



Technical Assistance and Capacity Development in an Aid-dependent Economy: The Experience of Cambodia

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Summary. — To what extent can external technical assistance develop the capacity of counterparts, whether in government or in local nongovernmental organizations (LNGOs) in an aid-dependent economy? Cambodia's experience since 1993 suggests that most projects in such a situation are donor-driven in their identification, design and implementation, to the detriment of capacity development. Connected with this is the chronic underfunding of government in such an economy, which hinders implementation of projects and threatens post-project financial sustainability. Unless donors develop a coherent strategy (rather than competitive, project-related salary supplementation) to deal with this situation, the record of technical assistance in developing capacity will continue to be disappointing, and an escape from aid dependence will be postponed. © 2002 Elsevier Science Ltd. All rights reserved.

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1. INTRODUCTION

Cambodia is aid-dependent in the sense that external aid is so big, in relation to GNP, export earnings and, particularly, government revenue, that it distorts the economy and the government's response to economic problems. To what extent can technical assistance (TA)¹ develop local capacity in a situation of this kind? This paper attempts to answer this question on the basis of research carried out by

the Cambodia Development Resource Institute in 1998–99.

The research undertaken between September 1998 and November 1999 involved: analysis of data from the official aid coordination agency; interviews with 32 donor/NGO agency heads, 11 senior government officials, and many more consultations; a tracer study of 49 former counterparts in the Ministry of Agriculture, Forestry and Fisheries, and interviews with 56 still working in ministries; collection of

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statistical information from and interviews in 50 projects (with team leaders, Cambodian staff and counterparts) in economic management, education, health, agriculture and rural development; institutional case studies of the School of Agriculture at Prek Leap, the National Institute of Management and the National Institute of Statistics; and a study of the health sector, including a case study of HIV/AIDS and malaria programs, with particular reference to Battambang province.

A useful operational definition of capacity development is “the process by which individuals, organizations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives.” This process has four interrelated dimensions: the development of *individual* skills, and the conditions needed to ensure that they are used productively; the development of effective organizations or *entities* (such as public bodies, private businesses, nongovernmental organizations (NGOs) or community based groups) within which individuals can work; strengthening of *interrelationships between entities* (e.g., a micro-credit system consisting of credit institutions, line ministries, NGOs, small businesses and community-based groups); and an *enabling environment* for addressing cross-sectoral issues relevant to all parts of society (UNDP, 1997, p. 3). The definition used in this article encompasses all four of these dimensions, with particular emphasis on developing the capacity of “counterparts,” in government departments or other local organizations, to continue with similar work after a donor agency has withdrawn its funding. Individual capacity development alone is clearly not enough for this purpose: the other three dimensions of the process must also be addressed. The focus is on potential substitutes for the external agencies (rather than, say, on village development committees, primary school teachers or health care assistants, the development of whose capacity is the worthy output of many projects)—in other words, on the extent to which TA is developing the capacity to replace itself.

This is not, of course, the only criterion that could be used to assess the impact of TA, which has many purposes. For instance, an *immediate objective* of some TA (in the eyes of both donors and recipients) is to facilitate resource flows: this includes the preparation of feasibility studies, project proposals, presentations for meetings with donors, and evaluations, and the

planning and implementation of capital projects. Another is to monitor and supervise such resource flows: some donors prefer to retain these functions in their own hands. There may be a tradeoff between these immediate objectives and that of capacity development. The quality of the documents prepared for facilitation of resource flows may be higher, and the time taken to prepare them shorter, if the task is performed by an international “expert” than if counterparts take primary responsibility. In addition, there may be risks involved in handing over supervision of resource flows entirely to relatively inexperienced and not particularly well paid counterparts.

In a sense, also, the *ultimate objective* of all TA, as of external assistance in general, is to increase output and incomes in the recipient economy. Here again a tradeoff may arise: for instance, an adviser who gives good advice directly to a Finance Minister may have a quicker and surer impact on policy (and hence on output and incomes) than one who concentrates on developing the capacity of counterparts to give such advice. One experienced adviser (Gray, 1997, p. 416) has protested that it is a “fallacy” to treat “capacity building by implication as the exclusive goal of technical assistance.” In the case of policy analysis and implementation, for instance, he argues that occasions may arise on which “the net present value (NPV) of an advisor’s direct intervention . . . is greater than the NPV of delaying the intervention in order to associate local technicians with the process.” It is even conceivable that the cost of erosion of government agencies by such donor-driven substitute TA may be less than the immediate benefits of the projects in question.

There may, then, be circumstances in which the *intermediate objective* of capacity development has to be sacrificed to the immediate and ultimate objectives. If capacity development does not take place, however, then the resource flows that have been facilitated, monitored and supervised will have no *lasting* effect on output and incomes and TA will eventually have failed on all three counts. As a World Bank Vice-President has put it, “whether or not you are building capacity at the national level is the only way that you can ultimately judge [if] what you are doing in the area of technical assistance makes sense” (Jaycox, 1995, p. 23).

In his classic critique of capacity development via TA, Berg (1993, p. 246) emphasizes the “donor- or supply-driven nature of technical [assistance] which has led to excessive use,

inefficient allocation, weak local ownership and hence limited commitment.” This, he suggests, contributes to disorderly decision making, deepens dependence on foreign experts and relieves local staff of responsibility, weakening rather than building local institutions and capacities. “Ownership” is a subtle concept, since it is located in the minds of recipients. It is not the same thing as passive acceptance or commitment. As van de Walle and Johnston (1996, p. 54) put it, “recipient governments can be said to ‘own’ an aid activity when they believe that it empowers them and serves their interests.” This means, as far as government ownership is concerned, that formal indicators such as the extent to which government plays an active role in design and implementation and makes available counterparts of adequate quality, and to which projects are implemented through normal government structures, while relevant, are not enough. Judgement is also needed on the extent to which such ownership is real.

Both government ownership and capacity development are related to a government’s financial situation—whether it raises enough revenue to pay a living wage to officials, and to continue activities started by projects, after donors have withdrawn. Berg (1993, p. 246) draws attention to the “poor incentives and working conditions in recipient country public sectors, which lead to low local staff job motivation and high turnover, creating a . . . work environment in which capacity-building and institutional-development efforts fail to take hold.” The World Bank’s recent review of aid (World Bank, 1998, p. 88) points out that benefits from projects “will flow only if there are adequate incentives for (mainly civil service) providers: . . . underpaid (but not especially overworked) and with their morale at rock bottom, civil servants, especially high-level ones, have turned to moonlighting and corruption.” Such financial problems are particularly acute in countries which are poor and aid-dependent.

