



Steering Committee of the Public Financial Management Reform

**Progress Report on
Public Financial Management Stage 3
2nd Quarter 2019 (GDAP3)
Ministry of Economic and Finance**

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Executive Summary

The main objective and goal of the quarterly progress report is to monitor and evaluate and the implementation of the Public Financial Management Reform Program of the MEF and to reflect on progress and challenges of implementation to identify priorities work to be carried out and achieved in the subsequent quarter, both the Ministry of Economy and Finance itself and relevant line-ministries of the Royal Government of Cambodia under the Public Financial Management Reform Program as the whole.

The 2nd Quarter Progress Report 2019 will be shown the overall performance of the five parts of implementation of the consolidated action plan in the stage 3 of 2019 in the Public Financial Management Reform prepared by the MEF and approved by the Chair of the Steering Committee on Public Financial Management Reform. The following is a summary of the five parts as below:

Part 1: Further Strengthened Budget Credibility

In the 2nd Quarter 2019, part 1 has achieved as of 91%. This progress is at a good level, which is still maintained the budget credibility, with quarterly revenue and expenditure performance, including domestic revenue (current revenue + domestic capital) in the 2nd quarter of the year achieved by 31.30%; whereas, the national budget was able to achieve its target of 34.66%. At the same time, payments through bank system have been achieved 100%, with the LMs has made two-time salary transferred on a timely basis, while cash management is in a good position. Also, there is no arrears.

Along with these notable progresses, a few challenges have also been raised that the implementation of the indicators in the 2nd Quarter did not meet the targets, including the KPI are wide and timeframe are short and unfulfilled. This requires setting key performance indicators and indicators to be clear, measurable and appropriate in a timely and applicable manner.

Part 2: Further Strengthened Financial Accountability

In the 2nd Quarter 2019, part 2 has achieved as of 97%. This progress is similar result as the previous performance. With this quarter, the supporting completed progress shall be demonstrated as these KPI: strengthen the FMIS implementation, operating procedures on budget expenditure implementation, budget transparency through public forums and dissemination of documents, and related initiation of FMIS audit.

While significant progress has been made, several challenges have arisen, including: (1) the formalization of legal doc and the development of the State Property Management System are slow, inconsistent, and unresponsive, (2) the preparation of the data requirements and formulas on purpose for report and appendix exported from the FMIS system, it requires further clarification with the relevant General Departments, as the requirements and formulas for reports attached with the Settlement on Budget Law are more complex.

This requires (1) the development of a comprehensive State Property Management System Reform Strategy (Technical, legal, and IT system) that can effectively respond to reforms budget system and the stage 4 of the PFMRP, (2) urgent action is taken to develop a comprehensive roadmap - on the development of the

State Assets Registration Management Information System (SARMIS), and (3) focus on stakeholders to finalize data requirements and formulas for reports and annex-tables to further improve FMIS in order to access to financial reports, performance reports budget performance, monitoring and statistical report more accurately.

Part 3: Budget-Policy Linkages

In the 2nd Quarter 2019, part 3 has achieved as of 92%, including: (1) Performance informed Budgeting Guidelines have been finalized, (2) Guidance on Procurement plan and advance plan are included in the Circular on draft Budget Law, (3) Prakas on Expenditure procedures for holding conferences, national and international meetings have been implemented, (4) Revenue-expenditure appendix table has been prepared by the Working Group , (5) Annual Report for 2018 and Mid-Year Progress Report (CMM) for mid-2019 has been prepared, (6) The draft Medium-Term Budget Framework (MTBF) has been validated, (7) The Municipal and District Performance Assessment Guidelines have been prepared and implemented, and (8) The draft Prakas on Management An environmental sanitation package has been prepared.

Along with these developments, several key indicators have not achieved, including: (1) Training Action Plan on Performance Management of Municipal and District Administration was prepared, (2) Guidelines on Proposed Municipal and District Administration Investment Project, (3) Guidelines on the strategic planning of the Capital/Provincial administrative budget have been revised to include 12 district administrations, and the introduction of a number of KPI are widely and short-term frameworks, and not as planned. This requires the relevant GDs to take priority over the work as they have a significant effect on other tasks.

Part 4: Readiness for Next Platform

In the 2nd Quarter 2019, part 4 has achieved as of 99%. The activities planned in this section have been largely fulfilled and only three actions have not been completed, in which, a draft Sub-Decree on Financial Audit Rules and Procedures has not yet been implemented (this action has been decided by His Excellency Deputy Prime Minister, Minister of MEF to suspend). However, this did not affect the overall score.

Part 5: Support PFMRP to Achieve with Successful and Sustainable

In the 2nd Quarter 2019, part 5 has achieved as of 96%. Many indicators have been achieved to achieve 40 out of 50 activities. The GDs have been continuously monitoring the progress of its reform activities by holding monthly and quarterly meetings. For the preparation of the skills training course, in the 2nd quarter, EFI held a training workshop on 360 civil servants with the participation of trainers from the GSC. In addition, EFI has been preparing various programs and training materials for civil servants and auditors of the NAA in the next quarter.

While progress has been noted above, several challenges have also arisen: the difficulty of finding local trainers (GDT), the ability to analyze and evaluate official staff action plan (EFI) reports.

The following is a summary of the number of activities planned and achieved in percentage units under the Ministry of Economy and Finance.

Table 1. Number of Activities and Percentages of Entities under MEF

No.	Entities under MEF	Activities Q2 2019	% Q2 2019
1	General Department of Policy	14/14	100%
2	General Department of Customs and Excise	15/16	99%
3	General Department of Taxation	20/32	93%
4	General Department of State property and Non-Tax Revenue	3/11	88%
5	General Department of Financial Industry	3/4	94%
6	General Department of Budget	55/62	95%
7	General Department of Sub-National Administration Finance	14/24	90%
8	General Department of International Cooperation and Debt Management	6/8	98%
9	General Department of National Treasury	25/25	100%
10	General Department of Public Procurement	5/10	87%
11	General Secretariat of MEF	20/29	92%
12	General Inspectorate Department	14/16	97%
13	General Department of Internal Audit	18/18	100%
14	Economic and Finance Institute	7/9	98%
15	FMIS Management Working Group	13/20	92%
16	Legislation Council	7/7	100%
17	National Accounting Council	3/3	100%
18	Public-Private Partnership Unit	0/2	80%

Introduction

1.1. Background of Public Financial Management Reform Program

Public Financial Management Reform Program has been promulgated since 2004 and is one of the key reform areas of the Royal Government of Cambodia. With this significant reform program, Cambodia has achieved a proud result, reaching its current low-income status.

The main goal of the PFMRP is “to transform the public financial management system in Cambodia into an internationally recognized public financial management system” and is designed to be a long-term, comprehensive reform with four stage: the first stage of the reform program is “Budget Credibility” (2005-2008). The second stage is “Financial Accountability” (2009-2015), while enhancing the achievement of Stage I and building the basis of Stage III. The third stage is “Budget-Policy Linkage” (2016-2020), in line with the achievement of the first two outcomes and paving the way towards performance accountability, Stage 4 (2020-2025) of this reform program, together with the continuation of the achievements made in the above three stage. Currently a member of the Economic and Financial Policy Committee, the Steering Committee for Public Financial Management Reform (PFMSC) is responsible for directing, designing, implementing, coordinating and evaluating the program implementation.

In order to PFMRP reached its goals, the BSRS (2018-2025) has been adopted in the direction of long-term comprehensive reform and slowly and steadily change the Cambodian budget system becoming an effective, efficient, accountable, and transparent system in accordance with international best standards.

As reform work often encounters obstacles in institutional structure, mechanisms, human resources, and time factors, the implementation of the PFM of RGC requires the acceleration of efforts from all stakeholders including the MEF and relevant LMs of the Royal Government of Cambodia. To pave the way for this long and difficult path, increasing the will of conscience, leading and ownership, optimism, goodwill, common sense, integrity, and high responsibility from management and civil servants at all levels, From the technical level to the policy level, it should be continuously strengthened and enhanced as the process progresses reform from one stage to another stage.

To achieve short, medium, and long-term goals and objectives, Initiated and established three interconnected working mechanisms, namely: (1) the coordination mechanism between the D&D, PFM and PAR, (2) mechanisms in the implementation of PFM activities under GSC coordination, and (3) rules and procedures for the implementation, monitoring, and evaluating of PFMRP.

1.2. Purpose

In the 2nd Quarter 2019, progress report on the PFMRP Stage III of RGC will reflect the achievement of the efforts, the challenges, and the work goals to be pursued and achieved in GSC, who is the agency of PFMSC to lead, manage, and coordinate the PFMRP and relevant LMs to further promote rigorous consideration of solutions and develop new frameworks, mechanisms, strategies, and procedures in support of, strengthening, and extending performance.

The reform work, both for the institutional and governmental frameworks, is effective and effective.

The implementation of the action plan will be monitored quarterly and annually.

Consolidated Action Plan in Stage 3 covers five key parts, including: Part 1: Further Strengthened Budget Credibility, Part 2: Further Strengthened Financial Accountability, Part 3: Budget-Policy Linkages, Part 4: Readiness for Later Stage, and Part 5: Support PFMRP to Achieve with Successful and Sustainable.

