

## **Development Partner Response Statement**

### ***Public Financial Management Reform Program***

**delivered by Mr Jean-Francois Cautain, Ambassador of the European Union to Cambodia  
at the  
19th Meeting of  
The Government-Development Partner Coordination Committee  
Phnom Penh, 26 September, 2012**

*Excellency Keat Chhon, Deputy Prime Minister and Minister of Economy and Finance,  
Excellencies, Ladies and Gentlemen,*

**The 6<sup>th</sup> Annual Retreat held on August 18-19, 2012 confirmed that the Public Financial Management Reform Program strategy remains valid and the implementation is on track.** Since 2004 great effort and substantial achievements have been made in modernizing the RGC's public financial management systems under the exceptionally strong commitment and stewardship of the senior leadership of the Ministry of Economy and Finance. We were reminded at the retreat that the PM sees reforms as a "matter of life and death". Development partners agree as good PFM systems get resources to where they are needed to save lives, educate the next generation, improve prospects for human development and achieve inclusive and sustainable growth. Therefore, DPs would like to bring to the attention of the RGC a number of key issues.

**1. Implementation of the Revenue Mobilisation Strategy.** While improving, revenues continue to fall short of the increasing demand for development investments. Actions are urgently needed to achieve the integrated revenue targets undertaken collectively by all Ministry of Economy and Finance revenue collecting departments and line ministries as required under the revenue mobilization policy. The introduction of a standardized receipting system for non-tax revenue collection and the recent announcement of the RGC's intention to broaden tax collection through the banking systems are steps in the right direction that must be enforced and replicated.

**2. Increase the efficiency of the public procurement expenditures.** Improving the efficiency of goods and services expenditures through a more competitive and transparent procurement and international price benchmarking through the implementation of the existing Law on Public Procurement could achieve substantial savings per year. Greater involvement of the Ministry of Economy and Finance in the oversight of large procurements and increased engagement of the National Audit Authority (NAA) on the probity of procurement processes is therefore required. Enhancing a rule-based public procurement and governance system remains at the heart of Cambodia's development challenge to improve public service delivery to the poorest, particularly through the sectors of Health and Education, providing greater chances to achieve CMDG targets with equity.

**3. Ensure transparency and improve reliability of budget.** In addition to increasing tax revenue, it is also essential that the formulation and reporting of the overall State budget be improved notably through: 1). the forecast and integration of all kinds of external support in the budget (classifying DP-financed spending using the government chart of accounts is essential), 2). the allocation to the budget of all government capital expenditures by sectors, 3) the allocation of budget expenditures including donor funded expenditures following the priorities set in the National Strategic Development Plan, 4) that documents leading to the preparation of the annual budget laws be shared and made public to the largest extent to improve transparency and enable better alignment of DPs' resources allocations to the strategic sectors, and 5). that technical capacities and abilities of the parliament and the National Audit Authority as an external financial oversight body to scrutinize budget elements, be enhanced.

**4. Consistency between NSDP priorities and financial commitments.** It is of a priority interest for both the RGC and the DPs to ensure that all resources for development are allocated efficiently and in a reliable manner. For their allocations and programming, DPs as well as Government ultimately need maximum predictability and consistency between NSDP, Medium-Term Expenditure Framework, Budget Strategic Plans, and their translation into annual budget allocations and execution. As a particular case, DPs require some clarity on whether new funding requests must use Budget Strategic Plan format or if it will be required only at stage 3 of the PFM reform from 2015.

**5. The links between national reforms.** The annual retreat concluded that the three key reforms, PFM Reform Program, Public Administration Reform, and Deconcentration and Decentralization need to be closely linked to be successful. For instance, implementation of the Financial Management Information System and budget entity reforms under the PFM Reform Program requires stronger coordination and closer collaboration with institutions in charge of PAR and D&D. This should be reflected into a combined and sequenced plan of action for the three reforms. Despite obvious efforts to link the three reforms in separate JMIs, more could have been studied to further engage related ministries and DPs.

Thank you.