

Performance Report - 1<sup>st</sup> Quarter 2019

Of

Public Financial Reform Management Program



Prepared by ÷

General Secretariat of Public Financial Reform Program

Steering Committee

Unofficial Translation

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## Executive Summary

The 1<sup>st</sup> quarter progress report 2019 is the result of action plan implementation of the respective General Departments (GDs) of Ministry of Economy and Finance under Financial Management Reform Program (PFMRP) framework phase 3. The methodology of producing this report is based on its report of General Departments Action Plan and two main factors such as I)-Review on the main KPI of each platform, II)-Monitor GDAP3 and MAP3.

In the 1<sup>st</sup> quarter of 2019, GDs of the Ministry of Economy and Finance has planned 265 activities to support PFMRP. As results, 203 activities have fully completed (77%), 59 activities have made some progress (22%), and 3 activities have no progress (1%).

### Activities Plan to implement in the 1<sup>st</sup> quarter of 2019

Planned Activities		Achieved activities	Not fully achieved activities	No progress
Part 1	91	67	22	2
Part 2	58	42	16	-
Part 3	39	28	11	-
Part 4	38	32	5	1
Part 5	39	34	5	-
<b>Total</b>	<b>265</b>	<b>203</b>	<b>59</b>	<b>3</b>

## Part I: Budget Credibility

In the first quarter of 2019, Part I “Budget Credibility” achieved 93%. The quarterly revenue and expenditure performance was significant progress with domestic revenue (current revenue and **gross domestic capital**) achieved 25.80% compare to the budget law. The fiscal revenue was around 25.87% and the non-tax revenue achieved approximately 19.90%, above the target of 15%. However, national budget expenditure was in the condition to achieve the target around 14.21%. In addition, the payment through the banking system for government officials’ salary has achieved 100%, which the line ministries/institution have received their two times monthly salary on time. Cash management is in excellent condition with no recurrence of debt arrears.

## Part II: Financial Accountability

In the first quarter of 2019, Part II “Financial Accountability” achieved 90%. The main activity was expanded the rolling-out of the Financial Management Information System (FMIS) to more ten ministries/institutions and the twenty-five Department of Economy and Finance at the municipals-provinces with approximately 525 users commencing the operation of the system. The seven budget classifications have been reviewed and updated its function based on the

expenditure requested by the line ministries/Institutions implementing the FMIS. In addition, improvement the table coding number of Government Financial Statistics (GFS) to align with the economic classification of the budget content has been prepared. Moreover, improvement of the mapping formulation, preparation of the IPSAS Cash Basis report in the FMIS was carried out as a result of the meeting of the IMF Expert and the Information Technology Department. Lastly, an open budget or budget transparency has been enhanced, including publishing of budget documents and promote public participation through public forums on the macroeconomic and annual budget framework.

### Part III: Budget-Policy Linkage

In the first quarter of 2019, Part III “Budget Policy Linkage” achieved 90%. The main activity is that the guidelines on the preparation of the Performance Informed Budgeting has been reviewed and revised. Another activity is the strengthening of the quality of the Budget Strategy Plan (BSP) by requiring the line ministries/institutions to submit a description of program objectives, procurement planning, and petty cash for budget negotiation. The macroeconomic framework and public finance framework 2020, and the concept note on the Medium-Term Budget Framework (MTBF) has been prepared as a pilot phase. At the same time, the Action Plan for the Implementation of the Budget System Reform Strategy 2018-2025 has been prepared and implemented gradually. For the first quarter, the Budget System Reform Strategy for Sub National Administrations 2019-2025, Revenue Mobilization Strategy 2019-2023, and Public Procurement Reform Strategy 2019-2025 are being finalized and plan to launch in the 2018 Annual Review Meeting of the Public Financial Management Reform Program-Stage 3. The draft Public-Private Partnership (PPP) has been prepared in English and has held consultative workshops to mobilize more inputs and it is translated into Khmer language. In addition, two sub-decrees: the sub-decree on the raising of the allowance for sub-national administrations councils, and the sub-decree on the organization and functioning of commune/sangkat funds have been revised.

### Part IV: Readiness for the Next Stage

In the first quarter of 2019, Part IV “Readiness for the Next Stage” achieved 85%. The Performance Informed Budgeting Framework has been developed. The Technical Working Group review the Sub-Decree No. 81 dated November 16, 1995 on the establishment of financial controls on state budget expenditure in the Ministries, Municipalities, Municipalities, Phnom Penh and Public Administration Organizations. The Audit Assistance Tool for Monitoring of State Property Revenue and the Audit Assistance Tool for Casino Tax Proceeds are designed to prepare internal control systems for auditing on non-tax revenue and the casino sector. In addition, the Guidelines on Audit Based on Performance and the Guidelines on IT Audit were prepared as a first draft. The code of 70 functions in the Financial Inspection Database Management System (FIDS) module has been finished the preparation. In the meantime, the requisite information format on the implementing program budgeting of the budget entity has been designed to evaluate the performance of the program budgeting task in accordance with the legal standard of the budget entity.

## Part V: Support to Successful and Sustainable PFM

In the first quarter of 2019, Part V “support to Successful and Sustainable PFM” achieved 96%. The layout structure guide of legislative related to state property and non-tax revenue was prepared based on the analysis of the text and the legal norms. The priority matrix of the Management Framework and Human Resource Development 2018-2023 has been split and passed to the management of the General Secretariat of the Ministry of Economy and Finance. The Training Requirements Questionnaire for Program Development and Skills Training Requirements for Public Financial Management has been updated and conducted an internal consultation meeting at the Economics and Finance Institute. In addition, the assessment study program on feasibility assessment in the preparation of training for officers whom are responsible for financial management of the twenty-five Department of Economy and Finance has been prepared. Moreover, relevant documents for the preparation of the Ministry of Economy and Finance staff’s benefit booklet were studied and drafted. Also, the electronic security gates have been studied and soft utilized at the Ministry of Economy and Finance.

Overall, the implementation of unit's action plan under the Ministry of Economy and Finance in the first quarter of 2019 achieved "good" progress of 91%. Out of the 18 ministries, the Ministry of Economy and Finance has achieved 100% of plan implementation in the first quarter: General Department of National Treasury, General Department of Financial Industry, National Council Accounting, and the Legislative Council. In addition, only the Public-Private Partnership Unit has achieved 70% of the progress and the General Procurement Department has made 86% of progress, while all other entities have made progress of 93%. Although some action plans are not yet in line with the timeline or achieved as planned and there are three actions yet to be implemented in the first quarter, those will continue to be completed during the next quarter. Subsequently. The pending indicators also have not negatively affected overall quarterly progress.

### Progress of each GDs under supervision of the Ministry of Economy and Finance

No.	Entities under supervision of the MEF	Activities Q1, 2017	Percentage Q1, 2017	Activities Q1, 2018	Percentage Q1, 2018	Activities Q1, 2019	Percentage Q1, 2019
1	General Department of Policy	3/5	95%	15/16	99%	8/10	98%
2	General Department of Customs and Excise of Cambodia	8/11	92%	13/16	98%	11/12	98%
3	General Department of Taxation	26/41	97%	23/34	97%	24/32	94%
4	General Department of State Property and	7/8	97%	10/14	97%	10/14	97%

	Non-Tax Revenue						
5	General Department of Financial Industry	2/4	97.5%	5/5	100%	5/5	100%
6	General Department of Budget	38/43	98%	38/38	100%	39/51	90%
7	General Department of Finance for Sub-National Administration	11/14	99%	17/20	90%	12/14	94%
8	General Department of International Cooperation and Debt Management	19/19	100%	7/11	96%	6/8	93%
9	General Department of National Treasury	9/17	68%	21/21	100%	18/18	100%
10	General Department of Public Procurement	3/5	98%	3/10	88%	5/10	86%
11	General Inspectorate	13/21	98%	12/28	92%	16/23	94%
12	General Inspectorate Department	9/9	100%	7/8	98%	15/17	98%
13	General Department of Internal Audit	12/17	93%	14/17	99%	14/15	99%
14	Economics and Finance Institute	9/17	79%	8/11	96%	6/7	99%
15	FMIS Management Working Group	5/5	100%	14/14	100%	11/18	95%
16	Legislation Council	4/4	100%	4/4	100%	6/6	100%
17	National Accounting Council	No Planned Activities		1/2	80%	3/3	100%
18	Central Public-Private	N/A		1/2	93%	0/2	70%

	Partnership Entity					
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## 1. Introduction

### 1.1. Background of Public Financial Management Reform Program (PFMRP)

The Public Financial Management Reform Program was launched in December 2004 with the goal of transforming the public financial system of Cambodia which is input based and centralized into output-based and decentralized and in line with international best practice. The work is carried out by constructing four platforms as following:

- ❖ Platform 1: “Budget Credibility” from 2004 to 2008,
- ❖ Platform 2: “Financial Accountability” from 2009 to 2015,
- ❖ Platform 3: “Budget Policy Linkage” from 2016 to 2020, and
- ❖ Platform 4: “Performance Accountability” from 2021 to 2025.

Until now, the implementation of the Public Financial Management Reforms Phase I and II has made excellence progress, by successful built the platform of Budget Credibility and Financial Accountability. Currently, the Public Financial Management Reform Program is in its third phase which is the platform 3 “Budget Policy Linkage” will be finished by 2020. Unlike the previous two phases, Phase 3 requires close cooperation and collaboration between all relevant stakeholders, including General Departments under supervision of the Ministry of Economy and Finance and other relevant line ministries/institutions of the Royal Government of Cambodia. In this phase 3, building the platform 3 Budget Policy Linkage focus on the implementation of the program budgeting, the implementation of the budget entity and the preparation of the public financial framework, and medium-term budget framework. At the same time, the second platform of Financial Accountability has been further strengthened by introduction the Financial Management Information System phase 1 and 2. Moreover, the first platform has been strengthened through improved revenue mobilization and improved cash management. This reform task is a process of gradual transformation of the current budget system.

All reform activities are formulated as a "Consolidated Action Plan Phase 3" approved by the Steering Committee of the Public Financial Management Reform under the coordination of the General Secretariat. The Consolidated Action Plan articulates objectives of each platform of the reform program in which General Departments under supervision of the Ministry of Economy and Finance and line ministries/institutions will prepare the reform actions to be implemented in order to achieve those objectives. To promote momentum on reform works onwards, monitoring mechanism on the annual and quarter works are generated by secretariat based on requested actions in action plan.

