
Kingdom of Cambodia
Nation Religion King



Ministry of Economy and Finance

**2016 Annual Performance Report on Public
Financial Management Reform Program-Stage 3**

General Secretariat of Public Financial Management
Reform Steering Committee

Unofficial Translation

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EXECUTIVE SUMMARY

1. A healthy public finance system is the backbone to support the implementation of the strategic plan and the policy agenda of the government to be implemented efficient and effective. In this regard, the Public Financial Management Reform Program is a long-term program to develop and improve the public financial management system, legal frameworks, mechanisms and human resources.
2. The purpose of monitoring and evaluation the implementation of the Consolidated Action Plan Phase 3 (CAP3) of the Public Financial Management Reform Program (PFMRP) is to assess the performance of MEF. In Phase 3, the Public Financial Management Reform is given 03 priorities, including (1) Strengthening of revenue collection and management, (2) Strengthening and expanding financial management information system (FMIS) and (3) Strengthening and expanding program budgeting.
3. Strengthening of revenue collection and management focuses on (1) tax revenue is collected by and General Department of Custom and Excise of Cambodia (GDCE) and GDT. In 2016, GDCE expanded the Automated System for Customs Data (ACYCUDA) and took actions to strengthen and improve customs administration as well as to strengthen control over the treacherous, especially automobiles and electronic products from the beginning, middle and last spots. Meanwhile, GDT has created a revenue model team to formulate the model, improved the provision of services tax by creating counter services for large taxpayers, payment tax via the banking system, reduced the encounter between taxpayers and tax officials, and strengthened the functional tax audit, and developed the information technology systems. (2) Non-tax revenue from line ministries and Ministry of Economy and Finance (MEF). Non-tax revenue collection agencies have implemented a strict collection of revenue debt measure. As a result of enhancing and improving revenue administration, the Medium-Term Revenue Mobilization Strategy 2014-2018 has been achieved the target by increasing current revenue to 0.7 percentage points of Gross Domestic Product (GDP).
4. FMIS phase 1 is introduced and there are 4 of budget classifications that are inserted in the system such as economy, programme, geography and operational and administrative classifications. However, only economy and programme classification are implemented by the stakeholders. In addition, in 2017 the FMIS Blueprint phase 2 is prepared and piloted in 10 LMs, MEF, Ministry of Youths and Sports, Ministry of Health, Ministry of Agriculture, Forestry and Fisheries, Ministry of Labor and Vocational Training, Ministry of Women Affairs, Ministry of Environment, Ministry of Civil Service, Ministry of

Industries and Handicraft and Ministry of Post and Communication. In 2018, the 10 LMs will be fully implemented so the need of FMIS training and change management is required.

5. Strengthening and expanding Program Budgeting: there are 10 LMs that are fully implemented in 2015, 15 LMs in 2016, 11 LMs in 2017, and 3 LMs in 2018. MEF has conducted the training budget strategic plan formulation, program budgeting, rule and regulation of public procurement, petty cash and advance. After reviewing the program structure, MEF will review the key performance indicators (KPIs) in the each program and budget entities in order to determine the strengths and weaknesses and collaboration with recommendations.
6. In conclusion, the initial performance report of PFMRP-Stage 3 implementation is used the weight of the each CAP3 structure, objectives and activities. Meanwhile, General Secretariat of Public Financial Management Reform Steering Committee is under the Steering Committee of Public Financial Management Reform will review and revise the methodology of evaluation to be more standardization and reflect the clear picture of performance.

I. INTRODUCTION

1.1 Economic Situation

Cambodia is regarded as a tiger country in Asia based on the economic inclusiveness growth. Currently, population in Cambodia is approximately 15.58 million people. Cambodia's economy relies on 03 key sectors, (1) industry, (2) agriculture and (3) services. In 2015 the economic growth remain strong at rate of 7% due to the high growth of the industrial sector, yet it replenishes the slowing growth of the agriculture and service sectors.

In 2016, the GDP current price cost is estimated to rise to 80,559 billion, which makes the GDP per capita could rise to USD 1,302. In addition, the country can maintain at low and manageable inflation, with annual average inflation estimation 3% due to the trend of oil prices in international markets. Meanwhile, the exchange rate remained stable, with the expectation that its value would continue to maintain the value of approximately 4,056 riels per USD in 2016. Growth achieved over 7% in 2016, due to (1) the recovery of the agricultural sector, (2) slow growth of garment sector, (3) strong growth wholesale and retail sector, (4) the growth of the non-textile industry, (5) the slow growth of construction sector, but it is still strong and (6), the growth of tourism continued to be low.

Table 1: Main macroeconomic indicators, 2014-2016

	2014	2015	2016
GDP current price (Billion Riels)	67,437	73,423	80,559
GDP per capita	1,138	1,215	1,302
Real GDP growth rate (%)	7.1	7.0	7.0
Inflation	3.9	1.2	3.0
Exchange rate (riel/USD)	4,039	4,062	4,056
Trade deficit (% of GDP)	-21.1	-19.2	-17.2
Current account deficit (% of GDP)	9.8	-9.4	-7.6
Gross foreign reserves (Million USD)	4,382	5,087	6,731
Gross foreign reserves (in months of imports)	4.3	4.5	5.5

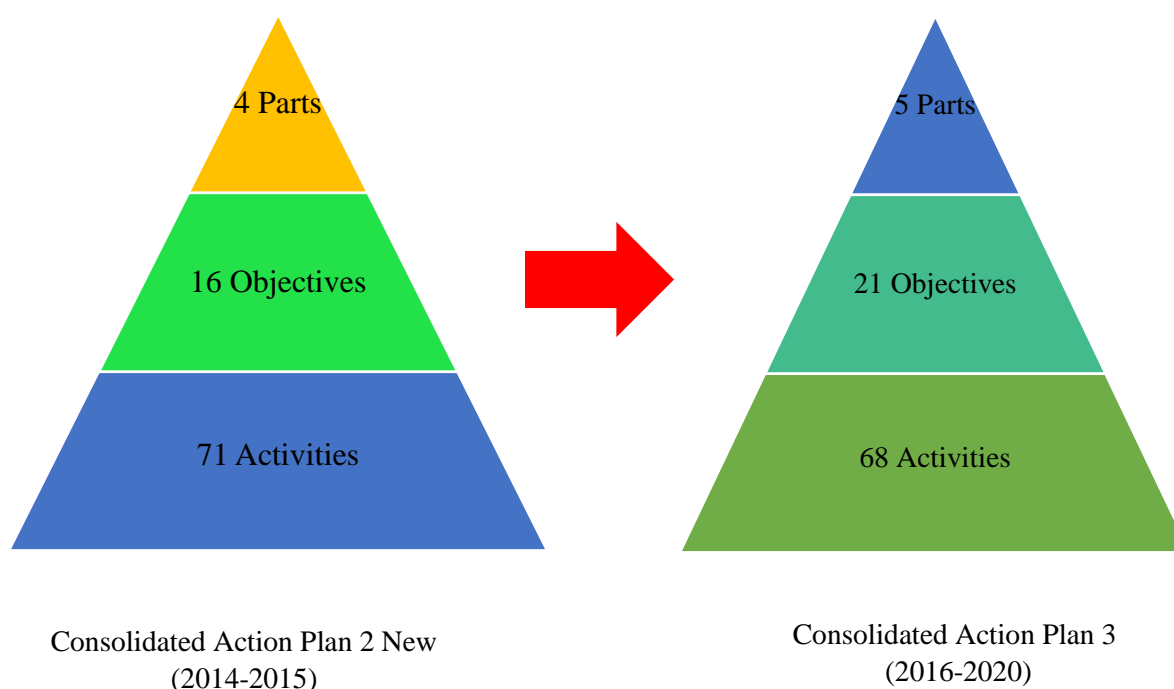
Source: Macroeconomic framework 2017, General Department of Economic and Public Finance Policy (GDEFPF)

1.2 Overview PFM

A public financial management reform program, part of the main four reforms toward good governance, is the core of the Rectangular Strategy. To this end, the public financial system is efficient and effective to improve economic and financial management to be enhanced to ensure sustainable economic growth, which is an essential element for the development of the country and poverty reduction.

Visions of the Public Financial Management Reform Program to reform public financial management systems towards higher international opportunities. 03 targets to be achieved (1) budgetary discipline, (2) efficient allocation of funds and (3) cost-effective. In the transitional phase of the change public financial system from input budgeting system based or centralized into a public finance system focus on output based or decentralization, the Steering Committee of the Public Financial Management Reform revised Framework on Consolidated Action Plan Phase 2, 2009-2013 to Consolidated Action Plan Phase 2 New, 2014-2015 and lastly CAP Phase 3, 2016-2020 as the diagram 1 below. The public financial management reform program-stage 3 was introduced on 21 March 2016 by Samdech Techo Hun Sen, Prime Minister of the Kingdom of Cambodia.

Diagram 1: Transformation from CAP 2 NEW to CAP3





The 2016 Annual Performance Report is indicated the achievements though the 5 parts of CAP3 as follows:

1. Further Strengthening Budget Creditability: The execution of quarterly revenue-expenditure is smooth and predictable (+/-5% Differences in comparison to Revenue-Expenditure Program) and annual debt management is effective for in-year debt being paid for and debt being collected
2. Further Strengthening Financial Accountability: System, mechanism and legal frameworks are implemented efficiently and effectively by 2018 (budget classifications, chart of account, FMIS Phase 1 & 2) and accounting, recording, and financial reporting system are implemented efficiently, effectively, transparently, accurately, and timely.

3. Budget-Policy Linkage: Medium Term Budget Framework (consist of medium term revenue-expenditure frameworks, and public financial policy framework) is developed by the MEF, adopted by the Council of Ministers and is executed effectively and efficiently, Budget Strategy Plan is developed and implemented efficiently and effectively, and Program Budgeting, Budget Entities are implemented by LMs and SNAs efficiently and effectively.
4. Readiness for Next Stage: Performance- based budget framework, performance-based Accountability Framework, and performance-based auditing framework are developed.
5. Support the Successful and Sustainable PFM: Leadership, management capacity, technical capacity, ownership, responsibility are appropriate for the support toward the implementation of PFMRP.

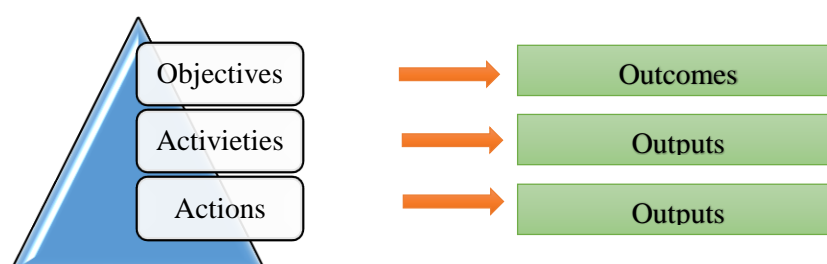
1.3 Objectives

The 2016 annual performance report is a moving forward of the performance management of the MEF and LMs. This evaluation is compliant with Circular 09 dated on December 28, 2015 on “**Rules and Procedure on the Formulation, Implementation, Monitoring and Evaluation of PFM work**”.

The objective of monitoring and evaluation is to strengthen implementation CAP 3 of PFMRP and to identify the strengths and weakness of PFMRP in order to enhance and improve the CAP3 framework in consecutive year. Meanwhile, this report highlighting the outputs is rather than evaluation the outcomes. To assess the outcomes, it is required the medium term at least 3 years and uses other tool such as the Public Expenditure and Financial Accountability (PEFA) and Public Expenditure Review (PER).

In the stage 3, Steering Committee of PFMR has set the 3 priorities: (1) Strengthening of revenue collection and management, (2) Strengthening and expanding Financial Management Information System (FMIS) and (3) Strengthening and expanding Program Budgeting. In this sense, the monitoring and evaluation is to ensure transparency, accountability, and responsibility to manage the effective and efficient outputs (decentralization and centralization).

Diagram 2: The Relationship of CAP3 framework

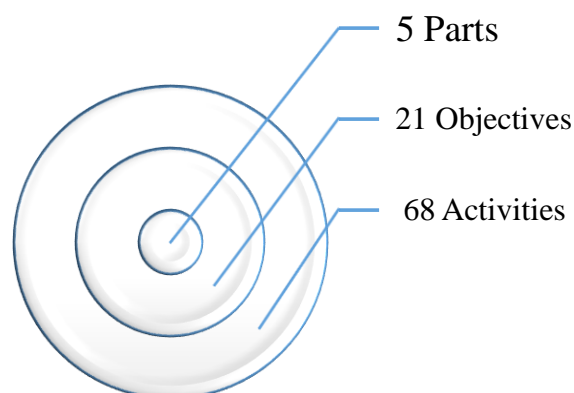


1.4 Methodology and Reporting

The 2016 Annual Performance Report is prepared and compliant with circular 09 by using the weight¹ of each activity, objective and part as follows:

Formulation:

$$\text{Weighted Score (Result)} = \text{Weight} \times \text{Achievement (\%)}$$



1. Progress by main activity → Sum-average for all activities of the GDs under MEF
2. Progress by objective → Progress by main activity x Weight of main activity → Sum all main activities under each objective
3. Progress by Part → Progress by Objective x Weight of each objective → Sum all objectives under each part
4. PFM progress → Progress by Part x Weight of each Part → Sum all parts.

Rating Performance:

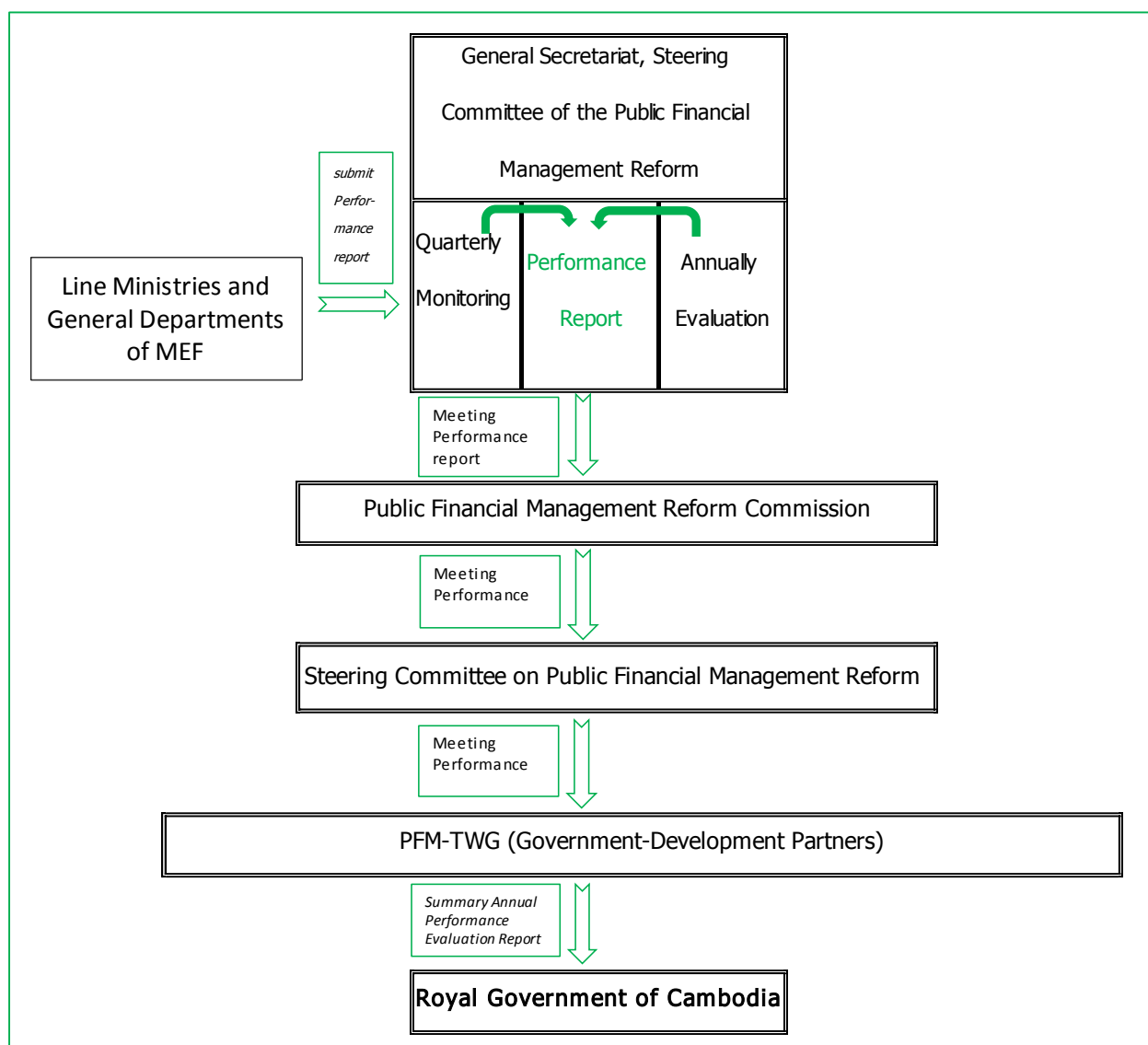
Results	Grade
90%-100%	Good
80%-89%	Satisfied
Below 80%	Weak

The 2016 Annual Performance Report structure is divided into 5 parts:

1. Introduction is highlighted economic situation, overview PFMRP, Objectives, methodology of evaluation and reporting, and scope and limitation.
2. 2016 Annual Performance is reviewed and analyzed the achievement of CAP 3 and the Royal Government of Cambodia and EU's performance agreement.
3. Challenges are summarized the main challenges in PFMRP2016
4. Suggestion is provided key recommendations to solve the challenges and predictable in 2017.
5. Conclusions are shown the strengths and weaknesses of PFMRP.

¹ The Steering Committee of Public Financial Management Reform issued an executive order No.048 MEF/SKH dated on August 22, 2016. This methodology is designed by considering the contribution of stakeholders and the achievement is indicated the completed the performance of each stakeholders.

Diagram 3: The Flow of performance of PFMRP reporting



1.5 Scope and Limitation

The role of LMs in PFMRP is very important to support the successful and sustainable PFM. This evaluation report is covered only entities of MEF performance but also the LMs performance.

In addition, this report, a tool for reflecting the annual performance and point out the next step, is rather than outcome measurement. However, this report is not fully reflected as follows:

- ❑ Part 4 “Performance Accountability” does not have enough actions to support activities and objectives of CAP3. PFM-TWG decided to postpone the evaluation until the completion of Budget System Reform Strategy 2017-2025. This strategy will orient the budget system reform by aligning with the national budget system with sub-national budget system.

- ❑ Part 5 “Support for Successful and Sustainable PFM”: GDs of MEF prepared action plans were not aligned and consistent with CAP 3 structure. Therefore, evaluators cannot make a comprehensive conclusion, in particular, willingness, leadership and capacity building.