1.3. Scopes and Limitations

Progress Report is a review and evaluation based on the action plan and indicators by the second quarter of 2019, which has been completed by the 18 entities under the MEF by participating in the design and updating of all relevant entities with the goal of ensuring consistency with the progress of the PFMRP from time to time. In the meantime, the monitoring of achievement by the GSC has made in a rigorous, clear, regular, and cohesive manner through quarterly and annual meetings of the PFM Reform Commission and PFM Steering Committee, along with DPs, who play a key role in supporting, commenting, improving, and finding solutions to better evaluate the efficiency and effectiveness of the overall PFMRP, aligned with international best practice.

In the 2nd Quarter 2019, progress report will be described in detail in each of the following: (1) Progress is achieved to the goal, and (2) Progress does not achieve its goals without selecting all the indicators that are implemented or not, however, selecting only some/any of KPI and having the suffix for the section, by summing up each of the activity clusters (capturing detailed actions with the indices) under each of the objectives, and proceeding to consolidate the objectives into the sections, then highlight the challenges, proposals, solutions, and work that needs to be carried out and achieved.

The method used to monitor the implementation of the action plan in the 2nd Quarter 2019 is based on 02 main aspects: (1) actual work activities compared to planned activities, and (2) actual performance relative to the target or benchmark indicators. In that case, the achievement rating scale was defined as 05 levels for the purpose and activity cluster: Excellence (96% - 100%), Good (86% - 95%), Above average (71% -85%), Average (61% -70%) and Poor (below 60%).

Chapter 2: Summary KPI achieved in Q2 2019

1. KPI for Budget Credibility

Table 2. KPI for Budget Credibility

Indicator	Targets	Progress Q2, 2018	Progress Q2, 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	<p>Domestic Revenue:</p> <p>- 1st quarter: 27.1%</p> <ul style="list-style-type: none"> Current Revenue: 27.7% Capital Revenue (Domestic): 4.6% <p>- 2nd quarter: 28.8%</p> <ul style="list-style-type: none"> Current Revenue: 28.8% Capital Revenue (Domestic): 25.2 % <p>The tax revenue collection compared to 2nd quarter plan: Custom and Exercise: 103.99%</p> <p>Taxation: 116.89%</p> <p>The non-tax revenue collection compared 2nd plan:</p> <p>- State property: 99.00%</p> <p>Financial Industry 131.08%</p>	<p>Domestic Revenue:</p> <p>- 1st quarter: 24.5%</p> <ul style="list-style-type: none"> Current Revenue: 24.9% Capital Revenue (Domestic): 8.2% <p>- 2nd quarter: 31.3%</p> <ul style="list-style-type: none"> Current Revenue: 32.1% Capital Revenue (Domestic): 15.6 % <p>The tax revenue collection compared to 2nd quarter plan: Custom and Exercise: 145.01%</p> <p>Taxation: 104.83%</p> <p>The non-tax revenue collection compared 2nd plan:</p> <p>- State property: 111.18%</p> <p>Financial Industry 1.59%</p>
2. No accumulation of new arrears (within 60days)	Arrears are defined to be maintained at no more than 2% of total expenditure	No	No
3. Budget holders are increasingly able to commit expenditure in line with program expenditure and cash planning	<p>Status of expenditure is not less than</p> <p>Q1: 15%</p> <p>Q2: 45%</p> <p>Q3: 67%</p> <p>Q4: 96%</p>	<p>National Budget Expenditure achieved:</p> <p>- 1st quarter: 14.94%</p> <p>- 2nd quarter: 34.46%</p>	<p>National Budget Expenditure achieved:</p> <p>- 1st quarter: 15.52%</p> <p>- 2nd quarter: 34.66%</p> <p>(by 04th July 2019)</p>

Indicator	Targets	Progress Q2, 2018	Progress Q2, 2019
	<p>Percentage of settlement to suppliers and staff via banking system is not less than 80% of total expenditure</p> <p>Percentage of revenue transferring to banking system is not less than 60% of total revenue</p>	<p>Payment via banking system: - 1st quarter: 100%</p> <p>- 2nd quarter: 100%</p> <ul style="list-style-type: none"> 36 ministries/institutions received salaries via banking system <p>2nd Quarter</p> <p>Custom revenue:</p> <ul style="list-style-type: none"> 96.10% paid by taxpayers 3.90% paid by General Department of Custom and Exercise <p>Taxation Revenue:</p> <ul style="list-style-type: none"> 99.85% paid by taxpayers 0.15% paid by General Department of Taxation 	<p>Payment via banking system: - 1st quarter: 100%</p> <p>- 2nd quarter: 100%</p> <ul style="list-style-type: none"> 36 ministries/institutions received salaries via banking system <p>2nd Quarter</p> <p>Custom revenue:</p> <ul style="list-style-type: none"> 95.80% paid by taxpayers 4.20% paid by General Department of Custom and Exercise <p>Taxation Revenue:</p> <ul style="list-style-type: none"> 99.87% paid by taxpayers 0.13% paid by General Department of Taxation
4. Composition of expenditure by type (staff costs) is close to approved budget.	<p>Actual expenditure compared to budget law is not less than:</p> <ul style="list-style-type: none"> Salary: 98% Goods/Services: 95% Capital: 85% 	<p>National Budget Expenditure achieved:</p> <p>2nd quarter</p> <ul style="list-style-type: none"> Salary: 46.93% Goods/Service: 25.73% Capital: 22.50% 	<p>National Budget Expenditure achieved:</p> <p>2nd quarter</p> <ul style="list-style-type: none"> Salary: 46.19% Goods/Service: 26.36% Capital: 23.98%
5. The yield achieved from Tax base is better through the improvement of collection efficiency and	<p>Progressive improvement in revenue yield compared to GDP by 0.3% per year.</p>	<p>2nd quarter: 28.8%</p> <p>➤ National Revenue: 28.7%</p> <ul style="list-style-type: none"> Taxation: 29.4% Non-Taxation: 25.2% 	<p>2nd quarter: 31.3%</p> <p>➤ National Revenue: 31.9%</p> <ul style="list-style-type: none"> Taxation: 33.5% Non-Taxation: 23.3x%

Indicator	Targets	Progress Q2, 2018	Progress Q2, 2019
the plan to use non-tax revenue sources.		<ul style="list-style-type: none"> ➤ Sub-national Revenue: 30.6% ➤ Taxation: 30.8% ➤ Non-Taxation 23.1% 	<ul style="list-style-type: none"> ➤ Sub-national Revenue: 22.2% ➤ Taxation: 22.3% ➤ Non-Taxation 18.8%
All part of revenue and expenditure are input in government budget and accounts.	Non-importance parts is excluded	Total bank accounts: 87	Total bank accounts: 97

Source: GDNT, 04 July 2019

❖ Explanation of Each Indicator:

A. Revenue Collection

• GDCE

According to data from General Department of National Treasury (GDNT), GDCE collected the revenue amount 2,446,617 million riels higher than Q2 target by 145.01% which was 35.20% of budget law 2019. Comparing Q2 2019 with Q2 2018, the revenue collection increased 30.82%. The data from GDCE (tax revenue only), the revenue transferred to GDNT was 3,202,524 million riels higher than Q2 target 44.52% since the checking and controlling system was strengthened in the 2nd Quarter of 2019 and GDCE's GDAP3 had been reflecting of increasing volume imports of essential commodities, especially imports of vehicles, and the adjustment of customs tax policy on some items which are sensitivity to revenue.

• GDT

According to data from General Department of National Treasury (GDNT), GDT (Taxation Revenue) executed 2,452,515 million riels equal to 104.83% of Q2 target or 31.50% of budget law. Comparing the actual Q2 revenue 2019 with Q2 2018, the revenue collection increased by 23.94%. The GDT's data (only National Tax), the revenue transferred to GDNT in Q2 2019 was 2,461,471 million riels equaled to 105.21% of Q2 target or 15.41% of budget law. The General Department of Taxation strives to implement tax reform, tax policy and tax administration as well as modernize the tax administration for achieving more efficient and effective outcomes. In addition, launching an Online Revenue Data Management System for the refund and use of the online VAT credit for the General Department of Taxation (E-VAT Refund) and enhanced the effectiveness of managing VAT collection and preventing tax evasion.

• Non-tax revenue

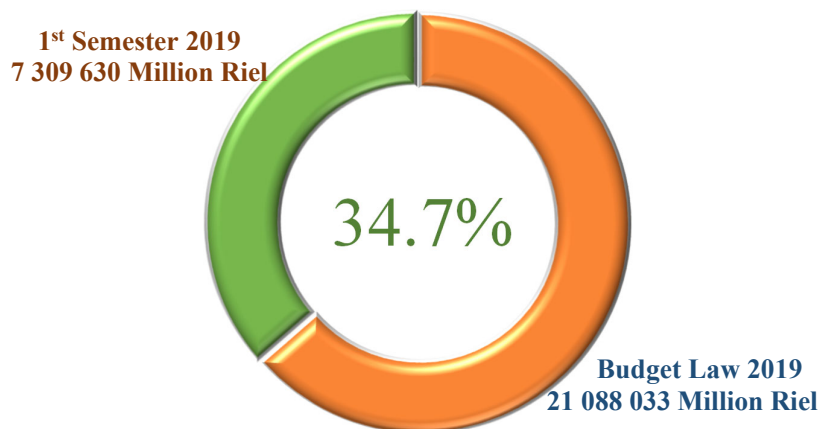
According to data from General Department of National Treasury (GDNT) (exclude the revenue from GDFI), the non-tax revenue executed 566,834 million riels higher than target 11.18% Q2 2019 or equal to 25.36% of budget law 2019. Comparing the Q2 2019 with Q2 2018, the revenue increased 13.20%.

