

**CAPACITY BUILDING PRACTICES OF  
CAMBODIA'S DEVELOPMENT PARTNERS  
Results of a Survey**

*A Discussion Paper*

*Farid Siddiqui  
Carol Strickler  
Pierre Vinde*

*Prepared for the*  
**GOVERNMENT - DONOR PARTNERSHIP WORKING GROUP  
CAMBODIAN REHABILITATION AND DEVELOPMENT BOARD  
COUNCIL FOR THE DEVELOPMENT OF CAMBODIA**  
*June 2004*

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## Foreword

At the 4th CG Meeting in May 2000, the Royal Government of Cambodia (RGC) had launched "A New Development Cooperation Partnership Paradigm for Cambodia". The purpose was to engage our external partners, NGOs, and national stakeholders in a meaningful dialogue to move Cambodia forward to a new paradigm for development cooperation through enhanced partnerships. This new paradigm has as its foundation the principles that are being advocated by OECD/DAC and in other international arena to improve the effectiveness of development cooperation programs.

Since then, the Royal Government and its development partners have made significant progress in translating the new paradigm into practice. In addition to the Working Groups, under the CG mechanism that have been established since 1999, the RGC and its external partners agreed at the 6th CG Meeting held in 2002 to establish a Government-Donor Partnership Working Group. The Working Group commissioned three studies to collect and analyze the necessary background information, in early 2003, to begin its work on tackling the harmonization issues. Sub-Working Groups (SWG) consisting of Government and development partner's representatives were formed to facilitate and guide the work of the study teams on each of the following three studies:

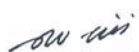
- i. Capacity building practices of Cambodia's development partners.
- ii. Practices and lessons learned in the management of development cooperation.
- iii. National guidelines for development cooperation.

It is my pleasure to present the report of the Study Team entitled, "*Capacity Building Practices of Cambodia's Development Partners: A Discussion paper*". The study was carried out under the overall supervision of H.E. Mr. Sum Manit, former Secretary of State, Council of Ministers and former Secretary General, Council for Administrative Reforms, the Chairperson of SWG for the study. It was presented by the Study Team at a meeting of the Government-Donor Partnership Working Group held on 23 January 2004 at the Council for the Development of Cambodia (CDC). The report has been revised based on comments received at the Government-Donor Partnership Working Group's meeting concerning the factual information. This report represents the completion of the first phase of this study.

This Report presents factual information and analysis on the capacity building practices of our development partners as well as recommendations of the Study Team. I would like to note that the recommendations presented in the report reflect the views of the study team. In terms of the next steps, the report was officially submitted in March 2004 to H.E. Mr. Ngo Hongly, the new Secretary General of the Council for Administrative Reforms who also assumed the role of the Chairperson of the SWG for the study. Under the umbrella of the SWG for the study at the Council for Administrative Reforms, discussions are being held to: (i) arrive at a set of recommendations on which there is consensus, and (ii) to develop an action plan for their implementation.

Last, but not least, on behalf of all the members of the Partnership Working Group and in my capacity as the Chairman, I would like to express my sincere gratitude to the United Nations Development Programme for its generous support for the preparation of this report and the Study Team for their valuable contributions. My thanks are also extended to all government and donor agencies, especially the members of the SWG, namely Australia, EC, Germany, Japan, Sweden, UNDP, and UNFPA who have shared their valuable time and have facilitated and guided the work on this study.

Phnom Penh, 21 June 2004



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**Chhieng Yanara**

Chairman, Government-Donor Partnership Working Group  
and Secretary General, CDC/CRD



## ***Executive summary***

### **BACKGROUND**

1. This study on the capacity building practices of Cambodia's development partners was commissioned by the Government-Donor Partnership Working Group. Its purpose was primarily to document existing capacity building practices of donors and to outline options and make recommendations on feasible solutions to achieve a more harmonized approach for capacity development.

2. The methodology used to carry out the study included personal interviews with donor and government representatives, and quantitative data was collected through a questionnaire sent to most donor agencies and NGOs. In response to this questionnaire the UN agencies have provided information for nearly all of the programs/projects they delivered in 2002. The other multilateral donors (IMF, World Bank, Asian Development Bank, and the European Commission) have responded to a lesser degree. The responses from the bilateral donors have been rather disappointing. In the case of NGOs, 77 percent of the organizations that were contacted provided the requested information. In terms of overall coverage of the capacity building practices survey, the total expenditure in 2002 on programs/projects for which the external partners (multilateral and bilateral donors and NGOs) have provided information represent around half of the total ODA disbursements of external partners in 2002 that have been reported to CDC.

3. The survey questionnaire covered five areas that are related to building the individual and institutional capacity and the employment of personnel to support the implementation of the programs and/or to fill capacity gaps. These five areas include: training, operational support, monetary incentives, and the employment of national and international personnel.

### **MAJOR FINDINGS**

4. An expenditure of 115.3 million US dollars on the five capacity development activities has been reported by the 147 multilateral and bilateral programs/projects and the 77 NGOs – representing 43.4 percent of the total expenditure in 2002 on the implementation of these programs (around 265 million US dollars). Of the total reported expenditure of 265 million US dollars, the expenditure on specific capacity development activities, included:

- 34 million US dollars or 12.7 percent to employ some 740 international staff to support the implementation of the programs and/or to fill key capacity gaps.
- 31.4 million US dollars or 11.8 percent on providing in-country or overseas training to program/project staff and others involved in the implementation of the programs/projects.
- 21.9 million US dollars or 8.2 percent on providing operational support and/or equipment to collaborating institutions.
- 21.5 million US dollars or 8.1 percent to employ some 6,400 national staff to support the implementation of the programs/projects.
- 6.7 million US dollars or 2.5 percent on providing some form of monetary incentives to staff assigned by collaborating institutions in the implementation of the programs/projects.

5. The largest expenditure, some 34 million US dollars, was on international personnel employed to support the implementation of the programs for which data has been provided. It represented about 45 per cent of the total wage bill for the Cambodian civil administration in 2002. If account is taken of program expenditures not covered by the responses to the questionnaires, it can be estimated that

expenditure for international personnel could be as high as 50-70 million US dollars compared to total wages and salaries of less than 78 million US dollars paid in 2002 for all personnel employed in the civil administration. The civil administration includes in addition to the civil service, the National Assembly and the various Councils. The expenditure on international experts in relation to the total wage bill for the civil service underscores the importance and urgency of embarking on a major effort to upgrade the skills and expertise of civil servants to reduce continuing reliance on international experts.

6. Training constituted the second largest component of reported expenditure on capacity building activities, a total of 31.4 million US dollars representing 11.8 percent of reported expenditure or 27 per cent of the total expenditure on all capacity building activities. Nearly 90 per cent of the projects for which data have been provided indicated supporting some type of training activity. A crude extrapolation of these data for all donor supported projects yields an expenditure level of around 60 million US dollars on training. Most of the training, both in-country and abroad, seems to be for short-term courses, seminars and workshops covering a very wide range of subjects. It can be questioned whether such short term training is the best way to upgrade the skills of the personnel concerned and to create a sustainable knowledge base. There is an urgent need to carry out a comprehensive study that provides an assessment of the needs and the existing capacity gaps in the civil service, and to develop based on this assessment a comprehensive training and learning strategy/plan not only to fill the critical gaps but also to better target the significant ODA expenditures on what has been reported as training. While some ad hoc training in the context of the implementation of a project can be justified, the need to tackle the training issues in the larger context of filling the capacity gaps within the framework of a comprehensive training strategy/plan can not be over-emphasized. One element of such a comprehensive training strategy could be the *creation of civil service staff training institutes* for three broad categories of civil servants: those at the most senior levels, the middle level, and the entry level.

7. The provision of operational support, including equipment, on which an expenditure of close to 22 million US dollars has been reported, was considered by practically all respondents who utilize this modality to be either critical or important for program delivery. It should be noted that sometimes such support can constitute an "incentive in kind" by creating a better work environment.

8. The donor supported programs are a significant employer of qualified and experienced national personnel. Practically all national personnel employed on these projects have long-term employment relationships. Given that donor funded projects pay significantly better salaries than the civil service, even when account is taken of various allowances and donor funded incentives, it is obvious that these projects attract the most competent people, particularly if they can get leave of absence from a civil service position and maintain their security of employment. To create a more level playing field, there is an urgent need for the Government to consider requiring public servants who take employment in a donor funded program or project to resign from their civil service position.

9. The expenditure on monetary incentives reported by Cambodia's external development partners in the implementation of 147 projects and by 77 NGOs is the smallest of the five components of capacity building, totalling only 6.7 million US dollars representing 2.5 per cent of reported expenditure or 5.8 per cent of expenditure on capacity building. A simple extrapolation of the survey data based on the response rate of each donor category produces an estimate of *total expenditure on all type of monetary incentives of around US\$ 13.5 million* on all ODA supported programs and projects in 2002. It should be noted, however, that this estimate is likely to be lower since the programs and projects for which data have not been reported by donors include large infrastructure projects and other ODA supported activities that may have a lower incidence of paying monetary incentives. Monetary incentives cover a variety of measures: salary supplements, payments for

special tasks, DSAs and per diems, attendance allowances and other unspecified forms of incentives. Altogether some 20,000 persons, over 12,000 by NGOs, were paid some form of monetary incentives in 2002, the overwhelming majority at local or district level. However, of the 20,000 only 4,760 persons have been reported to have been paid a "salary supplement". In most cases the salary supplements reported were less than 80 US dollars per month but in some cases exceeded 500 dollars per month. The current average monthly salary level of 28 US dollars per month that is projected to be increased to 51.5 US dollars by 2006 is well below what is considered to be a "living wage". Based on the available information on the projected key macroeconomic indicators to the year 2008, it is unlikely that a significant increase in salaries from the projected levels can be implemented through domestic budget resources. Therefore, it would appear that for donors to get the commitment of counterpart personnel in collaborating institutions in the implementation of their programs some form of monetary incentive will need to be paid. The issue is whether it is done openly in a transparent and accountable manner or through spurious accounting practices. In personal interviews most donor representatives have stressed the need for more transparency and harmonisation of donor practices on the payment of monetary incentives.

## RECOMMENDATIONS

10. It is recommended that:

- i. A comprehensive study should be carried out that will provide an assessment of the needs and existing capacity gaps in the civil service and that based on this assessment a comprehensive training and learning strategy/plan be developed to fill the critical gaps through a more targeted training effort.
- ii. In the preparation of the training strategy/plan consideration should be given to the option of establishing "civil service training institutes" for three broad categories of civil servants: those at the most senior levels, the middle level and the entry level. Of particular urgency is the upgrading of skills of civil servants who will replace the trained and experienced top officials who have now begun to retire to avoid a potential deterioration in the governance structures over the next decade. Such institutes should be staffed by competent professionals paid at market rates and preferably should be residential. Given the extreme constraints on domestic resources, the development partners need to seriously explore whether some of the reported expenditures on training can be systematically channelled for supporting the Public Service Training Institutes. Consideration should also be given by bilateral donors who have similar public service institutions to offer scholarships to qualified Cambodian candidates.
- iii. Based on the realities on the ground, the external development partners should acknowledge the necessity of providing monetary incentives through a transparent, harmonized and accountable system. A reform in this area will, however, depend on a real and sustained political will by all donors and by the government alike to change the present system. It is recommended that the:
  - **Government** focus its efforts on providing an acceptable salary regime for its top civil servants whose contribution is essential to achieve sustainable economic growth and to implement the various reform programs. The AA-allowance to senior officials and the PMG allowance under consideration are steps in the right direction. These and other similar mechanisms need to be vigorously pursued by the Government.
  - **Donors** should work with the Government to establish a harmonized, transparent and accountable system for the payment of monetary incentives that include salary supplements. In developing a harmonized and transparent system, consideration should be given to:



- a. limiting the payment of DSAs/per diems to only cover actual expenditure, which could be dispensed at standardised rates. The payment of "fictitious" DSAs/per diems and of attendance allowances at seminars, workshops and training sessions should be discontinued. Such a procedure would also ensure that participants in such activities were genuinely interested in participating and did not do so only to obtain the monetary incentive.
  - b. developing a standardized scale for the payment of salary supplements and/or a monetary incentive under another nomenclature.
  - c. requiring donors to provide the names of the recipients of salary supplements and/or monetary incentives under another nomenclature to a central register which would be accessible to both Government and donors. This would ensure the necessary transparency and make it possible to verify that no recipient received more than one supplement. Such a register could be managed by the appropriate Cambodian authority.
- When a policy has been agreed to, all development partners should be required to sign this agreement.
- iv. Civil servants who take employment in donor funded projects should be required to resign from their civil service position.

## ***ACKNOWLEDGEMENTS***

The study team would like to thank H.E. Sum Manit, Secretary of State at the Council of Ministers and the Secretary General of the Council for Administrative Reforms (CAR) for his support and encouragement. H.E. Sum Manit as the Chair of the Sub-Group established to guide and facilitate the work of the study team not only provided valuable guidance but also made the resources of the CAR staff and advisor accessible to the team. We would like to thank Mr. Sok Lou who was assigned to work with the team and Mr. Alain Benicy, Principal Advisor to CAR, for their valuable contributions.

This has been a challenging assignment that had required a tedious process of follow up in order to secure the needed data. We would like to acknowledge the contributions made by Miss Sar Boravy and Miss Khieu Samphors, two young national professionals who are members of the UNDP Support Program Team at CDC, in carrying out the follow up and their assistance in the analysis of the data. This report could not have been completed without the support of Mr. Saram Channarith, the ICT Expert, who is also a member of the UNDP Support Program Team at CDC. His tireless work in designing a database and producing the required tabulations is greatly appreciated. We would also like to thank Mr. Tia Savora, a national consultant, who participated at the early stages of the study.

We would also like to thank all development partners and Government officials who have provided the needed data for this study.



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# 1. INTRODUCTION

1. This report presents the findings of a survey of the bilateral and multilateral development partners and major NGOs active in Cambodia on their capacity building practices. The main objective of this study was to create a factual data set on the existing capacity building practices of Cambodia's external development partners and NGOs, and to identify feasible solutions to achieve a more harmonized approach for capacity development.

2. Over the last decade, the development partners of Cambodia have responded to the challenges of capacity gaps in the administrative structures of the Government, specifically in the implementing ministries/agencies where their programs/projects are being implemented, by providing support for building capacity of these institutions. According to Government documents this has, however, led to a situation where now there is a proliferation of uncoordinated capacity building efforts on the ground. While the current practices of donors of providing salary incentives within the context of the implementation of individual programs/projects may expedite the implementation of these programs/projects, these practices have also resulted in depleting the capacity within the Government structures as qualified personnel move to more lucrative donor supported programs/projects and as a result continue to adversely affect Government's institution building efforts.

3. At the 6<sup>th</sup> CG Meeting for Cambodia held in Phnom Penh in June 2002, the Government expressed these concerns in the context of building meaningful and effective partnerships with its external partners. It also asked for the formation of a "*Government-Donor Partnership Working Group*" under the CG mechanism to address these and other issues and to make recommendations on appropriate approaches. The proposal was overwhelmingly endorsed and the Working Group was formally established in August 2002. This Working Group is chaired by the Government (CDC/CRDB) and has two Co-Vice Chairs from the donor community.

4. The mandate of the Working Group is to *examine issues related to Government-Donor Partnerships, make recommendations to strengthen the partnerships, and to follow up and report on progress made at both the CG and the Post-CG Meetings*. In its deliberations the Working Group has agreed to focus on problems/issues for which feasible solutions already exist and that can be agreed to and implemented immediately. The Working Group has begun its work by commissioning three studies to collect and analyze the necessary background information and outline feasible solutions to begin to tackle the harmonization issues. The three studies focus on developing: (i) a systematic analysis of the practices and lessons learned in the management of development cooperation; (ii) a harmonized approach for capacity development; and (iii) a harmonized approach for program formulation, review, and implementation management strategies. These studies were planned to be completed during 2003 and 2004.

5. Over the last fifty years, the terms "capacity building" and "capacity development" have been defined in many ways. This report is not intended to be a contribution to a discussion

on the conceptual aspects or the definition of “capacity building” or “capacity development”. The scope of this report is limited to presenting the findings of a survey whose focus was on developing a factual dataset on the current practices of Cambodia’s development partners in response to the capacity gaps that exist and to make recommendations that will assist in the formulation of a harmonized approach for capacity development. The report begins by outlining the methodology employed to collect the required data from the bilateral and multilateral development partners of Cambodia and the major NGOs. It is followed by a section on the country context. The next section presents the findings of the survey. The final section presents major conclusions and recommendations.

## 2. METHODOLOGY OF THE STUDY

6. The Terms of Reference for this study that were approved by the Government-Donor Partnership Working (Annex 1) stated that the main objective of the study is to identify feasible solutions to achieve a more harmonized approach for capacity development based on data/information on the existing capacity building practices of Cambodia's external development partners. The specific tasks that the consulting team was asked to carry out included:

- i. Documenting existing capacity building practices of the donors, including an estimate of the costs of providing performance/salary incentives.
- ii. Collecting information and preparing analysis of the TA by areas of expertise that is being provided to either fill existing capacity gaps and/or to build capacity, including the number and duration of the TA's.
- iii. Outlining options and making recommendations on feasible solutions to achieve a more harmonized approach for capacity development.

7. To facilitate and guide the work of the consulting team, a sub-group of the Government-Donor Partnership Working Group was established under the chairmanship of H.E. Sum Manit, Secretary of State at the Council of Ministers and Secretary General of the Council for Administrative Reform. Other members of the Sub-group included representatives of Japan, European Commission, Germany, SIDA, UNDP and UNFPA.

8. The study team begun its work by conducting a desk review of relevant studies and Government documents. To collect the needed data for the study, the lead consultant met with representatives of the bilateral and multilateral development partners, the NGO Associations, and senior Government officials to get an impression of the issues before designing the survey questionnaire. Personal interviews were held with representatives of the following institutions:

- UN system: UNDP, FAO, UNICEF, WHO, WFP, UNFPA
- Multilateral donors: World Bank, International Monetary Fund and Asian Development Bank.
- The European Commission.
- Bilateral donors: Australia, Canada, Denmark, France, Germany, Japan, Republic of Korea, Sweden, the United Kingdom and the United States.
- Non-Governmental organizations: Cooperation Committee for Cambodia (CCC), MEDICAM, NGO Forum on Cambodia, and SILAKA.
- Government: Council for the Development of Cambodia (CDC); the Council for Administrative Reform (CAR); the Ministries of Planning, of Foreign Affairs and of International Cooperation, of Women's and Veterans' Affairs, of Economy and Finance, of Education, Youth and Sport, of Agriculture, Forestry and Fisheries and of Health.
- Other: Cambodian Development Research Institute (CDRI).



9. To collect the data needed for the study from the bilateral and multilateral donors, the team prepared a questionnaire that was revised after consultations with selected donors (Annex 2). In the case of non-governmental organizations (NGOs), given the very large number of NGO's active in Cambodia, it was agreed that one or a group of NGO Associations would be in a better position to collect the needed data for the study from the NGOs. After consultations with and among the three NGO Associations (CCC, MEDICAM, and NGO Forum) the CCC in collaboration with SILAKA (a local NGO focusing on training and capacity building) agreed to collect and analyze the data on NGO's capacity building practices. In the case of NGOs, the introductory part of the questionnaire was modified to make it relevant to NGOs (Annex 3).

10. The questionnaire used to collect data from the bilateral, multilateral partners and NGOs covered the following six main areas:

- Section 1 asked for general background information on the Programs/Projects that were supported in 2002, and provided space for a description of the capacity development issues that are being addressed by the Programs/Projects.
- Section 2 focused on training activities and expenditures on training in 2002 under the program/project.
- Section 3 asked for information on non-monetary and monetary incentives that were provided in 2002 and expenditures on these incentives in the year 2002.
- Section 4 asked for information on national staff employed and the expenditures in 2002.
- Section 5 sought information on the areas of expertise and duration of employment of the international staff employed to fill key capacity gaps and expenditures incurred in 2002.
- Section 6 provided scope for comments on other initiatives and policy changes.

11. In the case of **bilateral and multilateral donors** copies of the questionnaires were sent to all donors with a cover letter from the Chairman of the Sub-group of the Government-Donor Partnership Working Group. A copy of the questionnaire was also posted on CDC/CRDB's website ([www.cdc-crdb.gov.kh](http://www.cdc-crdb.gov.kh)). The initial response to the survey was quite low. The quality of answers received was also uneven with numerous inconsistencies. As a result, a rigorous follow up was carried out spread over an extended period. As of mid September 2003, some six months after the first mailing of the questionnaire the status of the responses to Capacity Building Practices (CBP) Survey from the bilateral and multilateral donors is summarized in Table 1 (next page). Also, presented in this table is a comparison of the data provided by each donor to the CBP Survey and CDC/CRDB's Annual Survey on External Assistance for the year 2002.

12. Overall, the UN agencies have provided information for nearly all of the projects/programs that they delivered in 2002 (see Table 1). The other multilateral donors (World Bank, Asian Development Bank, and the European Commission) have responded to a lesser degree. The response of the bilateral partners to the CBP Survey was rather disappointing. The total disbursements on the 61 projects for which data has been provided by bilateral partners constitute only 26.3 percent of the disbursements reported by them in the CDC/CRDB Annual Survey of External Assistance for the year 2002. It should be noted,

**TABLE 1: MULTILATERAL AND BILATERAL DONORS RESPONSES TO THE SURVEY***(in thousand of US dollars)*

Development Partner	Total disbursements in 2002 as reported in CDC/CRDB Annual Survey on External Assistance	Survey on Capacity Building Practices		Total disbursements in 2002 CBP survey as a % of Annual Survey of CDC/CRDB
		No. of projects for which information provided	Total disbursements in 2002 for reported projects	
<b>MULTILATERAL PARTNERS</b>				
<b>United Nations Agencies<sup>1</sup></b>				
FAO	1,472	7	1,123	76.3%
IFAD	3,061	3	4,574	149.4%
UNCOHCHR	2,377	1	2,900	122.0%
UNDP	23,965	25	22,369	93.3%
UNESCO	3,194	11	2,555	80.0%
UNFPA	3,513	5	3,351	95.4%
UNICEF	16,124	1	16,124	100.0%
WFP	22,471	2	20,618	91.8%
WHO	5,383	12	4,913	91.3%
<i>Sub-total: UN Agencies</i>	<b>81,560</b>	<b>67</b>	<b>78,527</b>	<b>96.3%</b>
<b>Bretton-Wood Institutions</b>				
World Bank	43,155	11	30,605	70.9%
IMF <sup>2</sup>	24,403	1	2,100	8.6%
<b>Asian Development Bank</b>	58,155	4	8,384	14.4%
<b>European Union/EEC</b>	26,062	3	9,642	37.0%
<i>Sub-total: other multilateral</i>	<b>151,775</b>	<b>19</b>	<b>50,731</b>	<b>33.4%</b>
<b>Sub-total: multilaterals</b>	<b>233,335</b>	<b>86</b>	<b>129,258</b>	<b>55.4%</b>
<b>BILATERAL PARTNERS</b>				
1. Australia	19,457	6	8,792	45.2%
2. Canada	3,392	5	1,481	43.7%
3. China	5,723	....	....	...
4. Denmark	4,654	5	2,265	48.7%
5. Finland	868	....	....	...
6. France	28,348	....	....	...
7. Germany	17,056	3	1,111	6.5%
8. Japan	105,670	32	31,175	29.5%
9. Netherlands	3,732	....	....	....
10. New Zealand	921	3	586	63.6%
11. Republic of Korea	22,271	3	22,269	100.0%
12. Russian Federation	331	1	331	100.0%
13. Sweden	13,540	1	1,213	9.0%
14. Switzerland	3,315	....	....	...
15. Thailand	642	2	104	16.2%
16. United Kingdom	11,215	....	....	....
17. United States of America	22,092	....	....	....
<b>Sub-total</b>	<b>263,227</b>	<b>61</b>	<b>69,327</b>	<b>26.3%</b>

<sup>1</sup> The disbursements reported are for "all programs/projects delivered" by the UN Agencies, including in-country resources mobilized from bilateral donors. The total amount of resources mobilized by UN agencies in 2002 that are also reported by bilateral donors in their disbursement figures is estimated to be around 38.8 million US dollars.

