

# Cambodia: Toward Performance-Based Civil Service

## Cambodia Policy Note



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1818 H Street NW, Washington, DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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# Acknowledgments

This Policy Note began as a Technical Assistance Note that informed the draft of the government's National Plan for Administrative Reform for 2019–2030. It was prepared by a World Bank team comprising Sokbunthoeun So, Senior Public Sector Specialist (co-task team leader); Serdar Yilmaz, Lead Public Sector Specialist (co-task team leader); Donna Andrews, Senior Public Sector Specialist; Sodeth Ly, Senior Economist; and Margaret Allison, David Koh, and Pisith Phlong, Consultants.

This work program was conducted under the overall guidance of Fily Sissoko (Practice Manager); Inguna Dobraja (Country Manager, Cambodia); Bronwyn Grieve, Program Leader; Hassan Zaman (Regional Director); and Mariam Sherman (Country Director, Cambodia, Lao People's Democratic Republic, and Myanmar). The team would like to thank peer reviewers Yasuhiko Matsuda, Program Leader; and Zahid Hasnain, Senior Public Sector Specialist for all the useful comments provided.

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# Main Messages

The Royal Government of Cambodia recognizes a link between the quality of governing institutions and economic growth and places reform of governance institutions at the core of its Rectangular Strategy Phase IV (2018–2023). The strategy aims for higher levels of income and standards of living, which could lead to transformative changes such as the emergence of a middle class, increased urbanization, and greater integration with the outside world. Underpinning this strategy are greater expectations on the effectiveness and efficiency of the civil service in support of current and future socioeconomic developments. It is clear that things cannot go on as usual if the ambitions of the Rectangular Strategy are to be met.

This strategy will likely face several challenges. These include the sustainability of the current economic growth model and avoidance of the middle-income trap; increased demands for better quality public services and accountable government; and how to make the civil service an enabler of the strategy, and in the process, become an employer of choice that attracts the best talent to transform governance in a fiscally sustainable way. Overcoming these challenges would be a basis for sustained good governance over the long-term, underpinning Cambodia's socioeconomic developments.

The Policy Note adopts the government production function model as a way to understand the government's capability in converting policies to outcomes, which in turn involves two interrelated drivers: quality of bureaucracy and the efficiency of frontline activities in service delivery, infrastructure provision, and revenue collection. Also included are the experiences of relevant countries as well as conceptual models and ideas that can be useful to suggest reference points for further reforms.

The Policy Note argues that the government can implement short- to long-term strategies to reform public administration in support of implementing the Rectangular Strategy. It makes recommendations across five core areas to deepen public administration reform:



## Civil Service



## Key Messages

The Ceremony of Appointment and Promotions of Civil Servants of Telecommunication Regulator of Cambodia, March 13, 2019.

- **strengthening the quality and effectiveness of public service delivery**, including the development of organizational performance indicators and a system for regular high-level reporting and monitoring of performance;
- **optimizing organizational structures** and reforming back-office and support functions across government;
- **improving management and development of contemporary approaches to human resources**, including strengthening the meritocratic approach to civil service employment and identifying good management practices that hinder and help reform efforts;
- **reforming pay and allowances** taking into account affordability, equity, consistency, and coherence and productivity factors; and
- **improving data needed for improved decision making**, such as implementing a human resource management information system to support a robust performance management system and gathering data on the motivation and attitudes of civil servants toward identifying reform priorities.

## Introduction

**Government accountability has become a global moral imperative.** Governments over the world aim to continuously improve public service delivery, transparency, and accountability to respond to citizens' needs. Even governments that have achieved a high standard of delivery of public services are under constant pressure to continuously improve. Public administration reform (PAR) is a long-term and challenging task. It requires continued effort and commitment over time as well as innovative approaches to service delivery in the short and medium terms.

**Cambodia became a lower-middle-income country (LMIC) in 2015 and the task of delivering public services continues to become more complex, highlighting the need for PAR.** Along with international trends, the government pays serious attention to strengthening public administration as a means to achieve Cambodia Vision 2050, which envisages Cambodia becoming an upper-middle-income country by 2030 and a high-income economy by 2050. The PAR agenda will therefore need to be a sustained and long-term objective in order to support Cambodia's development vision and the government's Rectangular Strategy Phase IV.

**Strong and stable institutions are necessary to boost productivity of the public sector, one of key contributors in reducing poverty and promoting shared prosperity, and the connection between institutional quality and economic growth is well-established.** Numerous studies point toward the “deep

institutional underpinnings” of successful growth and development (North 1990; Romer and Frankel 1999; Acemoglu 2006; World Bank 2008; Acemoglu and Robinson 2012). Consensus exists around the core policies developing countries need to put in place to achieve equitable growth and reduce extreme poverty. However, government capability, including the ability, motivation, and productivity of civil servants, is a key determinant of its ability to effectively implement policies. Capable organizations are those that can select highly skilled personnel, provide them with the necessary resources, and motivate them to work efficiently toward the organization's objectives and serve the public (see appendix A for more discussion).

## Context and Main Challenges

**Enormous challenges confront Cambodia's society and government on the road to development.** Many years of continued robust economic growth have produced greater disposable income among Cambodians, further generating greater demand for higher quality living environments, as well as increased expectations for public goods and public services. The global COVID-19 outbreak has caused an unprecedented challenge for the public sector as the pandemic has dramatically disrupted economic and social activity in Cambodia, the region, and the world.



## Cambodian Social and Economic Context

**As the economy grows and disposable income rises, more Cambodians are now seeking better and efficient public services such as higher education quality, better medical services, improved amenities, and even migration to cities and overseas.**

**In pursuance of better education quality, parents are sending their children to private schools and overseas.** Private schools and universities are mushrooming in Phnom Penh. In addition, more parents can now afford to send their children abroad. Close to 6,000 tertiary students in 2017 were studying overseas, compared to 4,500 in 2013,<sup>1</sup> while the quality of in-country tertiary education remains to be further improved.

**For medical services, the profit from medical tourism and strong competition are encouraging foreign companies to establish high-quality medical centers in Phnom Penh** to provide the same services for which people leave their countries (Pollard 2018). In 2016, 20 to 24 percent of Cambodian outbound tourists were reported to have visited Malaysia or Thailand for medical purposes (Hai and Xu 2017).

**There has been an exponential growth in outbound tourism from Cambodia.** It increased to 2 million tourists, which was an upturn of 14 percent from 2017 numbers (Ministry of Tourism 2019). The number of domestic tourists also increased from 2.75 million in 2016 to 3.1 million in 2017 and to 3.6 million in 2018.

**Migration, especially internal migration and the search for opportunities, has given Phnom Penh City a population boom, which was 2.8**

**percent in 2016.** (UNESCO, UNDP, IOM, and UN-Habitat 2018). Obvious side effects of increased migration include immense traffic jams caused by a growth in vehicle numbers. Municipal services also need further upgrading, which require careful planning and implementation by municipal and government authorities.

**The business sector also faces some significant challenges.** *Doing Business 2018* reported that starting a business in Phnom Penh required 9 procedures that took 99 days on average and cost 51.3 percent of Cambodia's income per capita (World Bank 2018a).

**The impact of COVID-19 may result in reduction of revenue collection by the government.**

Overall economic growth will slow down in the short term. All countries that are significant contributors to trade, investments, and tourism in Cambodia (China, Japan, Singapore, South Korea, and the United States) have all been hit hardy. The end of COVID-19 is still a long time away, which will impact the government's ability to raise spending on the public wage bill and other spending for National Program for Administration Reform (NPAR) and reforms in general.

**A long-term concern regarding the economy is the sustainability of the current growth model.** New emerging economies will challenge Cambodia's position. COVID-19 has required a rethink on preparing the economy to survive future and similar shocks. Cambodia will need a coordinated, comprehensive, and sustained set of strategies backed by the legal and administrative authorities to implement them. To achieve these strategies, the government will need reform leaders and implementors who have sufficient expertise. Reasonable levels of remuneration will be necessary to recruit them.

<sup>1</sup> See UNESCO Institute for Statistics, Outbound internationally mobile students, accessed on June 25, 2020, <http://data.uis.unesco.org/Index.aspx?queryid=172>.



## Progress from Previous PAR Reforms

Since 1993, Cambodia has come a long way in its journey to strengthen public administration, and has achieved incremental progress:

- **1993–1995: National reconciliation and unification period.** All political factions signed the Paris Peace Accord, and 25,000 civil servants were integrated into one unified system of public administration with the aim to end the civil war and restore peace. The nationwide headcount of civil servants was reduced, by cutting 17,685 ghost<sup>2</sup> headcounts.
- **1995–2003: Strengthening foundation of civil service.** The Council for Administrative Reform was established to lead PAR with the goal to strengthen the operational efficiency and effectiveness of the civil service. A civil servant census in 2000 resulted in the removal of additional 10,000 ghost civil servants from payrolls.
- **2004–2008: Deepening reform.** The PAR objective shifted toward serving the people better. Key achievements include a greater focus on public service delivery in public policy development; implementation of a “priority mission group” to address service delivery bottlenecks; implementation of a merit-based performance incentive in some selected agencies; and the establishment of Special Operation Agencies.<sup>3</sup>
- **2008–2012: Further deepening of reform.** The PAR objective was broadened to include not only serving people better, but also improving the prosperity of the nation. More progress

was made in the use of priority operating cost,<sup>4</sup> One Window Service (OWS) offices, and the expansion of initiatives from the previous phase (Royal Government of Cambodia 2015, 1–4).

- **2015–2018: Continuation of further deepening reform.** This period aimed to improve the institutional prerequisites for better service delivery. It focused on three main pillars of reform: pay and remuneration, including raising civil service remuneration to a livable wage level;<sup>5</sup> human resource (HR) management and development, including computerization, implementing a performance management system in pilot areas, and implementing training requirements for civil servants; and improving public service delivery through e-governance and institutional reforms of rationalization and restructuring.