II. YEAR-2016 PERFORMANCE

2.1 Progress of EU’s result framework

No	Specific Conditions	Responsible Agency	KPI 2016	Achievement
1	Improved quality of national statistics	MOP	The National Accounts 2015 are published in November 2016	Achieved: The NA 2015 is available on NIS website ²
2	Improved financial management information system	FMWG	FMIS Phase 1 is fully operational across MEF and provincial treasuries	Achieved: FMIS Phase 1 is fully implemented. (World Bank Mission Report)
			Blue print for FMIS Phase 2 has been completed	Achieved: FMIS Phase 2 is achieved 100%
3	Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs)	GDSNAF	Conditional Grants are transferred to DMs for implementation of the transferred functions in environment, education, health and rural development sectors.	Un-achieved: <ul style="list-style-type: none"> - The sub-degree of conditional finance transfer to SNA is approved and implemented. - The functions transferred in environment on solid waste management was fully implemented. In 2016, the budget was transferred to all 26 targeted municipalities. - The Sub-Decree of transferred function in early childhood education, primary education and non-formal education has been approved. 14 DMs of

² Link to National Account 2015 <http://nis.gov.kh/nis/NA/NA2015Tab.pdf>

No	Specific Conditions	Responsible Agency	KPI 2016	Achievement
				Battambang Province were selected for piloting in 2017. - The transferred function in rural sanitation and clean water, Ministry of Rural Development, were implemented
4	Enhance budget transparency	GDEFPF	Monthly financial reports (TOFE and Government Finance Statistic-GFS) are published no later than three months after the reporting periods end	Achieved: Monthly financial reports are published on MEF's website. It is available on MEF's website within 2 weeks after reporting period. ³
		NAA	Annual Audit Report on RGC's consolidated financial execution is published no later than 3 months after the availability of Audit Report approved by RGC	Audit Report on 2014 budget settlement law is published on NAA's website. ⁴
5	Increased result orientation in the budget	GDB	Develop a pilot performance monitoring mechanism for budget	Achieved: - Prepared table format on Performance and setting to whom prepare the table, verify and responsibility - Guideline of implementation program budgeting is indicated

³ Link to TOFE and GFS <http://mef.gov.kh/tofe.html>

⁴ Link to Audit on Budget Settlement Law 2014

http://naa.gov.kh/images/NAA/public_audit_report/audit_report_on_budget_settlement_2014.pdf

No	Specific Conditions	Responsible Agency	KPI 2016	Achievement
				that LMs must submit mid-year and annual report to MEF
6	Internal Audit effectiveness strengthening	GDIA	The Internal Audit manual is approved	Achieved: Prakas on Internal Audit manual dated on 30 th December 2016.
			Internal audit units cover at least 80% of line ministries representing at least 50% of government recurrent expenditures, including the MoEYS	28 LMs created the internal audit units, except Ministry of Royal Palace, National Audit Authority, and Council for the Development of Cambodia.
7	Domestic revenue mobilization strengthening	GDEPPF And Revenue Agencies	An annual increase of total current revenue collection of at least 0.5 percentage point of GDP	Achieved: Year 2015=16.68% and 2016 (temporary) = 17.42% so it increase 0.7 percentage point of GDP.
8	Public procurement increased transparency	GDPP	The annual procurement plans of line ministries, as well as all procurement opportunities and awards are published on the GDPP website	Achieved: Annual Procurement Plans, Notice of Bidding, and Contract Awards are published on the website of GDPP. ⁵

In 2017, GSC and European Union have examined the 4 outcomes that would face challenges as follows:

⁵ Annual Procurement Plan http://gdpp.gov.kh/procurement_plan/
Notice of Bidding http://gdpp.gov.kh/bid_announcement/
Contract Awards http://gdpp.gov.kh/contract_award/

No	Specific Conditions	Responsible Agency	KPI 2017	Challenges	Suggestions
3	Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs)	GDSNAF	At least 10% of DM revenues raised through own sources	Change the context of public financial management	In 2018, at least 3% of provincial tax revenue is shared with DMs, and at least 1% of Provincial tax revenue is shared with communes and sangkats (CSs).
5	Increased result orientation in the budget	GDB	Implement the pilot performance monitoring mechanism in selected PB ministries, including the MoEYS	KPI targets 2016, 2017, and 2018 are not clear.	New target 2017: Budget System Reform Strategy 2017-2025 is prepared and approved before the end of 2017.
7	Domestic revenue mobilization strengthening	GDEPPF And Revenue Agencies	An annual increase of total current revenue collection of at least 0.5 percentage point of GDP	Shortfall revenue of any year will be effect on indicator target	Annual increase of total current revenue collection as percentage of GDP
8	Public procurement increased transparency	GDPP	The annual procurement post review report is published on the GDPP website	Format of Report is not ready prepared	Organize a meeting discuss the stakeholders

2.2 Summary KPIs of budget credibility

INDICATOR	TARGETS	ANNUAL 2015	ANNUAL 2016
1. Total domestic revenue Result out-turns increasingly close to approved targets under the financial law.	Total domestic revenue achieves +/- 5% compared to the approved targets under the laws.	<p>Domestic Revenue : 110.7% of Budgt law</p> <ul style="list-style-type: none"> • Current Revenue: 112.7% • Capital Revenue (Domestic): 60.70% <p>The tax revenue collection compared with budget law by entities:</p> <ul style="list-style-type: none"> - Custom and Exercise: 115.63% - Taxation: 110.46% <p>The non-tax revenue collection compared with budget law by entities</p> <ul style="list-style-type: none"> - GD.Non-tax: 107.47% -Financial Industry:148.58% 	<p>Domestic Revenue: 105.4% of Budget law</p> <ul style="list-style-type: none"> • Current Revenue: 105.5% • Capital Revenue (Domestic): 102.1% <p>The tax revenue collection compared with budget law by entities:</p> <ul style="list-style-type: none"> - Custom and Exercise: 100.0% - Taxation: 100.23% <p>The non-tax revenue collection compared with budget law by entities</p> <ul style="list-style-type: none"> - GD.Non-tax: 102.58% -Financial Industry:139.73%
2. No accumulation of new arrears	Arrears are defined to be maintained at no more than 2% of total	No	No
3. Budget holders are increasingly able to commit expenditure in line with budgets and cash flow forecasts	<p>National budget expenditure targets</p> <p>Q1: 15%</p> <p>Q2: 45%</p> <p>Q3: 67%</p> <p>Q4: 96%</p> <p>Percentage of settlement to suppliers and staff via banking</p>	<p>National Budget achieved:</p> <p>☐Quarter 1: 15.16%</p> <p>☐Quarter 2: 30.10%</p> <p>☐Quarter 1: 57.46%</p> <p>☐Quarter 2: 97.79%</p> <p>Payment via banking system:</p> <p>☐Quarter 1: 100%</p>	<p>National Budget achieved:</p> <p>☐Quarter 1: 15.19%</p> <p>☐Quarter 2: 34.31%</p> <p>☐Quarter 1: 57.37%</p> <p>☐Quarter 2: 94.29%</p> <p>(Provision data dated on March 02, 2017)</p> <p>Payment via banking system:</p> <p>☐Quarter 1: 100%</p>

	<p>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><input type="checkbox"/>Quarter 2: 100%</p> <p><input type="checkbox"/>Quarter 3: 100%</p> <p><input type="checkbox"/>Quarter 4: 100%</p> <p>▪ 36 Ministries received salaries via banking system</p> <p><i>Quarter 1</i></p> <p>-Custom revenue:</p> <p>▪ 92% paid by tax payers</p> <p>▪ 8% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 98.8% paid by tax payers</p> <p>▪ 1.2% paid by GDT</p> <p><i>Quarter 2</i></p> <p>▪ 92.6% paid by tax payers</p> <p>▪ 7.4% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 85% paid by tax payers</p> <p>▪ 15% paid by GDT</p> <p><i>Quarter 3</i></p> <p>▪ 92.60% paid by tax payers</p> <p>▪ 7.40% paid by General Department</p>	<p><input type="checkbox"/>Quarter 2: 100%</p> <p><input type="checkbox"/>Quarter 3: 100%</p> <p><input type="checkbox"/>Quarter 4: 100%</p> <p>▪ 36 Ministries received salaries via banking system</p> <p><i>Quarter 1</i></p> <p>-Custom revenue:</p> <p>▪ 94.2% paid by tax payers</p> <p>▪ 5.8% pay by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 96.9% paid by tax payers</p> <p>▪ 3.1% paid by GDT</p> <p><i>Quarter 2</i></p> <p>▪ 90.4% paid by tax payers</p> <p>▪ 9.6% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 99.7% paid by tax payers</p> <p>▪ 0.3% paid by GDT</p> <p><i>Quarter 3</i></p> <p>▪ 93.40% paid by tax payers</p> <p>▪ 6.6% paid by General Department</p>
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		of Custom and Exercise -Taxation Revenue: ▪ 98.90% paid by tax payers ▪ 1.1% paid by GDT <i>Quarter 4</i> ▪ 93.13% paid by tax payers ▪ 6.87% paid by General Department of Custom and Exercise -Taxation Revenue: ▪ 0.5% paid by tax payers ▪ 99.50% paid by GDT	of Custom and Exercise -Taxation Revenue: ▪ 99.80% paid by tax payers ▪ 0.2% paid by GDT <i>Quarter 4</i> ▪ 94.7% paid by tax payers ▪ 5.3% paid by General Department of Custom and Exercise -Taxation Revenue: ▪ 0.20% paid by tax payers ▪ 99.80% paid by GDT
4. Composition of expenditure by type (staff costs) is close to approved budget.	Actual expenditure compared to budget law must not be below: • Salary: 98% • Goods/Services: 95% • Capital: 85%	National budget achieved by categories in Q1: <input type="checkbox"/> Salary: 22.34% <input type="checkbox"/> Goods/Service: 8.54% <input type="checkbox"/> Capital: 12.75% National budget achieved by categories in Q2: <input type="checkbox"/> Salary: 44.22% <input type="checkbox"/> Goods/Service: 17.29% <input type="checkbox"/> Capital: 27.30% National budget achieved by categories in Q3: <input type="checkbox"/> Salary: 72.25%	National budget achieved by categories in Q1: <input type="checkbox"/> Salary: 18.64% <input type="checkbox"/> Goods/Service: 8.88% <input type="checkbox"/> Capital: 14.25% National budget achieved by categories in Q2: <input type="checkbox"/> Salary: 43.63% <input type="checkbox"/> Goods/Service: 20.17% <input type="checkbox"/> Capital: 27.16% National budget achieved by categories in Q3: <input type="checkbox"/> Salary: 68.89%

		<input type="checkbox"/> Goods/Service: 41.26% <input type="checkbox"/> Capital: 48.97% National budget achieved by categories in Q4: <input type="checkbox"/> Salary: 99.30% <input type="checkbox"/> Goods/Service: 102.27% <input type="checkbox"/> Capital: 91.97%	<input type="checkbox"/> Goods/Service: 40.45% <input type="checkbox"/> Capital: 54.44% National budget achieved by categories in Q4: <input type="checkbox"/> Salary: 97.83% <input type="checkbox"/> Goods/Service: 96.76% <input type="checkbox"/> Capital: 90.59%
5. The yield achieved from Tax base is better through the improvement of collection efficiency and the plan to use non-tax revenue sources.	Progressive improvement in revenue yield compared to GDP by 0.5 percentage point per year.	16.68%	17.42%
6. All part of revenue and expenditure are put in government budget and accounts.	Non-importance parts are excluded	<input type="checkbox"/> Total bank accounts: 82 <input type="checkbox"/> TSA is strengthened	<input type="checkbox"/> Total bank accounts: 87 <input type="checkbox"/> TSA is strengthened

Source: General Department of National Treasury (GDNT) and GDEFPF (provisional data of March 02, 2017)

Through implementation of indicators for monitoring the budget reliability above, the causes of each KPI is explained as follows:

There are two types of revenue, tax revenue and non-tax revenue. Taxation revenue are collected by General Department of Customs and Excise (GDCE) and the General Department of Taxation (GDT), MEF and non-tax revenues are collected by LMs and GDFI. In 2016, according to new CoA, revenue from General Department of Financial Industry (GDFI) is changing from recording as tax revenues to non-tax revenue since 03 sources of revenue (revenue from casinos, lottery and licensing) have nature of non-tax revenue.

Tax Revenue⁶

GDCE collected the revenue amount 6,946,761 million riels in 2016, or 104.49% of the 2016 budget law. Comparing actual revenue 2016 with 2015, revenue increases 13.97%. The revenue collection increase since the customs administration implemented strict action plans and control from the beginning, middle to end spots on collecting taxes and fines on the existing vehicles in which they were avoidance paying tax and duty. Also, GDCE has strengthened the effectiveness of the implementation of customs procedures and good governance.

GDT (national tax revenue) collected revenue amount 5,248,305 million riels, or 106.95% of the 2016 budget law. Comparing actual revenue 2016 with 2015, revenue increases 18.03%. Due to enforcement of the tax law and revenue mobilization strategy and public financial management reform program, tax revenues increased steadily. Meanwhile, GDT took the measures such as temporarily freeze the transfer of ownership or property rights through the mechanism of stamp tax, and strengthening a new tax registration for the tax liability enterprises. Also, GDT has strengthened cooperation with GDCE to control the taxable companies to import. Regarding to tax registration and exchange of information between the GDT and Ministry of Commerce, Inter-Prakas No. 910 dated August 09, 2016 on the establishment of a working group to prepare a tax and business registration mechanism has been prepared and implemented.

Overall, in terms of improving services, GDT and GDCE have increased more collaboration and posted of rules and regulations on their own websites as well as publishing the monthly, quarterly and annually revenue collection data to promote transparency.

Non-tax revenue⁷

According to data of the General Department of the Treasury (excluded the revenue form General Department of Financial Industry), non-tax revenue is 1,761,592 million riels or equivalent to 102.58% of the 2016 budget law. In terms of enforcement, line ministries has strengthened the implementation the Medium-term Revenue Mobilization Strategy 2014-2018 such debt payment measure, timely revenue payments and practical rules and regulations as well as increasing revenue from public enterprises and leasing free land and land concessions.

The GDFI has 3 sources of revenue (1) Revenue from casinos, (2) Revenue from the lottery and (3) the revenue from the casino license. According to data from the GDNT (excluding revenue from the casino license since it is consolidated in CoA as license revenues), revenue collection has

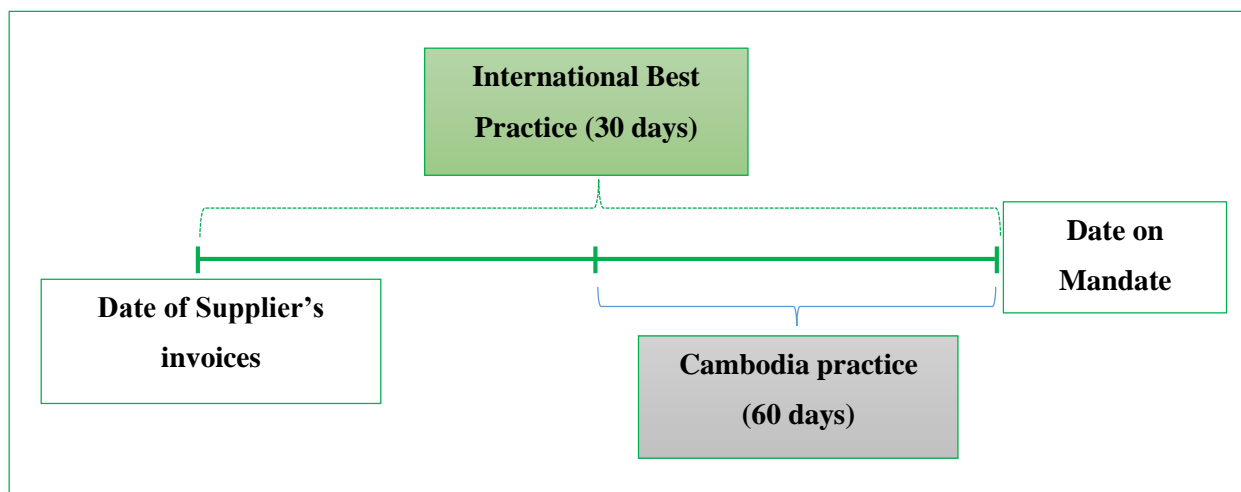
⁶ GDNT's data

⁷ GDNT's data

some 188,431 million riels, or 139.73% of the budget bill. The increasing revenue is by restricting inspect casinos and boosting the monthly income is paid on time, especially casino revenue to be paid by Naga World over USD 16,557,727 for year-2014 in fiscal year-2016.

❑ Expenditure Arrears

There is no new arrears by 60 days counting from the mandates submitted to GDNT till payment date. The monitoring arrears is very important to identify the status of cash management.



It is indicated that the payment process and cash flows were improved and moving to international best practices of term arrears. However, in a transitional period of the public financial system, payment process is smooth and the liquidity situation is much better, and this is one step closer to international norms of setting up a debt payment arrears.

❑ National Expenditure

The 2016 annual expenditure is 94.29% of budget law, in which it is less than target set about 1.71%. Regarding to current expenditure, some LMs executed the budget less than the targets as follows:

1. Ministry of Civil Service: 92.0%
2. Council for the Development of Cambodia: 71.0%
3. Ministry of National Assembly-Senate Relations and Inspection: 93.20%
4. Ministry of Justice: 90.20%
5. National Election Committee: 75.30%
6. National Audit Authority: 87.90%
7. Ministry of Information: 94.10%
8. Ministry of Health: 92.90%
9. Ministry of Education, Youth, and Sport: 88.50%
10. Ministry of Culture and Fine Arts: 87.90%

11. Ministry of Cults and Religions: 93.30%
12. Ministry of Women Affairs: 88.90%
13. Ministry of Mines and Energy: 80.40%
14. Ministry of Commerce: 88.90%
15. Ministry of Agriculture Forestry and Fisheries: 90.10%
16. Ministry of Rural Development: 90.70%
17. Ministry of Post and Communication: 98.70%
18. Ministry of Land Management, Urban Planning and Construction: 83.30%
19. Ministry of Water Resources and Meteorology: 93.4%
20. Ministry of Industry and Handicraft: 91.90%

However, this figure is provisional data and generally after book account closed, only a few LMs that perform lower than target. In this regard, the implementation of the budget is presented by strengthening rationale expenditure and mission in/out country, particularly the outputs increase while expenses had increased slightly.

The sub-national administration (Capital-Provinces, City-Districts, Commune-Sangkat) executed 98.0%

□ Expenditure Compositions

The type of expenditure executed: Salary (97.83%), Goods/Service (96.76%) and Investment (90.59%).

2.3 The Results of PFM RP

2.3.1 Part: Further Strengthened Budget Credibility

Budget credibility refers to the capability of the government in budget execution to achieve the policy agenda of the government. Strengthening the budget credibility is still further prioritized in this stage 3 of the PFM RP. It is ultimately aimed to ensure that (1) the execution of quarterly revenue-expenditure is smooth and predictable (+/-5% Differences in comparison to Revenue-Expenditure Program) and (2) annual debt management is effective for in-year debt being paid for and debt being collected

In further strengthening budget credibility in the third stage of the reform program, four main objectives adopted for implementation, including 11. Further strengthening revenue management and collection plan implementation, 12. Further strengthening debt management, 13. Further strengthening cash and account management and 14. Improving budget execution and strengthening expenditure implementation. These four objectives are supported by 09 main

activities implemented by the GDEPFP, GDCE, GDT, GDSPNTR (GDSPNTR), GDFI, General Department of Budget (GDB), GDNT, General Department of Public Procurement (GDPP), GS-MEF (GS-MEF) and Financial Management Information System Working Group (FMWG).

Description	Progress of 2015	Progress of 2016	Justification
Part1	85%	83%	For this part, in both 2015 (CAP2 New) and 2016 (CAP3), there are four objectives. However, there are some new activities added in the year 2016. The key achievement in this part is that there is no arrear. The actual revenue and expenditure is moving to the target set.
Objective 11	76%	82%	-
Objective 12	100%	77%	-
Objective 13	90%	96%	-
Objective 14	75%	78%	-

Objective 11. Further strengthening revenue management and the implementation of revenue collection plan

To strengthen the effectiveness of the revenue management (tax revenue and non-tax revenue), the formulation of revenue policy and medium-term revenue mobilization strategy is the keys to ensure the cash surplus, the smooth flow of revenue, and the predictability of revenue collected.

