



Steering Committee of the Public Financial Management Reform

Performance Report
2nd Quarter 2016 (GDAP3)
Ministry of Economy and Finance
(Draft)

General Secretariat
of the Public Financial Management Reform Steering Committee

September 2016

CONTENT

Summary.....	01
1. Introduction	02
2. Achievements of 2 nd Quarter	05
3. Progress of Each Part (GDAP3).....	11
4. Challenges	30
5. Suggestsions.....	30
6. Conclusion	31

SUMMARY

This report intended to monitor and assess the implementation of GDAP3 within the ministry of economy and finance which focused only on 2nd quarter 2016. Therefore, it will highlight the progress and identified the challenges that some works and tasks are required to improve and prioritize both within ministry of economy and finance and ministries/institutions of the government. However, the performance changes of Q2 progress will compare with Q1 progress 2016 that prepared by General Secretariat of the Public Financial Management Reform Steering Committee (GSC) in order address the progress, challenges and way forwards while required high accountability by from all general departments under MEF. Thus, weakness has also identified based the Q2 report prepared by individual general departments under MEF submitted to GSC; and these also needed to further monitor, improve, and strengthen by both GSC and GDs under MEF. Moreover, the results from Q2 will be a basis for GSC and GDs under MEF to continue prepare strategy to support PFM action plan in order to achieve long term vision of the PFM reform program.

To what the extent; the success of PFM will lead to the accomplishment of new budget system that focused on 4 important elements such: (1) fiscal discipline: is reflected in a combination of the coverage of the budget documentation and the ability to deliver the budget aggregates as planned (i.e. budget preparation and execution), (2) Strategic allocation of resources reflects the government's ability to provide the required financial resources to the institutions that deliver public services and to mobilize financial resources from citizens and enterprises, in both cases in line with policy objectives and targets, (3) Efficient service delivery reflects that financial resources are used to create value for money in the provision of public services and that waste is avoided. This is essential for maximizing the level of public services that can be delivered in relation to the revenue mobilized, and therefore for the accountability for use of public resources at all levels, and (4) integrity of fiscal information referred to above rely on the fiscal data and information available (report on revenue and expenditure).

Therefore, according to the Q2 report we are able to conclude the 5 parts of GDAP3 in brief:

1. **Further Strengthening Budget Creditability** achieved 80%: due to the 5 key performance indicators, there was a small variance of national revenue and expenditure compared to budget law, smoothen of revenue and expenditure flow, improved of payment process, and reduced all arrear. Last but not least, budget creditability can be ensured and maintained but still not fully stabilized.
2. **Further Strengthening Financial Accountability** achieved 82%: which means some important tools and tasks can be applied to ensure the timeframe of the FMIS implementation. Financial accountability can be maintained but could face challenges when FMIS Phase 1 not finished as targeted, and also lack of commitment in preparing the FMIS Phase 2 action plan.

3. **Budget-Policy Linkage** achieved 87%: this is an important stage so strengthening pushing the preparation of the medium-term budget framework (revenue-expenditure), BSP, PB, and related legal documents to support these works. Moreover, continue to prepare and finish sub-National Financial Decentralization Policy, MEFF, and Strategic Budget Reform System of Cambodia 2017-2025 and so on.
4. **Readiness for Next Stage** achieved 79%: general department of MEF should also take into account for the activity under the (1) Develop performance based budget framework, (2) Develop performance based management framework, (3) Develop performance based audit framework-PBA, and (4) Develop capacity development plan (including legislative bodies and the National Audit Authority).
5. **Support for Successful and Sustainable PFM** achieved 72%: which means it required strong efforts to consider on (1) Develop leadership, management capacity, reform willingness, ownership and responsibilities, (2) Increase effectiveness of capacity development and incentive measures, (3) Improve capacity building for implementation of public financial management reform program – Platform 3. Last but not least, it is also required to communicate with Public Administration Reform.

1. INTRODUCTION

1.1. Background of PFM (In Brief)

In this spirit, Public Financial Management Reform Program are Royal Government of Cambodia announced to implement in December 2004 for the long term with the aim of transforming the system of public finance Cambodia into the financial system of public finance in accordance international standard and best practice, focusing on decentralization on output and performance in 2025. Essentially, as a pillars of the Committee on Economic and Financial Policies, Steering Committee of the Public Financial Management Reform (PFMRP) have the responsibility to lead, organize, implement, coordinate and evaluate the implementation of reform public financial management by determining the 4 steps and stages as follows:

- Part 1: “Further Strengthening Budget Reliability” implemented from 2004 to 2008
- Part 2: “Further Strengthening Financial Accountability” implemented from 2009 to 2015
- Part 3: “Budget-Policy Linkages” from 2016 to 2020 and
- Part 4: “Performance based accountability” from 2021 to 2025

Success in implementing Public Financial Management Reform of the Royal Government of Cambodia relies mainly on a gathering of all the efforts and collaboration of all parties concerned, both in / between the General Departments and entities under the Ministry of Economy and Finance, as well as Line-Ministry, and relevant institutions of the Royal Government of Cambodia. Momentum to Public Financial Management Reform have been required to support

willingness, strong commitment, ownership and responsibility from the management and officials at all levels, ranging from the technical level until the policy level while the process of implementing reform public financial management across one stage to another stage, without escape from acute challenge which needs an appropriate solution and timely.

To achieve short, medium, and long-term vision, PFMRP initiated and established three interaction mechanism:

1. Coordination between the National Committee for Sub-National Democratic Development, Public Financial Management Reform, and National Program for Public Administration Reform.
2. Mechanism to address the challenges in the implementation of Public Financial Management Reform under the coordination of PFMRP.
3. The rules and procedures of formulation, execution, control and monitoring and assessment of the Public Financial Management Reform.

In particular, 2016 was the year started to implement Stage 3 of Public Financial Management Reform after Stage 2 succeeded in Further Strengthening Financial Accountability by strengthening and continue to strengthen further in imposing the implementation of key fundamental components such as implementation of new chart of accounts, new budget classification, budget entities, full program budgeting in 25 Line Ministries and implementation Financial Management Information System for Public Financial Management in phase 1, which is completed at the end of 2016.

In Stage 3, Public Financial Management Reform to focus on 3 priorities such as:

1. The management of revenue collection.
2. Strengthening and expanding implementation FMIS.
3. Strengthening and expanding the implementation of the program budgeting.

1.2. Objective of the Report

This report, of course, is showing the progress, challenges and new direction for the General Secretariat GSC which is the entities under PFMRP to coordination and implementation of the Public Financial Management Reform and other entities under MEF and Line Ministries to looking for solutions and establish the framework, mechanisms, strategies and procedures of new activities to strengthen and expanding the implementation of reform for both the institutional framework and the government to achieving efficiency and effectiveness. Finally, this performance report becomes a tool and added value to support Public Financial Management Reform in the next stage for efficiency, effectiveness and comprehensive basic information to further implementing reform and assistance to Line Ministries and relevant entities to Public Financial Management Reform.

1.3. Method of Preparing the Report

To ensure the development of the quality and completeness of the performance report, monitor and evaluate on Public Financial Management Reform have started from quarter to annual and phase 1 to the next phase; also, working group of General Secretariat, Steering Committee of the Public Financial Management Reform (GSC) have involved to MEF General Departments and Line Ministries for implement and prepare report. After that, GSC consolidates all report with overall monitoring of progress of the reform program.

The process of preparing this report is provided by responsible 5 division of GSC to coordinate and assists MEF General Departments such as:

1. Policy Division: General Department of Economic and Public Finance Policy.
2. Revenue Management Division: General Department of Taxation, General Department of Customs and Excise, General Department of State Property and Non-tax Revenue.
3. Budget Formulation Division: General Department of Budget, General Department of Sub-national Administration Finance.
4. Budget Execution Division: General Department of National Treasury, General Department of Public Procurement.
5. General Support and Capabilities Development: General Secretariat of MEF, General Department of Internal Audit, General Inspectorate Department, FMWG, and Economics and Finance Institute.