Increasing of non-tax revenue due to some compositions such as: (1) Public enterprise profits are the dividend income paid by public enterprises and multinational companies after the annual closing entry date. (2) State properties leasing is the revenue from leasing part of a building or other constructions and the state's land and building rents. Generally, the rental of real estate has increased significantly, with revenue of 12,550.7 million riels as some locations have been approved by the Royal Government for the privatization for trading and sale of properties. The revenue is usually paid in accordance with the contract. (3) Civil Aviation's revenue is based on revenue, royalties on flights to Cambodia, airport charter fees and transit services in Cambodia, as well as dividend income from partner companies that have signed an agreement for services, business and investment, the revenue in the second quarter was 56 211.17 million riels. (4) The proceeds of the tourist activity are from the sale of tickets, visits to nature resorts, stores rental for exhibitions, spaces rentals and clothing rental for tourist. The Post and Telecommunications revenue is from mail or baggage service, revenue from Telecommunication Enterprise Cambodia, revenue from three mobile and fixed carrier companies, and revenue from telecommunications services. The amount owed was unpaid which is in the second quarter the revenue was 49,322 million riels. (6) Concessions from oil and mining, for oil work are not yet profitable. For mining revenues from royalties, rentals, exploration licenses and exploitation of construction raw materials, and royalties of industrial mining concessions (metals, precious stones, etc.) are reduced because the Ministry of Mines and Energy is reforming the management mechanism of this business sector, such as delegation to longitudinal department and licensing. The reform of the new procedure does not allow the Ministry of Economy and Finance to participate in the royalty assessment. Tax of embassy, including the issuance of sticky visas, electronic visas, passports of the Ministry of Interior and the Ministry of Foreign Affairs and International Cooperation, has increased due to the large number of passports and migration. General Department of Financial Industry (GDFI) had 3 distinction revenue sources such (1) Casino Revenue, (2) Lottery Revenue, and (3) Casino licensing revenue. According to GDNT's data (exclude Casino licensing revenue since it included in licensing with line ministries), revenue collected was 1,602 million riels lower than target 98.41% or equal 0.70% of budget law.

B. Budget Expenditure

The following is the implementation of expenditure in the second quarter compared to the 2019 annual law.

Diagram 1. Implementation of Expenditure in the 2nd Quarter compared to the 2019 Budget Law



Not Include Cash Advance

Source: GSC

C. Arrears

There were no new arrears by 60 days counting from the mandates submitted to GDNT till payment date. It is indicated that the payment process and cash flows were improved and moving to international best practices of term arrears

D. National Budget Expenditure

The Q2 2019 of budget execution was 39.20% of budget law, lowered than 5.71%. Consequently, some line ministries executed budget by Q2 less than 96% of budget law as follows:

1. Ministry of Civil Service: 33.20%
2. Council for the Development of Cambodia: 18.20%
3. Ministry of Interior (General Administration): 45.90%
4. Ministry of National Assembly-Senate Relations and Inspection: 33.10%
5. Ministry of Foreign Affairs and International Cooperation: 38.90% 46.50%
6. Ministry of Planning: 34.30%
7. Ministry of Justice: 27.40%
8. National Election Committee: 32.40%
9. National Audit Authority: 28.50%
10. Anti-Corruption Unit: 43.80%
11. Ministry of Defense: 44.90%
12. Ministry of Interiors (Public security): 43.60%
13. Ministry of Information: 44.70%
14. Ministry of Health: 38.90%

15. Ministry of Education, Youth, and Sport: 36.70%
16. Ministry of Culture and Fine Arts: 39.80%
17. Ministry of Environment: 31.00%
18. Ministry of Social Affairs Veteran and Youth Rehabilitation: 55.80%
19. Ministry of Cults and Religions: 33.40%
20. Ministry of Women Affairs: 47.20%
21. Ministry of Labor and Vocational Training: 27.60%
22. State Secretariat of Civil Aviation: 15.40%
- 23 Ministry of Mines and Energy: 19.30%
24. Ministry of Commerce: 25.90%
25. Ministry of Agriculture Forestry and Fisheries: 33.70%
26. Ministry of Rural Development: 13.10%
27. Ministry of Post and Communication: 47.40%
28. Ministry of Public Works and Transport: 17.60%
29. Ministry of Tourism: 39.20%
- 30 Ministry of Land Management, Urban Planning and Construction: 27.70%
31. Ministry of Water Resources and Meteorology: 16.00%
32. Ministry of Industry and Handicraft: 29.90%

The sub-national administration: Capital-Provinces (39.90%), City-Districts (52.00%), Commune-Sangkat (37.40%) executed 39.90%.

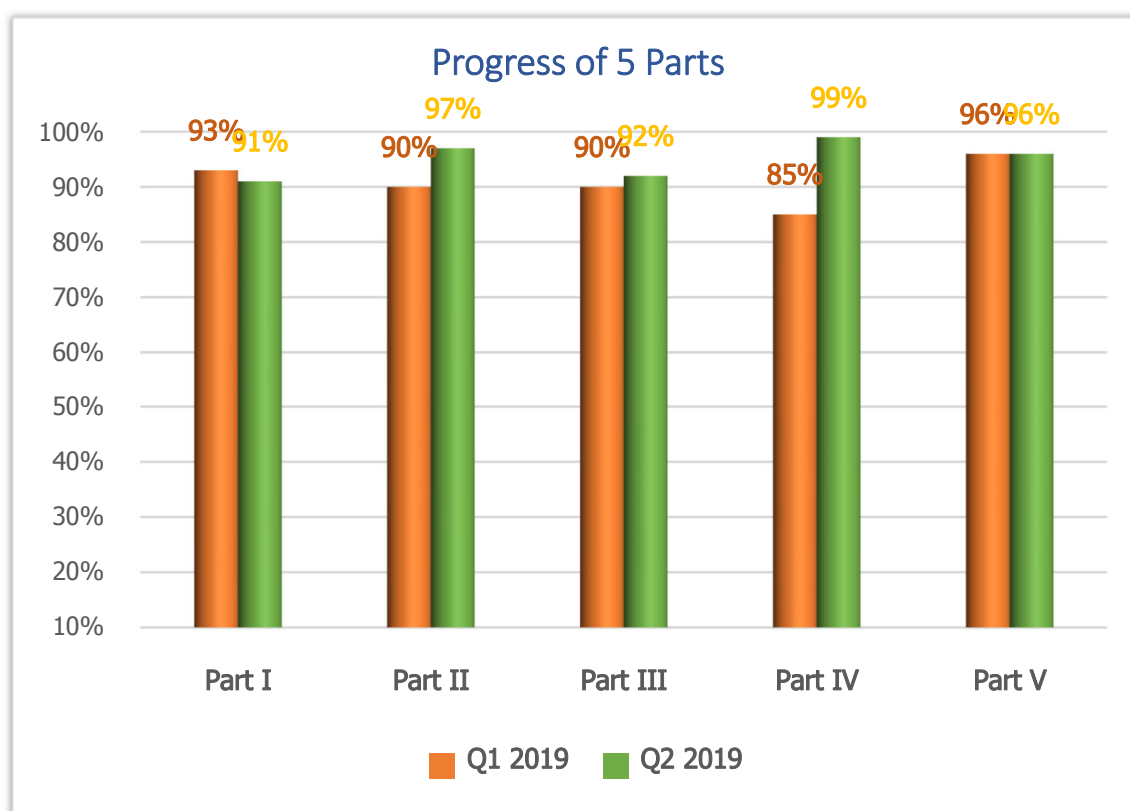
Chapter 3: Progress of Action Plan on Stage 3 Implementation (GDAP3)

The Action Plan on Stage 3 covers the following 5 key parts as below:

- Part 1: Further Strengthened Budget Credibility
- Part 2: Further Strengthened Financial Accountability
- Part 3: Budget-Policy Linkages
- Part 4: Readiness for Later Stage
- Part 5: Support PFMRP to Achieve with Successful and Sustainable

Diagram: Shows the progress and comparisons of each part in the 1st and 2nd quarters of 2019.

Diagram 2. Overall Progress of GDAP3 implementation



Source: GSC

In the second quarter of 2019, progress was 95% higher than the first quarter of 2019 was 91%. Overall, part 1 in second quarter achieved 91% lower than the first quarter which achieved 93%. For part 2 in the second quarter achieved 97% while the first quarter achieved 90%. In particular, part3 in the second quarter achieved 92% higher than the first quarter which achieved 90%. In part 4, fourth quarter achieved 99% improvement, while the first quarter achieved 85%. And part 5 in second quarter still keep stable of its progress by 96% as same as first quarter.

The progress of all 5 parts reflects the commitment of all GDs under MEF in support of the Public Financial Management Reform Program Phase III as sections 2, 3, and 4 have made significant progress higher

than first quarter and stable in Part 5, although the part 1 was slightly down, there was no significant impact in this section.

