

*Unofficial English Translation*

**Annual Progress Report 2014**  
**Implementation of Action Plan, Platform 2 New**  
**Ministry of Economy and Finance**

**General Secretariat, Steering Committee of the Public Financial  
Management Reform Committee (GSC)**

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## I. Introduction

Annual Review Report 2014 is a special report compared to other year reports because the public financial management reform program (PFMRP) is moving forward from completed platform 2 to platform 3. The results of PFMRP implementation are very important for us to clearly understand its current situation by not overlooking the results in 2013. The annual review has been organized by General Secretariat, Steering Committee of the Public Financial Management Reform (GSC) based on the progress reports of Ministry of Economy and Finance (MEF) and line ministries (LMs) and approved by Steering Committee of the Public Financial Management Reform and Technical Working Group (TWG). The objective of report is to evaluate effectiveness and efficiency the overall implementations of public financial management.

The public financial management reform program is at a transition to complete platform 2 and approaching platform 3 to further strengthen stability of budget credibility and increasing financial accountability by focusing on implementation of new chart of account (CoA), budget classification, new transactions as well as piloting the implementation of full budget entity and program budgeting to be ready for later platform. Consolidated Action Plan 2-New (CAP2 NEW) 2014-2015 was finalized in early April 2014 to be ready to implement in the transitional year and disseminated to General Departments of MEF and LMs as basis to prepare General Departmental Action Plan 2-New (GDAP2-New) and Ministerial Action Plan 2-New which have clear measurement indicators.

However, to evaluate the achievement report 2014, we should review the results and situation of CAP2 implementation in 2013 through on the Review Outcomes of The Implementation of Public Financial Management Reform Program in February 2013 that reflected the overall progress on 14 objectives and 73 activities and divided into 3 parts, part 1 continues to strengthen budget credibility, part 2 increases financial accountability, and part 3 is readiness for later platform increasing budget integration. The report reflected overall progress in which the budget credibility has been maintained despite some challenges in the previous year. In spite of complexity and challenges to increase financial accountability through launching implementation of financial management information system (FMIS) in 2015, the appropriated actions were taken on time. Therefore, taking off full implementation budget entities for 10 LMs could be implemented.

Meanwhile, the last year implementation did not ensure no challenges and obstacles but there have been addressed to manage effectively, mainly related to leadership characteristics (policy objectives, guidance, management or direction), management characteristics (action plan, organization, management, and monitoring), technical characteristics (specific skills and training) and administration and coordination characteristics (collaboration and exchange information). To tackle these challenges, the report has emphasized on recommendations to further improve the next year implementation related to ownership, responsibility, and accountability which should have been strengthened in 2013. Therefore, they should be reviewed and evaluated the effectiveness and efficiency of training, preparation system and monitoring and evaluation mechanism based on clear indicators for LMs and differentiation between routine work and reform work, so it is easy to manage.

In 2014, CAP 2-New consisted of 4 parts, the first part is **budget credibility**, second is **financial accountability**, third is **readiness for later platform** and the last is **support to the successful and sustainable implementation of reform program**. The key tasks for two years needed to focus on the budget credibility to ensure smooth and stable in year implementation and FMIS phase 1 has been implemented. As a result, the budget credibility has been maintained but instability; for increasing financial accountability, some important activities were implemented and some necessary compositions could use to ensure FMIS implementation on time aiming to develop financial accountability system; for readiness for latter platform, many activities were achieved as targets which mostly focused on strengthening comprehensiveness and integration of budget, especially further strengthening budget strategic plan (BSPs) implementation and further strengthening and expanding program budgeting; general support and building capacity focused on human resource management strategy, dissemination plan, and training that seemed not to satisfy in term of implementation.

The progress report PFMRP implementation of MEF indicated detailed achievements of 4 parts until objective, and activity levels in comparison to indicators as well as challenges and recommendations/implemented activities for next step.

The evaluation of the progress of CAP 2-New implementation was monitored on:

- The 4 parts are budget credibility, financial accountability, readiness for later platform, and support to successful and sustainable implementation of reform program.
- The evaluation based on 2 dimensions:
  1. The actions are completed compared to action plan
  2. The outcome against target of indicators.

As mentioned above, the annual monitoring and evaluation report is a necessary document and needs to be reviewed with comprehensiveness for the whole PFMRP implementation. The CAP 2-New 2014-2015 was implemented to strengthen budget credibility toward concrete systems and stability, meanwhile, there is a must for increasing financial accountability to be achieved, including the readiness in phase 2 step by step so it can move forward to phase 3, budget-policy linkage with sustainability for the overall PFMRP.

## II. Achievements

In 2014, CAP 2-New consists of 4 parts, 16 objectives and 62 activities. Most actions were identified and implemented by 12 General Departments under MEF and engaged from LMs. In short, the result of 4 parts: budget credibility, 4 objectives and 14 activities, achieved 85%, financial accountability, 6 objectives and 19 activities, achieved 75%, readiness for later platform, 4 objectives and 19 activities, achieved 82%, and support to successful and sustainable implementation of reform program, 2 objectives and 4 activities, achieved 70%.

According to objectives and activities, there is great effort so achieve better results that needs to be further strengthened budget credibility and concerning actions to support increasing financial accountability, it reflects this necessary to increase additional activities, especially when the system of financial accountability has been building. The readiness of later platform is that most of actions have achieved targets as planned and the successful factors based on strengthening guideline and training. The support to successful and sustainable not achieve as

planned that most actions are related to enhancing willingness for reform, leadership, management, and incentive measures.

### **1. Budget Credibility**

Budget credibility that has been reflected through effective of budget execution means that variance of revenue and expenditure is small compared to approved budget law, flow of revenue and expenditure is smooth as well as eliminate arrears.

Regarding to results since 2013, 6 key performance indicators (KPIs) indicated the deviation of revenue and expenditure is close to approved budget law, flow of revenue and expenditure is smooth, timely payment cash as well as elimination of arrears, however, the budget credibility is has not been stability yet. Through the results of activities, this part achieved 80% of targets and this reflected to further improve and strengthen procurement implementation and effective expenditure program, and increase effective revenue management and cash plan toward stability for this part.

Meanwhile, the challenges that often occur such as the effectiveness and efficiency revenue collection as planned and monthly transfer to treasury single account with smoothness is limited. Even the monitoring 6 KPIs showed that budget credibility has been maintained, it is easily to be fragile since this system has not specified and fully implemented yet. Therefore, the report 2013 enforced the necessary activities to be implemented such (1) further strengthen revenue management and revenue collection implementation to be stable level in year (2) further strengthening budget execution and expenditure plan is reliable and predictable (3) further strengthen to manage cash payment and bank accounts as well as effectively use treasury single account (TSA) and banking system for payment (4) further strengthen capacity to manage debt both debt receivable and debt payable.

In 2014, the budget credibility, 4 objectives and 14 activities, needed to be further implemented by focus on further strengthen stability of budget credibility through (1) strengthen revenue management and revenue collection implementation, (2) strengthen debt management (3) strengthen cash management and bank accounts (4) improve budget execution and strengthen expenditure plans.