Each divisions was having to combine reports from all entities for review and prepared such as progress report, challenges and suggestions in every quarter and year based on Consolidated Action Plan Phase 3 (GDAP3). Then, those reports inclusion in the agenda for discussion with all entities under the supervision under HE Dr. Minister of Finance for review and give comment yet to achieve the goals.

1.4. Scope of the Report

This performance report covers on 12 General Departments under MEF's supervision while the report writing format have been done editing and updating to strengthen appropriate and comprehensive Public Financial Management Reform progressing from one phase to another; especially, It have based on Line Ministries Consolidated Action Plan in Phase 3 (MAP3) and General Departments Consolidated Action Plan in Phase 3 (GDAP3) in second quarter of 2016 only.

Moreover, monitoring on performance report is undertaken by general secretariat of public financial management reform steering committee (GSC) which established by seriously, clearly and normally through monthly, quarterly and yearly meeting of evaluation more efficiency and effectiveness of implementation whole public financial management reform program.

Second quarter performance report will describe the achieved result more detailed by each part to objectives and activities comparatively to indicators in regard of mention of challenges, requests and further works.




The method uses to assess the performance evaluation of implementation action plan in the 2nd quarter of 2016 is based on 2 criteria:

1. Achieved activities compared to action plan.
2. Achieved Outputs compared to target of indicators.



The evaluation of performance is graded and divided into 3 levels for objectives and activities: Good (90%-100%), Moderate (80%-90%) and Weak (below 80%).








2. ACHIEVEMENTS OF Q2

2.1. Progress of EU's Result Framework

- ❑ EU's result framework is monitored quarterly and yearly in accordance with financing agreement in 2016.
- ❑ 1st semester progress compares with annual indicator target since quarter or semester target has been not prepared. In case, if indicators are not achieved, the budget supports will be cut down.
- ❑ Progress of indicators is determined the level of risks as following :
 - Low risk (80%-99%) 
 - Medium risk (50%-79%) 
 - High risk (0%-49%) 

Progress of EU's Result Framework

No	Specific Conditions	Responsible Agency	KPI 2016	Progress	Level of Risks
1	Improved quality of national statistics	MOP	The National Accounts 2015 are published in November 2016	Completed the national accounting and report 2015 so the national accounts 2015 will be published in November, 2015 (est. achieved 90%).	
2	Improved financial management information system	FMWG	FMIS Phase 1 is fully operational across MEF and provincial treasuries	Fully implemented FMIS in MEF (6 General Department and 25 capital and provincial treasuries), (achieved 100%).	No
			Blue print for FMIS Phase 2 has been completed	The draft blueprint for FMIS phase 2 achieved 65%.	

No	Specific Conditions	Responsible Agency	KPI 2016	Progress	Level of Risks
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.	The sub-decree on conditional grants to DMs for implementation of transferred functions is preparing and complete 75%.	
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	TOFE and GFS have been published timely as set in KPI 2016.	
		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	The Annual audit report on Public Financial Management from 2006-2014, but EU suggested to publish the Audit Report on Settlement Law.	
5	Increased result orientation in the budget	GDB	Develop a pilot performance monitoring mechanism for budget	No progress	
6	Internal Audit effectiveness strengthening	GDIA	The Internal Audit manual is approved	The Internal Audit manual has been reviewed and revised (60%).	
			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, Public Enterprises, and Institutions (Supreme Court, Appeal Court...)	
7	Domestic revenue mobilization strengthening	GDEFPF And Revenue Agencies	An annual increase of total current revenue collection of at least 0.5 percentage point of GDP	This indicators achieved 52.5% compared to the targets (GDEFPF's Calculation).	
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	(1) Procurement Plans of Procuring Entities (LMs, Line departments and public enterprises and procurement opportunities, notice of invitation bidding) have been published on the	

No	Specific Conditions	Responsible Agency	KPI 2016	Progress	Level of Risks
				GDPP's website (Above threshold). (2) Below threshold is limited published since the LMs sent procurement late to GDPP.	

2.2. Table of Key Performance Indicators in Q2

Budget Credibility (Outturn of KPI Q2 in 2016)

Indicator	Targets	2015	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:</p> <input type="checkbox"/> Quarter 1: 23.1% <ul style="list-style-type: none"> • Current Revenue: 23.9% • Capital Revenue (Domestic): 7.3% <p>- Quarter 2 : 28.9%</p> <ul style="list-style-type: none"> • Current Revenue: 29.7% • Capital Revenue (Domestic): 9.2% <p>The revenue collection compared with quarter 2 plan:</p> <ul style="list-style-type: none"> - Custom and Exercise: 116.54% - Taxation: 107.03% - Non-Tax (exclude financial industry): 73.77% - Financial Industry 289.55% 	<p>Domestic Revenue:</p> <input type="checkbox"/> Quarter 1: 27.2% <ul style="list-style-type: none"> • Current Revenue: 25.2% • Capital Revenue (Domestic): 14.0% <input type="checkbox"/> Quarter 2: 28.2% <ul style="list-style-type: none"> • Current Revenue: 28.6% • Capital Revenue (Domestic): 4 % <p>The revenue collection compared with quarter 2 plan:</p> <ul style="list-style-type: none"> - Custom and Exercise: 106.85% - Taxation: 99.34% - Non-Tax(exclude financial industry): 105.16% - Financial Industry 129.47%
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>Q1: 15% Q2: 45% Q3: 67% Q4: 96%</p> <p>Percentage of settlement to suppliers and staff via banking system is not less than 80% of total expenditure</p>	<p>National Budget achieved:</p> <input type="checkbox"/> Quarter 1: 15.16% <input type="checkbox"/> Quarter 2: 30.10% <p>Payment via banking system:</p> <input type="checkbox"/> Quarter 1: 100% <input type="checkbox"/> Quarter 2: 100% <ul style="list-style-type: none"> ▪ 36 Ministries received salaries via banking system 	<p>National Budget achieved:</p> <input type="checkbox"/> Quarter 1: 14.57% <input type="checkbox"/> Quarter 2: 32.97% <p>Payment via banking system:</p> <input type="checkbox"/> Quarter 1: 100% <input type="checkbox"/> Quarter 2: 100% <ul style="list-style-type: none"> ▪ 36 Ministries received salaries via banking system

	Percentage of revenue transferring to banking system is not less than 60% of total revenue	<p><i>Quarter 1</i></p> <p>-Custom revenue:</p> <ul style="list-style-type: none"> ▪ 92% paid by tax payers ▪ 8% paid by General Department of Custom and Exercise <p>-Taxation Revenue:</p> <ul style="list-style-type: none"> ▪ 98.8% paid by tax payers ▪ 1.2% paid by General Department of Taxation <p><i>Quarter 2</i></p> <ul style="list-style-type: none"> ▪ 92.6% paid by tax payers ▪ 7.4% paid by General Department of Custom and Exercise <p>-Taxation Revenue:</p> <ul style="list-style-type: none"> ▪ 85% paid by tax payers ▪ 15% paid by General Department of Taxation 	<p><i>Quarter 1</i></p> <p>-Custom revenue:</p> <ul style="list-style-type: none"> ▪ 94.2% paid by tax payers ▪ 5.8% pay by General Department of Custom and Exercise <p>-Taxation Revenue:</p> <ul style="list-style-type: none"> ▪ 96.9% paid by tax payers ▪ 3.1% paid by General Department of Taxation <p><i>Quarter 2</i></p> <ul style="list-style-type: none"> ▪ 90.4% paid by tax payers ▪ 9.6% paid by General Department of Custom and Exercise <p>-Taxation Revenue:</p> <ul style="list-style-type: none"> ▪ 99.7% paid by tax payers ▪ 0.3% paid by General Department of Taxation
4. Composition of expenditure by type (staff costs) is close to approved budget.	Actual expenditure compared to budget law must not be below: <ul style="list-style-type: none"> • Salary: 98% • Goods/Services: 95% • Capital: 85% 	National budget achieved by categories in Q1: <ul style="list-style-type: none"> <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: <ul style="list-style-type: none"> <input type="checkbox"/> Salary: 44.54% <input type="checkbox"/> Goods/Service: 19.68% <input type="checkbox"/> Capital: 28.92% 	National budget achieved by categories: <ul style="list-style-type: none"> <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: <ul style="list-style-type: none"> <input type="checkbox"/> Salary: 42.15% <input type="checkbox"/> Goods/Service: 20.32% <input type="checkbox"/> Capital: 27.45%
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.	Q2 Revenue: <ul style="list-style-type: none"> <input type="checkbox"/> Taxation: 31.5% <ul style="list-style-type: none"> • Direct Tax: 43.5% • Indirect Tax: 24.1% <input type="checkbox"/> Non-Tax: 18.3% 	Q2 Revenue: <ul style="list-style-type: none"> <input type="checkbox"/> Taxation: 29.1% <ul style="list-style-type: none"> • Direct Tax: 37.1% • Indirect Tax: 27.0% <input type="checkbox"/> Non-Tax: 25.3%
6. All part of revenue and expenditure are put in government budget and accounts.	Non-importance parts is excluded	Total bank accounts: 82	Total bank accounts: 83