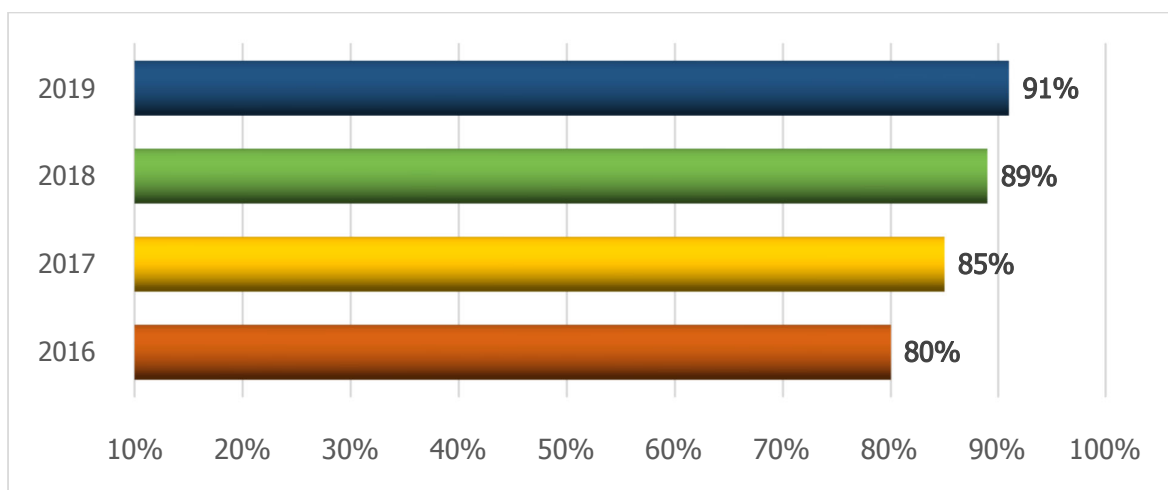
The following will detail progress in each parts, objectives, and activities of key indicators to fundamentally evaluate achievement and further strengthen and improve performance.

Part 1: Further Strengthened Budget Credibility

In the 2nd quarter of 2019, " Budget Credibility" has made good progress, which shows support for the public financial management reform of all GDs under MEF with high willingness. The diagram below shows better progress of part 1 in second quarter 2019 compared to second quarter 2018 which achieved 89% as well as in the second quarter of 2017 achieved 85% and second quarter of 2016 achieved only 80%.

Domestic revenue collection in the second quarter 2019 shows a significant improvement in the stability of good revenue management. Meanwhile, the implementation of tax and non-tax revenue has increased in concurrently. Whereas the implementation of the expenditure is in a position to the achievable target, especially the more reliable of cash and no arrears at the National Treasury (60 days counting from the mandates submitted to GDNT)

Diagram 3. Comparative Progress of the Budget Credibility



Source: GSC

Table 3 shows the progress achieved in the objectives and activities of part 1, with the following details in the table below.

Table 3. Progress of Objectives in Part 1

<u>Objectives</u>	<u>Activities</u>	<u>Q2</u>
11. Further Strengthened	11.1.Strengthen implementation of medium-term revenue mobilization strategy 2019-2023 (RMS II)	95%

Revenue Management and Revenue Collection Implementation	11.2. Further improve policies and administrations of customs, tax, non-tax revenue and state properties	88%
	11.3. Strengthen revenue analysis and forecasting	100%
	11.4 Strengthen in-year debt management strategy more effectively	93%
	11.5 Implement direct revenue collection/ revenue sharing for sub national level	100%
	<p>Achievement in Q2 2019: The objective 11 achieved 91%, 2 activities (11.3 & 11.5) are fully completed and 3 activities (11.1, 11.2 and 11.4) achieved good performance. Significant indicators of good performance include:</p> <ul style="list-style-type: none"> - Evaluated the results of the first two quarters of revenue, achieved 55% compared to annual forecasting with the new forecast model. - Draft sub-decree on the increasing of the Budget for commune / sangkat governments for basic development costs was discussed with stakeholders The sub-national is organized. - A draft draft mechanism and procedure / sub-decree on the distribution of bonuses collected at the national and sub-national one window service has been prepared. 	
12. Further strengthen debt management	12.1 Strengthen to implement public debt management strategy effectively and efficiently	78%
	<p>Achievement in Q2 2019:The objective 12 achieved 78%, and this objective has only 1 activity:</p> <ul style="list-style-type: none"> - Revised and drafted public debt management strategy 2019-2023, discussed within the GDICDM and disseminated Public Debt Statistics Bulletin No 7 	
13. Strengthen cash management and accounting	13.1. Further improve and strengthen cash management plan (starting from quarterly and monthly to weekly and daily)	100%
	13.2. Further strengthen the use of banking system as well as conducting the feasibility study on the payment through E-Transfer	100%
	13.3. Develop mechanism and consolidate report of implementation of Development Partners' projects which is off the treasury system and further strengthening TSA	100%
	13.4. Continue to monitor arrears and its ageing profile (60 days)	100%
	13.5. Enhance advance clearance on timely basis	100%

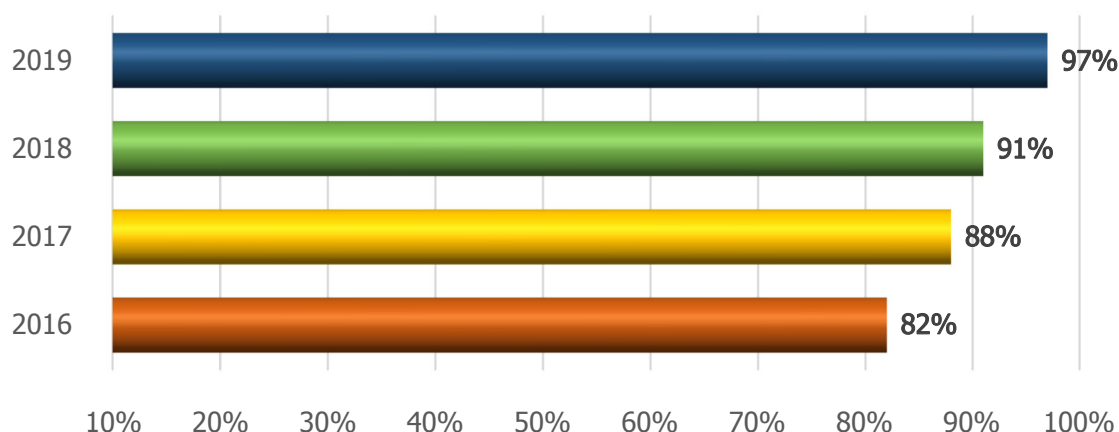
	<p>Achievement in Q2 2019: The objective 13 achieved 100% which have 5 activities (13.1, 13.2, 13.3, 13.4, and 13.5). Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - The figures from the 30 ministries have been input through the Web-based Application and are being verified and monitored - Continue forecasting cash flow to within +/- 5% - Continuously monitor the effectiveness of service delivery of provincial commercial banking through monthly meeting of Provincial Treasury Department at General Department of National Treasury - Payroll twice in a month in second quarter of 2019 on time. - Meeting with the General Departments of International Cooperation and Debt Management and the Ministry of Health regarding the implementation of the of the new budget charts of account (CoA) for development partners' financing projects / programs for relevant ministries and institutions. - Downloaded data from FMIS to compile and monitor mandate to monitor arrears mandate - Conducted meeting with Information Technology Department and General Department of International Cooperation and Debt Management to study the record of lending from DMFAS system to FMIS. - Prepare a letter and follow-up table detailing unpaid advances figures to relevant General Departments - The advances are recorded in the analysis list and regular reports, by detailing the date and the name of each line ministries. - As of June 28, 2019, the following advance payment reports by sectors are: (1) General Administration Sector 12.6%; (2) security and defense 6.8%, (3) 1st social sector 3.9%; (4) 2nd Social sector 16.9%; (5) 1st economy sector 47% and (6) 2nd economic sector 17.5% - Advance expenditure reports are prepared on a quarterly basis for encouraging payment (Office of the Council of Ministers, Ministry of Economy and Finance and Ministry of Education, Youth and Sport) 	
14. Improve budget execution and strengthen	14.1. Revise and correct the Public Procurement system in accordance with budget strategy reform national budget system (BSRS)	95%
	14.2. Strengthen accurate monthly expenditure plan implementation and preparation	100%

implementation of expenditure plan	14.3. Monitor and update legal framework for petty cash expenditure	0%
	14.4. Further strengthen effective public investment expenditure	85%
	14.5. Strengthen effective management and implementation of fixed tasks and public infrastructure maintenance	100%
	<p>Achievement in Q2 2019: Objective 14 achieved 84%, of which two activities fully achieved target (14.2 and 14.5), while 1 activity achieved good progress (14.1) with the exception of 1 activity (14.3 and 14.4) only achieve low scores, which should further strengthen implementation. However, there are some key indicators that have achieved significant including:</p> <ul style="list-style-type: none"> - Discussed internally on draft revenue-expenditure program through program budgeting. - The report of current expenditure implementation for central administrative of 4th quarter 2018 and annual 2018 was prepared on time - The comparative report the current expenditure implementation of the central administrative to the expenditure plans was prepared. - There is a quarterly investment expenditure report - There is a quarterly expenditure implementation report - Developed the User Requirements document for setting up a financing project management database centre from a development partner - The draft term of reference for the recruitment consultants for the preparation of the document for the management, implementation, repair, maintenance of public infrastructure, financed by the national budget was approved and put into practise. - The draft of guidelines for management and implementation of the budget for repair and maintenance of public infrastructure (Road 61053) has been prepared. 	

Part 2: Further Strengthened Financial Accountability

In the 2nd Quarter of 2019, "Financial Accountability" achieved 91%. The figure below distinguished the progress of part 2 in year 2019 between three consecutive years (2016, 2017, and 2018), which are 80%, 85%, and 89%.