<sup>2</sup> The disbursements in 2002 reported by IMF include around US\$ 22.6 million provided under the PRGF arrangement.

however, that some bilateral donors provide resources to multilateral agencies to deliver their programs. These bilateral resources are reported as disbursements by both bilateral and multilateral donors in their responses to the CDC/CRDB Annual Survey on External Assistance. In the year 2002, the total amount that was provided by bilateral donors to multilateral agencies is estimated to be US \$ 38.8 million. When this amount is added to disbursements for programs/projects for which data was provided by bilateral donors for the CBP survey, the percentage of disbursements for which information on their capacity building practices may be covered in this study increases to 41.1 percent.

13. Two bilateral donors, Sweden and United Kingdom, have indicated that most of their assistance in Cambodia is delivered through multilateral institutions or NGOs. In their case, therefore, the data provided by multilateral agencies *and* NGOs is assumed to cover these two donors. In the case of the United States the team was informed that USAID can not ask the NGOs who deliver their programs to complete the survey questionnaire because of the nature of their contractual arrangements with the NGOs. It can be assumed that a significant part of US aid is included in the information provided by the NGOs. In spite of repeated request, a number of other major bilateral donors (China, France, Netherlands, and Switzerland) did not provide any information. Germany provided information for three projects only.

14. **In the case of NGOs**, as mentioned earlier, the Cooperation Committee for Cambodia (CCC), a membership organization of NGOs working for the development of Cambodia joined together with SILAKA (a local NGO focusing on training and capacity building) to carry out the survey on NGO's capacity building practices. After reviewing the questionnaire in detail, the CCC and SILAKA team selected almost 100 International and National NGOs for the survey based on their in depth knowledge of the organizations, the size and type of programs, membership with CCC and involvement with other NGO networks. These included NGOs working in a diverse range of fields: health, education, community development, disability, mine action, HIV/AIDS, and Democracy and Human Rights representing the broad spectrum of the NGO community in Cambodia.

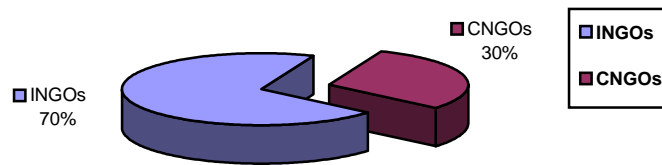
15. After sending a cover letter explaining the purpose of the questionnaire, CCC in cooperation with SILAKA, arranged individual meetings with staff of about 85 NGOs to discuss the questionnaire, answer questions and provide additional information as needed. The team met with the NGO Director or Senior Manager to explain the purpose of the study and to go over the questionnaire in detail, question by question. This was critical to ensure a better understanding of the reasons for the study and for encouraging the NGOs to complete the questionnaire.

16. In total, seventy-seven (77) organizations responded to the questionnaire, which is a very high return rate (77%). This high level of response reflects NGO interest in the study results, the commitment of NGOs to sharing information as well as personal visits by CCC and Silaka staff to explain the purpose of the survey and to ensure confidentiality of all responses. Twelve of the NGOs were not available or unable to complete the questionnaire

for various reasons, while only 8 NGOs declined to participate or provide information for the study.

17. Among the seventy-seven NGOs who responded to the questionnaire, there were fifty-four International NGOs (INGOs) and twenty-three Cambodian or Local NGOs (CNGOs). This corresponds roughly to the distribution of questionnaires sent out to International and Cambodian NGOs.

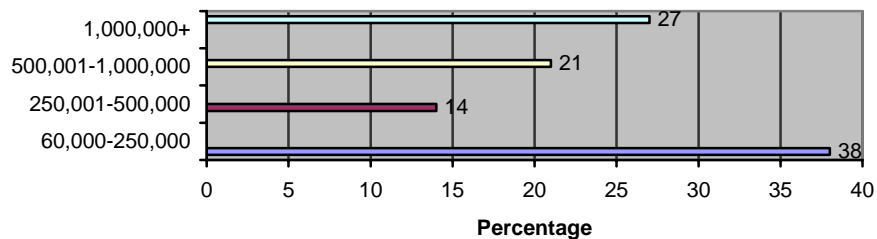
**Figure 1: Percent of NGOs that responded to the questionnaire**



18. NGOs were asked to complete a separate questionnaire for each project or program that they were reporting on. Some NGOs responded with two or three questionnaires representing their projects, however, the majority of NGOs responded with only one questionnaire indicating that their programs were integrated and interrelated for the most part. As such the information is reported by NGOs and not by separate projects.

19. The total amount of NGOs grants and loans for 2002 captured by the survey amounted to 72.926 million US dollars with grants representing 98% and loans only 2% of the total. NGO program expenditures recorded in this survey amounted to 67.155 million US dollars or 92% of the total reported NGO assistance. A further breakdown of NGO project expenditures by ranges and amounts shows that 27% of the NGOs surveyed had budgets greater than 1 million dollars and another 21% had a budget between \$500,001 and 1 million. This reflects the sampling that CCC targeted many of the larger NGOs to capture a significant amount of the NGO assistance to Cambodia. Still another 38% of the NGOs surveyed had budgets less than \$250,000. Care should be taken in extrapolating data for all NGOs as this survey was not a random sample.

**Figure 2: Percent Distribution of Respondent NGOs by Size of Total Expenditure in 2002**



20. It is estimated that the total NGO assistance to Cambodia of almost 73 million US dollars for 2002 captured by the NGO survey represents about 75% of the overall estimated

expenditure for programmes delivered by NGOs in Cambodia for 2002 as recorded by CCC. The programmes delivered include those financed from NGOs own resources as well as resources received from bilateral and multilateral donors.

### 3. THE COUNTRY CONTEXT

21. Cambodia has a total population of around 13.5 million people. It is one of the least developed countries with a per capita income of around 300 US dollars (1590 in PPP US dollars). It was ranked 130<sup>th</sup> among the 175 countries on the Human Development Index in the Human Development Report (HDR) for the year 2003. It covers an area of 181,035 sq. km.

22. Cambodia is a post-conflict country that has been devastated by three decades of internal strife and conflicts in its recent history. It is only in recent years that the country has achieved some semblance of peace and security for its people. These conflicts not only shattered the physical, social and economic foundations that are necessary for growth and development, but more importantly, the deliberate genocide of its intelligentsia by the Khmer Rouge regime had decimated the human capital base of the nation. The resulting skewed age distribution of the population and the truncated skills profile of the work force pose added challenges. The lack of qualified and experienced personnel is a major bottleneck to achieve a sustained development of Cambodia. Although, the rehabilitation and reconstruction of the education system's infrastructure that was completely destroyed by the conflicts and civil wars has been a high priority of the Government, provision of basic education services remains a formidable challenge.

23. Rebuilding the human capital base, to a level that had existed before the Khmer Rouge regime, will probably take decades – a simple demographic fact about where Cambodia stands today. Notwithstanding all the challenges, a pre-requisite for achieving a sustained development of Cambodia is the rebuilding of a human capital base that can supply the skills needed by both the private and public sectors. Also, a successful implementation of the many reforms that are currently underway is likely to continue to be hampered by a lack of capacity within the public sector to effectively enforce and manage the implementation of the approved laws and regulations. It is important to note that while Cambodia can benefit from the experiences of its development partners in the formulation of policies and procedures, effective enforcement and management of the implementation of the approved policies, laws and regulation is likely to remain constrained, at least in the short- to medium-term, by the existing gaps in Cambodia's human capital base.

24. At present, there is a lack of teachers at all levels to train the new generations. There is also a lack of medical personnel to provide the necessary health services<sup>1</sup>, trained judiciary personnel to ensure the rule of law<sup>2</sup>, and adequately educated and experienced civil servants to run the country.

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<sup>1</sup> It has, for instance been indicated that there were about 1 000 medical doctors before the conflicts started and that only 50 survived the genocide (Source: Blanchet, op.cit, p.12).

<sup>2</sup> In one interview it was stated that only five of the Cambodian judges have a legal training at an internationally recognised level and that maybe one third of the judges only have 3 to 5 years of primary school. The newly inaugurated Royal School for Judges and Prosecutors will not have solved the problem of a qualified and experienced judiciary for many years to come.

25. In 2002, the total GDP of Cambodia was just under 4 billion US dollars (in current prices). In terms of the contribution of the main economic sectors to overall GDP, the agriculture, fisheries and forestry sector in 2002 accounted for about one-third of the GDP compared with 46 percent in 1993. The contribution of the industrial sector has more than doubled from under 13 percent in 1993 to more than 26 percent in 2002, due to the rapid expansion in the textile, wearing apparel and footwear industry and continued strong construction activity. Although there has been significant growth in tourist oriented services sector the share of the services sector in total GDP has declined from around 39 percent in 1993 to 34 percent in 2002 - as a result of the rapid expansion in the industrial sector.

26. It should be noted that even though the share of the agriculture, forestry and fisheries sector in total GDP has declined since 1993 it remains the employer of nearly three-quarter of the labour force. Since 85 percent of the population live in rural communities and 75 percent of the poor are farmer-headed households, the performance of the agriculture sector remains a key element for achieving sustained economic growth, poverty reduction, and the development of the rural economy.

27. Domestic revenues increased from 1,570.6 billion Riels (US\$ 400.6 million) in 2001 to 1,743.9 billion Riels (US\$ 444.8 million) in 2002, an increase of 13.7 percent. They consisted of 1,227.1 billion Riels in tax revenues, 500.5 billion Riels in non-tax revenues, and 16.3 billion Riels in capital revenues from privatization and other sources.

#### **GDP, TOTAL REVENUES AND EXPENDITURES: 2000 - 2002**

(in millions)

	Currency	2000 Actual	2001 Actual	2002 Actual
Gross Domestic Product (current prices)	Riels	13,810,000	14,544,000	15,667,000
	US\$	\$3,578.65	\$3,706.42	\$3,995.66
Total Domestic Revenues	Riels	1,458,600	1,570,600	1,743,900
	US\$	\$377.98	\$400.56	\$444.78
Domestic Revenues as % of GDP		10.56%	10.80%	11.24%
Total Current Expenditure	Riels	1,215,500	1,415,600	1,574,900
	US\$	\$314.98	\$360.75	\$401.65
Total Current Expenditure as % of GDP		8.8%	9.7%	10.0%
Total Exp Through National Treasury *	Riels	1,528,700	1,707,200	1,922,400
	US\$	\$396.14	\$435.06	\$490.28
Total Exp Through National Treasury as a % of GDP		11.07%	11.73%	12.39%
Exchange rate to US\$		3859	3924	3921

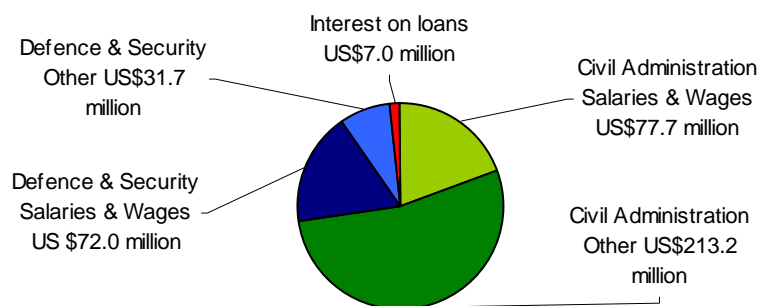
\* Includes portion of the loans and grants that are channelled through the National Treasury. For the year 2002, it includes 8,851 million Riels (US\$ 2.26 million) of the loans from the World Bank, 77,843 million Riels (US\$ 19.85 million) of the loans from the Asian Development Bank, and 91,471 million Riels (US\$ 23.33 million) received as budget support (grants).

28. Total expenditures processed through the National Treasury were approximately 1,922.4 billion Riels or US\$ 490.3 million in 2002. These included 1,574.9 billion Riels or US\$ 401.7 million on current expenditures, and 347.5 billion Riels or US\$ 88.6 million on capital/development expenditures that were channelled through National Treasury. Total capital expenditure is estimated to be 1,208.5 billion Riels or US\$ 308.2 million.

29. In 2002, the composition of total current expenditure of 1,574.9 billion Riels was as follows:

- Expenditures on the civil administration totalled 1,140.5 billion Riels or US\$ 290.9 million, representing 72.4 percent of total current expenditure. Of this, *expenditure on salaries amounted to 304.5 billion Riels or US\$ 77.7 million* or 26.7 percent of the expenditure on civil administration.
- Expenditures on defence and security totalled 406.8 billion Riels or US\$ 103.7 million, representing 25.8 percent of total current expenditure. Of this, *salaries amounted to 282.3 billion Riels or US\$ 72.0 million*, representing 69.4 percent of the expenditure on defence and security.
- Interest on loans totalled 27.6 billion Riels or US\$ 7.0 million, representing 1.8 percent of total current expenditure.

**Figure 3: Total Current Expenditure in 2002**



30. The civil administration includes in addition to the civil service, the national assembly and the various councils. The total expenditure of 77.7 million US dollars on salaries and wages in 2002 included personnel in all of these categories. According to the data from the Council of Administrative Reforms (CAR), there are approximately 165,000 civil servants. On average these civil servants were paid 19.50 US dollars per month in October 2001 and following a major revision of salaries 28.10 US dollars in October 2002. The Government's target is to increase the average monthly salary to 51.50 US dollars by 2006.

31. The basic monthly salary of civil servants at the present time ranges from Riels 30,000 (US\$ 7.50) to Riels 165,000 (US\$ 41.25) for various categories of positions. In addition, functional and pedagogical allowances are paid where applicable. There is also a "AA" scheme in effect that pays the top 500-1000 public servants performing strategic functions (including managers, advisors, senior doctors and teachers) a fixed allowance of approximately 200 US dollars per month. In the case of judiciary, special supplementary allowances of between 325 to 625 US dollars are paid to judges of the provincial, appeals, and supreme courts.

32. Another proposal initiated by CAR concerns the so-called Priority Mission Groups (PMG). These would be composed of "carefully selected teams to carry out results-based design and implementation of state reforms". In a first round about 1000 officials in nine ministries would be concerned. Members of the teams would receive allowances in the



range of 50 to 150 US dollars. The scheme has not yet come into force but it has been suggested that donors provide funds to accelerate and extend the introduction of the scheme.

33. Notwithstanding the special allowances that are paid to 500-1000 senior public servants under the “AA” scheme or to judges, the majority of public servants are paid very low salaries. After a very significant increase in 2002, the average salary of a civil servant is still only about 28 US dollars per month<sup>3</sup>. For many civil servants it is much lower, starting at about 8 US dollars per month. At the same time, it is estimated that income in the order of 150 US dollars is the minimum needed to support a family in Phnom Penh. A socio-economic survey carried out by the Ministry of Planning in 2001 indicated that 280 US dollars were necessary to meet basic needs in Phnom Penh, 180 dollars in a provincial town and 80 dollars in rural areas<sup>4</sup>.

34. It is therefore not surprising that most civil servants try to supplement their income. They can do this by not attending work full time and instead taking a second job (although this is expressly forbidden in the Common Statute of Civil Servants). For some it is possible to supplement their income by working as counterparts in donor supported projects. Some also take leave of absence and work full time for donor supported programs. A few probably rely on unearned income, e.g. the renting out of a property or drawing a pension from an employment during the period of exile. Some have other family members earning income. Still others can supplement their income in other, more unofficial ways. For example, it is widely recognised that school teachers supplement their meagre pay by collecting fees from pupils attending public schools.

35. At the request of the Cambodian government, the World Bank prepared a report in 2001 on corruption in Cambodia. From this report, it appears that problems of low performance and low integrity are particularly prevalent in the judiciary, the customs services and the tax administration. Particularly striking is the fact that 2/3 of households interviewed, characterised the judicial system as very corrupt. It is also striking that public officials interviewed for the study indicated low salaries as the main cause of corruption.

36. Government’s ability to increase civil service salaries to an acceptable “living” wage level is constrained by the size of the total revenues available – that were less than 450 million dollars in 2002. The other option to increase the salaries is to reduce the number of civil servants employed. In the short term the feasibility of implementing such an option is limited not only by the existing political and constitutional arrangements of coalition governance structures but also by the fact that at the present time employment opportunities outside the public sector are very limited and it appears that people are being employed in the civil service not only to just deliver services but also as a measure to secure peace and security and as a social welfare function. It is estimated that over 225,000 persons enter the labour market each year. The creation of employment opportunities for these new entrants

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<sup>3</sup> It should be noted, however, that Cambodian practice is to pay a 13<sup>th</sup> month salary at New Year, which raises the annual salary by some 8 per cent. It should also be noted that the number of public holidays is unusually large by Western standards.

<sup>4</sup> Source: Blanchet, op.cit., p.23.

as well as the existing pool of unemployed or underemployed remains a formidable challenge for the Government.

37. Public sector reforms to create an efficient administration is a problem that faces most developing countries. A recent review of the public sector reform efforts in Tanzania and Bolivia was published by Danida in 2002<sup>5</sup>. This discussion paper emphasized the importance of national ownership of the reform process that is considered not only a managerial but also a highly political issue. On the role of donors, it stressed that they should be willing to "let the national interest of the recipient country take priority over their own particular interest".

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<sup>5</sup> Salary reforms as part of public sector reforms in developing countries. The cases of Tanzania and Bolivia. By Ole Winckler Andersen, Torben Lindqvist and John Nielsen. Danida discussion paper No. 4, October 2002.

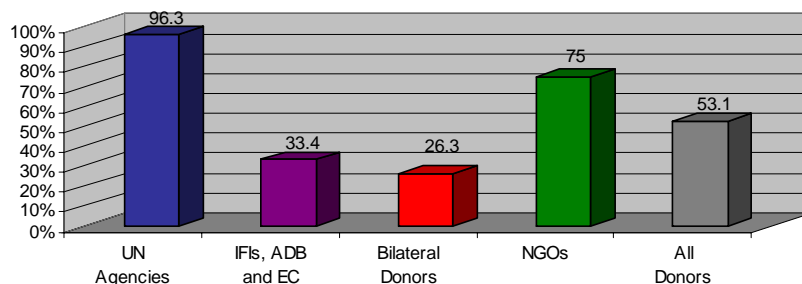


## 4. SURVEY FINDINGS

### 4.1 OVERVIEW

38. The analysis presented in this section is based on data that has been provided by the multilateral and bilateral donors and the NGOs in response to the questionnaire that was provided to them by the study team. The responses to the survey do not constitute a representative sample of all programs/projects that were supported by various development partners in 2002 and therefore caution should be exercised in extrapolating the results. Overall, the UN agencies have provided information for nearly all of the programs/projects they delivered in 2002. The other multilateral donors (World Bank, Asian Development Bank, and the European Commission) have responded to a lesser degree. The responses from the bilateral donors have been rather disappointing. They have provided the requested data for only 61 programs/projects supported by them<sup>6</sup>, representing less than 20 per cent of the projects and less than 27 percent of the total disbursements in 2002 that they have reported to the Council for the Development of Cambodia (CDC). In the case of NGOs, the data was collected and analysed by The Cooperation Committee for Cambodia (CCC). It has been estimated by CCC that the total expenditure on programs/projects for which NGOs have provided data represent around 75 percent of expenditure on programs delivered by NGOs in 2002.

**Figure 4: Response Rate: Total Expenditure on Programs Reported in CBP Survey as a Percent of Total Disbursements in 2002**



39. In terms of overall coverage of the capacity building survey, the programs/projects for which the external partners (multilateral and bilateral donors and NGOs) have provided information represent, in terms of total reported expenditures in 2002, around half of the total disbursements of all external partners in 2002.

40. The external development partners of Cambodia combine a variety of strategies and actions to both ensure that they have the capacity to deliver the program/project activities and to achieve their program's/project's stated objectives. In terms of the incidence of various capacity building activities of the 147 programs/projects of the multilateral and bilateral development partners and the 77 NGOs that have provided data:

- **One hundred and ninety seven or 87.9 percent** provided in-country or overseas training to program/project staff and others assigned in the implementation of the programs/projects.

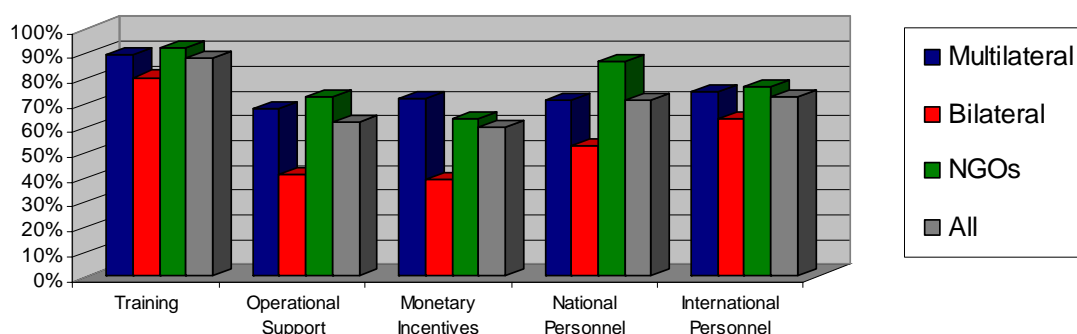
<sup>6</sup> In response to the survey for the year 2002 conducted by the Council for the Development of Cambodia for the preparation of the annual Development Cooperation report, the bilateral donors have reported 319 programs/projects on which a disbursement was made in 2002.

- **One hundred and thirty nine or 62.1 percent** provided operational support and equipment to collaborating institutions in the implementation of the programs/projects.
- **One hundred and thirty five or 60.3 percent** provided some type of monetary incentives to staff assigned by collaborating institutions in the implementation of the programs/projects.
- **One hundred and sixty or 71.4 percent** employed national staff to implement the programs/projects.
- **One hundred and sixty two or 72.3 percent** employed international staff to fill key capacity gaps.

**TABLE 2: INCIDENCE OF CAPACITY BUILDING ACTIVITIES IN 2002**

Capacity Building Activity (CBA)	Number and Percent of Donor Projects Providing CBA							
	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
In-country and overseas training	77	89.5%	49	80.3%	71	92.2%	197	87.9%
• In-country	64	74.4%	36	59.0%	71	92.2%	171	76.3%
• Overseas	26	30.2%	33	54.1%	30	39.0%	89	39.7%
Operational Support , including equipment	58	67.4%	25	41.0%	56	72.7%	139	62.1%
Monetary Incentives	62	72.1%	24	39.3%	49	63.6%	135	60.3%
National Personnel	61	70.9%	32	52.5%	67	87.0%	160	71.4%
International Personnel	64	74.4%	39	63.9%	59	76.6%	162	72.3%
Total number of projects or NGOs	86	100.0%	61	100.0%	77	100.0%	224	100.0%

**Figure 5: Incidence of Capacity Building Activities in 2002**



41. Among the three groups of development partners (multilateral, bilateral, and NGOs), a higher proportion of NGOs provide support for various capacity building activities than do multilateral or bilateral donors. Among the multilateral and bilateral donors, multilateral donors have a higher incidence of providing support for capacity building activities than do bilateral donors (Table 2).

42. Also in terms of resources spent, NGOs spend a significantly higher proportion of their program resources to support capacity building activities than do multilateral or bilateral donors (Table 3). Moreover, it should be noted that in the case of NGOs, the estimates of the costs of national and international staff represent a minimum figure. Some NGO

respondents were not able to put a monetary value on international staff costs as they are volunteers, self funded or paid by headquarters and some benefits for national staff were not included. In addition, some NGOs noted that all in-country and overseas training costs were not included in the NGO program budgets as they were funded externally through scholarships, international donors, other NGO programs or headquarters.

