

Unofficial Translation



**Public Financial Management Reform
Steering Committee**

**Evaluation Report on
Implementing 2016-2020 Consolidated Action Plan Stage-3
Public Financial Management Reform Program**



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

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Abbreviations

ADB	Asian Development Bank
BSP	Budget Strategic Plan
BSRS	Budget System Reform Strategy
CAP	Consolidated Action Plan
CoA	Chart of Accounts
DMFAS	Debt Management and Financial Analysis System
EFI	Economics and Finance Institute
GDICDM	General Department of International Cooperation and Debt Management
FMIS	Financial Management Information System
FMWG	FMIS project Management Working Group
GDB	General Department of Budget
GDCE	General Department of Customs and Excise
GDIA	General Department of Internal Audit
GDNT	General Department of National Treasury
GDPP	General Department of Public Procurement
GDSNAF	General Department of Sub-National Administration Finance
GDSPNR	General Department of State Property and Non-Tax Revenue
GDT	General Department of Taxation
GDP	General Department of Policy/ Gross Domestic Product
GFS	Government Financial Statistics
GSC	General Secretariat of Public Financial Management Reform Steering Committee
IMF	International Monetary Fund
LM	Line ministry
LCs	Legal Council Secretariat
MEF	Ministry of Economy and Finance
MTBF	Medium-Term Budget Framework
MTFF	Medium-Term Fiscal Framework
NAA	National Audit Authority
NSDP	National Strategic Development Plan
PFM	Public Financial Management
TOFE	Table of Fiscal and Economic Operations of the Government
WB	World Bank
PFM-RC	Public Financial Management Reform Commission
PFMR-SC	Public Financial Management Reform Steering Committee
MoEYS	Ministry of Education, Youth and Sport
EFMS	Education Financial Management System
PB	Program Budgeting
NRMIS	Non-tax Revenue Management Information System
SARMIS	State Asset Register Management Information System

Executive Summary

The Evaluation Report on the implementing consolidated Action Plan-Stage 3 (CAP3) of the Public Financial Management Reform Program was prepared based on the progress reports of the implementation of CAP3 of entities under the Ministry of Economy and Finance and line ministries on a quarterly and annual basis, and results of the Public Expenditure and Financial Accountability Assessment (PEFA) 2020 at national and sub-national administrations, as well as the result report on CAP3 review which is prepared by ADB's expert. The evaluation methods include: (1) a review and evaluation of key performance indicators at objective level, (2) an overall assessment of part level, and (3) a review of Public Financial Management Steering Committee's decisions.

Result of Consolidated Action Plan-Stage 3 (CAP3) Evaluation

From 2016 to 2020, MEF's General Departments (GDs) have planned around 400 actions each year. Incomplete actions have decreased in the last two years, indicating the executed entities are paying more attention year after year. In 2020, the identified actions as affected by the COVID-19 pandemic will not be assessed, and majority of them are connected to capacity building planned in part 5. Actions were planned each year are still collective in part 1.

The Planning actions of line ministries have decreased steadily since 2017, while the number of fully achieved actions increased in 2018 and 2019, indicating that the quality of planning actions and implementation of line ministries are more effective. Likewise, the GDs under the Ministry of Economy and Finance, the number of incomplete actions of line ministries increased about 125, including some non-performing actions that were affected by the COVID-19 pandemic, and most of the actions are on training and seminars planned in part 5 in 2020.

Part 1 "Budget Credibility": *There are 4 objectives, namely: (1) Further Strengthened Revenue Management and Revenue Collection Implementation, (2) Further Strengthen debt management, (3). Strengthen cash management and accounting, and (4). Improve budget execution and strengthen implementation of expenditure plan.* Through the rigorous implementation of the Medium-Term Revenue Mobilization Strategy 2014-2018 and the Revenue Mobilization Strategy 2019-2023 as adopted by the Royal Government of Cambodia (RGC), the revenue status is strong and created a current surplus. Revenue increased by an average of 1.4 percentage points of GDP (2014-2018) and particularly increased by 3.18 percentage points of GDP in 2019. Expenditure performance has continued to improve significantly in line with plan and within the target range (+/- 5% of the revenue-expenditure program). The implementation status of the total annual expenditure reached a minimum of 96% in accordance with the indicators and plans. Cash balances have been regularly monitored through bank statements in accounts under a Treasury Single Account (TSA) with no cash shortages. Payroll payment through the banking system is carried out nationwide and regularly twice per month. Since 2016, no expenditure arrears and public debt has been manageable with five key debt indicators under the ceiling. In addition, non-Tax Revenue Management Information System (NRMIS) has been implemented in line ministries and revenue collection departments. The Capital-Provincial Administration is planned to be implemented from 2021 onwards. The Public Procurement System Reform Strategy 2019-2025 and guidelines on linking procurement plans with annual budget proposals have been developed and implemented. Cash forecasting by the General Department of National Treasury has been improved through the implementation of Web-Based Applications by 20

line ministries in 2018 and 10 more line ministries in 2019. The remaining LMs are expected to start using the application in 2020. With indirect tariff reductions and international trade tariffs under pressure as Cambodia develops its free trade agreements with more countries, the tax base remains narrow.

However, the basis of revenue source remains a concern for sustainable economic growth, while revenue collection compared to the plan has not been assessed the effectiveness of the forecasting framework and potential or feasibility of revenue mobilization. The tax base remains narrow, with indirect tariff reductions and international trade tariffs under pressure as Cambodia develops its free trade agreements with more countries. The increase in direct taxes remains small. Income taxes that require a clear legal framework and a good culture of tax payment have not been fully prepared. The law on non-tax revenue management has not been approved. The implementation of the public procurement system and the management of public investment have just been developed as the reform strategy. Circular on the data and information exchange and sharing between the General Department of Tax and the General Department of Customs and Excise as consolidated by the General Department of Policy was prepared but has not been implemented effectively. At the same time, the security sector still has no policy framework, mechanisms and procedures for securities issuance, while the strategy for the development of government security market planned since 2017 has not been finalized that requires further cooperation. The 60-day arrear from the mandate entry to the General Department of National Treasury has seen good progress, but this 60-day period should be counted from the mandate issuance of the supplier until the payment; however, based on International standard arrear, it is only 30 days. The implementation of expenditure, the ministries and institutions are likely to be occupied during the end of the fourth quarter of each year. However, this task has been gradually resolved by the MEF with cooperation of relevant ministries and institutions.

Part 2 “Further Strengthen Financial Accountability”: *There are 5 objectives including (1). Budget classification, (2). FMIS implementation, (3). Public accounting standard, (4). Data management system of state property inventory and (5). Index of Open Budget Survey.* The implementation of budget classification, charts of accounts and FMIS operation phase 1 and 2 as the basic of recording and preparing financial statements effectively and timely, have achieved good progress aligned with international standard. FMIS has been implemented at all LMs, Provincial and Municipal Treasuries and Departments of Economy and Finance. 7 budget classifications have been implemented in FMIS. Nevertheless, the geography and function classifications have not been fully implemented. In addition, 6 core modules have been carried out in FMIS including (1). Budget Allocation, (2). Account Payable, (3). Account Receivable, (4). Cash Management, (5) Purchasing and (6). General Ledger, together with developing of 2 more modules such as Budget Planning and Procurement. The State Asset Registration Management Information System, abbreviated as SARMIS, has been planned to implement gradually at national administrations in 2021 and continue to implement at all national and sub-national administrations by 2021. Financial statements have been prepared in compliance with IPSAS Cash Basis. Meanwhile, Cambodian Public Accounting Standard has been prepared and implemented its roadmap towards IPSAS Accrual Basis in 2031. Public Forum on Macroeconomic and Budget Management Frameworks have been conducted every year to increase the public participation. The dissemination of documents related to budget information to the public has made good progress from year to year and led to increase Cambodian Open Budget Index gradually for the Open Budget Survey globally that is prepared once every 2-year by received 11 points in 2008, 15 points in 2010, 15 points in 2012, 8 points in 2015, 20 points in 2017 and 32 points

in 2019. The Debt Management and Financial Analysis System (DMFAS) and Automated System for Customs Data (ASYCUDA) have been interfaced with Financial Management Information System (FMIS).

However, the implementation of state property management system has not fully implemented by LMs. Preparation of budget execution based on 7 budget classifications is still limited since report by each budget classification is not consistent with each other and fully implemented only 5 classifications while the geography and function classifications have been being further implemented. At the same time, the extracted information from FMIS could not be used for preparing disbursement report which required the adjustment of the General Department of Treasury before preparing usable reports. Dissemination of related budget information has achieved good progress, but it has not well complied with International Budget Partners (IBP) survey and not provide simplicity for public, while the public participation in the budgeting process has remains limited progress. Public Administration Entities have not been able to prepare reports on the contents of the public budget.

Part 3 “Budget-Policy Linkages”: *There are 4 objectives including (1). Implementation of budget program, (2). Comprehensive budget preparation, (3). Development of Medium-Term Fiscal and Budget Frameworks, (4). Development of financial decentralization framework.* In this regard, a number of key legal documents and strategies have been developed and implemented in stage 3 to strengthen the implementation of actions for linking budget to policy. The Law on Public Financial System (new) and related Sub-Decrees, which have been developing are the important legal documents to ensure the effectiveness of new budget system implementation. As of 2018, all line ministries have implemented the program budgeting, 24 provincial administrations implemented by 2020 and the Phnom Penh Capital Administration will implement lastly by 2021. As total of the stage 3, there are 962 budget entities, 359 of which are central level, and 664 are local level. Moreover, the strategic budget plan (BSP) has been prepared by identified the policy objectives and program and indicated substances of objectives as well as rationality, sources of finance, key performance indicators for monitoring the implementation of outputs, key performance targets, timeframe and budget requirements, especially the preparation is based on the expenditure ceiling prescribed in the Macroeconomic Policy and Financial Policy Frameworks for the development of Draft Law on Financial Management and the Medium-Term Budget (MTBF) since the development of MTFF is delayed. The integration of the current and capital budgets, a concept note was prepared. The implementation of financial decentralization policy has been achieved good results by setting actions once a year and in stages for implementation. In addition, the implementation of Budget System Reform Strategy 2019-2025 for Sub-National Administration has become a roadmap of strengthening financial decentralization policy.

However, mechanisms for monitoring and evaluating program budgeting implementation has not been strengthened. There are 359 central budget units, 61 of which are delegated and 250 of which are non-delegated authorizers. Linking budgets to policies of LM remains challenges in setting policy objectives, structures of programs and originations and key indicators at national and sub-national administrations. Lack of analyzing policy risks and mechanisms, frameworks or procedures for financial risk analysis can be a challenge for the development of MTFF more effectively. The implementation of the MTFF and MTBF frameworks is delayed. As for the implementation of the accountability system, between the legislature and the executive bodies and between the Ministry of Economy and Finance and LMs, and within LMs, the mechanism is not yet clearly defined.

Part 4 “Readiness for Next Platform”: *There are 4 objectives including (1). Performance informed budgeting, (2). Performance informed Monitoring and Evaluating Framework, (3). Full-fledge Audit Framework (Performance, Technology, Compliance, and Finance), and (4). Strategic Development Plan for the Public Financial Management Reform Program-Stage 4.* The progress of part 4 has not been improved in the first two years, but now enhanced after the Budget System Reform Strategy 2018-2025 was implemented by setting “performance informed budgeting” as the specific direction of Cambodia's budget system reform.” In this regard, the guidelines on performance audits, both external audit 1 and internal audit 2, and guideline on IT audit have been developed and implemented. Guideline on Preparation of Performance Budgeting has been developed. Forms of performance agreements, guideline on implementation of performance budgeting, and conceptual framework on monitoring and informed-performance review have also been drafted. Furthermore, the Strategic Capacity Development Plan of the Public Financial Management Reform Program, Stage 3 has been implemented, providing 210 trainings to approximately 15,092 civil servants for human resources development and capacity of institutions to support changes of works related to the public finance.

However, internal audits and inspections at LMs have remained challenges that need to be solved due to a lack of concepts in assigning roles, responsibilities, structures and coordination mechanisms. In fact, the preparation of the Sub-Decree on the Rules and Procedures of Financial Inspection has been delayed, which requires coordination between the MEF and the Ministry of National Assembly-Senate Relations and Inspection or further political decision-making. There is a lot of training courses conducted, but monitoring and evaluation of the short, medium and long-term results of those training courses is not taken into account. Meanwhile, capacity building arrangements for the legislature body and the National Audit Authority have not been implemented as planned due to inconsistencies in institutional mechanisms. The preparation of framework for the implementation and control of the budget, information, achievements has not been achieved as planned. The preparation of Law on Public Financial System and related Sub-Decrees for the implementation of the performance informed budgeting has been delayed.

Part 5: “Supporting the implementation of a successful and sustainable reform program”: *There are 5 objectives, including (1) Leadership, management capability, willingness, ownership and responsibility for PFMRP, (2) Sufficient and effective trainings, (3) Providing sufficient, effective, and efficient incentives, (4) All ministries and institutions have the competence to participate in the effective and efficient implementation of the PFMRP, and (5) PFMRM implementation mechanisms and procedures at line ministries.* The assessment of part 5 focuses on the management of PFMRM mechanisms, incentives and financial resources mechanisms, and the inter-reform programs mechanism. As a result, the meetings on monitoring progress of implementation of the joint action plan of units under the MEF and ministries are organized quarterly and annually. Incentives are disbursed monthly to the PFM working group of line ministries and the general departments of MEF. Furthermore, the Royal Government's three reform programs' inter-reform program mechanism has been prepared and implemented since 2015, and then a political decision was made to integrate the legal and judicial reform program into the existing mechanism, resulting in the RGC's 3 plus 1 reform program mechanism. However, the implementation of PFMRP at line ministries remains a challenge.

¹ Prepared by National Audit Authority

² Prepared by General Department of Internal Audit of MEF

However, the composition of the PFM working groups at line ministries are observed to change frequently and are organized according to a certain leadership pattern, which is a consequence of progress of the reform. In addition, the achievements of the implementation of the reform work have not become a full basis for the incentive disbursement. Meanwhile, the RGC's PFMRP and other reform programs lack a vision or strategy for linking at the top policy level, causing the reform process going at various speeds and not complement one other thoroughly. As a result, the leaders of the 4 reform sites have taken the initiative and given their approval to develop the vision and strategy document of the 3 + 1 reform programs for the next 10 years, with GSC facilitating in the completion of the concept document by 2021 and the preparation and completion of the vision and strategy document before 2023.

Risks and consequences for the effectiveness of reform program implementation

Increasing of implementation gap: The newly developed reform strategy phase 3 of the PFMRP will “widen the gap in the past” since a lack of management and professional capacity to design and implement key activities identified in the new reform strategies.

Prioritization of reform activities: Define the reform program's priority activities in detail, taking into account which activities should be implemented first and which should be tackled subsequently. Simultaneously, the implementation of the priority activities in each phase must ensure that the “foundations” are achieved before moving on to the next phase of the reform program.

Coherence of the reform activities should be thoroughly monitored: Many of the reform program's priority activities are related to or pave the way for the implementation of other activities. Therefore, those activities must be thoroughly examined and evaluated in order to ensure the effectiveness of risk management and monitoring.

External Factors: Key components of the PFMR supported the progress made in other national reforms. In fact, with efforts to strengthen the Performance Accountability's implementation and technical support from development partners, the Public Administration Reform Program has seen progress.

Experiences of Implementing Consolidated Action Plan-Stage 3

Experiences from the monitoring and evaluation of implementing consolidated action plan of the Public Financial Management Reform Phase 3 has reviewed in the 4 areas as follows:

1. Non-technical component of the reform: the focus on human resource and institutional development, and motivation remain challenging. Human resource development is in the form of trainings and workshops while institutional development and incentive remain not strong enough.
2. Coordination framework: coordination framework remains challenging for the reform implementing unit since some entities still require encouragement from senior management.
3. Monitoring and evaluation: monitoring the progress of GDAP3 and MAP3 implementation focusing on implementation activities. The implementation should focus on further strengthening the monitoring and evaluation framework and key performance indicator's process which have inputs on planned activities as well as the effectiveness of performance monitoring through the quarter and annual steering committee of PFMR and technical working group meeting. The monitoring should focus on reviewing achieved key indicators by verifying with references.