Aid dependence can be measured in various ways—in relation to a recipient country’s output, exports, foreign investment, government revenue and expenditure, etc. If aid is large in relation to GNP and export earnings, it may give rise to a form of “Dutch disease.” Dutch disease was the name given, following the experience of the Netherlands in the 1970s with expansion of its natural gas production, to the negative impact of a windfall increase in foreign exchange earnings from a particular source (usually mineral exports) on the rest of an

economy (see Davis, 1995; Fardmanesh, 1991; Usui, 1996). The disease has two aspects: the “resource movement effect” and the “spending effect.” The expansion of the booming sector pulls factors of production toward it and bids up their prices, and as a result other tradable sectors become less profitable and contract: this is the resource movement effect. Insofar as extra income arising from the booming sector is spent on nontradable goods, this bids up the prices of such goods relative to those of tradable goods, resulting in an appreciation of the real exchange rate. This exchange rate appreciation makes these tradable sectors less competitive in international and domestic markets and they contract further: this is the spending effect. Although usually linked to mineral booms, the Dutch disease, it has been suggested, can also be transmitted through massive, “windfall,” aid inflows (e.g., see Younger, 1992 on Ghana, and White & Wignaraja, 1992 on Sri Lanka).

Knack (2000) goes further and suggests that aid can also transmit what he calls the “Zairean disease,” worsening the quality of government institutions, by among other things reducing government dependence on its citizens for tax revenue. Cassen and Associates (1986), reviewing research in the 1970s and 1980s, had found little evidence to support the hypothesis that recipient governments systematically use aid to reduce their tax-gathering efforts. But econometricians are still grappling with this question (e.g., Azam, Devarajan, & O’Connell, 1999; Khan & Hoshino, 1992; McGillivray, 1994). Other elements of this aid-related disease include weakening state bureaucracies by siphoning off scarce talent (similar to the resource movement effect of the Dutch disease) and hindering the development of administrative capacity by implementing projects that governments would have otherwise undertaken.

The hypothesized connection, then, between aid dependence and lack of capacity development via TA is through weak ownership and underfunding. An underfunded government is unable to pay its officers enough to secure their full-time commitment and relies on donors to finance activities in development sectors; this reinforces a tendency on the part of donors to retain ownership of projects in their own hands; as a result, capacity development in the four-dimensional sense defined above occurs only to a limited extent; consequently, the ability of the government to pay a living wage and finance developmental activities does not improve, and

its dependence on aid is reinforced. The circular process continues.

The search for exits from this vicious circle has intensified. One already partially implemented in a number of countries (see Asamoah-Baah & Smithson, 1999; Foster, 1999) and being actively promoted in Cambodia is the Sector Wide Approach (SWAp). This has been usefully summarized by Kanbur and Sandler (1999, p. 35) as a two-step process: "first, the recipient country comes up with a strategy for the sector, and then donors sign on to supporting the sector as a whole, not just individual projects." At a national rather than sectoral level, there are several variants on the SWAp. One, the Partnership Approach (World Bank Partnerships Group, 1988), still retains projects. Going further and eliminating donor-owned projects altogether, the Common Pool Approach of Kanbur and Sandler (1999) represents an ideal toward which those involved in development assistance can strive. It is based on a national strategy, but the dialogue on strategy formulation does not include any discussion of specific sums for specific projects. The government manages all resources, from whatever source, under one budget. Donors are presented with the strategy. "Here is my national development strategy. I have discussed this with you and desire your support to help me implement it. If, however, you do not wish to support this plan through the common pool, I regret that you are not welcome to participate in development assistance in this country" (Kanbur & Sandler, 1999, p. 50). Donors then decide how much to transfer to this central budget: "each donor's country assistance strategy will consist of an assessment of the national development strategy and an argument for the total amount of assistance to be provided for the strategy as a whole" (p. 43). The recipient government monitors expenditures, and donors coordinate themselves automatically around the national strategy. The authors insist that this is not a system of unconditional aid. Donors can modify the amount of their assistance according to their own criteria, conducting their own assessments of the strategy, the consensus around it, and the government's ability to implement it. They admit that in the short run it could mean a reduction in the amount of aid (because of the attachment of constituencies in donor countries to projects, preferably tied) but by hugely increasing ownership, they argue, it should lead to greater effectiveness of aid.

The vicious circle of aid dependence and the search for exits from it provide a useful framework within which to look at Cambodia's experience. Earlier writers on Cambodia have emphasized: the extent to which external assistance to Cambodia departed from the principles of sovereignty, independence and unity, enshrined in the 1991 Paris peace accords (Shivakumar, 1996, p. 44); the need for it to be "less donor-dependent and more Cambodian-driven" (McAndrew, 1996, p. 31); the "grave danger," in the absence of "significant progress towards creating financially viable government structures, of a great deal of what passes for capacity building going to waste, even when actual skills transfer has been significant" (NGO Forum on Cambodia, 1996, p. 32); and the hectic pace of activity of an army of TA personnel, "to a great extent, externally driven and externally controlled" (Curtis, 1998, p. 93). Curtis documents the way in which, from the period (1992–93) of the United Nations Transitional Authority in Cambodia (UNTAC) onward, donors funded or supported more or less what they wanted (p. 75), set up Project Implementation Units (PIUs) as parallel structures (p. 76), in many cases failed to consult the government (p. 93), and "paved the way for uncritical acceptance of massive amounts of foreign technical assistance" (p. 90). He says that the country's weak institutional base is at the root of many of its problems (p. 96): one might go further and suggest that even the *concept* of crucial institutions (universities, schools, hospitals, law courts, the civil service, etc.) was lost with the generations of educated people who would have staffed and shaped them—killed or exiled in the 1970s. Yet, as he comments, the "paternalistic and patronizing approach to capacity building" exhibited by the government's 1994–95 Development Cooperation Report "well reflected the kind of dependence which results from a too-sudden flow of external assistance" (p. 88). One of the purposes of the research reported on in this article was to explore the extent to which these and similar processes have survived, and with what consequences for capacity development.

2. THE NATURE OF CAMBODIA'S AID DEPENDENCE

The Cambodian economy is still highly dependent on foreign aid. Total external assistance in 1998, though below its levels of a few

years earlier, was worth \$404 million, of which technical assistance accounted for \$231 million. Table 1 shows how these figures relate to other important economic quantities.

The most striking aspects of the table are not so much the scale of aid in relation to population, as its scale in relation to GDP, other sources of foreign exchange and the government budget. Total assistance (amounting to one-seventh of GDP) is equivalent to 70%, technical assistance to 40% of the foreign exchange earnings from domestic exports (mainly garments, for which 1998 was a good year). Both are much bigger than earnings from exports of services (mainly tourism, for which 1998 was a terrible year). In fact, the foreign exchange inflows associated with aid are smaller than this, but it can still be regarded as equivalent to one of the economy's most important exports. In relation to the government budget, the dominance of external assistance is even more striking. Expenditure on technical assistance alone exceeds total tax revenue raised by government, and exceeds nondefense expenditure by almost three quarters.

International comparisons underline the special nature of Cambodia's aid dependence. In 1998, the most recent year for which comparable data are available, it is no higher than 48th in the list of 126 countries ranked by the World Bank in order of aid per head. But, if countries are ranked by aid as a proportion of GNP, exports, or government revenue, the picture is very different, as Table 2 shows.

