



Towards Sustainable Financial Management
of Cambodian Universities

WHITE PAPER

FOR A FINANCIAL MODEL FOR THE CAMBODIAN HIGHER EDUCATION SECTOR

D4.1.1



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ABSTRACT

Strengthening the financial autonomy and accountability of the public universities is one of the main needs of the Cambodian Higher Education system. In the framework of this context, this document proposes a set of recommendations for improving and harmonising the financial model and financial management practices in Cambodia.

KEYWORDS

Financial Management | Autonomy | Accountability

LEGAL NOTICE

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ABBREVIATIONS

ARA.....	Annual Result Agreement
CDRI	Cambodia Development Resource Institute
CHEA	Cambodia Higher Education Association
DGHE.....	Directorate General of Higher Education
FM.....	Financial Management
FMIS	Financial Management Information System
GDP	Gross Domestic Product
HE	Higher Education
HEI	Higher Education Institution
HERM	Higher Education Road Map
MEF	Ministry of Economy and Finance
MoEYS.....	Ministry of Education, Youth and Sport
PAI	Public Administrative Institution
RCC	Rector Council of Cambodia
R&I	Research & Innovation
STEM.....	Science, Technology, Engineering and Mathematics

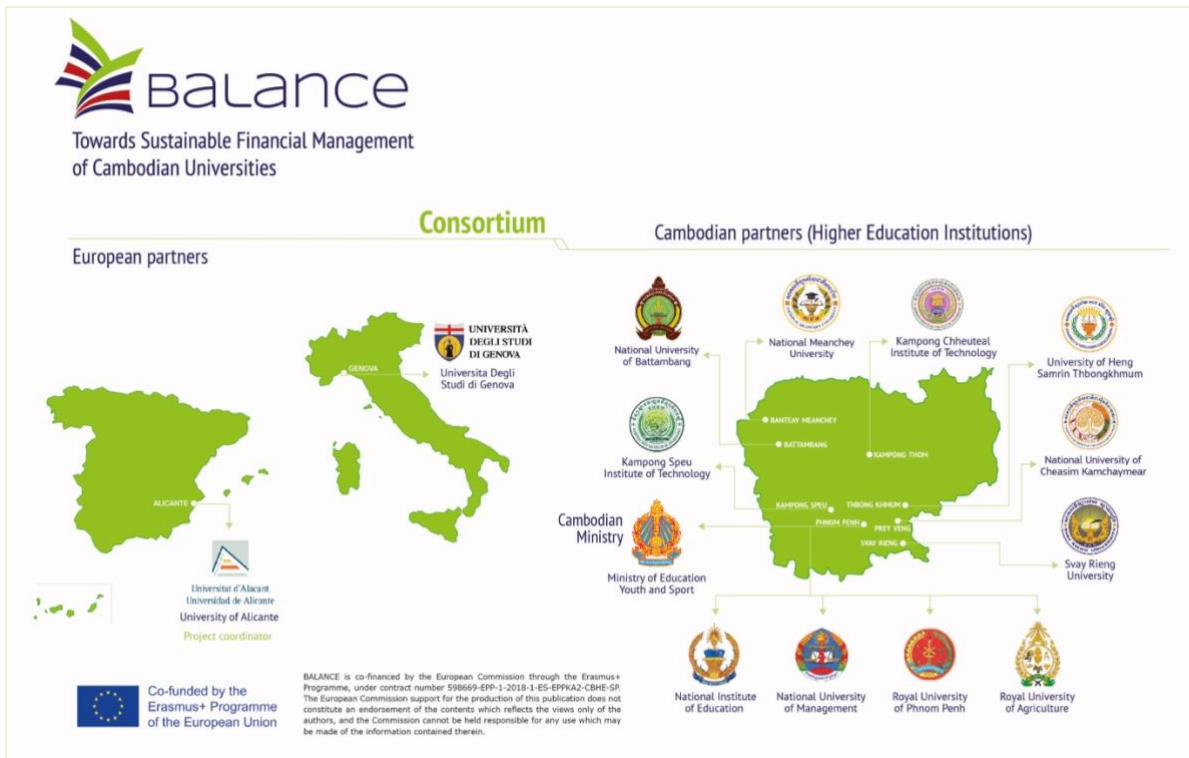
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**INTRODUCTION
TO BALANCE PROJECT**

BALANCE (Towards Sustainable Financial Management of Cambodian Universities) is a Capacity Building project funded by the European Union (Erasmus+ programme, 598669-EPP-1-2018-1-ES-EPPKA2-CBHE-SP).