4. Correlation between other reform: there is no correlation framework between other reform to ensure the efficiency and effectiveness of governance reform in line with Rectangular Strategy Phase 4.

Implication of the preparation of Consolidated Action Plan Stage 3 plus 2 (CAP3+2) 2021-2022

The evaluation shows that the implementation of the Consolidated Action Plan-Stage 3 (CAP3) “Budget Policy Linkage” has achieved good progress, although there are still some problems with performance quality, but this can be further improved and extended the implementation of some actions affected by the COVID-19 pandemic. Based on basis of this evaluation result, the RGC decided to continue to implement CAP3 for another 2 years to strengthen the fundamental of the reforms in the previous three platforms before moving towards the last platform 4. The transition to stage 4 aims to create necessary conditions towards implementing the performance-informed budgeting which is a key to build “performance culture” across the whole government framework as well as continuing to implement each platform’s approach. Meanwhile, the preparation of the Consolidated Action Plan-Stage 3 Plus 2 2021-2022 of the PFM RP is not in the form of CAP3, but will be revised by dividing clear objectives of each part/platform.

The General Secretariat of Public Financial Management Reform Steering Committee (GSC) will revise objectives by combining similar ones, create new objectives and change to other parts. The formulation of new objectives or activities is based on key strategies which were developed and implemented in this Stage 3, including Budget System Reform Strategy 2018-2025, Revenue Mobilization Strategy 2019-2023, Budget System Reform Strategy for Sub-national Administration 2019-2025, Public Procurement System Reform Strategy 2019-2025, Public Investment Management System Reform Strategy 2019-2025 and Public Debt Management Strategy 2019-2023 as well as the Business Processes Streamlining through FMIS. The GSC will direct the transition from “Stage” to strengthening and building each “Platform” which is the pillar of public financial management in line with Public Expenditure and Financial Accountability framework (PEFA).

Therefore, the preparation of Consolidated Action Plan Stage 3 Plus 2 towards Stage 4 will be sharpened on the following main points:

- ❖ **Platform/Part 1 “Further strengthening budget-credibility”**: focuses on (1) diversifying the source of revenue during the COVID-19 context which is the input for revenue, (2) accelerating expenditure and payment procedure to timely respond to the new priorities, (3) promoting public investment management, and (4) reforming public procurement system.
- ❖ **Platform/Part 2 “Further strengthening financial accountability”**: focuses on (1) fully implementing budget classification and expanding the use of chart of accounts, and (2) continuing to promote the use of FMIS including solving technical issues while implementing the existed FMIS, continuing to interface with other systems, strengthening additional functions of the system including commitment process function and other functions, and promoting the use of FMIS for producing the monitoring report of the general department as well as ministries/institutions.
- ❖ **Platform/Part 3 “Strengthening budget-policy linkage”**: focuses on (1) implementing medium-term financial framework and medium-term budget framework especially in the

COVID-19 context while the economic situation is unclear and unpredictable, (2) strengthening the quality of the program budgeting by strengthening the quality of the indicators, strengthening the program management, forming budget entities at central level, and integrating the current budget and investing in each programs, and (3) integrating the budget strategic plan with program budgeting formulation.

❖ **Platform/Part 4 “Building performance accountability/institutionalization the performance -informed budgeting system”**: focuses on (1) implement performance agreement, monitoring and evaluating framework of budget implementation (2) finalize new Public Financial System Law and Sub-Decree 81 and 82, (3) preparation of Guideline on Performance Audit and Piloting audit based on performance, and (4) implementing Strategic Capacity Development-Stage 4.

❖ **Part 5 “Support to Sustainable Reform Programs, and the Intertwining of Other Reforms”**: focuses on (1) continuing the sustainability of the reform through resource mobilization to implement the reform activities promoting further participation and progress monitoring in all situation, and (2) identifying the interrelated framework between the base in other reform to ensure further moving in promoting efficiency and effectiveness of public service delivery.

The GSC will further strengthen developing a monitoring and evaluation system through:

- Develop annual action plan and performance monitoring system.
- Quarterly monitoring and annual review at the level of the PFM Reform Commission of MEF and PFM Reform Steering Committee.
- Quarterly monitoring and review meetings focused on actions and the achievement of indicators at the activities level.
- Annual review meeting focused on evaluating the achievement of key indicators by part and objective levels.
- Evaluate with PEFA, TADAT, PIMA and External Review.

Conclusion

Overall, the implementation of the reform program-stage 3 "Budget-Policy Linkages" has achieved good progress and maintained the suitability of the reform work towards the set goals, despite some actions have been delayed owing to the Covid-19 outbreak. The prerequisites for implementing the programs, which are the core components of phase 3, are essentially ready and are being institutionalized. Meanwhile, the ministries and institutions are increasing their understanding and adapting to new ideas and initiatives, with a particular emphasis on budget-policy linkages. Even though some tasks are still unfinished, and some have been delayed, the majority of them are still low risk.

Based on the assessment, the RGC decided to continue implementing CAP3 for another two years to strengthen the foundation of reforms in the previous 3 platforms before moving on to platform 4, "Performance Accountability." The transitional stage to stage 4 strives to build the necessary conditions to implement the performance informed budgeting, which is the key to building a "performance culture" across the whole government framework.

In conclusion, the implementation of the Public Financial Management Reform Program-Stage 3 has achieved firmly adequate budget credibility, the backbone of financial accountability has been implemented, and the budget-policy linkage has been achieved as essential, and the important fundamentals of performance accountability are gradually emerging.



1. Introduction

1.1. Background

The PFMRP was launched in December 2004 with the aim of transforming Cambodia's PFM system, which focuses on input and centralization, into a public financial system that focuses on output or outcome and decentralization and to meet international best practice. This work has been prepared for implementation by building 4 stage in 4 phases as follow:

- Stage 1 "Budget-credibility" implemented at the end of 2004 to 2008,
- Stage 2 "Financial accountability" from 2009-2015,
- Stage 3 "Budget-policy linkage" from 2016-2020,
- Stage 4 "Performance accountability" from 2021-2025

Under the ownership and leadership of the Royal Government of Cambodia, the implementation of the PFMRP phase 1 and 2 has achieve good progress by building "Budget-credibility" and "Financial accountability". Currently, the PFMRP is in the third phase, "budget-policy linkage" which will be completed by 2020. As Cambodia achieved its status as a lower-middle-income country, Cambodia still faces new challenges which requires more efforts and close cooperation from all stakeholders including all entities under MEF as well as government relevant ministries and institutions, to undertake phase 3. In the third phase, the stage 3 focuses on the implementation of program budgeting system, budget entities, and the preparation of medium-term financial framework and medium-term budget framework. At the same time, Stage 1 was strengthened through strengthening revenue mobilization and improving cash management. The Stage 2 was further strengthened through the implementation of financial management information system phase 1 and 2.

All reform activities are prepared as "Consolidated Action Plan" that will be endorsed by the GSC with the coordination of the secretariat. The consolidated action plans set out the objective and key indicators of each reform Stage that the entities under MEF and other ministries/institutions must request the reform activities, which will plan to implement to achieve the objectives. The quarterly and annual performance monitoring mechanisms was prepared by the secretariat based on the activities that have been proposed in the consolidated action plan.

The consolidated action plan phase 3 aimed to build Stage 3 which is budget-policy linkage and preparation for Stage 4 "performance-informed budgeting" as well as for strengthening the first two stages. Under this action plan, the entities under MEF planned 2000 activities, 1750 of activities are completed. For the related ministries and institutions, 4000 activities have been planned, 3600 of activities are completed. Although those activities are implemented, some activities were revised to reflect the implementing challenges. In fact, the objective of some sections has been subsequently revised. Although the review of the progress of the reform program has conducted annually, the review of the consolidated action plan framework phase 3 is to gather the implementation experiences and to revise the focus as well as the direction of the consolidated reform.

1.2. Purpose

The consolidated action plan phase 3 evaluation report was prepared for the purpose of providing basic information to the Steering Committee of PFM Reform for the decision to implement phase 4 "performance accountability" or to extend the phase 3 implementation focusing on the remaining activities of PFMRP. This evaluation report also provides important information of the remaining

activities to relevant stakeholders, who involved in PFMRP, for assigning practical activities to boost the implementation.

1.3. Evaluation Method

The evaluation method of the implementation of this action plan is to base on annual report from all entities under MEF on its GDAP3 implementation by reviewing important progress of each platform and MAP3 of the ministries/institutions. The evaluation method, namely: (1). Review the achievement of each section and objective, and (2). Review those achievements that have become a routine task, focusing on the mechanism, working system and resource.

1.4. Public Financial Management Context during CAP 3 Implementation

The implementation of the consolidated action plan phase 2 of the PFMRP has achieved a fragile progress. In fact, this phase 2 implementation has been extended for two years before implementing phase 3. The challenges are as follow: (1) lack of funding to support FMIS operations that will change the operating process, organizational structure, managerial change, and human resource development of the new system, and (2) the global economic and financial crisis had a negative impact on Cambodia's revenue-expenditure and budgeting policy, particularly impacted on budget-credibility. In addition, the public financial framework is still weak facing the rising expenditure demand due to the Cambodia-Thai border crisis and flood which has negative impact on expenditure policies and affected some important expenditure indicators including the smooth implementation of annual expenditure, reflected the possibility that the budget authorized officer could apply expenditure according to expenditure program and expenditure by category.

To response to the above context, the PFMRP requires new leap of reform through the continuation of consolidated action plan phase 3 "budget-policy linkage" by strengthening the budget-credibility and financial accountability.

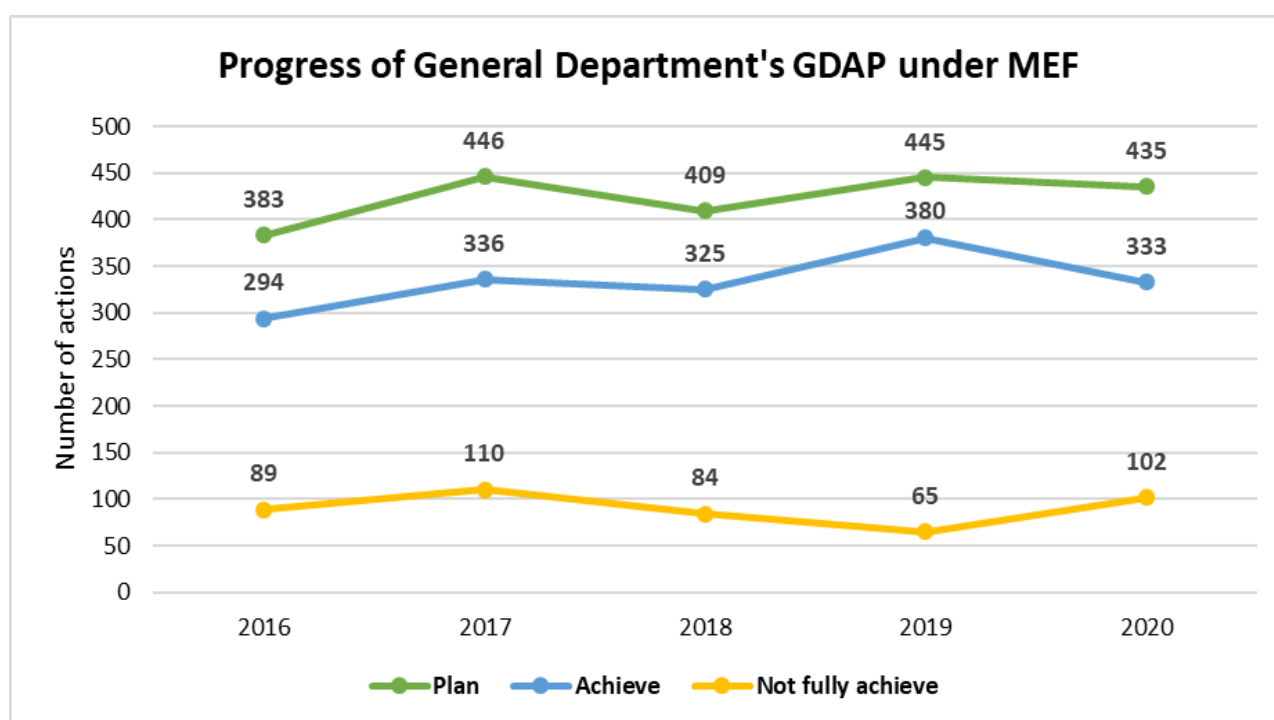
2. Progress of Consolidated Action Plan-Stage 3 Implementation

2.1. Progress of General Department Action Plans under MEF

Table of numbers of action planned by GDs under MEF to implement from 2016-2020

Part	2016			2017			2018			2019			2020		
	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA
Part 1	103	N/A	N/A	110	70	40	132	90	42	123	96	26	141	110	31
Part 2	87	N/A	N/A	87	75	12	74	60	14	98	87	11	92	82	10
Part 3	98	N/A	N/A	129	104	25	72	64	8	77	62	15	80	63	17
Part 4	20	N/A	N/A	15	9	6	40	34	6	85	78	7	61	43	18
Part 5	75	N/A	N/A	105	78	27	91	77	14	62	56	6	61	35	26
Total	383	294	89	446	336	110	409	325	84	445	380	65	435	333	102

*N/FA=Not Fully Achieve



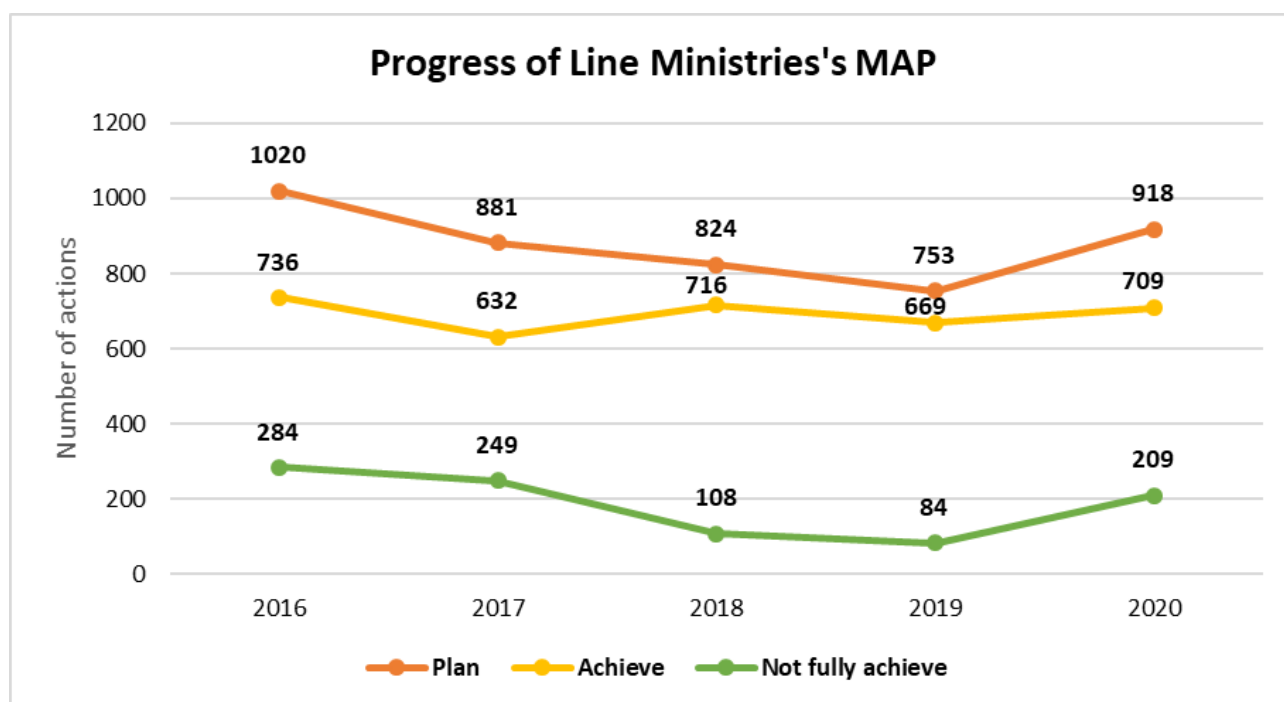
Between 2016 and 2020, the GDs under MEF planned actions around 400 of each year. Incomplete implementation activities have declined in the last two years, 2018-2019, indicating that the implementers are paying more attention from year to year. In 2020, the line of planned actions and completed actions will be slightly separated due to the actions that were planned in Part 5 on trainings and other actions could not be implemented due to the impact of the Covid-19 pandemic. Overall, the actions planned for each year are still collective in the part 1.

