

Roundtable Discussion with NGOs: Public Financial Management Reform

October 20, 2006

IMF Resident Representative's Office in Phnom Penh

As part of its regular outreach activities, the IMF Resident Representative's Office held another of its ongoing IMF–NGO roundtable discussions on October 20, 2006 to exchange views with civil society groups.¹ The meeting took place against the background of NGO's recent expression of interest in joining the discussions organized by the Public Financial Management Reform's Technical Working Group.

The IMF Resident Representative opened the roundtable by outlining the Fund's major activities in Cambodia. He described the economic surveillance process called the Article IV consultation, and encouraged NGOs to read the report prepared last July by IMF staff as part of that consultation. He gave an overview of the areas in which the IMF provides technical assistance to Cambodia, and briefly described recent developments in the government's economic reform program that could be financially supported by the IMF through the Poverty Reduction and Growth Facility (PRGF).

The Resident Representative noted that the Fund's emphasis on public finances could never be overlooked. In addition to staff visits, the IMF in recent years has provided a significant amount of technical assistance to Cambodia to support the government's public financial management reform program. Partly as a result, progress has been made in enhancing revenue administration, a key element of fiscal sustainability and tool for poverty alleviation. Moreover, improving budget management has been supported by the newly-established chart of accounts, and once fully implemented, this will help enhance effective and efficient use and reporting of public resources.

Despite the gains, however, further revenue improvement remains an immediate challenge. Higher government revenue is necessary to finance much-needed increases in capital spending to improve the country's infrastructure, and to raise social spending—including in particular on health and education—to strengthen Cambodia's human capacity and enable it to achieve the Cambodian Millennium Development Goals (CMDGs).

NGO representatives first expressed their appreciation to the Fund for the meeting. They explained that their interest in having a complementary role in monitoring public finances was prompted by a need to promote transparency and accountability. By joining the discussions, civil society would be able to help assess the impacts of social spending on service delivery units such as schools and health centers as well as poverty as a whole, therefore promoting the effectiveness of the public financial management reform's measures.

¹ Participants included World Vision Cambodia, NGO Forum, Action Aid International, Economic Institute of Cambodia, MEDICAM, Womyns Agenda for Change, and NGO Education Partnership.

NGOs expressed a particular concern that a number of key social indicators had not improved as hoped, and pointed to the problem of expenditure leakages and governance concerns as a contributing factor. More often than not, civil society representatives explained, social sector ministries and implementing agencies face leakages and red tape, resulting from the imposition of multiple and superfluous rules and regulations. Combined, these factors lead to a deterioration in the quality and availability of public services. Streamlining budget disbursement and expenditure control processes, decentralizing control and responsibility to local authorities, supported by merit-based pay systems, would help to eliminate budget disbursement delays and improve budget managers' accountability.

The IMF Resident Representative agreed that weak governance is a key challenge that need to be addressed. He reiterated that many of the issues mentioned above have also been the focus of the Fund's policy advice in the context of public financial management reform, where the Fund's technical assistance continues. In this connection, the IMF will shortly provide technical assistance to the government to strengthen the identification and tracking of poverty-reducing expenditures. The aim is to strengthen budget accountability and improve the ability to analyze the impacts of social spending on poverty reduction. Notwithstanding the above, however, reform success depends critically on the ownership and commitment of the Royal Government of Cambodia.

In response to the request by the civil society to join the discussions under the Public Financial Management Reform's Technical Working Group (PFM TWG), the IMF Resident Representative said the Fund, as Development Partners' Alternate Lead Coordinator of the TWG, welcomed the proposal. The request has already been forwarded by the Development Partner Committee to the government's Reform Secretariat Committee for consent.

Finally, as requested, the IMF Resident Representative agreed to participate in any forums organized by civil society, and to offer views on issues within the Fund's mandate. The IMF Resident Representative also encouraged the participants to learn more about the Fund's activities and research papers by visiting its website, and its newly-established depository library located at the Cambodia Development Resource Institute.