



**General Secretariat of Public Financial Management Reform
Steering Committee**

**Performance Report
First Semester, 2016**

**Implementation of Consolidated Action Plan in Stage 3
Ministry of Economy and Finance**

June 2016

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I. Introduction

Performance report in the 1st quarter 2016, it is indicated that the results achieved and other challenges which have occurred in stage 3 of Consolidated Action Plan implementation, “Policy-Budget Linkages” of public financial management reform program. In stage 3, Consolidated Action Plan are being supported by progress made in the 5 parts:

- Part 1:** Further Strengthen Budget Credibility
- Part 2:** Further Strengthen Financial Accountability
- Part 3:** Budget-Policy Linkages
- Part 4:** Readiness for Later Stage
- Part 5:** Support to Successful and Sustainable PFM

Similar to previous performance report, monitoring is undertaken by general secretariat of public financial management reform steering committee (GSC) which established by seriously, clearly and normally through monthly, quarterly and yearly meeting of evaluation more efficiency and effectiveness of implementation whole public financial management reform program.

First quarter performance report will describe the achieved result more detailed by each part to objectives and activities comparatively to indicators in regard of mention of challenges, requests and further works.

The method uses to assess the performance evaluation of implementation action plan in the 1st quarter of 2016 is based on 2 criteria:

1. Achieved activities compared to action plan.
2. Achieved Outputs compared to target of indicators.

The evaluation of performance is graded and divided into 3 levels for objectives and activities: Good (90%-100%), Moderate (80%-90%) and Weak (below 80%).

II. Results achieved each part

In the 1st quarter, in consolidated action plan, stage 3 which has supported by progress made in the 5 parts including 21 objectives and 68 activities. Most action works have been determined and implemented by 14 entities under ministry of economy and finance and participated in line ministries. To the view point, five part circumstances have resulted as follows:

- Further Strengthen Budget Credibility part has 04 objectives and 14 activities which achieved 88% of the target,
- Further Strengthen Financial Accountability part has 04 objectives and 14 activities which achieved 67% of the target,
- Budget-Policy Linkages part has 06 objectives and

09 activities which achieved 85% of the target, Readiness for Later Stage part has 04 objectives and 09 activities which achieved 20% of the target and Support to Successful and Sustainable PFM has 03 objectives and 08 activities which achieved 71% of the target.

1. Budget Credibility

1.1. Outturn of Key Performance Indicators 1st Quarter in 2016

Indicator	Target	2015	2016
1. Total domestic revenue Result out-turns increasingly close to approved targets under the financial law.	Total domestic revenue achieves +/- 5% compared to the approved targets under the laws.	Domestic Revenue: - Quarter 1: 23.7% • Current Revenue:23.9% • Capital Revenue (Domestic): 7.3% The revenue collection compared with 1st quarter plan: - Custom and Exercise: 99.10% - Taxation:131.99% - Non-Tax(exclude financial industry): 57% - Financial Industry 87.65%	Domestic Revenue: - Quarter 1: 25.5% • Current Revenue:25.6% • Capital Revenue (Domestic): 14.0% The revenue collection compared with 1st quarter plan: - Custom and Exercise: 111.26% - Taxation:117.30% - Non-Tax (exclude financial industry) : 52.82% - Financial Industry: 119.60%
2. No accumulation of new arrears	Arrears are defined to be maintained at no more than 2% of total	No	No
3. Budget holders are increasingly able to commit expenditure in line with budgets and cash flow forecasts	Q1: 15% Q2: 45% Q3: 67% Q4: 96%	National Budget achieved: - Quarter 1: 15.16% Payment via banking system: - Quarter 1: 100% ▪ 36 Ministries received salaries via banking system -Custom revenue: ▪ 92% paid by tax payers ▪ 8% paid by General Department of Custom	National Budget achieved: - Quarter 1: 14.57% Payment via banking system: - Quarter 1: 100% ▪ 36 Ministries received salaries via banking system -Custom revenue: ▪ 94.2% paid by tax payers ▪ 5.8% pay by General Department of Custom

Indicator	Target	2015	2016
		and Exercise -Taxation Revenue: ▪ 98.8% paid by tax payers ▪ 1.2% paid by General Department of Taxation	and Exercise -Taxation Revenue: ▪ 96.9% paid by tax payers ▪ 3.1% paid by General Department of Taxation
4. Composition of expenditure by type (staff costs) is close to approved budget.	Actual expenditure compared to budget law must not be below: • Salary: 98% • Goods/Services: 95% • Capital: 85%	National budget achieved by categories: - Salary: 22.34% - Goods/Service: 8.54% - Capital: 12.75%	National budget achieved by categories: - Salary: 18.64% - Goods/Service: 8.88% - Capital: 14.25%
5. The yield achieved from Tax base is better through the improvement of collection efficiency and the plan to use non-tax revenue sources.	Progressive improvement in revenue yield compared to GDP by 0.5% per year.	- Taxation: 25.5% • Direct Tax: 28.9% • Indirect Tax: 27.5% - Non-Tax: 15.6%	- Taxation: 27.4% • Direct Tax: 33.9% • Indirect Tax: 25.8% - Non-Tax: 16.7%
6. All part of revenue and expenditure are put in government budget and accounts.	Non-importance parts is excluded	Total bank accounts: 82	Total bank accounts: 82

Source: General Department of National Treasury (Temporary data on 21 April 2016)

1.1.1 Domestic revenue collection plan implementation

According to Data of GDNT, the revenue outturn of General Department of Customs and Excise of Cambodia achieved 1,265,064 million riels higher than quarterly plan 11.26 % and equal 26.7% of budget law 2016. Comparing the implementation of quarter 1 in 2016 and 2015 the revenue outturn increases 41.6 %. Through the GDCE's (exclude non-tax revenue), the

revenue collection achieved 1.776.693 million riels higher than 1st quarterly plan 11.36% since GDCE firmly implemented monitoring the beginning, middle and end as well as implemented the action plans of collection tax, excise and fine on existing vehicles in which those are not fulfill the tax and excise obligations.

Regarding to data of GDNT, General Department of Taxation (only national level) achieved 1.480.263 million riels higher than the 1st quarter plan 17.30% and equal to 30.17% of budget law 2016. Comparing the revenue collection from the 1st quarter in 2016 and 2015, the revenue increase 30.15%. The data from General Department of Taxation (only national level) is amount 1,604,516 million riels. The increasing revenue is:

- Tax on profit:
 - Tax payers increase understanding the tax obligations through dissemination the cultural tax payment.
 - Economic growth and political stability
 - GDT strengthens auditing on firms/enterprises.
 - GDT provides better service in accordance with implementation public financial management reform program.
- Accommodation tax increases since the number of tourists grow in the 1st quarter.
- Patent tax increase because tax increase in 2016.

Meanwhile, GDT sets the deeply reform as follows:

- Further implementing the medium term revenue mobilization strategy and public financial management reform program.
- Law on Taxation will be reviewed and amended to align the context of Cambodia.
- Strengthen tax collection on asset renting (land and house) through using computer system for tax declaration management.
- Further take attention and strengthen taxation listing and updated the enterprises' information.