This objective is supported by 03 activities including 11.1. Implementing of medium-term revenue policy and revenue mobilization strategy, 11.2. Further improving custom, tax, non-tax and state property policy and administration, and 11.3. Strengthening revenue forecast. These activities are implemented by 06 entities of MEF, GDEPFP, GDCE, GDT, GDSPNTR, GDFI, and GS-MEF. The achievement score is briefly illustrated in the following table:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 11	88%	77%	74%	85%	82%
11.1	78%	86%	75%	80%	85%
11.2	88%	81%	67%	78%	79%
11.3	97%	63%	79%	95%	81%

Activity 11.1. Implementing of medium-term revenue policy and revenue mobilization strategy achieved 85% of the target, and is implemented by GDEPFP, GDCE, GDT, GDSPNTR and GS-MEF.

KPIs have been achieved the targets

1. 2015 Annual Progress Report of the Implementation of the Revenue Mobilization Strategy is prepared.
2. Mid-Year Progress Report for 2016 on the Implementation of the Revenue Mobilization Strategy is prepared.
3. Risk Management Information Transfer System is developed and piloted for implementation.
4. Transportation approval management system is developed (the report can be extracted in the form of spreadsheet).
5. Custom revenue receipt issuance function of the E-custom system is developed and implemented.
6. The second draft of Transfer Pricing Guideline is prepared.
7. Report on Interdepartmental Audit on 85 firms under supervision of Large Taxpayers Department of the GDT is prepared.

Meanwhile, some indicators have not been fully achieved as follows:

1. Custom risk management system is extended to only four custom offices (50%). Currently, there are only two custom offices equipped with the custom risk management system, but for other custom offices, the General Department of Custom Excises still need to study the priority.
2. Communication function between custom risk management system and ASYCUDA system is developed (75%)

3. Inter-Ministrial Prakas on the Adjustment of the Public Service and the Incentives of Line Ministries (75%)⁸
4. Instructive Circular on Investigation of Tax Avoidance is prepared (75%)
5. Draft Law on the Management of Commercial Gambling is discussed at the ministerial level and submitted to the Council of Ministers (95%). This draft law requires additional inputs from stakeholders and Casino operators.⁹

Activity 11.2. Further improving custom, tax, non-tax and state property policy and administration achieves 79% of the targets and is implemented by the GDCE, GDT, GDSPNTR Management, and GS-MEF.

KPIs have been achieved the targets as follows:

1. New custom rate for implementation from 2017 onward and new special tax rate are prepared and disseminated.
2. Draft Law on Tax on Oil and Gas Business, and draft Law on Natural Resources, Gold, Coal and Bronze, are prepared at the level of the GDT.
3. Prakas Tax Obligation of Multi-project Firms is prepared
4. Draft Prakas Tax on International Transportation Service is prepared and approved at the level of the GDT.

Meanwhile, some indicators are not achieved as follows:

1. New Draft Law on Taxation is submitted to the Council of Ministers (90%). Currently, this draft law is finalized at the GDT, but the management of MEF suggested to postpone the preparation of this law till 2019.
2. Draft Law on Non-Tax Revenue Management is discussed and reviewed at inter-ministerial level (0%).¹⁰
3. Draft Law on State Property Management is submitted to the Council of Ministers (80%)
4. Prakas on Capital Gain Tax of Natural Person is reviewed and revised at the level of MEF (95%). This work is waiting for the final analysis of international experts.
5. Public Relation Office is established (80%). The draft Prakas on the Code and Conduct is submitted to the management of GDT for approval.

⁸ The formulation of this joint Prakas is based on the request of each line ministry. Here, the indicator cannot be fully achieved due to the reason that there is no request from some line ministries.

⁹ This draft law was sent to the management of Ministry of Interior and Ministry of Economy and Finance for review and revision already. It was also gone through the discussion with the Casino operators through the Public Consultation Workshop in the fourth quarter of 2016.

¹⁰ General Department of State Property and Non-tax Revenue prioritized the formulation of the Draft Sub-decree on Non-tax Revenue Management, based on the advice from the Senior Minister of Economy and Finance.

Activity 11.3. Strengthening revenue forecast achieved 81% of the targets and is implemented by the GDEPFP, the GDCE, GDT, and GDSPNTR.

KPIs have been achieved the targets as follows:

1. Revenue Forecasting Model: the margin of errors between the forecast and the revenue implementation for 2015 is small so that there is no need to change the model.¹¹
2. Tax revenue forecasting model of the GDT is developed and submitted to the management of the GDT for approval.
3. Mid-year Macro-Economic Report of 2016 is prepared and posted on the website of MEF.

Meanwhile, there is one indicator that cannot be fully achieved. It is “Workshop on Revenue Forecasting (both Tax and Non-tax revenue)” is prepared for line ministries (0%).

Objective 12. Further strengthening debt management

Public Debt Management refers to management of government transactions related to government borrowing, government lending, government security issuance and trading, government guarantee, contingent liability obligations, debt payment, debt restructuring, risk management, investment of cash surplus or budget surplus, and other transactions related public debt.

This objective consists of three activities including 12.1. Implementing the debt management strategy more effectively and efficiently, 12.2. Formulating legal frameworks and mechanisms to implement state guarantee, and 12.3. Strengthening the effectiveness of the in-year debt management. These activities are implemented by four general departments including the GDT, GDCE, GDICDM, and the GS-MEF. The achievement score is briefly report in the following table.

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 12	73%	83%	53%	78%	77%
12.1	93%	100%	67%	67%	78%
12.2	50%	75%	0%	Pending	Pending
12.3	70%	73%	75%	75%	63%

¹¹ General Department of Economic and Public Financial Policy is an implementing agency.

Activity 12.1. Implementing the debt management strategy more effectively and efficiently achieves 78% of the targets, and is implemented by GDCE, GDICDM, and GS-MEF.

KPIs have been achieved the targets as follows:

1. Debt in Power and Tel Seila Sector reduced 6% in 2016, comparing to 2015.
2. Public Debt Statistics Bulletin No.2 is prepared and posted on the MEF website.

Meanwhile, one indicator has not been not fully achieved target as follows:

1. Standard operating procedure for public debt management, including the monitoring procedure of public debt risk, is prepared. This indicator achieves 35% of the target. It is due to the adjustment of the internal organization of the GDB. Some indicators previously responsible by the GDB are currently in charge by a new General Department, which is the GDICDM.

Activity 12.2. Formulating legal frameworks and mechanisms to implement state guarantee is implemented by General Department of International Cooperation and Debt Management (GDICDM).

This activity is supported by only one action that is “Draft Policy on State Guarantee is reviewed and revised, and submitted to the Economic and Finance Policy Committee for approval”. The implementation of this activity is postponed, and cannot be evaluated because it requires more times to comply with the Policy on Public-Private Partnership Mechanism for the Public Investment Project Management, which is adopted by the Royal Government of Cambodia in September 2016.

Activity 12.3. Strengthening the effectiveness of the in-year debt management achieves 63% of the targets, and is implemented by the GDT and the GS-MEF.

KPI has been achieved the target, the management and collection of tax debt is assessed to find out challenges and next step so that the management and collection of tax debt can be strengthened.

Meanwhile, KPIs have not been fully achieved targets as follows:

1. Third draft of rules and guidelines on internal audit is reviewed and decided at the level of GDT. This indicator achieves 75% of the target. Currently, the general department is reviewing additional documents from Mr. Danny L. Athanasaw, the expert of OTA.
2. Guideline on Mechanism of In-year Non-tax Debt Collection of MEF is disseminated. This action achieves 25% of the target because it is pending for the core framework which is the non-tax revenue management.

Objective 12 has one significant issue. The structure of the GDB changed so some actions are implemented by a GDB and others are implemented by GDICDM.

Objective 13. Strengthening cash and account management

Strengthening cash and account management is to ensure the effectiveness and efficiency of the implementation of cash planning. It includes the implementation of cash planning from quarterly/monthly to weekly/daily, the payment through banking system, the integration mechanism of the report of development partners' budget execution that is outside the treasury system, the follow-up system of the arrears and on-time settlement of advance and others.

This objective (96%) of the target and is supported by 05 activities. These activities are implemented by the GDNT and the Financial Information Management System Working Group. These five activities include: 13.1. Further improving and strengthening cash planning preparation (starting from quarterly and monthly to weekly and daily cash planning preparation), 13.2. Further strengthening banking system usage and studying the possibility to implement payment through E-transfer, 13.3. Preparing mechanism to consolidate DPs' budget execution reports that are out of treasury system and further strengthening treasury single account, 13.4. Further monitoring arrears and its aging profile, and 13.5. Clearing and settling the advance on time.

Description	Progress				
	Q1	Q2	Q3	Q4	2016
Objective 13	96%	84%	99%	95%	96%
13.1	90%	98%	97%	88%	90%
13.2	90%	63%	100%	98%	98%
13.3	100%	100%	100%	100%	100%
13.4	100%	100%	100%	95%	98%
13.5	100%	100%	100%	98%	98%

Activity 13.1. Further improving and strengthening cash planning preparation (starting from quarterly and monthly to weekly and daily cash planning preparation) achieves 96% of the targets, and is implemented by the GDNT.

Performance indicator achieves 100% of the target is “cash balance is monitored regularly through the bank reports on all accounts that are under the structure of TSA, and cash advance managed by the national treasury system”.

Meanwhile, some indicators are not achieved as follows:

1. Cash flow forecast is improved between +/- 5%. This action achieves 85% of the target because budget institutions of six line ministries (1. Ministry of Health, 2. Ministry of

Agriculture, Forestry and Fisheries, 3. Ministry of Rural Development, 4. Ministry of Women Affairs, 5. Ministry of Public Work and Transportation, 6. Ministry of Land Management, Urban Planning, and Construction) have not fully implemented the web-based application system to record the number of revenue-expenditure plan.

2. Report on three-year rolling cash flow forecast is prepared and improved for national budget revenue. This indicator achieves 85% of the target due to the reason that there is a lack of tools or models to forecast. Currently, GDNT is studying to prepare a scientific model to forecast. In fact, the GDNT has used many resources to forecast, included web-based application system to the provincial treasury departments, and line ministries.

Activity 13.2. Further strengthening banking system usage and studying the possibility to implement payment through E-transfer achieves 98% of the target, and is implemented by the GDNT and FMWG.

KPIs have been achieved the targets as follows:

1. Banking system is used widely across the country to open salary. The GDNT prepared the salary for civil servants across the country on time at the fourth week every month.
2. Possibility of payment through E-transfer and FMIS system is jointly studied with the National Bank of Cambodia, and verified documents of the possibility and safety of the payment through E-transfer system is prepared and approved.

Meanwhile, some indicators have not been fully achieved as follows:

1. E-transfer system is studied and assessed to find out risks so that it can be piloted. This indicator achieves 95% of the target, and the GDNT continues piloting the payment and settlement through the FMIS system and the system of the National Bank of Cambodia so that it is possible for the payment and settlement in E-transfer system in the FIMS production that determines the Electronic Fund Transfer (EFT) users to pilot in Pre-production.
2. Principle for the payment through E-transfer in FMIS system is officially approved. This indicator achieves 95% of the target because the GDNT has not prepared the official MOU yet. It is planned to finish in January 2017 to implement the EFT from FMIS system.

Activity 13.3. Preparing mechanism to consolidate DPs' budget execution reports that are out of treasury system and further strengthening treasury single account achieves 100% of the target, and is implemented by the GDNT.

KPIs have been achieved the target as follows:

1. Bank accounts in National Bank and Commercial Banks at central level and provincial level are followed up regularly, and Report on Doubtful Accounts of the development partners' projects is prepared and submitted to the management for review and revision.
2. Budget Execution Report template of the Development Partners' project is prepared and disseminated for implementation. The GDNT has worked closely with relevant agencies to encourage all line ministries to prepare an annual financial report that is complied with the accounting standard of the government, and is by categories of expenditure in the financing project of the development partners to the line ministries.

Conclusively, the GDNT continues following up and cooperating with commercial banks to share information and deal with any contingent problems on time, as well as to monitor the existing of the government's bank accounts.

Activity 13.4. Further monitoring arrears and its aging profile achieves 95% of the targets, and is implemented by the GDNT.

Performance indicator achieved 100% of the target is “monitoring mechanism to deal with arrears (maturity is over 60 days) is strengthened”.

Meanwhile, there is one indicator that is not fully achieved. It includes:

1. The debt integration, and updating and recording the debt statistics are prepared through FMIS system and integrated with the ASYCUDA and DMFAS system (95%). The general department continues piloting the integration of data in DMFAS system and inserted to FMIS system.

Activity 13.5. Clearing and settling the advance on time achieves 48% of the targets, and is implemented by GDNT.

KPI has been achieved 100% of the annual target is “all advances are recorded and monitored regularly”.

Meanwhile, there is one unachieved indicator. It is “the payment mandate issuance and on-time clearance is monitored” (95%). GDNT encourages all line ministries that obtained the cash advance to collect the expenditure documents and issued the adjusted mandate to settle continuously. As of 19 December 2016, the number is 443,816.1 million riel (2015, settled 68,222.6 million riel; 2016, settled 375,593.5 million riels). The left amount of money has not yet settled, as of 19 December 2016, is 616,508.3 million riels (2014, 386.6 million riels; 2015, 71,768.2 million riels; 2016, 544,353.5 million riels). The cash management system has not been comprehensively implemented.

Although the achievement score is already up to 96%, there are some actions needed to be completed, including (1) the use of web-based application with all line ministries, (2) the widely use of e-transfer, (3) the on-time advance clearance, and (4) the monitor of adjusted mandate issuance to clear the payment.

Objective 14. Improving budget execution and strengthening implementation expenditure plan

The KPI of this objective is the quarterly expenditure execution is done smoothly and measurable (the margin of errors is not more than 5%). This objective achieves 78% of targets, and is supported by 03 activities including 14.1. Harmonizing the public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM), 14.2. Increasing competition and transparency in procurement process with public involvement, and 14.3. Preparing quarterly expenditure plan more accurately.

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 14	88%	71%	62%	79%	79%
14.1	90%	46%	15%	15%	58%
14.2	71%	48%	72%	88%	62%
14.3	100%	100%	75%	100%	100%

Activity 14.1. Harmonizing the public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM) achieves 58% of the target. This activity is implemented by GDPP.

Performance indicator achieve 100% of the annual target is “term of reference for selecting international consultants to facilitate the work on harmonizing the IRRPP and SOP/PM is prepared”.

Meanwhile, indicator that is not fully achieved is “the second draft of public procurement manual (PPM) in English is prepared, reviewed and approved. This indicator achieves only 15% of the target due to the harmonizing the IRRPP and SOP/PM is delayed and because of the suspension of international consultants’ work. It is pending for the creation of a working group led by H.E. Secretary of State to prepare a mechanism that works to reform public procurement system in the long run and that is complied with the national budgeting reform. Currently, the GDPP created a working group to study the principles and procedure to harmonize the IRPP and SOP/PM.

Activity 14.2. Increase competition and transparency in procurement process with public involvement achieves 62% of the targets, and is implemented by the GDPP.

KPI has been achieved the target as follows:

1. Training programs on procurement for new officials of GDPP and officials of related institutions are prepared.
2. Draft guideline on final procurement monitor is reviewed.
3. PPMIS system is studied to identify the gaps so that it can be complied with the Procurement and Contract Management Function in FMIS system.

Meanwhile, some indicators have not been fully achieved as follows:

1. Announcement on Bidding, Annual Procurement Plan, and Announcement on Contract Award is disseminated on the website of the general department. This indicator achieves 90% of the target because few institutions do not send the announcement on bidding and contract awards to the general department.
2. Draft Sub-decree on Procedure of Complaint Filings and Resolution and Procurement Dispute is approved by MEF (80%).
3. Prakas on Precondition of Bidders (60%), Prakas on Categorization of Bidders (60%), Prakas on Procurement Procedure for Goods, Construction, Service and Consultation (80%), Prakas on Registering, Clearing, and Publishing of the list of blacklisted bidder (60%), Prakas on Contract Management (60%).¹²
4. The first draft of New Prakas on Standard Bidding Document is prepared (40%).
5. Training program on the Procurement Related Regulation for official of GDPP and other related institutions is prepared. This indicator achieves 80% of the targets because the GDPP can just prepare the training program for certain institutions.
6. Public Procurement Management Information System is prepared. This activity requires the accomplishment of 8 modules of the PPMIS, but there is only one module that achieves 20% of the target. It is related to the Procurement Plan. Currently, the GDPP is studying and working with the Information Technology Department of the MEF to continue the work.
7. Procurement team of 31 budget entities have knowledge and understanding of principles, rules, methods and procedure of procurement (0%).

¹² This indicator has been achieves only 62% of the target because the general department is obliged to prepare other circulars and prakas to strengthen the procurement so that it is consistent with the program budget.

Conclusively, the GDPP should review the action plan, especially the key performance indicators, and should prioritize the work to ensure the effectiveness of the public procurement system reform to reach the international best practice.

Activity 14.3. Preparing quarterly expenditure plan more accurately achieves 100% of the targets, and is implemented by the GDB.

KPIs have been achieved the targets as follows:

1. Quarterly expenditure program of line ministries is disseminated to all line ministries.
2. Rules and procedures for the formulation and execution of the quarterly/annual revenue-expenditure program is prepared.
3. Worksheet based revenue-expenditure program is prepared.

Conclusively, the performance progress is up to 83% for the first part, but to get better achievement, there are some important tasks to do. They include, but not limited to, the formulation of fiscal revenue and non-tax revenue forecasting model, the formulation and execution of revenue-expenditure program, the cash management, the harmonization of the IRRPP and the SOP/PM, and the preparation of public procurement management information system.

2.3.2 Part 2: Strengthened Financial Accountability

Strengthened financial accountability refers to the accountability for systematic preparation and procedure of budget and financial management in accordance with rules and principle of public financial management. To ensure financial accountability, monitoring system, recording and reporting preparation more efficient and timely which is an important target of stage 2.

Further strengthening financial accountability means that LMs must account to the government as it is an important task in the budget execution and financial aspects; they must be achieved and further continued to stage 3 while strengthening budget creditability is moving to a sustainable and stable. Meanwhile, further strengthening financial accountability is the major objective in the stage 3 which focuses on, 21. Strengthening new budget classification and chart of accounts, 22. Strengthening and improving implementation of new budget execution system and new business process, 23. Strengthen implementation of new accounting, system, recording, reporting and transparency system, and 24. Strengthening implementation of equipment's and mechanisms for extending responsibility and accountability (control system).

The part 2 “further strengthening financial accountability” achieved 71% which composed of 4 objectives and 14 main activities. It is implemented by 7 entities, GDB, GDNT, GDSNAF, GS-MEF, GID, GDSPNTR, GDEFPF and FMWG.

Description	Progress 2015	Progress 2016	Justification
Part 2	83%	71%	In 2015, the CAP2 NEW, part 2 composed of 6 objectives; whereas in 2016, part 2 of CAP3 composed only 4 objectives; meaning that it is not comparable. However, in 2016, FMIS phase1 is implemented and FMIS blue print is prepared.
Objective 21	80%	97%	
Objective 22	84%	62%	
Objective 23	64%	69%	
Objective 24	83%	63%	

Objective 21. Strengthening implementation of new budget classification and chart of accounts

Implementing new budget classification and chart of accounts was further revised to ensure the consistency and implementation with international standard classification; meanwhile, 7 budget classifications was fully implemented (geography, operational unit and administration, program, economy, function, fund, and project) to ensure the comprehensiveness of information and analysis for budget allocation.

This objective composed only a single main activity 22.1 Further improving new budget classification and chart of accounts (geography, operational unit and administration, program, and economy) and expansion for three more classifications (function, source of funds, and project). It is implemented by GDB, GDNT, GDSNAF and FMWG as prepared action plan and achieved as below:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 21	62%	92%	82%	97%	97%
21.1	62%	92%	82%	97%	97%

Activity 21.1. Further improving new budget classification and chart of accounts (geography, operational unit and administration, program, and economy) and expansion for three more classifications (function, source of funds, project) achieves 97%, and implemented by GDB, GDNT, GDSNAF and FMWG.

