

Making Decentralization Work: Building Local Institutions in Cambodia

by

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Submitted to the Department of Urban Studies and Planning in
Partial Fulfillment of the Requirements for the Degree of

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Abstract

This dissertation examines the dynamics of decentralization in a highly centralized, institutionally constrained, and externally resource-dependent environment. It uses a case study of Seila, a decentralization program in Cambodia, based on extensive fieldwork from 1996 to 1999. Initiated in 1996 by UNDP, the Seila program took a different path from other rural development programs by working through established provincial and local development structures on a pilot basis in five Cambodian provinces. It provided grants to target communes and selected sector along with the introduction of decentralized systems and mechanisms and the provision of capacity building at provincial and local levels.

The findings of this study suggest that the Seila program has been able to establish decentralized systems and mechanisms to deliver local services and to influence macro level policy reforms on decentralization in three ways: by a delicate balancing act between process and output, by developing capacity and institutional networking at various levels, and by gaining support of various key institutional actors including provincial and local authorities, central government, donor agencies, and NGOs.

The literature on fiscal federalism and on participatory and governance focuses on the primacy of either process or output. Contrary to these views, the close links between process and output have encouraged local communities to undertake collective action and have engendered accountability and responsiveness from provincial and local authorities. By building capacity and developing strategic partnerships, both at horizontal and vertical structures, provincial and local development committees have effectively managed local demand. Thus, these findings confirm the emerging literature on decentralization that developing effective local governments requires wholesale capacity building and establishing a broad spectrum of support networks. The support from key institutional actors, which enabled the Seila program to sustain its field-level initiatives and to buttress them through institutional and policy backing from central government, suggests that decentralization is indeed both a political decision and outcome of consensus building among politicians and decision makers.

Thesis Supervisor: Paul Smoke
Title: Associate Professor

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Chapter 1

Introduction

Many developing and transition economies of varied historical legacies, political persuasion, and economic orientation have embraced decentralization in the last two decades for a host of political and economic reasons.¹ On normative grounds, decentralization is desirable because it promotes allocative efficiency, encourages citizens to participate actively in decision-making, and increases accountability of local politicians and bureaucrats (Rondinelli, 1983; Prud'homme, 1994; Dillinger, 1994; Manor, 1999). International donor agencies have taken decentralization a step further by advancing the notion that it could address a variety of economic and political issues such as poverty alleviation, rural development, and local governance (Parker, 1995; UNDP/CARERE, 1996; UNCDF, 1995; Romeo, 1997 & 1998; Blair, 1998; Litvack *et al.*, 1998).

Decentralization can be defined as the transfer of power of the state to lower levels of authority, and the institutions and processes through which such transfer occurs.² The conceptual bases of decentralization, which were developed in a Western context, have been challenged in terms of their practical applicability for designing and

¹ Dillinger (1995) estimated that 63 of the 75 transition and developing economies with a population of more than 5 million transferred power to political units of government or are in the process of decentralizing.

² Rondinelli (1984) identifies four types of decentralization: deconcentration, delegation, devolution, and privatization. Of these categories, two major types are in current use: deconcentration and devolution. Deconcentration involves transfer of planning and decision-making to local administrative offices of the central government. Devolution refers to the transfer of legal control of deconcentrated ministries and resources to political actors and institutions at lower levels of government. The concept of decentralization has considerably evolved from its original meaning of decentralized planning and administration in the 1970s to fiscal and democratic decentralization in the 1990s (Parker, 1994; Manor, 1999; and Blair, 1998). In this study, the term decentralization refers to a combination of administrative, fiscal, and democratic decentralization.

implementing decentralization programs in developing countries. Fundamental to the workings of these normative models is a precondition that subnational governments already have sufficient constitutional and/or legal powers as well as managerial and technical capacity to enable them to discharge their decentralized responsibilities (Smoke, 1989; Dillinger, 1994). These models implicitly assume well-established systems and mechanisms that enable constituents to express their preferences and local governments to respond to their demands. In many of the countries that have embraced decentralization, however, these preconditions or processes are lacking or are still in the process of being established and developed.

This dissertation examines the dynamics of decentralization at the micro level focusing on the processes and outcomes of decentralization in an institutional environment characterized by a highly centralized administrative and fiscal systems and structures and weak institutional capacity at central and local levels.³ Using a decentralization program called Seila in Cambodia as a case study, I analyze how decentralized processes and mechanisms for determining and responding to local preferences have allowed for collective participation in decision-making and promoted accountability of local officials and bureaucrats in an environment where provincial and local administration have limited institutional capacity for planning and implementation and are largely dependent for technical and financial support; and where other service providers exist, such as donor agencies and NGOs, with more extensive experience in performing such functions. How did provincial and local administration perform their

³ Institutions are socially constructed rules and constraints which govern behavioral relations among individuals or groups; they are the structures within which human interaction takes place and the framework within which actions are required, allowed, or prohibited. They are the rules of the game of society (North, 1990).

decentralized functions and responsibilities despite initial capacity constraints? What forms of cooperation and institutional relationships have been developed by provincial and local level institutions to overcome their institutional constraints? What roles did provincial and local authorities, central government, donor agencies, and NGOs play in advancing decentralization in Cambodia?

This research addresses three major concerns. First, this study advances our understanding of a country-specific decentralization experience at the micro level specifically in a low-income country with weak institutional capacity, and identifies key institutional factors and conditions under which decentralization can work. Second, it provides insights on how two variants of institutional arrangements in project selection and implementation influence patterns of institutional outcomes in participation⁴, sustainability, capacity building, and institutional linkages. Finally, this research hopes to contribute to the national policy dialogue in the formulation and implementation of a decentralized rural development strategy in Cambodia and in other similarly situated countries.

After three decades of implementation, the literature on decentralization has not provided any definitive conclusion on whether countries that have adopted decentralization programs have actually realized expected benefits. Neither has the literature produced any solid evidence that decentralization results in positive outcomes with respect to poverty alleviation, rural development, or local governance (Manor, 1996). In a four-country case study by Crook and Manor (1994, p.218), the authors found an overwhelming weight of evidence that decentralization "...will do little or nothing

directly to benefit vulnerable groups (such as women and the poor) or to alleviate poverty, where this involves specific programs targeted on defined groups”.⁵ This is especially in cases where elite groups tend to have more influence at the local level and uses it in a more exploitative manner. At best, positive outcomes of decentralization on local development, service delivery, participation, and accountability have been limited and mixed (Manor, 1999; and Smoke, 1999).⁶

Instead, many of these studies have advanced *a priori* notions and prescriptions on decentralization that tend to change every decade. Numerous studies were produced on how administrative decentralization ought to be done in the 1970s, and similarly, on fiscal decentralization in the 1980s, and on political reforms and governance issues in the 1990s.⁷ Studies have also tended to focus at a macro level on the comparative advantage between local governments and central governments or between government and non-governmental organizations.⁸

Few studies have attempted to validate *ex post* whether decentralization actually improves service and infrastructure provision, engenders community participation, and increases accountability of local officials to the expressed needs of their communities. Also, little effort has been made to understand the institutional framework in which local governments operate and whether such an environment has influence on the outcomes of decentralization. Further, many studies have focused mainly on examining outcomes of

⁴ I am defining participation in this case as participation by villagers in problem identification, project selection, and prioritization, implementation, and monitoring. This also includes local contribution of cash, labor, and materials from project beneficiaries.

⁵ The countries included: India (State of Karnataka), Bangladesh, Ghana, and Cote d'Ivoire.

⁶ See for an extensive discussion on the benefits and disadvantages of democratic decentralization (Manor, 1999) and fiscal decentralization (Smoke, 1999).

⁷ Literature on decentralization in the early 1980s focused on administrative decentralization. See Cheema and Rondinelli, eds. (1983); Cheema and Rondinelli (1983); Human Development Report (1983); Rondinelli, et. al (1984); Rondinelli and Nellis (1986); World Development Report (1986).

decentralization in urban areas of emerging economies. Yet few have paid close attention to whether gains in both allocative and productive efficiencies are realized when decentralization is adopted by poor and rural based economies.⁹

Several of the newly emerging literature argues for a more nuanced perspective on decentralization indicating the interplay of various institutional actors that could potentially make decentralization work. Contrary to theoretical assumptions, local governments do not seem to function autonomously from other institutions such as central governments, donor agencies, NGOs, and other service providers (Tendler, 1997; Leonard, 1983; Rondinelli, 1983). Rather, they develop various types of institutional relationships or linkages in order to overcome institutional constraints or bottlenecks in planning, implementation, and financing. Evidence indicates that positive results, such as efficient public service delivery, is not an outcome of decentralization as such but is a result of a three-way dynamic interaction between central government, local government, and NGOs (Tendler, 1997).

Alternatively, success is the result of factors external to decentralization (Crook and Manor, 1994).¹⁰ In cases where decentralization has been successful, support provided by the national government has been critical to ensure the success of local governments in performing their devolved functions (Rondinelli, 1983; Leonard, 1983). According to Crook and Manor (1994) it is a combination of resources, levels of participation, accountability, and mechanisms of institutional accountability that help to

⁸ See Tendler (1997).

⁹ See Prud'homme (1993) "The Economics of Decentralization in Very Low Income Countries" which examines the implications of decentralization in Madagascar on allocative and productive efficiency.

¹⁰ The authors note that the State of Karnataka had a long experience with representative institutions at state and national levels that had bred ideas in the popular minds to demand better services from public employees. They said that, in time, decentralization can foster this irreverent and assertive attitude from ordinary people; but, until it exists, decentralization cannot be expected to perform impressively as it did in Karnataka.

explain good performance of local governments. Smoke (1999) argues that successful decentralization depends on its design and implementation which requires putting in place building blocks on which to base additional reforms, and embedding those reforms in the political realities of the country. These building blocks or “prerequisites” include a mechanism to determine local preferences and ensure accountability of local officials; institutional, technical, and managerial capacity; and access to resources by local governments to meet their responsibilities.

The remainder of this chapter is organized as follows: Section 1 surveys the relevant literature on fiscal and democratic decentralization. Section 2 provides a brief background on Cambodia and its decentralization program. Section 3 discusses the field research and methodology and finally, Section 4 outlines the structure of the dissertation.

1.1 Evolution in Thinking on Decentralization

Many developing and transitional economies began decentralizing in the 1970s and early 1980s and continued well into the 1990s for a host of political and economic reasons. The initial impetus for decentralization stemmed from widespread dissatisfaction with over-centralized planning and administration that had not produced expected results of distributing the benefits of development to a wider segment of the population.¹¹ In the 1980s, the demand for decentralization became even greater as many of these countries experienced severe macroeconomic imbalances that required central governments to devise ways of transferring responsibilities for service and infrastructure provision as well as financing and management to local governments. In the 1990s, the notion of

¹¹ See Killick (1976) for a discussion on the crisis of development planning. For an extensive exposition on the experience of planning in developing countries, see Waterston (1966). In defense of development planning, see Rosenstein-Rodan (1943), Scitovsky (1954), Tinbergen (1955), and Hirschman (1970). See Manor (1996) for a summary of literature on why commandist regimes were considered desirable after World War II.

decentralization has further evolved emphasizing fiscal autonomy and, in countries in transition to democracy, incorporating political reforms and local governance in the decentralization agenda.¹² Yet despite extensive and costly efforts, only modest progress has been made to advance fiscal decentralization (Smoke, 1999). More recently, there has been a growing interest in decentralization as an alternative strategy for rural development to address the issue of poverty alleviation in lieu of the failed integrated rural development approach.¹³

The evolving thinking on decentralization and the modest progress achieved in realizing their expected benefits point the need for examining the conceptual bases of decentralization and determining whether and how decentralization could be made to work in light of different economic, institutional, and political context of countries adopting it.

1.1.1 Normative Bases of Decentralization

Several strands of theory, particularly on fiscal federalism and liberal democracy, have provided a largely normative argument for decentralization, posited on a central theme that local governments are the best form of organizing efficient delivery of services. It assumes that local politicians will provide the goods and services that match

¹² In the early 1990s, fiscal decentralization became the focus of the decentralization discourse. Literature originating from the World Bank and IMF sustained the debate. See for instance, World Bank (1999), Prud'homme (1994), Shah (1995), and Tanzi (1995). Studies on several countries came out of the Bank's interest in decentralization, including ones on Argentina (1990), Peru (1990), Venezuela (1992), the Philippines (1992), Indonesia (1992), Poland (1992) and Russia (1992). Towards the mid-1990s, USAID and UN agencies, such as the UNCDF and UNDP, began to focus on the issue of democratic decentralization. See for example, Romeo (1995 & 1996), and Blair (1998). Lately, the World Bank has begun to incorporate governance in its democratic decentralization literature. See Parker (1995) and Litvack, et.al (1998).

¹³ See Hans Binswanger and Anwar Shah Request for Research Support Budget Funding, "Decentralization, Fiscal Systems, and Rural Development" Revised Proposal. June 24, 1994. World Bank, Washington, D.C., and Parker (1995).

the preferences indicated by their constituents who have both the means and the incentives to express their demands.¹⁴ The public choice literature, on the other hand, posits that politicians and bureaucrats are largely driven by their rational self-interest.¹⁵ The new institutional economics literature assumes bounded rationality of institutional actors and the existence of the “agency” problem which opens possibilities for opportunistic behavior.¹⁶ It argues, however, that performance of institutional actors can be altered when they are made vulnerable to outside pressures or face an incentive structure that regulates their behavior (Ostrom *et al.*, 1993; Israel, 1987; Hirschman, 1970). Variants of the new institutional economics move away from hierarchies and the “agency” problem to focus on institutional cooperation.¹⁷ The literature argues that economic actors create institutions and processes that allow for continuous discussion of learning, sharing, and getting feedback from the learning process.

According to the theory of fiscal federalism, welfare gains can be achieved when distribution and stabilization functions are performed by the central government while allocative functions are assigned to local governments (Oates, 1972).¹⁸ Under certain

¹⁴ Oates (1972), Smith (1985), Dillinger (1994).

¹⁵ Earlier work on public choice theory or what is called the “new political economy” included that of Tullock (1965), Downs (1967) and Niskanen (1971), which build on the assumptions that rational bureaucrats are motivated by career advancement and that their behavior promotes weak accountability and inefficiency. See Mueller (1997).

¹⁶ The new institutional economics literature can be generally categorized into two general approaches, one focusing on transaction and information costs and the other on the theory of collective action. The transaction cost economics combines the concepts of bounded rationality and opportunistic behavior. See Coase (1960, 1988), Hart (1988), Williamson (1985, 1991). The theory of collective action primarily deals with the problem of free riding. See Olson (1965), Hardin (1968), Brennan and Buchanan (1985), Nabli and Nugent (1989).

¹⁷ See Sabel (1993), Amorim (1993), Tendler and Amorim (1996), Tendler (1997).

¹⁸ According to the Musgravian model of tripartite public sector functions (Musgrave and Musgrave, 1984), stabilization activities are essentially macroeconomic. If subnational governments have their own money supply or control over monetary policy, obvious problems arise. Distribution functions are justified largely on factor mobility and interjurisdictional income disparities within a country. Both views have been challenged by Gramlich (1987).

assumptions and circumstances, this theory argues that there are differences in tastes and preferences for goods and services across jurisdictions and that only a decentralized government can provide a match between the preferences and tastes of individuals and the levels of outputs to be consumed.¹⁹ In a decentralized system, it is assumed that individuals are to articulate their preferences through the electoral process.²⁰ The theory further claims that smaller jurisdictions provide advantages of directly relating expenditure decisions to real resource costs and of promoting greater possibilities for experimentation and innovation that can lead to improvements in overall resource productivity.

The normative political basis for decentralization follows a similar line of argument. Under the theory of liberal democracy, which provides the basis for democratic decentralization, local governments are assumed to be better able to respond to the demands of their communities because they possess intimate knowledge of their localities through a two-way flow of information between the government and the public (Smith, 1985).²¹ The mechanisms that allow this interaction are citizen participation in public policy decision-making and the enforcement of accountability of politicians and

¹⁹ There are exceptions to maximizing welfare gains through decentralization, including services that exhibit economies of scale and interjurisdictional externalities (Oates, 1972; Smoke, 1989).

²⁰ Alternatively, people could move. Tiebout (1956) popularized the notion of “voting with the feet” by indicating that people will move to an area where a local government can provide them the goods and services they want. Smoke (1989) noted that this is an unrealistic assumption particularly in many developing countries where people, for cultural reasons, do not move frequently.

²¹ There are different definitions of what constitutes democratic decentralization. Manor (1996) equates democratic decentralization with devolution or the transfer of resources and tasks to lower levels of authority which are wholly independent of higher levels of government and whose officials are elected. He argues that the election of mayors who used to be appointed represents the democratization of the political system. The de facto transfer of powers from the central to the local governments is a process of both democratization and decentralization.

²² The writings of De Tocqueville (1835) and John Stuart Mill (1861) extolled the values of democratic decentralization. Mill, for instance, praised local government for providing opportunities for political participation to those who would not have such a chance in national politics.

bureaucrats through voting, political associations, and the exercise of freedom of speech.²² According to this theory, active citizens will elect and hold accountable individual representatives who in turn make substantially superior decisions.²³ The theory rests on two fundamental assumptions that: subnational governments have relative autonomy from the central government, and that institutions are organized in a democratic manner.

These normative assumptions and expectations about decentralization, while providing a framework for analysis, do not easily lend themselves to practical applications, particularly in the context of a developing country. Both theories have assumed the existence of established and functioning political and economic institutions and the corresponding mechanisms that allow local residents to voice their preferences and politicians and bureaucrats to respond to their demands. However, these theories have not addressed several issues including the need for a legal and regulatory framework appropriate for defining mandates and responsibilities of local governments, particularly in terms of spending and taxing powers; the relationships of local governments with other institutions such as the central government, donor agencies, and NGO's; their capacity or lack of it for carrying out devolved responsibilities; and the incentives and mechanisms that influence the way politicians and bureaucrats respond to the claims of their constituents.

1.1.2 Questioning the Comparative Advantage of Local Governments

²³ John Stuart Mill (1861) defines accountability of local governments as the right of individuals grouped in local communities to self-regulation. A more contemporary definition of accountability relates to the bureaucrats' accountability to elected officials and the accountability of the latter to the citizenry.

The assumed comparative advantage of local governments over central governments in the provision of services has been challenged particularly on its assumptions about how allocative efficiency is derived and how it is achieved.²⁴ On *a priori* grounds, several commentators have argued that in many developing countries potential gains from revealed preferences are not significant because differences across jurisdictions stem not from differences in tastes but in income (Smoke, 1989; Prud'homme, 1994). In many of these developing countries, the problem is not in matching demand with supply but in satisfying basic needs which need not be revealed because they are already known (Prud'homme, 1994). While this assertion tends to simplify the task of ascertaining the needs of poor communities for certain types of goods and services, it clearly makes a point that in many developing countries what is important is how to obtain information in order to provide basic services that satisfy the conditions of allocative efficiency.

In many developing countries, processes and mechanisms for expressing preferences, such as the electoral process or any alternative means for “voice” and “exit”, either do not exist or are still underdeveloped.²⁵ Some argue that, even in cases where such mechanisms do exist, for example when local elections are held, local officials are elected on the basis of party loyalties or ethnic affiliations and not for what

²⁴ Allocative efficiency means that economic efficiency is attained by providing a mix of goods and services that corresponds more closely to the differing tastes and preferences of individuals. Productive efficiency, on the other hand, means that welfare enhancing gains can be made if expenditure decisions are tied closely to real resource costs. In other words, local bodies will be able to deliver goods at a lower cost than national agencies because residents are more likely to weigh the benefits of the good or service against its actual costs (Oates, 1972; Musgrave and Musgrave, 1984; Smoke, 1989; Prud'homme, 1993 and 1994).

²⁵ Hirschman (1970) argue for an organizational arrangement that would provide consumers the option to increase their influence (“voice”) or to take their business elsewhere (“exit”). These could work through formal electoral processes or through alternative means of articulating preferences, such as, the use of local taxes and user charges.

they can do for their constituents. And even if they want to respond to their constituents' demands, they do not have the resources to do so.²⁶

Another challenge to the efficiency argument is the tacit assumption that local governments and local bureaucrats are able to provide services better than central bureaucracies. Prud'homme (1993,1994) argues that decentralization can in fact lead to loss in production efficiency in two possible ways: first, due to incompetence of local bureaucrats, and second, through higher overhead costs or indirect expenditures. He points out that productive efficiency can be lost when local bureaucrats are less qualified than their central counterparts in undertaking activities that require complex technical and managerial capabilities. Empirical evidence indicates that, in cases where there is lack of capacity, governments respond to the issue in different ways. In her 1992 study of decentralization in Tunisia, Khellaf finds that provision of a local waste water collection and treatment was re-centralized in order to realize production efficiency. Findings of a study on municipal local government in Colombia, however, suggest that municipalities are able to meet their devolved responsibilities effectively when their capabilities are upgraded and when they are given an active development role (Parker, 1995).

On his second argument, Prud'homme (1993) demonstrates through a case study of Madagascar that the introduction of another level of government can result in losses in both allocative and productive efficiency. He asserts that high overhead costs can lead to productive inefficiency when these expenditures cannot be compensated for by revenues collected by the periphery. He further claims that allocative efficiency can be lost when high overhead costs reduce the total amount of public expenditures that

²⁶ These general observations have been made by Crook and Manor (1994) in their four-country case study and by Blair (1998) in his six-country study on democratic local governance.

otherwise could be made available for providing local public goods and services. Crook and Manor (1994) suggest that decentralization is bound to entail start-up costs and is likely to involve more government expenditures but that it shows enough promise on its own merits to justify long-term central government support.

1.1.3 Explaining the Performance of Local Governments

The fiscal federalism theory has also ignored the importance of incentive structures that influence the behavior of local politicians and bureaucrats. According to the institutional economics literature, institutional actors such as politicians behave in accordance with what helps them to advance their political careers, while bureaucrats respond to rules that provide rewards and punishment in their organizations. In other words, bureaucrats pursue their own agenda, which does not necessarily coincide with the interests of local politicians. Therefore, nothing gets done to respond to the needs of the communities.²⁷

Proponents have suggested normative solutions through modifications of the perverse incentive structures faced by politicians and bureaucrats. This implies altering organizational rules to allow more “voice and exit” options to the local population, and thus to make politicians more vulnerable to their constituents. These include enhancing the lines of communication between providers and demanders through elections and through alternative means of articulating preferences including user charges and local taxes (Dillinger, 1994). One strand of thought posits that local residents have a higher chance of articulating through “voice” if there is greater specificity of the output for which an entity is responsible (Israel, 1987). Another school of thought suggests that there is a higher probability of constituents participating in the process if the transaction

costs are lower in the articulation of “voice”, thereby increasing its net benefits (Ostrom, et al., 1993).

Empirical evidence on this issue is limited and mixed. In authoritarian regimes where voters have relatively little experience in choosing their candidates, they are unlikely to make a connection between an election and a local government’s responsiveness as an instrument to express demands (Blair, 1998). Manor (1999) argues, however, that in a representative democracy where elections take place on a regular basis, citizens will eventually acquire a taste for rejecting poorly performing officials, and incumbents and potential candidates will in turn grasp the meaning of accountability and over time will reasonably improve their performance.

Even in countries where local officials are appointed, there are several instruments and mechanisms that can make local officials accountable to their citizens. Citizen complaint centers are used in South Korea (Dillinger, 1994). Opposition political parties and civil society exert pressures in the cases of the Philippines and India (Crook and Manor, 1994; Blair, 1998). Contrary to a priori arguments on the behavior of politicians and bureaucrats, empirical studies indicate that they do not necessarily always behave in opportunistic ways. In Northeast Brazil, for instance, there are accounts of government workers’ dedication and a sense of “calling” in their work which led to improved performance of state organizations. These are explained by several motivating factors including trust between government workers and their clients and citizens in general, open recognition by government of workers’ dedication, and greater discretion and responsibilities assigned to government workers (Tendler, 1997).

²⁷ See footnote 16 for citations on institutional economics literature.

Commentators have also suggested that normative arguments for decentralization have defined away the existence of conflicts inherent in the structure of local society and in the unequal distribution of power, particularly in cases of the absence of the right to vote. In many instances, participation is concentrated in the hands of the local elite who dominate the arena of decision-making (Smoke, 1989; Binswanger, 1994; Tandler, 1997).

Crook and Manor (1994) in their studies in South Asia and West Africa found that poorer, low status groups are less likely to influence decision-making and therefore receive fewer benefits than do more prosperous groups. The authors found evidence, however, that participation could grow over time through regular holding of elections and through associational activities within all sections of society even when there has been no history of lively civil society.²⁸ Tandler (1997) in her study of Northeast Brazil found that, while the poor have not participated actively in public decision-making, their welfare has been advanced by the local elite through the institutionalization of a process that allows for competing views to be put forward and heard.

1.2 The Country Case: Cambodia and the Seila Program²⁹

Cambodia is a country of 11.4 million people. It has a per capita income of about \$290 in 1999, making it one of the poorest countries in the region and in the world.

Agriculture is the main source of employment in the country.³⁰ The rural areas account

²⁷ Putnam (1993) in his influential work on Italy demonstrated that pre-existing associational life determines the robustness of civil society, which in turn influences the sustainability of democratic success in implementing decentralization.

²⁸ Paucity of secondary published data is one of the major problems encountered in doing research on Cambodia. For instance, published statistical reports only started coming out in 1996. Publications are usually political in nature and only in recent years are some development-oriented. My familiarity with the country, after my having lived and worked there for 18 months, helped me in putting together basic data on the case.

³⁰ About 78 percent of the gainfully employed population works in the agriculture sector, followed by services and trade (17 percent), and industry (5 percent) (1996 Socio-Economic Survey of Cambodia, National Institute of Statistics, Ministry of Planning).

for about 80 percent of the country's total population, but some 90 percent of poor households reside in them. While the national poverty incidence was 36 percent in 1997, poverty was 40 percent in rural areas compared to 11 percent in Phnom Penh and 30 percent in other urban areas. Rural poverty in Cambodia is, however, lower than in its Indochina neighbors – Vietnam (47 percent) and Lao PDR (53 percent)-- but still considerably higher than in other East Asian economies.

The country's almost two decades of civil strife, particularly during the Khmer Rouge regime (1975-1979), resulted in the virtual elimination of its educated population and the destruction of many of its social, economic, and political institutions.³¹ Thus, the early 1990s saw an unprecedented situation where external institutions, mostly NGOs and multilateral agencies, were involved in directly executing emergency and rehabilitation projects with minimal government involvement or consultation.

Access to basic services in Cambodia is poor, particularly in health services, education, water, and sanitation. Access varies according to economic status, with less access for the poor population in rural areas (1997 Human Development Report, UNDP; 1996 Socio-Economic Survey of Cambodia, Ministry of Planning). In comparison to its Indochina neighbors, Cambodia's access to basic services ranks low. Based on available comparative data, only 13 percent of the population in Cambodia has access to clean water compared to 32 percent in Lao and 47 percent in Vietnam (World Development Report, 1999/2000).

³¹ During the Pol Pot regime, an estimated one to two million people lost their lives. Many of these were educated professionals. Formal education was also abolished during this period. Between 1979-1989, the Vietnamese-backed People's Republic of Kampuchea moved towards a centrally planned economy but was unable to enforce a doctrinaire command and control economy because of the virtual absence of experienced people to run the state. The economic and political structures of the country at the time of the national reconciliation in 1993 have their origins in the framework of central planning established in the 1980s.

Cambodia's decentralization program, which is called Seila was initiated in the context of developing the rural areas by means of providing financial and institutional support through the rural development structures.³² The Seila program is implemented on a pilot basis in 5 of the 24 provinces in the country for a period of five-years (1996-2000) and has an estimated budget of about \$55 million.³³ It is working through decentralized rural development structures that consist of a provincial rural development committee and its technical secretariat, commune development committees, and village development committees.³⁴ The support provided to various levels of the rural development structures sets the Seila program apart from other donor-driven and NGO funded programs which generally work only through village development committees or are directly implemented without any institutional links to provincial and local administration. The Seila program provides funds primarily for small-scale infrastructure projects identified through the local and provincial planning process yet some provinces such as Pursat has diversified its investment portfolio to finance non-infrastructure projects (Chapter 3).

The Seila program is set against the backdrop of a highly centralized government in Cambodia. Administrative and fiscal decisions are made at the center, thus making subnational governments mere agents of the central government. The general lack of capacity in planning and implementation across all levels of governments, especially at local levels, has been exacerbated by inadequate domestic resources. It has also led to continued dependence on donor agencies for technical and financial support. Moreover,

³² Seila is a Sanskrit word which means foundation stone.

³³ The five provinces are: Battambang, Banteay Meanchey, Pursat, and Siem Reap in the Northwest ; and Rattanakiri in the Northeast.

bypassing provincial and local administration has reinforced their lack of capacity to provide services directly to their constituents.

Recent legislation, however, indicates that the central government is moving towards granting more responsibilities to provincial and local levels (Chapter 2). The Provincial Budget and Management Law of February 1998 transfers limited responsibilities on budget and management to provinces and cities and bestows on them some decision-making authority on revenues and expenditures. Moreover, laws on commune election and commune administration which are currently under consideration by the National Assembly will potentially extend real autonomy to 1,600 communes in the country.

1.2.1 Conceptual Bases of the Seila Program

Unlike other decentralization program in most developing countries, the Seila program is not a top-down decentralization process under which one-time legislation drives its implementation.³⁵ Rather, the Seila program was intended to pilot a set of decentralized systems and processes consistent with the specific institutional context in which they would operate. The overarching objective of the Seila program is to use the experiences of the five provinces in decentralized approaches in planning and financing to advance the decentralization process in Cambodia.

The design of the Seila program was patterned after the local development fund which is espoused by the United Nations Capital Development Fund (UNCDF).³⁶ The

³⁴ Commune chiefs are ex-officio heads of CDCs who are appointed by the provincial governor while members of the VDCs are elected by villagers.

³⁵ Examples of these countries include Indonesia and the Philippines. (See Smoke and Bastin on Indonesia, 1993).

³⁶ Since the mid-1990s, UNCDF has supported 17 LDF programs at different stages of implementation in 14 countries including East and West Africa, South and Southeast Asia and the Middle East. Total financial investment of the LDF is in the neighborhood of \$150 million (Romeo, 1999).

basic premise under the local development framework is that local governments have comparative advantage over other institutions in providing responsive local public services to rural communities. Under the Seila program, various functions in planning, financing, and management are transferred to various levels of the rural development structures. This transfer of responsibilities is based on the assumption that it will lead to greater participation of beneficiaries and improved accountability of provincial and local authorities. In turn, it is assumed that both will result in improved delivery of services and, subsequently, a reduction of poverty in rural areas (UNDP/CARERE, 1996; Romeo, 1997 & 1998).

The Seila program provides assistance to sectoral and local levels in an all encompassing manner that includes capital investment, institutional development, and capacity building. The process of institutional development has been undertaken by extending capital grants along with the introduction of decentralized systems and processes, and the provision of capacity building to provincial and local levels.

The local development fund approach is one of the competing demand-driven models that has emerged since the so-called failure of supply driven approaches in the 1970s.³⁷ The Seila program is different from other demand-driven models such as the Social Fund of the World Bank because it specifically directs its assistance to local governments. Social Fund works directly with local communities (Chapter 4).

1.2.2 Donor-Driven Support for the Seila Program

Like most decentralization initiatives in developing countries, the Seila program is donor driven. It was spearheaded in 1996 by the United Nations Development Program (UNDP) and administered through its project called Cambodia Rehabilitation and

Regeneration (CARERE). UNDP primarily funds the technical assistance component of the Seila program and obtains support from other donor sources for capital investment including the United Nations Capital Development Fund (UNCDF), and other bilateral sources, such as the Swedish International Development Agency and the Dutch government (Annex 1.1). In the last two years, funding of the Seila program has broadened to include funds from the national government for capital investments, from International Fund for Agricultural Development (IFAD) for sector funding in agriculture and from the World Bank for the reconciliation component.³⁸ The Seila program has also entered into field-level co-financing with donor agencies such as with the United Nations Children's Fund (UNICEF) through its Community Action for Social Development (CASD) project and the World Bank through the Social Fund.

Despite involvement of other donor agencies in the Seila program, CARERE and UNCDF are the two key donor players in the Seila program. CARERE as an organization has been in existence since 1992 in charge of directly implementing quick-impact projects to provide basic infrastructure and services in the four Northwest provinces which received a high concentration of repatriated Cambodians from the border camps of Thailand.³⁹ The transformation of CARERE from a direct deliverer of infrastructure and local services to one that involves institutional development and capacity building was a strategic choice in anticipation of Cambodia's transition from rehabilitation to development. CARERE's shift in orientation was made when most of the donor agencies

³⁷ See Tendler (1999).

³⁸ CARERE has expanded its work to reconciliation areas, or areas which have been recently freed from Khmer Rouge administration.

³⁹ CARERE1 (Cambodia Resettlement and Reintegration Program) was launched in mid-1992 by UNDP following the Paris Peace Accord of 1991. CARERE1 was primarily conceived to be a program for resettlement and reintegration of refugees who were repatriated from camps in Thailand and for internally

and NGOs were still providing services directly to rural communities. The reincarnation of CARERE under a developmental mandate was called CARERE2 to distinguish it from its rehabilitation origin.

CARERE is the principal project agency and administrator of the Seila program. It executes, monitors, and oversees the piloting of the Seila program through its provincial offices. At the national level, CARERE is the key advocate of the Seila program which it undertakes through two main channels. One, through the Seila Task Force, which was established in December 1997 upon persistent lobbying by CARERE, an inter-ministerial body for providing policy oversight and guidance to the Seila program. CARERE provides logistics and technical support to the Seila Task Force and through it coordinates the review and oversight of the Seila program and orchestrates national level collaboration and dialogue on the Seila program in particular and decentralization issues in general. Another, through a CARERE sponsored annual tri-partite review participated jointly by national and provincial counterparts, and donor agency representatives. CARERE serves as the locus of donor coordination for the Seila program through the annual tri-partite donor review and regular informal contacts with donor agency representatives.

UNCDF's role in the Seila program is equally important but less visible compared to that of CARERE. Its main contribution to the Seila program is the systems design and monitoring of the local planning process and subsequently, in spearheading upstream activities including technical advice in the formulation of the Decentralized Development Fund and the laws on commune administration and commune election. UNCDF has

displaced persons (IDPs) affected by the conflict. The program was primarily involved in providing emergency, quick-impact basic rural infrastructure projects that were required by refugees and IDPs.

worked closely with UNDP/CARERE during the formulation phase of the Seila program and in the pre-testing of the local planning process. In the early phase of the Seila program, UNCDF was the main project funder of the local planning process in the pilot areas in Battambang and Banteay Meanchey. It has continued to fund these activities along with other donors in the five pilot provinces. The partnership between CARERE and UNCDF has continued through the program's main phase implementation and in the formulation of its second phase. UNCDF also takes on an advocacy role in support of the Seila program, in particular and the local development approach, in general through active policy dialogue and collaboration with other donor agencies such as the World Bank.

1.3 Field Research and Methodology

The data and information in this study were collected during several field visits in Cambodia: from June 1996 to December 1997, during May-July and December 1998, and from May to September 1999. Between June 1996 and December 1997, I was affiliated with UNDP/CARERE in Cambodia and was stationed in Pursat province. My affiliation with UNDP/CARERE provided an opportunity for me to interact with local, provincial, and national government counterparts as well as with CARERE management, staff, consultants, and advisors. I gained valuable insights about provincial and local capacities in planning and implementation, as well as about the institutional relationships of provincial governments with central agencies, line ministries, NGOs, and donor agencies in the delivery of local services. My consulting work with the World Bank and the UNCDF during the course of my field research also provided me with a more nuanced perspective on how other development programs in Cambodia have been designed and

implemented, and how donors interact and work with central and local government agencies.

