

Kingdom of Cambodia

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Unofficial Translation

Performance Report - 3rd Quarter 2016
Of
Public Financial Reform Management Program



Prepared by ÷

General Secretariate of Public Financial Reform Program

Steering Committee

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Executive Summary

Public Financial Management Reform Program (PFMRP) Stage 3 has been launched in the early 2016 for the implementation period from 2016-2020. General Secretariat of Public Financial Reform Committee (GSC), is the agent in facilitating of preparation, implementation, monitoring and evaluation as well as coordinating with development partners, has developed the M&E mechanism of the implementation of Consolidated Action Plan (CAP3/MAP3/GDAP3) such as the circular #009 on the rule and the procedure of preparation, implementation, monitoring and evaluation of PFMRP, and the quarterly performance report.

The PFMRP, indeed, stage 3 has been implemented for 3 quarters and the critical issues have been continuously solved in regards to the quarterly performance progress report. Interestingly, general departments of MEF have progressively improved their achievement against plan (GDAP3) in this 3rd quarter. As the result, the part 1 of GDAP3 has achieved 71% which explains the budget credibility being maintained. The management of revenue mobilization, cash flow and accounts is reinforced in this quarter although the activities related to debt management and budget implementation are not much improved. In addition, the part 2 is 61% which is meant that financial accountability keeps its strengthening but it still requires the strong attention of the stakeholders in regards to its improvement. Remarkably, the part 3 that is a critical part of the PFM stage, achieved 88% and it is said that linkage of budget and policy shows its positive sign. The part 4 is a little bit early to be and not fully implemented. However, it still has a good sign because of the set indicators supporting this part achieved 65%. The last part of GDAP3 is the part 5 which actually requires the involvement of PFM implementing agencies. This part achieves 63% that accounts for that the participation is still limited.

Remarkably, there still highlights the key challenges which slower down the achievement, such as the limitation of the capacity of plan preparation, the inconvenience of coordination as well as the lack of monitoring and evaluation.

Therefore, according the progress report of quarter 3, all parts of GDAP3 are still on track but the development and improvement of M&E are still required to ensure its ongoing achievement as well as the set yearly goal.

1. Introduction

1.1. Background of Public Financial Management Reform Program (PFMRP)

The PFMRP was officially launched in December 2004 for the long term implementation and it aims to strategically transform the public financial management system to the standard PFM which is decentralized, output and performance-based system by 2025. General Secretariate of Public Financial Management Reform Steering Committee (GSC) is a pillar of Economic and Financial Policy Committee, has its roles of taking lead, preparing, implementing, coordinating, monitoring and evaluating the PFMRP by following the strategic roadmap of 4 stages/phases as following:

- Stage 1: “Budget Credibility” from 2004 to 2008,
- Stage 2: “Financial Accountability” from 2009 to 2015,
- Stage 3: “Budget Policy Linkage” from 2016 to 2020, and
- Stage 4: “Performance Accountability” from 2021 to 2025.

The success of PFMRP implementation of Royal Government of Cambodia (RGC) depends on the collective efforts and strong support of stakeholders. The momentum of the PFMRP requires commitment, participation, ownership, leadership and accountability of all level government officials both technical and political background. Indeed, the implementation often displays the unavoidable challenges that key decision makers must have the workable and effective solutions. In order to achieve medium term and long term vision, the steering committee initiated and developed 3 interrelated mechanisms as following:

1. Coordination mechanism of 3 Reforms (NCDD, PFM & PAR)
2. Trouble shooting mechanism of PFMRP implementation
3. Rule and procedure of the evaluation of PFMRP (plan, implementation and M&E)

Furthermore, the PFM Stage 3 is officially rolled out in 2016 after the successful evaluation of stage 2 implementation. The current stage is focusing on the implementation of new budget classification, new chart of account, rolling out of budget entities, full program budgeting implementation of 25 line ministries and the implementation of FMIS stage 1 by end of 2016.

The stage 3, the PFMRP stresses on the 3 key priorities as following:

1. Revenue mobilization
2. Strengthening and expanding the FMIS implementation
3. Strengthening and expanding the program budgeting implementation

1.2. Objective and Scope

The draft Consolidated Action Plan of PFM stage 3 (CAP3) was initially developed by GSC at the beginning of 2015 and continuously reviewed, and discussed within line ministries and GDs of MEF. CAP3 combines the ministerial action plan (MAP3) and general departmental action plan (GDAP3) of MEF, which is officially rolled out at the beginning of 2016. Its implementation will be monitored and evaluated in the quarterly and yearly basis.

CAP3 covers main 5 parts as following:

- Part 1: Further Strengthening Budget Credibility
- Part 2: Further Strengthening Financial Accountability
- Part 3: Budget Policy Linkage
- Part 4: Readiness for Next Stage
- Part 5: Support for Successful and Sustainable PFM

The preparation, implementation and M&E of CAP3 is the unavoidable mechanism to ensure the success of the final goal of PFM stage 3 “Budget Policy Linkage” for the year 2016-2020 before entering the next step. This mechanism is a quarterly and yearly basis which will be a solid fundamental of effective improvement from year to year and stage to stage by highlighting the effectiveness of action plan preparation, challenges and solutions to assist the implementing agencies as well as the whole PFMRP to be ready for the next step successfully and effectively. Furthermore, through this CAP3, the maturity of PFM tasks, effective work, opportunities, and privilege of the PFM works for stakeholder is strengthened and more valuable.

1.3. Mechanism of PFM report management and evaluation

Through the action plan of GDs of MEF, it requires the preparation, M&E of its implementation every quarter and every year and send to GSC for the final review and consolidation to ensure the progress is on track and the challenges are being solved. PFM performance report will be put as agenda of meeting of public financial management reform committee (PFMRC), public financial management reform steering committee (PFMSC) and PFM technical working group (TWG) and reviewed and approved by the public financial management steering committee.

Therefore, in order to ensure the quality and comprehensiveness of the quarterly and yearly report since the first stage, GSC team works closely with PFM stakeholders through the coordination mechanism of focal points.

The PFM performance report covers 12 GDAP3 of GDs of MEF. The report format keep improving and updating to ensure the consistency of the reports and its fact. The quarterly report reflect only its quarterly indicators but yearly report will reflect the accumulative achievement of the set indicators. Although it is different approach but the challenge and suggestion are always counted in the evaluation report to ensure the issues are being correctly addressed.




In this 3rd quarter, the evaluation mechanism is following the same approach of previous quarters of 2016 such as:

1. Achieved indicators versus its set plan
2. Progress achievement versus the objective indicators



And the score is given based on the classification of Good (90%-100%), Satisfied (80%-90%), and Weak (below 80%).

2. ACHIEVEMENTS OF Q3





2.1. Progress of EU's Result Framework

- ☐ EU result framework is monitored quarterly and reviewed yearly in accordance with financing agreement in 2016.
- ☐ The progress of the Quarter 3 is basic for prediction of the achievement of EU indicators.
- ☐ Methodology of monitoring is compared the progress of the accumulation quarter 3 with annual targets.
- ☐ Progress of indicators is determined the risks as following :
 - Low (80%-99%) 
 - Medium (50%-79%) 
 - High (0%-49%) 

For this 3rd quarter, the implementation of 8 performance indicators is explained as following:

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, 2016 (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 has been achieved 90%.	

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.	<ul style="list-style-type: none"> Sub-decree on functions transferred of Children Education Management, Primary Education and Informal Education System to DM administration has been implemented. Draft Sub-Decree on Conditional Grant Transfer for sub-national level has been discussed. <p>This indicator has been achieved 80%.</p>	
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. (Financial report in August, 2016 has been published)	
		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. (Meeting is on 28 th of October 2016)	
5	Increased result orientation in the budget	GDB	Develop a pilot performance monitoring mechanism for budget	No progress (Discussed with EU on 12 October 2016)	

6	Internal Audit effectiveness strengthening	GDIA	The Internal Audit manual is approved	The Internal Audit manual has been reviewed and revised (70%).	
			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.	
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 79.9% 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	The annual procurement plans of Procuring Entities, Notice of Bid, Bid documents, notice of contract awards are published on the GDPP website (www.gdpp.gov.kh) Total Achievement is 92%	

2.2 Key Performance Indicators of Part 1

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> <p>☐Quarter 1: 23.1%</p> <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>Quarter 3 : 27.6.9%</p> <ul style="list-style-type: none"> • Current Revenue: 27.49% • Capital Revenue (Domestic): 32.7% <p>The revenue collection compared with quarter 3 plan:</p> <p>Custom and Exercise: 121%</p> <p>Taxation: 111.48%</p> <p>Non-Tax (exclude financial industry): 102.49%</p> <p>Financial Industry 114.17%</p>	<p>Domestic Revenue:</p> <p>☐Quarter 1: 27.2%</p> <ul style="list-style-type: none"> • Current Revenue: 25.2% • Capital Revenue (Domestic): 14.0% <p>☐Quarter 2: 28.2%</p> <ul style="list-style-type: none"> • Current Revenue: 28.6% • Capital Revenue (Domestic): 4 % <p>☐Quarter 3: 24.73%</p> <ul style="list-style-type: none"> • Current Revenue: 25.06% • Capital Revenue (Domestic): 11.5% <p>The revenue collection compared with quarter 3 plan:</p> <p>Custom and Exercise: 99.32%</p> <p>Taxation: 112.05%</p> <p>Non-Tax(exclude financial industry): 97.93%</p> <p>Financial Industry 170.85%</p>
2. No accumulation of new arrears	Arrears are defined to be maintained at no more than 2% of total	No	No

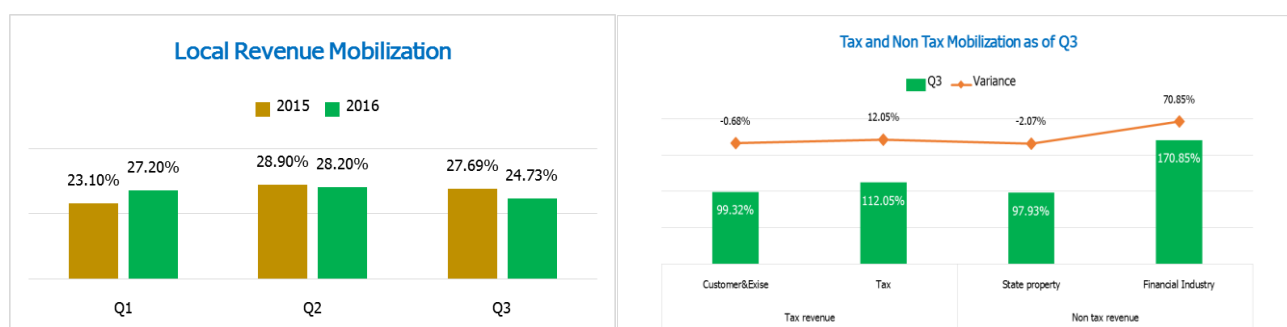
<p>3. Budget holders are increasingly able to commit expenditure in line with budgets and cash flow forecasts</p>	<p>Q1: 15% Q2: 45% Q3: 67% Q4: 96%</p> <p>Percentage of settlement to suppliers and staff via banking system is not less than 80% of total expenditure</p> <p>Percentage of revenue transferring to banking system is not less than 60% of total revenue</p>	<p>National Budget achieved:</p> <p><input type="checkbox"/>Quarter 1: 15.16% <input type="checkbox"/>Quarter 2: 30.10% <input type="checkbox"/>Quarter 3: 57.46%</p> <p>Payment via banking system:</p> <p><input type="checkbox"/>Quarter 1: 100% <input type="checkbox"/>Quarter 2: 100% <input type="checkbox"/>Quarter 2: 100%</p> <p>▪ 36 Ministries received salaries via banking system</p> <p><i>Quarter 1</i></p> <p>Custom revenue:</p> <p>▪ 92% paid by tax payers ▪ 8% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 98.8% paid by tax payers ▪ 1.2% paid by General Department of Taxation</p> <p><i>Quarter 2</i></p> <p>▪ 92.6% paid by tax payers ▪ 7.4% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p>	<p>National Budget achieved:</p> <p><input type="checkbox"/>Quarter 1: 14.57% <input type="checkbox"/>Quarter 2: 32.97% <input type="checkbox"/>Quarter 3: 57.37%</p> <p>Payment via banking system:</p> <p><input type="checkbox"/>Quarter 1: 100% <input type="checkbox"/>Quarter 2: 100% <input type="checkbox"/>Quarter 2: 100%</p> <p>▪ 36 Ministries received salaries via banking system</p> <p><i>Quarter 1</i></p> <p>Custom revenue:</p> <p>▪ 94.2% paid by tax payers ▪ 5.8% pay by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p> <p>▪ 96.9% paid by tax payers ▪ 3.1% paid by General Department of Taxation</p> <p><i>Quarter 2</i></p> <p>▪ 90.4% paid by tax payers ▪ 9.6% paid by General Department of Custom and Exercise</p> <p>-Taxation Revenue:</p>
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		<ul style="list-style-type: none"> ▪ 85% paid by tax payers ▪ 15% paid by General Department of Taxation <p><i>Quarter 3</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"> ▪ 98.90% paid by tax payers ▪ 1.1% paid by General Department of Taxation 	<ul style="list-style-type: none"> ▪ 99.7% paid by tax payers ▪ 0.3% paid by General Department of Taxation <p><i>Quarter 3</i></p> <ul style="list-style-type: none"> ▪ 93.4% paid by tax payers ▪ 6.6% paid by General Department of Custom and Exercise <p>-Taxation Revenue:</p> <ul style="list-style-type: none"> ▪ 99.80% paid by tax payers ▪ 0.2% paid by General Department of Taxation
4. Composition of expenditure by type (staff costs) is close to approved budget.	<p>Actual expenditure compared to budget law must not be below:</p> <ul style="list-style-type: none"> • Salary: 98% • Goods/Services: 95% • Capital: 85% 	<p>National budget achieved by categories in Q1:</p> <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% <p>National budget achieved by categories in Q2:</p> <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% <p>National budget achieved by categories in Q3:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Salary: 72.25% 	<p>National budget achieved by categories:</p> <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% <p>National budget achieved by categories in Q2:</p> <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% <p>National budget achieved by categories in Q3:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Salary: 68.89%