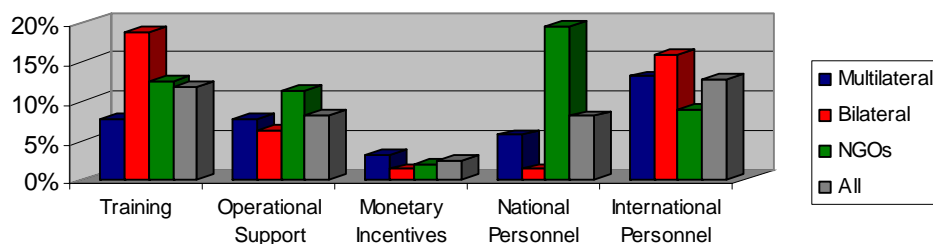
43. A total expenditure of 115.3 million US dollars on various capacity development activities has been reported by the 147 multilateral and bilateral programs/projects and the 77 NGOs – representing 43.4 percent of their total expenditure reported in this survey for 2002. The expenditure on specific capacity development activities, include:

- **11.8 percent** of the total expenditure on providing in-country or overseas training to program/project staff and others involved in the implementation of the programs/projects.
- **8.2 percent** on providing operational support and/or equipment to collaborating institutions.
- **2.5 percent** on providing some form of monetary incentives to staff assigned by collaborating institutions in the implementation of the programs/projects.
- **8.1 percent** to employ national staff to undertake the programs/projects.
- **12.7 percent** to employ international staff to fill key capacity gaps.

**TABLE 3: EXPENDITURE ON CAPACITY BUILDING ACTIVITIES IN 2002**  
(in thousands of US \$)

Capacity Building Activity	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	\$	%	\$	%	\$	%	\$	%
In-country and overseas training	9,910	7.7%	13,039	18.8%	8,453	12.6%	31,402	11.8%
Operational Support and/or equipment	9,902	7.7%	4,346	6.3%	7,671	11.4%	21,919	8.2%
Monetary Incentives	4,275	3.3%	985	1.4%	1,394	2.1%	6,654	2.5%
National Personnel	7,415	5.7%	986	1.4%	13,061	19.4%	21,462	8.1%
International Personnel	16,920	13.1%	10,971	15.8%	5,974	8.9%	33,865	12.7%
Total reported expenditure on capacity building activities	48,422	37.5%	30,327	43.7%	36,553	54.4%	115,302	43.4%
TOTAL DISBURSEMENTS IN 2002 ON PROGRAMS or PROJECTS REPORTED IN THE CBP SURVEY	129,258	100.0%	69,327	100.0%	67,155	100.0%	265,740	100.0%

**Figure 6: Expenditure on Capacity Building Activities as Percent of Total Program Expenditure in 2002**

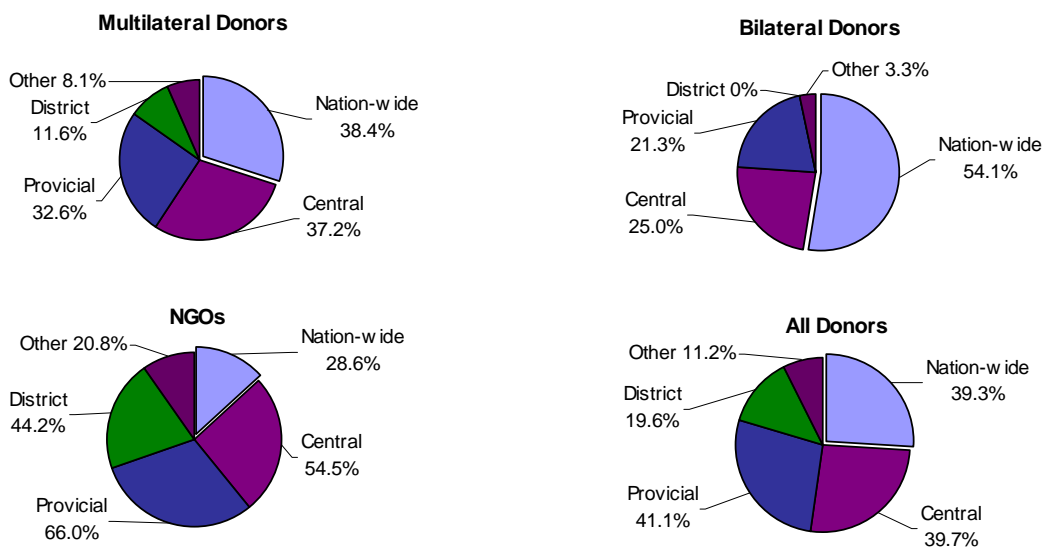


44. For the programs/projects reported in the CBP Survey, many respondents have indicated multiple locations meaning that they work at or across a number of locations. Overall, the activities of the programs/projects are well spread across the country. In terms of specific location, the largest proportion of the programs/projects, just over 41 percent, have reported their activities to be at the “provincial” level, followed closely by “nation-wide”, and “central” for just under 40 percent of the programs/projects. Less than twenty percent have identified the program/project activities at the “district” level. However, there are significant differences among the three groups of donor: multilateral, bilateral and NGOs. A significantly higher proportion of NGOs deliver their activities at the provincial and district levels than the multilateral or bilateral donors. In fact, none of the programs/projects of the bilateral donors have identified “district” as the primary area of their activities. Most of the bilateral donor programs are targeted either at the “central” level or are “nation-wide”. The programs/projects delivered by multilateral donors fall somewhere in between.

**TABLE 4: GEOGRAPHIC LOCATIONS OF DONOR PROGRAMS/PROJECTS ACTIVITIES**

Geographic Location of Program/project Activities	Number and Percent of Donor Programs/Projects							
	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Nation-wide	33	38.4%	33	54.1%	22	28.6%	88	39.3%
Central	32	37.2%	15	24.6%	42	54.5%	89	39.7%
Provincial	28	32.6%	13	21.3%	51	66.2%	92	41.1%
District	10	11.6%	0	0%	34	44.2%	44	19.6%
Other	7	8.1%	2	3.3%	16	20.8%	25	11.2%
Total number of projects or NGOs	86	....	61	....	77	....	224	....

**Figure 7: Geographic Location of Donor Program Activities**



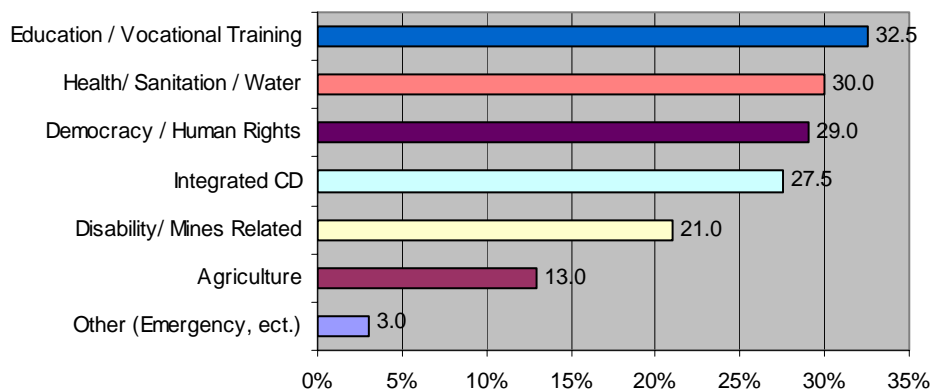
45. The sector focus of the program/projects for which data has been reported in the CBP Survey is quite different among the multilateral and bilateral donors. In terms of total program/project expenditure in 2002 just over two-third of expenditure of bilateral donors was concentrated in four sectors: development administration (27.3 percent), agriculture, forestry and fisheries sector (16.1 percent), education sector (13.3 percent), and the health sector (10.5 percent). In the case of multilateral donors, just over two-thirds of the programs/projects expenditure was in the following three areas: multi-sector (36.1 percent), area/rural development (19.3 percent), and transport sector (11.6 percent).

**TABLE 5: TOTAL EXPENDITURE IN 2002 ON PROGRAMS/PROJECTS REPORTED IN THE CBP SURVEY BY SECTOR**  
(in thousands of US \$)

SECTOR	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	\$	%	\$	%	\$	%	\$	%
Economic Management	2,911	2.2%	1,688	2.4%	0	...	4,599	1.7%
Development Admin	5,393	4.2%	18,935	27.3%	0	...	24,328	9.2%
Natural Resources	2,281	1.8%	1,236	1.8%	0	...	3,517	1.3%
Education(HRD)	3,198	2.5%	9,212	13.3%	7,458	11.1%	19,868	7.5%
Agri, Forestry & Fisheries	9,974	7.7%	11,160	16.1%	732	1.1%	21,866	8.2%
Area/Rural Development	24,973	19.3%	4,412	6.4%	9,556	14.2%	38,941	14.6%
Industry	0	...	83	0.1%	0	...	83	...
Energy	75	0.1%	1,173	1.7%	0	...	1,248	0.5%
International Trade	40	...	0	...	0	...	40	.....
Transport	14,971	11.6%	5,113	7.4%	0	...	20,084	7.6%
Communications	36	...	545	0.8%	600	0.9%	1,181	0.4%
Social development	8,802	6.8%	2,293	3.3%	13,554	20.2%	24,649	9.3%
Health	9,898	7.7%	7,251	10.5%	16,334	24.3%	33,483	12.6%
Humanitarian aid & Relief	0	...	594	0.8%	0	...	594	0.2%
Multi-sector	46,706	36.1%	3,914	5.6%	18,912	28.2%	69,532	26.2%
Unknown	0	...	1,718	2.5%	9	....	1,727	0.6%
<b>Total reported expenditure</b>	<b>129,258</b>	<b>100.0%</b>	<b>69,327</b>	<b>100.0%</b>	<b>67,155</b>	<b>100.0%</b>	<b>265,740</b>	<b>100.0%</b>

46. In terms of the sector of their project/program activities, Education and Training, Health, Democracy and Integrated Community Development Projects lead the areas of NGO programming, followed closely by the social development sector, including disabilities, mine related activities and other vulnerable groups.

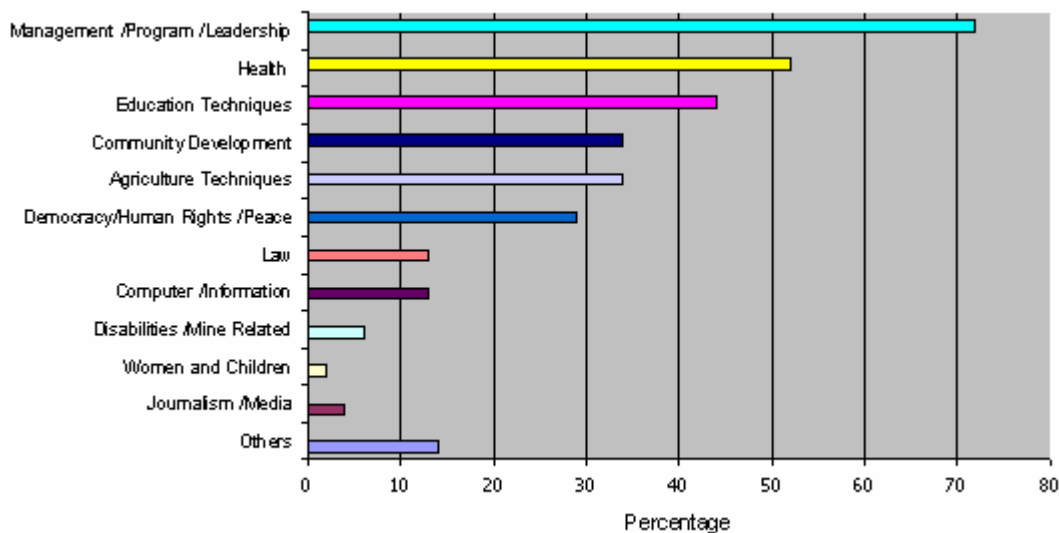
**Figure 8: NGOs Supported Programs by Sector and/or Issue**





47. The open ended question about capacity development problems, issues and gaps that were being addressed by the external partners was not really answered by the multilateral and bilateral respondents to the survey. In the case of NGOs, seventy percent of the respondent NGOs have indicated that their projects, interventions, and training efforts were aimed at addressing critical gaps in the management, program planning and leadership across almost all sectors and issues of NGO involvement. Health, including HIV/AIDS, accounted for 52% and Education for 44% of the capacity building efforts. Building social capital through community development, democracy and human rights awareness and activities accounted for more than one-third of the responses each. The remaining answers reflected the diverse areas of NGO programming and interventions including strengthening the rule of law, English language, working with vulnerable groups such as the disabled, women and children to name a few.

**Figure 9: Capacity Development Interventions by NGOs**



48. In the interview process few comments were made by bilateral and multilateral donors on the general issue of capacity development. One comment indicated that donors make too many uncoordinated demands about evaluation, monitoring, reporting, etc., which in fact limit Cambodian capacity to manage their own problems. “There is a huge demand on a small number of people to answer questions which only interest our headquarters”. Another comment was: “We impede capacity building by doing the job of Cambodia for them. It would be better to step out and let them learn by doing their own mistakes”. The same commentator added: “There are no indicators for capacity building. One indicator might be the extent to which Cambodians are ready to talk back to donors.” On the other hand a senior Cambodian official, indicated that the transfer of knowledge is beginning to show its effects: “counterparts have taken over the task of developing and managing projects”.

49. Also a related issue was addressed by many donors in the interviews, namely the question of “ownership”. Some donors expressed the view that “there is little feeling of ownership on the Cambodian side and the international experts have to keep pushing”. One donor expressed the feeling in this manner: “There is no militancy on national ownership. The aid community is very hands on. It tends to weaken the responsibility of the government.

Cambodia needs leadership, ownership and accountability”. Still another donor stated his views in the following way: “Donors drive the government rather than – as it should be – the other way round. It is a neo-colonial attitude. If we want the government to be accountable we have to give responsibility to the government”.



## 4.2 IN-COUNTRY AND OVERSEAS TRAINING

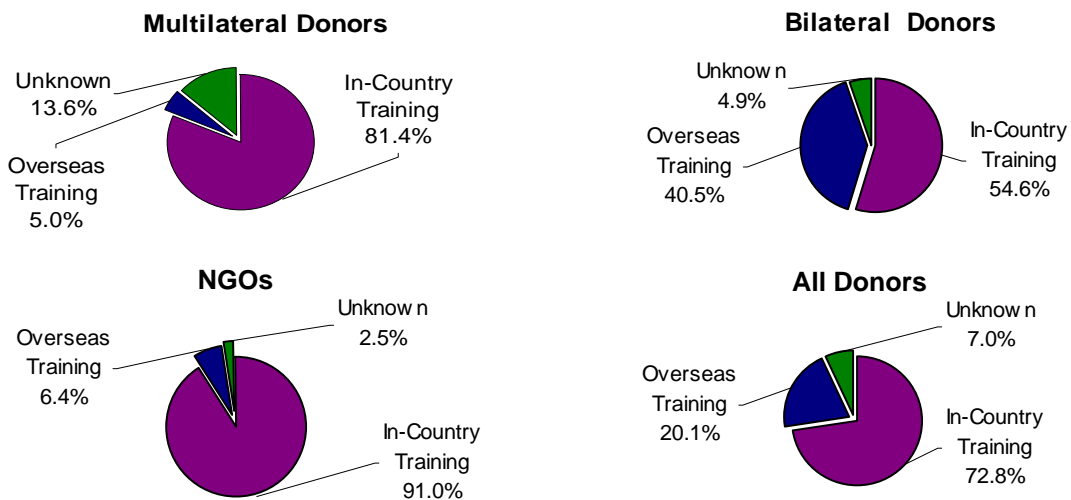
### 4.2.1 RESULTS OF THE SURVEY

50. A total of 31.4 million US dollars is reported to have been spent on training in 2002 in the implementation of the 147 multilateral and bilateral donors programs and projects and by the 77 NGOs who have responded to the CBP Survey - representing 11.8 percent of their total expenditure recorded in the survey for 2002. A breakdown of the reported expenditures on training (Table 6) reveals that nearly three quarter of the reported expenditure by all development partners, 72.8 percent, takes place in-country. Of this in-country training only 1.1 percent is spent on degree programs for staff or partners. However, there are significant differences among the multilateral, bilateral donors and NGO supported activities. In-country training accounts for 91 percent of the expenditure on training in the case of NGOs, 81.4 percent in the case of multilateral donors and 54.6 percent in the case of bilateral donors.

**TABLE 6: EXPENDITURE ON IN-COUNTRY AND OVERSEAS TRAINING IN 2002**  
(in thousands of US \$)

Type of Training	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	\$	%	\$	%	\$	%	\$	%
In-country Training	8,065	81.4%	7,117	54.6%	7,694	91.0%	22,876	72.8%
▪ Non-degree programs	7,857	79.3%	7,108	54.5%	7,559	89.4%	22,524	71.7%
▪ Degree Programs	208	2.1%	9	0.1%	135	1.6%	352	1.1%
Overseas Training	494	5.0%	5,278	40.5%	545	6.4%	6,317	20.1%
▪ Non-degree programs	305	3.1%	4,900	37.6%	475	5.6%	5,680	18.1%
• Degree Programs	189	1.9%	378	2.9%	70	0.8%	637	2.0%
Unknown	1,351	13.6%	644	4.9%	214	2.5%	2,209	7.0%
Total expenditure on Training	9,910	100.0%	13,039	100.0%	8,453	100.0%	31,402	100.0%

**Figure 10: Expenditure on In-Country and Overseas Training in 2002**



51. Overall, just over 20 percent or around 6.3 million US dollars of the reported total expenditure on training was on overseas training. Most of this expenditure on overseas training, nearly 90 percent, was for non-degree training programs. There are significant variations across the multilateral, bilateral and NGOs in their support for overseas training. A much higher proportion of the total expenditure on training is spent on overseas training by bilateral donors– 40.5 percent – than by NGOs (6.4 percent) or multilateral donors (5.0 percent). Of the total expenditure on overseas training reported in the CBP Survey, 6.3 million US dollars, 83.6 percent concerns programs/projects supported by bilateral donors.

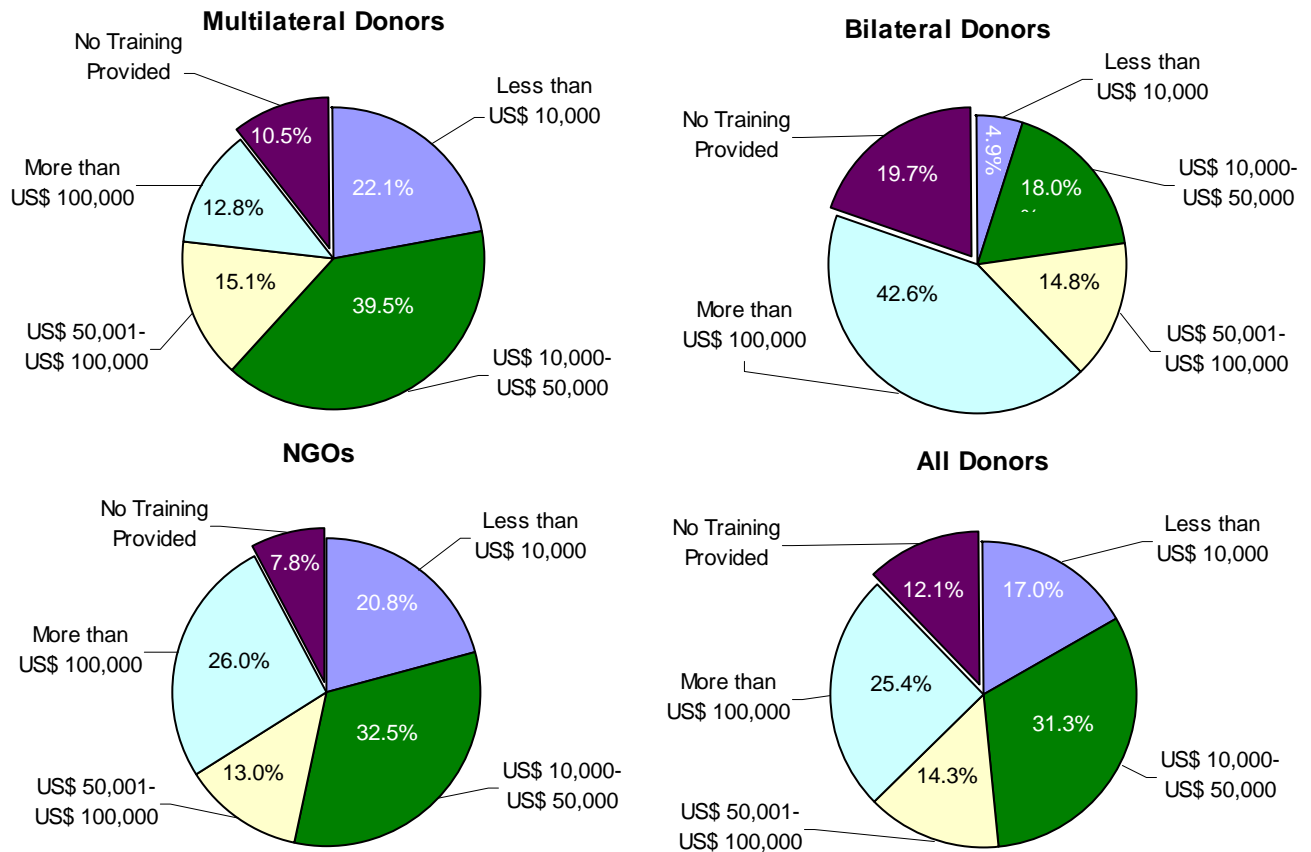
52. Total expenditure on degree programs is reported to be under one million US dollars, representing 3.1 percent of total expenditure on training. Around one-third of the expenditure on degree programs is for in-country training and two-thirds on degree programs abroad. Bilateral donors are the largest supporter of degree programs abroad and multilateral donors the largest supporter of in-country degree programs. In the case of NGOs, the overall numbers and level of expenditure for degree programs is quite small indicating that this is not a priority capacity building practice of NGO programs. The low emphasis put by NGOs on degree programs is likely a reflection of the nature of NGOs approach to their capacity building programs. NGOs tend to build and support institutions, systems, skills and people at the grassroots level through short term training and continuous follow up activities.

53. Overall, training expenditure of up to 50,000 US dollars by a program or project have been reported by 48.3 percent or nearly half of the programs/projects. Another 25.4 percent have reported training expenditure of more than 100,000 US dollars (Table 7). A much higher proportion of bilateral donors have reported training expenditures of over 100,000 US dollars (42.6 percent) than NGOs (26.0 percent) and multilateral donors (12.8 percent). In the case of multilateral donors and NGOs, the highest proportion of respondents have reported training expenditures in the range of 10,000 – 50,000 US dollars, 39.5 percent and 32.5 percent, respectively.