KPIs have been achieved the targets as follows:

1. Economic classification was reviewed and monitored for revision (prepared report on the economic classification specified sub-account 21041, 21042, 61053, 61055, 61103, 6204 and 62028).
2. Program and geography classification has been reviewed but there is no revision on program classification.
3. Annex for operation and administration classification was finalized.
4. Chart of account is prepared to align with FMS and Prakas 913 MEF, 1897 MEF, 1922 MEF was revised.
5. Chart of Account for 7 public administrative entities among 30 was prepared and continued to prepare the remaining.

Unachieved indicators against targets:

1. Economic classification of the sub-national administration has been reviewed, revised and implemented (75%) and the discussion is on-going with relevant GDs.
2. Code of budget classification was prepared and put into FMIS but the concept of program classification is being improved due to some LMs just submitted to Budget Formulation Department for consolidating at the end of December 2016 and the beginning of January 2017 and finalized during January 2017. Whereas, accounting classification of new chart of account 2017 was prepared and approved and put into the FMIS (95%).

However, constraints in the implementation such (1) There was a lack of coordination and cooperation among the cross-cutting activities; specially, there was no coordination mechanism (e.g. preparing function classification required both GDB and GDNT to coordinate with each other), GDB has prepared the annex but not endorsed yet (2) the budget classification of sub-national administration required expertise to finalize while the capacity of GDSNAF is limited.

Objective 22. Strengthening the implementation of new budget execution system and business process

Strengthening the implementation of new budget execution system and business process is to further reduction of time for requesting commitment and payment by each line ministry and revise operational process in MEF through strengthening new budget execution system with regard to maximize understanding, ownership, participation and FMIS capacity both MEF and LMs and sub national administration.

This objective achieved 62% and is implemented by: GDB, GDNT, GS-MEF, GDEFPF, and FMWG. This objective consists of 5 main activities such as 22.1 Further reduced time-frame

in requesting letter of commitment and payment by each line ministry, 22.2 Revise operational process in MEF and line ministry in accordance with evolution of chart of accounts and accounting standard, and daily bank account verification, 22.3 Maximize understanding, ownership, participation and FMIS capacity both MEF and LMs and sub-national level, and 22.4 Building capacity for FMIS management including MEF, Line-Ministry and sub national, and 22.5 Pilot first phase and expand FMIS implementation (core module and budget module and roll out to LMs).

Part2	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 22	63%	84%	53.50%	52%	62%
22.1	100%	77%	52.50%	70%	66%
22.2	25%	95%	65%	73%	73%
22.3	63%	90%	83%	35%	59%
22.4	30%	100%	67.50%	65%	67%
22.5	73%	84%	53.50%	36%	54%

Activity 22.1: Further reduced time-frame in requesting letter of commitment and payment by each line ministry. It has been achieved 66% and implemented by GDB, GDNT and GS-MEF.

KPIs have been achieved the targets as follows:

1. One window service framework was studied and implemented in the Financial Affairs Department.
2. Policy document on the development of Public-Private Partnership mechanism for managing public investment 2016-2020 was approved by Prime Minister on 22nd June 2016, and presented to Council of Minister Meeting on 23rd September 2016, 1st Draft on Procurement Procedures for Public-Private Partnership Mechanism was revised and consulted on October 2016, 1st Draft on project selection procedures was revised and consulted on October 2016, and 1st Draft fund development management procedures was revised and consulted in October 2016.
3. Documentation in One Window Service at Investment Department and Financial Affairs Department was implemented.

Unachieved indicators against target was, “One Window Service was approved, disseminated, and implemented” (15%)¹³.

¹³ GS MEF

Despite few indicators achieved as target, relevant GDs on transferring KIT to FMIS implementation should fasten in solving the remained issues; meanwhile, the One-Window Service also required relevant GDs to strengthen as this tasks related in the near future; or those GDs can request for the coordination from GSC.

Activity 22.2. Revise operational process in MEF and line ministries in accordance with evolution of chart of accounts and accounting standard, and daily bank account verification has achieved 73%. This main activity implemented by GDNT.

KPIs have been achieved the targets as follows:

1. Budget execution procedures was updated for training at the sub-national administration.
2. Accounting process of sub-national administration including municipal, provincial was conducted a field review and monthly meeting across the country.

Unachieved indicators against target is, “Rule and Regulation on Fixed Asset Threshold for budget execution complied with accounting standard was prepared and disseminated” (20%).

22.3. Maximize understanding, ownership, participation and FMIS capacity both MEF and line ministry and sub-national has achieved 59% and is implemented by FMWG.

100% achievement against annual indicator is “communication plan, dissemination, raising awareness and supporting to FMIS was prepared”.

Unachieved indicators against target:

1. Ownership on FMIS to provincial treasury was strengthened and expanded (30%).
2. Ownership on FMIS to LMs was strengthened and expanded (20%).
3. Awareness on FMIS through media such Video Clip, TV, and Newspaper was expanded (85%).

Activity 22.4. Building capacity for FMIS management including MEF, Line-Ministry and sub national has achieved 67% and is implemented by FMWG.

100% achieved against annual indicator as follows:

1. 03 years FMIS capacity development plan for management implementation was prepared.
2. 25 officers from ITD received additional training on IT.
3. 50 officers from ITD received additional training on Oracle PeopleSoft (FMIS), 10 ITD officers received knowledge on Oracle PeopleSoft Financial, 20 additional Financial Affairs 25 ITD officers received training on soft skill in order to strengthen leadership and management (35%).

Unachieved indicators against targets as follows:

1. 20 ITD officers received training on finance and public accounting skill (35%)
2. Officers attached to LMs and 25 provincial departments of economy and finance received training on Oracle PeopleSoft (FMIS).

Activity 22.5. Pilot first phase and expand FMIS implementation (core module and budget module and roll out to LMs) achieved 54% and implemented by FMWG. Despite achieving 54%, it does not mean there was no achieved indicator. The results reflected the needs to strengthen and improve in 2016 on the leader and management role, and selecting key GDs and LMs to implement FMIS.

100% achieved against annual targets as follows:

1. Mechanism ensuring the implementation of FMIS and security was strengthened and approved by MEF senior management. Specially, management structure of FMIS phase 2 was revised in order to expand the implementation to provincial department of economy and finance.
2. FMIS Phase 1 was endorsed to implement the new business process in relevant GDs under MEF and all provincial treasuries
3. FMIS management within ITD is being transferred as some remained technical works continuing to April 2016 mainly on Producing report (Business Intelligence) from FMIS.
4. FMIS blue print phase 2 has been prepared.
5. New payment madate format aligning to the program budgeting and new budget classification was implemented, law and legal documents impacted to the budget execution and management in the reform and FMIS context was compiled, budget execution report for LMs and sub-national was compiled and revised.

Unachieved indicators against targets as follows:

1. Current business process for 2 big ministries is compiled (10%).
2. Current business process in accordance with best practices for 5 provincial departments of economy and finance is compiled (0%).
3. Current business process of FMIS in accordance with best practices for MEF and provincial departments was prepared (0%).
4. Draft on technical and functional needs for FMIS phase 2, stage 1 is prepared; software and hardware contracts supplies for FMIS phase 2, stage 1 is implemented (20%).
5. Location for data center and data back-up center that supported to the expansion of FMIS and integration of relevant systems for public financial management of MEF was set (number of users and authorize to use FMIS phase 2, stage 1 was set), implementation project plan with supplier of FMIS phase 2, stage 1 was constructed according to new business process phase 2, stage 1(15%).

Challenges:

1. Changing plan and structures impacted to the implementation process on activity and caused the delay the GDAP3 implementation.
2. Cooperation and collaboration among relevant GDs to implement One-Window Service and implement FMIS still limited.

Even though some indicators achieved targets, FMWG should continue to work with relevant GDs to strengthen and disseminate FMIS phase 2 and current and future business process related the system; specifically phase 1 and phase 2.

Objective 23. Strengthening implementation of new accounting, recording, report and transparency system

Strengthening implementation of new accounting, recording, reporting and transparency system will certainly focus on wide range of program budgeting implementation in accordance with International Public Sector Accounting Standards (IPSAS), accrual account, expansion of FMIS uses, regularly registration and updating of state property following to accuracy and appropriateness.

KPI of this objective, new accounting, recording, report and transparency system, has achieved 69%. This objective composed of 4 main activities, including 23.1 Prepare IPSAS and implement step by step with regard to link to expansion of FMIS uses and establish the option for implementation as the following step to accrual accounting, 23.2 Revise reporting format of budget execution to be submitted to the council of the minister and legislative institution, 23.3 Revise reporting format and information exchange with public, 23.4 Implement mechanism with regard to complete state fiscal property registration and daily updating.

This objective implemented by GDNT, GDEFPF, General Department of Sub-National and Financial Administration (GDSNAF), GDB, GDSPNTR, and GS-MEF.

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 23	76%	76%	61%	78%	69%
23.1	90%	68%	35%	85%	85%
23.2	60%	84%	84%	90%	97%
23.3	75%	96%	100%	80%	69%
23.4	78%	55%	26%	63%	39%

Activity 23.1. Prepare IPSAS and implement step by step with regard to link to expansion of FMIS uses and establish the option for implementation as the following step to accrual account execution. This main activity achieved 90% and implemented by GDNT and FMWG.

100% achieved against annual indicator as follows:

1. (1st) Prakas on expense procedures through petty cash for public administrative enterprises was prepared by 29th November 2016, (2nd) Prakas on the implementation of guideline for general accounting process, petty cash accountant, revenue accountant for public administrative enterprises was prepared by 29th November 2016, and (3rd) Training on accounting process, advance petty cash, revenue accountant and general accountant to petty cash staff, petty revenue, financial management staff, and account for public administrative entities was conducted at GDNT by 16th, 26th and 28th December 2016.

Unachieved indicators against targets:

1. Circular on accounting entry on petty cash for national and sub-national administration was prepared (90%)
2. Accrual accounting was studied on challenges and approaching to implement step by step (80%)
3. Cash Basis IPSAS reporting was revised (70%)¹⁴.

This main activity of objective 23, GDNT made a good progress even the scores just 57% due to the preparation of IPSAS was a cross-cutting tasks with relevant GDs in which it needs to ensure the public accounting standard aligning to IPSAS and was prepared in the stage 3 of PFM.

Activity 23.2. Revise reporting format of budget execution, which has submitted to the council of the minister and legislative institution. This main activity has achieved 97% and is implemented by GDNT and GDB.

100% achieved against annual indicator:

1. Mid-year table format of revenue and expenditure data was revised.
2. Mid-year budget execution report format was revised aligning to regional and international standard.

Unachieved indicator against target:

¹⁴ According to the law on accounting and auditing approved by 14th April 2016, article 2 stated that National Accounting Council (NAC) must prepare the legal framework for accounting standard, auditing standard and ethic for the accountant professional and auditors; and need to align with the international standard but reflected with current Cambodia practices; meaning the NAC must prepare the public accounting aligned with IPSAS and involved by GDNT.

1. Annual Budget Settlement Law was prepared and submitted to the Council of Ministers (90%). GDNT has consolidated on the revenue and expenditure 2016 figures and also put into the annex for 11 months in 2016 in order to prepare the Resettlement Law 2016, Resettlement Law 2015 was approved by national assembly on 07th December 2016 and reviewed and finalized by Senate on 19th December 2016. For 2016 budget, the revenue-expenditure figures are consolidating and preparing the annex for budget settlement law 2016 on time to align with Financial Management law 2018.

Activity 23.3. Revise reporting format and information exchange with public. This main activity achieved 69% and implemented by GDNT, GDEPPF, GDB and GDSNAF.

100% achieved against annual targets as follows:

1. Monthly Financial and Economic Report (TOFE) was disseminated regularly to MEF website.
2. Mid-year budget execution report was disseminated to MEF website.
3. Budget information for preparing budget in brief of budget law was compiled and budget in brief of in-year budget has been prepared and published on MEF's website no more than 2 weeks.

Unachieved indicators against targets:

1. In-year budget execution report of MEF was disseminated to MEF website (50%). This task will finalize by Q1 2017.
2. Exchange of financial inspection and inspection attached to LMs was studied and prepared (0%)¹⁵

Activity 23.4. Implement mechanism with regard to complete state fiscal property registration and daily updating. This main activity achieved 39% and implemented by GDNT, GS-MEF and GDSPNTR.

100% achieved against annual indicator as follows:

1. Draft Sub-decree of State Property Management has been submitted to the Council of Minister (80%).
2. National state property figures were recorded and updated (0%).
3. Legal consultation sub-decree on procedures preparing the state property was provided, and progress report on legal consultation was prepared and submitted to senior management by monthly and annually (30%).
4. Action plan of 3 years rolling-plan on legal consultation on rule and regulation on state property listing and updating was prepared and submitted to senior management.

¹⁵ due to there was an internal restructured leading to the delay of PFM action

5. Implementation procedures to manage the state property was studied and ready for FMIS phase 2 such Asset Management (5%), due to not clear on source of fund for FMIS project phase 2.

Objective 24. Strengthening the implementation of instrument and mechanism to enhance responsibility and accountability (control system)

Strengthening the implementation of instrument and mechanism to enhance responsibility and accountability which necessary focuses on responsibility to motivation and strict measure for mistakes or public resources management in appropriately and ineffective especially accountability maximization in existing control mechanism implementation.

This objective has achieved 63% and is supported by 4 main activities, including 24.1 Establish administrative punishment in accordance with mistakes or public resource management not appropriate and efficiency; moreover, this punishment stated in legal regulatory and dissemination and widely introduction (32%), 24.2. Updating and provide authorities and flexibilities to budget entities (91%), 24.3 Review the implementation of authorities and flexibilities that provided as basis to expand the authorities and flexibilities (40%) and 24.4 Prepare and implement budget execution progress report format by quarter, semester and annual (92%). This objective implemented by GDB, GDNT, General Department of Sub national and Financial Administration, GS-MEF

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 24	70%	77%	56%	60%	63%
24.1	100 %	40%	30 %	33%	32%
24.2	0%	100%	90%	100%	91%
24.3	0%	0 %	0%	0%	40%
24.4	100%	76%	100%	100%	92%

Activity 24.1. Establish administrative punishment in accordance with mistakes or public resource management not appropriate and efficiency; moreover, this punishment stated in legal regulatory and dissemination and widely introduction has achieved 32% and is implemented by GDNT, GS-MEF, and General Inspectorate Department (GDI).

100% achieved against annual targets as follows:

Relevant legal documents have been prepared and implemented (97%). Guideline on the officers and contracted officers' attendance management of GDNT and submitted to senior management for a signature, disseminated, monitored and strengthened both GDNT and provincial treasuries.

1. Relevant legal documents and rules for administrative sanction in public finance sector was prepared and implemented (0%).
2. Guideline, relevant legal documents and administrative sanction has been compiled.

Activity 24.2. Updating and provide authorities and flexibilities to budget entities. This main activity has achieved 91% and is implemented by GDB.

100% achieved against annual targets:

1. Budget entity of LMs have been reviewed and implemented.
2. Budget entity was received more authority.
3. A provision of authority to budget entity not delegated authorizers is the authorize uses of petty cash to buy direct from company, authority of financial officer was revised, internal guideline and procedure to budget execution within LMs was revised and prepared.
4. Budget entity of Ministry of Civil Service, Ministry of Foreign Affairs and International Cooperation, Ministry of Economy and Finance and provincial department of economy and finance, Ministry of Cults and Religions, Ministry of Information, Ministry of Culture and Fine Arts, Ministry of Post and Telecom, and Ministry of Rural Development. Have been trained

Unachieved indicators against targets:

1. Guideline on the implementation of budget entity was updated and endorsed (90%).
2. Prakas on authorize framework and accountability of budget entity was prepared and approved (50%).

Activity 24.3. Review the implementation of authorities and flexibilities that provided as basis to expand the authorities and flexibilities has achieved 91% and is implemented by GID and GDB.

100% achieved against annual targets:

1. Draft report on budget entities monitoring to strengthen on the revision of financial inspection within budget entities of LMs to ensure the revision of authorities and flexibilities was consulted and compiled.
2. Report and recommendations of the authority implementation was studied and prepared (80%) (Prakas 1282 MEF dated 17th October 2016 on Authority, Accountability, and Procedure to implemented program budgeting in budget entity was endorsed; and recommendations was prepared and implemented.)

This main activity was given priority to ensure the effective used of authority and flexibility as basis to strengthen the provision of authority and flexibility for budget entity.

Activity 24.4. Prepare and implement budget execution progress report format by quarter, semester and annual. This main activity achieved 92% and is implemented by GDB.

100% achieved against annual targets:

1. Budget execution report format (financial report) was revised by quarterly, semester, and annually, and the performance report for semester and annual was revised.
2. Quarterly program budget proposal format was revised.
3. Transferring reporting format was revised.
4. Budget execution report by quarterly and/or semester and annual (program or non-program) at the national level was prepared and implemented.
5. Budget execution of chapter 21 (direct investment) was prepared by quarterly.

Unachieved indicators against target:

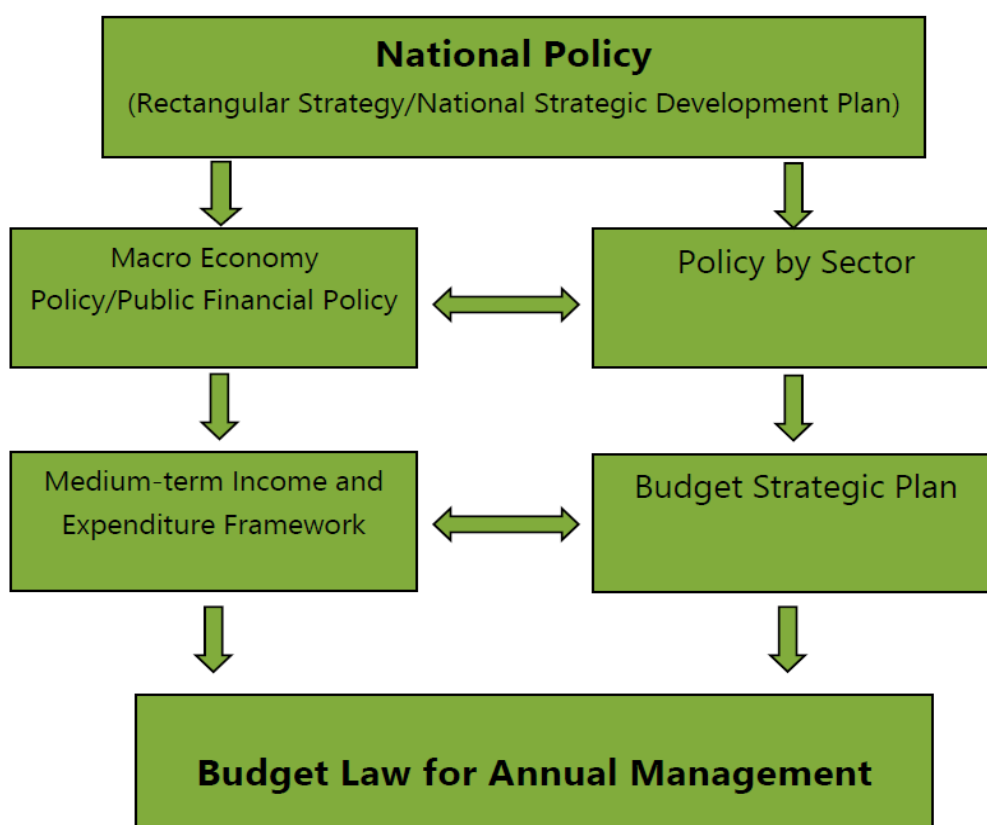
1. Guideline 005 MEF was updated for internal use (50%).

