

**The Public Financial Management Reform Program (PFMRP)
The Public Financial Management Steering Committee**

Progress Report, 2009

**The Secretariat of the PFM Reform Steering Committee
16-17 January 2010**

The Public Financial Management Reform Program (PFMRP) is one of the priorities of “Rectangular Strategy”; it has commenced since December 2004 with its objective to transform the Public Financial Management System of the Royal Government of Cambodia towards international standards by 2015.

The PFMRP is designed as four platforms which have been implemented stage by stage to achieve objectives: (1) increasing budget credibility, (2) increasing financial accountability to enhance the internal review and accountability of budget manager, (3) increasing budget and policy linkages, and (4) increasing performance accountability of manager.

The action plans have been developed to achieve the strategic objective of each stage; relevant activities and monitoring and evaluation mechanisms based on a set of performance indicators of the Financial Accountability and Expenditure Framework have been identified.

The implementation of activities of the stage 2 identified in the Consolidated Action Plan which had been carried out by the Ministry of Economy and Finance and Line Ministries/Institutions during 2009 and challenges will be presented in this report. The progress in key indicators related to maintaining budget credibility which was the achievement of the Platform 1/Stage 1 will be also reported.

1- Progress based on indicators in key sectors of Platform 1/Stage 1

The budget credibility has been further monitored in the stage 2 through reviewing quantitative indicators of the Platform 1 which is shown as follows:

Indicators	Target	Year of 2009	Year of 2008
1. Revenue out-turn increasingly close to targeted level in approved budget	Revenue outturn within + or - 5% of forecast used for budget.	Domestic revenue: 95.1 % (temporary data)	Domestic revenue: 132.7 %
2. No accumulation of new arrears and steadily declining stock	Arrears as defined to be kept at no more than 2% of total expenditure	No arrears	No arrears

<p>3. Budget holders increasingly able to commit expenditure in line with budgets and cash flow forecasts</p>	<p>Expenditure profile not to be less than: 1st Quarter: 15% 2nd Quarter: 45% 3rd Quarter: 67% 4th Quarter: 96%</p> <p>Percentage of payments to creditors and staff made through banking system to be not less than 80% by value</p> <p>Percentage of tax revenue collected through Banks to be not less than 60% by value</p>	<p>Achieved :</p> <p>1st Quarter: 17.9% 2nd Quarter: 41.8% 3rd Quarter: 71.3% 4th Quarter: 95.9%</p> <p>- The payment through banking system: 82.14% - 26 Ministries have used banking system for salary payment</p> <p>- Customs revenue: 98.6% - Tax revenue: 90.7 %</p>	<p>Achieved:</p> <p>1st Quarter: 14.7% 2nd Quarter: 43.8% 3rd Quarter: 71.7% 4th Quarter: 107.4%</p>
<p>4. Composition of expenditure by type (staff costs, non-staff costs etc) close to approved budget.</p>	<p>Outturn compared to budget to be not less than: - Salary: 98% - Goods/Services: 95% - Capital: 85%</p>	<p>Achieved:</p> <p>- Salary: 107.8% - Goods/service: 106.7% - Capital: 93.5%</p>	<p>Achieved:</p> <p>- Salary: 115.8% - Goods/service: 124.1% - Capital: 97.9%</p>
<p>5. Better yield achieved from tax base through improved collection efficiency and planned use of non-tax sources.</p>	<p>Progressive improvement in revenue yield compared to GDP by 0.5% per annum.</p>	<p>- Tax revenue: 97.2% - Direct Tax: 99.5% - Indirect Tax: 96.7% - Non-tax revenue: 86.6%</p>	<p>- Tax revenue: 134% - Direct Tax: 134.5% - Indirect Tax: 133.9% - Non-tax revenue: 135%</p>
<p>6. All significant areas of both revenue and expenditure captured in both the budget and accounts of the government.</p>	<p>No significant areas of omission</p>	<p>- TSA and government bank accounts consolidation, new chart of account, new budget classification and budget strategic plan have been further improved to incorporate revenue and expenditure into the government accounts. Revenue and expenditure of state-owned enterprises, administrative entities and DPs funds have to</p>	<p>- TSA and government bank account consolidation were strengthened, new chart of account, new budget classification, and budget strategic plan have been implemented. - In early 2009, there were 174 accounts of LMs at the Commercial and National Banks</p>