Diagram 4. Comparative Progress of the Financial Accountability



Source: GSC

Table 4 shows the progress achieved in the objectives and activities of part 2, with the following details in the table below.

Table 4. Progress of Objectives in Part 2

Objectives	Activities	Q2
21. Improve implementation of new budget classification and new chart of accounts	21.1. Prepare to put and implement 7 budget classification to FMIS system	100%
	21.2. Update chart of accounts	100%
	21.3. Strengthen consistency between budget content classification, Balance of Payment, National Accounts and Monetary and Financial statistics with GFS framework.	100%

	<p>Achievement of Q2 2019: the objective 21 progress achieved 100%, which main achieved KPIs show as detailed below:</p> <ol style="list-style-type: none"> 1. The preliminary draft of the economic classification class was prepared. 2. The challenges on the functional classification of ministries and institutions were addressed. 3. The administrative classification was updated. 4. The FMIS implementation status in Phase 2 of the 10 ministries and institutions in Phase 2 was monitored. 5. The budget expenditure reports, in accordance with the administrative and functional classification, have been prepared in the FMIS system and submitted to management for further guidance. 6. All transactions have been recorded in FMIS in accordance with the seven budget classifications. 7. A consolidated report of market prices of goods and services was submitted to management for the further decision and guidance. <ol style="list-style-type: none"> 1. The need assessment on the requirement of additional sub-accounts in the Chart of Account was discussed. As a result, there was no need for additional sub-accounts. 2. A review, evaluation, and orientation of the chart of account at Prek Leap National School were carried out. 3. The meeting on Budget Implementation and Accounting of public Administration 2019 was held. <ol style="list-style-type: none"> 1. The national GFSM statistics (3 levels) were prepared and collected for the GFSM statistical technique. 	
22. Improve implementation of new business process and budget execution	22.1. Prepare the context of processing expenditure (commitment, procurement contract and payment requests) in LMs in accordance with FMIS system	97%
	22.2. Improve business process in MEF/LMs to be in line with the new chart of accounts, accounting standard and regularly reconcile bank accounts	100%
	22.3. Build capacity to manage FMIS project including those at the MEF, LMs and Sub National Administrations	100%
	22.4. Expand the FMIS implementation (core module and new module and expand the FMIS implementation to line ministries	93%
	<p>Achievement of Q2 2019: the objective 22 progress achieved 97%, which main achieved KPIs show as detailed below:</p> <ol style="list-style-type: none"> 1. The new payroll business process had been updated in the MEF, as the process had been streamlined several steps. This procedure will be subject to further revision in the following year. 	

	<p>2. The financial reports were published from FMIS. 9 ministries' financial reports had been finalized, and signed.</p> <p>3. The implementation reports of data recording in FMIS of the implementing ministries and institutions had been prepared, through the suggestions, and reviewing on payment guarantee requests for 39 ministries and institutions. Additionally, the data of gurantee and payment has been completely recorded into FMIS.</p> <p>4. FMIS implementation report for 10 new ministries to be implemented in 2019 had been prepared.</p> <p>5. The quarterly consolidated report of the FMIS implementing evaluation in the second phase at the 10 new Ministries had been prepared.</p> <p>6. A consolidated report of market prices of goods and services has been completely finalized and submitted to management.</p> <p>Additonal KPIs are,</p> <p>1. Training and dissemination of procedures on the revenue and expenditure execution according to the legal framework to relevant authorities to monitor budget implementation, especially the relevant ministries, institutions for proper implementation of the budget. Financial procedures are prepared for the Expenditure Official to fill in the FMIS information and payslips, especially the geographical and administrative classifications.</p> <p>2. An in-depth study of Fixed Asset Threshold international standards has been undertaken and a draft of general principles is prepared to work further with experts.</p> <p>3. The management and officials of the newly 17 ministries and institutions have received additional capacity training in the purpose of attracting and increasing ownership of the FMIS project through the mission of validating the understanding and progress of FMIS in all 17 ministries and institutions.</p> <p>Further extend of the achieved KPIs are,</p> <p>1. The FMIS training plan for the FMIS officials (FMIS project management, and FMIS project implementation) for 2019 had been prepared.</p> <p>2. FMIS Secretariat staffs (6 Programmers, 6 Database Section, 20 IT Infrastructure team, 5 IT Security officials) received additional capacity building training.</p> <p>3. FMIS users of 10 ministries and institutions and 25 departments, received FMIS Refreshment Training on May 24, 2019, on four functions.</p> <p>Other achieved KPIs are,</p> <p>1. FMIS Implementation Teams in the 17 new Ministries and Institutions were formed through the decision on the establishment of the FMIS Implementation Teams of each ministry.</p>	
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	<p>2. The current business process for the 17 ministries has been finalized by 85%. The FMIS users at the new 17 ministries are designated according to the role and procedure.</p> <p>3. FMIS data center support and maintenance services have been completed and contracted by the supplier on March 11, 2019, to provide data center support and maintenance services.</p> <p>4. The FMIS system had been completely developed (related to the new users adding, and role designation) in response to the requirements of the new 17 ministries and institutions.</p> <p>5. The site and user locations of the new 17 ministries and institutions have been studied and designed.</p> <p>6. Requirements, job description, and applications for the recruitment of IT security monitoring and evaluation consultants have been identified. The consultation selection will be done through a single source selection procedure to promote rapid and targeted recruitment.</p> <p>7. The tool for assessing the implementation of FMIS at 10 new ministries and 25 MEF departments has been prepared.</p> <p>8. The HelpDesk Center has been set up and launched.</p> <p>9. A preliminary report on the status of support and problem solving was prepared.</p> <p>10. Information technology equipment at the 20 ministries and institutions and the treasuries of Provincial Departments of Economy and Finance are being monitored and maintained.</p> <p>11. Stakeholders Analysis of FMIS Stakeholders in 17 New Institutions had been developed.</p> <p>12. The Q1 2019 newsletters were published and disseminated to the management and stakeholders at various ministries, institutions, treasuries, provincial departments.</p> <p>13. The video and poster on the FMIS project have been prepared and published on the website and social networks.</p>	
23. Strengthen implementation of new accounting, recording and reporting,	23.1. 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	95%
	23.2. Improve the reporting format of budget execution to be submitted to office of the office of Council Ministers and legislative bodies	100%
	23.3. Implement the mechanism to complete the inventory listing of state property and update it regularly	93%

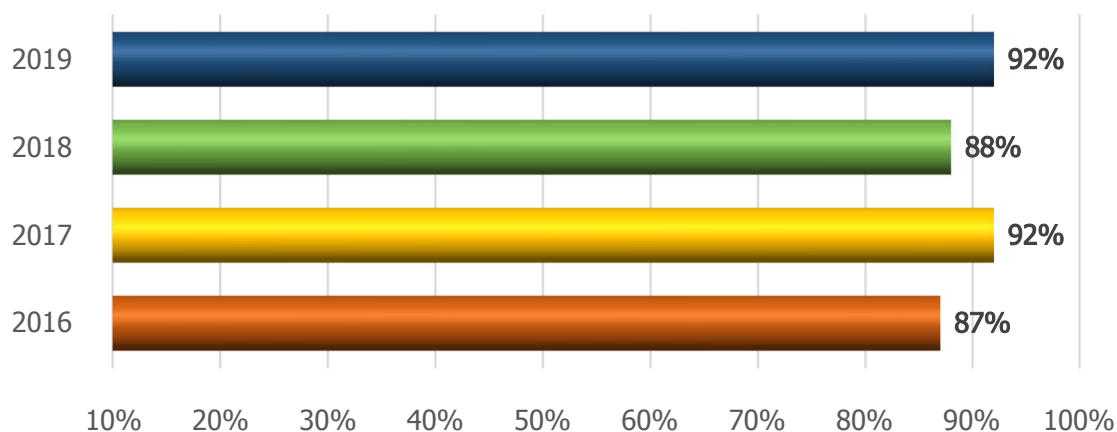
	<p>Achievement of Q2 2019: the objective 23 progress achieved 96%, which main achieved KPIs show as detailed below:</p> <ol style="list-style-type: none"> 1. The first draft of the Cambodian Public Accounting Reform Strategy Action Plan has been prepared at the technical working group level. 2. The technical working group for the preparation of the Conceptional Framework for Financial Reporting was designated to the existing working group. 3. The meeting had been discussed and the result had been share to ITD for finalizing the process mapping to publish IPSAS Cash Basis report. 4. Semi-annual revenue and expenditure data were prepared. 5. The draft of 2018 National Budget Settlements was revised based on the management guidance from the previous meeting on June 20, 2019, to update the text format and appendix. <p>Additional KPIs are,</p> <ol style="list-style-type: none"> 1. The nine-month budget performance report was reviewed and updated. 2. 2016-2017 State Property Inventory Data of the 6 Provincial Departments of Economy and Finance were recorded and reported in the Inventory Management System (MEF internal system). 3. The user information at 4 implementing entities was provided for the first phase implementation of the inventory management system (MEF internal system). 4. The input was studied and consolidated for the preparation of the internal state property inventory manual. 	
24. Strengthen the implementation of instruments and mechanisms to enhance responsibility and accountability (internal control system).	24.1. Establish appropriate sanctions for wrong doing or inappropriate and ineffective management of public resources.	100%
	24.2 Develop and implement progress report format of budget execution quarterly, mid-year and annual.	100%
	24.3. Strengthen monitoring on Information technology system and FMIS (IT audit)	100%
	<p>Achievement of Q2 2019: the objective 24 progress achieved 100%, which the main achieved KPIs show as detailed below:</p> <ol style="list-style-type: none"> 1. The types of sanctions of public financial management (from taxation to the public procurement) were identified, reviewed, and finalized in the Legal Secretariat Council's management. 2. Legal framework and regulation relating to the appropriate administrative sanctions for misconduct or ineffective management on the public resources within the General Department of National Treasury have been continuously consolidated and updated. <p>The additional achieved KPIs are,</p>	