**Past efforts have brought some results, particularly between 2013–2018.** Despite scoring lower than the Lao People’s Democratic Republic in 2008 and 2013, Cambodia achieved a much more significant increase in the 2018 index for government effective compared to Lao PDR (figure 1). **External and comparative assessments of the effectiveness and efficiency of regional governments suggested there is still space for Cambodia to catch up with fellow Southeast Asian countries (see figure 2).**

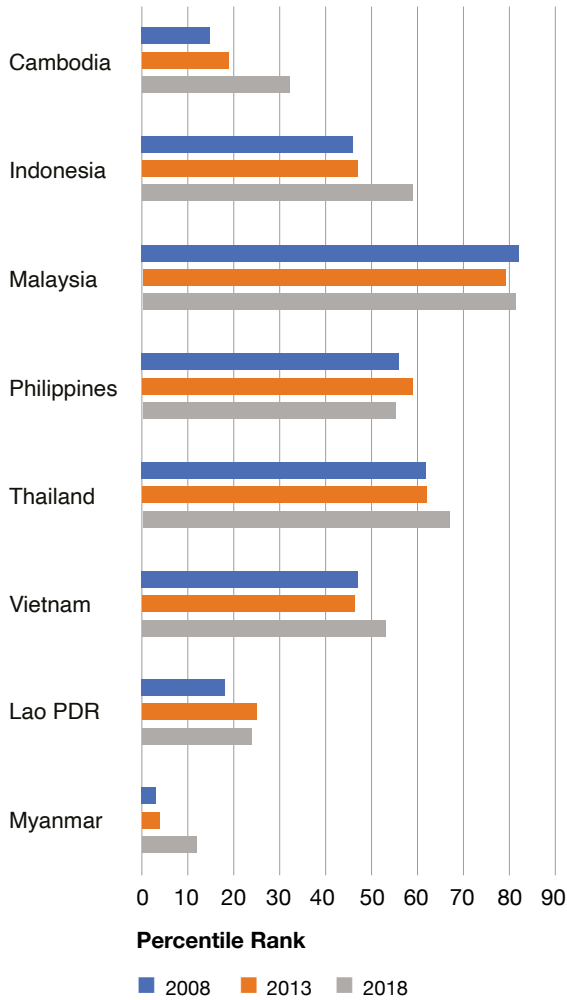
<sup>2</sup> The term “ghost” refers to civil servants who still receive wages but are not actively working. For example, they had died or left civil service employment and their records were not updated, or have duplicate entries.

<sup>3</sup> Special Operating Agencies have been used mainly in the Cambodian health sector to support improvement of the quality of health care services for people. They intend to strengthen management quality by providing autonomy in managing daily operations and using performance-based incentives.

<sup>4</sup> Priority operating cost was a development partner-financed scheme that replaced the Merit-Based Performance Incentive, which was canceled by the government in 2010. It was an incentive for officials engaging in reform and it lasted until 2012.

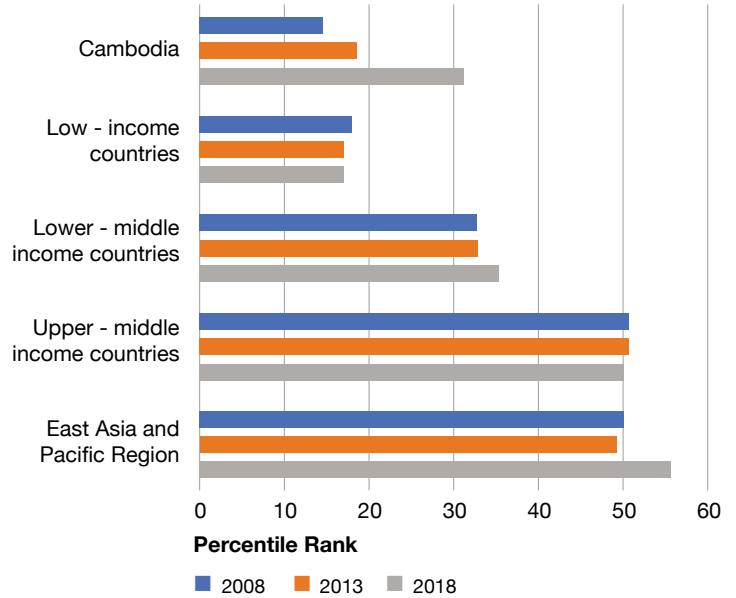
<sup>5</sup> For more detailed analysis of this component, see McCourt and Wescott (2014).

**Figure 1. Government Effectiveness Compared with Other Countries in Region, 2008–2018**



Source: Worldwide Governance Indicators Database.

**Figure 2. Government Effectiveness Compared with Regions, 2008–2018**



Source: Worldwide Governance Indicators Database.

**Main Challenges from the 2013–2018 PAR Reforms**

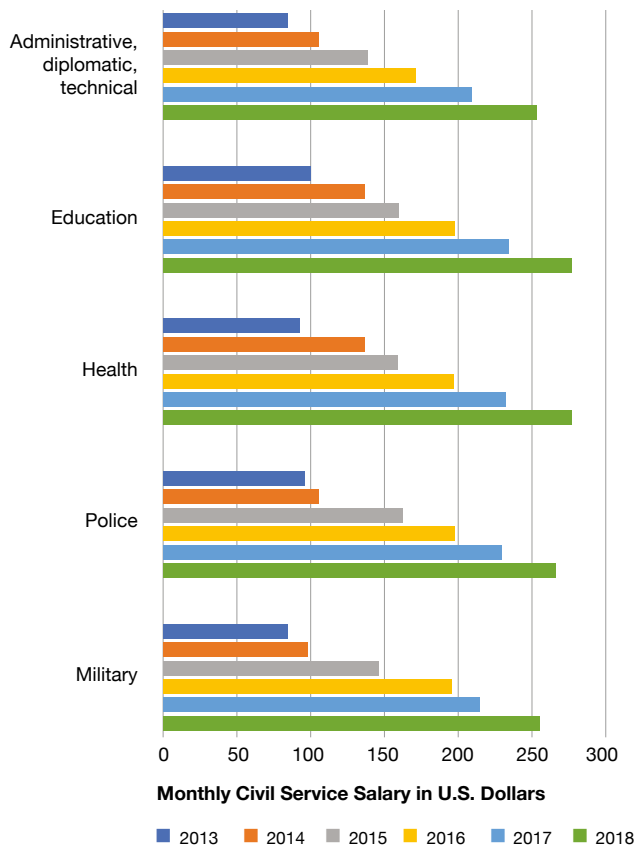
**The NPAR came to an end in 2018.** Further efforts are being pursued, as reflected in the Rectangular Strategy for Growth, Employment, and Equity, Phase IV 2018–2023, which continues to place a strong emphasis on improving public sector governance at its core. The priority of the strategy is to transform public sector institutions into clean, resilient, and highly performing entities served by competent civil servants. PAR has also been developed as a tool to support other critical reforms led by the government, including public financial management, decentralization reforms, and judicial reforms.

**Pay and Remuneration Achievements under NPAR 2015–2018**

**Under the NPAR 2015-2018, the pillar of pay remuneration saw the most significant achievements.** Salary scales were simplified and rationalized to allow civil service wage levels to

approximate a livable wage.<sup>6</sup> Minimum civil service salaries increased between 181 and 231 percent (figure 3). The minimum social security payment (or pension) was increased from about \$22 per month in 2014 to \$119 per month in 2018. Incentives, including location-based allowances to encourage remote postings, for teachers and health care workers have also improved. However, the increased salaries have also led to a significant wage compression between high- and entry-level officials.<sup>7</sup>

**Figure 3. Minimum Civil Service Salaries, 2013–2018**

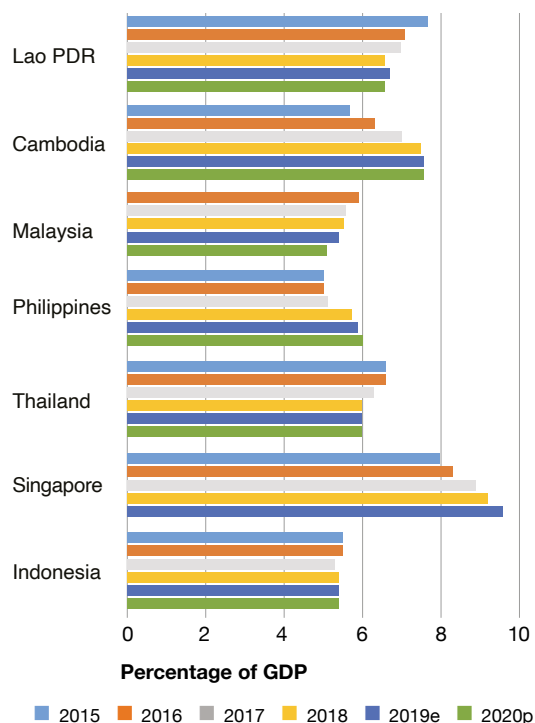


Source: MCS (2018).

Overall, the public sector wage bill increased from 4.4 percent in 2010 to 8.6 percent of gross domestic product (GDP) in 2018 (World Bank 2019). However, when compared in an international context, the wage bill spending does not appear to be high, relative to Cambodia’s GDP (see World Bank 2018b).

**Nevertheless, Cambodia’s public sector wage bill as a percentage of GDP was estimated to be 7.6 percent in 2019.** As a share of GDP, it was higher than more developed regional neighbors, such as Indonesia, Malaysia, the Philippines, and Thailand, except Singapore (see figure 4).<sup>8</sup>

**Figure 4. Regional Comparison of Wage Bill as a Percentage of GDP for 2015–2020**



Sources: IMF Article IV staff reports.

Note: e = estimates; p = projection.