		<p>be incorporated in BSP 2010-2012.</p> <ul style="list-style-type: none"> - Total current accounts have been reduced to 90. - Data system (DMFAS) has been implemented to improve external financing management and review. 	<ul style="list-style-type: none"> - Data system (DMFAS) has been implemented.
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2. Performance measurement of Stage 2 activities implementation

The review of stage 2 activities implementation has focused on the progress of three action plans identified in CAP such as reviewing Platform 1 activities to be strengthened in stage 2, progress towards achieving the objectives of the platform 2 and implementation of activities for the later platforms.

2.1 Platform One activities to be strengthened in Stage 2

The four objectives of sustaining budget credibility which is the achievement of the platform 1 have been reviewed to support achieving platform 2 objective “Improved **Financial Accountability**”.

- **Further improved revenue policy and administration**

Non-Tax Revenue:

Institutional arrangements: having established sub-working group in charge of revenue from natural resources operation, Inter-ministerial committee in charge of drafting law on state properties management, reshuffling members of privatization committee, working group in charge of drafting law on non-tax revenue management, Inter-ministerial committee in charge of revenue management from vehicle and transportation registration, Inter-ministerial working group in charge of monitoring revenue and debt from telecommunication service, Inter-ministerial working group in charge of monitoring revenue collected by the provincial departments of the Ministry of Land management, Urbanization and Construction, Inter-ministerial working group for real estate business management, Inter-ministerial committee for management and encouraging the purchase of insurance for vehicle, liability to third-party, construction sites and transportation, Real estate evaluation association, and adherence to ASEAN Real estate evaluation association.

In addition, non-tax revenue legal framework which has been prepared including circular on life insurance, circular on Accounting guidance, micro-finance policy and strategy framework, lottery revenue management legal framework, circular on monitoring and license issuing to real estate developer. Meanwhile other documents have been also

prepared such as draft on procedure monitoring government sub-loan in micro-finance sector, draft on commission fees of real estate service and appraisal company, draft on real estate service management standard, drafted code of professional ethics for real estate appraisal service and companies, draft sub-decree on public bonds, draft circular on casino management, draft law on casino, draft law on lottery management, Financial Trust draft law, improving circular on national receipt, developing manual on inventory and TOR of company in charge of inventory, insurance law and related regulations.

Furthermore, other activities have been progressively implemented; non-tax revenue collection has been improved (service fee, profit dividend, privatization, real property rental, mineral revenue, land concession, market tax revenue, and others), improving casino revenue management, gambling tools monitoring mechanism, conducting research on revenue and expenditure of the public administrative entities and public universities, monitoring revenue collection at the provincial departments and research new sources of revenue, reporting on revenue from mineral land concession and agreement on mine concession 2008, and revenue from stone and construction raw materials 2008, determining levy on citizenship card, criminal record certificate, tourist vehicle registration, registration fee of industrial design, patent and commercial model certificate, missions of the Non-Tax Department to six provinces to monitor non-tax revenue collection, review of debt at the ministry of Post and Telecommunication and State Secretariat of Civil Aviation, defining criterion for incentive award to revenue collectors, establishment of state property management working groups in LMs and preparing state property inventory, collecting information of small and medium enterprise. Line Ministries have been urged to claiming arrears payment, collecting revenue, factory rental and mine concessions, preparing monthly/quarterly/bi-annual/annual non-tax revenue report, collecting information on non-tax revenue within LMs.

