Public Financial Management
Remarks by
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On Behalf of the Development Partners Committee

Launching of the
Public Financial Management Reform Program
5 December 2004

Your Excellency Samdech Prime Minister,
Excellency Senior Minister Keat Chhon,
Excellency Dr. Aun Porn Moniroth,
Excellencies,
Colleagues,
Ladies and Gentlemen,

It is a privilege for me to have the opportunity at this launching ceremony to make a few remarks on behalf of your development partners. An overhaul of Cambodia's public financial management system is, without doubt, among the most urgently needed reforms in Cambodia at this time. Samdech Prime Minister Hun Sen, your presence here today, and your formal endorsement of the reform program, are testimony both to the urgency of the initiative and the importance it has been assigned at the highest level of government. Needless to say, this gives all your development partners and your civil servants confidence that this reform program will receive the political support needed for success.

We all know why an improved public financial system is important. Public finances affect he ability of the government to achieve virtually any of its objectives, from macro stability to delivering health services and education, creating a business-friendly environment, reducing rampant corruption, promoting human rights and gender equality, and, ultimately, cutting the rate of abject poverty dramatically, consistent with the MDG target.

This launching marks the culmination of a long and resource-intensive process, begun formally early in 2004, to develop a comprehensive strategy to reform Cambodian public finances. The program is well conceived, prioritized and sequenced. It considers the complexity of change process in an institutional context, ensuring that all departments and agencies eventually impacted by the reform have a say in the design of the new system; indeed, this reform program is an integration of the separate vision statements and action plans of each unit in the PFM system, securing ownership from the outset. The reform program has been conceived and sequenced taking into account capacity constraints and the financial resources needed to help overcome these limitations. Importantly, it has also anticipated that a proper incentive system is needed to motivate officials to affirmatively take forward the reform agenda. Thus, the merit-based pay initiative, which still requires a few wrinkles to iron out before it can be set in motion, is designed to introduce, as it's name suggests, adequate pay for meritorious performance. This initiative will not pay supplements; it will reward effort and sanction non-performance.

The Royal Government of Cambodia has been receiving substantial amounts of technical assistance from its development partners over the past few years. Indeed, France and the IMF have been providing extensive technical assistance since the mid-1990s. Many more have also been contributing in recent years, several under the Technical Cooperation Action Plan. Building on the lessons learned from experience over the past several years, all your development partners involved today in the PFM area—ADB, AusAID, DFID, EC, France, the IMF, JICA, SIDA, UNDP, and WB—have committed to working jointly with you in a sector wide approach, in order to improve the delivery and effectiveness of the program's technical assistance. We have therefore agreed to support a single reform action plan and to unanimously endorse the PFM partnership principles, which spell out the joint government-development partner agreement on how we will all work together. We also commit, today, to provide the necessary technical assistance support to the RGC to ensure the success of this program.

This form of partnership is nascent, and will require sustained attention and constant commitment on our side. You can count on us.

All of your development partners take note of the strong leadership that has been shown by our colleagues at the Ministry of Economy and Finance, notably H.E. Senior Minister Keat Chhon and H.E. Dr. Aun Porn Moniroth, Secretary of State and Chairman of the MEF's PFM Reform Committee. Ownership is one-third of the ingredients needed for success; the PFM reform program is exemplary in this respect. Financially supportive and coordinated development partners provide another third of the necessary ingredients. The third item, the hardest perhaps, is the political will to succeed. This, only the government can provide, and your donor partners will be looking to see the political will delivered, when and as needed. Indeed, reforming the public finance system will and should be unwelcome by some in key positions benefiting, financially or otherwise, from the dysfunctional state of Cambodia's present public financial management system. There will be resistance. And that resistance will have to be met by overwhelming political will and leadership, leadership which we are all confident you, Samdech Prime Minister, and your colleagues at the management level of the MEF, will unreservedly provide.

Having said all this, how can we go wrong? Success is in the making.

Thank you.