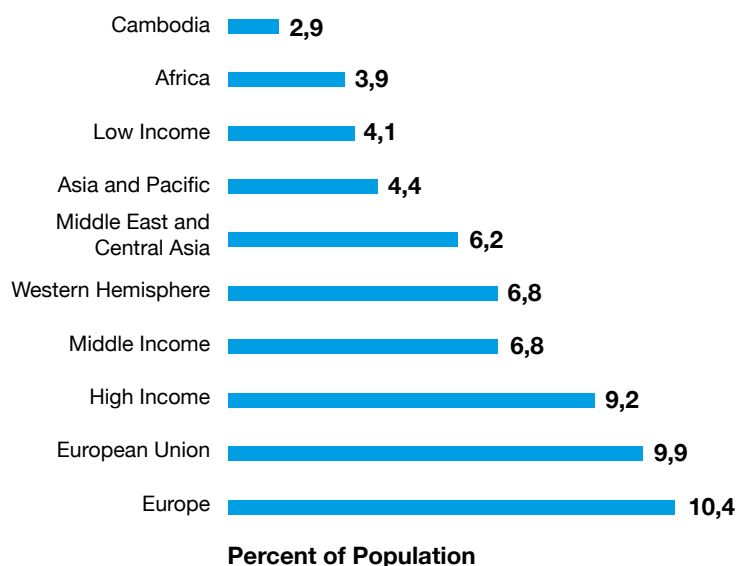
6 This target was at least 1 million riels a month by 2018, which would triple civil servants’ minimum wages of 2013.

7 Wage compression occurs when little differences are seen in pay from entry level to senior grades, combined with large differences in responsibilities, skill level, or qualifications. Although there is no ideal or correct compression rate, if the wage levels are highly compressed (little difference between the bottom and top level of wages), this can affect employee motivation as there is little financial benefit to progress to more senior roles. It can also demotivate middle- or senior-level employees if they believe their responsibility, experience, and expertise are not being sufficiently compensated relative to entry-level roles.

8 Research on this Policy Note enabled comparisons of the government’s spending on wages in the civil service in several ways. For the sake of brevity, only a few indicators are presented. In sum, while the wages bill of the entire civil service is still affordable to the government, it is approaching the ceiling when compared to regional countries. A question needs to be asked about whether the increases of past years *without a simultaneous increase in productivity* would be sustainable by the government.

As shown in figure 5, Cambodia does not seem to have a high ratio of civil servants to total population (World Bank 2018d). However, Cambodia's ratio of civil administration wage to per capita GDP of 3.1 is the highest among surveyed countries. **This fact points to better remuneration of an average government employee in relation to living standards of average Cambodian people.**

**Figure 5. Civil Servants as Percentage of Total Population**



*Sources:* MOEF (2016); IMF (2010).

*Note:* The percentage for Cambodia assumes security and defense staff are the same as that of civilian personnel.

On balance, little room may exist for further expansion of the government wage bill in a sustainable way. The fact that this increased wage bill has contributed to a crowding out of public investments on capital is significant — it means a reduced capacity to promote private sector investments and jobs. Nevertheless, competition from the private sector for talent will become an increasing issue for the government.

The Cambodian civil service will need to attract qualified, talented, and hardworking people who are motivated not only by the remuneration, but also by the satisfaction of having worked toward a better governance outcome for Cambodia. Civil servants' pay should be competitive, when compared to the private sector, taking into account all additional benefits of civil service employment, including tenure of employment, learning and development opportunities, and status. At the same time, civil servants should also increase their productivity. Measures to raise performance are suggested in this Policy Note.

### ***HR Management and Development Achievements under NPAR 2015–2018***

**To support HR processes and to streamline payroll management, the MCS developed a human resource management information system (HRMIS).** It is still in progress, structured around a centralized HR database containing demographic and career history information of individual civil servants. Notable achievements also included moving part of the information to a mobile phone platform, although it still has limited functionality. More of the manual work in HR can be automated. The MCS is working with the Ministry of Post and Telecommunication to develop an integrated HRMIS, with the Ministry of Health as a pilot agency. There will be gradual expansion to other ministries.

**The preparation of job descriptions<sup>9</sup> has commenced in 26 of 39 ministries and agencies, although by mid-2019, only 9 of these have successfully completed the exercise.<sup>10</sup>** The delay has a significant flow-on effect to other HR reforms, especially merit-based recruitment and performance management.

<sup>9</sup> Job descriptions articulate clearly the purposes, duties, and responsibilities of a role to identify the skills and experience an applicant will need to have and to assess the performance of an employee performing the role.

<sup>10</sup> Ministries that have completed the exercise are Commerce; Culture and Fine Arts; Education, Youth, and Sport; Land Management, Urban Planning, and Construction; Justice; Tourism; Water Resources and Meteorology; and Women's Affairs as well as the Secretariat of Civil Aviation.

**A performance management system was piloted at two OWS offices in two districts in Battambang Province.** The experimentation was launched in November 2016 but suspended 18 months later. Despite training, managers and staff considered procedures and administrative work a burden not rewarded by financial incentives. They also found system forms complicated and difficult to complete. The MCS also considered questions about the sufficiency of the legal backing to implement the system.

**During NPAR 2015–2018, there was an initial focus on rationalizing ministry and other institutional structures through functional analysis and a review of operations exercises.** These attempts did not produce many results. The reasons are related to the lack of buy-in by heads of agencies.

**Improvement in the training for civil servants came about with the strengthening of the Royal School of Administration (RSA) of the MCS.** There are now requirements for senior ranks of civil servants to undergo training courses, such as leadership and public sector management. Training is provided to newly recruited civil servants as well. The RSA has selected and trained six generations of civil servants (three generations for senior officials and three generations for junior civil servants) and newly recruited administration officials in 2016.

### ***Quality and Effectiveness of Service Delivery Achievements under NPAR 2015–2018***

Some improvement was made with public service delivery. For example, the process for requesting

a driving test, renewing driver licenses, and registering a vehicle was made more efficient at the offices and website of the Ministry of Public Work and Transport. Applications for various services can also be downloaded from the website.<sup>11</sup> The Ministry of Commerce allows online business registration, and many tax payments can now be made electronically.<sup>12</sup>

The delegation of payment arrangements by many ministries to commercial banks provides convenient access for citizens. Plans for a web-based public service gateway will facilitate access to individual ministry websites through a single gateway. To facilitate and promote the handling of citizen complaints, the MCS has also proposed to establish a public service call center. Similarly, MEF has improved taxpayers' registration and services, including the introduction of online registration, filling, and payment under the Public Financial Management Reform Program.

Service delivery has been improved with the expansion of OWS offices. They provide more than 200 types of administrative services, including various permits and motorbike license plates. OWS offices now operate in all Khans (subdivision of the capital) in Phnom Penh and are expanding in other districts in various provinces.<sup>13</sup>

**The education sector piloted school-based management to deliver better outcomes for students.** It involves the delegation of both management powers and the responsibility for the success of the school to the principal. A new category of public school<sup>14</sup>— new generation school — was piloted to improve the quality of education. The National Institute of Education

11 Downloads are available from the ministry's website at <https://www.mpwt.gov.kh>.

12 See the ministry website at <https://www.moc.gov.kh>.

13 By end of June 2019, the number of OWS offices was 112 and expanding. All 25 provinces and municipalities are covered as well as 87 out of 203 rural and urban districts. Based on anecdotal feedback from citizens, OWS offices raised the standard and range of services and their accessibility to users.

14 Some of the objectives of new generation schools include creating autonomous public schools governed by strict rules of performance accountability linked to high investment and new governance boards that will hold schools accountable for their performance; improving teaching standards through new approaches that include competitive teacher recruitment; offering performance-based incentives; and providing explicit teacher career paths linked to professional development opportunities. See MOEYS (2016).

of Cambodia tackled shortages of teachers in remote areas by requiring potential teacher-trainees to identify schools for their after-training posting and secure acceptance from the school before submitting their applications.

**In Cambodia's health sector, the use of user fees to supplement basic salary levels has substantially improved the incentives for frontline health workers.** Ninety-nine percent of user fees that are collected at health facilities are retained at the facility, with 39 percent being used to support ongoing operational costs and 60 percent being used for staff performance incentives.

A large body of empirical research shows that the skills, incentives, and accountabilities of doctors, nurses, and teachers are the main determinants of service delivery outcomes (Hasnain et al. 2019). The World Bank team, during field visits in Cambodia, found these issues also relevant. Further analysis of the performance of health facilities, including the incentive structures, will be useful for improving HR, incentive management, and service delivery outcomes in the sector.

**In 2017–2018, the government continued to develop the Law on Public Service Delivery to systematically improve service delivery across sectors, especially the delivery of administrative services.** The law aims to provide a consolidated framework for service delivery and addresses several key issues and gaps, including coordination across sectors, data sharing, and usage; business processes for service provision to citizens; establishment of service delivery and compliance standards; performance of agencies; and engagement with service users. This supports one of the important goals of deconcentration reforms, which is to bring the public services closer to citizens.

## Implementation Challenges and International Experience

Moving on to consider the contents of the next stage of Cambodia's NPAR, this section reviews the challenges in implementation and considers international experiences that Cambodia can learn from. A conceptual framework of a government production function is used to organize and structure this analysis.