2.2. Progress of Action Plans Implementation of Line Ministries

Table of numbers of action planned by LMs to implement from 2016-2020

Part	2016			2017			2018			2019			2020		
	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA	plan	Achieve	N/FA
Part 1	210	N/A	N/A	173	120	53	155	131	24	155	135	20			
Part 2	264	N/A	N/A	192	129	63	183	160	23	185	157	28			
Part 3	283	N/A	N/A	314	227	87	162	142	20	131	120	11			
Part 4	19	N/A	N/A	7	6	1	139	122	17	142	128	14			
Part 5	244	N/A	N/A	195	150	45	185	161	24	140	129	11			
Total	1020	736	284	881	632	249	824	716	108	753	669	84	918	709	209

*N/FA=Not Fully Achieve



Planning actions of LMs declined steadily from 2017 until 2019, but the number of fully achieved actions have increased in 2018 and 2019 which shows the quality of planning and implementing actions has been improved. In 2020, the planned actions of LMs increased by about 209 compared to 2019, and incomplete actions increased by about 125, including not-applicable actions that were affected by Covid-19 pandemic, which most of the actions planned in the Part 5 were training actions and seminars.

2.3. Decision of PFM Steering Committee

❖ Decision in 2017

1. Prepared Public Financial Management Reform Program (PFMRP) Fund
2. Reviewed and revised monitoring system on the implementation of Consolidated Action Plan-Stage 3 in 2017
3. Prepared Strategic Capacity Development Plan of PFMRP
4. Studied on request format of annual Budget in Brief for publishing publicly after Council of Ministers had approved on Proposal of Budget Envelop
5. Preparation of Budget System Reform Strategy 2018-2025
6. Prepared Guidance on Public Financial Management of Government
7. Draft Law on State Property Management, Utilization and Allocation
8. Finalized preparing IPSAS-Cash Basis Financial Statement based on generating from FMIS
9. Prepared Public Procurement System Reform Strategy 2019-2025
10. Prepared Letter on Finalizing the Preparation of Sub-Decree on Non-Tax Revenue Preparation
11. Legal Frameworks related to Sub-Decree and Prakas related to public procurement

❖ Decision in 2018

1. Prepared Action Plan for implementing Budget System Reform Strategy 2018-2025
2. Prepared Budget System Reform Strategy 2019-2025 for Sub-National Administration

3. Prepared 3 Prakas for implementing Public Procurement System 2012
4. Prepared Public Procurement System Reform Strategy 2019-2025
5. Prepared Revenue Mobilization Strategy 2019-2023
6. Prepared Public Investment Management System Reform Strategy
7. Prepared Law on the Management of Integrated Resorts and Commercial Gambling
8. Prepared Conceptual Framework on Public Accounting System towards Accrual Basic System of Accounting
9. General Department of State Property and Non-Tax Revenue has prepared to review Inter-Ministerial Prakas related to Land Ownership of State Certificate
10. Prepared Public Financial Management Reform Program Fund
11. Prepared monitoring and evaluating system of Public Financial Management Reform Program

❖ **Decision in 2019**

1. Draft Law on Non-Tax Revenue Management
2. Draft Law on State Property Management, Utilization and Allocation
3. Draft Law on Management of Commercial Gambling
4. Draft Law on Public-Private Partnership Mechanisms
5. Cambodian Public Accounting Reform Strategy 2019-2031
6. Strategic Capacity Development Plan of PFMRP Stage 4
7. Frameworks and Mechanisms of Internal Audit and Inspection Systems
8. Prepared and set classifications and managing data of tax and non-tax arrears concretely to strengthen the effectiveness of debt management
9. Consolidated Guideline on Public Financial Management Manual (PFMM) of Government
10. PEFA National Report 2020
11. PEFA Sub-National Report 2020
12. Comprehensive PFMRP Fund
13. Reviewed the implementation of Consolidated Action Plan Stage 3 (CAP3) and prepared Draft Consolidated Action Plan Stage 4 (CAP4)
14. Reviewing and revising rental and economic land concession contracts

❖ **Decision in 2020**

1. Conceptual Framework on Cambodian Financial Report
2. Public Sector Accounting Standard (CPSAS) on Revenue from Exchange Transactions
3. Public Sector Accounting Standard (CPSAS) on Property, Plant and Equipment
4. Law on Management of Commercial Gambling
5. Law on State Property Management, Utilization and Allocation
6. Law on Government Security
7. Directing the implementation of new Business Process through FMIS for 7 LMs
8. Integrating between FMIS and Tax Systems
9. Integrating between ASYCUDA and Tax Systems
10. Setting classifications and managing data of tax debts
11. Decreasing non-tax debts
12. Blueprint FMIS Phase 3 2021-2025
13. Recording revenue from economic land leasing and mining concessions into NRMIS

14. Consolidated Action Plan Stage 3 Plus 2
15. Law on Authorizers of Non-Financial Banks Management and Procedures
16. Draft Law on Public Financial System (New)
17. Draft Law on Public-Private Partnership Mechanisms
18. Draw Law on Non-Tax Revenue Management
19. Framework of Policy on Government Security Development
20. Consolidated Guideline on Public Financial Management Manual (PFMM) of Government
21. Comprehensive PFMRP Fund
22. Strategic Capacity Development Plan of PFMRP Stage 4
23. Strategy on Cambodian Public Sector Accounting Standard Reform 2019-2031
24. Concept Note on Vision and Strategy of Reforms 3 Plus 1 (10 years)
25. Integration between FMIS and EFMS of Ministry of Youth, Sport and Youth
26. Integration between FMIS and Salary System of Ministry of Civil Service
27. PEFA National Report 2020
28. PEFA Sub-National Report 2020
29. Plan on Preparation of State Property Ownership
30. Consolidated Roadmap Framework and Action Plan of Resolving Arrears
31. Certificate Programs by linking to TOR concretely
32. Public Financial Management (PFM) Impact Assessment

3. Assessment of Objectives Achievement

3.1. Part 1: Further Strengthened Budget Credibility

In this part 1, there are two main objectives: (1) Implementation of quarterly revenue and expenditure is smooth and predictable (+/- 5% compared to revenue and expenditure program) and (2) yearly effective debt management. To measure the achievement of these objectives, 8 outcome indicators and goals were put in place. Among those outcome indicators, 2 were fully achieved: annual revenue growth achieved at least 0.3% of GDP and no expenditure arrears. The percentage of expenditures implementation compared to the budget law, the framework of public debt management and the management of the single treasury accounting system have also been continuously improved. Other achievable but incomplete, including revenue forecasting, tax and non-tax debt were tightened. Although there is still some reform work in this area that has not been achieved well, including public procurement system, public investment management, and expenditure arrears, revenue / receivables and expenses / payables, including the procedures of implementation. Meanwhile, the revenue base is not strong, and the budget credibility has been significantly strengthened during the implementation of consolidation action plan phase 3.

In this part 1, there are four objectives: (1) further strengthening revenue management and implementation of revenue collection plans, (2) further strengthening debt management, (3) strengthening cash and account management, and (4) improving budget implementation and strengthening expenditure plans. The following sections will evaluate the achievement of this part at each objective level.

3.1.1. Objective 11: Strengthening Revenue Management and Implementation of Revenue Collection Plans

The report on monitoring and evaluating the implementation of the medium-term revenue mobilization strategy 2014-2018 showed that current revenue increased from 14.9% of GDP in 2013 to 19.6% of GDP in 2017, the average annual growth rate of about 1.4% of GDP exceeded RMS target (0.5 percentage point of GDP) of which, customs revenue increased from 6.4% of GDP. In 2013 to 8.5% of GDP in 2017, taxation revenue increased from 5.9% of GDP in 2013 to 8.5% of GDP in 2017.

Revenue mobilization strategy plays an important role in collecting domestic revenue, along with specific measures to improve policies and strengthen the administration of both tax and non-tax revenue. Continued increase in current revenue compared to GDP from 22.0% in 2018 to 25.12% in 2019. The Customs Data Automation System (ASYCUDA) is integrated with the Financial Management Information System (FMIS). Meanwhile, the integration between the tax system and the FMIS system was officially launched during the end of 2020. The Non-tax Revenue Management Information System (NRMIS) has also been implemented and trained to ministries, institutions, sub-national administrations and other similar entities. In particular, in 2020, current revenue growth was decreased to -3.69% of GDP due to the severe impact of the Covid-19 epidemic, customs revenue was lower than planned due to declining trade flows, especially luxury goods, declining economic activity and the implementation of preferential tariffs to help affected businesses. The implementation of taxation revenues achieved the target due to the support of income tax as a result of economic activity in 2019. In addition, other taxation revenues decreased due to the decline in consumption

demand and the decline in people's income due to the Covid-19 disease. Non-tax revenues were lower than planned due to the spread of Covid-19, which severely affected tourism revenue sources.

For yearly debt receivables management, General Department of Taxation prepared nationwide tax debt enterprises documents and the classification of tax debt as “collectible tax debt” and “non-collectible tax debt” has been prepared for inclusion in the new tax debt management and collection system. New tax debt management and collection mechanism and system for the General Department of Taxation has been developed and implemented. At the same time, the Prakas on the tax debt management and Prakas on the rules and procedures for monitoring, enforcing and clearing of non-tax debt were promulgated. Prakas on the rules and procedures for monitoring, enforcing and clearing of non-tax debt was approved on 22nd Dec 2020. In particular, legal documents have been prepared as a mechanism to monitor the implementation of direct revenue collection / share revenue of sub-national administrations.

However, domestic revenue has grown significantly as the effectiveness of assessing the potential of revenue sources and the revenue forecasting framework has continued to be strengthened. The law on non-tax revenue management has not yet been approved, and it is currently being reviewed and revised at the technical level, which is planned to be submitted to the MEF management team by the third quarter of 2021. In particular, debt management, both tax and non-tax debt, is in concern and requires more attention, especially debt classification, the establishment of information technology systems for debt management and collection mechanisms.

Overall, this objective has achieved a lot of good progress on revenue management and strengthening the implementation of revenue mobilization strategy 2019-2023, continue to improve policies and customs, tax and non-tax revenue administration, strengthen analysis and revenue forecasting, strengthening the efficiency of debt management in the year, and the implementation of direct revenue collection / share revenue of sub-national administrations.

The next steps to be taken for objective 11 include:

- *Ensure the efficiency and timeliness of analysis and evaluation.*
- *Implementation of the remaining measures and low progress.*
- *Strengthen the quality of evaluation by continuing to strengthen the capacity of officials.*
- *Monitor and increase the number of key performance indicators.*

3.1.2. Objective 12: Further Strengthening Public Debt Management

The progress of key performance indicators of this objective has been met largely by keeping the debt burden to a minimum, with all 5 key debt indicators below the ceiling. All debt data has been recorded into Debt Management and Financial Analysis System (DMFAS) and In-house Database for PDM which were promulgated through Prakas 1620 MEF.PK, dated 27 December 2018. During 2016-2018, it was the preparation years of documents: policies, strategies and other mechanisms that were implemented and promulgated in 2018-2020 as the following:

- Standard Procedures for Public Debt Management were promulgated by Prakas No. 546 MEF. PK, dated 07 June 2018.
- Public Debt Management 2019-2023 was prepared as draft in 2017 and approved in 22 October 2019.

- Law on Government Security was promulgated by PREAH REACH KRAM No. NS/RKM/1220/040, dated 26 December 2020.

The Cambodian Public Debt Statistical Bulletin Volume 1 was published for the first time in 2015 and volume 2 in 2016. Later, from 2017-2020, it has been published twice per year (Volumes 3-10) with total 10 volumes³. The report on Debt Management Performance Assessment (DeMPA) has been started to prepare in 2017 to the present.

At the same time, to promote the development of government securities, the Ministry of Economy and Finance established the Technical Working Group on the development policy framework on Government Securities in accordance with Decision No. 071, dated 6 November 2020, which the main task is to study, research and develop a policy framework on the development of government securities (PFDGS). As progress, the Technical Working Group prepared a work plan for the preparation of the PFDGS and an outline of the draft PFDGS, including action plan as well. This PFDGS is going to be approved and implemented before the end of 2021.

Overall, this objective achieved a lot of progress on public debt management, that the public debt situation in Cambodia is sustainable and low risk.

The next steps to be taken for 12 objectives include:

- *Further strengthen the implementation of Public Debt Strategy 2019-2023*
- *Further promote the development of government securities.*

3.1.3. Objective 13: Strengthening Cash Management and Accounting

Cash balances are regularly monitored through bank statements in the accounts under the TSA at GDNT. Payment for payroll through the banking system is carried out regularly across the country, with payments being made twice a month. The principle of implementing EFT payments in FMIS is officially implemented. At the same time, the bank accounts opened at NBC and Commercial Bank at the central and capital levels are regularly monitored and the development partners' budget implementation report form is prepared. From 2016, the 60-days period from the time the payment mandate is submitted and the date of the mandate to the General Department of the National Treasury is free from arrears. The public accounting structure has been piloted in a number of units that implement development partner funds.

However, the relevant entities are not likely to have a clear mechanism for the cash management system in ministries and institutions, strengthening timely payments, and reviewing the definition of arrears.

Overall, the objective 13 has achieved a good circle according to the plan for stage 3 of PFMPR. For the next stage, the relevant units should pay attention in a high sense of responsibility and should identify KPIs and activities that are inter-connected and measurable.

The next steps to be taken for 13 objectives include:

- *Strengthen the cash management system in ministries and institutions (shall pilot to implement and regularly monitor the implementation of the MEF as a model)*

³ Cambodian Public Debt Statistical Bulletins: <https://gdicdm.mef.gov.kh/cat/documents-and-publications/bulletins>

- *There are no arrears (60 days), but the definition used by the General Department of the National Treasury does not capture the full period from the issuance of the supplier's invoice until the payment. The definition of "arrears is based on documents submitted to the General Department of the National Treasury.*
- *Strengthen the settlement of cash advance on time*
- *Strengthen the implementation of the Chart of account of the new Accounting System (CoA) for projects or financing programs from development partners.*

3.1.4. Objective 14: Improving Budget Execution and Strengthen Implementation of Expenditure plans

The implementation status of annual expenditures reached around 94.29% in 2016, 94.47% in 2017, 99% in 2018, and 95.43% in 2019. By 2020, due to the impact of Covid-19, the government has twice revised its budget, cutting unnecessary and unnecessary savings, bringing the national budget to 91.84% of the budget or 93.78% of budget rationalization. The ministries and institutions have organized quarterly revenue-expenditure programs and published them on the website. The Public Investment Management System Reform Strategy 2019-2025 has been implemented. Sub-decree on public investment management has been implemented.

At the same time, the Public Procurement System Reform Strategy 2019-2025 has been implemented to strengthen the implementation of the expenditure plan to be more efficient. Sub-decree on Procedures for Complaints and Procurement Resolutions is implemented with the following proclamations:

- Prakas on registration, clearing and disseminating blacklist of bidders
- Prakas on the management of the implementation of public procurement contracts is implemented
- Prakas on the granting of procurement rights in public procurement
- Prakas on Bidding Pre-Qualification
- Guidelines for linking procurement plans with annual budget proposals are prepared and approved
- Policy on the development of public-private partnership mechanisms for public investment project management 2016-2020 was adopted in June 2016.

However, in the fourth quarter of the fiscal year, the implementation of expenditures appeared to be occupied with the payment of expenditures accumulated at the end of the quarter of the year and the lack of monitoring mechanisms. The planned activities are consistent with the objective indicators, but some activities do not seem to be interconnected.

Based on the action plan in 2020, the draft law on public-private partnership (PPP) was approved and promulgated, but it was postponed until 2021 due to the drafting of this law is highly technical and complex, requires a clear understanding of the concept and implementation of the PPP project, requires several consultations and meetings with relevant ministries, and takes a long time. On the other hand, the inter-connection between public investment projects and public-private partnership projects makes it difficult to implement policies on the development of public-private partnership mechanisms for the effective and efficient management of public investment projects.

Overall, Objective 14 has achieved within a good circle according to the plan. The challenges of this objective are addressed by 2020, with detailed action plans to support the above two strategies being implemented.