	1. The quarterly financial reporting format is implemented at ministries and institutions. 2. The semi-annual performance/output reports are implemented at the ministries. 3. The semi-annual progress report forms are revised. 4. Provincial Department of Treasury at Rattanakiri was audited on the implementation of FMIS.	
25. Expand budget transparency	25.1 Increase public participation in budget process	100%
	25.2. Increase dissemination of budget documents	100%
	25.3 Increase transparency of public procurement contract	78%
	<p>Achievement of Q2 2019: the objective 25 progress achieved 92%, which main achieved KPIs show as detailed below:</p> 1. The public forum of Annual Macroeconomic Framework and Financial Framework was held on January 15, 2019. 2. The Budget in brief of 2019 is prepared and published. 3. The monthly national financial statements (TOFE standard) by February 2019 were prepared and published on the websites of the Ministry of Economy and Finance and the General Department of Policy. 4. The monthly GFS budgetary Central Government Reports by February 2019 and the Semi-Annual GFS national statistics were compiled and published on the websites of the Ministry of Economy and Finance and the General Department of Policy. 5. The economic and financial statistics reports for Q4 2018 were prepared and published on the website of the Ministry of Economy and Finance and the General Department of Policy. 6. Circular on the Implementation of the 2019 Budget Law at the Sub-National Administration was disseminated.	

Part 3: Budget-Policy Linkages

In the 2nd Quarter of 2019, Part 3 "Budget Link to Policy" achieved 92%, compared with 88% in the second quarter of 2018, while the second quarter of 2017, it achieved 92% and in 2016 only 87%.

Diagram 5. Comparative Progress of the Budget-Policy Linkages



Source: GSC

Table 5 shows the progress achieved in the objectives and activities of part 2, with the following details in the table below.

Table 5. Progress of Objectives in Part 3

Objectives	Activities	Q2
31. Strengthen and expand the implementation of program budgeting and budget monitoring	31.1. Review and improve implementation of the program budgeting both national and sub-national	92%
	31.2. Develop strategies to expand program budgeting to LMs in 2018 and city/provinces in 2020	No activity plans
	31.3. Implement the training and capacity building for strengthening and expanding program budgeting	100%
	31.4. Review and update on implementation of rights and appropriateness for budget entity	50%
	<p>Achievement in Q2 2019: This Objective 31 achieved 92%, of which 21 activities reached full target (31.3), while 1 activity achieved good progress (31.1) and activity 1 (31.3). (31.4) got low score. Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - Draft Guideline on Performance-informed budgeting has been prepared 	

	<ul style="list-style-type: none"> - The table format for tracking total credit movements through program budgets has been improved. - Annual budget negotiation assistance forms are reviewed and improve as necessary - Program Description is included in the Circular on Budget Preparation and the Draft Budget Law - Guidance on preparation of procurement plan and advance plan are included in the Circular on draft Budget Law. - A report on the cost review procedures for the training has been prepared. - Prakas on Expenditure procedures for holding conferences, national and international meetings has been implemented. - The Performance informed Budgeting training material is prepared by the GDB internally. - Officials from LMs implementing budget programs have received training - Study Guide Report on Manual to Department Managers - The capacity of the professional staff of the LMs that implement the program budget is enhanced on the budget implementation procedure 	
32. Develop comprehensive budget and budget integration	32.1. Further improve integration of recurrent and capital budgets through such on-going initiatives such as medium-term fiscal framework (MTFF), BSP and PB. Highlight the poverty reduction and gender issues in PB and BSP	100%
	32.2. Incorporate off-budget expenditure and revenues into the annual budget including increasing public administrative entity and Development Partner's funds in the budget.	100%
	<p>Achievement in Q2 2019: These two objectives (32.1 and 32.2) achieved full progress. Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - The Circular on BSP has been prepared. - All 25 Ministry of Budget Programs are monitored - Report on credit allocation, public investment expenditure, financed by the national budget (Direct Investment Project) by program - A report on the status of preparation for the implementation of the new Chart of Accounts (COA) account for all development partners' projects / programs at the Ministry of Health has been prepared. 	
33. Develop and Implement Line of Accountability	33.1. Monitor and prepare legal regulations in public financial management of the government in the context of program budgeting implementation	100%

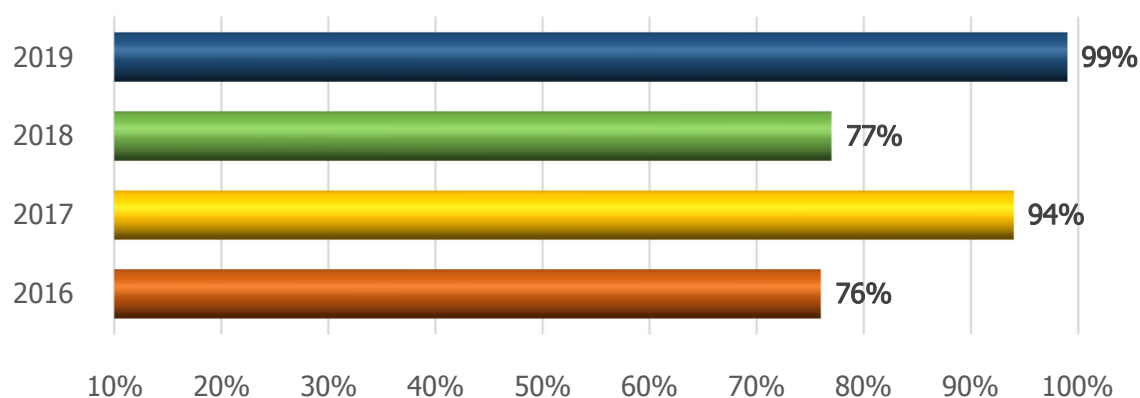
System (between Legislative and Executive, between MEF and LMs, and within LMs)	33.2. Clearly identify line of accountability in preparation of public investment program in order to ensure consistency of annual budget (Clearly define responsibilities between LMs, including MEF, Ministry of Planning, and CDC)	No activity plans
	33.3. Revise draft annual budget law incorporate with significant information including: 1) Determine budget deficit in accordance with GFS system 2) Draft budget law in previous year (N-1), outcome of in-year budget implementation (Year N) temporary, 3) Debt figure	100%
	<p>Achievements in Q2 2019: These 33 objectives are 100% achieved, with two activities of targets achieving the full target (33.1 and 33.3). Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - The explanatory notes are put in place for the internal level consultation and GSMEF level. - Budget Appendices table of Budget Settlement drafted at WG level 	
34. Strengthen development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)	34.1. Prepare and increase effectiveness and efficiency of macro-economic policy framework	83%
	34.2. Prepare and increase effectiveness and efficiency of medium term fiscal framework (MTFF) and medium term budget framework (MTBF)	100%
	34.3. Strengthen capacity to analyze and forecast economic and financial conditions	100%
	<p>Achievement in Q2 2019: This objective has achieved 96%, with two activities achieving full progress (34.2, 34.3) and one indicator (34.1) with good performance. Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - The draft Medium-Term Budget Framework (MTBF) has been validated. - Consult the Export Statistics with the GDEC to check the statistical consistency and development of the CamTrade (Mobile Application) - Consultation with GDEC/ITD on CamTrade Development (Mobile Application) 	
35. Strengthen implementation of fiscal decentralization policy	35.1. Implement fiscal decentralization policy which determines in 3 years implementing plan (2018-2020) YIP-3 of National program.	90%
	35.2. Pilot and expand the Sub-National Investment Facility (SNIF)	83%
	35.3. Review and implement guidelines on budget strategic plan for sub-national administrations	88%

	35.4. Implement Budget strategic reform system 2018-2025	100%
	35.5. Examine and revise implementation of full program budgeting and budget entities for sub-national administrations	No activity plans
	35.6. Examine and evaluate budget execution of functional transfer each LM to sub national administration.	100%
	<p>Achievement in Q2 2019: This objective has achieved 92%, of which 2 activities have fully achieved (35.4 and 35.6), while 1 activity has achieved good performance (35.1) and another activity achieves progress - average (35.3). Key indicators that have achieved remarkable results include:</p> <ul style="list-style-type: none"> - BSRS Sub-national 2019-2025 has been disseminated - A detailed action plan for the implementation of the BSRS Sub-national has been prepared - A draft Prakas on Budget Management for Environmental Sanitation has been prepared 	

Part 4: Readiness for Next Platform

In the 2nd Quarter of 2019, Part 4 “Readiness for Next Platform” achieved 99%, compared with 77% in the second quarter of 2018, while the second quarter of 2017, it achieved 94% and in 2016 only 76%.

Diagram 6. Comparative Progress of the Readiness for Next Platform



Source: GSC

Table 6 shows the progress achieved in the objectives and activities of part 4, with the following details in the table below.