During my field visits, I collected data on public investment expenditures, and on administrative and fiscal legislation related to decentralization and rural development. However, I was handicapped by the dearth of longitudinal fiscal and administrative data in Cambodia due to the protracted civil war that began in the 1970s and ended in the early 1990s. I also used studies published by research institutes such as the Cambodia Research Development Institute (CDRI), as well as evaluation reports by donor organizations such as UNDP/CARERE, the World Bank's Social Fund, and the UNCDF regarding performance of rural development projects in service delivery.

I conducted my fieldwork in two of the five pilot provinces of the Seila program, Pursat and Battambang, and visited a total of 8 districts, 11 communes, 13 villages, and 25 projects. I also visited a number of projects financed under the World Bank's Social Fund that were outside the Seila target areas. I spent three-fourths of my time in the provinces of Pursat and Battambang and the rest in the capital city of Phnom Penh.

The sample areas in Pursat and Battambang were chosen because they are perceived to be "successful" or better performing characterized by three key features: participation of beneficiaries, responsiveness of local officials, and capacity in planning and implementation of projects. The sample areas were selected after several consultation meetings and discussions with the Seila/CARERE staff in the provincial offices and with local counterparts. The sample areas are generally in remote, inaccessible, and far-flung locations and most of them have gone through more than one planning cycle. In my field visits, I found that these three qualities do not manifest uniformly across sample areas but

it is the combination of these three factors along with other external factors that contribute to better performing and sustainable projects.

The majority of the data in this study was obtained through extensive and in-depth interviews at the local, provincial, and national levels. The interviews were conducted in Khmer through a local interpreter of which two accompanied in my field visits in Pursat and Battambang. The questions were open-ended based on an interview outline prepared in advance for each type of respondent. The interviews usually lasted for an hour or more and follow-up interviews were made whenever necessary. I asked questions related to how projects have been identified, funded, and implemented, and whether they match the needs expressed by villagers. For instance, I asked how do and which, villagers participate in project selection, implementation, and maintenance of projects. Do they make local contributions to the project? What benefits do they get from participation? (Annex 1.2).

Local interviews were conducted at district, commune, and village levels. For each sample district, a commune and one or two villages were selected, and then, for each sample village, one or two projects were visited. Prior to each visit, advance information was sent to key officials at the district, commune, and village levels about the purpose of the meeting/interviews. Generally, half a day was set aside for each interview with district officials and another half day for interviews with commune representatives. A day and a half were normally spent in each village; this usually involved spending a night in the village to have more time for interaction with villagers, key officials and members of village development committees, and members of village development subcommittees on construction and maintenance. Group interviews with villagers were conducted without

the presence of village development committee members. Key members of village development committees and their subcommittees, commune development committees, or provincial rural development committees were interviewed separately, and, in most cases, without the presence of a CAREERE staff. I also visited village and commune-level projects, usually for road, well, or school building construction.

Interviews at the provincial level included key officials and staff of the provincial rural development committee; representatives of line agencies and departments including Planning, Economy and Finance, Tax, Education, Health, Women's Affairs, and Rural Development; CAREERE provincial managers, staff, and advisors; and members of the NGO community. Project data were collected from district, commune, and village levels as well as from CAREERE, provincial rural development committee, line departments and NGOs. Data on provincial revenues and expenditures were obtained from the provincial Department of Finance and Economy.

At the national level, a series of interviews were conducted with representatives of donor agencies, including UNDP/CAREERE, the Swedish International Development Agency, PRASAC, the World Bank, GTZ, UNICEF, and the World Health Organization (WHO). In-depth interviews were also undertaken with representatives from central agencies such as the Council for the Development of Cambodia (CDC) and from central ministries including Planning, Finance and Economy, Interior, Health, and Rural Development.

1.4 Structure of the Dissertation

The rest of the dissertation is organized as follows. Chapter 2 provides an overview of the fiscal and administrative structures of government in Cambodia. It

examines how these structures have evolved over time and how these have influenced the way provincial and local administration provide for local services. Chapter 3 examines how the Seila program's decentralized systems and mechanisms have influenced the performance of provincial and local development structures in local service delivery, focusing on the experiences of two pilot provinces, Pursat and Battambang. It identifies key factors that enabled the Seila program to establish decentralized systems and mechanisms. Chapter 4 analyzes Social Fund's mechanisms and processes in project selection and implementation and patterns of institutional outcomes, and compares them with those of the Seila program. Chapter 5 summarizes the key findings of the study and discusses their policy implications for Cambodia's decentralization and for other countries which are similarly situated.

Annex 1.1: Sources of Capital Grants of the Seila Program, 1997-2000

Sources/Donor	Year/Amount (in thousand US dollars)				
	1997	1998	1999 (Estimates)	2000 (Projection)	Total
UNCDF	500,000	1,072,000	967,474	465,000	3,004,474
Sweden	360,000	215,000	165,000	260,947	1,000,947
The Netherlands		512,400	-		512,400
World Bank*			500,000		500,000
DFID*			150,000		150,000
UNDP/TRAC*		99,000	-		99,000
SFKC**			2,000,000	-	2,000,000
RGC			250,000	500,000	750,000
Total	860,000	1,898,400	4,032,474	1,225,947	8,016,821

* Funds earmarked for reconciliation areas

**Funds to be allocated for LDF and sector activities, proportion yet to be determined.

Source of basic data: UNDP/CAREERE. Phnom Penh, Cambodia.

Annex 1.2: Types of Information and Data Collected

Types of Information	Sources of Information	Method of Obtaining Information	Sample Information/Questions:
IA. Provincial profile	Provincial Development Plan; 1996 Socio-Economic survey; 1998 census data; budget and project documents	Secondary data collection, supplemented by semi-structured interviews (SSI)	Provincial budget and expenditures, number of projects implemented by local governments and other service providers; socio-economic data, such as income and employment, etc.
IB. Commune/village profile	Commune and village development plan; PRA data; commune data base; 1998 census data	Secondary data collection supplemented by SSI	Access to local public services, household assets, village organizations (pagoda committees, credit associations, etc), number of projects implemented in commune/village
IC. Project profile (health and water supply)	Project documents from CARERE, Social Fund, NGO, line departments, and rural development structure	Secondary data collection supplemented by SSI	Location, budget, project beneficiaries, local contributions, implementation arrangements
IIA. Participation of villagers in planning, implementing, and maintaining projects.	Villagers/project beneficiaries, members of the VDC, and village chiefs	Key informants, SSI, and direct observation	How do and which, villagers participate in project selection, implementation, and maintenance of projects? Do they make local contributions to the project? Who makes the final decisions? What benefits do they get from participation?
IIB. Villagers' opinions on service delivery	Same as above	Same as above	IB. Do projects meet the needs expressed by villagers? Are projects approved and completed on schedule? Are villagers better able to express their needs under the Seila process? Are these needs responded to? Are villagers satisfied with services provided? Do they have better access to services now than say, three years ago? Has the quality of services improved? How often do service providers

			visit the village and what kinds of support they provide?
III. Performance of local governments and other service providers: process and mechanisms in planning, financing, and implementation	Provincial governor, PRDC secretariat chief, facilitation and technical team members, representatives of line departments, NGOs, Social Fund	SSI, direct observation	Number of projects implemented in last three years. How are projects selected and approved? How are funds allocated and who makes the final decision? What is the duration of the entire project cycle? Who is responsible for planning and implementation of projects? Who is responsible for monitoring this process? Are local government workers able to respond to the needs of villagers? Are there constraints or difficulties in responding to the needs of villagers? Are there benefits in involving villagers in the process of planning and implementation? Are there benefits or costs to local governments?
IV. Donor Agency	CARERE Provincial program manager, advisors, and local staff.	SSI	How are communes and villages selected under the Seila/CARERE project? How are funds allocated to local governments? How and what is the duration of the project cycle? Is there adequate capacity of local governments to plan and implement projects? What types of support are provided to local government? Who is responsible for monitoring the performance of local governments in terms of technical capacity and transparency in selection and allocation of funds?

Chapter 2

Nature and Context of Decentralization in Cambodia

2.1 Introduction

This chapter provides an overview of the country's administrative and fiscal structures and examines how these structures have evolved over time and how these have influenced the way provincial and local administration provide for local services. It highlights a highly centralized form of fiscal and administrative framework that is handicapped by lack of institutional capacity and inadequate domestic resources. These constraints at the central level are reflected at the local level where practically all major development projects are financed and directly administered by external donors. It examines how uncoordinated donor-supported rural development programs using different institutional arrangements could potentially advance or hinder the country's nascent decentralization process. All these factors combined provide insights into the complex economic, political, and institutional environment in which decentralization is being implemented in Cambodia.

Cambodia's present provincial and local administrative systems and structures retains its legacy from the French colonial period where provincial and local administrative units are supervised by functionaries appointed by the central government and organized primarily to carry out orders from the center. The unchanging structure of provincial and local administration, however, belies changes that have progressively altered their relationships with the central government, line departments, other local service providers, and local communities. I will argue that the confluence of several factors ---economic, political, and institutional --- has influenced the changing

relationships between these various institutional actors. Local institutions called the rural development committees have been established at some provincial and local levels. They incorporate features of a devolved local government and operate parallel to and in conjunction with the provincial and local administrative structures and have gradually altered the separate relationships between provincial and local administration and deconcentrated line ministries.

The fiscal relationship between the center and the provinces has also been changed despite attempts at re-centralization in the early 1990s. During the Socialist period, the provinces enjoyed fiscal autonomy from the center resulting in their profligate spending which led to macroeconomic imbalances. Since late 1980s, the central government's attempt to control the provinces has been eroded by its own institutional lack of capacity to provide financial and technical guidance. As a result, it has, de facto, ceded these responsibilities to external funding agencies and NGOs.

The evolving changes in administrative and fiscal relationships between the center and provincial and local administration, however, have occurred only in certain parts of the country where the Seila program is operational. While the Seila program is the government's flagship program for decentralization, this has not prevented major donor agencies like the World Bank from funding similar development activities in the country. These programs uniformly purport to address rural poverty and to promote participatory and demand-driven approaches but they are often uncoordinated and use a variety of alternative institutional arrangements. Different institutional arrangements, however, could retard the development of nascent local governments into institutions capable of planning and financing projects, and thus affect their ability to deliver local services.

This chapter is organized as follows: Section 2 outlines recent policy changes in support of the decentralization process. Sections 3-4 provide a historical overview of Cambodia's administrative and fiscal structures and systems and how these have influenced the ability of provincial and local administration to provide for local services. Section 5, discusses the planning, financing, and implementation for local services and examines how donor agencies and NGOs have influenced these processes. Section 5, analyzes how the commitment and the capacity of the central government as well as competition and interaction within central government ministries and among donors and NGOs could have far reaching implications in promoting or undermining decentralization efforts in Cambodia. Finally, this chapter concludes by highlighting the key challenges in advancing a broad-based decentralization in Cambodia.

2.2 Evolving Policies in Decentralization

The decentralization movement in Cambodia is not embodied in the country's constitution but is evolving based on a series of policy changes and amendments to laws by the central government, primarily in response to pressures from donor agencies. For their part, these donor agencies have provided technical, financial, and institutional support to the central and provincial and local administration to advance the decentralization process in Cambodia. Despite an early policy pronouncement that called for a decentralized framework and approach to rural development and sweeping and generalized administrative reform proposed under the 1995 National Program for Administrative Reform (NPAR), active national government support for decentralization has gained momentum only in recent years.

Early policy statements in support of decentralization have been expressed in official documents such as the Five-Year Socio-Economic Development Plan (SEDP), 1996-2000, of the Royal Government of Cambodia. The SEDP provides a general framework for a decentralized and participatory approach to rural development.⁴⁰ A key component of this decentralized and participatory approach is the development of institutions at provincial and local levels to formulate and implement coherent local development programs and activities. This approach entails the establishment of a new rural development and management structure consisting of successive levels.⁴¹ These are the provincial rural development committees, the commune development committees, and the village development committees. The provincial rural development committees are composed of appointed provincial and district authorities and deconcentrated line ministries. Members of commune development committees consist of appointed local authorities at commune and village levels and heads of village development committees who are directly elected by the people.

Another key policy reform instrument was embodied in the 1995 National Program for Administrative Reform (NPAR).⁴² The NPAR called for, among others, defining relations between provincial administration and deconcentrated line ministries

⁴⁰ Cambodia's transition from rehabilitation to development has been reflected in a shift in its planning orientation, from command and control to a participatory and decentralized process; and from ad hoc measures to a comprehensive, development-oriented planning process. At the national level, this began with the formulation of a two-year rehabilitation plan covering the period 1994-1995, followed by the preparation of the Five-Year SEDP for 1996-2000. The SEDP outlines the country's medium-term development objectives and sectoral strategies. It is accompanied by a three-year rolling plan for development expenditures, the Public Investment Program (PIP).

⁴¹ Decision No. 2 of 1999 eliminated the District Development Committee from the rural development structure (RDS). It also stipulated the coordinating role of the Ministry of Rural Development and its provincial branches in all levels of the RDS. Prior to the amendment, the Provincial Departments of Planning provided the coordinating and technical support to the RDS.

⁴² The NPAR was executed by the Inter-ministerial Technical Commission for the Reform of the Administration and co-presided by the Chairman of the Council of Ministers.

and strengthening competence of the provincial administration.⁴³ However, reforms that were envisaged under the 1995 NPAR were not achieved partly because the government did not have the political will to push through with the reforms and partly because the international consultants who were providing technical backstopping could not surmount the bureaucratic morass.⁴⁴ Donor support was lackluster and uncoordinated which did not help in advancing the reforms envisaged under the NPAR.

Recently, NPAR has been reconstituted under the Council of Administrative Reform (CAR), with support from several donor agencies including the UNDP and the World Bank. It is expected to pursue a similar program for reforming the state bureaucracy.⁴⁵ However, it remains to be seen whether and how this reform program can make significant strides; it will largely depend on the central government's commitment to pursue the process and the donors' continued interest and coherence in supporting the central government. It is also critical that reforms undertaken under the CAR on governance and capacity building are informed and linked to field level experiences of the Seila program and other similar initiatives on the ground.

National government support for decentralization has gained substantial momentum only in the late 1990s, as indicated both by several policy pronouncements and by increased institutional support. In the last two years, several policy measures were endorsed by various central ministries in support of the Seila program. These included the

⁴³ The NPAR had five major components: 1) restructuring the state; 2) strengthening the management of operational ministries; 3) civil service reform; 4) development of public administration and human resources; and 5) strengthening the management of provincial administration.

⁴⁵ Personal communications with UNDP advisor and senior advisor to the MEF.

⁴⁴ Under sub-decree #165 of 10 June 1999, the Council of Administrative Reform (CAR) replaces ITCRA. CAR is chaired by the Senior Minister of the Presidency of the Council of Ministers. The CAR is pursuing reforms involving four main themes: rule of law, good governance, enhancement of human resources, and management of change.

following: 1) the creation of the Seila Task Force, an inter-ministerial body providing policy oversight and guidance to the Seila decentralization program. A proposal for the establishment of the Seila Task Force was originally held in abeyance due to some reservations from the national government. But in December 1997, it was formally endorsed; 2) the establishment of a decentralized development fund (DDF), a centrally managed mechanism for transferring donor funds to the provinces. Its creation was made under the sponsorship of the Ministry of Economy and Finance (MEF) in 1999. Since late 1999, the DDF has been in use to transfer funds from the World Bank and the IFAD to the five Seila provinces; and, 3) the transfer of capital investment funds from the national government to the Seila provinces in the amount of 800 million riels (US\$250,000) to fund projects prioritized by communes and villages. This transfer was sponsored by the MEF which was initiated through active lobbying by CARERE.

While several policy measures have been passed by the central government in support of the Seila program, an official policy pronouncement openly endorsing decentralization only came three years after its implementation. In his speech to the National Assembly on November 30, 1999 outlining the platform of the new coalition government, Prime Minister Hun Sen put emphasis on administrative reforms including the extension of autonomous management to some provinces and cities. This pronouncement marked a turning point in the government's support for decentralization and signaled the beginning of more serious efforts to extend autonomy to local levels.

Cambodia's legal and policy framework for decentralization is still in its incipient stage. One of these initiatives is the passage of the 1998 Provincial Budget and Management Law which restored to provinces some of the powers that were taken away

from them in 1993. Under this new law, certain responsibilities for local service provision and local administration as well as some revenues from tax and non-tax sources have been devolved to the provinces.

Yet the most significant step towards establishing real autonomy at the local level is the imminent holding of commune elections and the pending passage of a commune administration law which would define the authority and mandates of commune councils in local service provision.⁴⁶ The proposed commune elections in early 2002 are expected to create genuine local governments that are directly elected by the people. The Law on Commune/*Sangkat* Administrative Management, which has already been passed by the Council of Ministers, will give the commune councils formal responsibility to define the development needs of their communities. They will also be guaranteed access to regular finance from tax and non-tax sources and to transfers from the national budget. The forthcoming commune elections and the commune administration law will have far-reaching effects upon the dynamics within different tiers of the local administrative structure and between the center and local levels.

At the policy level, the broad-based application of these laws will have implications on how functions and responsibilities for both resource allocation and decision-making will be appropriated by central government to commune levels. At the operational level, donors and NGOs working directly with village development committees or with existing village organizations such as pagoda committees have generally bypassed the communes. Reconfiguring existing institutional arrangements to

⁴⁶ The holding of commune elections which was part of the UNTAC recommendation has been postponed several times because of political events that superseded it including the 1997 coup d'état and the subsequent holding of the second democratic national election in 1998.

make them cohere with the expected mandates for the communes will be a major challenge on the implementers of the commune law. The commune administration law will have to be reconciled with the current structures of both the rural development committees and the local development administration. In particular, this reconciliation will have to be done with the provincial rural development committees which are currently managing decentralized funds and with those provinces which will share responsibilities and resources with the communes for the first time. Moreover, the proposed commune council responsibilities will have to be aligned with the current roles and functions of operational commune development committees and village development committees.

How have some of these policy reforms been altering existing relationships between the central government and provincial and local administration? The succeeding sections outline Cambodia's administrative and fiscal structures and systems and examine how these policy changes are progressively altering the traditional relationships between local governments and the central government.

2.3 The Structure and System of Provincial and Local Administration

Administratively, Cambodia is divided into provinces (*khet*) and municipalities (*krong*). Each province is subdivided into districts (*srok*), districts into communes (*khum*), and communes into villages (*phum*). Municipalities or cities, on the other hand, are subdivided into wards (*sangkat*).⁴⁷ Under the 1993 Constitution, communes form the lowest level of the local administrative structure. Despite several changes in political regime since the country's independence in 1953, Cambodia's current provincial and

local administrative structure resembles that established during the French colonial period (Table 2.1). Under the 1947 and 1993 constitutions, the communes or village groupings, somewhat similar to French communes, are the lowest level of the local administrative structure. Prior to the civil war, communes were governed by councils of notables; these councils are somewhat comparable to the commune councils currently being proposed under the commune election law.⁴⁸ The structural resemblance of the present provincial

Table 2.1 Cambodia: Type of Provincial and Local Administrative Structure, by Regime, 1950-1993

Regime	Constitution	Admin. Structure/Head	Central supervision
Constitutional monarchy (1950-1970) Sihanouk	May 1947	Province: Governor 1/ Municipality: Mayor 2/ District: District chief Commune: Mayor/ council of notables	Ministry of Interior
Khmer Republic (1970-1975) Lon Nol	April 1972		
Democratic Kampuchea (1975-1979) Pol Pot	January 1976		
People's Republic of Kampuchea (1979-1989) Vietnamese-backed /Socialist regime	July 1981	Province: People's Committee (PC) District: PC Commune: PC Village: PC	Council of Ministers
Constitutional monarchy (1993-) Sihanouk/Hun Sen	1993	Province: Governor Municipality: Mayor District: District Chief Commune: Commune chief	Ministry of Interior

1/ Four border provinces - Koh Kong, Stung Treng, Ratanakiri and Mondolkiri - were under military governors. Important centers, such as Battambang and Kompong Cham, had a municipal commission headed by a mayor.

2/ Phnom Penh was administered like a province with a royal delegate to the municipality whose functions were similar to those of provincial governors and who were aided by a municipal commission.

Source: Compiled by author.

⁴⁷ See Cambodia's 1993 Constitution. Cambodia has 20 provinces and 4 municipalities; 182 districts; 1,632 communes; and 13,408 villages (1998 Census. National Institute of Statistics, Ministry of Planning, Phnom Penh, Cambodia).

and local administration to the French colonial period, however, pertains only to form but not to substance. Several writers have argued that power relationships locally and between local levels and the center have resembled that established during the People's Republic of Kampuchea (PRK) period despite the transition phase during the UNTAC period and the power sharing arrangement in 1993 between the Cambodia People's Party (CPP) and the royalist party, the National United Front for an Independent, Peaceful, Neutral, and Cooperative Cambodia, better known for its French acronym, Funcipec.⁴⁹ In provinces where the CPP is in control, many of the provincial governors and most of the commune chiefs are holdovers from the PRK period (Curtis, 1998; Ashley, 1998).⁵⁰

Although the 1993 constitution makes communes the lowest level of the local administrative structure, the village functions as an important unit for local planning and service delivery quite distinct from the commune itself. The importance of the village can be dated back to the PRK regime when it was the lowest level of the administrative structure and had an organic link with the center.⁵¹ The village-centered approach was further perpetuated in the late 1980s when donor agencies and NGOs, under emergency and rehabilitation pressures, often bypassed the center and intermediate tiers of the local administrative structure. Even with the country's transition from rehabilitation to

⁴⁸ See Area Handbook. 1963/1966. A mayor, selected from among council members, headed the council of notables.

⁴⁹ UNTAC was unable to dismantle the state structures established under the government of the People's Republic of Kampuchea, now the CPP. CPP's hold of the provincial and local administration persisted under the 1993 power sharing with Funcipec because of the latter's lack of human resources and experience, and subsequently its inability to gain its foothold of political control beyond the central level. For an extensive discussion of the 1993 power sharing arrangement see Curtis (1998) and Ashley in Brown and Timberman, ed. (1998).

⁴⁹ For instance, the provincial governor of Pursat, Ros Sreng, was the provincial party chief in Pursat in 1981 and remained governor of Pursat until 1998. Field interviews in Pursat and Battambang corroborated claims that most of the commune chiefs have occupied their post since the early 1980s.

⁵¹ Munson, et al. 1968. Area Handbook for Cambodia.

development, the practice of a village level approach has persisted in most of the donor-funded projects.

Under the 1993 provincial and local administrative structure, local authorities from the provincial governor down to the village chiefs are appointed and work under the direct supervision of the Ministry of Interior (MoI). Under this arrangement, local authorities at each level of the local administration are responsible to the next higher level and carry out instructions from the center that generally relate to routine activities like provision of security, information gathering, and conflict resolution. In general, provincial governors have influence over the appointments of district chiefs and in turn, district chiefs over the designation of commune chiefs.

Historically, relationships between local authorities and line departments have traditionally been separate and consequently, their activities at the local level have been uncoordinated. Executive agencies have had their branches at the provincial and district levels to execute instructions from the center and they have been responsible primarily to the center but not to the local administrators.⁵² In the 1990s, relations between local authorities and deconcentrated line ministries have been arbitrary and have varied depending on how each perceives the institutional strength of the other. In most cases, they respond to each other along party lines more than to the central authority.⁵³

The UNTAC and the NPAR have sought to define mandates and responsibilities of local authorities and line departments and to establish coherent relations between the two. Yet, as mentioned earlier, no significant progress was made on this regard because of lack of central government commitment and lackluster support from donor agencies.

⁵² See Area Handbook 1993/1996. See also the 1995 NPAR.

⁵³ Curtis (1998).

Thus, while provincial and district branch offices have been established since 1993, most of these agencies still have no clearly defined mandates and responsibilities nor budgets to run their operations.⁵⁴ This situation stems from the fact that even at the central level, most line ministries and agencies operate under mandates set during the UNTAC period and have yet to define their own responsibilities and their relationships to other ministries. Few ministries and provincial department offices have been able to define their mandates or develop institutional capacity and operational budgets sufficiently to execute their responsibilities.⁵⁵

The structural similarities between the present local administration and those of previous regimes belie more fundamental institutional changes that have evolved during the last three years. The establishment of rural development committees provided the framework for gradually changing the dynamics between local authorities and line departments. While rural development committees are structurally consistent with the local development administration, there are fundamental differences between the two in terms of function, membership, and process. Rural development committees at the village, commune, and provincial levels are intended to function as deliberative bodies. Under this institutional arrangement, the provincial governor is the ex-officio head of the provincial rural development committee yet decision-making is shared with provincial

⁵⁴ When I served as planning advisor in Pursat province in 1996/97, our planning exercises in Pursat included defining mandates for line departments. While the planning exercise was useful at the conceptual level, it was of no use at the implementation level because line departments seldom received funds from the center to execute their mandates. Most of the line departments were unable to undertake activities unless some donor funds were provided to them.

⁵⁵ For example, the Ministry of Health (MoH) has been provided with sustained and focused technical assistance by the World Health Organization which has fielded advisors at the central and provincial levels. Because of improved capacity, the central and provincial level health offices have begun to attract substantial donor funds and to assert themselves with respect to planning and coordinating activities funded by donor agencies and NGOs. MoH has established forums for sectoral coordination both at the central and provincial levels and for collaboration with other donor agencies in field implementation.

rural development committee members including district chiefs and representatives from line departments.⁵⁶

At the commune level, the commune chief heads the commune development committees but shares responsibilities with elected village development committee heads and village chiefs in the deliberations on resource allocation and management of commune activities. The most distinctive departure of the rural development committee from the local development structure, however, is at the village development committee level. Both the heads of village development committees and the other members are elected. Unlike the provincial governor and the commune chief who are ex-officio heads of provincial rural development committees and commune development committees respectively, village chiefs do not automatically become heads of village development committees unless the villagers elect them.

In practice, rural development committees have been formed or are operational only in some parts of the country. The Ministry of Rural Development (MRD), a central government agency with overall responsibility for the establishment and oversight of rural development committees, has been slow in establishing rural development committees across the country because of its limited technical and financial capacities. In places where they have been established, many of the rural development committees have not been operational because of the general lack of central government support in both training and financing. In areas where rural development committees are functioning, it is primarily because donor agencies and NGOs have supported them. But support from these external funding agencies has been aimed mostly towards the establishment of

village development committees and not at the entire rural development structures, with the exception of the Seila program.

The establishment and support of village development committees by external donors have generally resulted in the participation of villagers in the planning and the implementation of projects and in a greater mobilization of resources (CDRI, 1998). However, this village-centric approach has not been able to address problems of coordination among different local development actors including intermediate levels of local authorities, donor agencies, NGOs, and line departments.

The location of decentralized planning and implementation functions at various levels of the rural development committee structures offers possibilities for addressing coordination problems. In the Seila program, the rural development structure has been established at successive levels and their staff have been trained to manage funds and to oversee development activities. Under this arrangement, local authorities and line departments have learned to consult and to negotiate with each other in the planning, design, and implementation of local projects. The institutional capacity of rural development structures also plays an important role in gaining cooperation from line departments and other service providers including NGOs. Cooperation from other local actors, however, has not happened all at once but has been progressively developed over the course of the years as provincial rural development committees have begun to demonstrate their capabilities to plan and implement local projects (Chapter 3).

In provinces that do not have the resources to manage nor the capacity to plan and implement projects, local authorities have no influence over the planning and

⁵⁵ Representatives from donor organizations and NGOs could also participate in PRDC meetings as observers

implementation of projects by line departments. Thus, the traditional separation of responsibilities between local authorities and deconcentrated line ministries is generally maintained.⁵⁷ Line departments act upon directives handed down by their central ministries without consultation or, in many cases, without even the knowledge of local authorities.

2.4 The Structure and System of Public Finance in Cambodia

Cambodia has had a short episode of local fiscal autonomy. Prior to the passage of the Organic Budget Law of 1993, the central government had to depend on transfers from the provinces. Provinces were allowed to retain a portion of the revenues they collected including those from local public enterprises. This arrangement, however, led to considerable indiscretions in budget executions by local government units, resulting in severe macroeconomic instability (IMF, 1994).

Since 1993, fiscal authority has been highly centralized. The fiscal reform adopted under the Organic Budget Law of 1993 was framed with the objectives of macroeconomic stabilization and economic growth; but it can also be partly construed as an attempt at political consolidation by the national government. This law has provided for a single unified national budget consolidating the fiscal functions of central and provincial governments. Under this law, the national budget has been prepared by the Ministry of Economy and Finance (MEF), along with other line ministries, and passed by the National Assembly.⁵⁸ Revenue and spending powers have been centralized at the MEF. Provinces do not have the powers to raise revenues. When they execute

⁵⁷ Observed in field visits to provinces in Kampot and Kampong Cham. Backed up by interviews with officials of various line departments and central ministries.

⁵⁸ For an extensive discussion of the budget process see World Bank's 1999 Public Expenditure Review on Cambodia.

expenditure programs on behalf of the central government they act merely as its agencies. While the present system has apparently restored macroeconomic balance, it has deprived provinces of discretionary power over revenues that could have potentially enabled them to provide basic local public services.

2.4.1 Source of Financing for Local Services

Two key features characterize Cambodia's public finance, namely heavy dependence on external sources and highly centralized composition and distribution of public spending. Since the early 1990s, Cambodia has relied heavily on external sources to finance its public services. In 1996, donor agencies and NGOs supported more than half of the country's public service expenditures while the national government contributed the remaining 42 percent from its own-source revenues.⁵⁹ The national government budget, however, covered only current expenditures, with virtually all capital spending financed by external funds (World Bank, 1999).

Dependence on external sources is mirrored at the local level. The extent of local government dependence upon outside funding is exemplified by the fact that practically all major development projects in the countryside are financed by external donors (CDRI, 1998).⁶⁰ From 1994 to 1996, the central government allocated to the provinces an average of only about 21 percent of its own-source revenues, largely to meet salaries and wages of local authorities and line departments (Annex 2.1).⁶¹

⁵⁹ In 1996, donor agencies contributed 53 percent and NGOs 5.5 percent of total public expenditures (World Bank, 1999).

⁶⁰ Rural areas and provinces are used interchangeably here. More than 90 percent of Cambodia's population live in rural areas.

⁶¹ Current expenditures are estimated to account for 97 percent of local government spending (World Bank, 1999).

Donor agencies and NGOs have generally funded local capital investments such as education and health facilities, which they contracted outside ministries or administered directly, particularly during the rehabilitation phase. In 1994 to 1995, development assistance supported almost three-fifths of local public expenditures but went down to less than half in 1996.⁶² Between 1996-1998, donor agencies accounted for 89 percent of total official development assistance yet spent only 16 percent on the provinces (Annex 2.2). With the exception of the Social Fund of the World Bank, which continues to be administered by an autonomous government agency, most multilateral and bilateral agencies have begun to channel funds either through central ministries or directly to provinces and local levels since the mid-1990s.

On the other hand, the NGO community accounted for 11 percent of total official development assistance yet unlike donor agencies, they spent approximately two-thirds of their funds on provinces outside Phnom Penh. NGOs have continued to administer their funds directly. Some of the NGOs, however, while maintaining their independence from provincial and local administrative operations, have begun to collaborate and to coordinate their activities with them. Moreover, some of the NGO programs have started to mimic those that are currently being implemented by provincial rural development committees in the Seila provinces such as capacity building.⁶³

⁶² External funds allocated to the provinces from both donor agencies and NGOs may still be underestimated. The MEF does not have official records of the flow of actual donor funds to the provinces. In 1998, the CDC attempted to track information by requesting international NGOs to report funds allocated to the provinces. Initially, the report paid off, but it was not sustained in 1999. Cambodia does not have any enforceable requirements for an official registry and regular reporting of external assistance flows to the country.

⁶³ CONCERN, an international NGO with operations in Pursat province, mimics some of the program components implemented under the Seila program such as capacity building for local authorities and line department staff at the district level (Interviews with Provincial Manager of Pursat CONCERN and Provincial Manager of CARERE Pursat).

Aggregate figures on provincial share from external funding do not reveal the disproportionate allocation among provinces. Distribution has tended to favor better-off areas like Phnom Penh, the capital city, or those areas that are relatively urbanized and close to the capital, such as Kompong Speu, Kandal, and Takeo. The result has been that per capita expenditures in these favored areas have been much higher than the average per capita expenditures for other provinces. Between 1996-1998, Phnom Penh had a per capita expenditure that was ten times higher than the average per capita expenditure for the other provinces. This geographic distribution is inconsistent with the national government policy calling for greater allocation of resources to poorer areas.⁶⁴ The perpetuation of this distributional pattern may continue as long as Cambodia remains heavily dependent on external funding and the central government does not improve its institutional capacity to undertake effective programming and monitoring of external funds and to enforce its policy guidelines.

2.4.2 Initial Reforms at Fiscal Decentralization

Before 1998, provincial governments did not have separate budgets apart from their allocations from the budget of the Ministry of Interior (Table 2.2). The 1998 Provincial Management Budget Law passed on 10 February 1998 altered this arrangement. Under this law, provinces and cities are required to prepare their own budgets and to negotiate directly with the MEF.⁶⁵ Provinces are mandated to provide for certain local services and to meet current expenditures for the salaries and wages of their employees as well as for subsidies to districts, communes, and villages. To pay for these

⁶⁴ SEDP (1996-2000) states that investment allocations should favor rural over urban areas by a 65:35 ratio (Royal Government of Cambodia, Ministry of Planning, 1995).

⁶⁵ The new provincial budget process also requires provinces to prepare development plans.

local public services, provinces and cities are allowed to retain revenues derived from certain types of taxes and from non-tax sources (Table 2.2).

Under the new law, provincial expenditures are fixed at a historical level estimated at 35 billion riels (about US\$9.5 million), of which 20 billion riels will be funded from provincial revenue sources with the balance funded by transfers from the central government (Annex 2.3).⁶⁶ Central grants will be provided to fill the gap between projected expenditure levels and retained local revenues. These grants will be determined on the basis of historical expenditure-revenue patterns of individual provinces and cities.

Table 2.2 Revenue and Expenditure Functions of Provincial and Local Governments, Pre and Post-Reform:

Pre-Reform (Organic Budget Law of 1993)	Post-Reform (1998 Budget Law)	Proposed Commune Administration of 2000
<p><u>A. Revenue Functions:</u></p> <p>All revenues collected by local governments are transferred to MEF. Local governments' budgets are part of the Ministry of Interior.</p>	<p><u>A. Revenue Functions:</u></p> <p>1. Own-source revenues: provinces are allowed to retain some revenues they collect including:</p> <p>1.1 Tax revenues (taxes on vacant land, registration fees, patent fees, taxes on abattoirs, vehicle taxes)</p> <p>1.2 Non-tax revenues (user charges for electricity and water, rental fees for government properties such as markets and ferries, and other non-tax revenues).</p> <p>2. Transfers from central governments.</p>	<p><u>A. Revenue Functions:</u></p> <p>Proposed own revenue sources for communes include land tax, business and other licenses, rental or occupation tax, and contribution for capital development projects.</p>
<p><u>B. Expenditure Functions:</u></p> <p>No clear mandate on what local services local governments ought to provide.</p>	<p><u>B. Expenditure Functions</u></p> <p>Spending responsibilities are specified for the following:</p> <p>1.1 Local services: garbage collection, street lighting,</p>	<p><u>B. Expenditure Functions:</u></p> <p>Yet to be determined; to be divided between own functions and agency functions.</p>

⁶⁶ Personal communication, MEF (December, 1998). See also Consultative Group Paper, January, 1999.

	fire fighting;	
	1.2 Maintenance of roads, parks, drainage canals, school buildings, and hospitals; and	
	1.3 Salaries and wages of various levels of local administration.	

Source: Compiled by author.

The new provincial budget process, however, covers only current expenditures while capital investment programming remains centralized under the national Public Investment Program (PIP). Since there are no provincial PIPs, allocation for provincial and local level capital expenditures is in fact still dependent upon decisions by central ministries or is based on priorities by donor agencies and NGOs.⁶⁷ Revenue sources assigned to the provinces only account for less than 2 percent of tax revenues and for about 1.5 percent of total revenues (World Bank, 1999). Annex 2.2 indicates that the present level of local spending from the central government's own-source revenue is abysmally low. In 1999, average per capita expenditure for the province is equivalent to less than a dollar.

