2nd Cambodia Development Cooperation Forum

Session I

Comments on the NSDP Mid-Term Review and progress towards a Medium Term Expenditure Framework

Presentation on behalf of Development Partners

by Mr Douglas Broderick, *UN Resident Coordinator*

Mr Tim Conway, *Senior Poverty Specialist, World Bank*

progress in outcomes and capacity development

the Mid-Term Review summarises good progress towards

NSDP / CMDG targets for development outcomes:

- 2007: fourth year of double-digit growth
- between 2004 and 2007:
  - poverty fell from 35% to 30%
  - food security improved, child malnutrition fell
  - school enrolment of children from poorest families is catching up with wealthier groups

Results driven by

- sustained **economic growth**
- progress in service delivery
- underpinned by **improvements in public spending**
  - Including draft Medium Term Expenditure Framework (MTEF) 2009 – 2011

challenges emerging over the last year

the context for Cambodia's development is changing:

- **Inflation** (peaked at 25% in May 2008)
- **Recession in US and Europe** (reduced demand for Cambodian garment exports, effects on employment)
- **Tourism slowing**
- **Uncertainty over future investment flows** (particularly in real estate)

inflation and global crisis will slow growth

responding effectively to these challenges calls for integrated national systems

- progress in recent years in 3 key areas:
  - **Goal setting and strategic planning** (NSDP defines medium term goals and priorities)
  - **Revenue generation and public spending** (Public Financial Management Reform Program)
  - **Aid effectiveness** (Harmonization and Alignment agenda improves management of Official Development Aid in support to national goals and systems)

Goal:

all available resources (domestic and external) are directed effectively to national development priorities

Bringing these 3 processes together – a challenge and an opportunity

To respond to challenges need coordination between:

- **MoP** (prepares and monitors the NSDP)
- **MEF** (prepares revenue forecasts, the budget and MTEF)
- **CDC** (provides guidance to development partners on aligning allocation and modality of assistance to NSDP and MTEF)
- **Line Ministries** (prepare strategies and Budget Strategic Plans in iteration with NSDP, MTEF and budget)

Supporting next steps:

- **improve revenue collection**
- use budget and MTEF to **direct public spending to goals**
- strengthen PFM systems to **ensure disbursement and expenditure follow allocations** in budget and MTEF

Key actions to build the foundations for integration

MEF

- Bring together capital and recurrent spending in a comprehensive MTEF
- Move from incremental to policy- & results-based budgeting
- Upgrade the MEF Budget Office role in budget management

MOP

- Coordinate push to integrate sector strategies with NSDP
- Strengthen NSDP monitoring and evaluation, as a guide to policy formulation and implementation

CDC / CRDB

- Lead policy dialogue with development partners on aligning external assistance with NSDP priorities and MTEF

Development partners are committed to supporting a Government-led process

- To do so effectively, we would welcome
  - Clarification on the relationship between Rectangular Strategy, NSDP (now extended) and sector strategies
  - Guidance on the timeline for moving from a draft MTEF to a finalised MTEF and implementation
  - An outline of the process for preparing comprehensive sectoral Budget Strategic Plans (which include ODA)

End