		<input type="checkbox"/> Goods/Service: 41.26% <input type="checkbox"/> Capital: 48.97%	<input type="checkbox"/> Goods/Service: 40.45% <input type="checkbox"/> Capital: 54.44%
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.	Q3 Revenue: <input type="checkbox"/> Taxation: 27.82% <ul style="list-style-type: none"> • Direct Tax: 23.7% • Indirect Tax: 25.2% <input type="checkbox"/> Non-Tax: 25.4%	Q3 Revenue: <input type="checkbox"/> Taxation: 24.52% <ul style="list-style-type: none"> • Direct Tax: 21.7% • Indirect Tax: 26.9% <input type="checkbox"/> Non-Tax: 28.4%
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:

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 1,650,700 million riels and is lower than 0.68% of Q3 plan and equal to 24.83% of budget law 2016. Comparing Q3, 2016 with Q3, 2015, the revenue collection increases 2.86%. According to the data from GDCE (tax revenue only), the revenue transfer to GDNT was 1,645,239 million riels and is lower than 1.01% of Q3 plan that is between +/-5% because of the strengthening the monitoring the beginning, middle and ending spot, and the implementation of custom tax collection and fine collection.

▪ General Department of Taxation (GDT)

Regarding GDNT's Data, GDT (Taxation Revenue) implemented 1,182,806 million riels and is higher than 12.05% of Q3 plan or 24.10% of budget law. Comparing the actual revenue Q3, 2016 with

Q3, 2015, the revenue implementation increase 20.16%. According the GDT's data (include only National Tax level), it achieved 1,191,963.2 million riels and is higher than 12.92% of Q3 plan or 24.29% 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 426,497 million riel lower than 2.07% of Q3 plan and equal to 24.83% of budget law 2016. Comparing to the revenue collection in Q3, 2016 and Q3, 2015, the revenue increase 14.60%. The decreasing is due to this season is non-fishing season that led to lower the non-tax revenue.

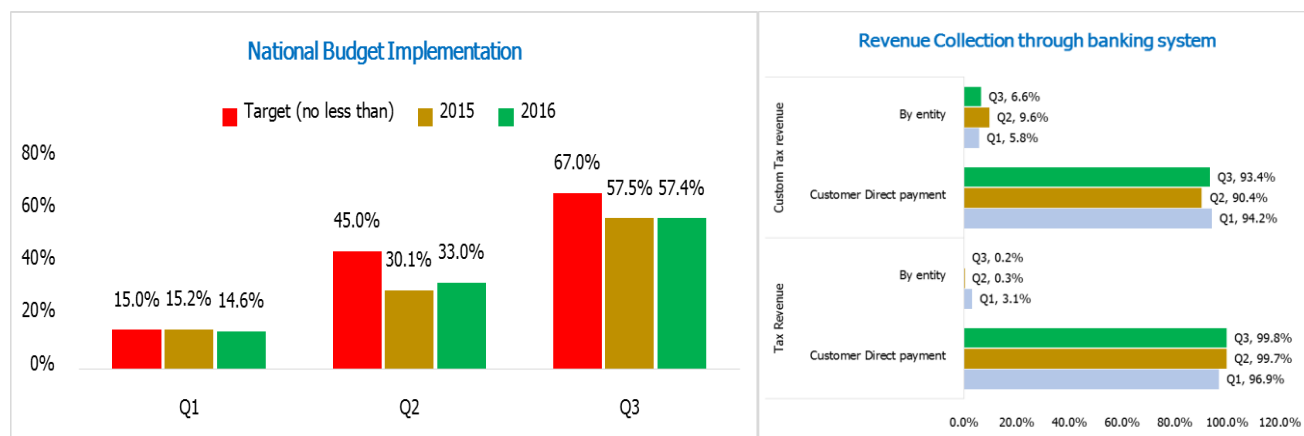
General Department of Financial Industry (GDFI), (1) Casino Revenue, (2) Lottery Revenue, and (3) Casino licensing revenue. GDNT's data (exclude Casino licensing revenue since it included in licensing with line ministries) is 99,393 million riels and it is higher than 70.85% or equal to 73.71% of budget 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.

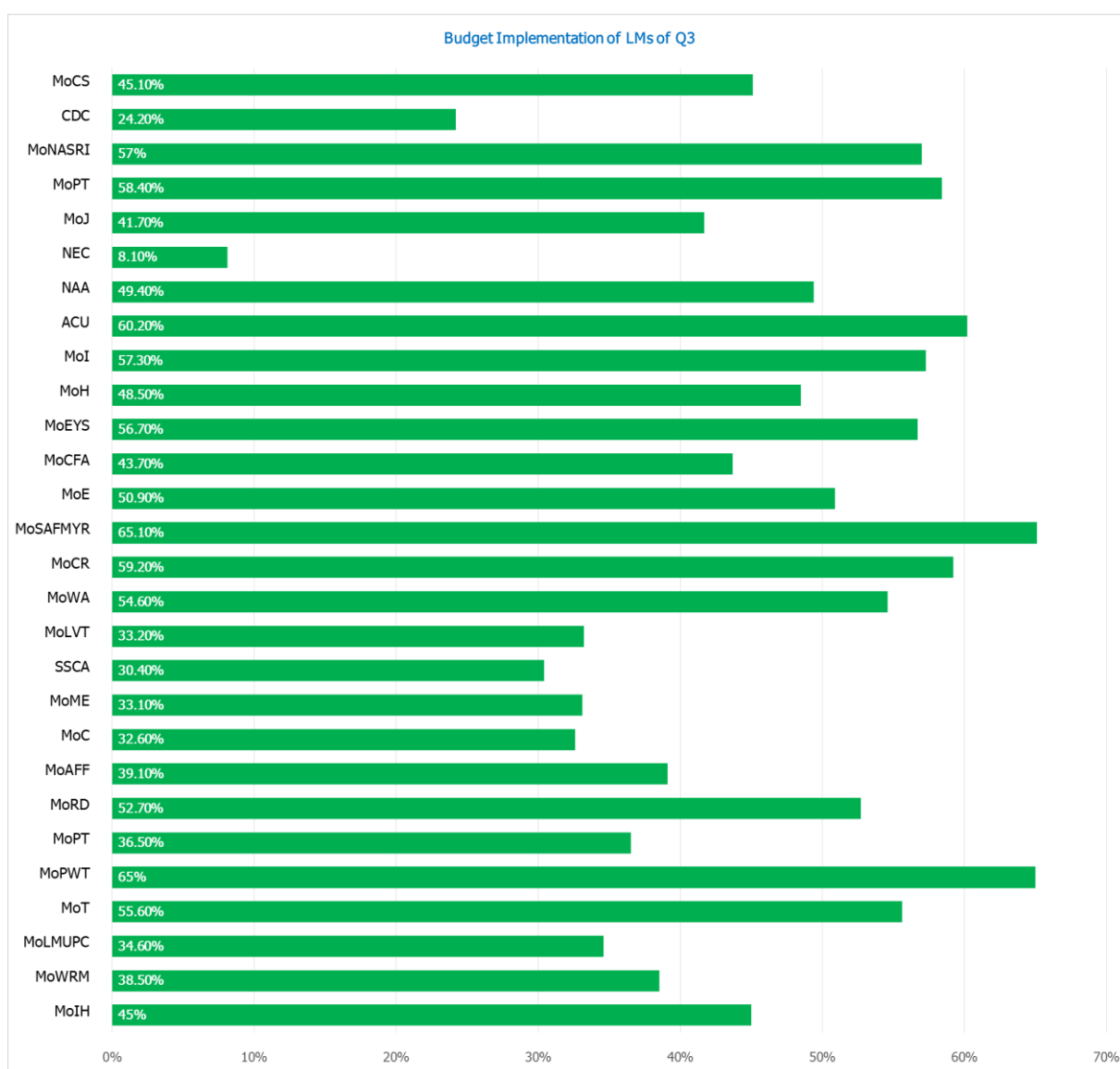
a. Arrears

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

b. National Budget Expenditure

The quarter 3 of budget execution achieved 57.37% of budget law and is less than 9.63% of quarter 3 of expenditure target. Some line ministries expense less than 67% of budget law as follows:





The sub-national administration (Capital-Provinces, City-Districts, Commune-Sangkat) expense 48.06%.

c. Expenditure Composition

The type of expenditure achieved as following: Salary (68.89%), Goods/Service (40.45%) and Investment (54.44%).

3. Progress of Action Plan Implementation by Part

Part 1: Further Strengthening Budget Credibility (71%)

Budget credibility was started and well implemented in the first phase in 2008 and strengthened continuously until this stage. In this 3rd stage, budget credibility is still an important part of the consolidated action plan (CAP3). To further strengthen budget credibility in this 3rd stage, there are four main objectives: (1) further strengthening revenue management and collection plan implementation, (2) further strengthening debt management, (3) further strengthening cash and account management and (4) improving budget execution and strengthening expenditure implementation. To achieve these 4 objectives, there are 9 activities adopted and implemented by GDEFPF, GDCE, GDT, GDSPNT, GDFI, GDB, GDNT, GDPP, GS-MEF and FMWG.

Part 1	Number
Objective	4
Activities	14
GDs of MEF	11

Based on the assessment on this third progress report, the first part achieves 71% of the target and results are as follows:

❖ Objective 11: Further strengthening revenue management and collection plan implementation

Strengthening revenue management and collection plan implementation refers to the ability to ensure that the quarterly revenue collection plan is implemented well and with the margin of 5%. In this third quarter, this objective achieves 74% of the target. The first activity *11.1. Implementing of medium-term revenue policy and revenue mobilization strategy* achieves 75% of the target, the second activity *11.2. Further improving custom, tax, non-tax and state property policy and administration* achieves 67% and the third activity *11.3. Strengthening revenue forecast* achieve 79%.

Part 1	Achievement in the 1 st Quarter	Achievement in the 2 nd Quarter	Achievement in the 3 rd Quarter
Objective 11	88%	77%	74%
Activity 11.1	78%	86%	75%
Activity 11.2	88%	81%	67%
Activity 11.3	97%	63%	79%

Activity 11.1 “Implementing of medium-term revenue policy and revenue mobilization strategy” is implemented by GDEFPF, GDCE, GDT, GDFI, GDSPNT and GS-MEF. This activity achieves only 75% of the target, which is still in the low level. However, based on the achieved indicators, it should be noted that there are significant progresses.