Explanation of Each Indicator:

a. Implementation of Tax Revenue and Non-Tax Revenue

- **General Department of Customs and Excises of Cambodia (GDCE)**

Regarding to data from General Department of National Treasury (GDNT), GDCE collected the revenue amount 1,775,916 million riels and is higher than 6.85% of Q2 plan and equal to 26.71% of budget law 2016. Comparing Q2, 2016 with Q2, 2015, the revenue collection increases 15.64%. According to the data from GDCE (tax revenue only), the revenue transfer to GDNT was 1,776,068 million riels and is higher than 6.86% of Q2 plan since the strengthening the monitoring the beginning, middle and ending spot, and action plan of excise collection was implemented and the specific tax rate was revised in April 2016.

▪ **General Department of Taxation (GDT)**

Regarding GDNT's Data, GDT (Taxation Revenue) implemented 1,592,199 million riels and equal to 99.34% of Q2 or 28% of budget law. Comparing the actual revenue Q2, 2016 with Q2, 2015, the revenue implementation increase 15.99%. According the GDT's data (include only National Tax level), it achieved 1,586,686.8 million riels equal to 99% of Q2 plan or 27.90% of budget law due to the strengthening of implementation Law on Taxation, revenue mobilization strategy and Public Financial Management Reform Program.

▪ **Non-tax revenue**

According to GDNT's data (exclude the revenue from GDFI), the non-tax revenue implemented 438,650 million increase 5.16% of Q2 plan and equal to 25.54% of budget law 2016. Comparing to the revenue collection in Q2, 2016 and Q2, 2015, the revenue increase 63, 40%. The increasing is due to (1) Strengthen the implementation of revenue mobilization strategy— debt collection enforcement and revenue collection timely.

General Department of Financial Industry (GDFI), (1) Casino Revenue, (2) Lottery Revenue, and (3) Casino licensing revenue. GDNT's data (exclude Casino licensing revenue since it included in licensing with line ministries. is 29,550 million riels and it is higher than 29.47% or 21.91% of budget law. The increasing of revenue is due to the strengthening on casinos monitoring and enforcement to pay the monthly revenue timely, especially casinos, which pay once per quarter.

b. Arrears

There is no new expenditure arrears even 60 days (counting from the mandates summiting to GDNT). It is indicated that the process of payment is improving and moving international norm of term arrears.

c. National Budget Expenditure

The quarter 2 of budget execution achieved 32.97% of budget law and is less than 12.03% of quarter 2 of expenditure target. Some line ministries expense less than 45% of budget law as follows:

1. Ministry of Civil Service: 21.04%
2. Council for the Development of Cambodia: 3.76%
3. Ministry of Interior (General Administration): 28.23%
4. Ministry of National Assembly-Senate Relations and Inspection: 31.83%
5. Ministry of Foreign Affairs and International Cooperation: 42.53%
6. Ministry of Planning: 31.09%
7. Ministry of Justice: 17.63%
8. National Election Committee: 3.89%
9. National Audit Authority: 28.29%
10. Anti-Corruption Unit: 28.29%
11. Ministry of Defence: 43.09%
12. Ministry of Interiors (Public security): 43.33%
13. Ministry of Information: 39.32%
14. Ministry of Health: 35.24%
15. Ministry of Education, Youth, and Sport: 33.36%
16. Ministry of Culture and Fine Arts: 24.24%
17. Ministry of Environment: 24.57%
18. Ministry of Social Affairs Veteran and Youth Rehabilitation: 41.45%
19. Ministry of Cults and Religions: 27.50%
20. Ministry of Women Affairs: 28.33%
21. Ministry of Labor and Vocational Training: 15.36%
22. State Secretariat of Civil Aviation: 8.33%
23. Ministry of Mines and Energy: 18.84%
24. Ministry of Commerce: 18.16%
25. Ministry of Agriculture Forestry and Fisheries: 20.49%
26. Ministry of Rural Development: 7.79%
27. Ministry of Post and Communication: 17.94%
28. Ministry of Public Works and Transport: 10.71%
29. Ministry of Tourism: 32.10%
30. Ministry of Land Management, Urban Planning and Construction: 19.35%
31. Ministry of Water Resources and Meteorology: 6.80%
32. Ministry of Industry and Handicraft: 25.60%

The sub-national administration (Capital-Provinces, City-Districts, Commune-Sangkat) expense 19.01%.

d. Expenditure Composition

The type of expenditure achieved as following: Salary (42.15%), Goods/Service (20.32%) and Investment (27.45%).

3. PROGRESS OF EACH PART (GDAP3)

3.1. Part 1: Further Strengthening Budget Reliability (80%)

Budget credibility refers to the government capacity in budget execution to achieve the Government policy agenda. Strengthening budget credibility must be continue to be implemented in this stage 3. Its main goal is to create a strong and stable system to (1) ensure that revenue and expenditure were well implemented and measurable (marginal error +/- 5% in comparing the revenue-expenditure program) and (2) ensure that the debt management is effective and efficient.

For the second quarter, Part 1: Further Strengthening Budget Reliability achieved 80% supported by 4 objectives and 9 activities and implemented by General Department of Economic Policy and Public Finance, General Department of Customs and Excise, General Department of Taxation, General Department of State Property and Non-tax Revenue, General Department of Financial Industry, General Department of Budget, General Department of National Treasury, General Department of Public Procurement, General Secretariate of MEF and Financial Management Information System Working Group (FMWG).

3.1.1. Objective 11: Further strengthening revenue management and implement revenue plan (77%)

In order to strengthen the effectiveness of revenue management (fiscal revenue and non-tax revenue), the preparation of revenue policy and medium-term revenue mobilization strategy is the key factor to ensure that there is no cash deflation, and cash flows smoothly.

There are 03 activities under this objective, implemented by General Department of Economic Policy and Public Finance, General Department of Custom and Exise, General Department of Taxation, General Department of State Property and Non-tax Revenue, General Department of Financial Industry and General Secretariat of MEF. This objective achieves 77%. Within that, activity 11.1: Medium-term Revenue Mobilization Policy and Strategy achieved 86%, activity 11.2: Further Improving the Policy and Administration of Custom, Taxation, and State Property and Non-tax Revenue achieved 81%, and activity 11.3: Strengthening Revenue Forecasting achieved 63%.

Key achievements by indicator:

1. Controlling all business activities and revenue report for the second quarter was prepared.
2. The implementation of inter-ministerial Prakas between MEF and Ministry of Interior and of other legal documents was strengthened and implemented to deal

with all types of game including unlicensed pawnshop business in Svay Rieng Province, Rattanak Kiri Province and Kandal Province.

3. Draft Law on Tax on White Gas, and Naturally Mineral Resource such as Gold, Coal, and Bronze was prepared at General Department of Taxation Level with the inputs from relevant ministries.
4. Study report on legal document preparation on personal income tax was finalized at technical working group level.
5. Draft Prakas on Additional Tax Obligation for Multiple Qualified Investment Project Firm was finalized at technical working group level and planned to be submitted to the management.
6. 40 Firms was transferred from Estimate Regime to Self-assessed Regime in the second quarter, and was being monitored at all tax branches.
7. Draft Circular on State Property Management of Public Administration Entities was prepared.
8. Taxation Revenue Data was consolidated as a basis for forecast.