Tax Revenue:

Institutional arrangements: having created working group in charge of guiding accounting ledger use for small and medium tax payers, working group in charging of reviewing tax audit circular, Inter-ministerial committee in charge of studying EITI principles, restructuring administrative organization of Khan Tax branches, expanding AYCUDA world phase 3 in new three locations, preparing plan for working in charge of monitoring mobilization and management of revenue from oil, gas, and mines, developing action plan for capacity building to manage natural resource extracting industry and submitted to NGO for consultation, Inter-ministerial committee has also reviewed revenue report format from oil, gas and other mines, payment of fees and royalties; and action plan has been defined, posting on the MEF website revenue from extracting industry.

Relevant activities which were implemented: developing economic analysis model to forecasting revenue collected by the company and the government, preparation circular on implementation of the article 7 of the Public Financial law, Strategic Plan and Modernization Program Manual of Customs and Excise General Department, customs law and regulation compilation, ethic code of customs staff, Prakas on procedure and rule to transform tax arrears into uncollected debt, five new circulars on tax audit (audit

preparation, audit process, audit planning, audit working papers and audit reporting), implementing self assessment and estimated system in 07 Khans of the Phnom Penh, Tax revenue management system in Tax Offices of Khans and Provinces, accounting program and tax statistics, reviewing guideline on taxpayer's obligation and rights, classifying companies by business sectors, selection of tax debtors at the Department of big tax debtors management and 07 Khan tax branches, implementing rigid claiming measures against tax debtors (215 companies), improving Notice on new tax determination, and operation of GDT website.

The Ministry of Economy and Finance (MEF) has finalized the third draft-law on oil taxation, updated revenue policy, macro-economic Framework, reviewed draft-law on unused land and accommodation tax, prepared Prakas on complaint procedure, Prakas on the determination of annual profit tax for foreign companies, draft sub-degree on reducing threshold of business turnover for VAT, draft Prakas on capital profit tax of the real property (natural person), study on tax on financial sector, draft IT policy of the General Department of Taxation (GDT), developing central database and other relevant database system, Intranet, tax building construction at the provinces, translation of Model Treaty on Tax, preparing circular on tax inspection rules and procedures, tax information collection, preparing plan for enterprise census in Phnom Penh, planning for establishing Tax Training Center, preparing tax-arrears collection plan, list of companies subject to tax auditing.

- **Further improved debt management**

The implementation of DMFAS has been further improved through having established more work stations and upgraded staff's capacity. DMFAS has been used to administer data of grant and concessional financing. Staffs in charge were sent to attend local and overseas trainings and workshops (Philippines, Malaysia, Switzerland) on debt management, DMFAS use and analysis on risk management. Workshops on debt management strategy and DMFAS's functions were conducted for officials of the Department of Investment and Cooperation and other relevant departments. A report format on loan and grant and a draft of guideline on debt management were prepared. Sub-decree on public debt management will be prepared in accordance with international practices and Cambodia context pending the technical assistance in March 2010.

- **Further improved cash and bank account management**

In early 2009, there were 174 accounts; account freezing and closing measures have been continuously implemented, as a result, the total current accounts were reduced to 90 as of 31 December 2009 (all of them are at the sub-national level). The account balance of the General Department of Taxation (GDT) and the General Department of Customs and Excise is regularly kept zero at the end of the day. Saving accounts with untraceable holders and inactive accounts have been reported and closed. LMs have also engaged in reviewing accounts and providing information related to existing accounts at the National Bank and the Commercial Banks; however, cooperation is still limited.

Using the commercial banking services and encouraging salary payment through the commercial banking system have been further improved. During the first semester 21 LMs (over 38) have operated bank accounts for salary payment and as of December 2009 there are 26 LMs; however, accounts of 10 other LMs/Institutions have not been operated yet and 02 other LMs/Institutions have not opened their accounts.