Instantly, monitoring and evaluation report on the implementation of the “Medium-term Revenue Mobilization Strategy 2014-2018” for the first semester was prepared and indicates the improvement of tax administration's capacity in implementing the revenue collection plan. Based on this report, tax revenue is expected to increase higher than expectation because of economic growth and legal compliance. Meanwhile, in order to support the implementation of medium-term revenue policy and revenue mobilization strategy, many legal documents is being studied, prepared as draft documents and sent to the GD management to review and revise. They include:

- The first draft of Transfer Pricing Guideline is being reviewed and revised in English.
- Circular on Tax Crime Investigation is being reviewed and revised.

About custom risk management, it is noted that there is no significant progress in this 3rd quarter. Custom risk management system has not been installed at the custom office yet because the GDCE is now studying on which office is suitable for this system. At the same time, linkage function between custom risk management system and ASYCUDA has been developed and achieved only 50% of the target due to priority tasks.

In short, although the progress of this activity is at low level, there are some important indicators achieved as plan. Instantly, the result of collection plan implementation is positive. Anyway, all related general departments have to finish up the remains in this upcoming fourth quarter.

Activity 11.2 “Further improving custom, tax, non-tax and state property policy and administration” is implemented by GDCE, GDT, GDSPNT and GS-MEF in this 3rd quarter. This activity achieves only 67% of the target, which is so low. However, based on the achieved indicators, it should be noted that there are significant progresses. Instantly, some key legal documents to support the improvement of tax administration and policy are being prepared as planned such as:

- Regulations on Personal Income Tax is under study at technical level and with experts from Sweden.
- 3rd Draft of Prakas on Taxation of International Transportation Service was prepared at working group level.
- Draft Circular on Scope of VAT with Zero Percentage Rate and VAT responsible by State on behalf of International Organization was reviewed by General Department of Taxation.
- Draft Prakas on Additional Fulfillment of Tax Obligation for Multi-Qualified Investment Project was prepared and sent to the MEF management to review and revise.

At the same time, to facilitate the tax payment, call center and public relation office of the department of taxpayer service and tax liability of General Department of Taxation is being prepared along with the preparation of Prakas on Code and Conduct of department of taxpayer service and tax liability. In progress, this Prakas was submitted to the management of General Department of Taxation for review and revision. Notice that tax counselling counters at tax branches (Khan Chamkamorn and Khan Daun Penh) have also been ready for about 50%.

About non-tax revenue management, it should be noted that there are some key accomplishments. Instantly, revenue mobilization from casino business and other gaming business has been strengthened through the quarterly control. At the same time, draft Sub-decree on Non-tax Revenue Management was prepared and has been through the inter-departmental

meeting of Ministry of Economy and Finance in this 3rd quarter. Notice that the preparation of this sub-decree is a new activity and is not listed in the GDAP3 of GDSPNTR, but this activity is implemented instead of the preparation of Law on Non-tax Revenue Management, based on the recommendations from H.E. Senior Minister.

About state property management, draft Law on State Property Management was not approved by the inter-ministerial meeting yet. It demands further inputs.

All in all, although the progress in percentage is in weak level, the real performance of each general department indicates the efforts in improving tax and non-tax policy and administration through the preparation of regulations. Anyway, the stakeholders should continue finishing the remained tasks in this fourth quarter.

Activity 11.3 “Strengthening revenue forecast” is implemented by GDEPFP, GDCE and GDT in this 3rd quarter. In progress, this activity achieves 79% of the target, which is in low level, but based on the real performance it should be noted that there are some significant progress.

For instance, revenue forecasting model of GDEPFP indicated that the gap between the forecast and the implementation is low, which does not require additional improvement in this 3rd quarter. But the general department will continue to monitor in the next quarter to ensure the accuracy of the forecast. Meanwhile, the revenue forecasting model of GDT is being piloted as well.

About the macroeconomic assessment, the general department successfully prepared the 2016 Mid-year Macro-economic Review Report in both Khmer and English language and published it in the website of MEF for the public.

Overall, although the progress in percentage of this activity is at low level which is under 80%, it does not indicate the slow progress of the action plan implementation. This occurrence due to the unaccomplished indicators including (1) seminar preparation to general department in revenue section and (2) seminar on the preparation of non-tax revenue forecasting template to line ministries. This unaccomplished indicators are due to the prioritized work and because the non-tax revenue template is not comprehensive enough for the seminar.

In conclusion, although main activities achieved as planned, the progress in percentage is only 74%, which is still low. This occurrence is due to many not-so important activities do not achieve the quarterly target. Meanwhile, some indicators cannot be achieved, and changed to new activities and indicators not listed in the action plan. At the same time, some activities and indicators do not provide the ownership to the general departments to do. Such activities include the preparation of joint prakas and the legal consultation in the framework of Medium-Term Revenue Mobilization strategy.

❖ Objective 12: Further strengthening debt management

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

The table below shows the summary of the achievement of quarter 3 for the objective 12:

Part 1	Q1	Q2	Q3
Objective 12	73%	83%	53%
Main Activity 12.1	93%	100%	67%
Main Activity 12.2	50%	75%	0%
Main Activity 12.3	70%	73%	75%

Activity 12.1 Effective and efficient implementation of debt management strategy was implemented by General Department of Custom and Excise(GDCE), General Department of International Cooperation and Debt Management(GDICDM) and General Secretariat of MEF(GS-MEF). As a result, the activity got 67% because of accomplished key indicator: GDCE have implemented current year debt collection issuing letter to companies who owe government to pay their debt. Moreover, GDICDM have also drafted the public debt statistic bulletin No. 2. However, Draft Standard Operating Procedure for Public Debt Management does not have more progress for the third quarter because there was change in structure of general department of budget in which some indicators need to revise to meet new context of new general department (GDICDM). In short, the activity falls in weak score (less than 80%) which requires concerned general departments to review and follow up all indicators in order to make sure that they will be accomplished at the year end.

Activity 12.2 The preparation of legal framework and mechanism for state guarantee implementation was implemented by General Department of International Cooperation and Debt Management (GDICDM) and General Secretariat of MEF (GS-MEF). As a result, the activity got 0%, i.e. there is no activities were achieved and fully achieved in this quarter. There are two main indicators: (1) there is no progress on Draft Policy on Government Guarantee because there was change in structure of general department of budget, and (2) Legal consultation on the preparation of legal framework and mechanism for government guarantee implementation was not provided because there was no proposal from relevant entity. The reason is that change or revision of the structure of general management and unclear indicators are the challenges for not achieving the goal.

Activity 12.3 Strengthening the effectiveness of in-year debt management was implemented by General Department of Taxation (GDT) and General Secretariat of MEF (GS-MEF). As a result, the activity got 75% because only one indicator achieved fully, i.e. tax debt officials from departments and district-province tax branches have been received training for the second time. However, other indicators were slow in progress which is that second draft of guideline and principle on internal audit should be reviewed at technical level, while as there is a progress for indicator- GDT is reviewing document which has been received from specialists. In addition, draft on non-tax debt management mechanism within MEF for current year has not been disseminated and implemented in the third quarter because of waiting for common framework. Overall, the activity is at weak score (less than 80%) which requires more attention from general departments in order to achieve on time.

In conclusion, the objective is still at 53% in the range of weak score which all parties should pay more attention for. In compare with second quarter, there is slow progress in third quarter which requires relevant general departments to review their action plan, especially unaccomplished indicators.

❖ Objective 13: Strengthening Cash and Account Management

Strengthening Cash and Account Management is targeted to implement cash plan effectively and efficiently including effectiveness of implementing cash management plan starting from quarterly and monthly to weekly and daily, Revenue-Expenditure Execution through banking system, Mechanism to consolidate reports of implementation of Development Partners' projects which is off the treasury system, Arrears recording and ageing profile and monitoring systems and advance clearance on timely basis and so on.

In this objective, there are 5 activities and progression as bellows:

Part 1	Q1	Q2	Q3
Objective 13	96%	84%	99.38%
Main Activity 13.1.	90%	98%	97.5%
Main Activity 13.2.	90%	63%	100%
Main Activity 13.3.	100%	100%	100%
Main Activity 13.4.	100%	100%	100%
Main Activity 13.5.	100%	100%	100%

Activity 13.1. "Further improving and strengthening cash planning preparation (starting from quarterly and monthly to weekly and daily cash planning preparation)" has participated in preparing supporting activities conducted by GDNT. The activity achieved 97.5%, which reflects the good progress compared to Quarter 2. Under the World Bank Aids, we are noticed that GDNT has developed Cash Management System, Online Web-based Application (CMS), in order to record Revenue-Expense Budgeting data for Line Ministries without submitting hard copy document to GDNT, which accurately and quickly facilitates quarterly cash planning, and submit testing to 10 fully budgeting program-implementing of line-ministries; however, GDNT faced some challenges such as that during the execution, 10 budget entities of line-ministry failed to record all completed figure. Moreover, the general department has yet been considerate for accuracy of data forecasting in gap (+/- 5%). Overall, the GDNT should continue organizing training courses on how to use the system to all 10 line-ministry again to enhance the implementers' ability to perform better understanding of system usage and the involved challenges in December 2016, and planning to train courses on the usages of Cash Management System as well as consolidating all the facing challenges in the previous implementing period so as to reinforce these tasks in the next quarters. In addition, GDNT planned to open accounts for additional 10 line-ministry in 2017 and the other line-ministry in 2018.

Activity 13.2. "Further strengthening banking system usage and studying the possibility to implement payment through E-transfer" has participated in preparing supporting activities implemented by GDNT. For the progress in this quarter, this activity accomplished a full 100% of indicators such as officials payroll payment through banking system which opened completely and regularly to central in every 4th week of each month, and continued implementing payment through FMIS system and NBC system leading to payment through E-Transfer Phase in FMIS Production System, and also

monitoring PREFIX criteria in MOU with National Bank of Cambodia, but GDNT should pay more attention to study the level of risk in using E-Transfer (safety in payment management), and continue urging the use of the banking system and the E-Transfer payment system in a comprehensive manner in the sense of ensuring the accurate, transparent and savings on Public Revenue-Expenditure operation.

Activity 13.3. “Preparing mechanism to consolidate DPs' budget execution reports that are out of treasury system and further strengthening treasury single account” has participated in preparing supporting activities implemented by GDNT and GDICDM. For the quarter, the activity fully succeed 100% of the target. In the quarter, GDNT has examined some development partners' project account type at Canadia Bank suspected of improper uses and missed directions for which the GDNT has studied and defined tracking research on open and usable accounts in partner banks. Additionally, mechanism to consolidate DPs' budget execution reports that are out of treasury system has also been organized in each step, and treasury single account has been further strengthened and entirely operationalized. Nevertheless, the growing cooperation between the relevant departments is also an essential and indispensable key factor in achieving the annual target of the key performance indicators.

Activity 13.4. “Further monitoring arrears and their maturity” has participated in preparing supporting activities conducted by GDNT. For the quarter, this activities achieved the full target by 100%, which participated and accomplished indicators such as the status of the payment of the mandate examined for the possible improvement in order to ensure the payment more speedy and timely, and the types of information related to capital investment plans, and debt services defined as a precise target. Furthermore, arranging arrears recording and ageing profile also has a clear as well as proper monitoring mechanism in which the GDNT has improved the status of the payment mandate to ensure the payment more rapidly and timely by strengthening the surveillance mechanisms to avoid arrears (in existence for more than 60 days). However, GDNT also pay more attention in preparing the status arrears report in existence for more than 60 days and following up regularly, especially at the end of the year to further avoid the occurrence of debt congestion at the end of 4th quarter by the way of accurate, timely and relevant type of information to Capital investment plans, and debt service targeted with precision.

Activity 13.5. “Settlement advance on time” has participated in organizing supporting activities implemented by General Department of Budget and GDNT. Yet, general departments themselves didn't set performance indicators for the 3rd quarter. Nonetheless, by October 19, 2016, advancing line-ministry had collected expense vouchers and issued liquidated mandate of 348 917,4 million riel, in which there were 68 222,6 million riel (2015) and 280 694,8 million riel (2016). Separately, for remaining unliquidated debt advances by October 19, 2016, there had been a total of 538 489,5 million riel, in which there were 386.6 million riel in 2014, 77 903,3 million riel in 2015 and 460 199.6 million in 2016.

Totally, for the 3rd quarter, the objective achieved progress of 99.38%, which is in noticeable significant level that reflects the efforts of the involved entities in tracking the progress of the set out indicators, particularly indicators that support activity 13.2. The relevant entities, however, further strengthen and monitor the activities and indicators set out in

the plan to ensure the achievement of the annual indicator target. Moreover, the department is implementing in order to promote activity 13.5 relating to timely and highly effective advance clearance.

