



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

2015 Annual
Progress Report
Implementation of Consolidated Action Plan-Stage 2 New
Ministry of Economy and Finance

March 2016

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Acronyms

MEF	Ministry of Economy and Finance
GSC	General Secretariat of Public Financial Management Reform Steering Committee
BSP	Budget Strategic Plan
CAP	Consolidated Action Plan
DMFAS	Debt Management and Financial Analysis System
FMIS	Financial Management Information System
FMWG	Financial Management Working Group
FPP	Financial Programming and Policies
GAAP	Generally Accepted Accounting Principles
GDAP	General Department Action Plan
GFS	Government Finance Statistics
IPSAS	International Public Sector Accounting Standards
IRRPP	Implementing Rules and Regulations Governing for Public Procurement
KIT	Khmer Information Technology
MAP	Ministries Action Plan
MTEF	Medium term Expenditure Frameworks
PCA	Post Clearance Audit
PB	Program Budgeting
PPMIS	Public Procurement and Monitoring Information System
SNIF	Sub-national Investment Fund
SOP	Standard Operating Procedure
TOFE	Tableau des Opérations financières de l'Etat
UNCTAD	United Nations Conference on Trade and Development
VPN	Virtual Private Network

I. Introduction

Based on 2014 Annual Progress Report, it is indicated that the necessary results achieved in 2015 that would enable PFM Reform Program to move forward and implement in Stage 3, **“Policy-Budget Linkages”**, in 2016. The completion of Stage 1 in 2015 required that all key Activity laid-out in the Consolidated Action Plan 2 and 2-New (CAP2 and CAP2-New) are being completed, yet certain actions remained, and are thus carried forward into the Consolidated Action Plan 3 (CAP3), in every efforts must be given to complete the remaining activity for Budget Credibility that should have been completed since the end of Stage 1. The Annual Progress Report in 2015 will be highlighted key achievements in the Financial Accountability.

Similar to previous progress report, the annual review is undertaken by general secretariat of public financial management reform steering committee (GSC) which based on the performance shown by every efforts of the MEF General Departments (GDs) and all Line-Ministries (LMs) in their implementation of Stage 2 of PFM Reform Program, during the last two years. Although the involvement of LMs implementing PFM Reform is still limited comparatively to GDs of MEF, the report does not neglect to highlight key challenges and requests from the LMs, especially 10 LMs that have been currently implementing full program budgeting (PB) and 15 more that will start implementing full PB and budget entity in 2016 and all LMs by 2018 and PB would be approved from legislative institution not lately by 2020 following to the **Concept Note on the Strategic Direction of Budget System Reform of Cambodia 2013-2020.**

In this report, progress made in implementing CAP2-New are being described and supported by progress made in the 4 Parts: **Budget Credibility, Financial Accountability, Readiness for Later Plateform, and Support to Successful and Sustainable Implementation of Reform Program.** The important tasks during the last 2 years focused on Budget Credibility to be smooth and stable and the launching of Financial Management Information System (FMIS) in phase I. As a result, the credibility of budget is maintained essential even though it's not fully stable; key activities for financial accountability are being completed, particularly the components required for launching of FMIS improving in accountability system, which is the foundation of Stage 2. As for the **Readiness** in the next steps, many activities were planned and even the overall results have not been achieved, and several activities have been strengthened, in particularly, strengthening comprehensiveness and integration of budget, strengthening budget strategic plan, strengthening and expansion of program budgeting, and general supporting and capacity building with regard to focusing on human resource management strategy and dissemination plan and training.

This progress report will describe key achievements in each part, objective, activity against indicator, challenges and recommendations, and ongoing tasks in order to contribute more completeness in the next step.

The method using to assess the progress of implementation action plan is based on 2 bases:

1. Activities achieved compared to action plan
2. Outputs achieved against target of indicators.

The evaluation of progress is graded and divided into 4 levels: Good (100%), Fairly Good (99% -80%), Moderate (79%-50%) and Weak (<50%). For activity levels, there are 4 types of determinations: Achieved (100%), On track (99%-80%), Can be at risk (79% -50%) and At risk (<50%).

This annual report is a document that provides the basis of evaluating the current state of system and capacity to move forward from Stage 2 to Stage 3. The implementation the overall of CAP2-New 2014-2015 is to further strengthen budget credibility, financial accountability, and moving forward to Budget-Policy Linkages. Therefore, the results achieved have shown in the percentage of targets set by the key indicators of each part of the CAP2-New, will indicate the scope of activities followed by a conclusion of the current state of reform, for the purpose of evaluating whether we are ready to move to the next steps, which we can conclude that key foundation is achieved for moving forward.

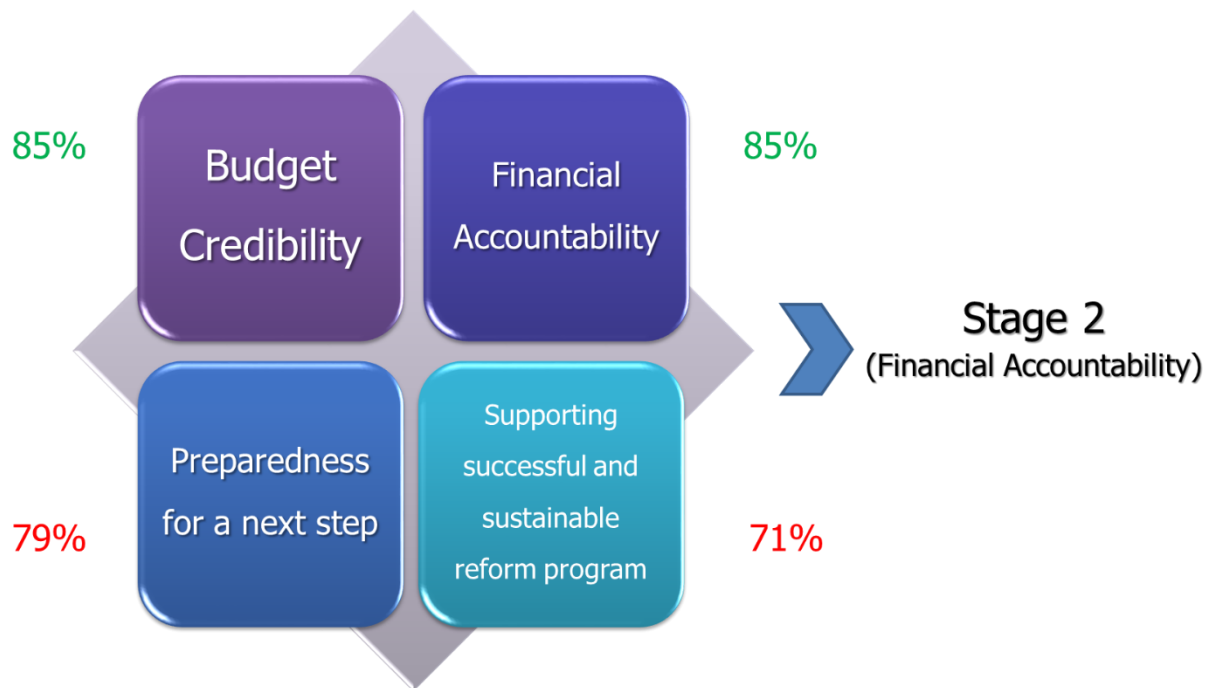
II. Results Achieved Each Part

CAP2-New has contained 4 parts: budget credibility, financial accountability, readiness for the next steps and support to successful and sustainable implementation reform program, 16 objectives and 62 activities. Most of the activities are set out to be implemented by the GDs of MEF. As a result, **budget credibility part**, 4 objectives and 14 activities, has been achieved 85% of the target set, **financial accountability part**, 6 objectives and 25 activities, has been achieved 83% of the target set, **readiness for the next steps part**, 4 objectives and 19 activities, has been achieved 79% of the target set, and **support to successful and sustainable implementation reform program**, 2 objectives and 4 activities, has been achieved 71% of the target set.

Based on result achievement of objectives, and activities, the budget credibility and financial accountability parts have been achieved good performance. The readiness for the next steps has achieved the target thanks to strengthening of introductory principle and training. As for supporting

for success and sustainability of the reform program has not achieved the target due to activities relating to reform willingness, leadership and managerial capacity and incentive mechanism.

Picture 1: Percentage Points of Parts



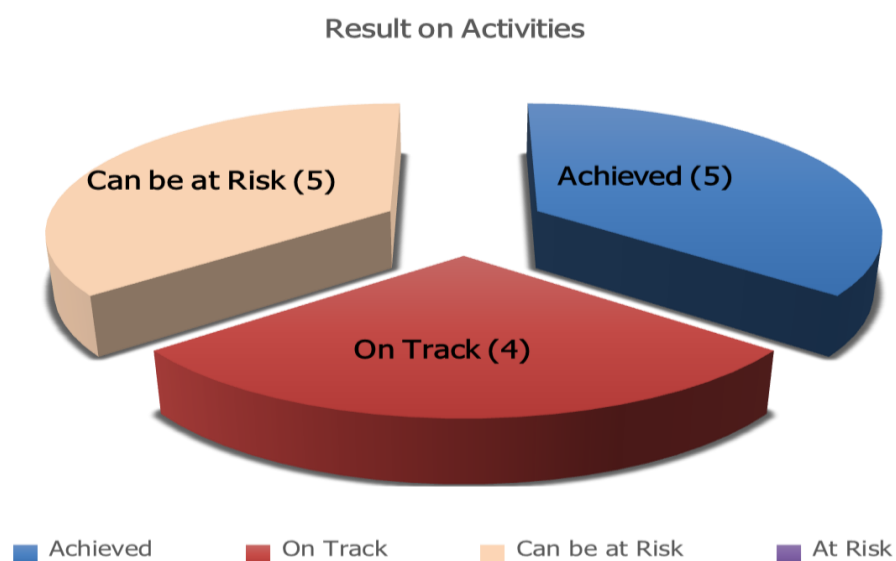
1. Budget Credibility

The first part: the credibility of budget, 4 objectives and 14 activities, has been further implemented with focus on further strengthening stabilization of budget credibility by (1) further strengthening revenue management and revenue collection implementation, (2) strengthening debt management, (3) strengthening cash management and accounts (4) improving budget implementation and strengthening implementation expenditure plan.