As until now, the situation of variance in revenue and national expenditure budget is maintained close to approved budget law, flow of budget revenue and expenditure is smoother, cash payment is on time as well as elimination arrears, but the effective budget preparation and revenue plan implementation performance and expenditure in year were not accuracy and limited capacity to forecast. This means that next year the remaining tasks of each activity need to strengthen, especially effective preparation and implementation of revenue and expenditure in year, capacity to forecast in year and increasing effective cash management as system and mechanism.

To monitor of budget credibility situation, the report used two mediums for measurement and monitoring through achievements targets of key performance indicators and actions were identified and implemented by stakeholders under MEF and LMs as percentage of achievement of each action.

#### **1.1 Results of Key Performance Indicators**

Monitoring the achievement 6 indicators in 2014 showed that 4 indicators achieved as planned the as same in 2013, however some indicators achieved last year but not achieved this year and the others that did not achieve in 2013 were improved and achieved in 2014.

1. Same as 2013, the arrears were eliminated as target by no more than 2% of total expenditure.
2. Differently in 2013, even the result of each quarter did not show the stability of expenditure order capability through expenditure program of cash plan, the result of the end 2014 stated payment order capability achieved 99.6% that target is not less than 96%. In 2014 reflected to achieve target. This result is better than in 2013 since in 2013 achieved only 94,8% that show that the capability of budget manager can not implement expenditure as in program.
3. The implementation of type expenditure: Capital expenditure achieved 86.7% (85% **2013) compared to 85% target**, Salary expenditure achieved 102.6% (99% in 2013) **compared to 98% target**, and Goods/Service achieved 112.7% (104.8% in 2013) **compared to 95% target**. According to the percentage of achievement, these indicators achieved the targets as in 2013.
4. Revenue growth basis in 2014 achieved 16.71% of GDP in comparison annual growth 0.5% of GDP (15.16% of GDP in 2013. )

Whereas one indicator did not achieved target.

1. Differently in 2013, the actual implementation in 2014 achieved 110.7% and higher than 10.7% of budget law, so it did achieve the target, domestic revenue achieved +/- 5% compared to the approved budget law (104,5% in 2013). However, target did not achieve, it does not mean that negative impact on the whole economy. In contrast, this showed that reform of revenue administration has become more fruitful for last period. To sum up, the indicators achieved the targets as in 2013. Whereas, one indicator does not indicate clear target for measurement basis that further strengthen national treasury account.

Table 1: Key Performance Indicators

Indicator	Target	2013	2014
Revenue outturn increasingly close to targeted level in approved budget	Achieved +/-5% compared to the approved budget law	104.5%	110.7% (Due to Reform of Customs and Tax Administration)
No accumulation of new arrears	Arrears as defined to be kept at no more than 2% of total expenditure	No	No
Budget holders able to commit expenditure in line with budgets and cash flow forecasts	Q1: 15% Q2: 45% Q3: 67% Q4: 96%	Q1:13.3% Q2: 37.3% Q3: 60.8% Q4: 96.1%	Q1: 15.6% Q2: 33.2% Q3: 56% Q4: 99.6%

Composition of expenditure by type close to approved budget	Outturn compared to budget to be not less than: - Salary: 98% -Goods/service: 95% - Capital: 85%	-Salary: 132.1% -Goods/service: 79.3% -Capital: 83.4%	-Salary: 102.6% -Goods/service: 112.7% -Capital: 86.7%
Better yield achieved from tax base through improved collection efficiency and planned use of nontax sources.	Progressive improvement in revenue yield compared to GDP by 0.5% per annum.	15.16%	16.61%

Source: General Department of National Treasury

Based on the results, KPIs indicated that the 4 indicators above achieved as planned, though from year to year some indicators showed no steady related to budget credibility, however remained essentially since 2008. Further monitoring approved actions aims to strengthen budget credibility, reviewing the 4 objectives that support by many activities and achievements in percentage compared to targets. See annex (A) that details each indicator for the basis of evaluation situation above.

## **1.2 Results of KPIs further Strengthen Budget Credibility**

Meanwhile, the assessment based KPIs is considered as quantity mentioned above and to ensure system, mechanism, legal framework and enough human resources, and further support budget credibility, we continue to evaluate implemented activities based on quality.

Based on activities in 2013, this part achieved 80% of implemented activity targets. In 2014, these activities continued to be implemented to strengthen budget credibility with 14 activities and achieved 85% in which 5 achieved as targets and 7 have been implementing, 1 did not implement, and 1 took action slowly that is activity 11.3 to strengthen capacity to forecast, to manage, and to effectively implement the revenue plan from tax. Although activities were implemented slowly, they were not serious effect on strengthening budget credibility, and all actions carried out to achieve as basis to ensure more budget credibility.

### **1.2.1. Strengthen Revenue Management and Revenue Collection Implementation**

This objective continued to be implemented since CAP 2 in 2013 by focus on administrative improvement and revenue policy that was revised to strengthen revenue management and revenue collection performance by reducing from 6 to 4 activities in 2014. In 2013; on the other hands, revenue administrative improvement and tax policy achieved positively, while some work related to Medium-Term Revenue Policy made slow progress. Some challenges were related to restructuring, staff capacity, and cooperation of all stakeholders. In 2013, there some work must be strengthened such as strengthen monthly revenue collection plan, regularly transfer to National Bank as well as not allow to have a cross year of tax arrears.

By reviewing 4 activities in 2014, 4 important activities were identified to support the first objective such as accuracy revenue forecasting model, approved of Medium-Term Revenue Mobilization Strategy, domestic revenue growth 0.5% of GDP and revenue performance achieves +/5% of budget law. To sum up, based on implemented actions, this objective achieved 70% in which activity 11 achieved 100%, 11.2 achieved 60%, and 11.4 achieved 76%. **While activity achieved less than 50%, it is 11.3 to strengthen capacity to forecast revenue and to effectively implement the revenue plan from tax.**

As results above, there are some indicators achieved as planned such as accuracy of revenue forecast model, and approved and implemented Draft of Medium-Term Revenue Mobilization Strategy 2014-2018. Otherwise, some work need to strengthen and speed up to achieve as plans (1) strengthen of Custom Administration through creating Cambodian National Single Window (2) finalized Model Forecasting Revenue of Taxation, preparation and revising legal letters related to tax sector and data center was built and implemented (3) preparation and revision of legal letters of state property and non-tax revenue. Despite the draft Law on Casino Management has not been approved, many tasks were implemented done through meetings to revise before allowing to hold a public discussion with Casino owner to gather more inputs.

Even success of these objectives, the challenges that occur are lack of technical assistance and not yet created working group for responsibility through functions. To improve objectives more effectiveness, revenue collection agencies should cooperate with General Department of Economic Policy and Public Finance to speed up organizing of revenue forecast model and divide clearly roles and responsibilities to staff by preparation of term of reference (ToR) for each staff.