Fixing intergovernmental transfers at historical levels does not take account of differences in revenue capacities and expenditure needs across provinces. In absolute terms, better-off provinces such as Battambang, Banteay Mancheay, Takeo, and

⁶⁷ The recent PIP (2000-) includes capital investments for Phnom Penh. The process of PIP preparation, however, leaves much to be desired. Institutional capacity at the Ministry of Planning, which coordinates its preparation, remains weak and continues to depend on external technical assistance. For instance, the preparation of the 1999 PIP was not formalized, partly because of the repercussions of the July 1997 event but also partly because the technical assistance for PIP preparation from the Asia Development Bank was suspended. Institutional weakness has led to lack of compliance and underreporting from line ministries and semi-autonomous agencies which respond more to external donor agencies' requirements. Moreover, inter-agency coordination and clear delineation of responsibilities among the MoP, the MEF, and CDC also need to be further observed and enforced.

Kompong Speu get transfers from the central government by as much as those received by Stung Treng, Rattanakiri, and Mondolkiri which are some of the most economically backward provinces in the country (Annex 2.3). Per capita government spending, however, shows a mixed trend. For instance, Phnom Penh, notwithstanding a negative transfer, has a per capita expenditure higher than large provinces such as Battambang and Kampong Cham, but less than other backward provinces such as Mondolkiri and Pailin. Per capita expenditure in other poor provinces such as Rattanakiri and Preah Vihear is comparable to better-off provinces such as Siem Reap and Sihanoukville. While provinces with relatively large revenue bases have potentially greater chances of expanding their revenue yields through increased collection efforts, remote and sparsely populated provinces do not have the same possibilities because of weak taxable capacity. Underdeveloped provinces may have to get substantial transfers from the central government to provide for local services. The MEF, thus, needs to develop a system of intergovernmental transfers to address these differences, taking into account both equity and efficiency implications.

The revenue-sharing arrangement under the 1998 Budget Law implicitly provides incentives to provinces to increase their revenue collection efforts for two reasons. First, provinces can retain all revenues that they can collect from the tax bases assigned to them by the MEF. Second, the central government has fixed the amount of transfers to individual provinces. Thus, if provinces want to increase their levels of spending for existing local services or to expand their local service coverage, they can do so by improving their collection efforts.

Thus, to a certain extent, provinces may be able to potentially increase their revenues by improving collection efficiency. However, the extent to which provinces are able to expand their revenue yield is constrained by the available revenue bases, the inflexibility of the tax rates set by the MEF, and the provincial administrative capacities. The incentive for provinces to increase collection efficiency in order to improve or expand local service delivery also depends on whether there is pressure for them to do so in terms of being accountable both to the central government and to the local people.

Given that provincial and local levels are heavily dependent on external funding sources for local development activities, what is their potential to mobilize resources under the 1998 Budget Law? Revenue and expenditure data from the provinces of Pursat and Battambang provide some indications on the level and composition of revenue collection and spending of provinces (Annex 2.4).

Since the provinces merely acted as collection agents of the central government prior to the 1998 Budget Law, the fiscal performance of these two provinces is indicative only of their ability to collect revenues to cover their expenditures.⁶⁸ Under this arrangement, there was clearly no direct linkage between revenues and expenditures and thus no incentives for provinces to improve their collection efficiency. Deficit spending seemed to be the norm in these two provinces: provincial expenditures, which largely consisted of salaries and wages and subsidies for disadvantaged groups, far exceeded revenue collections.

⁶⁸ Provincial fiscal data are generally not available to the public and have to be obtained on the basis of personal contacts with government staff. Some of the provincial data may be inconsistent with aggregate figures. This is not surprising because the MEF does not collect and process data from the provinces on a systematic basis. The national budget is published annually in Khmer and French but is seldom referred to because there is a lot of discretion in its formulation and actual implementation.

Some of the tax bases assigned to the provinces offer some potential for increasing revenue yield and thus, provide possibilities for some level of local autonomy in spending. Based on data from Pursat province, four of the local tax bases account for roughly 35 percent of the total tax revenues collected by the province (Annex 2.4). The motor vehicle tax has showed a particularly buoyant yield, which grew by 142 percent between 1994-1996, reflecting increasing ownership of cars and motorbikes as the Cambodian economy experienced overall positive growth in those three years.⁶⁹ Registration fees and license taxes also seem to be good candidates in terms of yield and buoyancy. Market rental and other fees could also provide a potentially modest source of non-tax revenues for local governments. However, the potential contributions of user charges to local government revenues may not be realized even in the medium term unless drastic measures are taken to improve the operational efficiency of public utilities. Although some provincial public utilities have already been privatized such as in Pursat and Battambang, they have continued to operate at a loss and still receive subsidies from the central government.⁷⁰

The central government has also assigned to local governments tax revenues from vacant land. Tax collection from vacant land would require highly skilled personnel but which neither the central nor local governments have. The issue of administrative capacity in land taxation could be further complicated by the tenuous nature of property rights in Cambodia.⁷¹ Enforceable laws governing property rights are likely to take a long

⁶⁹ Cambodia's GDP grew at an average of 5 percent from 1994-1996. GDP growth dropped to 1 percent in 1997 because of the political coup d'état but higher GDP growth is projected for ensuing years.

⁷⁰ Local public utilities in Cambodia have collection problems such as non-payment by local government agencies that are no different from those many other developing countries.

⁷¹ Under the existing law, the state owns all lands. Citizens could own land use rights except for land under residential use. A new land law has already been approved by the Council of Ministers and is under review by the National

time to get into place and such changes are outside the control of the province and local levels.

Under the 1998 Budget Law, high yielding revenue bases have remained under central government control. For instance, income on government properties, comprising primarily of revenues from fishing lots and forestry concessions, contribute more than 71 percent and 46 percent respectively of total revenues of Pursat and Battambang, have been pre-empted by the central government. Its revenue performance, however, showed an erratic pattern which could be explained in part by the generally weak enforcement capacity of the Department of Economy and Finance (DEF).⁷² Weak enforcement capacity by the DEF is further complicated by a system which allows the Ministry of Agriculture of Fishery and Forestry to collect fees and charges without strict oversight from the MEF and the Treasury Department. This situation made some sectors unaccountable and better financed than others (World Bank, 1999).

Vesting more powers in local authorities to ensure compliance could potentially improve revenue collection in the provinces. The incentive to improve revenue collection efficiency, however, has to be linked to local government access to these revenues and accountability to ensure that these revenues are used to finance basic local services. However, developing local administrative capacity in revenue collection and providing incentives for revenue collectors to enforce regulations would both require reforming administrative and fiscal structures and systems. Such reforms could be effectively undertaken only by the central government.

Assembly. The new law allows private ownership of land. Land ownership has been a contentious issue in recent years because of pervasive land grabbing by powerful sectors especially the military.

⁷²Personal communication with the Director of DEF, Pursat Province.

The adequacy of local revenues with respect to expenditure needs of local governments is difficult to assess because there have been no systematic estimates about the budgets necessary for their newly devolved responsibilities. While the historical revenue and expenditure requirements of provinces provide some benchmarks, they are vastly underestimated and thus, need to be updated to reflect new roles assigned to local governments. Donor assistance to the provinces provides some approximation of the expenditure needs of the provinces, particularly on the capital side, but it also points to the serious challenge for the provincial administration to generate their own-source revenues and for the central government to increase transfers to finance both capital and current expenditures. The issue becomes more complicated with the impending commune election which will create an additional layer of the local administrative structure that will lay claim to its own-source revenues as well as to donor funds.

2.5 Planning, Financing, and Implementation for Local Services

Against these structurally centralized but evolving administrative and fiscal structures and systems, how do provincial and local authorities plan, finance, and implement local level services? How and to what extent do donor agencies and NGOs influence the provision of local services?

The involvement of provincial and local administration in development planning is minimal, primarily because of lack of technical and financial capacities. With the exception of the five Seila provinces, provincial planning has been dormant since 1995, when provincial five-year development plans were prepared to provide inputs to the national development plan. These plans were mainly compilations of provincial sector plans and were prepared without consultation at local levels and with local communities. These plans have mostly not been implemented nor updated.

Participatory local planning has been introduced and financed by donor agencies and NGOs. Their processes vary in scale and approach. They range from quick disbursing, top-down approaches, such as those employed by the Social Fund of the World Bank and PRASAC1 of the EU, to more participatory, decentralized approaches adopted by the Seila program, GTZ/PDP, and UNICEF/CASD (See Annex 2.5).

There are variations within the latter approaches in terms of scale and scope, ranging from village and community-based to multi-sector, multi-level types of planning. While there is no single local development planning approach in Cambodia, most project planning is village-based and sector-focused, using participatory rural appraisal (PRA) as a planning instrument to collect data for project formulation and to draw participation of villagers.

There are two general types of local planning. The first is simple information gathering for the purpose of project identification and formulation in circumscribed areas. This type of planning is generally done by NGOs. The second type is a more elaborate process for planning of projects that have multi-sector components (GTZ/PDP, PRASAC/EU), that target special groups such as women and children (CASD/UNICEF), and that formulate multi-sector, multi-level, and multi-year development plans (Seila/CARERE). Much of the planning done by multilateral and bilateral agencies falls into the second category, albeit with some gradations in scale and approach.

On one end are programs funded by NGOs that have generally low budget and that work in few villages. For example, Chumraen Chiet Khmer, a local NGO with a three-member staff, works in four villages in Koh Andet district in Takeo province through the village development committees (CDRI, 1998). Using PRA to obtain

information from and participation of villagers, it helps villagers through a food for work scheme in building ponds, irrigation canals, and schools, and in setting up rice banks and credit schemes that are managed by the village development committees.

On the other end are programs supported by bilateral and multilateral agencies like GTZ/PDP, CASD/UNICEF, PRASAC/EU, the Northeast project and the Social Fund of the World Bank, and the Seila program supported by UNDP. These organizations have multi-million dollar budgets and work both with government institutions and with partner agencies like NGOs and other donors. GTZ, through its Provincial Development Program (PDP) operates in 25 villages in the province of Kompong Thom and in other villages in the province of Kampot. It uses the PRA, which is facilitated by the Provincial Department of Rural Development (PDRD) to identify and develop village project proposals. GTZ/PDP works through a Provincial Implementation Committee (PIC) composed of provincial departments, such as agriculture, fisheries, and forestry; hydrology; and women's affairs. The PIC runs the day- to- day activities of the PDP and approves funding requests from villages while the PDRD acts as a coordinating agency.

CASD/UNICEF is active in eight provinces and works in about 280 villages. It mobilizes community groups to identify problems that affect the health and well-being of children and women, using a participatory approach called Triple-A, a variant of PRA. The Ministry of Rural Development (MRD) is responsible for coordinating CASD activities with the participation of other government ministries such as Women's Affairs, Health, Social Action, Labor and Veteran's Affairs, Planning, and Economy and Finance. Its provincial operation, which manages the day to day activities of the program, is comprised of staff from various government departments. CASD also has partnerships

with other donor agencies such as the UNDP through the Seila program in Battambang province, as well as NGOs to undertake implementation activities. Funding decisions on projects identified by villagers are, however, made at the UNICEF headquarters in Phnom Penh.

PRASAC of the European Union operates in six provinces near Phnom Penh and is active in about 350 villages. It uses consultancy missions to gather baseline information and adopts a rapid impact and community-based approach to achieve its targets. PRASAC works through government structures at national and provincial levels with representation from the Ministry of Agriculture, Forestry, and Fishery and the Ministry of Rural Development, as its formal counterparts. Provincial operations are managed by expatriate advisors along with counterparts assigned at each level of the rural development structures appointed by PRASAC.⁷³ Overall coordination and decision-making regarding project financing is made at the PRASAC office in Phnom Penh.

The Northeast Village Development Project of the World Bank is a pilot project in decentralized and participatory development approaches.⁷⁴ It operates in 4 provinces and 12 districts. It is administered by the Ministry of Rural Development (MRD) through a project steering committee at the central level and project implementation unit at the provincial level. The project implementation unit, whose members are appointed by MRD, works directly with village development committees in needs identification and in

⁷³ Under the first phase, three consulting firms operated in each of two neighboring provinces under co-managers appointed by PRASAC. PRASAC 2 assigns technical staff at province, district, and commune levels.

⁷⁴ This is also called a learning and innovation project, a World Bank parlance for a pilot project. The pilot component is expected to run for two years and the main phase for three years (Project Appraisal Document, World Bank, 1999). The project has not been fully operational as of August 1999.

project implementation. Financing decisions are made by MRD in consultation with the World Bank.

The Social Fund of Cambodia is another World Bank project designed to respond flexibly to meet small-scale community needs for rehabilitation and reconstruction of social and economic infrastructure at the local level. It attempts to cover the entire country and operates through an autonomous government agency based in Phnom Penh. The organization promotes demands for project funding by informing potential beneficiaries about the program. I will discuss the process of planning and financing of the Social Fund in more detail in Chapter 4.

The Seila program works in 5 provinces, 134 communes, and 1,444 villages as of August 1999. The Seila provinces have been able to produce local and provincial plans and implement projects primarily because of intensive capacity building and decentralized financing provided at various levels of the rural development structures by CARERE. I will discuss the process of planning, financing, and implementation of the Seila program in more detail in Chapters 3.

With the exception of the Seila program, local planning activities take place primarily in villages, through the village development committees or community groups, such as pagoda committees, credit associations, and women's groups. Villagers participate by presenting information and voting to choose priority problems, goals, and activities. Another form of participation is through local contributions provided by project beneficiaries themselves. There are variations in the extent and degree of local participation depending on how project facilitators motivate and encourage villagers' participation. In some projects, villagers contribute as much as 30 to 50 percent of project

costs. However, in other projects like the World Bank's Social Fund, local contributions are not mandatory and do not influence decisions by project funders in financing the project. Villagers who have not been involved in the planning, financing, and implementation of projects are more likely to be indifferent in the maintenance of such projects.

The most often repeated argument by donor agencies for working directly with communities is the lack of local level capacity. Communities are often incapable of the self-organization necessary to allow for a more participatory process of planning and implementation unless outside facilitators provided them with support to do so. Moreover, a community-driven approach without links to intermediate levels of the local administrative structure and deconcentrated line departments would have efficiency and capacity implications in resource allocation and implementation. Even the equity argument advanced by donors in support of their village-focused approach bears further examination because many donor agency activities tend to focus on better off and more accessible areas.

In many donor-funded projects, financing decisions remain at the center and are controlled by donor agencies through central ministries or autonomous government agencies. Only a few local authorities or rural development committees have been given the responsibility to make decisions in the allocation of funds, as in the Seila program. While planning and implementation are generally delegated to local communities, the procurement functions are generally withheld by donor agencies. Alternatively, even if procurement is on principle transferred to local communities, in practice donor agencies continue to dominate the process as in the case of the Social Fund of the World Bank and

in PRASAC of the European Union. The general lack of transparency and accountability in government transactions has often been cited by donors for continuing to control the process of decision-making in financing. But the same donor agencies do not attempt to build local capacity nor to institute accountability measures to enable local authorities or local communities to undertake these functions. Moreover, control of the procurement process by donor agencies through central ministries or autonomous agencies does not guarantee better performance by these actors unless they are also judged against a set of accountability measures that are credible and enforceable.

2.6 Roles of Various Institutional Actors in the Decentralization Process

The central government, donor agencies, and NGOs play a variety of important and complementary roles in the formulation and implementation of decentralization policies. What follows is an attempt at explaining how each stakeholder could contribute to or hinder the decentralization process in Cambodia.

2.6.1 Explaining Central Government Support

The central government has adopted a twin-strategy on decentralization which appears to be contradictory yet reflected the political realities of the country. On one hand, the central government has been supporting the Seila program and other similar participatory programs allowing external agencies to operate at the grassroots level with relative autonomy.⁷⁵ On the other hand, it has re-centralized fiscal control and deprived the provinces of their autonomy. The openness of the central government to donor agencies could be attributed in part to the country's heavy reliance on external funding

⁷⁵There is a blurring of distinction between political party and government in Cambodia. Despite an appearance of a multi-party system, party interests of the two large parties, CPP and Funcinpec, dominate the running of the state. The executive branch of the government, through the Council of Ministers, prepares most of the legislation with the legislative branch, the National Assembly effectively emasculated.

and technical assistance and in part to the unchallenged control of the Cambodia People's Party (CPP) at provincial and local levels (see discussion under the administrative structure). I will argue that control of the CPP over the country's provincial and local administration and adherence of the local party apparatus to the central party edict have created an impression of a less obtrusive central government.

The inability of the central government in the early 1990s to pursue structural reforms, including a more forthright policy on decentralization, was borne in part by a pernicious struggle for political dominance by Cambodia's two large political parties, the CPP and the Funcipec. The power sharing arrangement in 1993 demonstrated that competition between the two parties created an uneasy balance of power at the central level which eventually led to a coup d'état in 1997 and effectively displaced the Funcipec party. Under such a tenuous political environment, the central government could not possibly implement any structural reforms much less decentralization. Since decentralization implies redistribution of power, undertaking such a reform did not make strategic political sense for either party because this would entail the allocation and distribution of power when power itself is diffused and under contention.

The 1993 power sharing arrangement between CPP and Funcipec resulted in the establishment of parallel and competing state structures that had both political parties dispense favors to party followers to sustain their support. New ministries were created including the Ministry of Rural Development (MRD), which has been closely associated with the Funcipec party, to oversee development activities in the rural areas. The MRD could have potentially changed the balance of power at provincial and local levels. For instance, the Seila program was originally envisaged to be under the stewardship of MRD

yet did not materialize and was subsequently placed under an inter-ministerial committee, the Seila Task Force. MRD's influence was limited to the provinces dominated by the Funcipec party and lacked the financial resources and institutional capacity to carry out its mandate.⁷⁶

The outcome of the 1998 national election conferring power and legitimacy to the sole leadership of Prime Minister Hun Sen of the CPP provided political stability and confidence to the new government to move forward with decentralization. It is worth noting that the first public endorsement from the central government in support of relative autonomy to subnational levels and the go ahead for the formulation of laws on commune elections and commune administration came in the wake of the formation of the new government.

The recent impetus for decentralization could also be attributed to the convergence of several factors. First, the perceived political stability after the 1998 national election has provided several donor agencies, such as the World Bank, the basis for pushing administrative reforms more vigorously. Second, the high level promotion and advocacy of the Seila program by the CARERE/UNDP leadership created awareness in both the central government and donor agencies on the demonstrated results in capacity building and local service provision in the provinces where the Seila program is operational. Dynamic changes in the Seila provinces have, in many ways, provided the basis for the central government's willingness to pass the 1998 Budget Law and to advance the proposed laws on commune election and the commune administration.

⁷⁶ One analyst argued that the frustration of the Funcipec party to gain a foothold at the district level contributed to the tension between the two parties (Ashley, 1998).

Third, the Seila program and other similar programs have created a latent constituency involving central ministries of different political persuasion finding a common ground on decentralization. These include the Ministries of Rural development and Interior which are strongholds of the Funcipec and CPP, respectively. Yet the commonality of interests seem not to lie on the appreciation of the benefits of decentralization but on a converging perception of the potential viability of the decentralization program as a vehicle to reassert or build their influence at the grassroots level and to access financial resources. Paradoxically, control of local level resources by these agencies could potentially be diminished because of decentralization. Thus, the latent support of central ministries could have double-edged implications. If and when ministries redefine their roles and functions and transform themselves to enablers rather than implementers, then they could play a critical role in enhancing the decentralization process. The obverse scenario could derail and complicate the process of implementing decentralization in an already constrained environment.

While the central government has supported the process of decentralization through policy changes and amendments to laws, very few people within government are familiar with decentralization concepts or with the mechanics and long-term implications of legal and policy changes.⁷⁷ These few people include members of the *Seila* Task Force and key staff of the Ministry of Economy and Finance, Planning, Interior, and Rural Development. But this is not a cohesive group. Rather, these individuals work independently from each other and compete for access to limited resources, mostly donor funds.

⁷⁷ Based on interviews with various international consultants and donor representatives. See also Romeo, Leonardo, Cambodia: Technical Review Mission. August 1999. UNCDF, New York.

Intermittent inter-ministerial competition can be inferred from amendments to sub-decrees that subvert existing control of one ministry against another for resources or potential access to resources. In many cases, central ministries have advanced changes in policy or in institutional arrangements to accommodate donor requirements or such changes are often fueled by perceived interests of particular donor agencies. Thus, it is often difficult to discern whether government's actions are motivated by its own commitment and understanding of the decentralization process or by strategic attempts to access resources. A case in point is the recent and successful attempt of the Ministry of Rural Development to take control over responsibility for technical support for the provincial rural development committee secretariat from the Ministry of Planning.⁷⁸

Such policy changes diminish the incremental process and outcomes of local institution building. Because of competition between ministries and of problems of institutional capacity, there have been limited opportunities within the government to discuss decentralization issues in an informed manner and to arrive at a real consensus based on clear understanding of their alternatives. A recent attempt by UNDP/UNCDF to establish a forum to enable various stakeholders to discuss the proposed commune election law and the commune administration law is a step towards coalition building.⁷⁹

2.6.2 Donor Agencies: Competition Through Uncoordinated Programs

Much of the burden in making decentralization work, thus, lies with the various donor agencies which are providing technical, financial, and institutional support to the central government and to provincial and local administration. Major responsibilities for

⁷⁸ MRD has a long contentious history of asserting control over the Seila program since the latter's inception.

⁷⁹ UNCDF/UNDP held a decentralization workshop in February 2000 to start a series of inter-ministerial consultations.

the formulation of policy changes and the drafting of laws have generally fallen into the hands of international consultants in part because of the general lack of institutional capacity within various ministries and in part due to the concern of donor agencies for a speedy process.

Donor agencies are not a homogenous group either. While they all profess to pursue programs that reduce poverty and advance decentralized and participatory approaches, these are implemented in an uncoordinated fashion using different institutional arrangements that could potentially undermine the process of decentralization. As discussed earlier, uncoordinated donor activities can be seen in the proliferation of donor funded programs that uniformly support a demand-driven and decentralized approach to development. The Seila program, with support from UNDP, has been the government's flagship program for decentralization since 1996, works through the rural development structures while other major donor agencies like the World Bank have adopted similar programs but different institutional arrangements that effectively exclude provincial and local administration from the process.

The World Bank's Social Fund, which is implemented through an autonomous government agency, works directly with local communities. But it is tightly controlled from the center and does not contribute much to empowering local communities. Another World Bank project, the Northeast Village Development project (NVDP), mimics the Seila program but is perverted by its village-centric approach and by delegating implementation oversight to the Ministry of Rural Development (MRD).⁸⁰ The MRD is in charge of the formation and capacity building of rural development committees but has not been able to carry out its mandate due to lack of capacity and

financial resources. However, it has implemented a variety of rural projects and competes with provincial and local administration and other sector ministries for local development resources.

Unless the MRD focuses on building up its institutional capacity to develop and manage local institutions, its insistence upon assuming implementation responsibilities could potentially subvert the development of nascent local governments. It needs to clearly delineate its functions between the Ministry of Interior, local governments, and other line ministries. The World Bank through the NVDP and other donor agencies should therefore be sensitive to these potential implications and should provide assistance to MRD accordingly.

Part of the reason for the unfettered and uncoordinated donor activities is that the central government does not have a strong coordination mechanisms and capacities to enforce policy guidelines. The Council for the Development of Cambodia (CDC), which is in charge of donor coordination, and the Ministry of Planning (MoP), which coordinates the public investment programming, do not have influence over how resources are allocated to various sectors. Both the CDC and the MoP have become mere record keepers of ex post decisions made by donor agencies in negotiations with specific line ministries or with the Ministry of Economy of Finance (MEF). Prior to 1996, CDC has no accurate records of NGO activities and has been able to do so only upon voluntary declaration of information by the NGO community.⁸¹

⁸⁰ See Smoke. Mission Report to UN/DESA. 12 April 2000.

⁸¹ There is no official register of NGOs in Cambodia. The central government through the Ministry of Interior has been putting forward a legislation to monitor the work of NGOs. The proposed legislation has been met with opposition from the NGO community fearing that this could be a form of circumscribing their activities. This is also viewed as self-serving on the part of the NGOs because they do not have clear accountability to the government.

Donor coordination is formalized at the Consultative Group (CG) meeting which has been held annually since 1996. The CG meeting, however, is not an effective forum for donor coordination because much of the negotiation is done prior to the actual meeting. The Seila Task Force (STF) could be transformed into a formal coordinating body on the decentralization program, but this would require proactive leadership from the central government. Currently, the STF functions at the behest of the CARERE/UNDP leadership and has not had the consistent involvement of key high level ministers.

Against this background, recent donor interest in decentralization should be viewed with cautious optimism. Major donor agencies like the World Bank have begun to take active roles in the formulation process for the second phase of the Seila program. With their involvement comes the possibility of significant infusion of funds into the program. The enthusiasm of donor agencies is certainly an improvement over the lukewarm response to decentralization in the early 1990s. However, a deep understanding of the nuances and complexities of the capacity, resources, and institutional challenges that are involved in implementing a decentralization program that could work in Cambodia should temper such interest. The danger is that an overload of resources could overwhelm local governments with new responsibilities that cannot be met with existing capacities. Providing additional resources without securing credible and enforceable commitment from the central government in reforming the administrative and fiscal structures and systems could subvert the objectives of building institutions that are decentralized and accountable.

2.6.3 NGOs: Influencing Public Discourse and Community Building

The NGOs could also potentially affect the process and outcomes of decentralization in Cambodia. While the NGOs rank second to multilateral and bilateral agencies as a source of external assistance, their longstanding work in Cambodia's political and economic transformation has provided them a special cachet in influencing public discourse on key policy and implementation issues and in building of civil society. The sheer number of NGOs and their well-developed organizational machinery also contribute to their enduring presence in the country. There are now an estimated 400 NGOs in Cambodia as of 1999 (World Bank, February 2000).⁸²

In the early 1980s, the international NGO community played a prominent role in lobbying Western governments in supporting an international campaign against the isolation of Cambodia.⁸³ Between 1980-1989, because of the withdrawal of multilateral and bilateral agencies from Cambodia as part of the isolation strategy, the NGOs served as the primary channel of Western aid until the negotiated peace process in 1991 which subsequently allowed donor agencies to operate in the country.⁸⁴ During the transition period, the roles of NGOs have evolved from providing humanitarian and relief services in the post-Khmer Rouge period to nontraditional work including infrastructure provision, delivery of basic services, and technical advice since the early 1980s.

In the mid-1990s, the roles of NGOs have been altered again when multilateral and bilateral agencies shifted their assistance in support of the fledgling government. The

⁸² In the early 1990s, the number of international NGOs increased dramatically along with the emergence of local NGOs in 1992. As of 1996, there were about 200 international NGOs and 130 local NGOs.

⁸³ A book entitled *Punishing the Poor: The International Isolation of Cambodia* by Eva Mysliwiec then of Oxfam was influential in gaining the awareness and attention of the Western world of the plight of the Cambodian people.

⁸⁴ With the exception of the UNICEF and the WFP which have established operations in Cambodia at the same time as the NGOs.

shift in the institutional focus of official development assistance was particularly palpable in large-scale programs funded under the UNDP and EU which channeled funds to provincial and local administration. The existence of multilateral programs supporting provincial and local administration initially created tension with NGOs who perceived these programs to overwhelm and disregard their longstanding efforts at the grassroots level.⁸⁵

Like donor agencies, the NGO community is diverse. While some NGOs have continued to provide basic services either autonomously or as implementing arm of donor agencies, others have returned to their traditional role of advocacy by initiating public discourse on various development issues including the land law and the commune election law.⁸⁶ The NGOs, through the NGO Forum, have become active participants in the donor's annual Consultative Group meeting where they have consistently produced position papers involving various sectoral issues.⁸⁷ At the local level, some NGOs have established working relationship with donor agencies and provincial and local administration. As some NGOs return to their traditional work of community building and capacity building, they could play an important role in facilitating and sustaining the development of a nascent civil society. Other NGOs, however, may find themselves in

⁸⁵ NGOs also cited differences in approach and competition for qualified personnel as reasons for apprehension. See INTRAC study (1996). The withdrawal of multilateral funding could also have caused the NGOs resentment.

⁸⁶ For instance, there is an ongoing lively public discussion on the forthcoming commune elections involving various local NGOs and student associations. While many have expressed hopes about the possibilities of local level autonomy there is also fear about the dominance of the process by the two political parties and through its instrumentalities such as the National Election Commission which is perceived to be heavily dominated by CPP affiliated members. A recent killing of a commune chief affiliated with an opposition party, Sam Rainsy, is perceived to be related to the coming commune elections.

⁸⁷ Coordination among NGOs and between NGOs and donor agencies and government is made through two channels, the Cooperation Committee for Cambodia (CCC), which aims to represent as many NGOs as possible, and the NGO Forum, which is more advocacy oriented.

competition for resources with provincial and local administration which could potentially derail the process of decentralization.

2.7 Summary and Conclusion

Cambodia's highly centralized administrative and fiscal systems and structures combined with lack of institutional capacity at national and local levels and inadequate domestic resources to finance public expenditures pose formidable barriers to decentralization. Juxtaposed against these institutional and financial constraints is a central government that is hamstrung by political rivalries and inter-ministerial competition thus providing less than straightforward support to decentralization. Yet despite these seemingly formidable constraints, there have also been inroads in establishing local institutions called the rural development structures in the Seila program provinces that have gradually altered the separate relationships between provincial and local administration and deconcentrated line ministries.

The changing political landscape brought about by the 1998 national election resulting in relative political stability provided the national government confidence to move ahead with decentralization. The go ahead for the formulation of laws on commune election and commune administration came in the wake of the formation of the 1998 national election. The demonstrated success in the Seila program areas could also explain recent government support for broad-based measures on decentralization including the 1998 Provincial Budget Law. Donor's influence and support have undoubtedly provided added pressure to the national government to press ahead with administrative reforms.

While the Seila is the country's flagship decentralization program, donor agencies and NGOs continue to implement competing rural development programs. Not

surprisingly the central government, consistent with its laissez-faire attitude, has allowed these programs to co-exist. Different institutional arrangements, however, would have different outcomes and could result in more diffused and ineffective use of financial and human resources that are in short supply in Cambodia.

Domestic resource mobilization is one of the key challenges to instituting broad-based and sustained decentralization process in Cambodia. The Seila program and other similar donor initiatives are fueled by donor funds with minimal government funding support. Structural and institutional reforms are underway with support from donor agencies such as the World Bank yet macro level reforms need to be linked with initiatives at the provincial and local levels particularly with respect to the Seila program and the pending commune administration law. These broad-based reforms would require commitment from the central government and sustained and collaborative efforts among donor agencies to ensure their success.

Corollary to the issue of resource mobilization is the matter of resource allocation across geographic location. The present allocation is weighed in favor of the capital city, Phnom Penh. Thus, the design of an intergovernmental transfer system is required to ensure that future allocation will be based on certain criteria that take into account equity and efficiency issues. Assigning clear roles and responsibilities to deconcentrated line ministries and defining their relations with provincial and local administration and providing them with regular resources to support their mandates are also important consideration in the resource allocation issue.

On a prospective level, a further challenge is posed when the national government and provincial and local administration are left to its own devices to allocate resources

without oversight from donor agencies. How would political affiliation and inter-ministerial competition weighed in to the process? At the moment, this issue has been held in check because donors, either overtly or covertly, have been part of the process in allocating resources across space and sectors. There is therefore a more compelling argument to build central and local institutions that have capacity and functioning systems and mechanisms that could overturn such potential incursions in the future. The building of strong and capable central and local institutions is no guarantee given the country's long history of political impunity but it provides some safeguards for the future.

Institutional capacity both at central and local levels is another important building block of decentralization. The central government has a minimal role in the present decentralization discourse except to give consent and to pass laws. Although some key personnel of the central government are beginning to find a voice in the debate, it has been overwhelmingly drowned by the dominance of the donors. The sustainability of the decentralization process can be ensured only when government counterparts eventually take ownership and responsibility for its implementation. Currently, international advisors are backstopping senior ministry officials and interacting with donor agencies on behalf of the central government. So far, there have been limited opportunities for training and capacity building of national government counterparts compared to the extent and degree of local capacity building efforts that have been undertaken since 1996 under the Seila program.

The building of a capable state that can provide an enabling environment and guidance to provincial and local levels and at the same time encourage the growth of a strong civil society are crucial ingredients for a sustainable process of decentralization.

The role of donor agencies and NGOs are important in this regard. Responsible and coordinated efforts are necessary to ensure effective use of their resources and opportunities. At the moment, donor agencies and NGOs enjoy considerable goodwill from the national government and they should seize the opportunity to assist and follow through efforts to establish capable and strong central and local institutions in Cambodia.

Annex 2.1: Share of Provincial Expenditures, by Source: 1994 and 1996

Province	Population Share, 1996	<u>1994</u> Expenditure (%)		<u>1996</u> Expenditure (%)	
		Budget	External	Budget	External
Phnom Penh	7.5	11.0	66.4	12.3	51.3
Banteay Meanchey	4.9	3.8	4.2	5.1	2.2
Battambang	6.9	7.4	5.6	7.6	3.5
Kandal	9.5	7.9	2.1	8.9	3.4
Koh Kong	1.0	1.8	0.0	1.2	0.1
Kompong Cham	15.0	10.3	1.0	9.7	3.7
Kompong Chhnang	3.4	4.1	0.9	3.8	3.2
Kompong Speu	5.7	5.5	4.8	5.1	8.3
Kompong Thom	5.4	5.2	0.1	4.6	1.3
Kompot/Kep	5.5	5.3	2.5	5.3	2.8
Kratie	2.2	2.2	0.4	2.6	0.3
Mondulkiri	0.3	0.8	0.0	1.0	0.0
Preah Vihear	1.0	1.6	0.0	1.9	0.0
Prey Veng	8.8	7.7	0.6	6.6	4.0
Pursat	3.3	4.0	1.3	3.5	1.6
Ratanakiri	0.8	1.5	0.0	1.5	0.1
Siem Reap	5.6	5.3	5.3	5.3	4.1
Sihanoukville	1.2	1.8	1.0	1.7	2.1
Stung Treng	0.7	1.3	0.8	1.4	0.2
Svay Rieng	4.4	4.6	0.9	4.3	3.5
Takeo	7.2	6.9	2.1	6.7	4.5
Total	100.0	100.0	100.0	100.0	100.0

Basic source of data: Ministry of Economy and Finance.

Annex 2.2: Official Development Assistance, Donor Agencies and NGOs, 1996-1998

Disbursement	Multilateral/ Bilateral: 1996	% of total	Per Capita Expenditure	NGO Disbursement	% of total	Per Capita Expenditure
Total	482,212	100%	42	35,870	100%	3
Nationwide	286,524	59%	25	5,904	16%	1
Total province	195,688	41%	17	29,966	84%	3
Phnom Penh	108,458	22%	109	7,196	20%	7
Other provinces	87,230	18%	8	22,770	63%	2

Disbursement	1997	% of total	Per Capita Expenditure	NGO Disbursement	% of total	Per Capita Expenditure
Total	325,526	100	29	49,876		4
Nationwide	207,053	64%	18	4,840	10%	0
Total province	118,473	36%	10	45,036	90%	4
Phnom Penh	70,396	22%	71	13,407	27%	13
Other provinces	48,077	15%	5	31,629	63%	3

Disbursement	1998	% of total	Per Capita Expenditure	NGO Disbursement	% of total	Per Capita Expenditure
Total	361,350	100	32	56,097	100%	5
Nationwide	229,343	63%	20	6,282	11%	1
Total province	132,007	37%	12	49,815	89%	4
Phnom Penh	78,573	22%	79	14,616	26%	15
Other provinces	53,434	15%	5	35,199	63%	3

Disbursement	1996-1998	% of total	Per Capita Expenditure	NGO Disbursement	% of total	Per Capita Expenditure
Total	1,169,088	100	103	141,843	100	12
Nationwide	722,920	62%	64	17,026	12%	1
Total province	446,168	38%	39	124,817	88%	11
Phnom Penh	257,427	22%	258	35,219	25%	35
Other provinces	188,741	16%	18	89,598	63%	9

Source: CDC.