BALANCE brings together the efforts of the consortium partners which consists of the following twelve institutions in Cambodia, along with two European universities:

1. Ministry of Education Youth and Sport (MoEYS)
2. National Institute of Education (NIE)
3. National University of Management (NUM)
4. Royal University of Phnom Penh (RUPP)
5. Royal University of Agriculture (RUA)
6. University of Heng Samrin Tbongkhum (UHST)
7. National University of Battambang (NUBB)
8. National University of Chea Sim Kamchaymear (NUCK)
9. National Meanchey University (NMU)
10. Svay Rieng University (SRU)
11. Kampong Chheteal Institute of Technology (KCIT)
12. Kampong Speu Institute of Technology (KSIT)
13. University of Alicante (UA), Spain
14. University of Genova (UniGe), Italy



The **main aim** of the BALANCE project is **to strengthen financial autonomy and accountability of Higher Education Institutions (HEIs) in Cambodia via modernisation of Financial Management (FM) practices and legal frameworks.**

This purpose will be pursued by achieving the following specific objectives:

- ⦿ Promoting the improvement of human and organisational capacities of financial management in Cambodian HEIs through capacity building and experience exchange.
- ⦿ Setting up a sustainable communication platform between Cambodian HEIs and relevant ministries (MoEYS and MEF) with the objective of improving transparency and systematisation of financial management practices as well as implementing institutional policies and procedures.

The BALANCE project takes into account the specificities of the consortium partners and is designed to encourage each Cambodian partner to adapt the learning outcomes and experiences acquired throughout the project activities to their own institutional contexts.

The project methodology foresees each activity output as determinant for the next steps and is designed as follows:

- Analysis of FM practices
- Enhancing of human capacity and skills of Cambodian consortium members in the area of FM.
- Modernisation of the FM units and development of action plans to improve FM.
- Harmonisation of FM practices in Cambodian public HE system.

One of the output of the BALANCE is the drafting of the White Paper for a *Financial Model for the Cambodian public HE system*. This document will propose a set of recommendations for improving and harmonising the financial model and financial management practices in Cambodian Higher Education Institutions. This paper has been developed based on the review of the existing literature related to FM and data collected from all the consortium partners, as well as from other non-partner institutions. The White Paper has been publicly discussed in national conferences organised by the BALANCE consortium in March and November 2022. To make the paper more comprehensive and consistent with the latest development of Cambodia higher education, especially through the intervention of Higher Education Improvement Project (HEIP), the Expert Meeting on the White Paper was conducted on 08-12 December 2022 to review, provide more feedback, and make necessary revision on the paper.

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**THE CAMBODIAN HIGHER
EDUCATION SYSTEM**

The civil war from late 1960s and the Khmer Rouge era (1975-1979) have devastated Cambodian education system. After the collapse of the Khmer Rouge regime in 1979, although Cambodia still had to encounter another episode of civil war that only came to the complete end in late 1990s, the government had started to rebuild the education system focusing first on general education. In 1997, the government started privatization of higher education based on the proposition of public-private partnership which allowed the operation of private higher education institutions as well as introducing fee-paying model in public higher education institutions.

The privatization of higher education has led to the increase of number of higher education institutions (HEIs) from 14 in 2000 to 130 (82 private HEIs) in 2022, spreading over 20 provinces and the capital city. These 130 HEIs are under the management umbrellas of 16 ministries, among which the Ministry of Education and Youth (MoEYS) is in charge of 82 HEIs. In terms of higher education enrolment, the number of students has climbed from just around 10,000 in early 1990s to around 200,000 in 2021. The higher education enrolment rate was just around 11% in 2017, and although the enrolment rate is projected to be around 16% in the academic year of 2022/2023, this rate is still remarkably low compared to that in other ASEAN countries.

Capacity building and human resource development is crucial for Cambodia to realize her vision in becoming an upper-middle-income country by 2030, and a high-income country by 2050. Therefore, a lot of efforts have been made since early 2010s on the reforming and improving higher education in Cambodia. According to Higher Education Sub-sector Strategy 2021-2030, MoEYS has singled out two main missions: 1) to ensure the increase of students with high capacity to respond to labor market; and 2) to ensure the increase of applied research which are linked with and responsive to development.