Unachieved by Indicator:

1. (11.1.19) Circular on Receipt and Public Service Compilation with Ministry of Tourism and State Secretariat of Civil Aviation was reviewed **80%**
2. (11.2.1) Draft Rule on Custom-duty Revenue Mobilization to cope with lost revenue **25%**
3. (11.2.7) Draft Prakas on the Implementation of Taxation Law Article 111 related to seizing and selling the property of taxpayers who owe tax debt and don't pay tax, was revised and reviewed at working group level **80%**
4. (11.2.16) Helpdesks on Tax Consultation at 3 Tax Branches were implemented **70%**
5. (11.2.21) Draft Law on State Property Allocation, Use and Management was revise and reviewed at MEF Level **25%**
6. (11.2.22) Draft Law on Non-tax Revenue Management was revised and reviewed at MEF Level **0%**

Notice that for Legal Consultation on Medium-term Revenue Mobilization Strategy 2014-2018 (Activity 11.1.27), the General Secretariat of MEF requested to change the indicator to “provide legal consultation according to timeframe as follows:

1. Under 10 articles: 2 weeks
2. From 10 to 30 articles: 3 weeks
3. From 30 to 60 articles: 4 weeks
4. From 60 to 100 articles: 5 weeks

5. From 100 articles above: 6 weeks

The request to change the indicator is due to the reason that the previous indicator does not bring ownership for the General Secretariat of MEF, and the achievement of the previous indicator depends solely on other relevant general department.

3.1.2. Objective 12: Further Strengthening Debt Management (83%)

Public debt management refers to the management of all Government activities related to borrowing, lending, Government Debt Securities issuing, guarantee, contingency liability obligation, debt service payment, restructure debt structure, risk management, investment using cash and budget surplus, and other activities related to public debt.

This objective is supported by 03 activities implemented by General Department of Custom and Excise, General Department of Taxation, General Department of Budget and General Secretariat of MEF. This objective achieve 83%. Within that, activity 12.1. Effective and efficient implementation of debt management strategy achieve 100%, 12.2. The preparation of legal framework and mechanism for state guarantee implementation achieves 75%, and 12.3. Strengthening the effectiveness of in-year debt management achieves 73%.

Key achievements by indicator:

1. Draft Standard Operating Procedure for Public Debt Management was prepared
2. Tax officer in all tax branches was trained one time on tax debt collection and management.

Unachieved by indicator:

1. (12.2.1) Draft Policy on State Guarantee was improved and consultation workshop was prepared **50%**
2. (12.2.2) Legal consultation on the preparation of legal framework and mechanism for state guarantee implementation was provided in accordance to plan **50%**
3. (12.3.2) Draft manual on internal audit was revised and reviewed at General Department of Taxation level **80%**

Notice that for Legal Consultation on the implementation of Public Debt Management Strategy (Activity 12.2.2), the General Secretariat of MEF requested to change the indicator to “provide legal consultation according to timeframe as follows:

1. Under 10 articles: 2 weeks
2. From 10 to 30 articles: 3 weeks
3. From 30 to 60 articles: 4 weeks
4. From 60 to 100 articles: 5 weeks
5. From 100 articles above: 6 weeks

The request to change the indicator is due to the reason that the previous indicator does not bring ownership for the General Secretariat of MEF, and the achievement of the previous indicator depends solely on other relevant general department.

3.1.3. Objective 13: Strengthening Cash and Account Management (94%)

Cash management refers to the ability to ensure enough cash in the bank so that the payment is on time, and to strengthen the national treasury single account. Good cash management must include (1) Reliable Cash Flow Forecast, (2) Recording System for Cash Operation, and (3) Cash Usage for Investment.

This objective is supported by 05 activities implemented by General Department of National Treasury, General Department of Budget, and Financial Management Information System Working Group. This objective achieved 94%. Within that, activity 13.1 further improving and strengthening cash planning preparation (98%), 13.2 further strengthening banking system usage and studying the possibility to implement payment through E-transfer (63%), 13.3 preparing mechanism to consolidate DPs' budget execution reports that are out of treasury system and further strengthening treasury single account (100%), 13.4. further monitoring arrears and their maturity (100%), and 13.5. settlement advance on time (100%).

Key achievements by indicator:

1. Cash Situation was monitored and forecasted on basis and improved step by step.
2. Revenue and Expense Status of LMs was collected in hardcopy, monitored and forecasted, and applied in CMS system as the assistance for LMs.
3. Expenditure payment by FMIS system and NBC system was continued piloting in order that E-transferred can be implemented.
4. Open and usable accounts in partner banks (commercial bank at central level and municipal/provincial level) was reviewed and monitored.

3.1.4. Objective 14: Improving budget execution and strengthening expenditure implementation (72%)

Effective and efficient budget execution must have maginal error between +/- 5% based on the budget law. Successful budget execution requires improving budget execution procedure and strengthening revenue-expense program preparation.

This objective is supported by 03 activities implemented by General Department of Public Procurement, General Secretariat of MEF and FMIS Working Group. Overall, this objective succeed 71% of the target. Within that, activity 14.1. Harmonization between public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM) 46%, 14.2 encouraging competition and transparency in procurement process with public involvement 48%, and 14.3. Making quarterly expenditure plan more accurately 100%.

Key achievements by indicator:

1. Methodology in Preparing Expenditure Program was reviewed and improved
2. Rules and Procedure of Quarterly/Annually Revenue-Expense Program Execution was disseminated and implemented at all budget entities of MEF
3. Expenditure recording system, based on program budgeting, by activities of MEF budget entities was disseminated and adopted for MEF budget entities implementation

Unachieved by indicator:

1. (14.2.2) Draft Sub-decree on Procedures of Complaint Filing and Solution, and Procurement Conflict was submitted the Council of Ministers **70%**
2. (14.2.3) 06 Prakas including (1) Prakas on Bidder Criteria, (2) Prakas on Bidder Classification and Categorization, (3) Prakas on Bidding Proposal Evaluation Procedure, (4) Prakas on Blacklist Clearance and Dissemination, (5) Prakas on Rules and Procedures of Complaint Filing and Solution, and Procurement Conflict, (6) Prakas on Contract Management were finalized **65%**
3. (14.2.8) Draft legal documents on facilitation between budget entities and financial entities in procurement plan preparation was prepared **0%**
4. (14.2.9) Procurement Rules, Methodology and Procedure were not disseminated well to procurement team of 31 budget entities of MEF **0%**.

3.2. Part 2: Further Strengthening Financial Accountability (82%)

Strengthening financial accountability refers to the accountability for systematic preparation and procedure of budget and financial management in accordance with rules and public financial principle. In order to ensure financial accountability, monitoring control system, recording and report preparation more efficient and on time which is the significant objective for phase 2.

Further strengthened financial accountability means that responsibility for government each line-ministries must be achieved and further continued in stage 3, which is necessary task with regard to budget execution and financial task and further strengthened financial accountability more essential, meanwhile, further strengthen budget credibility moves forward to strong system and sustainability. Meanwhile, further financial accountability is the major objective in this stage 3 which focuses on (1) strengthen new budget classification and chart of accounts (2) strengthen and improve implementation of new budget execution system and new business process (3) strengthen implementation of new accounting, system, recording, reporting and transparency system, and (4) strengthen implementation of equipments and mechanisms for extending responsibility and accountability (control system).

For the Q2 2016, Part: further strengthening financial accountability achieved 82% of the target supported by 4 objectives and 14 activities. Moreover, planned action implementation including 7

general department: General Department of Budget, General Department of National Treasury, General Department of Sub national and Financial Administration, General Secretariat of MEF, General Department of Inspection, General Department of State Property and Non-tax Revenue, General Department of Economic and Public Finance Policy and FMIS Working Group.