Up until now, the status variance in revenue and expenditure of national budget is maintained smaller compared to the budget law approved, flow of revenue and expenditure is more smoother, cash payment is on time and elimination expenditure payment arrears, but the effectiveness of preparation and implementation of revenue and expenditure plans in-year is not accurate and limited capacity to forecast, coupled with the limited ability to order payment per the budget, which will be described further in the following points.

An overall review for level of activities has shown that 5 activities are completed (36%), 4 activities are on-going (28%), 5 activities need attention (36%) and none are at risk of incompleteness.

Picture 2: Percentage Points of Budget Credibility Part



1.1 Results per Key Indicators

The Result Table below summarizes keys performance per 5 indicators with detailed descriptions provided for each indicator.

Table 1: Results per Key Performance Indicators

Indicator	Target	2014	2015
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.	Total 111.46% <ul style="list-style-type: none"> GDCE: 117.07% GDT: 107.07% State Property: 106.35% GDFI: 107.69% 	Total 111.52% <ul style="list-style-type: none"> GDCE: 114.58% GDT: 89.49% State Property: 89.49% GDFI: 148.44%
No accumulation of new arrears	Arrears are defined to be maintained at no more than	none	none

Indicator	Target	2014	2015
Budget holders are increasingly able to commit expenditure in line with budgets and cash flow forecasts	Q1: 15% Q2: 45% Q3: 67% Q4: 96%	Q1: 15.6% Q2: 33.2% Q3: 60.8% Q4: 87.9%	Q1: 15.4% Q2: 30.4% Q3: 56.2% Q4: 95.4%
Composition of Expenditure by type (staff costs) is close to approved budget.	Actual expenditure compared to budget law must not be below: • Salary: 98% • Goods/Services: 95% • Capital: 85%	<ul style="list-style-type: none"> • Salary: 99.9% • Goods/Services: 100% • Capital: 85.1% 	<ul style="list-style-type: none"> • Salary: 98.8% • Goods/Services: 98.3% • Capital: 86.8%
The yield achieved from Tax base is better through the improvement of collection efficiency and the plan to use non-tax revenue sources.	Progressive improvement in revenue yield compared to GDP by 0.5% per year.	16.78%	17.20%

Source: GDNT, *preliminary data by 01 March 2016*

1.1.1 Increase in domestic revenue

Many factors has contributed to the maximizing of domestic revenue÷

- Based on the data from GDNT (excluded non-tax) in 2015, GDCE (include tax and non-tax) has collected revenue of 114.58% of the level set in the budget law. However, the data of GDCE has shown that the amount of revenue paid into the treasury account was 115.73% of the level set in the budget law. Any of these figures showed the success of GDCE in mobilizing revenue as setting out by the 2015 action plan of this general department. This success is thanks to stringent control of **beginning, middle, ending** and officially implementing the action plan of custom duties and excise tax, custom penalty fees collection, and the adherence to the 4 work ethics of MEF of all levels of custom and excise officials. Meanwhile, significant categories of custom duties has seen increasing comparatively with budget law, Value added tax (import) other enterprises equals 147.93%, import duty equals 113.8%, Fee taken before the customs import equals 115.76% and Value added tax (import) other enterprises equal 117.09%.
- Based on the data from GDNT (excluded non-tax) in 2015, GDT has collected revenue of 110.01% of the level set in the budget law. However, the data of GDT(include tax and non-tax) showed that the amount paid to the treasury account was 111.53% of the level set in the budget law, in which tax revenue from national administration has achieved 110.16% and tax revenue from sub-national administration has achieved 120.19% of the targets. Significant categories of tax revenue have seen increasing comparatively with budget law such as profit tax 117.55%, salary tax 120.08%, and property tax 141.30%.
- Based on the data from GDNT in 2015, GDSPNTR has collected revenue of 89.49% of the level set in the budget law. However, the data from GDSPNTR as of February 26, 2016 has shown that the amount was at 87.51%. The reasons behind low performance were: **1-** Revenue from fishing lot has been completely abolished by the RGC, except certain small areas and the RGC has included several fishing lots under conservation for family fishery; **2-** Revenue from forestry has been lower than planned due to lower timber output from land concession which had been actual confiscation; **3-** Revenue from mineral extract concession has been low referring to 3 main factors: **a/** Revenue forecasted from oil extraction has not been realizing as an agreement is under negotiation, **b/** Revenue planned from sand extraction and export has been low due to an order to cease operation and export from the RGC and **c/** Revenue from mines is being handled under the reform of the Ministry of Mines

and Energy in the management of this sector as well as delegation to provincial departments in issuing permits, at which MEF was not in the loop; 4-Revenue from rental fees of uncultivated land and lands concession has been lower than planned, due to decision making from central government agencies in reviewing the execution of the contract by beneficiary enterprises, some of which have led to conflict resolution and termination of contracts.

- Based on the data of GDNT (excluded non-tax), in 2015, GDFI (include tax and non-tax) has collected revenue of 148.44% of the level set in the budget law. However, the data from GDFI has shown the amount of 149.14%. The reasons behind the revenue increment were:
1- Revenue from casino business: includes additional payment from Naga World of 9,438,489.84 US dollars in year 2013; 2- Revenue from lottery business, including to lottery permit issuance fees and cards publication permit fees; 3- Revenue from casino permits: through measures put into existed by the relevant departments, various firms or companies in this sector has rushed to pay for yearly permit fees as well those firms request new permits.

1.1.2 Not occurring in new arrears

(based on 90 days from the time payment order has reached GDNT)

1.1.3 National Expenditure

Data of national budget expenditure in 2015 was at 95.4% of level set in budget law, 0.6% lower than the target. This lower expense figure was due to 9 ministries, both PB and non-PB, implemented below 95% of level set in the budget law, namely Ministry of Civil Service implemented 84.4%, Council for the Development of Cambodia implemented 58.2%, Ministry of Justice implemented 89%, National Election Committees 84%, Anti-Corruption Unit implemented 89.9%, Ministry of Health implemented 90.9%, Ministry of Education, Youth and Sports implemented 58.2%, Ministry of Foreign Affairs implemented 87.8%, State Secretariat of Civil Aviation implemented 87.2% and Ministry of Land Management, Urban Planning and Construction implemented 74.6%. This indicated that the overall public financial management implementation is not smooth due to take long time from commitment to payment process. Moreover, the budget execution from early year is slow since objective factors related program budgeting implementation guideline and budget entities in 10 line ministries. However, this budget execution is improving step by step through revising procedure and capacity building.

1.1.4 Composition Expenditure

Salary expense paid was at 98.80% compared to level set in budget law in 2015, which was 0.8% higher than the target. Goods and services account for 98.3% compared to level set in budget law which is 3.3% higher, and Capital expenditure was at 86.80%, 1.8% higher than the target.

1.1.5 Increment in Current Revenue

Current revenue for 2015 of annual budget has increased to 17.20% of GDP equal to 0.42 percentage points up from 2014. Accomplishment of this revenue achieved by increased economic activity as well as the efforts of the GDT to strengthen tax compliance by strengthening audit activities, negotiation, debt collection, registration of taxpayers and taxpayer services. Meanwhile, the GDCE efforts to crack down on tax affairs, strengthening the audit after release from customs (Post Clearance Audit, PCA) and strengthening of tax administration. Additionally, the non-tax revenue also contributed significantly in achieving earnings results. The revenue collection was about 0.42 percentage point lower than 0.5 percentage points of the year as targeted in the Revenue Mobilization Strategy Medium-Term 2014-2018. This is caused by in 2014 was unusually high up 1.9 percentage points of GDP, leading to affect revenue growth in 2015, so it was not to mention the inability to collect revenues in 2015.

1.2 The Results of the KPIs further Strengthening Budget Credibility

Besides monitoring on budget credibility through 6 key performance indicators above, key activities have been set out to implement not only monitoring credibility of budget but also aim to improve financial accountability, which is an objective of stage 2.

These activities are carried out for 4 objectives and 14 activities to strengthen the credibility of budget, one of main parts of Public Financial Management Reform Program Stage 2 New, relevant revenue units (GDCE, GDT, GDSPNTR, and GDFI) and revenue and expenditure management entities (General Department of Economic Policy and Public Finance, General Department of Budget, GDNT and General Department of Public Procurement). Overall, to strengthen the credibility of budget, the result of implementation of actions have been achieved good performance as following.

1.2.1. Strengthening Revenue Management and Revenue Collection Implementation

This objective consists of 4 activities. Based on action achieved, this objective has been achieved 76%, in which activity 11.1. Strengthen capacity to forecast and efficiency of implementation revenue policy and framework (88%), 11.2. Strengthen capacity to forecast, management, effectiveness of customs and excises revenue collection (66%), 11.3. Strengthen capacity to forecast, management, effectiveness of taxation revenue collection (88%), and 11.4. Strengthen capacity to forecast, management, effectiveness of non-tax revenue collection (63%).