❖ **Objective 14: Improving budget execution and strengthening expenditure implementation**

Being able to estimate the quarterly expenditure implementation with the marginal error no more than 5% is a common goal for the purpose, which mainly focuses on preparing a Guideline on Public Procurement (PPM), Process and Transparency of Public Procurement, and the accuracy of preparing plan for 4th quarter. There are 3 activities to be organized and introduced to support the purpose. Actually, progress achieved for the purpose is explained as follows:

Part 1	Q1	Q2	Q3
Objective 14	88%	71 %	62 %
Main Activity 14.1.	90%	46 %	15 %
Main Activity 14.2.	71%	48 %	72 %
Main Activity 14.3.	100%	100 %	75 %

Activity 14.1. “Harmonization between public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM)” has participated in preparing supporting activities conducted by GDPP and GDICDM. For the 3rd quarter, the activities achieved around 15% because this indicator, was intensely complicated and collaborated with GDICDM to ensure harmonization between public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM). On September 01, 2016 General Secretariat, Steering Committee of the Public Financial Management Reform organized a discussion meetings about the harmonization between public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM) to discuss the working approach proposal for harmonizing between public procurement rules and regulations (IRRPP) and Standard Operating Procedure (SOP/PM) with the participation of GDPP, GDICDM, and International Consultant. As a result, decided to (1) prepare studying the difference between Standard Operating Procedure (SOP/PM) and public procurement rules and regulations (IRRPP) and held problem-solving discussion meetings in skill level of both departments. Meanwhile, both of the departments agreed to appoint focus point to work together in the early stages. And (2) the remaining different problems, which cannot be solved within the skill level of both departments, will be discussed at the consultative workshop leaded and coordinated by the Secretary General of the General Secretariat, Steering Committee of the Public Financial Management Reform of representatives from the relevant departments of the Ministry of Economics and Finance, the project-implementing agencies, development partners and line-ministry.

Activity 14.2. “Encouraging competition and transparency in procurement process with public involvement” has participated in preparing supporting activities implemented by GDPP, GSMEF, EFI and FMWG Team. The remarks in

3rd quarter achieved 72% in which key performance indicators in activity are (1) procurement process conducted by transparency, accountability and efficiency through the media (a) bidding announcement (b) procurement plan (c) Contract Award and (d) result of conflict resolution on procurement to the public (website) (2) Conflict Resolution Committee on Public Procurement was established. So, this activity got only 71.88%. However, the activity is at a low level (below 80%), which indicates the major challenges such as: some of the procurement-implementing institutions did not send notification on bidding announcement, yet accomplished arranging (1) Sub-decree on the Form and Procedures of Complaint Filing and Solution and Procurement Conflict, (2) Prakas on Blacklist Clearance and Dissemination of Bidder, (3) Prakas of procurement and bidder classification, and (4) Prakas on the Contract Management. Thus, the relevant unities should manage monitoring the set out action plan, especially reset indicators. For indicators, relevant entities should prepare priority to ensure the effective works that had not been achieved, such as (1) Prakas on the Form and Procedures of Complaint Filing and Solution and Procurement Conflict (2) Prakas on Blacklist Clearance and Dissemination of Bidder, and (3) Prakas of procurement and bidder classification, and (4) Prakas on the Contract Management.

Activity 14.3. "Preparing quarterly expenditure plan more accurately" has participated in preparing supporting activities implemented by GDPP and General Department of Budget. Consequently, the activity achieved only 75%. Also, key performance indicators in activity are 1. Quarterly Expenditure plan was prepared with accuracy (level of deviation is no more than +/- 5%), and 2. Report on expenditure, highlighting the quarterly deviation of +/-5%. Therefore, the involved entities should better check on the set out action plan, particularly the indicators that reset the Rules and Procedures of Quarterly/Annually Revenue-Expense Program Execution, edit Revenue – Expenses program Worksheet System or any other internal system in order to better facilitate work.

Overall, for the 3rd quarter, the purpose has achieved progress by 71%, which is in worse level, and there is much reduced progress compared to the progress in 2nd quarter as the key performance indicators was not achieved as planned, such as the 1st Draft Guidelines on Public Procurement in English, and the legal documents on facilitation between budget entities and financial entities in procurement plan preparation that requires relevant entities paying extremely attention to strengthen monitoring and implementing to achieve it.

Part 2: Further Strengthening Financial Accountability (61%)

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.

For the Q3 2016, Part2: further strengthening financial accountability achieved 13% as this part has given the weight 0.20% among the total 5 parts of the CAP3. This part has 4 objectives namely (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 tools and mechanisms for extending responsibility

and accountability (control system); and 13 main activities implemented by 7 General Departments: 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 Financial Policy and FMIS Working Group.

According to the above achievements, General Secretariat of PFM Steering Committee has set out key indicators and in-year indicators at objective and main activity level which supported to relevant GDs of MEF to prepare and set out their GDAP3 (refers to the below table):

Table1: Summary of Objective of Part 2

Part 2	Amount
Objective	4
Main activity	13
GDs under MEF	7

3.3.1. Objective 21: Strengthening implementation of new budget classification and chart of accounts (82%)

New budget classification and chart of accounts need further revision in order to be consistent and accordance with international standard and budget classification (geography, operational unit and administration, program, economy, function, source of funds, and projects) should be fully implemented to ensure that all relevant information in fiscal report must be shown.

The table below shows the summary of achievement of quarter 3 for the objective 21:

Part2	Q2	Q3	Number of indicators achieved in Q3
Objective 21	92%	82%	4/6
Main Activity 21.1	92%	82%	4/6

Activity 21.1 further improving new budget classification and chart of accounts (geography, operational unit and administration, program, and economy) and expansion for three more classification (function, source of funds, project) was implemented by General Department of Budget(GDB) and General Department of National Treasury(GDNT). As a result, the activity got 82% because 4 indicators set by GD have been accomplished. GDB has developed Prakas on implementation of program budget classification for 11 more line ministries through annual budget preparation for 2017. Annex of operational unit and administration budget classification has been developed in quarter 1 and continue to amend for the third time in quarter 3 and hope to finish at the year end. GDNT has also created chart of accounts to be implemented in FMIS in first quarter and in third quarter the COA in accordance with FMIS has been disseminated for provincial treasury officials in 4 training. Moreover, GDNT has developed 2 Prakas (Prakas no. 913 mef.pk dated 09 August 2016 on addition of accounts and subaccounts

and Prakas no. 1922 mef.pk on removing and adding account and subaccount in the chart of accounts for national and subnational administration) to comply with FMIS.

In short, the objective still got good score (82%) but there are some key challenges that are planned activities are still not achieved within time frame; GDNT is not yet to review the COA implementation in FMIS; and GDNT does not finish the preparation of chart of account for each public administration entity as its plan because public administration institutios have not support in preparing the CoA and sent to GDNT for review. Therefore, all relevant entities should review their action plan especially unaccomplished indicators and take more action to complete them on time.

3.3.2. Objective 22: Strengthen the implementation of new budget execution system and business process (53.50%)

Strengthening the 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.

This objective achieved 53.50% of the target and supported by 5 activities implemented by : General Department of Budget, General Department of National Treasury, General Secretariat of MEF, and FMIS Working Group; activity 22.1 further reduced time-frame in order to request letter of commitment and payment each line ministry have achieved 52.50% of the target, activity 22.2 revise 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 65% of the target, activity 22.3 maximize understanding, ownership, participation and FMIS capacity both MEF, line ministry and sub-national achieved 83% of the target, activity 22.4 build capacity FMIS management plan including MEF, Line-Ministry and sub national entity achieved 67.50%, and activity 22.5 pilot first phase and expand toward FMIS implementation (core module and budget module and roll out to LMs) achieved 21% of the target.

According to the achievements of Objective 22 in Q3, the result achieved less than Q2 due to Q2 achieved 84% while 53.50% in Q3. The progress of this objective 22 of Q3 could highlight the achievements and not achievement based indicators set out by the 4 GDs to support the 5 main activities as below:

Part2	Q2	Q3	Amount of indicators achieved in Q3
Objective 22	84%	53.50%	9/20
Main Activity 22.1	77%	52.50%	5/6
Main Activity 22.2	95%	65%	1/4
Main Activity 22.3	90%	83%	2/3
Main Activity 22.4	100%	67.50%	1/2

Main Activity 22.5	72%	21%	0/5
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Activity 22.1 further reduced time-frame in order to request letter of commitment and payment each line ministry. This activity was prepared and implemented by General Secretariat of MEF and GDB. In results achieved 52.5% meaning not fully achieved despite indicators were set and implemented. The achievements reflected the needed to further strengthening the leadership and management capacity in Q3. However, the achievements were contributed by some indicators: (1) prepare and implement the program classification to 11 LMS, (2) Annex for entity, operation, and administration were prepared for the third times, (3) disseminate COA align with FMIS, (4) Review and add account to align with FMIS and (5) Continue preparing the COA for Public Administration Entity. Whereas, one indicator affected the achievements and not fully achieved is (1) Re-review the implementation of COA to align with FMIS.

To conclude, despite some indicators achieved as targeted but some GDs should continue to review and strengthen the preparation of Budget Classification, COA and FMIS as they are a cross-cutting tasks in the near future.

Activity 22.2 revise 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. This activity achieved 65% meaning not fully achieved despite indicators were set and implemented. According to the achievements, they are not fully achieved despite indicators were set and implemented. The achievements reflected the needed to further strengthening the leadership and management capacity in Q3. However, the achievements were contributed by some indicators: (1) dialogue and revise short and medium term for public investment (Chapter 21), (2) drafted on budget framework for rehabilitation and maintenance (Chapter 61), (3) Training and disseminate on Procedures of budget execution based legal documents to relevant officers of GDNT to be able to review the budget execution; specifically, to LMs to also be able do the budget execution aligning with financial procedures, (4) strengthen the piloting on accounting process through FMIS, and (5) Enforce the accountant process on revenue and public earning of sub-national administration. Whereas, three indicators affected the achievements and not fully achieved namely (1) one window mechanism was endorsed and disseminated, (2) 05 officers conducted the study visit to Malaysia, (3) establish working group to study the Fixed Asset Threshold.

To conclude, despite some indicators achieved as targeted but some GDs should continue to review and strengthen the leadership and management capacity as those indicators are a cross-cutting tasks.

Activity 22.3 maximize understanding, ownership, participation and FMIS capacity both MEF, line ministry and sub-national. This activity achieved 83% meaning not fully achieved despite indicators were set and implemented. According to the achievements, they are not fully achieved despite indicators were set and implemented. The achievements also reflected the needed to further strengthening the leadership and management capacity in Q3. However, the achievements were contributed by two indicators: (1) 25 officers from all provincial department of economy and finance received the training on change management agent for FMIS and PFMRP, (2) Disseminate the FMIS via local news for the 2nd times (including: -continued disseminate FMIS through local

news for the 3rd times and -published FMIS bulletin for Q3 2016). Whereas, 1 indicator affected the achievements and not fully achieved namely (1) General Directors level from LMs received the workshop on FMIS.

To conclude, despite some indicators achieved as targeted but some GDs should continue to review and strengthen the leadership and management for the next quarter.

Activity 22.4 build capacity FMIS management plan including MEF, Line-Ministry and sub national entity. This activity achieved 67.5% % meaning not fully achieved despite indicators were set and implemented. According to the achievements, fully achieved despite indicators were set and implemented. The achievements also reflected the needed to further strengthening the leadership and management capacity in Q3. However, the achievements were contributed by one indicator: (1) financial affair officer attached to 10 LMs received training on Oracle PeopleSoft Financial (FMIS). Whereas, one indicator affected the achievements and not fully achieved namely (1) 25 IT officers received training on Soft Skill to strengthen leadership and management.

Activity 22.5 pilot first phase and expand toward FMIS implementation (revise module and budget module and roll out to LMs). This activity achieved 21% % meaning not fully achieved despite indicators were set and implemented. According to the achievements, they are not fully achieved despite indicators were set and implemented. The achievements reflected the needed to further strengthening the leadership and management capacity in Q3 as there was none indicator achieved as targeted such (1) documented for human resource plan to support the management and implementation of FMIS at all phase which linked to short-medium-long term capacity building plan, (2) documented the current business process for 5 LMs, (3) documented the current business process for 5 provincial departments of economy and finance, (4) selected supplier for software and hardware for FMIS phase 2 in stage 1, and (5) documented and revised the needed of budget execution report for LMs and Sub-national.