Recently, the higher education project interventions have generally focused on the improvement of teaching and learning, and promotion of research in STEM and agriculture. These interventions are expected to address the issues of higher education quality and relevancy. Equally important is the need to address the challenges in efficiency of HEI governance, administration, and management. To address this challenge, it is crucial to improve human resource and financial management system to ensure financial stability, accountability, transparency and sustainability. Therefore, the White Paper for a Financial Model for Cambodian Higher Education sub-sector will contribute a lot to the harmonization of the financial management practices and it is one of the key steps towards the improvement of governance and autonomy in Cambodian higher education.

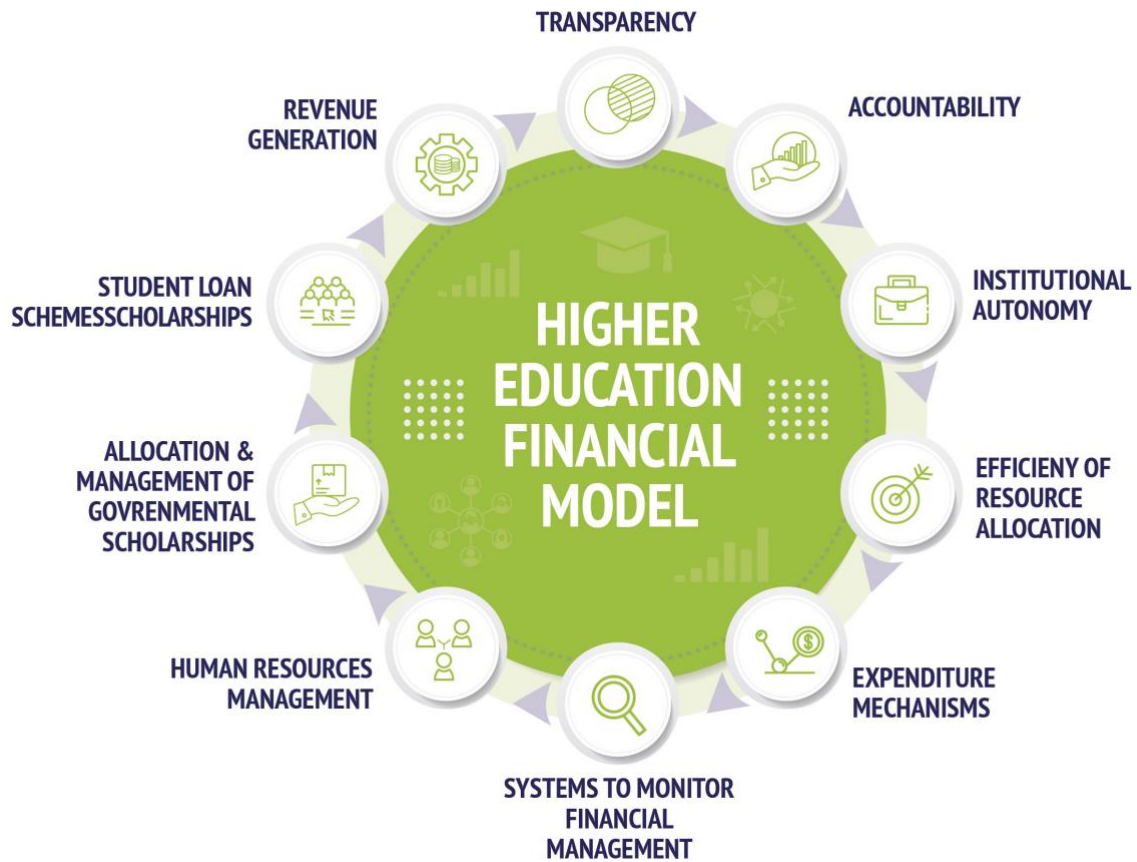
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**KEY CONCEPTS IN FINANCIAL
MANAGEMENT MODEL**

These are some crucial concepts used in the financial management of higher education:

- Financial management **transparency** and **accountability** in higher education is related to: 1) active involvement of community in the design/approval of the budget; 2) having a detailed budget (including headings costs) and proper justification of expenses; and 3) the availability of this information via website and/or internal communication channels;
- **Institutional autonomy** is the capacity of Higher Education Institutions to design internal structures, select and train staff, shape academic programmes and use financial resources, in line with their specific institutional missions and profile;
- **Resource allocation** in higher education can be effective when funds are put towards the programs that assist HEIs in achieving their academic mission. An effective resource allocation process can result in the sharing of information across faculties and departments which enables better decision-making and a more efficient use of resources;
- Universities' funding models have changed dramatically, forcing institutions to explore and strategize new opportunities to **generate revenue** other than just depending on the tuition fees. HEIs are increasingly turning to alternative revenue streams, such as grants, private donations, custom publishing, patents, profitable graduate courses, among others;
- The work of **managing a scholarship** fund is a deep and complex process. Setting selection criteria, sourcing applicants, looking at their submissions, and reporting outcomes are just some of the tasks scholarship fund administrators are expected to accomplish in support of deserving students and maximizing the impact of funds;
- **Loan schemes** are of particular interest to policy makers because they are able to contribute to the solution of a range of pressing policy problems that governments are facing. They are able to relieve pressures on national budgets by facilitating greater cost sharing through the raising of tuition and other university fees.