Cambodia is near the top of all three lists and particularly high in the ranking by aid as a

percentage of government revenue. Achievement of a high place in these rankings reflects collapse of production, exports or government revenue as much as receipt of large amounts of aid. Around 70% of the countries in the top 20 positions in these columns are African. Countries emerging from conflict of one kind or another are well represented in all three columns, while those in transition from planning to markets have particular problems with government revenue. Cambodia's status as both a post-conflict and a transition economy puts it in a doubly difficult position.

The scale of external assistance in comparison with export earnings raises the question of whether the Cambodian economy is suffering, as a result of its huge aid inflows, from the Dutch disease described earlier. A complication in applying this analysis to Cambodia is the extent of its dollarization (in the sense that the dollar is widely used as a store of wealth, a medium of exchange and a unit of account). As the author of one of the few articles on this topic puts it, "essentially, it is the dollar that serves the function of money in the Cambodian economy" (Menon, 1998, p. 4). He also points out that, if the prices charged by foreign suppliers, the prices of these goods in the Cambodian market, and the prices of Cambodian goods in world markets, are all denominated in dollars, then dollarization is the equivalent of having a perfectly fixed nominal exchange rate. This means that transmission of Dutch disease through nominal exchange rate appreciation, as a result of aid inflows, would not be possible. The spending effect could still, however, be

Table 1. *The scale and relative importance of external assistance (total and technical) to Cambodia, 1998*

	Total external assistance ^a	Technical assistance ^b
—Per head of population	\$36	\$21
—As % of		
GDP	14	8
Exports	57	33
Domestic exports	70	40
Exports of services	370	211
Net foreign investment	335	191
Government revenue	167	95
Tax revenue	226	129
Government current expenditure	169	96
Non-defense current expenditure	305	174

Sources: Cambodian Rehabilitation and Development Board; National Bank of Cambodia; Ministry of Economy and Finance.

^a Total external assistance includes: investment project assistance, budgetary and balance-of-payments support, food aid, and emergency and relief assistance as well as technical assistance.

^b There are two types of technical assistance: free-standing (\$208 mn in 1998) and investment-related (\$23 mn).

Table 2. Cambodia's aid dependence: an international comparison, 1998

Aid as % of GNP		Aid as % of export (goods & services) receipts		Aid as % of govt. revenue	
1. Guinea-Bissau	50	1. Rwanda	313	1. Sierra Leone	215
2. Nicaragua	32	2. Guinea-Bissau	310	2. Rwanda	166
3. Mozambique	28	3. Mozambique	195	3. Cambodia	134
4. Malawi	24	4. Eritrea	123	4. Haiti	128
5. Lao PDR	23	5. Burundi	107	5. Chad	127
6. Eritrea	21	7. Sierra Leone	95	7. Tanzania	107
9. Rwanda	17	9. Tanzania	87	8. Nicaragua	101
10. Sierra Leone	17	11. Albania	82	11. Nepal	85
17. Tanzania	12	18. Lao PDR	58	13. Kyrgyz Rep.	73
18. Cambodia	12	24. Cambodia	41	18. Albania	41

Note: 1998 data on aid as % of GNP and exports are available for 119 countries (source: World Bank, 2000) and on aid as % of government revenue for 67 countries (source: World Bank, 2000; IMF, 2000). Differences from Table 1 are due to differences in definitions: in these international sources aid includes only bilateral loans and grants from OECD Development Assistance Committee (DAC) countries, multilateral countries and certain Arab countries. Government revenue is defined as all nonrepayable government receipts, whether required or unrequired, other than grants.

exerted through increases in prices and hence in the real exchange rate. Moreover, the operation of the resource movement effect would not be hindered by dollarization.

Although the econometric work has not yet been done, the hypothesis that foreign aid on its current scale brings, in this way, a modified version of the Dutch disease to Cambodia looks plausible. The movement of qualified people to the external assistance sector (both as full-time staff of agencies and projects and as salary-supplemented counterparts) can easily be observed, as can the bidding up of their wages.² This raises the cost of actual and potential skill-intensive activities in tradable sectors and reduces their profitability and the incentive to invest in them. The spending of extra income from the aid sector on nontradable goods (accommodation, services, etc.) also bids up their prices. A Cambodian economy with a much smaller external assistance program would obviously look very different. Factor costs would be lower and some currently unprofitable tradable sectors would be profitable: more investment and resources would be attracted toward such sectors, presumably to the benefit of exports and of import substitution, and of capacity development in and connected with those sectors.

On the impact of aid on government revenue (part of the "Zairean disease"), several respondents made a point about government salaries. One consequence of the low level of government revenue (with a share of GDP in 1998 of less than 9%, one of the lowest in the world) is extremely low salaries for government

officers (equivalent to US \$15 per month, on average, in 1998). The fact that most technical assistance projects supplement the salaries of the top and middle level government officers who work with them as counterparts, these respondents suggested, reduces the pressure that would otherwise come from these officers for an increase in government revenue and hence in their salaries.

As for patterns of government expenditure, the question is whether technical assistance is fungible, in the sense that funds provided by donors for a particular purpose allow government to switch its expenditure to another purpose. The distribution of government expenditure between ministries, compared with that of technical assistance from multilaterals, bilaterals and NGOs, is certainly consistent with fungibility, as Table 3 shows.

TA expenditure on projects related to the Ministry of Education is 30% higher than government current expenditure under this ministry, in the case of Health, 68% higher. In some ministries (particularly Women's Affairs, Environment and, above all, Rural Development) the preponderance of TA is even more striking. While 83% of TA spending thus goes to eleven ministries/institutions which receive only 19% of government current spending, 61% of government expenditure goes to four ministries which receive less than 2% of TA funds—Defense, Posts and Telecommunications, Interior and the Council of Ministers. Of course, TA may often be for beneficial purposes that government would not feel it necessary to finance in the absence of TA, and the division

Table 3. *Technical assistance expenditure and government current expenditure compared, by ministry, 1997*

Ministry/institution (ranked by TA as % of Govt current expenditure)	Multi/Bilateral TA to this ministry (US\$'000)	NGO TA relating to this ministry (US\$'000)	Total TA (US\$'000)	Government current expenditure (US\$'000)	Total TA as % of govt. current expenditure
Rural development	35,421	10,380	45,801	692	6,617
Environment	3,344	1,315	4,659	489	953
Women's affairs	1,009	845	1,854	314	590
National assembly	16,019		16,019	2,729	587
Commerce	5,162		5,162	1,001	516
Tourism	2,752		2,752	553	498
Planning	2,277		2,277	541	421
Justice	2,802	770	3,572	887	403
Culture	4,908		4,908	1,632	301
Agriculture	6,139	4,927	11,066	5,392	205
Public works	4,686		4,686	2,291	205
Health	15,334	10,538	25,871	15,444	168
Education	19,326	15,756	35,082	26,921	130
Economy and finance	7,492		7,492	9,236	81
Information	873		873	1,533	57
Foreign affairs	2,910		2,910	6,174	47
Social affairs	278	5,346	5,624	16,443	34
Council of ministers	928		928	10,637	9
Defense	2,374		2,374	96,534	2
Posts/telecoms	105		105	9,878	1
Interior	87		87	50,587	0
Other	17,428 ^a		17,428 ^a	13,043 ^b	134
Total	151,654	49,878	201,531	272,950	74

Sources: Multilateral and bilateral, CDC, CRDB; NGOs, World Bank; government expenditure, Ministry of Economy and Finance.