Annual progress by percentage (%) indicated 64%; this required relevant GDs implementing the objective and main activity should strengthen the implementation of KPIs as they are core elements to support the GDs' PFM reform and the next stage. Therefore, appropriated administrative sanctions for mistakes or public resources management, strengthening the budget entities by providing full authorities and flexibilities as basis to support the expansion of program budgeting as well the current and further business process of the system should be further strengthened and monitored.

2.3.3 Part 3: Budget-Policy Linkage

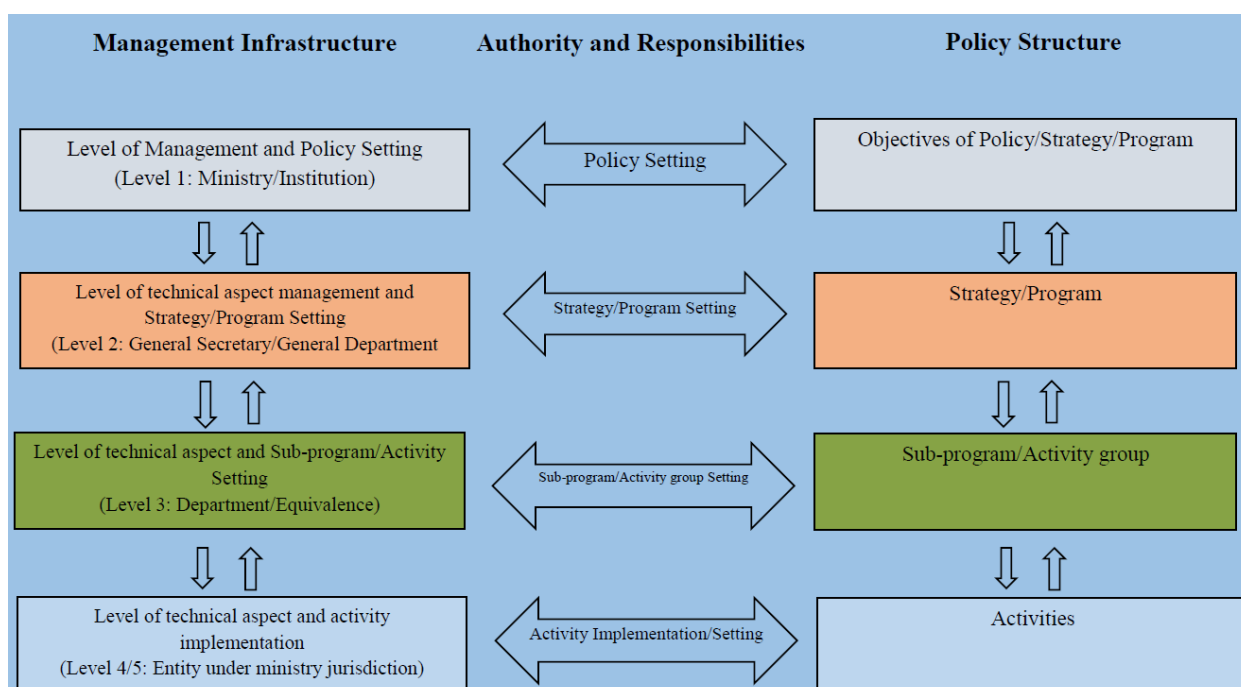
Budget-policy linkage plays an importance role in the stage 3 of Public Financial Management Reform Program-Stage 3. Efficiency and effectiveness program budget is required all line ministries to set clear policy objectives, programs and subprograms in accordance with government rectangular strategy and national strategic development plan. With this regard, MEF has developed medium-term budget framework for setting budget ceiling on sectors and on each line ministry. Also, line ministries should be more focus on preparation and improvement of their budget strategic plan and annual program budget. Part 3 is given priorities on (1) medium-term budget framework, (2) budget strategic plan, and (3) program budgeting and budget entities of line ministries at both national and sub-national level as shown diagram 4 and 5.

Diagram 4: The relationship of national policy, sector policy, medium-term budget framework and annual budget.



Source: Concept note on the strategic goal of Cambodian budget system reform 2013-2020

Diagram 5: The relationship of management structure, policy structure and authority



Source: Concept note on the strategic goal of Cambodian budget system reform 2013-2020

This part has 6 objectives namely 31. Strengthening and Expanding Program Budgeting Implementation, 32. Preparing comprehensive budget and budget integration, 33. Preparing and Implementing Line Accountability System, 34. Strengthening Policy Preparation and Public Financial Planning, 35. Preparing Control System, and 36. Strengthening Fiscal Decentralization Policy Implementation. The 6 objectives of part 3 consist of 23 activities, which are implemented by 7 GDs of MEF, GDB, GDNT, GDEPFP, GDSNAF, GDICDM, GID, General Department of Internal Audit (GDIA) and GS-MEF. The result of part 3 performance evaluation of public financial reform program for 2016 has been shown as follows:

Description	2015	2016	Progress
Part 3	79%	92%	Program Budget has been implemented for all line ministry by 2018 and for sub-national administrations by 2020.
Objective 31	96%	93%	
Objective 32	-	100%	
Objective 33	60%	100%	
Objective 34	76%	91%	
Objective 35	-	91%	
Objective 36	83%	80%	

Objective 31. Strengthening and expanding program budgeting implementation

Program budgeting implementation is a tool used to link the budget with policy of government rectangular strategy and national strategic development plan. Strengthening and expanding program budgeting implementation must be given top priority and required clear action plan so that implementation of program budget can fully achieve.

The objective has 3 activities including, 31.1 reviewing and improving the implementation of program budgeting, 31.2 Developing Strategies to Expand Program Budgeting, and 31.3 Implementing the Training and Capacity Development Plan for the Program Budgeting. There are 4 relevant GDs such as GDB, GDNT, GID and GS-MEF and the result has been shown as follows:

Description	Progress				
	Q1	Q2	Q3	Q4	2016
Objective 31	93%	100%	97%	92%	93%
31.1	83%	100%	93%	97%	91%
31.2	100%	100%	100%	100%	100%
31.3	100%	100%	100%	83%	92%

Activity 31.1. Reviewing and Improving the Implementation of Program Budgeting achieved 91% and is implemented by GDB, GDNT, GDI and GS-MEF.

KPIs have been achieved as targets:

1. Ministerial implementation program budgeting have been strengthened (MEF, Ministry of Land Management, Urban Planning and Construction, Ministry of Environment, and Ministry of Water Resources and Meteorology).
2. Guideline on program budget formulation and implementation has been disseminated to all PB ministries (both national and provincial).
3. Troubleshooting of program budget implementation at line ministries (Ministry of Education Youth and Sport, Ministry of Foreign Affair and International Cooperation and Ministry of Environment) has been reviewed and solved by troubleshooting working group of GDB.
4. Report on “Program Budgeting Review” has been done and submitted to ministerial management team for review.¹⁶
5. Implementation of inspection actions have been followed up for 194 budget entities of LMs.¹⁷

KPIs have not been achieved as targets:

1. Guideline on preparation of sector program budgeting have been revised (80%) but it is on the process of revision as needed.
2. Circular on method of annual program budget negotiation within MEF has been prepared (0%).¹⁸

Activity 31.2. Developing Strategies to Expand Program Budgeting got 100% and is implemented by only GDB.

¹⁶ It is implemented by GDNT

¹⁷ It is implemented by GID

¹⁸ It is implemented by GS-MEF

KPIs have been achieved the targets as follows:

1. Formulation and implementation of PB expansion strategy, in which 11 more line ministries have been set to implementation PB in 2017.
2. Training on guideline on PB preparation has been updated.
3. 11 line ministries in 2017 and other 3 line ministries in 2018 have been set for full-pilot PB implementation.

Activity 31.3 Implementing the Training and Capacity Development Plan for the Program Budgeting achieves 92% and is implemented by GDB, GDNT, GDI, and GS-MEF.

KIPs have been achieved the targets as follows:

1. Officials of line ministries and provincial departments which will implement PB soon such as Ministry of culture and Fine Arts, Ministry of Post and Communication and Ministry of Foreign Affairs and International Cooperation have been trained by GDB.
2. Financial Controllers have been trained twice on plan-program preparation and implementation in November 2016.
3. Trainers of GDNT have regularly cooperated with Economy and Finance Institute in order to train officials at line ministries on procedure on PB implementation which focused on procedure on expense petty cash, procedure on revenue collection, revenue petty cash management and recording transactions related PB implementation, and especially have trained officials from economy and finance provincial departments and provincial treasuries who plays important role in boosting PB implementation.
4. Training on preparation of by-program revenue, expense and petty cash reports has been prepared for local and central finance officials.

However, there is only unachieved indicator, which 20 officials of Budget Formulation Department have trained (50%) because only 8 officials got training on PB monitoring from Idea School of Canada.

The objective 31 has its own specific challenges: GDs is still not considering the main actions as their priority work, for example evaluation of PB ministries and guideline on sector program budgeting. Moreover, capacity building plan for implementation of PB is not clear which can become a risk for implementation of PB at line ministries.

Objective 32. Developing Comprehensive Budget and Budget Integration

Developing comprehensive budget refers to full program budget which reflects revenues from all kinds of sources. Annual budget law preparation should include all expense and revenue transactions and integration of capital and current budget should be done.

This objective consists of 2 activities including 32.1 developing policy on the current and capital budget integration through MTEF, BSP and PB and 32.2 Incorporating off-budget expenditure and revenue into the annual budget including development partner's budget. While as GDB and GDICDM have their activities to support and have achieved as follows:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 32	100%	100%	100%	100%	100%
32.1	100%	100%	100%	100%	100%
32.2	No Action	100%	100%	100%	100%

Activity 32.1. Developing Policy on the Current and Capital Budget Integration through MTEF, BSP and PB got 100% and is implemented by GDB.

KPIs have been achieved the targets as follows:

1. Guideline and Annex table on annual budget strategic plan preparation have been reviewed and updated according to implementation.
2. Integration of investment (Chapter 21), repair and maintenance expenditure (Chapter 61) framework into medium term expenditure framework (MTEF) and annual budget have been made.

Activity 32.2. Incorporating Off-budget Expenditure and Revenue into the Annual Budget including Development Partner's Budget achieves 100% and is implemented by GDICDM.

Performance Achievement got 100% in compare with annual target indicator: Notice to project implementation agencies for preparation and implementation of budget classification of new chart of accounts (COA) for project/ financing program of development partners.

The objective 32 also has its specific challenge which is Action preparation for supporting to some activities in this objective seems not to be considered more comprehensive with regard to achievement performance indicators of those activities.

Objective 33. Developing and Implementing Line Accountability System (between legislative and Executive, between MEF and LMs, and within LMs)

When program budgeting was widely implemented and budget entities have been given more power and responsibility, accountability line system has been clearly identified between legislative and executive body, between MEF and line ministries, and within line ministries. In this regard, line ministries implementing program budget have to clearly identify responsibility of those who work directly, and expand the implementation of budget transfer in central

administration as well as local administration in accordance with principles of program budgeting preparation and execution.

This objective consists of 3 activities, including 33.1 Reviewing and amending laws and legal regulations within framework for public financial management of the government in context of program budgeting implementation, 33.2 Clearly identifying line of accountability in order to prepare public investment program to be consistent with annual budget (clearly define responsibilities between LMs, including MEF, Ministry of Planning, and CDC), 33.3 Updating and disseminating procedure and guideline detailing the empowerment and responsibilities for budget entities and budget managers, and 33.4 Revising institutional structure to be in line with new business process system including functional revision and responsibility of financial controllers who are appointed to work closely at LMs. Meanwhile, there are 03 entities: GDB, GDNT and GS-MEF which have implemented supporting actions and achieved the result as follows:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 33	100%	100%	100%	100%	100%
33.1	100%	100%	No action	100%	100%
33.2	No action	No action	No action	No action	100%
33.3	No action	No action	No action	100%	100%
33.4	100%	100%	No action	No action	100%

Activity 33.1. Reviewing and amending laws and legal regulations within framework for public financial management of the government in context of program budgeting implementation has achieved 100% and is implemented by GDB and GS-MEF.

KPIs have been achieved targets as follows:

1. Report on revising and request for updating introductory guideline on program budgeting procedure and other legal document relating to program budgeting has been prepared.¹⁹
2. Prakas No. 337 MEF.BrK dated on 31 March 2016 on procedure of budget expenditure for urgent maintenance under the jurisdiction of Ministry of Rural Development was prepared.²⁰

¹⁹ It is implemented by General Secretariat- MEF.

²⁰ It is implemented by General Secretariat- MEF.

3. Guideline on program budgeting procedure has been updated.²¹
4. Prakas procedure and process of budget expenditure for urgent maintenance cost under the jurisdiction of Ministry of Rural Development was amended.²²

Activity 33.2. Clearly identifying line of accountability in order to prepare public investment program to be consistent with annual budget (clearly define responsibilities between LMs, including MEF, Ministry of Planning, and CDC).

There are no any general department that developed any action to support this activity.

Activity 33.3. Updating and disseminating procedure and guideline detailing the empowerment and responsibilities for budget entities and budget managers is implemented by GDB.

Performance progress achieved 100% comparable to annual target indicator which is that guideline detailing the empowerment and responsibilities for budget entities and budget managers has been updated and disseminated.²³

Activity 33.4. Revising institutional structure to be in line with new business process system including functional revision and responsibility of financial controllers who are appointed to work closely at line-ministry is implemented by GDB.

Performance progress achieved 100% comparable to annual target indicator which is that functions and responsibilities of financial controller who are appointed to work closely at line ministries, have been revised.

Objective 33 has remarkable challenges because a system of recording all expenses of budget entities at PB implementing ministries seems not to be clear.

Objective 34. Strengthening development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)²⁴

Policy development and public financial plans have required sufficient capability to analyze macroeconomic framework context, to correct policy and to develop medium-term budget framework for the basis of medium-term revenue and expenditure framework both formulation and execution division and of ceiling for sectorial or line-ministerial budget, and to continue to implement policy with regard to maximizing employment growth, equity and effectiveness.

²¹ It is implemented by GDB.

²² It is implemented by GDB.

²³ It is implemented by GS-MEF.

²⁴ It is implemented by GDEFPF

This objective consists of 3 activities including 34.1. Strengthening capacity to develop and increase effectiveness and efficiency of macro-economic policy framework; Activity 34.2: Strengthening capacity to develop and expand effectiveness and efficiency of medium term revenue and expenditure framework; Activity 34.3: Strengthening capacity to analyze and forecast economic and financial conditions. With this regard, this objective achieved as follows:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 34	58%	59%	85%	92%	91%
Activity 34.1	100%	No action	70%	No action	85%
Activity 34.2	0%	25%	No action	93%	99%
Activity 34.3	94%	63%	80%	83%	87%

Activity 34.1. Strengthening capacity to develop and increase effectiveness and efficiency of macro-economic policy framework has achieved 85% of the targets and is implemented by GDEFPF.

Performance progress achieved 100% comparable to annual target indicator which is that macro-economic framework has been achieved.

Meanwhile, macro-economic policy framework indicator has not been fully revised (70%). The reason why the indicator doesn't achieve is that (1) shortage and on-time of monthly data for some indicators especially agriculture sector is the reason why the working group cannot use this model to potentially forecast in this sub-sector and other sub-sectors to be more consistent and comprehensive, and (2) meanwhile, the variation of forecasting requires working group to further analyze and study the possibility of indicator revision, which is used to increase forecasting accuracy.

Activity 34.2. Strengthening capacity to develop and increase effectiveness and efficiency of medium term revenue and expenditure framework (MTEF) has achieved 99%.

KPIs have been achieved the targets as follows:

1. Concept Note of MTEF preparation has been prepared by showing linkages between national policies and ministerial budget strategy plan.
2. Zero-Draft MTEF 2018-2020 (determining ceiling on sectorial budget in which there are some priority ministries) has been prepared.
3. Capacity to develop MTEF has been strengthened through oversee study tour at experienced country.

4. Capacity to analyze financing methodology for professional training has been strengthened.

Meanwhile, consultation workshop and mainstreaming on MTEF preparation process has been prepared for other relevant parties (97%). This preparation has been stretched because of human resource level and priority tasks.

Activity 34.3: Strengthening capacity to analyze and forecast economic and financial conditions has been achieved 87%.

KPIs have been achieved the targets as follows:

1. Financial Balance Sheet has been prepared and included in national government financial statistic (GFS).
2. Pilot-testing report on macro-economic model has been prepared and macro-economic forecasting model based on IMF sample has been updated and piloted.
3. Conceptual document on revision has been prepared and report on study of the existing document.
4. 06 officials have been trained overseas on tax policy analysis.

Meanwhile, indicators have not been achieved of the target as follows:

1. Internal training workshop on economic analysis and forecasting at MEF has been prepared (40%) and a number of officials have been participated overseas training on economic analysis and forecasting (50%).
2. Financial programming and policies (FPP) has been updated, format of FPP has been piloted (65%) and FPP format progress report on pilot-testing result has been corrected and revised (80%).
3. Necessary goods among prioritized goods, which required study on revising customs rate, has been determined by revenue collection equity base, side effect on customs revenue and policy (60%) and necessary goods evaluation report, which demanded to study customs rate revision, has been ended in phase 2 with regard to discussion (85%).
4. Report on discovering, determination and recommendation of relevant rules with trade restriction (per 2 cases) (90%); however, non-tax rule has been disseminated and consulted with relevant stakeholders (80%).
5. Report on the possibility of issuing and revising tax policy in Cambodia (30%).

Objective 35. Develop Control System

In Program Budgeting system, monitoring and evaluation system is critical and it demands a comprehensive legal framework to support the implementation of full program budgeting in all line ministries and agencies targeted by 2018. In this regard, Internal Audit has been created in all line ministries for supporting and improving institutional organization and functioning. At the same time, financial inspection has been improving.

This objective has 5 activities which are 35.1. Reviewing current internal control, inspection, audit and internal audit systems at all ministries and institutions, 35.2. Developing a new effective and efficient control system which is complementary and in line with the new context of management in LMs, 35.3. Improving control mechanism to ensure effective response to the result of the audit and inspection, 35.4. Developing and improving annual audit/inspection plan of LMs based on the criteria of risk assessment recommended by MEF and 35.5. Strengthening external audit. There are 3 entities, GID, GDIA and GS-MEF and get the results as follows:

Description	Progress				
	Q 1	Q2	Q3	Q4	2016
Objective 35	87%	82%	87%	90%	91%
35.1	100%	57%	85%	92%	86%
35.2.	82%	100%	87,5%	90%	87%
35.3	60%	76%	80%	80%	92%
35.4	90%	100%	83%	89%	93%
35.5	NAA	NAA	NAA	NAA	NAA

Activity 35.1. Reviewing current internal control, inspection, audit and internal audit systems at all ministries and institutions is responsible by GID and GDIA. This activity has achieved 86%.

The only one 100% achieved indicator is: Rule and regulations related to control system implementation in general administration sector and economic sector have been studied in order to create a consistent control system.

In another hand, unachieved indicators are as follows:

1. Audit task allocation procedure and audit program to be developed. This indicator has achieved 80% for the reason that GDIA has developed table of contents of the audit plan for 15 steps and developed procedure of audit plan for 6 steps only.
2. Recording the audit work and internal assignment quality review to be prepared and reviewed and improved for the improving procedure of the audit field work. This

indicator has achieved 80% for the reason that GDIA has developed table of contents of the audit work execution stage for 8 steps and developed procedure of audit plan for 4 steps only.