### **1.2.2. Strengthen Debt Management**

Strengthening debt management was an activity implemented since CAP 2 in 2013 and continue to implement in 2014. In 2013; whereas, many actions were positively achieved to support using debt data though preparation and implementation of Debt Management Strategy seemed not smooth. Therefore, challenges were identified such a lack of human resources, capacity of staff and restructuring. As a solution, further monitoring and revising draft of prakas on Mechanism, Methodology and Procedure for Public Debt Management Operation, including draft of Standard Operation Procedure for public debt management in order to submit to meeting at technical consultation level and installation of DMFAS system from version 5.3 to 6.0 is an essential for strengthening in next step.

By reviewing 3 activities in 2014, 3 important activities were identified to support this objective: (1) review and revise legal and institutional framework, including roles and responsibilities in debt management (2) prepare and launch implementation budget and debt management strategy (3) increase effectiveness and efficiency of using debt data. In conclusion, based on implemented actions, this objective achieved 92% in which 12.1, 12.2 and 12.3 achieved 100%, 86%, and 90% respectively.

Based on the result, the main activities achieved as targets such as legal framework and debt management mechanism to manage debt were prepared through (1) final draft of guideline and procedure to manage public debt and procedure for state guarantee was prepared. (2) sustainable debt analysis report was reviewed and revised, and report of debt analysis was prepared (3) debt management system DMFAS 6.0 was installed and trained on basic computer for using before implementation plan in Q4 and draft of debt bulletins was prepared. In contrast, activities that needed to be strengthened and speeded up were final draft of Updating Debt Management Strategy



2014 - 2018 was approved, and institutional development and human resource plan was updated, approved and launched implementation. The reason why did not achieve was that Public Debt Strategy 2014-2018 was added another annex of debt risk management policy.

Meanwhile, challenges were identified in this objective such as the target implementation was not paid attention and reviewed, however, some work must achieve other take actions slowly. In order to improve the objective, KPIs must further implement such as (1) finalise institutional development plan and human resource for public debt management to submit to top management for approval and launching implementation (2) finalise draft of updated Strategy of Public Debt Management 2014-2018 to submit to top management for approval and launching implementation and (3) increase accuracy of preparation of sustainable debt analysis report through solving challenges and lack of data for sustainable debt analysis.

### **1.2.3 Strengthen Cash Management and Bank Accounts**

Strengthening cash management and bank accounts was an activity that implemented since CAP 2 in 2013 and continued CAP 2-New in 2014. While, in 2013 many activities were positively achieved to support this objective such as increasing scope for banking system extension budget revenue-expenditure operations and monitoring mandate payments and aging of its as well as strengthening effectiveness of cash payable. In contrast, activities to support the achievement of government bank accounts consolidation and strengthening TSA were not achieved. Meanwhile, there are some issues have been identified other than lack of equipment and budget, some actions were not implemented as planned: study and review efforts for accounts consolidation of Development Partners' project accounts in TSA owing to complexity and unclear monitoring procedure, therefore, implementing accrual accounting needs more than 5 years. For next measurement, the some important work is identified such as consolidation and more strengthening cash plan, and cash flow forecast, day ended cash balance forecast in single treasury with accurateness and on time.

By reviewing 4 activities in 2014, KPIs focused on strengthening TSA and full banking system as well as effectiveness and efficiency of cash management. In conclusion, based on implemented indicators, this objective achieved 96% as 13.1 (100%) and 13.4 (100%), 13.2 (96%) and 13.3 (87%).

Based on results, important activities achieved targets (1) strengthen effectiveness and efficiency of account and cash management through using full banking system at municipalities and provincial departments TSA that were monitored and identified and consolidated of Development Partners' project accounts (2) accuracy of recording and monitoring for mandate data. Whereas, there are some work that needs to be strengthened and speeded up to achieve as planned (1) 100% banking system for revenue and expenditure operations toward to E-transfer system. Using E-transfer system may have risks due to there is no paper hard copy for monitoring and keeping. To solve this issue, GDNT needs time to study in details about benefit and cost of E-transfer system with National Bank of Cambodia (2) Pilot of daily and weekly cash plan and monitoring cash management. It was not achieved as planned because revenue and expenditure forecasting was not close to actual implementation. There was a training on cash plan conducted for LMs, though, stakeholders did not provide information and reports as requested so thus GDNT has not had a Software Online system for central LMs to entry revenue-expenditure plan and on time.

In order to improve this objective, in 2015 GDNT needs to further enforce for the development of Software Online system include creating mechanism to control regularly and training LMs to update data.

In conclusion, preparation of legal framework and mechanism of full implementation of banking system, and strengthening cash management and bank accounts are not comprehensive and efficiency which GDNT needs to prepare transparency, efficiency and effectiveness of legal framework and mechanism and procedure of cash management.

#### **1.2.4. Improve Budget Execution and Strengthen Expenditure Plan**

Improving budget execution and strengthening expenditure plan was an activity implemented since CAP 2 in 2013 and continued in 2014 by revising activities from 6 to only 3, whereas in 2013 many actions were not implemented as planned. Remarkably, increasing competition and transparency of procurement process through open public advertisement was fully achieved. On the contrary, launching new sub-decree on Public and Regulations of Procurement implementation by clear indication of line accountability process seemed to be late. The challenges that were identified are inter-general departments coordination, lack of capacity and mechanism to monitor activity that set out implementation; in particular, some legal letters for implementation of the public procurement have not been enacted yet. Next measurement is identified on enforcement to enact and implement legal letters on public procurement.

By reviewing 3 activities in 2014, some important work focused on mechanism and implementation of budget and expenditure plan that would be revised and strengthened. In conclusion, based on the achievement, this objective got 89%, 14.3 achieved 100% and 14.2 achieved 83%.

Based on the result, some work that was positively achieved target was formulation of investment project payment and public infrastructure maintenance program was enacted and implemented expenditure payment as expenditure plan. On the other hand, some work needs to be strengthened and speeded up to achieve target such as (1) preparation draft of sub-decree of Formulation and Appeal Procedure, and Lawsuit and Litigation Procurement Resettlement, preparation of updated procurement manual of Rules and Regulations for Public Procurement (IRRPP) by harmonizing with common standard and creating public procurement management information system (2) improve preparation procedure and issuing new commitment with short and fast. The relevant agencies need to pay more attention, monitoring and enforcement to implement as targeted.

Meanwhile, challenges were identified in this objective through such (1) preparing actions and setting indicators are accuracy and consistency with activities and objectives (2) lack of support internal control of general departments to enforce implementation as planned (3) lack of system to control internal performance in general departments.

Next measurement is that general departments should control and revise action plans and quarterly indicators to be accuracy and consistency with CAP 2-New and general departments should organize monthly meeting regularly to monitor achievement.

In conclusion, improving budget execution and strengthening expenditure plan was not fully achieved as target setting since (1) GDs should review and revise action plan and quarterly indicators to be more accuracy and consistency with CAP-New (2) organize of monthly meeting regularly to control performance.