Table 6. Progress of Objectives in Part 4

<u>Objective</u>	<u>Activities</u>	<u>Q2</u>
Objective 41. Develop performance informed budget framework	41.1. study and develop Core Framework for performance informed budgeting- PIB	100%
	41.4. 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	100%
	<p><i>Achievement in Q2 2019: In objective 41, there are 2 activities that have been fully achieved as planned. Achieved indicators include:</i></p> <ul style="list-style-type: none"> - Law on Public Financial System 2008 has been revised and discussed. - Report of inputs/reviewing Law on Public Financial System 2008 was prepared. - Met with French consultant and did presentation about current budget execution mechanism. 	
Objective 43. Strengthen monitoring system more effectively	43.1. Review on monitoring of inspection and internal auditing of each LM at the moment	100%
	43.2. Expand additional function of information technology control and performance in accordance with new functional budget system.	100%
	43.3. LMs' management levels are replied on inspection and internal auditing's recommendation	100%
	43.4. 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)	100%
	43.5. Develop financial inspection framework	85%
	<p><i>Achievement in Q2 2019: Objective 43 was accomplished 97%, which there are 4 activities (43.1, 43.2, 43.3 and 43.4) that were fully achieved. However, 2 activities (43.5) obtain very good progresses. Key indicators were noticeably well achieved by the following activities:</i></p>	

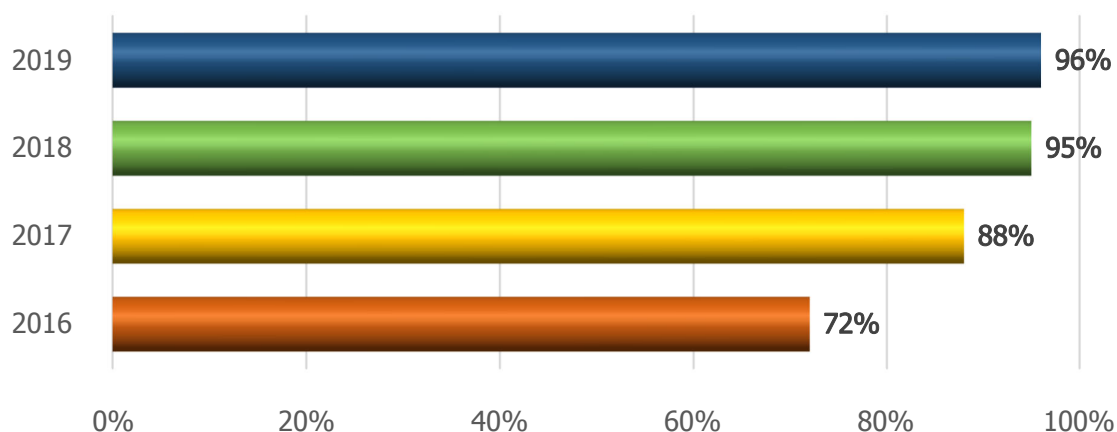
	<ul style="list-style-type: none"> - Internal audit entities of 2 targeted LMs (2 LMs) were monitored the effectiveness of internal audit functions. - Specialists of inspection department were trained on inserting data into the form of needed information. - Audit assisting tool on procurement of goods under local auction method was conducted. - Audit assisting tool on monitoring public revenue was conducted. - Audit assisting tool of auditing on revenues from casino license was made. - Audit assisting tool on auditing of tax on property was made. - Inserted legal documents into draft of IT audit was done. - 50% recommendations of 12 targeted general department under ministry of economy and finance were improved and 30% was at least 50% to put more mechanisms. - Financial inspection officers were trained about monitor form report usage. - At least 50% of recommendations, in quarter 2 of monitoring audit entities of 4 LMs, were monitored on the replied of recommendation improvement. - Report on Audit Progress 2018 was consolidated into draft. - Internal audit entities of 6 LMs were monitored on preparation of budget strategic plan and audit plans 2018 and there are mechanisms to boost LMs that do not have budget strategic and audit plans. - Contents of Inspection Strategic Plans 2021-2025 were prepared. - At least 60% of audit action plan in quarter 2 of audit entities under 8 LMs were implemented. 	
Objective 44. Strengthen additional capacity for legislative	44.1. Develop updated capacity development plan – CDP in public financial management reform program in stage 4 (2020-2025)	100%
	44.2. Prepare and implement capacity development action plan (including legislative bodies and NAA)	100%

bodies and the National Audit Authority on check and balance system, preparation of annual financial management law and annual budget settlement law	<p>Achievement in Q2 2019: Objective 44 has achieved 100%, which there are 2 activities (44.1 and 44.2) that have been fully achieved as planned.</p> <p>Achieved indicators include:</p> <ul style="list-style-type: none"> - Report on Monitoring and Evaluating the Implementation of Capacity Development Strategic Plan in PFMRP program in stage 3 was conducted and published. - Building capacity action plan was developed and implemented. - Training programs and documents on Financial Management was prepared. 	
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Part 5: Support PFMRP to Achieve with Successful and Sustainable

In the 2nd quarter of 2019, “Support PFMRP to Achieve with Successful and Sustainable” reached at 96%. The below diagram showed the better progress of part 5 in 2nd quarter of 2018 that achieved at 95% while 2nd quarter of 2017 achieved at 88% and 72% were achieved in 2016.

Diagram 7. Comparative progress of Support PFMRP to Achieve with Successful and Sustainable



Source: GSC

Table 7 shows the progress achieved in the objectives and activities of part 5, with the following details in the table below.

Table 7. Progress of Objectives in Part 5

<u>Objectives</u>	<u>Activities</u>	<u>Q2</u>
Objective 51. Develop leadership, management	51.1. Strengthening the implementation of rules and procedures related to preparing and implementing mechanism of each	100%

capacity, reform willingness, ownership and responsibilities	ministry, institution and organisation according to circular number 09 and Prakas on rules and procedures on incentives.	
	51.2. Preparing the system of Change Management.	100%
	<p>Achievement in Q2 2019: Objective 51 was 100% accomplished since two actions (51.1 and 51.2) were fully achieved. Key indicators were noticeably well achieved by the following activities:</p> <ul style="list-style-type: none"> - Monthly PFM meeting was organised. Progress reports of action plan implementation of Q2 2019 were compiled in a timely manner. (GDCE) - Management meeting was conducted to follow up the progresses of action plan implementation GDAP3 of GDNT. (GDNT) - Internal meetings on PFM was regularly included in monthly meeting of GDPP and the report was compiled. - Meeting reports for April, May and June were compiled. (GDSNAF) - Further tracking of the application of PFMRP implementation mechanism and evaluation system at General Department of National Treasury. (GDNT) - Q2 Progress report was compiled in a timely manner. (GDSNAF) - Q2 Progress report of GDPP was compiled and submitted to G.S.C. - Q1 progress report on action plan implementation was compiled. (GSMEF) - All aspects of the 5th to 8th chapter were reviewed, verified and finalized at the Legal Council's management level. (LC) - All aspects of chapters of were verified at technical level. (LC) - Contents of the guidebook was compiled based on content structure. - Final draft of Codification was verified at management level. (LC) - IT system for the compilation of all legislative regulations of LC was developed and launched. (LC) 	
Objective 52. Enhance the efficiency of Capacity Building and Incentive measures.	52.1. Review the efficiency and effectiveness of training and prepare a new capacity building plan.	91%
	52.2. Review the mechanism and approach for incentive	100%
	<p>Achievement in Q2 2019:: The objective 52 achieved at 95%. There were two actions in this objective. 52.2 was fully achieved while 52.1 received high</p>	

	<p>score. Key indicators were noticeably well achieved by the following activities:</p> <ul style="list-style-type: none"> - The request letter of updated TOT's position was sent to general departments and compiled for MEF management to check and approve. - For line-ministries and public administration institutions, the request letter for the data of TNA and perfection courses was compiled by EFI. Yet, for provincial departments, EFI just was in the TNA survey stage by interviewing and preparing a primary report. (EFI) - Studied and evaluated the feasibility of designing perfection course for officials in 12 provinces and prepared a report. - Conducted a training course on budget analysis for 30 budget analysts, TOTs, and other relevant officials in MEF. (EFI) - Some contents of the draft of mechanism and procedure was added to align with the current policy of royal government and Ministry of Civil Servant. (GSMEF) - Collected the updated documents of education level and training from 40 entities under MEF (GSMEF) - The Evaluation Tools of TNA was approved to implement in all entities under MEF. (GSMEF) - Draft of procedure on allowance of funeral, resignation, and early retirement was prepared (GSMEF). - Draft of procedure and mechanism on official promotion were prepared (GSMEF) 	
Objective 53. Strengthen the capacity building for implementation in Public Financial Management Reform Program Stage 3	53.1. Develop Human Resource for stage 3 which includes skills training in both Ministry of Economy and Finance and line-ministries	92%
	53.2. preparing institutions to support PFMRP 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.	98%
	<p>Achievement in Q2 2019: The objective 53 achieved at 92%. There were two actions in this objective (53.1 and 53.2) that made very good progresses. Key indicators were noticeably well achieved by the following activities:</p>	