Reviewing results of key performance indicators of the 4 activities, 12 indicators have been achieved targets:

1. Forecasting model of GDEPFP has been revising and compiling analysis procedure for forecasting.
2. The Medium-term Revenue Mobilization Strategy 2014-2018 has been publishing and broadcasting on website of MEF.
3. Taxation and Non-tax Revenue Committee have been establishing to monitor the implementation of the RMS.
4. Cambodian National Single Window has been preparing and launching
5. ASYCUDA System in 30 offices/departments of GDCE have been installing and piloting test.
6. Sub-decree on Fiscal Timbres has been amended and implemented.
7. Prakas on Taxation of Determination Mechanism for Operational Financial Lease has been approved and implemented.
8. Sub-decree on Taxation Facilitation Committee has been prepared and implementing.
9. Central Database of GDT has been prepared and using together with training for relevant officials.
10. Network expansion to all Taxation Branches via VPN over Internet.
11. Royal Decree on legal memorandum and articles of Public Administrative Entity and Sub-Decree on Sample of Establishment of Public Administrative Entity in which have been preparing and implementing.
12. Conditions of obtaining permits and registration procedure for lottery and gambling companies have been revising to meet international standards.

The remaining 8 indicators in which have not achieved toward goal setting include in:

1. Monitoring and evaluation report on the implementation of RMS in semester and yearly have been prepared. Nonetheless, report format has been prepared and sent to relevant GDs for completion.
2. Revenue Forecasting Model of General Department of Taxation has been achieved 80% and General Department of Customs and Excise did not have any progress since human resources are limited, and required training and technical assistant. GDT has prepared a drafted model and requires detailed data to test bias and significance level. Meanwhile, the form of non-tax revenue to forecast has not prepared and organized type of revenues, including (1) a fixed type (2) changes, and (3) one-off.
3. Pre-arrival custom clearance procedure has been prepared and implemented. Non-achievement is due to GDCE currently being in the stage of study and preliminary determination of this new regime.

4. Medium-term action plans to prevent and combat custom evasion has been implementing.
5. Draft Law on Tax on Oil and Gas Operations, and draft Law on Tax on Transactions Mineral Resources such as gold, copper, coal has not been submitted for cabinet approval. Preparation these laws needed more time to study and merge together.
6. The number of tax payers to include in the real-regime have not achieved 100%. The causes of the failure are: tax payers in lump-sum taxation regime do not want to enter into the real regime; complexity in tax declaration and tax payers are a family business without proper bookkeeping and do not have knowledge of accounting management book.
7. Draft Law on State Property Management has not submitted to council minister for approval. General Department of State Property and Non-Tax Revenue (GDSPNTR) has been prepared and submitted to the Legal Affairs Council of MEF for reviewing before management endorsement. Other the other hand, the draft Law on Non-Tax Revenue Management has not submitted to MEF to review and endorse. This work was still no progress since GDSPNTR has been focusing on preparation Law on State Property Management and Royal decree on Legal Statute of Public Administrative Entity.
8. Draft Law on Casino Management approved by the Council of Ministers. Currently, MEF is waiting for review from Ministry of Interior before submission to the Council of Ministers.

Challenges to achieve target of indicators in 2015 as following:

- Internal entity cooperation (general department of custom and excises and general department of state property and non-tax revenue) has leveled in preparation of action plan and indicator determination for supporting public financial management of reform program more consistent.
- Lack of human resources and technical assistance in preparation of forecasting model thus little progress has been reported.
- Results of revenue collection implementation is achieved within +/- 5 in quarter and annual, have not been achieved the targets.

Next measure is to strengthen cooperation with relevant entities and actively participate themselves reform. Especially, revenue collection units must prepare action plans in stage 3 to complete formulation of forecasting model in 2016 if this work is still prolonged, it will be effect on preparation of annual collection revenue plan, and annual budgeted expenditure to support government's priority policies.

To sum up, we can conclude that strengthening revenue management and revenue collection implementation has not reached targets since capacity to forecast is not accuracy and revenue collection in-year is not smooth. Therefore, it requires for implementation of action plans to support revenue collection and avoid delaying.

1.2.2 Strengthening Debt Management

This objective has 3 activities. Based on results of activities, this objective has been achieved 100%, namely 12.1. Review and revise legal and institutional framework including roles and responsibilities in debt management (100%), 12.2. Prepare and implement budget and debt management strategy (100%) and 12.3. Increase effectiveness and efficiency of using debt data (100%).

Reviewing results of 3 activities, 7 indicators have been achieved targets:

1. Prakas on Principles and Procedures for Lending Management has been approved and implemented
2. Draft Prakas on Principles and Procedures for Public Debt Management Operation and Procedures Government Guarantee have been prepared.
3. Public Debt Management Strategy 2015-2018 has been approved and implemented.
4. Institutional and human resource capacity development plan for public debt management has been updated, approved and implemented.
5. Updated report on debt sustainability analysis
6. Final draft of debt statistics analysis has prepared.
7. DMFAS 6.0 has been installed with initial test run evaluated by UNCTAD specialists.

It can be concluded in 2015 that these planned activities strengthening of public debt management has been achieved the targets and effectiveness of public debt management has been ensured. This result indicated that further efforts are still being needed for sustainable debt management, especially the completion of remaining activities in CAP3.

1.2.3 Strengthening Management of Cash and Accounts

The objective consists of 4 activities. Based on the results of activities, this objective has been achieved 90%, namely, 13.1. Continue to consolidate bank accounts of government and strengthen treasury single account (100%), 13.2. Continue to strengthen and expand using of the banking system for operating revenues and public expenditure (100%), 13.3. Consolidate and continue improving cash plan (from quarterly/ monthly to weekly/ daily) (81%), and activity 13.4. Continue to monitor expenditure payment arrears and age its profile (77%).

There are 2 indicators that have been achieved:

1. Government accounts have been consolidated and managed effectively; TSA is fully in use.
2. Revenue and expenditure transactions are completely being performed over banking system.

Besides, the other 2 indicators have been not achieved:

1. Continuing to improve daily, weekly, monthly and quarterly cash plan report and reviewing cash management. Although targets didn't achieve in 2015, relevant GDs have regularly forecasted cash flows monthly and yearly with less level of errors, from >10% (for 3 quarters duration: Q1-Q3) to <10% (by Q4 2015).
2. Discrepancies in forecast for last 4 quarters are being observed as follow:
 - Average cash inflow discrepancy 9.0%
 - Average cash outflow discrepancy 10.5%.

As for revenue and expenditure forecast, the discrepancies are as follow:

- Cash inflow $3.0\% < x < 12.0\%$
- Cash outflow $-7.0\% < x < -12.0\%$.

All in all, cash flow forecast (revenue and expenditure) has been implementing on a regular basis and are becoming better, but more are to be done in 2016 as follow:

- Reduce error to 5%
- Cash Management System should be used to facilitate the input of figures from revenue and expenditure plan.

2. Payment order is being monitored and payment is being followed order more accurately and timely, implemented arrears integration plan. Integration of data are related to capital investment plan of RGC and debt service to cash-flow plan has been under discussion between GDNT and Department of Cooperation and Debt Management (DCDM) GDB, where debt data has been exporting to be put into the cash-flow plan. Particularly, average interest figures are being used in the preparation of cash-flow plan, but attention must be given to ensure improvement and comprehensiveness, where GDNT expects debt integration would lead to the formation of procedure to update and reconciliation debt data in a timely manner by the end of 2016. Some of these are already being implemented, as GDNT has launched K Information Technology (KIT) and monitoring system based on Microsoft Excel, to track arrears and dates of payments cleared by GDNT. KIT can produce report on payment order in monthly, quarterly, semester and yearly formats if there are arrears. At the same time, FMIS phase 1 is being introduced for piloting test to replace the current KIT system.

Nevertheless, relevant GDs have been improving their own activities to meet the target of indicators.

Overall, we implemented and achieved as a target for this point and in 2016, we will still continue monitoring this work. In 2016, we just change the formula from 90 days to 60 days in accordance with the decision of Minister so GDNT has prepared in GDAP3.

To sum up, we can conclude that strengthening cash management and bank accounts has been maintained in 2015, the consolidation of bank accounts, banking system for operating revenue and expenditure has been strengthened, improving daily, weekly, monthly, and quarterly cash plan report, and GDNT has been tested Online Web-based Application system and disseminated and trained to line ministries. However, the GDNT should continue to strengthen the E-transfer, integration data related to government investment plan and debt service into cash plan and cash management, which had advances to line ministries and advance clearance before launching the FMIS.

1.2.4 Improving Budget Execution and Strengthening Implementation of Expenditure Plan

This objective has 3 activities. Based on results of activities, this objective has been achieved 75%, namely, 14.1. Improve and strengthen the implementation legal frameworks on public procurement and to increase the effectiveness and efficiency of public procurement (74%), 14.2. Improve and increase effectiveness and efficiency of commitment expenditure process (80%), and 14.3. Improve and increase the effectiveness and efficiency of payment process (70%).

Reviewing the results in these activities, it can be seen that the targets of 3 indicators were not achieved as follow:

1. New legal framework, mechanism, procedure on public procurement has been improved.
2. Report on the review of implementation of legal framework, mechanism, and procedure for commitment based on PB and information technologies have been preparing and improving.
3. Report on the review of implementation of legal framework, mechanism and procedure for payment clearance based on PB and information technology has been prepared and improved.

We can conclude that improving budget execution and strengthening enforcement expenditure plans has not been achieved targets in since (1) General Department of Public Procurement has lacked of monitoring on the progress of action plan (2) General Department of Budget and General Department of Public Procurement have lacked of collaboration for updating of procurement book on Implementing Rules and Regulations Governing Public Procurement (IRRPP) by harmonization with Standard Operation Procedures, (3) Delay creating management systems, and Public Procurement Information Systems (PPMIS) and (4) Final draft Operational Manual and Advances Cleared should be further preparation.