**TABLE 7: RANGE OF TRAINING EXPENDITURES ON DONOR SUPPORTED PROJECTS**

Range of Training Expenditure	Number and Percent of Donor Projects Providing Training							
	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Less than 10,000 USD	19	22.1%	3	4.9%	16	20.8%	38	17.0%
10,000 – 50,000 USD	34	39.5%	11	18.0%	25	32.5%	70	31.3%
50,001-100,000 USD	13	15.1%	9	14.8%	10	13.0%	32	14.3%
More than 100,000 USD	11	12.8%	26	42.6%	20	26.0%	57	25.4%
Number of Projects Or NGOs That Provided Training	77	89.5%	49	80.3%	71	92.2%	197	87.9%
Number of Projects or NGOs That Did Not Provide Any Training	9	10.5%	12	19.7%	6	7.8%	27	12.1%
Total number of projects or NGOs	86	100.0%	61	100.0%	77	100%	224	100.0%

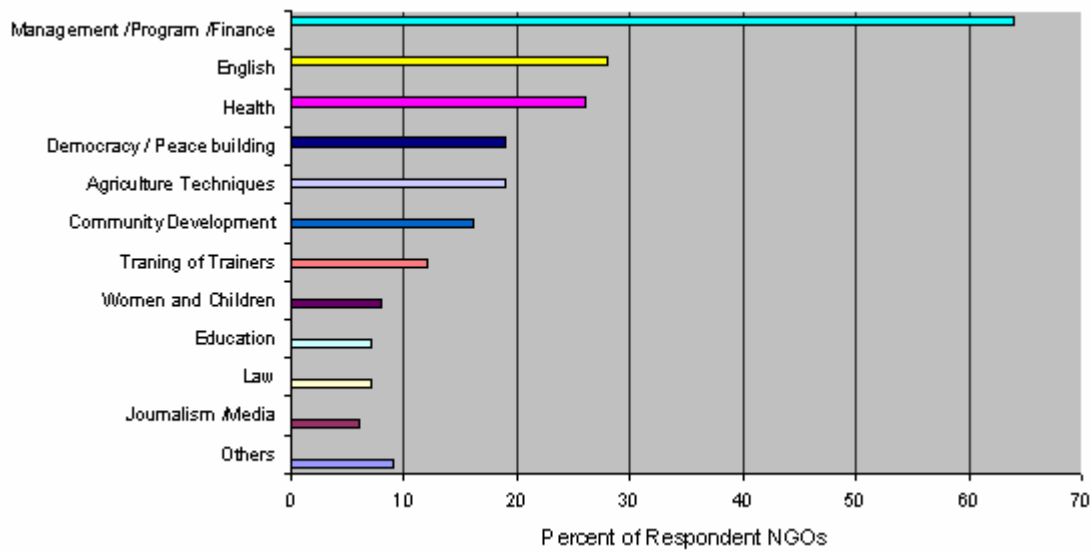
**Figure 11: Range of Expenditure on Training**



54. A higher proportion of NGOs, 92.2 percent, provide support for training than either multilateral (89.5 percent) or bilateral (80.3 percent) donors (Table 7).

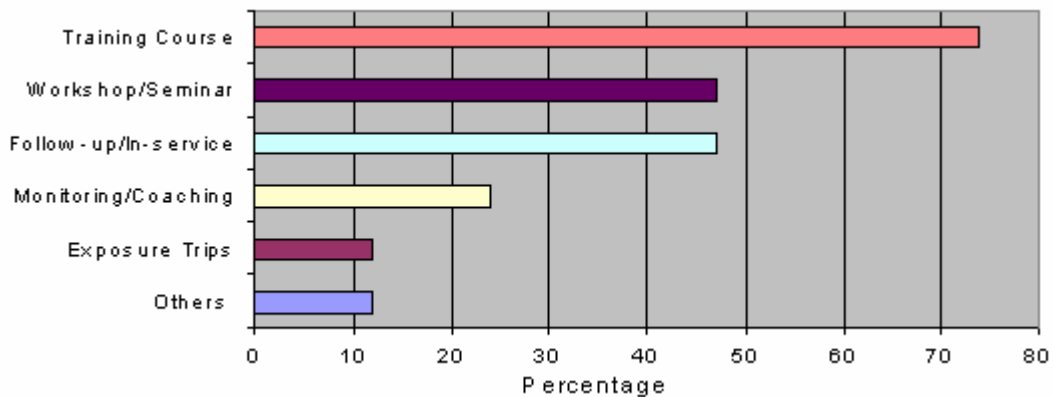
55. The external development partners of Cambodia support and provide various types of training activities on a wide range of topics and subject matters. The training activities are generally related to the area of focus of the program/project and/or the focus of the NGO. In the case of NGOs, 70 percent of the respondent NGOs identified gaps and problems in the areas of management, leadership and program development as the main capacity development issues that they are addressing. Not surprisingly, 64 percent of the NGOs have reported that they support and/or provide training activities in the same areas. English language training is still supported by many NGOs though it was not necessarily identified as an important capacity development issue for the NGO program. However, written communication skills are considered important and much of the training provided in this area is seen as a support function for the overall program. Other areas of training include: health, democracy/peace building, agriculture techniques, community development, and women and children. (Figure 12).

**Figure 12: NGO Supported Training Activities by Topic**



56. Short training courses and workshops are the most common training activity supported by NGOs, followed by short 1-3 day workshops and seminars. Follow up activities and monitoring and coaching were noted as critical informal capacity building techniques but these are often very difficult to quantify or measure in strict financial terms as the costs are spread out among staff, program activities and training.

**Figure 13: Type of Training Activity**



57. In the case of multilateral and bilateral development partners, few respondents have provided details on their training activities. Of the 147 programs/projects reported in the CBP Survey, 31 percent reported providing support for training in the areas of management, procurement and Finance, 17 percent on health related topics, and under 12 percent in economic development/management. In terms of the type of training activities supported, over 60 percent of the programs/projects of the multilateral and bilateral donors have reported providing some type of training course. Workshops, seminars, and conferences were organized by 17 percent.

58. In terms of the distribution of expenditure on training by sector, the multilateral donors spent nearly 60 percent on multi-sector programs/projects and 10.1 percent each in two sectors: social development and health (Table 8). The agriculture, forestry and fisheries, area/rural development, and the education sectors combined accounted for another 12.7

percent. In the case of bilateral donors, the three sectors that accounted for more than one-half of the bilateral donors expenditure on training were: agriculture, forestry and fisheries (19.4 percent), health (18.1 percent) and education (17.3 percent).

**TABLE 8: EXPENDITURE ON IN-COUNTRY AND OVERSEAS TRAINING BY SECTOR IN 2002**  
(in thousands of US \$)

SECTOR	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	\$	%	\$	%	\$	%	\$	%
Economic Management	142	1.4%	244	1.9%	0	...	386	1.2%
Development Admin	377	3.8%	871	6.7%	0	...	1,248	4.0%
Natural Resources	204	2.1%	276	2.1%	0	...	480	1.5%
Education(HRD)	349	3.5%	2,261	17.3%	2,088	24.7%	4,698	15.0%
Agri, Forestry & Fisheries	542	5.5%	2,526	19.4%	11	0.1%	3,079	9.8%
Area/Rural Development	363	3.7%	746	5.7%	567	6.7%	1,676	5.3%
Industry	0	0%	56	0.4%	0	...	56	0.2%
Energy	4	...	178	1.4%	0	...	182	0.6%
International Trade	0	0%	0	0%	0	...	0	...
Transport	12	0.1%	740	5.7%	0	...	752	2.4%
Communications	14	0.1%	381	2.9%	0	...	395	1.3%
Social development	997	10.1%	564	4.3%	2,268	26.8%	3,829	12.2%
Health	997	10.1%	2,366	18.1%	2,489	29.5%	5,852	18.6%
Humanitarian aid & Relief	0	0%	399	3.1%	0	...	399	1.3%
Multi-sector	5,909	59.6%	1,201	9.2%	1,030	12.2%	8,140	25.9%
Unknown	0	0%	230	1.8%	0	...	230	0.7%
<b>ALL SECTORS</b>	<b>9,910</b>	<b>100.0%</b>	<b>13,039</b>	<b>100.0%</b>	<b>8,453</b>	<b>100.0%</b>	<b>31,402</b>	<b>100.0%</b>

#### 4.2.2 RESULTS OF THE INTERVIEWS

59. Additional information obtained during personal interviews with representatives of the donor community indicate that there are also training efforts underway that have not been fully reported in the responses to the CBP Survey questionnaire. For example, courses organised within the IMF Technical Cooperation Assistance Program that have a longer duration. These are mainly aimed at staff in the Ministry of Economy and Finance. The components of the programme include budget execution, taxes, central banking and statistical support. This programme is co-financed with, among others, the UK, the Netherlands, UNDP and the AsDB. Another example is the so-called Phnom Penh Plan organised by the AsDB, which provides two to five week courses to upgrade the skills of key officials. It is co-financed with the Republic of Korea, New Zealand and Sweden. An example of slightly longer courses given abroad (4 –6 weeks) is the training provided by SIDA (Sweden) mainly in environment related subjects. This training is outside the Swedish country programme for Cambodia.

60. Some bilateral donors provide scholarships for training abroad. The US provides about 8 Fulbright scholarships annually to Cambodian nationals. The French provide 60 scholarships a year for studies in France at the Masters/Advanced study level. They also support financially returning students who need to complete their doctoral theses. France also has a programme to allow young medical doctors to undertake their hospital internships in France. There are also examples of support for advanced training, including studies abroad that are funded by Australia, Russia, WHO and UNFPA. Norway and the



Netherlands fund a UNDP project for training abroad of trainers for the newly instituted Royal School of Judges and Prosecutors.

61. One comment received from many sources was that seminars, workshops and even short-term "training courses" often serve more as encouragement to staff, as a means of providing some monetary incentive, rather than as a skill enhancement.

62. A particular problem related to training was stressed by one of those interviewed: "Within ten years the present top generation (of government officials) will be retiring. They have good training and experience. The next generation has neither. This will lead to a fall in quality in central administration". A senior government official stressed a similar point: "We have a lack of specialists (in economics, science, planning and management) who speak foreign languages well. Our people know a little about much but not very much about anything – there is no depth in their knowledge". Still another senior official pointed to the related fact that the lack of qualified people led to "people at senior level having too many functions and that they needed to focus better on a main task". In other words, over the next few years Cambodia must prepare the generation which has entered the public service over the last 10-20 years or so to replace the generation of top officials formed some 40-50 years ago. The intervening generation has, broadly speaking, disappeared as a result of events in Cambodia during the 1970s. The insufficient experience and, apparently, insufficient specialist knowledge of many in this new generation will require determined efforts if the feared "fall in quality in central administration" is to be avoided.

### **4.2.3 CONCLUSIONS**

63. Training activities are a very large part of the capacity development or human resource development activities of Cambodia's development partners. They represent some 27 % of total expenditure on capacity development or about 31 million US dollars in 2002, as recorded in the survey. Bilateral donors spent the largest amount on training, both in absolute terms (13 million US dollars) and as a percent of their total program expenditure (18.2 percent) in 2002.

64. There is a clear distinction in the profile of training between on the one hand multilateral donors and NGOs and on the other bilateral donors. The former provided some 95 % of training identified in Cambodia while bilateral donors provided nearly half (43 %) abroad.

65. Five sectors represent over 80 per cent of the training provided, with multi-sector training being the largest (8.1 million US dollars), followed by health (5.9 million US dollars), education (4.7 million US dollars), social development (3.8 million US dollars) and agriculture, forestry and fisheries (3.1 million US dollars).

66. Although data provided are insufficient to verify this, it seems that most of the training (measured by individuals trained), particularly for NGOs, is provided in the form of short term courses, workshops and seminars. The question is whether such short-term training provides a sustainable knowledge base. Apart from the short-term training courses on-the-job training also seems to play an important role with a likely more sustainable effect.

67. This report was not meant to be an in-depth study of the training activities supported by Cambodia's development partners. It does, however, provide a snapshot of the magnitude of resources that are being spent on training activities and the broad nature of these training activities. It is well known and acknowledged both within Government and by development partners that the civil service has serious capacity gaps that are at present a major constraint not only to achieve sustained development but also in the implementation of the needed reforms. Taking into account the current significant expenditures on activities that are identified as training and the acknowledged significant capacity gaps in the civil service on which little concrete information is currently available the Government and the donors community need to accord a high priority to carry out an in-depth study that will provide an assessment of the needs and the existing capacity gaps in the civil service, and to develop, based on this assessment, a comprehensive training and learning plan to fill the critical gaps.

68. There is no doubt that the task of filling the existing capacity gaps in the civil service is a massive one that will require a concerted effort over a long period of time. In all likelihood it will involve the adoption of a multi-pronged approach. While some ad hoc training in the context of the implementation of a project can be justified, the need to tackle the training issues in the larger context of filling the capacity gaps within the framework of a comprehensive training plan can not be over-emphasized. One element of such a comprehensive training strategy could be the creation of civil service staff training institutes for three broad categories of civil servants: those at the most senior levels, the middle level, and the entry level. Ideally, such Institutes should be residential institutions in order to create "an esprit de corps" and to form a basis for future networking across the civil service. They should be staffed by competent professionals who are paid market based salaries. These could be Cambodians resident in Cambodia, Cambodians presently residing abroad or foreign experts. Given the extreme constraints on domestic budget resources such Institutes would have to be financed through external sources. There is a need to explore whether some of the reported expenditures on training can be systematically channelled for supporting the proposed Public Service Training Institutes. Consideration should also be given by bilateral donors who have similar public service institutions to offer scholarships to qualified Cambodian candidates.



## 4.3 OPERATIONAL SUPPORT, INCLUDING EQUIPMENT

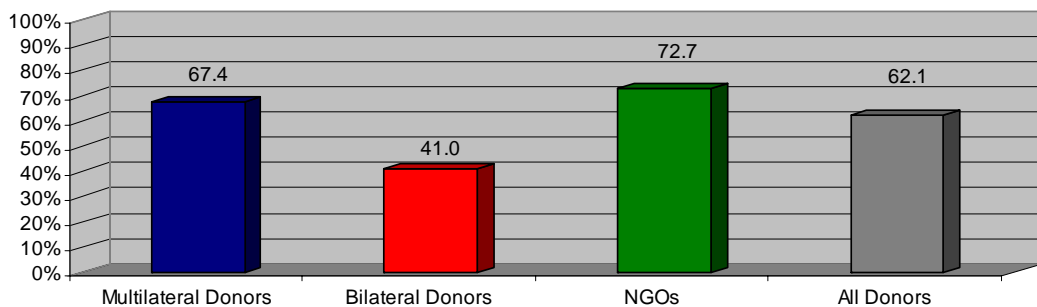
### 4.3.1 RESULTS OF THE SURVEY

69. A total expenditure of close to 22 million US dollars spent on operational support, including equipment, has been reported by the 147 multilateral and bilateral programs/projects and the 77 NGOs - representing 8.2 percent of the total expenditure for 2002 reported in the survey. (Table 9).

**TABLE 9: INCIDENCE, SIGNIFICANCE, AND EXPENDITURE ON PROVIDING OPERATIONAL SUPPORT**

Operational Support	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Total number of respondents: CBP Survey	86	100.0%	61	100.0%	77	100.0%	224	100.0%
Number Providing Operational Support, including Equipment	58	67.4%	25	41.0%	56	72.7%	139	62.1%
Significance of Providing Operational Support								
• Critical	24	41.4%	9	36.0%	26	46.4%	59	42.4%
• Important	26	44.8%	14	56.0%	29	51.8%	69	49.6%
• Not very important	1	1.7%	1	4.0%	1	1.8%	3	2.2%
• Not Reported	7	12.1%	1	4.0%	0	0%	8	5.8%
Total Number Providing Operational Support	58	100.0%	25	100.0%	56	100.0%	139	100.0%
Total Reported Expenditure on Providing Operational Support, including Equipment (in US\$)	\$9,902,000		\$4,346,000		\$7,671,000		\$21,919,000	
Total Disbursements In 2002 On Programs/Projects Reported In The CBP Survey (in US\$)	\$129,258,000		\$69,327,000		\$67,155,000		\$265,740,000	
Expenditure on Operational Support as % of Total program Expenditure	7.7%		6.3%		11.4%		8.2%	

**Figure 14: Percent of Programs that Provided Operational Support**



70. Roughly 70 per cent of multilateral and NGO projects provided operational support to their reported projects, while only some 40 per cent of the bilateral projects did so. However, practically all donors who did provide operational support reported that the support was critical or important to the success of the projects.

71. The share of total reported expenditure spent on operational support was significantly higher for NGOs (11.4 per cent) than for other donors who spent in the 6-8 per cent range of their total expenditure on operational support.

72. Total expenditures on providing operational, including equipment, of more than 100,000 US dollars have been reported by 18.8 percent of the respondents, and another 16.5 percent have reported training expenditure of between 10,000 and 50,000 US dollars (Table 10). A higher proportion of multilateral donor supported programs have reported expenditures on operational support of over 100,000 US dollars (20.9 percent) than NGOs (18.2 percent) and bilateral donors (16.4 percent). In the case of NGOs, the highest proportion of respondents, 20.8 percent, have reported expenditures of less than 10,000 US dollars on providing operational support.

**TABLE 10: RANGE OF EXPENDITURE ON OPERATIONAL SUPPORT**

Range of Training Expenditure	Number and Percent of Donor Projects Providing Training							
	Multilateral Donors		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Less than 10,000 USD	16	18.6%	3	4.9%	16	20.8%	35	15.6%
10,000 – 50,000 USD	18	20.9%	8	13.1%	11	14.3%	37	16.5%
50,001-100,000 USD	6	7.0%	4	6.6	11	14.3%	21	9.4%
More than 100,000 USD	18	20.9%	10	16.4%	14	18.2%	42	18.8%
Total Number of Projects Or NGOs That Provided Operational Support	58	67.4%	25	41.0%	52	67.5%	135	60.3%
Total Number of Projects Or NGOs That Did Not Provide Operational Support	28	32.6%	36	59.0%	25	32.5%	89	39.7%
Total Number of Projects or NGOs	86	100.0%	61	100.0%	77	100.0%	224	100.0%

#### 4.3.2 RESULTS OF THE INTERVIEWS

73. The interview process contributed no special comments on the issue of operational support.

#### 4.3.3 CONCLUSIONS

74. Roughly 60 per cent of bilaterally funded projects reported that they did not provide any operational support or equipment compared to about 30 per cent for multilaterally and

NGO funded projects and programs. Whether this difference is due to under-reporting or to the different nature of the projects concerned cannot be established.

75. Altogether some 8 per cent of total reported expenditure and some 19 per cent of reported expenditure for capacity building purposes was devoted to providing operational support, including equipment. As indicated, practically all projects for which such support was provided considered it critical or important. No further conclusion can be drawn from the survey material.



## 4.4 MONETARY INCENTIVES

### 4.4.1 RESULTS OF THE SURVEY

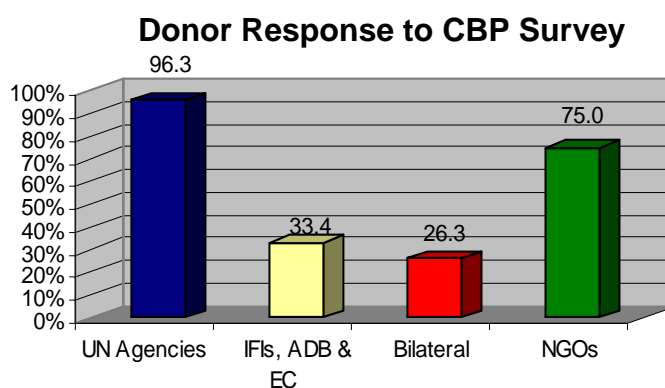
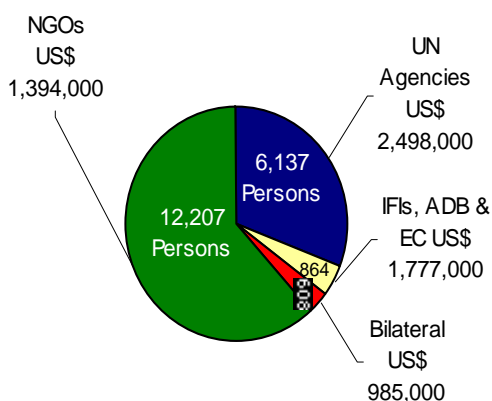
76. To implement the 147 multilateral and bilateral donors supported programs/projects and the activities of the 77 NGOs, a total of nearly 20,000 persons were paid some form of monetary incentive in 2002. The expenditure on these monetary incentives totaled around 6.7 million US dollars - representing 2.5 percent of the total expenditure in 2002 on these programs/projects.

77. As discussed earlier, the total expenditure on programs/projects for which data have been provided in response to the CBP Survey represents just over half (53.1 percent) of the total expenditures/disbursements in 2002 that have been reported by the external partners to the Council for the Development of Cambodia. There is, however, a wide variation in the response rate of various donor categories from a high of 96.3 percent in the case of UN agencies to a low of 26.3 percent in the case of bilateral donors (Table 11).

**TABLE 11: EXPENDITURE ON AND NUMBER OF PERSONS PAID MONETARY INCENTIVES IN 2002**

MONETARY INCENTIVE	MULTILATERAL		BILATERAL	NGOs	TOTAL
	UN Agencies	IFIs, ADB and EC			
Number of persons receiving some type of monetary incentives	6,137	864	608	12,207	19,816
Total expenditure on monetary incentives in 2002 (in US \$ '000)	\$2,498	\$1,777	\$985	\$1,394	\$6,654
Average payment per person in 2002 (in US dollars)	\$407	\$2,057	\$1620	\$114	\$336
Total expenditure on programs/projects reported in CBP Survey (in US \$ '000)	\$78,527	\$50,731	\$69,327	\$67,155	\$265,740
Total expenditure on programs/projects reported in the CBP Survey as percent of total disbursements in 2002	96.3%	33.4%	26.3%	75.0%	53.1%

**Figure 15: Amount of Expenditure and Number of Persons paid Monetary Incentives**





78. There is also a wide variation in the amount that is paid by various categories of donors as monetary incentives. The average amount per person paid as monetary incentives in 2002 was:

- US \$ 114 on programs/projects delivered by NGOs;
- US \$ 407 on programs/projects delivered by UN agencies;
- US \$ 1,620 on programs/projects supported by bilateral donors; and
- US \$ 2,057 on programs/projects supported by IFIs, ADB, and EC.

79. NGOs have reported providing monetary incentives of some kind to more than 12,000 persons, of which 9,000 are associated with Village Development Committees and Commune Council staff or are Village Volunteers. Over 2,900 government staff were supported at the field level, inter alia health workers and teachers. The remaining recipients, some 200 persons or 2 per cent of the total were either National Directors, Program Managers or Technical Officers (see table 12). The majority of NGOs, fifty-two percent, supported more than 20 persons in their programs while fourteen percent supported between 10-20 persons, seven percent supported 6-10 persons and another nineteen percent supported 1-5 persons.

**TABLE 12: NUMBER OF PERSONS PAID MONETARY INCENTIVES BY FUNCTION PERFORMED IN THE IMPLEMENTATION OF THE PROGRAM/PROJECT**

FUNCTION IN THE PROGRAM/PROJECT	NUMBER OF PERSONS PAID SALARY SUPPLEMENT									
	MULTILATERAL				BILATERAL		NGOs		TOTAL	
	UN Agencies		IFIs, ADB and EC							
No.	%	No.	%	No.	%	No.	%	No.	%	
Program Director/Manager/ Coordinator	154	2.5%	41	4.7%	29	4.8%	54	0.4%	278	1.4%
Technical Advisor/Supervisor	161	2.6%	28	3.2%	17	2.8%			206	1.0%
Project Officer/Technical Officer	400	6.5%	68	7.9%	26	4.3%	165	1.4%	659	3.3%
Counterpart Staff	204	3.3%	145	16.8%	50	8.2%			399	2.0%
National Counterpart Staff	661	10.8%	20	2.3%	80	13.2%			761	3.8%
Provincial/District Counterpart Staff	48	0.9%	0		230	37.8%			278	1.4%
Field /Operations Staff	2,340	38.1%	0		61	10.0%	2,710	22.2%	5,111	25.8%
VDC/Commune and District Level Personnel/village volunteers	1,114	18.2%	0		0		9,027	73.9%	10,141	51.2%
Support Staff	32	0.5%	518	60.0%	73	12.0%	251	2.1%	874	4.4%
Driver/cleaner/Guard	2	...	36	4.2%	42	6.9%			80	0.4%
Other	1,021	16.6%	8	0.9%	0				1029	5.2%
<b>TOTAL</b>	<b>6,137</b>	<b>100%</b>	<b>864</b>	<b>100%</b>	<b>608</b>	<b>100%</b>	<b>12,207</b>	<b>100%</b>	<b>19,816</b>	<b>100%</b>

80. As regards multilateral and bilateral donors the total number of recipients of monetary incentives reported was some 7,600 persons , of which:

- 6,137 staff in the collaborating institutions of programs/projects delivered by the UN agencies.
- 864 staff in the collaborating institutions of programs/projects supported by IFIs, ADB, and EC.
- 608 staff in the collaborating institutions of programs/projects supported by bilateral donors.