To conclude, despite some indicators achieved as targeted but FMWG with relevant GDs should continue to fasten and strengthen the dissemination on FMIS Phase 2 and current/future business process.

3.3.3 Objective 23: Strengthen implementation of new accounting, recording and reporting, and transparency systems

This objective achieved 61.12% which have an indicator, new accounting, recording reporting, and transparency systems are implemented effectively and efficiently, and it supported by 4 activities such as 23.1. Develop Public Accounting standard (IPSAS) and evaluate on realism and appropriateness of the sequencing in introducing this accounting standard by linking to the expansion of FMIS application; and develop options to move step by step toward Accrual accounting achieved 60%, 23.2. Improve the reporting format of budget execution to be submitted to the Council of Ministers and legislative bodies achieved 83.75%, 23.3. Improve the reporting format and exchange of information with the public achieved 100%, and 23.4. Implement the mechanism to complete the inventory listing of state property and update it regularly achieved 25.71%.

GDs of MEF to prepare and set out to support this objective:

Part 2	Q1	Q2	Q3
Objective 23	76 %	76 %	66.46 %
Main Activity 23.1.	90 %	68 %	60 %
Main Activity 23.2.	60%	84 %	83.75 %
Main Activity 23.3.	75%	96 %	100 %
Main Activity 23.4.	78 %	55 %	25.71 %

Activity 23.1. Develop Public Accounting standard (IPSAS) and evaluate on realism and appropriateness of the sequencing in introducing this accounting standard by linking to the expansion of FMIS application; and develop options to move step by step toward Accrual accounting. This activity was prepared and implemented by GDNT. The indicator in this activities: (1) New accounting, recording reporting, and transparency systems are implemented effectively and efficiently, (2) Accounting standard is in place, (3) Accounting Closure is streamlined to 3-4 months in 2016, (4) Cash- based Financial Report in compliance with partial IPSAS is developed in 2016. Noticeably, according to Law on Corporate Accounting and Audit approved on January 14, 2016 in article 2 stated that National Accounting Council prepared regulation framework for implement to standard of accounting, standard of auditing, and ethnic of accountant and auditor which all principle in lined with international standard and reflect the Cambodia needed... Therefore, National Accounting Council (NAC) must prepare Public Accounting Standard in lined with IPSAS and GDNT will collaborate in preparation process. That is why GDNT has sent the letter No. 4276 G.NT dated July 19, 2016 to request deletion indicator 5, 6 and 7 of activity 23.1.1 but it is not achieved and consequently, this main activity achieved 35%, only.

Even if this main activity is weak under 80%, General Department has achieved such as (1) internal meeting of GDNT to revise template and produce data for financial report in lined with IPSAS Cash Basis, (2) meeting to IT department of General Secretariat of MEF under lead by advisor of GDNT to revise template and produce data for prepare in FMIS, (3) attended a team meeting amendments and modify legal regulations for public enterprises and State Own enterprises to continue discussions on the draft of Prokas on the procedure of petty cash of those, and (4) participated in the meeting of legal document review for state own enterprise and public administration institution management led and produced the final draft of procured of cash advance-based expenditure of public administration institution, prakas of the implementation of guideline of general accounting record, cash advance record and cash revenue account record of public administration institution, and have jointed review discussion of draft prakas of cash revenue of public administration institution.

Therefore, GDNT should be strengthen activity 23.1.1. which cooperate with NAC to prepare Standard of Public Accounting IPSAS and Strengthening and oriented accounting of public enterprises and State Own enterprises.

Activity 23.2. Improve the reporting format of budget execution to be submitted to the Council of Ministers and legislative bodies. This was prepared and implemented by GDNT and GDB. The indicator in this activities: Budget Execution Report Format (performance and finance) is improved. In this quarter, GDNT has consolidated comment from Management and relevant General Departments for the draft of Settlement Law 2015 in MEF's Management Meeting to review and approve before submitted to Council of Ministry. The GDB has revised on table of revenue and expense in 9 months in lined with regional and International standards for depth analysis and better. Therefore, this main activities was only 83.75%.

Activity 23.3. Improve the reporting format and exchange of information with the public. This was prepared and implemented by GDEPSP, GDNT, GDSPNTR, GDSNAF and GDB. The indicator in this activities: (1) the reporting format and exchange of information with the public are improved, (2) Budget in Brief Booklet is developed after the Annual Budget Law is adopted and made available for Legislative bodies and the public, (3) TOFE and Statistics Bulletin is monthly developed and posted on website within 3 months after such report fully is done, (4) Mid-Year Budget Execution Report is developed and posed on Website within 3 months after such report is fully done (Start from 2017) and (5) Annual budget Execution Report is developed and posted on website within 12 months after the end of the fiscal year. Actually, GDEPSP has prepared Monthly Sensitive Economic Trend (SET) has already at 4th week of following month with an executive summary of the report in two languages Khmer - English (June, July and August 2016) and the Bulletin of Statistics Economy and Finance (BEF) in Quarter is already prepared with an executive summary of the newsletter in two languages (Khmer - English) and the launch of an internal General Department and relevant General Department (4th quarter 2015, 1st and 2nd quarter, 2016); therefore, this main activities has achieved 100%.

Even if this main activities is good (over 90%), GDB should be reported the activities in lined with each indicator in quarter. For example, General Department has prepared and updated website of GDB; however, GDB reported that monitored and clean Virus in Website which this is not the mainly activity for this report.

Therefore, relevant General Departments must improve the reporting format and exchange of information with the public through website and others in efficient ways.

Activity 23.4. Implement the mechanism to complete the inventory listing of state property and update it regularly. This was prepared and implemented by GSMEF, GDNT, GDSPNTR, and FMWG. The indicator in this activities: Mechanism and procedure for inventory listing are implemented and updated regularly. In this Q3, it has not any indicators achieved. Essentially, GDSPNTR has consultation meeting with lined-ministries and sub-national administration and State Own on 22 June 2016 and reported to Legal Council of the MEF to review and comment based on meeting decision. In addition, the GSMEF has not trained Data Management system 15 officer (0%), testing to entry to asset list (0%), not yet prepared mechanism to Unplanned state property management and guidelines implemented (0%) state property management and guidelines implemented (0%), not provided legal advisory opinion was offered by the plan (80%), Not yet prepared a progress report on the provision of legal advisory opinions and be prepared quarterly for management (0%). While, FMWG has not yet studied and prepared implement the mechanism to complete the inventory listing of state property in FMIS phase 2 of Asset Management; therefore, this main activities has achieved 25.71%.

Even if this main activities is weak (under 80%), relevant General Departments have time constrain and willingness in public financial management reform; especially, GSMEF had not implement on GDAP3 and suggest to cancel most of activities which monitor on the working group of GSMEF's public financial management reform team to ensure on consolidated action plan of public financial management reform stage 3.

3.3.4. Objective 24: Strengthen the implementation of instruments and mechanisms to enhance responsibility and accountability (internal control system)

For this objective, the outcomes indicator is instruments and mechanisms to enhance responsibility and accountability are developed and implemented which achieved 55% and supported by 4 activities such as 24.1. Establish appropriate sanctions for wrong or inappropriate and ineffective management of public resources. This sanctions shall be stated in legal papers and circulated widely achieved 30%, 24.2. Update a list of freedoms and flexibilities to be given to those budget entities achieved 90%, 24.3. Conduct regular review of standards of resource management achieved by individual budget entities as a basis for extending those freedoms and flexibilities achieved 0%, and 24.4. Develop and Implement the quarterly, mid-year and annual progress reports (highlighting the result of budget formulation and any measures taken: from LMs to MEF and Within LMs) achieved 100%.

GDs of MEF to prepare and set out to support this objective:

Part 2	Q1	Q2	Q3
Objective 24	70 %	77 %	56 %
Main activities 24.1.	100 %	40 %	30 %
Main activities 24.2.	0 %	100 %	90 %
Main activities 24.3.	0%	0 %	0 %
Main activities 24.4.	100 %	76 %	100 %

Activities 24.1. Establish appropriate sanctions for wrong or inappropriate and ineffective management of public resources. This sanctions shall be stated in legal papers and circulated widely. This was prepared and implemented by GDNT, GSMEF and GI. The indicator in this activity: Appropriate Administrative Sanctions is defined in legal papers. Obviously, there had not been achieved in any activities since GDNT yet fully prepared implementation guidelines concerning officer's absence management in GDNT achieved 90%. GSMEF had not been drafted the regulation regarding unified measure of Administrative Sanctions in Public Financial Management for Management team (0%) and GI had not studied notification of administrative sanctions and disciplinary of public resources (0%). Therefore, this main activities has achieved only 30%. Even if this main activities is weak (under 80%), GSMEF should be prioritized on reform activities. In case, there are not implemented, GSMEF reviews on the reform team to adjust on compensation and strengthen those pending activities in the rest quarter.

Activities 24.2. Update a list of freedoms and flexibilities to be given to those budget entities. This was prepared and implemented by GDB. The indicator in this activity: Principles on authorities and responsibilities of

budget entities are strengthened and improved. In that, GDB had achieved to review, requested to establish Budget Entities implemented in 2016 for line-ministries. Also, GDB had revised further Budget Entities implemented in 2016 for line-ministries, established more Budget Entities to implemented program budgeting for General Administrative Sector and Economic Sector in 2017. However, GDB had not been achieved the draft of authorities, responsibilities and procedure of program budgeting implementation for Budget Entities for internal discussion of GDB and finalized draft for MEF's management approval (80%). this main activities has only achieved 90%.

Activities 24.3. Conduct regular review of standards of resource management achieved by individual budget entities as a basis for extending those freedoms and flexibilities. This was prepared and implemented by GI. The indicator in this activity: report and recommendation is developed and followed. GI had not be studies on working process of implementation based on BSP and Program Budgeting (PB) (0%); while, this main activity achieved only 0%. Even if this main activities is weak (under 80%), it show main challenge that GI did not implement activities.

Activities 24.4. Develop and Implement the quarterly, mid-year and annual progress reports (highlighting the result of budget formulation and any measures taken: from LMs to MEF and Within LMs). This was prepared and implemented by GDB. The indicator in this activity: quarterly, mid-year and annual budget progress report format are developed and implemented. GDB had revised and implemented executive budget progress reports form (Financial Report) in quarter, quarterly program budget request form, transfer form, and quarterly, mid-year and annual progress reports for national administration; therefore, this main activity achieved 100%.

Summary: 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.

Part 3: Budget-Policy Linkage (87.5%)

Budget-policy linkages plays an importance role in the stage 3 of Public Financial Management Reform Program. Program budget implementation with efficiency and effectiveness 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 Economy and Finance has developed medium-term budget framework for setting budget ceiling on sectors and on each line ministry in the near future.

This part has 6 objectives namely (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.

According to the achievements, General Secretariat of PFM Steering Committee has set out key indicators and in-year indicators at objective and main activity level which supported by relevant GDs of MEF which prepared and set out their GDAP3 (refers to the below table):

Table1: Summary of Objective of Part 3

Part 3	Amount
Objective	6
Main activity	23
GDs under MEF	GDB, GDEPFP, GDSNAF, GDNT, GSMEF, GDIA, GI, FMWG

Objective 31: Strengthening and Expanding Program Budgeting Implementation (97%)

Program budget implementation is a tool used to link the budget with policy of government rectangular strategy and national strategic development plan. Strengthening and expanding program budgeting implementation must give high priority and must have clear action plan to ensure that implementation of program budget can fully achieve.

The table below shows the summary of the achievement of quarter 3 for the objective 31:

Part3	Q1	Q2	Q3
Objective 31	93%	100%	97%
Main Activity 31.1	83%	100%	93%
Main Activity 31.2	100%	100%	100%
Main Activity 31.3	100%	100%	100%

Activity 31.1 Reviewing and Improving the Implementation of Program Budgeting was implemented by General Department of Budget (GDB) and General Department of National Treasury (GDNT) and General Inspectorate Department (GI). As a result, the activity got a score of 93% because of some fully accomplished indicators: (1) trouble shooting working group of GDB has reviewed and solved problem of program budget implementation from line ministries, (2) legal documents related program budget implementation (draft Prakas on rights, responsibility and procedure of budget implementation and draft Prakas on petty cash advance) have been revised and (3) GI has reviewed implementation of improvement actions for 51 budget entities at provincial departments. However, unaccomplished indicator is that revaluation documents about program budget implementation of program budgeting ministries have not finalized yet. The activity is at satisfied score (93%) for the third semester, but relevant general departments should pay more attention on actions mainly contributing to achieve activity indicator (revaluation of program budget preparation and implementation) rather focusing on less relevant actions.