The 2019 first quarter report are prepared by consolidated actions that are outlined in common actions plan phase 3 for 2019. This report also reflects previous implementation for a fundamental measuring speed of reform even no compare features between the previous and current implementation. The report is prepared by verified the implemented actions, assessment on actions that are being implemented and key performance indicators review in each platform. This monitoring report outlines the reason why the actions were not

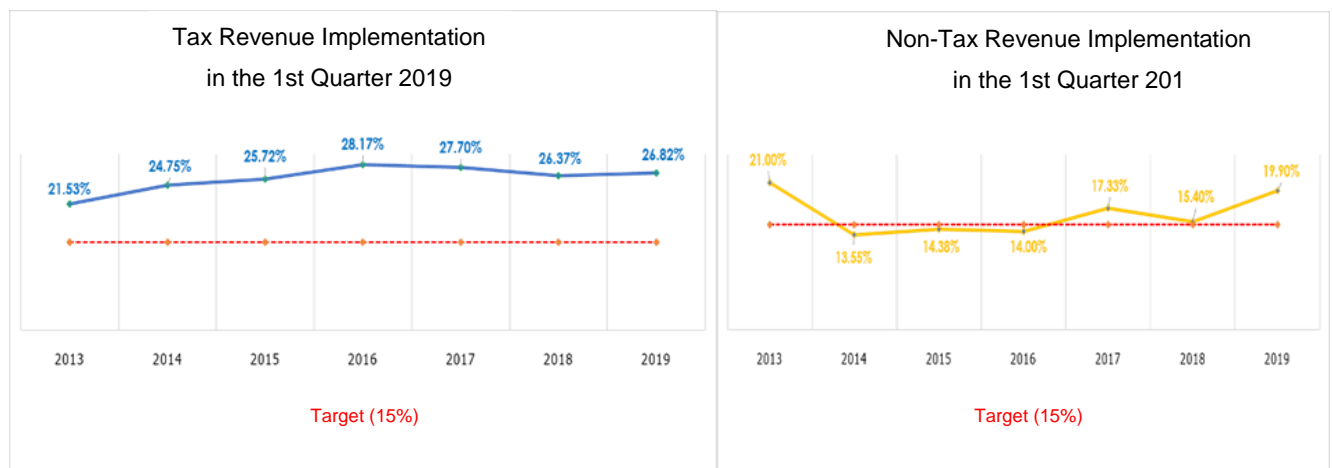


implemented and slow in action, including outlined challenges in implementation of those actions reform.

## 2. Progress of the Implementation of PFMRP in Q1 2019

### 2.1. Tax Revenue and Non-Tax Revenue Implementation

In the first quarter, from 2013 to 2019, tax revenue collection was around 25.87% with exceeding over the target of 15%. Non-tax revenue collection over the last three years from 2017 to 2019 have achieved the expected target, while 2014 to 2016 has been slightly below target. Moreover, in the first quarter of 2019, non-tax revenue has been collected least to 19.90% over the target.



Source: General Department of National Treasury

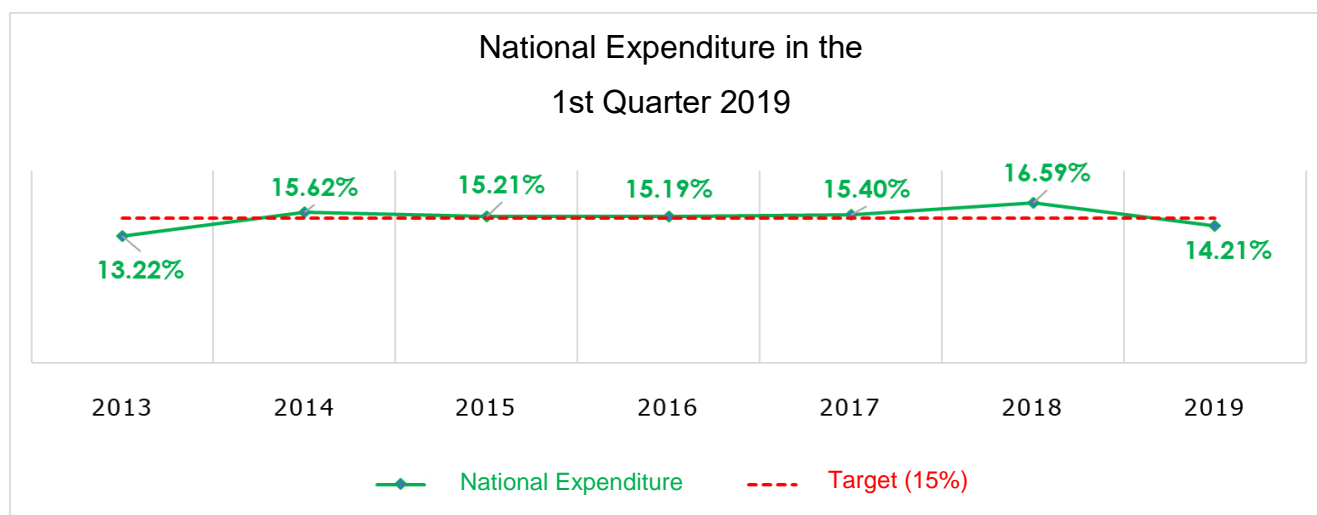
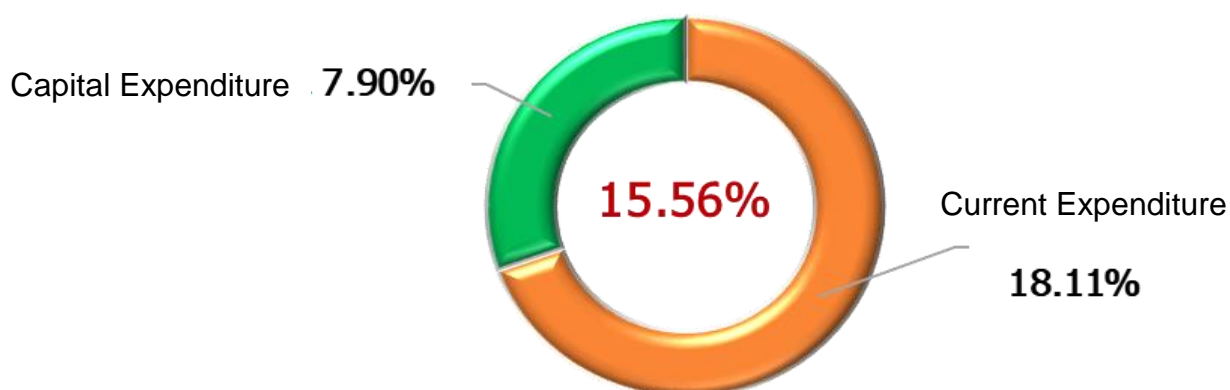
The results highlight the year-on-year focus and efforts of the General Department of Customs and Excise, the General Department of Taxation, the Directorate of Financial Industry and the Department of Departments in strengthening the effectiveness of the revenue plan implementation. Which is required by law every year.

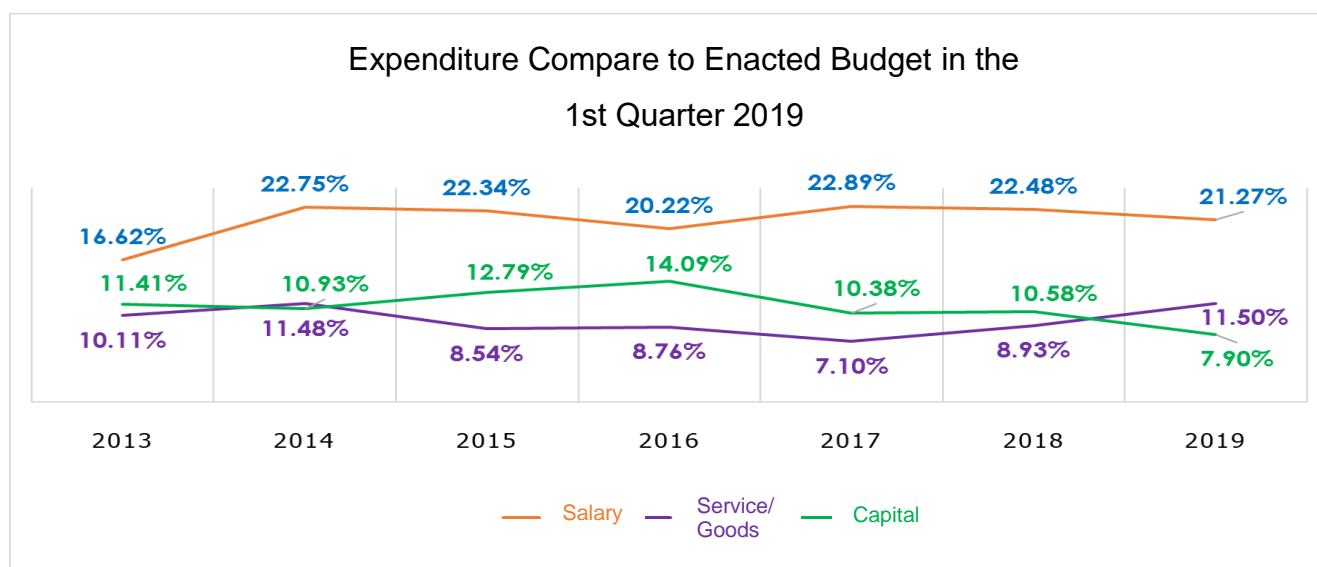
Overall, Cambodia has been able to boost its revenue collection significantly in recent years. The first quarter's national revenue collection from 2013 to 2019 was around 24.27. Among other reforms, since 2008, the General Department of Customs and Excises has successfully rolled out the Automated System for Custom Data (ASYCUDA). In addition, the anti-smuggling mechanism is gradually enhanced. The General Department of Taxation (GDT) abolished the simplified and estimated tax regimes and included all small, medium, and large enterprises under a self-assessed regime in accordance with the Revenue Strategy 2014-2018, while improving its capacity in tax auditing and taxpayer services, leading to better compliance. In this regard, improvements in tax administration and a broadening of the tax base, Cambodia's tax revenue collection has increased from 15.1% of GDP in 2013 to an estimated 22.0% in 2018, and an average growth of 1.4% of GDP per annum.