81. In the case of the UN agencies the majority of recipients of monetary incentives (nearly 60 per cent) were recorded as working at the district or local level or as field/operations staff. Also bilateral donors had nearly half of the recipients working at these

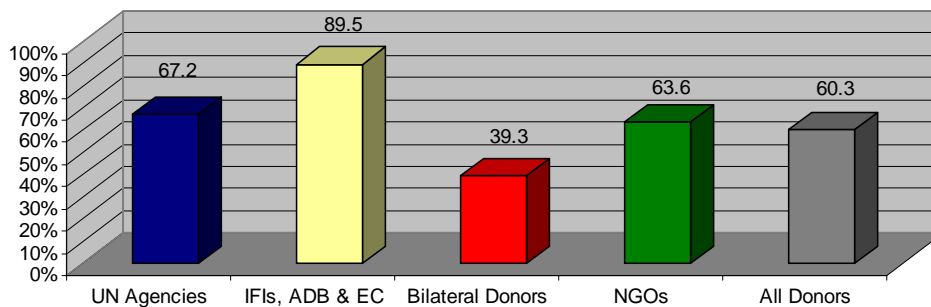
levels. Only for the IFIs, AsDB and the EC were there no staff recorded at these levels. This does not exclude that for example project officers or support staff receiving monetary incentives could be working at the provincial, district or local level. It should also be noted the high proportion of staff (60 per cent) reported by the IFIs, AsDB and the EC as being support staff (see table 12).

82. Of the 224 respondents to the survey, 135 or some 60 percent have reported providing some form of monetary incentives. Of those who provided monetary incentives, some 40 per cent spent less than 10,000 US dollars, nearly 40 per cent spent between 10,000 and 50,000 US dollars, some 10 percent spent 50,001 and 100,000 US dollars; and another 10 percent spent more than 100,000 US dollars (see table 13).

**TABLE 13: RANGE OF EXPENDITURE ON MONETARY INCENTIVES**

Range of Expenditure on Monetary incentives	Number and Percent of Donor Projects Providing Monetary Incentives									
	UN Agencies		IFIs, ADB, EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Less than 10,000 USD	18	26.9%	1	5.3%	11	18.0%	26	53.0%	56	41.5%
10,000 – 50,000 USD	17	25.4%	11	57.9%	9	14.8%	14	28.6%	51	37.8%
50,001-100,000 USD	4	6.0%	1	5.3%	2	3.3%	7	14.3%	14	10.4%
More than 100,000 USD	6	9.0%	4	21.1%	2	3.3%	2	4.1%	14	10.4%
Total	45	100.0%	17	100.0%	24	100.0%	49	100.0%	135	100.0%
Number of Projects or NGOs That Provided Monetary Incentives Support	45	67.2%	17	89.5%	24	39.3%	49	63.6%	135	60.3%
Number of Projects or NGOs That Did Not Provide Monetary Incentives	22	32.8%	2	10.5%	37	60.7%	28	36.4%	89	39.7%
Total Number of Responses to CBP Survey	67	100.0%	19	100.0%	61	100.0%	77	100.0%	224	100.0%

**Figure 16: Percent of Programs that Provided Monetary Incentives**



83. In terms of the incidence of providing monetary incentives there were significant differences between the various categories of donors. A much higher proportion of programs/projects supported by the IFIs, AsDB and EC (about 90 per cent) reported providing monetary incentives in 2002 compared to bilateral donors who reported providing such incentives in only 40 per cent of their programs/projects. In the case of the UN

agencies and the NGOs the proportion of programs/projects supported by monetary incentives was approximately 2/3 (Table 13).

84. Of those who reported providing monetary incentives practically all consider the payment of monetary incentives to be either critical or important to facilitate the implementation of their program/projects (Table 14).

**TABLE 14: SIGNIFANCE OF PROVIDING MONETARY INCENTIVES**

Importance of Providing Monetary Incentives	Number and % of Donor Projects Providing Monetary Incentives									
	UN Agencies		IFIs, ADB, EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
Critical	22	48.9%	5	29.4%	15	62.5%	23	41.1%	65	45.8%
Important	19	42.2%	8	47.1%	7	29.2%	32	57.1%	66	46.5%
Not very important	0	...	1	5.9%	1	4.2%	1	1.8%	3	2.1%
Not Reported	4	8.9%	3	17.6%	1	4.2%	0	...	8	5.6%
No. of Projects Or NGOs That Provided Monetary Incentives Support	45	100.0%	17	100.0%	24	100.0%	56 <sup>a</sup>	100.0%	142	100.0%

<sup>a</sup> Even though only 52 NGOs have provided data on their expenditures on monetary incentives, 56 NGOs have reported on the significance of these incentives to facilitate the implementation of their program activities.

85. Many modalities are used for providing monetary incentives to the staff of collaborating institutions. In addition to straight salary supplements, these include: payments for special tasks, daily subsistence allowances (DSA) and per diems, overtime payments, allowance for attending workshops and seminars, and other forms of unspecified monetary incentives. It should be noted that on a given program/project, the monetary incentives paid can and often do, as the survey data indicate, include a mix of different modalities.

86. Overall, among the 135 multilateral and bilateral programs/projects and NGOs (out of a total of 224 respondents) who reported that they were paying monetary incentives (see table 15):

- On average some 60 percent provided *salary supplements* to staff of collaborating institutions. However, the IFIs, ADB and EC provided straight salary supplements in 95 per cent of the cases while the UN agencies, bilateral donors and NGOs only reported doing it in 50 to 60 per cent of the cases.
- On average 35 per cent provided *payments for special tasks* to staff of collaborating institutions. Bilateral donors reported this in about 50 per cent of the cases while the use of this modality was practically not used by the IFIs, ADB and the EC. UN agencies reported this modality in about 30 per cent and NGOs in about 40 per cent of the cases. *It is interesting to note that the frequency of salary supplements is inversely correlated to the use of payments for special tasks. If you combine these two incentives you find that practically all projects used one or the other, sometimes both.*
- Practically all programs/projects and NGOs reported providing *DSA or per diem payments* to staff of collaborating institutions.
- *Overtime payment* to staff of collaborating institutions was a seldom reported modality.

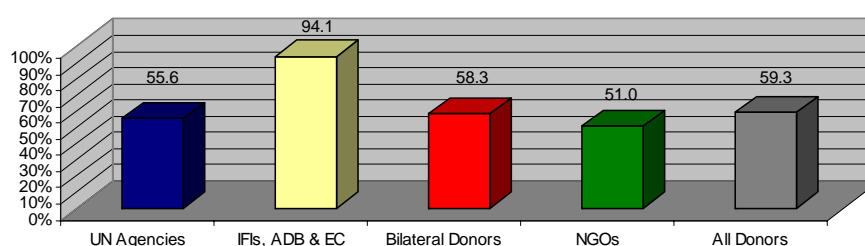
- On average some 50 per cent of those providing monetary incentives provided *allowances for attending workshops and seminars*. This was most frequent in the case of NGOs (70 per cent) and least frequent for the IFIs, AsDB and EC (30 per cent).
- Approximately 10 per cent of respondents provided *other forms of incentives* to staff of collaborating institutions.

**TABLE 15: TYPE OF MONETARY INCENTIVE PROVIDED<sup>1</sup>**

TYPE OF MONETARY INCENTIVE	Number of Programs/Projects or NGOs That Provided the Specified Type of Monetary Incentive									
	MULTILATERAL DONORS				BILATERAL DONORS	NGOs		TOTAL		
	UN Agencies		IFIs, ADB and EC							
No. of Programs	%	No. of Programs	%	No. of Programs	%	No. of NGOs	%	No.	%	
1. Salary Supplement	25	55.6%	16	94.1%	14	58.3%	25	51.0%	80	59.3%
2. Payment for Special Tasks	13	28.9%	1	5.9%	12	50.0%	21	42.9%	47	34.8%
3. DSA	24	53.3%	5	29.4%	11	45.8%	4	8.2%	44	32.6%
4. Overtime payments	2	4.4%	1	5.9%	1	4.2%	2	4.1%	6	4.4%
5. Per diem	18	40.0%	14	82.4%	8	33.3%	39	79.6%	79	58.5%
6. Allowances for Attending Workshops/Seminars	19	42.2%	5	29.4%	13	54.2%	35	71.4%	72	53.3%
7. Other Forms of Incentives	4	8.9%	3	17.6%	2	8.3%	5	10.2%	14	10.4%
8. Type not reported	1	2.2%	0	...	0	....	0	...	1	0.7%
Number of Projects Or NGOs That Provided Monetary Incentives Support	45	100.0%	17	100.0%	24	100.0%	49	100.0%	135	100.0%

<sup>1</sup> The percentage do not add up to 100 percent, because in many cases on a program/project more than one modality is being used for payment of monetary incentives.

**Figure 17: Percent of Programs that Paid Salary Supplements**



87. The data collected through the CBP Survey on monetary incentives indicate that in many instances a staff member may be receiving more than one type of monetary incentives, for example, a mix of salary supplement and DSA, or salary supplement and per diem. It is therefore not possible to tabulate directly from the survey data a breakdown of the total expenditure on monetary incentives for each of the seven modalities. However, these data do provide information on the number of persons who were paid salary supplements and information on either the amount of supplement or the range of supplement payments that was made in 2002. Based on these data a rough estimate of the costs of salary supplements can be made by multiplying the reported monthly payments (the monthly rate or by using the mid point of the range of monthly payments reported) by the number of persons receiving the salary supplement. *An application of this methodology yields a rough*

estimate of total expenditure on salary supplements by the 147 multilateral and bilateral programs/projects of around 4.5 million US dollars - out of a total expenditure of around 5.3 million US dollars on all different types of monetary incentives. In the case of NGOs, the total expenditure on providing salary supplements is estimated be around 925,000 US dollars.

**TABLE 16: ESTIMATED EXPENDITURE ON SALARY SUPPLEMENTS ON MULTILATERAL AND BILATERAL DONORS SUPPORTED PROGRAMS/PROJECTS**

DONORS CATEGORY	ESTIMATED EXPENDITURE ON SALARY SUPPLEMENTS REPORTED IN THE CBP SURVEY (in US\$ '000)	TOTAL REPORTED EXPENDITURE ON MONETARY INCENTIVES (in US\$ '000)	RESPONSE RATE TO THE CBP SURVEY (in terms of reported total expenditure)
	MULTILATERAL DONORS	3,663	4,275
▪ UN Agencies	2,040	2,498	96.3%
▪ IFIs, ADB, and EC	1,623	1,777	39.3%
BILATERAL DONORS	884	985	26.3%
NGOs	925	1,394	75.0%
<b>TOTAL: 224 projects and NGOs</b>	5,472	6,654	....

88. When looking at the figures in table 16 it should be recalled that the overall response rate to the CBP survey only covered only about half of total disbursements in 2002 that have been reported to CDC by external partners, and that the response rate was particularly low for bilateral donors. Furthermore, only 135 out of 224 respondents to the CBP survey reported paying monetary incentives.

89. As mentioned earlier, nearly 20,000 persons were paid some type of monetary incentive in 2002 by the 135 donor and NGO supported programs that provided these incentives. More than 60 percent of those receiving a salary supplement are supported by NGOs. Another one-third was supported by multilaterally financed programs/projects (Table 17).

**TABLE 17: NUMBER OF STAFF RECEIVING SALARY SUPPLEMENTS**

Donor Category	Number Receiving Salary Supplements		Total Number Receiving Some Form of Monetary Incentive		Number Receiving salary Supplements as % of Total
	NO.	%	NO.	%	
<b>MULTILATERAL DONORS</b>	3,294	69.2%	7,001	35.3%	46.2%
▪ UN Agencies	2,492	52.4%	6,137	30.9%	39.6%
▪ IFIs, ADB, EC	802	16.8%	864	4.4%	92.8%
<b>BILATERAL DONORS</b>	518	10.9%	608	3.1%	85.2%
<b>NGOs</b>	948	19.9%	12,207	61.6%	7.8%
<b>TOTAL</b>	4,760	100.0%	19,816	100.0%	24.0%

90. Although a large number of persons were paid some form of monetary, less than one-quarter of these have been reported to have been paid the so called "salary supplement". In the case of NGOs, the proportion that was paid "salary supplement" was less than 8 percent.

Also, the reported number of persons paid salary supplements by the programs/projects supported by IFIs, ADB and EC as well as by the bilateral donors is significantly lower than UN agencies. However, it should be noted that this could be in part attributable to lower response rates of these donor groups to the CBP Survey and/or the nature of their programs/projects. On the other hand, the data reported for the programs/projects supported by IFIs, ADB, and EC and the bilateral donors have a much higher proportion of staff that were paid salary supplements as compared to other forms of monetary incentives. In the case of IFIs, ADB and EC, the proportion who are paid salary supplements is 92.8 percent of those who were paid any form of monetary incentive. In the case of bilateral donors this proportion is 85.2 percent.

91. NGOs have reported the largest number of persons who are paid some form of monetary incentives. By far the most common forms of monetary incentives provided were per diems and allowances for attending training activities, workshops and seminars. In fact over 85 percent of the NGOs reported that they provided either per diems or allowances or both and another 30 percent gave payments for special tasks. Monthly payments, whether salary supplements, per diems or allowances by NGOs, were for the most part less than US \$100.

92. Some multilateral development partners and the MEF have established guidelines on the payment of salary supplements. However, the practices on the payment of salary supplements to staff of collaborating institutions acting as counterparts to the donors – also called “topping up” - is very different among the various categories of donors. The UN system has a salary supplement scale codified in a Memorandum of Understanding between all UN agencies. AUSAID applies the same scale. The representative of the IMF indicated that they also use the UN scale. The Ministry of Economy and Finance has a scale, somewhat higher than the UN scale, which it applies to counterparts in projects funded by the World Bank and the Asian Development Bank. As these institutions prohibit the payments of salary supplements to government officials, these supplements technically are paid out of Cambodian counterpart funds.

**TABLE 18: GUIDELINES ON MONTHLY RATE OF SALARY SUPPLEMENTS**  
(in US dollars )

<b>CATEGORY BY LEVEL OF QUALIFICATIONS AND CONTRIBUTION</b>	<b>UN SCALE</b>	<b>MEF SCALE<sup>7</sup></b>	<b>PMG</b>
CATEGORY A High level decision making and management responsibilities. Sample of functions: Decision makers, Planners, Directors of Projects, Trainers of Trainer.	\$180	\$50 - 250	\$150 (A-level)
CATEGORY B Responsible for technical work of design, implementation and follow through. Sample of functions: Deputy Directors of Projects, Trainers, Designers, Computer Experts (system analyst programmer), Regional and Provincial Leaders, Team Leaders.	\$130	\$50 - 180	\$100 (B-level)
CATEGORY C Responsible for following up and carrying out actions or operations. Sample of functions: Field Workers, Local Personnel, Operators, Writers, Illustrators, Administrative Support Employees.	\$ 80	\$50 - 100	\$ 50 (C-level)

<sup>7</sup> The scale was set in a MEF circular of March 25<sup>th</sup>, 1998.

93. The approved salary supplement levels for the UN agencies, the MEF and the proposed PMG scale are summarized in Table 18. As can be seen the UN scale is higher than the proposed Priority Mission Group (PMG) salary supplements. The UN Resident Coordinator, however, has indicated that the UN community should consider lowering their salary supplements to the PMG level in order to create a more “level playing field”. Whether this can be done in practice is debatable given the competition for good counterparts. The MEF scale for salary supplements is higher than both the UN scale and the proposed PMG scale.

94. The data on the amount of salary supplement paid and the number of persons receiving the payment, as reported in the CBP Survey, is summarized in Table 19. These data show that except for five individuals out of 2,492, the salary supplements paid by the UN agencies are within their guidelines, that is, below US\$ 180 per month. Of the five persons who are paid more than US\$ 180 per month, two were paid between US\$ 180 and 250, two between US\$ 300 & 400, and one between US\$ 400 and 500.

**TABLE 19: NUMBER OF PERSONS PAID MONTHLY SALARY PAYMENTS BY RANGE OF PAYMENT**

RANGE OF SALARY SUPPLEMENT PAYMENT	NUMBER OF PERSONS PAID A SALARY SUPPLEMENT									
	MULTILATERAL				BILATERAL		NGOs		TOTAL	
	UN Agencies		IFIs, ADB and EC							
No.	%	No.	%	No.	%	No.	%	No.	%	
US\$ 50 or less	96	3.9%	86	10.7%	6	1.2%	317	33.4%	505	10.6%
More than US\$ 50 to 80 US\$	2,108	84.6%	8	1.0%	30	5.8%	248	26.2%	2,394	50.3%
More than US\$ 80 to 100 US\$	16	0.6%	2	0.2%	55	10.6%	93	9.8%	166	3.5%
More than US\$ 100 to 130 US\$	155	6.2%	297	37.0%	240	46.3%	84	8.9%	776	16.3%
More than US\$ 130 to 150 US\$	61	2.4%	52	6.5%	23	4.4%	144	15.2%	280	5.9%
More than US\$ 150 to 180 US\$	51	2.0%	189	23.6%	85	16.4%	38	4.0%	363	7.6%
More than US\$ 180 to 250 US\$	2	0.1%	36	4.5%	42	8.1%	14	1.5%	94	2.0%
More than US\$ 250 to 300 US\$	0		86	10.7%	16	3.1%	2	0.2%	104	2.2%
More than US\$ 300 to 400 US\$	2	0.1%	28	3.5%	13	2.5%	8	0.8%	51	1.1%
More than US\$ 400 to 500 US\$	1	...	4	0.5%	4	0.8%	0		9	0.2%
More than US\$ 500 to 600 US\$	0		10	1.2%	0		0		10	0.2%
More than US\$ 600 to 700 US\$	0		1	0.1%	0		0		1	...
More than US\$ 700 to 800 US\$	0		1	0.1%	3	0.6%	0		4	0.1%
More than US\$ 800 to 900 US\$	0		0		1	0.2%	0		1	...
More than US\$ 900 to 1,000 US\$	0		0		0		0			
More than US\$ 1,000	0		2	0.2%	0		0		2	...
TOTAL	2,492	100.0%	802	100.0%	518	100.0%	948	100.0%	4,760	100%

95. In the case of IFIs, ADB and EC, 132 individuals out of 802 were paid salary supplements above the MEF ceiling of US\$ 250 per month. Of these 132 individuals, the majority, 114, were paid between US\$ 250 to 400, 14 were paid between US\$ 400-600, 2 between US\$ 600-800, and 2 over US\$ 1,000 per month.

96. While the bilateral donors have no established guidelines, only 37 out of 518 individuals were paid more than US\$ 250 per month. Of these 37, the majority 29 were paid between US\$ 250 to 400, 4 were paid between US\$ 400-500, 3 between US\$ 700-800, and 1 between US\$ 800-900 per month.

97. In the case of NGOs, the majority of individuals receiving salary supplements (59.6 percent) were paid less than \$ 80 per month.

98. Within the sample of reported multilateral and bilateral programs/projects, there were 577 individuals who were paid monthly salary supplement above the ceiling of US\$ 150 per month established for the proposed PMG program.

99. There is wide variation in the amount of salary supplements paid in the implementation of the programs/projects supported by multilateral and bilateral donors to various categories of counterpart personnel (Table 20). These differences are most pronounced in the case of salary supplements paid to staff of collaborating institutions who were designated as Program Directors, Managers or Coordinators. The payments made by UN agencies in 2002 to the 73 individuals performing these functions on their programs/projects were in the 100-450 US dollar per month range. The bilateral donors supported programs/projects paid between 130-850 US dollars per month to 24 individuals performing the same functions. The IFIs, ADB and EC supported programs/projects paid between 120 and 1500 US dollars per months to 33 individuals performing the same function. With few exceptions the IFIs, ADB and EC paid the largest amounts, followed by bilateral donors, and the UN agencies.

#### **4.4.2 RESULTS OF THE INTERVIEWS**

100. The issue of monetary incentives, in particular salary supplements or "topping up" was the main issue that was addressed during the interviews. It was generally recognised that present salary levels in the Cambodian administration were insufficient to provide a "living wage". Civil servants therefore adopt a "survival strategy", which implies, for example, low attendance at the work place in order to earn supplementary income in other jobs. In order to ensure that tasks related to donor projects are fulfilled donors therefore provide monetary incentives in addition to the regular civil service salaries. For projects funded by the multilateral banking institutions these payments are made from Cambodian counterpart funds. As one donor put it: "Good people are overstretched and very much in demand".

101. These monetary incentives are often given in the form of salary supplements but some donors have decided to ban such practices. In order to remain competitive in finding dedicated counterparts, such donors may adopt alternative strategies which include payments "for tasks performed", "for overtime", for "preparation" of or "attendance" at workshops, or even "fictitious mission expenses", etc. These strategies are much less transparent than salary supplements.

102. One donor, who does provide salary supplements, commented on the ban of some donors on these supplements: "What is the difference between paying budget support and giving salary supplements? It is in the eye of the beholder". Another donor, who does not condone salary supplements, stated: "We do not believe that we should contribute with salary supplements to pulling government officials out of other government activities".



**TABLE 20: NUMBER OF PERSONS PAID SALARY SUPPLEMENT BY FUNCTION PERFORMED AND RANGE OF MONTHLY PAYMENT**

FUNCTION IN THE PROGRAM/PROJECT	NUMBER OF PERSONS PAID SALARY SUPPLEMENT AND RANGE OF MONTHLY PAYMENT														
	UN AGENCIES			IFIs, ADB and EC			BILATERAL			NGOs			TOTAL		
	No.	%	Range Monthly payment	No.	%	Range Monthly payment	No.	%	Range Monthly payment	No.	%	Range Monthly payment	No.	%	Range Monthly payment
Program Director/Manager/ Coordinator	73	2.9%	\$100-450	33	4.1%	\$120-1,500	24	4.6%	\$130-850	30	3.2%	\$145-350	160	3.4%	\$100-1,500
Technical Advisor/Supervisor	3	0.1%	\$180-350	28	3.5%	\$276-450	17	3.3%	\$170-350	0			48	1.0%	\$170-450
Project Officer/Technical Officer	397	15.9%	\$40-180	48	6.0%	\$150-500	11	2.1%	\$150-500	147	15.5%	\$50-200	603	12.7%	\$40-500
Counterpart Staff	29	1.2%	\$83-180	145	18.1%	\$100-600	32	6.2%	\$150-170	0			206	4.3%	\$83-600
National Counterpart Staff	47	1.9%	\$40-180	0			70	13.5%	\$50-360	0			117	2.5%	\$40-360
Provincial/District Counterpart Staff	48	1.9%	\$58-112	0			230	44.4%	\$60-200	0			278	5.8%	\$58-200
Field /Operations Staff	87	3.5%	\$20-100	0			55	10.6%	\$60-140	741	78.1%	\$10-120	883	18.6%	\$10-140
VDC/Commune and District Level Personnel/village volunteers	901	36.2%	\$40-80	0			0			0			901	18.9%	\$40-80
Support Staff	21	0.8%	\$10-150	509	63.5%	\$40-300	37	7.1%	\$20-300	30	3.2%	\$20-231	597	12.5%	\$10-300
Driver/cleaner/Guard	0	...		31	3.9%	\$40-150	42	8.1%	\$35-200	0			73	1.5%	\$35-200
Other	886	35.6%	\$40-80	8	1.0%	.....	0			0			894	18.8%	\$40-80
<b>TOTAL</b>	<b>2,492</b>	<b>100%</b>	<b>.....</b>	<b>802</b>	<b>100%</b>	<b>.....</b>	<b>518</b>	<b>100%</b>	<b>....</b>	<b>948</b>	<b>100%</b>	<b>.....</b>	<b>4,760</b>	<b>100%</b>	<b>.....</b>

103. Full transparency is limited to the UN system with its published scale for salary supplements and to the Ministry of Economy and Finance (MEF) with its official scale for salary supplements in connection with loan projects. Australia and the International Monetary Fund also apply the UN scale.