### Government Production Function: A Conceptual Framework

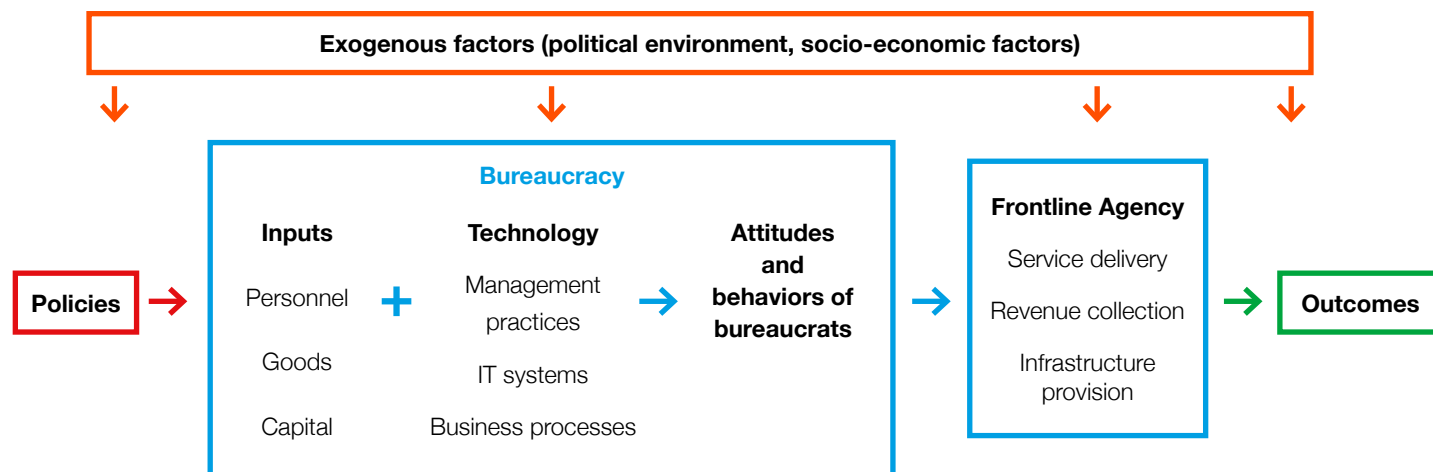
The government production function shows inputs, the “technology” of combining these inputs (figure 6) and a variety of exogenous factors that determine outputs and eventual outcomes (Hasnain et al. 2019). The frontline is the point of contact between the government worker (the teacher, doctor, police officer, or tax official) and the citizen (the business, student, patient, or crime victim).

Bureaucracy is the set of departments and agencies that are “upstream” from service delivery. The quality of bureaucracy depends on both the quality of inputs, such as personnel, goods and services, and capital, as well as the technology to combine these inputs with work practices, business processes, and the use of information technology for managing staff, receiving customer feedback, and automating tasks. Inputs and technology will then shape attitudes and behavior of bureaucrats, and together they impact the frontline.

### Implementation Challenges – Personnel

One of the key inputs in the government production function model are personnel, or employees. In Cambodia's case, fundamental changes are needed in four key areas related to HR management:

**Figure 6. Conceptual Framework for Government Production Function**



Source: Reprinted from Hasnain et al. (2019).

- meritocratic approach to civil service employment;
- contemporary and effective HR policies;
- fair remuneration for civil servants; and
- attitudes, motivations, and behaviors of civil servants.

### **Meritocratic Approach to Civil Service Employment**

Earlier the paper highlights that the government spends a significant portion of budget on personnel cost (40 percent of expenditure in 2018). Given fiscal limits on further increases, the likely low economic growth due to COVID-19, and the need to raise productivity, it is critical that the Cambodian civil service reviews methods to recruit qualified and motivated staff. Under the current recruitment system, civil servants are employed en bloc. Each ministry or agency first decides on the number of employees it wants to employ for the year and the broad types of qualifications it wants to look for in candidates, and then recruits them. The allocation of specific roles or the designation of work is an afterthought. New employees receive the necessary training to effectively perform their roles.

**A more contemporary approach toward civil servant recruitment is needed.** Given Cambodia's development ambitions and the government's fiscal limits, a modern approach — recruitment of individuals to fill specific roles with clearly defined duties and responsibilities — is needed.

**Other than recruitment, a more meritocratic approach in the new NPAR would benefit from inclusion of reforms to performance appraisal, training, and promotions in the civil service.** To effectively evaluate performance, it is necessary to have job descriptions in place. They would allow agencies to recruit people based on the skills needed for specific jobs and assess employees objectively based on the specific requirements for the role for which they were recruited.

**Reforms in these areas, when consistent and sustained, will fundamentally drive cultural change in the civil service.** No longer would decisions about employment, promotion, or training be based on who the applicant knows, but on evidence of an individual's performance and experience, even if that experience is outside



the civil service. A more meritocratic approach also directly supports the government's ambitions to develop a performance-oriented civil service, with the emphasis placed on achievements and outcomes.

### ***Contemporary and Effective HR Policies***

**Developing contemporary and effective HR policies for the civilian civil service is a key underpinning component of PAR.** The deficiency of HR policy is most acute in one area — the transfer or deployment of civil servants. These policies should support and enable the broader reform aims, while ensuring that employees are treated equitably and fairly. For instance, a surplus of civil servants in Phnom Penh and, at the same time, a severe shortage of civil servants in localities outside Phnom Penh and other urban areas, remains a key problem in the education sector. This was highlighted in a recent Public Expenditure Review and reconfirmed during 2019 field missions (World Bank 2018c). Very few surplus teachers agreed to be transferred or deployed to shortage areas, and they are underutilized in their current location (where there is a surplus of teachers) while still receiving their basic salaries. Mechanisms other than persuasion, which has been ineffective, will have to be used to transform this long-standing challenge for the Ministry of Education, Youth, and Sport (MOEYS).

**It is important for all agencies to more proactively and more regularly predict and plan for staffing needs based on data such as staffing data, clients' needs, and population trends.** Transferring or deploying civil servants across the country can be a complex and time-consuming exercise. Consideration should also be given to civil servants' need to balance factors such as schooling, family commitments, and the availability of housing as part of a decision to change work locations. International lessons can be considered when examining options for

alternative approaches to better manage staffing needs. Options adopted in other countries include motivating staff to relocate with financial incentives, additional leave, housing support, and professional development opportunities. A model will be required where all staff acknowledge and understand that transfers are part of their employment conditions, and a prioritized system of transfers is implemented.

### ***Fair Remuneration for Civil Servants***

**Although raising remuneration levels for civil servants to a living wage level is applauded, future raises should be driven by a transparent remuneration policy that will enable questions of appropriate levels of remuneration to be settled fairly and objectively.** International good practice shows that levels of remuneration need to be appropriate to retain persons of expertise, sufficient to attract and retain employees without distorting the labor market, sufficiently motivate employees, and ensure that the wage bill is affordable, sustainable, and does not crowd out other expenditure. However, it is not possible for a remuneration policy to achieve all of these objectives at the same time, without some compromise. For example, a competitive wage compared to the private sector may be necessary to prevent a "brain drain," but wage increases will be limited by considerations of affordability under government budgets.

**It is important to recognize that competition from the private sector for talent will become an increasing issue for the government.** The Cambodian civil service will need to attract qualified, talented, and hardworking people who are compensated adequately by remuneration and motivated toward the achievement of better service delivery outcomes. It is important for remuneration levels to be reviewed on a regular basis using objective measures, such as benchmarking with the private sector, affordability within the context

of the national fiscal position, sustainability of any remuneration increase (using wage bill modeling), and the impact of issues such as cost of living pressures and national inflation rates. With better quality data and a will to stick to an objective policy informed by good practice, a strong institutional culture on appropriate remuneration can be built up over time.

**Developing an effective remuneration policy relevant to the national context requires balancing remuneration objectives with an assessment of what is practical and sustainable.** An effective policy should include:

- A clear and comprehensive statement of pay objectives.
- A commitment to measure the value of jobs, the contribution of individuals in those jobs, and the range and level of employee benefits to be provided. This commitment can be implemented through job evaluation frameworks, performance appraisal systems, and internal and labor market remuneration analyses.
- Practices for motivating employees through financial and non-financial rewards.
- Procedures and systems for maintaining and reviewing the remuneration system and ensuring that it operates effectively.

Box 1 provides an example of remuneration policy objectives. A division of the Ministry of Civil Service (MCS) could be dedicated to developing and implementing a remuneration policy and working with other divisions within MCS to ensure that other relevant HR policies, such as job evaluation and performance appraisal, are aligned with a remuneration policy.

### **Box 1. Sample Remuneration Policy Objectives**

- Total civil service pay will not exceed [x] percent of GDP or [x] percent of total government expenditure. Pay increases should be affordable over the medium term and take into account issues such as cost of living, government productivity, and service delivery outcomes.
- Civil service pay and benefits will be competitive in relevant labor markets, but should not exceed the private sector. Pay and benefits will not exceed [x] percent of comparable benchmark jobs in the wider labor market.
- As far as possible, total remuneration will be included in base pay scales and will be published. The use of allowances and benefits-in-kind will be limited to exceptional or temporary circumstances.
- Higher rewards for jobs with greater responsibility. Meeting this objective will require pay structure decompression, which means having a greater difference in pay levels between higher-level positions with greater responsibility and lower-level positions.
- Equal pay for equal work across the civil service.

**The impact of reforms designed to simultaneously raise wages and productivity has been limited by an insufficient focus on improving performance and a reluctance to utilize appropriate sanctions to effectively manage poor performance.** Although performance appraisals date back to the third century CE in China, the modern version of it is a Western invention (Vallance 1999). National culture will influence how performance appraisals will be

carried out and how they can be most effective. The Cambodian culture is nonconfrontational with an emphasis on collective action, which has influenced the current practices and approach to performance appraisal. International experience suggests that if performance appraisals are designed and carried out effectively, they can be a major factor in increasing the performance and productivity of civil servants and the public sector at large. One study looking at 29 Vietnamese agencies and departments found that “broadly designed and well implemented employee [performance management] systems are associated with improved job experiences and perceived organizational performance” (Vu et al. 2019). Presently, there is a hesitancy toward frank performance appraisals, and strong and decisive actions, such as dismissal, are seen as impacting employees’ lives beyond work. However, poor performance without sanctions directly limits the impact of reforms designed to simultaneously raise wages and productivity. More detailed information on strengthening performance management is in the “International Experience in Focus” sections of this note.

### ***Attitudes, Motivations, and Behaviors of Civil Servants***

Different theories have long existed to explain human motivation and to apply what has been learned to relevant employment policies (Hasnain, Manning, and Pierskalla 2014). In modern international HR management, employee motivation and engagement are considered crucial to improving productivity.

Providing instructions to a civil servant does not necessarily translate directly into the work they will complete, nor how well they will perform. How motivated civil servants are, how they view their role within a team or an organization, and the quality of their relationships with their managers and peers will all have an important role in shaping their morale, and in turn, determining the quality of their work. In order to increase performance and productivity of the civil service as a whole, it is important to analyze how organizations function by first better understanding the motivation of individual civil servants.