Moving forward to achieve these targets, relevant GDs demand strengthening and focusing on these activities as follow:

1. General Department of Public Procurement continued to update Prakas on procedure of clearance and broadcast blacklist, and Prakas on modifying contract price and Procedure on establishment delivery and receiving committee.
2. The General Department of Public Procurement and General Department of Budget should continue to cooperate update on Implementing Rules and Regulations Governing Public Procurement (IRRPP) harmonization with Standard Operation Procedures (SOPs).
3. General Department of Public Procurement is considering on creation of public procurement management information system (PPMIS) to strengthen management of public procurement.
4. General Department of budget continues to prepare operational manual for the investment projects implementation and maintenance work in a timely manner.
5. General Department of Budget continues enforcement the advance payment by the end of Q4 and advances payment were amount 144,803 million riels of the total advances 467,080 million riels in 2015.

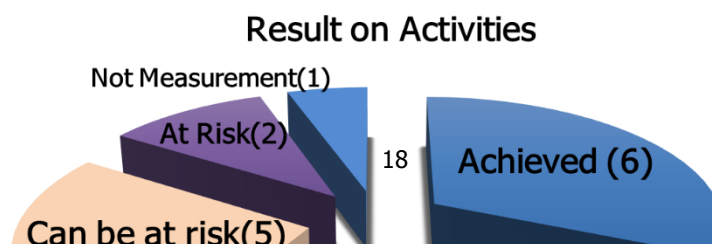
Besides activities are related to strengthen of new legal framework, mechanism, and procedure of public procurement, preparation and improvement of report on review of implementation of legal framework, mechanism and procedure of expenditure commitment and payment clearance based on PB and information technologies are subject to further improvement.

In overall, we can conclude in Part 1 that budget credibility for Stage 2-New is being maintained, even though several challenges are related to change in procedure of budget implementation for 2015 that require time to comply with rules and regulations that are newly developed, in particularly, to understand the expenditure framework for effectiveness and efficiency.

2. Financial Accountability

In CAP2-New, financial accountability part 2 financial accountability is further implementation with 6 objectives and 26 activities with focuses on (1) Implement new budget classification and new chart of account, (2) Implement new budget system and new operating process (3) Launch and implement new accounting system, new recording system, new reporting system and transparency system (4) Implement tools and mechanisms to enhance responsibility and accountability (5) Strengthen and enhance comprehensiveness and integration budget (6) strengthen internal audit and inspection.

Picture 3 ÷ Result as percentage from each part financial accountability



Based on achieved objectives, we observe that this part has achieved at least 6 activities (85%) among no objective could achieved 100%. There are 5 objectives which have achieved 80% and one objective has achieved below 80%.

If we check overall on those activities, we observe that 7activities achieved (29%), 9 activities are on track (37%), 6 activities can be risk (24%), 2 activities are at risk (10%), and 1 activity couldn't be measured (0%).

2.1. Implementing New Budget Classification and New Chart of Accounts

The objective consists of 4 activities. Based on the results of activities in Q4 of 2015, this objective has been achieved 83%. In activity 21.1. Review and continuously improve new chart of account (90%), activity 21.2. Review and continuously improve budget classification to completely implement at least 4 budget classifications such as geography, operational and administrative units, programs and economy (92%), activity 21.3. Study and provide options for classification of functions, funds and projects (67%), and activity 21.4. Studies and provide options toward accrual accounting system step by step (70%).

If we look at result achievement among 5 activities that there are 5 indicators achieved targets:

1. New chart of account has been revised in order to follow phase 1 of public financial management information system.
2. Classification of geography, budget and economy have been prepared and implemented.
3. Classification of budget framework has been revised.
4. Line ministries have been training on budget classification.
5. Information on line ministries' structure with regard to functional structure compilation and service of line ministries have been updating.

On the other hand, the other 3 indicators have not fully achieved targets ÷

1. IPSAS report have prepared and accounting standard for IPSAS cash basis have been studying and further preparing.
2. Introductory principle on new budget classification has been compiled and printed haven not achieved targets

This indicator specialized general departments have requested to prepare this action in 2016.3. In CAP-2 New, target set has issued at least 4 classification: classification of geography, Operational and administrative Unit, Programs and Economy. However, only 3 classifications implemented in 2015 as above.

The rational of KPIs have not been achieved are: (1) difficulty to collect and transfer data to IPSAS report and data system does not respond to IPSAS report required; therefore, GDNT needs more time to study.

Next measure we continue to prepare IPSAS report and study and continue to prepare accounting standard for IPSAS cash basis with regard to collecting and transferring updated data into IPSAS report; moreover, updated data has responded to IPSAS report required as well as compiling and printing introductory principle on new budget classification in 2016. Furthermore, preparation and implementation of executing and administrative entity.

All in all, most actions supported readiness for later platform have been achieved such as new budget classification and chart of accounts we conclude that FMIS Phase 1 can be ensured in 2015.

2.2. Implementation of New Budget System and New Operation Process

The objective has been achieved 97%, namely 22.1. Continue to reduce time for requesting commitment and payment within line ministries (96%), 22.2. Improve the process of the operation within MEF/LMs in line with the development chart of accounts and accounting standards as well as reconcile regularly bank accounts (100%), 22.3. Increase knowledge, ownership, participation and capacity of FMIS to MEF and LMs (100%), 22.4. Capacity building to manage FMIS project, including in MEF, LMs and sub-national administration (98%), 22.5. Prepare consolidated action plan (piloting and expanding), including MEF and LMs and sub-national administration (100%), 22.6. Planning and training as well as training materials for further training to relevant officials involved in FMIS within MEF, LMs and sub-national administration (95%) and 22.7. Initial piloting and expanding implementation FMIS (core modules and budget module) (88%).

4 key performance indicators have achieved 4:

1. Time set and reduction of pension procedures.
2. Updating and preparing relevant legal documents to budget execution in expanding budget implementation both national and sub national.

3. Determination and preparation of specific structure and capacity management in FMIS of GDNT and sample report preparation, bridge table to chart of account, and previous economic classification comparative with new one.
4. Disseminating and implementing strategy plan of change management for FMIS; meanwhile, formats of new commitment and T-Accounts of new chart of accounts have been prepared for FMIS implementation, action plan of FMIS has been prepared, to be business process document and principle document on preparation and building FMIS in Oracle People Soft Financial.

Besides, 3 indicators have not been fully achieved targets:

1. New commitment of given format has been identified for FMIS system implementation.

FMIS has been implement to tested and revised in order to ensure quality and effectiveness of system in line with user's needs is fully ensure adequate

2. FMIS has not been ensuring that no fault in application and preparing in the next step of FMIS system implementation which has not finished.

Factors that led to this indicator which has not achieved because of confusion of commitment report preparation comparatively to FMIS standard and slow speed system and inserting information, which have not been inserted correctly and had redundancy information.

Next measure FMIS system should be strengthened to able to be implemented for next platform with smoothness and effeteness. Even achieved result have a proper progress, relevant GDs should review and strengthen to implement all key performance indicators that have not been achieved, otherwise GDs will get negative effect to other GDs' activities.

All in all, based on actions and indicators, which determined in consolidated action plan in stage 2 new of general departments/ entity, on implementation of new budget execution and operation process that is related to GDNT, Band FMWG, which have better situation and attribution to relevant general departments of this objective, have well-prepared and implemented in consolidated action plan in stage 3 more effective.

2.3. Implementation of New Accounting System, Recording System, Report System and Transparency System

This objective has 4 activities. Based on the results of activities, this objective has been achieved 64%, in which activity 23.1. Review International Public Sector Accounting Standards (IPSAS) and evaluate on realism and appropriateness of the sequencing introducing this accounting standard by linking to the expansion use of FMIS application (71%), 23.2. Change to put in 24.4, 23.3. Improve the report format to budget execution to be submitted to the Council Minister and legislative bodies were achieved in the previous quarter so this quarter cannot be measured. 23.4. Improve the reporting format and exchange of information with the public (100%), 23.5. Implement mechanisms to complete the registration of inventory listing of state property, and updated it regularly (20%).

Reviewing the results of activities, all indicators have been achieved targets:

1. Implementation of the action plans to improve the current accounting standards, and further monitoring financial reporting standards based on cash basis. In Q4 2015, GDNT (1) attended meeting to amend the Royal Decree on the Legal Statute of Public Administrative Entity, and Sub-decree on the establishment Public Administrative Entity, prepared new chart of account to Public Administrative Entity to be consistent with public chart of account, (3) has been studying accounting entry that has been implemented so far, (4) consulted with inter-general departments (GDNT, GDSPNTR, and GDB) and technical working group on draft guidelines on accounting entry of Public Administrative Entity, to amend law and legal letter on public enterprises to manage of public enterprises, (5) prepared Prakas on supplementary dollar deposit account in commercial banks, and Prakas on the establishment of additional accounts of 14 accounts using in Public Administrative Entity and LMs, revised account and petty cash entry in line with new chart of accounts, and participated to prepare a circular on petty cash entry for national and sub-national administration to implement more transparency and accountability, (6) prepared circular No. 015 MEF dated 23 November 2015 on the confiscation of deposit money in the process public procurement, collaboration with the General Department of Economic and Public Finance Policy to provide figures and explain the characteristics of accounts for the accuracy TOFE reporting and met experts GFS to provide some information and preparing 2014 balance sheet, (7) attended training on using of FMIS to handle every challenge for launching system in November 2015 and ready to revise chart of account in line with FMIS, invited experts from France to do presentation on accounting entry, accounting standards, accounting and Public Administrative Entity management and accounting some key principles further implementation in 2016, and (8) created working group for IPSAS to study on financial reporting statements based on IPSAS Cash basis and other relevant documents, and had several meetings with FMIS Contractor to provide information for a basic report on IPSAS Cash basis.
2. Collection of inventory listing of state property across the country. Asset threshold working has been studying documents of real estate pricing. GDNT has been gathering information in determining conditions assets and the revalued amount of money and prepared a letter to GDSPNTR to propose members to join in the research team to determine the conditions and the amount recorded revaluation of asset.