The next steps to be taken for 14 objectives include:

- *Continue to strengthen the quarterly revenue-expenditure program of ministries and institutions*
- *Fully implement the action plan of the Public Procurement System Reform Strategy 2019-2025*
- *Fully implement the action plan of the Public Investment Management System Reform Strategy 2019-2025.*

3.1.5. Conclusion of Part 1

Overall, strengthening and management of revenue are in good condition and create a current surplus. Expenditure implementation has continued to improve significantly and within a set target. Public debt is manageable.

But the source of income remains a concern for the sustainability of economic growth. The implementation compared to the plan has not been evaluated on the effectiveness of both the forecasting framework and the potential or feasibility of revenue mobilization.

As a direction for the next phase, should continue to strengthen the budget credibility, focusing on mechanisms and strategies that can ensure revenue diversification, the effectiveness of procurement planning and implementation, evaluation mechanisms for strengthening the quality of forecasting and implementation, especially strategic mechanisms and other measures that can ensure the sustainability of the surplus and economic growth in line with the key strategies implemented.

Overall, the next steps to be taken for part 1 include:

- *Continue to strengthen the implementation of the revenue mobilization strategy 2020-2023 by strengthening the implementation of the revenue mobilization action plan and improving the quality of forecasting.*
- *Continue to expand revenue mobilization strategy through revenue diversification to ensure sustainable economic growth.*
- *Establish monitoring mechanisms for quarterly revenue collection management with qualified managers, practitioners and analysts to ensure the accuracy of report and data preparation as a basis for decision-making on strategic planning activities of revenue collection.*
- *Continue to strengthen the quality of preparation and implementation of quarterly expenditure plan to be consistent with procurement plan.*
- *Continue to strengthen the implementation of the Public Debt Management Strategy 2019-2023.*
- *Continue to push the development of state securities.*

3.2. Part 2: Financial Accountability

Financial Accountability has been developed and implemented since 2008 with the development of Financial Management Information System (FMIS). In the stage 3 of the Public Financial Management Reform Program 2016-2020, the stage 2 of further strengthen financial accountability focuses on the implementation of the FMIS system and the expansion of its scope. Along with this recording system, the preparation of comprehensive, timely and in line with international standard report has also been strengthened through the preparation of 7 budget classifications in the FMIS system and full implementation, preparing Cambodian Public Accounting Standards and strengthening management of state assets. In addition, the disclosure of budget information to the public to increase budget transparency is also monitored in the Part 2, ensuring that the open budget index improves from year to year in line with Cambodian context.

This Part 2 has 5 objectives: (1). Budget classifications (economy, program, administration, function, geography, project and fund), (2). FMIS implementation, (3). Standard Public Accounting, (4). State Asset Register Management Information System, and (5). Open Budget Survey Index.

3.2.1. Objective 21: Strengthening the Implementation of New Budget Classification and New Chart of Account (COA)

Main purpose of this objective is to ensure that all data are recorded in the proper format, which can be analyzed accurately and consistently as the basis of the financial accountability and the budget framework preparation. To ensure that this objective is achievable requires proper, timely, and analyzable budget report preparation in the seven budget classifications (as shown the below table). In addition, the expansion of budget report of Public Administration Entities (PAEs) is also the main focus in order to ensure the comprehensiveness of nation clearance report. Furthermore, the GFS report preparation (GFS 2014) should be prioritized to publicize the standardized financial information. To achieve these indicators requires the division of duty and responsibility of relevant entities (responsible, facilitation, and implementation entity) as the progress shown the below table.

KPIs	Explanation	Progress	Responsible Entities	Facilitation Entities	Implementation Entities
7 Budget Classifications	There are available Prakas of the 7 budget classifications . Structure of each budget classification is shown as below:	Budget classifications are implemented in the FMIS, but there are 2 budget classifications that are not applicable: geographic budget			

		classification and functional classification.			
Economic Budget classification	This classification is divided into Chapters (2 digits), Accounts (4 digits) and Sub-accounts (6 digits).	This classification is used at the level of chapter, account and sub-account in the Budget Law (A1 and A2) and Budget Settlement Law (B1, B2, B3, B4) and in the payment order.	GDNT GDB	GDNT	LMs
Functional Classification	This classification is divided into functional code (3 digits), Sub-function (4 digits) and sub-sub function (5 digits) aligning with COFOG.	This classification is used at the level of functional code, but this use is still not consistent with its prakas and COFOG standard. The inconsistency is revealed in the Budget Law (B1) showing only 4 main sectors, while its Prakas and COFOG standard are divided into 10 sectors.	GDB	N/A	LMs
Administration Classification	This classification is divided into	This classification is used at the	GDB	N/A	LMs

	<p>- National Level: LMs (2 digits), General Departments (4 digits), Capital/Provincial Departments (5 digits)</p> <p>- Sub-national Levels: Capital/provincial (3 digits), Municipal/Districts (5 digits), Communes/Sangkats (7 digits)</p>	level of LMs and the level of Capital/Provincial. The use is shown in the Budget Law (B1, B2, C1, C2).			
Geographical Classification	This classification is divided into Capitals/Provincials (2 digits), Communes/Khan (4 digits) and Communes/Sangkats (6 digits)	This classification is used at the level of Capitals/Provincials. The use is shown in the table “C5” of the Budget Law, but its data is not yet applicable.	GDSNAF	No info	LMs SNAs
Project Classification	This classification is divided into Financial source (1 digit), Code numbers (6 digits) and Project numbers (Acronyms).	The use of this classification is not consistent with its Prakas. It is because the use in the Budget Law (C1) and the Settlement Law (C3) does not show the Code numbers	GDB	No info	LMs

		and Project numbers.			
Program Classification	This Classification is divided into Program (3 digits), Sub-program (5 digits) and Activities clusters (7 digits).	This classification is used at the level of Program, Sub-program and activity clusters aligning with its Prakas and Program Budgeting Book. This classification is used in payment order and Program Budgeting of each LM.	GDB GDNT	No info	LMs
Fund Classification	This Classification is divided into Finance source (1 digit), Finance type (2 digits), Fund owner (5 digits).	This classification is used in payment order.	GDICDM	No info	LMs
Preparation of the report of Public Administration Entities (PAEs)	PAEs have to prepare their own financial reports that align with the guideline.	- There is available prakas of “Guideline for Petty Cash Advance Accounting, Petty Cash Revenue Accounting and General Accounting of Public Administrative Establishment”	GDNT	GDNT	PAEs

		- M&E and provided recommendati on to 3 PAEs in 2019.			
(GFS) Government Financial Statistics (GFS)	GFS aligning with GFSM 2014 is fully prepared.	5 out of 7 tables of GFS is consistently prepared with the budget classification.	GDP	GDP	GDP

Overall, although objective 21 has achieved a lot of good progress in this third phase, there are still some issues that should be addressed as the basis for preparing a more comprehensive settlement report. They include: 1. Improving the geographical classification and functional classification; and 2). Strengthening the preparation of the report of the PAEs that are not yet in line with the government chart of account. At the same time, the coordinating entities and/or the strengthening of audit activities on the implementation of the 7 budget classifications should be considered and organized.

Next steps for objective 21 include:

- *Strengthen the implementation of the 7 budget classifications to have analytical reports with interconnection and accuracy.*
- *Encourage all PAEs to have a full budget reports on the chart of account of government.*
- *Expand the scope of government financial statistics (GFS).*

3.2.2. Objective 22: Strengthening the Implementation of the new Budget Implementation System and new Operational Process

This objective aimed to ensure the recording of all transactions, national revenues and expenditures, the closure of accounting entries through the FMIS system, and produce the settlement report or financial statements obtained through the FMIS system accurately and timely. In addition, work procedures for the implementation of budget, procurement and accounting must be digitalized in the FMIS system to ensure the efficiency, transparency and accountability of public financial management. The FMIS working group, the General Department of the National Treasury and the General Department of Budget of the MEF are responsible for developing mechanisms, regulations, monitoring the implementation and participation, while the line ministries jointly implement in this work.

As a result, the FMIS was used to record the revenue and expenditure of the national budget instead of the computer system (Khmer-KIT) of the General Department of the National Treasury in 2017, which the General Department of the National Treasury can export data from this system in preparation settlement report. The FMIS system is implemented in all Capital and Provincial Treasuries, Capital and Provincial Departments of Economy and Finance and line ministries with the preparation of new procedures through FMIS and trained the relevant officers. Meanwhile, the FMIS is implemented with 6 core modules (Budget Allocation, Accounts Payable, Accounts Receivable, General Ledger, Purchase Order and Cash Management) and has been expanding two additional core

modules (Budget Planning and Procurement). The digitalization of work procedures for the implementation of budget, procurement and accounting records in the FMIS system is also designed as a clear roadmap. In addition, the FMIS system is integrated with the Customs and Excise System (ASYCUDA), Tax System, Public Debt Management System (DMFAS) and Non-tax Revenue Management Information System (NRMIS).

With these good results, Objective 22 still faces some challenges, including: (1) Reports from the FMIS system cannot be used as a single settlement report, which requires the General Department of the National Treasury to reorganize these reports, (2) Report from FMIS is not yet able to disclose the information of the payment guarantee and expenditure payment by steps according to the requirements of the General Department of Budget and (3) Closing of the accounts for the national budget is still late because the mandate is still open for payment after the end of the fiscal year and the integration between FMIS and the payroll management system is not yet complete.

Overall, the implementation of the indicators of this objective is good at each phase with a clear roadmap, but still need to continue the implementation.

The next steps to be taken for objective 22 include:

- *Fully implementation of digitalization of procedures for budget implementation, procurement and accounting in the FMIS.*
- *Strengthen the timeliness and accuracy of annual settlement report.*
- *Recording the development partner budgets implementation in the FMIS.*
- *Integration between the FMIS and payroll management systems.*

3.2.3. Objective 23: Strengthening new Accounting, Recording, and Reporting System

Objective 23 aims to achieve the development of Cambodian public accounting standard in accordance with the international standards (IPSAS) and ensure the efficiency and the value of money on the management of state assets. Two Key Performance Indicators (KPI) are set to achieve this objective (23), including: (1) Development and full implementation of Cambodian public accounting standard (in accordance with IPSAS) which to be developed by National Accounting Council (NAC) which now changed to Accounting and Auditing Regulator and implemented by General Department of National Treasury (GDNT) and (2) Formulation of a clear procedure and development of an effective state asset management information system by department of state asset and non-tax management. The Department will take lead on the development and coordination; therefore, line ministries will implement the regulation and system.

The progress shows that Cambodian public accounting standard for cash basis was developed and implemented in accordance with prakas 549 MEF/Prk dated 06 June 2019 on the implementation of accounting standard on cash basis and was disseminated to all relevant line ministries with a roadmap towards the implementation of full accrual basis (IPSAS Accrual Basis) from 2031 which was planned in the Budget System Reform Strategic Plan 2018-2025 (BSRS 2018-2025). Meanwhile, Public Accounting Reform Strategic Plan and conceptual framework for Cambodian public financial report were approved in 2020. The General Department of National Treasury (GDNT) commenced developing financial statements compliance with standard IPSAS Cash Basis from 2016 which data was extracted from FMIS. Anyway, based on the review of IMF on financial statements for year-end 2016 showed that the FY2016 financial statements were not fully compliant with IPSAS Cash basis

(compliance 43 and not compliant 12 out of 63 which equals to 2/3). The financial statements were evaluated by IMF as improved every year.

The following table shows the review of FY2016 financial statements 2 times by IMF.

Category	2018	2019
Compliant	32	43
Partial Compliance		12
Non-Compliant	9	7
Unable to assess	24	1
Not applicable	13	15
Total	78	78

The state assets management, MEF has formulated procedures for the management and administration of state property through the implementation of sub-degree No.66 dated on 27th April, 2017 on “Rules and Procedures for Management of State Property Inventory”, circular No.06 dated on 23rd, July 2019 on “Rules and Criteria for Donating State Property to Citizens and Civil Servants, prakas No.002 dated on 06th, January 2020 on “Rules and Regulations for Disposal of State Assets”, and the adoption of “Law on Management, Administration and Utilization of State Property”. Meanwhile, the State Asset Registry Management Information System (SARMIS) were developed for all state asset administration authorities across the country (including line ministries, municipal-provincial line departments, and sub-national administrations) and planned to roll out implementation in two phases. Phase 1, rolling out implementation of the offline system in 2020 and phase 2, rolling out implementation of the online system in 2023.

Along with the progress, the objective 23 has some challenges: (1) Delay in issuing prakas on the sample of inventory for base year and the annual increment and decrease of state assets, (2) Complication of defining the appropriate asset valuation in accordance with the accounting standard IPAS Cash basis framework and the valuation methodologies for different classes of assets, and (3) State Asset Registry Management Information System (SARMIS) is not rolled out implementation to all state asset management authorities yet.

Overall, Objective 23 achieved a good progress but the objective should be divided into 2 parts, (1) focus on the development and implementation of the public accounting standard, and (2) strengthening the state property management.

Activities to be implemented in next step for objective 23 such as:

- *Developing the public accounting standard for public administration entities and public enterprises.*
- *Strengthening the preparation of financial statements fully compliance with the accounting standard IPSAS Cash Basis and keep implementing through the roadmap of Cambodian public accounting standard.*
- *Completing the preparation and implementing the Public Accounting Reform Strategy 2019-2031. And preparing the public accounting standard on revenue from non-exchange transaction and the public accounting standard for recording inventory and the accounting standard for recording disclosure of stakeholders.*

- *Formulating procedures on the management and administration of state property with a clear timeframe of the completion of sub-degree and remaining related tasks.*
- *Expanding the implementation of SARMIS to all line ministries, municipal-provincial line departments, and sub-national administrations along with updating the implementation from offline system to online web-based application and interfacing with FMIS.*

3.2.4. Objective 24: Strengthening the Implementation of Tools and Mechanisms to Increase Responsibility and Accountability

This objective focused on the provision of tools and mechanisms to increase responsibility and accountability by increasing the authority and responsibility of budget entities, as well as establishing an appropriate legal framework for administrative sanctions for wrongdoing or the management of public resources is inappropriate and ineffective. To achieve this objective, it is necessary to organize (1) the full authority and responsibility of the public resource implementation entities, (2) an audit of the use of public resources; and (3) appropriate administrative sanctions in the event of mistakes or improper and ineffective management of public resources.

As a result, this objective seems to be in place in the CAP3 plan, which is incomplete and does not yet have a unit responsible for developing procedures and mechanisms for increased responsibility and accountability. However, this objective has also made some significant progress, such as: (1) In 2019, there were 664 delegated budget units out of a total of 912, (2) The compilation of comprehensive measures of public financial sanctions has been prepared and administrative sanctions for mistakes or improper management of public resources has been updated, (3) 6 entities under the MEF and 4 budget units of the target line ministries were audited on the FMIS system. For the preparation and revision of the budget implementation report templates and the performance report templates of the budget unit should be moved to part 3 under objective 31. In this objective, a number of issues have arisen in the phase 3, which have not had units responsible for delegating fully authority and responsibility to budget units and units responsible for preparing appropriate administrative sanctions. This objective, audit have been made only on FMIS, with no audit of public resource utilization yet, as a result, the achievement of this objective has not yet been fully confirmed. As a direction of this objective, it should be restructured according to the goal of the objectives and specific tasks and responsibilities.

The next steps to be taken for objective 24 include:

- *Establish clear mechanisms to provide flexibility, authority and full responsibility to budget units to increase responsibility and accountability.*
- *Audit should be conducted on the use of public resources to confirm the appropriateness and effectiveness of public resource management.*
- *Improve and apply appropriate administrative sanctions for mistakes or inappropriate and ineffective management of public resources.*

3.2.5. Objective 25: Improvement of Budget Transparency

The objective 25 aims to assess the types of documents and the timeliness of the dissemination of budget documents, with a focus on the disclosure of budget information in the Cambodian

context. Dissemination of budget documents can be done in the form of public forums, consultative workshops and dissemination on the websites of relevant LMs.

From 2017-2019, many budget documents and budget reports have been published on the website, especially the eight types of documents, including (1) Pre-Budget Statement, (2) Executive's Budget Proposal, (3) Enacted Budget, (4) Citizens Budget, (5) In-Year Reports, (6) Mid-Year Review, (7) Year-End Report, and (8) Audit Report which is used for surveying open budget information. Public forums on macroeconomic management and annual budget management frameworks are organized annually with the participation of stakeholders. However, the forum is not yet public. Consultative workshop on priority areas related to the digital economy and entrepreneurship will be held in 2018.