Annex 2.3: Revenue and Expenditure Estimates, 1999, by Province (in billion riels)

Province/City	Tax 1/ Revenues	Non-Tax 2/ Revenues	Total Revenues	Expen- diture	Deficit/ Transfers	Per Capita Expenditure ('000 riels)	Population
Phnom Penh	8,535	346	8,881	6,612	2,269	6,625	997,986
Banteay Meanchey	155	170	325	1,281	-956	2,220	577,300
Battambang	430	205	635	1,731	-1,096	2,186	791,958
Kampong Cham	700	1,192	1,892	2,269	-377	1,411	1,607,913
Kampong Chhnang	188	210	398	1,030	-632	2,470	416,999
Kampong Speu	268	159	427	1,291	-864	2,159	598,101
Kampong Thom	155	60	215	1,061	-846	1,868	568,454
Kampot	203	96	299	1,264	-965	2,394	527,904
Kandal	1,250	555	1,805	2,614	-809	2,434	1,073,586
Kep	96	3	99	683	-584	23,798	28,677
Koh Kong	176	240	416	712	-296	5,394	131,912
Kratie	123	183	306	848	-542	3,224	262,945
Mondolkiri	14	148	162	844	-682	26,049	32,392
Pailin	0	0	0	711	-711	31,184	22,844
Preah Vihear	16	24	40	882	-842	7,412	119,160
Prey Veng	250	206	456	2,039	-1,583	2,158	945,129
Pursat	148	110	258	1,375	-1,117	3,819	360,291
Rattanakiri	41	160	201	983	-782	10,435	94,188
Siem Reap	670	123	793	1,878	-1,085	2,702	695,485
Sihanoukville	1,100	430	1,530	1,530	0	9,871	155,376
Stung Treng	61	30	91	806	-715	9,951	80,978
Svay Rieng	198	75	273	1,267	-994	2,651	478,099
Takeo	223	275	498	1,289	-791	1,632	789,710
Total	15,000	5,000	20,000	35,000		3,082	11,357,387

1/ More than 70 percent of tax revenues are contributed by registration fees and vehicle taxes

2/ More than three-quarter of non-tax revenues come from market rental and fees.

Riel to US dollar conversion rate: 3,744 riels to US\$1

Source: Ministry of Economy and Finance, *Dossier Loi de Finances: Gestion 1999*.

Annex 2.4: Fiscal Performance of Pursat and Battambang, 1994-1997 (in thousand riels)

Pursat Province		1994	1995	1996	1997	Share (%)	Growth Rate (%)
#	I. Revenue	472,765	962,916	778,982	1,120,419	100	45
	<i>A. Tax Revenues</i>	79,190	192,905	278,102	261,046	23	-4
10	1. Tax on income	34,405	32,890	69,673	39,914	4	-42
11	2. Tax on inheritance	3,992	4,195	2,989	6,050	1	102
12	3. Tax on property	38,882	144,157	162,811	194,454	17	22
13	4. Tax on business	-	-	28,616	6,849	1	-318
14	5. Other tax revenues	1,911	11,663	14,013	13,779	1	4
	<i>B. Non-tax revenues</i>	393,575	770,011	500,880	859,373	77	72
20	1. Income on gov't properties	353,218	724,237	477,837	791,383	71	66
21	2. Non-tax revenues	40,357	45,774	23,043	46,290	4	101
30	3. Capital revenues	-	-	-	21,700	2	-
	II. Expenditures	5,442,314	6,387,062	6,364,577	6,699,928	100	5
10	1. Salaries	2,677,122	2,904,149	2,902,144	3,076,898	46	6
11	2. Local public adm.	868,108	847,179	1,084,183	1,268,585	19	17
12	3. Support to communes	234,000	820,392	650,925	631,000	9	-1
30	4. Economic intervention	-	146,624	20,000	20,000	0	-1
31	5. Social & cultural intervention	1,663,084	1,624,718	1,689,325	1,703,445	25	1
50	6. Capital investment	-	44,000	18,000	-	-	-59
	Fiscal Gap	-4,969,549	-5,424,146	-5,585,595	-5,579,509		

Battambang province		1994	1995	1996	1997	Share (%)	Growth Rate (%)
#	I. Revenue	1,179,150	1,790,330	2,031,770	2,554,690	100	26
	<i>A. Tax Revenues</i>	710,050	862,270	1,056,010	1,383,340	54	31
10	1. Tax on income	508,960	135,240	39,320	100,660	4	155
11	2. Tax on inheritance	21,500	35,500	729,580	88,200	3	-68
12	3. Tax on property	168,360	621,230	238,770	929,340	36	291
13	4. Tax on business	-	44,600	48,340	224,940	9	365
14	5. Other tax revenues	11,230	25,700		40,200	2	58
	<i>B. Non-tax revenues</i>	469,100	928,060	975,760	1,171,350	46	21
20	1. Income on gov't properties	421,330	826,800	866,400	1,100,050	43	28
21	2. Non-tax revenues	47,770	80,420	109,360	71,300	3	-34
30	3. Capital revenues	-	20,840	-	-		-
	II. Expenditures	10,507,330	11,050,780	13,822,540	15,844,050	100	15
10	1. Salaries	5,303,350	5,727,450	5,925,770	6,260,400	40	6
11	2. Local public adm.	1,507,300	1,446,850	2,457,500	1,780,750	11	-27
12	3. Support to communes	469,330	637,220	911,180	1,646,400	10	81
30	4. Economic intervention	-	359,760	337,960	40,000	0	-88
31	5. Social & cultural intervention	3,227,350	2,843,500	4,021,130	6,116,500	39	52
50	6. Capital investment	-	36,000	169,000	-		369
	Fiscal Gap	-9,328,180	-9,260,450	-11,790,770	-13,289,360		

See Annex 2 for the composition of revenue and expenditure categories.

Sources: Departments of Economy and Finance, Provinces of Pursat and Battambang; MEF, *Le Budget du Royaume du Cambodge pour 1994-1997*.

Annex 2.5: Illustrative List of Rural Development Programs in Cambodia, 1999

Organization/Duration/ Budget	Type	Objective	Area Coverage/Components	Approach
1. GTZ/Provincial Development Program; 1996-1998 (DM 7 M)/10-year commitment (DM 20 M)	Bilateral assistance from German government	To meet basic needs of the rural poor in Kompong Thom and Kampot provinces	2 provinces: Kompong Thom (25 villages) and Kampot/farming systems, natural resource mgt., rural finance, off-farm production.	Participatory development facilitated by PDRD and managed by Project Implementation Committee (PIC)
2. Seila/CARERE2/ 1996-2000/\$50M*	UNDP and supported by bilateral agencies (Sida and Dutch gov't, EU) and UNCDF	To alleviate poverty and promote peace through decentralized rural development planning and financing	5 provinces: Battambang, Banteay Meanchey, Pursat, Siem Reap, Ratanakiri/agriculture, infrastructure, education and culture, health, water and sanitation, gender and governance	Decentralized planning & financing; PRDC/CDC as focal points for technical and financial assistance.
3. PRASAC/EU; Phase 1: 1995-1998/\$43M; Phase 2: 1999-2003/\$42 M**	Supported by the European Union.	To establish favorable conditions in support of the rehabilitation and development of agricultural sector in Cambodia.	6 provinces: Svay Rieng, Prey Veng, Takeo, Kampong Speu, Kampong Cham and Kampong Chhnang/ Domestic water, agricultural production, village credit, and micro enterprises.	Integrated rural development program (Phase 2) MAFF and MRD as national counterparts; provincial zonal offices managed by expatriate advisor; and overall coordination by PMU in Phnom Penh
4. CASD/UNICEF; 1996-2000 (5 years)/ \$20.5 M	UNICEF; supported by international donors	Improve living conditions of women and children.	Battambang, Svay Rieng, Kompong Thom, Takeo, Kompong Speu, Prey Veng, Kratie, Stung Treng /capacity building; education & child care, food & environment; health & hygiene; care of women and children; credit, employment, and income.	Community based development program; VDCs as focal points for assistance; MRD as coordinating agency.
5. Social Fund/WB; Phase 1: 1995-1998/\$20M; Phase 2: 1999-2003/\$25 M	IDA credit from World Bank; run by an autonomous agency under the PM.	Rehabilitation and reconstruction of small-scale, community based infrastructures at local level.	Countrywide/ Social and economic infrastructures: mainly rural schools and wells, but aiming to diversify into roads, irrigation, urban water supply and multi-sectoral projects.	Promotion through information of potential beneficiaries; works with line ministries and private sector; Phnom Penh based operations.
6. Northeast Village Development Project (NVDP) 1999-2001 /\$6.3M/WB	IDA credit from World Bank, implemented by the Ministry of Rural Development	Poverty alleviation through decentralized, participatory development approaches	4 provinces/12 districts in the Northeast, Kampong Cham, Kampong Thom, Kratie, and Stung Treng/small-scale social and economic infrastructures	Participatory planning and investment

*Cambodia Resettlement and Reintegration Project (CARERE1), 1992-1995 in partnership with UNCHR focused on quick-impact, emergency type of projects, providing infrastructure and relief services to refugees returning from the Thai border. CARERE 1 worked only in the four NW provinces.

**PRASAC 1 was designed as pre-development phase to establish baseline information and was engaged in rapid impact type of activities. Phase 1 provincial operations were managed by three consultancy firms.

Chapter 3

Institutionalizing Decentralized Local Service Provision: A View from Two Seila Provinces

3.1 Introduction

As discussed in Chapter 1, decentralization could work only under certain normative conditions including an appropriate institutional framework that allows constituents to express their demands and for local governments to respond to them. Cambodia lacks these normative initial conditions as has been elaborated in Chapter 2. From a normative perspective, the absence of these preconditions may seem insurmountable and almost invariably sets back any attempt at decentralization.

This chapter examines the micro level aspects of the Seila program focusing on the experiences of two pilot provinces, Pursat and Battambang. The Seila program support consisting of technical and financial assistance entails the introduction of systems and mechanisms of decentralized planning and financing along with provision of capacity building through various levels of rural development structures. Its overarching objective is to have these systems and mechanisms adopted by the central government nationwide.

I argue that the Seila program has been able to establish decentralized systems and mechanisms and to provide local services in Pursat and Battambang through a delicate balancing act between process and output by closely linking planning to financing and buttressing them with wholesale capacity building at provincial and local levels. Through the local planning process, local authorities have been able to engage local communities to participate in planning, financing, and management of local projects and to progressively build their trust in them to voice their demands. Through the process of coordinating and implementing provincial and local plans, the Seila program has also

gradually changed the institutional dynamics at provincial and local levels by altering the traditional relationships that persist between provincial administration and line departments as well as other service providers such as the NGOs.

Most of the existing narratives on the Seila program have focused on stories at the village level.⁸⁸ My findings suggest that the village story is the end product of a more nuanced process of interaction involving local and provincial actors as well as support from key central ministries. I argue that the active and close partnership of provincial rural development committees with CAREERE, local authorities and technical departments, and their strategic alliances with other local actors including NGOs and other donor agencies have allowed the Seila program to sustain the dynamic processes at commune and village levels. The support of key central ministries through executive decrees to buttress initiatives in planning and financing is also crucial in sustaining the Seila program operations.

This chapter is organized as follows: Section 2 examines the program's mechanisms for decentralized planning, financing, and implementation and analyzes how these have been made operational under various levels of the rural development structures. Section 3, explores how and to what extent decentralized processes and mechanisms have influenced the performance of rural development committees in local service provision. Section 4, attempts to explain the performance of the Seila program and to identify key elements that enabled its implementation. Finally, it concludes by summarizing the findings and identifying key challenges facing the Seila program as they relate to the overall issue of decentralization in Cambodia.

⁸⁸ See several of CAREERE commissioned evaluation reports.

3.2 The Seila Way: Decentralized Structures and Systems

The systematic assignment of decentralized functions and responsibilities in planning, financing and management along with capacity building to the different tiers of the rural development structures sets the Seila program apart from other donor and NGO funded development programs in Cambodia.⁸⁹ This section outlines the key components of the Seila program, as follows: 1) local and provincial planning systems and their management; 2) financing systems; and 3) capacity building.

3.2.1 Decentralizing Local and Provincial Planning

Unlike other major demand driven donor- funded projects in Cambodia that generally approach planning on an ad hoc project basis, the Seila program has a two-tiered planning system managed by provincial and local development committees through which projects at sector and local levels are identified and prioritized for funding. While both planning systems have been given equal importance, the local planning process has evolved to become one of the central defining characteristics of the Seila program.

Both local and provincial plans are prepared and managed separately but are under the overall supervision of the provincial rural development committee through its Executive Committee. The local and provincial planning process follows an annual planning cycle and since 1998, their preparations have been synchronized to culminate into their “integration” at the district level.⁹⁰ The provincial planning process has established its links at the central level with the involvement of the Ministry of Planning

⁸⁹ See Chapter 2.

⁹⁰ “Integration” is the Seila program’s parlance of interfacing local and provincial plans. There is no actual merging of the two plans; although provincial plans contain a list of the priorities presented by commune development committees.

in providing the macro framework for the annual provincial planning exercise.⁹¹ Neither plan, however, is linked to the national public investment program which could have provided another avenue for supporting local development programs.

The local planning process⁹² differs from other similar initiatives in Cambodia in two fundamental ways. First, it simply does not involve planning per se but it encompasses a whole host of interrelated activities from planning, financing, procurement, implementation, and management of local projects. Second, it assigns key critical functions and responsibilities to communes which have never been done before in other rural development initiatives in Cambodia such as Social Fund of the World Bank (See Chapters 2 and 4).

A key feature of the local planning process is the allocation of a block grant for a three-year period to communes through the commune development committee by the province through the provincial rural development committee (see Annex 3.1 for the various phases of the local planning process).⁹³ The argument for providing a multi-year block grant and allocating funds well ahead of the planning process is to ensure that local planning does not produce a mechanical “wish list” of projects. According to Manor

⁹¹ The provincial plan preparation starts with the issuance of a macro planning guidelines from the Ministry of Planning to the five Seila provinces, through the provincial governor as head of the provincial rural development committee. Upon receipt of the MoP guidelines, the provincial governor issues an instruction to the planning and technical departments to begin the consultation for the formulation of the provincial development plan.

⁹² The local planning process was first piloted in 1996 in two communes of each of the provinces of Battambang and Banteay Meanchey.

⁹³ During the first cycle of the local planning process, each commune received a three-year allocation of \$50,000 regardless of size, which was distributed as follows: 50 percent in the first cycle, 30 percent in the second cycle, and 20 percent in the third cycle. Succeeding allocation to communes have been made based on the number of villages per commune and more recently, on some poverty indices devised jointly by CARERE and the provincial rural development committees. Originally, communes are to receive only a one-time three-year allocation of block grant. However, CARERE and the provincial rural development committees are considering providing an additional one-year allocation to target communes based on poverty ranking with poorer villages likely to get an extension. Interviews with provincial program managers of Pursat and Battambang, June/August 1999.

(1996) and Blair (1998) local governments in many developing countries are incapable of serious planning and generally end up assembling “wish lists” to constitute a plan. In this “wish list”, projects are either easily dropped off or hastily added to the list depending on fund availability from central government or their palatability to donor agencies.

Providing a block grant to support the planning process ensures that planning from below becomes a reality. Prior knowledge of available resources makes the commune development committees face a real hard budget constraint in allocating resources to numerous claims on them. It also creates some sense of accountability for those who manage the funds in terms of making sure that they are allocated appropriately and in response to demands made by local communities (Romeo, 1999).

Using a participatory rural appraisal approach⁹⁴, villagers prepare their village plans which are then integrated into commune development plans forming the basis for allocation by communes of the block grant to activities identified by villagers.⁹⁵ The process of preparing local plans provides opportunities for villagers to participate in identifying and selecting priority projects in their communities, responsibilities which were traditionally carried out by village and commune chiefs.

Once village and commune development plans are formulated, their activities prioritized, and their funding from the block grant allocated, village and commune

⁹⁴ This is an approach most commonly used in Cambodia to engage local communities in project planning but its application varies widely. See Chapter 2. In its attempt to be fully participatory, the Seila program has introduced an elaborate local planning process. Villagers and their village development committees spend days (7-11) for orientation, data gathering and analysis, validation, and work plan and undertake activities that include preparing a social census, seasonal calendar, resource flow and wealth ranking.

⁹⁵ Only about 35 percent of villages and communes receive funding from the Seila program as of May 1999. They are called target communes and villages. Villages were selected based on the availability of the existence of village development committees, access, and willingness of the local authorities to participate in the program. CARERE and the provincial rural development committees jointly made this selection. In 1999, there have been attempts by CARERE and the PRDCs to select target villages and communes based on some poverty indicators.

development committees prepare project proposals which are then reviewed and approved by the Executive Committee. Local communities are required to contribute 3 percent of the total project cost in cash up front⁹⁶ and to form subcommittees to undertake project monitoring and repair and maintenance prior to the approval of the project proposals.⁹⁷

The upper tier of the Seila planning system is undertaken at the provincial level.⁹⁸ Sector plans are drawn by individual provincial technical departments through consultation with districts and local levels which are then consolidated into a provincial development plan and submitted to the provincial rural development committee for validation and approval.⁹⁹ Under this arrangement, the provincial department of planning coordinates the formulation and approval of the provincial plan.¹⁰⁰

The Seila program provides decentralized funding support to key sectors including agriculture, education, gender, health, and infrastructure, which neither the central government nor other donor agencies have been able to do. Along with funding support, the Seila program provides technical assistance through CARERE's expatriate

⁹⁶ Minimum cash contribution of 3 percent was mandated beginning in 1998. In the past, local communities were allowed to contribute either in cash or in kind, usually labor and materials, without restrictions. Under the new policy, the PRDC of Battambang requires commune development committees to deposit their cash contribution in their bank accounts prior to release of their allocation by the provincial rural development committee.

⁹⁷ These sub-committees are under the overall supervision of the village development committee.

⁹⁸ Prior to the preparation of the first provincial development plans, a high level consultation with central ministries was held in September 1996 in Sisophon, Banteay Meanchey. The consultation was attended by the Minister of Planning and other key officials of Ministries of Planning and Rural Development, key officials of the provincial rural development structures, and CARERE program manager and planning advisors. Roles and responsibilities of the Department of Planning in provincial planning in relation to other provincial agencies and technical departments were discussed and agreed upon during the consultation.

⁹⁹ Beginning in 1998, CARERE has introduced a parallel document called the Seila Investment Plan. The investment plans are CARERE's annual budget estimates for both the local and provincial planning process. The document is prepared by CARERE's provincial offices in consultation with their respective provincial rural development committees.

technical advisors and recently, through its national professional staff.¹⁰¹ Unlike the local planning process, there are no ex ante multi-year block grants allocated for priorities identified at the provincial sector level. Funding for sector activities are allocated on a yearly basis and are secured contingent on the project proposals submitted by technical departments to CARERE and the provincial rural development committee.¹⁰² Yet, because provincial level planning is not formally linked to the national investment programming, provincial sector priorities that do not get funded by the Seila program and by donor agencies or NGOs, generally become a classic compilation of “wish list” of sectoral projects. There have been attempts at finding alternative funding for those projects identified in sectoral plans either through the integration workshop, discussed below, or through linking them through the national investment program. The latter approach has been explored by CARERE advisors with CDC and the Ministry of Planning but has not prospered in part because central government itself has no capacity and control over the programming of external funds which comprise a substantial portion of the country’s public investment funds (Chapter 2).

In essence, the Seila program’s funding support takes account of the priorities of line departments and focuses on their funding gaps, yet not all sectoral priorities get funded because of the geographic limitation of the Seila program. Yet some projects not

¹⁰⁰ The number of participating departments in provincial planning has ranged from 12 to 17 departments per province. Over time, the quality of participation of non-priority sectors has been variable particularly for those who have not received funding support from the Seila program.

¹⁰¹ Yet technical assistance has been provided to other technical departments which have requested participation in the provincial planning process in the hope of learning new skills and securing funding support from the Seila program.

¹⁰² Those sectors that are better at project conceptualization and proposal preparations have generally been able to get more funding from the Seila program. For instance, the health department which is the most developed institutionally from among the key sectors both at the national and intermediate levels has been able to turn out sound and fundable subproject proposals. While key sectors have received technical advice

necessarily identified as priorities by provincial departments but have been identified in local plans have received funding support from the Seila program. In many instances, the tension has centered not on the service itself but on the delivery point, with provincial departments preferring to deliver local services at the district level while demands at the local level require the service delivery at either commune or village level.

Since technical departments have generally been slow and resistant to respond to local demands in a decentralized and participatory manner as envisaged under the Seila program, technical departments have been mandated to allocate two-thirds of their fund allocation from the Seila program to priorities identified by target villages and communes. The workshop at the district level is organized primarily for the purpose of compelling sectors to dialogue with the commune development committees and to respond to their demands.¹⁰³

The dialogue between the province and communes is quite unprecedented. Traditionally, provincial department representatives do not “go down” to the district to dialogue with commune representatives because they have their district branch people to undertake such activities. Moreover, the interaction between the districts and communes has generally been limited to no more than data collection and information gathering. Yet the ensuing dynamics was quite extraordinary because of the extent of reciprocity and engagement between the sectors and communes.¹⁰⁴

and incrementally their capacity developed to prepare proposals, variations still exist across sectors in their abilities to generate fundable project proposals.

¹⁰³ The workshop is organized by the provincial department of planning and chaired by the district chief. The meeting is facilitated by provincial facilitation teams.

¹⁰⁴ The author participated in the district integration workshop in Pursat province in 1997 in her capacity as planning advisor. Impressions provided by participants.

In the district “integration” workshop, representatives from technical departments and communes inform each other of their plans and priorities. Communes negotiate and reach tentative commitments from technical departments for funding and technical support for their priority activities. Once tentative funding commitments from the sectors are secured, communes then proceed to make final decisions on the allocation of their block grants to activities prioritized by their local communities. While there were concerns at the outset that this would swamp the commune or village level with resources that exceed their existing capacities, these fears seem not to be borne by field level interviews. In some instances, the reverse flow of funds has occurred. In Pursat, for instance, several commune and village development committee members had received training from the provincial department of women’s affairs funded out of their commune allocation.

The “integration” workshop also draws the participation of other local service providers particularly NGOs and other donor agencies operating in the province. Participation of these local service providers has been harnessed partly to coordinate the programming of activities at the local level and to explore possibilities for securing funding for activities identified by communes and villages. Several NGOs in Battambang and Pursat have participated in the “integration process” and find it a useful venue for coordinating and collaborating on existing and future activities in the area.

Both the provincial and local planning is managed by the provincial rural development committee through its Executive Committee and chaired by the provincial governor.¹⁰⁵ The Executive Committee is envisaged to be a deliberative body that makes

¹⁰⁵ Other members of the Executive Committee include the directors for rural development who is also the deputy head of the PRDC/Executive Committee, finance, agriculture, women’s affairs, and planning. The

important and wide ranging decisions on behalf of the provincial rural development committee. Under its present mandate, the Executive Committee manages local and sectoral development funds, reviews project proposals from communes, and oversees the implementation, monitoring, and maintenance of projects and activities in the province. Through its technical secretariat, the Executive Committee supervises the operational units of the provincial rural development committee.¹⁰⁶

The extent to which these mandates have been effectively exercised has evolved in the last three years influenced in part by the capacity of the provincial rural development committee. In the early part of the Seila program as capacity is being developed and as system and procedures have been gradually put in place, CARERE provincial offices effectively managed the sector and local development funds in close consultation with provincial rural development committees. In Pursat, for instance, responsibilities on fund management and decision making on sectoral and local grant allocations have been progressively handed over to the executive committee as they learned how to make decisions based on objective criteria and not simply on dividing the pie among themselves. The gradual assumption of mandates was also marked by the change in leadership at the CARERE provincial office under which the new manager

membership of the PRDC, as amended by Decision No.2, is composed of directors of ten (10) line departments, and all district chiefs, plus representatives of international and local NGOs in the province, sitting as observers. Member provincial line departments include: rural development, planning, water, resource and meteorology, education, health, public works and transport, commerce, finance, and women's affairs. Operational units of the PRDC include local planning and technical units, administration, resource center, and finance.

¹⁰⁶ The technical secretariat is chaired by the director of the provincial department of planning. Decision No.2 in February 1999, transferred the overall supervision of the local planning unit to the provincial department of rural development. There has not been a hand-over of these functions in 1999, except in Banteay Meanchey province. The technical secretariat is backstopped by CARERE through its advisors in planning, local capacity building, and infrastructure and with the phase out of the expatriate advisors, through its national professional staff. Planning advisors in each province were phased out in 1997, with two retained to cover the five provinces in 1998. Both were phased out at the end of 1999. Local capacity building advisors were phased out in 1999.

appeared to be more inclined to let go of control and encouraged frequent dialogue and interaction with the provincial rural development committee. But the hand over has not been completed; CARERE is still much in the picture but less involved in the actual decision making but more to act as a facilitator and mediator in various aspects of management.

The local and provincial planning process is supervised through the facilitation and technical support teams who are seconded personnel from provincial departments, district, and commune level offices who work as the front line workers of the provincial rural development committees.¹⁰⁷ They are the ones who interact and work closely with local communities, and village and commune development committees on a regular basis. Both teams are provided monthly remuneration for working full-time.¹⁰⁸

The facilitation teams are responsible for organizing planning and project formulation at the village and commune levels while the technical support teams are in charge of appraising project proposals, technical design adaptation, and of monitoring and supervising civil works. More importantly, both teams are expected to transfer their knowledge and skills to commune and village development committees in planning facilitation, project proposal preparation, implementation and maintenance so that eventually they could focus on their main functions of technical support and supervision. Line departments have also their helpers or focal points are also seconded personnel from provincial staff and line departments who along with the provincial planning department

¹⁰⁷ Both teams combined have a total personnel complement of 45 per province.

¹⁰⁸ They have a monthly remuneration ranging from \$40-80 US dollars which is more than double the average monthly salary of a typical public civil servant of \$20 US dollars. In addition, individual team members are provided with motorbikes for their visits to the villages.

are responsible for the facilitation of the provincial planning process.¹⁰⁹ Unlike the local planning teams, the provincial planning team does not work full-time for the provincial rural development committee and is mobilized only during the annual preparation of the provincial plan.¹¹⁰

3.2.2 Financing System: Genesis of an Intergovernmental Transfer?

The financing system of the Seila program is envisaged as regularized intergovernmental transfers to provinces. The introduction of the Seila financing system has two important objectives: one, to transfer responsibility for financial management and control from the center to the province through the provincial rural development committee. Second, to align the Seila system with that of the government system which would form the basis for a consolidated system of grant fund financing for decentralized activities.

The Seila program financing system involves a two-level management schema. At the national level, direct fund contributions from various donors are held under a decentralized development fund (DDF) and jointly managed by the Ministry of Economy and Finance (MEF) and CARERE.¹¹¹ The DDF is managed in ways which conform to individual donor and government requirements, with CARERE taking overall responsibility for coordination of bilateral sources and oversight from MEF for multilateral sources. Funds from the DDF are released directly to and managed by the provincial rural development committees. This fund arrangement is different from

¹⁰⁹ The focal points are generally selected from the planning units of their respective technical departments.

¹¹⁰ Unlike the provincial facilitation team, the provincial planning team does not receive additional remuneration.

¹¹¹ The Seila program funds come from three sources: direct donor contributions (UNCDF, SIDA), field-level co-financing (Social Fund and UNICEF under the CASD project in Battambang); and national contribution.

existing government or donor financing systems which are under the direct control of the MEF or are managed directly by donor agencies or NGOs.

At the provincial level, the provincial rural development committee manages the decentralized funds on behalf of the communes and sectors. On one hand, local funds, which comprise the block grant allocation for communes, are released directly to commune development committees or to contractors and suppliers as requested by the commune development committee. On the other hand, sector funds assigned for sector activities are released directly to contractor or suppliers upon authorization by the provincial rural development through the provincial governor.

Several studies on decentralization claim that corruption is more rampant at subnational than at central levels (Prud'homme, 1996). Thus, one of the many fears expressed when funds are decentralized is the possibility that those funds can be siphoned off by provincial and local authorities. In the past, sector departments held separate bank accounts for the Seila program which were subject to CARERE's oversight but outside of government control. This arrangement gave technical departments autonomy from strict control and oversight by the department of economy and finance and allowed them to make speedy disbursements. Yet at the same time the system was perceived to be a source of rent-seeking activities for some provincial department officials.

Technical departments who feel disempowered have counter charged that integration of the financing system of the Seila program to the government system could in fact further reinforce corruption practices at the department of economy and finance.¹¹²

¹¹² Claims have been made that a 20 percent commission is made for every transaction.

Although both sides may have a point, the issue is how to have a financing mechanism that imposes accountability and transparency and at the same time achieve the objectives of aligning the Seila system with that of the government.

Since the Seila financing system is only recently implemented much remains to be seen whether and how this would be able to address governance issues at provincial and local levels. While the new financing system could potentially improve practices of accountability and transparency, behavioral changes on the ground are influenced by expectations from central level ministries to whom provincial departments and local authorities are accountable. Thus, provincial and local level initiatives in governance promoted under the Seila program need to be linked to the nationwide civil service and governance reforms.

3.2.3 Capacity Building Initiative

The introduction of decentralized systems of planning and financing has been buttressed by capacity building efforts at provincial and local levels.¹¹³ The scale and scope of the technical assistance to the Seila program remains unmatched by other competing rural development programs in Cambodia (see Chapter 4 for a discussion of the Social Fund). Technical assistance accounts for almost 80 percent of the program support budget of CAREERE (Annex 3.3). The cost implication of technical assistance component resonates in the provincial budget of the Seila program which far exceeds the current central government allocation to the provinces (see Annex 3.4 and Chapter 2).

A significant number of expatriate advisors were recruited by CAREERE during the first two years of the Seila program to provide technical advice and at the same time

to train both national professional staff and provincial and local counterparts (Annex 3.5). The scope of work for these advisors, particularly in planning and capacity building, was extremely varied and wide-ranging and evolved as capacity of government counterparts developed and their responsibilities expanded.¹¹⁴

UNCDF provided technical backstopping to expatriate advisors through its technical advisor and consultants from the Asian Institute of Technology and Massachusetts Institute of Technology. They provided orientation and training on the local planning process especially during the first two years of the Seila program. They also provided regular monitoring and feedback inputs to implementation issues of both local and provincial planning and financing systems (see Chapter 1 on the role of the UNCDF).

Because of the scale and scope of technical assistance requirements, CARERE also formed institutional partnerships with other donor agencies in sector work including WHO and UNICEF for health and FAO for agriculture. This partnership involved fielding technical advisors from these agencies to build capacity of provincial line departments in planning and implementation of projects and to provide technical inputs in the formulation of sector policies for the Seila program.

¹¹³ The scale and scope of the technical assistance provided to the Seila program remain unmatched by other competing demand driven programs in Cambodia. It accounts for more than half of the CARERE budget.

¹¹⁴ They include: 1) assist the provincial rural development committees in formulating roles and responsibilities for the various levels of the rural development structures; 2) facilitate the formation and recruitment of technical and support teams for local and provincial planning and defining their roles and functions; and 3) train and monitor the training of provincial and local development committees and work with them in a wide range of functions from such simple tasks as organizing and conducting meetings; record keeping, presentation, coordination and collaboration with other agencies; to more complex work such as formulating development goals and objectives, data analysis and presentation, implementation and monitoring of projects.

Capacity building for Cambodian nationals and counterparts has been undertaken through formal training and on the job learning. The nature and content of formal training have been driven by demand from the national staff and counterparts as well as determined by advisors, and are directly linked to their functional responsibilities.

CARERE hired Cambodian professional staff in planning, local capacity building, agriculture, education, health, gender, and infrastructure and assigned to advisors to serve as assistants and understudies. The national professionals are highly educated by Cambodian standards. They generally come from either of two backgrounds: those who have completed graduate studies abroad with masters degree level and those who were ex-refugees with technical skills and previous work experience with NGOs.¹¹⁵

Once recruited, except for a couple of days of orientation, the national staff was immediately immersed into the day- to- day work of assisting government counterparts. They have undergone formal training both to upgrade their individual skills and with the objective of transferring their knowledge and skills to counterparts.¹¹⁶ On the job learning took place primarily through working alongside expatriate advisors in assisting counterparts.

Capacity building at provincial level has been directed at officials and members of the technical secretariat of the Executive Committee, focal points of the provincial planning team, and provincial facilitation and technical teams. The educational background of personnel at provincial level is equivalent to elementary and secondary

¹¹⁵ Most of them obtained their MA degree at the Asian Institute of Technology in Bangkok, Thailand. These Cambodians are young and male who got scholarship through their former employers usually, the Department of Agriculture or the University of Phnom Penh. National staffs with MA degrees were recruited to work as assistants to the planning advisors.

¹¹⁶ Although they sometimes get trained alongside their counterparts. Their formal training varied depending on their respective functional requirements. Local capacity building staffs were trained on the

level schooling. For instance, in Pursat only one member of the technical secretariat has a baccalaureate degree.¹¹⁷ At the local level, the capacity building initiative has been provided to village and commune development committees. The educational background and capacity at this level is similar or even lower than those at provincial and district levels.

Much of the work done by the planning and local capacity building advisors during their term was to transfer knowledge and skills in planning and management to the technical secretariat and to the department of planning. On the job training by the technical secretariat has been complemented by formal training on such technical skills as logical framework analysis, data analysis and presentation, and project proposal preparations which were commissioned to outside consultants.¹¹⁸ The technical secretariat and focal points have also participated in inter-provincial and overseas study tours (Annex 3.6).¹¹⁹

Provincial facilitation and technical teams have been trained on various aspects of planning facilitation, project proposal preparation, tender and bidding, and monitoring. Training and on the job learning have been provided primarily by the local capacity building and infrastructure advisors, and the national professional staff. In turn, facilitation and technical teams are expected to transfer their knowledge and skills on

planning process facilitation while sector and planning staffs attended classes on logical framework preparation and data analysis and preparation.

¹¹⁷ A number of the civil servants studied under the Russians and the Vietnamese.

¹¹⁸ Training outsourced to NGOs include subproject proposal preparation, office administration and management, English language instruction, and computer operation.

¹¹⁹ The study tours to Seila and non-Seila provinces and to ASEAN countries such as Indonesia, Thailand and the Philippines were particularly very helpful in creating awareness and appreciation among the provincial officials on their own work as well as learning innovative ways in planning and implementation. The overseas trips made a significant impact on the Cambodians who have been isolated from the world for more than three decades. Trips to non-Seila provinces provided insights on how fairly well developed the Seila provinces in capacity and institution building.

planning and implementation to village and commune development committees. Since the phase out of most expatriate advisors in 1997, there has been a relatively smooth transition at the provincial level. With minimum guidance from the provincial program managers, the national professional staff in planning, local capacity building and sectors have been able to take on most of the responsibilities previously performed by expatriate advisors. Moreover, with the recent localization of the CARERE provincial offices at the management level, some of the national staffs have filled the positions of provincial managers and deputy provincial managers which used to be occupied by expatriates.¹²⁰ The provincial rural development committees have also demonstrated increasing confidence and capacity even with additional responsibilities in managing the new financing system. Although both the national professional staff and the provincial counterparts still require occasional advice from expatriate advisors, these are strong indications that the first two years of learning and training have paid off

However, the challenge in capacity building remains at the level of the facilitation and technical support teams both to upgrade their skills and to keep up with the demands from local communities. Because of the constant pressure to formulate plans and develop projects quickly, provincial teams have not had sufficient time to train village and commune development committees. In many cases, village and commune development committees have become dependent on provincial teams to do the work for them. The highly complex and technocratic requirements for plan and proposal preparations have in

¹²⁰ Two planning assistants in Pursat are now deputy provincial managers, one in Pursat and the other in Siem Reap. Another planning assistant is now Battambang's provincial program manager and another is a technical assistant to the Seila Task Force secretariat.

part stymied the transfer of knowledge and skills to the village and commune development committees.¹²¹

3.3 Operationalizing Decentralized Structures and Mechanisms

How and to what extent have decentralized systems in planning and financing and initiatives at capacity building under the Seila program influenced the level of local participation and accountability of provincial bureaucrats and local officials and in turn affect performance in the delivery of local public services? How and what forms of institutional relationships have been formed between various provincial and local actors in responding to demands by the local population? The following discusses the findings of my study.