## 2.2. Expenditure Outturn

The implementation of national spending in the first quarter from 2014 to 2019 shows that planning and implementation are more reliable in terms of target spending by 15% in the first quarter of the year. In fact, in the first quarter of 2019, the national budget expenditure was approximately 14.21%. Although current costs improve every year, capital expenditure needs plenty of time to prioritize, project evaluation and implementation at a slow pace in the first quarter. However, capital spending will be improved if public investment planning is conducted good. For implementation, current expenditure in the first quarter of 2019 was approximately 18.11% and capital expenditure was approximately 7.90% year over year.

Expenditure outturn in the 1<sup>st</sup> quarter compare to Financial Law 2019





*Source: General Department of National Treasury*

In terms of the expenditure compared to the enacted budget in 2019, expenditure for government official's salary maintained its performance an average of about 21.2% over the last five years. The service/goods was implemented approximately 11.50%, which is similar to 2014 and faster than in previous years. Performance of capital expenditure was around 7.90% in 2019 which slowest pace in the last five years, and the highest performance approximately 14.09% in 2016.

### 2.3.Expenditure compare to Financial Law by LMs

Implementation expenditure compared to line ministries/Institutions for the first quarter of 2019, the median equal to 13% and average around 16%. The percentage of this practice has not changed much over the last three years. It was notable that 11 line-ministries/institutions implementing less than 10% budget in the first quarter of 2019 which the same progress to 2018 and decreased compared to 2017 with 17 line-ministries/institutions have implemented more than 10%. There are 14 line ministries/institutions have implemented more than 15% which lower than 2018 (18 line ministries/institutions), but the same to 2017.

	2017	2018	2019
<b>Average of performance percentages</b>	13.97%	16.41%	15.97%
<b>Median of performance expenditure</b>	11.00%	13.00%	13.00%
<b>Number of Line Ministries/Institutions perform less than 10%</b>	17	11	11
<b>Number of Line Ministries/Institutions perform more than 15%</b>	14	18	14

## 2.4. Debt arrears

In the 1<sup>st</sup> quarter of 2019, There no debt arrears at General Department of National Treasury (60 days from the opening to National Treasury until settlement date). This result is shown that the process of payment and budget outturn has been improved and well managed and compliance with international standard. Under international standards, debts arrears are considered only 30-day period, payments monitoring under this standard will strengthen the quality of budget credibility and make a better implementation.

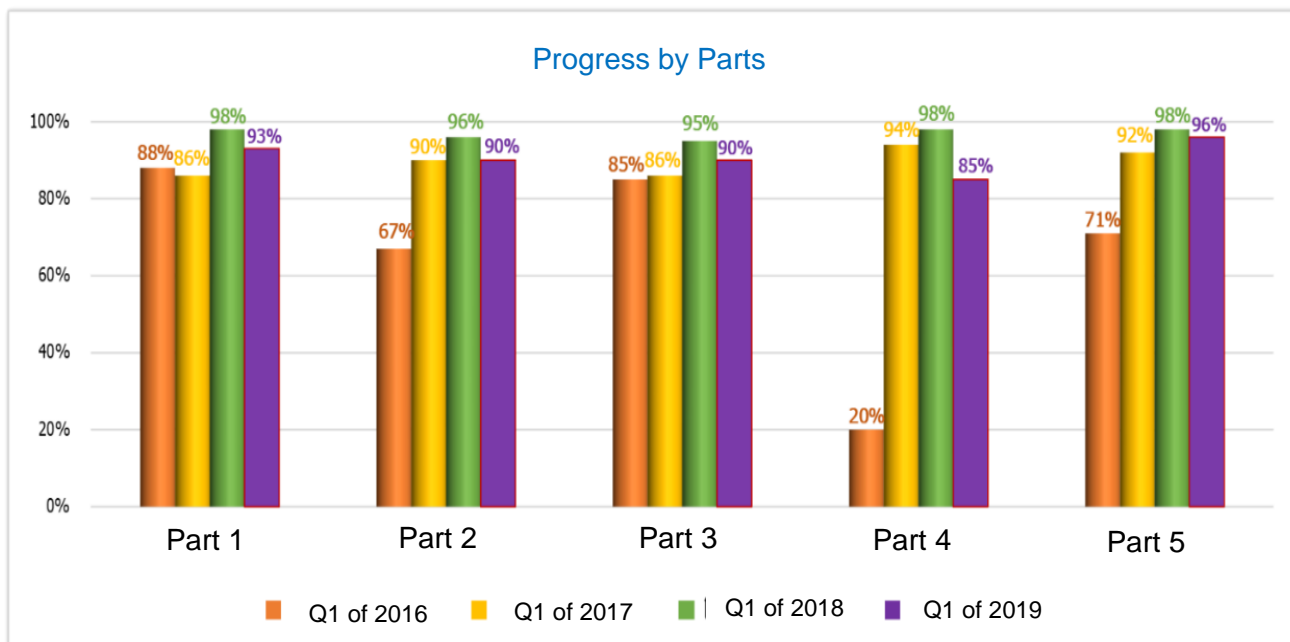
Table of the Key Performance Indicators in the 1<sup>st</sup> Quarter of 2019

Indicator	Targets	Q1 2018	Q1 2019
1. Total domestic revenue Result out-turns increasingly close to approved targets under the financial law.	Total domestic revenue achieves +/- 5% compared to the approved targets under the laws.	Domestic Revenue:  <input type="checkbox"/> Quarter 1: 24.7%  • Current Revenue: 24.7%  • Capital Revenue (Domestic): 7.1%	Domestic Revenue:  <input type="checkbox"/> Quarter 1: 25.8%  • Current Revenue: 25.9%  • Capital Revenue (Domestic): 15.9%
2. No accumulation of new arrears	Arrears are defined to be maintained at no more than 2% of total	No	No
3. Budget holders are increasingly able to commit expenditure in line with budgets and cash flow forecasts	Q1: 15% Q2: 45% Q3: 67% Q4: 96%  Percentage of settlement to suppliers and staff via banking system is not less than 80% of total expenditure	National Budget achieved:  <input type="checkbox"/> Quarter 1: 15.52%  Payment via banking system:  <input type="checkbox"/> Quarter 1: 100%  ▪ 36 Ministries received salaries via	National Budget achieved:  <input type="checkbox"/> Quarter 1: 14.21%  Payment via banking system:  <input type="checkbox"/> Quarter 1: 100%  ▪ 36 Ministries received salaries via

		banking system	banking system
4. Composition of expenditure by type (staff costs) is close to approved budget.	Actual expenditure compared to budget law must not be below: <ul style="list-style-type: none"> <li>• Salary: 98%</li> <li>• Goods/Services: 95%</li> <li>• Capital: 85%</li> </ul>	National budget achieved by categories in Q1: <ul style="list-style-type: none"> <li><input type="checkbox"/> Salary: 22.30%</li> <li><input type="checkbox"/> Goods/Service: 8.84%</li> <li><input type="checkbox"/> Capital: 10.58%</li> </ul>	National budget achieved by categories: <ul style="list-style-type: none"> <li><input type="checkbox"/> Salary: 21.27%</li> <li><input type="checkbox"/> Goods/Service: 11.50%</li> <li><input type="checkbox"/> Capital: 7.90%</li> </ul>
5. The yield achieved from Tax base is better through the improvement of collection efficiency and the plan to use non-tax revenue sources.	Progressive improvement in revenue yield compared to GDP by 0.3 percentage point per year.	Q1 Revenue: National revenue:24.7% <ul style="list-style-type: none"> <li><input type="checkbox"/> Taxation: 26.4%</li> <li><input type="checkbox"/> Non-Tax: 15.1%</li> </ul> National revenue:25.1% <ul style="list-style-type: none"> <li><input type="checkbox"/> Taxation: 25.2%</li> <li><input type="checkbox"/> Non-Tax: 22.3%</li> </ul>	Q1 Revenue: National revenue:24.8% <ul style="list-style-type: none"> <li><input type="checkbox"/> Taxation: 25.8%</li> <li><input type="checkbox"/> Non-Tax: 19.9%</li> </ul> National revenue:26.5% <ul style="list-style-type: none"> <li><input type="checkbox"/> Taxation: 26.8%</li> <li><input type="checkbox"/> Non-Tax: 16.4%</li> </ul>
6. All part of revenue and expenditure are put in government budget and accounts.	Non-importance parts are excluded	Total bank accounts: 87	Total bank accounts: 97

*Source: General Department of National Treasury*

### 3. Progress by Parts



**Excellence (96% - 100%), Good (86% - 95%)**  
**Fairly Good (71% - 85%), Fair (61% - 70%),**  
**Weak (0% - 60%)**

*Source: GSC*

In overall, GDAP3 has achieved 97% in the 1<sup>st</sup> quarter of 2018. Part-I, IV, and V have achieved 98% of its performance, Part II achieved 96%, and Part III achieved 95%. Compared to the 1<sup>st</sup> quarter in 2017, Part-I has increased 12%, Part-II 6%, Part-III 9%, Part-IV 4%, and Part-V 6%.

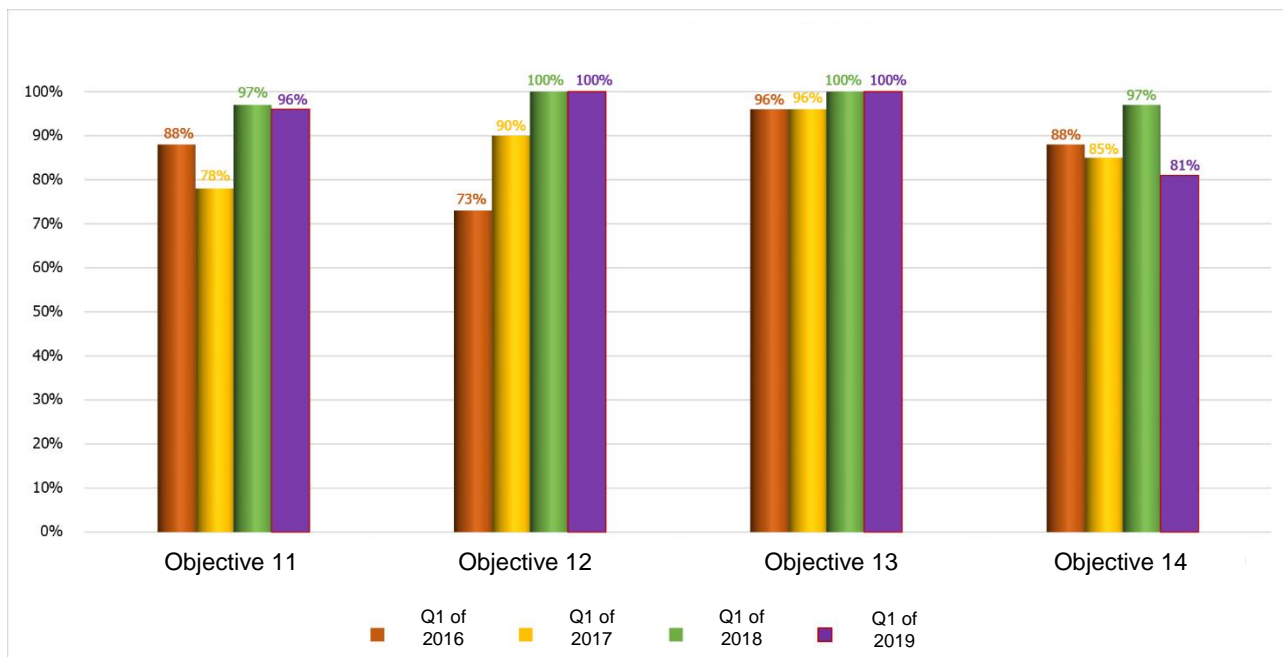
The result of the report reflects an evidence of engagement of GDs under the supervision of MEF to implement its GDAP3 align with CAP3 under PFM RP.

