

## INVESTMENT CONCEPT

<b>A: Investment Concept Title: Australia Awards in Cambodia</b>
<b>Proposed investment start date and timeframe: 1 July 2018 to 31 July 2022 with an option to extend for a further three years</b>
<b>Proposed funding allocation: \$12 million over five years (2018 to 2022) and \$7.6 million over the three year extension period</b> <b>Current program fund annual allocation: \$62.4million</b>
<b>Risk and Value assessment result: Low Risk / Moderate Value</b>
<b>Consultation: Australia Awards and Alumni Branch</b>
<b>Proposed Design Pathway: HOM Review</b>
<b>Draft AidWorks Investment number: n/a</b>

### **B: Problem/Issue definition and rationale for investment (Why)**

Cambodia has experienced high rates of economic growth, averaging an annual rate of 7.6 per cent since 1995. This has been driven by four key sectors: garment manufacturing, tourism, construction and agriculture. A 2015 Asian Development Bank and International Labour Organisation Employment Diagnostic Study found that Cambodia needs to enrich its human resource base if it wants to move beyond a largely agrarian economy towards a more diversified economy. Currently, Cambodia's human resource base is low skilled. This is compounded by weak technical and vocational education and training and the overall low quality of education. Cambodia still ranks 100 out of 130 countries in terms of human capital development according to a World Economic Forum report released in June 2016.

Over the last two decades, Cambodia's education sector has transformed significantly – progressing from a country with only a handful of universities offering Bachelor degrees in the 1980s and 1990s to having over 118 universities offering Bachelor, Masters and some PhD degrees. However, the quality and standard of teaching remains a challenge, given the lack of standardised quality assurance frameworks.

The low set up costs of offering degrees in business administration, management and accounting, as well as the perceived job prospects of these courses, has led to an oversupply of graduates with these degrees in Cambodia's labour market. However, Cambodia is facing huge skill deficits across all skill sectors, including: (i) light skill intensive sectors such as garments, hospitality, tourism and construction; (ii) more skill intensive sectors like automobile assembly, electronics and information and communication technology; and (iii) highly skilled technical professions such as engineers and doctors. According to a Cambodia Development Resource Institute study, if Cambodia is to successfully traverse its middle-income journey it needs to address its growing skills gap in the long-term. Like minded countries, including the US and UK are already working closely with the Cambodian Ministry of Education, Youth and Sport to encourage more Cambodians to study science, technology, engineering and maths in primary and high schools, and especially at the tertiary level.



Supporting Cambodia's human resource development through our long-running Australia Awards Scholarships program is a priority for the Australian Government, as outlined in our Aid Investment Plan for Cambodia 2015-18. Australia Awards Scholarships in Cambodia help to fill a skills gap. It targets disciplines that are vital for Cambodia's development, including in: aquaculture; public health; engineering; global food and agricultural business; and applied science and rural development. These courses are less likely to be studied by self-funded Cambodian students studying locally and overseas, as most of them opt for social science subjects, including banking, accounting, management and business.

Since the Australian Government started offering scholarships in Cambodia in 1994, it has enabled over 700 Cambodians to study in Australia. This has trained a generation of leaders, many of whom are now working in leadership roles in Cambodian Government ministries, private sector and NGOs. Australian scholarships have also strengthened the people-to-people links between Australia and Cambodia. Australia Awards Scholarships is a widely recognised brand in Cambodia and the value of Australian education was a theme that was raised in a number of Ambassador's introductory calls with Cambodian Ministers.

Recognising the development outcomes of Australia Awards in Cambodia, Post should continue to invest in scholarships, especially in areas of study that would contribute to Cambodia's long-term development.

### C: Proposed outcomes and investment options (What)

Educated populations are popular drivers for change and are necessary for countries to effectively reduce poverty and overcome barriers to economic growth. In line with the Australia Awards Global Strategy, the overarching goal of Australia Awards is to support partner countries, including Cambodia to progress their development goals through training and equipping a generation of future leaders; and to build positive people-to-people links at the individual and institutional level with Australia that advance our mutual interests.

Through Australia Awards, we will:

- (a) invest in current and emerging leaders in Cambodia through education;
- (b) invest in individuals' skills and capabilities, people-to-people and institutional links in areas that contribute to Australia's foreign, trade and international development policy priorities; and
- (c) focus our efforts where Australia can make the most difference by targeting areas that contribute to development outcomes and economic diplomacy objectives.