As a result, according to the Open Budget Survey, Cambodia has made good progress, with 2008 getting 11 points, 2010 getting 15 points, 2012 getting 15 points, 2015 getting 8 points, 2017 getting 20 points, and in 2019, Cambodia scored 32 points in the opening of budget information. Compared to other countries in the world, Cambodia ranks 86/117 for open budget information.

Document	2008	2010	2012	2015	2017	2019
Pre-Budget Statement	●	●	●	●	●	●
Executive's Budget Proposal	●	●	●	●	●	●
Enacted Budget	●	●	●	●	●	●
Citizens Budget	●	●	●	●	●	●
In-Year Reports	●	●	●	●	●	●
Mid-Year Review	●	●	●	●	●	●
Year-End Report	●	●	●	●	●	●
Audit Report	●	●	●	●	●	●

● Available to the Public
 ● Published late, or not published Online, or Produced for Internal Use Only
 ● Not Produced

Notably, Cambodia still received low scores in the public participation in budget preparation. On the other hand, the published documents have not yet been widely disseminated, except for approved budget documents and have not yet been made in soft form. Separately, the draft of the Royal Government's annual budget and the annual budget report were released later than the closing time of the survey, which was considered unpublished.

Overall, for the 25 purposes, progress has been made from year to year. This objective should continue to be implemented for the fourth phase of the Joint Action Plan in order to maintain and increase the score of Cambodia's Open Budget Observations through a practical action plan in accordance with the terms of the OBS organized by the IBP and Cambodia's actual facilities.

The next steps to be taken for 24 objectives include:

- Disseminate the draft annual budget of the Royal Government as a soft document before sending it to the National Assembly for review.
- Establish a comprehensive mechanism for the public to participate in all budget cycles, including budget preparation, budget approval, budget implementation and auditing.

3.2.6. Conclusion of Part 2

Overall, the part 2 progress has shown the improvement of the work of launching FMIS in all treasuries of the capital-provinces, the Department of Economy and Finance of the capital-provinces and all ministries and institutions. A strategic plan for the implementation of FMIS procedures has been adopted and aims to automate the implementation of the system. The MEF and seven ministries and institutions have implemented business process streamline procedures through the FMIS system for the payment of salaries, expenditures on staff duties other than salaries with a clear set of rules and direct payment expenses. Other low risk formalities. In addition, the General Department of the National Treasury uses the only FMIS system to record, close accounts and prepare payment decisions. The Cambodian Public Accounting Standards are also designed to be implemented with a roadmap for accrual accounting. The reports in the FMIS are recorded according to the seven budget ratings, but only five are fully implemented, except for geographical and functional ratings, which continue to drive implementation. At the same time, the organization of public forums and the opening of budget information to the public also strengthened from year to year, causing the index of openness of Cambodia has increased steadily in the survey on open budget information every two years.

Despite the good progress, there is still some work that has not been completed as planned. The development of the state asset management system seems to be progressing slower than planned. So far, the system has been finalized but has not yet been fully implemented in ministries and institutions, as the majority of resources are used to prepare the letter. Legal standards for the management of state property. Although the FMIS system went smoothly as planned, the production of the National Budget Decision Report has not yet been pulled from the system, and the integration of the FMIS system with other systems, such as the personnel management system, the tax system, and so on.

The next direction for the CAP 4 should focus on the following tasks:

- *Strengthen the automatic implementation of FMIS*
- *Strengthen the full implementation of the seven budget classifications and extend the implementation of these classifications to public administration institutions.*
- *Strengthen the Cambodian Public Accounting System to a Modified Cash Basis*
- *Organize, manage and use state property effectively*
- *Continue to increase the index of openness of the budget according to the actual facilities in Cambodia.*

3.3. Part 3: Budget-Policy Linkages

The third section focuses on three main objectives: (1) medium-term budget framework (the medium-term revenue framework, the medium-term expenditure framework, and the medium-term public financial policy framework) prepared by the MEF and approved by the Council of Ministers and implemented effectively and efficiently, (2) Strategic budget plans are prepared and implemented efficiently and effectively, and (3) Budget programs and budget units are implemented in all ministries and institutions. The national and sub-national levels are effective and efficient. As a result, the Medium-Term Budget Framework (MTBF) concept document was adopted in 2019 and piloted in 2020 for a sectoral and level-by-sector budget analysis of each ministry. The development of a separate and comprehensive MTBF and the Medium-Term Public Financial Framework (MTFF) promotes the accuracy of budget planning in terms of forecasts, priority needs, expenditures and

responses to policy programs of ministries, institutions and Royal Government. Budget planning shall be in accordance with the principles set out in the circular on the preparation of a three-year rolling strategic budget plan, which emphasizes the framework of macroeconomic policy and public financial policy. As of 2018, all ministries and institutions have implemented the program budget, and by 2020, 24 provincial administrations have implemented the program budget, and the Phnom Penh Capital Administration will implement the latest in 2021. As of the third phase, there are 962 budget units, 359 of which are central level and 664 are basic level. The evaluating the effectiveness of program budget implementation on a regular basis and monitoring the quality of implementation of the budget unit is an important factor in ensuring efficiency and effectiveness.

In the third part, there are four objectives, including: (1) strengthening and expanding the implementation of program budgets, (2) comprehensive budgeting and budget integration, (3) preparation and implementation.

3.3.1. Objective 31: Strengthening and Expanding Implementation of Program Budgeting (PB) and Budget Monitoring

The Objective 31 focuses on the effective implementation of PB in all line-ministries and 25 capital-provincial administrations. The achievement of this implementation is to respond to the objective indicators as the activities plan for implementation of the relevant General Department in each year is consistent with the activity clusters planned in the CAP. The implementation of PB is supported by the BSRS 2018-2025 and the BSRS-SNA 2019-2025 to prepare the precise PB action plans. By 2018, the PB is implemented by all line-ministries. Based on the action plans of BSRS-SNA, in 2019 there are 18 Capital and provincial administrations have implemented PB and received training on procedures for preparing and implementing PB. The 25 capital and provincial administrations will implementation the PB by 2021.

PB implementation plan in the Capital-Provincial administrations

2017	2018	2019	2020	2021
Kompong Speu	Kompong Chhnang	Kandal	Kompong Cham	PhnomPenh Capital ⁴
Keb	Pursat	Battambang	Kompong Thom	
Koh Kong	Takeo	Banteaymeanchey	Preah Vihear	
Pailin	Kampot	Svay Rieng	Oudor Meanchey	
Kratie	Prey Veng	Tbong Khmom	Siem Reap	
Steung Treng	Rattanakiri	Mondulkiri	Preah Seihanouk	

However, monitoring of PB implementation of the line-ministries and the transfer of authority to budget entities should be further strengthened. As of 2019, 604 local budget entities have been transferred, but 308 central budget entities have not completely done it, 60 of which have been delegated and 248 have not.

⁴ His Excellency the Deputy Prime Minister agreed with the request of the General Department of Finance and Sub-National Administration to postpone the submission of the Phnom Penh Capital Administration to implement the program budget until 2021.

Overall, the objective 31 achieved good progress. Indicators of this objective should be adjusted to be the activity clusters for CAP in the next phase, focusing on monitoring of the implementation and delegation. New objective of the next phase should be created by focusing on the implementation of the performance budgeting.

The next steps to be taken for the objective 31 include:

- *Revise this objective into an activity cluster focusing on monitoring the implementation and delegation.*

3.3.2 Objective 32: Comprehensive Budgeting and Budget Integration

Objective 32 focuses on all operations within the budget system and the integration of the current and capital budgets. All line-ministries prepared the BSP based on their policy objectives and programs by setting key performance indicators for the implementation and monitoring the performance. The preparation of the BSP is based on the expenditure ceiling defined in the MTFF and MTBF. The inclusion of out-of-budget revenue and expenditure into the annual budget and DP budget is recorded in the new Chart of Accounts-COA for the project/DP financing program, starting at the Ministry of Health, G.S.C, and the Ministry of Rural Development, while other LMs will be considered gradually. The integration of current and capital budget is being prepared as a draft concept paper.

However, linking the budget to the policies of the LMs is still limited, particularly the challenges related to setting policy objectives. Program and organizational structure and the KPIs of both national and sub-national administrations do not yet have specific guidelines to explain the impact of specific program activities on government policies for poverty reduction or gender equality. The integration between recurrent expenditures and program investments in the BSP that is prepared and piloted.

Overall, this objective has a good progress, but more attention should be paid to the integration of capital expenditures and recurrent budgets at the sector and ministry levels through budgeting based on the MTFF and MTBF and the BSRS action plan. BSP and PB activities should be included as a single medium-term activity for implementation rather than a double-action plan. Human resources and institution coordination need to be further strengthened and further developed in order to collect and monitor data or prepare comprehensive and timely reports.

The next steps to be taken for objective 32 include:

- *Should continue to strengthen human resources and institutional coordination*
- *Continue to examine the budget integration between capital and recurrent expenditure at the sector and ministry levels.*

3.3.3. Objective 33: Develop and Implementation of Line of Accountability System (between Legislative and Executive, between MEF and LMs, and within LMs)

The Objective 33 focuses on determining and implementing line of accountability in accordance with program budget. The Public Procurement Reform System Strategy 2019-2025 and Sub-Decree on Public Investment Management have been developed and implemented to strengthen effectiveness, efficiency and accountability on public investment management. This Sub-Decree is important to clarify the line of accountability in the preparation of public investment programs between the

relevant stakeholders, including the principles and requirements, the common phase of the public investment project cycle, the roles and responsibilities of Ministries, Institutions, public entities and sub-national administrations, linking investment plans with budgetarization, operational procedures of preparation and management, and reporting obligations.

Although there are no defining mechanisms and the implementation of lines of accountability accordingly to program budget (between legislative and execution bodies, between MEF and LMs, LMs and LMs) before PIM strategy and Sub-Decree are developed. Prakas on Defining the level and responsible people by policy programs/programs/sub-programs of LMs has not been prepared fully. At the same time, the review and preparation of legal documents within the framework of public financial management in the context of the implementation of the program budget has not been prepared the monitoring and evaluation mechanisms.

Overall, this objective has progressed as expected, but has to be continued to monitor the implementation of relevant documents and legal frameworks to strengthen the identifying and increasing the efficiency of the accountability line.

The next steps to be taken for objective 33 include:

- *Strengthen the mechanism for identifying and implementing the line of accountability in accordance with the program budget (between legislative and execution bodies, between MEF and LMs, LMs and LMs)*
- *Continue to fully prepare the Prakas to determine the level and responsible person according to the policy programs / programs / sub-programs of the Ministry*
- *Develop monitoring and evaluation mechanisms*

3.3.4. Objective 34: Strengthening Development of policies and Public Financial Plans (Development of Policy, Revenue and Medium-term Expenditure plans)

In 2016, concept note of Medium-Term Expenditure Framework (MTEF) was developed to indicate the linkages between national policies and the BSP of LMs, which were divided into two: Medium-Term Fiscal Framework (MTFF) and Medium-Term Budget Framework (MTBF). Macroeconomic and Public Fiscal Policy Framework (MPFP) has been prepared as a basis for preparing Budget Strategic Plan and Budget Program as well as the development of Financial Management Draft Law annually (2017-2021). Regarding to economic situation and Covid-19 outbreak, development of MTFF has been delayed to next year (2023-2025). MTFF is the basic to prepare MTBF. Because MTFF has not been approved, concept note of MTBF has been prepared accordingly to inputs from MPFP framework. MTBF was approved in 2019 and piloted testing in 2020 to allocate budgets by sectors and budget ceilings of each line ministry. The impact of the MTBF preparation process depends on the quality of capacity and participation of all stakeholders, based on policy analysis to integrate between financial and non-financial information and the investment ceiling that awaits PIM. Lack of monetary policy risk analysis and mechanisms, frameworks or procedures for fiscal risk analysis can be challenges for effective MTFF preparation.

The next steps to be taken for objective 34 include:

- *Development of MTFF should focus on prioritized sectors, including education, health, agriculture and transportation, and there should be a gatekeeper.*

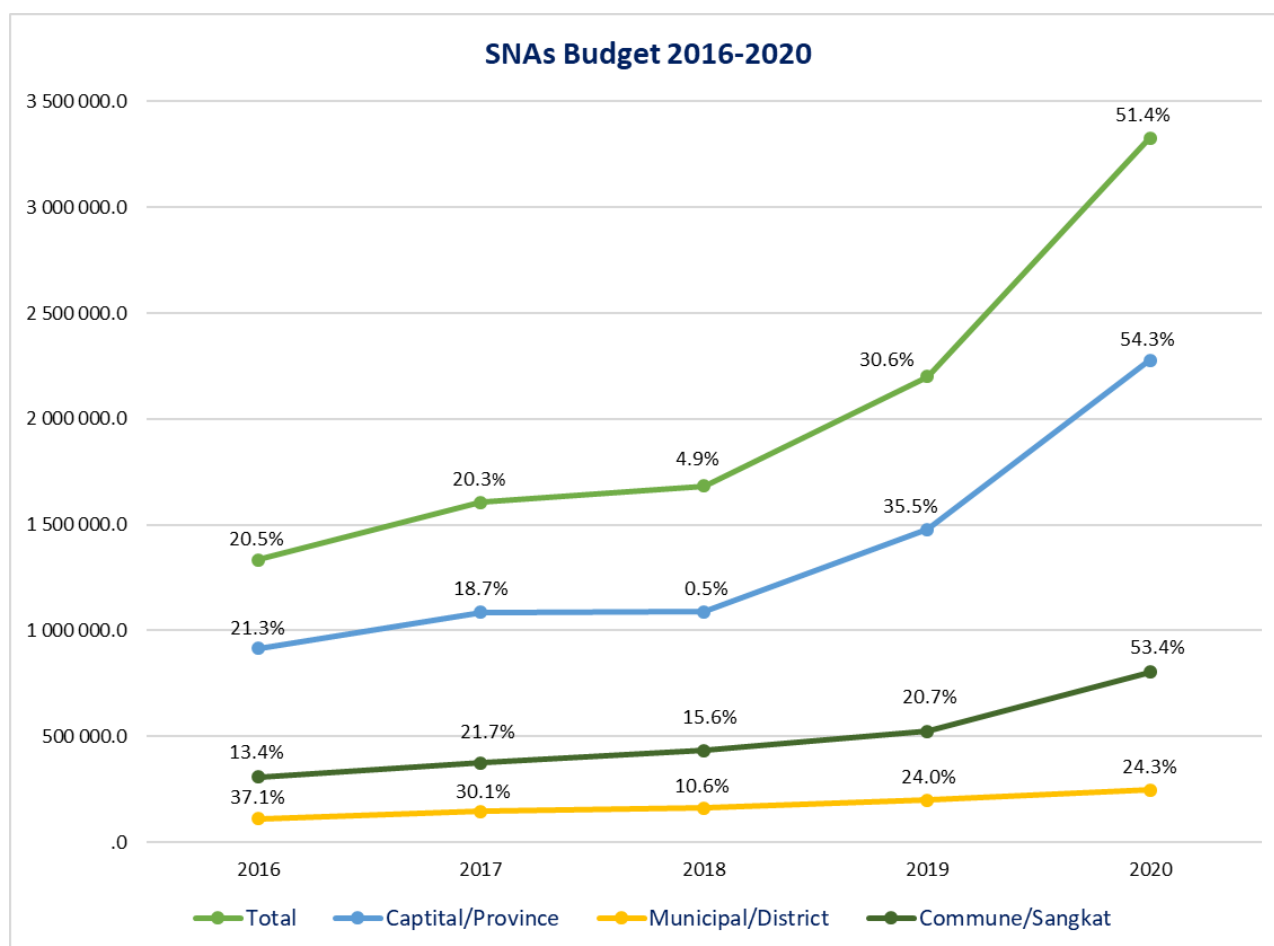
- *Should develop legal mechanisms/procedures to support preparing MTFF report on Fiscal Risk: assessing on potential risk scenario, actual contingent liability and policy risk as well as for implementing MTBF, BSP and PB*
- *BSRS priority measures should be used to strengthen macroeconomic, macro-fiscal forecasts and sectoral and sub-sector forecasts.*

3.3.5. Objective 35: Strengthening the Implementation of Financial Decentralization Policy

As the result of Objective 35 implementation in the last 4 years, it has been well executed as planned. The implementation of the Public Financial Decentralization Policy is based on the National Program for Sub-National Democratic Development (2010-2019). At present, the Subnational Administration Budget System Reform Strategy 2019-2025, including a detailed action plan to implement this strategy, is an important roadmap for strengthening financial decentralization policies. At the same time, strengthening the implementation of the policy of financial decentralization has been considered as a strategy in the development of the vision and strategy of the three reforms of the Royal Government: the reform of public financial management, reform for Democratic development at the sub-national level, and public administration reform.

