

## Contextualising policy transfer in Cambodian local governance

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### Abstract

Cambodia has undertaken many reforms to rebuild its government institutions and economy in order to promote social and human development. The experimental Local Development Fund has succeeded in transforming local governance to achieve greater local development by adopting ‘best fit’ rather than ‘best practice’ approaches, which made possible government buy-in and ownership of the reform process. This paper develops an analytical framework that illustrates how buy-in and ownership can take place.

**Key words:** decentralisation, local development fund, buy-in, ownership, sustainability, social and human development, Cambodia

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## Introduction

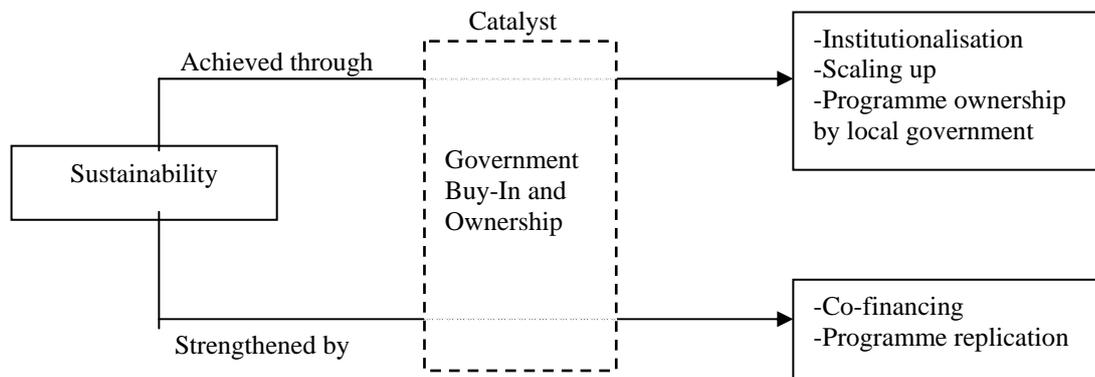
A recent development metaphor is ‘getting to Denmark’ (Fukuyama, 2005; Teskey, 2005), which pictures Denmark as an ideal state in which the rule of law dictates how state institutions and citizens behave and which enjoys a high human development (UNDP, 2005). However, the challenge is how to get to Denmark. This paper explores how a policy reform process created a sufficient buy-in and ownership of reform programmes in a developing country, enabling both efficient channelling of funds and local capacity building in a social and human development context. This Cambodian reform process got closer to Denmark by adopting ‘best fit’ rather than ‘best practice’ approaches, resulting in government buy-in and ownership of the process, which are important in seeking to avoid problems of ‘sustainability’ (Schou & Steffensen, 2002, p. 23) or the ‘partial reform syndrome’ (Brinkerhoff & Goldsmith, 2002, p. 18).

This paper analyses a case of a successful innovation related to decentralisation reform in Cambodia. The innovation was piloted by donors but secured the buy-in and, over time, government ownership, which resulted in its expansion into the national decentralisation reform agenda. The innovation was called Local Development Fund (LDF), which was initiated as an experimental pilot in the mid-1990s and managed by government Seila programme.<sup>3</sup> Despite its shortcomings, LDF became institutionalised as the Commune/Sangkat Fund (CSF) in 2002 and its related process such as local planning process provided early important lessons for subsequent refinement.

## Analytical framework

Technical interventions proposed by donors have been modelled on the idea that the sustainability of a reform is evidenced by institutionalisation, scaling up and programme ownership by host governments, and is further strengthened by co-financing and programme replication (Schou & Steffensen, 2002, p. 24; see Figure 1). We make the case that this was due to their design and operation with a strong focus on government buy-in and ownership, which facilitate sustainability (Figure 1).

