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At the Formal Launch of the Public Financial Management Reform Program
Government Palace, 05 December 2004
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Samdech, Pras Ang Machas, Excellencies, Ladies and Gentlemen

It is a great pleasure for me to attend this important formal launch of the public financial management reform program before the commencement of the two days Consultative Group meeting which will start from tomorrow morning. I have often stressed at many public occasions that reform is alive and death of the Royal Government and reform is a day-to-day work for improving, enhancing, strengthening and expanding our capacity, capability, and potential in order to keep up with the development of society, economics, technology, and politics within the country, region and the world. The Royal Government of Cambodia (RGC) has long recognized the fundamental importance of improving its administration of public finances and some necessary measures have been set out and implemented.

First of all, I would like to congratulate and faithfully admire the Ministry of Economy and Finance for its leadership and efforts in formulating this public financial management reform program with strong ownership and responsibility and at the right time for contributing to the implementation of the Royal Government political platform of the third legislature of the National Assembly especially the ***"Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia."*** As you all aware, the RG considers public finance reform as one of four crosscutting areas of reform which will ensure the successful implementation of the Rectangular Strategy including (i) peace, political stability, and social order; (ii) favorable macroeconomic and financial environment; (iii) development partnership with donor community, private sector, and civil society; and (iv) regional integration.

On behalf of the RGC and myself I would like to express an appreciation and strongly welcome the perfect decision which our development partners have made in selecting Sector Wide Approach (SWAp) as a modality for formulating and implementing this reform program. This approach provides opportunities and confidentiality to Cambodia's partner in developing long-term vision; a comprehensive, systematic, effective, and efficient reform program with a clear and detailed action plan. Most importantly, this modality provides favorable opportunity to Cambodian party to strengthen ownership and responsibility in formulating and implementing the reform program which not only serves as an institutional strengthening strategy but also helps to avoid spreading reform activities all over, using resources wastefully, inefficient, and sometimes is not consistent with the overall reform agenda of the RGC. In this context, I would like to warmly welcomes and highly recognized the keen international interest and kind supports which our international donors have been providing to us toward achieving this ambitious objectives. The RGC strongly anticipates that this approach will provide favorable and fruitful results and will also become an outstanding model for guiding the development, monitoring and managing the implementation of the reform program in other sectors.

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The Royal Government has started to embark on reform in all sectors since the end of the 80s especially a comprehensive macroeconomic policy and structural reform program and integration of Cambodia's economy into the region and the world. The Royal Government of Cambodia has continuously achieved remarkable outcomes especially in the area of liberalization and stabilization of its economy. During the early 1990s, average annual growth has been about 6 to 7 percent with a significant drop in inflation rate to below 5 percent per annum. Moreover, numerous measures has set out and implemented to strengthen economic and public financial management while establishing good governance systems, including: (i) macroeconomic policy framework management, (ii) improving the budget system and public procurement, (iii) modernization of the tax system, (iv) improving the public accounting system, (v) developing the audit system and inspection, (vi) privatizing public enterprises, and as well as (vii) strengthening state property management.

During the second legislature of the National Assembly, Ministry of Economy and Finance has played an important role in implementing the ***"triangular strategy"***, especially in economic and public financial reform, which included strengthening governance, ensuring macroeconomic stability, strengthening banking and financial systems, implementing fiscal reform, improving state property management, increasing investment in physical and social infrastructure sectors, promoting private sector development and human resource development. For public financial management, the Ministry of Economy and Finance has launched four important programs of reform including (i) customs administration and policy, (ii) tax administration and policy, (iii) treasury operation reform, and (iv) budget formulation and execution reform.

These achievements demonstrate commitments, ownerships, responsibilities, and a joint efforts of managements and officials of the Ministry of Economy and Finance and other involved ministries and institutions. Experience has been gaining from the implementation of one reform program to the next and the implementation of the reform program is becoming more and more effective and efficient. Therefore, even the implementation modality and procedure of the program need to reform. Specifically, some lessons and experience which we should gain from this public financial reform program are: ***first***, full ownership of the Government in developing and deciding on the direction of the program; ***second***, full responsibility of the Government in managing the fomulation and implementation of the program; ***third***, the adaptation of SWAp modality and one voice negotiation from our development partners; ***fourth***, the use of technical working group (PFMWG) as a guide and a channel for consultation and monitoring progress of the program; ***fifth***, comprehensiveness and clear step by step action plan; and ***sixth***, building institutional capacity focus which includes a comprehensive strategies from specific staff training through stages, improving organizational structure of institution, and a pilot of merit-based pay initiative which is the key to the sustainable success of the reform program and also the focus of the administrative reform.

