done. Where there are staff, they mainly care about rent seeking, and revenues are mostly shared within a small group, not with institutions.
- There is no political support for doing the job. Reformers cannot realise changes because there is no support, and often they are threatened.

These challenges are discussed by officials:

“We can pass the best laws in the world but we don’t care about enforcement and respect for the law. So what is the use of all those laws?”

“I am very active in our monthly management meetings, and I speak on the issues that need attention. But so far nothing happens after the meeting. People are interested only in ‘hot and shameful news’ that they deal with because they are afraid of losing their reputation.”

“Reform-minded and good people leave the office because they slowly become sidelined.”

“No one, from staff to leader, is interested in long-term planning and strategy. They only care about their ‘rice pot’.”

“It would be fair to say that we are all interested only in self and the short term.

But if we weren't, how could we have enough to pay our boss, who can fire us at any time? If we want good change, we need change from above; give us leadership and examples to look to."

"How can the court help us when we don't have any money to give it? Our court cases always fail."

"I think the Forestry Administration is embarking on very difficult, almost impossible, tasks. There are many vested interests in forest and land. Most of these people are more powerful and have stronger backers than we do. Some of them have strong protection, namely from police and military."

"There was a case where MPs and military fired at each other over a tank loaded with luxury timber. The Forestry Administration asked the MPs to stop and check the tank."

One aspect that makes the Forestry case more interesting is the involvement of a donor, Danida. In a sector reform programme, Danida is also involved with land and fisheries administrations, seeking to see how HRM in these administrations can be aligned with D&D and how donors can align with the aid effectiveness agenda now being promoted. Danida's programme, which is built on devolved investment funds sent to communes and districts, will engage Forestry in HRM reform that will go beyond salary supplementation. Danida will work with the administration on merit-based pay, which has the potential to add significantly to ordinary public servants' salaries. It will also investigate the possibility of building district capacity in the Forestry Administration. Achieving this will require formalisation of functions and job descriptions.

At this writing, this engagement is still at an early stage. What seemed initially apparent, however, was the need for formal designation of duties through basic job descriptions, and how complex donor counterpart and focal point arrangements make things. The 48 NGO programmes and projects continue to pose significant accountability issues. Nonetheless, the programme is determined to clarify how and to whom these public servants are accountable, and to build clearer, better structures and incentives.



## **Appendix 2: SEILA's ExCom: Performance-Based Management of Sub-National Staff**

The government originally established provincial rural development committees and ExCom with support from the CARERE programme, which became SEILA, to provide a strong provincial base for SEILA. At a time when provincial budgets and control had been much reduced, this programme brought badly needed resources, funding and capacity. In 2002, a government *prakas* codified the ExCom role as the principal executing organisation for the whole SEILA programme in all provinces. While it can function as a management system for all donor projects working with provincial government, its main role is to administer the main block grants (the Commune/*Sangkat* Fund, which channels both discretionary and administrative funds). Many donors have aligned their provincial funding with this system, simplifying things greatly so that all provinces work with similar systems for contract administration, technical support, local planning and other functions. Supported by advisers based in the province, ExCom's HRM practices are worth considering closely, especially for their accountability aspects, but also for the ways in which they provide for capacity to be built and maintained. While not subject to the same stringent competitive recruiting and annual performance reviews as the Partnership for Local Governance or Programme Support for Decentralisation and Deconcentration advisory team, the ExCom has nonetheless moved towards these goals. It has also generally used salary supplements to enable its staff to perform local functions (administering funding, planning and coordination) while remaining integrated with the realities of provincial government.

Under the overall management of the permanent member (a Planning or MoI appointee), the practical work of the ExCom is divided among four units: the Technical Support Unit, which provides selection, design, contractor engagement and monitoring advice on investments chosen by communes; the Contract Administration Unit, which oversees the annual work plan and budget, provincial investment fund contracting and ExCom's own local procurement; the Finance Unit, which provides financial services to the governor, ExCom, implementing departments and commune councils for approved work plans and budgets; and the local administration unit (PLAU), which typically involves some 50 staff in province and district facilitation teams supporting commune councils. In recent years, these units have become increasingly aligned with provincial administration, not simply horizontally (within ExCom), but also vertically. The finance unit operates under the supervision of the provincial department of the MEF, which provides its full-time chief, while its full-time deputy chief comes from the provincial treasury. The TSU is formally under Department of Rural Development supervision, while the Contract Administration Unit is supervised by the provincial planning unit. PLAU people are more integrated into (and drawn from) the MoI's Provincial Office of Local Administration. However, in practice there is great variety within PLAU and to some extent the other ExCom units as to which ministry the staff have sinecures with.