Activity 31.2 Developing Strategies to Expand Program Budgeting was implemented by General Department of Budget (GDB). As a result, the activity got 100% because of preparation and implementation of program budget in which 11 more line ministries must implement program budget in 2017. Totally, the activity got a good score (100%), but there is still challenge which is the 3 setting indicators in third semester: (1) program budget expanding strategy is prepared and implemented, (2) Line ministries are introduced to implement program

budgeting and (3) line ministries are prepared to pilot full program budget implementation for 2016-2018 (2016=15, 2017=11 and 2018=3) have only one progress which is GDB has finished Prakas on program budget implementation for 11 more line ministries.

Activity 31.3 Implementing the Training and Capacity Development Plan for the Program Budgeting was implemented by General Department of Budget (GDB). As a result, the activity achieved 100% because there is only one indicator in third semester and accomplished as plan. Training and workshops of departments under GDB have been smoothly coordinated. In short, the activity got good score (100%), but the indicator of action in third quarter was likely less contributing to the activity indicator and relevant responsible entity did not prepare systematic capacity building plan. However, in third semester GDB was still busy with annual budget for all line ministries, so that there was no training activity for this quarter.

Thus, concerned entities should review action plan especially indicators in each actions. Key indicators of actions in GDAP 3 seem no reflection to activity indicators which require entities to focus more on setting indicators for 2017.

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. Annual budget law preparation should include all expense and revenue transactions and integration of capital and current budget should be done.

The table below shows the summary of the achievement of quarter 3 for the objective 32:

Part2	Q2	Q2	Q3
Objective 32	100%	100%	100%
Main Activity 32.1	100%	100%	100%
Main Activity 32.2	No Action	100%	100%

Activity 32.1 Developing Policy on the Current and Capital Budget Integration through MTEF, BSP and PB was prepared and implemented General Department of Budget (GDB) and General Department of National Treasury (GDNT) and General Inspectorate Department (GI). In results, the activity got 100% because GDB has prepared investment expenditure (Chapter 21) and repair and maintenance expenditure (Chapter 61) to integrate in Medium-term Expenditure Framework and annual budget. Actually, the activity achieved good score (100%) but the action was finished since first quarter and the indicator that indicates poverty reduction and gender in guideline of PB and BSP which is no activity to support.

Activity 32.2 Incorporating Off-budget Expenditure and Revenue into the Annual Budget including Development Partner's Budget was prepared and implemented General Department of Budget (GDB). This activity got 100% because there was no activity to support in the third quarter. In the whole GDAP 3 there is only one action to support this activity and the action seems not fully to reflect to the activity indicator. Therefore, the activity indicator may be not fully achieved.

To conclude, concerned entities should review action plan especially indicators in each actions. The objective requires relevant entities to focus more on action plan preparation to be implemented in the following year to be ensure that there is consistency with activity indicators.

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

When program budgeting widely implemented and budget entities have been decentralized power and responsibility; 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 implementing program budgeting have to clearly identify responsibility for budget entities in accordance with principles of program budgeting preparation and execution.

Entity under Ministry of Economy and Finance has prepared and implemented to support this objective:

Part 3	Q1	Q2	Q3
Objective 33	100%	100%	100%
Activity 33.1	100%	100%	No action
Activity 33.2	No action	No action	No action
Activity 33.3	No action	No action	No action
Activity 33.4	100%	100%	No action

Activity 33.1, 33.2, 33.3 and 33.4 haven't had action to be implemented by general departments in the 3rd quarter. No actions and indicators have been planned to be implemented by related general departments. Thus, related general departments in this objective have seemed to have no adequate ownership for their actions and indicators preparation because of the weak points of their planned actions by adopted general departments.

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

Policy development and public financial plans has required capability to analyze macroeconomic framework and capability to develop medium-term budget framework for the basis of medium-term revenue and expenditure framework and ceiling for sector or line-ministry.

Entity under Ministry of Economy and Finance has prepared and implemented to support this objective:

Part 3	Q1	Q2	Q3
Objective 34	58%	59%	85%
Activity 34.1	100%	No action	70%
Activity 34.2	0%	25%	No action

Activity 34.3	94%	63%	80%
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Actually, this objective has achieved 85% of the target and 3 activities have been practiced by General Department of Economic Policy and Public Finance including activity 34.1. Strengthening capacity to develop and increase effectiveness and efficiency of macro-economic policy framework has been achieved 70% of the target, Activity 34.2: Strengthening capacity to develop and increase effectiveness and efficiency of medium term revenue and expenditure framework has no actions implemented and Activity 34.3: Strengthening capacity to analyze and forecast economic and financial conditions has been achieved 80% of the target. Activity 34.1 and 34.3 have been participated preparation to support action by General Department of Economic Policy and Public Finance; hence, activity 34.2 has no actions and target indicators to be supported and implemented by related general department in the 3rd quarter. Through result above it reflects that capacity to prepare, analyse and forecast economic and financial status has been maximized in the 3rd quarter. Achieved outcome has been participated in significant indicators such as: Monthly/ yearly external indicators Data-BoP, Trade, Debt-NBC/MEF has been put into MEF Database, report on potential impacts (both negative and positive) on on-going negotiating free trade agreement such as Regional Comprehensive Economic Partnership (RCEP) and practice rule of origin, report on information technology infrastructure and official appointing to check and endorse national trade of repository (NTR). However, some significant indicators have negatively affected to above outcome and some activities haven't been achieved of the target including: non tax measure has been disseminated and consulted to stakeholders, report on study, determination and recommendation to relevant measure of stricken trade (2 cases), progress report on result of piloting financial programming and policies format has been prepared, internal training course on analysis and forecasting provincial economy has been postponed going to prepare in Phnom Penh capital city. Based on actual outcome of GDEFPF efforts in order to support strengthening capacity of preparing, analyzing and forecasting economic and financial status it proves that significant progress is remarkable. However, this objective is in moderate level (above 80%) but it's reflected some challenges including: through FPP data format it can only analyze economy effects on 3 significant sectors. Expenditure side data is still in level (A1) that doesn't allow us analyze adequately comparable to international standard, time constraint and human resource shortage in doing this task because of priority task from top management, non-tax measure in national trade of repository (NTR) which has load of works and needs to collect information and additional related data in order to analyze and evaluate more accurately.

Even significant action has been also achieved of the target as well as existing actions and indicators have continued to be implemented and edited as new actions and indicators which haven't had in existing action plan. Therefore, some actions and indicators haven't been given ownership to general departments and needed specialized consultant to check editing format and determine data category for analysis. Those actions including editing Financial Programming and Policies format, preparing and editing macroeconomic policy framework (have 2 indicators), report on non-tax measure of classified collection and reviewing (05 law). Thus, related general departments have to check some left actions and prioritize on priority actions with regard to reach to full achievement of their annual indicators.

OBJECTIVE 35: Developing Control System

In Program Budgeting system, monitoring and evaluation system is critical and it demands a comprehensive legal framework to support the implementation of full program budgeting in all line ministries and agencies targeted by 2018. In this regard, Internal Audit has been created in all line ministries for supporting and improving institutional organization and functioning. Internal audit helps institutional agency to achieve their objectives by making better managerial efficiency, control system and good governance.

Results of each Activity of this Objective are described in detailed percentage as following:

Part 3	Q1	Q2	Q3
Objective 35	87 %	82 %	80 %
Activity 35.1	100 %	57 %	80 %
Activity 35.2	82 %	100 %	75 %
Activity 35.3	60 %	76 %	62,5 %
Activity 35.4	90 %	100 %	83 %
Activity 35.5	NAA	NAA	NAA

Activity 35.1. Review current internal control, inspection, audit and internal audit systems at all ministries and institution: This activity has 5 sub-activities implemented by General Department of Internal Audit and General Inspectorate of the MEF. This activity has been achieved 80% in which achieved indicators are known as follows:

1. Survey and preliminary data collecting procedure for revising audit action plan has been established.
2. Recording the audit work and internal assignment quality review has been elaborated and review for improving audit field work.
3. Check list form for improving audit report quality has been reviewed in order to improve procedure of communicating results.
4. Table of the Annex 1 (follow up of the implementation of pre-audit recommendations) and table of the annex 2 (Revising actual audit recommendations action plan) has been reviewed and improved accordingly for revising procedure of audit follow up).

In particular, there is one unachieved indicator: Control system research task force has been created for proposing a consistent financial control system. (0%)

Activity 35.2. Develop a new effective and efficient control system which is complementary and in line with the new context of management in LMs: This activity is divided by eight sub activities in charge by Secretariat General of the MEF, General Department of Internal Audit and General Inspectorate. This activity has been achieved 75% in which achieved indicators are as follows:

1. Legal advice relating to developing a new effective and efficient control system which is complementary and in line with the new context of management in LMs, has been given according to the plan.

2. Draft Table of the annex supporting audit work at the General Department of National Treasury and Provincial Department of MEF has been prepared as planned.
3. ICQ for clearance of salary and petty cash expenditure has been prepared.
4. At least 20 important regulations and statistics have been collected and added in the box cloud of the database in order to improve regulations statistics and documents management of the internal audit.

On the other hand, some indicators are not achieved:

1. Yearly and quarterly progress report of the legal advice has been prepared and submitted to the top management of the ministry (0%).
2. TOR of local and international consultants for creating a financial inspection standard has been prepared (0%).

Activity 35.3. Improve control mechanism to ensure effective response to the result of the audit and inspection: This activity has seven supporting sub activities in charge by Secretariat General of the MEF, General Department of Internal Audit and General Inspectorate, in which six have been planned in third quarter and one another sub activity is to be implemented in next quarters. Scored 62.5%, this activity has three achieved indicators as following:

1. 11 auditees have been followed up for improving their activities based on auditor's recommendations.
2. At least 2 targets of the audit recommendations have been followed up.
3. Financial inspection mechanism on public establishment, company and private establishment.

Particularly, there are 3 unachieved indicators which are as following:

1. Yearly and quarterly report of the legal advice related to improve control mechanism to ensure effective response to the result of the audit and inspection, have been prepared and submitted to the top management of the MEF. (0%)
2. Draft mechanism of the financial inspection at the central level has been submitted and discussed internally in the General Inspectorate. (Achieved 75% since it's been submitted and discussed only in the related department).
3. Draft mechanism of the financial inspection at the sub national level has been submitted and discussed internally in the General Inspectorate. (0%)

Activity 35.4. Develop and improve annual audit/inspection plan of LMs based on the criteria of risk assessment recommended by MEF: This activity has been supported by four sub activities in charge by General Department of Internal Audit and General Inspectorate, in which one indicator has not been put in third quarter for implementation.

In overall, this activity has been achieved 83% and there are two achieved indicators as following:

1. Five audit aid tool templates have been prepared and improved
2. Action plan and audit report of seven line ministries/agencies have been reviewed and advised for improvement

Therefore, the only one unachieved indicator is: At least four line ministries/agencies have been audited on their action plan and audit report.

In conclusion, none of the activities of this Objective 35 has achieved the targeted indicator in their GDAP 3. However, those unachieved activities does not give big impact to the global efficiency and effectiveness of the internal control mechanism and system in line ministries/agencies since they could be postponed and finished in the next quarter, by taking an example financial inspection mechanism,. Moreover, the GSC and LCS (Legal Counsel Secretariat of the MEF), are preparing a draft RGC Circular on Harmonization of Internal Audit and Inspection functions in all line ministries/agencies. This Circular is expected to help harmonizing a consistent control system which is the final objective of this digit. Finally, General Inspectorate of the MEF whose most of the indicators failed must improve the internal mechanism to strengthen reforms.

Objective 36: Strengthening implementation of fiscal decentralization policy

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

Result of this objective is described in detailed percentage as follows:

Part 3	Q1	Q2	Q3
Objective 36	80 %	82 %	60 %
Activities 36.1.	65 %	57 %	50 %
Activities 36.2.	100 %	100 %	60 %
Activities 36.3.	50 %	76 %	66 %
Activities 36.4.	100 %	100 %	No Action
Activities 36.5.	80 %	80 %	65 %
Activities 36.6.	80 %	83 %	25 %

This objective has achieved 60% supported by six activities all in charge by the General Department of Sub National Administration Finance (GDSNAF) and LCS.