Main factors that this indicator has not fully achieved and did not maintain in 2015 are relevant GDs did not implement action plans and had action but it doesn't request actual implementing budget with regard to preparation of inventory listing of state property management system.

In measure, we should enforce to prepare implemented actions, which supported to revise budget implementation of report format, have sent to the office of council minister and legislative institution (23.3); implementation of action plan to revising updated accounting standard and standard of financial statement based on cash basis with regard to extraction data of FMIS and re-revising; strengthening data collection from inventory listing of state property in whole country with regard to data of inventory listing of state property to integrating to account number.

All in all, we should strengthen more on implementation of action plans, revising updated accounting standard and following to financial statement standard of cash basis and collecting new inventory listing in whole country to implementation new accounting system, recording system, report system and transparency system which have achieved targets.

2.4 Implementation tools and mechanism to increase responsibility and accountability

This objective has 4 activities. This objective has achieved 83% of the target, in which, Activity 24.1 establishing appropriate sanctions for wrong or inappropriateness and ineffective management of public resources the sanctions shall be stated in legal papers and circulated widely (33%) ; 24.2 Update list for freedoms and flexibilities to be given to those budget entities that meet agreed criteria with regards to satisfactory resource management system (100%) ; 24.3 Conduct regularly review standard resource management achieved by individual budget entities as a basis for extending those freedoms flexibilities (100%); 24.4 Develop and implement the quarterly budget implementation report that indicates progress against target set, delay, and measurement taken : from LMs to MEF and budget entities to management of LMs (100%).

When progress in activities are examined, the targets of 3 indicators have been achieved:

1. Principles on power and responsibilities of budget entities have been prepared, approved and disseminated.
2. Review regularly the results of fund management of budget entity has been implemented with recommendation given.
3. New format of report has been prepared.

Beside these, the targets of 2 other indicators have not been achieved:

1. Procedure/mechanism for incentive and punishment in preparation and implementation of budget based on PB and budget entity of LMs are prepared, disseminated and put into enforce.

2. General rules on sanction in public finance sector in compliance with the Law on Public Financial Management System.

The reasons behind not achieving the targets are the present of other priority tasks and limited numbers of officials in charge with these tasks.

We can conclude that the implementation tools and mechanism to increase responsibility and accountability has not been achieved in 2015. This result indicates the importance for all relevant GDs to continue to prepare these activities that have not yet achieved per the targets set, particularly, procedure and mechanism for incentive and punishment in preparation and implementation of budget based on PB and for budget entities of LMs for implementation in Stage 3 of the PFM Reform program.

2.5 Strengthen and Increase of Comprehensiveness of Budget Integration

This objective has 2 activities. This objective has achieved 98% of the target set, activity 25.1. Develop policy for budget integration. Continue to improve budget integration of recurrent and capital budget through such on-going initiative such as medium-term expenditure framework (MTEF), budget strategic plan (BSP) and program budgeting (PB). Reflect poverty reduction and gender aspect into BSP and PB guidelines (96%), and 25.2. Further incorporate off-budget expenditure and revenue into the annual budget including increasing the coverage of development partner fund in the budget has an indicator related to disseminate circular on BSP to integrate recurrent, capital budget, and Public Administrative Entity's budget (100%).

Reviewing the result of activities, 2 indicators have not been fully achieved:

1. Criteria for classification in BSP preparation is reviewed and revised.

2. Circular on yearly BSP preparation to integrate current and capital budget and budget of public administrative entity has been revised. Yet, for one indicator, the target has not been fully achieved, as Guidelines for BSP preparation has not been revised per the target set (90% achieved).

Therefore, we can conclude that Strengthen and Increase of Comprehensiveness of Budget in 2015 is being carried out in order to achieve the targets. This result indicates that more efforts are to be given in order to complete the improvement and revision of guidelines on BSP preparation and continue to current and capital budget integration.

2.6 Strengthen internal audit and inspection

This objective consists of 4 activities. Based on the results of activities, this objective has been achieved 88%, in which activity 26.1. Full operations of internal audit unit in all LMs, has been achieved 82%, 26.2. Improve mechanisms to ensure effective responses to the findings by audit and inspection at all budget entities achieved 77%, 26.3. Develop and improve annual /inspection plans of LMs based on risk assessment from MEF has been achieved 100%, and 26.4. MEF reviews the sufficiency of sample audit / inspection reports has been achieved 92%.

In this objective, 6 indicators have achieved the targets set:

1. Prepare clear mechanism to monitor the implementation of audit recommendations of the National Audit Authority.
2. Enforce and improve the implementation of audit recommendations through the use of monitoring mechanism via MEF's letter or audit hearings.
3. Establish the mechanism for financial inspection on cash management, procurement, state property, asset stocks, and non-tax revenue collection at national and sub-national administrations.
4. Finalize the establishment of mechanism of financial inspection on enterprises, NGOs, and microfinance institutions.
5. Compile rules and regulations on financial management in LMs to push for effectiveness in financial inspection as well as accountability in public financial management.
6. Finalize the preparation and implement the measures in format of administrative discipline for public financial management and guidelines to push forward the monitoring, tracking and financial inspection on compliance.

Yet, for this objective, 4 activities have not yet achieved the targets:

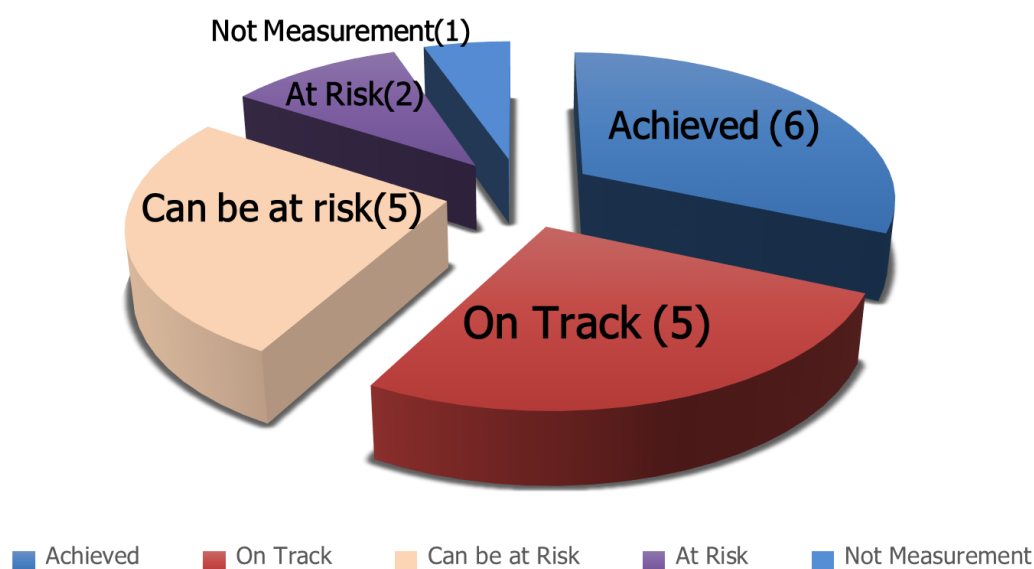
1. Reviewing and monitoring of implementation of audit recommendations from the National Audit Authority on 12 audit spots has not been completed.
2. Prakas on professional code of conduct and effective of financial inspection have not been implementing; procedure in searching for irregularities in public financial management has not yet been compiled.
3. Draft Prakas on the task enforce on the effective, efficient, rightful, and accountable management of public funds has not been finalized.
4. Internal audit reports of LMs have not been reviewed and improved.

In overall, based on the progress of activities we can conclude that internal audit and inspection has been strengthened and expanded to all LMs, yet certain important actions still need further push forward in order to effectively prepare and implement relevant activities of this objective in CAP3.

3. Readiness for Later Platform

Part 3 of CAP 2-New was supported by 4 objectives and 19 activities. The 4 objectives are (1) Strengthen and expand program budgeting, (2) Develop and implement line accountability system (between legislative and executive bodies between MEF and line ministries and within line ministries), (3) Strengthen fiscal policy and planning, and (4) Strengthen fiscal decentralization policy.

**Picture 4 ÷ Result as percentage from each part preparedness for the next step
Result on Activities**



If we check in overall on those activities, we observe that those activities achieved at least 6 activities (34%), 5 activities are on track (27%), 2 activities are at risk (12%), and 1 activity couldn't be measured (0%).

3.1. Strengthening and Implementation Program Budgeting

The objective consists of 3 activities. Based on the actions set out, this objective has realized 96%, in which activity 31.1. Review and improve of program budgeting reached 88%, activity 31.2. Develop strategy to expand program budgeting, and activity 31.3. Implement training plan and capacity building for program budgeting reached 100%.

If we look at result achievement among 3 activities that there are 4 indicators achieved target÷

1. Program budgeting implementation in full program budgeting of ministries have been evaluating and editing through internal evaluation mechanism and inspecting line-ministries and specialized department.
2. Introductory book on program budgeting has been revised and printed
3. 15 line-ministries included in full program budgeting implementation in 2016 and other line-ministries
4. Providing budget strategy plan training and program budgeting to line-ministries for full program budgeting implementation in 2016.

In spite of only 1 indicator couldn't be achieved full target due to introductory principle on part of execution program budgeting of part has achieved only 50%.