^a Of which, CMAC \$13.8 mn.

^b Of which, Royal Palace \$5.5 mn.

of responsibility may reflect historical circumstances rather than deliberate planning, but the large amounts of assistance available to certain ministries may reduce the pressure for government to fund them. As for capacity development, the question raised by the distorted pattern shown in Table 2 is whether the funding of most developmental activities by donors rather than by government is reflected in ownership of these activities, with the consequences already outlined and to be explored further in the next section.

3. AID DEPENDENCE AND OWNERSHIP

How does TA work in an aid-dependent economy? In some ways, to judge from Cambodia's experience as revealed to our interviewees, surprisingly well. Donors, team leaders and officials agreed that capacity development is by far the most important aim of technical assistance. Most interpreted this to mean that TA should be expected to develop the capacity

to replace itself. They also agreed (as did current and former counterparts) that its record in developing individual capacity has been quite good. Projects allocate management functions to counterparts and (although their average education level is regarded as lower than ideal) are quite satisfied with them. Counterparts maintained that they acquire management and professional skills. Chief Technical Advisers (CTAs) reported that on-the-job training works particularly well.

There are problems, however. For instance, team leaders tended to see themselves as managers, rather than as facilitators or trainers. They complained about the poor quality of briefings from donors (particularly multilaterals) and the virtual absence of briefings from government. Government tends to ask TA "experts" to do the job (write letters, speeches, reports, laws, advise the minister) rather than to develop capacity to do the job. Training processes need improvement—particularly selection (insufficiently competitive and transparent), follow-up and dissemination. Partner

organizations (both government and local NGOs) have management problems—unclear functions, poor coordination and top-down management cultures.

A special study of the health sector in Battambang province, carried out in August–October 1999, suggested that there are too many projects, uncoordinated, unevenly distributed by specialization and geographical area, and pulling in different directions. Although each individual project, staffed by dedicated and well-qualified people, is making an admirable contribution, the overall impression is of inefficiency, to the detriment of capacity development. There are so many small and separate units, dedicated to particular purposes, each making its demands on the time of senior government officials. The contrast between the affluence of even the most modest project and the poverty of the average government office at the same level is embarrassingly striking. Enormous economies of scale in the use of experts, vehicles, office space, computers, etc. are being lost. If there are 20 expatriate advisers too many in the HIV/AIDS subsector nationally (as one observer suggested), the situation in other subsectors with many projects is probably comparable. Meanwhile, some fields, such as tuberculosis and strengthening the lower levels of the public health service are relatively neglected by projects. Within HIV/AIDS, some specializations (blood safety, care of patients, care of uninfected babies of HIV-positive mothers, education of the police and army) and certain geographical areas (the more difficult ones and rural areas in general) receive less coverage than others. In many ways all this is tremendously impressive, but a plan for rational provision of health care which had access to the same resources would not use them in this way.

Institutional case-studies of the School of Agriculture at Prek Leap (SAPL), the National

Institute of Management (NIM) and the National Institute of Statistics (NIS), in March–November 1999, concluded that, while technical assistance has been successful in developing the capacity of individuals in all three institutions, reluctance by projects to cede ownership to institutions was a problem. Executing agencies tended to feel themselves primarily responsible to the donor rather than to the institution. Government underfunding lay behind the ownership problems of all three institutions. NIM is better placed than the other two to meet the challenges posed by this, since it is able to charge an economic fee for its marketable courses. Neither SAPL nor NIS will be able to rely on cost recovery for more than a small proportion of the budget.

Other interviews (with agency heads, government officials, project team leaders, Cambodian staff and counterparts) reinforced the view that many structural problems affecting TA and capacity development relate to ownership. There is a distinction here between the formal and the real. Eighty-four percent of agency heads and all government officials interviewed felt that government has some role in identification and design of projects: most in both categories even saw some government role in selection of project personnel. At the project level, also, the government was most often cited (by almost two-thirds of team leaders/CTAs) as owner or joint owner of a project, as Table 4 shows. NGOs were exceptions in this respect: their project leaders mentioned the executing agency (i.e., the NGO) most often as owner. The project team is second in importance as owner, particularly in multilateral and bilateral projects. Interesting aspects of the table are the extent to which the donor agency plays an ownership role in multilateral projects while being relatively unimportant in other types of project, and the fact that community ownership

Table 4. *Who "owns" the project?, by type of project (% of projects)*

Imputed ownership	Project affiliation of reporting CTAs			
	Multilateral (%)	Bilateral (%)	NGO (%)	Total (%)
Donor agency	39	33	5	24
Executing agency	22	25	55	36
Project team	50	58	30	44
Government	94	67	35	64
Local NGO			25	10
Community		17	10	8

Source: interviews, September 1998–November 1999.

Note: several projects reported more than one owner.

was mentioned more often by bilateral than by NGO projects.

The table exaggerate, however, the actual extent of government ownership of projects. In general, it is likely to be most real in loan projects, since government owns the funds that have been borrowed. In spite of promotion of the idea of “national execution,” only five projects in our sample claimed to be solely owned by government.

In fact, as far as design is concerned, there are few truly “demand-driven” projects in our sample. Perhaps only four are in this category: the UN Development Program (UNDP)/Office of Project Services (OPS) preparation for membership of the Association of South East Asian Nations (ASEAN) and the UN Fund for Population Activities (UNFPA)/UNDP support to the national population census, both deriving from urgent government commitments that had to be fulfilled, and two Japanese NGO projects, on technical training and printing, originating in requests from government in the 1980s. Similar strong demands could be found in the Ministry of Commerce (related particularly to accession to the World Trade Organization and ASEAN, and to taking full advantage of various market access preferences) and the National Bank (related particularly to the need to develop policy instruments and institutions for a market economy). Otherwise, at best, projects are jointly developed. Designs are often based on projects that have succeeded elsewhere.

Once a project is under way, the extent of government ownership of its operations tends to depend on the attitude of top officials in the relevant ministry. Two examples are reported by CTAs of ministers “who knew how to use technical assistance”—the Minister of Planning at the time two of the projects in the sample were initiated, who organized regular presentations by consultants to an “inner circle” of senior officials, and the Minister of Finance, who is said to mention ownership (of a loan project) two or three times a day. “Ownership and quality of work,” according to this CTA, “depends on whether your boss is interested. Does he consult? Does he guide? Does he know what he wants? Does he want you to work with his people?” In other cases also the active involvement of senior officials (e.g., in the Ministry of Health, the National Institute of Statistics) is crucial to ownership and capacity development.