Importantly, recruitment to these positions has not been dominated or greatly distorted by central agencies, as happens in most provincial line departments. The programme has made it an important aim to recruit, select and appoint staff within each unit through a competition based on merit. Decisions on HRM are given to the provincial managers (both the permanent member of ExCom and the unit directors). The Partnership for Local Governance advisers, especially the senior provincial programme adviser, also have a role in recruitment. This arrangement, and working together to execute SEILA programmes, have created better horizontal accountability of line departments and accountability to the provincial administration. In all, around 1500 staff employed by SEILA (or acting as focal points within partner ministries) received salary supplements.

Through the late 1990s and early 2000s, staff recruitment in and around ExCom was centrally designed but executed provincially, involving many steps. It began with (provincial) job announcements, screening, and examination (interview, writing, etc.). An internal committee of four to five made up of unit heads, permanent members of ExCom and advisers coordinated the process. Jobs were publicly advertised in all line departments and district offices. The examination covered a number of different subjects; successful candidates were those with high total scores. All staff are contracted with the ExCom, while the unit chiefs are appointed from the centre.

While this provincial recruitment was a large improvement, it was not without difficulties. Recruitment for the Finance Unit and TSU are more difficult because of the high technical knowledge required, and therefore candidates often end up being direct appointments from departments, without going through all the procedures. Even then, however, technical capacity problems remain in some TSU operations. Appointments also reflect deference to seniority and the attractiveness of salary supplements to senior staff. The majority of line department staff recruited as focal points are senior provincial officials (usually department directors and office heads), which has had advantages and disadvantages. In recruiting, there are cases of huge variations between advisers' scoring and other members' scoring for some candidates, resulting in some appointments or members of networks. As with all provincial appointments, political alignment was a part of the network aspect of recruiting, and this does seem to be deepening. Recently there was a case of the head of a PLAU being appointed even though he had no public service experience. This was a straight political appointment, one with considerable implications, given the role of the PLAU in liaising with communes and districts. It was not intended that PLAU teams become foot soldiers for dominant political actors at commune election time. Finally, increased ExCom recruiting has generated increased competition from NGOs and donor-supported projects, which provide higher salaries.

SEILA has a three-month probationary period and one-year contracts for new staff. Monthly salary supplements are USD40 for district positions and USD80 for provincial positions. Staff receive other benefits: a motorbike, petrol and daily subsistence allowance for fieldwork. This has been essential for enabling provincial and district facilitation teams to get out and do their jobs. These benefits are also highly desired. In fieldwork, we met young people who aspired intensely to these positions, and who were familiar with the exact details of the subsistence and petrol allowances available to district and province staff. Although the contract requires them to work full time, their work is monitored more by output than by daily attendance. On average, each district team takes care of three communes, and each TSU takes care of 10 communes or one district. In the role of trainer, adviser and assistant to the commune, they are often asked to facilitate cooperation between councils and NGOs, international organisations and line departments. There is an interesting comparison between their work and being a provincial moto-taxi driver or factory worker. In the latter positions they might earn a similar amount or a bit more, but in the SEILA job they can officially maintain their original title and with it the respect of local people.

In these roles, performance and output are seen to result from clear functions and output indicators, supported by good pay and working conditions. Clearly, too, these roles are being fulfilled, with very limited non-compliance in most areas. Major audits have shown that SEILA arrangements have had low funds leakage, non-performance of contracts and technical failure. The weakened local planning process has been able to be reviewed and reformed, nationally. Donor trust in these systems has been sustained, and their integration into government systems, while often debated, has been sufficient to attract donors looking for greater aid effectiveness.

Staff performance is evaluated once a year against key indicators. However, this evaluation is limited to a yes or no assessment of performance of contract, since promotion in rank or salary is non-existent. Performance incentives are also somewhat diminished by the roles of the external advisers, who have accountabilities to ensure that key tasks are performed. Because they are known to be paid more, they often come under pressure to help ExCom staff fulfil these roles.