The model of FM in a higher education sector can be illustrated in the figure below:



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**MAIN CHALLENGES IN FINANCIAL
MANAGEMENT OF THE CAMBODIAN
HIGHER EDUCATION SYSTEM**

The **governmental reforms** to improve the higher education sector started in the mid-1990s by allowing the private sector to participate in the provision of Higher Education. An interesting reform was also the transformation of Public HEIs into Public Administrative Institutions (PAIs). Following this measure, public agencies and institutions could transform into autonomous agencies/institutions.

In 2017, MoEYS developed a **national policy on higher education governance and finance** which recommended 10 main measures to improve public higher education governance and finance. Five of these measures deal with higher education finance:

- Install reliable financial management systems and strong internal controls at public HEIs;
- Increase and improve state funding for the higher education system;
- Provide state funds in the form of block grants;
- Allow public HEIs to vary their tuition-fees, with fee waivers available from and funded by the state; and
- Increase state funding of research and innovation, with funds provided on a competitive and categorical basis.

More recently, MoEYS approved the **Cambodia Higher Education Sub-Sector Strategy 2021 – 2030**, which also aims to improve the higher education sector.

However, the results of the reforms take time. Several studies identify problems in two main areas, which have also been confirmed by the BALANCE consortium:

▣ **Governance of public HE:**

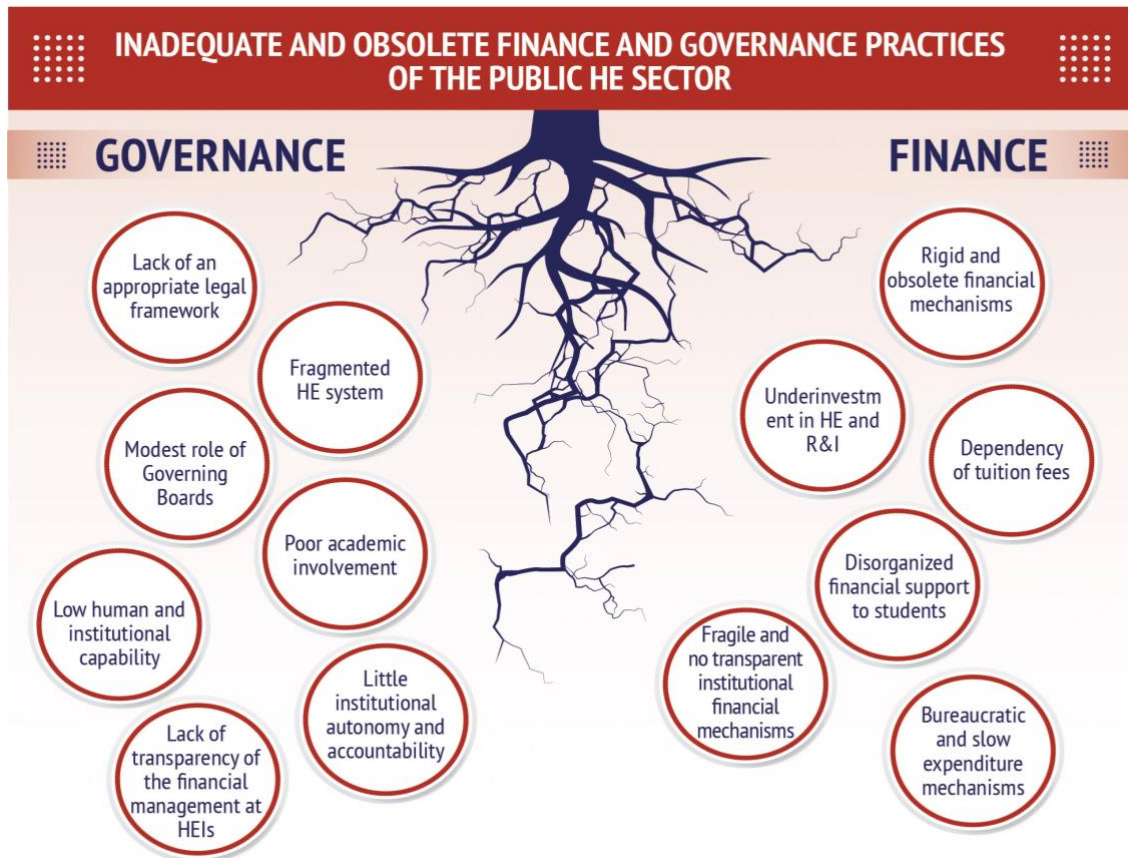
- Lack of an appropriate legal framework, which may support relevant policies specifically for the Higher Education sector.
- Fragmented HE system, and limited coordination between the different actors
- Inconsistent stakeholder participation