According to the data from GDNT (exclude Casino licensing due to new chart of account transferring to consolidated licensing revenue), the revenue of General Department of Financial Industry achieved 27,537 million riels higher than plan 19.60% and equal 20.42% of budget law 2016. Comparing the 1st quarter 2016 with 2015, the revenue increase 29.29%. Regarding data of GDFI, the sources of revenue get casino revenue (24,574.92 million riels over plan 8.26%), lotto (531.27 million riels over plan 63.47%) and licensing (4,584.92 million riels over plan 9.16%). The Casino business and revenue collection is higher than planned owing to some companies

paid the previous debt and the revenue from casino licensing is over the planned specialized department enforce the companies to pay the yearly licensing. The commission, members from GDFI and Ministry of Interior, cracked down casino business of A.H.S KING GROUP Co., Ltd in Oyadav district, Mondulkiri provinces without licensing from MEF. MEF has ordered to shut down the A.H.S KING GROUP Co., Ltd. Meanwhile, La Grand Victore in Poi Pet has been running the business without licensing from MEF and owe government outstanding amount 30,000 USD and delegation of Casino license amount 25,000 USD. As a result, La Grand Victore agreed to settle the outstanding and delegation of Casino license by the end of March 2016. Meanwhile, the commission has instructed the owners of Heng Heng II Casino and the owners of Cockfighting Sport, which is behind the GMG Casino in Tboung Khmum province, is to shut down the Cockfighting Sport. Next measurement, the commission will monitor the two Cockfighting Sport places, in case not abide by the instruction, the commission will crackdown.

Regarding to data from GDNT, non-tax (exclude Casino Revenue and lotto revenue) achieved 232,090 million riels lower than quarter revenue program around 47.18% and equal to 13.51% of budget law 2016). However, comparing the 1st quarter in 2016 with 1st quarter in 2015, the revenue collection increases about 11.91%. The reasons of the implementation is lower than plan;

- **Revenue from fisheries** plans 3,055 billion riels in 2016. The revenue collection is less than plan because of natural factors— low water level, and business persons do not pay the revenue in second season.
- **Revenue from forestry** based on forestry collection for clearing on land concession, clearance reservoir for electricity damp. And reservoir to water and tree in illegal forestry.
- **Profit on enterprises** is transferred dividend to state budget in June or July so the 1st quarter is no revenue.
- **Oil and mining concessions**: the government does not get the revenue yet since the oil is process the document and agreement. The mine revenue get from royalties, wage area, licensing and raw material for construction and royalties of industrial mine (precious stones) decrease because Ministry of Mine and Energy is reforming on mechanism management this sector, especially delegation to line department and licensing. This new procedure does not allow MEF to participate in evaluation the royalties.

- **Asset renting:** renting is not increasing since the government allows privatization by two forms (1) *exchange* and (2) *sole*. The revenue is transferred subsequently in accordance with contract. It has been noticed that revenue is transfer quite slow to treasury account, however, it is usually collected completely by the end of year.
- **Revenue from civil aviation:** revenue gets from the selling air tickets. The revenue fell down due to decreasing the number of tourists visiting to Cambodia.
- **Revenue from tourism activities:** it gets from selling the Angkor Wat entry ticket to international visitors. It fell down because the number of tourists decrease.
- **Post and communication revenue** fall down due to the company owe government's debt that are not paid.
- **VAT of embassy** includes sticky visa electronic visa and passport from Ministry of Interior and Ministry of Foreign Affairs and International Cooperation decrease since revenue from passport decrease.

1.1.2 Arrears

There is no new expenditure arrears even 60 days (counting from the mandates summiting to GDNT). It is indicated that the process of payment is improving and moving international norm of term arrears.

1.1.3 National Expenditure Budget

The 1st quarter of budget execution achieved 14.57% of budget law less than 0.43% as targeted. The expenditure is lower than target since petty cash is late to align with the new form as well as the new form of mandates required to fill the number programs, sub-programs and activities. In addition, line ministries still expense the last year budget so it is effects on the current year expenditure, especially in the first quarter.

Some line ministries implemented budget less than 15% compared to the first quarter in 2016 as following:

1. Ministry of Civil Service : 9.45%
2. Council for the Development of Cambodia: 0%
3. Ministry of Interior (General Administration): 10.35%
4. National Election Committee: 1.82%
5. National Audit Authority: 11.28%
6. Ministry of Health: 8.16%

7. Ministry of Culture and Fine Arts : 11.42%
8. Ministry of Environment: 11.63%
9. Ministry of Cults and Religion: 13.59%
10. Ministry of Labor and Vocational Training: 7.48%
11. Secretariat of Civil Aviation : 3.48%
12. Ministry of Mine and Energy: 9.09%
13. Ministry of Commerce: 11.90%
14. Ministry of Agriculture, Forestry and Fisheries: 10.27%
15. Ministry of Rural Development: 1.94%
16. Ministry of Post and Telecommunication: 7.08%
17. Ministry of Public Works and Transport: 7.16%
18. Ministry of Land Management, Urban Planning and Construction : 10.47%
19. Ministry of Water Resource and Meteorology : 1.99%
20. Ministry of Industry and Handicraft: 11.31%

Regarding to Sub-National level (Capital and Provinces, Municipalities and Districts, and Commune and Sangkat), it achieved 8.36%.

Line departments, implementing full program budgeting, have not been settlement the first round petty cash as following reasons:

- The preparation of petty cash table
- The settlement is difficult through the programs, sub-programs, and activities that required issuing several mandates (new mandate patterns). However, this problem will be solved in 2nd quarter because MEF has issued the guideline to establish annex table to link the mandates of line department in case one mandate includes many activities.
- The commitment is not obstacle since the Economy and Finance Departments have provided the commitment visa to line departments almost 100%. Furthermore, referring to local procurement, the 10 line departments implemented in 2015 have not met these obstacle and the new 15 of line departments in 2016 face the this challenges in implementation procurement procedure for program budgeting such as new procurement entities and implementation by themselves.
- Delegated managers are late.

1.1.4 Expenditure Composition

The type of expenditure achieved as following: Salary (18.64%), Goods/Service (8.88%) and Capital (14.25%).

1.2.1 Further strengthened revenue management and implementing revenue collection plan

This objective has 3 activities which are implemented by 6 entities including General Department of Economic and Public Finance Policy (GDEPFP), General Department of Customs and Excises (GDCE), General Department of Taxation (GDT), General Department of State Property and Non-tax Revenue (GDSPNTR), General Department of Financial Industry (GDFI) and Secretariat General of Ministry of Economy and Finance (SGMEF).

Based on results of activities, this objective has been achieved 88%, Activity 11.1.1 Implement medium-term revenue policy and revenue mobilization strategy (78%), 11.2 Further improving policies and administrations of customs, tax, non-tax revenue and state properties (88%) 11.3 Strengthen revenue forecasting and macro economy (97%).