The main issues are that technical assistant and on-going progress training are given to line ministries which have already prepared to full program budgeting implementation in 2016. Therefore, some line ministries are implementing full program budgeting and not clearly understand some procedures of program budgeting implementation and other line ministries have still continued changing their programming structure and input indicators that is implementing.

The solution is that additional training should be strengthened to line ministries and city/provincial department on organizing and implementing program budgeting in order to disseminate and understand briefly in this task.

To sum up, program budgeting implementation has still strengthened and continued expanding step by step in 2015. Although implementation is still ongoing process and encounters some challenges. This result reflects on additional necessity efforts especially solution on other challenges that have occurred to program budgeting implementation in line ministries, which are ready and prepare for next full program budgeting in 2016, from technical assistant helps and additional training.

3.2. Develop and Implement Line accountability Systems (between Legislative and Executive bodies, MEF and LMs and within LMs Framework)

This objective consist of 6 activities. Based on the results of activities, this objective has realized 60% in that activity 32.1. Review and amend the law on the roles and responsibilities of public financial management, the Government's decision (100%), 32.3. Identify budget entities and budget managers at national and sub-national administrations (67%), 32.5. Develop and disseminate guidelines, detailing the management all level through training courses and workshops (57%), and 32.6. Institutional structure to respond to new business process, including reallocation of financial controllers to line ministries and set clear roles within the decentralization framework (73%). On the

other hand, activity 32.2. Set clear line accountability to prepare annual budget and develop Public Investment Program of each line ministries-including MEF, Ministry of Planning, and Council for the Development of Cambodia (CDC) cannot be measured, since relevant institutions have not prepared actions to support activity level, 32.4. Determine the responsibilities for the management at all levels have been implemented in another activity, and GSC decided to remove out of the consolidated action plan stage 3 implementing in 2016. Reviewing results of activities, 3 indicators have been fully achieved targets:

1. Legal advisory in public financial management reform program framework has given as request.
2. Putting into implementation of budget entity in line ministries which have fully implemented 10 program budgeting.
3. Regulatory framework for implementation financial power among budget entity in 10 ministries are being organized and implemented.
4. Financial controllers are attached to be with line-ministries.
5. Disseminated and trained introductory principle on preparation and implementation budget entity among line-ministries which are ready to the next full program budgeting in 2016.

Therefore, 4 indicators have not achieved toward goal:

1. Principles/ lists of determination on legal rights and responsibilities of line ministries budget entity have not yet organized, approved and disseminated.
2. Examine and revise on preparation of establishment of line ministries budget entity
3. Update and disseminate introductory principle on preparation and implementation of line ministries budget entity.
4. Financial controllers, who are to be with line ministries, aren't being delegated on letter of commitment visas and mandates for some expenditures and size of planned cashes which indicators have achieved 70%.

However, Activity 32.2.and Activity 32.4. Indicators have not yet measured due to above description.

Some difficulties in this objective have involved with sensitive challenges on some expenditures study with regard to specific delegation, action plan preparation and indicators determination, which have not fully had more accurate and consistent, didn't respond to those activities and objective in consolidated action plan 2 new (CAP 2 New) and strong efforts would be achieved some action plans.

In next formality, through result base which has reflected necessity updated and continued to implement in consolidated action plan in stage 3 especially preparation action plan and indicators which have responded to Activity 32.2. and have ready to finish actions that have not achieved above goal description.

We assume that preparation and implementation of accountability system (between Legislative and Executive bodies, MEF and LMs and within LMs Framework) which not fully implemented yet toward goal setting in 2015. Hence, examination and revision on implementation of 10 line-ministries budget entity establishment and update and dissemination of introductory principles on preparation and implementation budget entity to line ministries have to be strengthen better result in this objective to the next step.

3.3. Strengthening Fiscal Policy and Planning

This objective consists of 3 activities. Based on the results of activities, this objective has been achieved 76%, including 33.1. Strengthening capacity to develop medium-term of macroeconomic policy framework and increase its effectiveness and efficiency (91%), 33.2. Strengthening capacity and effectiveness of medium-term fiscal framework (100%), and 33.3. Strengthening capacity to analysis and forecast economic and financial situation (38%).

Based on results of each activities, the 5 indicators have been achieved targets:

1. Data and economics and finance statistics are to be collected, managed, organized and compiled as statistics by procedures which established and could usable.
2. Trimester economics and finance statistics bulletin and socio-economics tendency report per month have been preparing and disseminating to high-level management with broadcasting on Ministry of economy and finance website.
3. Import and export on data management system, which have been the part of MEF-Database, have been preparing and could usable.
4. Data and TOFE/GFS statements have been preparing more consistent with new chart of accounts.
5. Establishment macroeconomic model which has been almost finishing (achieve 85%)

Beside the other 2 indicators which have not fully achieved toward goal ÷

1. Strengthening and expanding efficiency in free trade practice which has not fully achieved yet because of reduction program transferring/ import duties free from HS2007 to HS2012 of Cambodia and have left some challenges and wait to make an agreement with donor country (achieved 70%).

2. Even though secretariat of non-tax measure national committee has ready established and put into implementation as well as list of preparation and non-tax measure classification which have been affecting to ongoing free trade and have to double check with other relevant ministries (achieved 65%).

Therefore, indicators of accurate examination on Financial Programming and Policies (FPP) have not fully achieved yet because data quality, which are to be collect, have limitation and have no specialists who examine of accurate format of FPP. Specialized General Departments have requested any specialists who can examine and evaluate accurately of FPP format. In addition to, macroeconomics model establishment has not yet had data quality and lead to specialized general department working group which couldn't be analyzed detailed small sub sector and required much cooperation with other relevant institutional to strengthening magnificent data management.

Next measure is to strengthen and expand efficiency of macroeconomics model establishment more better quality. Meanwhile, measure is to strengthen and expand efficiency of free trade practice through reduction program transferring/ import duties free from HS2007 to HS2012 of Cambodia. Further, measure enforces and finalizes in preparation list and non-tax measure classification which can be affecting to free trade account to continue with relevant ministries in order to achieve all indicators set.

In conclusion, most actions in which supported in strengthening fiscal policy and planning, achieved toward goal in 2015. Although some indicators have not fully achieved toward goal. This result reflects necessity of specialized general department which is taken those actions, which are not yet finalized, to continue implementing in stage 3 of Public Financial Management Reform Program (PFMRP). Especially relevant stakeholders in strengthening capacity in magnificent data management in order to be successful macroeconomics model establishment and examination of accurateness of Financial Programming and Policies form.

3.4. Strengthen Implementation Fiscal Decentralization Policy

This objective consists of 7 activities. Based on the result of activities, this objective has been achieved 83% in that activity 34.1. Further develop Sub-decree, Prakas, Circular, and Guideline as required by the Law on Financial and State Property Management for Sub-National Administration (83%), 34.2. Develop and implement medium-term and long-term fiscal decentralization policy (90%), 34.3. Establish and improve governance tools to support formulation and execution budget for

sub-national administration (60%), 34.4. Study, develop and implement own source of revenue for sub-national administration (60%), 34.5. Establish sub-national investment facility (SNIF) (89%), 34.6 Develop budget strategic plans for sub-national administration, especially related to implementation of FMIS (100%), and 34.7. Develop capacity building for national and sub-national administration, especially regarding the implementation of FMIS (100%).

If we look at achieved result among these activities, 7 indicators have achieved targets÷

1. Letter of new regulation on financial format and property management of sub national which have organized and disseminated.
2. The policy paper of medium-term and long-term fiscal decentralization was disseminated and implemented.
3. Financing mechanism (criteria determination and ratios for formulation of budget allocation formula) to capital city and province through formula that put into testing and disseminating in order to ready preparation through collecting inputs.
4. Policy documents on general principle and other options for establishing own revenue of sub national administration which have been organizing.
5. Policy documents on fund aids equipped in condition for sub national administration have been organizing.
6. Budget strategy plan for sub national administration have been organizing and disseminating to sub national administration.
7. Officer qualification both sub national and national have been strengthened in order to organize, implement and budget investigation through FMIS system.

On the other hands, 5 indicators have not achieved targets÷

1. Relevant draft regulatory letter and budget allocation process change to city/province administration have not organized yet.
2. Revision of relevant legal regulatory letters for implementing the commune/Sangkat financial system (draft Sub-decree).
3. Prepare guidance manual on formulation and implementation budget of national administration.
4. Sub-decree on own source revenue implementation for sub-national administration has not been prepared and disseminated.
5. The step-by-step implementation of sub-national investment facility and preparation of training courses on the form and procedures to implement SNIF has not been implemented since the Sub-decree has not been adopted.

Some actual challenges have explained by relevant departments such as waiting to have formula allocation test implementation of capital city/province administration at least 1 year or 2 years after that consideration in official legal regulatory letter and organizing and disseminating any sub decree, which are relevant to district and commune system implementation, have not yet approved official and led to late works.

Next continuing measure, strengthening financial decentralization of policy implementation more better in sub national administration which have boosted sub decree preparation with regard to implementing own revenue collection of sub national administration; Prepare guidance manual on formulation and implementation budget of national administration and the step-by-step implementation of sub-national investment facility and preparation of training courses on the form and procedures to implement SNIF.

In conclusion, the implementation of financial decentralization policy has been strengthening and expanding in accordance with PFMRF Stage 2-New, but the implementation is not smooth and some activities have not been met targets. The results reflected that there is necessary to take more efforts, particularly, activities have not been achieved targets.

Assuming to this part, as the next step that dilemma both preparation and fully program budgeting implementation as well; those challenges have already determined and some solution of measurement have been organizing more smoothness and on time in order to revise and fundamental principle which have extracted as experience in new procedures on the suggested next steps.