As 4 objectives mentioned above, therefore, those are additional explanations of achievement some KPIs that need to be strengthened some actions that were not done. Next measurement aiming to maintain sustainable of budget credibility and some specific targets

should be set in CAP 3, so implementation of quarterly revenue and expenditure is smooth and predictable (+/-5% difference in comparison to revenue-expenditure program) and effectiveness and efficiency debt management (receivable and payable) in year. Even no the arrears (90 days), it does not mean that it has stable and sustainable budget credibility unless credibility unless recording mechanism and specific and timely reporting system on arrears (both receivable and payable debt), especially toward standard until 60 days and/or 30 days

As noted above, there will achieve in 2014- 2015 to strengthen the position toward phase 3 in 2016 during financial accountability will essentially achieve in CAP 2 New. Aiming maintain budget credibility is specific targets that have been set in CAP 3: implementation of the execution of quarterly revenue and expenditure is smooth and predictable (+/-5% difference in comparison to revenue-expenditure program) and effectiveness and efficiency debt management (receivable and payable) in year .

## 2. Financial Accountability

As emphasized above, increasing financial accountability must be achieved so does reaching the stage 3, while further strengthen budget credibility toward concrete system and stability. What to engage in essential achievement we will monitor results that raised in this part as objective and activities were identified.

Financial accountability is priority target in stage 2 focused on (1) improve budget execution (2) improve accounting system, recording system and reporting system (3) increase comprehensiveness, accountability, and transparency. Many actions were implemented in the past such preparation of new operations, new budget classification, chart of account (CoA), implementation budget strategic plan and preparation of implementation program budgeting, although the results of financial accountability were not reflected to the system since each part of system was not merged with completeness and comprehensiveness. Based on the achievement in 2013, many actions supported this part and achieved 70% of targets. In conclusion, the results indicated that even this part cannot set out feasible and measurable indicators and targets in terms of quantity and quality, launching FMIS is essential. Therefore, FMIS project must consider also after 1st go-live at the end of 2016, then prepare plan to extent in the phase 2; these need to be developed and readiness.

In 2014, on the other hands, financial accountability, 6 objectives and 26 activities, further implemented by focus on (1) implement new budget classification and new chart of account, (2) implement new budget system and new business process, (3) implement new accounting system, recording system and reporting system and transparency system, (4) implement tools and mechanisms to increase accountability and transparency, (5) strengthen and increase comprehensiveness of budget integration, (6) strengthen internal audit and inspection.

Financial accountability aspects at the end of 2014 achieved 75%, in particular the supporting activities and components for FIMS implementation in mid-July 2015. Concerning the implementation of tools and mechanism as well as increasing responsibility and accountability, importantly, 10 LMs that implemented full program budgeting have not prepared specific actions.

To know the achievements of financial accountability aspects this report will highlight progresses, challenges and request with respected to each objective.

### **2.1. Implement of New Budget Classification and Chart of Account**

Launching new budget classification and chart of account is an activity implemented since CAP 2 in 2013 and further in 2014 by revising from 6 activities to 4 activities and focused on new CoA to be implemented by 2015, full implementation of new budget classification, geography classification, operation, administration, program and economy and study on the implementation of 3 additional classifications such as function, fund, and project. While many activities were not achieved as planned, remarkably, classification of programs, functions were successfully implemented. An action toward step by step to implement accrual accounting is late. Next measurement further prepares detailed budget classification to implement part of program classification and fund classification, function classification and preparation of table for line item such as preparation of circular and prakas to launch implementation new budget that needed to be strengthened.

By reviewing activities implemented in 2014, 4 activities needed to further be implemented (1) review and further improve new CoA (2) review and further improve new budget classification in order to implement at least 3 classifications: economics, geography and administration and (4) study and give options for moving to accrual accounting. To sum-up, the objective achieved 67% in which 21.2, 21.1, 21.4 and 21.3 achieved 93%, 77%, 70% and 60% respectively.

Based on the results above, 2 KPIs positively achieved as targets (1) CoA is enacted and implemented and (2) option of function, resource and project classifications is studied for the implementation. In contrast, some activities were slowly implemented and need to further be strengthened that is geography, operation, program, and economy are enacted. The last draft of revising guideline on new budget classification framework is endorsed and the standard of report IPSAS Cash Basis was prepared for piloting. The format of report of standard IPSAS Cash Basis was prepared but data was not extracted to complete this report.

Regarding to the results, the implementation of phase 1 budget classification and CoA for FMIS tended as planned because some compositions for FMIS can be used. Meanwhile, the necessity to speed up implementation at least 4 of full budget classifications such as geography, operation and administration, programme and economics, study and implement 3 more classifications: function, fund and project, and finalize full standard of report IPSAS Cash Basis.

## **2.2 Implement New Budget System and New Business Process**

Implementation new budget system and new business process is an activity that implemented since CAP2 in 2013 and further in 2014 by revising some activities. In 2013, the progresses were identified such improving expenditure transactions of MEF and LMs to align with CoA and rules of accounting as well as regular consolidation of bank accounts, and building capacity of FMIS management. In contrast, preparation of training plan and training documents for government officials on FMIS practice was later than target.

The next measurement is to review roles of financial controllers and preparation of commitment procedure and monitoring formality on financial program budgeting of budget entities.

By reviewing 7 activities in 2014, some important work was identified for system and process to implement effectiveness and efficiency of new budget. In conclusion, based on the results, this objective achieved 78% in which 22.1, 22.2, 22.3, 22.4, 22.5, 22.6, and 22.7 activities achieved 93%, 86%, 83%, 85%, 87%, 50% and 63% respectively.

Based on the results above, some work was improved better than last year (1) procedure of budget execution was reduced at minimum level (2) important legal documents were updated to

strengthen budget execution both national and sub-national budget to align the evolution of CoA (3) capacity staff to use FMIS system was strengthened and (4) FMIS management plan was consolidated comprehensively. In contrast, there is some work related to enact of training plan for FMIS phase 1 and business process document for FMIS that are late. To be able prepared and implemented FMIS, key General Departments/Agencies in charged of FMIS project must further strengthen cooperation and respect to guideline and responsible functions, especially must dare to accept improvement and success.

### **2.3. Implement New Accounting System, Recording System, Reporting System and Transparency System**

Implementation new accounting system, recording system, reporting system and transparency system was an activity that implemented since CAP 2 in 2013 and continued in 2014. In 2013, many actions were positively achieved to support this objective such as further increase using banking system for revenue-expenditure transactions, and monitoring unpaid mandates and its aging as well as amount of money were paid that must be strengthened. Thus, actions supported the consolidation of government bank accounts and strengthening (TSA) that were not finalised. Meanwhile, some challenges were identified others than lacking of equipments and budget; and some activities have not implemented as targets: studying and reviewing efforts to consolidate DPs' project accounts into TSA as consolidation of DPs' project accounts into TSA that was a challenge and complexity due to no basis and clear sources to monitoring. Thus, the plan to implement accrual accounting takes more than 5 years. For next measurement, some work was identified such as consolidate and strengthen cash plan, build cash plan management system with norms and procedures for stakeholders to create cash flow forecast and day-ended balance cash forecast into TSA accurately and timely.