3.3.1 Engendering Participation: Forms and Reasons

Community participation distinguishes demand driven models of rural development from the centrally driven, supply side provision of local services. Both theories of fiscal federalism and democratic decentralization argue that articulation of tastes and preferences by local communities through the electoral process or through alternative forms of “voice” ensure responsive and efficient local service provision. Under the Seila program, community participation has taken several forms including participation in project selection, financing, and maintenance. There are several dimensions, however, as to how and why local communities decide to participate and the extent and degree of their participation are influenced by cultural, economic, and political factors.

1) Selecting Projects According to Need and Capacity

¹²¹ CARERE monitoring and infrastructure advisors have developed these forms with the end view of using the information for monitoring purposes yet until now there has been no coherent use of the data either for

The local planning process has opened possibilities for “voice” for those who have participated. This is particularly the case when basic services have to be provided in a form and manner that is consistent with the needs and capacity of local communities in implementation, management and maintenance of village assets. Some authors have argued that extensive process of consultation is not necessary in poor rural communities because of their homogeneity in tastes and preferences, and thus, local services can be provided uniformly at the central level (Prud’homme, 1996). The experience with local communities in Pursat and Battambang counters such argument and suggests that participation of beneficiary communities is critical to provide the proper mix and quality, and to ensure sustainability of basic services.

Differences in needs exist across villages in poor rural communities. In many remote villages in Cambodia, the provision and maintenance of basic services such as elementary education, water supply, and rural roads have in most cases fallen into the hands of villagers with minimal support from provincial or central government. In this context providing for basic infrastructures requires more than putting up the facilities but finding out if villagers could afford to operate and maintain them. For instance, a decision to build a simple infrastructure such as an elementary school building entails a whole host of responsibilities for villagers that include providing for school supplies, repair and maintenance, and sometimes payment for salaries of teachers.

Faced with resource constraints in financing and capacity to implement and operate, villagers are compelled to prioritize; some villages have a greater need for a school building than for a road or well. Through the local planning process, local communities have been able to articulate these kinds of constraints with respect to their

monitoring or analytical purposes.

financing, the quality of service they could afford, and whether and how they could sustain the provision of such services once they are provided. The local planning also extends the frontier of available services to poor communities by providing financing and technical support to match what the community could afford and is capable of doing.

In Pursat and Battambang, the participation of villagers in needs identification and prioritization seems to have been well-developed and institutionalized particularly in villages that have already gone through their third planning cycle. According to informants, at least 70 percent of villagers participate in the selection and prioritization of projects. This number is high in contrast to another much touted demand driven project like the Social Fund where village representation takes the form of a single individual making decisions for the entire village.

Participation in the form of local contribution in financing projects, both in cash and in kind, has also been quite high and depending on the nature of the project, ranged between 3-60 percent of the project cost.¹²² Local contributions particularly during the first cycle were mostly in-kind yet in succeeding years villagers have been encouraged to increase their contribution in cash. A high level of local contribution is generally associated with a high degree of support for a particular project regardless of whether it is a public or private good. Village and commune development committees have advanced that poor villages provide lower contributions. Yet further verification with villagers

¹²² While the proportion of local contribution has declined in the last two years, participation of this nature by villagers is comparatively better than that of the Social Fund. The apparent decline in local contributions in recent years could have two plausible explanations. One, the decline in local contribution pertains mostly to local infrastructure projects as needs for these goods have been mostly met. Decreasing contribution for infrastructure projects has been compensated by rising contribution for micro finance and production related activities. Moreover, the minimum requirement for cash contribution has an effect of pegging local contribution at that level. The other reason is the change in the valuation of local contribution particularly for in-kind contributions. In the past, in-kind valuation was done randomly and was likely inflated. Recently there has been a move towards more systematic and comparable measurement.

revealed that a general lack of interest to implement a particular project accounts more for lower contribution than the general economic condition of a local community. In some instances, a project proposed by a village or commune chief and fewer project beneficiaries generates lower community contribution.

Lack of ownership and maintenance has been noted to be the bane of central provision and provides one of the compelling arguments for adopting demand driven models of rural development (Tendler,1999). Although it is not as well developed and institutionalized as in other forms of participation, villagers participate in the maintenance of projects that have produced benefits. Participation in maintenance is particularly noticeable in wells, roads, and school building projects where maintenance subcommittees or ad hoc groupings of beneficiaries have worked together to maintain these village assets notwithstanding that there has been no systematic guidance or training provided to them. Well users regularly contribute for repair and maintenance. Villagers have also organized to collect fees, albeit on an ad hoc basis, from road users. Parents, teachers, and better-off members in the local community contribute to finance school operations and repair, and occasionally to supplement a teacher's salary. All these indicate that villagers even without being formally organized tend to take care of assets that give them benefits.

The institutionalization of such collective action through systematic capacity building of maintenance subcommittees is however critical to ensure the sustainability of the process. Developing the capacity of maintenance subcommittees in collection and recording of user fees, in establishing a regular budget for maintenance, and instituting a mechanism for accountable use and disbursement of maintenance funds would go a long

way in sustaining the community's participation in maintenance. Without proper maintenance, the physical assets of villages may deteriorate to a point where they would require new funding to rebuild them. This is an imminent possibility in many villages which have built a sizeable number of infrastructures under the Seila program. Most of these villages will not be able to rebuild these infrastructures without outside financing if and when these village infrastructures are destroyed beyond repair.

2) Explaining Non-Participation

Despite attempts to engender mass participation through the local planning process, an external evaluation team commissioned by CARERE to evaluate the Seila program indicated that not enough villagers have been attending planning meetings and fewer still have knowledge about how much funds have been allocated to communes and villages. Non-participation of local communities in plan formulation could be partly attributed to its lengthy and tedious process. As discussed earlier, the process takes about 7-10 days involving intensive data gathering and analysis; a lengthy process which would probably be shunned by ordinary citizens even in mature democracies.

Many of those who did not participate include both poor and non-poor villagers who indicated that attending meetings takes them away from work.¹²³ While project implementation is scheduled not to conflict with the planting and harvest seasons, overlapping of these activities caused by occasional delays in the approval of project proposals detract villagers from participating in the process. Moreover, villagers engaged in non-farm activities require them to work either during off-season or outside their villages.

While limited participation could also be construed as symptomatic of mistrust in the system (Manor, 1999), it could as well be perceived as a form of “voice”. Voluntarily non-participation could be a form of empowerment when viewed from a historical context in which villagers were traditionally mobilized and coerced by the state to undertake collective work in building infrastructures and in agriculture production.¹²⁴ Such freedom to decide whether or not to participate in the process is an option not available to villagers in the past. One commune chief (who has been a commune chief since the late 1970s) noted: “We used to order villagers around. Now, the table has been turned; we have to listen to them (referring to the local planning process).”

3) **Public vs. Private Goods**

The selective participation of villagers in various phases of the local planning appears to be a calculated one. Villagers have figured out that notwithstanding their non-participation in project selection they could benefit from most of the projects that were prioritized by other community members particularly with respect to public goods projects like roads and wells. This free riding extends to payments of local contribution where better off members in local communities appear to be willing to pay more to compensate for the slack by other villagers. By paying higher local contribution, better off villagers obtain greater benefits for having these projects implemented. For instance,

¹²³ Some members of village and commune development committees have shared a similar concern especially because they do not receive compensation for their work unlike members of the provincial rural development committee.

¹²⁴ The Khmers have been subjected to various forms of collective work and reached its peak during the Socialist period. The Pol Pot regime imposed collectivization with large communes replacing village cooperatives. Men, women, and young children were conscripted to do various tasks: to build major infrastructures such dams, canals, and roads; and work in collective farms (see Russell Ross, ed., 1990). Subsequently, during the Vietnamese occupation in 1979 *krom samakis* or “solidarity groups” were formed to achieve food security. Solidarity groups consisted of 10-15 families working on their own land or collectively held land but pooled labor and farm animals. The *krom samakis* were unpopular because of the Socialist legacy of collective work and were soon abolished (Curtis, 1998). Remnant of *krom samaki*

wells have generally been located on the properties of better-off members allowing owners easier access and control in the distribution of benefits.¹²⁵

While non-participation does not seem to affect benefit distribution for public goods, the case for non-public goods is different. By its very nature, the distribution of benefits for non-public goods excludes those who do not participate. In Pursat, the eligibility criteria for micro finance and production related activities are biased towards those participants who have land or cash and systematically disqualify those who have no assets. Examples of these projects include credit schemes for raising buffaloes and for fertilizer. Unless the mechanisms for access to these activities are adjusted to take account of the special circumstances of poor people, the local planning process could become a forum for limited interests, accentuate differences in benefit incidence, and could result in the complete withdrawal of some villagers from the process.

4) At the Crossroads: Developing Trust and Collective Action at Commune Level

Partly because of the pressure from CARERE, the past two years have witnessed the emergence of commune level projects but the process of doing so poses challenges to commune development committees. The oft-repeated arguments advanced to explain the reluctance of local authorities to implement commune level projects pointed to the need to service village based constituents and the lack of implementing capacity of commune development committees.¹²⁶ At the onset, these claims may be true on both political and technical grounds.

organizational structure, the family clusters or sub-groupings still exists in many villages which are used by village development committee members in disseminating information and mobilizing village support.

¹²⁵ Property owners where wells are located expressed that they could potentially limit access to water supply although there has been no reported cases where this has actually happened.

¹²⁶ See various UNCDF reports.

An alternative explanation and a more complex dimension of implementing projects at commune level is the existence of trust between villagers and commune level authorities and whether trust, which is the basis of most collective action, exists. On one hand, commune development committee representatives have pointed to the difficulty in collecting contribution from villagers to finance commune level projects and in enforcing fiat in the management and maintenance of such projects. Communes that have been able to surmount this problem have sought the help of traditional village interlocutors such as monks and village elders by integrating them as members of commune development committees and involving them in mobilizing support from villagers.¹²⁷

On the other hand, villagers think that they have no control over the process of project implementation and management if it is undertaken outside the boundaries of their villages. For instance, they expressed concern over how the maintenance of the infrastructures could be enforced if there are inter-village users of the facility. Villagers also claimed that they do not have enough trust that commune representatives would use their financial contributions appropriately and implement projects properly. Many of commune level projects that have encountered difficulties in mobilizing inter-village support are public goods where the degree of free riding and shirking from financing and maintenance work are potentially high. Unlike the generally voluntary nature of participation in village projects where better off members are willing to internalize externalities, inter-village collective action has a low threshold for free riding and thus, would require a different form of implementation arrangements.

¹²⁷ Because of their stature in the village and generally good reputation to mobilize their communities, villagers sometimes trust them more than the village development committee chief or VDC members. In fact, there are several occasions when a VDC chief would rather consult with a village elder instead of village chief, who serve as advisor to the VDC.

Anthropologists and sociologists working in Cambodia have highlighted the lack of social cohesion in rural villages.¹²⁸ While this characterization of village life has become pervasive, recent literature and empirical evidence in Cambodia indicated that intra-village cooperation does exist.¹²⁹ Moreover, literature on collective action suggests that trust leading towards a common development goal is constitutive. Trust could be developed where none exist before when participants perceive the benefits from such cooperation, and repeated positive interaction could enable sustained collective activities in the future.¹³⁰

The possibilities for collective action in village based development activities in Cambodia have been realized despite prognosis that this could not happen because of lack of trust among villagers. Villages that have gone through multiple planning cycles under the Seila program have experienced that cooperation brought benefits to their villages in the form of wells and roads that have not been provided to them in the past. Such concrete manifestations of their collective action enabled villagers to participate in the next round of the planning process. The incremental development of trust and cooperation could be potentially realizable at the commune level when repeated process demonstrates the possibilities for realizing gains out of collective action.

5) Transforming Voice to Action and Planting Seeds of Accountability

Manor in his five-country study noted that repeated exposure to an electoral process could create a taste for local communities to demand something from their

¹²⁸ Anthropologists have undertaken several studies on Cambodian village life since the late 1970s. One pervasive view posited in some studies is that Khmer society has become atomized. See for instance: Jan Ovesen (1995) and Viviane Frings (1994).

¹²⁹ See Ebihara (1993) and Ledgerwood (1998).

¹³⁰ Sabell (1996) used the term studied trust in referring to the creation of trust in forming cooperatives. See also Seabright (1997)

politicians (Manor, 1999). An analogous situation is observed in the process of consultation and deliberation that takes place every year during the local planning process. The repeated process of engaging local communities in a dialogue has increased awareness among villagers that they can make demands on local authorities and put pressure on them to respond to their demands. Villagers in Pursat for instance, have learned how to demand from their village and commune representatives to support micro finance activities and production related activities instead of small infrastructure projects which provincial and local authorities are much more inclined to support.

By working through rural development committees, clear lines of authority and responsibility in decision-making and resource allocation have been established which inform communities and lower level authorities about who should be accountable for certain actions or decisions. Whether villagers act on this knowledge is difficult to ascertain. One illustration that they sometimes use this information is an incident in Pursat province where villagers voted out some members of the village development committee who they thought were not performing well.

The local planning process has also changed the dynamics between local authorities allowing those at the bottom of the hierarchy to voice dissent and find alternative channels in seeking resolution outside the hierarchy. There were instances when commune development committee chiefs contravene the priorities of village development committees, for example favoring roads over school buildings. Through repeated exposure to the process, village development committees are learning that they could challenge those decisions by raising issues during deliberation meetings. When these issues were not settled in formal forums they found that they could find a

sympathetic ear from the provincial facilitation team who has become a de facto arbiter/mediator in conflicts between village and commune development committees.

The holding of a provincial level consultation at the end of each planning cycle where local level representatives meet with provincial rural development committee and CARERE staff, opens another venue for dialogue at provincial and local levels. This forum is only two years old and local representatives are still testing the waters if they could get results out of this consultative process. So far, this forum has been used to formalize discussions on policy issues in various phases of the local planning process.

How and to what extent have provincial rural development committees respond to demands from village and commune levels? In what ways have they responded and were they effective in managing these demands? The following discussion attempts to elucidate on the mechanics of responsiveness under the Seila program.

3.3.2 Managing Demand at Provincial and Local Levels

Provincial and local authorities respond to demands by local communities in a nuanced way. Although priorities identified by villagers are multi-sectoral, the Seila program initially restricted funding to small-scale infrastructure projects such as culverts, village roads, bridges, school buildings, and wells. The menu driven approach was introduced to make sure that villages would choose and benefit from simple, public goods type of projects that required simple skills and technology. Such an approach was intended to help build the confidence of village and commune development committees to manage and implement projects. While this approach also led to a one-village one-project syndrome this was necessary to gain political capital at the village level.¹³¹

¹³¹ Smoke, Paul. Personal Communication. Quoted from the World Bank's Draft report on the Social Fund. May 2000.

After a year of confidence building, the provinces were allowed to fund larger and more complex infrastructure as well as non-infrastructure projects. The lifting of restrictions has surprising outcomes in Pursat and Battambang. Pursat has dramatically diversified its investment portfolio to include both infrastructure and non-infrastructure projects while Battambang remained focused on funding infrastructure projects (See Annex 3.1). What accounts for these mixed responses? The explanation could be found in the density and diversity of alternative service providers in the province and the ability of provincial and local authorities to tap and harness this potential supply of service networks.

1) Battambang: Focusing on Comparative Advantage

The main consideration for Battambang's decision not to diversify its local investment portfolio is its comparative advantage in supporting small-scale infrastructure projects. The chief of the technical secretariat of Battambang noted: "The Seila program can address some but not all of local demands. We respond to small-scale infrastructure projects. For non-infrastructure projects where we do not have technical competence we collaborate with other agencies through the local planning process."¹³² Not that there were no demands at the local level for non-infrastructure projects. What happens was that Battambang was able to off load the pressure of supporting non-infrastructure components by harnessing the presence of other funding agencies that could address them more competently. For instance, Battambang under the sponsorship of CARERE developed formal institutional partnership with other funding agencies such as the case of the Community Action Social Development (CASD) project with UNICEF. Under this

¹³² Interview with Seng Valath. The provincial program manager of CARERE/Battambang confirmed this view.

arrangement, the Seila program funds the infrastructure component of local plans while UNICEF picks up the tab for projects relating to non-infrastructure projects such as community education, health, and credit.¹³³

The technical secretariat of the provincial rural development committee in Battambang has also cleverly evolved into a clearing- house for service/fund providers working in the province. Public consultations sponsored by the provincial rural development committee such as through the local development forum and the district “integration” workshop have helped establish better relations with NGOs and other service providers. Through this process, the provincial rural development committee has been able to bring together donors and NGOs to work collaboratively in certain areas by exchanging information and providing essential socio-economic data which the provincial rural development committee has accumulated over time.¹³⁴ In 1998, Battambang was able to access resources for local projects in the amount of \$250,000 from local and international NGOs.¹³⁵

This sort of collaboration by the provincial rural development committee with donor agencies and NGOs did not happen overnight. The provincial rural development committee has earned the respect and trust of the NGO community only when the former began to demonstrate its ability to manage the process of provincial and local planning.

¹³³ This partnership started in March 1998 through a Memorandum of Understanding. CASD/UNICEF operates in other five provinces but only in Battambang where they have entered into partnership with another existing development program.

¹³⁴ Interview with the chief of the technical secretariat of the provincial rural development committee in Battambang. The Seila provinces have collected a large socio-economic database not available in other provinces.

¹³⁵ UNDP/CARERE. Project Performance Evaluation Report, April 1998.

NGOs now seek the advice of the provincial rural development committee when they start new projects or when they form their village development committees.¹³⁶

2) Pursat: Responsiveness and Its Perils

The picture painted in the Pursat scenario is that the Seila program tends “to do it all”. Like the provincial rural development committee in Battambang, Pursat has also come to realize that its comparative advantage is in facilitating and supporting small-scale public goods type of infrastructure projects. However, it has limited room for maneuver primarily because the Seila program is the dominant source of local funding. Unlike Battambang, there are few resource rich NGOs in Pursat to absorb demands from local communities.¹³⁷

The pent-up demand for non-infrastructure projects in Pursat is particularly strong in communes and villages which are in their third planning cycle where most of the basic infrastructure requirements have already been met. Local communities have increasingly put pressure on village and commune development committees to fund micro finance projects like raising buffaloes and production- related expenditures in irrigation pumps and fertilizer. The pressure to do so has been stepped up by public statements of the

¹³⁶ Interviews with Andy Leigh, World Vision International, an NGO operating in Battambang; deputy head of the provincial rural development committee, and chief of the technical secretariat in Battambang province.

¹³⁷ Concern is one of the major NGO in Pursat that has actively collaborated and participated in Seila initiated activities such as the local development forum. Yet it has consciously avoided working in the same area where the Seila program operates. Interestingly, Concern is now focusing on capacity building work that mimics the Seila program. Concern’s reaction can be partly explained by the fact that it is one of the pioneer NGOs operating in Pursat but its accomplishments or lack thereof have recently been overshadowed by the Seila program. District and commune authorities talked about infrastructure projects funded by Concern that were poorly supervised and resulted in poor technical quality. In many of these conversations, the local authorities and villagers alike always end up comparing Concern and the Seila program with the latter coming out favorably. This pattern of comparison was repeated in other districts and communes I visited. Interestingly, one of Concern’s staff accompanied me in these interviews partly to work as my interpreter and to learn about the Seila program and confirmed that most of these stories were true.

provincial governor invoking a shift in development assistance from infrastructure to livelihood related activities.

Thus, despite lack of expertise and experience, the provincial rural development committee has been compelled to fund relatively complex infrastructure projects and non-infrastructure activities. This is reflected in a significant increase since 1997 in the allocation for non-infrastructure activities as well as non-traditional infrastructure projects such as dams and irrigation canals (See Annex 3.2). Responding to demands for these projects has put a strain on the provincial technical support team whose training has been on supporting small-scale infrastructure projects. The provincial technical support team has reached out to provincial line departments for technical assistance by contracting out to them the design and supervision of irrigation canals and dams.

However, the technical expertise on non-infrastructure projects is lacking at the provincial level. CAREERE who backstops the provincial rural development committee does not have in-house competence to do so. Moreover, experience in Pursat of similar type of projects funded by NGOs has not been favorable. The provincial support team has therefore struggled to administer non-infrastructure projects and is confronted with such fundamental issues as selecting beneficiaries, monitoring performance and dealing with risks and defaults. Already there have been complaints and intimations in some villages that micro finance and production related projects have excluded poor families.

What can be learned from the Pursat and Battambang cases? Their experience informs that responsiveness requires the ability to manage demand. Either by responding directly or by developing a mechanism through which local demand can be absorbed by

¹³⁸For instance, bad feelings about Concern's credit and livelihood projects still persist in the narratives of villagers.

other service providers or passed on to higher level bodies or agencies. Even capable provincial rural development committees do not have to do it all as illustrated in the case of Battambang but it should have the knowledge and skills to channel local demands to other service providers. Provincial and local administration could and should build horizontal and vertical networks of support systems that can be called upon to respond to local demands when the possibility for responding to them directly is not an option.

How and to what extent have commune and village development committees managed demand? Is the degree of responsiveness by local level officials any different from that at the province level? Because local authorities live and work in close proximity to villagers, responding to local demands could be highly personalized and intense.

3) Responsiveness by Accommodation

While commune and village development committees are expected to allocate decentralized funds according to needs and priorities identified by villagers during the local planning process, they have not necessarily followed such precept. When asked how they have allocated such funds, more often than not the response was: “it depends on the size of the project.” This statement is usually understood to mean that if the project cost is large and that only one or few projects could be funded out of decentralized funds, chances are such project either will not get funding support or will have to be scaled down. Such allocation pattern could be explained by the desire of local authorities to satisfy a broad-based constituency. CARERE and UNCDF have advanced the use of objective criteria in the allocation of decentralized funds. Commune and village development committees have appreciated the potential usefulness of a criteria-driven

decision-making which would shield them from unreasonable demands by villagers. On a basic level, the number of beneficiaries has been used as one of the key criterion for funding a project yet sometimes this could also be inflated if a commune or village chief wanted a project to be funded. Generally, commune and village development committees have lamented that the criteria have been modified too often and are far too complex for them to comprehend and to operationalize.

Commune chiefs are also more likely to fund similar type of projects at one time rather than risk having a wide variation of projects that would challenge the administrative and technical capacity both at commune and provincial levels. For instance, in year one, ring wells would be funded, and the next year, would be the turn for schools or roads projects. Few village development chiefs or villagers have taken issue about this practice. Many are willing to accept the decision of commune development committees with the knowledge that they have a chance to present their case in the next round of the planning process. Yet for those very few who expressed dissent, conflict of this nature has been addressed to the satisfaction of both parties either through immediate rectification or through a promise to mitigate in the next planning cycle.

3.3.3 Realizing Cost- Effectiveness

The experience of the Seila program provides a counterfactual argument that project execution by local communities hold down cost without sacrificing technical quality. Several evaluation reports have noted that in fact, locally administered projects often experience major delays because villagers did not work full time which led to increasing costs, and the resulting outputs were not necessarily of good quality.¹³⁸

¹³⁹ According to CARERE's infrastructure advisor. See also Main Phase Evaluation report of September 1999, UNCDF.

Since 1998, projects costing \$1,000 and above have been bid out. As a result, projects that were implemented by private contractors have realized significant cost-savings by as much as 10 percent of the estimated project cost.¹³⁹ Under the present contracting procedure, a direct line of accountability is established between the contractor and the project owner. When mitigating measures have to be made, there is a clear line of responsibility to the party who should do them. This form of redress was not enforceable when village and commune development committees had to monitor themselves.

Problems however may arise with respect to the availability of private contractors willing to work in small projects in remote areas of the country. There have been several cases when projects were re-bid because of lack of required number of contractors. An alternative that is being explored is to award a package of contracts to a single contractor transforming it into a monopoly situation. Under a potentially monopolistic condition, it is unclear how cost-effectiveness that has been realized under a competitive situation could be attained.

3.3.4 Building Institutional Linkages

A major contribution of the provincial planning process is that it has allowed for dynamic interaction and coordination between various provincial actors and between provincial actors and local authorities which would ideally happen only in a decentralized environment. For instance, such an interaction does not occur in non-Seila provinces in Cambodia. This dynamic interface between various provincial and local actors in Pursat and Battambang happened progressively as the provincial planning process itself evolved

from a solely provincial level consultation to a more broad based provincial-local dialogue.

During the first year of provincial plan preparation, consultation was limited to the planning and district offices of technical departments. In subsequent years, the provincial plan consultation was expanded to commune development committees including those outside the Seila target areas.¹⁴⁰ The process has further evolved whereby provincial plans and local plans are discussed, or by Seila program's parlance, "integrated" at the district level prior to their endorsement to the provincial rural development committee for approval. Participation at the integration workshop has also been further broadened to include other local actors in the province mostly NGOs and other donor agencies.

This attitude of cooperation and collaboration by NGOs towards the Seila program is a complete turn around from their previous position of suspicion and skepticism of the program's objective and approach.¹⁴¹ A local staff of an international NGO in Battambang said: "In the past, we [NGOs, CAREERE, provincial department staff, and other funding agencies and service providers] used to pass each other on our way to the villages but we never really had a chance to talk about what we do there. With the integration workshop, we have an opportunity to exchange information and plan together. We now have better relations." It is unlikely, however, that NGOs would

¹⁴⁰ Non-target communes do not get funding support from Seila funds but they could get technical support from technical departments.

¹⁴¹ In 1997, a group of NGOs in Battambang wrote a letter to CAREERE asking for clarification about the Seila program's objectives especially with respect to the formation of village development committees. They complained that CAREERE rushed through the formation of village development committees without taking into account existing VDCs and other forms of organizations such as pagoda committees. NGOs also worried that the VDCs formed under the Seila program will become instruments of state control and usurp its potential as an instrument for providing voice to civil society. (Personal communication with

become significant funders in Seila program areas since they are more inclined to operate autonomously.

3.4 Explaining the Performance of the Seila Program

This section attempts to account for the performance of the Seila program. I identify factors that played important roles in enabling the Seila program to establish decentralized systems and mechanisms in Pursat and Battambang and to deliver local services despite a constrained institutional environment marked by lack of capacity at provincial and local levels. These factors are as follows: 1) role of process and output orientation in developing capacity; 2) role of donor agencies in building institutional alliances; 3) provincial and local level support; and 4) attitude of central government.

3.4.1 Balancing Act: Process and Output Matter

The institutionalization of decentralized structures and systems have been made possible through a delicate balancing act between process and output. The process of local and provincial planning enabled repeated interaction of rural development committees with various stakeholders which provided the basis for gaining trust and confidence in the ability of a decentralized structure to deliver services. The direct link of planning to financing facilitated the balance between process and output. On one hand, villagers have been able to realize the benefits of participation and collective action through the funding and implementation of their priority projects and on the other hand, provincial and local authorities have been able to respond to demands from local communities. Decentralizing decision making and resource allocation responsibilities to rural development committees helped developed their capacity to deal with constraints

former local capacity planning advisor of CAREERE Battambang and interview with head of Buddhism for Development, a local NGO based in Battambang).

imposed by limited resources and to develop mechanisms in managing these competing claims and subsequently, allow them to deliver services to local communities.

The provision of capacity building tied closely to the functions and responsibilities at various levels of the rural development structures made it possible to undertake planning at provincial and local levels and at the same time to enable the delivery of services to local communities. The literature on public administration and on foreign technical assistance is filled with accounts of failures in developing the capacity of the public sector.¹⁴² In Cambodia, many of the donor -funded projects have focused on the substitution technical assistance more than capacity building of counterparts.¹⁴³ Yet capacity building is one of the primary factors that enabled the localization of the Seila program management in the provinces and allowed for the gradual transfer of responsibilities in resource allocation and decision-making from CARERE to the provincial rural development committees. Both factors helped explain the sustained dynamism and effective service delivery at local levels.

Under the Seila program capacity building was embedded in the institutional structure and was tailored according to the evolving capacity of rural development committees. Training of provincial and local personnel was determined on a combination of demand and supply diagnostics and was directly linked to their functions and responsibilities. Learning by doing more than the classroom, passive type of learning was given emphasis which proved to be an effective form of transferring knowledge and skills because of the limited capacity and low-level formal education of provincial and local staff. This action learning approach enabled expatriate advisors to follow-up and to

¹⁴²See Grindle (1997); Cohen (xx); Berg (1993).

¹⁴³ See Curtis (1998).

follow-through on the progress of their understudies as well as on the work of the provincial and local development committees. Expatriate advisors also played an important function as role models which provided the opportunity to transfer work ethics to the provincial staff in terms of dedication, probity, and transparency.¹⁴⁴

3.4.2 Role of the Donor Agency: Building Institutional Alliances

CARERE created an enabling environment and support network for the Seila program by establishing institutional relationships with provincial line departments and central ministries, donor agencies, and NGOs. The funding support to provincial line departments facilitated coordination between provincial administration and provincial line departments which in turn eased the process of integrating provincial sector plans with those at the local level. Institutional alliances with donor agencies such as WHO, FAO, and UNICEF helped the Seila program expand its network of financial and technical support and gain wide acceptance and credibility. CARERE also promoted the establishment of local development forums in the provinces which engaged NGOs in consultation and dialogue with provincial rural development committees. These interactions formed the basis for gaining the trust of NGOs and for their subsequent participation at the integration workshop.

At CARERE's initiative, key central ministries have been engaged and informed on an individual basis about the activities of the Seila program. One of the early supporters to the Seila program was the then minister of planning whose active support helped energize the moribund provincial planning departments in the pilot provinces. In an attempt to elevate its advocacy of the Seila program to a wider national constituency, CARERE pushed for the establishment of a national government counterpart of the Seila

¹⁴⁴ Based on interviews of provincial CARERE staff and counterparts.

program, the Seila Task Force. Through the Seila Task Force, CARERE has been successful in getting key central ministries including the ministries of economy and finance, rural development, and interior to support initiatives under the Seila program.

3.4.3 Provincial and Local Level Support

In particular, the support of provincial governors was crucial in paving the way for engendering and sustaining the dialogue and interaction between provincial department agencies and local authorities. In Pursat and Battambang, the provincial governors demonstrated their support to the Seila program by presiding in crucial meetings of the provincial rural development committee. On occasion, the provincial governor also played the role of an arbiter when there were conflicts between competing provincial departments. This gesture may seem innocuous yet in Cambodia the support of the provincial governor, who is the principal agent of the bureaucracy and the party at the subnational level, provides an important signal to the rest of the provincial bureaucracy and local authorities.

The support of the provincial governor compelled provincial directors to participate in meetings organized by provincial rural development committees. These initial meetings, which were usually facilitated by an advisor(s), provided an opportunity for gradual learning of participants in having real discussions and in making decisions in a pluralistic manner. Discussions of this nature occur during the allocation of sectoral funds and the review of commune project proposals by provincial rural development committees. These meetings also formed the basis for coordination between provincial planning department and provincial line departments which led to their sustained collaboration.

The willingness and enthusiasm demonstrated by provincial and local authorities to learn new ways of doing things compensated for the serious constraints faced by advisors in training officials and staff who have limited educational background and experience. Such behavior of provincial and local authorities was a strategic response to their long neglect by central government and donor agencies. Many of the provincial planning and line department personnel while employed have had no real work to do since 1993 partly because of lack of central government funding and partly due to lack of capacity and no clear directions from the center. Because of the stigma attached to their past as part of the Socialist apparatus and the associated presumption of rent-seeking, donor agencies had them bypassed preferring international NGOs to carry out functions and responsibilities in service delivery. Most of the provincial line departments both old (agriculture, health, and education) and new (rural development, environment, and women's affairs) lacked clear mandates and subsisted on sporadic and minuscule funding support from central government. The planning department which was once a very powerful department in the 1980s had since then been marginalized especially after 1993.

The decentralized funds and technical assistance provided to provincial line departments allowed them to define and clarify their roles and responsibilities and to undertake projects consistent with their mandates. The planning department through training and hands-on work has demonstrated its capacity and regained its credibility to provide a leadership role in coordinating the preparation of the provincial development plan and facilitating its integration with local plans.

The support of commune and village authorities facilitated the implementation of the local planning process. The challenge to the traditional authority and power of village

and commune chiefs posed by the establishment of village and commune development committees would have created a lot tension at the local level. The potential conflict was partly diffused by the retention of commune chiefs as de facto head of commune development committees and the appointment of village chiefs as advisors to village development committees.¹⁴⁵ It can also be argued that the support demonstrated by the provincial governor to the Seila program provided ample signal to local authorities to cooperate. Finally, the possibilities of bringing development activities to villages and communes that have experienced long neglect presented a compelling reason for traditional power holders to acquiesce.

Because of the resources available to them through the local planning process, rural development committees have been able to function and provide much needed services to local communities where none exist before. The ability to provide services has made provincial and local authorities proud of what they do. Commune and village development committee members expressed a feeling of self-worth because local communities recognize their work. The provincial staff takes pride in being associated to a program that is perceived to help local communities.

In Pursat, which has been traditionally passed over in favor of more developed and accessible provinces, visits from high- ranking officials and donor missions as well as from counterparts in other provinces provided a positive signal to provincial and local staff that their efforts have been well appreciated. Both CARERE and government staff noted that these visits provide them incentive to perform better. Positive reinforcement of

¹⁴⁵ The village chief is allowed to run for the village development committee position. If and when he decides not to or if he does not get a position in the village development committee, he is appointed de facto advisor to the village development committee. Tension is however not uncommon between heads of

their work, however, is not the only driving force behind good performance. Provincial staff in particular are well compensated for their work: they get supplementary income which is twice as much as their government salary and they are provided with adequate logistics support to get their job done.¹⁴⁶

Positive results on the ground has contributed to the confidence building in provincial rural development committees which allowed them to reach out to other development partners. While CARERE laid the foundation for institutional alliances, the provincial rural development committees followed through and sustained the process of dialogue and interaction with NGOs and donor agencies. This attitude is highly visible in Battambang where the network of service providers is diverse and competitive and yet the provincial rural development committee was able to secure their support and cooperation.

3.4.4 The “Invisible Hand” of the Central Government

In many decentralization accounts, the central government is played out as an obstructionist to any attempts at transferring responsibilities to lower levels of government. The Seila Task Force is officially responsible for the oversight of the Seila program, yet the central government provides relative autonomy to CARERE to guide the program’s operations. Such behavior is consistent with the laissez-faire approach of central government to keep donor funds flowing.¹⁴⁷ Yet it cannot be argued that the central government is oblivious of what is going on the ground. CARERE could not have

village development committee and the village chief especially with the latter continuing to exercise effective control of the village.

¹⁴⁶ CARERE provides vehicles and motorbikes to the provincial staff working under the Seila program. Each provincial facilitation and technical team member is provided with motorbikes to facilitate their visits to the villages. Village and commune development committees get 1-3 percent of total project approvals for administrative expenses/contingencies. Yet some local level workers complain that this amount does not compensate for their lost income in attending to Seila program matters.

obtained the support of the provincial and local authorities without the blessings from the central government particularly from the dominant party leadership who holds almost complete control of the provincial and local administration (see discussion on Chapter 2).

Nor CARERE could have operated without the tacit consent of the central government. Through key central ministries, CARERE has been able to secure the approval of executive decrees to buttress the institutionalization of various Seila program initiatives including the establishment of the provincial planning process, the creation of the decentralized development fund, and the reconstitution of the membership and structures of the provincial rural development committee. The technical assistance provided by UNDP and UNCDF in the formulation of laws on commune election and commune administration implies government consent in influencing the architecture of decentralization in Cambodia with inputs from the Seila program.