**Figure 1. Analytical framework: Manifestations and factors of sustainability in Cambodia’s decentralisation reform**



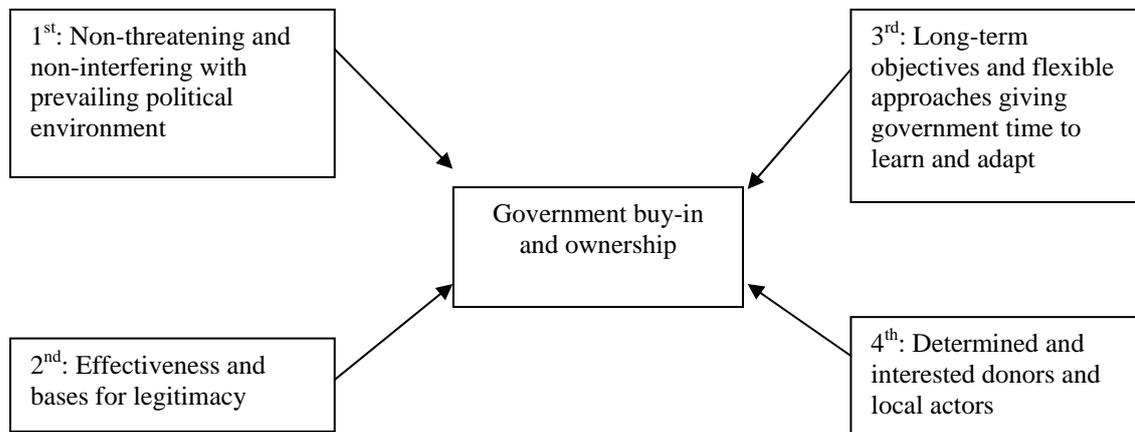
Source: Adapted from A. Schou & J. Steffensen (2002) and authors’ own analysis.

Figure 2 presents four factors that form an analytical framework for understanding how government buy-in and ownership happen, or how sustainability takes place. First, the innovation was designed and implemented in ways that did not directly threaten or interfere with the power structures and economic interests of governing elites. Second, it delivered results, which provided bases for the government to promote its legitimacy. We make the case that the first two factors were necessary to establish the initial buy-in. Third, the innovation was formulated with long-term vision and flexibility (learning by doing) in

<sup>3</sup> Seila programme was established in 1996 as a government programme to undertake the decentralisation reform. It was supported by CAREERE 2 project of the UNDP till 2000 and by PLG of the UNDP from 2000 to 2006.

implementation to allow the government time to internalise and ‘Cambodianise’ the lessons and gradually institutionalise certain aspects of the innovation. Fourth, a core group of determined donors and local actors exercised influence in ways that accommodated Cambodia’s weak political and administrative structures and their own multiple and differing accountabilities. We present the third and fourth factors as paving the way for the ownership.

**Figure 2. Four factors contributing to government buy-in and ownership in LDF and SEILA**



### Overall context of the LDF

The LDF were brought into Cambodia by the United Nations Capital Development Fund (UNCDF) in 1996 as an experiment in decentralised multi-year planning and financing of local infrastructure projects (Rusten et al. 2004; Romeo, 2000) as a way to promote good governance in a context of weak budgetary and sectoral funding and transfers (Craig & Porter, forthcoming). Internationally, LDF were conceived as a policy experiment focussing on local governance in recognition that local governments can play a significant role in promoting economic development by providing infrastructure and services (Romeo, 1996). The LDF are typically constructed from two building blocks: (a) a financial facility (the LDF themselves) for rural development projects that channels small-scale capital grants to lower levels of government in the form of regular, sustainable and transparent intergovernmental transfers, and (b) a capacity-building programme for local governments to equip them with an understanding of decentralised governance and development (2000).

### Analysis

#### A. Obtaining government buy-in

##### *Non-threatening and effective aspects of LDF*

The success of the LDF initiative can be seen as due to moving the financing of rural infrastructure beyond a ‘build the infrastructure’ basis towards ‘build better local governance’ (Craig & Porter, forthcoming). The LDF initiative trained and supported the commune and village development committees in the planning, prioritisation and implementation of their projects. As a result, these bodies were empowered and able to ensure continuity of service delivery. The LDF as a fund was replicated and institutionalised in 2002 as the CSF, for it had shown key government officials that it was not threatening them and was effective in delivering development projects.

The non-threatening yet effective aspects of LDF were important because the mid-to-late 1990s were a turbulent period after the country’s reintegration into the international community (Peou, 2000). A sea change was brought about by the new liberal rules, which affected how the government should behave towards its citizens, its own structures, international donors and civil society organisations (2000). A further complication was that the country was governed by a multi-party coalition, each member of which sought to

solidify its political footing in the newly arrived liberal governance space, creating a situation in which politicians paid considerable attention to central politics and showed less interest in a seemingly technical experiment with financing of local development (Craig & Porter, forthcoming).