As the progress of PFM RP moves forward in the 1<sup>st</sup> quarter of 2018, implementation challenges still remain. Addressing challenges demands the GDs continue its effort review and revise GDAP3 to be more comprehensive and translate to the architecture of the PFM of the government is needed to improve. Especially, its alignment with CAP3 and measurable and clear KPI will be considered into agenda.

#### 1.1. Part I: Budget Credibility

Part 1	Score	Summary
Further strengthen budget credibility	93%	The progress of this part has achieved “very good” level because revenue and expenditure implementation by quarter go smooth and have

		achieved 25.80% of budget law including (current revenue and capital revenue) due date in March 2019. Meanwhile, payment by bank system has achieved 100% including line-ministry has received the salary twice time a month and on time basis. Cash management is on good progress and there are no arrears.
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**Objective 11: “Further strengthening revenue management and implement revenue plan”** achieved 96%. *This objective focused mainly on Strengthened Medium-Term Revenue Mobilization Strategy; Further Improving the Policy and Administration of Custom, Taxation; and State Property and Non-Tax Revenue; strengthen in year debt management and implementing direct Revenue/ sub national’s revenue sharing.*

❖ **Strengthen the implementation of revenue mobilization strategy:** Progress report has been achieved in the 1<sup>st</sup> quarter including:

- Prakas on custom commission ethic has been implemented in 29 January 2019 and prepared dissemination workshop to 100 individual and customs commission for import export company.
- Data centralized supervision system program, which inserted the scanning picture from customs and excise entity to general department of customs and excise, has been installed.
- The observation real estate in Khan 1 (Khan Daun Penh), which offered the taxation service in order to registration and updated real estate information, has been finished.

- Appendix on real estate prices for stamp tax basis has been revised each entity in City/provinces.
- Registration and updated enterprise information in the 1<sup>st</sup> quarter of 2019 registered for 2671 equivalent to 9.2% of unregistered enterprise and updating information (comparable to unregistered observation enterprise data, 28 835).
- Draft introductory booklet on methodology of taxpayer risk determination under specialized office level has been prepared.
- First draft Prakas on rules and regulation of public enterprise dividends and public participation has been prepared, studied the law and legal framework.
- Fiscal registration, revision on real estate and non-real estate has been prepared and finished in order to determine first resource of public administrative entity by 5 over 13 including: Royal agriculture University, Cambodian rubber research institute, [National Social Security Fund \(NSSF\)](#) for civil servant, National center for health and Royal University of Fine Arts.
- Sub decree number 139 dated 11 July 2016 on budget management and state property of public administrative entity and signed the sub decree number 15 dated 15 January 2019 by royal government has been amended.
- ❖ **Further strengthened policy and customs administration, tax and non-tax revenue:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Report on the effect evaluation in negotiation and ATIGA has been finished.
  - Report on the effects evaluation in negotiation and AANZFTA in the 1<sup>st</sup> quarter has been prepared.
  - The meaning of sub decree on expenditure reconciliation procedure and given cash for the calculation of personal income tax under specialized level has been prepared and revised the appendix and submitted to director of department for checks.
  - Structural Prakas on tax collection of person income tax under specialized level has been prepared and revised the appendix and submitted to director of department for checks.
  - Draft Prakas on capital gains tax under specialized level has been finished and further revised under departmental level.
  - Registration management system in the 2<sup>nd</sup> generation and E-payment system in the 2<sup>nd</sup> generation have been broadcasted.
  - Draft Prakas on definition of glossary revision and fiscal stamp tax procedure has been prepared and further revised taxation office of Phnom Penh.
- ❖ **Strengthen revenue analysis and forecasting:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Draft law on management, uses and state property has been discussed 06 time from January to March 2019 by technical committee of Office of Council Ministers.



- Revenue forecasting working group meeting in General Department of Customs and Excise with local consultant in order to discuss and select two type of model forecasting has been prepared and chosen Tax Buoyancy methodology for customs piloting forecasting.
- ❖ **Strengthen in-year debt management strategy more effectively:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Custom debt figure in 2018 has been reported to Ministry of Economy and Finance and taken the debt payable measure through the letter to company.
  - Country tax debt receivable of enterprise document has been prepared and tax debt has been classified 25% of the target.
  - Draft on new tax debt management mechanism has been prepared and revised.
  - Sectoral debt solving working group has been discussed on debt clearance and further implemented the governmental procedure: A. Post office debt working group has submitted and further debt clearance.
- ❖ **Implement direct revenue collection/ revenue sharing for sub national level:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Report on maximizing budget resource to commune/sangkat has been prepared and submitted to management for approval.
  - Draft sub decree on maximizing budget resource to commune/sangkath have been prepared for basis development expenditure.

**Objective 12: “Further strengthen debt management”** achieved 100%. *This objective focused mainly on Strengthen to implement debt management strategy effectively and efficiently.*

- ❖ **Strengthen to implement debt management strategy effectively and efficiently:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Draft strategy on public debt management from 2019-2023 has been consulted with related general departmental.
  - The public debt statistics bulletin volume 7 has been printed and disseminated.
  - The draft report on the assessment of the operation of public debt management strategy has been checked and internally discussed.

**Objective 13: “Strengthen cash management and accounting”** achieved 100%. *This objective focused mainly on Further revise and strengthen cash planning preparation (quarterly/monthly and reach to weekly and daily cash planning, further strengthen bank system usage in order to study, strengthen and expand the electronic fund transfer system (EFT), further check the arrears and aging (60 days) and timely cash advance payment.*

- ❖ **Further improve and strengthen cash management plan (starting from quarterly and monthly to weekly and daily):** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Cash planning has been prepared daily.
  - LMs' accounts in commercial bank or national bank and account balance which is not capable further has been checked as daily.
  - Working group has been checked active cash status forecasting.
- ❖ **Further strengthen the use of banking system as well as conducting the feasibility study on the payment through E-Transfer:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Document **on technical need and Implemented** the official EFT payment from FMIS with commercial bank has been already prepared in order to develop and pilot testing before officially implementation with commercial bank in near future.
  - Continued follow-up and collaboration with relevant ministries and entities to accelerate the salary payment through the banking system every 4th weeks of each month.
  - Salary payment through the banking system has received twice time each month.
- ❖ **Continue to monitor arrears and its ageing profile (60 days):** Progress report has been achieved in the 1<sup>st</sup> quarter and working group has tested the borrowing figure and lending through national treasury which was successful on template for DMFAS and FMIS figure completion:
  - Enhance advance clearance on timely basis
  - Cash advance from the National Treasury to further record in analysis list and daily reporting detail by LMs' date. Due date 20 March 2019, cash advance status in 2019 LMs received cash advance in amount of 215, 183, 816. 020 Riel including: A. Current, 184, 607, 816.020 and B. Investment, 30,576,000.
  - Advance expenditure monitoring list and measure on advanced cash has been prepared and measured.
  - Advance expenditure report in the 1st quarter has been prepared in order to take an action for payments (OCM, MEF and MOEYS).

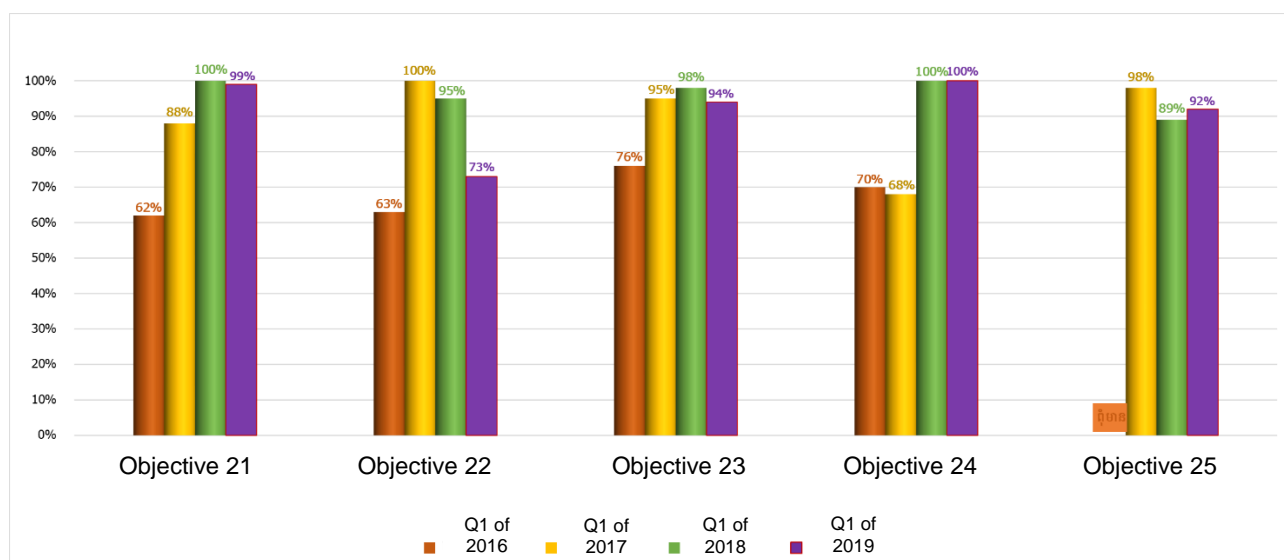
**Objective 14: “Improve budge execution and strengthen implementation of expenditure plan”** achieved 81%. *This objective focused mainly on Revise and correct the Public Procurement system in accordance with budget strategy reform national budget system (BSRS); Strengthen accurate monthly expenditure plan implementation and preparation; Check and updating legal framework for petty cash expenditure; Further strengthen effective public investment expenditure; and Strengthen effective management and implementation of fixed tasks and public infrastructure maintenance.*