3.5 Summary and Conclusion

The Seila program is different from other demand driven approaches in Cambodia because it involves the adoption of decentralized systems and mechanisms in planning, financing, and management along with the provision of intensive capacity building at various levels of the rural development structure. Despite a constrained environment marked by absence of established decentralized structures and lack of capacity at provincial and local levels, the Seila program has demonstrated that decentralized systems and mechanisms in planning and financing can be made to work.

In Pursat and Battambang, participation in project selection, financing, and maintenance has been engendered albeit in different degrees through the planning

¹⁴⁷ Curtis (1989).

process. A sense of accountability and responsiveness to demands made by local communities has been instilled in provincial and local authorities. Provincial level strategies enabled Pursat and Battambang to manage demand pressures according to their respective institutional environment and capacity. Pursat diversified its investment portfolio while Battambang focused on its comparative advantage in supporting small-scale infrastructure projects.

Through the provincial planning process, the institutional dynamics between provincial administration and line departments, and between provincial and local authorities have been altered to mimic that of a decentralized structure characterized by better collaboration and coordination. Institutional partnerships between the Seila program and NGOs and other donor agencies have also been established which helped expand the program's support network and enhance its credibility and broad-based acceptance.

The process orientation of the Seila program embodied in provincial and local planning and in the learning by doing approach to capacity building balanced with requirements for timely project delivery played a critical role in the institutionalization of decentralized structures and mechanisms. Other factors that contributed to the performance of the Seila program include the enabling environment created by CARERE through institutional alliances with NGOs and donor agencies; the support of provincial and local authorities, and the unhampered implementation of the Seila program through tacit support from the central government.

While the Seila program is working in Pursat and Battambang, much remains to be done in linking provincial and local initiatives to reforms at the central level. This

issue has important implications with the imminent holding of commune elections which will potentially extend real autonomy to communes, and in terms of the long-term prospects of the Seila program as a decentralization model for Cambodia.

The financing of the Seila program is largely dependent from donor funds which does not bode well with respect to its long-term sustainability. While it has been demonstrated that mobilization of local resources to finance priority village projects is possible, implementation of commune level projects points the need to explore alternative arrangements. The divide between provincial and local level revenue assignment has yet to be worked out and operationalized. Thus, much remains to be seen how this would have implications on the ability of communes to carry out its functions and responsibilities in local service delivery.

As noted in Chapter 2 provinces do not have large revenue bases and even if collection efficiency can be improved, decentralized revenues are not sufficient to support local activities which implies that central level transfers will have to play an important role in supplementing locally sourced funds. The financing issue is a complicated one and needs to be sorted out in terms of the mechanisms of transfers and in view of variations in revenue bases across provinces and the dependence of central government on external fund sources.

Despite the beginnings of dynamic institutional relationships and interactions between the executive branch and implementing agencies at provincial level this form of relationships need to be institutionalized which can only be done with support from the central government. While line departments have appreciated the benefits of coordination and consultation introduced under the Seila program, they will have no incentive to

continue to do so without support from the central government. A similar case can be made in the area of governance at provincial and local levels. Issues of transparency and accountability seemed to have shown promise under the Seila program yet these advances cannot be sustained without the institutional support from and linkages with the ongoing process of civil service and governance reforms at the central level.

The achievement of the Seila program comes with a price. The implication of the Seila program genre of decentralization or any serious attempt at decentralization for that matter is that a decentralization process requires a long-term commitment in financial and technical resources and a dedicated infrastructure and capable human resource base to sustain it once the momentum has taken place.

The Seila program faces three major challenges: First, how to transcend its pilot program status and to use its field level experience to influence macro level policies that in turn will support and sustain initiatives on the ground. A key policy initiative would require defining and mandating functional and structural lines of authority and responsibilities in planning, financing, implementation, and maintenance at central and subnational levels, and getting requisite financing and technical support from the central government. The commune administration law once approved and implemented is one step towards this direction. Yet much remains to be seen how donor agencies and NGOs whose project orientation is likely to be impacted will react to this policy change. Second, how to make the Seila program adaptable to a cross-section of provinces with different economic and human resource base, and capacity. Third, how to transform support from subnational and central levels to implement broad-based decentralization in Cambodia using the Seila program experience.

Annex 3.1: Phases in the Local Planning Process

Phases	Responsible Level/Participants
1. Allocation of block grant to communes	PRDC/Excom 1/
2. Orientation meeting for CDC and VDC 2/	P/DFTs
3. Data collection and initial goal setting	VDC/Villagers
4. Formulation of village future action plan	VDC/Villagers
5. Validation of village future action plan	VDC/Villagers
6. Formulation of commune development plan	CDC members
7. Feedback meeting to villagers about CDC meeting	VDC/Villagers
8. CDC preparatory meeting for integration workshop	CDC members
9. PRDC preparatory meeting for integration workshop	PRDC Secretariat
10. Commune-Sector integration	Planning/Line depts./CDC/NGOs/DDC3/
11. Allocation of block grant to priority projects	CDC members
12. Feedback meeting to inform villagers of CDC decision	VDC/Villagers
13. Project proposal preparation	CDC and VDC
14. Appraisal and approval of project proposals	PRDC Excom
15. Preparation project work plan and collection of local contribution	CDC/VDC
16. Procurement/Bidding	VDC/CDC
17. Signing of project agreement	PRDC with CDC/VDC
18. Release of block grant to CDC	PRDC Excom
19. Allocation of block grant to projects	CDC
20. Reflection workshop on lessons learned in local planning process	PRDC Secretariat/CDC/CARERE

Acronyms:

1/PRDC: Provincial Rural Development Committee

Excom: Executive Committee

2/ CDC: Commune Development Committee

VDC: Village Development Committee

3/DDC: District Development Committee

Source: CARERE Provincial offices in Pursat and Battambang

Annex 3.2: Investment Portfolio of Battambang and Pursat, by type of project, 1996-1999
(in US dollars)

Battambang	# of projects	1996	1997	1998	1999	1996-1999
A. Infrastructure						
Roads	208	23,158	207,541	256,774	151,788	639,261
Earth road	73	15,547	118,748	73,844	16,551	224,691
Laterite	135	7,611	88,793	182,930	135,237	414,570
Schools	20	8,574	33,074	18,965	11,488	72,100
Canals	36	6,307	5,909	60,885	4,312	77,413
Culverts	170	4,924	15,560	50,912	10,392	81,788
Bridges	10	4,321	23,714	27,458	4,912	60,405
Others1/	28	-	12,406	34,340	16,491	63,237
<i>Subtotal: Infrastructure</i>	680	47,284	298,204	449,334	199,383	994,205
Share to total (%)		100%	100%	99%	85%	96%
B. Non-infrastructure						
Buffalo raising	90	-	-	-	21,923	21,923
Fertilizer	1	-	-	-	823	823
Others	6	-	-	4,990	13,702	18,692
<i>Subtotal: Non-infrastructure</i>	97			4,990	36,448	41,438
Share to total (%)		0%	0%	1%	15%	4%
Total for Battambang	777	47,284	298,204	454,324	235,831	1,035,643
Pursat	# of projects	1996	1997	1998	1999	1996-1999
A. Infrastructure						
Ring wells	100	35,725	12,143	32,817	27,743	108,428
Schools (rehab/construction)2/	28	10,661	4,949	70,070	41,749	127,429
Bridges	34	6,405	27,415	15,147	17,908	66,874
Culvert	54	4,579	2,864	12,595	38,839	58,877
Roads/3	22	-	37,886	37,296.76	54,422.34	129,606
Others/4	30	-	29,102	6,478	7,357	42,938
<i>Subtotal: Infrastructure</i>	268	57,370	114,359	174,405	188,018	534,152
Share to total (%)		100%	76%	59%	66%	68%
B. Non-infrastructure						
Buffalo raising	93	-	13,560	90,348	44,062	147,970
Fertilizer	44	-	16,078	4,761	32,158	52,997
Water pump	33	-	6,104	17,884	4,547	28,535
Training	22	-	-	7,950	1,658	9,609
Others	9				12,822	12,822
<i>Subtotal: Non-infrastructure</i>	201		35,742	120,944	95,247	251,933
Share to total (%)		0%	24%	41%	34%	32%
Total for Pursat	469	57,370	150,101	295,348	283,265	786,084

1/ Include hand/water pumps, irrigation pipes, dam repair, fish pond, and watergate construction.

2/ Schools repair account for 30 percent of total in 1996

3/ Road repair accounts for two-thirds of total in 1997

4/ Include canal rehabilitation, and construction of dams and watergates in 1997

Riel/USD conversion rate: USD 3744

Source of basic data: CARERE Provincial offices in Battambang and Pursa

Annex 3.3 : Technical Assistance and Project Support to the Seila Program, 1996-1999
(in million US dollars)

Cost Components:	1996	1997	1998	1999	Total
1. Program support 1/	5,259	5,957	4,911	3,123	19,250
2. Project Investments 2/	7,523	10,476	7,360	1,425	26,784
Total	12,782	16,433	12,271	4,548	46,034
Relative weight	1996	1997	1998	1999	Total
1. Program support	41%	36%	40%	69%	42%
2. Project Investments	59%	64%	60%	31%	58%
Total	100%	100%	100%	100%	100%

Source: CARERE/UNDP, Phnom Penh, Cambodia

Annex 3.4: Provincial Operations and Project Investments Budget: Pursat Province, 1999
(in US dollars)

	Finance/Admin.	Local Development	M&E	Total
1. Management Support (Salaries)				
a) Finance/Administration	8,640			8,640
b) Local Capacity Building		24,480		24,480
c) M&E Resource Center			5,720	5,720
Subtotal	8,640	24,480	5,720	38,840
2. Operations				
a) Office materials and supplies	2,877			2,877
b) Fuel and maintenance	9,331	4,896	1,014	15,241
c) Equipment	14,047			14,047
d) Utilities	5,655			5,655
Subtotal	31,910	4,896	1,014	37,820
3. Training				
a) External and CARERE trainers	4,579	14,294	2,145	21,018
b) Travel	5,325			5,325
c) LPP process		28,168		28,168
Subtotal	9,904	42,462	2,145	54,511
4. Contingency (3% of \$130,986)	3,930			3,930
Grand total	54,384	71,838	8,879	135,101

Source: 1999 Seila Investment Plan, Pursat Province, March 1999.

Table 3.5: Staff Support to the Seila Program: 1996-2000

Technical Assistance:	1996		1997		1998		1999		2000	
	Expat	Nat'l	Expat	Nat'l	Expat	Nat'l	Expat	Nat'l	Expat	Nat'l
Phnom Penh	6.5	15	6.5	16	7.3	17	5	17	4	17
Management	3	2	3	2	3	2	2	2	1	2
Operations	2	13	2	13	1	14	1	14	1	14
M &E	0.5	0	0.5	0	2	0	2	0	2	0
Gender	1	0	1	1	0.5	1	0	1	0	1
Planning	0	0	0	0	0.3	0	0	0	0	0
Finance Systems	0	0	0	0	0.5	0	0	0	0	0
Province*	22	129	22	102	19.7	112	8.6	112	5	112
Management	5	0	5	1	5	5	5	5	5	5
Planning	5	55	5	10	1.7	10	0	10	0	10
Local Capacity Building	5	35	5	40	5	40	0	40	0	40
M&E	0	0	0	0	1	5	0.6	5	0	5
Information	0	4	0	8	0	8	0	8	0	8
Gender	0	5	0	5	0	5	0	5	0	5
Agriculture	3	14	3	14	3	14	1	14	0	14
Education	1	5	1	5	1	5	1	5	0	5
Health	2	5	1	5	1	5	0	5	0	5
Water/Sanitation	1	5	1	6	0	6	0	6	0	6
Local Infrastructure	0	1	1	5	2	5	1	5	0	5
Reconciliation	0	0	0	3	0	4	0	4	0	4
Grand Total	28.5	144	28.5	118	27	129	13.6	129	9	129

* Includes all five pilot provinces. Each province was assigned one planning and capacity building advisors in 1996-1997. Subsequently, international advisors were shared between provinces. Number of national staff in planning and sectors were the same for each province except for national staff in local capacity building which varies according to physical size of the province/project area. This implies that Battambang has more local staff than Pursat.

Source: UNDP/CARERE, Phnom Penh, Cambodia. 20 January 1998

Chapter 4

Responding to Local Demand from the Center: Social Fund in Cambodia

Social Fund and the Seila program present two competing models of local service delivery. Both finance simple infrastructure projects yet they diverge in the mechanism by which demand is generated and financing is accessed. While the Seila program works through formal decentralized structures, Social Fund responds directly to local demands from the center effectively bypassing provincial and local administration. Chapter 3 has demonstrated how, through the Seila program, local demand has been managed through various levels of the rural development committees. This chapter presents a contrasting view to the Seila program and explores how the Social Fund responds to claims by local communities. Together, these two chapters explore how different institutional arrangements could influence outcomes on local service delivery and in turn, in advancing the nascent decentralization process in Cambodia.

In this chapter, I focus on the nature and degree of Social Fund's interaction with local communities, local authorities, and provincial and line ministries on service provision and how they have affected participation, accountability, technical quality and sustainability of projects. I explore the following questions: What forms of institutional arrangements do the Social Fund employ in planning, financing, and implementation of projects and how do they compare with the Seila program?

Social Fund in Cambodia is supported by the World Bank. It is similar in design features to other Social Funds established in other parts of the developing world which subscribe to a template of institutional framework characterized by institutional autonomy, speedy fund disbursement, and low production costs. Paradoxically, it also purports to involve local communities in the planning, financing, and implementation of

local services. It is of no surprise therefore that Social Fund has resulted in a mix of contradictory outcomes. While it has been able to provide local services across the country yet, the Social Fund has not effectively engendered the participation of local communities nor improved capacities of provincial and local authorities as well as line ministries resulting in less than satisfactory performance in the technical quality and sustainability of projects. The pattern of institutional outcomes observed in Social Fund in Cambodia, which will be elaborated in this chapter, is not uncommon in other Social Funds. Thus, the adoption of a similar design framework that produced patterns of institutional dysfunctions elsewhere highlights Social Fund's institutional rigidities and offers guidance on the extent to which it could be reformed and could contribute to advancing the decentralization process in Cambodia.

In the following section, I discuss the key features of the Social Fund starting with an overview of its conceptual and institutional context.

4.1 Conceptual and Institutional Frameworks of Social Fund

The Social Fund model of local service delivery has been adopted in many parts of the developing world. It began as a program to counter the debilitating social impact of structural adjustment programs in Latin America in the 1980s and subsequently, the Social Fund evolved to become a widely popular demand driven model of rural development in the 1990s.¹⁴⁸ Since its qualified success in Latin America the gospel of the Social Fund has been preached in Africa and more recently, in Asia.¹⁴⁹

¹⁴⁸ Its origin could be traced to Bolivia's Emergency Social Fund launched in the 1980s. The Social Fund has since then broadened its constituency in the developing world. Since 1987, the World Bank has funded about 100 Social Fund type of projects in more than 60 countries valued at \$3.4 billion (Parker and Serrano, 2000).

¹⁴⁹ Social Fund in Cambodia is the first of its kind in Southeast Asia. Other countries followed in adopting the Social Fund approach including the Philippines and Thailand. There has also been a proliferation of Social Fund prototypes in transition economies in Eastern Europe.

While the adaptations of the Social Fund model have varied in terms of their objectives, they subscribe to a template of key features that provide a homogenizing and organizing framework in their design and implementation regardless of the individual country context. These key features include establishing an autonomous government agency that are set apart and exempt from regular government rules and procedures, and direct financing of community projects. The uniformity of design in Social Funds has led to a pattern of institutional outcomes characterized by lack of effective participation by local communities and nominal institutional linkages with line ministries and provincial and local authorities.¹⁵⁰ Despite these institutional constraints, the Social Fund approach has continued to gain a wide constituency in many developing countries in part because of the World Bank's continued support of the program and its seeming palatability to the leadership of borrowing countries. Tandler (1999; 2000) noted that the popularity of Social Fund is driven both by supply (donor) and demand (client) forces. Social Fund type programs are being promoted and perpetuated by a cadre of professional staff from the World Bank and from recipient countries who believe that Social Fund type of programs are the answers to the failed traditional government programs and that those patterns of institutional dysfunctions are fixable. The clients, on the other hand, comprise of central governments whose appetite for centrally controlled local development funds remains undiminished despite their claims of supporting decentralization.

Social Fund in Cambodia was designed under rehabilitation and reconstruction framework to provide rapid and effective financing for small-scale community based social and economic infrastructure projects in poor and under-served areas in the

¹⁵⁰ Tandler 1999.

country.¹⁵¹ Its key objectives include creating short-term employment opportunities, strengthening local communities and local institutions in identifying local development needs and managing small-scale infrastructure projects, and developing line ministry experience and capacity in developing investment criteria for local infrastructure (World Bank, Staff Appraisal Report, 1995).

The Social Fund is administered by an autonomous government agency under the Prime Minister.¹⁵² Its organizational autonomy is justified under its reconstruction and rehabilitation mandate to shield the Social Fund from political interference and manipulation and to allow it greater flexibility and responsiveness. The general impression, however, is that while it may have succeeded in making itself politically neutral, the Social Fund suffers from a general perception that it is lacking in transparency and accountability.¹⁵³

Unlike the Seila program, the Social Fund provides funding nationwide.¹⁵⁴ In principle, it allocates funds for worse-off areas that normally cannot get financing from other sources (Annex 4.1). This would have been a comparative advantage of the Social

¹⁵¹ The Social Fund in Cambodia is implemented in two phases: the first phase (1995-1999) and the second phase (1999-2002). The second phase of the Social Fund has three new distinct programs including sustainability (increasing community participation and local ownership), technical standards (raising technical standards), and productivity (improving appraisal techniques). The Social Fund also implements the civil works component of another World Bank-funded project, the Cambodia Disease Control and Health Development on behalf of its implementing agency, the Ministry of Health.

¹⁵² The Prime Minister appoints the Board of Directors and the Executive Committee including the General Director who manages the day-to-day activities of Social Fund. Top management positions of the Social Fund were held by members of the two dominant political parties. After the 1997 coup d'état, key positions have been held by members of the Prime Minister's party, the Cambodia People's Party. The General Director is a member of the Executive Committee but it is unclear who the other members are. Both the General Directors and key staff members were reluctant to reveal the members of the Executive Committee.

¹⁵³ Interviews with provincial and district authorities, and provincial line departments in the provinces of Battambang and Pursat, key central ministries, and donor agencies.

¹⁵⁴ Social Fund allocation is based on provincial population adjusted for poverty levels. The poverty index coefficient is based on measures of access to safe water supply and education. The derived poverty coefficient index, however, does not vary significantly among provinces.

Fund especially when the pattern of external donor support has disproportionately favored better-off areas such as Phnom Penh and provinces close to the capital. Access to Social Fund financing especially by poor and hard to reach areas, however, has been constrained by limited geographic targeting, circumscribed dissemination of information, and by lack of capacity of local communities.¹⁵⁵

The Social Fund has approved 1,431 projects nationwide, as of 1998. Under phase one, the Social Fund has financed small-scale social and economic infrastructure projects including schools and health centers, with primary and secondary school buildings accounting for more than two-thirds of its funding portfolio. Other projects that were funded included water supply (11 percent), health centers (9 percent) and rural roads (9 percent). Under phase two, priority has been accorded to economic infrastructure projects including irrigation, rural roads, water supply, sewerage, drainage, and latrines; as well as training for local communities and skills development.¹⁵⁶

In the following sections, I discuss the key features of the Social Fund focusing on its processes and mechanisms in planning, financing, and implementation and their outcomes with respect to local service provision.

4.2 Operationalizing A Demand-Oriented Model

Projects funded by the Social Fund are not based on any local government plans nor on priorities of line ministries. Rather, demand is made by individuals or groups of people representing a community by submitting their applications along with proposed

¹⁵⁵ Once funds are allocated to a province, no further geographic prioritization is made. Nor is there any mechanism to determine if project investments have been provided to the same area from other sources. In Battambang province, for instance, some better-off districts received more funding from the Social Fund, while others have received nothing. On a per capita basis, the disparity in Battambang province ranged from \$2.79 for Ek Phnom, a better-off district to \$0.32 for Moung Roussei, a poor district.

¹⁵⁶ Operations Manual, Social Fund of the Kingdom of Cambodia (SFKC), 1999.

technical designs to the Social Fund. The Social Fund, however, does not respond to all local preferences but orients demand to a menu of projects, mostly for infrastructure, which are predetermined and ranked by the Social Fund forming the basis for screening requests.

Upon receipt of each application, Social Fund checks the project's eligibility and ranks the request to determine the order in which they are to be appraised according to some criteria.¹⁵⁷ In addition, project requests are checked indirectly against priorities of local authorities and provincial line departments by requiring applicants to secure signatures from these entities. If the application meets the criteria, the Social Fund informs relevant central level ministries to obtain their clearances on a no-objection basis.¹⁵⁸

With the exception of project application and procurement, which are designated to a community representative, and implementation, which is undertaken by a contractor, the entire process of ranking, appraisal, financing, monitoring, and fund disbursement is handled by the Social Fund. Annex 4.2 illustrates Social Fund's project cycles under phases one and two.

4.2.1 Accessing Social Fund and High Transaction Costs

There are factors influencing the way demand is driven and responded to by the Social Fund which revolve around its institutional features including its circumscribed outreach program, its centralized and autonomous administration, and its lack of institutionalized mechanisms in the selection and approval of projects.

¹⁵⁷ These include: percentage of funds already committed in the province, percentage of funds already committed in the subproject sector, and the date of application.

¹⁵⁸ If the departments or ministries do not respond within 10 days, Social Fund proceeds to appraise the project. In the first phase (SF1), the waiting period was 5 days.

To promote and stimulate demand, the Social Fund conducts workshops to inform community representatives and local authorities across the country about its application process and eligibility criteria. Yet the information campaign functions more like a publicity campaign and is deliberately contained partly because of fears of generating demand that could not be met and partly because of logistics and personnel limitations.¹⁵⁹

Despite the limited dissemination of information, the Social Fund claimed to have been inundated by thousands of applications in excess of the current financing support from the World Bank. According to the Social Fund, they received 5,700 applications under phase one and were only able to finance 25 percent of those requests. The high volume of unmet requests has been used by the Social Fund to justify for more funding from the World Bank. The Social Fund, however, has not taken steps to inform applicants about the status of their pending requests which, based on impressionistic evidence, has resulted in developing a constituency of confused and frustrated individuals in the provinces.

The information campaign of the Social Fund has been concentrated at national, provincial and district levels, and apparently less so in local communities especially in remote and hard- to- reach areas.¹⁶⁰ Based on a project stakeholders' survey, only 17 percent of the information about the Social Fund came from Social Fund itself and the rest came from other sources such as local authorities, international NGOs, and

¹⁵⁹ The General Director of the Social Fund admitted to deliberately limiting information campaign for fear of not being able to respond to all demands. The promotion director of the Social Fund described her work as public relations oriented implying a defensive rather than a proactive approach to information dissemination. Based on her account she has spent an inordinate amount of time pacifying irate applicants or clarifying issues to them about the Social Fund than promoting it.

¹⁶⁰ In 1998, for instance, Social Fund focused its information campaign on relatively better-off areas such as Kompong Cham, Battambang, Takeo, Siem Reap and Kandal provinces (SFKC, 1998 Annual Report).

contractors.¹⁶¹ Yet local authorities and NGOs have indicated that the information they have about the Social Fund were also circumscribed because they were obtained not by direct interaction with representatives of the Social Fund but mostly by word of mouth.¹⁶²

Obtaining information about the Social Fund in such a manner has resulted in requests mimicking those project types that have been already funded which could partly explain a high concentration of schoolbuilding projects in the funding portfolio in phase one of the Social Fund. Such a process of project selection, however, goes against a demand driven principle which assumes that demanders are making decisions based on full information and on their needs, and not simply on the probability that their projects get funded. Other factors may also be at play why some projects get more funding than others such as ease of implementation, which is a decision likely to be favorable to the center if quick disbursement of funds is a concern. Schoolbuilding projects, especially those that replaced existing structures, do not require as much technical preparation and community mobilization compared to roads and wells projects.¹⁶³ Social Fund has financed new construction or replacement of schoolbuildings more than rehabilitation which has been the approach taken by the Seila program.

The highly centralized nature of Social Fund operations makes the application process inaccessible to local communities in remote and hard- to- reach areas. The Social Fund operates in Phnom Penh and does not have representatives in the provinces and because the postal system is unreliable, applicants have to travel to the capital to submit

¹⁶¹ Survey was done by a consultant of the World Bank

¹⁶² Social Fund admitted that they rely mostly on word of mouth and on project signage to create public awareness about the Social Fund. Personal communication with the Director of the Promotions Department; 1998 SFKC Annual Report.

¹⁶³ There was also speculation that the previous ties of the promotion director to the education department accounted for the high number of approved school projects.

their applications. The cost of travelling to Phnom Penh can be prohibitive for those who are poor and those who live in far- flung areas.¹⁶⁴ In addition, an applicant incurs the cost of preparing technical design, and in many cases, the applicant has to approach someone from the community for assistance, sometimes an NGO, a contractor, or from a line department.¹⁶⁵ This can lead to serious problems when a contractor absorbs the costs of design preparation by expecting to be named a contractor for the project.

The absence of a mechanism to provide information on the selection and approval process of project requests has led to misuse of information by those who have access to them. Because the Social Fund does not follow a planning and funding cycle with a circumscribed time frame, applicants could apply anytime and applications are processed as they come. While this process gives all applicants an equal chance of having their requests funded it does not provide the applicant information when the project should be approved or rejected. The lack of any feedback mechanism has created a lot of frustrations among applicants. Some have had applications on file for more than two years with no response from the Social Fund.¹⁶⁶ Others have presumed that their requests were approved and are left wondering why the Social Fund has not come.¹⁶⁷

NGOs who claimed that they have assisted some applicants in preparing preliminary technical plans were no more informed, despite their expected institutional advantage, than the applicants themselves. The most frequent response by NGOs when asked about the Social Fund was: “We hear about the Social Fund but we don’t know

¹⁶⁴ Some communities have had to contribute money so that an applicant can travel to Phnom Penh to submit an application, to follow-up, select a contractor, etc. This cost grows with the number of applications.

¹⁶⁵ Technical design here refers to preliminary technical requirements required to appraise the project. Social Fund has standard plans for its infrastructure projects.

¹⁶⁶ Beneficiary Assessment (BA), 1998.

much about it.” Such a statement partly reflects how the Social Fund is removed from outside interaction not only with local communities but also with respect to NGOs which it could have forged a working relationship in assisting weak local communities. While there have been attempts to inform NGO representatives at the capital, it may not be as effective as interfacing with NGOs operating at the field level particularly in poor and remote areas.

Incomplete and limited access to information about the Social Fund have also opened possibilities for opportunistic behavior by contractors and sometimes by local authorities, and internal supervisors which in turn, has resulted in high transaction costs for applicants and local communities. Generally, contractors have better access to information because many of them are based in Phnom Penh and some have insider contacts that inform them about project approvals. Asymmetrical access to information for contractors and applicants has led to applicants being exploited by contractors.¹⁶⁸

The weak institutional linkages between the Social Fund and local authorities and line ministries and the lack of a mechanism and guidelines to clear applications or to secure signatures from each of these entities have also opened possibilities for opportunistic behavior by these various actors. In some cases, applicants have had to pay for signatures for applications for schools and wells.¹⁶⁹

4.2.2 Defining Community Representation and Quality of Local Preferences

¹⁶⁷ Bavel district officials in Battambang province thought that an acknowledgement receipt issued by Social Fund was a letter of approval from the Social Fund.

¹⁶⁸ Contractors are sometimes informed of project approvals ahead of the applicants and use that information to secure contracts from the applicants.

¹⁶⁹ For instance, the Land Office in Siem Reap province allegedly asked school directors to pay \$100 for land titles which were required for Social Fund application (BA, 1998).

One of the central tenets of the Social Fund is that it responds directly to preferences of local communities and empowers communities to make decisions and to manage development on their own localities. This is done, however, at the expense of bypassing local authorities and line ministries, and in the process, places a lot of burdens on local communities to organize, to mobilize resources, and to take responsibility for procurement, monitoring, and maintenance of project assets.

The concept of community, especially in the Cambodian context as discussed in Chapter 3, has a complex dimension. Local communities in Cambodia, as in many other developing countries, vary in degree of social cohesion and capacity for collective action.¹⁷⁰ Social Fund appears to have held the view that local communities are homogenous entities which have inherent capacity to organize and mobilize resources, and thus, has not taken deliberate action to develop their capacities in planning and implementation.¹⁷¹ An alternative explanation is that while the Social Fund may have recognized that some local communities are weak, such consideration could have been outweighed by the need for speedy deliver of outputs.

In operational terms, the Social Fund defines community applications as synonymous with applications of single individuals. Many of these applications come from school directors who have been particularly active in applying for schools projects while village and commune chiefs have been generally involved in requesting for wells or roads projects. In many of these cases, local communities were seldom involved in the process of application and implementation. Community participation in the form of individual representation raises question on how local preferences as distinct from an

¹⁷⁰ See Chapter 3 for references on the state of Cambodia's social cohesion.

¹⁷¹ See Staff Appraisal Report, 1993.

individual's personal preferences are formulated and prioritized. This arrangement seems to leave little room for other members of the community to be included in the project selection and implementation and to negate the intention of the Social Fund to empower local communities. As will be discussed in the next section, limited participation of local communities has implications on the technical quality, maintenance and sustainability of projects.

The second phase of the Social Fund attempts to address the issue of individual representation by requiring co-applicants, instead of just one single applicant. Under this arrangement, Social Fund also requires the formation of a Project Support Committee (PSC) which is expected to consult with communities prior to submission of applications and to act as the key contact point with the Social Fund.¹⁷² How such PSCs will be formed in terms of process and membership, how they intend to consult with local communities, how they would relate to existing local institutions such as village development committees or pagoda committees, and whether and how they will develop capacities of weak local communities have yet to be further elaborated by Social Fund.

4.2.3 Financing Social Fund Projects

Social Fund is supported by the World Bank through a loan of US\$20 million and US\$25 million for phases one and two, respectively.¹⁷³ Funds managed by the Social Fund are off- budget which exclude them from regular investment programming by the national government. Moreover, the Social Fund, by virtue of its autonomous status, has

¹⁷² Operations Manual, Social Fund of the Kingdom of Cambodia. 1999.

¹⁷³ In addition, the Social Fund has received an additional \$10 million, also from the World Bank, to implement the civil works component of the Disease Control project by the Ministry of Health. As is the norm, the government has provided counterpart funds of 5 percent of the World Bank loan amounts, mostly in kind.

almost complete freedom from strict supervision of the Ministry of Economy and Finance.¹⁷⁴

Social Fund financing is provided as grants to local communities. Under phase one, local communities were required to provide 5 percent of project cost as counterpart contributions, both in cash and in kind.¹⁷⁵ In practice, however, this was seldom pursued or enforced. Surprisingly, some local communities were able to mobilize local community contribution even in the absence of an institutionalized process of community organizing similar to the Seila program. Yet the absence of a mechanism to involve communities in implementation and monitoring has resulted in some badly implemented projects and in the subsequent withdrawal of local communities from further involvement in the project.

The financing mechanism under the Social Fund is highly centralized. Social Fund is responsible for processing and disbursing funds directly to the contractor with involvement of local communities limited to the signing off the accomplished work forms.¹⁷⁶ The subsequent process leading to the transfer of funds to the contractor is primarily undertaken by the Social Fund.¹⁷⁷ Under this arrangement, the Social Fund allows the contractor to delegate payment directly to a third party, often to a subcontractor, without the applicant's approval or even knowledge of the transaction,

¹⁷⁴ Loan funds in Cambodia are placed under Special Accounts (SAs) which are managed by the implementing agency with oversight from MEF. Being an autonomous agency, the Social Fund has a special type of SA for which it does not have to get a co-signature from the MEF when requesting advances or replenishment from the World Bank.

¹⁷⁵ Under phase two (SF2), an attempt is being made to enforce local contribution and to increase it to a minimum of 10 percent matching contribution including in-kind contributions in form of attendance in meetings, materials, technical designs, and equipment.

¹⁷⁶ The work forms are prepared by the contractor and certified by Social Fund's internal and external supervisors.

¹⁷⁷ This involves the endorsement of the supervision department of the approved statement of work to its finance department and the approval of the General Director.

which encourages rather than prevents subcontracting practices to persist. Subcontracting as will be discussed in the next section partly explains why some Social Fund projects are of poor technical quality.

4.2.4 Social Fund Conundrum: Process Vs. Output?

Social Fund oversees the entire process of implementation, from procurement, through supervision, to fund disbursements which is done in part because of the Social Fund's concern for speedy delivery of output and low overhead cost.¹⁷⁸ However, such considerations are juxtaposed against the Social Fund's mandate of a demand driven process creating a classic dilemma of process versus output. Such a conundrum has been resolved by short-circuiting the process of consultation which has been met with least resistance by local communities because they have traditionally been excluded in any decision making process. In an environment where there has been no tradition of consultation with local communities, local people have generally perceived Social Fund projects as "gifts" from the center which had to be accepted with gratitude and without reservation. The possibility of questioning how projects are being undertaken or complaining about badly constructed projects would therefore be construed as being ungrateful. This perception appears to have been reinforced by not enforcing community participation in financing and implementation of Social Fund projects.

Short-circuiting the process has marginalized local communities rather than empowered them as originally intended by the Social Fund. It has also inadvertently given prominence to private contractors who implement Social Fund projects.¹⁷⁹ Private

¹⁷⁸ Social Fund sets a ceiling on its administrative cost at 8 percent of total project loan amount (see Staff Appraisal Report, 1995).

¹⁷⁹ Social Fund follows the World Bank procurement procedures ,i.e., direct contracting for projects under \$50,000. The majority of Social Fund projects fall under this category.

contractors were intended to be subordinate and accountable to local communities but have in fact subverted the power of local communities in the selection and implementation of projects.

Under the Social Fund, procurement is done by direct contracting and is the responsibility of the applicant. However, in almost all cases, procurement of a contractor is either influenced by the Social Fund or is facilitated by the Social Fund. A key informant noted that “contractor selection by the applicant never happens.”¹⁸⁰

There are several ways in which the Social Fund could be involved in the procurement process.¹⁸¹ First, the Social Fund, through its legal and supervision departments, reviews the qualifications of contractors selected by applicants and approves the nomination of contractors. Second, applicants who do not have any experience in contracting and knowledge about contractors in their areas have, in many cases, requested the Social Fund to select a contractor for them. Third, Social Fund publicizes its list of approved projects in national newspapers which reaches contractors ahead of the applicants because most of them are based in the center. In many cases, contractors bring this information to the unknowing applicants creating a perception as if they have been responsible for the approval of the projects and using that information as leverage to obtain contracts from applicants.¹⁸² Fourth, Social Fund encourages contractors to assist applicants in the preparation of applications and technical designs and almost inevitably applicants are obliged to return to the same contractors to construct

¹⁸⁰ Personal communication with the team leader of the 1998 Social Fund Beneficiary Assessment.

¹⁸¹ See Beneficiary Assessment, 1998.

¹⁸² Cambodia has a weak transport network which limits circulation of newspapers. Demand also plays a part as the country has a very high illiteracy rate. National newspapers are generally not available outside the nation's capital with the exception of some provincial capitals like Battambang and Siem Reap where there are daily flights from Phnom Penh. In provinces like Pursat that depend on land transportation,

the project. While there is nothing inherently wrong about this process, the asymmetrical relationship between a contractor and an applicant, especially given the latter's lack of experience, places the applicant in a very disadvantaged position.