Several important benefits can flow from motivated employees, particularly when they go above and beyond the minimum effort required. Engagement also helps employees reach their personal goals and facilitate their self-development, which further motivates them to continue to work but at a higher level.

The efficiency, motivation, and attitude of civil service employees in Cambodia have not been studied. Analysis and research would help to understand what the current levels of employee engagement and motivation are in the civil service. This information could then be used to better inform possible initiatives that could help to increase these levels of motivation.

### **Implementation Challenges – Management Practices**

**A growing body of research focuses on the quality of management as a way of achieving stronger productivity and better organizational outcomes.** A recent report argued that management practices are more important than compensation in influencing the attitudes and behaviors of bureaucrats, and the quality of management varies considerably across organizations within countries (Hasnain et al. 2019). Three key aspects of management

practices present challenges for the government: (i) implementation of a performance-based management approach; (ii) the quality of civil service leadership; and (iii) effective adoption of a change management approach to PAR.

**The role of leaders to encourage civil servants to embrace change, accept new ideas, and adapt to new ways of working consistent with PAR, as well as model these new ways of working themselves, will be a key part of modernizing management practices in Cambodia.** Potential actions could contribute to achieving performance-oriented behavior among managers and leaders. They include:

- creating a specific **senior leader corps** to differentiate employment conditions and performance expectations;
- developing contemporary **leadership training** modules that emphasize concepts such as strategic planning, evidence-based decision-making, talent management, and coaching; and
- identifying common **leadership skills** that all Cambodian civil service leaders should exhibit **as prerequisites for promotion and fast tracking.**

**One of the critical elements that will underpin the success of the next phase of PAR will be the ability of civil servants to understand, commit to, accept, and embrace the PAR. Leaders and reform champions need to be strong advocates for the reforms and lead the implementation of an effective change management plan, especially leading by example.**

## Implementation Challenges – ICT Systems

**One of the reforms – and change – that is urgent, visionary, and enabling is the role of information and communication technology (ICT).** There is a low level of ICT penetration in the civil service. It is limiting the ability of the civil service to make better evidence-based and data-informed decisions, and to design and implement new and emerging ways of delivering government services. There are several key areas that present substantial implementation challenges for ICT reform.

**First, the inadequate functionality of the HRMIS, being managed by the MCS, has made it difficult to efficiently support HR management functions.**<sup>15</sup> The MCS maintains five different databases, for five different aspects of its work, without integration among the databases. Monthly data transfer and submission for payroll and other work by the MOEYS schools is done manually using portable drives, which indicates a lack of a system-wide communications network for safe and secure data transfers.

**Second, the World Bank team found that ICT reform, more broadly, is generally welcomed by civil servants, which means changes brought about by ICT are likely to be more easily accepted.** While many civil servants are accustomed to using ICT in their home environments through smartphones and laptops, any ICT reform plans within government will need to ensure that the development of digital skills in the civil service has a high priority. Without the necessary skills to effectively utilize ICT systems, the full range of benefits will not be realized. An openness and willingness to embrace greater ICT

<sup>15</sup> A 2017 assessment also revealed the lack of integration and coordination, such as the use of a separate identification number for civil servants instead of using the national ID of the employee, as limiting factors (Joshi 2017). Three other ministries — Ministry of Interior, Ministry of Education, Youth, and Sport (MOEYS), and Ministry of Health (MOH) — have designed and operated their own human resource management information system (HRMIS). The manual checking of payroll names at one provincial office of the MOEYS indicates that the processes of payroll are not fully automated and gaps in information may need manual checking. As of February 2019, the work on data entry to include the MOH in the HRMIS was still ongoing.

use provides a positive foundation to develop a generation of ICT-enabled civil servants.

**Third, more coordination and visible policy champions are needed at a high level to support such reform effort.** In countries such as Singapore and Vietnam, Deputy Prime Ministers, or other high-level officials, often lead ICT or digitization masterplans, indicating the importance of ICT as a key enabler of government efficiency. More work also needs to be done on the underlying legislative and policy framework to ensure that ICT-related reforms, including the necessary sharing of data within government, are balanced with the requirements for appropriate data security and individuals' privacy. Without an underlying framework and interoperability requirement in place, significant ICT reforms risk being implemented in isolation and unable to leverage the benefits that a sequenced and yet whole-of-government reform can deliver.

*Doing Business 2020* revealed an almost universal finding. "Economies that score highest in terms of the ease of doing business share several common features, including the widespread use of electronic systems" (World Bank 2020, 5). In line with Cambodia's digital economy agenda where the private sector plays a significant role in leading Cambodian society into a journey of prosperity and development, it is critical that the public sector itself plays a leadership role in adapting and using ICT. There is an opportunity for the public sector to model the ICT transformation that it is encouraging the private sector to adopt.

This effort will require significant upfront investment for ICT systems purchase and maintenance costs. The alternative, however, is to continue to absorb higher costs, taking into account the economies of scale and productivity gains that are possible when the same scale of work is done without ICT. The government can benefit substantially from adopting a whole-of-government and long-

term approach to embedding ICT to ensure that waste and inefficiencies resulting from a lack of interoperability and the current siloed systems can be obviated, and the savings accrued.

In the following sections, the Policy Note provides a more detailed look at three different reform priorities — performance management, strengthening meritocracy, and efficient organizations — including some examples of international experiences from East Asia and other regions. It concludes with several policy options and recommendations.

### **International Experience in Focus 1: Performance Management System**

**Individual performance management is simple in theory but effective implementation is challenging.** In fact, many developed and Organisation for Economic Co-operation and Development countries have found the implementation and ongoing management of staff performance to be very difficult (box 2). There is general agreement that performance management should be:

- Task-oriented: based on results as opposed to personal traits and measuring results against pre-defined goals and targets.
- Participative: involving the employee as well as their supervisor, both in the setting of goals at the beginning of the rating period and in appraising results at the end.
- Developmental: evaluation process should do more than rating of employees. It should assist them to both improve their performance and to identify training or other support required.

**Based on the experience of other countries, common concerns in implementing the**

**performance management system are:**

- Employees lack an understanding of their role and an accurate and up-to-date job description. It can be difficult to develop performance indicators that are meaningful, relevant to organizational outcomes, and meet the SMART criteria.<sup>16</sup>
- Managers and supervisors do not have the capacity to effectively manage employee performance.
- There may be a lack of trust between employees and their supervisor. A low level of confidence brings an apprehension of openly discussing performance, challenges, and possible solutions.
- There may be a lack of incentives that encourage good performance or a lack of disincentives to ameliorate poor performance.
- There may be cultural impediments to having open and honest conversations about performance, particularly if they might be viewed as criticizing others.

**Box 2. Australian Public Service Commission: Strengthening Performance Management**

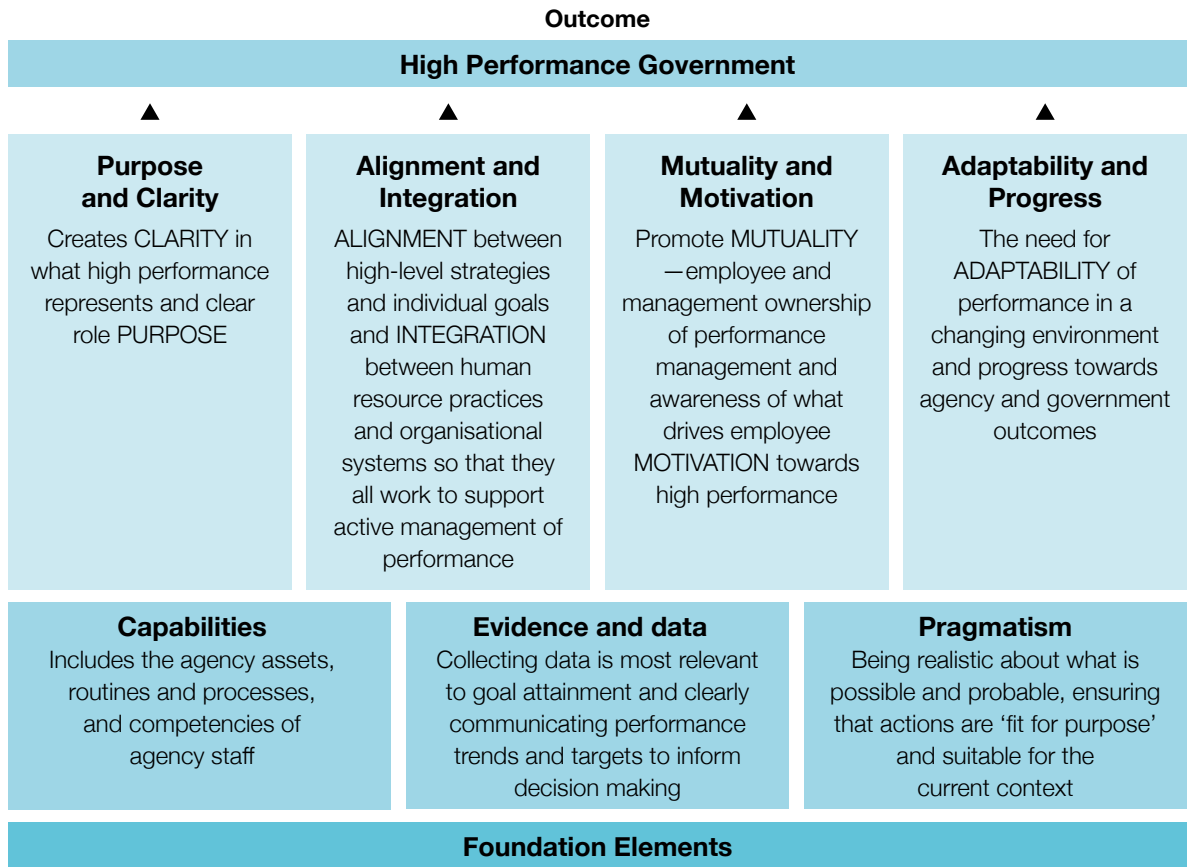
To enable high performance, the Australian Public Service Commission (APSC) noted the need for a persistent emphasis on performance management as a core activity embedded in all management functions. Further, performance management must be integrated with other management and human resource practices to develop an integrated system of high performance.