The achievement of 3 activities shown there were 11 noticeable indicators such as:

1. Report of monitoring medium-term revenue mobilization strategy 2015 has been prepared and submitted to top management.
2. Forecasting model of General Department of Economic and Public Financial Policy has been studied the gaps (gaps report).
3. Fifteen chapters of customs valuation data system have been updated which is over the quarter 1 target (3 chapters).
4. Customs risk management data system has adequately expanded to another custom office (two additional customs risk management data system have launched (office of customs and dry bribe of plus Uy Nghon Company and office of customs and dry bribe of plus Sokorn)
5. Draft guidelines circular on implementation and investigation of tax offense have been prepared in technical level.
6. Standard of activities business for internal usage at GDT has been prepared to align the international standard and model forecasting and revenue have prepared.
7. Current taxpayer and mission current taxpayer lists have not submitted their declaration properly.
8. Mechanism of establishing information desk office (telephone) and mechanism of consulting single window each tax branches has been prepared.

9. Monitor and evaluate the transformation from lump sum taxpayers regime for distract branches (taxation) to real regime (street survey of enterprises with annual turnover that can be included into real regime and requested tax branch to put 1 345 lump sum regime into real regime).
10. Draft law on gambling business management has been submitted to Legal Council Meeting to finalize.
11. Draft law on non-tax revenue management has prepared in GDSPNTR level.

On the other hand, there are three indicators have not fully achieved as targets:

1. Procedure of release goods from customs before arrival has prepared and implemented as expected (50%).
2. Sub-decree on establishment of public administrative entities has prepared but some public administrative entities have protested on implementation of Royal Decree on Public administrative Entities' Legal Statute No. NS/RKT/0815/872 dated 08 August 2015. The main reasons of protested are:
 - a. Some public administration entities are established by royal decree
 - b. The opening of deposit account at national bank and
 - c. Membership of board of director of public administration entities.

Law Amendment Working Group for Public Administrative Entity Management have been discussing with public administration entity to solve the above issues and expedite the preparation of sub-decree on establishment of public administrative entities on time.

3. Research document of gambling techniques and internet gambling procedures have prepared (80% , lack of research budget)

The implementation and revenue collection plan level with deviation of +/-5% which shown the limitation of budget smoothing. GDCE and GDSPNT have not prepared their activities for establishment of revenue forecasting model. In this sense, both general departments should finish their preparation reviewing on forecasting instrument in this year.

Revenue department entities are already committed to implement revenue collection strategy for their achieve 0.5 percentage point growth compared to GDP.

In conclusion, this objective has been achieved 88% of the target. It reflected the implementation medium revenue collection that needs to strengthen the implementation that has not achieved in quarter 1, especially strengthen the preparation of revenue model forecasting and preparation revenue collection plan quarterly.

1.2.2 Further strengthening debt management

This objective consists of 3 activities which are implemented by 4 institutions namely General Department of Customs and Excises, General Department of Taxation, General Department of Budget and Secretariat General of MEF. Based on the achieved activities, this objective achieved 73% which consist Activity 12.1. Effectiveness and Efficiency of debt management strategy (93%), activity 12.2. Develop legal framework and mechanisms for State Guarantee (50%), 12.3. Strengthen the effectiveness of in-year debt collection (70%).

As a result, three indicators have been achieved:

1. First draft of policy for state guarantee has been prepared.
2. Management Training Program and training on tax debt have been prepared.
3. Draft manual on internal audit manual on taxation has been finalized at working group level.

On the other hand, one indicator has not been achieved:

1. Legal framework on internal audit has been studied (80%) and report, recommendation, challenges on the debt of non-tax revenue management has not been prepared.

In conclusion, debt management has indicated the progressed because the relevant institutions are strengthening their bad debt management and preparation the legal framework for debt management.

1.2.3 Strengthening Cash Management and Accounts

This objective consists of 4 activities which are implemented by General Department of National Treasury, General Department of Budget and FMIS.

Based on result, this objective has been achieved 96%, which included 13.1. Further improving and strengthening cash management plan (starting from quarterly and monthly to weekly and daily) (90%), activity 13.2. Further strengthened the use of banking system as well as conduct the feasibility study on the payment through E-Transfer (90%), and 13.3 Develop mechanism and consolidate report of implementation of Development Partners' projects which is off the treasury system and further strengthened TSA (100%), Activity 13.4. Continue to monitor expenditure payment arrears and its ageing profile (75%), 13.5. Advance payment is on time.

Reviewing the results of 5 activities' indicators, 3 indicators have achieved targets:

1. Payment function EFT (Electronic Fund Transfer) in FMIS has mediated with National Bank of Cambodia.
2. Revenue report information and expend from related entities have been gathered and prepared via monitoring and revenue, expenditure focusing situation of line ministries.

3. Budget execution report from development partners' programme has been prepared and disseminated through line ministries' instruction which implemented loan programme by followed financial report of CoA.

On the other hand, 1 indicator has not been achieved:

1. Online Web-based Application System has fully piloting in 8 among 10 ministries (80%)

All in all, the strengthening of cash management and accounting are noticeably progressing in the 1st quarter. Although, E-Transfer payment in FMIS has not been implemented and need to pay more attention and strengthening the pilot implementation of Online Web-based Application which helps on cash preparation.

1.2.4 Improve Budget Execution and Strengthen Implementation of Expenditure Plan

This objective has 2 activities which has been implemented by 2 general departments including General Department of Procurement, Secretariat General of MEF and Technical Working Group of FMIS. Based on results of activities, this objective has been achieved 88%; namely 14.1. Harmonizing on implementation procedure and regulation on IRRPP and Standard of Operation Procedure (SOP/PM) (90%), activity 14.2 Increase procurement competition and transparency through open and public participation and public dissemination of procurement plan and contract award (71%), activity 14.3. Develop accurate quarterly expenditure plan (100%).

Reviewing results of both activities, there are 2 indicators have been met targets:

1. Related legal frameworks, bid advertisement, procurement plan and contract award have been posted on general department of public procurement website.
2. Revenue expenditure program on worksheet system has been prepared.

On the other hand, there are 3 indicators have not been achieved.

1. Guidelines Manual on Procurement Post Review have been prepared (90%)
2. Draft decree on formats and procedures of complaint solution and procurement conflict have been approved by MEFF management team (70%)
3. First draft Prakas on pre-characteristic of bidder has been prepared.
 - Second draft Prakas on type classification and bidder classification have been prepared.
 - Second draft Prakas on registration, clearance and black lists dissemination procedure have been prepared.
 - First draft Prakas on formats and procedures of complaint/solution and procurement conflict have been prepared.
 - Second draft Prakas on contract management has been prepared and second Prakas on evaluation procedure bid proposal has been prepared. On the other hand, draft Prokas on procurement mechanism, construction, service and consultant have been discussing in general department (60%).

In the objective 14, GDPP plays an important role to achieve the key indicators in consolidated action plans. The management of public procurement is a crucial policy to ensure efficiency of national budgeting usage and respond to government policy. Procurement entities have to understand about law, regulation and existing related legal frameworks. Therefore, it is a must to build and strengthen the capacity of procurement agencies of budget entities to ensure transparency, accountability, justice and economy to respond the implementation of public procurement in ministries and provincial departments.