- Modest role of Governing Boards
- Poor academic involvement
- Low human and institutional capability in financial management
- Little institutional autonomy and accountability
- Lack of transparency of financial management at HEIs

▣ **Finance of Public HE:**

- Rigid and obsolete financing mechanisms
- Underinvestment in Higher Education and R&I activities
- Dependency on tuition fees
- Disorganized support to students (scholarships, student loans, and subsidies)
- Fragile and no transparent institutional financial mechanisms
- Bureaucratic and slow expenditure mechanisms

**Problem tree. Main problems of the Financial Management of the public
Cambodian Higher Education System**



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**PROPOSALS FOR A FINANCIAL MODEL
FOR THE CAMBODIAN HIGHER
EDUCATION SYSTEM**



The BALANCE Consortium used the CDRI Working Paper Series No. 115 Finance in Public Higher Education in Cambodia (2019) as reference document to define the main challenges of the FM in HE in Cambodia, and also to propose recommendations. Challenges were discussed in several Consortium activities (workshops, conferences, etc.) and the following figure/table summarises the problems/challenges, recommendations, and specific proposals via examples or good practices.

GOVERNANCE OF PUBLIC HIGHER EDUCATION

Problem / Challenge	Recommendation	Example / Good practice
<p>Lack of an appropriate legal framework, which may support relevant policies specifically for the Higher Education sector.</p>	<ul style="list-style-type: none"> - Adopt specific policies for Higher Education. - Implement and track the outcomes of Cambodia Higher Education Sub-Sector Strategy 2021 – 2030. - Adopt unique policy framework for University autonomy in Cambodia. 	<ul style="list-style-type: none"> - Establish a specific regulation, guidelines, mechanism for the transformation of HEIs into PAIs with decentralisation's tools for academic, staff, and financial management.
<p>Fragmented HE system, and limited coordination between the different actors.</p>	<ul style="list-style-type: none"> - Establish a national coordinating body which may have a full vision of the HE system, and propose specific actions. 	<ul style="list-style-type: none"> - Establishment of National Supreme Council of Education as indicated in the Education Law. Rector Council of Cambodia (RCC) and Cambodia Higher Education Association (CHEA) could play the supporting role.
<p>Inconsistent stakeholder participation in policy and decision making.</p>	<ul style="list-style-type: none"> - Raise the involvement of student associations and other university actors in policy and decision making. 	<ul style="list-style-type: none"> - Introduce seats for representatives of student's associations, members of civil society, and industrial/private sectors in governing bodies of universities (as in EU universities).
<p>Modest role of Governing Boards.</p>	<ul style="list-style-type: none"> - Upgrade the roles of Governing Boards by increasing their authority and widening their participants. 	<ul style="list-style-type: none"> - Comply with rules and regulation stipulated in the sub-decree, select the right members and clearly specify their roles and responsibilities.

Problem / Challenge	Recommendation	Example / Good practice
	<ul style="list-style-type: none"> - Prepare quiderline for selection, functioning and implementation of governing boards. 	
<p>Poor academic involvement.</p>	<ul style="list-style-type: none"> - Create quiderline for academic managment and academic council. 	<ul style="list-style-type: none"> - Reinforce the role of the Academic Board in the management and financial decision making processes.
<p>Low human and institutional capability in financial management.</p>	<ul style="list-style-type: none"> - Support professionalisation of the academic and management staff. - Formulate guidelines and criterias to recruit financail officer and prorocurment officer. 	<ul style="list-style-type: none"> - Organise capacity building activities in relevant topics for the officials of HEIs, as done in the BALANCE project.
<p>Weak institutional autonomy and accountability at HEIs.</p>	<ul style="list-style-type: none"> - Formulate guidelines and criterias to select the HR officer. - Increase the number of Public Adminstration Institutions. - Implement Annual Result Agreement (ARA). 	<ul style="list-style-type: none"> - Share good practices between HEIs, as the BALANCE Good Practice Guide for Financial Management at HEIs. - Provide the rights to plan and manage income at the faculty level.
<p>Lack of transparency of financial management at HEIs.</p>	<ul style="list-style-type: none"> - Increase transparency in all financial aspects of the institution by implementing Financial Management Information System (FMIS). 	<ul style="list-style-type: none"> - Publish the budget headings in the university website.