At the same time, the most important and historic achievements are the restructuring of municipal, district and Khan administrations, the transfer of functions and resources related to various sectors to those administrations, the transfer of health functions and resources to be under control of the administration of the Capital and Provincial Administration. Another key outcome involves the gradual increase of commune funds each year to enable commune councils to become more involved in addressing the priorities of each locality. By increasing this fund, it is estimated that by 2023, each commune administration will receive an average local development budget of about ten thousand US dollars, while in 2019 it will be just over 30,000 US dollars. By 2020, 60 district administrations in nine provinces have implemented sub-national administrative investment funds.

The implementation of the sub-national administrative investment fund mechanism is to promote the socio-economic development at the sub-national level by providing additional financing to the public investment projects of the sub-national administration that are strategic and provide support. Also, this mechanism encourages sub-national administrations to improve the performance and management of public investment. Since 2017, the resources to implement the sub-national administrative investment fund mechanism have been increased, by 2020, the Royal Government has provided US \$ 7.4 million and the Asian Development Bank has provided US \$ 20 million to expand the scope of Sub-National Administrative Investment Fund to all 189 municipal, district and khan administrations.



Overall, the implementation of future financial decentralization policies will need to be addressed structurally and partially, while action plans and performance indicators should be input and based primarily on the concept and detailed action plan of the project to implement the subnational administrative budget system reform strategy 2019-2025.

The next steps to be taken for the 35 objectives include:

- *Continue to improve both structurally and partially to strengthen the implementation of financial decentralization policy*
- *The preparation of action plans and achievement indicators should be based on the concept and detailed action plan of the implementation of the subnational administrative budget system reform strategy 2019-2025.*
- *Develop a medium-term and long-term strategy and direction for the implementation of this financial decentralization policy.*

3.3.6. Conclusion of Part 3

Overall, a number of legal documents and strategies have been developed to strengthen the implementation of actions to link budgets to policies. The new Public Financial Law, which is being reviewed and drafted, and the relevant sub-decrees are important in ensuring the effectiveness of the implementation of the program budget. The program budget is fully implemented in some line-ministries and provincial administrations, but the implementation monitoring and evaluation mechanism has not yet been strengthened.

As the direction for the next phase, budget linkages to policies should be further strengthened, focusing on the quality of the strategic planning, budgeting and annual budgeting of all budget entities. Direction and orientation of the organization should be fully highlighted, especially in priority areas that respond to the Royal Government's political and strategic programs through strengthening the quality of the Medium-Term Financial framework (MTFF) and the Medium-term Budget Framework (MTBF). Monitoring the consistency of national and sub-national budget implementation based on the strategies set out.

Overall, the next steps for part 2 include:

- *Continue to finalize MTFF and MTBF*
- *Strengthen the evaluation of the strategic budget plan and reduce the gap between the strategic budget plan and the annual budget proposal*
- *Strengthen the implementation mechanism to monitor the implementation of program budgets at line-ministries.*

3.4. Readiness for the Next Stage

Readiness for the next stage is to be prepared the key fundamentals in stage 3 to move towards stage 4 "Performance Accountability" which aims to implement Performance-Informed Budgeting.

In the process of establishing the key foundations, this part 4 has four objectives including: (1) performance- informed budgeting framework, (2) monitoring performance-informed framework, (3) complete audit framework (performance, information technology and finance) and (4) strategic Plan on Capacity Building in the framework of the Public Financial Management Reform Program-Stage 4.

3.4.1. Objective 41: Develop the Performance-informed Budgeting Framework

The purpose is to develop clear guidelines and legal documents for implementing performance budgeting. It is necessary to formulate performance budgeting framework while to amend the law on 2008 finance system⁵, sub-decree number 81 ANKr.BK on the establishment of financial control on state budget expenditure at ministries, provinces, krong, autonomous krong, Phnom Penh capital and public agencies, and sub-decree number 82 ANKr.BK on the general command of public accounting in order to have clear legal documents for implementing performance budgeting. GDB and GDNT are in charge of these tasks.

After adoption of Budget System Reform Strategy (BSRS) 2018-2025, Key Performance Indicators have been revised into the following 8 KPIs.

No.	KPIs	Timeframe	Target	Progress as of 2020
1	Guideline on preparing performance budgeting	2018	Draft	Adopted for implementation in the early 2020.
2	Performance agreement format	2020	Pilot	It was prepared at General Department level.

⁵ Based on the PFMRC meeting, MEF management decided to draft new finance system law rather than amending the existing law.

3	Guideline on implementing performance budgeting	2020	Formulation	It was studied.
4	Performance-informed report format	2020	Formulation	It was formulated, improved and sent to line ministries for preparation.
5	Concept note on Performance-informed M&E	2020	Formulation	Performance-informed M&E framework was draft
6	New draft finance system law	2020	Send to the Council of Ministers	It was drafted (only 2 out of 9 chapters).
7	Revision of Sub-decree 81 and sub-decree 82	2020	Adoption and implementation	They were discussed with French consultant and finished at general department level.
8	Simplified economic classification was formulated for attaching to annual budget law.	2020	Formulation	It was prepared at General Department level.

Among 8 KPIs, only guideline on preparing performance budgeting and performance-informed report format were adopted for implementation. Other KPIs were in progress. In the context of Covid-19 pandemic, KPIs supported by international experts were delayed due to the restriction of travelling.

The continuing actions for the next step in objective 41 include:

- *Finish formulating the draft finance system law (new)*
- *Finish formulating the guideline on implementing performance budgeting*
- *Finish formulating performance agreement format*
- *Finish formulating performance-informed M&E framework*
- *Finish simplified economic classification for attaching to annual budget law.*
- *Finish revising sub-decree 81 and sub-decree 82*

3.4.2. Objective 42: Develop and Implementation of Performance Accountability Framework

The objective is to develop performance accountability framework in order to promote economic, efficient, and effective governance. It is necessary to formulate clear guideline on performance audit and to have capable auditors for ensuring the effective audit. National Audit Authority (NAA) is in charge of these tasks.

It is no progress during 2016 and 2017 due to awaiting the BSRS 2018-2025. After adoption of this strategy, KPIs were revised for implementation from 2018 to 2020. The new KPIs were (1) guideline on operation/performance audit (external)⁶ and (2) number of performance audit reports submitted to Legal body.

Since 2018, NAA prepared and submitted to legal body the 3 performance audit reports in 2018 and 4 performance audit reports in 2019. However, the performance audit report to be submitted to legal

⁶This guideline was adopted for implementation in 16 December 2019.

body in 2020 will not be achieved due to the Covid-19 pandemic. On the other hand, the guideline on performance audit prepared by NAA and the guideline prepared by General Department of Internal Audit of the Ministry of Economy and Finance may not be consistent due to no discussion between these two entities during process of preparation.

The continuing actions for the next step in objective 41 include:

- *Prepared and submitted to the legal body the 5 performance audit reports for 2020.*

3.4.3. Objective 43: Strengthening for more effective Monitoring System

Originally, Objective 43 had been prepared by combination between objective 35 “Prepare Monitoring System” and Objective 43 “Create Performance Audit Framework” and been become “Strengthen monitoring system more effective” since 2018 until now. This objective is to ensure the effectiveness of function, scope, structure, framework, and mechanism of internal audit and financial inspection in order to implement performance informed budgeting as well as for the purpose to create performance accountability in the public financial management system in Cambodia.

The significant indicators of this objective include: review on monitoring of inspection and internal auditing each LMs, creating guideline and framework on performance audit and information technology system audit, strengthening the mechanism of implementation planning and follow-up on implementing the recommendation of the internal audit and inspection, creating financial inspection framework. By this, General Department of Internal Audit and General Inspectorial of MEF are the responsible entities to prepare framework, principle and mechanism as well as involve in implementation. Internal audit departments of LMs are the entities implementing these principles and mechanisms.

In Stage 3, there are the crucial progressing achievement including: Guideline on internal auditing on information technology system, Guideline on performance audit, and sub-decree on functional framework of internal audit and inspection.

Apparently, sub-decree 168 GNKR.BK dated on 8th October 2020 on functional framework of internal audit and inspection is the primary step of harmonizing the internal audit and inspection across the jurisdictions of MEF, MONASRI and MCS that are the inspection actors of RGC in each function. Besides, in the LM level, the sub-decree indicates to the head of the LM to individually distinguish the functions while most of LMs’ inspection function consist of both sectoral inspection and financial inspection. So, to ensure the harmonization and effectiveness of internal control system in LMs on internal audit and inspection function, concept of modelling of institutional preparation and distinguishing of internal audit and inspection function should be included in the legal regulation as well.

However, there are challenges including: (1) functional overlapping of internal audit and inspection in LMs because of lacking of knowledge on working authority distinguish, (2) capacity of internal audit function implementation in LMs and (3) Lacking of obvious mechanism to monitor the audit and inspection recommendation.

Overall, the progress in objective 43 is on track that there are some achievements and some are continued to implement. In Cambodia context, internal audit and inspection function is under a single

oversight system, so framework of modelling of role distinguishing and clear institutional structure define is the key determination of effective between these two tools.

The continuing actions for the next step in objective 43 include:

- *Prepare harmonizing framework of internal audit and inspection function*
- *Prepare financial inspection framework.*

3.4.4. Objective 44: Develop and Implementation of Capacity Building Plan (including legislative bodies and National Audit Authority)

Objective 44 focuses on preparing to have common mechanism of capacity building support for all relevant stakeholders (including legislative bodies) in order to ensure the consistency of capacity resource and continuing reform actions. The significant indicators of this objective are: prepare and implement effectively on capacity building strategic plan stage III, prepare capacity building strategic plan stage IV. The Economy and Finance Institution (EFI) of MEF is the key entity that both coordinate and implement this capacity building strategic plan. Obviously, Capacity building strategic plan Stage III was prepared and implemented by EFI that is the key entity facilitating in all stages trainings. Seminars, short courses have been conducted while the medium and clear skill course/training preparation is still the challenge. Total 15,092 officials and 210 training courses had been conducted from 2013 to 2018. Furthermore, capacity building strategic plan stage IV is still in preparation progress and plan to finish in this 2020.

However, there are some challenges including: lacking of monitoring and evaluation mechanism on each stage of training conducting, lacking of technical resource usage mechanism in technical general department level under MEF, linkage to support capacity building demand to the new strategic reforms of RGC that are not been prepared.

In conclusion, in this objective, there are the better achievement comparing to the plan. But, the capacity building strategic plan stage IV should have been clearly prepared based on the new strategic reforms of RGC and consider on 2 approaches including: basing on Objective Oriented and basing on Demand Oriented in order to deal with the above challenges and ensure the capacity building effectiveness.

The continuing action for the next step in Objective 44 is:

- *Prepare capacity building framework for legislative bodies in performance information budget context into the capacity building strategic plan of public financial reform program Stage IV.*

3.4.5. Part 4 Conclusion

Readiness for Later Stage is to prepare a key foundation in the third phase to move on to the fourth phase, "Performance Accountability", which aims to implement Performance-Informed Budgeting. In the process of establishing this key foundation, Section 4 focuses on the development of a performance information budget framework, a performance information monitoring and control framework, and a comprehensive audit framework (achievement, information technology, compliance and finance), as well as Preparation and implementation of strategic plans, capacity building to be ready, support and promote the implementation of performance accountability.

Overall progress for Phase 4 was uncertain in the first two years, but progress was evident after the "Budget Reform Strategy 2018-2025" was developed and the "Information Budget" system was selected. Achievement” is the specific direction of the reform of the Cambodian budget system. Over the last two years, key performance indicators for the fourth phase have been developed and accounted for, clearly and consistently with action plans for the implementation of the 2018-2025 budget reform strategy. Achieved progress includes: Preparation and implementation of Guidelines for Performance Audit (External) and for Internal Audit, Information System Audit Guidelines and Performance Audit Guidelines. As for the work related to the preparation of the budget, the performance information is prepared as a guideline on the preparation of the achievement budget. Forms of achievement agreements, guidelines for the implementation of performance budgets, and a conceptual framework for monitoring and reviewing performance information are drafted. In addition, the Strategic Capacity Building Plan has also been prepared and implemented for the third phase to prepare human and institutional resources to support changes in public finance-related performance.

For the fourth phase, progress was slower than planned due to some resources being used to draft new public financial system laws and sub-decrees 81 and 82, which would pave the way for the implementation of the achievement information budget. Ahead. The development of a framework for the implementation and monitoring of performance information budgets has not yet progressed as planned, but is being pushed. Capacity building plans prepared and implemented in the past are not yet complete and detailed according to the actual needs of stakeholders.

Overall, the next steps in the fourth phase include:

- *Complete the preparation of the draft law on the public financial system and the revision of sub-decrees 81 and 82*
- *Develop and implement guidelines on the preparation and implementation of achievement information budgets*
- *Arrange for monitoring and control of achievement information*
- *A clear mechanism of audit and inspection*
- *Develop a strategic plan to build a capacity that is fully responsive.*

3.5. Part 5: Supporting the Successful and Sustainable Implementation of PFM RP

Through the Rectangular Strategy Phase 4, the public governance reform continues to be a key element and a clear direction for the Royal Government of Cambodia. To implement the reform, leadership, management capacity, technical capacity, sense of ownership, responsibility, organization and management of the institutional mechanisms of all relevant line ministries are determining the success and sustainability of the reform. In phase 3 of PFM RP, section 5 identified key performance indicators such as:

- Leadership, management ability, willingness, ownership and responsibility in line with the reform program
- Appropriate training program in an effective and efficient manner
- Appropriate and adequate incentive program in an effective and efficient manner
- All ministries and institutions have the appropriate capacity to participate in the implementation of key reform actions.

- Procedural mechanisms for implementing public financial management reform in ministries and institutions are implemented.

Obviously, identifying key indicators to monitor and evaluate for this segment is a challenge because the elements of key performance indicators are fundamental to supporting immeasurable performance. Therefore, the review of the progress of the fifth section will instead focus on the progress of the three basic elements for the implementation of PFMRP, including: (1) the management of the public financial management reform mechanism, (2) incentive mechanisms, and (3) inter-public governance reforms mechanism.

Managing the mechanism of Public Financial Management Reform: By Circular No. 09SR dated 08 December 2015 on Rules and Procedures for Organizing, Implementing, Monitoring and Evaluating Financial Management Reform Public Affairs, Public Financial Management Reform Working Group has been formed in ministries, institutions and the general departments of MEF.

The preparation of action plans and the identification of KPIS of GDAP and MAP are carried out under the coordination of the GSC in accordance with the CAP. Quarterly and annually, the GD of MEF and LM submit a report on progress and achievements to the ECCC. To monitor and prepare evaluation reports, the Weighting Average method is used. However, the preparation of progress reports is normally late than scheduled but is done regularly.

The meeting to monitor the progress of the implementation of MAP GDAP and KPI of CAP is implemented quarterly and annually under the lead of the Chair of the Public Financial Management Reform Steering Committee with three stakeholders: (1) level of Public Financial Management Reform Working Committee within MEF, (2) level of the Steering Committee for Public Financial Management Reform (which is present from all line ministries), and (3) level of the Steering Committee for Public Financial Management Reform with technical working groups and development partners

Challenges surrounding the current mechanisms that should be addressed include: (1) timely coordination of the annual action plan, and (2) coherence between the KPIs of the MAP and GDAP to CAP, and (3) assessment method on progress shall be adjusted to be realistic.

In response, GSC has been developing the Result-based Management Guidelines on performance management in order to increase the efficiency and effectiveness of the preparation and M&E of action plans and key results in the year of GDAP and MAP to explore comprehensive basis in reflection CAP progress as well as practical system building.

Mechanisms for incentives for reform: According to the RGC Decision No. 119, dated December 29, 2017 on the use of non-tax revenue of the Ministry of Revenue Collection to provide incentives for reform, PFM fund was established under the control of the GSC for the overall program support and implement incentive scheme.