3.2.1. Objective 21: Strengthen implementation of new budget classification and chart of accounts (92%)

New budget classification and chart of accounts has further revised in accordance with consistency and international standard classification. In reality, this objective has achieved 92% of the target and has only one activity which implemented by General Department of National Treasury 22.1 further improve of 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) which has been resulted 92%.

Key achievements by indicator:

1. Monitoring and evaluation report how to correct economic classification have been submitted and seen.
2. Correction on program classification has been seen and revised (budget negotiation) and submitted to the meeting.
3. Appendix of operational unit and the second administration of classification has been had the meeting and prepared.
4. Chart of accounts each administrative entity have been seen and prepared ministerial rules (PRAKAS) to implement, chart of accounts of national social security fund for civil servant (NSSF), Apsara Authority and People with Disabilities Foundation have been prepared and Prakas that completed additional chapter, account, sub account and inventory for chart of accounts of public administrative entity implementation have been prepared.

Unachieved by indicator:

1. (21.1.10) Provincial national treasury of new account and sub account, which used in FMIS system and achieved 50%, has informed and disseminated through the training (50%).

3.3.2. Objective 22: Strengthen the implementation of new budget execution system and business process (84%)

Strengthened task of implementation of new budget execution system and business process have objective to further reduction of time-frame for request letter of commitment and payment each line ministry and correct business process in ministry of economy and finance in order to strengthen new budget execution system with regard to maximize understanding,

ownership, participation and FMIS capacity both MEF and line ministry and sub national administration. In actual, this overall objective has achieved 84% of the target and 5 activities have implemented by : General Department of Budget, General Department of National Treasury, General Secretariat of MEF, General Department of Economic and Public Finance Policy (GDEFPF) and FMIS Working Group. Including activity 22.1 further reduced time-frame in order to request letter of commitment and payment each line ministry have achieved 77% of the target. activity 22.2 correct business process in MEF and line ministry in accordance with evolution of chart of accounts and accounting standard with regard to subject to daily bank account which has achieved 95% of the target, activity 22.3 maximize understanding, ownership, participation and FMIS capacity both MEF, line ministry and activity 22.4 build capacity FMIS management plan including MEF, Line-Ministry and sub national entity which achieved 100% and activity 22.5 pilot first phase and expand toward FMIS implementation (core module and budget module and roll out to LMs) has achieved 72% of the target.

Key achievements by indicator:

1. Short and medium term draft law for public investment chapter 21 has been prepared and submitted to General Department of Economic and Public Finance Policy (GDEFPF).
2. FMIS working group of GDNT meeting has been prepared in order to see and solve other challenges with relevant entity involved with FMIS task such as FMIS Contractor and Information Department, General Department of Budget and General Department of Sub National Financial Administration.
3. Seen and correction on accounting list of sub national administration in accordance with strengthened new chart of accounts, introduction to specialized central officials and provincial/capital city in using chart of accounts in the right method especially data insertion into FMIS system, further process insertion into FMIS system with regard to accounts in FMIS system which requests to by Contractor.

Unachieved by indicator:

1. (22.5.1) FMIS system management structure has been prepared correction and approved in officially in regard to motivation mechanism following to FMIS system management working group criteria has been achieved (**50%**).
2. (22.5.4) Planned document for expansion of FMIS system implementation in phase 2 has been already built in April 2016 and had drafted plan for expansion of FMIS system implementation in phase 2 have been achieved (**85%**).
3. (22.5.9) Users and rights of using FMIS system in phase 2, stage 1 has been determined (**60%**).

3.2.3. Objective 23÷ Strengthen implementation of new accounting, recording, report and transparency system (76%)

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, registration of state fiscal property following to accuracy and appropriateness especially report format correction and information exchange with public.

Obviously, this objective has achieved 76% of the target and 4 activities have implemented by General Department of Budget, General Department of National Treasury, General Department of Sub national and Financial Administration, General Secretariat of MEF and General Department of State Property and Non-tax Revenue including 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 has been achieved 68% of the target , activity 23.2 correct reporting format of budget execution, which has submitted to the council of the minister and legislative institution, has been achieved 84% of the target, activity 23.3 correct reporting format and information exchange with public has been achieved 96% of the target, activity 23.4 implement mechanism with regard to complete state fiscal property registration and daily updating has been achieved 55% of the target.

Key achievements by indicator:

1. Flash report (Socio-Economic Trends) and economic and financial statistic bulletin has been broadcasted both Khmer and English.
2. Report of budget implementation semester 1 has been prepared and broadcasted to MEF website and planned to broadcast to MEF website initiation of semester 3.
3. Draft a decree on management of state fiscal property list under inter-departmental.

Unachieved by indicator:

1. (23.1.4) Push interest and interest outstanding in accordance with record in accounting list with regard to study and establish the option toward to accrual accounting has been implemented (**50%**).
2. (23.2.3) Draft an annual budget law, which revised and prepared to the council of the minister and legislative institution, has been achieved (**50%**).
3. (23.4.5) Legal regulation of state property management has been seen and revised (**20%**).
4. (23.4.6) Legal consultation on legal letter for implementation mechanism with regard to complete registration of state fiscal property has been provided (**90%**).

3.2.4. Objective 24÷ Strengthen the implementation of instrument and mechanism to enhance responsibility and accountability (control system) (77%)

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

Obviously, this objective has achieved 77% of the target and 4 main activities have implemented by General Department of Budget, General Department of National Treasury, General Department of Sub national and Financial Administration, General Secretariat of MEF including activity 24.1 establish administrative punishment in accordance with mistakes or public resource management not appropriate and effectiency; moreover, this punishment stated in legal regulatory and dissemination and widely introduction (40%), activity 24.2 prepare and implement progress report format of quarter, semester and annual budget execution (in existing of budget preparation, achieved result and resettlement measure from line ministries to MEF and each internal line-ministry) (76%). Beside, activity 24.3 review on rights of power and modest implementation, which provided to the foundation of expansion of rights of power and modest, hasn't been planned to implementation in semester 2.

Key achievements by indicator:

1. Budget entity in further to implement in 2016 has been strengthened and revised the establishment, additional expanded on implementation of new budget entity in 2016, request for establishment of budget entity, which has continuously implemented program budgeting, has been monitored and revised each line-ministry.
2. Monitoring and correction on providing petty cash rights uses in order to buy it directly from firms; monitoring and correction on rights of financial controller; monitoring and correction on procurement working group; correction and preparation to principal and additional internal procedure for budget execution; monitoring and correction rights of provision of own budget execution.
3. Request of semester program budgeting has been revised its format.
4. Report format of regulation has been revised its format.
5. Report format of progress quarterly/ semester and annual budget has been prepared and implemented (initialize the implementation from first quarterly 2016).

Unachieved by indicators:

1. (24.1.3) Legal document involved with core measure of administrative punishment in public financial sector has been collected and compiled **0%**.

2. (24.2.7) Prakas on rights of power framework and responsibility of administrative entity in MEF has been broadcasted and implemented **0%**.
3. (24.4.5) First draft a progress report implement chapter 21 budget (direct investment) and chapter 61 (repair and maintain both street and hydrology) quarterly, semester, and annual budget have been prepared **0%**.

3.3. Part 3: Budget-Policy Linkage (87%)

Part 3 of budget-policy linkages plays an importance role in the satge 3 of Public Financial Management Reform Program. Program budget implementation with efficiency and affectiveness requires all line ministries to set clear and consistent vision, policy objectives, programs and subprograms in accordance with government rectangular strategy and national strategic development plan. In this regard, Ministry of Econmy and Finance has developed medium-term budget framework for setting budget ceiling on sectors and in the future on line ministry.

In the second semester of 2016, Part 3: Budget-Policy Linkages (achieved 87%) are supported by 6 objectives including (1) Strengthening and Expanding Program Budgeting Implementation, (2) Preparing comprehensive budget and budget integration, (3) Preparing and Implementing Line Accountability System, (4) Strengthening Policy Preparation and Public Financial Planning, (5) Preparing Control System, and (6) Strengthening Fiscal Decentralization Policy Implementation. The activities in the part are implemented by 7 General Departments: General Secetarait-MEF, General Department of Budget, General Department of National Treasury, General Department of Sub-National Adminstration Finance, General Department of Economic Policy and Public Finance, General Department of Internal Audit and General Inspectorate Department.