It should be emphasized that government ownership is not something to be passively

awaited. It also needs to be nurtured by projects. One bilateral CTA said that it took three years to persuade her partners that they owned the project. Similarly, an NGO’s nurse training team leader admitted that the management of the Technical School for Medical Care was skeptical about the project in its early years. They needed to be convinced about its potential benefits and given the opportunity to identify weaknesses and ways of improving performance: the project facilitated this process and supported implementation of the plan that emerged from it.

Usually responsibility for operation of projects is shared between owners: in a European Union (EU) agricultural project, for instance, “all decisions are joint—no big decisions are taken alone.” But donors or executing agencies in grant-aided projects tend to retain control over finance and personnel, to the detriment of capacity development. For example, an Ausaid CTA told us that “the government owns the project but the funds are controlled by the donors.” Similarly, in a UN Educational, Scientific and Cultural Organization (UNESCO) project, “the government was involved in all decisions, but UNESCO held the funds.” Partly because it was a demand-driven project, the UNDP ASEAN project operated more like a loan project in this respect, with a steering committee keeping a close eye on expenditure and knowledgeable about how parallel UNDP assistance to Laos and Vietnam was working. A health sector reform project operates in a similar way, with regular meetings, and close control exerted by government over the budget for consultants (which is consequently hardly touched!). Unusually, also, this project involves government in selection of experts. More typical is a UN Children’s Fund (UNICEF) health project, in which the agency “decides on personnel, the government on day-to-day issues.” The only project in our sample which has experienced the dismissal of its team leader by government (with four days’ notice) is, not surprisingly, a loan project: it should be added that the decision was fully endorsed by the donor agency.

The mode of implementation of a project affects both ownership and impact on capacity development. As Table 5 shows, although more than two-thirds of the projects in our sample are implemented through normal government structures, there are important differences between different types of project in this respect. All the bilateral projects are implemented

through normal structures, but almost half of NGO projects do not relate to government at all, being implemented either through a local NGO (LNGO) or directly by project staff, and more than a quarter of multilateral projects (funded by the World Bank, the Asian Development Bank and the EU) have set up special units (PIUs) within government ministries.

The need for NGOs to relate to rather than by-pass government structures is increasingly recognized. Multilateral agencies prefer to operate through PIUs for understandable reasons, in the interests of transparency and efficiency in a situation in which government structures are fragile, or in cases where projects crosscut a number of ministries or departments. In effect, they are often giving more weight to the immediate objectives of facilitating, monitoring and supervising resource flows than to the intermediate objective of developing capacity. One multilateral CTA, under pressure from his agency to work within a PIU, has resisted it: "PIUs create resentments—they may be needed in big projects but this project deals with reform processes and is not handling large amounts of money." Another maintains that "the key to capacity building is to work through government structures. Projects with a

separate office and a PIU will leave nothing behind when they go." Many projects without PIUs have separate offices, sometimes within the government building, sometimes elsewhere. This is also a barrier to institutional capacity development. Projects with staff inside the relevant government building are more likely to leave something behind.

If projects which do not include government or an LNGO among their formal owners, or are not implemented either through normal government structures or through an LNGO intermediary are deducted from the total, how many of the projects in our sample remain? Table 6 summarizes the situation in this respect.

From the 50 projects in the sample, those that have neither government nor an LNGO among their owners are, first, deducted—mainly NGO projects owned by themselves, by the project team or by the community, but also a third of the bilateral projects. From the 36 remaining projects, those that are not implemented through normal government structures or through an intermediary LNGO are then deducted—multilaterals with PIUs and NGOs going direct to the community. The remaining 29 projects are those that are *both* owned by

Table 5. *Mode of implementation, by type of project (% of projects)*

Mode of implementation	Project affiliation of reporting CTAs			
	Multilateral (%)	Bilateral (%)	NGO (%)	Total (%)
Outside govt, directly by project staff	6		15	8
Outside govt, through intermediary org			35	14
Inside govt, through normal structure	67	100	50	70
Inside govt through special unit (PIU, etc.)	28			10

Source: interviews, September 1998–November 1999.

Table 6. *Summary of ownership and implementation mode of projects*

	Project affiliation of reporting CTAs			
	Multilateral	Bilateral	NGO	Total
Number of projects in sample	18	12	20	50
<i>Minus</i> those not formally owned by govt or LNGO	-1	-4	-9	-14
Number of remaining projects	17	8	11	36
<i>Minus</i> those not implemented through normal govt structure or through LNGO	-5	-0	-2	-7
<i>Remaining projects</i>				
Number	12	8	9	29
As % of number in sample	67	67	45	58

Source: interviews with CTAs, September 1998–November 1999.

government or an LNGO *and* implemented through normal government structures or through an LNGO, to the benefit of institutional capacity development. As can be seen from the bottom row of Table 6 this means that less than 60% of all projects are in this situation. Interestingly, multilateral and bilateral projects (with two thirds in this category in both cases) are better placed than NGO projects.

4. GOVERNMENT UNDERFUNDING AND LOW SALARIES—IMPACT ON IMPLEMENTATION

Evidence obtained through interviews also suggested that the chronic underfunding of government, to which lack of ownership is related, hinders implementation of projects. One unusually frank senior government official compared the typical government department to a pyramid, with an apex and a base but nothing in between. Because of their low salaries, the crucial middle-level people must work outside in order to survive. The beleaguered people at the top think short-term and use TA experts to do the job, rather than for capacity development.

The donors' only answer to this is salary supplementation. Seventy-two percent of agency heads admitted to this practice: for a further 20% it is against the rules, but they find some other way of paying counterparts. At the project level, although several CTAs said that it is against their agency's rules to top up government salaries, most end up paying some form of salary supplementation. All the bilateral projects and four out of five of other types of project do it. The following statements from CTAs (type of project in parentheses) illustrate the kind of strategies that are necessary.

—“Salary supplementation is not allowed, but the counterpart training budget includes product-related payments and training allowances” (multilateral/education).

—“We have no budget for supplementation, but we pay for translations” (multilateral/economic management).

—“We no longer pay supplementation, but maintain some task-based incentives at provincial level” (multilateral/education).

—“Supplementation is being phased out, but we retain per diems, fees for preparation of workshops, output-related payments etc.” (multilateral/health).

—“We don't pay supplementation, but pay modest allowances for time spent in training” (bilateral/agriculture).

—“We don't pay supplementation, but pay a consultancy fee of \$450 per month to trainers of trainers” (bilateral/health).

—“Our financial support to local NGOs includes operation, personnel and management expenses” (NGO/rural).

—“We try to avoid salary supplementation, but pay transport costs and provide meals, and provide ‘holistic support’, including salaries to some LNGOs” (NGO/rural).

—“We provide modest allowances for training to some LNGOs” (NGO/rural).

Attitudes toward supplementation are ambivalent, to say the least. Most would agree with the Ausaid CTA in the education sector who pointed out that

salary supplementation threatens sustainability, leads to competition between agencies, pays people to perform their normal jobs (and in dollars rather than the national currency), and cushions the middle class against the consequences of government inaction on revenue collection and salaries.