- ❖ **Revise and correct the Public Procurement system in accordance with budget strategy reform national budget system (BSRS):** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Consultative workshop with related stakeholders in order to collect inputs for Documentary of the Public Procurement System Reform Strategy (2019-2025) has been prepared on 14 February 2019 in Ministry of Economy and Finance and leading by H.E. Chou Vichet, Secretary of State and chairman of working group on document of the Public Procurement System Reform Strategy including related procurement contract institution, DPs and 303 related stakeholders.
  - Prakas on the amount of authorized cash to implemented public procurement institution and Prakas number 010 MEF dated on 14 January 2019 on amount requested cash issue by public procurement has been prepared and signed by H.E. Deputy Prime Minister
- ❖ **Strengthen accurate monthly expenditure plan implementation and preparation:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - Draft format of revenue-expenditure implementation through program budgeting have been prepared
  - Expenditure implementation through program budgeting have been prepared in the 2<sup>nd</sup> week.
  - There was expenditure implementation report produced by economic content of specialized departments in the 4th quarter of 2018.
  - The current and actual expenditure comparative report has been prepared on time in annual 2018.
  - The investment expenditure report has been prepared in the 1st quarter of 2019.
- ❖ **Check and updating legal framework for petty cash expenditure:** Progress report has not been achieved as planned in the 1<sup>st</sup> quarter including: because feasibility report on legal framework of petty cash implementation is not prepared and submitted to management level.
- ❖ **Further strengthen effective public investment expenditure:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
  - The Final draft of sub-degree on operational procedure and managing public investment project financed by national budget have been prepared, further reviewed and revised additionally in accordance with implemented comprehensive.
  - Final draft of capacity development plan (2019-2023) in GDICDM has been prepared
  - Strategy on Public investment management (2019-2023) in GDICDM has been discussed and additionally revised.
  - The draft sub-decree on the overall guidelines for managing public investment projects is prepared and discussed.

- Guidance document on framework/policy on public investment management has been revised.
  - Draft law on public private partnership mechanism in English has been prepared and consultative workshop is being discussed and collected inputs from related line ministry, private sector and development donor in order to translate in Khmer and further prepare next consultative workshop.
- ❖ **Strengthen effective management and implementation of fixed tasks and public infrastructure maintenance:** Progress report has been achieved in the 1<sup>st</sup> quarter including:
- Concept document on preparation of DPs' financing project data center has been prepared and further discussing with internal working group.
  - Term of reference first draft for consultant selection and document for implementation of fixed tasks and public infrastructure maintenance financed by national budget has been prepared and discussed.

## 1.2.Part II: Financial Accountability

Part 2	Progress	Summary
<b>Financial Accountability</b>	90%	Progress of Part 2 has well achieved in a good manner, comparing to the two consecutive years of Q1. Even though, the 22 <sup>nd</sup> objective was only 73% achieved, but the total performance was 95%. After all, the tasks still require further focus in the next quarter are: (1) the management of contract management functions in the PPMIS system, (2) the design and development of a state asset inventory management system (3) legal framework or document preparation relating to the management of state property inventory.



**Objective 21 “Improve implementation of new budget classification and new chart of accounts”** had achieved with the score of 99%. This objective focused mainly on the implementation and promoting of the seven FMIS budget classification, updating the public chart of account, and strengthening the consistency between the budget classification, balance sheets (BoP), National Accounts, and Monetary and Financial Statistics with the Government Financial Statistics Framework (GFS).

❖ **Prepare to put and implement seven budget classifications to FMIS system”,** the supporting completed progress shall be demonstrated as these KPI:

- The reflection report on results of the Ministries / Institutions' Phase II recording and reporting Procedures were prepared quarterly, plus the meeting with relevant Departments to amend Circular No.88 for the mandate recording to achieve better consistency with FMIS.
- Quarterly report on challenges and solutions in the implementation of quarterly FMIS of the Ministry / Institution.
- The seven budget classifications (economy, administration, program, function, project, geography, fund) are reviewed and updated as requested by the 10 expenditure ministries/institutions that implement FMIS.
- The sub-national budget law and the transfer of the national budget in the first quarter are recorded through FMIS.

❖ **“Update public chart of accounts”** the supporting completed progress shall be demonstrated as these KPI:

- Need Assessment of Additional sub-accounts in the Public Chart of Accounts Plan had been identified. The result showed the additional sub-account is not yet required.

- A review, evaluation, and orientation of public chart of account implementation at the Khmer-Soviet Friendship Hospital and Kampong Cham National School were carried out.
  - Orientation Meeting on Public Budget and Accounting Practice 2019 was organized and the Circular No. 02 MEF dated 12 March 2019 on Accounting Consultation on Public Company Subsidies was issued and put into implementation.
- ❖ **“Strengthen consistency between budget content classification, Balance of Payment, National Accounts and Monetary and Financial statistics with GFS framework”**; the achieved progress is to strengthening the consistency between the budget classification, balance sheets (BoP), National Accounts, and Monetary and Financial Statistics with the Government Financial Statistics Framework (GFS).

**Objective 22 “Improve implementation of new business process and budget execution”**; *has achieved 73%. This objective focused mainly on establish the context of expenditure operations (guarantee request, procurement, and clearance requests) at the Ministry/Institution in accordance with FMIS procedure, improve financial accounting operations in the Ministry of Economy and Finance - Ministries/Institutions base on the development of chart of account and accounting standards, as well as regular verification of bank accounts, had been taken places, and the extension of FMIS (the core and new modules and the implementation of FMIS to ministries/institutions).*

- ❖ **“Prepare the context of processing expenditure (commitment, procurement contract and payment requests) in LMs in accordance with FMIS system”**, the main achieved KPIs shall be demonstrated as below:
- Revenue and expenditure transactions are carried out in FMIS, the review of the account receivables function procedure had been carried out. Additionally, the discussion in detail of the integration between the Non-Tax Revenue (NRMIS) System and the FMIS System had been arranged.
  - Inter-general departments meeting has been set up to amend Instruction 008 in order to harmonize the mandate generation procedure with FMIS.
  - The content of the FMIS expenditure transaction recording was prepared.
  - A draft consolidated report of market prices of goods and services has been prepared.
- ❖ **“Improve business process in MEF/LMs to be in line with the new chart of accounts, accounting standard and regularly reconcile bank accounts”** ; the main achieved KPIs shall be demonstrated as below:
- The 2019 budget of Chapter 50, 66, and 21B/C of Constitutional Council of Cambodia, and National Assembly has been reviewed.

- Officials of 10 line-ministries and 25 Provincial Departments of Economy and Finance had received the on-job-training on the FMIS usage.
  - Ownership and capacity building plan for 17 line ministries has been identified (Ministry of Planning, National Audit Authority, Ministry of Culture and Fine Art, Constitutional Council of Cambodia, Ministry of Cult, and Religion, General Secretariat of National Assembly, General Secretariat of Senate, Cambodia Development Council, Ministry of Mine and Energy, Ministry of Royal Palace, Ministry of National Assembly-Senate Relations and Inspection, Ministry of Defense, Council of Ministers, Anti-Corruption Unit, Ministry of Interior, Ministry of Justice, and National Election Committee.
  - The management and officials of 17 newly FMIS implementing ministries/institutions had participated in FMIS Awareness Workshop.
- ❖ **“Expand the FMIS implementation (core module and new module and expand the FMIS implementation to line ministries”**; the main achieved KPIs shall be demonstrated as below:
- 17 new ministries/institutions were officially announced to participate in the FMIS project, with the official FMIS rollout ceremony being held on February 25, 2019.
  - The FMIS Phase II extension plan has been updated in line with the Phase 3 Joint Action Plan and the FMWG Working Group's Budget for the year 2019-2020.
  - The FMIS design and development plan of 17 new ministries has been prepared.
  - The work site for the FMIS project at 17 new ministries/institutions have been identified, and the requirements for the recruitment of IT security monitoring and evaluation consultants are finalized.
  - 10 new ministries/institutions, including the 25 MEF departments, have officially adopted the FMIS system for 2019 operations according to letter 210 MEF dated 15 January 2019.
  - The interfacing between FMIS and ANZ Royal Bank has already been put into implementation.
  - About 90% of the draft document on the requirements for technical data and interfacing techniques between FMIS and the Non-Tax Revenue Management System (NRMIS) were prepared.
  - The first quarter newsletter of the FMIS project has been prepared and the final design has been reviewed and ready for publication.
  - The video and poster information on FMIS project implementation and dissemination on the website and social networks have been updated.

**Objective 23. “Strengthen implementation of new accounting, recording and reporting”** achieved 94%. *This objective focused mainly on developing public accounting standards in accordance with IPSAS standards and gradually being implemented, plus linking*



*to expanding the use of FMIS in line with the actual needs, and creating further steps for implementing accrual accounting, improving the budget execution report to be submitted to the Cabinet and the legislative body, and put into effect of the state property inventory management and regular update.*

- ❖ **“Develop Public Accounting standard (IPSAS) and implement step to step and the sequencing in introducing this accounting standard by linking to the expansion of FMIS application; and develop options to move step by step toward Accrual accounting implementation”** ; the main achieved KPIs shall be demonstrated as below:
  - Terms of Reference (TOR) with French experts have been finalized for defining the Cambodian Public Financial Reporting Framework.
  - Improvement mapping to the preparation of the IPSAS Cash Basis Report in FMIS has been implemented through the IMF Expert meeting and the ITD.
- ❖ **“Improve the reporting format of budget execution to be submitted to office of the office of Council Ministers and legislative bodies”**; the main achieved KPIs shall be demonstrated as below :
  - Mid-year revenue and expenditure report format were reviewed and updated.
  - The " Table B of National Budget Expenditure" report has been developed by approximately 90%. The report is in the process of piloting, reviewing, and revising with stakeholders.
  - Six data requirements for formulas document to produce Table B, Appendix 2, Appendix 3, Appendix 6, Table A, Table 2, are prepared. This document will be used to develop FMIS reporting system (financial statements, budget statements, performance monitoring reports, and statistical reports).
- ❖ **“Implement the mechanism to complete the inventory listing of state property and update it regularly”**; the main achieved KPIs shall be demonstrated as below:
  - Draft Prakas of the annual inventory book and the table of annual of the state's assets management (increasing and decreasing) were discussed within GDSPNTR at the progress of 90%.
  - Draft Prakas on the detailed rules and procedures on the clearance of state assets were discussed within GDSPNTR at the progress of 90%.
  - The revision of SARMIS (State Asset Registra Management Information System) has achieved at the progress of 90%. Progress has been examining the comments of the previous seminars to improve the program in a coherent and consistent way with the two drafted Prakas.
  - The 2016-2017 State Assets Inventory data of the 7 provincial Departments of the Ministry of Economy and Finance (Phnom Penh, Kandal, Banteay Meanchey, Kampong Speu, Kratie, Tbong Khmum and Prey Veng) were recorded and reported.