3. Procedure for communicating audit results to be reviewed and approved (85%).
4. Audit follow up forms to be prepared and approved for improving procedure of the audit follow up (85%).

Activity 35.2. Developing a new effective and efficient control system which is complementary and in line with the new context of management in LMs is responsible by GS-MEF, GID and GDIA. This activity has been achieved 87%.

100% Achieved indicators are known as follows:

1. Legal advice on new control system regulations to be achieved according to the plan. Legal council secretariat has provided legal advice, lead and coordinated preparation of draft sub decree related to management and implementation of financial inspection and, participated in preparing harmonization of financial inspection and internal audit functions in all LMs.
2. At least 80 sets of regulations and statistics to be collected and included in box cloud of data base for improving filing, regulations and statistics management of internal audit.
3. TOR for recruiting local and international consultant for developing a financial inspection standard to be prepared.

Also, there are 3 unachieved indicators as follows:

1. Some critical Table of the Annex for supporting audit work in GDT, General Department of Customs and Excise, GDNT, GDPP, provincial department of taxation, provincial department of custom and excise and provincial department of economy and finance to be reviewed improved and approved. This indicator has been achieved 90% for the reason that these tables of annexes have been prepared but not approved yet.
2. ICQ for salary expenses and petty cash for the central level to be prepared (90%).

Activity 35.3. Improving control mechanism to ensure effective response to the result of the audit and inspection is responsible by General Secretariat, General Inspectorate and General Department of Internal Audit. This activity has achieved 92%

Achieved indicators are as follows:

1. Audit recommendations mentioned in the audit report to be followed at least 20.
2. At least 8 Recommendations of the National Audit Authority to be followed. As the result, there are 12 LMs which have been followed.
3. Draft mechanism of financial inspection in central level, local level and, public entities, and private companies to be ready for the implementation.

4. Legal advice related to improving control mechanism has been provided.

On the other hand, there is one unachieved indicator which is quarterly and yearly progress report of legal advice related to improving control mechanism to be done. This indicator has been scored as 0% for the result.

Activity 35.4. Developing and improving annual audit/inspection plan of LMs based on the criteria of risk assessment recommended by MEF is responsible by General Inspectorate and General Department of Internal Audit. This activity has been achieved 93%.

There are two achieved indicators as follows:

1. At least 20 Audit plan and audit report of LMs to be controlled and advised. For the result, there are 21 units done.
2. At least 8 LMs to be audited on their internal audit effectiveness and efficiency. For the result, there are 15 LMs which have been audited.

The only one unachieved indicator for this activity is related to the preparation of internal audit procedure guideline to be done. This indicator has achieved only 80% for the reason that the guideline has not been approved and implemented as planned yet.

In conclusion, the result of the objective 35 implementation is acceptable and satisfied. There is no any high risk that needs urgent attention and solution. In 2016, there are also some unplanned activities that are critical to the reform of PFM which is the initiative on harmonization of financial inspection and internal audit functions in all line ministries. A task force lead by a secretary of state on this matter of harmonization mechanism has been created by Minister of Economy and Finance.

Objective 36. Strengthened implementation of fiscal decentralization policy²⁵

Fiscal decentralization policy refers to a policy that prescribes transferring financial resources from the national level to the sub national level in order to support the efficient and effective local development.

Public financial management includes national public finance and local public finance. Strengthening implementation of fiscal decentralization policy is the key for improving public financial management at the local level, a critical milestone of the National Program for Sub National Democratic Development which is one of the key three reforms of the Royal Government of Cambodia. The reason for that strengthening implementation of fiscal decentralization policy has been created as an objective in the Part 3 of the CAP3.

²⁵ This objective is in charge exclusively by the general department of sub national administration finance.

The objective 36 comprises 6 activities as following Activity 36.1. Review and implement medium and long term fiscal decentralization policy, Activity 36.2. Implement own source revenue collection of sub-national administration, Activity 36.3. Pilot and expand the Sub-National Investment Facility (SNIF), Activity 36.4. Review and implement guidelines on budget strategic plan for sub-national administrations, Activity 36.5. Develop and implement Conditional Grant and, Activity 36.6. Develop procedures and principles to implement full program budgeting and budget entities for sub-national administrations.

Description	Progress				
	Q 1	Q 2	Q 3	Q4	2016
Objective 36	80%	82%	60%	68%	80%
36.1	65%	57%	50%	41,5%	61%
36.2	100%	100%	60%	75%	75%
36.3	50%	76%	66%	77,5%	84%
36.4	100%	100%	No activity	100%	100%
36.5	80%	80%	65%	100%	91%
36.6	80%	83%	25%	33%	75%

Activity 36.1. Review and implement medium and long term fiscal decentralization policy has achieved 61%.

KPIs have not been achieved targets as following:

1. Policy paper on the medium and long term fiscal decentralization to be finalized in quarter 3. Actually, it's still a draft.
2. Guideline on the budget formulation and execution of the sub national administration to be disseminated efficiently: achieved 50% since the general department has only a draft guideline for district level.
3. Sub decree on year 2016 allowance for sub national administration council members to be prepared and finalized (50%).
4. Draft regulations related khum-sangkat financial management system to be discussed in NCDD meeting: achieved only 50% since the draft of the Sub Decree on Khum-Sangkat Financial System Management has been discussed only internally in the MEF.

Activity 36.2. Implement own source revenue collection of sub-national administration has achieved 75%.

In 2016, the indicator to be implemented is sub decree on own source revenue collection of sub national administration to be disseminated efficiently. This indicator has achieved only 75%

for the reason that the draft sub decree has been discussed with Ministry of Interior and NCDD secretariat and because there is a need of time to develop principle and Prakas on allocation of non-tax revenue of real estate for the Khan/Sangkat.

Activity 36.3. Pilot and expand the Sub-National Investment Facility (SNIF) has achieved 84%.

This activity has only one achieved indicator which is the SNIF Council Secretariat has been created.

On the other hand, there are 3 unachieved indicators as follows:

1. Study report and criteria for evaluating SNIF to be discussed with all stakeholders and approved for implementation: achieved only 80%.
2. Draft administrative formalities and procedures for requesting a SNIF fund to be approved: achieved 75%.
3. Draft guideline on SNIF operation to be approved for implementation: achieved 85%.
4. SNIF Evaluating criteria, administrative formalities and procedures for requesting fund and guideline on SNIF operation to be disseminated: achieved 70%.

Activity 36.4. Review and implement guidelines on budget strategic plan for sub-national administrations has achieved 100%

All the indicators supporting this activity have all achieved 100% as follows:

1. Guideline on preparation of sub national administration BSP to be disseminated.
2. Study report on BSP implementation expanding to district/khan/municipality level activities.

Activity 36.5. Develop and implement Conditional Grant has achieved 91%.

The only one unachieved indicator is review report on piloting grant transfer mechanism to be discussed with all stakeholders and submitted to the MEF top management for decision: achieved 75%.

Also, there are some unachieved indicators as following:

1. Sub decree on conditional financial grant transfer to be approved and implemented.
2. Some sub national administrations to be selected for piloting the conditional grant transfer.
3. Conditional grant transferred to Districts/Municipalities for implementing functional transfers of MoEYS, Ministry of Environment, Ministry of Health and Ministry of Rural Development.

Activity 36.6: Develop procedures and principles to implement full program budgeting and budget entities for sub-national administrations has achieved 75%.

3 KPIs have been achieved the targets as follows:

1. Principle and procedure of formulation and execution of program budgeting and budget entity for sub national administration to be approved and implemented.
2. Principle and procedure of formulation and execution of program budgeting and budget entity for sub national administration to be published and disseminated.
3. Six provincial councils to implement program budgeting and budget entity and training to be provided for the six provincial administration.

2 KPIs have been achieved as follows:

1. Legal advice on related regulations to be provided as requested: no progress since there is no request from related general departments.
2. Quarterly progress report of legal advice has not been prepared since there is no legal advice has been provided.

In conclusion, fiscal decentralization objective has not been strengthened in accordance with the action plan. However, GDSNAF should pay more attention to the remaining work such as finalizing Long-term and Medium-term fiscal decentralization policy framework and prioritizing preparation of budget system reform strategy for sub national administration in 2017.

2.3.4 Part 4: Performance Accountability

Readiness for next stage is to see the budget framework, accountability framework and audit framework based on performance link to expenditure of each program. The readiness for next stage has 4 objectives namely (1) establishing performance based budget framework (2) establishing performance based accountability framework (3) establishing performance based auditing framework and (4) preparing capacity development plan (including legislative bodies and the National Audit Authority).

Objective 41. Establishing performance based budgeting framework

This objective has 2 main activities such 41.1 Study and prepare core framework of performance based budgeting reached and 41.2 Consult on performance based budgeting guidelines (No action).

Objective 42. Establishing performance based accountability framework

The establishment of performance based accountability framework is to strengthen officers' performance and prepare a clear system to evaluate and maintaining the performance of reform. This objective has 2 main activities, namely (42.1) study and prepare core framework of performance based management-PBM and (42.2) consultation on performance based management framework).

Objective 43. Establishing performance based auditing framework

The performance based auditing framework refers to the independent evaluate program, function, process or the management of system and government procedure for evaluate the achievement of entities with effectiveness and efficiency resource usage. This objective consists of 2 main activities namely (43.1) study and prepare core framework of performance based auditing and (43.2) consult on principle of performance based auditing framework. However, the objective has not been implemented.

Objective 44. Preparing capacity building plan (including legislative bodies and the national audit authority)

The capacity building plan aims to strengthen and enhance the capacity of monitoring and performance based auditing. According to this, it will help budget implementation with transparency, economic, accountability, efficiency and effectiveness. This objective consists of 2 main activities, namely (44.1) the preparation of capacity development plan-CDP and (44.2) Consultation and improvement on capacity development plan and dissemination and implementation capacity development plan.

This part 4 was approved by the PFM Steering Committee with DPs to postpone and not assessed till the finalization of Budget System Reform Strategy 2017-2025 by GDB-MEF.

2.3.5 Part 5. Support the Successful and Sustainable to PFMRP implementation

Support the successful and sustainable to PFMRP Implementation refers to the active participation of all stakeholders in every single stage such as preparation, implementation, monitoring and evaluation of PFM action plan by reflecting through leadership, commitment, capacity development, and incentive mechanism which are the fundamental of readily moving forward to next steps.

Part 5 has 3 main objectives, included 51. Strengthening leadership, management capability, PFM commitment, ownership and accountability, 52. Increase effectiveness of capacity development and incentive mechanism, and 53. Strengthening of capacity development to be consistent to the PFM platform 3. There are 12 MEF GDs setting their actions to support this part such as GS-MEF (GSMEF), GDSNAF, GDNT, GDPP, GDEFPF, GDT, GDB, GDFI, GDSPNTR, GDIA, GDI, and Economic and Finance Institute (EFI).

To achieve the above objectives, Public Financial Management Reform Program Steering Committee has framed the Consolidated Action Plan of Stage 3 (CAP3) by preparing the

framework of the key indicators of 2 levels (Objectives and Activities) to help implementing entities in setting their actions and annual indicators to be consistent with this framework.

Description	Progress 2015	Progress 2016	Justification
Part 5	71%	71%	-
Objective 51 (Objective 41 old)	65%	61%	-
Objective 52 (Objective 42 old)	78%	80%	-
Objective 53 (New)	N/A	78%	-

Objective 51. Strengthening leadership, management capability, PFM commitment, ownership and accountability

This objective aims to strengthen the leadership and commitment of all entities with the high accountability.

Activities are prepared with 2 different sections (1) strengthen the leadership and management which refers to the ability of preparing, managing, monitoring and evaluating the action plan, and (2) commitment and accountability which refers to devotion of program manager in improving the institutional leadership such as promoting staff with incentive mechanism to ensure the effective implementation. There are 4 general departments that set their actions supporting this objectives such as GSMEF, GDNT, GDSNAF, and EFL.

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 51	56%	70%	57%	43%	61%
51.1	61%	78%	70%	70%	75%
51.2	53%	62%	48%	25%	49%

Activity 51.1. Strengthen leadership and management ability achieved 75%, jointly implemented by GSMEF, GDNT, and EFL.

KPI has been achieved the targets:

1. Mission and Vision set for the level of chief of office, deputy chief, and head of department is prepared and implemented.

KPI has not been achieved the targets:

1. Draft strategy of MEF human resource management for 3 years (2017-2019) is prepared.
It is achieved 60% because few of general departments do not provide the documents to personnel department on time.

Activity 51.2. Increase commitment, ownership and accountability, achieved 49%, jointly implemented by GSMEF, GDNT, GDSNAF, and EFI.

KPIs have been achieved the targets:

1. The commitment, ownership and accountability are strengthened via the clear function of implementation, and there is involvement of leadership team.
2. ToR for departments of GSMEF is prepared and implemented
3. Legal manual for MEF is embedded, published and released.
4. 120 Technical leadership team and officials from various line ministries are selected to join the training of leadership, and PFM for 4 sessions.

KPIs have not been achieved the targets:

1. Legal documents related to Custom and Excise, staff, institutional operation, public procurement, and accounting are prepared, published and released (30%).
2. IT system for monitoring of the legal documents of MEF (from national to sub-national level) is prepared and rolled out. There is no progress because no enough time to start.
3. Workshop on guiding of implementation of legal documents of MEF (from national to sub-national level) is organized. It is achieved for 50% because there is limitation of PFM budget to support this action.

Objective 52. Increase effectiveness of capacity development and incentive mechanism

This objective refers to the preparation of effective incentive mechanism that pushing the continuously commitment in PFM implementation of all stakeholders.

There are 2 activities which are set related to the review of effectiveness and efficiency of training, the preparation of capacity building plan, and the review of existing the incentive mechanism and approach. For these activities are supported by 2 entities such as GS-MEF, and EFI in putting their actions for implementation.

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 52	79%	80%	62%	85%	80%
52.1	58%	70%	25%	80%	73%

52.2	100%	90%	100%	90%	87%
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Activity 52.1. Review of effectiveness and efficiency of training, the preparation of capacity building plan, achieved 73%, implemented by EFI.

KPIs have been achieved the targets:

1. For the annual performance of this activities, there is no key indicator which achieved 100%.

KPIs have not been achieved the targets:

1. The economic and financial skill of Line ministries, municipalities is reviewed, monitored, and assessed. It is achieved 60% because there is no collaboration of LMs, and the training plan and TNA are not provided on time.
2. Assessment data related to the economic and financial skill of LM and municipalities is prepared as report (80%).
3. Operational condition for selective and managing focal trainers and discipline of focal trainers is prepared and updated (80%)

Activity 52.2. Review of existing the incentive mechanism and approach and preparation of new mechanism in fair approach (87%) is implemented by GSMEF and EFI.

KPI has been achieved the targets:

1. Incentive mechanism is prepared and released for implementation, and the update of mechanism is prepared by officials of EFI have been reviewed and assessed the performance for incentive.

KPIs have not been achieved the targets:

1. The consolidated report of performance and working status review of MEF officials 2016 is prepared (75%).
2. The guideline of implementation of Prakas 616 is revised. It has been achieved 85% because the indicator is too big for the achievement which requires a lot of time and precise inputs.

Objective 53. Strengthening of capacity development to be consistent with PFM platform 3

It aims to strength the institutional capacity both legal preparation framework and implement and the system of implementation to ensure the readiness for achieving the PFMRP Platform 3.

This objective is supported by 4 activities which ensure the institutional preparation to be consistent the PFM platform 3 such as (1) finalize ToR of MEF GDs, and Administration and

Finance department of line ministries, (2) prepare and implement the new revised organizational structure of each GD and department, (3) prepare and disseminate the legal documents related to new management system, (4) prepare policy for the information technology system of MEF, (5) use the technical assistance effectively, (6) improve the implementation through the technology using; human resource development for the platform 3 including internal training of MEF and within line ministries; the preparation and implementation of the communication and coordination strategy within line ministries. In this regards, there are 10 entities such as GSMEF, GDT, GDEFPF, GDNT, GDFI, GDSNAF, GDSPNTR, GDIA, GI and EFI that prepare their action plan with the below achievement:

Description	Progress				
	Q1	Q2	Q3	Q4	Annual 2016
Objective 53	75%	66 %	65%	76%	78%
53.1	69%	51 %	52%	70%	76%
53.2	88%	56 %	69 %	76%	83%
53.3	No indicator	No indicator	100%	83%	83%
53.4	50%	90 %	55%	78%	72%

Activity 53.1. The institutional preparation to be consistent the PFM platform 3 such as (1) finalize ToR of MEF GDs, and Administration and Finance department of line ministries, (2) prepare and implement the new revised organizational structure of each GD and department, (3) prepare and disseminate the legal documents related to new management system, (4) prepare policy for the information technology system of MEF, (5) use the technical assistance effectively, (6) improve the implementation through the technology using has been achieved 76% and supported by GSMEF, GDT, GDNT, GDSNAF, GDSPNTR, GI, and EFI.

KPIs have been achieved targets as follows:

1. The human resource strategic plan of GDT is implemented.
2. The manual on tax official management is adopted by GDT management, and being published.
3. Staff management information system of GDT is prepared
4. The list of state property of 12 last tax provincial branches is prepared
5. Staff management information system of GSMEF is prepared and implemented.

KPIs have not been achieved targets as follows as follows:

1. The data management system of GDSPNT is implemented. It is achieved for 60% because lack of budget for purchasing the technology instrument.
2. Document management system is improved and developed. It is achieved for 77% but the E-doc is still monitored and released for implementation within departments of GDT.
3. Policy document of information technology and communication of MEF is released for implementation. It is achieved for 45% because the documents are not properly collected and sufficient for preparation and publication.
4. Data center (including data saving center) for MEF. It is achieved for 30% because the construction of new building is not yet completed and the main building is to be maintenance.
5. System of administrative document management through smart phone or tablet of GSMEF (30%).

Activity 53.2. Human resource development for the platform 3 including internal training of MEF and within line ministries has achieved 74% and supported by GSMEF, GDT, GDEFPF, GDNT, GDPP, GDB, GDSNAF, GDIA, GI and EFI.

KPIs have been achieved targets as follows:

1. The training on quantitative Skills/Techniques for analyzing on trade policy, strategy/skill/technique on trade negotiation, the assessment of impact of fair trade agreement is prepared.
2. Training for tax officials on the tax payment culture, the implementation of PFM and RMS 2014-2018 is prepared.
3. Training for ToT and official of GDSNAF on the PB, and budget entity is prepared.
4. Study tour on the experience of the preparation and the evaluation of PB, annual retreat of GSMEF, are prepared.
5. Training need assessment and the aide memoire of TNA is prepared for meeting of GDAP 3 preparation.
6. The performance of new officials is assessed by EFI.

KPI has not been achieved targets:

1. The indicators related to the training of some entities are not achieved such GDB, GSMEF, GDIA and GI.

Activity 53.3. The preparation and implementation of the communication and coordination strategy within line ministries has achieved 83% and supported by EFI.

KPIs have been achieved targets as follows:

1. Prepare and implement the strategy of communication and coordination for the platform
3. It is not achieved because no budget to support the assessment action.

Activity 53.4. The identification of the role and responsibility for improving the coordination with entities has achieved 72% and is implemented by GSMEF, and GDEFPF.

KPIs have been achieved the targets as follows:

1. The GDAP3 of GDEFPF is updated.

KPIs have not been achieved the targets as follows:

1. GDAP3 of MEF is consolidated (70%).
2. Consolidation of M&E on the work of economy and finance municipalities. There is no progress because it is decided to use new approach.

❑ **Challenges**

1. The indicators that are set in the action plan are not well consistent with the objectives of the part 5.
2. The indicators mostly focus on the training and meeting other than PFM works of Platform 3.
3. The collaboration and communication are limited within inter-general department.
4. The reports are not comprehensive and no clear justification.
5. Key annual indicators are not yet clearly prepared and set.