Pilot projects of commercial banking service use have been implemented in 02 provinces; GDT has issued Guideline on revenue and expenditure operation and record related to interest charged from the commercial bank. The scope of using banking system in the main locations (expanded to 05 provinces in the first semester 2010) and covering a whole country including cash flow procedures through the banks has been studied.

To strengthen cash management framework, some activities have been further implemented such as preparation of expenditure and revenue spreadsheets (including capital expenditure and revenue) by ministries, chapters, accounts and sub-accounts by having incorporated data 2007, 2008 and also updating data 2009; updating monthly/weekly/daily cash reports; preparing state cash report format; preparing cash flow forecast model and format and RACI Matrix Template for FMIS; matching actual cash flow and monthly cash forecast, and study on formula to propose government cash limit at the TSA.

Some LMs have been actively engaged in providing revenue and expenditure data, revenue-expenditure forecast, and cash flow balance report. LMs have shown their best efforts to improve payment mandate issuing in compliance with annual expenditure plan to avoid accumulated payment mandates at the end of the year. Since 2007 there are no more arrears at the General Department of National Treasury.

Automated system for treasury operations and functions have been studied and reviewed for further improvement. Assessment of Conical Hat system and the need of automation at the GDT has been done. Network at the GDT including Phnom Penh Treasury has been installed and operated and WiFi network almost covers the whole buildings of GDT. The GDT's website (www.treasury.gov.kh) has been operated and its document center is also created.

- **Further improved public procurement**

In improving public procurement, some activities were implemented such as improving IRRPP's annexes (Implementing rules and regulation on public procurement) was finalized for publication, bidding documents were adapted in accordance with IRRPP, improved public procurement plan of Spending agencies and monitoring, preparation of guideline on procurement plan 2010 and collecting LMs' procurement implementation reports, conducting procurement post audit at 16 LMs and 22 provinces, reforming procurement department structure and establishing the procurement plan office, drafting Prakas on establishment of procurement branches at provincial level, selection of international adviser of procurement law is under process, two staff trained on international procurement in USA, training on procurement for the department staff,

procurement website and database is under development, and TOR of international consultant for procurement post review is under review.

Meanwhile some LMs have been improving their procurement process by developing annual procurement plan, preparing procurement implementation schedule and procurement monitoring schedule. Moreover, LMs have also sent their officials to participate in the training course on procurement organized by the MEF, and submitted reports and procurement data to the MEF; they have also enhanced competition in procurement process through providing documents and data related to procurements to bidders as well as providing information to the public.

2.2 Platform two activities to be implemented in stage 2

In the process towards improving financial accountability which is the main strategic objective of stage 2, activities have been identified and developed around eight objectives and success of which will lead to an improved financial accountability.

- **Improved lines of accountability by clarifying roles, functions, and responsibilities of LMs, levels, and within institutions**

A study on legal framework related to budget entities and budget managers at the national and sub-national levels has been commenced by reviewing consistency of the existing regulations, new accountability framework, and budget entities with the law on public finance system of 2008; and research on responsibility framework related to preparing PIP has been conducted. LMs have been requested to provide their organization structure to MEF for study and defining the budget entities and managers; the preliminary draft on defining the budget entities and LMs/Institutions structure table have been prepared.

LMs have been reviewing draft document on responsibility for budget, distinguishing roles and duties of each department and offices in order to determine responsibility at each level, establishing new budget holder and budget flow in accordance with the guideline of MEF, preparing new accountability framework and new business process. Workshops on budget entity and its preparation and management have been conducted. Some LMs have started to draft budget flow mechanism and chart and to redefine roles and responsibilities.

Functional review methodology manual for MEF has been finalized; it will be conducted in conjunction with new business process under FMIS. Financial controllers have been relocated to 11 LMs while more responsibilities during the execution process have been delegated to them.