3.3.1. Objective 31: Strengthening and Expanding Program Budget Implementation (100%)

Program budget implementation is a tool used to link the budget with policy of government rectangular strategy and national strategic development plan. In the second semester, the objective achieve 100% and is supported by 3 activities and implemented by GD of Budget, GD of National Treasury and General Secretariat-MEF, in which Activity 31.1: Reviewing and Improving the Implementation of Program Budgeting achieves 100%, Activity 31.2: Developing Strategies to Expand Program Budgeting achieves 100%, and Activity 31.3: Implementing the Training and Capacity Development Plan for the Program Budgeting Achieves 100%.

Key achievements by indicator:

1. Evaluation Criteria for preparation and implementation of program budgeting for line ministries have been developed.
2. Program budget implementation at line ministries has been reviewed and strengthened.

3. Guideline on preparation and implementation of program budgeting for line ministries (central and provincial departments) have been disseminated.
4. Guideline on budget execution procedure (budget adjusting authorization) has been reviewed and revised with actual situation.
5. Program budget expansion strategy has been set and implemented.

3.3.2. Objective 32: Developing Comprehensive Budget and Budget Integration (100%)

Developing comprehensive budget refers to full program budget which reflects revenues from all kinds of sources. Overall, the objective achieves 100% which consists of 2 activities implemented by GD of Budget. Activity 32.1: Developing Policy on the Current and Capital Budget Integration through MTEF, BSP and PB achieves 100%. Anyway, for Activity 32.2: Incorporating Off-budget Expenditure and Revenue into the Annual Budget including Development Partner's Budget, there is no action planned for the second quarter.

Key achievements by indicator:

1. Short-term and Medium-term Expenditure Framework for Investment Expenditure (Chapter 21) and Repair and Maintenance Expenditure (Chapter 61) have been prepared in order to show in Budget Strategic Plan (BSP) (Macroeconomic Framework) for the year 2017-2019).

3.3.3 Objective 33: Developing and Implementing Line Accountability System (100%)

When program budgeting has been widely implemented and budget entities have been provided more power and responsibilities accountability line system has been clearly identified between legislative and executive body, MEF and line ministries as well as within line ministries. In this regard, line ministries with program budget have to clearly identify responsibility for budget entities in accordance with principles of program budget preparation and execution. Overall, the objective achieves 100%, which is supported by 4 activities and implemented by GD of Budget. Within this objective, Activity 33.1: Reviewing and Amending Laws and Legal Regulations under the Framework of Government Public Financial Management in the Context of Program Budgeting Implementation achieved 100% and Activity 33.4: Revising Institutional Structure to be in line with New Business Process achieved 100%. On the other hand, there is no action planned by the General Departments for Activity 33.2 and Activity 33.3 in the second quarter.

Key achievements by indicator:

1. Prakas 275 SHV.FA dated 17 March 2016 on delegation the right as financial authorizers to financial controllers at line ministries at central administration for approval on visa of commitments and mandates.

3.3.4. Objective 34: Strengthening policy development and public financial plans (59%)

Policy development and public financial plans require government having capability to analyse macroeconomic framework and ability to develop medium-term budget framework for the basis of medium-term revenue and expenditure framework and ceiling for sector or each line ministry. In the second semester, the objective achieves 59%, consisting of 3 activities and implemented by General Department of Economic Policy and Public Finance, in which Activity 34.1: Strengthening capacity to develop and increase effectiveness and efficiency of macroeconomic policy framework has no actions implemented, Activity 34.2: Strengthening capacity to develop and increase effectiveness and efficiency of medium term revenue and expenditure framework achieves 25% and Activity 34.3: Strengthening capacity to analyze and forecast economic and financial conditions achieved 63%.

Unachieved by indicator:

1. (34.2.1) Workshop on consultation and raising awareness about preparation of MTEF 2018-2020 for all concerned line ministries was not created (**0%**).
2. (34.3.5) Dissemination workshop on GFS, TOFE and strengthening data collection from relevant national and local institutions was not finished yet (**50%**).
3. (34.3.6) Report on discussion of IMF macroeconomic model at local administration to increase the efficiency of economic analysis after semester review have been prepared (**60%**).
4. (34.3.9) Review and revision of fiscal policy with relevant institutions was not discussed at consultation workshop (**50%**).
5. (34.3.12) Necessary goods within priority goods, which need to study for revising custom and duty rate were not identified (**60%**).

3.3.5. Objective 35: Preparing Control System (86%)

While full program budgeting has been implemented, control system becomes more important function to ensure program budget execution more efficiently, effectively and economically. The role of internal audit and inspection should be distinguished clearly in order to eliminate the double roles at line ministry. However, internal audit was created to give more value and improve internal business process at organization. Internal audit will also help the organization to achieve its objective because it provides discipline for reviewing and revising management, control and governance within the organization. Internal control is the process of managing and organizing the institution to reach its objectives (1) efficiency and effectiveness of its business process, (2) Reliability on financial report and (3) compliance with laws and regulations.

In the second semester the objective achieves 86% and consists of 5 activities implemented by GD of Internal Audit, General Inspectorate Department and General

Secretariat-MEF, in which Activity 35.1: Reviewing current control system, inspection, auditing and internal audit systems of all ministries and institutions (100%), Activity 35.2: Developing a new effective and efficient control system which is complementary and responsive to the new context of LMs management (84%), Activity 35.3: Improving control mechanism to ensure effective response to the result of internal audit and inspection (61%), Activity 35.4: Preparing and improving annual audit/inspection plan and program of LMs based on the criteria of risk assessment recommended by MEF (78%); However, Activity 35.5: Expanding and strengthening external auditing hasn't been planned by relevant general departments.

Key achievements by indicator:

1. Procedure for identifying audit objective and scope and understanding auditee in the audit planning stage has been developed.
2. Draft procedure for risk assessment in the process and control gap identification has been reviewed.
3. 5 targeted auditees have been reviewed as auditors' recommendation through on site monitoring at central and provincial administration and issuing the letter to auditees to implement the recommendation.
4. Draft procedure for financial inspection at national institutions has been discussed within national inspectorate department level.
5. Audit plans for 5 target auditees have been reviewed and given the recommendation.

Unachieved by indicator:

1. (35.2.1) Legal consultation on improvement of control mechanism to ensure the work of internal audit and inspection at line ministries have been prepared (0%).
2. (35.3.6) Draft procedure for financial inspection at sub-national administration has been discussed within sub-national inspectorate department level. The content of draft procedure for financial inspection consists of cash management on income transactions (Tax and Non-tax) and expense transactions, procurement management and inventory management (70%).

3.3.6 Objective 36: Strengthening the Implementation of Fiscal Decentralization Policy (82%)

Implementation of fiscal decentralization policy refers to a policy which transfers fund from nation budget to sub national budget to ensure that sub-national administration can develop it efficiently and effectively. Geography, economy-society and demography are different from place to place at sub-national level, so budget supports are also different from one area to another. In the second semester, the objective achieves 82% and consists of 6

activities, implemented by General Department of Sub-National Administration Finance and General Secretariat-MEF, in which Activity 36.1: Reviewing and implementing medium and long term fiscal decentralization policy (57%), Activity 36.2: Implementing own source revenue collection of sub-national administrations (100%), Activity 36.3: Piloting and expanding the Sub-National Investment Fund (SNIF) (76%), Activity 36.4: Reviewing and implementing guideline on budget strategic plan for sub-national administrations (100%), Activity 36.5: Developing and implementing Conditional Grant Transfer (80%), and Activity 36.6: Developing guideline on preparation and implementation of full program budgeting and budget entities for sub-national administrations (83%).