❑ **Solutions**

1. Should review and improve the action plan comprehensively and understand clearly about the objective and goal of part 5
2. Should understand and clearly define the issues in order to set the corrective solution
3. Should set the indicators which are owned and responsible rather than dependent indicators.
4. Reinforce the capacity of forecasting and projection to ensure that the set actions are achievable and consistent with the timeframe, and budget.
5. Strengthen the ability of monitoring and evaluating of report preparation.
6. Should define the impact or the weight of the indicators which are critical of the parts.

In brief, according the report of this part in 2016, the performance of 12 MEF GDs is lower than previous year by achieving for 71% of the target because one new objective that is created and other objectives are not well achieved. In one hand, the type of set indicators is mostly training and meeting that is not well responded to the objective of Part5, and need to be revised and updated

for new action plan. In another hand, the indicators should be set to be indicated the readiness for the implementation of platform 3. The leadership team should set the indicators related to the development and strengthening of legal documents, mechanism, system and human resource.

III. CHALLENGES

3.1 Coordination Issues

1. Late sending quarterly and annual performance report
2. Limited quality of performance report
3. Action plans are not consistent with CAP3 Structure
4. Not distinguish between routine work and PFM reform
 - *Understand or not?*

3.2 Technical Issues

1. Revenue Forecasting Model Formulation
 - GDT is being prepared. GDCE and GDNTRSP is not started
2. FMIS Phase 1
 - 4 Budget classification (Economic, Program, Geographic and Operational and Administrative Classification) is implemented but the Geographic and Operational and Administrative Classification in the system.
3. Conditional Grant Transfer to Sub National Level
 - Inter-Prakas on Conditional Grant Transfer to Districts and municipalities is prepared late.
4. Medium Term Budget Framework formulation
 - Compared BSP with Annual budget approval, it has big gap to 20% according to Mr. Ivor Beazley's program budgeting review. LMs need the more resource than its availability.
5. Strategic Capacity Building Plan on Public Finance Sector
 - Draft Strategic Capacity Building Plan on Public Finance Sector.
6. Rules and Regulations of Public Procurement formulation
 - There are 5 Prakas need to be completed.

IV. SUGGESTIONS

1. General Departments in-charged of revenue collection should formulate the revenue forecasting model.

2. General Departments in-charged of budget classification should implement the Operational and Administrative Classification and speed up the Strategy on Budget System Reform 2017-2025.
3. Inter-Prakas on Conditional Grant Transfer for DMs should be accelerated formulation.
4. General Departments in charged of MTEF formulation should accelerate in 2017.
5. EFI should complete the Strategic Capacity Building Plan on Pubic Finance Sector in order to support PFMRP Stage 3.
6. GDPP should accelerate the formulation of Rules and Regulations related to public procurement.

V. CONCLUSION

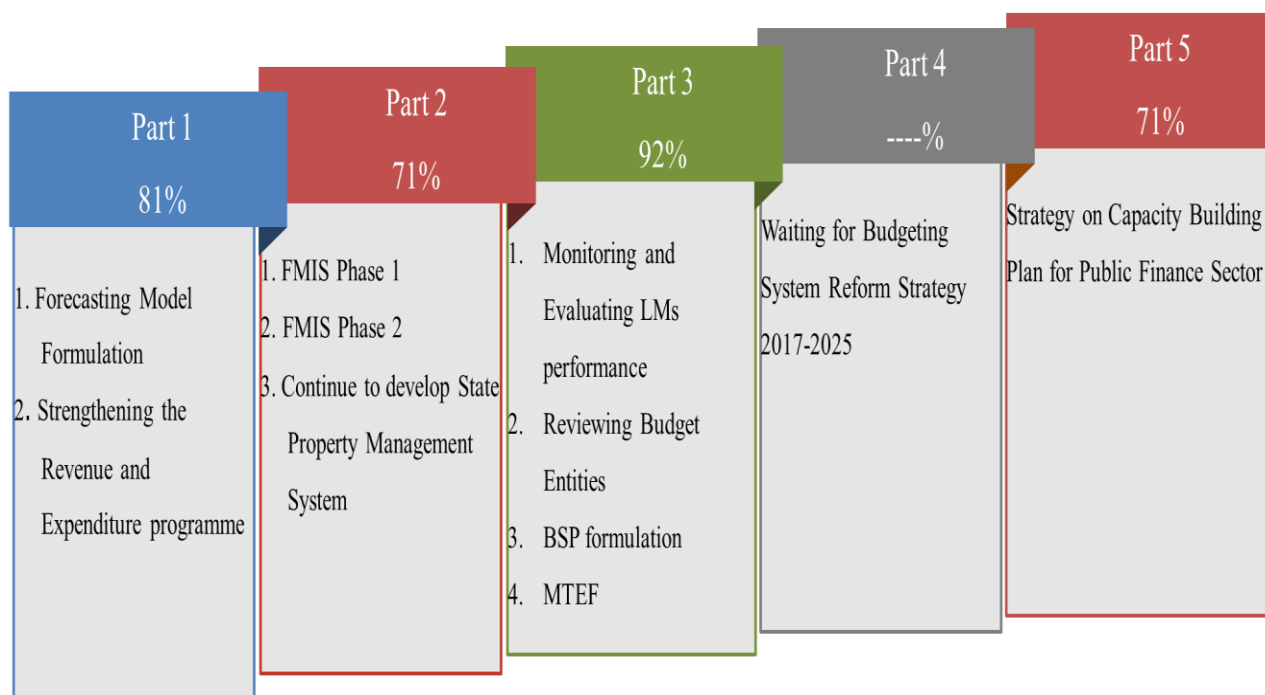
The success of the implementation of the reform is to help support the achievement of a new financial system, with a focus on Principle 03: budget discipline, strategic allocation of resources, and the effectiveness of public service delivery. The 03 priorities of the PFMRP Stage 3 are strengthening revenue collection and management, strengthening and expanding the implementation of the FMIS system, and to strengthening and expanding the implementation of the program budgeting. In line with the priority target, the progress of PFMRP is follows:

PARTS	DESCRIPTIONS	TARGETS	RESULTS IN 2016
PART 1	1. Total Revenue Collection compared with budget law	+/-5%	105.4%
	2. Revenue Increase	At least increase 0.5 Percentage of GDP	0.7 Percentage of GDP
	3. Total Expenditure compared with budget law	+/-5%	94.29%
	4. Expenditure Arrears	Less than of total expenditure	No
PART 2	1. Implementation FMIS Phase 1 2. New CoA is prepared and executed FMIS	- Economic, Operational and Administrational, Geographic and	- Economic and Programme is implemented New

		Programme classification - New CoA	- CoA is inserted to the FMIS
	3. FMIS Phase 2	Completed 2020	- FMIS Blueprint Phase 2 - 10 LMs is pilot the FMIS in 2017 and full in 2018
	4. Strengthened transparency	Annual Budget Document is published	Publish: - TOFE - Mid Year Review Report - Budget in Brief - Procurement, Bidding Notice and Contract Award.
PART 3	1. Program Budgeting, Budget Entities are implemented by LMs and SNAs	National level in 2018	-2015 : 10 LMs -2016 : Additional 15 LMs
		National level in 2020	6 Provinces: Kampong Speu, Kep, Koh Kong, Pailin and Stung Treng
	2. Medium Term Budget Framework is developed by the MEF, adopted by the Council of Ministers	Approved in 2018	Draft MTEF
	3. Budget Strategy Plan is developed and implemented	Year-2020	All LMs have BSP (Limited Quality)
PART 4	1. Develop performance based budget framework	-	

	2. Develop performance based management framework	-	<ul style="list-style-type: none"> - Draft of Strategy on Budgeting Reform System 2017-2025 - Concept Note for Strategic Direction of the Cambodia's Budget System Reform 2013-2020
PART 5	<ul style="list-style-type: none"> 1. Building the technical capacity on PFM sector 2. Incentive System for PFM working group in LMs 	2017	<ul style="list-style-type: none"> - Draft Strategic Plan of Capacity Building on PFM Sector Medium Term and Long Term - Circular 09 dated on 28th December 2015 “ Rules and Procedure on the Formulation, Implementation, Monitoring and Evaluation of PFM work” - Prakas 616 on Principle Mechanism Procedure and Monitoring for Officials of MEF's Incentive - Circular 03 and 04 for implementation Prakas 616 - Drafting Prakas on PFM Incentive Fund for LMs Working Group

Meanwhile, the main targets of each part are not yet fully implemented and requires the enforcement of the following key indicators:



In the spirit of strengthening and promoting the Public Financial Management Reform strong momentum, HE.Dr. Aun PornmoniRoth, Senior Minister and Minister of Economy and Finance and Chairman of the Public Financial Management Reform Steering Committee recommended to the Public Financial Management Reform Working Group in LMs and units under the MEF to strengthen planning activities in accordance with the structural CAP 3 PFMRP and to implement the action plans adhered to a proactive, active and interactive approach.

ANNEX

Annex 1: Summary MEF performance by Entities

No	Entities	Functional PFM Incentive				Amount spending of MPFMRP
		Number of Actions	Officials	PFM Incentives	Progress	
1	FMWG	25	50	1,562,207,000	63%	7,814,213,672
2	General Secretariat MEF	70	77	616,990,800	51%	1,150,199,547
3	GD of Economic and Public Finance Policy	29	38	1,319,785,600	90%	839,756,187
4	GD of Customs and Excise	15	-	-	87%	128,110,261
5	GD of Taxation	35	-	-	95%	909,147,208
6	GD of Non-Tax and State Property	11	-	-	92%	221,125,008
7	GD of Financial Industry	8	-	-	60%	103,423,944
8	GD of Budget	61	61	712,842,200	92%	1,123,988,945
9	GD of National Treasury	31	46	512,627,600	96%	751,548,327
10	GD of Public Procurement	10	19	241,360,800	84%	440,101,553
11	GDI	12	18	211,401,600	73%	-
12	GD of Internal Audit	16	21	249,287,800	95%	654,126,411
13	GD of Sub-national Administrative Finance	25	25	308,202,800	83%	725,444,073
14	GD of International Cooperation and Debt Management	11	-	-	91%	#VALUE!
15	Economic and Finance Institution	24	15	188,510,400	75%	556,894,722
Total		335	370	5,923,216,600	-	15,418,079,857

Annex 2: Summary 2016 Annual Performance Report

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
Total Score of PFMRP (Part I + Part II +Part III +Part IV + Part V)					82%	
<u>Part 1: Further Strengthened Budget Credibility</u>						
1. The Execution of Quarterly Revenue-Expenditure is smooth and predictable (+/-5% Differences in comparison to Revenue-Expenditure Program) 2. Annual Debt Management is effective for in-year debt being paid for and debt being collected			0.15	81%	12%	1. Revenue collection and budget Execution is variance +/-5% of the budget law 2.No Expenditure Arrears
11. Further Strengthened Revenue Management and Revenue Collection Implementation		Monthly revenue collection is smooth and predictable (level of deviation from the plan is no more than 5%)	0.3	82%	25%	Domestic revenue collection is 105.4% of budget law
11.1. Implement medium-term revenue policy and revenue mobilization strategy	GDEFPF, GDCE GDT,GDSPNT, GDFI and LMs	1. Effectiveness of revenue collection management (annual growth = real growth of GDP + inflation +5%) 2. Efficient and effective implementation of revenue mobilization strategy 3. Revenue Collection increases at least 0.5% of GDP	0.35	85%	30%	1. Mid-Year Report on Revenue Mobilization Strategy is prepared 2. Revenue increased 0.7 percentage point of GDP

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
		4. 12 Inter-ministerial Prakas on public services and incentives are developed in 2016 in order to increase non-tax revenue 5. Action Plan for Revenue Mobilization strategy is developed, implemented, monitored, and evaluated.				
11.2. Further improve policies and administrations of customs, tax, non-tax revenue and state properties	GDCE GDT,GDSPNT, GDFI and LMs	1. Tax payer services are improved 2. Tax Appeal Committee is established 3. Policies for customs, tax, non-tax revenue and state properties are improved and implemented effectively and efficiently 4. 9 Customs Auditor Groups are operationalized and Tax Evasion Investigation Unit is established	0.3	79%	24%	1. Tax payers pay through banking system 2. Rules and Regulations on Taxation and Custom are published in the GDT and GDCE's website 3. Sub-Decree No 03 ANKR.BK dated 06 January 2016 on Dispute Resolution Committee
11.3. Strengthen revenue forecasting	GDEFPF,GDCE ,GDT,GDSPNT, GDFI and LMs	1. Accurate revenue forecasting plan is developed monthly, quarterly and annually (+/-5%)	0.35	81%	28%	GDT has a working group and created Revenue Forecasting Model

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
12. Further strengthen debt management		In-year Effective debt management including repayment and collection	0.2	70%	14%	1. Public-Private Partnership is prepared and implemented 2. Public Debt Bulletin Number 2 is prepared and published on the website of MEF
12.1 Implement debt management strategy effectively and efficiently	GDB	1. Debt management strategy is implemented effectively and efficiently	0.45	78%	35%	1. Public-Private Partnership is prepared and implemented 2. Public Debt Bulletin Number 2 is prepared and published on the website of MEF
12.2. Develop legal framework and mechanisms for State Guarantee	GDB	1. Legal and institutional framework as well as roles and responsibilities for management of State Guarantee are developed and implemented effectively and efficiently	0	suspend evaluation	0%	-
12.3. Strengthen the effectiveness of in-year debt collection	GDCE,GDT,GD SPNT, and LMs	1. In-Year debt collection is implemented efficiently and effectively	0.55	63%	35%	-

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
13. Strengthen cash management and accounting		Cash plan is implemented effectively and efficiently	0.2	96%	19%	Revenue-Expenditure Program is prepared but it is not effective yet.
13.1. Further improve and strengthen cash management plan (starting from quarterly and monthly to weekly and daily)	GDNT	1. Cash plan is implemented efficiently (starting from quarterly and monthly to weekly and daily)	0.25	90%	23%	Online Web Based Application is created to entry data of the revenue and expenditure program
13.2. Further strengthen the use of banking system as well as conduct the feasibility study on the payment through E-Transfer.	GDNT	1. Public Revenue-Expenditure operation is exercised through full scale banking system 2. The feasibility study on E-Transfer is complete and its report is made available	0.15	98%	15%	1. Salary of government officials is paid via banking system 2. Possibility of payment through E-transfer and FMIS system is jointly studied with the National Bank of Cambodia, and verified documents of the possibility and safety of the payment through E-transfer system is prepared and approved.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
13.3. Develop mechanism and consolidate report of implementation of Development Partners' projects which is off the treasury system and further strengthening TSA	GDB, GDNT	1. Mechanism to consolidate reports of implementation of Development Partners' projects which is off the treasury system is developed 2. TSA is further strengthened and fully operationalized	0.15	100%	15%	1. Bank accounts in National Bank and Commercial Bank at central level and provincial level are followed up regularly, and Report on Doubtful Accounts of the Development Partners' Project is prepared and submitted to the management for review and revision. 2. Budget Execution Report template of the Development Partners' project is prepared and disseminated for implementation.
13.4. Continue to monitor arrears and its ageing profile.	GDNT	1. Arrears recording and ageing profile and monitoring systems are in place.	0.2	98%	20%	Monitoring mechanism to deal with arrears (maturity is over 60 days) is strengthened

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
13.5. Enhance advance clearance on timely basis	GDB, GDNT	2. Advance clearance is on time	0.25	98%	25%	all advance budget is recorded and monitored regularly
14. Improve budget execution and strengthen implementation of expenditure plan		Quarterly expenditure execution is smooth and predictable (level of deviation from the plan is no more than 5%)	0.3	78%	23%	Actual budget execution is 94.29% of budget law
14.1. Harmonize the Public Procurement Procedure and SOPs	GDPP, GDB	1. Guideline on Public Procurement (PPM) is developed, approved and exercised.	0.2	58%	12%	Steering Committee of Public Financial Management Reform created a working group to prepare on harmonizing the IRRPP and SOP/PM
14.2. Increase procurement competition and transparency through open and public participation	GDPP	2. Procurement process is more transparent, accountable and effective by posting on website (a) bidding announcement, (b) procurement plan, (c) Contract Award and (d) result of conflict resolution on procurement.	0.35	62%	22%	Announcement on Bidding, Annual Procurement Plan, and Announcement on Contract Award is disseminated on the website of the general department

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
		3. Conflict Resolution Committee on Public Procurement is established.				
14.3. Develop accurate monthly expenditure plan	GDB, LMs	1. Accurate monthly expenditure plan is developed (level of deviation is no more than 5%) 2. Report on expenditure, highlighting the deviation of +/- 5% is made available	0.45	100%	45%	1. Rules and procedures for the formulation and execution of the quarterly/annual revenue-expenditure program is prepared 2. Worksheet based revenue-expenditure program is prepared.
<u>Part 2: Further Strengthen Financial Accountability</u>						
1. System, Mechanism and Legal framework are implemented efficiently and effectively by 2018 (budget classification, chart of account, FMIS Phase 1 & 2) 2. Accounting, Recording Systems and Financial Reporting System are implemented efficiently, effectively, transparently, accurately, and timely.			0.2	71%	14%	FMIS Phase 1 is completed and implemented
21. Improve implementation of new budget classification and		Fully effective and efficient implementation of new chart of account and new budget classification	0.2	97%	19%	1. A new CoA is prepared and implemented 2. Program and economic classification

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
new chart of accounts						is prepared and install in FMIS
21.1. Further improving new chart of account and new budget classification (geography, operational unit, administration, program and economics) and implementing three more classifications (function, source of fund and projects)	GDNT, GDB, and GDSNAF	1. New chart of account and new budget classification are developed and ready for implementation 2. Geographic, Operational Unit and Administration, Program and Economic Classifications are fully implemented in 2016	1	97%	97%	1. A new CoA is prepared and implemented 2. Program and economic classification is prepared and install in FMIS
22. Improve implementation of new business process and new budget execution		A new business process and budget execution are implemented effectively and efficiently	0.35	62%	22%	Payment process at GDNT is streamlined to 10-15 working days from 2016

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
22.1.Further streamlining commitment, payment and revenue requests in LMs	GDB,GDNT, and LMs	1. Short, fast and effective processing procedures 2. Commitment and payment Requests are exercised by FMIS 3.Standard Operation Procedure (SOP) is developed and implemented. 3. Payment process at GDNT is streamlined to 10-15 working days from 2016	0.2	66%	13%	1. Documentation in One Window Service at Investment Department and Financial Affairs Department was implemented. 2. Payment process at GDNT is streamlined to 10-15 working days from 2016
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	MEF(All GDs), LMs	1. Accounting operation is improved and bank accounts are regularly reconciled.	0.1	73%	7%	Accounting operation of sub-national administration including municipal, provincial was conducted a field review and monthly meeting across the country.
22.3. Increase awareness, ownership, participation and capacity of FMIS of	FMWG and LMs	1. Awareness, ownership, participation and capacity of FMIS are increased properly	0.2	59%	12%	communication plan, dissemination, raising awareness and supporting to FMIS was prepared

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
MEF, LMs, and Sub National Administrations						
22.4. Build capacity to manage FMIS project including those at the MEF, LMs and Sub National Administrations	FMWG, LMs	1. The FMIS project is managed competently, effectively and efficiently	0.2	67%	13%	03 years FMIS capacity development plan for management implementation was prepared
22.5. Piloting Phase 1 of FMIS and expanding toward Phase 2 (Core Module and Budget Module and roll out to LMs)	FMWG, LMs	<ol style="list-style-type: none"> 1. FMIS Piloting phase is implemented successfully and plan for expanding the implementation of Phase 2 is developed 2. Phase 1 of FMIS Project is implemented in MEF and Provincial Treasuries in 2016. 3. Phase 2 of FMIS Project is developed and bidding document is published in 2016. 	0.3	54%	16%	<ol style="list-style-type: none"> 1. FMIS at relevant GDs under MEF and all provincial treasury was endorsed to implement the new business process. 2. FMIS Blue Print Phase 2 is prepared 3. Modules for budget control and budget execution, including budget allocation, General Ledger, Account receivables, account payables, cash