GDPP has trained and disseminated many times to other public procurements in Line Ministries and mentors including:

- On 23rd March 2015, disseminated sub-decree on the establishment procedure, the preparation and the function of procurement committee and procurement entity and Prakas on the establishment of procurement on budget entity to 157 trainees from public enterprises and public administration institutions.
- On 24th March 2015, disseminated sub-decree on establishment procedure, the preparation and functioning of procurement committee and procurement entity and Prakas on the establishment procurement group of budget entity to 389 trainees from the representative of provincial/capital governors, director of provincial/capital departments which implement program budgeting, representatives from relevant GDs of MEF and director of provincial/capital treasury.
- On 18th May-05th June 2015, trained on Public Procurement to procurement officers of program budgeting (76 trainees)
- On 30th March – 03 April 2015, trained mentor from provincial departments of economy and finance (72 trainees) for further training to its procurement group of budget entity from 20 April-08 May 2015.

For other 15 LMs which have already implemented program budgeting including Supreme Court, Appeals Court, Secretariat General of National Assembly, Secretariat General of Senate, National Audition Authority, Anti-Corruption Unit, Ministry of Foreign Affairs and International Cooperation, Ministry of Tourism, Ministry of Commerce, Ministry of Water Resources and Meteorology, Ministry of Information, Ministry of Environment, Ministry of Social Affairs Veterans and Youth Rehabilitation and Ministry of Posts and Telecommunications. Among 15 ministries-institutions, there have only 07 ministries, which specialized departments at capital and provinces namely Ministry of Tourism, Ministry of Commerce, Ministry of Water Resources and Meteorology, Ministry of Information, Ministry of Environment, Ministry of Social Affairs, Veterans and Youth Rehabilitation and Ministry of Posts and Telecommunications.

GDPP has provided training to procurement entities and invited 2 offices from each specialist from capital/province to attend:

- 04-07 April 2016 , 200 trainees
- 25-28 April 2016, 150 trainees

The challenges have not been achieved the targets in the 1st quarter due to the business and lack of time.

Overall, progress report of quarter 1 has not been achieved the target but the strengthening transparency of public procurement via dissemination of legal framework, bid averment, public procurement plan and awarded contract are published on general department of public procurement website. For implement the strengthening public procurement of effectively implementation of budget program, GDPP is training and disseminating legal framework to central procurement entities and sub national level for 25 line ministries.

Part 1: Budget Credibility has been maintained since there are no arrears even moving from 90 to 60 days. Regarding to revenue collection, revenue entities are taking debt management actions through strengthening internal audit on taxation and debt management of customs and excise, especially the management of non-tax revenue. The LMs, program and non-program budgeting, necessarily need to strengthen the effectiveness preparation and implementation of expenditure programme to achieve government's prioritized policies.

2. Further Strengthen Financial Accountability

Part 2: Further Strengthen Financial Accountability consists of 4 vital objectives and 14 activities have been strengthened, improved, and expanded implementation in stage 3 in order to achieve financial accountability. These 4 objectives with focuses on (1) Improving implementation of new budget classification and chart of accounts, (2) Strengthening and improving implementation of new budget execution system and business process on which focus mainly FMIS implementation for its phase 2 at all line ministries, (3) Strengthening implementation of new accounting, recording, reporting and transparency system, and (4) Strengthening implementation of instrument and mechanisms for extending responsibility and accountability (controlled system).

For the first semester, the activities have been implemented by 6 general departments including General Secretariat of Ministry of Economy and Finance, General Department of Budget, General Department of National Treasury, General Department of Sub National Administration, General Department of State Property and Non-Tax Revenue, and Financial Management Information System Working Group (FMWG).

2.1 Strengthened implementation of new budget classification and chart of accounts

This objective 21 has achieved 62 percent of the target which is supported by only activity 21.1: Improve of new budget classification and chart of accounts (geography, operational unit and administration, program, and economy) and expansion for three more classifications (function, source of funds, and projects), in which has been resulted 62 percent.

With this regards, there is only one achieved indicator as follows:

1. Appendix of budget classification of operational unit and administration has been established for the first step.

While as, there are four main indicators which have not achieved yet:

1. Deposit accounts of all public-administrative enterprises as USD and Riel currency have operated (30%)
2. Deposit Accounts of special transaction account (440) have been operated (90%)
3. Deposit Accounts of special transaction account (120) have been operated (90%)
4. Prakas on modification of chart of accounts adjustment for FMIS which has established in accordance with modification of chart of accounts in FMIS (50%).

In conclusion, implementation of new budget classification and chart of accounts has continued to be strengthening for the first quarter in 2016. However, the implementation is still not achieved as planned because of the nature of work and time constraint. With regards to the above result, it is very important that all general departments have to take further action for the remaining activities which are not achieved yet.

2.2 Strengthen and improve the implementation of new budget execution system and business process on which focus mainly FMIS implementation for its phase 2 to all line ministries

This objective consists of 5 activities. Based on the results of activities, this objective 2.2 has achieved 63% of the target, including activity 22.1: further streamline commitment and payment process within line ministries (100%), activity 22.2: improve business process within MEF/LMs to be in line with the new chart of accounts and accounting standard and regularly reconcile bank accounts (25%), activity 22.3: increase awareness, ownership, participation, and capacity of FMIS of MEF, LMs and sub national administration (63%), activity 22.4: build capacity to manage FMIS project including those in MEF, LMs and sub national administrations (30%), activity 22.5: pilot phase 1 of FMIS and expand on phase 2 (core module and budget module and roll out to LMs) (73%).

There are 5 vital obtained indicators for the objective:

1. One window service mechanism within MEF have been approved, disseminated and implemented through Prakas on MEF Public Service Standard and implemented to budget entity of MEF.
2. Ensuring full participation from all national and sub national government specialists with regard to GDNT has developed the discussion meeting with FMIS contractor

and IT department. However, FMIS system is still retarded and occurred some errors on budget checking system.

3. 150 officials from Provincial Treasury Departments have been trained on the usage of FMIS.
4. FMIS system has been officially implemented to all relevant general departments and provincial treasury departments of MEF based on new works implementation procedure.
5. New payment mandate format has been developed in accordance with the need for Program Budget implementation and new budget classifications.

However, 3 indicators are not fully achieved toward goal setting:

1. Draft law of technical and functional needs for FMIS system in phase 2 (stage 1: extending all functional classifications in phase 1 to line ministries and sub national entities) has been developed (10%).
2. FMIS organizational chart has been improved and officially approved of highlighting systematic incentive mechanism (30%).
3. Draft law of action plan for expanding FMIS implementation in phase 2 has been developed since February 2016 (80%).
4. Three-year capability building action plan for civil servants, who managed and implemented FMIS, has been developed (0%).