The implementation of PFM fund is divided into two phases based on the non-tax deduction rate of 1% in the first phase and 4% in the comprehensive phase. Currently, the implementation of the fund is in the first phase with a rate of 1% of non-tax revenue. In accordance to Prakas No. 351 MEF.PrK dated 30 March 2018 on Rules and Procedures for Providing Incentives to the Public Financial

Management Reform Working Group at line ministries, the composition of the working group shall be determined, and the number of members shall be consistent with the annual action plan and KPI coordinated by the GSC for the Steering Committee approval. This incentive is transferred monthly in proportion to the quarterly progress of the annual action plan. However, the challenge of this mechanism is that the line ministries are incentivized even some planned activities do not reflect the effort in reform work.

Challenges of the mechanism, which should be addressed include: (1) meritocracy on selecting members of the Working Group to receive incentive at line ministry and (2) the equity distribution on the numbers of working group to receive incentive compared to the defined key action plans and KPIs between ministries and institutions.

In response, GSC will review and evaluate the implementation of PFM Fund in 2021 on the financial aspects, leadership, management and participation in the reform work before the decision to reach a comprehensive stage.

Coordination mechanism between other reforms: Sub-National Democratic Development Reform Program, Public Financial Management Reform Program, and Public Administration Reform Program are the core public governance reforms of the Royal Government of Cambodia, which ultimately have implications for all ministries and institutions. All reform programs shall be required mutual response, complement and should be at a similar pace. The three-reform coordinating mechanism of the Royal Government of Cambodia had been established since 2016. The mechanism determines a regular meeting each quarter and the lead shall be shifted between each program by the management of reform secretariat. The meeting discussed on the issues and progress on the implementation of the annual joint action plan. By 2017, the legal and judicial reform program was included in the three reform program mechanisms by agreement between the four committee chairs.

The mechanism of chairing the rotating meetings is regularly implemented with the annual action plan. To strengthen this transition mechanism, technical coordination has been strengthened through the establishment of technical focal officers at each General Secretariat or Secretariat.

Leading each program individually defines the inevitable challenges which makes the pace of each reform evolve in a different speed, and sometimes they do not complement each other, which causes challenges to be addressed.

In response, preparation of the strategic document of the 10-year of 3+1 reform programs of the Royal Government of Cambodia, it was approved by the chairpersons of each committee to determine the common direction of governance reform. GSC has been assigned to facilitate the preparation of this document. GSCC will finalize the concept paper on the vision and strategy of the Royal Government's Form 3+1 programs by 2021.

3.5.1. Conclusion of Part 5

In conclusion, capacity building, M&E mechanism and incentive mechanisms are designed and implemented through: (1) the implementation of the strategic plan for capacity building of the public financial management reform program stage 3, (2) implementation of the Royal Government of

Cambodia Circular No. 09S dated 8 December 2015 on the Rules and Procedures for the Implementation of the Monitoring and Evaluation of Public Financial Management Reform, and (3) Implementation of PFM Fund. At the same time, to ensure the sustainability of the implementation of the Public Financial Management Reform Program, the reform coordination mechanism for the reform program (Public Financial Management Reform Program, the Sub-National Democratic Reform Program, and the Reform Program). Public Administration Form) has been developed and implemented since 2016 with the aim of creating cross-cutting coordination and complement each other between programs.

Overall, the next steps in Part 5 include:

- *Develop a strategic plan for capacity building of the Public Financial Management Reform Program, Phase 4*
- *Develop and implement results-based performance management guideline*
- *Evaluate the implementation of the first phase of the Public Financial Management Reform Fund and its comprehensive approach.*
- *Prepare document of vision and strategy of the 3 + 1 reform program of the Royal Government of Cambodia.*

3.6. Gaps in the Consolidated Action Framework - Stage 3

Based on the evaluation of the implementation of the Consolidated Action Plan - Stage 3, the preparation of reform work activities in this stage, there are still some gaps as follows:

- There is a lack of focus on in-year results and outcomes, which makes the evaluation at the end of each stage is unclear.
- There is a lack of focus on the priority task but focus on the actions of GDAP and MAP.
- There is confusion about KPIs and Target KPIs, as well as the setting of Objective and Activities were not clear.
- The role of LMs have not been clearly defined, that is, the functions of LMs have not been considered in connection with the current reforms (payroll inspections, registration of state assets). In addition, the preparation of MAP has not yet considered by sector, which LMs should be required to organize by sector and priorities such as: the economic sector focuses on (1) revenue, (2) public investment management, (3) FMIS system, and (4) program budgets (budget entity, monitoring and evaluation. The administrative sector implements FMIS and program budgeting should on budget entity, and monitoring and evaluation.
- Incentives for PFM work are not yet linked to performance.
- Scope of CAP3 framework does not include monitoring the implementation of public enterprises (under supervision of the General Department of State Property and Non-Tax Revenue) and public administrative institutions (Financial Affair Department of the General Department of Budget) and the role of the Capital and Provincial Departments of Economy and Finance.
- The structure of CAP3 is still overlapping, unorganized and clearly divided in each platform.

- The reform program is organized according to a "Platform Approach" that makes it difficult to determine when each stage should be completed, as all stages have their own activities.

4. PEFA Summary Results Review

The 2020 PEFA assessment was incorporated the monitoring of public financial management performance with the 2015 PEFA assessment and determines implementation progress by using the existing 2011 PEFA assessment framework to compare score progress between 2015 and 2020. According PEFA Assessment with 2011 PEFA framework, the results have shown the improved PFM system by increasing score of 10 PIs including PI-2, PI-6, PI-7, PI-10, PI-13, PI-14, PI-19, PI-21, PI-23 and PI-25. (*Annex 3*). There are eleven indicators have been improved, of which seven have risen by at least score. The notice of comparing the progress of 2015 and 2020 are shown below:

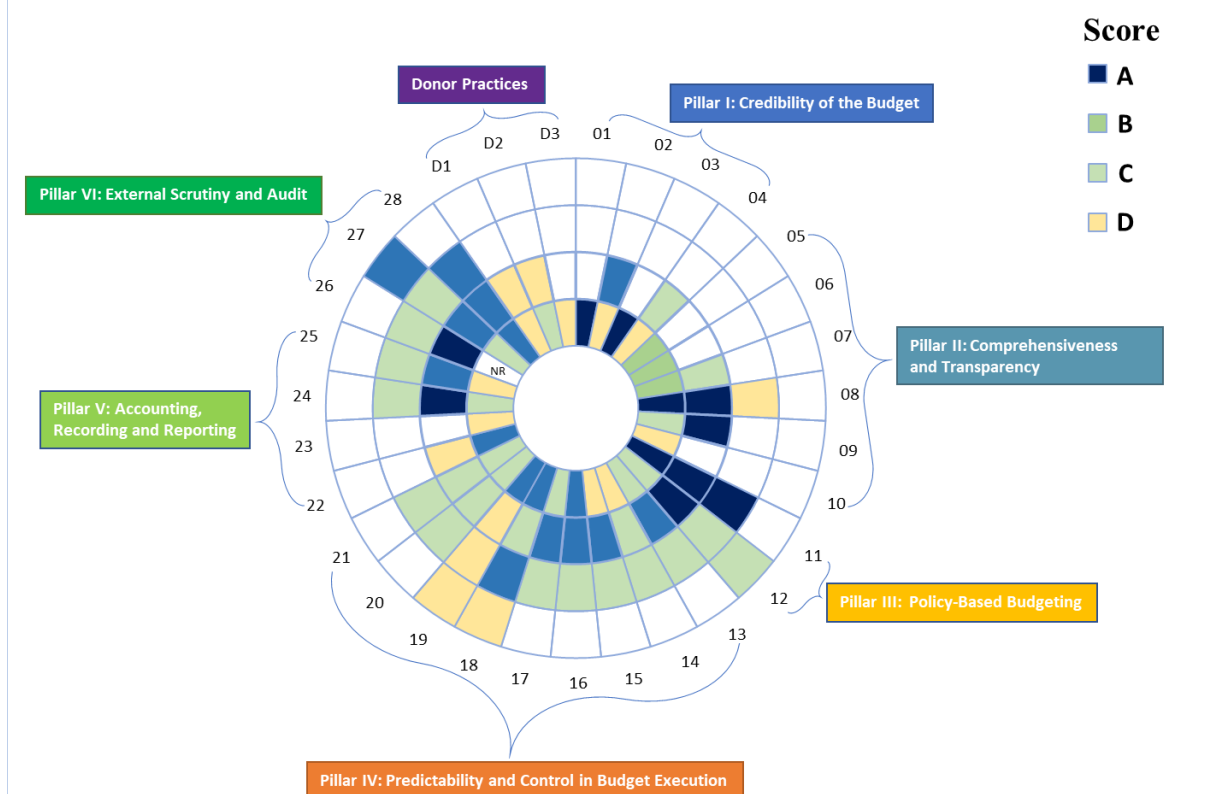
Aggregate Fiscal Discipline: Achieved good progress on “Budget Credibility” of implementing both revenue and expenditure, monitoring of revenues from public administrative entities, and transparency of tax payer obligations and liabilities. Budget classifications have been implemented and constantly being improved. Medium-Term Budget Framework document was approved and piloted and information on resources received by the school has progressed well. However, the lack of information on contingent liabilities remains a problem and fiscal risk remains unreportable. The revenue collection system has not yet been able to guarantee the effectiveness of taxpayer registration or taxpayer liability management (PI-14) and the level of tax arrears remains and resolved a little (PI-15, dimension 15.1). Lack of efficiency in invoice system of goods and services remains a problem (PI-4, dimension 4.2). These shortages will result in poor performance on budget discipline, short-term risks to government revenue collection, or potentially cause a slow-down medium-term economic growth.

Strategic Allocation of Resources: Strategic allocation of resources shows good progresses and the level of variability in the cost component was reduced, which emphasizes a sequential and participatory approach in preparation of annual budget. Timely and proper legislative oversight, as well as reliable and timely information provided on the transfer of resources to communes-sangkat. However, sectoral strategic plans remain weak except health and education sectors. At the same time, the Medium-Term Expenditure Framework was not fully developed and integrated into the budgeting process, with clear links from one budget cycle to another, except for budget aggregate.

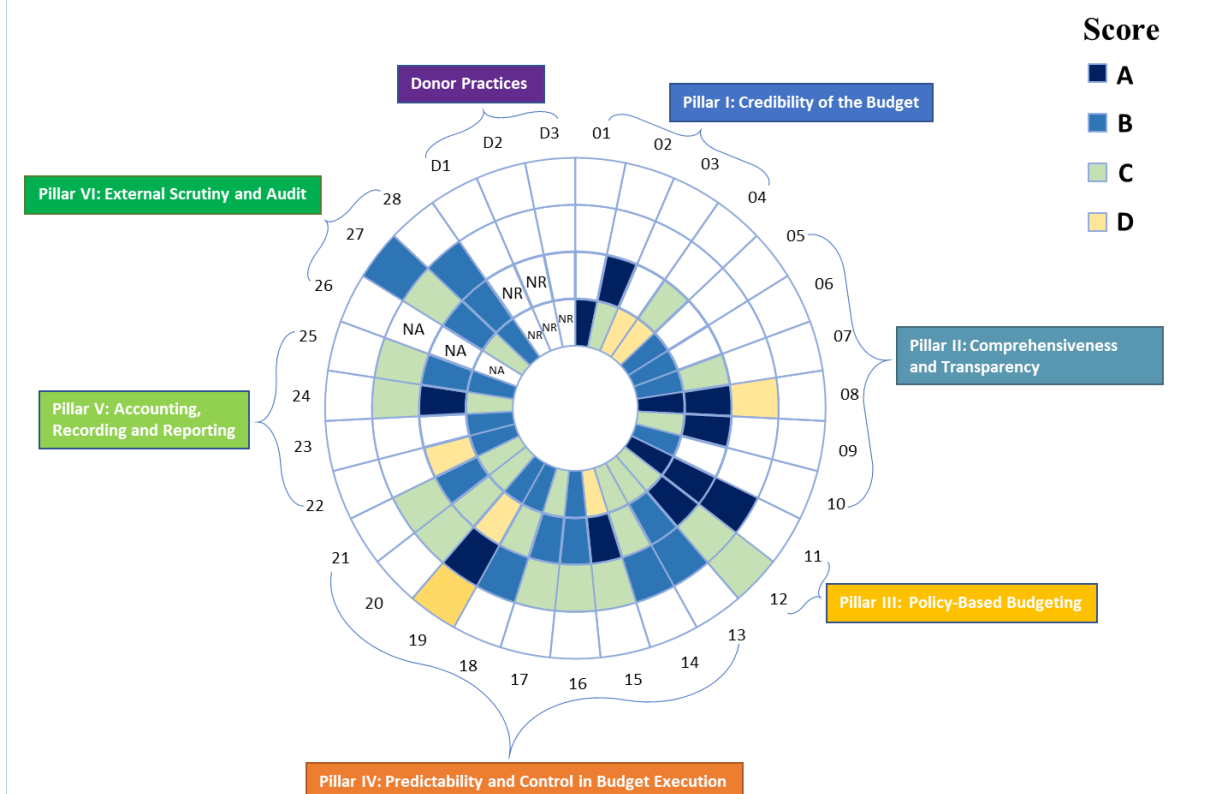
Efficient Service Delivery: Information related to resources received by schools made significant progresses and the procurement system is transparent, and the access of budget information for the public has improved. However, other weaknesses have lain in the monitoring and evaluation of performance of institutions that provide public service delivery and the budget-policy linkages.

Graphic of Summary Result of PEFA Assessment 2015 and 2020

Graphic of Summary Result of PEFA Assessment 2015



Graphic of Summary Result of PEFA Assessment 2019



5. Public Financial Management Reform Program's Vision

The CAP3 implementation evaluation showed that Public Financial Management Reform Program Stage 3 has achieved strong budget credibility, financial accountability that has been implemented, policy-budget linkage that has become essential, and fundamental performance accountability that has been gradually appeared.

Based on the national Financial Accountability and Public Expenditure Assessment (PEFA) evaluation in 2020, it showed that the public financial system has all the functions, although this system needs to further strengthen the quality while sub-national level is still a financial centralization and need to strengthen the anti-equilibrium framework between the governor and the council. The result of PEFA evaluation, which was based on 27 key performance indicators in 2015 and 2020, showed that 10 indicators has been improved which 7 indicators has at least slightly increased including receiving financial statement from implementation agencies, budget classification, procurement system competitiveness, ensuring currency value and evaluation, financial document that has been informed, receiving financial statement from customer and writing financial report on time and with quality. On the other hand, one key indicator has been decreased due to the low level of tax accumulating compared to the actual implementation. Although the result showed the progress of the public financial reform, this progress needs to further strengthen at all level of the implementing platform.

In this regard, the progress of the Public Financial Management Reform Program has been taken in to consideration with two options: 1). Extending the Stage 3 plan, followed by revising some priorities areas and trying to achieve the remaining activities to the maximum and 2). Moving to Stage 4 actions plan by revising the priorities areas and including the remaining activities in Stage 4.

For the first option, extending the plan will allow Cambodia to conclude all of the expected activities which become sufficient and concrete platform for performance accountability. The experiences from other countries showed that performance accountability is hard to achieve if the fundamental of the three platforms mentioned above is not concrete enough. Moreover, achieving performance accountability is not easy, even in developed countries. In this regard, Cambodia must not hurry towards the fourth platform. However, the first option may have some negative effects because of the extension from one to two years of more will not significantly change the current expected result but rather than strengthen the existing progress. This could lead to the loss of quality of reform work that has been maintained over the past 15 years. Furthermore, the Stage 3 action plan have some gaps that need to revise and change the priority level. Therefore, the revision of action plan will be necessary towards performance accountability.