104. There was a consensus among those interviewed (multilaterals, bilaterals and NGOs) that more transparency and less competition among donors in the area of salary incentives were highly desirable. Due to the lack of transparency and of agreement among donors there is a great deal of suspicion about the practices of other donors. In some interviews it was said that “we do not do that but we know country X does (or the INGOs do)”. In other interviews there were complaints that other donors paid higher supplements making recruitment of counterparts difficult. One donor thus incriminated denied that it had any activity in the area mentioned and that the suspicion was therefore groundless. Another complaint was that some donors paid better per diems which influenced attendance at workshops and seminars.

105. It also appeared from interviews that some donors break their own rules on salary supplements in order to get good counterparts. One donor who denied giving salary supplements was in fact identified as providing such incentives. Another donor on reviewing the questionnaire on salary incentives replied:” You are asking me to put on paper that I am twisting the rules, cheating. No way!!” As yet another donor put it: “Everybody is cheating”. Still another donor indicated in this connection that “there is a lot of spurious accounting”. One example of circumventing the rules concerns one donor agency that instead of paying salary supplements has put an entire unit of a Government Department on its payroll. Salaries range from close to 500 US dollars to more than 1,600 dollars per month. The unit in question continues to work as before. The donor when asked for clarification acknowledged that this was “bizarre” and indicated that the practice would be discontinued.

106. Many donors reported that they were aware that some government counterparts were receiving salary supplements from more than one project. In one case, it was indicated that one civil servant received as many as five salary supplements. It was also mentioned that salary supplements are paid even at the highest levels of the administration. Some respondents indicated that they considered this inappropriate as it might put into question the integrity of the government.

107. Some donors underlined the fact that monetary incentives (whether in the form of salary supplements or in the form of per diems, attendance allowances, etc.) are often shared among others than the direct recipient. “Financial incentives are shared among many people: superiors, the party, other people in the “clan” and ministry. It is a clan system based on payment and loyalty. It is a bit like Europe in the 17<sup>th</sup> century”. Some donors therefore in certain cases practice (or plan to practice) group payments to a team leader who then distributes the monetary incentives to his team.

108. One donor indicated that he considered that to replace the present system of salary supplements by a common fund managed by the officials concerned would be very dangerous and would be very difficult to monitor properly.

109. Many donors and some government officials stressed that the whole system – government pay structures and the parallel income structure – has to be addressed. As one donor put it: “This entire problem is linked to the government’s and parliament’s unwillingness to address the issue of salary policy straight on”. Another donor expressed the problem in the following way: “There is a vicious circle in this country: low tax revenues leads to low civil service salaries which leads to inefficient tax collection which leads to low tax revenues etc.” Yet another donor said that “the key is tax enforcement/reform that allows the financing of a sustainable budget”. Another donor stressed that salary increases needs/presupposes good management and a cleanup, which includes the firing of inefficient people.

110. There were diverse views expressed by donors on present government initiatives to improve the pay structures through the so called AA-allowances and the Priority Mission Groups (PMG). While some donors welcomed these initiatives, many expressed their doubts that they would resolve the present salary problems.

#### **4.4.3 CONCLUSIONS**

111. The quantitative data collected through the survey and the quantitative information gathered through personal interview with donor representatives show that donors are utilizing a range of terminologies to provide what is essentially an income supplement for recipients. These terminologies include: salary supplements, payment for special tasks, DSA, overtime payments, per diem, and allowances for attending workshops/seminars. The survey data shows that in many instances a recipient may be receiving more than one type of monetary incentives.

112. According to the data provided by donors, the expenditure on all type of monetary incentives totalled around US\$ 6.7 million – representing 2.5 percent of the total expenditure on reported programs and projects. It is estimated that, out of the total expenditure of US\$ 6.7 million on monetary incentives, around US\$ 5.5 million were paid as a “salary supplement”. In terms of overall coverage of the capacity building survey, the programs/projects for which the external partners (multilateral and bilateral donors and NGOs) have provided information, in terms of total reported expenditures in 2002, represent around half of the total disbursements of all external partners in 2002. A simple extrapolation of the survey data based on the response rate of each donor category produces an estimate of *total expenditure on all type of monetary incentives of around US\$ 13.5 million* on all ODA supported programs and projects in 2002. It should be noted, however, that this estimate is likely to be lower since the programs and projects for which data have not been reported by donors include large infrastructure projects and other ODA supported activities that may have a lower incidence of paying monetary incentives.

113. On the other hand, the results of the interviews with donor representatives summarized in the preceding section indicate a situation that lacks transparency and where

donors may be violating their own rules and employing “spurious accounting practices”. Do these practices seriously undermine the reliability of the statistical data provided by the same donors? The study team believes that the probability of this being true is relatively low for the following reasons:

- i. It is unlikely that donors would deliberately provide false data on their expenditures.
- ii. The perceptions of a *donor's* “spurious accounting practices” by other donors may be related to payments for activities other than what is called a “salary supplement” within the broad category of “monetary incentives”. The statistical data show that while a variety of terminologies are being employed, perhaps in some cases to avoid the term “salary supplement” for whatever reason, more than 80 percent of the expenditure on all types of monetary incentives was delivered as a “salary supplement” in 2002. It can, therefore, be argued that the perceptions of “spurious accounting practices” are unlikely to have any significant implications for the size of the total expenditure reported for all types of “monetary incentives”. These perceptions are more likely to be a reflection of poor communications and mistrust of each other’s activities among the donors.

114. The lack of transparency of donor practices on the payment of various types of monetary incentives is a serious issue that should be urgently addressed. More transparent donor practices will result not only in improved donor-donor relations but will also enhance the effectiveness of the ODA resources that are spent on the provision of the incentives. It seems clear that the issue of monetary incentives, in Cambodia like in a great number of developing countries, is intimately linked to the salary levels in the public service. If civil servants, even at fairly senior levels, are not provided with "a living wage" it is evident that they must supplement their income by other means, for instance by receiving a monetary supplement in a donor project.



## 4.5 NATIONAL PERSONNEL EMPLOYED

### 4.5.1 RESULTS OF THE SURVEY

115. A total of 6,397 Cambodian nationals were employed in 2002 by the 93 out of 147 programs/projects supported by multilateral and bilateral donors and by 67 out of 77 NGOs that have provided data in response to the CBP Survey (Table 21). It is notable that 54 out of 147 bilateral and multilateral projects (37 per cent) reported that they did not employ any Cambodian personnel. For NGO projects only 10 out of 77 NGOs (13 percent) reported not employing any Cambodian personnel (see table 24).

116. Of the 6,397 national personnel employed:

- 3,787 or 59.2 percent were employed by NGOs,
- 1,897 or 29.7 percent by UN agencies,
- 437 or 6.8 percent by IFIs, ADB and EC, and
- 276 or 4.3 percent by the bilateral donors supported programs.

**TABLE 21: NUMBER OF AND EXPENDITURE ON NATIONAL PERSONNEL EMPLOYED**

Donor category	National Personnel Employed		Total Expenditure on National Personnel (in US \$ '000)	Average cost per person (in US dollars)
	No.	%		
<b>Multilateral Donors</b>	2,334	36.5%	7,415	3,177
▪ UN Agencies	1,897	29.7%	5,382	2,837
▪ IFIs, ADB, and EC	437	6.8%	2,033	4,652
<b>Bilateral Donors</b>	276	4.3%	986	3,572
<b>NGOs</b>	3,787	59.2%	13,061	3,449
<b>TOTAL</b>	6,397	100.0%	21,462	3,355

**TABLE 22: NUMBER OF NATIONAL PERSONNEL EMPLOYED BY DURATION OF EMPLOYMENT**

DONOR CATEGORY	1-3 Month		4-6 Month		7-9 Month		10-12 Month		Not Reported		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Multilaterals: Total	87	3.7%	16	0.7%	34	1.5%	1855	79.5%	342	14.7%	2,334	100.0%
- UN Agencies	58	3.0%	7	0.4%	9	0.5%	1646	86.8%	177	9.3%	1,897	100.0%
- IFIs, ADB & EC	29	6.6%	9	2.1%	25	5.7%	209	47.8%	165	37.8%	437	100.0%
Bilateral Donors	73	26.4%	1	0.4%	2	0.7%	27	9.8%	173	62.7%	276	100.0%
NGOs	0	0.0%	11	0.3%	4	0.1%	3772	99.6%	0	...	3,787	100.0%
<b>Total</b>	160	2.5%	28	0.4%	40	0.6%	5654	88.4%	515	8.1%	6,397	100.0%

117. The total expenditure on the 6,397 national personnel employed to support the implementation of these programs totaled just under 21.5 million US dollars, representing 8.1 percent of the total program expenditure in 2002. The average cost per person employed was 3,355 US dollars in 2002. There are significant differences in the average wage cost among the different categories of donors. The UN agencies have the lowest costs at 2,837 per person. The highest average cost per person of 4,652 US dollars is reported by the IFIs, ADB and the EC programs/projects followed by bilateral donors (\$3,572) and the NGOs (3,449). The data on the duration of employment does not fully account for these differences (Table 22). The UN agencies that have the lowest average cost also have the highest

proportion of national staff, 86.8 percent that are employed for 10-12 months, as compared to 47.8 percent for programs supported by IFIs, ADB and EC.

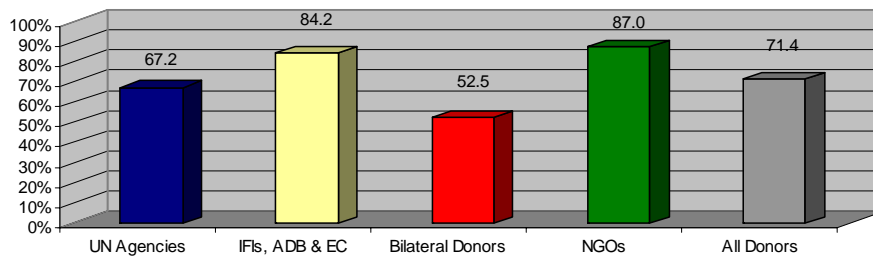
118. Overall, nearly 90 percent of the national personnel, employed by projects for which data has been provided, were employed for a period of 10 to 12 months. This implies a long-term employment relationship with the donor programs/projects. It should be noted, however, that more than one-third of the programs supported by IFIs, ADB and EC did not report the duration of employment of their national staff. Similarly, nearly two-thirds of the programs supported by bilateral donors did not provide information on the duration of employment. A detailed tabulation of the data for multilateral and bilateral donor supported programs on the duration of employment by function performed by the national personnel is presented as Annex 4. These data show that there are no major variations in the duration of employment by function performed. In the case of NGOs, nearly all of the 3,787 national personnel were employed for 10-12 months, indicating that NGOs employ national staff on a long-term basis for their programs.

119. A higher proportion of NGOs, 87 percent, employ national personnel to implement their programs than programs supported by IFIs, ADB and EC (84.2 percent), the UN agencies (67.2 percent), or the bilateral donors (52.5 percent) (Table 23). A significantly higher proportion of NGOs spent more than 100,000 US dollars in 2002 on the employment of Cambodia nationals, 45.5 percent, than the IFIs, ADB and EC programs (31.6 percent), the UN agencies (10.4 percent), or the bilateral donors (4.9 percent).

**TABLE 23: RANGE OF EXPENDITURE ON THE EMPLOYMENT OF NATIONAL PERSONNEL**

Range of Expenditure	Number and Percent of Donor Projects Employing National Personnel									
	UN Agencies		IFIs, ADB & EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of Projects	%	No. of NGOs	%	No. of Projects or NGOs	%
Less than 10,000 USD	13	19.4%	0	...	14	23.0%	6	7.8%	33	14.7%
10,000 – 50,000 USD	22	32.8%	8	42.1%	10	16.4%	16	20.8%	56	25.0%
50,001-100,000 USD	3	4.5%	2	10.5%	5	8.2%	10	12.9%	20	8.9%
More than 100,000 USD	7	10.4%	6	31.6%	3	4.9%	35	45.5%	51	22.8%
Number of Projects or NGOs That Employed National Personnel	45	67.2%	16	84.2%	32	52.5%	67	87.0%	160	71.4%
Number of Projects or NGOs That Did Not Employ National Personnel	22	32.8%	3	15.8%	29	47.5%	10	13.0%	64	28.6%
Total Number of Responses to CBP Survey	67	100.0%	19	100.0%	61	100.0%	77	100.0%	224	100.0%

**Figure 18: Percent of Programs that Employed National Personnel**



120. Nearly one-fourth of the programs/projects have reported employing between 2 and 5 national personnel. A larger proportion of UN agencies and bilateral programs/projects employ less than five national personnel than do NGOs or the IFIs, ADB and EC programs (Table 24). Nearly one-fourth of the NGOs have reported employing more than 50 national personnel, as compared to 3.0 percent of UN agencies. None of the bilateral programs/projects have reported employing more than 50 national personnel.

**TABLE 24: NUMBER OF NATIONAL PERSONNEL EMPLOYED TO SUPPORT THE IMPLEMENTATION OF A PROGRAM/PROJECT**

Number of national personnel employed	UN Agencies		IFIs, ADB, & EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
• 1 Person	5	7.5%	0	....	1	1.6%	3	3.9%	9	4.0%
• Between 2-5 persons	25	37.3%	3	15.8%	17	27.9%	5	6.5%	50	22.3%
• Between 6-10 persons	6	9.0%	4	21.1%	5	8.2%	11	14.3%	26	11.6%
• Between 11-25 persons	3	4.5%	4	21.1%	3	4.9%	21	27.3%	31	13.8%
• Between 26-50 persons	3	4.5%	2	10.5%	3	4.9%	9	11.7%	17	7.6%
• More than 50 persons	2	3.0%	2	10.5%	0	....	18	23.4%	22	9.8%
• No. of Persons Employed Not Reported	1	1.5%	1	5.3%	3	4.9%	0	....	5	2.2%
No. of Projects or NGOs That Employed National Personnel	45	67.2%	16	84.2%	32	52.5%	67	87.0%	160	71.4%
Total Number of Responses to CBP Survey	67	100.0%	19	100.0%	61	100.0%	77	100.0%	224	100.0%

121. There is a wide variation in the monthly salary reported in the survey to have been paid to national personnel in what appear to be similar job titles (Table 25). The IFIs, ADB & EC programs employ a slightly higher proportion of national personnel as Program Directors/Managers/Coordinator, Technical Experts/Specialist/Engineers, and Consultants (15.5 percent) than bilateral donors supported programs (14.5 percent) or the UN agencies (5.8 percent). Nearly 70 percent of the national personnel employed by UN agencies were field staff, and another 16.5 percent were reported as support staff. In the case of IFIs, ADB and the EC and the bilateral programs the majority of the national personnel were employed as what has been reported as support staff, who were paid between 50 to 1,000 US dollars per month. In the case of NGOs, the majority (55.2 percent) of the 3,787 national personnel employed were field staff such as health workers, community development workers and technical assistants directly implementing projects at the field level. Another 19.4 percent were employed as program/technical officers, and 22.2 percent as support staff.

122. It should be noted that this study was not meant to be a salary survey. However, the data collected does provide a picture of the salaries that were actually paid to national personnel in 2002 (Table 26). These data show that over 80 percent of the national personnel employed by UN agencies supported programs were paid between 100 and 300 US dollars per month. The bulk of these were employed in de-mining operations. Only 2.1 percent were paid over 1,000 US dollars per month. In the case of IFIs, ADB and EC, just under two-thirds were also paid between 100 and 300 US dollars per month. In the case of bilateral donors supported programs nearly half were paid between 500 and 1,000 US dollars per month. In the case of NGOs, half were paid between 100 and 300 US dollars per month and another one-third between 300 and 500 US dollars per month.



**TABLE 25: NUMBER OF NATIONAL PERSONNEL EMPLOYED BY FUNCTION PERFORMED AND RANGE OF MONTHLY SALARY**

FUNCTION IN THE PROGRAM/PROJECT	NUMBER OF NATIONAL PERSONNEL EMPLOYED AND RANGE OF MONTHLY SALARY														
	UN AGENCIES			IFIs, ADB and EC			BILATERAL DONORS			NGOs			TOTAL		
	No.	%	Range Monthly Salary	No.	%	Range Monthly Salary	No.	%	Range Monthly Salary	No.	%	Range Monthly Salary	No.	%	Range Monthly Salary
National Program Director/Manager/ Coordinator	37	2.0%	\$500-2,250	31	7.1%	\$180-2,916	18	6.5%	\$400-2,000	116	3.1%	\$400-3,000	202	3.2%	\$180-3,000
Technical Expert/ Specialist/Engineer	52	2.7%	\$500-2,000	25	5.7%	\$230-850	11	4.0%	\$300-2,000	8	0.2%	\$300-1,300	96	1.5%	\$230-2,000
Consultants	21	1.1%	\$350-1,200	12	2.7%	\$500-1,500	11	4.0%	\$500-1,500	0	...		44	0.7%	\$350-1,500
Project Officer/Technical Officer	98	5.2%	\$300-1,690	92	21.1%	\$40-1,350	50	18.1%	\$100-1,200	734	19.4%	\$100-1,500	974	15.2%	\$40-1,690
Support Staff	313	16.5%	\$70-1,458	242	55.4%	\$50-900	157	56.9%	\$70 - 1,000	839	22.2%	\$50-1,020	1,551	24.2%	\$70-1,458
Field Staff	1,317	69.4%	\$30-200	16	3.7%	\$40-180	0	....	...	2,090	55.2%	\$30-500	3,423	53.5%	\$30-500
Driver/cleaner/Guard	20	1.1%	\$150-400	15	3.4%	\$40-150	17	6.2%	\$80 -350	0	....		52	0.8%	\$210-2,000
Other	39	2.1%	\$250-2,000	4	0.9%	\$600-600	12	4.3%	\$ 210 - 210	0	....		55	0.9%	\$30-2,000
<b>TOTAL</b>	<b>1,897</b>	<b>100.0%</b>	<b>\$30-2,250</b>	<b>437</b>	<b>100.0%</b>	<b>\$40-2,916</b>	<b>276</b>	<b>100.0%</b>	<b>\$ 70 – 2,000</b>	<b>3,787</b>	<b>100.0%</b>	<b>\$30-3,000</b>	<b>6,397</b>	<b>100.0%</b>	<b>\$30-3,000</b>

**TABLE 26: NUMBER OF NATIONAL PERSONNEL EMPLOYED BY MONTHLY SALARY**

Range of Monthly Salary In US dollars	Number of National Personnel Employed									
	UN Agencies <sup>1</sup>		IFIs, ADB & EC		Bilateral Donors		NGOs		TOTAL	
	No. of persons	%	No. of persons	%	No. of persons	%	No. of persons	%	No. of persons	%
\$0-100	28	1.5%	44	10.1%	5	1.5%	465	12.3%	542	8.5%
\$101-300	1,521	81.8%	288	65.9%	87	31.5%	1,901	50.2%	3,797	59.7%
\$301-500	78	4.2%	18	4.1%	46	16.7%	1,187	31.3%	1,329	20.9%
\$501-1,000	193	10.4%	67	15.3%	134	48.6%	205	5.4%	599	9.4%
More than \$ 1,000	39	2.1%	20	4.6%	4	1.4%	29	0.8%	92	1.5%
<b>TOTAL</b>	<b>1,859</b>	<b>100.0%</b>	<b>437</b>	<b>100.0%</b>	<b>276</b>	<b>100.0%</b>	<b>3,787</b>	<b>100.0%</b>	<b>6,359</b>	<b>100.0%</b>

<sup>1</sup> Excludes UNICEF that did not provide sufficient detail on salary levels. According to data provided all national personnel employed were paid between 227-2,558 US dollars per month.

#### 4.5.2 RESULTS OF THE INTERVIEWS

123. During personal interviews with donor representatives some additional information on the remuneration of national personnel was made available to the study team. According to this information, the UN community applies a common scale for local appointments of limited duration (ALD) and for service contracts for the country offices and projects. Some bilateral donors apply the UN scale or a modification thereof. For loan financed programs, the Ministry of Finance and Economy has no approved scale but there is a practice which is generally followed. The NGOs do not have a common agreed scale.

124. The levels of salaries paid to Cambodian project staff was examined in a recent salary surveys. The CCC did one in 2002, which concerns salaries paid by INGO's and Cambodian NGO's. The Australian Embassy has done another, early in 2003, as part of an effort to determine appropriate salaries for Cambodian staff employed by Ausaid. It may be useful to compare the findings of these two surveys with information presented in this report.

125. The Australian salary survey drew the following conclusions:

- The UN community was paying in the upper quartile of salaries surveyed in all positions.
- For most positions, the private sector was paying less than other employers, in the lowest quartile of the market.
- For managerial positions, the private sector was in the mid-range.
- There was reasonable comparability among donors, although for higher-level positions, USAID tended to pay in the upper quartile of salaries.
- The NGOs were highly variable. Larger organizations were closely aligned with donors.

#### 4.5.3 CONCLUSIONS

126. The external donor financed programs/projects that have responded to the CBP survey are a major employer in Cambodia providing altogether some 6,400 employment opportunities for local personnel at a reported cost of some 21.5 million US dollars. Over 90 per cent of those employed by bilateral and multilateral programs (for which employment

duration has been reported) and practically 100 per cent of those employed by NGOs have long term employment relations.

127. Given that some 37 per cent of bilateral and multilateral projects did not report employing national personnel, the question is whether this is due to the nature of the respective projects or whether it is an instance of inadequate reporting.

128. The average yearly cost per employee for multilateral and bilateral donors and NGOs is some 3,400 US dollars with a low of 2,800 dollars for UN agencies and a high of nearly 4,700 dollars for the IFIs, AsDB and EC (Table 21). This corresponds to an average monthly remuneration in the order of 230 to 390 US dollars. The actual span of remuneration reported is much wider, from a low of 30 to 40 dollars (field staff) to a high of 2,000 to 3,000 dollars (program directors).

129. If these salaries are compared with the salary range within the Cambodian public administration it is obvious that there is a serious problem of competitiveness. The donor programs/projects pay salaries which can easily attract the best elements in the Cambodian administration to the detriment of the proper functioning of the administration. This is all the more so if these salaries are combined with the possibility to take leave of absence and preserve the employment security of a civil service position.

## 4.6. INTERNATIONAL PERSONNEL EMPLOYED

### 4.6.1 RESULTS OF THE SURVEY

130. A total of 738 international personnel were employed in 2002 by 103 out of 147 programs/projects supported by multilateral and bilateral donors and by 59 out of 77 NGOs that have provided data in response to the CBP Survey (Table 27). It is notable that a total of 62 out of 224 projects/programs (28 per cent) reported not having any international staff (see table 29).

131. Of the 738 international personnel employed:
- 235 or 31.8 percent were employed by NGOs,
  - 202 or 27.4 percent by the bilateral donors supported programs,
  - 186 or 25.2 percent by the UN agencies, and
  - 115 or 15.6 percent by the IFIs, ADB and EC.