In short, Implementation of budget execution system and new business process, which mainly focused on fully FMIS implementing in phase 1 and expanded to FMIS implementation in phase 2 for all line ministries, has been strengthened and expanded on the first quarter of 2016. Meanwhile, Financial Management Information System Working Group (FMWG) should consider to develop FMIS organizational chart as well as three-year capability building action plan for its officials to have full capability to support full FMIS phase-1 implementation and step forward in phase-2.

2.3 Strengthen the implementation of new accounting, recording and reporting and transparency systems

This objective 2.3 has 4 activities, in overall resulted 76%, including activity 23.1: Review public accounting standard (IPSAS) and evaluating on realism and appropriateness of the sequencing of introducing this accounting standard by linking to the expansion of FMIS application (90%), activity 23.2: Improving the reporting format of budget execution to be summited to the Council of Ministers and Legislative Bodies (60%), activity 23.3: Improve the

reporting format and exchange of information with the public (75%), and activity 23.4: Implement the mechanism to complete the inventory listing of state property and update it regularly (78%).

There are 3 significant indicators which have fully achieved as follows:

1. Guidelines circular, number 018/mef, on Petty Cash Accounting lists for national and sub national administration dated 31 December 2016 have been approved and implemented.
2. Draft a Sub Degree on measure and procedure of MEF fiscal state property management list on which has been discussed on the inter-general departmental meeting.

However, two indicators haven't achieved of the target as follows:

1. Total amount of expenditure for the year end 2015 in order to put in the draft Law on Budget Settlement and sending it to the Council of Ministers and Legislative Bodies (60%).
2. State property listing information management system for both national and sub national entities within MEF have been established (80%).

All in all, above achievement has contributed to strengthening new accounting, recording and reporting and transparency systems. Meanwhile, relevant general departments continue to implement their planned actions in accordance with existing plan.

2.4 Strengthen the implementation of instrument and mechanisms to enhance responsibility and accountability (Internal Control System)

There are 4 activities in the objective 24, in total resulted in 70%, in which activity 24.1: Establish appropriate sanctions for wrong or inappropriate and ineffective management of public resources; This sanction shall be stated in legal papers and circulated widely (100%), and activity 24.4: Develop and implement the quarterly, mid-year and annual progress report (highlighting the result of budget formulation and any measures taken from LMs to MEF and within each LM) (100%). However, activity 24.2: Update a list of right of power and flexibilities to be given to those budget entities that meet criteria with regards to satisfaction for resource management systems (0%) and activity 24.3: Conduct regular review of standards of resource management achieved by individual budget entities as a basis for extending those right of power and flexibilities did not have action implemented in the first quarter.

Within this objective, there are 2 main indicators has achieved as follows:

1. The format of quarterly budget execution report (financial report) have been updated.

2. The format of quarterly, mid-year and yearly budget execution progress report (program and non-program) for national entities have been implemented.

Whereas, significant indicator has not achieved yet:

1. Prakas on right of power and flexibility framework of budget entities has been developed (0%).

In conclusion, the result achievement on budget execution progress report reform reflects to strengthening the tools and mechanism with regard to enhancing responsibility and accountability. Nevertheless, all relevant general departments should accelerate the implementation of adopted actions, so that all action plans can be achieved on time.

Part 3: Budget-Policy Linkage is supported by 6 objectives and 23 activities. These 6 objectives including (1) Strengthen and expand the implementation of program budgeting, (2) Develop comprehensive budget and budget integration, (3) Develop and implement line of accountability system (between Legislative and Executive, between MEF and LMs, and within LMs), (4) Strengthen the development of policies and public financial plans (Policy Development and Medium-term Revenue and Expenditure Plans), (5) Develop control system, and (6) Strengthen the implementation of fiscal decentralization policy.

In the first quarter of 2016, activities are implemented by 06 General Departments including General Secretariat of MEF, General Department of Budget, General Department of National Treasury, General Department of Sub-national Administration and Finance, General Departments of Economic and Public Finance Policy and General Department of Internal Audit.

Results of GDAP3 Implementation in the first quarter of 2016 are displayed as follows:

3.1. Strengthening and Expanding the Implementation of Program Budgeting

This objective is supported by 3 activities. This objective has achieved 93% of the target. The first activity 31.1 Review and improve the implementation of the program budgeting has achieved 83% of the target, the second activity 31.2 Develop Strategies to expand program budgeting has achieved 100%, and the third activity 31.3 Implement the training and capacity development plan for the program budgeting has achieved 100%.

There are 3 main indicators has been achieved as follows:

1. Strategy for the expansion of program budgeting has been prepared and implemented
2. 1200 copies of guidelines on the program budget preparation have been published.
3. Officials from 11 line ministries and provincial departments that are to implement program budgeting in 2017 have been trained.

Anyway, there are 2 main indicators have not yet achieved:

1. Circular on the methodology of MEF's in-year program budgeting negotiation plan is being prepared (implement by General Secretariat of MEF). This action will continue to be implemented in the second quarter. The General Secretariat of MEF also requests collaborations from General Department of Budget with regard to this indicator can be achieved on time.

2. Trainings in guidelines on the procedure of program budgeting implementation to 15 line ministries have prepared.

In conclusion, program budgeting implementation has further strengthened and expanded continuously in the first quarter of 2016. Anyway, the implementation hasn't continued properly because of workload and time constraints. This result reflects that it is necessary for related general departments to try to finish the action plan. More importantly, responses to the fully program budgeting implementation of 15 line ministries, related general departments have to strengthen providing technical assistance and additional trainings to line ministries that implement program budgeting in 2016.

3.2. Developing Comprehensive Budget and Budget Integration

This objective is supported by 2 activities. This objective has achieved 100% of the target with the first activity 32.1 Develop policy on integration of the current and capital budget through MTEF, BSP and PB has been achieved 100%. Anyway, for the second activity 32.2 Further incorporate off-budget expenditure and revenue into the annual budget including increasing the coverage of development Partner funds in the budget, there is no action planned for this first quarter.

Within this objective, there are 04 main indicators have achieved as follows:

1. Guidelines on annual budget strategic plan preparation are being reviewed and updated in accordance with appropriate implementation.

2. Appendix of Guideline is being updated.

3. Training and technical assistance are being provided to Ministry of Water Resource and Meteorology, Ministry of Land Management, Urban Planning and Construction, and Ministry of Environment.

4. Investment and maintenance expenditure framework is being integrated to macro-economic framework 2017-2019.

Notice that action 32.6.2 Delegate additional power to financial controllers in visa stamping on Letter of commitment and mandate that was to be completed in 2015 (CAP2-New) is successfully completed in this first quarter of 2016 through the implementation of Prakas 274

MEF.FA dated 17 March 2016 on delegation the rights as financial authorizers to financial controllers in Line Ministries at Central Administration to Decide on Visa stamping on Letter of commitment and Mandate. Although it is quite late, this Prakas is being implemented on time.

In conclusion, actions and indicators planned to be implemented in this first quarter of 2016 are achieved. These results are necessary for comprehensive budget preparation and budget integration. Meanwhile, related general departments should continue providing trainings and technical assistances to line ministries upon request.