- **Improved instruments for encouraging responsibility of financial management and enforcing accountability**

Budget management and execution disciplines have been further strengthened. Some activities have been implemented such Guideline on procedures and conditions of expenditure commitment and payment was prepared, LMs, provincial departments and state enterprises have been educated about 10 financial management disciplines, circular

on expenditure implementation, rationalizing expenditure for salary, functional allowance, implementing measures to reduce administrative expenditure, compilation of legal framework related to public finance. Program budgeting and budget strategic plan have been further improved; reporting system has been set up to review budget performance; and it is used as a tool for budget allocation.

LMs have been preparing the financial management standard, developing plan to monitor entities under their jurisdiction, and preparing quarterly monitoring report of resources management.

- **Further improve the implementation of new budget classification and new chart of account**

The activities implemented to meet the objective such as improved structure of budget classification and agreed on budget classification to be adopted (administrative, economic, geographic, functional, program, and financing source), further reviewing 10 criteria of COFOG and the four functional classifications (administrative, national defense-security, social, and economic), accounting classification by functions and programs have been further developed (functional classification may be implemented subject to FMIS implementation), further improving economic classification by drafting revenue classification and sub-sub accounts of expenditure, reviewing the implementation of the new budget classification and new accounts classification related to capital expenditure and researching solutions for consistent recording and budget integration. Guideline on economic classification has been prepared for FMIS and Program code is under development process for preparing program budgeting. New methodology proposed by French and IMF experts was adopted to record debt and it is agreed to ensure consistent recording between budget classification and accounting classification for investment expenditure financing by DPs. Recording investment expenditure based on sources of financing was finished and it is adopted to record in accordance with economic classification and category break-down.

In addition, some activities have been carried out: Gradual integration of accounts receivable and accounts payable with relevant entities for transactions both through and outside treasury until August 2009, data collection for recording accounts payable and accounts receivable, developing accounting ledger, issuing circular on duties and responsibilities of each department for recording debt, researching new methodology for recording accounts receivable, data reconciliation, determining temporary measures for recording debt transaction through and outside the national treasury; further linking bridging table of the new chart of account with TOFE; updating TOFE 2008 TOFE January-August 2009, GFS January-August 2009; improving the linkage of the new chart of account with GFS; TOEF report as of June 2009 have been posted on the website; reviewing fixed asset inventory before 2007.

Budget process and chart of account at commune, district, and province levels have been reviewed for further improvement. GDT has compiled documents related to treasury functions and operations and also organized workshops and trainings for officials in charge. Circulars, manual of budget classification and new chart of accounts and other

relevant documents have been progressively compiled and relevant trainings have been provided.

LMs have been progressively improving the new chart of account, the new budget classification, preparing budget based on administrative, economic, and sub-function classification, annual inventory of state property.

- **Improved process and transaction of budget execution**

A sub-degree on improving current expenditure process and cash advance of investment expenditure was adopted; the circular on petty cash advance record at LMs, provincial departments has been issued; accounting record to monitor the petty cash advance and income collection has been prepared. Spending over budget availability is not allowed. In addition, relevant training courses and workshops have been conducted. Working process has been reduced while payment mandate reviewing process has been improved; and monthly expense report has been reconciled with the balance sheet.

The level of understanding and capacity building of concerned officials have been improved for the FMIS project. 14 IT staff got trained on basic information technology and database management program. A bidding document for FMIS stage 2 was received conditional NOL and submitted to the World Bank for further review (seventh time). End to End current process mapping from procure to pay has been finalized; common business process and procedure for each phase have been identified. An assessment of ICT equipments and infrastructure needs, human resources, capacity building plan, change management in all departments and relevant LMs was completed. Strategic documents on ICT implementation, and change management strategy and communication plan were prepared and implemented and two surveys on FMIS have been conducted. Meanwhile documents related to function and roles of all departments within the MEF were developed and compiled. Study tours on FMIS in Tanzania and Uganda were organized.

