

**9th Meeting of the Government-Donor Coordination Committee (GDCC)
12 February 2007
Joint Development Partner Statement on Public Administration Reform**

Delivered by HE Lisa Filipetto, Ambassador of Australia

Excellency Chairman Senior Minister, Excellencies, Ladies and Gentlemen:

The state of the civil service is one of the key binding constraints on public sector performance, growth, and poverty reduction in Cambodia. Given the seriousness of the problems afflicting the civil service - low pay, low skills, poor management, and thus low capacity - more reform is needed, and it is needed more quickly. Unfortunately, the pace of public administration reform - and the resources that the Royal Government has devoted to it - do not appear to match the seriousness of the problems caused by Cambodia's weak civil service.

Effective civil service reform needs firstly to *improve civil service pay*, in order to attract and retain skilled staff, secondly, to *rationalize civil service employment*, to ensure that human resources are deployed in priority sectors; and thirdly, to *strengthen civil service management*, in order to guarantee transparent and accountable merit-based hiring and promotion, and to ensure that expenditures are subject to full budget control.

However, two of the most important JMIs are decidedly off-track. The JMI on improving pay and employment conditions by developing a medium term strategy to enhance remuneration appears to have received little serious attention. The current policy of 10-15% annual increases in the base civil service salary does not constitute a realistic strategy to significantly improve pay for Cambodia's civil servants. For example, a civil servant earning \$35 today and receiving a 12% annual increase would not see her salary increase to more than \$100 per month until the year 2016. That is clearly too long to wait for civil service reform. Given high rates of economic growth and rising tax collections, there are more resources available to increase civil service wages in a fiscally sustainable manner. Moreover, with oil revenue likely to become available, it is even more pressing to develop a credible medium term policy now. Government should also increase non-oil revenue collections to provide greater fiscal space for a higher wage bill. What is needed is a strategic approach that targets scarce resources in a way that actually makes a difference.

What is perhaps most disappointing is that CAR does not appear to be showing much interest in developing policy options to address these important issues, in spite of the support provided by donors. For example, in spite of agreements on their Terms of Reference, consultants have still not been provided with data on the numbers of civil servants by category and ministry, and their average pay levels. This is merely aggregate data that is publicly available in almost every other country. Providing it would in no way compromise requirements for confidentiality about the particulars of individual civil servants. And yet the failure to provide this data has stalled this important policy development work.

The other JMI that is off-track is the establishment of Priority Mission Groups (PMGs), and PMG/Merit Based Pay Initiatives (PMG/MBPIs) in MOH and other ministries. There has been little progress on developing new MBPIs since 2005. Development partners have repeatedly expressed their concerns about weaknesses in the design and implementation of the PMG model to CAR — but there has been little evidence of interest in improving the model. Until the PMG model is improved, few donors are likely to support it financially.

Excellency, donors believe that reform of public administration is essential if there is to be progress in implementing the Rectangular Strategy and NSDP. We are surprised and disappointed that there has been such little progress, and appeal to the Government to consider how this work can be reinvigorated.