By reviewing main activities in 2014, some important work was identified and implemented (1) review accounting standard with international standard (IPSAS, GAAP) and evaluate its reality and appropriateness of sequencing in implementing accounting standard in compliance with FMIS (2) launch quarterly budget execution report, highlighted completed work compared to its target, work delayed; resolution measures: from LMs to MEF and within LMs, from budget entity to management level (3) improve budget execution report format to be submitted to the Council of Ministers and to legislative body (4) improve report format and exchange of information with the public (5) launch mechanism to complete the inventory of state property and regularly updated. In conclusion, based on the implemented actions, in conclusion, this objective got 74% as activity 23.5 achieved 100% and 23.1 achieved 88%. While the other 2 activities 23.3 and 23.4, relevant general departments did not prepare detailed action plans to support though for activity 23.3 departments reported from action plan and the achievement via main activity even actions were not planned by general departments.

Based on the result, the achievement is draft of circular on fix assets of state property with reviewed pricing and approved by Ministry of Economy and Finance. In contrast, the current accounting standard is evaluated and further improved to align with IPSAS that is not comprehensive.

Based on the results, for next measurement relevant General Departments should prepare detailed actions to support the implementation of new accounting system, recording system, reporting system and reporting system in CAP 2-New.

### **2.4. Implement Tools and Mechanism to Increase Responsibility and Accountability**

Implementation tools and mechanisms to increase accountability was an activity implemented in CAP 2 since 2013 and continued in 2014. In 2013, some progresses were identified such as regular monitoring for resource management standard framework for budget entity as basis to extent delegation of power and flexibility. In contrast, establishment sanctions for inappropriate or inefficient management of resource, included law and wide dissemination of guidance, are less implemented and behind schedule.

In 2014, 4 activities focused on (1) establish appropriate sanctions for wrong, inappropriate or inefficient management of resources, build into law and give wide circulation and advice (2) establish a list of authorizes power and flexibility to be given to budget entities as consensus on appropriated resource management system (3) regularly review the outcome of resource management made by each budget entity to served as basis to offer empowerment and flexibility (4) launch quarterly budget execution report, highlighted completed work compared to its target; work delayed; resolution measures : from LMs to MEF; and within LMs, from budget entity to management level. In conclusion, based on implemented actions in year, the objective achieved 23% in which 24.1 achieved 90% and the other 3 activities 24.2, 24.3 and 24.4 did not have actions to support.

Based on the results, this objective should be prepared more actions, though implemented actions and results received very low level that is concerned effectiveness of public resources management and disciplines of government officials who are not increased to align tendency with current budget reform system. In conclusion, this objective has still more tasks to further strengthen such as internal rules of all departments and entities of MEF, the guideline on power and responsibility of budget entities as well as strengthened in regular reviewing results of resources management as achieved by each budget entity under LMs.

### **2.5 Strengthen and Increase of Comprehensiveness of Budget Integration**

Tools and mechanisms are implemented to increase accountability was a main activity implemented since CAP2 in 2013 and continued in 2014. In 2013, on the other hands, some progresses were identified such policy formulation to budget integration, improvement of integration between recurrent and capital budget through implementation of Medium-Term Expenditure Framework (MTEF), Budget Strategic Plans (BSPs), and Program Budgeting (PB) in which reflected poverty reduction and gender mainstreaming indicated in the guidelines of BSPs and PB. There was an improvement for including revenue and expenditure outside government operation into fiscal year as well as donors funding, although it had not fully implemented as planned.

In 2014, this activity continued to implement in order to strengthen (1) develop policy for budget integration. Further improve recurrent and capital budget integration by carrying out MTEF, BSPs, and PB. Incorporate poverty alleviation and gender into guideline on budget stratic plans and program budgeting, and (2) further incorporate revenue-expenditure which is off-budget into annual budget, and also gradually incorporate Development Partners' budget into annual budget. According to progresses made in 2014, this objective achieved 100% toward the achievement of main activity 25.1, whereas activity 25.2 was not implemented since it would implement in 2015.

Based on the above results, activity achieved as planned was the improvement of assessment method for scoring the level of BSP preparation. However, this objective is importantly required relevant general departments to further strengthen preparation of activities and indicators to be more accuracy and consistency as well as improving guideline and regulation

framework to ensure budget comprehensiveness for implementing in second quarter of 2015, essentially integration between recurrent and capital budget, and including revenue and expenditure outside government operation into fiscal year as well as donors funding.

## **2.6. Strengthen Audit and Inspection**

Strengthening audit and inspection is a main activity implemented since CAP2 in 2013 and continued in 2014. In 2013, there was none activity fully achieved, though some progresses were identified such as establishment of internal audit in government ministries/agencies and ensure its effectiveness, and improvement of internal audit and inspection. However, there were still some work remained needed further improved to ensure the effectiveness of auditing and inspection reports for budget entity. Meanwhile, some challenges were addressed in which relevant agencies had not implemented as planned such preparation of draft on sanction procedures based on law of civil servant and law on public financial system for public financial management due to a lack of supporting legal documents. To achieved these activities, the executive level of ministries/agencies/public enterprises must strongly focus on internal audit function; specifically submitting the audit plans and report to National Audit Authority (NAA) and MEF as well as strengthening or establishing some activities in CAP3 to adapt to information system.

In 2014, this activity was implemented to strengthen (1) full operations of internal audit unit in all LMs, (2) improve mechanisms to ensure effective responses to the findings by audit and inspection at all budget entity, (3) develop and improve annual audit/inspection plans of LMs, based on risk assessment from Ministry of Economy and Finance, and (4) MEF reviews the sufficiency of sample audit/inspection reports. Overall, this objective achieved 80% as main activity 26.1 (79%), 26.2 (80%), 26.3 (77%), and 26.4 (90%).

According to the above results, there was none main activity achieved as planned, whereas some work required to further strengthen (1) 8 ministries/institutions implemented full PB should review the effectiveness of internal audit, (2) three internal audit entities were monitored and reviewed in the implementation based on NAA's recommendations, (3) disseminate testing quality report format for LMs, and (4) review and improve inspection plans of LMs based on MEF's procedures and recommendations. This objective was not achieved as planned due to unclear budget plan to support the main activities.

Therefore, strengthening internal audit and inspection remained in a good process toward the standard and regulations in 2014, though some work still needs to be improved to achieve targets such as increasing willingness and commitment for improving the report on effectiveness of internal control system and mechanism related to budget execution (expenditure-revenue) included financial and non-financial.

To increase financial accountability, in conclusion, some important work was implemented, specifically, new budget classification and improvement of budget execution can use to ensure the FMIS go-live as planned. To continue to strengthen this part, some important directions have been preparing in CAP3 framework, i.e. clear system, mechanism, and legislation would be implemented before 2018 (Budget classification, CoA, and FMIS phase 1 and 2) as well as the effectiveness, transparency, accuracy and timely of implementation on accounting system, recording system, and financial reporting system.