3.3. Developing and Implementing Accountability Line System

This objective is supported by 04 activities. Based on the achieved activities, this objective has achieved 100% of the target. The first activity 33.1 Review and amend laws and legal regulations determining roles and responsibilities in public financial management of the government and modify those roles and duties where necessary (100%) and the fourth activity 33.4 Revise institutional structure to be in line with the new business process (100%). For the second activity 33.2 and the third activity 33.3, there is no action planned by the General Departments in this first quarter.

Within this objective, there are two main objectives have achieved as follows:

1. Prakas 274 SHV.FA dated 17 March 2016 on Delegation the rights as financial authorizers to financial controllers in line ministries at central administration to issue and agree on Visa stamping on letter of commitment and mandate.

2. Prakas 337 SHV.PrK dated 31 March 2016 on procedure of budget expenditure for urgent maintenance under the jurisdiction of Ministry of Rural Development was prepared.

In conclusion, these results reflects to the effectiveness and efficiency of the preparation and implementation of accountability system. Meanwhile, relevant General Departments have to continue implementing all actions in accordance with adopted plan.

3.4. Strengthen development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)

This objective consists of 3 activities. Based on the results of activities, this objective has been achieved 58%, including Activity 34.1. Strengthen capacity to enable and increase effectiveness and efficiency of macro-economic policy framework (100%), Activity 34.2. Strengthen capacity to enable and increase effectiveness and efficiency of medium term revenue and expenditure framework which hasn't been achieved and Activity 34.3. Strengthen capacity to analyze and forecast economic and financial conditions which has been achieved 94%.

Besides, if we look at result achievement among 3 activities that there are 3 indicators achieved of the target:

1. Macro-economic policy framework was prepared.
2. Macro-economic model has been piloting tested followed to IMF sample and has report.
3. Conceptual document on revising fiscal tax policy review which has been already prepared.

In spite of only 2 indicators couldn't achieve of full target are:

1. Conceptual document in MTEF preparation for maximizing efficiency and effectiveness of budget formulation has prepared.
2. Study visit on financing of specialized training which has prepared

In conclusion, development of policies and public financial plans (policy development and medium-term revenue and expenditure plans) has been strengthened that made until 1st quarter 2016 even though implementation seems to be not continue properly and encounter those challenges. This result reflects to additional necessity efforts especially solution on other challenges that have occurred and further strengthen MTEF development with regard to consistency between national policy and ministerial budget strategic plan.

3.5. Develop Control System

This objective consists of 5 activities. Based on the results of activities, this objective has been achieved 87% of that activity 35.1. Review current control system, inspection, auditing and internal audit systems all ministries and institutions (100%), Activity 35.2. Develop a new effective and efficient control system which is complementary and responds to the new context of LMs management (82%), Activity 35.3. Improve control mechanism to ensure effective response to the result of the audit and inspection (60%), Activity 35.4. Develop and improve annual audit/inspection plan of LMs based on the criteria of risk assessment recommended by MEF (90%). However, Activity 35.5. Expand and strengthen external auditing which hasn't been planned implementation by relevant general departments.

Besides, if we look at result achievement among 4 activities that there are 04 indicators achieved target:

1. Procedure of development proceeding document and auditing memorandum establishment (appendix attached to GDIA) which has been prepared.
2. Draft law of new Box cloud structure of Database has been prepared.

3. Approximate process on specialized training course needs and specialized financial inspection works which have been prepared.
4. Plan and auditing report of Line-Ministry which have been monitored and consulted. These plans have been included 4 goals: (1) Consult with auditing report of Phnom Penh Water Supply (monitoring report quality list) (2) Additional consult with auditing plan 2016 of Cambodian Post (monitoring auditing plan list) (3) Internal audit department plan of ministry of labor and vocational training (monitoring auditing plan list) (4) Auditing report of internal audit department of ministry of vocational training and labor with which has been monitored and further consulted.

On the other hands, two indicators have not achieved targets:

1. Legal advisory requirement plan of 3-year-rolling out for new control system preparation more efficiency, effectiveness and responds to new context with regard to complimentary of line ministries management in which has been prepared. This action has postponed because of other prioritized works.
2. Legal advisory requirement plan of 3-year-rolling out for developing monitoring mechanism with regard to complimentary between internal auditing and inspection more efficiency especially it replies to founded result by internal audit and inspection of line ministries management has been prepared. This action has postponed because of other prioritized works.

We assume that internal audit of control system preparation and audit follow-up procedure to which have been continued more properly and responded new context with regard to complimentary of consolidated action plan in stage 3 (CAP3) management; however, implementation seems not to continue properly and some activities haven't been yet prepared and postponed to implement in the next quarter. This result clearly reflects to additional necessity efforts in strengthening monitoring system which leads to consolidated standardizing system and responds to revolution of new working system.

3.6. Strengthen implementation of fiscal decentralization policy

This objective consists of 6 activities. Based on the results of activities, this objective has achieved 80% of the target, including Activity 36.1. Review and implement medium and long term fiscal decentralization policy (65%), Activity 36.2. Implement own source revenue collection of sub-national administrations (100%), Activity 36.3. Pilot and expand the Sub-National Investment Facility (SNIF) (30%), Activity 36.4. Review and implement guidelines on

budget strategic plan for sub-national administrations (100%), Activity 36.5. Develop and implement Conditional Grant (80%), Activity 36.6. Develop procedures and principles to implement full program budgeting and budget entities for sub-national administrations (80%).

If we look at achieved result among these activities in the 1st quarter 2016, six indicators have achieved targets:

1. Draft law on medium and long term fiscal decentralization policy has been monitored and edited.
2. Sub decree on Grant preparation for sub national administrations council member in 2016 has been already organized and used.
3. Guidelines on budget strategy plan preparation for sub national administration have been reviewed and revised.
4. Further editing draft a decree on own revenue collection implementation for sub national administration.
5. Draft legal regulatory on conditional grant in which has been already prepared.
6. Guidelines for program budgeting preparation and sub national administration budget in which have been already prepared.

Besides, there are three indicators haven't achieved target:

1. Principle of program budgeting implementation has been prepared.
2. Sub national administration investment funds (SNIF) council have been established. Reasons why it doesn't achieve of the target because some line-ministry haven't submitted its component to MEF.
3. Draft legal regulatory on financial management system of commune (Sangkat) has been prepared and achieved 30%.

Meanwhile, some actions have requested to postpone implementation in the 2nd quarter; Activity 36.6.7 legal advisory requirement plan of 3-year-rolling out procedure and principle preparation for fully program budgeting implementation and budget entity for sub national administration to which has implemented by legal affairs department of GDMEF.

In conclusion, implementation of fiscal decentralization policy has been strengthening and expanding as following public financial management reform program in stage 3 of the target. However, implementation hasn't continued properly and some activities haven't been achieved of the target. This result reflects to additional necessity efforts especially priority task is to finish not achieved indicators above target.