The strong focus of the coalition government on central political competition generated an atmosphere in which a low-key local experiment remained so far under the political radar as to seem entirely de-politicised, involved only with an interesting if marginal technical experiment with funding local infrastructure through an obscure vehicle known only among insiders as an LDF (forthcoming). The lack of central government interference in the experiment in the early period can be interpreted as due to two factors: the need to seek political gain centrally and the non-threatening (or non-interfering) nature of the experiment to the central leadership. The former aspect reflected the particular timing of the Cambodian political situation, while the latter was achieved because the experiment avoided central politics by focussing on village and commune level.

The other essential ingredient in enhancing the buy-in of the government, which sought to gain greater local and international legitimacy, was the experiment's effectiveness in delivering concrete development projects. The government could gain legitimacy with voters and donors for results achieved through transparent arrangements.<sup>4</sup> In this sense, LDF was not just non-threatening but also highly enabling for local and later national politicians and ministries. For example, provincial governors of experimented provinces were strongly supportive of the experiment as it provided them with fund to deliver some services, which were previously non-existent. Similarly, having seen the popularity of LDF among governors and villagers the Deputy Prime Minister Sar Kheng in early 2001 urged that the programme that ran LDF, known as Seila, be expanded nationwide.<sup>5</sup> The Ministry of Planning and Ministry of Women's Affairs were supportive of LDF as it was the source of fund to revitalise local planning and implement gender-related activities. The Ministry of Rural Development used the template designed with experiences of LDF experiment for its small scale infrastructure projects.

In essence, the governing party found the experiment to be politically useful. Many of the village and commune chiefs then were, and now remain, party's staunch loyalists. The experiment of the like of LDF that supported the village and commune chiefs indeed strengthened the local network of the governing party.<sup>6</sup> In one case, at the national election campaign rally in 2003 in the province of Svay Rieng the governing party promised that when the party was elected it would continue supporting the programme that ran the former LDF when it won.

All in all, the experiment introduced by an agency of the UN family, UNCDF, proved that it could deliver some results and gained the trust of major donors and government officials involved in the experiment. This trust assured the government of legitimacy when it internalised, adapted and scaled up the LDF to become the CSF. Additionally, all parties, especially the governing party, in the coalition government felt they could modify and use the arrangements to promote their power in rural areas (Knowles, forthcoming). The buy-in took shape in 1999 as major contents of LDF-related processes such as local planning process, contracting and monitoring and evaluation appeared in the draft of the Law on Management and Administration of Commune/Sangkat, even though the expatriate consultant who drafted the Law claimed that what was written into the law was not very much influenced by the experience of LDF and its related processes.<sup>7</sup>

Nonetheless, the buy-in did not take place smoothly; in fact there was a complex internal contest over how to get the best out of the LDF and its processes among key government officials from the same and different

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<sup>4</sup> Informant interview, August 2007.

<sup>5</sup> Informant interview, August 2007.

<sup>6</sup> Informant interview, August 2007. In Cambodian context, though the country is run by a multi-party coalition government it is largely seen that only the governing party, Cambodian People's Party, has the actual power. Therefore, government buy-in and ownership could happen only with the approval of the governing party. See Pak et al. 2007 for a discussion of blurred separation between the government and the party in Cambodia.

<sup>7</sup> Informant interview, August 2007.

ministries involved, almost all of whom came from the same governing party. The contest did not become apparent when LDF was institutionalised as CSF after the 2002 commune election. Only when the Seila programme that ran LDF in the 1990s and CSF from 2002 ended in 2006 and a new national decentralisation programme was to be designed did the contest among senior officials become more apparent because the transition was the time to reposition their strategy to enable them to gain the most political and personal benefits from the new programme. For example, there was a clear contention between the Ministry of Interior and the Ministry of Planning during the process to revise the guidelines of commune development and commune investment planning process which started in late 2006. Each ministry tried to take control of the revision process, making it unnecessarily long before it was concluded. The contest to control the process to design the new decentralisation programme and draft the Organic Law<sup>8</sup> also took place between senior officials and their respective expatriate consultants from the same Ministry of Interior.