	<ul style="list-style-type: none"> - Six Officials from provincial treasuries were trained by General Department of National Treasury's specialists for capacity building on using FMIS system. (GDNT) - Training action plan has been prepared (GDSNAF) - Guideline and procedure (Authorized Staffing Patterns-ASP) was prepared at professional office level (GDT). - Research report was prepared at the office level - Draft on public procurement course for trainers of General Department of Public Procurement was submitted to H.E. advisor to review and waiting for approval from H.E. delegation of royal government in charge of General Department of Public Procurement (GDPP). -Conducted 2 training courses on Tax regulations for 467 new officials and 81 officials (GDT). - Conducted 2 training courses on leadership for management of municipal and provincial tax branch (GDT) - Officials of General Department of Taxation were trained on using Human Resource system. GDT were looking for professional trainers to conduct training courses on Security management of Networking, Database, System Development, and new technology for IT officials (GDT). - Conducted first technical PFM training courses (focusing on budget, accounting, procurement, audit, and state property inventory management) for 360 officials of MEF and line-ministries on 11st, June 2019 at Economy and Finance Institute (EFI). - Conducted a training course on Public Private Partnership (PPPs) and experience of China for 30 managements of MEF, including under-secretary of state, director general, deputy director general on 6th to 7th, May 2019 in Beijing, China (EFI). - 13 officials in office of budget planning attended a training course on Microsoft Excel VBA for data management. (GSMEF) - Conducted a seminar on Budget Strategic Plan 2020-2022 of MEF on 01-03 April 2019 at Siemreap province which was attended by Central and Local Budget units of MEF. (GSMEF) - 20 officials of General Secretary of MEF were trained on Advance Excel Level 1 on 20-21 June 2019 and 24-25 June 2019 at Finance and Accounting Institute (GSMEF). - Organized a training course and to management for approval (GSMEF)
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	<ul style="list-style-type: none"> - Led a study tour to Japan for visiting National library and Ministry of Foreign Affair (GSMEF). - 4 officials from Department of Budget Formulation were trained on Advanced budgeting and Cost Management in England. (GDB) - 9 officials were trained on money laundering and Terrorist Financing by World Bank experts. Attended Asian plus 3 Market Bond Forum (ABMF) and other related forums in Tokyo, Japan (GDFI). -Comment System at the One Window Service of MEF was pilot tested (GSMEF). - Report of the study on locations for installing FMIS was submitted to management and got approval. (GSMEF) - Electronic security gate in building “A” was installed to the Technology Network infrastructure of MEF (GSMEF). - Drafted a workflow book of the personnel department (GSMEF) - Civil servant entitlement guidebook of MEF was drafted (GSMEF). - Instruction documents on “Security on Information Technology” was already prepared. - Completed development on API to receive and send data from Front-End. Completed front-end interface design. Was about to complete coding on system’s functions while testing (GSMEF). - Documents of General Departments and Entities of MEF were Collected and managed complying with the mechanism and procedure of the guideline on internal policy and procedure of document management (GSMEF) - The updated data of capital/provincial economy and finance guide was revised. (GSMEF)
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Chapter 4: Progress in Percentage by Entities under MEF

There are 18 entities participating in PFMRP of MEF, including: (1) General Department of Policy, (2) General Department of Customs and Excise, (3) General Department of Taxation, (4) General Department of State property and Non-Tax Revenue, (5) General Department of Financial Industry, (6) General Department of Budget, (7) General Department of Sub-National Administration Finance, (8) General Department of International Cooperation and Debt Management, (9) General Department of National Treasury, (10) General Department of Public Procurement, (11) General Secretariat of MEF, (12) General Inspectorate Department, (13) General Department of Internal Audit, (14) Economic and Finance Institute, (15) FMIS Management Working Group, (16) Legislation Council, (17) National Accounting Council, (18) Public-Private Partnership Unit.

In the 2nd Quarter 2019, the progress of implementation of the reform action plan in each unit under the MEF are summarized by the number of activities and the percentage below is shown in Table 10.

Table 8. Number of Achievements of the Entities under MEF

No.	Entities under MEF	Activities Q2 2019	% Q2 2019
1	General Department of Policy	14/14	100%
2	General Department of Customs and Excise	15/16	99%
3	General Department of Taxation	20/32	93%
4	General Department of State property and Non-Tax Revenue	3/11	88%
5	General Department of Financial Industry	3/4	94%
6	General Department of Budget	55/62	95%
7	General Department of Sub-National Administration Finance	14/24	90%
8	General Department of International Cooperation and Debt Management	6/8	98%
9	General Department of National Treasury	25/25	100%
10	General Department of Public Procurement	5/10	87%
11	General Secretariat of MEF	20/29	92%
12	General Inspectorate Department	14/16	97%
13	General Department of Internal Audit	18/18	100%
14	Economic and Finance Institute	7/9	98%
15	FMIS Management Working Group	13/20	92%
16	Legislation Council	7/7	100%
17	National Accounting Council	3/3	100%
18	Public-Private Partnership Unit	0/2	80%

Source: GSC

Chapter 5: Challenges and Solutions

Along with the progress report above, it also highlights the ongoing challenges and proposed solutions to improve work performance in the next steps. In general, challenges arise by the organization itself and/or with other entities that require collaborative work and a high commitment to reform to achieve each of the indicators laid out. Table 11 summarizes the challenges and proposed solutions in each of the following sections.

Table 9. Challenges and Solutions

	Challenges	Solutions
Part I	Number of KPIs are large and short and time limited.	Define KPI in a clear, measurable and appropriate time frame.
Part II	<ol style="list-style-type: none"> 1. The formalization of legal docs and the development of the State Property Management System have been slow, inconsistent, and unresponsive. 2. The progress of the integration between FMIS and HRMIS from MCS is limited. 3. Planning, preparation of data requirements, formulas for reports and annexes to determine the basis for improving the FMIS system is inconsistent. 	<ol style="list-style-type: none"> 1. Propose a comprehensive document on State Property Management System Reform Strategy (technical, legal, and IT developments) and be able to respond effectively to BSRS and enter Stage 4 of the PFMRP. 2. Suggest immediate action to develop a comprehensive roadmap on the development of the State Assets Register Management Information System (SARMIS). 3. Propose to report to management level for taking actions to improve further integration on this work. 4. Proposes additional stakeholder focus to be achieved on the requirements of the data and formulas for the reports and annexes to further improve the FMIS to be able to produce financial statements, budget reports, and performance monitoring reports.
Part III	1. Training Action Plan on Performance Management of Municipal and District Administration was prepared.	Request all relevant GDs to take priority over the work as they have a significant effect on the other.

	<p>2. Draft additional guidance on Municipal and District Investment Proposal was prepared and consulted.</p> <p>3. Guideline on budget strategic plan of the Capital/Provincial administration has been revised to include 12 Khan administrations.</p>	
Part IV	<p>Sub Decree on Rule and Procedures of Financial Inspection has not yet been implemented. (This action has been decided by His Excellency Deputy Prime Minister, Minister of MEF.</p>	
Part V	<p>1. Difficulty finding local teacher training (GDT)</p> <p>2. Ability to analyze, evaluate, report, plan, and hold officers' (EFI)</p>	

Chapter 6: Conclusion

The 2nd Quarter 2019 Report shows considerable and significant progress in meeting the benchmarks and reflecting the development of key components and foundations for all 5 parts and this is a step towards supporting the Financial Accountability and Public Expenditure Assessment (PEFA), a strong mechanism for monitoring assessment of public financial management reforms as the whole.

We can conclude the progress of implementation in the 2nd Quarter 2019 to be 91% higher than the 1st quarter of 2019, which achieved 93%. Overall, in 2nd Quarter, the progress report of part 1 was 91% lower than the first quarter, which achieved 93%. In 2nd Quarter 2019, the progress report of part 2 was 97%, while the first quarter, which achieved 90%. 2nd Quarter 2019, the progress report of part 3 achieved 92%, while the first quarter, which achieved 90%. In 2nd Quarter 2019, the progress report of part 4 was 99%, while the first quarter, which achieved 85%. Also, in 2nd Quarter 2019, the progress report of part 5 was 96%, while the first quarter, which also achieved 96%.

Overall, the 05 Parts' result reflects the commitment of the entities under MEF in support of the PFMRP Stage 3 as Part1, 2, 3, and 4 have made significant progress. Also, the first quarter and stable in Part 5, although the Part 1 was slightly down, there was no significant impact.

However, the performance indicators of the quarter are still showing some indicators that have not yet been achieved. This requires all entities under MEF as a strong and sharp core reform, continue to review, improve, and accelerate the action plan in a timely manner and ready for the next step: Performance Accountability to participate in the implementation of the PFMRP.

The 2nd Quarter progress report of 2019 is a sign to the continued support of the GDs and other key stakeholders, leading to the finalization of the Public Financial Management Reform Program.

Priority work of the "Public Financial Management Reform Program" for the next stage will focus on:

1. FMIS fully implementation.
2. Strengthen the budgetary link to programs to manage cost efficiency and budget allocation for implementing priority government policies.
3. Preparing for the introduction of the "Performance Informed Budget System".
4. Assessment the Public Expenditure and Financial Accountability (PEFA) for SNAs.
5. Develop the Medium-Term Fiscal Framework 2020-2022 (MTFF) and the Medium-Term Budget Framework 2020-2022 (MTBF).
6. Strengthen Public Financial Management capacity building and implementation of measures encourages the implementation of reform activities under the PFMRP.
7. Strengthen State Property Management using information technology.
8. Further strengthen the transparency and accountability of the budget.
9. Strengthening competition with three other reform programs: Public Administration Reform, Decentralization and Decentralization, and Legal and Judicial Reform (3 + 1 reform).
10. Review and improve Consolidated Action Plan (CAP3) Stage 3, 2019-2020.
11. Identify KPIs for monitoring the progress of the five parts.