4. Readiness for later platform

Part 4 has been established for readiness for later platform on which we focus Performance- based Budget framework, Performance- based Accountability Framework, and Performance- based auditing framework have been organized through 4 objectives including (1) Develop performance based budget framework (2) Develop performance based accountability framework (3) Develop performance based audit framework, and (4) Develop capacity development plan (including legislative bodies and the National Audit Authority) and this part is supported by 9 activities. However, some activities do not prepare their actions as follows:

42.1. Develop Core framework of performance based management- PBM (G.S of MEF)

42.2. Consult on performance based management guidelines (G.S of MEF)

43.1. Develop the core framework for performance based auditing- PBA (GS of MEF, GD of Internal Audit)

43.2. Organize consultation and training on performance based auditing guidelines (GS of MEF, GD of Internal Audit)

Based on these objectives have achieved 20% of the target, including objective 41 has achieved 60% of the target, objective 42 hasn't prepared its planned action, objective 43 has not yet implemented due date, and objective 44 has achieved 18% of the target. Thus, we assume that readiness for later platform to which didn't fully implement and active comprehensively by the lack of activities, lack of implementation and strong commitment from relevant General Departments under MEF.

4.1. Develop performance based budget framework

This objective consists of 2 activities including activity 41.1. Develop Core Framework for performance based budgeting-PBB, Activity 41.2. Organize consultation on performance based budgeting guidelines. If we look at result achievement among this objective has achieved 60% that activity 41.1. has achieved 60% of the target and activity 41.2. has not implemented due date.

If we look at those indicators which have not achieved targets:

1. Report of core Framework for performance based budgeting is developed and mechanism to monitor the implementation of pilot test on performance based budgeting
2. Performance based budgeting principles are consulted with concerned ministries/institutions and entities

In that, General Secretariat of MEF has not been reported the progress of the actions implementation even if the action is included in the consolidated action plan of the Ministry of Economy and Finance.

Therefore, we can assume that the 1st objective has not fully implemented comprehensive in this quarter.

42. Develop performance based accountability framework

This objective consists of 2 activities including activity 42.1. Develop Core Framework of Performance Based Management- PBM, and activity 42.2. Organize consultation on performance based management guide-lines. This objective has not measured yet due to relevant General Departments haven't prepared the action to support those activities.

Therefore, we assume that the 2nd objective has not yet achieved which required the General Secretariat of MEF should be prepared action to support the activities.

43. Develop performance based audit framework

This objective consists of 2 activities including activity 43.1. Develop the Core Framework for performance based auditing- PBA, and activity 43.2. Organize consultation and training on performance based auditing guidelines. If we check in overall on those activities, this objective has not yet measured due to Activity 43.1. Has not yet been implemented, and 43.2. Has not prepared the action to support those activities by General Departments.

Therefore, we assume the 3rd objective has not yet achieved toward goal setting, which required the General Secretariat of MEF and General Department of Internal Audit have to prepared adopted action to support the activities.

44. Develop capacity development plan (including legislative bodies and the National Audit Authority)

This objective consists of 3 activities including Activity 44.1. Develop capacity development plan- CDP, Activity 44.2. Organize consultation and approve capacity development plan, and Activity 44.3. Disseminate and implement capacity development plan. If we check in overall on those activities, this objective has implemented 18% including activity 44.1. has achieved 55%, activity 44.2. no report 0%, and activity 44.3. no General Department have adopted the action to support those activities.

There are no indicator which has been achieved of the target. However, we have observed that there are partial capacity development plan that had been made by Economics and Finance Institute.

Therefore, we've observed that the 4th objective has not yet achieved in this quarter. Similarly, General Department has not been reported and prepared action to support the activities.

5. Support the success and sustainability of PFMRP's implementation

Part 5 is developed for supporting the success and sustainability of PFMR program's implementation through 03 significant objectives including; activity 51. Develop leadership and management capacity, reform commitment, ownership and responsibility supported by 02 significant activities, activity 52. Increase effectiveness of capacity building and motivation supported by 02 significant activities and activity 53. Improve capacity building for implementation of PFMR's program- Platform 3 supported by 04 key activities.

Based on this report period that part 5 has achieved 71% in overall including objective 51 has achieved 56% of the target, objective 52 (79%) and 53 (75%). Above results indicated actions for supporting the successful and sustainable implementation of PFMRP– platform 3 has still limited and stayed concerned and not responded to maximum yet especially the strong commitment, ownership, responsibility and the capacity building strengthening from relevant General Departments under management of the Ministry of Economy and Finance (MEF).

5.1. Develop leadership and management capacity, reform commitment, ownership and responsibilities

This objective is supported by 02 significant activities including; activity 51.1 Enhance leadership and management capacity and activity 51.2 Increase reform commitment, ownership and responsibilities. If we look at the result achievement, this objective has achieved only 56% of the target including activity 51.1 (61%) and 51.2 (53%).

The above results contributed by the achievement of 03 indicators as follows:

- 1) Vision and mission of office chief, deputy director of department and director of department have been compiled and implemented,
- 2) Compilation and dissemination on lexical state property and non-tax revenue regulation, public finance, staff management, institutionalized process, yearly updated lexical manual of MEF, significant updated legal regulatory with MEF authority, significant updated legal regulatory with taxation and MEF public service standard have been reviewed and double checked for all aspects (specialized management level) and

- 3) Human resource management and development strategic plan has been studied and fiscal state property list of General Department of Taxation.

By the way, there are 05 indicators have not been achieved as follows:

- 1) Vision and mission of department haven't been prepared and implemented
- 2) Draft circular on procedures and measures of enhancing leadership capacity and management of the Ministry of Economy and Finance haven't been prepared
- 3) Legal advisory beside plans to support the success and sustainability of PFMRP's implementation haven't been prepared
- 4) Compilation and dissemination on legal lexicon with customs and excise, financial industry, public procurement, accounting, MEF legal lexicon and other legal lexicon haven't been made and
- 5) Preparation, coordination and understanding of international based practice in exchange of international experiences relevant to leadership in public sector and reform program to senior top management level and civil servant

Please also note that the preparation of human resource management and development strategic plan from 2017 -2019 of MEF is requested to move to the next quarter (quarter 2) by the Personnel Department.

In conclusion, the objective 5.1 was not completely achieved for this reporting period (quarter 1). Moreover, some line ministries/GDs haven't prepared activities for supporting to this objective and the strengthening of leadership and management capacity, the development of reform's commitment, ownership and responsibility are still limited which shown that the line ministries do not value or understand their roles and responsibilities for supporting this objective. Challenges of the implementation of this objective are 1) human resource is limited (PFM focal point), 2) other core job is prioritized by the PFM focal point and 3) Workload is higher than expected and required more studies.

5.2. Increase effectiveness of capacity building and motivation procedure

This objective is supported by 2 key activities including; 52.1. Review the effectiveness and efficiency of training and prepare new capacity building plan and 52.2. Review procedure and platform of equivalent and consistent motivation. The overall achievement of this objective is 79% resulted from key activity 52.1 for 58% and 52.2 for 100%.