To realise this goal, we will achieve the following outcomes:

- (a) Cambodians who have studied in Australia are able to use their skills, knowledge and networks to contribute more effectively to Cambodia's sustainable development, than would have been the case if they had not received a scholarship;
- (b) Cambodians who have studied in Australia are able to contribute to cooperation between Australia and Cambodia;
- (c) effective, mutually advantageous partnerships are established between institutions and businesses in Australia and Cambodia; and
- (d) Cambodians view Australia, Australians and Australian education and expertise positively.

As mentioned in Part B, Australia Awards Scholarships have become a widely recognised and reputable brand in Cambodia over the last 20 years. Post intends to continue to leverage the goodwill that has already been established by continuing to offer Australia Awards in Cambodia. In the design, Post would ask the design team to explore the feasibility of the following investment options:

#### **(a) Long-term scholarships (Masters and PhD) and short courses (including vocational)**

This is the preferred option. Post would expand the scope of its Australia Awards program in Cambodia to include short-courses in addition to offering long-term scholarships at the postgraduate level. This would provide Post with the flexibility to address evolving development needs in Cambodia.

#### Short-courses:

- are an opportunity for Post to provide targeted and demand driven training, which is likely to be more appealing for Cambodian Government officials;
- may attract more female applicants who are unable to or are not in a position to undertake long-term study abroad;
- provide an opportunity for a larger number of Cambodians to be trained in Australia in areas that complement our bilateral aid program; and
- help to strengthen the people-to-people and institutional links between Australia and Cambodia.

The design would need to develop a comprehensive monitoring and evaluation system to measure impact on return for short-course awardees. The initial stages of this option would potentially require more resources from Post, in terms of ensuring the short-courses offered are targeted, relevant and demand driven.

Short courses for vocational qualifications would enable DFAT to support the Cambodian Government to address the emerging skills gap in its labour market. Through vocational short courses, Post would be able to better target its efforts to a particular sector or organisation. This would also be a good pilot to assess the level of interest in vocational qualifications to determine if it would be feasible to offer vocational qualifications as part of the long-term Australia Awards Scholarships program.

However, we also acknowledge that the long-term links to Australia generated by short-course participation is generally less than that created through long-term scholarships.

Assuming the annual budget allocation for Australia Awards Scholarship in Cambodia remains the same, introducing an additional stream of scholarships may lead to a reduction in the number of postgraduate scholarships on offer. Unless Post is successful in its bid for co-funding from the Australia Awards and Alumni Branch for postgraduate scholarships.

#### **(b) Long-term scholarships (Masters, PhD and vocational) only**

In addition to offering Masters and PhD level scholarships, this option proposes Post introduce an additional stream in its Australia Awards program to support Cambodians to study at the vocational level in Australia.

This would be an opportunity for Cambodians to pursue vocational training that they might not otherwise have chosen to undertake, if they had to fund it privately. As this would be a new component of the Australia Awards program, the design would need to consider and determine the types of vocational training and courses that the program could offer, which would attract applicants and are in demand by the Cambodian labour market. The design team should also liaise with the Department of Education and Training to discuss any lessons learned, as the Australia Awards Endeavour Scholarships offer vocational scholarships.

Foreseeable challenges with this option include:

- attracting suitably qualified Cambodians to study vocational training, return to Cambodia and to contribute to their field of expertise;
- attracting women to apply for vocational scholarships given the common cultural perception that more technical and “hands on” occupations are not suited for women; and
- demonstrating value for money, especially if the cost of a vocational scholarship is the same or will cost more than a postgraduate scholarship, is of longer duration and the impact on return is yet to be determined.

The initial stages of the program would likely be more resource intensive for Post and the managing contractor, as it would require identifying and targeting prospective candidates to apply for a vocational scholarship and appropriate training.

Similarly, if the annual budget allocation for Australia Awards Scholarship in Cambodia remains the same, introducing an additional stream of scholarships may lead to a reduction in the number of postgraduate scholarships on offer. Unless Post is successful in its bid for co-funding from the Australia Awards and

Alumni Branch for postgraduate scholarships.

**(c) Long-term scholarships (Masters and PhD) only**

This option would be a continuation of the current Australia Awards Scholarships program in Cambodia. Noting the challenges in Cambodia around skills gap and the quality of higher education, this option would continue to help train and equip Cambodian men and women, through a quality education, with skills, knowledge and capabilities in sectors that are less likely to be studied by self-funded Cambodians. However, while, this option has been successful over the last five years, it does not provide Post with the flexibility to respond to the evolving development needs and skills gap in Cambodia.

**D: Implementation/delivery approach (How and with whom?)**

For all three options outlined in Part C and especially the preferred option (a), we propose maintaining a separate Australia Awards office, which is managed by a managing contractor, to implement and deliver Australia Awards in Cambodia. This would allow Post to focus its resources on the strategic direction of the program and public diplomacy engagement while the managing contractor would provide administrative resources to effectively and efficiently implement the program.