On the other hand, most would also probably agree with the following statement of a Japanese International Cooperation Agency (JICA) rural development project manager, looking at it from the point of view of an individual project.

I recognize that the provision of supplementation goes against sustainability. However, in practice in Cambodia projects do not work without supplementation, given the extremely low salary scale for government staff. The practice of supplementation has continued since UNTAC times. Supplementation will be reduced and eventually stopped once the government salary scale is raised to a reasonable level.

Similarly, “it is almost impossible to obtain commitment from counterparts without supplementation” (multilateral/agriculture), “since we phased out supplementation, there are problems of commitment, and people are leaving” (multilateral/health and education), “supplementation is not in our budget, but it will have to be found” (multilateral/economic management), and foreign aid “needs to subsidize professors' pay in order to retain them” (bilateral/education).

This ambivalence is reflected in project's practices. Some bite the bullet and pay straightforward salary supplementation, at widely varying rates. Other projects refuse to

Table 7. Number of counterparts receiving different types of income and average monthly rates, by type of project, as reported by counterparts

	Multilateral	Bilateral	NGO	Total
<i>Salary</i>				
No. of counterparts receiving	17	10	9	36
Monthly average	\$17	\$19	\$17	\$18
<i>Supplementation</i>				
No. of counterparts receiving	13	8	17	38
Monthly average	\$153	\$217	\$216	\$194
<i>Outside earnings</i>				
No. of counterparts receiving	1	4	2	7
Monthly average	\$70	\$338	\$275	\$281
Number of respondents	17	10	18	45

Source: interviews with counterparts, September 1998–November 1999.

pay salary supplementation but are then forced into the convolutions described above—product-related payments, task-based incentives, training allowances, etc. Of the counterparts in our projects selected for interview, as Table 7 shows, a high proportion (84%) receive supplementation from their projects (in line with what CTAs told us), and one-sixth of them have access to outside earnings.

From the point of view of efficiency and capacity development, straight salary supplementation is much preferable to the various special payments. Paying counterparts to attend training distorts project activities. It “gives the wrong signals,” encouraging overemphasis on formal classroom training at the expense of “learning through the work process without payment” (multilateral/education). Those who attend such classes “may be more interested in the money than in learning” (multilateral/ education). Product-related payments introduce other distortions. For instance, a project that paid for translations found that the government preferred the project to translate documents than to arrange (unpaid) English-language courses. Supplementation certainly needs to be phased out but, as long as it exists, it is better for it to be direct than indirect.

5. GOVERNMENT UNDERFUNDING AND LOW SALARIES—THREAT TO SUSTAINABILITY

It was also clear from our interviews that low salaries threaten post-project financial sustainability and hence institutional capacity development. Although 74% of CTAs have at least

thought about sustainability and tried to plan for it, only 16% of them have come up with a convincing plan. Plans for sustainability fall into two categories: (a) cost recovery and (b) more money from donors.

Institutions which have goods or services to sell are obviously in a stronger position as far as sustainability is concerned. A small-scale credit organization survives after its project has ended, for instance, because it can finance itself from interest charges. Handicraft workshops have products to sell. Health centers are experimenting with cost recovery. The National Institute of Management, already mentioned, finances its undergraduate courses from fees paid by private students. Several projects in our sample are in this category. One Japanese NGO project has set up a vehicle repair workshop and finances technical training from its profits: it already pays a living wage to its trainers. Another, running a printing house, is in a similar position—profitable and paying a living wage. A rural credit organization being set up by a French NGO will be self-supporting through interest payments on its loans. Veterinaires Sans Frontieres (VSF) has set up two local NGOs, both of which are self-supporting in different ways: Veterinaires Ruraux du Cambodge (VRC) provides training in animal husbandry and animal health to clients (including at the moment VSF); the Association of Village Livestock Agents provides veterinary services to customers and facilitates the supply of medicines to VLAs, and is entirely self-supporting, without any international funding.

For an economy in Cambodia’s position, particularly as far as human resources are concerned, achieving post-project financial

sustainability through further donors' contributions is not a concept that should be dismissed. Capacity development, as already emphasized, takes a long time. An FAO integrated pest management project, for instance, is judged to need "two or three more phases," a French project in the Economics Faculty "four to five more years." Some institutions are reluctant to let go of an existing donor and diversify their funding sources: for instance, an NGO team leader complains that while the project is interested in trying to develop the Ministry's capacity to raise funds from other organizations, the Ministry wants the NGO itself to provide more funding. Some institutions are better placed than others to attract diversified funding. For instance, in our sample, a UNFPA reproductive health project is in a ministry attractive to donors (Women's Affairs) and has a broad grassroots base of volunteers and an active network of agents selling contraceptives. The LNGO established by the UN Volunteers (UNV) Angkor project and the many human rights NGOs should also be able to attract external finance for an indefinite period. At any rate, those who are relying on this solution have to be sure that the funding will be forthcoming for the necessary period, and that the period is long enough to achieve eventual self-sufficiency.

NGO projects are in a special position as far as sustainability is concerned. Some that were interviewed appear to be working on the assumption that their partner institutions will never become self-sufficient, and defined sustainability only in terms of diversification of funding sources. For instance, in the Partnership Support Program (PSP) of Cooperation International pour le Développement et la Solidarité (CIDSE) it is assumed that

partner LNGOs will continue to be supported by PSP and/or other international funding organizations. PSP does not put forward financial sustainability of partner LNGOs as a primary goal. They are non-profit organizations, aiming to reach the real poor in a community. Seeking cost recovery for their services undermines their objective. If they can reach the real poor effectively and efficiently, international NGOs and funding institutions will continue to provide financial support for them.

Similarly, Australian Catholic Relief (ACR) defines its aim as training LNGOs to diversify their funding sources: to try to become self-financing was inappropriate for this type of organization.

It is certainly true that most types of LNGO cannot and should not try to finance themselves through cost recovery, for the reasons stated above. There are dangers, however, in suggesting that these organizations can and should rely on *external* funding forever. As an African proverb puts it, "if you have your hand in another man's pocket, you must move when he moves."³ Excessive reliance on external donor funding may affect the claims to legitimacy of an LNGO, reorient its accountability away from its beneficiaries toward its donors, increase the risks of financial impropriety, and encourage government to favor detailed control of LNGOs rather than creation of a prudential legal framework. In Cambodia, it is, of course, far too early to think of a quick switch from external to local funding of LNGOs. Such organizations in other developing countries do raise funds locally: for instance, in the early 1990s BRAC in Bangladesh was already raising one-third of its total budget from local sources, and for Bina Swadaya in Indonesia the proportion was over 50% (Edwards & Hulme, 1996). International NGOs which fund local partners in Cambodia should at least bear these and similar examples in mind in their long-term planning.