FINANCE OF PUBLIC HIGHER EDUCATION

Problem / Challenge	Recommendation	Example / Good practice
<p>Rigid and obsolete financing mechanisms.</p>	<ul style="list-style-type: none"> - Introduce public investment plan to attract the funding. - Provide state funds in the form of block grants and performance-based funding. 	<ul style="list-style-type: none"> - In addition to a basic State or regional contribution, the Government could define strategic goals which may be related to additional funding. Better if the additional funding could be directly related to the performance obtained, through a direct comparison of the results achieved by each HEI. - Good practice: The good financing mechanism and procurement process of the Public Investment Program (PIP) funded by World Bank.
<p>Underinvestment in Higher Education and R&I activities.</p>	<ul style="list-style-type: none"> - Increase and improve public funding for HE and R&I, including competitive funds. - Improve activities that may attract regional and private funding. 	<ul style="list-style-type: none"> - A State financial support to best practices could enhance the quality of the whole HE system. The form of competitive funding may better fit to an environment formed by HEIs of different dimensions and specializations. - In addition, HEIs could select specialisations and HE / R&I activities interesting both for the regional and the private sector to attract additional financing.

Problem / Challenge	Recommendation	Example / Good practice
		<ul style="list-style-type: none"> - Good practices identified in local HEIs as CSUK and MNU, attracting funding for R&I from private companies and donors.
<p>Dependency on tuition fees.</p>	<ul style="list-style-type: none"> - Allow public HEIs to vary tuition fees , with fee waivers available from and funded by the state. - Additional scholarship and fee could be sourced from the allocation from government/stakeholders /investors/industry/ banks for outstanding students. 	<ul style="list-style-type: none"> - Fee waivers could help to support high quality students and Higher Education to be more effective. Each HEI may approve adequate regulations in order to vary tuition fees and fee waivers and establish an effective financial policy. - Good practice: NUM has implemented this additional scholarship from stakeholders for several years already.
<p>Unclear students support scheme at national and institutional level (scholarships, student loan and subsidies).</p>	<ul style="list-style-type: none"> - Design and implement a national student loan scheme. - Those scholarship seats should be managed by universities and/or MoEYS so that students would be well informed about the scholarship availability. 	<ul style="list-style-type: none"> - Promote equitable access to the HE system via a scholarship system which may prioritise students from poor income families.
<p>Fragile institutional financial processes.</p>	<ul style="list-style-type: none"> - Develop and implement Public Administrative Institutions and Financial Management Information System. 	<ul style="list-style-type: none"> - Adopt internal regulations in order to ensure responsibility and transparency to financial procedures.

Problem / Challenge	Recommendation	Example / Good practice
		<ul style="list-style-type: none"> - Digitalize all relevant expenditure processes. - Capacity Building actions for all stakeholders could provide an interesting added value.
<p>Bureaucratic and slow expenditure mechanisms.</p>	<p>- Install reliable financial management system and strong internal controls.</p>	<p>- Digitize the financial procedure the same way introduced at Ministry of Public Work and Transport. Another example is the Ministry of Industry, Science, Technology and Innovation and the Ministry of Commerce where they have digital procedures.</p>

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CONCLUSION



The White Paper for a Financial Model for Cambodian Higher Education is a policy concept note that aims to:

- ① identify and confirm the main problems and challenges of the Cambodian Higher Education system regarding the governance and the finance of public HEIs;
- ② provide recommendations based on the EU or the local experience; and
- ③ suggest good practices in each of the identified areas.

This document can be useful for HE policymakers and HEI leaders in their efforts improve higher education governance, management and administration through the reform of the financial management. This document can be a reference for HEIs to further formulate their financial management manual/guideline and implement their financial management practices.

The diagnosis and opinions expressed in this publication are those of the BALANCE consortium and any local HEI that decided to provide inputs in this process.

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