## **3. Readiness for Later Platform**

Part 3 of consolidated action plan that consists of 2 objectives was implemented since CAP2 by focus on the readiness for the stage 3 (budget-policy linkage) and stage 4 (Performance Accountability) to ensure sustainability and effectiveness of the PFMRP. Indeed, a readiness for stage 2 during stage 1 is important to ensure sustainability of PFMRP. In stage 2, the core objective focused on further strengthening and increase comprehensiveness and budget integration budget, specifically, launching implementation of full program budgeting at 10 line ministries in 2015. According to the achievement of main activities in 2013, this part achieved 88% against its targeted. Thus, the report indicated that most activities are well implemented, however, previous years focused on guideline, training, enhance passion and capacity of the staff. However, the Direction of Budget Strategic Reform System 2013-2020 indicated that some activities were making a slow progress even readiness for next steps have been strengthened.

In 2014, this part was supported by 4 objectives and 19 activities that focused on (1) strengthen and expand program budgeting, (2) develop and implement line accountability system (between legislative and executive bodies, MEF and LMs and within LMs), (3) strengthen fiscal policy and planning, and (4) strengthen fiscal decentralized policy and strategy which is further increased readiness in stage 3 till 2015 aiming to increase the efficiency in allocation and used of budget for new component including in BSP, PB and BE. BSP and PB were piloted since 2008. Based on activities above, this part achieved 82%. The readiness for next steps in 2014 made a lot of achievement but still some work needed to further strengthen such as BSP guideline for sub-national and financial decentralized policy for medium-term and long-term, and implementing the guideline and expenditure manual in PB must also be focused and strengthened.

The following points are the evaluation report on progress, challenges and directions of the 4 objectives which reflected the results in 2014 as well as review the achievement in 2013.

### **3.2. Strengthen and Expand Program Budgeting**

Strengthening and expanding program budgeting was implemented since CAP2 in 2013 and further in 2014. In 2013, some activities were not finished though some important tasks were implemented such training plan and capacity building for PB and preparation strategy to expand budget strategic plan. In contrast, there are some work that need further strengthening: review and improve program budgeting. Next measurement is launching training and disseminate the circular of PB implementation guideline, preparation of budget entity framework and changing new working style of piloted 10 LMs, evaluation of strengths and weaknesses of guideline, and recommendations to improve guideline and training for piloting 10 LMs that implemented 10 budget entities in the near future.

In 2014, 3 activities were implemented which focused on (1) review and improve of PB, (2) prepare strategic PB and (3) implement training plan and capacity building for PB implementation. Thus, this objective achieved 80%, activities achieved 31.3 (100%), 31.1 (60%); meanwhile activity 31.2 was not implemented.

According to the achievements, important progresses were achieved as planned (1) improved guideline of PB preparation based sector, and (2) updated training documents for PB and training to trainers and staff from implemented LMs PB in 2015 and 2016 about 1250 participants. However, activity was not achieved as planned: the implementation of guideline of PB operational expenditure procedures due to activities and indicators were set not clear, especially the timeframe. However, this guideline was requested and proposed to high executive



for reviewing and approval by relevant general departments in the early January 2015. Thus, PB strategic preparation has not been implemented yet according to activities since 2014, though the ministries that are going to implement PB in 2016 were also provided technical assistances.

To conclude, strengthening and increasing PB was implemented as planned in 2014 even some indicators had not fully achieved, specifically, slow progress in the implementation of guideline of PB operational expenditure procedures as well as limited capacity of those ministries willing to implement in 2016. The results reflected the needed to finish and effective implementation guideline of PB operational expenditure procedures with effectiveness and efficiency in early 2015 and requested LMs for preparation actions to support implementation of program budgeting

### **3.2 Develop and Implement Line Accountability (between legislative and executive bodies, MEF and LMs and within LMs framework)**

Developing and implementing line accountability was implemented in part 2 of CAP2 in 2013 and continued till 2014 by improving some activities. In 2013, on the other hands, activities achieved are (1) review and amend of law on the role and responsibility of public financial management, (2) review line accountability for annual budget preparation and public investment program, and (3) review accountability and roles between ministries. However, preparation of roles and powers for budget entity had not achieved as planned yet. Therefore, some recommendations were indicated such as implementing of line accountability system to align with PB and Budget Strategic Reform 2013-2020.

In 2014, some activities needed further to be strengthened (1) review and amend of laws and regulations that determine government's role and responsibility of public financial management, (2) set clear line of accountability to prepare annual budget and to develop Public Investment Program (PIP) and determine clear responsibilities of each LM, including MEF, Ministry of Planning, and Council for the Development of Cambodia (CDC), (3) identify budget entities and budget managers at National and Sub-National Administrations, (4) determine the responsibilities for the management at all levels, (5) Develop and disseminate guidelines, detailing the management at all levels, (6) instructional structure to respond to new business process, including reallocation of financial controllers to LMs and set clear roles within the decentralization framework. Thus, this objective achieved 86% as activity 2.5 (100%), activity 32.3 (90%), and activity 32.6 (70%). Meanwhile, activity 32.1 was not implemented, and for activity 32.2 and 32.4 relevant general departments were not prepared actions to support this objective.

According to results, remarkable progresses are (1) reviewed the regulation framework for financial power of budget entity and disseminated guideline on preparation and implementation for budget entity of ministries/institutions implementing the PB. However, activities not implemented as planned is the Prakas of inter-ministrial the approval and implementing of budget entity to those 10 LMs, (2) decentralized power to financial controllers of ministries/institutions in issuing visa on commitment and mandate for some expenditures.

To conclude, we can assume that this objective has made a lot of progresses but still cannot achieve as planned. The results reflected the requirement in preparation of activity and indicators with regard to the line accountability in year budget preparation and investment program as well as improving line ministries functions and roles. Thus, finalize the recognition of the 10 ministries implemented Budget Entities and prakas on delegation power to financial controller attached to LMs.

### **3.3. Strengthen Fiscal Policy and Planning**

Strengthening fiscal policy planning is the main activity not implemented in CAP2 in 2013, this activity was set in 2014 which focused on (1) strengthen capacity to develop medium of macroeconomic policy framework and increase its effectiveness and efficiency, (2) strengthen capacity and effectiveness of medium-term fiscal framework, and (3) strengthen capacity to analyze and forecast economic and financial situation. According to activities were implemented, this objective achieved 95% as activity 33.1 (95%) and 2 other activities could not implement due to timeframe.

The results indicated that some activities were implemented successfully, specifically economic and financial data and statistics for are consolidated. On the other hands, other activities were not achieved such as MTEF 2015-2017, finalized study on data forecasting model for economic and financial situation, and compiled of fiscal data and annual economic analysis. The reasons were not achieved targets due to lack of staff causing to slowly prepare the draft mechanism and scope of TOFE and GFS in Sub-National level, lack of data for preparation MTEF 2015-2017 and process of Financial Programming and Policies Model are not consistency.