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
		4. Time for keying in data and report is shortened to less than 30 minutes in 2016 5. Budget Control (commitment and payment) and financial report in MEF is exercised through FMIS 6. Modules for budget control and budget execution, including budget allocation, General Ledger, Account receivables, account payables, cash management, and purchase order are implemented in 2016				management, and purchase order are implemented in 2016
23. Strengthen implementation of new accounting, recording and reporting, and transparency systems		New accounting, recording reporting, and transparency systems are implemented effectively and efficiently	0.2	69%	14%	1. TOFE is published timely 2. Mid-year budget execution review is published 3. Budget settlement law is published

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
23.1. Develop Public Accounting standard (IPSAS) and evaluate on realism and appropriateness of 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	GDNT	1. Accounting standard is in place. 2. Accounting Closure is streamlined to 3-4 months in 2016. 3. Cash- based Financial Report in compliance with partial IPSAS is developed in 2016.	0.2	85%	17%	Accounting Closure is streamlined to 3-4 months in 2016.
23.2. Improve the reporting format of budget execution to be submitted to the Council of Ministers and legislative bodies	GDB,GDNT	1. Budget Execution Report Format (performance and finance) is improved	0.2	97%	19%	1. Mid-year budget execution report format was revised aligning to regional and international standard.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
23.3. Improve the reporting format and exchange of information with the public	MEF and LMs	<ol style="list-style-type: none"> 1. The reporting format and exchange of information with the public are improved. 2. Budget in Brief Booklet is developed after the Annual Budget Law is adopted and made available for Legislative bodies and the public. 3. TOFE and Statistics Bulletin is monthly developed and posted on website within 3 months after such report fully is done. 4. Mid-Year Budget Execution Report is developed and posed on Website within 3 months after such report is fully done (Start from 2017) 5. Annual budget Execution Report is developed and posted on website within 12 months after the end of the fiscal year. 	0.3	69%	21%	<ol style="list-style-type: none"> 1. Monthly Financial and Economic Report (TOFE) was disseminated regularly to MEF website. 2. Mid-year budget execution report was disseminated to MEF website 3. Budget in brief of budget law is prepared

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
23.4. Implement the mechanism to complete the inventory listing of state property and update it regularly	GDSPNT, LMs	1. Mechanism and procedure for inventory listing are implemented and updated regularly.	0.3	39%	12%	
24. Strengthen the implementation of instruments and mechanisms to enhance responsibility and accountability (internal control system).		Instruments and mechanisms to enhance responsibility and accountability are developed and implemented	0.25	63%	16%	Limited progress
24.1. Establish appropriate sanctions for wrong or inappropriate and ineffective management of public resources. This sanctions shall be	GS/MEF, LMs	1. Appropriate Administrative Sanctions is defined in legal papers	0.3	32%	10%	Limited progress

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
stated in legal papers and circulated widely						
24.2. Update a list of freedoms and flexibilities to be given to those budget entities	GDB, LMs	1. Principles on authorities and responsibilities of budget entities are strengthened and improved	0.3	91%	27%	Budget entities of LMs are reviewed and implemented
24.3. Conduct regular review of standards of resource management achieved by individual budget entities as a basis for extending those freedoms and flexibilities	GDB, GDI, LMS	1. Report and recommendation is developed and followed	0.2	40%	8%	-
24.4. Develop and Implement the quarterly, mid-year and Annual progress reports (highlighting the result of budget	GDB, LMs	1. Quarterly, mid-year and annual budget progress report format are developed and implemented.	0.2	92%	18%	Budget execution report format (financial report) was revised by quarterly, semester, and annually, and the performance

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
formulation and any measures taken: from LMs to MEF and Within LMs)						report for semester and annual was revised.
<u>Part 3: Budget Policy Linkages</u>						
1. Medium Term Budget Framework (consist of Medium term revenue-expenditure Frameworks, and Public Financial Policy Framework) is developed by the MEF, adopted by the Council of Ministers and is executed effectively and efficiently. 2. Budget Strategy Plan is developed and implemented efficiently and effectively 3. Program Budgeting, Budget Entities are implemented by LMs and SNAs efficiently and effectively			0.45	93%	42%	Program budgeting is implemented in national and sub-national level
31. Strengthen and expand the implementation of program budgeting		Program budgeting is implemented effectively	0.2	93%	19%	National Level: -2015: 10 LMs -2016: additional 15 LMs -2017: additional 11 LMs Sub-National Level: -2017: 6 provinces

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
31.1. Review and improve implementation of the program budgeting	GDB,GDPP,GDNT,GDI,LMs	1. Report on the review and improvement, highlighting findings and recommendations are developed and implemented	0.4	91%	36%	1. GDNT has prepared a report on program budgeting review to identify the challenges and solution 2. Guideline on program budget preparation and implementation has been disseminated to all PB ministries (both national and provincial).
31.2. Develop strategies to expand program budgeting	GDB	1. Concept on Strategic direction for budget system reform (2013-2020) is updated	0.2	100%	20%	Budget System Reform Strategy 2017-2025 is being prepared
31.3. Implement the training and capacity development plan for program budgeting	GDB,GDPP,GDNT	1. The training and capacity development plan are implemented effectively.	0.4	92%	37%	Expanding program budgeting 2017: 11 LMs 2018:3 LMs

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
32. Develop comprehensive budget and budget integration		1. All transactions is within the budget system. 2. Recurrent and capital budget is integrated	0.15	100%	15%	Integration of investment (Chapter 21), repair and maintenance expenditure (Chapter 61) framework into medium term expenditure framework (MTEF) and annual budget have been made.
32.1. Develop policy on integration of the budget. Continue to improve integration of recurrent and capital budgets through such on-going initiatives such as MTEF, BSP and PB. Highlight the poverty reduction and gender issues in PB and BSP	GDB, LMs	1. Strategies to estimate the expenditures requirement in sectors are gradually implemented 2. Multi-year framework is gradually implemented	0.6	100%	60%	(1) Guideline and Annex table on annual budget strategic plan preparation have been reviewed and updated according to implementation. (2) Integration of investment (Chapter 21), repair and maintenance expenditure (Chapter 61) framework into medium term expenditure framework (MTEF) and

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
						annual budget have been made.
32.2. Further incorporate off-budget expenditure and revenues into the annual budget including increasing the coverage of Development Partner funds in the budget.	GDB, LMs	1. All transactions of revenues and expenditures are incorporated in the budget process and reflected in the annual budget law.	0.4	100%	40%	Notice to project implementation agencies for preparation and implementation of budget classification of new chart of accounts (COA) for project/ financing program of development partners.
33. Develop and Implement Line of Accountability System (between Legislative and Executive, between MEF and LMs, and within LMs)		Line of Accountability is developed and implemented in line with program budgeting	0.15	100%	15%	Role and Responsibility is set in program budgeting

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
33.1. Review and amend laws and regulations determining roles and responsibilities in public financial management of the government and modify those roles and duties where necessary	MEF (All GDs), LMS	<ol style="list-style-type: none"> 1. Report on the review and amendment proposal is developed and made available 2. New laws and regulations are introduced and implemented 	0.25	100%	25%	Guideline on program budgeting procedure and preparation of procedure and other related legal document relating to program budgeting has been updated.
33.2. Clearly identify line of accountability in annual budget preparation and in Public Investment Program (Clearly define responsibilities between LMs, including MEF, Ministry of Planning, and CDC)	MOP, CDC, MEF	<ol style="list-style-type: none"> 1. Line of Accountabilities and Responsibilities are developed and implemented 	0.25	100%	25%	-

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
33.3. Update and disseminate Procedure and guideline detailing the empowerment and responsibilities for Budget entities and budget managers	GDB,GDPP,GD NT, LMs	1. Guidelines and procedures on authorization and responsibilities of budget entity and budget managers are developed and implemented	0.25	100%	25%	Guidelines and procedures on authorization and responsibilities of budget entity and budget managers are developed and implemented has been updated and disseminated
33.4. Revise institutional structure to be in line with the new business process. Further sending financial controllers to LMs and clearly define their roles in the decentralization framework	GS/MEF,GDB, LMs	1. Institutional structure is revised to be in line with the new budget system and new business process. 2. Roles and responsibilities of Financial Controllers is reviewed and improved.	0.25	100%	25%	Functions and responsibilities of financial controller who are appointed to work closely at line ministries, have been revised

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
34. Strengthen development of policies and public financial plans (policy development and medium-term revenue and expenditure plans)		Policies and public financial plans (revenue and expenditure) are in line with the economic conditions and shall serve the public sector effectively and efficiently	0.2	91%	18%	Concept Note of MTEF preparation has been prepared by showing linkages between national policies and ministerial budget strategy plan
34.1. Strengthen capacity to enable and increase effectiveness and efficiency of macro-economic policy framework	GDEPFP	1. The enabling capacity and effectiveness of the framework are strengthened	0.3	85%	26%	Macro-economic framework has been achieved.
34.2. Strengthen capacity to enable and increase effectiveness and efficiency of medium term revenue and expenditure framework	GDEPFP	1. Capacity to develop the revenue and expenditure framework are strengthened 2. Effectiveness and efficiency of the framework are improved	0.4	99%	40%	1. Concept Note of MTEF preparation has been prepared by showing linkages between national policies and ministerial budget strategy plan.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
34.3. Strengthen capacity to analyze and forecast economic and financial conditions	GDEFPF, MOP	1. 1.Projection and analytical capacity is strengthened and the forecasting and analysis are more accurate 2. Improved the quality of National Accounts	0.3	87%	26%	National Accounts 2015 is published in November 2016
35. Develop Control System		Efficient and effective internal audit system and mechanism are developed and implemented in all line ministries/institutions	0.15	91%	14%	Internal Audit Manual is prepared and implemented
35.1. Review current internal control, inspection, audit and internal audit systems at all ministries and institutions	GDIA,GDI,LMs	1. Report of the review is disseminated and discussed for improvement	0.25	86%	22%	Rule and regulations related to control system implementation in general administration sector and economic sector have been studied in order to create a consistent control system.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
35.2. Develop a new effective and efficient control system which is complementary and in line with the new context of management in LMs	GDIA,GDI,LMs	1. New control system is introduced and implemented	0.25	87%	22%	Legal advice on new control system regulations to be achieved according to the plan. Legal council secretariat has provided legal advice, lead and coordinated preparation of draft sub decree related to management and implementation of financial inspection and, participated in preparing harmonization of financial inspection and internal audit functions in all LMs.
35.3. Improve control mechanism to ensure effective response to the result of the audit and inspection	GDIA,GDI,LMs	1. Effective response mechanism is implemented	0.15	92%	14%	Audit recommendations mentioned in the audit report to be followed at least 20.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
35.4. Develop and improve annual audit/inspection plan of LMs based on the criteria of risk assessment recommended by MEF	GDIA,GDI,LMs	1. Annual audit/inspection plan are assessed, improved and fully implemented	0.2	93%	19%	At least 20 Audit plan and audit report of LMs to be controlled and advised. For the result, there are 21 units done.
35.5. Expand and strengthen external auditing	NAA	2. Expenditure Recording and reporting are improved 3. External Audit reports are made available to the public within 3 months as the latest after such reports are approved by the Government	0.15	-	-	Role of NAA
36. Strengthen implementation of fiscal decentralization policy		Fiscal decentralization policy is implemented effectively and efficiently	0.15	80%	12%	6 provinces (Kampong Speu, Kep, Koh Kong, Pailin, Kratie, and Stung Treng) are implemented program budgeting

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
36.1. Review and implement medium and long term fiscal decentralization policy	GDSNAF	1. Medium and long term fiscal decentralization policy is reviewed and revised to be in line with the progress of decentralization and deconcentration reform	0.2	61%	12%	Progress is less than 90%
36.2. Implement own source revenue collection of sub-national administrations	GDSNAF	1. Sub-national administrations have their own revenue	0.15	75%	11%	Progress is less than 90%
36.3. Pilot and expand the Sub-National Investment Facility (SNIF)	GDSNAF	1. SNIF is piloted successfully and expansion scope is explored	0.15	84%	13%	Progress is less than 90%
36.4. Review and implement guidelines on budget strategic plan for sub-national administrations	GDSNAF	1. Budget strategic plan is implemented effectively and efficiently	0.2	100%	20%	1. Guideline on preparation of sub national administration BSP to be disseminated. 2. Study report on BSP implementation expanding to district/khan/ municipality level activities.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
36.5. Develop and implement Conditional Grant	GDSNAF	1. Conditional Grant Mechanism is developed and implemented. 2. Conditional Grant is transferred to Districts/ Municipalities to carry out the assigned functions made by the Ministries of Environment, Education Youth and Sports, Health and Rural Development	0.1	91%	9%	1. The Sub-Degree of conditional finance transfer to SNA is approved and implemented 2. The Sub-Degree of transferred function in early childhood education, primary education and non-formal education has been approved. 14 DMs of Battambang Province were selected for piloting in 2017 3. The transferred function in rural sanitation and clean water, Ministry of Rural Development, were implemented

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
36.6. Develop procedures and principles to implement full program budgeting and budget entities for sub-national administrations	GDSNAF	<ol style="list-style-type: none"> Guideline and procedures for the sub-national administrations to implement program budgeting and budget entities are in place. 5 Provinces are selected to pilot the Program budgeting and Budget Entities for the Fiscal Year 2017 	0.2	75%	15%	<ol style="list-style-type: none"> Principle and procedure of formulation and execution of program budgeting and budget entity for sub national administration to be approved and implemented. Principle and procedure of formulation and execution of program budgeting and budget entity for sub national administration to be published and disseminated. Six provincial council to implement program budgeting and budget entity and training to be provided for the six provincial administration.

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
Part 4: Readiness for Next Platform						
1. Performance- based Budget framework, Performance- based Accountability Framework, and Performance-based auditing framework are developed.			-	-	-	Waiting for the Budget System Reform Strategy 2017-2025
41. Develop performance based budget framework		Performance based budget framework is developed	0.3	-	-	-
41.1. Develop Core Framework for performance based budgeting- PBB	GDB	1. Report on the study of Core Framework for PBB is developed 2. Control Mechanism for PBB is developed and implemented on pilot basis	0.7	-	-	-
41.2. Organize consultation on performance based budgeting guidelines	GDB	1. PBB principles are consulted with concerned ministries/institutions and entities	0.3	-	-	-
42. Develop performance based management framework		Performance based management framework is developed, disseminated and trained	0.25	-	-	-
42.1. Develop Core Framework of	GS/MEF	1. Report on the study of Core Framework for PBM is developed	0.7	-	-	-

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
Performance Based Management- PBM)						
42.2. Organize consultation on performance based management guidelines	GS/MEF	1. PBM principles are consulted with concerned ministries/institutions and entities	0.3	-	-	-
43. Develop performance based audit framework- PBA		Performance based audit framework is developed, disseminated and trained to concerned ministries/ institutions and entities	0.25	-	-	-
43.1. Develop the Core Framework for performance based auditing- PBA	GS/MEF, GDIA	1. PBA principles are consulted with concerned ministries/institutions and entities	0.7	-	-	-
43.2. Organize consultation and training on performance based auditing guidelines	GS/MEF, GDIA	1. PBA principles are consulted with concerned ministries/institutions and entities	0.3	-	-	-

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
44. Develop capacity development plan (including legislative bodies and the National Audit Authority)		capacity development plan is developed and implemented	0.2	-	-	-
44.1. Develop capacity development plan – CDP	EFI	1. Capacity Development Plan is developed	0.4	-	-	-
44.2. Organize consultation and approve capacity development plan	EFI	1. Capacity Development Plan is consulted with LMs and concerned institutions, and adopted	0.2	-	-	-
44.3. Disseminate and implement capacity development plan	EFI	1. Capacity Development Plan is disseminated and implemented	0.4	-	-	-
Part 5: Supporting the Successful and Sustainable implementation of PFMRP						
1. Leadership, management capacity, technical capacity, ownership, responsibility are appropriate for the support toward the implementation of PFMRP			0.2	71%	14%	

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
51. Develop leadership, management capacity, reform willingness, ownership and responsibilities		leadership and management capacity are appropriate, willingness, ownership and responsibilities are appropriate	0.4	59%	24%	PFMRP is disseminated to all stakeholders
51.1. Enhance leadership and management capacity	MEF, LMs	1. leadership and management capacity is enhanced	0.4	75%	30%	ToR for Departments of GS-MEF is prepared and implemented
51.2. Increase reform willingness, ownership and responsibilities	MEF, LMs	1. Reform willingness, ownership and responsibilities are increased	0.6	49%	29%	1. Legal Manual for MEF is compiled, published and disseminated 2. 120 officials and managements from LMs were trained on Leadership and PFM Reform (4 Programs)
52. Increase effectiveness of capacity development and incentive measures		1. Trainings are appropriate, effective and efficient 2. Incentives are appropriate, productive, efficient and effective	0.3	80%	24%	1. Circular 03 of Prakas 616 implementation is revised 2. Drafting the PFM

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
						incentive fund for PFM Working Group in LMs
52.1. Review efficiency and effectiveness of the training provided and develop a new capacity development plan	EFI, GSC, PAR, NCD	1. Report and measures to increase effectiveness and efficiency of the training is developed. 2. Capacity Development Plan 2016-2020 is developed and implemented	0.5	73%	37%	Limited progress
52.2. Review the previous incentive mechanisms and approaches and develop new equitable and consistent incentive mechanism and approaches	MEF, LMs	1. Report and new Mechanism for incentive are developed and implemented	0.5	87%	44%	Incentive Mechanism is prepared and disseminated.
53. Improve capacity building for implementation of public financial management reform		All ministries/institutions have appropriate capacity to participate in effective and efficient implementation of public financial management reform program	0.3	78%	23%	Draft Strategic Capacity Building Plan on Public Finance Sector

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
program – Platform 3						
53.1. Reorganize institutions to implement CAP3, including (1) finalizing functional analysis in all General Departments of MEF and Administration and Finance Departments of LMs, (2) developing and implementing the restructuring of each General Department and Department, (3) Developing and disseminating guideline of new management system, (4) developing FMIS Management Strategy	MEF, LMs	1. Institutions are improved to respond to CAP3 of the PFM Reform, including (1) new function, (2) new structure of each General Department and department, (3) new management system, (4) Policy for FMIS Management, (5) Effective management of TAs and (6) further use of new technology	0.4	76%	30%	Personnel Management System of GS-MEF is implemented

Objectives/Activities	Agencies	Key Performance Indicators	Weight	Progress (%)	Weighted Score	Performance
at MEF, (5) Using of TA more effectively, (6) Improving the use of technology						
53.2 Develop human resource for CAP3. This includes skill training both in MEF and ministries/ institutions	MEF, LMs	1. Human Development Plan for CAP3 is developed and implemented	0.2	83%	17%	GDT officials have been trained on cultural tax payment, PFMRP and RMS 2014-2018
53.3 Develop and implement communication and coordination strategy for Stage 3 program	GSC,LMs	1. Communication and coordination Strategies for CAP3 are developed and implemented	0.2	83%	17%	Limited progress
53.4 Improve coordination entities, roles and responsibilities within resource framework.	GS/MEF,GSC, LMs	1. Institutional Coordination is improved, 2. Roles and responsibilities are clearly defined	0.2	72%	14%	Limited progress