LMs have been simplifying their internal process for credit request, improving expenditure commitment process and payment by setting up the monitoring flow chart and timeframe for a request of expenditure commitment, controlling mandate record or advance in accordance with accounting rule and the new chart of accounts.

- **Improved accounting system and financial statement to ensure transparency**

A number of activities have been also implemented including guideline on recording tax debt, drafting Prakas on opening deposit accounts at the commercial banks, district-khan budget accounts, and district-khan deposit accounts at the provincial treasuries. Guideline on interest recording from Commune-Sangkat's revenue and expenditure through ACLEDA was implemented. Guideline on the revenue-expenditure transaction through the ACLEDA bank was developed. Training courses on petty cash advance and income collection were conducted for new staff and LMs. A Prakas on additional current account at the commercial banks was issued and an instruction on the commercial banks' operation for the sub-national levels was implemented. In addition, sub national level accounting and debt record related to investment expenditure have been studied;

Quarterly, bi-annual, and annual performance report formats of budget execution were prepared, improved, and circulated to relevant LMs, especially the ministries which have been implementing program budgeting. DMFAS system was implemented to improve reporting of debt management office through IT system and Online process at DIC has been under development process. The study on unifying state chart of account, provincial chart of account, district chart of account and commune's chart of account has been carried out to incorporate in FMIS. Leaflets on VAT, Guideline on taxpayers' rights and obligations, and Guideline on tax categories were prepared. TOFE is posted on the MEF website. Manual on state property inventory and TOR of the company have been drafted and 2009 inventory has been carried out.

LMs have been compiling accounting report formats, preparing internal reports and new report formats in accordance with the MEF's requirement. A recording report and state property inventory review have been improved and LMs have been urged to process for land title of properties under their responsibility.

- **Improved auditing, inspection, and response to the use of auditing and inspection finding**

Activities implemented including monitoring and evaluation of establishment and functioning of the Internal Audit Departments at LMs. 25 LMs established the Internal Audit Department; 18 of them (only 13 in the first Semester) have been operated and 3 state-owned enterprises also established internal audit entities; Audit questionnaires have been prepared and sent to 25 LMS; audit boxes were installed in 24 capital/provinces. Internal audit procedures for the General Department of Customs and Excise (Preah Sihanouk province and Poi Pet), and the General Department of Taxation (one department) were drafted; Manual on audit procedure, audit plan of 2009 and 2010, and three year audit plan 2009-2011 are being developed. Three year inspection plan (2009-2011) and financial inspection program 2009 were prepared by the General Inspectorate of the MEF. Separation of roles and duties between the inspection and internal audit at LMs has been reviewed. Prakas on discipline, professional code of conduct for financial inspectors, performance evaluation, and activities of financial inspectors have been drafted. Inspection of the financial management and program budgeting implemented in 2007-2008 at the ministry of land management, urbanization and construction and provinces (07) was conducted. Manual on Financial Inspection procedure has been reviewed and training program for financial inspectors was developed; in addition cooperation with French experts has been continued to improve skills and expertise of Inspection Directorate.

Internal Audit Departments at LMs have prepared annual audit plan in collaboration with the MEF. Mechanisms to ensure the efficiency of audit output were improved; and questionnaires and criteria for auditing were developed.

- **Strengthen and develop fiscal decentralization policy and strategy**

Some activities have been gradually implemented: circular on 2009 budget implementation for Capital, province, municipality, district, and khan; circular on

technical procedure for 2009 budget planning of capital and provinces; developing TOR of the Local Finance Office at the provincial departments; a study of options for the budget process and management (autonomous or uniform budget) at the Capital/provinces; creation of working group and drafting law on financial regime and management of state assets at sub-national level and submitted to the National Committee for sub-National Democratic Development. Recommendations on improving of the implementation of commune/sangkat budget, the new chart of account for commune/sangkat budget, guideline on improving of procurement at commune/sangkat budget, and draft-manual on the implementation of commune/sangkat projects were prepared and documented. Relevant workshops were conducted in two provinces (Kampong Speu and Kampong Cham). Commune's budget implementation has been improved meanwhile its new chart of account has been reviewed.