## **B. Securing Government Ownership**

The process that the government went through to 'own' the LDF innovative was influenced by several combined factors: long-term vision, learning by doing and the character of the people involved. The LDF was initiated with a long-term vision of promoting local development through better local governance, using decentralised planning and financing to fund local infrastructure (UNCDF, 2006). The adaptation of LDF took a long-term approach and extensively engaged the government's own villages, communes and provinces. The basic capacity of people in villages, communes and provinces involved was enhanced, though the quality of capacity remained limited. For example, provincial officials learned to come up with and agree to an agenda before the meeting rather than coming to report what one did, a practice they were used to. The officials also learned to use breakout groups to discuss certain issues and criteria to select priorities.<sup>9</sup>

The learning by doing approach gave time to the government ministries involved to study the institutional structures, to take part in implementation and to evaluate the impacts on local institutions and development. More importantly, this approach gave the governing party time to analyse the political implications of the experiment, which as mentioned earlier it found to be politically beneficial and that increased its confidence in the LDF and its related processes (Rudengren & Ojendal 2002).

Equally essential to the promotion of government ownership was the human side of the policy transfer. Success would not have been realised without two factors. First, a few key donors were committed to the experiment through continuous financial and technical support (Rudengren & Ojendal, 2002, p. 25) and exercised influence in ways that reflected their practical understanding of Cambodia's frail political and administrative environment (2002; key informant, 2007). For instance, in mid 1997 there was an alleged coup in the country where the first prime minister was ousted from power by the rival second prime minister. This coup was seen by some major donors as a step backward for the democracy which led them to withdraw their bilateral aid programme. USAID was an example. Yet, the Swedish International Development Agency, as one core donor, stayed on. The donors' understanding of the limits of government's administrative capability was reflected in their expectation that the government should carry out the experiment in ways it could absorb.<sup>10</sup>

The second factor concerned the local staff and the roles they played. These were local and expatriate staff of the experimental programme, provincial government staff and central politicians. They showed tremendous ability and flexibility in internalising and reworking the experimental vision and turning it into something appropriate that they could own and work through on a daily basis. For example, they facilitated and simplified the local decentralised planning process, supported the provincial authorities in the allocation of LDF money to communes, and assisted the community in monitoring and evaluating projects.

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<sup>8</sup> The Organic Law is expected to (1) define the roles and functions of the province and district and how they support the commune, (2) specify the central-local fiscal relations, and (3) define the election system to select the provincial and district council.

<sup>9</sup> Informant interview, August 2007.

<sup>10</sup> Informant interview, August 2007.

In a broader context, it was the ‘right mix’ of Cambodian societal change and emerging international development trends that helped convince key donors (UNDP, UNCDF, SIDA, EU) to take risks in implementing the experiment (Rudengren & Ojendal, 2002). The ‘right mix’ came in when Cambodian society began to change as a result of its opening to the international community, and the emphasis of the development trends was on poverty alleviation, decentralisation and local governance (Rudengren & Ojendal, 2002; Manor, 1999; World Bank, 1990; IDS, 1999). The time was then right for the donors to support local development and poverty reduction through decentralised governance (Rudengren & Ojendal, 2002, pp. 26-27). The donors assumed this major and risky undertaking in spite of conventional beliefs at the time that Cambodia’s political attitudes and behaviour, social structures, interactions among social groups and role of elites were unreceptive to democratisation or participatory development (see Peou, 2000, p. xiii; Ledgerwood, 1998; Thion, 1993). The long-term, flexible, supportive and engaging process of the LDF experiment enabled the government to begin to own certain aspects of the experiment.

However, the implementation of the experiment was dominated by vertically integrated structures, which run on a parallel basis to the government mainstream system from the central to local level. Due to the parallel structures of and strong influence of donors in the implementation of the LDF experiment, the government at times was frustrated with the poor integration of the experiment into the mainstream system. For example, the Deputy Prime Minister Sar Kheng in mid 2005 wrote a memo to the donor community requesting their patience so that the government had time to work out the details related to how best the donor community can provide their future support.

Overall, the experiment of LDF and its related processes present the government with numerous useful lessons with regard to decentralisation reform. In spite of the limitations of the experiment, the government found many of the lessons useful, as mentioned earlier, in its attempt to integrate the implementation of decentralisation reform to be under a single government mainstream system.

## Conclusion

Clearly, buy-in and ownership by the host government are needed to translate reform success into better social and human development. Attaining buy-in and ownership by reforming countries requires considerable focus on ‘best fit’ over ‘best practice’ approaches, by setting goals that are politically feasible rather than technically optimum. The successful Cambodian experiences of the LDF experiment reflect the ‘best fit’ approaches. The experiment undoubtedly had its own limits but as it managed to be non-threatening and effective with long-term vision and flexibility it enabled the government to buy in and eventually own certain aspects of the innovation.

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