To conclude, we can assume that strengthening fiscal policy and planning was implemented in very positive and good way, though still required further strengthening capacity in preparation, increase effectiveness and efficiency of medium-term fiscal framework and further strengthen capacity to analyze and forecast the economic and financial situation through capacity development for staff, comprehensiveness and consistency with new forecasting model.

### **3.4. Strengthen Fiscal Decentralization Policy and Strategy**

Strengthening fiscal decentralization policy and strategy was implemented in part 2 of CAP2 since 2013 and further part 3 of CAP2 NEW in 2014. Generally speaking, there was no activity fully achieved based on the results in 2013, though there were some activities able to implement such as strengthening capacity for budget preparation and execution, financial decentralization and de-concentration, decision in budget preparation and execution at provincial and municipal level. Another important issue that must be taken into a serious consideration was the strengthening financial decentralization policy and strategy with respected to the strategic framework of public financial management reform and improving non-tax revenue at provincial and municipal.

Regarding the activity in 2014, this objective supported by 7 activities (1) further develop of sub-decrees, prakas, circulars, guidelines as required by law on Financial and State Property Management for Sub-National Level, (2) develop and implement policy on medium-term and long-term fiscal decentralization, (3) establish and improve governance tools to support the formulation and execution of budget for Sub-National Administration, (4) study and implement own source of revenue for the Sub-National Administrations, (5) establish Sub-National Investment Facility (SNIF), (6) develop BSPs for Sub-National Administrations and (7) develop capacity development plan for national and sub-national administrations, especially for the implementation of FMIS. According to activity achieved in 2014, this objective received 68% as activity 34.7, 34.3, 34.4, and 34.7 (100%), activity 34.1 (84%), and activity (70%). However, 2 activities achieved less than 50% are 34.6 (20%) and 34.2 was not included in the plan.

Based on the results, some important work was positively achieved as (1) laws and procedures for sub-national budget execution was improved and prepared, (2) finalized the concept note on source of revenue for sub-national, (3) prepared and implemented the capacity development plan for national level in related FMIS work. However, the activities were not achieved are (1) law and regulations on financial and state property management in sub-national,

(2) policy papers and regulations for investment tool in sub-national level, and (3) preparation of Sub-National BSPs; thus, preparation and implementation of medium and long-term financial decentralization policy was not implemented as planned. The results reflected the need to further effort in the preparation guideline on Sub-National BSPs preparation, preparation and implementation of medium and long-term financial decentralization policy in order to achieve this task, relevant agencies should request the General Department of Budget and GSC for technical assistance in preparing the Sub-National BSPs.

Concerning the readiness next steps, in conclusion, more activities were achieved as planned that mostly focused on strengthening comprehensiveness and integration of budget, specifically, strengthening the implementation of BSP and further strengthening the implementation of PB. Thus, further effort in preparation the guideline on Sub-National BSPs preparation, and preparation and implementation of medium-term and long-term financial decentralization policy as well as implementation on expenditure operational procedures must take into account and implementation of full PB. To further strengthen this part, clear directions and objectives have been preparing and including in CAP3 framework such as BSP is developed and effectively and efficiently implemented, and adopted by the Council of Ministers, PB and BE are implemented by LMs and Sub-National Administration efficiently and effectively, MTEF and MTRF (3-year moving) are developed and implemented efficiently and effectively.

#### **4. Support to the Successful and Sustainable Implementation of Reform Program**

Support the reform program in a successful and sustainable manner is a new part which started to implement toward the part 3 in the CAP 2 New in 2014. However, some activities were not really new meaning that they were implemented in the objective 28 of part 2 in CAP2 since 2013; such as LMs restructuring, human resources development, and training skills, increases of incentives as well as preparation and implementation of strategic coordination for PFMRP to response the effectiveness of stage 2. The past year results indicated those activities achieved around 73% which was mainly strengthening the development and training skills through short courses and workshops. Whereas, motivations system via review incentives, support to change management and institutions as well as capacity development plan.

In 2014, this part supported by 2 objectives (1) enhance leadership, management capability and develop reform passion as well as to increase ownership and responsibility (2) increase effectiveness of capacity building and incentive measures. Therefore, the development effectiveness of public financial management system to achieve international standard, development of mechanisms and preparation of regulations in order to strengthen consistency of a whole system were not met the targets and not comprehensive. This required executives level or leaders and participants to mainstream themselves in the system based on functions and roles.

According to main implemented activities, this part achieved around 70% which emphasized the part 4 was not acceptable compared to other parts, and this required to further support, specifically improve of preparation and updating skills training plan and also creating new activity to support increasing leadership, management, and reform passion as well as ownership and accountability to all LMs.

The below report will detail of progress challenges and future directions of the 2 objectives. However, these objectives were not included in the past years, this report will not make a comparison in progress made in 2013 with 2014 as described above.

#### **4.1. Enhance Leadership, Management Capability and Develop Reform Passion as well as to Increase Ownership and Responsibility**

In 2014, enhancing leadership, management and willingness of reform, ownership and accountability had 2 activities (1) strengthen leadership and management capacity and (2) Enhance passion for reform, ownership and responsibilities. This objective achieved 60% as activity 41.1 (40%) and 41.2 (80%).

According to the results, the activity for strengthening management capacity was increased through training and workshop as well as active participation though it is still not met the targets. Among 12 general departments of MEF, there were only 2 GDs that had created training program aiming to strengthen management capacity and leadership. Importantly, only 1 general department had prepared clear activities and working group to strengthen the willingness of reform, ownership, and accountability in the PFMRP, especially preparation of GDAP2 New to response to the CAP2 New. Regarding this, few general departments are still working on the finalization of prakas, guidelines on law and regulations to support the PFM framework.

#### **4.2. Increase the Effectiveness of Capacity Building and Incentive Measures**

This objective had 2 activities for the 2014 (1) review effectiveness and efficiency of training and develop new capacity development plan and (2) review mechanisms and approach for previous incentive, and develop new mechanism and approach for incentive equity and consistency. Therefore, this objective achieved around 80% as activity 42.1 (62%) and 42.2 (98%).

According to the results, there was no any activity fully achieved in supporting the review effectiveness and efficiency of training and preparing new capacity development; although positive activities have been preparing such as ministries/institutions strategic development plan have been reviewing and improving. However, research activity, skills training document related economy and finance sector management had less implemented compared to targets. Thus, there was progress made for the review the mechanisms and approaches of the past incentives allocation, and preparing mechanisms and new approaches for incentives allocation to be more equity and consistency through preparation of performance monitoring and selecting staff for incentives as well as extent used of penalty mechanisms.

The overall reform framework must focus on existing system, effectiveness and efficiency of legal framework with respect to capacity, willingness, commitment, ownership and accountability. Strengthening leadership and managerial capacity were not good as it needed to be strengthened such as human resources strategic management, dissemination plan, training on PFM, and improving and updating sector skills training documents. To strengthen this part, clear directions have been preparing, including into CAP3 framework such as leadership, management capacity, technical capacity, ownership, and accountability with respect to the implementation of PFMRP.