Similar to the current arrangement, the Australia Awards office would be responsible for the day-to-day management of the Australia Awards program, including promoting Australia Awards in Cambodia (Phnom Penh and in the provinces); receiving and shortlisting applications; managing the selection process; organising and overseeing the pre-departure training and pre-departure English language training; placing and mobilising awardees; and providing reintegration support.

In terms of alumni engagement, the Australia Awards office would identify existing and new opportunities for on-award engagement to enhance awardees' personal and professional experience in Australia. This may include mentoring and personal/professional development opportunities in Australia. The Australia Awards office will also provide meaningful and targeted engagement with Australia Awards alumni upon their return to Cambodia, either through continued support to the Australian Alumni Association of Cambodia or through other means.

If Post were to expand the Australia Awards modality to include short-courses, the Australia Awards office would in addition to the above be responsible for: liaising with Australian education providers on the types of short-courses available; designing and procuring the short courses; managing the short-course cycle; and assisting Post to engage with returned awardees.

Managing the Australia Awards program is resource intensive, especially during key periods of the scholarship cycle (promotion, selection and shortlisting). Currently, Post does not have the existing resources in-house to manage the Australia Awards program. If Post were to manage the Australia Awards program internally, it would need a dedicated full-time Program Manager or Senior Program Manager with the Second Secretary being taken offline during key periods of the scholarship cycle to work with the Program Manager or Senior Program Manager. There is also a high risk that much of Post's attention would be focused on the administrative aspects of the program rather than the strategic side in order to keep up with the lifecycle of the scholarships program. This would potentially have an adverse impact on the ongoing effectiveness and strategic intent of the investment.

In terms of governance arrangements, DFAT would schedule an annual strategic review meeting to update the Council for the Development of Cambodia (CDC) on the program's progress over the last year and to agree on the strategic direction for the program for the following year. The design should also consider whether the composition of the annual strategic review should be broadened to include representatives from the Ministry of Education, Youth and Sport and the Ministry of Labour and Vocational Training, especially if the next phase of the Australia Awards included short courses that offered vocational training.

#### E: Risk assessment approach (What might go wrong?)

The Australia Awards program is a low risk investment. It is a mature program with a proven track record of success and as it is a global program, it also has well established parameters in terms of how it should be delivered in-country.

Introducing vocational scholarships and short courses would be a first for the Cambodia Australia Awards program and the key risks relate to ensuring:

- an adequate number of suitably qualified candidates apply, especially for vocational scholarships;
- there is equity in access and provision of awards for marginalised groups (women and people with disabilities);
- there is a return on investment for short-courses and/or fellowships and that these modalities are not perceived as junket trips;
- the type of short-courses on offer complement our broader aid program in Cambodia and align with the Cambodian Government's development priorities; and
- short-courses are targeted and effective.

The design would need to consider whether expanding the scope of the Cambodia Australia Awards Scholarship program from one modality (long-term postgraduate scholarships), to potentially three additional categories would be manageable and cost effective. The design team should draw on lessons learnt from other Posts in the region who are offering more than one modality through their Australia Awards program.



#### F1: Proposed design and quality assurance process (What are the next steps?)

Post has been liaising with the Australia Awards and Alumni Branch (AWB) on the draft terms of reference and scope of the design. Post would continue to work closely with AWB, colleagues from South East Asia posts working on the Australia Awards program and the Cambodia and Vietnam Section. This would ensure that the next phase of the Australia Awards program aligns with the Australia Awards Global Strategy, as well as promote inter-country learnings.

In terms of the tender process, Post will engage early with the Contracting and Services Branch to ensure that proposed services we require are tenderable and the process is compliant with the Commonwealth Procurement Rules.

We propose the design team undertake the design in three stages:

- (1) **Stage 1 (May 2017)** - undertake desk review to develop an understanding of the Cambodian education context and the current Australia Awards Scholarship program in Cambodia, as well as meet with the AWB in Canberra. This will help to inform the parameters of the design;
- (2) **Stage 2 (May 2017)** - undertake an in-country mission Cambodia to meet with Post, Cambodian Government and other key stakeholders (business chambers, private sector and Cambodian universities); and
- (3) **Stage 3 (July 2017)** - finalise the Investment Design Document, including having the Investment Design Document peer reviewed.

<sup>1</sup> Aid Investment managers should refer to the advice on quality assurance options available on the intranet to help ensure the investment will meet DFAT's Investment Design Quality Standards.