For the second option, moving towards Stage 4 is a good option to conclude for the 21-years reform activities which is a long period of time in Public Financial Management Reform. In public financial management reform, each stage is prepared by only focusing on each platform. Based on previous experiences, moving towards new platform, the reform activities did not need to completely fulfill the platform. In fact, moving towards to Stage 3 was made while strengthening platform 1 and 2 that need to constantly improve without completely finished the two foundation. At the same time, moving towards Stage 4 “Performance Accountability” could be achieved without completing the three foundation because for platform 2, the implementation of FMIS is essentially achieved while for platform 3, the program budgeting has been implemented in every ministry/organizations. Besides,

moving towards Performance Accountability could also be achieved in the initial stage of collecting essential inputs which aimed at implementing the Performance Accountability gradually. In this regard, finishing Stage 4 does not mean to completely achieving Performance Accountability which is also not proper to achieve in 5 years. The objective to complete in the next 5 years is to be well-prepared to establish the “Performance Accountability Culture” because the impact of the COVID-19 pandemic made macro-economy in-stabled which made the public financial management flexible in lined with the fast-changing context. In building performance, a stable environment over a reasonable period has sufficient basis to generate comprehensive information and quality for performance evaluation.

All in all, moving towards Stage 4 which focusing on platform 4 has sufficient basis. While it is possible to ensure that the reform continues to thrive and gain momentum, those platforms are not yet strong enough. In this direction, moving towards Stage 4 can be achieved through the implementation of the “Performance Budget Information System”, which will need to further improve towards building performance system in the next 5 years. Since Stage 4 is the “system, legal framework, mechanisms and human resource” transition stage that has built the four stages to meet the development needs and new expectations of the people, the changing in local and foreign context and achieving Cambodia’s vision, strengthening a strong Performance Accountability is needed. Performance Accountability is broader Budgeting System Reform in general or Public Financial Management Reform in particular, because there are still various reform areas that need to be coordinated. In this regard, moving towards Stage 4 must be in line with other reform areas in order to turn all efforts into a Performance Governance System while Cambodia can move towards to becoming Upper Middle-Income Country. While the other two reforms are steadily progressing, the Public Financial Management Reform should focus on the depth and fundamentals, rather than focusing on moving towards and insisting in achieving the Stage 4.

In conclusion, to ensure moving towards Stage 4, the first option is appropriate, that is, the extension of the implementation for two years. This period is reasonable because the COVID-19 pandemic may end and all the delayed activities would have enough time to be achieved. This period can also be used to strengthen other remaining activities.

6. Implication of CAP3+2 Preparation

6.1. Platform Validation

In term of preparing CAP3+2, GSC's Technical Working Group will not maintain the structure of CAP3 but to reorganize it with a clear purpose for each part/platform. This change is to prepare and ensure a step towards to stage 4. At the same time, part 1 or platform 1 "Budget Credibility" is organized at the aggregate level, reflecting the whole system through reviewing and evaluating the results of the implementation of revenue collection and expenditure plans. The other parts will be prepared and implemented in stages, in which the part 2 will be completed in the stage 2 to strengthen the platform 2, and the part 3 will continue the implementation of the remaining work in the stage 3 to strengthen the platform 3, the part 4 will focus on performance accountability, and the part 5 will focus on maintaining the reform movement and the interconnectedness of other reforms.

CAP3	CAP3+2
Part 1 "Further Strengthening Budget Credibility"	Part/Platform 1 "Further Strengthening Budget Credibility"
Part 2 "Strengthening Financial Accountability"	Part/Platform 2 "Financial Accountability"
Part 3 "Budget Policy Linkages"	Part/Platform 3 "Strengthening Efficiency of Budget-Policy Linkage"
Part 4 "Readiness for Next Platform"	Part/Platform 4 "The Completion of Readiness Towards Performance Accountability"
Part 5 "Supporting the Successful and Sustainable implementation of PFMRP"	Part 5 "Support to Sustainable Reform Programs, and the Intertwining of Other Reforms"

6.2. Change Objective Level

Based on the result of reviewing and evaluating of CAP3 implementation and PEFA, GSC working group will update or change some objectives by narrowing down some similar objectives and create new ones and strengthening the implementation of the remaining work in each platform. Create new objectives or new activities based on the strategies implemented in the stage 3⁷.

The preparation of CAP3-Stage 3 Plus 2 (CAP3+2) Year 2021-2022, GSC will revise by narrowing down from 21 objectives which set for CAP3 implementation to 19 objectives for CAP3+2 2021-2022 includes Platform/Stage 1 has 3 objective (4 objectives in CAP3), Platform/Stage 2 has 5 objectives (5 objectives in CAP3), Platform/Stage 3 has 4 objectives (5 objectives in CAP3) and Part 5 has 3 objectives (3 objectives in CAP3). *(Please see the annex 4)*

⁷ Budget System Reform Strategy 2018-2025, Revenue Mobilization Strategy 2019-2023, Budget System Reform Strategy for Sub-National Administration 2019-2025, Public Procurement System Reform Strategy 2019-2025, Public Investment Management System Reform Strategy 2019-2025 and Public Debt Management Strategy 2019-2023 as well as the Business Processes Streamlining through FMIS.

7. Conclusion

The implementation of the Public Financial Management Reform Program-Stage 3 has achieved adequately solid budget credibility and the backbone of financial accountability that was implemented. The evaluation of this Stage 3 implementation shows that Platform 1: Increasing the Budget Credibility remains solid, Platform 2: Strengthening and Expanding Financial Accountability continues to make good progresses, Platform 3: Budget-Policy Linkages has achieved essentially and the fundamentals of performance accountability has been emerging gradually, and the Platform 4: Readiness towards Performance Accountability has not achieved as planned. Based on the evaluation of Consolidated Action Plan-Stage 3 year 2016-2020, RGC decided to continue implementing CAP3 for another 2 years to strengthen the foundations of reforms in the previous 3 platforms before moving to Platform 4 “Performance Accountability”.

The preparation of Consolidated Action Plan-Stage 3 plus 2 and Stage 4 still maintains the structure of 5 Parts and prioritizes. In Part 1 “**Further Strengthen Budget Credibility**” focuses on the implementation of policies and management of Tax and Non-Tax Revenues and Budget Expenditure Plans. Part 2 “**Further Strengthen Financial Accountability**” focuses on strengthening and expanding FMIS implementation. Part 3 “**Strengthening Efficiency of Budget Policy-Linkages**” focuses on complete program budgeting and budget entities, increasing the comprehensiveness and integration of the budget, clearly defining the roles and responsibilities between the Ministry of Economy and Finance, the relevant LMs and the legislature, the development of Medium-Term Fiscal Framework, the establishment of monitoring and evaluation, and financial decentralization. Part 4 “**the Completion of Readiness Towards Performance Accountability**” focuses on performance budgeting framework, determining line accountability of performance budgeting, implementing performance audit and capacity development plan. Part 5 “**Support to Sustainable Reform Programs and the Intertwining of Other Reforms**” focuses on enhancing leadership in reform, capacity building and providing incentives in reform works and strengthening capacity for the stage 3 implementation.

Annex

Please scan QR code below for the documents

Annex 1: CAP3 Review Report by ADB's expert

Annex 2: Annual Progress Report of PFMRP Phase 3 from 2016-2020



Annex 3: Summary table comparison the results of PEFA assessment in 2015 and 2020 by using framework for PEFA 2011

Indicator		Score 2015	Score 2020
<i>Pillar 1: Credibility of the budget</i>			
PI-1	Aggregate expenditure out-turn compared to original approved budget	A	A
PI-2	Composition of expenditure out-turn compared to original approved budget	D+	B+
2.1	Variance in expenditure composition, excluding contingency items	D	B
2.2	The average amount of expenditure actually charged to the contingency vote	B	A
PI-3	Aggregate revenue out-turn compared to original approved budget	A	D
PI-4	Stock and monitoring of expenditure payment arrears	D+	D+
4.1	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	D	D
4.2	Availability of data for monitoring the stock payment arrears	C	C
<i>Pillar 2: Comprehensiveness and transparency</i>			
PI-5	Classification of the budget	C	C
PI-6	Comprehensiveness of information included in budget documentation	C	B
PI-7	Extent of unreported government operations	C	B
7.1	Level of unreported extra-budgetary expenditure	C	B
7.2	Income/expenditure information on donor-funded projects	C	B
PI-8	Transparency of inter-governmental fiscal relations	B	B
8.1	Transparency and objectivity in the horizontal allocation among SN government	A	A
8.2	Timeliness of reliable information to SN government on their allocations	A	A
8.3	Extent of consolidation of fiscal data for government according to sectoral categories	D	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C+	C+
9.1	Extent of central government monitoring of AGAs/PEs	C	C
9.2	SN governments' fiscal position	A	A
PI-10	Public access to key fiscal information	D	B

Pillar 3: Budget-Policy Linkages			
PI-11	Orderliness and participation in the annual budget process	A	A
11.1	Existence of and adherence to a fixed budget calendar	A	A
11.2	Guidance on the Preparation of budget submissions.	A	A
11.3	Timely budget approval by the legislature	A	A
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+
12.1	Multi-year fiscal forecast and functional allocations	C	C
12.2	Scope and frequency of debt sustainability Analysis	A	A
12.3	Existence of costed sector strategies	C	C
12.4	Linkages between investment budgets	C	C
Pillar 4: Predictability and control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	C+	B
13.1	Clarity and comprehensiveness of tax liabilities	C	C
13.2	Taxpayer access to information on tax liabilities and administrative procedures	B	B
13.3	Existence and functioning of a tax appeals mechanism	C	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D+	C+
14.1	Controls in taxpayer registration system	D	C
14.2	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C
14.3	Planning and monitoring of tax audit and fraud investigation programs	C	B
PI-15	Effectiveness in collection of tax payments	D+	NR
15.1	Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	D	D
15.2	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	A
15.3	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	C	C
PI-16	Predictability in the availability of funds for commitment of expenditures	C+	C+
16.1	Extent to which cash flows are forecast and monitored	B	B

16.2	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	B	B
16.3	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	C	C
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+
17.1	Quality of debt data recording and reporting	C	C
17.2	Extent of consolidation of the Government's cash balances	B	B
17.3	Systems for contracting loans and issuance of guarantees	C	C
PI-18	Effectiveness of payroll controls	D+	D+
18.1	Degree of integration and reconciliation between personnel records and payroll data	B	B
18.2	Timeliness of changes to personnel records and the payroll	C	C
18.3	Internal controls of changes to personnel records and the payroll	B	B
18.4	Existence of payroll audits to identify control weaknesses and /or ghost workers	D	D
PI-19	Competition, value for money and controls in procurement	D+	C+
19.1	Transparency, comprehensiveness and competition in the legal and regulatory framework	B	B
19.2	Use of competitive procurement methods	D	D
19.3	Public access to complete, reliable and timely procurement information	D	A
19.4	Existence of an independent administrative procurement complaints system	D	D
PI-20	Effectiveness of internal controls for non-salary expenditure	C	C
20.1	Effectiveness of expenditure commitment controls	C	C
20.2	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	C	C
20.3	Degree of compliance with rules for processing and recording transactions	C	C
PI-21	Effectiveness of internal audit	C	C+

21.1	Coverage and quality of the internal audit function	C	C
21.2	Frequency and distribution of reports	C	B
21.3	Extent of management response to internal audit findings	C	C
<i>Pillar 5: Accounting, Recording and Reporting</i>			
PI-22	Timeliness and regularity of accounts reconciliation	C	C
22.1	Regularity of Bank reconciliations	B	B
22.2	Regularity of reconciliation and clearance of suspense accounts and advances	D	D
PI-23	Availability of information on resources received by service delivery units	D	B
PI-24	Quality and timeliness of in-year budget reports	C	C+
24.1	Scope of reports in terms of coverage and compatibility with budget estimates	C	C
24.2	Timeliness of the issue of reports	A	A
24.3	Quality of information	C	C
PI-25	Quality and timeliness of annual financial statements	D+	C+
25.1	Completeness of the financial statements	D	B
25.2	Timeliness of submission of the financial statements	B	B
25.3	Accounting standards used	C	C
<i>Pillar 6: External Scrutiny and Audit</i>			
PI-26	Scope, nature and follow-up of external audit	NR	NA
26.1	Scope/nature of audit performed (incl. adherence to auditing standards)	NR	NA
26.2	Timeliness of submission of audit reports to the legislature	A	NA
26.3	Evidence of follow-up on audit recommendations	C	NA
PI-27	Legislative scrutiny of the annual budget law	C+	C+
27.1	Scope of the legislature's scrutiny	C	C
27.2	Extent to which the legislature's	B	B
27.3	Adequacy of time for the legislature to provide a response to budget proposals (time allowed in practice for all stages combined)	C	C
27.4	Rules for in-year amendments to the budget without ex-ante approval by the legislature This dimension is directly comparable to PI-18.4	B	B
PI-28	Legislative scrutiny of external audit reports	B	B

28.1	Timeliness of examination of audit reports by legislature (for reports received within the last three years)	B	B
28.2	Extent of hearings on key findings undertaken by legislature	B	B
28.3	Issuance of recommended actions by the legislature and implementation by the executive	B	B
<i>Donor Practices</i>			
D-1	Predictability of Direct Budget Support	D	NR
D1.1	Annual deviation of actual BS from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	D	NR
D1.2	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	D	NR
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	NR
D2.1	Completeness and timeliness of budget estimates by donors for project support	C	NR
D2.2	Frequency and coverage of reporting by donors on actual donor flows for project support	D	NR
D-3	Overall proportion of aid funds to central government that are managed through national procedures	D	NR

Annex 4: Summary Table of Objective Level Change

CAP3 Framework	CAP3+2 Framework
<i>Part 1: Further Strengthened Budget Credibility</i>	<i>Part 1 / Platform 1: Further Strengthen Budget Credibility</i>
11. Further Strengthened Revenue Management and Revenue Collection Implementation	11. Continue to strengthen revenue management and implementation of revenue collection plans
12. Further strengthen debt management	12. Strengthen budget execution and the implementation of expenditure plan
13. Strengthen cash management and accounting	13. Improve the process of budget execution
14. Improve budget execution and strengthen implementation of expenditure planning	
<i>Part 2: Further Strengthen Financial Accountability</i>	<i>Part 2 / Platform 2: Further Strengthen Financial Accountability</i>
21. Improve implementation of new budget classification and new chart of accounts	21. Strengthen and expand Financial Management Information System (FMIS) implementation
22. Improve implementation of new business process and budget execution	22. Strengthen the implementation of new accounting, recording and reporting systems
23. Strengthen implementation of new accounting, recording and reporting	23. Strengthen public asset management (non-current assets)
24. Strengthen the implementation of instruments and mechanisms to enhance responsibility and accountability (internal control system).	24. Strengthen public debt management including the risk of contingent liabilities and other related debt risk sustainably
25. Expand budget transparency	25. Strengthen financial accountability for public administration establishments (PAEs) and state-owned enterprises (SOEs)
<i>Part 3: Budget Policy Linkages</i>	<i>Part 3 / Platform 3: Strengthening Efficiency of Budget-Policy Linkage</i>
31. Strengthen and expand the implementation of program budgeting and budget monitoring	31. Develop and implement Medium-Term Fiscal and Budget Frameworks
32. Develop comprehensive budget and budget integration	32. Strengthen public investment management
33. Develop and Implement Line of Accountability System (between Legislative and Executive, between MEF and LMs, and within LMs)	33. Strengthen the preparation and implementation of Program Budget by linking to Strategic Budget Plans (BSP)
34. Strengthen development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)	34. Reinforce the implementation of decentralization for sub-national administrations
35. Strengthen implementation of fiscal decentralization policy	

<i>Part 4: Readiness for Next Platform</i>	<i>Part 4 / Platform 4: The Completion of Readiness Towards Performance Accountability</i>
41. Develop performance informed budget framework	41. Implement the performance-informed budgeting system
42. Develop and implement performance based accountability framework	42. Implement system to monitor and review performance in line-ministries
43. Strengthen monitoring system more effective	43. Strengthen the effectiveness of performance monitoring system (internal audit, financial inspection and independent audit)
44. Prepare and implement capacity development plan for legislative bodies and the National Audit Authority	44. Promote budget transparency (moved from Objective 25 of CAP3)
<i>Part 5: Supporting the Successful and Sustainable implementation of PFMRP</i>	<i>Part 5: Support to Sustainable Reform Programs, and the intertwining of Other Reforms</i>
51. Develop leadership, management capacity, reform willingness, ownership and responsibilities	51. Enhance Leadership and capacity in management, ownership and responsibility for the reforms.
52. Further increase effectiveness of capacity development & incentive measures	52. Ensure the momentum of the public financial management reform
53. Strengthen capacity building for implementation of public financial management reform program – in stage 3	53. Strengthen intertwining between other reform areas