Lessons and experiences emphasized that PFMRP required the support from LMs through preparation of GDAP and MAP to support stage 2 and 3, and this is not only the MEF which under the monitoring by GSC.

### **5. Progresses of Ministries/Institutions**

The 10 years experiences of LMs for the implementation of PFMRP since stage 1 though effectiveness and efficiency still not satisfied.; and we must admitted that activity and engagement in the PFMRP also still not met our demands. Indeed, some ministries/institutions

always waiting for MEF directions and guidances rather than working within ministry/institution itself and having self improvement; these are the factors that caused challenges for PFMRP.

In transitional phase, specifically, the finished of stage 2 and approaching stage 3 indicated a crucial changes by transferring PFMRP ownership from MEF to LMs.

The ownership and accoutability are still limited based on the report from ministry/institution; the report highlighted routine work more than PFMRP which could not distinguish between both of these work. Thus, a lot of work still faced some problems such as BSPs preparation, budget execution and lacking of human resources within the LMs as well as workplan preparation was not reflected the needed to improve their work .

### III. Challenges

As emphasized previously, there was still a lacking points that made a slow progress for implementation of PFMRP from year-to-year. Challenges have been highlighted since 2013 also happened in 2014; thus, there are some technical constriants below :

- Annual implementation of **revenue-expenditure plan** was not accuracy and limited **capacity to forecast**
- Preparation of actions and indicators are not accurated and consistent to main activities and objectives
- Admitted that weighting methodology of the results against activity was not scientific formular
- Preparation of guideline on **Sub-National BSPs** preparation was not implemented as planned due to limited capacity of staff
- There was not detailed implementation procedures for the 10 LMs implemented PB which leads to constraint for its effectiveness and accountability in 2015
- Preparation of the Training Need Assesement will lead an effective training and capacity develoment
- Some general departments did not hold monthly and quarterly meeting to monitoring and evaluatation progress and challenges of PFMRP.

### IV. Recommendations

Implementation the overall PFMRP that aimed to improve a whole public financial management step by step approaching international standard that aligned with a Concept of Budget Reform System of Cambodia 2013-2020 would meet some difficulties. In 2014; specifically, challenges and solutions are prepared to recover for the next implementation. To determine success factors, issues mentioned below should have been taken into account and prioritize basic factors to implement PFMRP from year to year.

- Annual implementation of revenue and expenditure plan and increasing capacity to forecast
- Further develop accurate actions and indicator and consistent to activities and objective level.
- Further develop guideline on **Sub-National BSPs** preparation.

- Develop guideline of detailed implementation procedures for 10 piloting LMs and can be implemented with efficiency and accountability in 2015.
- Enhancing effective training and capacity building through Training Need Assessment (TNA) preparation.
- Executive level top managements of General Departments who do not prepare monthly and quarterly meeting to monitor and evaluation progress and challenges of PFMRP should take action to prepare the meeting.

The challenges have been raised up in the meeting of Steering Committees of Reform Program on 29<sup>th</sup> January 2015 by His Excellency Minister of Ministry of Economy and Finance; set out some immediate measurement to improve situation. As a result, some work is taken action by relevant general departments to develop actions and strengthen the implementation important tasks such as:

1. Enforcement of **implementation tools and mechanisms to increase responsibility and accountability** to serve an efficiency of system and internal control mechanisms related to budget implementation, relevant General Departments have prepared actions and set out indicators as well as preparing actions for implementation despite immediate results are not evaluated yet.
2. Strengthening implementation of revenue and expenditure plan is not accuracy and forecasting capacity in year seemed limited. The measurement is revenue agencies must prepare actions to support forecasting model preparation (for General Department of Taxation take action at beginning 1<sup>st</sup> quarter, General Department of Customs and Excises takes action 2<sup>nd</sup> quarter, General Department of State Property takes action in 3<sup>rd</sup> quarter, and General Department of Financial Industry took action in 2<sup>nd</sup>)
3. To strengthen preparation and **implementation of BSPs** aiming to increase budget comprehensiveness, General Department of Budget of MEF has prepared and improved annual circular of BSP to integrate between recurrent budget and capital budget, and administrative public entities and guideline for BSPs preparation has been improving to align with Budget Strategic Reform System 2013-2020.
4. General Department of Sub-National Administrative Finance (GDSNAF) needs to strengthen preparation on BSP for Sub-National level, and in case needs technical assistance from General Department of Budget or General Secretariat, Steering Committee of the Public Financial Management Reform, GDSNAF was prepared guideline on BSPs for Sub-National preparation by cooperation of stakeholders.
5. For 10 budget entities piloting for LMs and not received detailed and specific implementation procedure would be a challenge to have an efficiency and accountability for implementation in 2015; General Department of Budget of MEF have prepared and implemented guideline on procedure of program budgeting expenditure process in January 2015.
6. General Department of Public Procurement need to prepare meeting to explain the concept of the draft of procurement procedures and make proper improvement and then training to officials who are in charge to be more understand as well as municipalities and provincial departments.

## V. Conclusion

In conclusion, through experiences, decision making to finalize from one stage to another can be smoothly implemented based on achievement of each part, in particular, further strengthening budget credibility toward strong budget system and stability; increasing financial accountability must essentially achieve for moving to stage 3 increasing policy-budget linkage. Implementing CAP 2-New, further strengthening and extent piloting program budgeting, and increase comprehensiveness and budget integration are the next steps in platform 3. According to the report, we can conclude that:

**1. Budget credibility:** Based on 5 key performance indicators, it showed that the deviation of revenue and expenditure of national budget is closed to the approved budget, the flow of revenue and expenditure is smooth, cash payment on time as well as elimination of arrears. Based on the result of activities, this section achieved 85% that means actions to further strengthen budget credibility and better implementation. In general, budget credibility is maintained but it need to strengthen on main tasks, in particularly, effective preparation and implementation of revenue and expenditure plan with accuracy in year and capacity to forecast is limited. Further strengthen cash and bank account management and the effective of using bank system (making timely report and cash plan with effective and efficient measures for the use of cash), capacity building in debt management both payables and receivables.

**2. Financial accountability:** Based on the achievement of each activities (75%), we can draw a conclusion that some work, particularly, necessity of compositions can be used to ensure FMIS implementation on time as planned. Some activities remain concern are implement tools and mechanism to increase responsibilities and transparency especially 10 LMs which implement full program budgeting that specify not yet prepared.

**3. Readiness for later platform:** Based on achievement of activities (82%), most activities in this part have been completed but need to be taken more effort to strengthen preparation of guideline on draft law on Sub-National BSPs and guidelines of medium-term and long-term fiscal policy and implementation of guideline on procedure of program budgeting process must take attention and strengthen implementation.

**4. Support to successful and sustainable implementation of reform program:** Based on this achievement (70%), it indicated that the fourth section is the lowest among 4 sections that need to be continued and strengthened to support more, especially, human resources management strategy, wild dissemination and training plan of reform activities, preparation and update sectors training document. That should prepare and establish more specific actions.