In 2011, the APSC undertook a review to develop a framework that supports performance improvement and, ultimately, high performance. The review identified seven areas of focus that are important for the successful attainment of high performance (see figure B2.1 reprinted from the review).

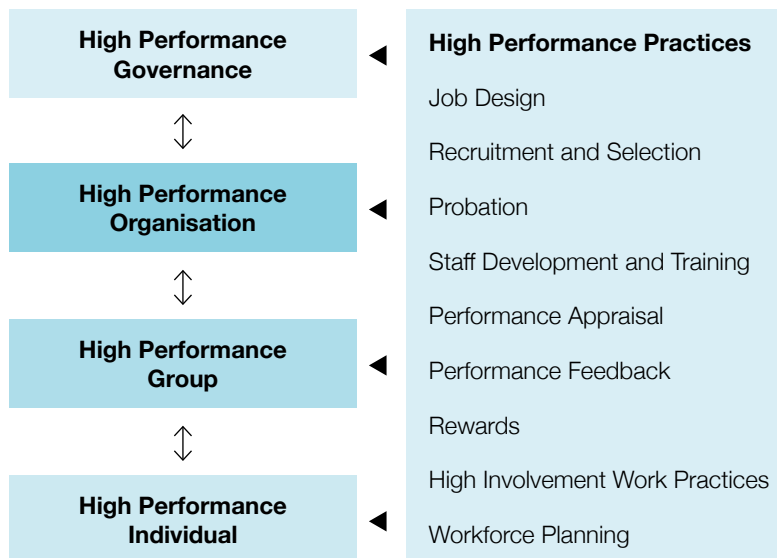
Understanding and measuring the drivers of high performance remains a significant challenge. The APSC model for high performance (figure B2.2, as reprinted) shows that high performance is the product of a dynamic system, which includes individual and organizational levels of performance, together with management and HR practices.

<sup>16</sup> SMART = specific, measurable, attainable, relevant, and timely.

**Figure B2.1. Areas of Focus for Attaining High Performance**



**Figure B2.2. Areas of Focus for Attaining High Performance**



Source: Blackman, Buick, and O'Donnell et al. (2012).



## International Experience in Focus 2: Strengthening Meritocracy and HR Management

**Researchers have argued that the degree of meritocracy embraced by a government is a reliable predictor of economic growth. The definition of meritocracy incorporates the following:**

- The principle of merit applies to promotion as well as initial recruitment for all jobs — the concept of the “best candidate.”
- Jobs are open to all — no internal-only appointments or restricted shortlists.
- Recruitment and selection processes that are systematic, transparent, and challengeable. Challenges to decisions are welcome, including from unsuccessful candidates. This is an opportunity for valuable feedback for better decisions in the future (McCourt 2007).<sup>17</sup>

**Meritocracy is most commonly discussed in connection with HR practices of recruitment and promotion practices.** There are eight key elements:

- Job analysis leading to a written statement of duties (the job description) and the knowledge and skills needed by the job holder (the person specification).
- Advertisement disseminated to eligible groups, including a summary of the job analysis.
- Standard application form.
- Scoring scheme based on the person specification.
- Short-listing procedure to reduce applications, if necessary, to a manageable number.
- Final selection procedure based on the person

specification and including a panel interview.

- Appointment procedures based on the scoring scheme.
- Notification of results to both successful and unsuccessful candidates.

Box 3 presents the Ethiopian case studied by the World Bank’s Bureaucracy Lab on the subject of meritocracy. Box 4 describes how meritocracy operates in Singapore.

### Box 3. Strengthening Meritocracy and Human Resource Management Practices with Evidence-Based Reforms

The Bureaucracy Lab (BL) is a World Bank joint initiative between the Governance Global Practice and the Development Economics Group. BL coordinates studies of bureaucracies in developing countries. Some of the central questions it seeks to answer include:

- How do we improve the quality of bureaucrats? Is recruitment merit-based? Is there undue political influence in recruitment, rotation, and promotion? Are there adequate opportunities for skill development?
- How do we motivate bureaucrats? What is the right way to incentivize bureaucrats to serve the public? What is the relative importance of performance incentives, recognition, and engagement in this regard?
- How can administrative reform improve government productivity? What HR factors have the most impact on productivity? What should be the strategy for administrative reform to improve services?

<sup>17</sup> However, as McCourt (2007) pointed out, there are categories where exceptions to merit could be, and are, made, including elected officials, political and direct appointments, affirmative action, internal appointments, and transfer and other appointments such as succession plans, secondments, temporary roles, and reallocation of duties.

The BL's work includes conducting civil service surveys to gather micro-data on the perceptions and experiences of civil servants. Surveys have been conducted in Ethiopia, Ghana, Nigeria, Indonesia, Pakistan, and the Philippines.

#### ***Ethiopian civil service survey***

The survey sought to understand what the key obstacles are to civil servants performing their duties to the best of their abilities, and ultimately any obstacles to the provision of public services. The survey utilized random sampling techniques at all levels of sample selection to gain a representative sample of officials across the government sectors. This type of primary data provides an unfiltered snapshot of the day-to-day operations of the civil service at all tiers of government.

The survey, together with stakeholder interviews and analysis of administrative data, provided valuable information on the degree to which hiring and performance management were merit-based and the quality of management practices. The report also identified constraints to effective service delivery from the perspective of civil servants and managers, including resources, motivation, and leadership issues.

#### **Box 4. Meritocracy in Singapore – History and Current Practice**

The Singapore Civil Service states that, in their work to achieve justice and equality in society, civil servants should be guided by the principles of incorruptibility, meritocracy, and impartiality (Government of Singapore 2019). These three core values form the basis of the code of conduct for civil servants, together with many detailed regulations and guidelines, collected in an Instruction Manual – the administrative bible. They guide not only

the attitude of the civil service toward society, but also the attitude of the civil service toward various stakeholders, who may have competing economic and social interests.

Adherence to meritocracy guides the appointment and career advancement of civil servants. They are recruited based on job descriptions, and departments and individuals prepare annual work plans. Regular and frequent functional reviews for an effective and efficient civil service happen at least once with every new mandate of the elected government.

Before January 2017, newly recruited civil servants were categorized and slotted into groups according to their educational qualifications. Since then, officers have been classified according to their pay grade, which means that a person without a university degree but with the right experience and expertise could advance into a higher position (Chong Zi Liang 2017). Civil servants are annually appraised for their performance and future potential. The former addresses tasks and the civil servants' ability to carry them out, while the latter measure is more intangible and identifies those with leadership potential.

Civil servants enjoy relatively high wages, benchmarked to market rates for similar expertise. High wages attract candidates who otherwise would never consider the civil service, seen as conservative and bureaucratic. To further compensate, the Singapore Civil Service offers job stability and an array of welfare benefits that match the private sector. Remuneration levels are regularly reviewed.

The civil service practices a clean wage model, whereby remuneration payments are within a single payment for civil servants who work standard hours. Officers in security and sensitive work who have to perform after-

hours duties, or who have specialist skills (such as language), are further compensated through allowances. Senior civil servants and political appointees do not have this benefit, especially since the ratio between their level of pay and lowest junior officials are heavily decompressed. For instance, the pay-ratio between a newly minted graduate civil servant and their director would be a minimum of four times (ERIC 2015).

The clean wages policy also contributes to preventing corruption. Civil servants are not permitted to have additional jobs, and multiple appointments do not get more pay but are instead used as tests of capability and leadership. Executives are not additionally compensated for work beyond administration hours. Civil servants have very detailed guidelines on gifts received, acceptable behavior, regular declarations of properties, and strict prohibitions are imposed on civil servants who are deemed more susceptible to corruption than others (e.g., those involved with regulation of casino operations) (Public Service Division 2013).

### International Experience in Focus 3: Review of Organizations for Efficiency and Service Delivery Improvement

Governments review the function of their organizations and usually do so with objectives to match structure and functions to a set of goals. A review designed to reduce bureaucracy and streamline decision-making will produce different results from a review carried out in a post-conflict environment where the emphasis is likely to be on re-building and strengthening government institutions. Functional reviews can be a lengthy, and in some instances, relatively costly process. Based on international experience, functional reviews can achieve higher impact if they have the following features:

- high-level trust between review team and client agency, perhaps with a joint review team;
- strong political leadership and ownership of review process including commitment to implement difficult reforms; and
- practical and context-relevant set of recommendations and a realistic action plan for implementation.

For Cambodia, functional reviews could provide a mechanism for the government to strengthen public sector organizations to ensure they are structured and organized in an efficient way and can focus on improving service delivery. Strategies could be implemented to ensure the costs of such an exercise would not be prohibitive and outweigh its benefits.

Box 5 describes the functional review exercises that the World Bank conducted in Serbia.

#### **Box 5. Strengthening Serbian Public Sector Organizations Through Functional Reviews, 2015–2017**

Serbia's initial PAR program (2004–2008) focused on creating the legal basis for the public administration system and resulted in an emphasis on form rather than function. These, and subsequent reforms, produced a wide range of approved laws and regulations. But, the intended establishment of a value-driven, citizen-oriented public administration focused on service quality had not fully materialized.

The PAR strategy approved in 2014 addressed inefficiencies by legislating on mechanisms of management and limiting staff members. The PAR strategy called for comprehensive changes in how functions were performed and management of finances and human resources, both important in

addressing Serbia's persistent fiscal crises. Rather than across-the-board cuts based on a short-term focus on headcount reductions, the government promoted an analysis-driven approach to present a clear picture of central government organization and identify duplication of functions and mismatches between support and core functions, and how to improve service delivery.

The World Bank conducted functional reviews of the central administration and the ministries of Agriculture and Environmental Protection; Education, Science, and Technological Development; Health; and Labor, Employment, Veteran, and Social Policy.