Activity 36.1. Reviewing and implementing medium and long term fiscal decentralization policy: This activity is in GDSNAF's responsibility and it has planned eight actions in which three to be implemented in third quarter. 50% of this activity has been achieved and there is no any achieved indicator:

1. Policy paper on the medium and long term fiscal decentralization has been translated and published: achieved only 50% because this document is still a draft.
2. Guideline on the budget formulation and execution of the sub national administration has been disseminated efficiently: achieved 50% since the general department has only a draft guideline.
3. Draft regulations related khum-sangkat financial management system have been discussed between MEF, NCDD and Ministry of Interior: achieved only 50% since the draft of the Sub Decree on Khum-Sangkat Financial System Management has been discussed only internally in the MEF.

Activity 36.2. Implementing own source revenue collection of sub-national administration: This activity implemented by two sub activities has achieved 60%. There is only one action in this third quarter which is sub-decrees related to sub national administration's own sources revenue collection have been prepared and approved for implementation. This action has achieved only 60% because those related regulations are still being discussed, thought they will be all finished in the upcoming quarter.

Activity 36.3. Piloting and expanding the Sub-National Investment Facility (SNIF): The General Department of Sub National Administration Finance has planned six sub actions to support this activity relating to piloting and expanding the sub national investment facility. In this quarter, there are only four actions to be reported in which no indicators has been achieved and they are:

1. Organizational structure of the SNIF Council's secretariat has been prepared: achieved 90% because the draft decision on the creation and composition of the secretariat has not been signed and approved yet.
2. Study report and criteria for evaluating SNIF have been discussed with all stakeholders and approved for implementation : achieved only 50% because even if actually those criteria have been defined, but the Study report and criteria for evaluating SNIF have not been approved and implemented yet.
3. Draft administrative formalities and procedures for requesting a SNIF fund have been discussed with stakeholders: achieved 75%.
4. Draft guideline on SNIF operation has been approved for implementation: achieved 50% since this draft has not been approved yet.

Activity 36.4. Reviewing and implementing guidelines on budget strategic plan for sub-national administrations: GDSNAF has prepared seven actions which are all to be implemented in upcoming quarters. That means there is no action planned in this third quarter.

Activity 36.5. Developing and implementing Conditional Grant: This activity has been achieved 65% which is resulted from progress of two actions. In this third quarter, there is no any achieved indicator and they are:

1. Regulations stipulating conditional grant transfer have been submitted for discussion and decision from the top management of MEF and NCDD: achieved 80% since draft regulation has been discussed with only some stakeholders.
2. Criteria for Selecting sub national administration to pilot conditional grant transfer has been prepared: achieved 50 %.

Activity 36.6. Developing procedures and principles to implement full program budgeting and budget entities for sub-national administrations: This activity has been achieved only 25%. Two units have planned supporting actions which are GDSNAF (six actions) and LCS (one action).

There is one achieved indicator which is: dissemination of the principle and procedure of formulation and execution of program budgeting and budget entity for sub national administration have been prepared.

Also, there are 3 others indicators that have not been achieved as follows:

1. Training course, procedure and principles in executing program budgeting and budget entity for sub national administration have been prepared.
2. Legal advice on related regulations has been provided as requested: no progress since there is no request from related general department.
3. Quarterly Progress report of legal advice: not been prepared since there is no legal advice has been provided.

In conclusion, there is only one indicator has been achieved as targeted in this third quarter. This result proves the belated implementation of the reform activities by the related general department, which is critical to the fiscal decentralization such as preparing policy framework, law and regulations and others guidelines/principles for transferring financial resources to the sub national administration.

After all, the GDSNAF must strengthen and speed up activities planned in the GDAP 3 and also the concerned general department should revise reform's actions plan for next year's implementation by prioritizing activities accordingly with the budget reform strategy and D&D reform direction and strategy.

Part 4: Readiness for Next Stage (65%)

Part 4 is to establish readiness for next step which we need the budget framework, accountability framework and audit framework based on performance link. The readiness for next step 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) and (4) objectives exist in part 4 of consolidated action plan which are being supported by 9 activities and implemented by GD of Budget, General Secretariat of MEF and Economics and Finance Institute.

Part 4	Number
Objective	2
Activity	2
Entity under MEF	GD of Budget, General Secretariat of MEF and Economics and Finance Institute

Through this evaluation on 3rd quarterly progress report in part 4 has achieved 65% of the target and the conclusion result as below:

Objective 41: Continuing strengthening revenue management and implementation of revenue collection plan
In order to strengthen efficiency of revenue collection (fiscal and non fiscal revenue) revenue policy preparation and medium term revenue mobilization strategy which are significant factor in order to ensure eliminating cash deficit, proper and approximate revenue flow.

This objective consists 1 activity which has been implemented by GD of Budget. Obviously, this objective has achieved 100%. Activity 41.1 Studying and preparing core framework of performance based budgeting (PBB) reached 100% and 41.2 Consulting on performance based budgeting guidelines (No action in the 3rd Quarter).

Entity under Ministry of Economy and Finance has prepared and implemented to support this objective:

Part 4	Achieved of 1 st quarter	Achieved of 2 nd quarter	Achieved of 3 rd quarter
Objective 41	60%	60%	100%
Activity 41.1	60%	60%	100%
Activity 41.2	Not yet time to implement	Not yet time to implement	Not yet time to implement

Obviously, related legal framework for basic of program budgeting approval and performance based budget which have been studied and compiled and indicated to maximize capacity of piloting performance of control mechanism implementation for result based program budgeting. Through this result reflects that performance based budget principle consulted with line ministries and related entities have maximized in the 3rd quarter.

Activity 41.1. “Studying and preparing core framework of performance based budget principle” has been prepared supporting action by GD of Budget. Quarterly progress, this activity has fully been achieved of the target and had significant indicator such as legal framework for basic of program budgeting approval and performance based budget has been studied and compiled by budget formulation department working group and technical consultant. In conclusion, in the 3rd quarter this objective has fully been achieved of the target in which considered good level and remarked as reflection of GD of Budget efforts with regard to progress monitoring of existing indicator especially indicators support activity 41.1. However, GD of Budget has also continued to strengthening and monitoring on actions and indicators which adopted in action plan and ensure that yearly goal has achieved. Moreover, relevant GD, which force activity 41.1 piloting performance control mechanism for result based program budgeting and core framework of performance based budget principle more effectiveness, has been implementing this objective.

Objective 42. Creating Performance based Accountability Framework

This objective has been supported by 2 activities including activity 42.1. studying and preparing core framework of performance based management- PBM and activity 42.2. consulting on performance based management principle. This objective hasn't measured yet due to there had no related general departments prepared their supporting actions.

Thus, we assume that objective 42 hasn't fully responded to existing direction yet and demanded general departments especially GD of MEF must prepare its action to supporting all activities.

Objective 43. Creating Performance Based Auditing Framework

This objective has been supported by 2 activities including 43.1. studying and preparing core framework of performance based auditing- PBA and 43.2. consulting on principle of performance based auditing framework.

If we look at the achieved result, this objective hasn't measured yet including activity 43.1. Not yet time to implement and 43.2. had no general departments prepared their actions to supporting activity.

Thus, we assume that objective 43 hasn't fully responded to existing direction yet and demanded general department especially GD of MEF and GD of Internal Control prepared their actions to supporting all activities. Objective 44: Preparing Capacity Building Plan (including legislative bodies and the National Audit Authority) This objective has 01 activity which has been implemented by GD of MEF and EFI. Obviously, in the 3rd quarter this objective has achieved 51% of the target including activity 44.2. consulting and approving capacity development plan has achieved 51% of the target.

Entity under MEF has prepared and existed action for supporting objective:

Part 4	Achieved of 1 st quarter	Achieved of 2 nd quarter	Achieved of 3 rd quarter
Objective 44	18%	No action to implement	51%
Activity 44.1	55%	No action to implement	No action to implement
Activity 44.2	No action to implement	No action to implement	51%
Activity 44.3	No action to implement	No action to implement	No action to implement

In progress, draft a training plan has been approved by top management and given to Economics and Finance Institute hasn't fully implemented in this quarter. Based on actual performance of GSMEF and EFI efforts in order to support updating human resource development strategy plan of LMs on Economy Management and Public Finance 03 years (2016-2018) which is still not responded to adopted direction.

Activity 44.2. "Consulting and Approving Capacity Building Plan" has participated in Economics and Finance Institute and GSMEF. In progress, this activity has been achieved 51% of the target which is still in low level, however, based on actual performance indicates that it has remarkable progress.

Obviously, draft a training plan indicates milestone challenges including: Training Plan Preparation for MEF (2017-2019) will request to have meeting between General Secretariat of Public Financial Management Reform and Economics and Finance Institute.

Even if significant actions have been achieved of the target, progress of this activity has been achieved 51% of the target which is yet in low level. This cause of action and some existing indicators haven't been implemented and requested to monitor and approve from top management and additional time-frame. Those action including: consultation working group on preparation of updated human resource development strategy plan of LMs has been established and human resource development strategy plan has been consulted and prepared Prakas on Rules and Procedures of preparation, implementation, monitoring and evaluation of MEF civil servant capacity development of EFI and GSMEF. In this circumstances, there aren't any indicators have been achieved of the target. However, actual performance of general departments observes that capacity development plan has been prepared by economics and finance institute which has progressed.

Even if progress of this activity is yet in low level, some significant indicators haven't been achieved of the target. In contrast, specialized general departments have been continued to achieve some left action before 4th quarter in order to achieve yearly goal setting.

In conclusion, even if significant action has been achieved of the target per quarter, progress of this objective has achieved 51% of the target and is still in low level to which required additional attention. Thus, actual performance of general departments assumes that objective 44 in part 4 hasn't had properly and some activities hasn't been achieved of the target. This result reflects that necessary efforts is to finish actions in those activities which hasn't achieved of the target.

Part 5: Support for Successful and Sustainable PFM (63%)

All General Departments (GDs) of Ministry of Economy and Finance are to set the indicators of the activities supporting the Part5 of this PFM stage 3.

There are 3 main objectives of the part 5 - (1) Increasing leadership, management skill, commitment as well as empowering ownership and accountability, (2) Improving the capacity development and incentive mechanism, and (3) Strengthen the capacity building for the implementation of PFM-Stage3.

In order to achieve the above objectives, the steering committee of public financial management reform has set the key indicators as well as the annual indicators for the level of CAP3 objectives, group of activity that guides the implementing agencies in preparing and set their activities and indicators of their own entity.

Part 5	Number
Objectives	3
Group of activity	8
Entities	All

Objective #51: Increasing leadership and management capacity, promoting reform commitment, and empowering ownership and accountability.

The increasing of leadership and management capacity, and the promoting of reform commitment, the empowering of ownership and accountability are differently set into two groups of activities. In one hand, the increasing of leadership and management capacity is here referring to the ability of preparing, managing, leading, monitoring and evaluating and so on. In another hand, the empowering of ownership and accountability reflects the passion of the implemetors to improve the system of organization as well as promoting all level staff in strongly participating the reform program with effective incentive mechanism.

As the result of the implementation are briefly indicated as following:

Part 5	Achieved in Q1	Achieved in Q2	Achieved in Q3
Objective 51	56%	70%	57%
G. Activity 51.1	61%	78%	70%
G. Activity 51.2	53%	62%	48%

Activity 51.1: “Enhance leadership and management capacity”, the MEF GDs that have planned some activities to support this section are GSMEF, GDSNAF, GDNT, and EFI. As the result, this section is achieved for 70% in 3rd quarter which is contributed by the progress achievement of key indicators such as 30 leadership team of all line ministries were selected to join the international exchange program in 3rd session, the leadership team and chief of treasury both city and provincial have joined the study tour of FMIS in Jakarta, Indonesia. However, some other key indicators of this group of activity which are not achieved, producing the negative impact of the above result, are strategic plan of human resource management of Ministry of Economy and Finance for 3 year (2017-2019) are not completely accomplished in this quarter. Therefore, this group of activity is graded under satisfactory level (below 80%) and also indicates the key challenges of inconsistency of the set indicators against its timeframe and budget that requires the attention of the implementor in enhancing the monitoring and evaluation mechanism to ensure the set indicators are overallly achieved.