Key achievements by indicator:

1. All relevant legal documents (sub degree/Prakas) of implementing own source revenue collection (sharing revenue) of sub national administration have been prepared and discussed at the meeting.
2. Guideline on preparation of budget strategic plan for sub national administration has been disseminated and trained for sub national officials.
3. (36.1.5) Criteria for implementation of Program Budget (appropriate budget size, BSP quality and appropriate geographic condition) have been set and implemented, and 6 provincial administrations (Kampong Speu, Kratie, Stung Treng, Koh Kong, Kep and Pailin) have been chosen for implementation of Program Budgeting and Budget Entities for 2017.

Unachieved by indicator:

1. (36.1.1) Draft law on medium and long term fiscal decentralization policy has been consulted (**70%**).
2. (36.1.3) Draft guideline on budget preparation and execution of sub national administration has been finalized and implemented (**50%**).
3. (36.1.5) Draft guideline on legal documents of financial management system for Sangkat/districts has been discussed within MEF (**50%**).
4. (36.3.1) Legal documents of preparation and adaptation of Sub-National Investment Funds Council Secretariat (**90%**).
5. (36.3.3) Draft procedure for sub national administration has been prepared and requested for SNIF (**60%**).
6. (36.3.4) Draft guideline on transaction of SNIF has been discussed (**80%**).
7. (36.5.1) Report of reviewing and evaluating the pilot of sub national fund transfer mechanism has been discussed with relevant parties and submitted for recommendation from management level (**80%**).

8. (36.5.2) Legal documents of conditional grant transfer have been discussed with relevant parties **(80%)**.
9. (36.6.1) Procedures and Principles of preparation and execution of program budgeting and budget entities at sub national administration have been adopted **(75%)**.

3.4. Part 4: Readiness for Next Stage (76%)

Performance Accountability refers to the responsibility of LMs, institutions or public entities, sub-national administration and function which implemented through report. There are 5 related components for strengthen accountability (1) measureable objectives and clear responsibility (2) prepare plan for objective achievement (3) implement activities and monitor the progress (4) report the progress and (5) evaluate the result and give feedback.

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

For 2nd Quarter Part 4: Readiness for next stage (achieved 76%). This part consists of 4 objectives and 9 activities which are implemented by GD of Budget, General Secretariat of MEF and EFI. The establishment of budget based performance framework is for strengthen and enhance the capacity of budget implementation align with legal framework, obey the budget rule, procedure and management system for evaluate and sustainable performance.

3.4.1 Objective 41: Creating Performance Based budgeting Framework (81%)

This objective has archived 81% and in which implemented by GD of budget and General Secretariat of MEF. Activity 41.1 Study and prepare core framework of performance based budgeting reached 73% and 41.2 Consult on performance based budgeting guidelines (No action in Quarter 2).

Key achievements by indicator:

1. Related legal framework for foundation of program budget and performance based budget have been studies and compiled for budget approval foundation and performance based budget.
2. Information Technology System for civil servant management (MEF) has officially been implemented.

Unachieved by indicator:

1. (41.1.6) Prakas on rule and procedure of the preparation on implement, monitoring and evaluation of capacity development civil servant (MEF) has been prepared **(20%)**.

3.4.2. Objective 42: Creating Performance based Accountability Framework

The establishment of performance based accountability framework aims to strengthen the officers' performance and management of officers' performance with quality and efficiency.

The establishment of performance based accountability framework is to strengthen officers' performance and prepare a clear system for evaluate and maintain the performance of reform and not reform work. This objective cannot measureable because there is no related entities prepare their supported activities for implementation (42.1 study and prepare core framework of performance based management-PBM and 42.2 consultation on performance based management framework).

In conclusion, 2nd objective has not yet achieved which required related departments especially General Secretariat of MEF should be prepared action to support the activities.

3.4.3 Objective 43: Creating Performance Based Auditing Framework

The creation 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.

The Creating Performance Based Auditing Framework means to increase the oriented the budget implementation with efficiency and effectiveness through the preparation guideline framework on performance based audit and the preparation of audit training plan of LMs.

This objective consists 2 activities including activity 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 is not to be implemented in this quarter.

Note: For activity 41.2 of objective 41, objective 42 and 43 General Department of Budget is working and collaborating with related entities to prepare Strategic Plan of Cambodia Budget Reform System 2017-2025 which will establish core framework for stage 3 and 4.

3.4.4 Objective 44: Preparing Capacity Building Plan (including legislative bodies and the National Audit Authority) 72%

The preparation of 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, economically, accountability, efficiency and effectiveness. For this objective archived 72%. It consisted of 6 activities with 2 entities including EFI, General Secretariat of MEF. For 44.1 the preparation of Capacity development plan- CDP achieved 71% and 44.2 Consultation and improvement on capacity development plan archived 20% and dissemination & implementation capacity development plan (No action).

Unachieved by indicator:

1. (44.1.1) Draft on Human resource development strategy plan of LMs on Economy Management and Public Finance (2016-2018) has been prepared (**0%**).
3. (44.1.2) Action plan of strengthening capacity of training of trainers on the implementation of program budget of LMs in Economy Management and Finance has been consulted (**95%**).
4. (44.1.3) Number of LMs / Departments for Training Need Assessment has been evaluated (**0%**).
5. (44.1.4) Training Plan for MEF (2016-2018) has been prepared (**98%**).
6. (44.1.5) The monitoring and evaluation on LMs and departments on Economy Management and Finance Skill for 3 years (2016-2018) has been consulted and approved (**80%**).

3.5. Part 5: Support for Successful and Sustainable PFM (72%)

Support to Successful and Sustainable PFM is established to enhance leadership, management skill, technical skill, ownership and accountability in implementing the stage 3 as well as the next stage of the reform program. The part 5 has three objectives as following: Objective 51. Develop leadership, management capacity, reform willingness, ownership and accountability, 52. Increase effectiveness of capacity development and incentive measures 53. Improve capacity building for implementation of public financial management reform program - Platform 3.

In this 2nd quarter of 2016, Support to Successful and Sustainable PFM has been achieved 72%. There are 12 general departments preparing those three objectives separated in eight activities. Those general departments include GDB, GDIA, GDT, GDNT, SG-MEF, FMWG, GDSNAF, GDPP, EFI, GDFI, GI and GDEFPF.

3.5.1. Objective 51 : Develop leadership, management capacity, reform willingness, ownership and accountability (70%)

Leadership, management capacity, reform willingness, ownership and accountability have to be more improved. This objective is implemented by EFI, GDB, SG-MEF, GDSNAF and GDNT and has been achieved 70 % in which 78 % for Activity 51.1. Enhance leadership and management capacity and 62 % for Activity 51.2. Increase reform willingness, ownership and accountability.

Unachieved by indicator:

1. (51.1.3) Minister Circular on Rules and Procedures of Improving leadership and management capacity in the MEF (**0%**).
2. (51.1.4) Paper “3 Years Medium Term Vision and Strategy 2017-2019: Human Resources Management and Development of MEF” (**85%**).

3. (51.1.5) Paper “Vision and Strategy for strengthening leadership and management skill of all departments top management of the Secretariat General of MEF” (85%).
4. Compile and disseminate the Legal Compendium on the Competence of MEF (50%)

3.5.2. Objective 52: Increase effectiveness of capacity development and incentive measures (80%)

Human resources development is critical in every reform program. In particular, harmonized incentive system in all line ministries of the RGC is a basis of enhancing working effectiveness and performance accountability of civil servants. Of course, participation of each line ministries and civil servants in the reform absolutely needs some incentives financial as well as non financial.

This objective is implemented by EFI, GDB and SG-MEF and has been achieved 80 % in which 70 % for Activity 52.1. Review efficiency and effectiveness of the training provided and develop a new capacity development plan and 90 % for Activity 52.2. Review the previous incentive mechanisms and approaches and develop new equitable and consistent incentive mechanism and approaches.

Unachieved by indicator:

1. (52.1.3) More 30 trainers skilled in budget, public procurement, public accounting, financial inspection, audit and others skills, are recruited (90%).
2. (52.2.1) 2016 Monitoring action plan of performance and working situation in the central as well as in the provincial level of MEF has been implemented (85%).