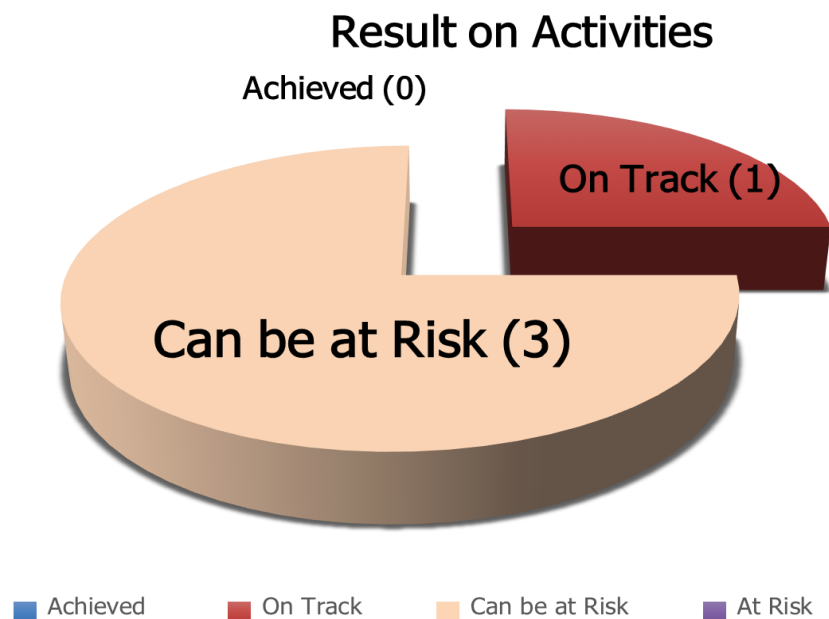
4. Support to successful and sustainable implementation reform program

Part 4 is established to support successful and Sustainable Implementation Public Financial Management through 2 objectives, including 41. Enhance leadership, management capability, develop reform passion as well as to increase ownership and responsibility and 42. Increase effectiveness of capacity building and incentive measure. Each objective is supported by 2 two activities.

Based on the achievement of 2 objectives, this part has been achieved 71%, in which objective 41 and 42 has been achieved 65 and 77% accordingly. We can conclude that strong commitment to support to successful and sustainable implementation Public Financial Management is not enough from MEF General Departments, especially increasing willingness to reform, ownership and responsibility seems low and concerned, and does not maximize to response.

If we look at in overall of activities, we assume that achieved activities have no percentage (0%), 1 continuing activity are on track (25%), 3 activities can be at Risk (75%), risky activities have no percentage (0%) and 1 activity couldn't be measured (0%)

Picture 5÷ Percentage result achieved supported part to successful and sustainable reform program implementation



4.1. Enhance leadership, management capacity, develop reform passion as well as to increase ownership and responsibility

This objective is supported by 2 activities include in 41.1. Strengthening leadership and management capacity and 41.2. Enhance passion of reform and management capacity. Based on achieved objectives, it has been achieved 65%, included Activity 41.1. has been achieved 66% and activity 41.2. has been achieved 63%.

5 indicators have been achieved targets

1. Legal regulatory book is being organized, printed and disseminated.
2. Ministry of Economy and Finance lexicon dictionary has organized, compiled, printed and disseminated and legal advisory meeting is being prepared.
3. Information technology program for MEF regulatory dictionary is being organized and implemented.
4. Taxation civil servant ethic is being implemented.
5. Introduction on taxation civil servant discipline is being implemented.

Significant progress of taxation officer ethic, which has implemented through letter number 6992 date 14 September 2015 on implementation of taxation officer ethic and introduction on taxation officer discipline implementing through letter number 70077 date 16 September 2015.

Therefore, 3 indicators have not achieved÷

1. Legal regulatory or law dictionary printing have not finished due date.
2. Reviewing efficiency and effectiveness of training and new capacity building plan have still leveled.
3. Activities have supported to leadership and capacity management which aren't being active.

These challenges due to significant action work of general secretariat of MEF in which have not achieved 9 other legal regulatory or law dictionaries (1) public financial sector (2) property and non-tax management (3) custom and excises of Cambodia (4) financial industry sector (5) public procurement sector (6) accounting sector (8) public administration sector and (9) MEF legal affairs manual; these actions will prolong and practice in 2016 and other 2 actions involved with (1) human resource management strategy document has been organizing , printing and disseminating which requests to prolong and practice in 2016. (2) Maximizing economics and finance law understanding among civil servants in area zone around Kompong Cham province, which didn't achieve toward goal, have not determined specific date from top management level. General department of sub national administration financial didn't put one action which is related to disseminating widely reform action plan and forcing to determined action plan implementation even those actions have also existed in action plan. Besides, introductory circular on taxation officer management has not prepared it yet; organizing introductory workshop on MEF regulatory implementation to civil servant in sub national administration, which have not determined the specific dates from top management level in order to organize and prepare MEF human resource strategy in duration of three years rolling out 2016-2018, has prolonged and practiced in next year.

Next measure general departments under ministry of economy and finance have continued to strengthen and maximize leadership, capacity management and reform willingness as well as maximizing ownership and much responsibility especially these action plan determination more specific in the next step in 2016.

We can assume that this objective have not fully implemented adequate in 2015. In contrast, half of general departments have not organized supported action in order to strengthen leadership, capacity management and reform willingness as well as ownership and responsibility in low level; comparatively, some general departments have seemed not to give high value and what to do to supporting this objective.

4.2. Increase Effectiveness of Capacity Building and Incentive Measures

This objective is supported by the 2 activities, including 42.1. Review the effectiveness and efficiency of training and prepare new capacity development plan, and 42.2. Review mechanisms and approach for previous incentives, develop new mechanism and approach for incentive allocation to be more equitable and consistent. To sum up, based on the activities achievement, this objective has been achieved 77%, with activity 42.1. (69%) and 42.2. (84%).

Indeed, we see that 2 indicators have been fully achieved targets

1. Document compilation on training courses, which have directed new civil servant, have been organizing, printing and disseminating.
2. Relevant documents compilation, which have involved with new memorandum and articles, have been organizing, printing and disseminating.

Nevertheless, 2 indicators have not been achieved toward goal setting÷

1. Document preparation for raw data extraction to measure officer capacity after being trained, which have evaluated and built new capacity plan, have not been organizing due date.
2. Books on national budget preparation for training to line ministries and specialized department which have prolonged in 2016 because of updated training document.

This objective has still kept; comparatively, achieved result in 2014. However, reviewing efficiency and effectiveness of training and new capacity building plan preparation have still leveled.

In the next step, requirement on expanding efficiency of capacity building and incentive measure as well as reform willingness in existing new action and how to put action plan more specific in next stage 3 and stage 4.

Thus, we can assume that in the 2nd objective still not fully responds to goal setting. Significant reasons have seemed to be below level because of not reviewing training needs as well as resource training in which have usable.

Thus, this part we can assume that even some actions has been fully and not adequately implementing if we see it in detailed 30 percent of actions which have not weighted to supporting real advantages of this part. Then, all general departments have to strengthen and expand specific actions and more shape especially supporting to successful and sustainable program implementation; moreover, in stage 3 general departments which have not been organizing supported action and trying

as best to preparing actions in order to encourage more smoothness and efficiency reform program implementation.

5. Line ministries progress

Line ministries; thereafter, have been implementing public financial management reform program in duration of ten years. Nevertheless, experiences and participation in public financial management reform have not seemed to be efficiency and effectiveness yet because necessary participation in public financial management reform, which have not fully known as requirement needs, direction helps and explanation from ministry of economy and finance rather than line ministries made efforts themselves and sought for more revised points which these factors have encountered any challenges and late practice. Meanwhile, in stage 2 end in which led to next stage 3 that it's also important change and reform works will be transferring from ministry of economy and finance to line ministries which works load will also be transferred.

Line ministries progress have reported that existence of daily works rather than reform works which have shown ownership and responsibility for reform works still stay in level. All in all, reports have shown that daily and reform works can't be differentiate. Besides, many tasks had and continued to implement not adequately such as budget strategy plan preparation, structural works of budget implementation and human resource factor. Otherwise, necessary works have to revise in action plan, which have organized by line ministries that demand revising and implementing more efficiency not existence.

III. Challenges

After we checked practice result in duration of whole year for consolidated action plan 2 new that general departments under ministry of economy and finance have used every efforts in reform tasks in accordance with existing plan in good progress which can be accepted especially budget credibility and financial accountability. In the next step, even if achieved results have seemed not to be fully accomplished toward goal setting determination; however, utmost results achieved in 2014 combining with fundamental and necessary tasks, which general department have to be additional revision, have had enough components in stage 3 and continue to finish any actions left in 2015. Some factors we've determined through this report, which had obstacle and shutter of reform tasks, have not practiced good enough÷ human resource factor and materials, time factor, efficiency of training and disseminating factor and willingness to reform program implementation.