Activity 51.2 “Promoting reform commitment, empowering ownership and accountability” are supported by GSMEF, GDSNAF, and EFI in set the activities in their plan. As the result, it is achieved 48% which is contributing from the accomplishment of an indicator of raising awareness of legal, economics and finance among the government officials at province as well as the monthly meeting of the implementation of GDAP3 of GDSNAF. However, the indicators related to the consolidating of all legal documents in different areas such as custom and exise, human resource management, institutional process, public procurement, and public accounting are not achieved as set plan and requested to postpone because of the time consuming. In addition, the draft circular of promoting the reform commitment, ownership and accountability of MEF is approved to delay the preparation. Therefore, this group of activity is still graded as weak (below 80%) that all relevant GDs are strongly required to review their set indicators in appropriate to the time management and budget.

In brief, for the 3rd Quarter, this objective is overallly achieved 57% of which the performance is weaker than the performance of 2nd quarter. It shows the participation in increasing the leadership, management capacity as well as promoting the reform passion is still limited that are strongly required the high attention of all relevant GDs to improve their M&E mechanism to ensure the annual set indicators.

Objective 52: “Increase effectiveness of capacity development and develop incentive mechanism”

This objective aims to achieve two main group activities which are related to the review of the effectiveness and efficiency of the training, capacity plan development, the current incentive mechanism, and the development of new incentive mechanism with fairly partition approach.

Part 5	Achieved in Q1	Achieved in Q2	Achieved in Q3
Objective 52	79%	80%	62%
Group of Activity 52.1	58%	70%	25%
Group of Activity 52.2	100%	90%	100%

Activity 52.1 “the review of the effectiveness and efficiency of the training, capacity plan development, the current incentive mechanism” is supported by EFI in planning the activities in this quarter. As the result, the section achieve 25% which is lower than previous quarter. It is remarkably noticed that none of the set indicators is fully achieved against its target such as the indicator of the data and information to be developed as the report of an assessment of LMs & Municipalities” skill regarding economic and financial skill, and the indicator of annual training of 30 trainers. Therefore, this group of activity is graded in weak level (below 80%) while the lack of time is still an issue raising by the impementors.

Activity 52.2 “Review the current incentive mechanism, and the development of new incentive mechanism with fairly partition approach” are planned some activities to support this section by GSMEF and EFI. In this quarter, it is achieved 100% which is better than previous quarter. This achievement is resulted from the achieved indicators of performance review plan and staff working status for national and municipal level of GSMEF, and the updating of incentive mechanism of EFI. In brief, this group of activity is graded in good level (100%) and no key challenges are specifically noticed. In conclusion, the Q3 progress report shows that this objective is overallly achieved 62.5% which is weaker than previous quarter. This result explains that the review of the effectiveness and efficiency of training, capacity building plan is still yet strong enough which needs the strong commitment of relevant entities to reinforce and closely monitor the set indicators.

Objective 53: “Enhance the capacity building for the implementation of PFM stage 3”

This objective is prepared and supported by 4 main groups of activity such as the institutional preparation towards the stage 3, i.e. (1) finalizing the job analysis at all GDs of MEF, department of finance and administration of LMs, (2) preparing and implementing the plan of new revised organizational structure of GDs and relevant departments, (3) preparing and circulating the guideline of new management system, (4) preparing the policy for strategic management of information system of MEF, (5) the effectiveness of the use of technical assistance; and (6) improving the working mechanism through the use of technology; the development of human resource for PFM stage 3 including the training within MEF and across LMs; the preparing and implementing the relationship and coordination strategy for PFM stage3; and the indification of duties and responsibilities for improving the coordination between institutions and entities.

Part 5	Achieved in Q1	Achieved in Q2	Achieved in Q3
Objective 53	75%	66%	65.48%
Group of Activity 53.1	69%	51%	52%
Group of Activity 53.2	88%	56%	69%
Group of Activity 53.3	No set indicator	No set indicator	100%
Group of Activity 53.4	50%	90%	55%

Activity 53.1 “the institutional preparation towards the stage 3, i.e. (1) finalizing the job analysis at all GDs of MEF, department of finance and administration of LMs, (2) preparing and implementing the plan of new revised organizational structure of GDs and relevant departments, (3) preparing and circulating the guideline of new management system, (4) preparing the policy for strategic management of information system of MEF, (5) the effectiveness of the use of technical assistance; and (6) improving the working mechanism through the use of technology” is planned and supported in this quarter by GSMEF, GDT, GDSPNTR, GDNT, GI, and EFI. This group of activity achieved 52% which still has no change comparing to the previous quarter. The achievement is contributed by the indicator of the pilot-testing of tax staff management system, feedback collection and issue resettlement regarding e-doc management system, the preparation of the list of state property of 12 tax provincial branches, the study on framework of general inspection function at 10 line ministries, the draft prakas of preparation and process of financial inspection working group to support related financial inspection works through technology system, and the cooperation of relevant GDs for the training of (1) procedure of the implementation of program budgeting for budget entities, (2) the dissemination meeting on legal documents for MEF staff, LMs, and Economic and Finance municipalities for total 1020 staff in 7 sessions. However, there are unachieved indicators which negatively impact the result such as the indicator of the draft policy of information technology and communication for MEF which is now being submitted for consultation with relevant GDs; the preparation of the draft long term strategic plan of information technology and communication of MEF; the preparation of manual on structure, type, code, data, document, sign up new account, and storage management; and the preparation of the common guideline on the management and use of telegram at working environment, etc. The implementors in this section reported that the lack of budget is the key challenge for achieving those indicators. Therefore, the result is graded in weak level (below 80%).

Activity 53.2. “The development of human resource for PFM stage 3 including the training within MEF and across LMs” supported in this quarter by GSMEF, GDT, GDFI, GDSNAF, GDB, GDIA, GI and EFI. As the result, it achieved 69.2% which is better than previous quarter because of some achieved indicators such as revenue forecasting officials of GDT were trained locally for 2nd time, 3 officials of GDFI participated in short training courses and workshops locally and internationally, focal points of GDB jointed the study tour in Thailand, the official at sub national level were trained about the BSP for sub national level, internal auditors of GDIA were trained about the use of basis IT, Box cloud, Network & Servers, Back up & recovery, etc.; the annual performance

review on social network, website were updated and improved; and new contract staff are recruited and trained by EFI. On the other hand, there are some unachieved indicators are showed in the report such as the preparation of application for training request towards the needs of skill development, capacity building and the release of the capacity building plan; and the preparation of training course for financial inspection skill which needs to be collaborated with EFI. Therefore, this group of activity is still in weak level (below 80%) although there is no critical challenges to be identified.

Activity 53.3. “Preparing and implementing the relationship and coordination strategy for PFM stage 3” supported in this quarter by EFI. As the result, the report shows that it is achieved 100% because there is only one set indicator in this quarter which is fully achieved is that the study tour abroad for 10 EFI officials about the understanding best practices and implementation of research work. Therefore, it is in good grade (100%). Although it is fully achieved, other GDs should also consider to prepare the activities to support this section.

Activity 53.4 “The identification of duties and responsibilities for improving the coordination between institutions and entities” supported by GSMEF and GDEFPF in this 3rd quarter. As the result, this section achieved 55% which is lower than previous quarter. It is contributed by the indicator of the revised GDAP3 of GDEFPF. However, other unachieved indicators are the consolidation of GDAP3 of MEF. Therefore, this section is graded in weak level (below 80%) and the lack of budget and time are still raised as constraints of implementors.

In conclusion, based on the 3rd quarter report, the progress of the objective 53 are totally achieved 65.88% for those above 4 groups of activity, but there is no significant change comparing to the 2nd quarter, and it is still graded in weak level. In addition, the lack of time and budget are always raised in the report of implementors which can be explained that the setting of the indicators are not well appropriate and consistent to the time and budget during the set up plan.

In the nutshell, the progress of Part 5 is overall achieved 63% in the quarter 3 which is lower than quarter 2. Based on the report, this result contributes from the achieved indicators set in different objectives such as obj. 51, 52, and 53 achieved 57%, 62.5%, 65% respectively. In addition, it can be indicated that the Support for Successful and Sustainable PFM is still limited which strongly requires the high attention of all GDs in preparing and setting the activities and indicators which are consistent to the timeframe and available budget as well as the management ability to ensure the achieve the final goal effectively and efficiency.

4. Challenges:

The implantation of the action plan and its set indicators is not smooth to reach the set target because of the following key challenges:

- The capacity of action plan development is still limited, the level of inconsistency of activities and key performance indicators, and the report system is still needed further improvement
- The limit of the effectiveness of coordination mechanism
- The weak M&E and trouble shooting mechanism of internal implementing agencies

- IPSAS: based on the law of accounting and auditing which was approved by January 14th 2016, the article #2 indicates that National Accounting Committee (NAC) leads the the prepration of standard public accounting and General Department of National Treasury (GDNT) support in preparing and implementing. This work requires experts and time.
- Hamonisation of IRRPP & SOP: the stakeholders do not have the common consensus.
- FMIS: the plan for next phase is not yet approved because of the await of MEF leadership team's direction, the uncertainty of the budget to support FMIS phase 2, and some critical issues of phase 1 are not yet completely solved.
- The indicators related to state property management such as data management, non-tax revenue, and law and regulation of state property management have been not completely finished.
- Other indictors related to budget decentralization for sub national level have been not completely finished.

5. Suggestion

Therefore, the solutions should be immediately taken action and are suggested as following:

- Need to finish the update of CAP3 and start reviewing and developing GDAP3 and MAP3
- Should strengthen the M&E mechanism by focusing on the quality of the report and the PFM task implementation.
- Should strengthen the coordination mechanism between PFM stakeholder
- Standard IPSAS: to push the successful completion of the development of standard IPSAS-based accounting, there should be creating the working group which is led by NAC and composes of all relevant stakeholders, to ensure the achievement of the set indicators of CAP3 (2017-2020) after NAC has been approved to join PFMRP by September 22nd, 2016
- Harmonization of IRRPP & SOP: (1) should create the responsible entity, (2) should develop working group led by one secretary of state and involved by GDs of MEF such as GDPP, GDCDM, GDB, GDNT, GDEFPF, GI, GDIA and other relevant stakeholders in order to develop the long term public procurement framework to be consistent with budget strategic plan 2017-2025 which is now under PFMRP framework. GSC is to monitor and evaluate its implementation.
- FMIS: should finish the remaining critical issues of phase 1 and speed up the next phase preparation nnd implementation.
- GDSPNTR should review their GDAP3 especially the indicators of related state property management, non-tax revenue, law and regulation of state property management.
- GDSNAF should review their quality of action plan to ensure the successful achievement.

6. Conclusion

Based on the above Q3 report, it indicates that the key performance indicators and activities which were set in the action plan are not well consistent with time, budget, and facilitation of cross cutting indicators. However, the progress of all 5 parts are briefly concluded:

- Further strengthen budget credibility: in this quarter, it achieved 71% of the set target (weak) but it is still maintained. The result shows that the participation and implementation of the indicators that are set to support the revenue mobilization and management, strengthening the debt management, and the review and improvement of budget implementation are on track. Interestingly, tax and non tax mobilization increases comparing the previous quarter although its implementation over 5% of the projection. Furthermore, the cash flow and account management is on going and no arrear has been found as well as the tax payment of clients through banking system is improved comparing the previous quarter.
- Further strengthen financial accountability: achieved 61% of the target (weak). It is still maintain but relevant entities need to pay higher attention to ensure its progress of the achievement especially budget implementation system and its transaction, accounting system, recording and reporting system as well as the strengthening of accountability.
- Budget Policy Linkage: Achieved 86% of the set target (weak) indicating that the connectivity of budget and policy is on track. This part is very important, so based on the progress report, it explains that GDs of MEF have remarkably achieved their set indicators although the evaluation shows the average performance because two of nine objectives is still weak.
- Readiness for Next Stage: achieved 65% (weak). Although this part is not fully implemented, it can be still explained that the some of the set indicators are achieved which indicates that this part has the progress of implementation.
- Support for Successful and Sustainable PFM: achieved 63% (weak). It requires more attention of all relevant stakeholders to review their set indicators and strengthen the M&E to ensure the annual achievement of set goal. It should also focus on the improvement of M&E, human resource and capacity building plan, and promoting PFMRP .etc. in order to be a key fundamental for leadership improvement, and increasing commitment in PFMRP.

Therefore, in order to maximize the achievement of the set indicators, all relevant entities should review, and improve the internal working mechanism.