**TABLE 27: NUMBER OF AND EXPENDITURE ON INTERNATIONAL PERSONNEL EMPLOYED**

Donor category	Number of International Personnel Employed		Total Expenditure on International Personnel (in US \$ '000)	Expenditure on International Personnel as % of Total Program Expenditure	Average cost per person (in US dollars)
	No.	%			
Multilateral Donors	301	40.8%	16,920	13.1%	56,213
▪ UN Agencies	186	25.2%	9,586	12.2%	51,538
▪ IFIs, ADB, and EC	115	15.6%	7,334	14.5%	63,774
Bilateral Donors	202	27.4%	10,971	15.8%	54,312
NGOs	235	31.8%	5,974	8.9%	25,421
<b>TOTAL</b>	<b>738</b>	<b>100.0%</b>	<b>33,865</b>	<b>12.7%</b>	<b>45,888</b>

132. The total expenditure on the international personnel employed totaled just under 33.9 million US dollars, representing 12.7 percent of total program expenditure. The bilateral donors spent the highest proportion, 15.8 percent, of program resources on employing international personnel, followed by IFIs, ADB and EC (14.5 percent), and the UN agencies (12.2 percent). The NGOs spent the lowest proportion, 8.9 percent. The NGOs also had the lowest average per person costs and the IFIs, ADB and EC the highest costs, if the duration of employment of the international personnel is not taken into account. Among the multilateral and bilateral donors, there are some differences in the duration of employment of international personnel<sup>8</sup>. The IFIs, ADB and EC supported programs employed a smaller proportion of international personnel for 10-12 months, 42.6 percent, compared to bilateral donors, 55.0 percent (Table 28). The bilaterally supported programs employed a smaller proportion for less than 3 months, 23.8 percent, compared to either IFIs, ADB & EC supported programs (27.0 percent) or the UN agencies (32.2 percent). Some of the variation

<sup>8</sup> It should be noted, however, that the IFIs, ADB and EC supported programs have the highest proportion of cases, 14.8 percent, where the duration has not been reported as compared to bilateral donors supported programs ( 5.0 percent) and the UN agencies (1.7 percent).

in the average cost per person of employing the international personnel may be attributable to these factors.

**TABLE 28: NUMBER OF INT'L PERSONNEL EMPLOYED BY DURATION OF EMPLOYMENT**

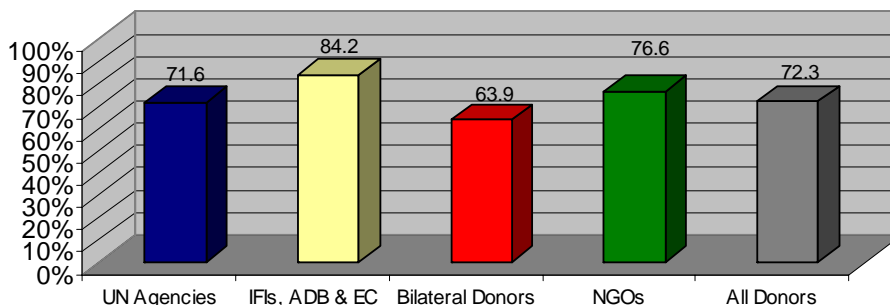
DONOR CATEGORY	1-3 Month		4-6 Month		7-9 Month		10-12 Month		Not Reported		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Multilaterals: Total	91	30.2%	21	7.0%	23	7.6%	146	48.5%	20	6.6%	301	100.0%
- UN Agencies	60	32.2%	10	5.4%	16	8.6%	97	52.2%	3	1.6%	186	100.0%
- IFIs, ADB & EC	31	27.0%	11	9.6%	7	6.1%	49	42.6%	17	14.8%	115	100.0%
Bilateral Donors	48	23.8%	32	15.7%	1	0.5%	111	55.0%	10	5.0%	202	100.0%
NGOs	42	17.9%	15	6.4%	5	2.1%	173	73.6%	0		235	100.0%
<b>Total</b>	<b>181</b>	<b>24.5%</b>	<b>68</b>	<b>9.2%</b>	<b>29</b>	<b>3.9%</b>	<b>430</b>	<b>58.3%</b>	<b>30</b>	<b>4.1%</b>	<b>738</b>	<b>100.0%</b>

133. A higher proportion of IFIs, ADB and EC supported programs, 84.2 percent, employ international personnel to implement their programs than either the NGOs (76.6 percent), the UN agencies (71.6 percent) or the bilateral donors supported programs/projects (63.9 percent) (Table 29). Close to two-thirds of the IFIs, ADB and EC supported programs spent more than 100,000 US dollars on international personnel as compared to around one-third by programs/projects supported by the UN agencies or the bilateral donors and less than one-quarter of the NGOs.

**TABLE 29: RANGE OF EXPENDITURE ON THE EMPLOYMENT OF INT'L PERSONNEL**

Range of Expenditure	Number and Percent of Donor Projects Employing International Personnel									
	UN Agencies		IFIs, ADB & EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of Projects or NGOs	%
Less than 10,000 USD	5	7.5%	0	...	2	3.3%	5	6.5%	12	5.4%
10,000 – 50,000 USD	12	17.9%	0	...	5	8.2%	17	22.1%	34	15.2%
50,001-100,000 USD	6	9.0%	4	21.1%	10	16.4%	14	18.2%	34	15.2%
More than 100,000 USD	25	37.3%	12	63.2%	22	36.1%	18	23.4%	77	34.4%
Not reported	0	...	0	....	0	....	5	6.5%	5	2.2%
Number of Projects or NGOs That Employed International Personnel	48	71.6%	16	84.2%	39	63.9%	59	76.6%	162	72.3%
Number of Projects or NGOs That Did Not Employ Int'l Personnel	19	28.4%	3	15.8%	22	36.1%	18	23.4%	62	27.7%
Total Number of Responses to CBP Survey	67	100.0%	19	100.0%	61	100.0%	77	100.0%	224	100.0%

**Figure 19: Percent of Programs that Employed International Personnel**



134. Overall, a higher proportion of programs/projects delivered by the UN agencies and NGOs employed a smaller number of international personnel to support the implementation of a program than a program or project supported by the IFIs, ADB and EC or the bilateral donors. Over 27 percent of NGOs and just under 24 percent of the UN agencies delivered programs employing only one international staff. Another one-third of all donors supported programs/projects employed between 2 and 5 international personnel (Table 30). On IFIs, ADB and EC supported programs/projects, 42.1 percent employed more than 5 international staff as compared to 14.7 percent of the programs in the case of bilateral donors, 13.0 percent in the case of NGOs, and 11.9 percent of programs or projects delivered by UN agencies.

**TABLE 30: NUMBER OF INTERNATIONAL PERSONNEL EMPLOYED TO SUPPORT THE IMPLEMENTATION OF A PROGRAM/PROJECT**

Number of International Personnel Employed	Number and Percent of Donor Projects Employing International Personnel									
	UN Agencies		IFIs, ADB, & EC		Bilateral Donors		NGOs		TOTAL	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of NGOs	%	No. of projects or NGOs	%
1 Person	16	23.9%	2	10.5%	8	13.1%	21	27.3%	47	21.0%
Between 2-5 persons	23	34.3%	6	31.6%	20	32.8%	28	36.4%	77	34.4%
Between 6-10 persons	7	10.4%	5	26.3%	8	13.1%	6	7.8%	26	11.6%
Between 11-25 persons	0	....	2	10.5%	1	1.6%	4	5.2%	7	3.1%
Between 26-50 persons	1	1.5%	1	5.3%	0	....	0	....	2	0.9%
More than 50 persons	0	....	0	....	0	....	0	....	0	...
No. of Persons Employed										
Not reported	1	1.5%	0	....	2	3.3%	0	....	0	...
No. of Projects or NGOs That Employed Int'l Personnel	48	71.6%	16	84.2%	39	63.9%	59	76.6%	162	72.3%
Total Number of Responses to CBP Survey	67	100.0%	19	100.0%	61	100.0%	77	100.0%	224	100.0%

135. What role do the international personnel play in the implementation of the donor supported programs? The survey data shows that around half are employed as technical advisors, experts or specialists (Table 31). The bilateral donors and IFIs, ADB and EC supported programs employed a higher proportion of these personnel, 57.4 and 54.8 percent respectively, than the UN agencies delivered programs, 37.6 percent. The next major category is the consultants that make up over one-quarter of international personnel employed in 2002. The bilateral donors and UN agencies supported programs make much more extensive use of consultants (31.7 percent and 30.6 percent of the international personnel employed, respectively) than the IFIs, ADB and EC supported programs (11.3 percent). Around 8 percent of the international personnel were employed as Program or Project Director, Manager, or Coordinator. There were only minor differences in the proportion of international personnel employed as Program Director/Manager/Coordinator among donor categories.

136. In addition to the highly paid foreign experts some projects benefit from the support of volunteers, either young professionals or retired professionals. These volunteers receive a compensation that is more modest than the international experts. The data reported by the multilateral and bilateral partners on volunteers appears to be incomplete. From the survey

**TABLE 31: NUMBER OF INTERNATIONAL PERSONNEL EMPLOYED BY DURATION OF EMPLOYMENT AND ROLE IN THE PROGRAM**

International Personnel's Role in the Program	Donor Category	Duration of Employment in Months					TOTAL	
		1-3	4-6	7-9	10-12	Not Reported	No.	% <sup>1</sup>
Program/Project Director/Manager/Coordinator	Multilaterals:Total	3	1	2	15	2	23	7.6%
	- UN Agencies	2	0	0	11	0	13	7.0%
	- IFIs, ADB & EC	1	1	2	4	2	10	8.7%
	Bilateral	5	1	0	11	0	17	8.4%
	Total	8	2	2	26	2	40	8.0%
Technical Advisor/Expert/Specialist	Multilaterals:Total	38	11	10	71	3	133	44.2%
	- UN Agencies	14	5	6	42	3	70	37.6%
	- IFIs, ADB & EC	24	6	4	29	0	63	54.8%
	Bilateral	33	24	1	58	0	116	57.4%
	Total	71	35	11	129	3	249	49.5%
Consultant	Multilaterals:Total	43	3	10	14	0	70	23.2%
	- UN Agencies	39	1	9	8	0	57	30.6%
	- IFIs, ADB & EC	4	2	1	6	0	13	11.3%
	Bilateral	9	7	0	38	10	64	31.7%
	Total	52	10	10	52	10	134	26.6%
Project officer/technical Officer	Multilaterals:Total	3	4	0	19	0	26	8.6%
	- UN Agencies	3	4	0	16	0	23	12.4%
	- IFIs, ADB & EC	0	0	0	3	0	3	2.6%
	Bilateral	0	0	0	0	0	0	....
	Total	3	4	0	19	0	26	5.2%
Technical Assistant	Multilaterals:Total	0	1	1	6	0	8	2.7%
	- UN Agencies	0	0	1	4	0	5	2.7%
	- IFIs, ADB & EC	0	1	0	2	0	3	2.6%
	Bilateral	0	0	0	0	0	0	...
	Total	0	1	1	6	0	8	1.6%
Other	Multilaterals:Total	4	1	0	21	15	41	13.6%
	- UN Agencies	2	0	0	16	0	18	9.7%
	- IFIs, ADB & EC	2	1	0	5	15	23	20.0%
	Bilateral	1	0	0	4	0	5	2.5%
	Total	5	1	0	25	15	46	9.1%
TOTAL	Multilaterals: Total	91	21	23	146	20	301	100.0%
	%	30.2%	7.0%	7.6%	48.5%	6.6%	100.0%	
	- UN Agencies #	60	10	16	97	3	186	100.0%
	%	32.3%	5.4%	8.6%	52.2%	1.6%	100.0%	
	- IFIs, ADB & EC #	31	11	7	49	17	115	100.0%
	%	27.0%	9.6%	6.1%	42.6%	14.8%	100.0%	
	Bilateral #	48	32	1	111	10	202	100.0%
%	23.8%	15.7%	0.5%	55.0%	5.0%	100.0%		
Total #	139	53	24	257	30	503	100.0%	
%	27.6%	10.5%	4.8%	51.1%	6.0%	100.0%		

<sup>1</sup> Percent within donor category, e.g., 7.6 percent of personnel employed on all multilateral donor programs were employed as Program/Project Director/Manager/Coordinator.

on NGOs it appears that there are a great number of volunteers active in NGO projects, many funded by bilateral donors, some "self-funded".

#### **4.6.2 RESULTS OF THE INTERVIEWS**

137. During the interviews some raised the question whether foreign experts devote sufficient efforts to train their Cambodian counterparts. The question is whether these experts are engaged in capacity building or rather in capacity replacement. It is, of course, tempting to the foreign expert to perform the job quickly himself rather than spending a length of time training and supervising his counterpart official. Moreover, for that official it may be an easy way out to let the expert do the job. Nevertheless, such practices, it was indicated, defeat the very purpose of the technical assistance provided.

138. Some of those interviewed also suggested that an exaggerated presence of and reliance on foreign experts prevents the Cambodian officials from assuming their proper responsibilities. "They should be allowed to make their own mistakes" and thereby learn by doing. Some also suggested that providing expertise in developing countries has become a full-time career for some experts. In such a case, the expert may be more interested in retaining his well-paid expert position than to fully train his counterpart.

#### **4.6.3 CONCLUSIONS**

139. Expenditure for international personnel constituted the largest component of the recorded expenditure for capacity building, amounting to some 34 million US dollars in 2002 representing 12.7 per cent of total reported expenditure or some 30 per cent of expenditure on capacity building. Altogether some 740 international staff were reported to have been employed. Of these about 40 per cent were employed by the multilateral programs and about 30 per cent each by bilateral programs and NGOs.

140. About half the experts serving in multilateral and bilateral programs had a long-term employment while practically all those serving in NGO projects had long-term assignments.

141. Of the experts employed by multilateral and bilateral agencies some 8 per cent served as project managers or equivalent, some 50 per cent served as technical advisors and experts and about 25 per cent served as short term consultants. On average some 50 per cent of international experts in the bilateral and multilateral programs work as technical advisers/experts/specialists (see table 31). The share is lower for UN agencies (less than 40 per cent) and higher for other multilateral (some 55 per cent) and bilateral donors (close to 60 per cent). About eight per cent of the international experts work as program/project directors/managers/coordinators. Both bilateral and UN agency projects use about 30 per cent of the international experts as consultants. Other multilateral agencies use consultants much less (slightly over 10 per cent of the experts).



142. Given that some 28 per cent of bilateral and multilateral projects did not report employing international personnel, the question is whether this is due to the nature of the respective projects or whether it is an instance of inadequate reporting.

143. The role of the international experts is to fill existing capacity gaps in the Cambodian public service system but also to transfer their expertise to their Cambodian counterparts. Over time this should allow the counterparts to take over the functions now filled by international experts. Given the severe capacity gaps that exist in the civil service this can be expected to take a considerable time. Moreover, during the interview process questions were raised whether the international experts devoted sufficient efforts to make themselves redundant by transferring their expertise to their counterparts. If this were true, it would lengthen the transition process.

144. Given the lack of data, it was not possible to ascertain whether the sectoral orientation of the international experts (and the projects with which they were associated) corresponded to the priority needs of Cambodia as defined by the Government or whether they corresponded more to the interests of the respective donors.

145. The estimates of the Ministry of Economy and Finance show that the total expenditure on wages and salaries in 2002 for all personnel in the civil administration was less than 78 million US dollars. The civil administration includes in addition to the civil service, the National Assembly and various Councils. It is interesting to note that a crude extrapolation of the survey data indicates that the total costs of international personnel involved in the implementation of the ODA supported projects may be as high as 50-70 million US dollars.

## 5. CONCLUSIONS AND RECOMMENDATIONS

146. The purpose of this report was to document the existing capacity building practices of Cambodia's development partners and to outline options and make recommendations to achieve a more harmonised approach for capacity development. To collect the needed information the study team conducted personal interviews with representatives of the donor community and government officials, and through a survey questionnaire collected quantitative information on the activities supported by donor projects. A total of 147 multilateral and bilateral donor supported projects and 77 NGOs provided data. *The total expenditure reported on these projects amounted to some 265 million US dollars, representing just over half of the total ODA disbursements in 2002 that have been reported to CDC.* A total of some 115 million US dollars or 43 per cent of the expenditure reported in the survey concerned capacity building activities.

147. Five issues were addressed in the survey: training, operational support and equipment, monetary incentives paid to Cambodian government staff, and the employment of national and international personnel to manage projects or fill skills gaps.

### 5.1 TRAINING

148. Training constituted the second largest component of reported expenditure on capacity building activities, a total of 31.4 million US dollars representing 11.8 per cent of reported expenditure or 27 per cent of the total expenditure on all capacity building activities. If the expenditures on per diems, DSAs and attendance allowances (reported as monetary incentives, see section 4.4.1) are added to the direct training costs, the total expenditure on training would increase further. Total ODA disbursements in 2002 have been estimated to be around US\$ 500 million by CDC. If it were assumed that all ODA supported projects spent the same proportion on training, 11.8 per cent, then total expenditures on training on all ODA supported projects would be nearly 60 million US dollars. It should be noted that nearly 90 per cent of the projects for which data have been provided indicated supporting some type of training activity.

149. Most of the training, both in-country and abroad, seems to be for short-term courses, seminars and workshops covering a very wide range of subjects. *It can be questioned whether such short term training is the best way to upgrade the skills of the personnel concerned and to create a sustainable knowledge base.* Based on the information collected through personal interviews with representatives of the development partners it can be argued that some of the training activities reported are more in the nature of providing encouragement and monetary incentives than aimed at a serious upgrading of skills. The training seems to be based more on the short term needs of the respective projects rather than on a broader assessment of the degree and depth of skills that are needed by the public service and the persons concerned.

150. The report was not meant to be an in-depth study of the training activities supported by Cambodia's development partners. It does, however, provide a snapshot of the

magnitude of resources that are being spent on training activities and the broad nature of these training activities. It is well known and acknowledged both within Government and by development partners that the civil service has serious capacity gaps that are at present a major constraint not only to achieve sustained development but also in the implementation of the needed reforms. Taking into account the current significant expenditures on activities that are identified as training and the acknowledged significant capacity gaps in the civil service on which little concrete information is currently available **it is recommended that a comprehensive study be carried out that will provide an assessment of the needs and the existing capacity gaps in the civil service, and that based on this assessment a comprehensive training and learning plan be developed to fill the urgent gaps.**

151. There is no doubt that the task of filling the existing capacity gaps in the civil service is a massive one that will require a concerted effort over a long period of time. In all likelihood it will involve the adoption of a multi-pronged approach. While some ad hoc training in the context of the implementation of a project can be justified, the need to tackle the training issues in the larger context of filling the capacity gaps within the framework of a comprehensive training plan can not be over-emphasized. One element of such a comprehensive training strategy could be the *creation of civil service staff training institutes for three broad categories of civil servants*: those at the most senior levels, the middle level, and the entry level.

152. During the personal interviews with representatives of the Government and donors it was pointed out that over the last decade many well trained and experienced Cambodians, who had gone abroad during the prolonged conflict, had returned and formed the backbone of the various governance structures. As this group begins to retire from active service, a process that has already begun, there could be a decline in the quality of leadership that currently exists, because the group following it lacks similar training and experience. *To avoid a deterioration in the governance structures over the next decade it is critical that concrete steps be taken on a fast track to develop a cadre of professionals that can fill this potential vacuum, as well as to fill existing gaps.* **Establishing a Public Service Training Institute for top civil servants is one option.** Ideally, such an Institute should be a residential institution in order to create a "esprit de corps" and to form a basis for future networking across the civil service. It should be staffed by competent professionals who are paid market based salaries. These could be Cambodians resident in Cambodia, Cambodians presently residing abroad or foreign experts. Given the extreme constraints on domestic budget resources such an Institute would have to be financed through external sources. There is a need to explore whether some of the reported expenditures on training can be systematically channelled for supporting the proposed Public Service Training Institutes. Consideration should also be given by bilateral donors who have similar public service institutions to offer scholarships to qualified Cambodian candidates.

## **5.2 OPERATIONAL SUPPORT**

153. The provision of operational support, including equipment, constituted a significant component of the reported expenditure for capacity building, close to 22 million US dollars representing 8.2 per cent of reported expenditure or 19 per cent of expenditure on capacity building. In theory, this type of expenditure is aimed at strengthening the institutional

capacity of the collaborating institutions and practically all respondents to the survey considered it critical or important for program delivery. It should be noted that sometime such support can constitute an "incentive in kind" by creating a better work environment.

### 5.3 MONETARY INCENTIVES

154. *The expenditure on monetary incentives reported by Cambodia's external development partners in the implementation of 147 projects and by 77 NGOs is the smallest of the five components of capacity building, totalling only 6.7 million US dollars representing 2.5 per cent of reported expenditure or 5.8 per cent of expenditure on capacity building. It is estimated that, out of the total expenditure of US\$ 6.7 million on monetary incentives, around US\$ 5.5 million were paid as a "salary supplement". In terms of overall coverage of the capacity building survey, the programs/projects for which the external partners (multilateral and bilateral donors and NGOs) have provided information, in terms of total reported expenditures in 2002, represent around half of the total disbursements of all external partners in 2002. A simple extrapolation of the survey data based on the response rate of each donor category produces an estimate of total expenditure on all type of monetary incentives of around US\$ 13.5 million on all ODA supported programs and projects in 2002. It should be noted, however, that this estimate is likely to be lower since the programs and projects for which data have not been reported by donors include large infrastructure projects and other ODA supported activities that may have a lower incidence of paying monetary incentives.*

155. Monetary incentives cover a variety of measures: salary supplements, payments for special tasks, DSAs and per diems, attendance allowances and other unspecified forms of incentives. *Altogether some 20,000 persons, over 12,000 by NGOs, were paid some form of monetary incentives in 2002, the overwhelming majority at local or district level. However, of the 20,000 only 4,760 persons have been reported to have been paid a "salary supplement". In most cases the salary supplements reported were less than 80 US dollars per month but in some cases exceeded 500 dollars per month.*

156. The current average monthly salary level of 28 US dollars per month that is projected to be increased to 51.5 US dollars by 2006 is well below what is considered to be a "living wage". Based on the available information on the projected key macroeconomic indicators to the year 2008, *it is unlikely that a significant increase in salaries from the projected levels can be implemented through domestic budget resources.* Therefore, it would appear that for donors to get the commitment of counterpart personnel in collaborating institutions in the implementation of their programs some form of monetary incentive will need to be paid. The issue is whether it is done openly in a transparent and accountable manner or through spurious accounting practices.

157. **In personal interviews most donor representatives stressed the need for transparency and harmonisation of practices on the payment of monetary incentives.** All considered the present situation as unsatisfactory. However, it is also clear from the interviews and to some extent from the responses to the survey that transparency is not likely to be easily achieved. For instance, when straight salary supplements are banned by a donor agency, they are often replaced by what is euphemistically called "payments for

special tasks". Also the payments of DSAs and of attendance allowances at workshops and seminars are used to replace or add to these payments. During the personal interviews, many donor representatives have pointed to the high incidence of "cheating" and "spurious accounting" that is going on.

158. The options to move forward based on the realities on the ground are rather limited. These realities include as a non-starter the Government increasing civil service salaries to an acceptable "living wage" level in the short to medium term, and donor practices that lack transparency. Nevertheless, to achieve sustained economic growth and to implement its reforms agenda the Government needs to consider all options and the donors need to become more transparent and accountable in their practices. **It is recommended that the:**

- **Government** focus its efforts on providing an acceptable salary regime for its top civil servants whose contribution is essential to achieve sustainable economic growth and to implement the various reform programs. The AA-allowance to senior officials and the PMG allowance under consideration are steps in the right direction. These and other similar mechanisms need to be vigorously pursued by the Government.
- **Donors** should work with the Government to establish a harmonized, transparent and accountable system for the payment of monetary incentives that include salary supplements. In developing a harmonized and transparent system, consideration should be given to:
  - limiting the payment of DSAs/per diems to only cover actual expenditure, which could be dispensed at standardised rates. The payment of "fictitious" DSAs/per diems and of attendance allowances at seminars, workshops and training sessions should be discontinued. Such a procedure would also ensure that participants in such activities were genuinely interested in participating and did not do so only to obtain the monetary incentive.
  - developing a standardized scale for the payment of salary supplements and/or a monetary incentive under another nomenclature.
  - requiring donors to provide the names of the recipients of salary supplements and/or monetary incentives under another nomenclature to a central register which would be accessible to both Government and donors. This would ensure the necessary transparency and make it possible to verify that no recipient received more than one supplement. Such a register could be managed by the appropriate Cambodian authority.
- When a policy has been agreed, all development partners should be required to sign this agreement.