**Objective 24 “Strengthen the implementation of instruments and mechanisms to enhance responsibility and accountability (internal control system)”** achieved 100%. *This objective focused mainly on Establishing appropriate administrative sanctions for misconduct or mismanagement of public resources, develop and implement quarterly, quarterly and annual budget progress reports, and strengthen IT and FMIS (IT audit) monitoring.*

- ❖ **“Establish appropriate sanctions for wrong doing or inappropriate and ineffective management of public resources”**, the main achieved KPIs shall be demonstrated as below:
  - The sanction categories of public sector spending body to the category of Customs and Excise have been reviewed and finalized Legal Council Secretariat.
  - Regulatory document relating to appropriate administrative sanctions for misconduct or ineffective or ineffective management of public resources have been completely gathered.
- ❖ **“Develop and implement progress report format of budget execution quarterly, mid-year and annual”**, the main achieved KPIs shall be demonstrated as below ៖
  - The format of the Q1 financial report has been practicing in all ministries/institutions.
  - Quarterly Performance Report Progress Report (Financial Statements) had been revised.
  - The M&E report on 2019 budget execution of the Ministry of Economy and Finance had been finalized and put into the stakeholder's meeting on 5th Mar 2019.
- ❖ **Strengthen monitoring on Information technology system and FMIS (IT audit)**, the main achieved KPIs are the preparation of FMIS audit report at Tbong Khmum National Treasury in 2019.

**Objective 25 “Enhancing the budget transparency”** achieved 92%. *This objective focused mainly on Increasing the public participation in the budgeting process; further expansion of budget document outreach, and enhancing the public procurement transparency.*

- ❖ **“Increasing the public participation in the budgeting process”**; the progress is the establishment MTFF and MTBF, which was on 15<sup>th</sup> Jan 2019.
- ❖ **“Increase dissemination of budget documents”** the main achieved KPIs shall be demonstrated as below ៖
  - The summary of 2018 Budget law is prepared and publicly available.
  - The Monthly Financial Performance Report (TOFE) by February 2019, is prepared and published on the websites of the MEF and the General Department of Policy.

- The monthly GFS Budgetary Central Government Statistical Report by February 2019 and the Semi-Annual GFS National Statistics are prepared and published on the websites of the MEF and General Departments.
  - The quarterly financial and financial statistical report for 2018 was prepared and published on the websites of the MEF and the General Department of Policy.
  - The Circular on the implementation of the 2019 financial law of the Sub-National Administrations has been disseminated.
- ❖ **“Increase transparency of public procurement contract”**, the main achieved KPIs shall be demonstrated as: the 2019 procurement plan of the institutions that carried out direct procurement was published in the General Department of Policy's website.

Part III		Results	Summary		
Budget-Policy Linkages		90%	Get "GOOD" progress. On 1 <sup>st</sup> quarter for the year 2019, it has achieved KPI that support Objectives 31, achieved only 74% because there has only 09 activities implementation from relevant GDs. For the activities that have not yet been achieved in Objective 31, this will be completed in the next quarter. Particularly the		
Objective 21	Objective 22	Objective 23	Objective 24	Objective 25	

**Objectives 31 “Strengthen and expand the implementation of program budgeting and budget monitoring”** has achieved 74%. *This objective focused mainly on reviewing and improving program budget implementation at both national and sub-national levels, implementing training and capacity building plans for strengthening and expanding program budgeting.*

- ❖ **“Review and improve implementation of the program budgeting both national and sub national”**, the supporting completed progress shall be demonstrated as these KPI:
  - Performance informed budgeting guidelines are reviewed and improved.
  - Format for tracking total credit movements through program budget has been improved.
  - The program objective description is included in the Circular on Budget Strategic Planning.
  - Guidelines on Procurement plan and advances plan has been included in the Circular on Budget Strategic Planning.
  - Report on Review of Prakas 838c MEF, dated 20 July 2015 on rules and procedures for the training to LMs that are implementing the Program Budget has been prepared.
  - Database system for managing the budget implementation of the Budget Entities in MEF has been strengthened to new budget entities, which is established in 2019.
  - The Budget and Financial Analysis Reporting System for the Management of MEF and Management of other LMs have been studied and identified.
- ❖ **“Implement the training and capacity building for strengthening and expanding program budgeting”** the supporting completed progress shall be demonstrated as these KPI:
  - Training material on Performance Budget was prepared by internal consultation of Department.
  - Officials of LMs that is implementing the program budget are trained.

**Objectives 32 “Develop comprehensive budget and budget integration”** has fully achieved 100%. *This objective focused mainly on further improve integration of recurrent and capital budgets through such on-going initiatives such as Medium-Term Fiscal Framework (MTFF), BSP and PB by highlight the poverty reduction and gender issues in PB and BSP.*

- ❖ **“Further improve integration of recurrent and capital budgets through such on-going initiatives such as medium term fiscal framework (MTFF), BSP and PB by highlight the poverty reduction and gender issues in PB and BSP”**, the supporting completed progress shall be demonstrated as these KPI:
  - Circular on the Annual Budget Strategic Plan was reviewed and improved.

- Report on credit allocation for public investment expenditure which is financed by the National Budget (Direct Investment Project) by program has been prepared.

**Objectives 33 “Develop and Implement Line of Accountability System (between Legislative and Executive, between MEF and LMs, and within LMs)”** has achieved 80%. *This objective focused mainly on monitor and prepare legal regulations in public financial management of the government in the context of program budgeting implementation.*

- ❖ **“Monitor and prepare legal regulations in public financial management of the government in the context of program budgeting implementation”,** the supporting completed progress shall be demonstrated as these KPI: Instruction about the form of preparation, implementation, and preparation of the staff expenditure report for internal use at MEF has been prepared by about 80%.

**Objectives 34 “Strengthen development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)”** has fully achieved 100%. *This objective focused mainly on prepare and increase effectiveness and efficiency of Medium- Term Fiscal Framework (MTFF) and Medium-Term Budget framework (MTBF), and strengthen capacity to analyse and forecast economic and financial conditions.*

- ❖ **“Prepare and increase effectiveness and efficiency of macro-economic policy framework”,** the supporting completed progress shall be demonstrated as these KPI:
  - The Annual Report for 2018 and Mid-Year Progress Report (CMM) for mid-2019 has been prepared.
  - Report on Economic Surveillance for 4<sup>th</sup> Quarter in 2018 has been prepared.
  - Macroeconomic Policy Framework and Public Financial Policy 2020 have been prepared.
  - Annual Sector Economic Activity Report 2018 has been prepared.
- ❖ **“Prepare and increase effectiveness and efficiency of medium term fiscal framework (MTFF) and medium term budget framework (MTBF)”** the supporting completed progress shall be demonstrated as these KPI: Concept Note on Medium-term Budget Framework (MTBF) was prepared and piloted.
- ❖ **“Strengthen capacity to analyse and forecast economic and financial conditions”,** the supporting completed progress shall be demonstrated as these KPI: Monthly GFS report has been updated on the website.

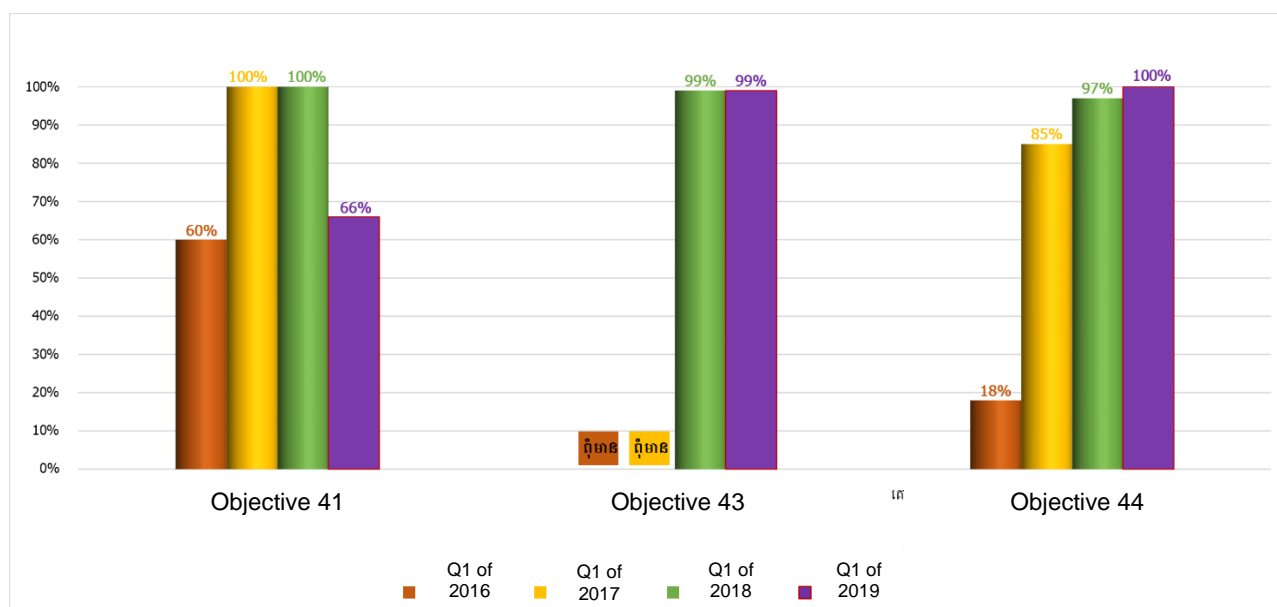
**Objectives 35 “Strengthen implementation of fiscal decentralization policy”** has achieved 96%. *This objective focused mainly on implement fiscal decentralization policy which determines in 3 years implementing plan (2018-2020) YIP-3 of National program, pilot and*

*expand the Sub-National Investment Facility (SNIF), implement Budget strategic reform system 2018-2025, and examine and evaluate budget execution of functional transfer each LM to sub national administration.*

- ❖ **“Implement fiscal decentralization policy which determines in 3 years implementing plan (2018-2020) YIP-3 of National program Strengthen capacity to analyse and forecast economic and financial conditions”,** the supporting completed progress shall be demonstrated as these KPI:
  - Sub-decree on the raising of subsidies of the sub-national administrations has been prepared and implemented.
  - A draft Sub-Decree on the Organization and Functioning of Commune/Sangkat Funds has been improved.
- ❖ **“Pilot and expand the Sub-National Investment Facility (SNIF)”**, the supporting completed progress shall be demonstrated as these KPI:
  - A draft on Guidelines on Municipal Performance Assessments have been prepared and consultation meeting.
  - A draft on Guidelines on District Performance Assessments have been prepared and consultation meeting.
- ❖ **“Implement Budget strategic reform system 2018-2025”,** the supporting completed progress is BSRS Sub-National (2019-2025) was approved by the RGC and implemented on 8th May, 2019.
- ❖ **“Examine and evaluate budget execution of functional transfer each LM to sub national administration”,** the supporting completed progress shall be demonstrated as these KPI: Report on Budget Evaluation and Implementation Findings The Ministry of Environment's Functional Transfer was submitted to management for review and comment.