3.5.3. Objective 53: Improve capacity building for implementation of public financial management reform program - Platform 3 (66%)

Capacity building is the priority task in this stage 3 “Budget and policy linkage”. Position people to a right place and train a right people for a right position are the key targets of this objective 53. This objective separated in 4 Activities is implemented by EFI, GDB, SG-MEF, GDSNAF, GDNT, GDEPFP, GDIA, GDT, GDPP and GDFI. This objective achieved 66 % in which 51 % for Activity 53.1. Improve institutions for the implementation of Stage 3, including a) completion of analysis on functions of all general departments of MEF and financial directors of LMs, b) Develop and disseminate revised General Departmental action plans, c) Develop and disseminate a new management system manual, d) develop policies for information technology management at MEF, e) effective utilization of technical assistance and f) Improve work practices through increased technology use; 58 % for Activity 53.2. Develop human resource for CAP3, and 90 % for 53.4. Improve institutional coordination and define roles/responsibilities within resource framework. This includes skill training both in MEF and

ministries/institutions. Whereas, no actions plan for 53.3. Develop and implement communication and coordination strategy for Stage 3 program.

Key achievements by indicator:

1. Drafted human resources management strategy plan of the GDT has been finalized by a working group and has been sent to chief of department and deputy general director.
2. Human resources management-IT system of the GDT has been established.
3. State property inventory of all GDT's branches in Phnom Penh has been established.
4. E-Doc has been installed for use in all departments/secretariat in GDNT.
5. Legal framework of general inspection's functions in 10 line ministries has been studied.
6. 1239 participants (civil servants) have been trained in 12 training program.
7. Tax culture, PFM Reform Program and RMS 2014-2018 has been disseminated to tax officers and tax payers in 50 local administrations (provinces, municipalities and districts).

Unachieved by indicators:

1. (53.1.5) an information system for managing State property inventory data of the GDSPNTR has been created (0%).
2. (53.1.10) drafted circular on job criteria description in MEF has been consulted (70%).
3. (53.1.12) HRMIS has been established in MEF (70%).
4. (53.1.13) first draft of ICT policies for MEF's use has been established (35%).
5. (53.1.13) legal framework for ICT use in MEF has been disseminated and implemented in all departments of MEF (85%).
6. (53.1.15) MEF's medium term actions plan of ICT development (2017-2019) has been established (25%).
7. (53.2.6) Trainers for program budgeting and budget entity implementation for local administration levels have been selected (0%).

In addition, *Sub-Activity 53.2.1 training of trainers of the GDSNAF* has been postponed to 3rd quarter, *Sub-Activity 51.1.2 develop human resource management and development strategy of MEF for 3 years (2017-2019)* has been requested to delay to be implemented in the next quarter. Last but not least, *Sub-Activity 53.2.2 organize short course on Qick Book, Peachtree* has been rescheduled to be implemented in the next quarter.

4. CHALLENGES

- Preparation of activity and quality of indicators are not comprehensive which response to roles, functions, and expected results that created difficulties to each agency to measure performance.
- Few agencies under MEF still raised the common issues such many routine works or unexpected works which lead to a slow progress of the GDAP3 implementation.
- Participation and supporting the implementation of Circular 09 are still limited.
- Ownership, leadership and accountability are a key essential for the performance to achieve the PFM vision; but there were not comprehensive and limited.
- Minor different concepts and perceptions on the PFM strategy and vision between GSC and agencies under MEF for both medium and long term which lead to an obstacle to achieve the targets and results.
- The Concept on Capacity Development Strategy for PFM; specifically Stage 3 was not finalized.
- FMIS Phase 1 was not fully finished due to challenges still occurred with relevant agencies under MEF in which it is an obstacle to achieve Phase 1 and moving forward to Phase 2.

5. SUGGESTIONS

- Agency (GDs) under MEF should take concrete action to review and revise GDAP3 (2017-2020); especially activity and indicators that related the roles and functions as well as recommendations from DPs and PEFA.
- FMWG should clear and finish all the remained tasks and works of FMIS Phase 1, and finalize FMIS Phase 2 action plan as early possible to ensure momentum of the system as well for GSC to take action for further supports .
- General Department of Budget with collaboration from relevant GDs of MEF; specially GSC to continue revise and prepare the Strategic Budget Reform System of Cambodia 2017-2025 in order to have common framework for the implementation of the main activity 41.2 Guideline on Budget Based Performance framework of objective 41, objective 42 “prepare accountability based performance framework” and 43 “prepare audit based performance framework”.
- Steering committee of PFM should give zero percentage (0%) on report to ministries/institutions for late submitting their report to GSC after 2 weeks from the day of notification; according to Circular 09.
- Key general departments under MEF implemented the FMIS should review and prepare a concrete report which highlighted progress and remained challenges from Phase 1 implementation.

- Economic and Finance Institution should push the preparation of Medium Term Capacity Development Strategy or Training concept on economic and public finance aspects.
- Push the preparation of Strategic Budget Reform System of Cambodia 2017-2025
- Push the preparation Medium Term Expenditure Framework (has been delayed)
- Push the preparation on the legal documents related public procurement
- Push the preparation of Sub-National Financial Decentralization Policy.

6. CONCLUSION

There was some indicators not achieved as targeted due to the issues of subjective and objective despite progress has been made. This report is going to highlight important tasks to review and revise activities and indicators for next quarter and year to achieve the CAP3 objectives.

Basically, the implementation of quarter 2 compared to quarter 1 of the PFM stage 3 were not so much different; whereas this report is going to address the achievements for each part of GDAP3 which implemented by general departments of MEF. We can now make a conclusion based report:

6. **Further Strengthening Budget Creditability:** due to the 5 key performance indicators, there was a small variance of national revenue and expenditure compared to budget law, smoothen of revenue and expenditure flow, improved of payment process, and reduced all arrear. This part achieved 80% which means strengthening budget creditability had a better improvement. Thus, budget creditability can be ensured and maintained but the needed to further collaborate with relevant agencies is very essential; specifically revenue formulation and execution, and in-year expenditure are still not accurate, and forecasting capacity (in-year) was limited. Last but not least, budget creditability can be ensured and maintained but still not fully stabilized.
7. **Further Strengthening Financial Accountability:** due to the achievements, this part achieved 82% which means some important tools and tasks can be applied to ensure the timeframe of the FMIS implementation. However, FMWG should clear and finish all the remained tasks and works of FMIS Phase 1, and finalize FMIS Phase 2 action plan as early possible to ensure momentum of the system; at the same time implement the tools and mechanisms to increase accountability specially the ministries/institution implemented full PB and going to implement PB. Financial accountability can be maintained but could face challenges when FMIS Phase 1 not finished as targeted, and aslo lack of committment in preparing the FMIS Phase 2 action plan.
8. **Budget-Policy Linkage:** due to the achievements, this part achieved 87% as budget-policy linkage is an important stage of PFM. Most importantly, there will some important tasks need to strengthen and improve such prepare and identify authority and function for budget entity within ministries/institutions implemented full PB and going to implement PB. Thus, strengthening the medium-term budget formulation

(revenue-expenditure), BSP, and related legal documents to support these works. Moreover, continue to prepare and finish sub-National Financial Decentralization Policy, MEFF, and Strategic Budget Reform System of Cambodia 2017-2025 and so on.

9. **Readiness for Next Stage:** due to achievements, this part achieved 79% which means it needed rigorous efforts to support such guideline on budget based performance framework and audit based performance framework. Thus, general department of MEF should also take into account for the activity under the (1) Develop performance based budget framework, (2) Develop performance based management framework, (3) Develop performance based audit framework-PBA, and (4) Develop capacity development plan (including legislative bodies and the National Audit Authority).
10. **Support for Successful and Sustainable PFM:** due to the achievements, this part achieved 72% which means it required strong efforts to consider on (1) Develop leadership, management capacity, reform willingness, ownership and responsibilities, (2) Increase effectiveness of capacity development and incentive measures, (3) Improve capacity building for implementation of public financial management reform program – Platform 3. Last but not least, it is also required to communicate with Public Administration Reform.

*******End.**