The above results contributed by the achievement of 02 indicators including:

- 1) Compilation of training document on program budgeting execution (1) budget plan preparation (2) program budgeting execution procedures (3) procedures and methods of public procurement implementation (4) accounting list process (5) internal control procedures and (6) financial inspecting procedures have been compiled.
- 2) Experiences and challenges of implementation Prakas 616 are studied in present situation and performance reviewed plan and implemented in 2016.

At the same time, there is 01 indicator did not achieved in this quarter – it is “training needs assessment of all relevant ministries and institutions”.

In conclusion, the above achievement of the objective did not completely respond to what we have set. Challenges of the implementation of this objective are 1) 01 activity hasn't been implemented due date and 2) some activities have started for only a few parts and there is no action to include in the report.

5.3. Improve capacity building for implementation of public financial management reform program- Platform 3

This objective supported by 4 significant activities including:

- 1) **Activity 53.1** – prepare the institutions for responding to the platform 3 which consist of 1) completion of ToR analysis from all General Departments, 2) Prepare and implement the structure revision's plan of each General Departments and Departments, 3) Prepare and disseminate new management system, 4) Prepare policy for management information system for MEF, 5) Effective uses of technical support and 6) Revise/improve the current implementation practice through the increase of technologies utilization,
- 2) **Activity 53.2** – human resource development for platform 3 which including training (skills) that will be provided for both MEF and line ministries/GDs.
- 3) **Activity 53.3** – prepare and implement strategy of communication and facilitation for platform 3
- 4) **Activity 53.4** – Identify roles and responsibilities for improving facilitation between line ministries/GDs.

The overall achievement of this objective is 75% resulted from key activity 53.1 for 69% and 53.2 for 88% and 53.4 for 50%.

The above results contributed by the achievement of 06 indicators including:

- 1) Data center location and location for reviewing networking have already been determined. Moreover, structure and chart of linkage to ICT networking have already been studied
- 2) MEF Budget entities have been participated retreat on MEF-BSP preparation in duration of 2017-2019 and retreat on consolidation, review and MEF budget entity evaluation
- 3) Procurement entity is disseminated and trained in accordance with trained participation followed with GDB to line ministries and some capital city/provincial
- 4) Provincial/Capital city treasury civil servants have been trained on FMIS system and piloted each entity.
- 5) Cashier and cashier assistant have been trained. Moreover, training on program budgeting execution to central entity and 25 capital city/provincial department of MEF
- 6) Capital city/provincial economic and finance manual data information has been collected and consolidated.

By the way, 04 indicators have not been achieved as follows:

- 1) Functional analysis in administration and finance department.
- 2) Announcement on the entities of administration and finance department and relevant employee will be trained officials (submit names to human resource department)
- 3) Short term training preparation on accounting program
- 4) Training course on budget entity to sub national civil servants (being proceeded training)

There is no progress on the action 53.4.1, the preparation of monthly, quarterly and annual meeting to review progress of PFMR's program. Other 03 sub-activities are suggested to next quarter (quarter 2) including action 53.1.2, the preparation of circular on the qualification of civil servants of MEF (department of personnel), action 53.2.1, the preparation of training course on budget strategic plan for the Sub National Administration (finance general department of the sub national administration) and action 53.2.2, the preparation of training on program budget execution, budget planning and execution, public accounting and list of accounting, public procurement, auditing and inspection to both national and sub national civil servants from line ministries (EFI).

Challenges of this objective are 1) Knowledge of the General Department of Sub National Treasury's civil servants of the 25 provinces/cities is limited. Additional training on FMIS is

strongly needed, 2) lack of staff for updating and entering data into E-doc system and 3) time constraint.

In conclusion, what we have achieved for objective 3 is in the medium stage – means it does not respond to what we have set yet. Challenges of the implementation of this objective are 1) one activity hasn't been implemented and 2) some activities have started for only a few parts and there is no activity to include in the report.

In overall, even many activities were completely implemented and some were not, we can see in details that weight of the set activities is not strong enough for serving as real contribution to this part (5). Therefore, all General Departments has to strengthen and make activities to be more specific and be shaper in order to ensure the support of the success and sustainability of PFMR program's implementation especially for platform 3. The relevant General Departments who is in the process of preparing and strengthening their reform activities should work harder to prepare the set activities to turn all General Departments to be accelerator – together contributes to the improvement of PFMR program's implementation smoothly.

III. Challenges

- ❖ MEF GDs/Entities indicator determination haven't clearly had.
- ❖ Some activities haven't adequately supported:
 - **33.2.** Clearly identify line of accountability in annual budget preparation and Public Investment (clearly define between Line-Ministry, including Ministry of Planning, the Council for the Development of Cambodia and MEF.)
 - **35.5.** Expand and strengthen external auditing
 - **43.2.** Organize consultation and training performance based auditing guidelines (GDMEF and GD of Internal Audit?)
 - **53.3.** Develop and implement communication and coordination strategy for stage 3 program.
- ❖ Some detailed action haven't responded to activities (32.1 and 32.2)
- ❖ Some GDs/ Entities have still submitted performance report late to G.S.C.
- ❖ Yearly budget in 2016 has not used and kept waiting for EU approval.
- ❖ FMIS budget support, which caused the obstacle to FMIS implementation in phase 2, hasn't been clearly finalized.
- ❖ FMIS system management structure has not been fully prepared.
- ❖ Detail budget execution of Commune (Sangkat), which causes budget implementation of

FMIS system late, has lately interacted to inserting FMIS system

- ❖ Guidelines on program budgeting execution have not been fully linked with program budgeting execution in FMIS system.
- ❖ Actual necessary needs in accordance with promoting leadership capacity and coordination FMIS technical works.

IV. Suggestion

- ❖ General Departments of MEF should review and revise all adopted indicators and indicators suggested by development partners for the preparation of action plan 2017
- ❖ Promote the roles of Economy and Finance Institute through the collaboration between related general departments in preparing strategies on Public Financial Capacity Building to legislative institutions, executive institutions, judicial institutions and sub-national administration, etc.
- ❖ Some actions are requested to be implemented in the next quarter:
 - 36.6.7. Provide legal consultation on legal regulations for preparing the procedures and principles for comprehensive program budgeting and budget organization implementation for subnational level (Legal Department).
 - 51.1.3. Prepare Management and Human Resource Building Strategy of MEF for 03 Year-term 2017-2019 (Personnel Department).
 - 53.1.2. Prepare Circular on Job Description of Civil Servant of MEF (Personnel Department).
 - 53.2.1. Prepare Focal Point Training Program for Budget Strategic Plan preparation for Subnational Administration (General Department of Subnational Administrative Finance)
 - 53.2.2. Prepare training program on Program Budgeting Implementation, Budget Preparation and Implementation, Public Accounting, Public Procurement, Audit and Inspection to Civil Servant of Provincial Departments of each line ministry (Economy and Finance Institute).

V. Conclusion

Although, in the first quarter progress report of 2016, there are some indicators not achieved as plan, it may be due to objective and subjective factors. This progress report indicates the necessity to review and revise the indicators and actions (to be done in 3rd quarter) to achieve the target of CAP3.