#### 1.4.Part IV: Readiness for the Next Stage

Part 5	Score	Summary
Readiness for the Next Stage	85%	Achieved “Good” progress as implementation of the Plan of Action Proposed 41 reached 66% because of the three activities organized in the sub-decree 81, there is little or no progress, and the report on admission or participation The Public Financial System Law Reviewed In The First Quarter Not Yet Available Wat.



**Objective 41: “Develop performance informed budget framework”** achieved 66%. *This objective focused mainly on study and develop Core Framework for performance informed budgeting; study and develop legal document for implementation of performance budgeting; Monitor decree number 81 on establishment of financial monitoring on state budget expenditure in LMs, City, Provinces, City zone in Phnom Penh City and public organization and decree number 82 on general orders of public accounting and guideline preparation on implementation of performance informed budgeting:*

- ❖ **“Study and develop Core Framework for performance informed budgeting”**, the supporting completed progress: The Draft Framework for Achievement Information in Cambodia was prepared.
- ❖ **“Study and develop legal document for implementation of performance budgeting”** key performance indicators in Q1 were making the progresses as the following:
  - A working group to amend the Law on Public Financial Systems 2008 was created.
  - The study report of reviewing and amendment of the sub-decree 81 has not been prepared because the working group has just been formed.
- ❖ **“Monitor decree number 81 on establishment of financial monitoring on state budget expenditure in LMs, City, Provinces, City zone in Phnom Penh City and public organization and decree number 82 on general orders of public accounting and guideline preparation on implementation of performance informed budgeting”** the supporting completed progress: Reviewing the content of the sub-decree 81 and study good practice of countries in the region, the OECD and advanced countries have made progress of only 10% as they have just organized a working group to kick off this task.

**Objective 43: “Strengthen monitoring system more effective”** achieved 98%. *This objective focused mainly on Review on monitoring of inspection and internal auditing each*

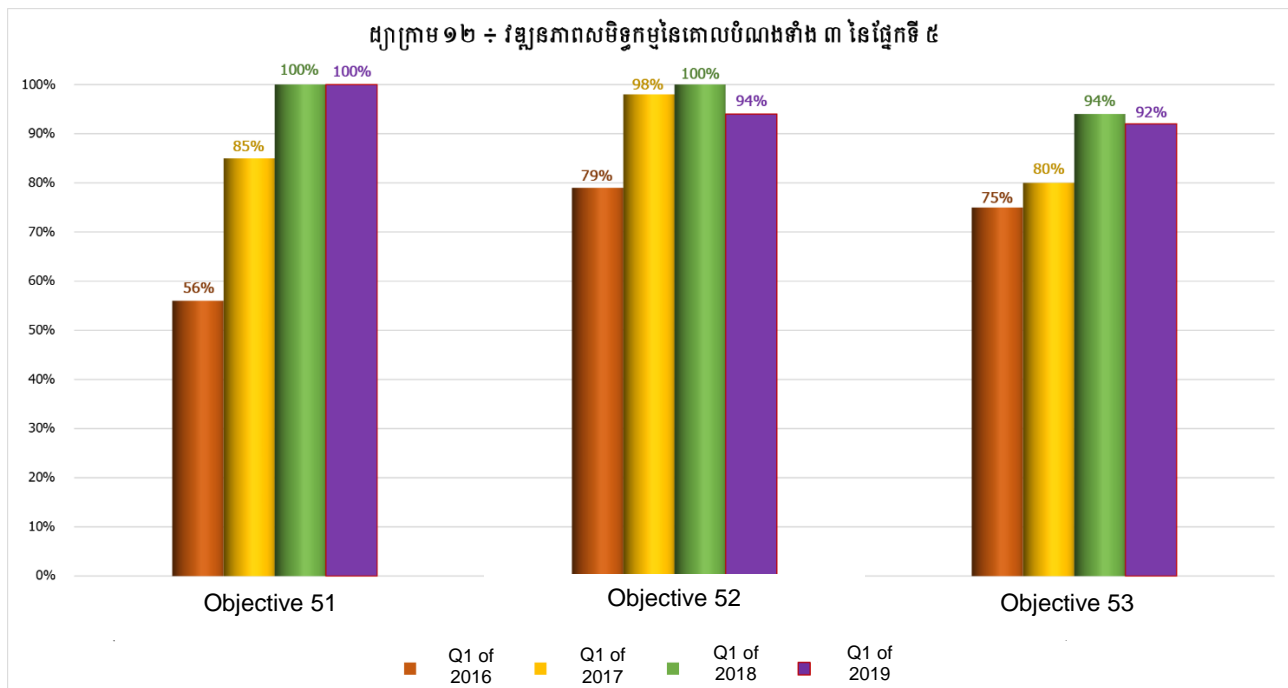
*LM at the moment; Expand additional function of information technology control and performance in accordance with new functional budget system; LMs' management level are replied on inspection and internal auditing's recommendation; Develop and revise action plan, reporting and auditing program/ annual inspection in LMs based on criteria and risk evaluation measure that recommendations have been given by Ministry of Economy and Finance (MEF); and Develop financial inspection framework:*

**Objective 44: “Strengthen additional capacity for legislative bodies and the National Audit Authority on check and balance system, preparation of annual financial management law and annual budget settlement law”** achieved 100%. *This objective focused mainly on Develop updated capacity development plan – CDP in public financial management reform program in stage 4 (2020-2025); and Prepare and implement capacity development action plan including legislative bodies and NAA.*

#### 1.5.Part- V: Support to Successful and Sustainable PFM

Part 5	Score	Summary
Supporting the implementation of Successful and Sustainable Public Financial Management Reform Program (PFMRP)	96%	The progress of this part reached “Excellence” level since most activities in 1 <sup>st</sup> Quarter of 2019 were fully achieved, apparently 34 out of 39. Among the remaining five activities, two activities were achieved at around 95% while other three activities got lower score. The lower score, however, did not negatively affect the overall progress of part 5. General Departments always kept tracking their own progresses by having monthly and quarterly meeting. Noticeably, EFI was in the process of implementing EU indicators by focusing on course curriculum and material preparation for a training called “Teaching Method, discussion of course curriculum reform and documentation for the PFM technical training in 2019” for Trainer of Training at EFI and entities under the MEF.





**Objective 51 “Develop leadership, management capacity, reform willingness, ownership and responsibilities”** achieved at 100%. *This objective focused mainly on strengthening the implementation of Line-Ministries/ entities under MEF of rules and procedures in relevant to PFMRP implementation and preparation mechanism in accordance with circular number 09 and Prakas of rule and procedure of incentive, and preparing change management system.*

❖ **“strengthening the implementation of Line-Ministries/ entities under MEF of rules and procedures in relevant to PFMRP implementation and preparation mechanism in accordance with circular number 09 and Prakas of rule and procedure of incentive”** key performance indicators in Q1 were making the progresses as the following:

- Monthly PFM meeting was organized to consolidate Performance report of action plan implementation in quarter 1 of General Department of Customs and Excise of Cambodia.
- General Department Action Plan of General Department of National Treasury for PFM implementation in stage 3 was launched and disseminated.
- Tracked the application of PFMRP implementation mechanism and evaluation system at General Department of National Treasury
- Q1 PFM Performance Report in 2019 of General Department of Public Procurement was completed and submitted to G.S.C.
- PFM Meeting reports in January, February and March of General Department of Sub-National Administrative Finance were completed.
- Q1 PFMRP Progress Report was completed and submitted on time.
- General Department Action Plan of General Secretariat of Ministry of Economy and Finance was launched.



❖ **“Preparation of Change Management system”** key performance indicators in Q1 were making the progresses as the following:

- All aspects of the 1<sup>st</sup> to 5<sup>th</sup> content of Public Procurement regulation compilation were reviewed, verified and finalized at the Legal Council’s management level.
- Legislative framework related to working progresses of MEF was collected, Legislative classifications were organized and texts of legislative framework were typeset.
- Legislative framework related to state property and non-tax revenue was collected, Legislative classifications were organized and texts of legal framework were typeset.
- Content structure of state property and non-tax revenue legislative guide was organized based on text and legislative framework analysis.
- Codification was drafted at the specialist level.

**Objective 52 “Enhance the efficiency of Capacity Building and Incentive measures”** achieved at 94%. *This objective focused mainly on further implementing PFM capacity development strategic plan in stage 3, revising and preparing mechanism and approach of incentive by focusing on equity and consistency.*

❖ **“Further implementing PFM capacity development strategic plan in stage 3”** key performance indicators in Q1 were making the progresses as the following:

- Action plans of the Human Resource Development and Management Framework 2018-2023 were annually classified into the Matrix table and submitted to secretariat general of MEF.
- Training Needed Assessment Questionnaire of training development and PFM skills was updated and discussed in the EFI internal meeting.
- Curriculum assessment program of learning and possibility assessment on perfection course preparation was organized for finance management officials in the 25 provincial departments and entities.
- Made announcement to officials of entities under MEF to update level of their education and short-course training in the Annex A and B according to Prakas number 781.
- Evaluation tools of training needed assessment were organized and submitted to management.