The functional review highlighted the key structural deficiencies that undermined efficient delivery of services while increasing the wage bill. It proposed short-, medium-, and long-term policy actions and recommendations as the basis for long-term structural transformation of the central government.

The findings of the central administration review included:

- A complex array of bodies with varying levels of autonomy undermined oversight of organizational performance and increased operating costs.
- Institutional fragmentation affected central administration operations, and Serbian institutions operated with high levels of support staff, with weak enforcement of temporary employment limits.
- Need to better align functions and proper use of support staff.
- Success of proposed reforms will require political support, continued engagement of partners, alignment with the government

program, and local ownership.

Implementation of the PAR strategy including recommendations from the functional reviews is continuing.

*Source:* World Bank (2017).

While it is important to look at reform experiences, both within the East Asia region and internationally, it is even more important to independently diagnose and understand the functional imperfections as they exist within the Cambodian context. This may require additional analytical work to better inform discussions about which interventions are more likely to alleviate or work toward a sustainable solution.

## Policy Options and Recommendations

Five core areas could be the focus for improved policy, practice, and change to deepen public administration reform in Cambodia:

- **strengthening the quality and effectiveness of public service delivery**, including the development of organizational performance indicators and a system for regular high-level reporting and monitoring of performance;
- **optimizing organizational structures** and reforming back-office and support functions across government;
- **improving management and development of contemporary approaches to HR**, including strengthening the meritocratic approach to civil service employment and identifying management practices that hinder or help reform efforts;
- **reforming pay and allowances**, taking into account wider affordability, equity, consistency and coherence, and productivity factors; and

- **improving data needed for improved decision making**, such as implementing a human resource management information system to support a robust performance management system and gathering data on the motivation and attitudes of civil servants to identifying reform priorities.

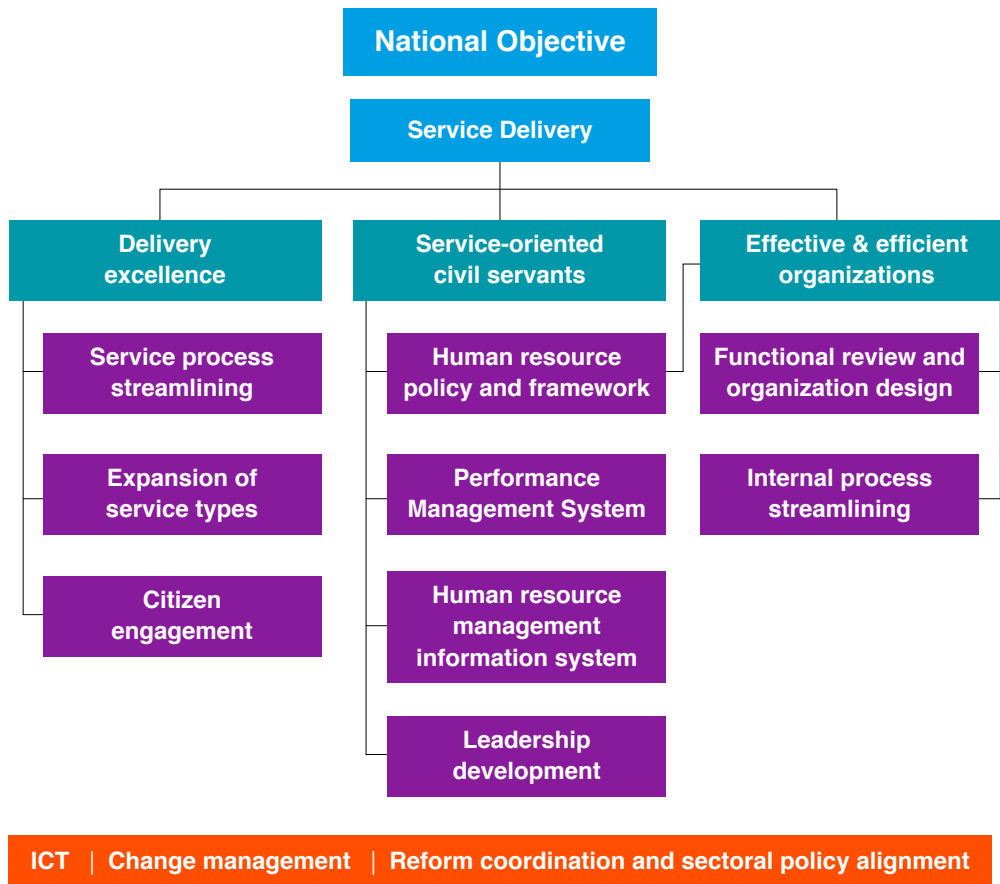
Reform initiatives could be prioritized within three main areas or pillars: quality of products and services (delivery excellence), people (civil servants), and their organizations (effective and efficient organizations), which are critical to the improvement of overall public services (figure 7).

### Pillar 1: Delivery Excellence

This pillar refers to the products and services that a civil service entity would provide for the public and society. They include, but are not limited to, policies, public goods, and public services.

The use of OWS for service delivery has been enthusiastically adopted by many citizens. The next NPAR 2020–2030 could further improve the quality and type of OWS in Cambodia by strengthening existing delivery and presenting innovations of new delivery methods, including a greater use of ICT.

**Figure 7. Prioritized Pillars for PAR**



*Note:* HR = human resource; HRMIS = human resource management information system; PMS = performance management system.

OWS across all ministries could be strengthened by establishing common service and quality benchmarks. Greater sustainability of the OWS will depend on developing an environment where OWS providers and operators are challenged to continuously improve the range and quality of services, and customer reach. Citizen voices can only be heard if OWS or other service delivery agencies engage service users to gather their opinions and assessments of service delivery.<sup>18</sup>

## Pillar 2: Service-Oriented Civil Servants

This pillar aims at managing, developing, and gradually transforming individual civil servants to focus their performance on delivering services to the people. This pillar is essential and is interactive with the next pillar on developing organizations. Neglect one and the other would be less effective. While organizations are impersonal and rely on policies, plans, rules, and procedures to operate, individuals will determine the quality of output.

**HR Policy and Framework.** Ensuring that all HR policies established by the government are dynamic yet consistent, and faithfully implemented by ministries is a key step in building a civil service that is focused on supporting government ambitions. This approach includes introducing meritocracy in appointments, promotions, and training as well as strengthening the processes for transfers, discipline, and dismissal. The civil service can ensure that it keeps pace with good practice developments in the job market by not necessarily by being the highest-paying employer, but by being competitive with the private sector in terms of HR policies.

**Performance Management System.** At the core of improving service delivery is moving the civil service to a performance orientation where civil servants are motivated to perform their duties to a

high standard. This step will require a progressive approach by first establishing performance standards before introducing appraisal and performance accountability mechanisms. The system of appraisal and accountability should be soundly built to leverage employee motivation and operated regularly for every civil servant throughout their civil service career. It will equally be important to ensure there is systematic information available quickly about the performance of the entire civil service, to ensure that improvements in individual-level performance effectively translate into improvements at an organizational level.

**HRMIS.** Having access to relevant and timely information about human resources is key to making evidence-based decisions. ICT technologies can enhance people management systems, which should provide necessary information underpinning qualitative methods to evaluate people. The HRMIS can be gradually built with clear interoperability requirements to support future system interface and expansion over time and incorporation of line managers.

**Leadership Development.** Civil service leaders will need breadth of vision, capacity, and intellect to manage numerous individuals and large systems. Leadership can also be viewed as the personal responsibility of every civil servant to support and implement national and organization agendas.

## Pillar 3: Effective and Efficient Organizations

This pillar is focused on strengthening the effectiveness and efficiency of organizations where public services are organized and delivered. While a substantial part of an organization's effectiveness relates to how employees are organized, supported, and motivated to perform their duties, the internal systems and processes

<sup>18</sup> The ombudsman office at the One Window Service office (OWS) provides a venue for citizens to voice grievances related to both the services provided at OWS and elsewhere (the later function is not yet operational). The ombudsman, however, could find it a challenge to be at the OWS at all times. Alternatives — and more comprehensive and updated ways, such as through information and communication technology— could be explored to engage citizens. For example, apps or email could be used to conduct a service assessment survey by OWS visitors.



within organizations can have a significant impact on how effectively mandates are achieved.

### **Functional Review and Organization Design.**

Civil service needs to work in a coherent and coordinated way. But, at the same time, it consists of many different organizations, and over time, organizational mandates and interests may not always remain aligned. It is important to review organizational functions and design to ensure civil service organizations operate effectively and efficiently. In particular, the streamlining of internal work processes will be important for efficiency. Consequently, both financial and human resources savings can be redirected to improving quality service delivery.

### **Three Cross-Cutting Areas**

**Coordination.** The NPAR is a cross-cutting reform that affects all civil servants and government employees. Therefore, the conduct of NPAR has to take into consideration the gains achieved by the Public Finance Management Reforms Program (PFMRP) and the Decentralization and Deconcentration (D&D) reforms that have been undertaken by the government.

All three reform programs — PAR, PFMRP, and D&D — and upcoming reform agendas such as legal and judicial reform as well as sectoral policies such as education and health need to coordinate reform policy content and design to a higher degree. In particular, sequencing in reforms, through a careful consideration of which reform activities need to be undertaken prior to others, is keenly felt and needs to be observed. Given the cross-cutting nature of reform, the NPAR, PFMRP, and D&D programs as well as the sectoral policies should constantly refer to each other for program alignment.

The importance of sequencing and coordination requires that high ranking officials in ministries lead public sector reforms within their organizations

under the direction of the national secretariats that oversee the three largest reform programs to ensure adequate complementarity and to create interlinkages in progressing each reform area forward. A senior minister or deputy prime minister should lead all three national programs. Unified leadership of all three programs at the cabinet level will ensure speed, precision, and cohesiveness of all three programs. A detailed discussion on reform coordination can be found in a separate report, *Cambodia's Cross-Cutting Reforms: Public Financial Management, Decentralization, and Public Administration Reforms — Achievements, Coordination, Challenges, and Next Steps* (World Bank 2018b).