### Appendix 3: Phnom Penh Water Supply

The Phnom Penh Water Supply Authority became fully autonomous as a self-sustaining commercial entrepreneur in 1996. Its mission is to transmit clean water to residents of Phnom Penh and its suburbs in adequate and reliable quantities. In its new status as a public autonomous institution, the authority has restructured its administrative, institutional, technical and financial systems (Hughes & Un 2006), creating a board of directors and developing its own personnel policy based on honest and meritocratic internal organisation, which directly challenged patronage and protection within the civil service.

Good things were achieved after the PPWSA came under the leadership of its current director general, Ek Son Chan, in 1993. It envisions its service, management and working environment as comparable to those of countries such as Japan and Singapore. In addition to a quality water supply, the PPWSA has provided reliable services and customer satisfaction. Its offices are clean and welcoming, its services quick and customer-friendly and its staff professional and helpful. Water loss is at an all-time low (falling from 72 percent 1993 to just 7 percent in 2007); it is now the second best in the region, after Singapore. Revenue has steadily increased over time, enabling the PPWSA to make major capital investments, expanding and renewing its distribution systems, and delivering significant salary increases (25 percent since 2006). Its revenues have been increasing more than 20 percent annually, resulting in the decision, in each of the past five years, to allocate that earning as a three-month salary bonus. The PPWSA has established a standard operation programme {operating procedure?} and sets clear goals for each department. Each department also has capacity-building plans for each staff member to participate in either short training or further education, which is linked to their career prospects and promotions. The PPWSA uses a business entrepreneur model, and benefits from creative management. These are just some aspects of its organisational culture and management, which are unique among Cambodian government agencies.

The PPWSA employed a total of 569 staff in 2007: 504 permanent employees, 37 trainees and 28 contractors. Thirty to 40 percent are former civil servants who remain from the old structure and the rest are newly recruited. Currently, only two of its staff (the director general and the director of the finance department) are civil servants, the rest being employed under the Public Enterprise Code. Recruitment is based on merit and the rational needs of the organisation. It involves three steps: internship without pay or benefits for six months; a six-month contract at half salary after passing a written exam; and appointment as permanent staff following evaluation through a study report and assessment by a supervisor. If the need is urgent, recruitment involves only a written examination. A committee of four to five members from various departments has been established to oversee the process, which is strictly observed and applied to all staff from the director general down. This helps the PPWSA to escape neo-patrimonial practices that are common in public offices, but it has to deal with the issue every day:

“I receive not less than 10 requests per day for this or that person to work with us. I tell them that we cannot do off-records like that, including my own daughter, son or nephew. Our work needs technical capacity and if you can show that, we will hire. All candidates have to go through our recruitment process. The only way I can help is to direct you to talk to the HR manager. So many people are afraid of the exam and the unpaid six-months intern period.”

The PPWSA pays a competitive salary. Because it maintains a healthy revenue stream and is free from pressure to divert revenues and expenditure into patronage structures, it has been able to pay and retain capable staff. Pay starts at \$100 per month for a labourer, twice

the salary of civil servants. The base salary ranges from \$500 (director of department and deputy general director), to \$300 (heads of sections and heads of offices), to \$100 (normal staff and deputy head of sections). Staff also receive benefits such as functional bonuses (ranging from \$300 for deputy general director to \$60 for deputy head of section), one month salary bonus, health allowance, pension and food allowance. Overall, PPWSA also increases the salary by 25 percent per year over four years (2006–09), making job prospects very positive. For five years now, it has been able to pay an additional three months' salary to all staff. It is also fairly common for staff to receive special performance bonuses, some of which are said to come direct from the pocket of the director general. For instance, he was awarded \$50,000 from the Philippines. He used the money to build five houses for the poorest staff, allocated some funds to the management and contributed to the enterprise fund. Staff contribute to this fund, which provides emergency support to needy staff. This might be described as neo-patrimonial, but here personal loyalties are used to make things work better, as well as to seek and distribute rents in desirable ways.

Performance assessment and sanctions are regularly and strictly observed. Staff are appraised quarterly before the annual consolidated evaluation for promotion and salary increase. Champion staff also receive one-off awards of cash and certificates. In 2006, more than 20 staff received rewards of \$125. Incompetent and non-performing staff are fired. Managers regularly consult and interact with staff regarding their daily work and special projects. There are quarterly meetings in which staff are informed about what the leaders are doing and vice versa. Ek Son Chan regularly visits the project sites and offices, either with or without notice. This causes staff to look up to him as an example and for constructive guidance, and establishes stronger respect for him as an individual.