The Social Fund also exercises a hands-on policy in project monitoring by fielding its own engineers in overseeing the construction of projects. Notwithstanding the preponderance of professional technical staff on its payroll to oversee the construction work, the technical quality of Social Fund projects had been variable. Disparities can be explained largely by how well internal supervisors monitor the work of external supervisors. Social Fund supervises the construction of projects through locally recruited technicians who are in charge of the day-to-day monitoring of on-site construction activities.¹⁸³ Because internal supervisors visit the project site only once or twice during construction, it places responsibility for supervision work largely on the external supervisor. Limited supervision by the internal supervisor sometimes leads to a principal-agent relationship. Collusion between contractors and external supervisors sometimes including applicants inevitably leads to bad quality workmanship.¹⁸⁴

Another reason for variability in the quality of construction work is the practice of subcontracting or serial sales of contracts. The serial sale of a contract leads to significant reduction in the final contract price resulting in either non-completion of work or non-adherence to material specifications. Social Fund does not allow subcontracting, but it is

availability of national newspapers is generally delayed by one or two days because of transport constraints.

¹⁸³ Each external supervisor is supervised by an internal supervisor from the Social Fund. An external supervisor normally oversees 2-4 projects while an internal supervisor is in charge of 2 provinces or an average of 10 projects at one time.

¹⁸⁴ BA, 1998.

common knowledge that it happens in many of its projects.¹⁸⁵ Although, Social Fund threatens sanctions for subcontracting, it is generally difficult to establish evidence and the country's legal system does not provide immediate recourse. Further, the disbursement system of the Social Fund allows third party transaction which reinforces rather than creates a disincentive for subcontracting.

The nominal involvement of the applicant, much less the community, in project monitoring could also partly explain the variability of the quality of construction work. Under Social Fund rules, an applicant is expected to monitor the progress and quality of construction work as well as to sign off, along with the external supervisor, on all progress payment requests by the contractor. In many cases, however, an applicant has little influence in ensuring the quality of work because of lack of capacity and experience. The local community, in many instances, is also removed from the monitoring process because the Social Fund does not actively seek their participation. However, in cases where there have been active community participation in monitoring, good outcomes have generally been realized not only in terms of the quality of construction work but also with respect to the continuing involvement of the local community in maintaining projects.

4.3 Implications on Sustainability, Capacity, and Coordination

Social Fund projects have generally not been maintained for a host of factors. These include lack of community participation in decision making, in financing, and implementation; the exclusion of local institutions such as the pagoda committees or village development committees from organizing and mobilizing community support;

¹⁸⁵ Interview with subcontractor of Ta Kream road-culvert project, Banan district, Battambang and with team leader of Beneficiary Assessment, 1998.

and the limited involvement of local authorities and line ministries. Some impressionistic evidence indicates that, despite lack of participation by beneficiaries in decision-making, communities do maintain projects when they respond to their needs and produce benefits. The direct relation between benefits and sustainability has been particularly evident for wells and school building projects. Contrary evidence shows that even when communities have participated in decision-making but projects, such as badly built schools or non-functioning wells, do not provide expected benefits or satisfactory outputs, villagers subsequently withdraw from further contributions or involvement.¹⁸⁶

The issue of sustainability has been acknowledged by the Social Fund by incorporating under its second phase a sustainability program. The next section elaborates on how and to what extent the sustainability program could work in the context of an unchanged institutional framework.

4.3.1 Changing Course Without Altering the Institutional Framework

The design of the second generation Social Fund had opened possibilities for it to change course and to undertake much needed institutional changes. An internal debate within the Bank during the formulation of the second phase of the Social Fund presented two different visions for the Social Fund in Cambodia.¹⁸⁷ One group argued for the Social Fund to specialize on construction supervision to exploit its technical advantage and not to compete with the Northeast Village Development Project, also supported by the World Bank, which was designed to pilot a decentralized and participatory approach of service delivery in the four northeast provinces in Cambodia. Another group proposed a dual role

¹⁸⁶ Example is a school building in Bavel district, Battambang. The community initially provided significant contribution but the project turned out to be poorly constructed. The community refused to contribute any more for its repair.

¹⁸⁷ Interviews with World Bank staff.

for the Social Fund; that of being a construction manager and the other, a local service provider. The latter group prevailed and in effect, establishing two models of service delivery with different institutional arrangements both supported by the World Bank.

The second generation Social Fund has addressed the issue of sustainability at both organizational and policy levels. At the organizational level, Social Fund has established a Sustainability Unit under the Office of the General Director. The Sustainability Unit is expected to develop strategies and work plans on participatory methods for project selection and implementation, and coordinates implementation among various Social Fund staff and institutional partners.¹⁸⁸ There is also a plan to establish three regional offices to decentralize and implement activities of the Sustainability Unit.¹⁸⁹

At the policy level, the project cycle is being modified to incorporate several new steps to ensure greater community awareness and participation by beneficiaries as well as feedback from and interaction with Social Fund representatives.¹⁹⁰ Training and capacity building of Social Fund staff and counterparts on various aspects of participatory methods including project selection, appraisal, and monitoring are also envisioned under the second phase.

Despite the proposed changes in organization and policy, the fundamental institutional framework of the Social Fund of reconstruction is maintained which implies continuing focus on speedy delivery of outputs. The incorporation of a sustainability program, which advances community participation, will require more process-oriented

¹⁸⁸ Interestingly, the resident advisor assisting the Social Fund in developing a sustainability strategy was a former information officer of UNDP/Seila program.

¹⁸⁹ The task manager of the World Bank has indicated that the proposed decentralized regional offices may be undertaken at a much later period.

work that could potentially slow down delivery of outputs, particularly at the outset, in part because of the learning involved in implementing new procedures. Will the sustainability program be viable without altering the fundamental institutional framework of the Social Fund?

A key strategy in the sustainability program is the proposed institutional collaboration with donor agencies including the UNDP through the Seila program and the EU through PRASAC.¹⁹¹ Each partner agency is expected to provide an organizational structure and local machinery to identify projects in a participatory manner and to ensure their sustainable use and maintenance. While partner agencies are assigned the selection of projects, the Social Fund provides financing and maintains control of the appraisal, procurement, and monitoring of projects. Projects selected through their partner agencies have been assured of quick appraisal by exempting them from Social Fund's internal ranking process which projects requested directly by local communities or their representatives have to go through before they can be appraised. While sustainability is the core objective of collaborative agreements with partner agencies, it appears to be more like a strategy by the Social Fund to fast track projects out of the pipeline.

Some donor agencies have expressed reservations that their limited involvement could have implications on ownership and technical quality of their projects.¹⁹² Yet, they have acted strategically by first agreeing with the Social Fund on their funding allocations and hoping to then negotiate later on details of implementation. Whether the

¹⁹⁰ Steps include pre-appraisal, ground-breaking, project launch, and hand-over.

¹⁹¹ Partnerships between Social Fund and other donor agencies are being made through Memorandum of Understanding (MoUs) executed between Social Fund and partner agencies.

¹⁹² Interviews with representatives from CARERE, PRASAC, and GTZ.

Social Fund in fact has the flexibility to open discussions for more involvement of donor agencies in project implementation still remains to be seen.

With the incorporation of the sustainability program, the Social Fund staffs are expected both to deliver outputs speedily and at the same time to make projects participatory and sustainable. Given that these two objectives are not necessarily mutually reinforcing, the motivation to do so depends on the kinds of incentive structures the project staff and personnel face.

Social Fund staffs face an incentive structure that is multi-layered. They respond to demands made by Social Fund management which, in turn, reacts to pressures both from the Prime Minister and the World Bank, through its task manager, with the latter facing an incentive structure that puts premium on quick fund disbursements. Despite the World Bank's pronouncement for a demand-driven process, the performance of task managers is generally measured against how quickly they could disburse loan funds. Social Fund operates under this institutional dilemma; it operates under pressure to disburse funds quickly and at the same time to pay lip service to its demand driven mandate by partnering with donor agencies to do the process oriented work for them.¹⁹³ Whether and how these two conflicting objectives could find convergence and result in more sustainable projects is something that is yet to be tested under phase two of the Social Fund.

Another issue under the proposed sustainability program is whether the limited number of staffs of the Social Fund who are mostly engineers will be able to quickly and effectively shift their orientation based on short training programs. The Social Fund has a

¹⁹³ The Director General of the Social Fund, for instance, indicated that if they could move their current \$25 million budget in two years, the World Bank would double that amount of funding.

staff complement of about 50 people responsible for managing projects nationwide. The present personnel complement is already overextended which partly explains inadequate supervision at the field level. Under the proposed sustainability program the same group of people will be trained to undertake participatory appraisal and supervision.

Given the limited reach and institutional capacity of the Social Fund, would it then continue to do it all alone? The autonomy of the Social Fund, its highly centralized operations, its limited personnel complement, and its special autonomous status do not predispose the Social Fund towards building strong institutional relationships and linkages, much less fostering accountability and building or strengthening incipient social capital. While the autonomous status of Social Fund shields it from potential politicization of the process, it also makes it less responsive to demands from its external environment.

Social Fund's limited institutional reach to provincial and local authorities as well as line ministries is premised on the belief that without its hands-on intervention, technical quality and pace of implementation of projects could suffer. On the contrary, there are some indications that forging institutional relationships with stakeholders could lead to positive outcomes. The collaboration between the Social Fund and the Ministry of Health demonstrates that by delineating clear lines of responsibilities, involvement of stakeholders in monitoring, and more dialogue and consultation have resulted in improved technical quality of infrastructure projects and in a greater sense of ownership engendering sustainability. The following section discusses the possibilities for coordination with the Social Fund.

4.3.2 Capacity Building and Coordination: The Case of the Ministry of Health

The collaboration between the Social Fund and the Ministry of Health did not come about mutually. This was a relationship that was forced on the Ministry of Health by the Ministry of Economy and Finance and presumably under the encouragement of the World Bank task managers who are of the opinion that the Social Fund has a comparative advantage in supervising construction work. In the past, several provincial health departments claimed that the Social Fund had built health centers of poor technical quality that had not been used and maintained.

Ironically, in 1998 the civil works component of Disease Control project of the Ministry of Health, also funded by the World Bank, which supports a substantial portion of the infrastructure requirement of the national health coverage plan, was transferred to the Social Fund.¹⁹⁴ Not surprisingly, the Ministry of Health initially resisted the Social Fund's involvement in part because of ownership issue and in part because of its perception that the past performance of the Social Fund had been less than outstanding. The inevitability of their forced marriage with the Social Fund, however, made the Ministry of Health actively forge a compromise arrangement which allowed them to have substantial inputs on project selection and implementation of health centers.

Under this new arrangement, a term of reference initiated by the Ministry of Health clearly specified responsibilities between the two entities. The Ministry of Health selects the project sites through its national health coverage plan and is involved through

¹⁹⁴ One key informant from the Ministry of Health (MoH) claimed that MoH was never consulted about the decision which was made by MEF. Interestingly, the Social Fund never brought up their supervisory role on the MoH projects. A parallel civil works project under the MoH supported by the Asian Development Bank (ADB) followed a similar model initiated under the Social Fund in using an external supervisor, in this case through a private consulting firm, to supervise the civil works component of the project. An interview with the head of the consulting firm suggests regular dialogue and collaboration with the MoH. Both representatives of MoH and WHO claimed that the ADB set-up has been better in terms of process and output.

its provincial health departments, and along with Social Fund, in the procurement and monitoring of civil works including co-signing the certificate of completion. Social Fund, on the other hand, is responsible for the technical aspects of the civil works. These aspects include appraisal, design specifications, costing of the works, bidding, and monitoring and supervision of the construction, payments to contractors and preparation of guidelines for the maintenance of the assets.

Feedback from provincial health departments in Battambang and Pursat indicates that the quality of health center construction has begun to improve dramatically. Key to the change has been the active involvement of provincial health departments in monitoring which makes the contractor aware of dual accountability to both Social Fund and Ministry of Health. There are, however, some lingering issues pointing to Social Fund's inclination for speed at the expense of consultation and dialogue, sometimes leading to design and implementation problems.¹⁹⁵

The value of this narrative suggests that coordination can be made possible when institutions are capable of undertaking their assigned roles. The Ministry of Health was able to provide substantial inputs in the selection of project sites and in the supervision of construction work because they have capable staff and personnel both at the central and provincial levels. The Ministry of Health has developed its institutional capacity with the dedicated and long-standing support from the World Health Organization (WHO). Since Cambodia's transition, WHO proactively focused its technical assistance on the Ministry of Health in rebuilding its institutional infrastructure by training its personnel and staff in

¹⁹⁵ The MoH and WHO cited one "disastrous" example where a referral hospital in Siem Reap which was built by the Social Fund without proper consultation about its technical design had to be redone. The MOH

planning, management, and operations. WHO also assisted the Ministry of Health in coordinating donor and NGO support to the health sector through the establishment of development forums at central and provincial levels. It has also actively collaborated with other donor agencies, such as the UNDP through the Seila program, in providing technical assistance to provincial health departments. Resident provincial health advisors have been assigned to work directly with the provincial health departments in developing their capacities and in coordinating the planning, funding, and implementation of local health services (see Chapter 3).

Its demonstrated institutional capacity has allowed the Ministry of Health to negotiate with the Social Fund and enabled it to carry out its responsibilities. Absenting such institutional capacity at central and provincial levels, it would have been difficult for the Ministry of Health to make its case with the Ministry of Economy and Finance and the Social Fund, and credibly do its part as stipulated in the terms of reference.

The next section sums up the key elements that differentiate the Social Fund from the Seila program and their implications on local service delivery.

4.4 Influencing Outcomes: Process, Capacity, and Coordination Matter

Social Fund and the Seila program are conceptually organized within a demand-driven framework yet are implemented using different institutional arrangements. This section compares key differences between Social Fund and the Seila program in various dimensions: output and cost, process, capacity building, and institutional linkages.

4.4.1 Comparative Output and Cost: Social Fund and the Seila program

and the WHO had to form a committee to hold regular discussion with the Social Fund on design and implementation issues.

In the previous section, I have argued that Social Fund has short-circuited process to speed up delivery of outputs and to economize on costs. Yet, some evidence presented below suggest that less process does not necessarily lead to more output and have mixed results on costs.

The direct relationship between process and output is not straightforward, yet their connection can be roughly discerned by comparing the patterns of project completion and cost between Social Fund and the Seila program. Social Fund and the Seila program have similar project mix of infrastructure projects such as schools, roads, and wells, and have a comparable track record of four years: Social Fund, from 1995 to 1998, and the Seila program, from 1996 to 1999. Yet, variations in scale, material specifications, and geographic location lend to the difficulty in making definitive conclusions on their comparative effectiveness in output and cost.

Comparable output figures indicate that the Seila program completed more projects than Social Fund: Social Fund has implemented 1,431 projects valued at \$17.1 million as of 1998, while the Seila program has generated 1,756 projects, estimated at \$3.7 million, as of September 1999. On an average annual basis, this implies that Social Fund has delivered 358 projects compared to 450 projects by the Seila program. The figures further indicate that, on average, a Social Fund project costs six times more than the Seila program.

Differences in the level of output and rate of project completion between Social Fund and the Seila program is more marked at provincial level. The data on two provinces, Battambang and Pursat, reveal that, in a period of four years, Social Fund has funded a total of 85 projects valued at \$1.6 million in contrast to 1,038 projects at a cost

of \$1.8 million by the Seila program (Annex 4.3). These figures indicate that the rate of output production by the Seila program is twelve times more than that of Social Fund.

In Battambang, where Social Fund and the Seila program disbursed an almost equal amount of money, the Seila program implemented 469 projects, which is ten times more than what the Social Fund completed; and spent ten times less, on average for each project, than Social Fund. An average cost of a Social Fund project is \$18,938 compared to \$1,820 of the Seila program. In Pursat, the rate of project completion is higher for the Seila program, which is 14 times more than Social Fund.

In an attempt to regularize the cost comparison, cost estimates were obtained from both Social Fund and the Seila program for similar project categories. Annex 4.4 shows that Social Fund is cost-effective in two projects, namely, drilled wells and health centers while the Seila program is cost-effective in schools, latrines, and culverts. These comparative figures, however, do not account for differences in scale, material specifications, and geographic cost variations, and thus, can only suggest but not definitively conclude that Social Fund does not have comparative cost advantage despite its claims to the contrary.

Variations in administrative and supervision costs between Social Fund and the Seila program reflect systemic differences. Social Fund has a statutory cap on its administration costs set at 8 percent of its total amount of resources over a five-year period. While its administrative expenditures fluctuated from 6 percent to 13 percent, Social Fund's average administrative costs at the end of the first phase were held at 8 percent. Social Fund's supervision costs were estimated to average 2.5 percent of project costs primarily to pay for the services of external supervisors. Social Fund's statutory

limit on administrative costs makes it less flexible to pursue initiatives that go beyond delivery of outputs, such as localizing its outreach network and providing capacity building.

The Seila program has spent an average of 42 percent of its total investment portfolio while its supervision cost is estimated at 3 percent of the project costs (see Chapter 3).¹⁹⁶ The administrative cost components of the Seila program include supplemental income of provincial and district facilitators, logistics, and training. Such investments by the Seila program suggest that they have been justified to institutionalize decentralized mechanisms and to deliver sustainable projects. I discuss these issues in the next section.

What other factors account for differences in output and cost between Social Fund and the Seila program? Variations in scale and a host of interrelated factors are possible explanations for their divergence in output and cost.

Social Fund projects are generally larger in scale than the Seila program requiring a longer time to complete which, in part, explain why Social Fund has a lower project completion rate. Yet, this is only half of the story. Another possible explanation is that processing time for planning and approval is longer for Social Fund projects than the Seila program. This assertion may seem counterintuitive because the Seila program is more process-oriented and thus, would seem more likely to take a longer time to plan and approve projects. Yet, based on field interviews, the average processing time from

¹⁹⁶ Supervision cost is divided between the village development committee and the commune development committee.

planning to project approval appears longer for Social Fund project, from 6-12 months, compared to 5-6 months of the Seila program.¹⁹⁷

While short-circuiting the process of local consultation may have provided a head start for Social Fund, this advantage may have been offset by its limited and centrally based personnel who carry the onus of reviewing and appraising projects prior to their approval. Contributing to the drag in the approval process is Social Fund's dependence on individual applicants to generate demand and to formulate project proposals. As noted in the previous section, applicants for Social Fund projects are generally handicapped by lack of capacity and absence of local support networks to assist them in complying with Social Fund requirements. The "apply as you need basis" policy of Social Fund also hampers processing of applications because while it eliminates bunching up of projects at critical periods it does not take advantage of economies of scale in planning and reviewing projects.

While the Seila program has also experienced bottlenecks in the planning and approval process, particularly in the early phases of the program, the support of provincial and district teams to village and commune development committees during the planning and project preparatory phases helped in shortening an otherwise protracted process. A regular planning schedule, which enables the routinization of the planning and approval process and facilitates the incremental learning of rural development committees, has also reduced bottlenecks over time.

The differences in scale of projects and in material specifications have implications on the cost structure, thus, making Social Fund projects generally costlier

¹⁹⁷ Interviews at various levels of rural development committees, provincial and district facilitators, provincial and district officers, and Social Fund staff.

than the Seila program. Large-scale construction also reflects a bias by Social Fund to fund projects in urban areas to achieve economies of scale, and thus, lower cost.

However, the benefits of economies of scale may not be realizable in poor and rural communities and could be offset by other factors such as technical capacity and financial constraints of local communities in the use and maintenance of projects.

Social Fund projects generally also cost more than the Seila program because they are mostly new constructions. New constructions require less community mobilization and technical work than rehabilitation, and thus, speeds up output delivery. On the other hand, the Seila program often supports rehabilitation projects, which are generally lower in cost than Social Fund projects, to match the needs and capacity in financing and maintenance of local communities.

A preference for new construction and for higher standard construction materials represents a paradox to the reconstruction mandate of Social Fund, under which rehabilitation would have been the desired approach. Yet, at the same time it is also consistent with and reflects a professional bias of Social Fund staffs who are mostly professional engineers. These professionals frown upon the use of construction materials, which they view as below standards, but are often preferred by local people who find them adequate and in accord with their financial and technical capacities.

In sum, the pattern of output and cost variations between Social and the Seila program can be explained primarily by their systemic differences in approach and strategy to project formulation and implementation. Contrary to the received notion that process hampers delivery of outputs, the insights gained from the comparisons suggest that regular consultation with local communities by locally based personnel facilitates

learning, and in turn, speeds up project implementation over time, rather than ad-hoc and individual representation managed from the center.

The next section elaborates on the key differences in process, capacity building, and institutional linkages between Social Fund and the Seila program and how they influence outcomes on local service delivery.

4.4.2 Thinking Beyond Output: Why Process Matters

Process is sine qua non to a demand driven model of service provision. The Seila program through the local planning process provides a mechanism for engaging local communities in various stages of the project cycle. Villagers, together with their village development committees and with facilitation from provincial and district teams, prepare village plans which are then consolidated to commune development plans, both of which form the basis for accessing financing from commune block grants. Participation of villagers in decision making and requirements for local contributions have enhanced their ownership of projects which have been maintained despite lack of systematic training and capacity building provided to maintenance subcommittees.

In contrast, the Social Fund relies on individual representation in generating demand from local communities to speed up delivery of outputs and to economize on overhead costs. While there is some impressionistic evidence that local communities do maintain projects when they respond to their needs and produce benefits, lack of institutionalized mechanisms for community participation and for involving key local institutions in various phases of the project cycle overwhelmingly work against sustainability. Because local communities and local institutions have generally been bypassed during the selection and implementation of projects, the community

mobilization and sense of ownership that often pervade in projects funded by the Seila program are seldom found in Social Fund projects. While the absence of community participation has not hampered the implementation of Social Fund projects, the challenge begins after projects have been turned over to local communities. When asked about a project funded by the Social Fund in their area, villagers often express ignorance which is reflected in their lack of interest in maintaining it. The Social Fund's recent attempts at undertaking a more process-oriented approach by delegating the selection of projects to its partner agencies does not seem to have effectively addressed the issue of sustainability because it maintains control of financing and implementation which affect the ownership and sustainability of projects.

As has been observed in the Seila program, the importance of local ownership cannot be underestimated especially when villagers are expected to use and maintain projects that have been turned over to their community. Local ownership is imbued not only by requiring communities to provide financial contribution to the project but is solidified by consulting them on the appropriate scale and quality of local services which are in accord with local capacities in financing and maintenance. Tailoring local services to community needs and capacities is crucial because local communities generally assume the burden in ensuring their use and maintenance as central and intermediate levels of government rarely have the institutional capacity to provide adequate financing and technical support to operate them.

Engendering participation from local communities and local institutions especially when there had been no tradition for consultation with the center, however, is not a costless enterprise. It requires setting up a dedicated and capable infrastructure to

manage the process of demand management along with established structures and clear rules not only on the application of the mechanisms but also on the responsibilities and accountabilities in the management of the process. A dedicated and capable demand management infrastructure facilitates interaction which is predicated as not a one-time event but rather a continuing process of consultation and developing capacities of local communities to gain their confidence and trust in the viability of their collective action.

Underpinning a functioning demand driven model is access to and availability of vital information as a precursor to expressing local preferences. This information requirement presents a daunting yet critical task particularly in a rural setting where local communities are mostly poor and located in remote areas and whose circumscribed connection to the center is exacerbated by weak transport and communication networks. The Social Fund experience suggests that barring these conditions, the process of demand management could be subject to varying interpretations and where there are no clear lines of responsibilities and accountabilities incentives for opportunistic behavior are high.

Process alone, however, does not sustain the participation and interest of local communities and provincial and local administrations who are often skeptical of the benefits of participation. Under the Seila program, process is inextricably linked to output by using local plans and by requiring consultation and coordination between local authorities and provincial line departments as preconditions for accessing financing from sector and commune grants. Linking planning to financing has achieved several objectives. On one hand, it allows local communities to see the benefits of participation and collective action and on the other hand, it reinforces the legitimacy of local authorities in facilitating the local planning process by managing the resources to respond

to claims by local communities. The close links between planning and financing also promotes allocative efficiency by fostering greater interaction and coordination between local authorities and provincial line departments which have traditionally operated autonomously from each other.

4.4.3 Buttressing Process with Capacity Building

Under the Seila program, dedicated and focused capacity building at province, commune, and village levels made it possible to progressively transfer responsibilities in decision making and resource allocation to various levels of the rural development committees. Capacity building was embedded in the decentralized structures and tailored according to their functions and responsibilities and evolving capacity. Instead of adopting a classic, classroom type training, the Seila program focused on learning by doing and adaptive learning which effectively addressed the issue of transferring knowledge and skills given the limited capacity and low level of formal education by local counterparts. Initially, supply driven training was provided to provincial and local committees to equip them with basic skills to manage the local and provincial planning processes. However, as basic skills developed and capacity evolved, more demand driven skills training were provided along with supply driven requirements. The combination of demand and supply driven capacity building sustains the dynamism of rural development committees and provides a balance between the need for continuous upgrading of basic skills and the challenge in responding to increasing demands from local communities.

The Social Fund, on the other hand, has not been mindful of developing capacities in part because of its rehabilitation mandate and in part because of its fundamental assumption that capacities already exist in local communities and in the private sector to

undertake small-scale projects. Under the second phase, there are plans to undertake training and capacity building for staff and local counterparts yet concrete plans on the type of training and capacity building and institutional arrangements still have to be worked out by the Social Fund.

4.4.4 Promoting Institutional Linkages to Manage Local Demand

The Seila program experience suggests that institutional interface and coordination with line departments, donor agencies, and NGOs enabled rural development committees to effectively manage local demand. Coordination and collaboration with other local service providers by rural development committees is becoming more important as demands from local communities have progressively increased in volume and technical complexity as they gain confidence and trust in the ability of local authorities to respond.

The institutional linkages under the Seila program cut across horizontal and vertical levels. At the local level, the commune integration workshop which initially started as a mechanism for interfacing commune development plans and priorities of provincial line departments has evolved as a venue for sharing information, coordination, and joint undertaking of activities and funding by various local service providers, including NGOs. At the provincial level, the provincial planning process and the local development forums both provide the mechanisms for dialogue and articulation of broad vision and strategies for local development and for coordinating planning, funding, and implementation issues.

Institutional alliances have also been promoted by CARERE on behalf of the Seila program by initiating collaborative arrangements in areas where donor agencies

have comparative advantage including in health with WHO and UNICEF, and agriculture with FAO. These alliances augmented the technical and financial support available to the Seila program which allowed rural development committees to effectively manage demand by offloading claims for financial and technical resources to local and central institutions that could better respond to them. Both the institutional linkages and alliances are attempts by the Seila program to progressively institutionalize local level coordination and joint programming of plans and funding to realize allocative efficiency and to tap the comparative advantage of various entities.

The Social Fund on the other hand, operates at the exclusion of other institutional actors, bypassing local communities and only nominally consulting with line departments and local authorities. By doing it all alone, the Social Fund has lost the opportunity to realize allocative efficiency and to tap and harness the potential comparative advantage of local and central institutions in planning, financing, implementation, and maintenance of projects which could potentially contribute to productive efficiency.

The importance of institutional linkages and alliances both at central and local levels could not be more apparent in the Social Fund case. By not reaching out to other institutions, the Social Fund has become a weaker instead of a stronger organization. The absence of institutional linkages precluded the possibilities for joint action by the Social Fund with local authorities and line ministries in establishing mechanisms which could have facilitated the mobilization of local communities and the sustainability of projects and in potentially inhibiting opportunistic behavior at local levels. The case of the "forced" collaboration between the Social Fund and the Ministry of Health demonstrates that there is possibility for strengthening institutional linkages and coordination provided

that both institutions are capable of implementing their joint as well as separate functions and responsibilities.

4.5 Summary and Conclusion

The Social Fund and the Seila program are two variants of demand driven models using different institutional arrangements: one that is controlled from the center, and the other, managed at the local level. The comparison suggests that differences in institutional arrangements produce different outcomes on local service delivery. It indicates that participation of local communities in planning, financing, and implementation facilitate the delivery of outputs that can be sustainable. Engendering participation requires that local structures are in place to manage the process of demand generation, and for it to work, a dedicated and capable infrastructure must be established to provide focused and sustained intensive capacity building to various levels of institutional actors. Along with capacity building, institutional linkages and alliances both at horizontal and vertical levels are crucial to provide local levels the support they need to effectively manage local demand especially in the context of widespread institutional capacity and financial constraints and increasing claims from local communities.

The dichotomy in the institutional locus of demand management, however, does not fully explain why the Seila program has sustainable projects than the Social Fund. Underlying this explanation is the context in which these two demand- driven models has been applied. Cambodia is a poor country with fairly homogenous requirements for basic services. One could argue, based on normative basis, that a central machinery could do very well in providing for basic services uniformly across the country than a decentralized system. A supply side provision may well be a valid argument on condition

that the central government has the capacity and the resources to determine and to provide for the needs of local communities as well as to maintain them once they are made available.

However, providing for uniform basic local services are simply not possible, despite normative expectations, because of capacity and resource constraints at the center (See Chapter 2). The Social Fund approach demonstrates that directly financing local services from the center without a dedicated and capable local infrastructure to manage the process could lead to high transaction costs which distort local preferences and marginalize local communities and in turn, affect the sustainability of projects.

The long and continued neglect of the central government because of capacity and financial constraints has led most local communities to take responsibility not only for maintenance but sometimes even for the provision of basic local services such as schools, wells, and roads. The subsequent efforts by donor agencies, such as the UNDP through the Seila program, to concentrate their funding and capacity building at local levels have bolstered the capacity of some local communities and resulted in their being more capable to plan, implement, and sustain basic local services than the center (See Chapter 3).

This does not mean, however, that the center becomes irrelevant but suggests a redefinition of its roles. There is need for the center to focus on building its capacity to be able to assist weak local communities, bolster capable communities, and define the level of service and assignment of functions at each level of government. Along with redefinition of roles, is the need for setting up institutional linkages and alliances both at horizontal and vertical levels to provide support networks to local levels.

The implication of competing demand driven models such as the Seila program and the Social Fund is the possibility of competition for resources. Both approaches provide insights on how participation, accountability, and sustainability of projects could be achieved in a constrained institutional environment and could be instructive for those who are shaping the form and substance of decentralization in Cambodia.

The next and final chapter of this study links the findings to relevant theory and literature on decentralization and in particular on local service delivery and draws policy implications for Cambodia and other similarly situated countries undergoing decentralization.

Table 4.1 : Provincial allocation, Phases 1 and 2*

Province	SF I	Per capita	SF II	Per capita	Total
Banteay Mean Chey	875,788	\$1.52	1,103,178	\$1.91	1,978,966
Battambang	1,149,629	\$1.45	1,448,119	\$1.83	2,597,748
Kampong Cham	2,426,303	\$1.51	3,056,270	\$1.90	5,482,573
Kampong Chhnang	645,963	\$1.55	813,681	\$1.95	1,459,644
Kampong Speu	883,093	\$1.48	1,112,379	\$1.86	1,995,472
Kampong Thom	924,130	\$1.63	1,164,071	\$2.05	2,088,201
Kampot	885,289	\$1.68	1,115,146	\$2.11	2,000,436
Kandal	1,567,346	\$1.46	1,974,293	\$1.84	3,541,640
Koh Kong	197,988	\$1.50	249,394	\$1.89	447,382
Kratie	345,826	\$1.32	435,616	\$1.66	781,442
Krong Kep	52,588	\$1.83	66,242	\$2.31	118,830
Krong Pailin	33,161	\$1.45	41,771	\$1.83	74,932
Mondolkiri	61,048	\$1.88	76,898	\$2.37	137,946
Oddar Meanchey	112,430	\$1.63	141,622	\$2.06	254,052
Phnom Penh	1,117,828	\$1.12	1,408,061	\$1.41	2,525,889
Preah Vihear	194,625	\$1.63	245,157	\$2.06	439,782
Prey Veng	1,441,422	\$1.53	1,815,673	\$1.92	3,257,095
Pursat	517,036	\$1.44	651,280	\$1.81	1,168,316
Rattanakiri	169,283	\$1.80	213,235	\$2.26	382,518
Siem Reap	1,205,582	\$1.73	1,518,601	\$2.18	2,724,183
Sihanoukville	230,700	\$1.48	290,599	\$1.87	521,298
Stoeung Treng	124,153	\$1.53	156,388	\$1.93	280,541
Svay Rieng	694,022	\$1.45	874,218	\$1.83	1,568,240
Takeo	1,204,391	\$1.53	1,517,100	\$1.92	2,721,492
	17,059,623	\$1.49	21,488,995	\$1.88	38,548,619

Source: Social Fund of the Kingdom of Cambodia

*Note that these are allocation figures not disbursements.

Annex 4.3: Social Fund and Seila Program projects, by province and by type of project

BATTAMBANG	Social Fund		Seila Program	
	No. of projects 1995-1998	Amount (in US\$)	No. of projects 1996-1999	Amount (in US\$)
A. Infrastructure				
Schools	33	689,779	20	72,100
Secondary	14	349,750	-	-
Primary	19	340,029	-	-
Roads	6	110,759	208	639,261
Wells	4	12,003	-	-
Canals	-	-	36	77,413
Culverts	2	3,551	170	81,788
Bridges	1	35,519	10	60,405
Health center 1/	3	50,543	-	-
Irrigation system	3	78,824	-	-
Piped water system	1	47,468	-	-
Others 2/	-	-	28	63,237
<i>Subtotal: Infrastructure</i>	53	1,028,446	472	994,204
B. Non-infrastructure				
Public health awareness 3/	1	1,434	-	-
Small business training 3/	1	11,742	-	-
Buffalo raising	-	-	90	21,923
Fertilizer	-	-	1	823
Others	-	-	6	18,692
<i>Subtotal: Non-infrastructure</i>	2	13,176	97	41,438
Total for Battambang	55	1,041,621	569	1,035,642

PURSAT	Social Fund		Seila Program	
	No. of projects 1995-1998	Amount (in US\$)	No. of projects 1996-1999	Amount (in US\$)
A. Infrastructure				
Schools	16		28	127,429
Secondary	4	125,921	-	-
Primary	12	284,691	-	-
Bridges	3	45,506	34	66,874
Culverts	-	-	54	58,877
Roads	-	-	22	129,606
Wells	7	10,245	100	108,428
Health center	3	48,190	-	-
Vocational training center	1	9,008	-	-
Others	-	-	30	42,938
<i>Subtotal: Infrastructure</i>	30	523,561	268	534,152
B. Non-infrastructure 4/	-	-	201	251,933
<i>Subtotal: Non-Infrastructure</i>	-	-	201	251,933
Total for Pursat	30	523,561	469	786,085

1/ Under the Seila program, health centers are funded from sector grants and implemented by private Contractors through competitive bidding conducted by the provincial Department of Health.

2/ See Annex 3.2 of Chapter 3.

3/ Under the Seila program, these activities are funded from sector grants and are managed by respective Provincial departments.

See Chapter 3.

4/ See Annex 3.2 of Chapter 3 for details.

Annex 4.4 Cost Comparison between Social Fund and Seila program projects, by category

	Social Fund 1/	Social Fund cost / unit	Seila program 2/	Seila program cost/unit (1997-1999) 3/
1	Schoolbuilding (3 room)	\$ 55.45	3.20 Brick school	\$ 48.85
2	Health center 22x5	\$131.09	None	None
3	Health center 12x9	\$129.31	Health center 9x12	\$154.30
4	Drilled well (Afridev)	\$909.63	1.20 Drilled well (Afridev)	None
5	Drilled well (VN 6)	\$308.81	1.20 Drilled well (VN No 6)	\$378.99
6	Pour flush latrine x2	\$1183.68	1.70 Latrine block	\$758.00
7	Culvert 1 x 60	\$364.49	2.11 pipe culvert 0.6	\$249.80
8	Culvert 2 x 60	\$619.89	2.11 pipe culvert 0.8	\$356.56
9	Culvert 1 x 80	\$469.45	2.12 pipe culvert 0.6	None
10	Culvert 2 x 80	\$784.88	2.12 pipe culvert 0.8	\$540.50
11	Culvert 3 x 80	\$1085.15	2.13 pipe culvert 0.8	\$1064.00
12	Box culvert 4.5	\$5357.63	2.40 concrete bridge 4m	\$4435.00

1/ Standard cost estimates.