❖ **“Revising and preparing mechanism and approach of incentive by focusing on equity and consistency”** key performance indicators in Q1 were making the progresses as the following:

- Report of the feasibility study on challenges arising from social insurance policy allowance in the case of 1). Funeral allowance 2). One-off allowance for resigned

officials and 3). Allowance for early retirement was completed and submitted to management for the approval.

- Report of the feasibility study on challenges arising from the MEF official promotion was completed and submitted to management for the approval.

**Objective 53 “Strengthening the capacity building for implementation in Public Financial Management Reform Program Stage 3”** achieved at 92%. *This objective focused mainly on Developing human resource for PFM stage 3 including skill training for officials at MEF and line ministries, and preparing their own institution to support PFMRP on stage 3 by focusing on 1). examine vision and mission of line-ministries 2). re-structure all General Departments & Departments and Finalizing function analysis of entities and department of Admin and finance of MEF.*

❖ **“Developing human resource for PFM stage 3 including skill training for officials at MEF and line ministries”** key performance indicators in Q1 were making the progresses as the following:

- Curriculum assessment program of learning and possibility assessment on perfection course preparation was organized for finance management officials in the 25 provincial departments and entities.
- The training course of Teaching Methodology for 50 TOTs (trainer of training) to support technical course training was conducted.
- Six officials of treasury department were trained by General Department of National Treasury’s specialists for capacity building on using FMIS system.
- Guideline and procedure (Authorized Staffing Patterns-ASP) was prepared and submitted to management of General Department of taxation for the approval on pilot testing.
- Explored guidelines and procedures from some countries, compiled the exploration report to management of General Department of Taxation for their decision making, and re-compiled the report.
- Conducted 7 training courses attended by 373 tax officials in the relevant topics of tax regulations.
- Conducted 5 courses on leadership which were attended by a total of 315 participants.
- Officials in Department of Archives visited Department of National Archives of the Office of the Council of Ministers

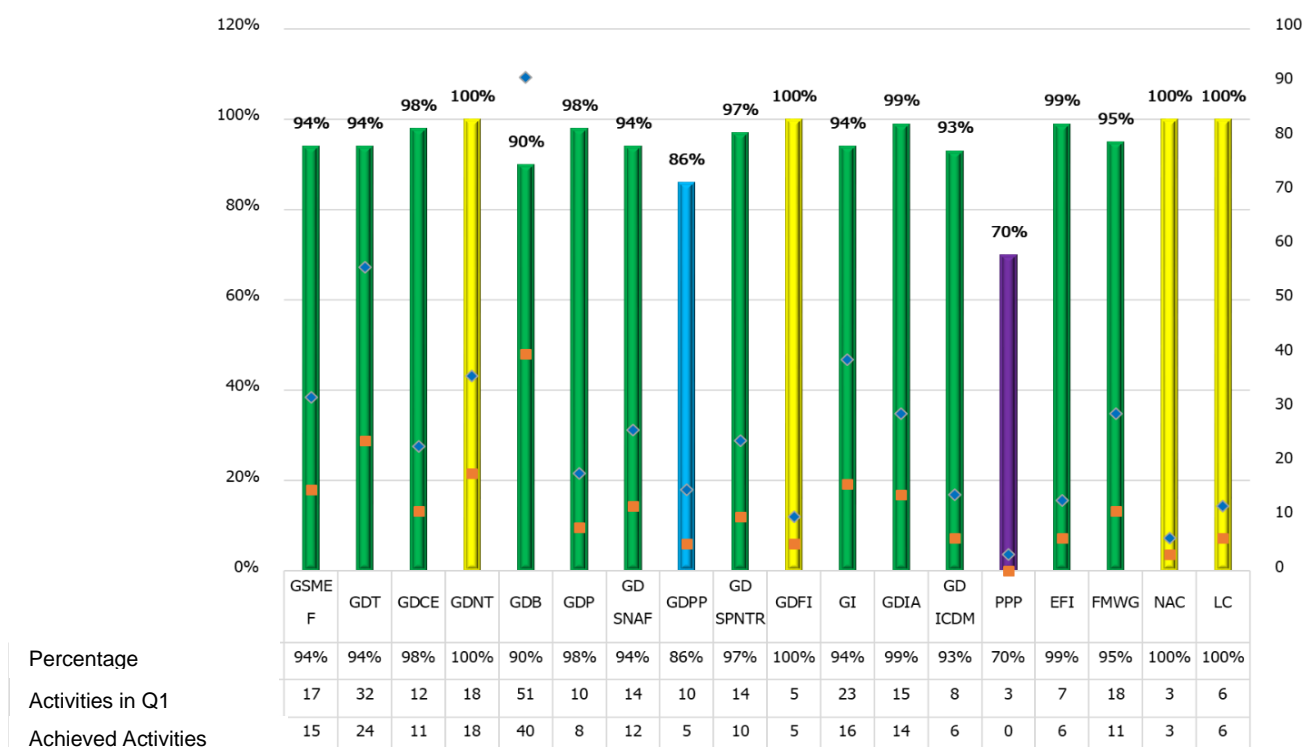
❖ **“Preparing institution to support PFMRP on stage 3 by focusing on 1). examine vision and mission of line-ministries 2). re-structure all General Departments & Departments and Finalizing function analysis of entities and department of Admin and finance of MEF”** key performance indicators in Q1 were making the progresses as the following:

- Training plans for budget analyst of General Department of Budget were prepared.
- The locations of Public service information centre at all line-ministries were studied by general departments and entities under the MEF.
- Electronic security gates were pilot tested and used in the MEF.
- All related documents of Personnel Department's workflow were well examined to compile a comprehensive workflow guidebook in the Department.
- All related documents of official's benefit were examined and drafted the content of Civil servant entitlement guidebook for MEF.
- Required documents relating to security gate management system in the Office of the Council of Ministers were 50% complete.

#### 4. Summary progress by entities

Implementing PFM reform program phase III in this first quarter 2019, entities under Ministry of Economy and Finance (MEF) have achieved remarkable progress due to the leadership and commitment of each entity. In 1<sup>st</sup> quarter 2018, there are 18 entities which participated in the implementation of PFM reform program phase III included: Central Public-Private Partnership Entity (Newly established), General Department of policy, General Department of Custom and Excise Cambodia, General Department of Taxation, General Department of State Property and Non-Tax Revenue, General Department of Financial Industry, General Department of Budget, General Department of Sub-national Administrative Finance, General Department of International Cooperation and Debt Management, General Department of National Treasury, General Department of Public Procurement, General Secretariat of MEF, General Inspectorate, General Department of Internal Audit, Economy and Finance Institution, FMIS Working Group, National Accounting Council, and Legal Counsel.

Achieved performance of each entity under MEF in the 1st quarter 2019 as percentage is the following:



Overall, among the eighteen General Departments under supervision of the Ministry of Economy and Finance, only Public-Private Partnership achieved 70% due to two activities which planned to implement in the first quarter failed to achieved as targeted. The General Department of Public Procurement has achieved 86% due to four activities failed to finish the performance as expected, one action has been achieved only 30% “Draft Guidelines on Linking Procurement Planning with the annual budget request (14.1.5)”. In spite of that, only 4 General Department achieved their action plan 100% in the first quarter such as General Department of National Treasury, General Department of Financial Industry, National Council Accounting, and the Legislative Council. Beside of this, all General Departments made progress from implementing their action plan up to 93%.

## 5. Challenges and Solutions

### ❖ Challenges

- The culture of taxation in Cambodia is low, while the tax enforcement and awareness of taxpayers' tax law are needed to improve.
- The ability of personnel to operate and the need for technical support to support systems and regulations are limited.
- Collaboration for providing taxpayer data from related entities is not yet fully conducted and timely.
- From the first half of 2018 to the first quarter of 2019, the FMIS Project Phase I and II, there has been requesting for the relocation of the computer, users, roles, and functions.
- The complexity of the consolidated inputs and revising the substance of the draft PPP and translation the PPP from English to Khmer to fit with the Cambodian context and keep the original substance is difficult.

- The formalization of legal norms and the development of a state-owned property management system are not consistent, mutually beneficial and reciprocal.
- Implementation of the line ministries/institution's action plans that fall outside the jurisdiction of the Ministry of Economy and Finance on the internal audit function monitoring, strategic planning and annual audit plans, and monitoring implementation have found that the recommendations found by the Auditor still face difficulties on collaboration, providing the reporting and follow the instructions of the audit procedure.
- Time factors and the implementation of the line ministries/institution's action plans have been slower than the target because the preparation of the regulatory of General Department of Finance for Sub-National Administration requires more consultations with relevant line ministries/institutions.
- Occupied with unplanned work to be done for management immediately, it maybe affects resulting in a delay in achieving the public financial management reform target.

#### ❖ Solutions

- Continuing the mechanism for organizing taxpayer workshops in the provinces, paying taxes and updating new tax regulations.
- Define key performance indicators, measurable indicators, and appropriate time frame.
- Requesting intervention to the relevant General Departments of the Ministry of Economy and Finance to cooperate in providing the data with timely delivery of taxpayer data.
- Line ministries/institutions should strengthen the management of human resources or develop a mechanism to transfer knowledge of the FIMIS system from the official who will be transferred to the replacement.
- Propose to prepare a comprehensive document on state-owned asset management reform strategy (technical, legal, and IT developments) and be able to respond effectively to budget system reforms and progress, in particular for the readiness of entering the stage IV of the Public Financial Management Reform Program.
- Suggest immediate action to develop a comprehensive roadmap on the development of the State Assets Inventory Management System (SARMIS).

## 6. Conclusion

Overall, the implementation of each General Departments under supervision of the Ministry of Economy and Finance in the first quarter of 2019 achieved "Good" or 91%. Although some action plans are not yet in line with the timeline or achieved as planned and there are three actions not yet to be implemented in the first quarter, those actions will continue to be completed in the next quarter. According to the Consolidated Action Plan-Stage 3 (CAP-3), from year to year, General Departments under supervision of the Ministry of Economy and Finance have implemented more actions have been taken and more results have been realized. The achievements from stage I to stage III, by the 1st quarter of 2019, shown clearly a proof our hardworking of all relevant stakeholder.

The 1st quarter progress has been achieved “Good”, therefore some practical challenges needed all stakeholders to measure with concrete action to figure out the remaining issues under leadership, ownership, and a high passion on the reform to achieve effective results and responsibility.