**Change Management.** With Cambodia developing quickly, the civil service needs to replace old ways of thinking and doing things. A performance-based system to enhance its productivity will have to be adopted since there is a limit to what financial incentives can do to motivate people. NPAR will also require individual civil servants, as well as organizations, to adopt the mentality of public service, which is now a value associated with the missions of governments globally. A mindset to embrace change and facilitate improvements rather than to stick to the old ways will have to be cultivated. Therefore, change management is a cross-cutting area that underpins the NPAR.

**ICT.** Cambodia will need to embrace and adopt ICT as part of its national development priorities. ICT continues to evolve at a fast pace and has already become part of the life of citizens. Playing an enabling role, ICT in NPAR reforms offers an opportunity for government to integrate ICT as part of public service delivery as well as to improve the efficiency and effectiveness of ministries. Using ICT, government agencies can embrace greater interoperability, where resources and information can be effectively and securely shared, and ensure that decision-making processes



can be streamlined, with reduced red tape and bureaucracy.

**Sequencing: The NPAR has taken inspiration from the successes of public finances management reform in which progress in one stage builds the foundation for the next stage of reform.** The proposed NPAR 2019–2030 could be sequenced with actions by stages (figure 8).

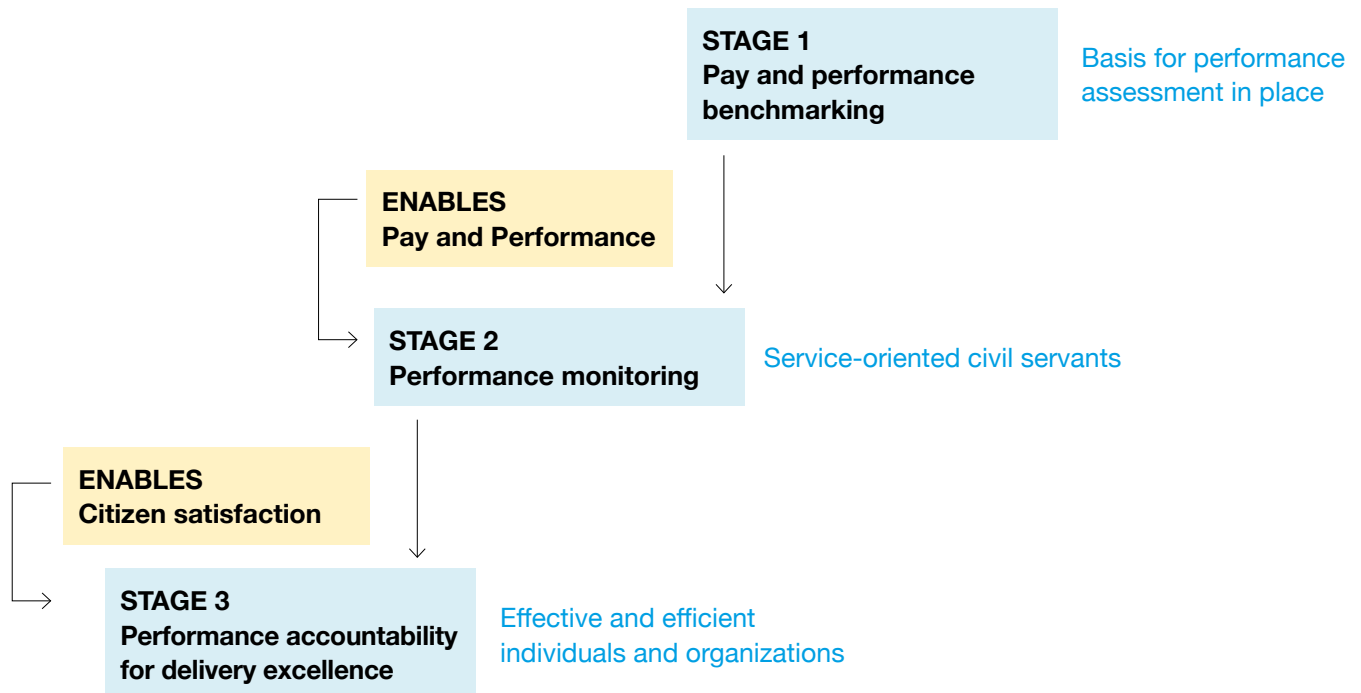
**Stage 1 (2019–2023): Improving pay and performance (benchmarking).** Activities could be designed to introduce a performance-oriented approach and to build the foundation for performance assessment and achievement in later stages.

**Stage 2 (2023–2027): Performance monitoring (performance-based management system).**

Stage 2 could be designed to achieve the goal of implementing a performance management system in public administration, including relevant monitoring and evaluation mechanisms. The timing for this stage will follow the pioneering efforts by the PFMRP to implement performance accountability measures from 2021-2025. Lessons from that program will inform the NPAR Stage 2 and Stage 3.

**Stage 3 (2027–2030): Performance accountability for delivery excellence.** After monitoring and evaluation of Stage 2 activities, public administration reform under Stage 3 could be designed to improve performance accountability. Public entities and civil servants are expected to function and perform effectively and efficiently to provide public services needed by people.

**Figure 8. Proposed sequencing of stages to be considered for the next NPAR**



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## Appendix A. Institutional Quality and Economic Growth Literature

### **The connection between institutional quality and economic growth is well-established.**

Numerous studies point toward the “deep institutional underpinnings” of successful growth and development, which is vital for reducing poverty and promoting shared prosperity (North 1990; Romer and Frankel 1999; Acemoglu 2006; World Bank 2008; Acemoglu and Robinson 2012). There is consensus around what core policies developing countries need to put in place to achieve equitable growth and reduce extreme poverty. However, government capability<sup>19</sup> varies considerably across countries and across policy domains within countries (Hasnain et al. 2019). The ability, motivation, and productivity of the personnel who populate government bureaucracies are key determinants of government capability. Capable organizations are those that can select high ability personnel, provide them with the necessary resources, and motivate them to work efficiently toward the organization’s objectives and to serve the public.

### **Beyond asserting that strong and stable institutions matter, there is also evidence for the Weber-inspired proposition: bureaucracies characterized by meritocratic recruitment and predictable, rewarding careers are associated with higher economic growth rates.<sup>20</sup>**

According to Evans and Rauch (1999), the degree of meritocracy is a reliable predictor of growth, even controlling for differences in initial GDP per capita, human capital, and other variables used in standard growth models. Using regression models to analyze data collected for 30 semi-industrialized economies and five poorer economies between

1970 and 1990, the authors attempt to draw a correlation between the percentage change in unexplained growth and the extent of meritocracy of the bureaucracy. Their findings lend credence to the notion that competent, cohesive bureaucracies contributed to East Asian economic growth, while their absence explained low rates of growth in African economies.

**Recent empirical analysis seems to corroborate the finding that meritocratic-based recruitment contributes to better overall competence and performance of the bureaucracy, less corruption, and less-biased public policy knowledge.** Building on Evans and Rauch (1999), Cornell, Knutsen, and Teorell (2018) find that the relationship between meritocracy and economic growth may be contingent on particular stages of economic development or relative economic development compared with other countries. In other words, different constraints can be binding at different levels of development or at different points of time.

Cornell, Knutsen, and Teorell (2018) argue that the degree of meritocracy of the bureaucracy may matter more as investments become more complex in terms, for example, of the technology and coordination required. They contend that many studies point to the synergetic link between bureaucratic quality (or good governance) and enhancing economic growth, even having a reverse relationship. Over time, economic growth induces “good” institutions, or alternatively, institutions and economic performance may mutually reinforce each other.

The notion of a meritocratic bureaucracy in which merit-based practices are adhered to seems

<sup>19</sup> Government capability is its ability to effectively implement policies and efficiently achieve the desired outputs in regulation, infrastructure provision, and service delivery. This definition is based on Andrews et al. (2017).

<sup>20</sup> The main elements of the Weberian ideal-type bureaucracy entail: (i) hierarchical organization with clearly delineated lines of authority and areas of responsibility; (ii) impartial decisions based on clearly codified rules; and (iii) bureaucrats who are meritocratically recruited, have expert training, and advance or progress in their careers based on objective criteria. See Evans and Rauch (1999).

to find resonance in the recent work of Meyer-Sahling, Schuster, and Mikkelsen (2018). Their survey of 23,000 civil servants from Africa, Asia, Eastern Europe, and Latin America lead them to conclude that the following reform principles tend to produce more motivated, committed, satisfied, high-performing, and ethical civil servants:

- Depoliticizing civil service management;
- Curbing nepotism in civil service management;
- Ensuring that performance matters in civil service management; and
- Paying enough to retain (more) motivated civil servants.

**These four reform principles, with the possible exception of the last, pertain largely to the protection of the merit principle in recruitment and promotion.** They raise staff motivation. Organizations whose selection and promotion processes are more meritocratic are likely to have more motivated staff. This means that neither political connections nor familial relations should be considered when civil servants are being recruited or promoted.

For objective assessment to happen, there would be a functioning, unbiased, transparent performance management system that enables high performers to be recognized and rewarded. In the process, meritocratic selections and promotions can also help create strong professional norms — cultural change, essentially — that drive performance (Hasnain et al. 2019).

Pay adequacy is in some way the natural corollary to a fair performance management system that rewards good performers by keeping them motivated and incentivized and therefore aids in retention of high-quality staff. All of this implies the

need for a sound human resource management framework and system capable of supporting the value proposition of a merit-based bureaucracy, emphasizing, among other things, human resources planning, proper position classification, retention policy or strategy, professional development, performance management, and remuneration or compensation management.

The relevance of literature reviewed on the relevance of strong institutions and meritocracy in civil service, and the experience of other countries, show that building stronger institutions will facilitate achievement of Cambodia's development aspiration.

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Cambodia Country Office  
Exchange Square Building  
Floor 10th IBRD and 11th IFC  
Streets 51-61 and streets 102-106  
Sangkat Wat Phnom, Khan Daun Penh  
Phnom Penh, Cambodia  
[www.worldbank.org/cambodia](http://www.worldbank.org/cambodia)