In the end most CTAs admitted that neither cost recovery nor more money from external donors is a sufficient answer to the problem of post-project financial sustainability. In the case of projects concerned with government institutions, user fee systems rarely cover the whole budget (bilateral/health) and are in danger of becoming anarchic (NGO/health). Sooner or later, also, with the multiplication of competing claims from crises in other parts of the world, donor fatigue may set in. The solution "has to come from government" (multilateral/health). "Nothing is sustainable without fiscal and civil service reform" (multilateral/rural development). Reform should include a definition of the functions of ministries and departments, which is a "prerequisite of financial sustainability" (multilateral/economic management). But while sustainability is ultimately the government's responsibility, donors also have a responsibility to press for the reforms of administration, finance and salaries which alone can ensure that their projects leave behind viable institutions. To be effective, this pressure can only be exerted collectively, not by individual donors (multilateral/education).

6. GOVERNMENT UNDERFUNDING AND CAPACITY DEVELOPMENT—WHAT HAPPENS TO FORMER COUNTERPARTS?

Interviews with former counterparts also underlined the fact that government underfunding is the fundamental obstacle to the development of the capacity of government through TA. As yet, there are few projects that could be described as having finished: some way of adding a further phase is usually found. It was possible, however, to identify seven completed projects and 49 former counterparts in the Ministry of Agriculture, Forestry and Fisheries (MAFF). Table 8 summarizes their employment situation at the time of the tracer study in early 1999.

As can be seen, there is a contrast, as far as the situation of former counterparts is concerned, between projects that finished in 1996 or before and those that have finished since then. Less than half of the counterparts from the earlier generation of projects are still working in the Ministry, compared with almost all in the case of more recently completed projects. This probably reflects the changes in the international agency and NGO labor markets in recent years. Those who ended their work as counterparts in 1996 or before were able to find jobs relatively easily in the still booming external assistance sector. By 1997, as the political situation deteriorated, so did that labor market, and former counterparts had little alternative but to stay in the Ministry.

Of those still working for government, 29 were interviewed in the MAFF and 27 in the ministries concerned with economic management. A very high proportion—almost all of those in agriculture and 70% of those in economic management—claimed to be using the skills that they had acquired during the project, and their verdict on the legacy of their projects

is overwhelmingly positive. But, in one crucial respect that legacy is disappointing. As Table 9 shows, inflation and the devaluation of the riel have steadily eroded the earnings from government of the former counterparts interviewed. As a result, the salary received for work done in the Ministry rose from \$23, on average, before the project, to \$140 (including supplementation) during the project, but fell again to around \$14 after the project was finished. There is some variation between the sectors (with the salary roller-coaster particularly violent in economic management) but the pattern is essentially the same. Nine of those interviewed in the MAFF are lucky enough to have found new projects, which give them higher average earnings than before. Those who have not found new projects have to obtain substantial outside earnings in order to survive. For this group, earnings from other sources represent 62% of total earnings, on average, before the project, 14% during the project, and as much as 90% after the project.⁴ Essentially, most of these former counterparts are now only part-time government employees. In addition, large proportion, is looking for another job: 52% of those in economic management, 28% of those in agriculture, 41% of the total.

Underfunding and low salaries encourage, in this way, a process of adverse selection. Those who leave the ministry, find projects and work full-time on them, or find lucrative outside earnings possibilities tend to be the most able. This process was also noted in our case study of the School of Agriculture Prek Leap. Staff with adequate capacity tend to leave the school, despite the limited salary supplements provided by donors. At least 20 full-time teachers whose capacity was built directly or indirectly by TA projects have left the school since 1994. Most of these teachers now work in the nongovernment sector. The capacity gained from their participation in projects enabled them to find better jobs.

Table 8. *Ministry of Agriculture—employment situation in early 1999 of former counterparts*

Project finished in	1996 or before		1997 or after	
Still working in Ministry	12	48%	22	92%
Working for international agency/NGO	11	44%		
Student	1	4%	2	8%
Outside labor force	1	4%		
Total	25	100%	24	100%

Source: interviews with former counterparts in January–March 1999.

Table 9. *Average earnings of former counterparts working for government, before during and after projects*

\$ Per month	Agriculture	Economic management	Total
<i>Before project</i>			
Average earnings from government	28	16	23
Average earnings from other sources	44	28	38
<i>During project</i>			
Average earnings from government	17	16	17
Average earnings from supplementation	114	134	123
Average total earnings from project	131	150	140
Average earnings from other sources	5	43	23
<i>After project</i>			
(a) Did not find another project			
Average earnings from government	14	13	14
Average earnings from other sources	137	92	111
(b) Found another project			
Average earnings from government	11		11
Average earnings from supplementation	228		228
Average total earnings from project	239		239

Source: as for Table 8.

Of course, former counterparts who leave government, or remain but work only part-time, are not a loss to Cambodia. A social cost/benefit analysis would record a benefit to the economy. But it is presumably not the main intention of TA to prepare government officers for nongovernment work.

A technical-assistance alternative to projects, that has its supporters among top government officials, is scholarships for international post-graduate courses. The obvious danger of such courses is that participants will delay their return home, perhaps indefinitely. A tracer study of Australian Development Scholarship (ADS) graduates (mostly at Master's level) found evidence of this, but the rate of overstaying was perhaps lower than expected (Yeo, 1999). Of 57 government officials who went to Australia in this program since 1994, almost all completed their courses successfully. Fifty of them had returned to Cambodia by early 1999: the remaining seven, or 12% of the total, were still in Australia though they had finished their studies. Interestingly, none of the women (a quarter of the awardees) had overstayed. No data on earnings are reported, but a large proportion (of the 40 who were interviewed) were supplementing their earnings by outside work. Forty-three percent claimed to be working full-time for their ministries (but some of them admitted doing private work during lunch-times, in the evenings and at weekends), 32% worked less than full-time for government, 20% worked full-time outside the ministry while still on its

staff, and 5% had left the ministry completely. Of those interviewed, 45% reported that they were making full use of their training, with another 38% reporting partial use. This outcome looks comparable with other modes of training. Only 20% reported monetary gains from studying in Australia, although 42% said that their responsibilities had increased.

Although the tracer study makes recommendations for improvement in the selection process, selection criteria, preparation for studies, and follow-up, there is no doubt about the benefit to Cambodia of this excellent program. As with other comparable projects and programs, however, its contribution to capacity building in the public sector (the ostensible aim of the ADS scheme) is weakened by the slow pace of administrative reform, reflected in low salaries which force more than half of the graduates who return to support themselves by work outside their ministries.

7. CONCLUSIONS

Cambodia's experience since 1993, then, suggests that most projects have been donor-driven in their identification, design and implementation, to the detriment of capacity development. The chronic underfunding of government, to which this is related, hinders implementation of projects and threatens post-project financial sustainability.

In early 1995 the World Bank had suggested a phased strategy for technical assistance and capacity building in Cambodia, with three five-year phases (World Bank, 1995, p. 49), as follows.