This point below will be existing consequences, which have not had smoothness through plans and other obstacles, further general secretariat of public financial management reform steering committee (GSC) has set to finalize to general departments under ministry of economy and finance such as line ministries with regard to studying and examining effort changes in the next step÷

- ☐ Input revenue and expenditure plan implementation have submitted late and not accurateness and capacity forecast and appropriateness of revenue collection (input year) has had in level of capacity.
- ☐ Report on reviewing of regulatory framework implementation, mechanism and procedures of letter of commitment and setting to program budgeting and information system which have not been organizing.
- ☐ Supported actions to establishment of smoothness sanction for fault or not appropriateness and efficiency public resource management. This sanction has said in law and disseminated and widely introductory.
- ☐ Internal cooperation of entity has had in level capacity both action plan preparation and indicators determination to supporting public financial management reform program much more consistent.
- ☐ Human resource shortage and technical assistant into forecasting model preparation which have led to achieve a little progress.
- ☐ Putting mechanism implementation for fiscal registration of state property ending and daily update÷ not have budget, line ministries capital city/ province have not taken much attention in accordance with due date of fiscal list preparation.
- ☐ Strengthening capacity analyst and economy and finance situation forecast ÷ data quality in which collected are leveled, no specialists who can check the accurateness of financial program and policy(FPP).
- ☐ Draft documentary on strategy plan, which expanded FMIS system in stage 2, have not fully finished due date.
- ☐ Determination tasks of Asset Threshold Fixation and relevant legal regulatory preparation have late completion.
- ☐ Ten ministries in which have implemented budget entity piloting and 15 line ministries have fully implemented budget entity for the next step in 2016 and seemed not to be understanding on program budgeting implementation (Problem÷ Structural organization?, institutional? management? Or not clear procedure?)

- ☐ Regulatory framework and introductory principle for sub national administration have already been organizing but those documents aren't being widely disseminated.
- ☐ Sub decree on own revenue collection of implementation of sub national administration has not already been organizing and disseminating.
- ☐ Supported actions to strengthening leadership and capacity management, maximizing reform willingness, ownership and responsibility seem to be moderate level.
- ☐ Should examine in reviewing of efficiency and effectiveness on training and new capacity building plan preparation.

Above point's description, general secretariat of public financial management reform steering committee (GSC) has just reminded that not achieved goal setting comparative with indicators and as key issues seeking for solution in truthfully all relevant general departments can be examined by themselves that, which relevant points for their general departments, should be firstly revised with piloting reform program get better outlook. However, general secretariat of public financial management reform steering committee (GSC) has been concerning all relevant actions with revision of budget implementation and expanding expenditure plan of implementation as well new accounting system of implementation, new recording system and new report system and transparency system and preparation and putting implementation of accountability system (between legislative and executive, MEF and line ministries and line ministries framework). Nonetheless, in this stage 3 reform tasks is being expanded and responded by line ministries after that ministry of economy and finance has already revised and expanded in duration of 10 years then successful factors are required by line ministries, in which have examined and considered in any obstacles, mentioned above these challenges.

IV. Recommendations

As already clarification in challenge points that, general secretariat of public financial management reform steering committee (GSC), after adequate evaluation of achieved result for ministry of economy and finance and line ministries, we've tried to pilot action plan into unique goal, which is to achieve unique budget system with regard to international standard, then all relevant entities have agreed that public financial management reform program implementation has complicated and spent much time. Besides, willingness factor as well other factors, which have demanded to line ministries pay attention especially challenge determination in specific condition

from each line ministries in accordance with yearly tasks implementation, make known reform tasks needs and revise structural institutional in responding to occurring any challenges on time. In remembrance of general secretariat of public financial management reform steering committee (GSC) may appear some recommendations to all line ministries with regard to examining and studying and if that is the case then line ministries have understood as points request, which is right point, those actions should pay additional attention in stage 3 that “**Budget based Policy**”. These points below should be revised and extent of general departments under ministry of economy and finance as well as line ministries regarding its actions supporting four parts of public financial management reform: budget credibility, financial accountability, preparedness for the next step and supporting successful and sustainable reform program implementation÷

- ☞ Should strengthen implementation of input revenue and expenditure plan tasks, which have not been accurate and capacity forecast (input), seemed to be in level.
- ☞ General department of national treasury (1) enforce training and disseminate to line ministries with regard to using system Online Web-based Application and continue to revise in daily works, weekly, monthly and trimester of cash plan statement more accurate in circularly $\pm 5\%$ (2) motivate to study E-transfer system and determine risk level when it settles E-transfer system (3) enforce to integrate data relating to government capital investment plan and debt service include in cash plan and strengthening cash management that advance to line ministries and clearance before putting FMIS system into implementation.
- ☞ Necessity uses more efforts with regard to public debt management in reach to stability especially any left tasks need to finish in stage 3.
- ☞ Revenue collection entities have to prepare consolidated action plan in stage 3 with regard to forecasting model preparation end in 2016.
- ☞ General department of public procurement has continued to update and organize legal regulatory such as sub decree on form and procedure of complaint and lawsuit solution and procurement conflict, Prakas on category and bidders classification, Prakas on registration, clearance and black list dissemination, Prakas on pre-characteristic evaluation of bidders, Prakas on procurement ethics and public procurement management of information system (PPMIS) for strengthening public procurement management.

- ☞ General department of public procurement and budget have requested to continue to cooperate updating of procurement books on Implementation Regulation and Rules Governing Public Procurement (IRRPP) including to harmonization of Standard Operation Procedures (SOPs).
- ☞ Draft document on strategy plan of expanding FMIS system in stage 2 have already implemented.
- ☞ Statement on reviewing regulatory framework implementation, mechanism and expenditure procedure and payment following to program budgeting and information technology system which have prepared, examined and collected.
- ☞ Should enforce through putting implementation of equipment and mechanism with regard to expanding responsibility and accountability and supporting efficiency of internal control system and mechanism involving with budget implementation.
- ☞ Introductory principle on judgment characteristic of receiving financial autonomy of line ministries should be organized.
- ☞ Should prepare and boost principle of regulatory framework, which is left, involving with state property management.
- ☞ Should boost legal regulatory letter by revising and examining for implementation district/commune financial system and introductory book preparation on organizing and budget implementation of sub national administration.
- ☞ Should expand supported actions with regard to strengthening leadership, capacity management on more step, maximizing reform willingness, ownership and responsibility to all general departments.
- ☞ Should review on efficiency and effectiveness of training and new capacity building plan.

Even most recommendations in which are established by general secretariat of public financial management reform steering committee (GSC) but also many tasks should be studied and determined more specific; furthermore, each general departments can take an action and solve it on time. Indeed, General secretariat of public financial management reform steering committee (GSC) has gotten ready for other recommendations with regard to necessary mechanism of continuous solution and requested to steering committee examines and makes decision below ÷

1. Head of public financial management reform steering committee can give an advice to general departments under ministry of economy and finance as well as line ministries with regard to forcing action implementation of reform tasks which have related to implement easily or not depend on other entity.
2. Continue to have the meeting between general secretariat of public financial management reform steering committee (GSC) and general departments under ministry of economy and finance and line ministries with regard to disseminating and solving any challenges which have already determined.
3. Extend good cooperation directly to general departments and each line ministries with regard to disseminate and solving any challenges.
4. Continue to organize and disseminate, discuss and solve specific challenges with relevant entities and other donor partners with regard to sharing more experiences and as well other new inputs.

Consequently, general secretariat of public financial management reform steering committee (GSC) has an obligation in order to estimate all actions, which put in stage 3, have covered from 2016 to 2020; likewise, budget policy linkage through efforts of line ministries with regard to continuing to put reform action for supporting this goal and continue to endorse any necessary and important actions, which left in stage 2 to continue to implement, especially financial accountability insure in the next year. Moreover, continuous implementation tasks have more complicated and clear; thus, training and human resource factor really plays important without separate roles, which have demanded from line ministries with regard to paying strong attention in this new system implementation more effective without looking over that strong willingness and all level of leadership which have led and examined more effective of implementation of existing plans.

V. Conclusion

Through result base on keys performance indicator (KPI), each part of percentage evaluation and reports of public financial management reform program, from line ministries we can assume that public financial management reform in 2015, which implemented in acceptable level and had fundamental change from stage 2 to stage 3. With each of progress showed more progress result except for preparedness for the next step and supporting successful and sustainable reform program which is still continued to revise in additional.

If we look at each part, we can judge in conclusion below÷

In stage 2 new, budget credibility has still kept in essential though any error problem that involved with budget implementation, which has reflected to some factors in new change of procedure, some expenditure principles which demanded line ministries and specialized department spend much time in 2015 in order to implement correctly, fully program budgeting of implementation procedure have prepared newly, other regulatory letters have expanded newly that they have demanded more specific and effective understanding of expenditure implementation.

Besides, lots of actions in which have supported financial accountability and implemented in 2015. The foundation of strengthening and building of financial management information system (FMIS) even though some tasks continue to implement in the next step as well necessary foundations which used in determined goal and these actions responded to the goal in stage 2. What we ensure in the next step are fully implementation of FMIS system in providing to significant provincial department especially revenue of provincial department and expanding this system implementation to other line ministries in step by step. In order to achieving goal, some necessary components have to continue to strengthen and expand such as new budget classification and new chart of account.

Readiness for later platform, coordination will be the foundation to public financial management reform program implementation though error preparation and fully program budgeting execution even determined problems ready; meanwhile, some solution measure have been organizing and revising through appropriateness and on time solution of measure preparation and are a fundamental of extracting the experiences for revision of new procedures in addition in the next step.

Conversely, if we examine in part 4, which is final part of consolidated action plan in stage 2 new, it's supported to successful and sustainable reform program implementation that located in situation, which didn't have ownership and be acceptable toward existing goal, and meant that capacity building efforts and strengthening FMIS following by efficiency and effectiveness in reach of strengthening process implementation of the whole system more consistent which have not had adequate characteristic because leadership and participation from other stakeholders of this new system, which couldn't execute and carry out their functional and roles more efficiency and effectiveness.

Thus, monitoring of yearly progress evaluation of public financial management reform program, which had most useful for linkage from stage 2 to stage 3 in 2014 and 2015, that it's

mentioned budget policy linkage and as necessary foundation and more specific with regard to implement some tasks that couldn't achieve toward goal setting and reach to continue to implementation in the next step especially preparedness for the next step, expanding leadership, capacity management and reform willingness along with ownership and responsibility.