159. Experience from other developing countries shows that reforms in the area of salary incentives and other monetary incentives are not easy to carry through. Donors have their own particular interests which can conflict with the professed desire for transparency and harmonisation. Beneficiaries of monetary incentives often have no real desire for

transparency of the system. The government, for its part, has budgetary and some political constraints. Even if agreement is reached on a new system there are no real enforcement mechanisms to use against the trespassers. **A reform in this area will therefore depend on a real and sustained political will by all donors and by the government alike to change the existing system.**

#### **5.4 EMPLOYMENT OF NATIONAL PERSONNEL**

160. The expenditure on the employment of national personnel amounted to some 21.5 million US dollars representing 8.1 per cent of total reported expenditure or 18.6 per cent of expenditure on capacity building measures. A total of 6,400 national personnel were employed on projects for which data was provided. Around 60 per cent of them were employed by NGOs and another 30 per cent by the UN agencies. The rest were employed by other multilateral and the bilateral programs.

161. Practically all national personnel had long-term employment. About 70 per cent of those serving in UN agency programs were employed as field staff while more than half of those serving in bilateral and other multilateral programs were characterised as support staff. The bilateral and IFIs, ADB and EC supported programs employed a higher proportion of national personnel as Project Directors/Managers, 6.5 and 7.1 percent respectively, than UN agencies (2.0 percent) or NGOs (3.1 percent).

162. In terms of salaries, most were paid in the range of 150 to 2,000 US dollars per month. There are, however, cases where salaries are reported to be as low as 30 dollars and as high as close to 3 000 dollars. Anecdotal evidence indicates that salaries at the upper range and even above the reported range are not uncommon for national experts/consultants. Over 80 percent of the national personnel employed by UN system agencies were paid between 100-300 US dollars. The bulk of these were involved in demining operations. On bilateral donors supported programs around half were paid between 500-1,000 US dollars. In the case of NGOs, the majority of the national personnel employed were paid in the range of 100-500 US dollars.

163. When donor funded projects pay significantly better salaries than the public administration, even when account is taken of various allowances and donor funded incentives, it is obvious that these projects attract the most competent people, particularly if they can get leave of absence from a civil service position and maintain their security of employment. There are also indications that these salaries are quite competitive in relation to the private market.

164. *In order to create a more level playing field, consideration should be given to require public servants who take employment in a donor funded program or project to resign from their civil service position (just as it can be assumed they would if they went to a private employer). They would then have to make a choice between (relative) security of employment and a better salary. At the end of their program/project employment they would, of course, be able to reapply to another civil service position, go to a private employer or go to another program/project. **It is recommended that such a practice be introduced.***

## 5.5 EMPLOYMENT OF INTERNATIONAL PERSONNEL

165. Expenditure for international personnel constituted the largest component of the recorded expenditure for capacity building, amounting to some 34 million US dollars in 2002 representing 12.7 per cent of total reported expenditure or some 30 per cent of expenditure on capacity building. Altogether some 740 international staff were reported to have been employed. Of these about 40 per cent were employed by the multilateral programs and about 30 per cent each by bilateral programs and NGOs.

166. About half the experts serving in multilateral and bilateral programs had a long-term employment while practically all those serving in NGO projects had long-term assignments. Of the experts employed by multilateral and bilateral agencies some 8 per cent served as project managers or equivalent, some 50 per cent served as technical advisors and experts and about 25 per cent served as short term consultants.

167. The role of the international experts is to fill existing capacity gaps in the Cambodian public service system but also to transfer their expertise to their Cambodian counterparts. Over time this should allow the counterparts to take over the functions now filled by international experts. Given the severe capacity gaps that exist in the civil service this can be expected to take a considerable time. Moreover, *during the interview process questions were raised whether the international experts devoted sufficient efforts to make themselves redundant by transferring their expertise to their counterparts.* If this were true, it would lengthen the transition process.

168. Given the lack of data, it was not possible to ascertain whether the sectoral orientation of the international experts (and the projects with which they were associated) corresponded to the priority needs of Cambodia as defined by the Government or whether they corresponded more to the interests of the respective donors.

169. The estimates of the Ministry of Economy and Finance show that the total expenditure on wages and salaries in 2002 for all personnel in the civil administration was less than 78 million US dollars. The civil administration includes in addition to the civil service, the National Assembly and various Councils. It is interesting to note that a crude extrapolation of the survey data indicates that the total costs of international personnel involved in the implementation of the ODA supported projects may be as high as 50-70 million US dollars. *The high costs for international experts in relation to the total wage bill for the civil service underscores the importance of embarking on a major effort to upgrade the skills and expertise of civil servants, as proposed in the section on training.*

# **ANNEXES**





## ANNEX 1

### **Terms of Reference ANALYSIS OF THE CAPACITY BUILDING PRACTICES OF CAMBODIA'S DEVELOPMENT PARTNERS**

#### **BACKGROUND**

1. The man-made and natural disasters in the recent history of Cambodia have left it a devastated nation. The decades of conflict and internal strife not only shattered the physical, social and economic foundations that are necessary for growth and development, but more importantly, they decimated the human capital base of the nation. The resulting skewed age distribution of the population and the truncated skills profile of the work force pose added challenges to achieving the nation's development goals. The lack of qualified and experienced personnel is now a major bottleneck in achieving Cambodia's development goals. Although, the rehabilitation and reconstruction of the education system's infrastructure that was completely destroyed by the conflicts and civil wars has been a high priority of the Royal Government and significant progress has been made, provision of basic education services remains a formidable challenge.

2. Rebuilding the human capital base, to a level that had existed before the Khmer Rouge regime, will take at least a decade – a simple demographic fact about where Cambodia stands today. The Royal Government of Cambodia recognizes that rebuilding a human capital base that can supply the skills needed by both the private and public sectors is a prerequisite for achieving its sustained socio-economic development goals and the successful implementation of the many reforms that it has embarked upon. In spite of the Government's commitment and substantive efforts, successes in the areas of administrative and governance reforms are hampered by a lack of capacity within the public sector to effectively enforce and manage the implementation of the approved laws and regulations. It is important to note, that while Cambodia can benefit from the experiences of its development partners in the formulation of policies and processes, effective enforcement and management of the implementation of the approved policies, laws and regulation is likely to remain constrained, at least in the short- to medium-term, by the existing gaps in Cambodia's human capital base.

3. Over the last decade, the development partners of Cambodia have responded to the challenges of capacity gaps in the administrative structures of the Government, specifically in the implementing ministries/agencies where their programs/projects are being implemented, by providing support for building capacity of these institutions. This has, however, led to a situation where now there is a proliferation of uncoordinated capacity building efforts on the ground. While the current practices of donors of providing salary incentives within the context of the implementation of individual programs/projects may expedite the implementation of these programs/projects, these practices have also resulted in depleting the capacity within the Government structures as qualified personnel move to

more lucrative donor supported programs/projects and as a result continue to adversely affect Government's institution building efforts.

4. At the 6<sup>th</sup> CG Meeting for Cambodia held in Phnom Penh in June 2002, the Government expressed these concerns in the context of building meaningful and effective partnerships with its external partners. It also asked for the formation of a "*Government-Donor Partnership Working Group*" under the CG mechanism to address these and other issues and to make recommendations on appropriate approaches. The Working Group was established in late 2002.

5. The Government-Donor Working Group has identified the need for developing a harmonized approach for capacity development as one of the three areas of its immediate focus.

### **OBJECTIVE AND SCOPE OF THE ASSIGNMENT**

6. The main objective of this assignment is to identify feasible solutions to achieve a more harmonized approach for capacity development based on current data/information on the existing capacity building practices of Cambodia's external development partners.

7. Specifically, the tasks to be carried out include:

- iii. Documenting existing capacity building practices of the donors, including an estimate of the costs of providing performance/salary incentives.
- iv. Collecting information and preparing analysis of the TA by areas of expertise that is being provided to either fill existing capacity gaps and/or to build capacity, including the number and duration of the TA's.
- iii. Outlining options and making recommendations on feasible solutions to achieve a more harmonized approach for capacity development.

8. Within the scope of this assignment, donors/external partners include all bilateral and multi-lateral donors as well as major NGOs.

## ANNEX 2

### QUESTIONNAIRE ON THE NATURE AND SCOPE OF CAPACITY DEVELOPMENT PRACTICES OF CAMBODIA'S DEVELOPMENT PARTNERS FOR THE YEAR 2002

(A study commissioned by the Government-Donor Partnership Working Group)

External Partner(s):.....  
 Executing Institution(s):.....  
 Program/Project No. & Title: .....

Collaborating/ implementing/beneficiary Institution					
Geographic location(s) of Program/Project Activities	<input type="checkbox"/> Nationwide	<input type="checkbox"/> Central	<input type="checkbox"/> Provincial	<input type="checkbox"/> District	<input type="checkbox"/> Other
Terms of Assistance in 2002	<input type="checkbox"/> Grant Amount: US\$.....; <input type="checkbox"/> Loan Amount: US\$.....				
Total Program/Project Expenditure in 2002 in US\$:.....					

**In the context of this Program/Project, what capacity development problems/issues/gaps are you attempting to address and/or experiencing.**

.....  
 .....

**What specific actions were taken to ensure that you had the capacity required to deliver the Program/Project activities and to ensure that its stated objectives/goals are achieved:**

1.  Provided in-country and/or overseas **training** to Program/Project Staff and others assigned by collaborating institutions in the implementation of the Program/Project
2.  Provided **other non-monetary and/or monetary incentives** to staff assigned by collaborating institutions in the implementation of the Program/Project
3.  Employed **national staff** to undertake the Program/Project
4.  Employed **international staff** to fill key capacity gaps to ensure the achievement of the Program/Project objectives/goals
5.  Other, please specify .....

<p><b>1. TRAINING</b></p> <p>Total expenditure in 2002:.....</p> <p>Program/Project's total expenditure on <i>in-country training</i> in 2002: .....</p> <ul style="list-style-type: none"> <li>• Of which, expenditure on in-country formal degree program: .....</li> </ul> <p>Program/Project's total expenditure on <i>overseas training</i> in 2002: .....</p> <ul style="list-style-type: none"> <li>• Of which, expenditure on overseas formal degree program: .....</li> </ul> <p>Type of training activities supported:.....</p> <p>.....</p> <p>.....</p>
---

<p><b>2. OTHER NON-MONETARY AND/OR MONETARY INCENTIVES</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Provided operational support and equipment to collaborating institutions.</li> <li><input type="checkbox"/> Provided monetary incentives to attract and motivate staff assigned by collaborating institutions in the implementation of the Program/Project</li> <li><input type="checkbox"/> Other, please specify .....</li> </ul> <p>.....</p> <p>.....</p> <p><b>2.1 Non-monetary Incentives</b></p> <p>If you provided equipment and/or operational support, how significant has the support been in ensuring a successful implementation of the Program/Project</p> <p><input type="checkbox"/> Critical    <input type="checkbox"/> Important    <input type="checkbox"/> Not very important</p> <p>The total expenditure in 2002 on equipment and operational support provided:.....</p>
--

*Note: Please be assured that all the information provided in this questionnaire will be kept strictly confidential. In the final report only aggregate figures will be presented.*

**2.2 Monetary Incentives**

If you provided such incentives to Government staff, in what form? Please tick the following box(es) that best suit(s) you:

1.  Salary Supplements      2.  Payments for Special Tasks      3.  DSA      4.  Overtime Payments
5.  Per diem      6.  Allowances for attending Workshops/Seminars      7.  Other forms of monetary incentives

Function in the Program/Project (e.g. National Director/Counterpart, Program Officer, etc.)	Type of incentives (1-7)	Number of persons	Range of monthly payment in USD
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

If you provided supplements/incentives, how significant a factor has it been in ensuring a successful implementation of the Program/Project

- Critical       Important       Not very important

The total expenditure in 2002 on providing the incentives:.....

**3. NATIONAL PERSONNEL EMPLOYED BY THE PROJECT/PROGRAM**

Function in the context of the Program/Project (e.g. manager, project officer, administration assistant, support staff)	Duration in months	Number of persons	Range of Monthly salary in USD
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

The total expenditure in 2002 on national personnel employed: .....

**4. INTERNATIONAL PERSONNEL EMPLOYED BY THE PROJECT/PROGRAM**

Role in the context of the Program/Project	Area of Expertise	Duration in months	Number of Persons
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

The total expenditure in 2002 on international personnel employed:.....

Do you have a volunteer program? If yes, how many volunteers in 2002?.....

**5. OTHER INITIATIVES/EFFORTS**

.....

.....

.....

.....

**6.POLICY CHANGES (IF ANY) IN 2003**

.....

.....

.....

.....

## ANNEX 3

### QUESTIONNAIRE ON THE NATURE AND SCOPE OF CAPACITY DEVELOPMENT PRACTICES OF CAMBODIA'S DEVELOPMENT PARTNERS FOR THE YEAR 2002

(A study commissioned by the Government-Donor Partnership Working Group)

Name of NGO: .....

Is it an International or National NGO?  International  National

The Title of the Project or Program for which the Following Data is reported: .....

Collaborating/ implementing/beneficiary Institution	
Geographic location(s) of Program/Project Activities	<input type="checkbox"/> Nationwide <input type="checkbox"/> Central <input type="checkbox"/> Provincial <input type="checkbox"/> District <input type="checkbox"/> Other
Terms of Assistance in 2002	<input type="checkbox"/> Grant Amount: US\$.....; <input type="checkbox"/> Loan Amount: US\$.....
Total Program/Project Expenditure in 2002 in US\$:.....	

**In the context of this Program/Project, what capacity development problems/issues/gaps are you attempting to address and/or experiencing.**

.....  
 .....  
 .....

**What specific actions were taken to ensure that you had the capacity required to deliver the Program/Project activities and to ensure that its stated objectives/goals are achieved:**

1.  Provided in-country and/or overseas **training** to Program/Project Staff and others assigned by collaborating institutions in the implementation of the Program/Project
2.  Provided **other non-monetary and/or monetary incentives** to staff assigned by collaborating institutions in the implementation of the Program/Project
3.  Employed **national staff** to undertake the Program/Project
4.  Employed **international staff** to fill key capacity gaps to ensure the achievement of the Program/Project objectives/goals
6.  Other, please specify .....

#### 1. TRAINING

Total expenditure in 2002:.....  
 Program/Project's total expenditure on *in-country training* in 2002: .....  
     • Of which, expenditure on in-country formal degree program: .....  
 Program/Project's total expenditure on *overseas training* in 2002: .....  
     • Of which, expenditure on overseas formal degree program: .....

Type of training activities supported:.....  
 .....  
 .....

#### 2. OTHER NON-MONETARY AND/OR MONETARY INCENTIVES

- Provided operational support and equipment to collaborating institutions.
- Provided monetary incentives to attract and motivate staff assigned by collaborating institutions in the implementation of the Program/Project
- Other, please specify .....

##### 2.1 Non-monetary Incentives

If you provided equipment and/or operational support, how significant has the support been in ensuring a successful implementation of the Program/Project

- Critical  Important  Not very important

The total expenditure in 2002 on equipment and operational support provided:.....

*NOTE: Please be assured that all the information provided in this questionnaire will be kept strictly confidential. In the final report only aggregate figures will be presented.*

**2.2 Monetary Incentives**

If you provided such incentives to Government staff, in what form? Please tick the following box(es) that best suit(s) you:

1.  Salary Supplements      2.  Payments for Special Tasks      3.  DSA      4.  Overtime Payments
5.  Per diem      6.  Allowances for attending Workshops/Seminars      7.  Other forms of monetary incentives

Function in the Program/Project (e.g. National Director/Counterpart, Program Officer, etc.)	Type of incentives (1-7)	Number of persons	Range of monthly payment in USD
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

If you provided supplements/incentives, how significant a factor has it been in ensuring a successful implementation of the Program/Project

- Critical       Important       Not very important

The total expenditure in 2002 on providing the incentives:.....

**3. NATIONAL PERSONNEL EMPLOYED BY THE PROJECT/PROGRAM**

Function in the context of the Program/Project (e.g. manager, project officer, administration assistant, support staff)	Duration in months	Number of persons	Range of Monthly salary in USD
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

The total expenditure in 2002 on national personnel employed: .....

**4. INTERNATIONAL PERSONNEL EMPLOYED BY THE PROJECT/PROGRAM**

Role in the context of the Program/Project	Area of Expertise	Duration in months	Number of Persons
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

*\* If you need more space, please use a blank sheet of paper*

The total expenditure in 2002 on international personnel employed:.....

Do you have a volunteer program? If yes, how many volunteers in 2002?.....

**5. OTHER INITIATIVES/EFFORTS**

.....

.....

.....

**6. POLICY CHANGES (IF ANY) IN 2003**

.....

.....

.....

.....

## ANNEX 4

### NUMBER OF NATIONAL PERSONNEL EMPLOYED BY DURATION OF EMPLOYMENT AND ROLE IN THE PROGRAM

National Personnel's Role in the Program	Donor Category	Duration of Employment in Months						TOTAL	
		1-3	4-6	7-9	10-12	Not Reported	No.	% <sup>1</sup>	
National Director/Manager/Coordinator	Multilaterals:Total	3	1	3	50	11	68	2.9%	
	- UN Agencies	3	0	3	30	1	37	2.0%	
	- IFIs, ADB & EC	0	1	0	20	10	31	7.1%	
	Bilateral	1	1	0	2	14	18	6.5%	
	Total	4	2	3	52	25	86	3.3%	
Technical Expert/Specialist/Engineer	Multilaterals:Total	21	4	2	50	0	77	3.3%	
	- UN Agencies	2	0	1	49	0	52	2.7%	
	- IFIs, ADB & EC	19	4	1	1	0	25	5.7%	
	Bilateral	5	0	0	0	6	11	4.0%	
	Total	26	4	2	50	6	88	3.4%	
Consultant	Multilaterals:Total	7	0	5	14	7	33	1.4%	
	- UN Agencies	3	0	0	11	7	21	1.1%	
	- IFIs, ADB & EC	4	0	5	3	0	12	2.7%	
	Bilateral	0	0	0	0	11	11	4.0%	
	Total	7	4	5	14	18	44	1.7%	
Project officer/technical Officer/Field staff	Multilaterals:Total	5	8	7	1474	29	1523	65.3%	
	- UN Agencies	2	6	0	1378	29	1415	74.6%	
	- IFIs, ADB & EC	3	2	7	96	0	108	24.7%	
	Bilateral	12	0	0	8	30	50	18.1%	
	Total	17	8	7	1482	59	1573	60.3%	
Support Staff	Multilaterals:Total	27	1	16	230	281	555	23.8%	
	- UN Agencies	24	1	4	156	128	313	16.5%	
	- IFIs, ADB & EC	3	0	12	74	153	242	55.4%	
	Bilateral	55	0	2	5	92	154	55.8%	
	Total	82	1	18	235	373	709	27.2%	
Driver/Cleaner/Guard	Multilaterals:Total	6	0	1	25	3	35	1.5%	
	- UN Agencies	6	0	1	12	1	20	1.1%	
	- IFIs, ADB & EC	0	0	0	13	2	15	3.4%	
	Bilateral	0	0	0	0	17	17	6.2%	
	Total	6	0	1	25	20	52	2.0%	
Other	Multilaterals:Total	18	2	0	12	11	43	1.8%	
	- UN Agencies	18	0	0	10	11	39	2.1%	
	- IFIs, ADB & EC	0	2	0	2	0	4	0.9%	
	Bilateral	0	0	0	12	3	15	5.4%	
	Total	18	2	0	24	14	58	2.2%	
TOTAL	Multilaterals: Total	87	16	34	1855	342	2334	100.0%	
	%	3.7%	0.7%	1.4%	79.5%	14.7%	100.0%		
	- UN Agencies #	58	7	9	1646	177	1897	100.0%	
	%	3.0%	0.4%	0.5%	86.8%	9.3%	100.0%		
	- IFIs, ADB & EC #	29	9	25	209	165	437	100.0%	
	%	6.6%	2.1%	5.7%	47.8%	37.8%	100.0%		
	Bilateral #	73	1	2	27	173	276	100.0%	
%	26.4%	0.4%	0.7%	9.8%	62.7%	100.0%			
Total #	160	17	36	1882	515	2610	100.0%		
%	6.1%	0.7%	1.4%	72.1%	19.7%	100.0%			

<sup>1</sup> Percent within donor category, e.g., 2.9 percent of personnel employed on all multilateral donor programs were employed as National Director/Manager/Coordinator.





## ANNEX 5

### LIST OF ABBREVIATION

AFD	Agence Française pour le Développement
AsDB	Asian Development Bank
CAR	Council for Administrative Reform (Cambodia)
CCC	Cooperation Committee for Cambodia (NGO's and INGO's)
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Research Institute
CIDA	Canadian International Development Agency
CRDB	Cambodian Rehabilitation and Development Board
DAC	Development Assistance Committee (OECD)
DFID	United Kingdom Department for International Development
DSA	Daily Subsistence Allowance
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organisation (UN)
GTZ	German Technical Cooperation Corporation
IFAD	International Fund for Agricultural Development (UN)
IFI	International Financial Institutions (AsDB, IMF, WB)
ILO	International Labour Organisation (UN)
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
INGO	International Non-Governmental Organisation
JICA	Japanese International Cooperation Agency
MEDICAM	Membership Organisation for NGO's active in the health sector in Cambodia
MEF	Ministry of Economy and Finance
MUSD	Millions of US dollars
n.a.	not available
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PMG	Priority Mission Group
RGC	Royal Cambodian Government
SIDA	Swedish International Development Agency
SILAKA	
UNCOHCHR	United Nation Cambodia Office of the High Commissioner for Human Rights
UNDP	United Nations Development Programme
UNESCO	UN Educational, Social and Cultural Organisation
UNFPA	United Nations Fund for Population Activities
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
USD	US dollars
WB	World Bank
WFP	World Food Programme (UN)
WHO	World Health Organisation (UN)



## **ANNEX 6**

### **PROFILE OF THE STUDY TEAM**

Pierre Vinde: Swedish, UNDP Consultant, former Deputy Secretary-General, OECD, Paris, (1985-1996), former Assistant Administrator (Administration and Finance) UNDP, New York, (1980-1985), former Senior Vice-President PK-Banken, Stockholm, Sweden (1977-1980), former State Secretary, Ministry of Finance, Stockholm, Sweden (1974-1976), Budget Director, Ministry of Finance, Sweden (1970-74).

Farid Siddiqui, Canadian, UNDP's Senior Advisor to the Council for the Development of Cambodia (CDC) since late December 2001. He has over thirty years of experience advising Government's and managing projects in Canada and internationally as – an Advisor/Expert/Consultant to United Nations Agencies (since 1991), a senior consultant with SRI International (formerly known as Stanford Research Institute), Menlo Park, CA, USA (1984-1991), and a senior official in the Government of Ontario, Canada (1972-1984). He obtained his Ph.D. degree from the University of Toronto, Canada in 1974.

Carol Strickler, American, is the Executive Director of The Cooperation Committee for Cambodia (CCC) since 1997. CCC is an association of NGOs working for the development of Cambodia. CCC's mission is to facilitate information exchange among NGOs and the development community in Cambodia, and to support coordination and representation on issues of common concern. Ms. Strickler has worked with development and humanitarian assistance NGOs in Cambodia and Thailand for over 20 years. She obtained her MPA degree from the JFK School of Government, Harvard University in 1997.