2/ Seila program designs vary from those of Social Fund. Those presented below are equivalent structures to Social Fund. For instance, health center design of the Seila program is significantly different in layout from Social Fund.

3/ Actual construction costs as bid by contractors. Cost estimates are based mainly on data from Siem Reap province from 1997-1999. In principle, Siem Reap costs are higher than Battambang and Pursat due to higher costs of construction materials. In practice, Pursat province is likely to have higher construction costs because of less than competitive market for construction contractors. Earthworks are generally not included in the cost estimates because they are for the most part labor contributions.

Sources of data: Appraisal Department, Social Fund of the Kingdom of Cambodia and UNDP/CARERE. Phnom Penh, Cambodia.

Chapter 5

Conclusion

Since the 1970s the literature on decentralization has generally been prescriptive, focusing on how decentralization ought to be done and influenced by normative notions on decentralization. Several strands of theory, particularly on fiscal federalism and liberal democracy, have provided a largely normative argument for decentralization, posited on a central theme that local governments are the best form for organizing efficient delivery of local services. Fundamental to the workings of these normative models is a precondition that subnational governments already have sufficient constitutional and/or legal powers, as well as the managerial and technical capacity to enable them to discharge their decentralized responsibilities. These models implicitly assume well-established systems and mechanisms through which constituents can express their preferences and local governments can respond to their demands. In many of the countries that have embraced decentralization, however, these preconditions or processes are lacking or are still in the process of being established and developed.

This dissertation examined the dynamics of decentralization, focusing on the experience of a decentralization program in Cambodia called Seila. Initiated in 1996 by UNDP and administered through a project called CARERE, the Seila program took a different path from other rural development programs by working through established provincial and local development structures on a pilot basis in five Cambodian provinces. Under this arrangement, grants have been allocated to target communes and selected sectors at the provincial level, alongside the provision of capacity building and the

introduction of decentralized mechanisms and processes in planning, financing, and management.

Cambodia's highly centralized administrative and fiscal systems and structures combined with the lack of institutional capacity at the national and local levels and inadequate domestic resources to finance public investments pose formidable barriers to the country's decentralization. In the early 1990s, Cambodia's transition from rehabilitation to development called for a shift in the mode and structure of service delivery from central provision of quick-impact basic infrastructure projects to a more participatory and decentralized delivery of local services.

An important element of this shift in policy direction was the establishment of provincial and local development committees to manage local development programs. This policy environment resulted in the proliferation of rural development programs funded and/or administered by international donor agencies and NGOs under the general rubric of decentralized and participatory approaches. Yet these programs stopped short of introducing reforms in the structure and system of local service delivery by undertaking projects generally on an ad hoc basis and working directly with local communities, thus effectively bypassing formal government structures. Up to the mid-1990s, many donor agencies and NGOs generally argued against working with formal government structures because of wholesale lack of institutional capacity and perceived rampant rent seeking at various levels.

The findings of this study suggest that despite Cambodia's formidable institutional and resource constraints, the Seila program has been able to establish decentralized systems and mechanisms to deliver local services through the provincial

and local development committees and to influence macro level policy reforms on decentralization. How did the Seila program make such progress in establishing decentralized approaches in the pilot provinces and in advancing decentralization in Cambodia? Further, how does the Seila approach differ from other similar programs such as the Social Fund in influencing institutional outcomes in local service delivery?

The Seila program has been able to advance the process of decentralization in three ways: by a delicate balancing act between process and output, by developing capacity and institutional networking at central and local levels, and by gaining support of key institutional actors at both the field and central levels. Furthermore, the systemic differences in approach and strategy to project formulation and implementation between the Seila program and Social Fund have influenced patterns of institutional outcomes in participation, accountability, and sustainability. I address each of these findings in turn.

5.1 Balancing Process and Output

Under the Seila program, community participation and responsiveness from provincial and local authorities have been engendered not by simply providing a mechanism for voice. Rather, the combined mechanisms for voice and action, or the close links between process and output, have sustained the interest of both local communities and provincial and local development committees, encouraging them to participate and to undertake collective action. The delicate balancing act between process and output has been facilitated by regularizing a local planning process--- managed at the province level and facilitated at the local level --- which inextricably links the process of planning to its financing.

Under this arrangement, local plans prepared by local communities with facilitation from their village and commune development committees are interfaced with provincial sector plans which provide the basis for accessing financing from sector and commune grants.

This finding counters the views advanced in the decentralization literature which focus on the primacy of either process or output. On the one hand, conventional literature on fiscal federalism focuses on desirable institutional arrangements for determining local preferences in providing local services that are presumed to lead to better outputs under certain specified conditions, but are based on normative assumptions, that often are non-existent or weak in many developing countries. On the other hand, the participatory and governance literature places a premium on community participation and people-driven decision-making processes almost to the exclusion of developing formal basic institutions, capacity, and resources.

The close links between process and output have had several outcomes. First, they have enabled the villagers to see the benefits of collective participation in planning and decision-making and to build trust between villagers and local authorities. At the start of the local planning process, communes are allocated a specified amount of grants which ensure that priority projects get funded, thereby demonstrating to local communities that their collective action brought benefits to their villages in the form of wells and roads which have not been provided to them in the past.

The tension between process and output was most apparent in the early part of the Seila program when local authorities adopted a “one village-one project” approach to build political capital and credibility. While grants have been allocated to communes, local development committees have initially resorted to allocating funds at the village

unit. They did so in part because the village development committees, which traditionally served as the main entry point for local level activities, provided the main inputs in the local planning process. While a village-centric approach may not have been ideal from a process-oriented point of view, it did provide the impetus for sustaining the interest of both local authorities and villagers to participate in the next round of the local planning process. Regularizing the local planning process allowed it to evolve according to local capacity and to introduce systemic changes including the development of commune level projects and local procurement which led to improvements in the quality and cost-effectiveness of projects.

Second, linking planning to its financing has engendered responsiveness and accountability from rural development committees. Since fiscal authority and responsibility have been consolidated at the center, provincial and local authorities have had no discretionary power to finance local services. Decentralizing the management of grants had three effects: it has encouraged provincial and local development committees to think in a broader planning perspective, forced them to prioritize scarce “budget” resources, and provided incentives to supplement their grant allocations from local contributions or from other external sources such as Social Fund so they can better respond to demands from their local constituents.

Being able to respond to local demands has boosted the confidence of provincial and local development committees and provided incentives to perform better. While responding to local demands has not always resulted in favorable outcomes, the repeated process of engaging local communities has allowed local authorities to change course without alienating the local communities. In Pursat province, for instance, local demand

for micro finance projects had tested the limits of local capacity resulting in the unintended outcome of favoring better-off villagers. Yet, because of sustained engagement with local communities, this incident did not result in villagers withdrawing from the process. Rather, it engendered dialogue and consultation on how to improve the process of selecting beneficiaries.

Third, the close links between planning and financing have promoted allocative efficiency by fostering greater interaction between local authorities and provincial line departments, as well as between provincial and local administration and NGOs, which have traditionally operated autonomously from one another. The mandatory interface of provincial and local plans has led provincial line departments and local authorities to engage in dialogue and coordination and also broadened the participation in the consultation process to include NGOs, mimicking a decentralized system. Initially skeptical and distrustful of a process managed and facilitated by provincial and local development committees, NGOs collaborated and cooperated only when the local planning process began to produce concrete results in the form of active local participation in planning for and financing of basic local services. Other donor-supported programs, such as the World Bank's Social Fund, have also begun funding projects prioritized through the Seila program's local planning process.

Under the Seila program, the balance between process and output results from a continuous process of institutional learning and adaptation as key institutional actors engage in regular and sustained interaction. These key institutional actors include local communities, local authorities, provincial administration, and other institutions including NGOs and donor agencies. Mechanisms have been established to facilitate institutional

learning and adaptation. As each planning cycle is completed, facilitators and members of development committees at the commune and province levels discuss lessons learned from the planning process to provide feedback and inputs to further refine and improve the planning process. Feedback from external evaluators, and from UNCDF and other bilateral donors, has also shaped and influenced incremental systemic changes in the planning, financing, and implementation of the Seila program.

The ability to balance process and output has not happened all at once; rather, it has progressively developed over time as provincial and local development committees have developed capacity and learned to reach out and harness their relationships with other key institutional actors. How did provincial and local development committees transcend their initial capacity constraints? The next section discusses how they have developed their capacity and formed strategic institutional partnerships and alliances to effectively manage local demands both at horizontal and vertical levels.

5.2 Developing Capacity and Promoting Institutional Linkages at Various Levels

The Seila program experience suggests that building capacity at the province, commune, and village levels as functions and responsibilities were being devolved, provided an opportunity for on- the-job learning and allowed for progressively upgrading skills as capacities evolved. Along with capacity building, strategic alliances and institutional networking--- cutting across traditional vertical and horizontal relationships-- -have enabled provincial and local development committees to effectively manage local demands.

Much of the early literature on decentralization had focused on the capacity constraints of local governments perpetuating the notion that they are capable only of bad

performance, and thus providing the reason not to devolve responsibilities in decision-making and resource allocation. The findings of this study, however, reinforce the emerging literature on decentralization that developing effective local governments entails not only building capacities at various levels but also harnessing the synergies of key institutional actors in both horizontal and vertical relationships. Yet these questions-- - whether to build local government capacity before or after decentralization and whether to focus on demand or supply- driven requirements--- have continued to pose a dilemma for policy makers.

The Seila program experience suggests that focusing on learning by doing, rather than adopting a classic, classroom type of training, effectively addressed the issue of transferring knowledge and skills to counterparts with limited capacity and little formal education. Initially, Seila provided supply-driven training to provincial and local development committees to equip them with basic skills in decentralized and participatory planning, financing, and implementation. As their basic skills developed and capacity evolved, Seila provided more demand-driven skills training along with supply-driven requirements.

Building capacity at various levels and embedding them in decentralized structures and functions of provincial and local level institutions, however, involve significant investments in human resource recruitment and training, and in logistics support to undertake and sustain field-level operations. Investing heavily in capacity building could potentially affect both allocative and productive efficiencies. Allocative efficiency could be affected as resources are drawn away for productive investments to support decentralized staff and operations. Productive efficiency may not be realized

when capacity building does not result in generating compensatory revenues. When such investments, however, are viewed as start-up costs of decentralization; then costs incurred for capacity building will not be considered as resulting in losses in productive efficiencies. Insights from the Seila program experience indicate that capable local workers have improved both allocative and productive efficiencies by improving facilitation in preference determination and resource allocation, and by improving their institutional coordination.

As provincial and local development committees have developed capacity, they face progressively increasing volume and complexity in demand as local communities gain trust and confidence in the ability of local authorities to respond. In responding to local demands, provincial and local development committees have learned to harness their institutional relationships and strategic partnerships both horizontally and vertically by undertaking joint activities and by offloading local claims that are outside their competencies and capacities.

UNDP/CARERE initially provided an enabling environment and support networks for the Seila program, in part because of institutional constraints at central level, by establishing institutional relationships with provincial line departments and central line ministries, and strategic partnerships with donor agencies and NGOs. The funding support to provincial line departments facilitated coordination between provincial administration and provincial line departments, which in turn eased the process of integrating provincial sector plans with those at the local level.

Strategic partnerships established with donor agencies, such as WHO and UNICEF in health, and FAO in agriculture, involved fielding technical advisors to build

the capacity of provincial line departments and to provide technical inputs in the formulation and programming of their sector activities. These networks not only augmented the financial and technical support available to the Seila program; they have also helped extend the program's credibility and visibility to a broad-based constituency. CARERE also promoted the establishment of local development forums to engage NGOs in consultation and dialogue with provincial development committees. Through this activity, they gained the trust of NGOs, which then participated in consultations and joint undertakings initiated by provincial development committees.

While CARERE laid the foundations for institutional alliances and strategic partnerships, the provincial development committees followed through and sustained the process of dialogue and interaction with line departments, NGOs, and donor agencies. These positive local results, engendered by increased capacity and broadened institutional support, helped build confidence among the provincial development committees to reach out to other development partners, transforming the provincial and local planning from a process that is de-linked from each other into a more broadly based provincial-local dialogue involving key institutional provincial and local actors.

During the first year of the provincial plan preparation, consultation was limited to the planning and district offices of technical departments. In subsequent years, the provincial plan consultation was expanded to commune development committees including those outside the target areas of the Seila program. Over time, the annual provincial planning process has been transformed from a mechanism for dialogue between provincial sectoral departments and the provincial planning department to one that provides a channel for provincial authorities, sectoral departments, donor agencies

and NGOs to articulate broad visions and strategies and to coordinate planning, financing, and implementation issues. At the local level, the commune integration workshop-- initially a mechanism for interfacing local plans with sector plans-- has evolved as a venue where various local service providers, including NGOs, can share information and undertake joint activities and learning.

Arguably, the institutional support from provincial and local administration and the central government, and the strategic partnerships with donor agencies and NGOs, provided the critical institutional support at the field level, especially at the early stage of the Seila program. The next section discusses how and why key institutional actors supported the Seila program.

5.3 The Political Economy Dimension of Decentralization

The findings of this study suggest that the political economy dimension of decentralization is as important as designing its technical components and provide insights on how support from provincial and local authorities, central government, and donor agencies and NGOs, at particular junctures in time, has enabled the Seila program to undertake and sustain local level initiatives. The findings also suggest how support from key institutional actors has been engendered and sustained through advocacy and strategic consensus building. In the past, the literature on decentralization has glossed over the importance of the political economy dimension of decentralization, perpetuating the notion that decentralization is more an issue of administration or economic development. Yet, decentralization is a political decision as well as an outcome of consensus building among politicians and decision makers (Bahl, 2000; Manor, 1999; Smoke, 1999).

Provincial and local authorities have rallied behind the Seila program not simply out of deference to central government support but their behavior can also be construed as a strategic response to their long neglect by central government and donor agencies. Provincial and local authorities, as well as line departments, had been bypassed by donor agencies that preferred direct implementation, and by NGOs, because of the stigma attached to their past as part of the socialist apparatus and the associated presumption of rent seeking. I argue that the possibility of becoming active partners and participants in bringing development to their communes and villages presented a compelling reason for traditional power holders to acquiesce, rather than to hold on to the vestiges of power that have been gradually eroded by lack of resources and by central government neglect.

The decentralized funds, along with capacity building, have enabled provincial and local authorities to provide much needed services to local communities where none existed before. Provincial planning and line departments, which lacked clear mandates since 1993 and subsisted on sporadic and minuscule funding from central government, are now benefiting from decentralized sectoral grants and technical assistance that allowed them to progressively define and clarify their roles and responsibilities and to undertake projects consistent with their mandates.

In many decentralization narratives, the central government has been characterized as obstructing any attempts to transfer responsibilities to lower levels of government. In Cambodia, in contrast, central government support for the Seila program reflects both a strategic response to keep donor funds flowing and the country's changing political realities. In the 1990s, intense competition for political control between two major parties hamstrung the central government, and thus, it could provide only tacit

support to the Seila program. As the 1998 national election brought about relative political stability, however, and as the Seila program demonstrated results, the central government has gradually provided a more active and forthright support to decentralization.

More active central government support can also be attributed to another factor: the creation of a latent constituency involving key central ministries of different political persuasions that find a common ground on decentralization. Over time, tacit consent from central government has evolved into a more active and overt kind of institutional and policy support. The central government has sponsored and approved executive decrees to further institutionalize various Seila program initiatives such as the establishment of the provincial planning process, the creation of the decentralization development fund, and the reconstitution of the membership and structures of the provincial development committees. The government has also formulated and passed laws that will progressively transfer powers and responsibilities to local levels including the 1998 Budget Law and the laws on commune election and commune administration. These further indicate central government's support of the Seila program and of the decentralization process.

In many cases, however, central ministries have advanced changes in policy or institutional arrangements to accommodate donor requirements or to advance the perceived interests of particular donor agencies. Support from key central agencies seems to be driven not so much by their understanding of the benefits of decentralization as by a converging perception that a decentralization program could be a potentially viable vehicle to reassert or build their influence at the grassroots level and to access financial resources. The competition between ministries and lack of institutional capacity, have

limited the government's opportunities to discuss decentralization issues in an informed manner and to arrive at a real consensus based on a clear understanding of the alternatives.

Donor agencies are the key players in Cambodia's decentralization process. In particular, the roles played by UNDP/CARERE and UNCDF in promoting the Seila program have been critical in transforming tacit support and field-level gains into overt central government endorsement in formulating and implementing macro-level policy and legislative measures. CARERE initiated and developed a broad-based constituency for the Seila program, involving various levels of government as well as donor agencies and NGOs. The Seila Task Force, an inter-ministerial body for providing policy oversight and guidance to the Seila program established through persistent lobbying by CARERE, provided the institutional platform to engender support and consensus among key central ministries --- including economy and finance, rural development, and interior--- on key policy issues affecting the Seila program and the decentralization process.

At the central level, CARERE employed various mechanisms to engender support and consensus among key central agencies and donor agencies. For example, CARERE provided logistics and technical support to the Seila Task Force as it strengthened its review and oversight functions and mounted promotional field visits targeted at key central ministers and donor agencies to demonstrate advances in local initiatives under the Seila program. CARERE also helped coordinate and organize regular Task Force meetings, and introduced and supported a yearly tri-partite review, which has provided a forum for further engaging provincial governments, central agencies, and donor agencies. Through the annual tri-partite review, as well as informal contacts with resident and

visiting missions, CAREERE also serves as the locus of donor coordination for the Seila program.

UNCDF's role in promoting the Seila program is equally important but less visible than that of CAREERE. Its main contribution was designing the system and monitoring the local planning process and subsequently, spearheading upstream activities including technical advice in formulating the decentralized development fund and the laws on commune administration and commune election. UNCDF also serves as an advocate for the Seila program, through active policy dialogue and collaboration with other donor agencies such as the World Bank.

Despite advances in promoting Seila as the government's flagship program in decentralization, similar programs sponsored by other donor agencies compete for central government support. While donors routinely talked about coordination and they convene annually to provide cohesive support for the country's development efforts through the donor's Consultative Group meeting, this show of solidarity belies the local reality: a proliferation of donor-funded programs such as the Northeast Village Development Project and the Social Fund, both supported by the World Bank, that are implemented in uncoordinated fashion using different institutional arrangements. These institutional arrangements effectively exclude provincial and local administration.

Uncoordinated donor-supported programs not only compete for limited central and local government resources but could potentially result in promoting policies that work at cross-purposes. The next section discusses how and why differences between the Seila program and the Social Fund could potentially affect the nascent decentralization process in Cambodia.

5.4 Contrasting Institutional Outcomes: The Seila program and Social Fund

The findings of this study suggest that the pattern of differing institutional outcomes between Social Fund and the Seila program can be explained primarily by their systemic differences in approach and strategy to project formulation and implementation. Contrary to the received notion that process hampers the delivery of outputs, insights gained from comparing Social Fund and the Seila program suggest that regularizing the process of planning and approval through sustained consultation and interaction with local communities by locally based personnel facilitates learning, and thus speeds up project implementation over time.

The first generation Social Fund in Cambodia, established at the same time as the Seila program, was designed as an interim demand-driven mechanism with three objectives: to provide rapid financing for the rehabilitation and reconstruction of small-scale rural infrastructure projects, empower local communities, and to develop the capacities of local institutions and line ministries. Unlike the Seila program which works through formal decentralized structures, Social Fund responds directly to individual applicants purportedly representing local communities from a menu of projects determined at the center.

By directly responding to the preferences of local communities, Social Fund effectively bypasses local authorities and line ministries and places many burdens on individual applicants or their local communities to organize and to mobilize resources. It is crucial, however, to build sustained relations and to develop capacity when working in poor and rural communities, with no tradition of democratic participation and are simply not capable of self-organizing and expressing voice expected in a normative manner.

Short-circuiting the process and operating on an ad hoc basis have kept Social Fund from establishing sustained interaction with local communities and building the capacities of local institutions, resulting in less than satisfactory performance in local ownership and sustainability of projects.

While short-circuiting the process of local consultation may have provided Social Fund a head start in implementing its projects, this advantage may have been offset by its limited and centrally based personnel who carry the onus of reviewing and appraising projects. Also slowing the approval process is Social Fund's dependence on individual applicants to generate demand and to formulate project proposals. Applicants have generally not had the capacity or the local support networks they need to comply with Social Fund requirements. While the "apply as you need" policy prevents projects from bunching up, and thus may speed the process of approval and implementation, this policy does not allow local communities to prioritize projects against their overall needs and resources.

While the Seila program has also experienced bottlenecks in the planning and approval process, particularly in its early phases, the support of provincial and district teams to local communities as well as village and commune development committees during the planning and preparatory phases helped shorten an otherwise protracted process. The development of a regular planning schedule, which enables the routinization of the planning and approval process and facilitates the incremental learning of development committees, has helped in two ways. It reduced bottlenecks over time and increased allocative efficiency as local communities deliberate and decide on projects that meet their needs and resources.

While Social Fund appears to be more cost-effective than the Seila program, in part because of the statutory cap on its administrative spending, some impressionistic evidence suggests that Social Fund does not have a comparative cost advantage over the Seila program. The statutory cap has the unintended consequence of limiting Social Fund's flexibility to pursue activities that are outside the production of outputs, such as hiring dedicated local staff to manage the process of demand generation and to provide capacity building, which are essential in establishing institutional relationships with local communities and local institutions and could potentially enhance local ownership and sustainability of projects. However, without comprehensive comparative data on cost per beneficiary, material specifications, and other similar measures, it is impossible to draw any definitive conclusions on the cost-effectiveness of either the Seila program or Social Fund. A comparative cost analysis could be undertaken, when more data become available, to demonstrate the comparative cost effectiveness of both programs.

The design of the second generation Social Fund has addressed some of the emerging issues involving sustainability and capacity building, yet its unchanging institutional structure and continued operation within a rehabilitation framework emphasizing speed and cost economies may preclude real and substantive changes from its previous mode of operation. While Social Fund is advancing institutional collaboration with donor agencies in the selection of projects, it continues to control substantial phases of the project cycle from project financing to monitoring. Thus, it appears more like a strategy to fast track projects than an attempt to make projects sustainable.

The potential trajectory of Social Fund in the areas of sustainability and capacity building could be influenced by the incentive structures that Social Fund faces, not only within the Cambodian context but also within a larger framework of Social Funds.

Despite the World Bank's pronouncement that Social Funds are demand-driven instruments, the program's success is measured against the speed at which loan funds are disbursed and costs are reduced and not on the merits of the process for involving communities or developing the capacities of local institutions. Clearly, an organization that places a premium on its autonomy from government rules and regulations will have no incentive to develop institutional relations at either central or local levels despite some evidence that institutional linkages could improve the technical quality and sustainability of projects as has been demonstrated by Social Fund's forced collaboration with the Cambodian Ministry of Health.

While this comparison has been hampered by lack of quantitative data, the pattern of institutional outcomes in community participation, project sustainability, and advances in capacity building and institutional coordination suggests that the Seila program rather than Social Fund offers more possibilities for improving the performance of local governments in delivering local services. Thus, Social Fund's continued adherence to its template of institutional arrangements without any serious attempts at adapting it to economic, political, and institutional contexts, poses serious questions about its viability as an alternative model that can reform local service delivery and advance decentralization in Cambodia.

5.5 Broad Policy Implications and Prospects for the Future

Adopting a process-oriented decentralization in the scope and scale of the Seila program offers possibilities for engendering participation, accountability, and sustainability in projects, yet it also provides a road map of complexities and challenges. Its implications of structural and system-wide changes, of project financing and administration, and of capacity building requirements raise questions as to how the Seila program can be replicated in other parts of Cambodia which have varying degrees of resource constraints and capacities, and how it could evolve as the country's intergovernmental system. The Seila approach also raises questions as to how it can be adopted in similarly situated countries where the environments are highly centralized, institutionally constrained, and dependent on external resources. Further, can such a strategy for constituency building be transferable in a politically contentious environment?

While the convergence of political and economic conditions helped the Seila obtain concessions from the central government, this combination of factors is highly context-specific and could present a different outcome in another environment. Notwithstanding these constraints, the Seila program could be adapted in other provinces in Cambodia and in other similarly situated countries by undertaking a phased-in, scaled-down approach based on initial conditions, resources, and the capacities at the central and local levels.

Replicating the Seila program in other provinces in Cambodia presents a major challenge: How can it be adapted in areas with varying initial conditions and how can the technical assistance and transfer of decentralized responsibilities be phased in and

sequenced to best develop the capacities and responsibilities of provincial and local administration? Before scaling up, an assessment of existing institutional, financial, and human resource capacities at provincial and local levels could inform how the Seila program could be adapted to specific initial conditions.

Three key elements of the Seila program could form the building blocks in the replication process: devolving planning and financing functions simultaneously to lower levels of government, building capacity, and institutional networking at central and local levels. Two key concerns in the devolution of the planning and financing functions are how to effectively link local level planning with central planning and financing, and how to strike a balance between donor provided resources and domestic revenues to finance devolved expenditure responsibilities. In a country with widespread capacity and financing constraints, this implies reforming the administrative and fiscal systems and structures, including building a system of intergovernmental transfers that can provide incentives to both central and local governments to mobilize resources to finance local services. Potential areas for reform include the national public investment programming and the 1998 Provincial Budget Management Law. Also, an intergovernmental transfer system could be established by integrating and rationalizing disparate laws and policies in line with the financing system piloted under the Seila program.

Another key concern in the replication process is the availability of a cadre of trained local workers. The experience of the pilot provinces suggests that building the capacity of local institutions requires a dedicated infrastructure to provide hands-on training appropriate to specific skill levels and requirements of local governments, which in turn, has implications for human and financial resources. Expanding the network of

capable cadre of field workers could be prohibitively expensive and could have implications at the macro level, but a stream of benefits could be realized over time as local governments build their capacities to deliver local services. Such benefits could more than offset the initial high investment costs. Furthermore, as recent experience in partially extending the Seila system to other provinces seems to suggest, capacity building can be undertaken cheaply and rapidly after the initial high investment costs by using mostly local capacity builders.

Institutional networking, or building strategic institutional alliances, is another key element of the Seila program that needs to be developed and scaled up in other parts of the country to effectively manage local demands. Institutional networking can be facilitated through the local planning exercises, development forums, sharing of advisors, and exchange visits which provide opportunities for mutual learning. A central government agency or donor institution could play a major role in initiating strategic alliances and building support networks at the provincial and local levels.

The long-term prospects for evolving the Seila program as Cambodia's intergovernmental system would depend in part on how its replication to other parts of Cambodia will proceed. While the experience in the pilot provinces could inform the replication, the scaling-up process could be treacherous and difficult for several reasons. The more differentiated initial conditions of the prospective second-generation provinces and the higher stakes involved in adopting the Seila approach could significantly impact on the mandates, interests, and agendas not only of key central agencies and line ministries but also of donor agencies and NGOs. Thus, in the near term, the replication process is in itself an important milestone for the Seila that could shape and influence the

trajectory of its long-term prospects. Seila's replication and evolution into an intergovernmental system would entail redefining the roles and functions of key institutional actors to sustain the process of decentralization.

A broad-based implementation of the Seila would impose greater pressure on the central government to strengthen its capacity to coordinate and to manage the implementation of the decentralization process on a wider geographic scale. Key central agencies such as the Ministries of Planning, Economy and Finance, and Interior would have to realign their roles and functions to provide an enabling environment and to backstop support to local levels. They would have to provide oversight on a wide range of devolved responsibilities including planning, financing, implementation, and management functions; assign local services; and benchmark and monitor provincial and local-level performance in service delivery; and train and build capacity at provincial and local levels.

With a wider constituency at provincial and local levels, line ministries could more effectively link their programming exercises to capital investment requirements at the provincial and local levels and could redefine their service delivery strategy, which focuses on districts, by establishing links and coordinating with commune level authorities to deliver local services. This process, however, requires system-wide changes that involve key central agencies including the Committee for the Development of Cambodia (CDC), the Ministries of Economy and Finance, and Planning, as well as donor agencies.

The recent creation of the National Committee to Support the Communes (NCSC), a broad-based interministerial committee chaired by the Ministry of Interior

(MOI), and the planned establishment of new structures such as the Department of Local Administration under the MOI and the Department of Local Finance under the Ministry of Economy and Finance suggest that central government is becoming more involved in advancing the decentralization process. While these recent initiatives open possibilities for sustained central government support for decentralization, much remains to be done to make them functioning structures and mechanisms.

Mainstreaming the Seila program would also pose a major challenge to donor agencies, particularly UNDP/CARERE, which is its administrator and primary advocate. While the proactive stance of UNDP/CARERE was critical in spearheading the Seila program, especially at its inception, the long-term sustainability of a donor-driven decentralization program is uncertain when the limits on domestic resources and capacity are so persistent and widespread. Thus, the challenge for the second-generation Seila program is whether and how UNDP/CARERE and the Cambodian government could work together effectively in building a foundation for domestic ownership of the program. The recent move to “retire” CARERE and to evolve to a new project called Partnership for Local Governance, which is primarily administered by the government through CDC, is a step forward in this direction. Yet, CDC has limited institutional capacity and is supported mostly by expatriate advisors. Phasing out CARERE could be construed as a symbolic but important transitional move towards gradually developing a sense of domestic ownership of the Seila program. The key challenge is how to move beyond the symbolism to develop capacity at the central level so Cambodians can manage the process of decentralization themselves. An interesting empirical question is whether and how the roles and responsibilities traditionally assumed by CARERE could

be effectively transferred to CDC and thus result in real domestic ownership of the program.

Transferring the administration of the Seila from CARERE to CDC does not, however, address the issue of financing and technical requirements. The government's recent announcement that it will dramatically increase its contribution to the Commune Development Fund in the coming years further suggests its commitment to decentralization, but the domestic capacity to finance and manage decentralization remains an issue. In the near term, it is conceivable that donors will continue to provide funding support for the Seila program since the central government cannot mobilize the domestic resources to substantially supplant existing donor support for decentralization. Thus, donor agencies would have to balance the task of providing financing and technical assistance with the task of developing domestic ownership and the central government's capacity to manage and sustain the process of decentralization.

Concomitant with their support for mainstreaming Seila, donors need to maintain pressure on the central government to reform its public sector to make it more effective and efficient in mobilizing domestic resources as well as in developing an intergovernmental transfer system consistent with the principles of equity and efficiency. Several donor agencies support various aspects of Cambodia's public sector reform; and thus, they could provide leverage by linking local level initiatives to macro-level reforms such as planning, financing, and capacity building and the corollary issues of governance. These forms of central government support would have to be formalized incrementally through policy and legislative measures as capacity evolves at both local and central government levels.

Another challenge in the future will be coordinating donor activities towards a more cohesive and consistent approach to decentralization, both at programmatic and implementation levels. A more stable political situation has increased donor interest in supporting the country's development efforts, but significant infusions of funds may work at cross-purposes if efforts are uncoordinated, and the overload of resources could overwhelm local governments with new responsibilities they cannot meet with existing capacities. Providing additional resources without securing credible and enforceable commitment from the central government to reform the country's administrative and fiscal structures and systems could subvert the objectives of building institutions that are decentralized and accountable. Recent developments seem to suggest that donor agencies, including the World Bank, have begun to effectively coordinate and support the decentralization process under the Seila program, opening up possibilities for a more coherent and consistent approach to the country's decentralization process. Yet, structures and mechanisms will have to be in place to ensure that donor funds are used appropriately.

The involvement of the NGO community could also potentially affect Cambodia's process of decentralization. The NGOs in Cambodia rank second to multilateral and bilateral agencies as a source of external assistance, but they also play a special role through their long-standing work in the country's political and economic transformation since the 1980s by performing various functions from humanitarian and relief services to nontraditional work including delivery of basic services and technical advice. More recently, NGOs have become active participants in the donor's annual Consultative Group meeting where they have consistently produced position papers on

key issues including governance and decentralization, and have initiated public discussions on the forthcoming commune elections.

The roles of NGOs have evolved as the country has made its transition from rehabilitation to development, suggesting that they could play an important role in decentralization, depending on their perceptions and understanding of how they could meaningfully influence the process. In particular, NGOs could play an important role in educating civil society and local officials on their respective roles and responsibilities in decentralization. At the implementation level, as some NGOs continue to finance and implement basic local services while others return to their traditional work of community building, they would have to progressively align and reconcile their programming and implementation activities with the new roles and responsibilities assigned to communes.

The Seila program experience in Pursat and Battambang suggests that engendering trust, cooperation, and collaboration from the diverse community of NGOs would require regular and sustained dialogue and interaction through formal forums and through demonstrations that provincial and local administration can manage local development programs. Gaining support from NGOs at the field level, however, will have to be buttressed with regular and sustained information and policy dialogues on decentralization at the macro level.

5.6 Conclusion and Directions for Future Research

The Seila program experience suggests that decentralization has various dimensions; it involves balancing process and output and entails capacity building and institutional networking and strategic partnerships at the central and local levels as well as constituency building among key institutional actors. Underpinning the Seila program

approach, which I label process-oriented, are institutions and key institutional actors that learn from their experiences and build on them to improve their performance, which is influenced in part by their institutional structures and mechanisms. Since institutional learning does not occur automatically, it is critical to establish an enabling environment that facilitates institutional learning. This, in turn, involves having the resources and the capacity to diffuse and to share knowledge and information and to undertake joint actions with other institutions, both at horizontal and vertical structures.

While the design components of decentralization could be well within technocratic and bureaucratic control, the political economy of decentralization is more intractable. At its most fundamental level, decentralization reconfigures the institutional relationships between horizontal and vertical structures and within horizontal levels. This implies understanding not only the structural relationships between central and local levels but also the interaction and intersection of contending interests and agendas at central levels. Central government support may not necessarily signify a monolithic position but it may indicate the dominance of one voice over competing interests, which presents a challenge in building a common ground that will endure with the shifting loyalties and agendas over time.

Thus, implementing a decentralization program requires a strategic approach: taking an incrementalist view and developing a broad-based constituency. An incrementalist perspective involves implementing decentralized systems and mechanisms in limited areas that could deliver results to provide the leverage to generate support from central government. Transforming government's tacit support into overt institutional and policy backing requires a principal advocate who can initiate and lead the constituency-

building process. This is particularly critical, not only to generate support in the initial stages, but more importantly to provide a safety net against potential state retreat from decentralization. Developing a constituency for decentralization would require a multi-level and broad-based approach, not only engaging central level institutions which are likely to have competing ideas and interests about decentralization but also reaching out to other potential constituencies which could influence decision makers or play advocacy roles. These constituencies include provincial and local authorities, donor agencies, and NGOs.

Each of these actors would have various roles to play in sustaining central government support. Capable local governments that deliver local services to their constituents provide a compelling reason to decentralize and thus could make it difficult for the central government to reverse its support. A unified position and coordinated action from donor agencies could exert pressure on the central government to support structural and political reforms. NGOs also have a role to play by focusing on their work at the grassroots level in facilitating and sustaining the development of a nascent civil society and broadening the mechanism for dialogue between sectors of civil society as well as between representatives of civil society and the state.

Thus, the future of decentralization in Cambodia and the prospects of the Seila program to evolve to an intergovernmental system can only be conjectured based on historical antecedents and how relations between state and the civil society evolve. In part, the trajectory of the Seila program will be determined by how competing agendas and interests of key central ministries will play out in the future. This could, in part, be influenced by the extent to which central government perceives decentralization as a

viable vehicle to advance its political and economic agendas, and whether and how donor agencies and NGOs will continue their support.

Further research will have to be undertaken to track the trajectory of the Seila program, focusing on how the structures and systems piloted in the first generation Seila program evolve as they are adapted in other provinces with varying capacities and resources. At the macro level, an interesting empirical question is whether and how the replication or scaling-up process would further promote or derail the mainstreaming of the Seila program. Several questions would be interesting to pursue in future research: How have the planning and financing processes and mechanisms been adapted in the second-generation provinces? What forms of capacity building and institutional networking have been developed and how do they differ from first-generation provinces in terms of institutional outcomes and local service delivery? In what ways has the replication process advanced the Seila program and to what extent have key institutional actors shaped and influenced the evolution of the Seila program into an intergovernmental system?

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