(a) The prerequisite phase, "during which the most basic and essential economic, social and administrative needs are identified and met and the agenda for the next phase is developed." Key elements of this phase include a reorganized public sector, an appropriate structure of civil service incentives, establishment of local training facilities, and establishment of the laws and judicial system needed for the management of a liberal economy.

(b) The capacity building and institutional development phase, by the beginning of which the crucial prerequisites should be largely in place.

(c) The consolidation phase, during which the government "should be in a position to identify its assistance needs effectively and to manage its own development at all levels."

In the first, prerequisite phase, "substitution" technical assistance, short-term and focusing on "the implementation of specific technical tasks rather than on longer-term goals such as strengthening local capacities" (p. 50) would play a critical role. But the transition from phase one to two would involve a gradual switch from substitution TA to technical assistance for capacity building and institutional development. If the first phase is assumed to have started in September 1993, with the adoption of the new constitution, it should have been over by the time interviews for this research began in September 1998. In fact, none of the key elements identified by the Bank as prerequisites for effective capacity building and institutional development were in place by then.

To some extent, then, the problem of this particular aid-dependent economy is that it has become stuck in the prerequisite phase of technical assistance. The circular process of aid dependence, outlined in the introduction, has been found to be alive and well in Cambodia. A government with one of the world's lowest ratios of revenue to GDP pays its civil servants less than a living wage; as a result, they seek refuge in salary-supplemented projects, largely owned by donors and implemented outside normal government structures in sectors to which government gives little funding; those who are unsuccessful in this search work outside government in order to survive; when

projects finish, they leave little behind in the way of institutions, because of the mode of their implementation and because the officials who worked on them, no longer salary-supplemented, look for new projects or outside work; of the four dimensions of capacity development only one, imparting skills to individuals, is achieved, largely to the benefit of nongovernment sectors; neither donors, competing with each other for the best counterparts rather than collaborating, nor top government officials, happily supplemented, exert effective pressure for a rise in pay for public sector employees, etc.

An exit from this circle will take time. The preconditions for the capacity building phase need to be established before Cambodia can move onto the consolidation phase. This will involve some kind of "deal" on technical assistance between government and donors, the elements of which are already fairly clear. The most urgent single priority is to abolish project-related salary supplementation and, instead, ensure that key government officials are paid a living wage for full-time commitment to their work. This will require agreement between government and donors on: the creation of a transitional Salary Fund into which donors will pay an amount equivalent to what they would otherwise have spent on salary supplementation or other incentives; and agreement on a timetable for the transfer of responsibility for financing this Fund from donors to government.⁵ This proposal would fit well into the plans to create a core group of civil servants "for Priority Missions," currently being discussed by those responsible for administrative reform in Cambodia. This would make it easier for the government to play a more active role in design and (transparent) selection of projects and personnel, with its concern extending to ways of reducing the cost of projects without reducing their effectiveness, and to monitoring and evaluating performance. The immediate aim should be for government to achieve at least the same degree of ownership of grant-aided projects as it already has of loan-funded projects. In addition, the concept of the Project Implementation Unit (PIU) should be re-examined and alternative ways explored of managing assistance through normal government structures, without affecting transparency and efficiency.

A Report from the Council for the Development of Cambodia to the April 2000 pre-consultative group meeting in Phnom Penh,

Building More Effective Partnerships for Development in Cambodia (Council for the Development of Cambodia, 2000), is a useful step in this direction. The report attributes the lack of genuine progress in capacity building to: the proliferation of formats/demands by donors with regard to rules and procedures for procurement, disbursement, reporting, accounting and audit; the setting up of parallel systems (PIUs, etc.) that put more priority on reporting to donors than to government, while competing with government for qualified personnel; the topping-up of civil servants' salaries in donor-funded areas; and the excessive reliance of donors on expensive experts from their own countries, who are given too much say in the implementation of donor-funded activities. The CDC report sees the solution as "a comprehensive public sector reform program that would ensure that the public sector focuses on a more limited yet appropriate agenda with a smaller workforce that would be better motivated and paid." It looks forward also to cautious and selective implementation of a Sector-Wide Approach on a pilot basis in selected sectors (health, education, rural infrastructure, governance, and private and financial sector development).

Given the vested interests on both sides, progress toward more effective partnerships is unlikely to be smooth. For one thing, Cambodia has been struggling with plans for administrative reform since 1995 and it is not yet certain that the government has assumed real ownership of such plans (Kato, Kaplan,

Chan, & Real, 2000, pp. 60–64). But the effort is worth making. Technical assistance, as it has operated so far, has done a reasonably good job in developing individual capacity. The time has come to move into a new phase of reduced aid dependence, in which the capacity that has been created can be fully utilized within reformed structures.

More generally, the lesson from Cambodia's experience for technical assistance in other aid-dependent economies is *not* to withdraw assistance from them. If dependence is seen as an obstacle to capacity development, then TA in such economies should be centrally focused on reducing it—by emphasizing other dimensions of capacity development in addition to the individual, and by transferring ownership to government as fast as possible. Governments, in turn, should understand why many donors want to own projects. Usually, it is because they are aiming at efficiency, impact, innovation, experimentation, speed of implementation, visibility or control, and they may see a conflict between these aims and conceding ownership to government and thereby developing its capacity. Donors need to be convinced that there is no such conflict or that, where a conflict exists (as with loss of control or visibility) the benefits of a government-owned process outweighs its costs. Certainly, no reform of development assistance, whether incremental or toward a Sector-Wide, a Partnership or a Common Pool Approach, will succeed unless it recognizes and manages wide differences of opinion on these issues between and within donor and recipient countries.

NOTES

1. The definition of technical assistance (or, in their usage, technical cooperation) used by the statisticians at the OECD Development Assistance Committee (DAC) is "both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad; and (b) payments to consultants, advisors and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance provided to facilitate the implementation of a capital project is omitted from technical cooperation in statistics of aggregate flows." In this paper, in line with Cambodian practice, TA is defined to include investment-related assistance.

2. The average annual cost of a Cambodian staff member was reported to be \$6,588 in eight projects

executed by NGOs and UNV, and \$15,690 in 16 projects executed by multilaterals, bilaterals, companies or government. These cost include other labor costs besides basic salary and in non-NGO projects some overheads, but they imply salaries very much higher than those available in government.

3. Van der Heijden (1987), cited by Edwards and Hulme (1996).

4. If anything, outside earnings are likely to have been understated by respondents.

5. Back-of-envelope calculations suggest that a Salary Fund might bring more benefits at lower cost to donors than supplementation. Twenty-four projects covered by

our research reported spending \$3.5 million in salary supplementation for around 6,600 counterparts in 1998. The same amount of money disbursed to a Salary Fund at an annual rate of, say, \$1,300 per senior, \$900 per middle-level and \$500 per lower-level official would have covered about the same number of people. The elimina-

tion of multiple payments to individuals and of competition between donors lowers costs and may increase commitment on the part of officials both to projects and to following them up. Moreover, the transitional nature of the Fund means that costs to donors will fall to zero over time.

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