Ek Son Chan is well known in the region for his leadership and performance with the PPWSA. The staff refer to him as a leader, manager and administrator who is capable, effective, good, serious, committed and ethical. Some staff regard him as unrivalled as a leader.

Ek Son Chan knows what needs to be done to serve the clients and for the PPWSA to prosper. He has managerial capacity and sound external relations judgment. He knows how and when to deal with problems; he is very strict and follows through with staff on assigned tasks; he sets a good example of performance and commitment; he is skilful in negotiations and has political support for PPWSA. Under his leadership, PPWSA operates quite independently in policy, decision making, and revenue collection and retention. Staff see him as a good leader because he cares for the PPWSA and the staff and has created a sense of belonging within the organisation. He set up a social fund to which all staff contribute and which is used to build houses, pay school fees and buy vehicles for poor families. This practice has created a good ethical example and a motivated and helpful working environment. He has told staff: "We are here to work as entrepreneurs and we have a mission to serve our people with reliable and good services. If we all want to have good jobs and living salaries, we have to work hard and fulfil our tasks with a sense of business orientation".

Recently the PPWSA was asked by the Vietnamese government to send staff to train and support its water authority. We wonder why the PPWSA has not been more of a role model in Cambodia. It has outperformed all other autonomous agencies in revenue generation, customer satisfaction and management. Two main factors explain why replication and peer learning from PPWSA have not taken place. First, it is a cultural value not to follow even a good model. It is more important to be original and leading, not adaptive and following. The learner is considered inferior to the person learned from. Cambodians do not promote someone else who is stronger and better, but rather play down their successes. Second, there are strong vested interests in maintaining the status quo of opportunities for rent seeking and appointment of relatives and allies.

The PPWSA has four distinct characteristics to make it successful:

1. It has autonomy, which makes it possible to break the vicious cycle of unmotivated, underperforming, poorly paid and unprofessional civil servants. Autonomy also allows major decisions and implementation not to be interfered with and politicised.
2. It has good leadership. Strength in political negotiation and ability to win support are key to functioning well in hybrid governance.
3. It has adopted entrepreneurial and business-oriented practice in which quality and customer satisfaction are maintained and regularly improved. Its profits are used to reward staff and provide incentives.
4. PPWSA's single mandate (to provide quality water) and its good relationship with donors contribute to its success. Donors provide core technical support and do not engage in or influence the agency's day-to-day operations or decision making. There is plenty of water that the PPWSA can use and therefore it does not have to depend on a supplier.

The successes of the PPWSA illustrate the cultural changes that have occurred that affect what an institution can and cannot do. A combination of entrepreneurial vision and leadership ability enables Ek Son Chan to separate political forces on the outside from technical managerial operations on the inside, and to formulate strategies and use political resources to mobilise political action in support of technical expertise (Hughes & Un 2006).

We meet with a young cashier, Sreypov, who sits at the front desk clearing clients' bills. She is about 25 and started work at the PPWSA about five years ago. She first entered the organisation on a six-month internship with a few others who have relatives within the PPWSA. With no pay and a need to prove competency in order to receive a contract, joining the PPWSA cannot be taken for granted. Sreypov remembers well how frightened she was when her boss gave her work to do and later tested her skill and personality before she got this job. She told us: "I have to come to work on time, perform my task and also learn new skills. It is not just sitting and chit chat". She was the only one who remained committed and passed all the tests and got the job; the others left. This is a strategy to deal with the culture of nepotism. The PPWSA cannot say no to a request from influential figures, but the organisation employs only skilled and competent staff, as determined by job performance. This is reflected well in the comment from the director general:

"The culture that we have to hire this guy or that guy because he's related to someone—that doesn't exist. Whether they are hired depends on whether they have the capacity or competence."

Sreypov is very happy with her job. She knows clearly what is expected of her and how to meet that expectation. She needs to dress smartly and be helpful with her clients. She also needs to improve her skills regularly through in-house and external training. She is evaluated every quarter and every year for three things: 1) competence in her work, 2) client satisfaction and 3) adherence to a code of conduct. She receives good evaluations and therefore she gets her promotion and salary increase every year. Sreypov feels that monetary benefits are not too important because the non-monetary rewards from her commitment and hard work mean a lot more. Her boss and the leaders often sit with her team to discuss any problems or to find ways to help her team improve its work. She feels empowered and has a sense of shared responsibility for the success of the PPWSA. Sreypov is very proud of the fact that her team got the Best Performance Award from the director general.



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