As the head of the RGC I would like to appeal to Ministries and all related government agencies especially the Ministry of Economy and Finance to devote effort for absorbing this rare opportunity to ensure full ownership and responsibility in both the preparation and implementation of this important and essential reform program.

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The long term vision of public financial management will serve as a guide for the stage by stage implementation of a comprehensive and systematic public financial reform program envisions being achieved in 2015. The most important thing here is to ensure that the reform program is constructed with a clear structure and a realistic and action plan is developed stage by stage with strategies to build institutional capacity and human resource efficiently including

provision of equipment and necessary supplies as well as appropriate technology. The reform program has to be tightly structured through stages to ensure that the Ministry's precious pool of skilled human resources is kept sharply focused on the reform essentials at any one time and not distracted by too many initiatives which are not urgent or priorities.

I would like to stress again and again that our principle of any reform program is long term sustainability of the program especially after the termination of international donors supports.

The Government sees the public financial management and improvement program as a central plank underlying the general administrative reform program. Achievement of the 2015 vision is underpinned by the Government's commitment to establishing the framework for a professional civil service, in which officials will be able to maintain PFM standards without depending on continuous external advice. Public financial management reform and the transformation of the civil service will have to become increasingly linked and mutually supportive in the progress towards the vision of installing much higher standards of management of and accountability, transparency, and responsibility for mobilizing all government resources and effectiveness and efficiency in their application to the Government's National Poverty Reduction Strategy and priority programs.

Therefore, building ownership and capacity at all ministries and government agencies is the most vital task in all reform programs. In this context, I would like to request the Council of Administrative Reform to provide guidance and full cooperation to all ministries and government agencies in general and exceptionally to the Ministry of Economy and Finance for implementing this public financial management reform program. This will facilitate the preparation and implementation the improvement of organizational structure of each institution and human resources development and management program which appropriately respond to the need of each ministry and agency and consistent with the overall strategy and policy of the Royal Government administrative reform program.

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Today we successfully achieved the development of the long-term vision and the reform program of the public financial management through our joint efforts in implementing the harmonization agenda. Starting now, we shall begin to raise our public financial management standards step by step, and as fast as we can realistically manage it, so that they will draw closer and closer to the best that prevail in the region and internationally. From this drive towards higher and higher standards, we expect to see increasingly effective and fuller mobilization of the revenue and other financial and other resources on which the law empowers the Royal Government of Cambodia to draw. Increasingly effective resource mobilization will need to go hand-in-hand with increasing rationalization of the Government's expenditure which priority has been given more and more toward productive sector for economic growth and social sector support for social equity and justice.

Our ultimate aim is for effective and efficient revenue mobilization, proper management of state property, and increasingly better-balanced, targeted and effective expenditure programs across all sectors. Ultimately, our mobilization, guardianship and deployment of public resources should, over time, yield the best possible results for the benefit of the nation and all of its citizens especially the poor and vulnerable group.

Finally, as the head of the RGC I would like to encourage the Ministry of Economy and Finance to vigilantly and firmly lead this reform program toward achieving our expectation. However, the Ministry of Economy and Finance efforts alone is not enough, we need the full support and contribution of the RCG and our development partners to carry the program to successful completion. Therefore, I would like to appeal to government officials at all level who are involved in public financial management both in the revenue and expenditure areas to

actively participate and share responsibility for implementation of this work and I would like also to request development partners to continue supporting and providing technical expertise, financial assets, equipments, and other supports as required to the Cambodian party so that we will be able to achieve a stable and strong public financial management system with transparent and clear accountability, which will ultimately and efficiently respond to the priority and the need for national development, especially poverty reduction for the Cambodian people.