Non-tax revenue strategy of the provinces have been reviewed to keep it consistent with the law on administration of Capital, provinces, Cities, Districts and Khans and draft-law on financial regime and asset management of the sub-national levels. A draft on tax revenue for the sub-national levels has been also prepared.

Short (2009-2011) and long term (2011-2018) strategies for implementing financial decentralization were developed. In addition, MEF has actively contributed to developing 10 years national program for sub-National Democratic Development.

- **Building institutional capacity and motivational measures**

A capacity building plan was reviewed and improved by including new arising needs from General Departments, Departments, and relevant entities. Professional and skill development program has been developed. Short, medium, and long term training policies and strategies were also reviewed and improved in accordance with the reform program objectives. Local and overseas short term training courses and workshops were conducted for staff of MEF and relevant LMs such as three trainings on “leadership for public policy management” with 88 participants; 47 staff for the Cambodia Accounting Standard; 23 staff for public procurement; 539 staff for 09 skills (accounting, procurement, management, budget, treasuries, PFM understanding, IT, English); and 43 trainers of the National Audit Authority. 8000 participants attended short training courses and 4000 participants attended the workshops and seminars organized under PFMRP. 73 staffs were recruited for the General Department of National Treasury. 09 students were recruited for overseas study under PFMRP. Monitoring and evaluation mechanisms of progress study of student and policy and evaluation methodology for awarding scholarship have been further improved. Training courses on revenue forecasting and 8 training schedules were prepared. Furthermore, workshops on change management; and training courses on IT capacity building and 2 levels of IT system were conducted. IT staffs received local and overseas training for FMIS. A retreat on capacity building plan was prepared to implement the official's capacity development program of the MEF and LMs and. Staffs were sent to attend trainings on tax, real estate management, and oil and gas. In addition, 28 local and 12 overseas training sessions were provided to customs officers.

For Human resource management some key activities have been implemented. The document of HRMIS, personnel files of the MEF, and other legal documents related to the staff management and MEF organization have been documented for publication. Functional review strategy and methodology for the MEF has been developed. MBPI operation manuals, PMAS, business cases for MEF and LMs and MOU were finalized. Meanwhile, documents related to MBPI (personal service contract, term of reference, annual performance agreement, application form, and conditions of appointment) for under the MEF and LMs were developed (MBPI was cancelled from January 2010). Collecting staff data and survey of capacity building needs at municipalities/provincial departments were fully achieved; the same exercise has commenced at the central level. In addition, supply of HRMIS equipment and recruitment of consultant for human resource management project by IT system are under process. 04 information boards of the MEF were installed; HRM policy and strategy has been drafted. 04 trainings on human resource management were conducted by the International consultant of HRM for staff of the Personnel Department.

State property inventories of 19 municipalities/provinces were done; and library, study room and audit document storing room were also prepared.

MEF Management Retreat was also organized to review and improve the management, coordination and monitoring mechanism and framework.

2.3 Activities for later platforms

Progress for later platforms aims to improve and expand implementation of program budgeting and budget comprehensiveness and integration.

- **Improving and expanding the implementation of program budgeting**

The guideline on program budgeting was improved and updated. Some activities have been pursued such as improving preparation of program budgeting, reviewing evaluation standard of program budgeting, implementation of guideline and report format of project monitoring, improving activities and indicators and outcome in accordance with sub-program and program, improving program target, evaluation and scoring procedure, and internal procedures to pilot the program budgeting and reporting mechanism were developed. LMs also contributed to preparation of strategies and criteria for identifying timeframe and readiness of program budgeting expansion and improving their action plan. 11 training courses were also conducted for MEF and LMs's staff. To strengthen staff capability on program budgeting preparation and implementation, training programs for LMs were prepared and staffs trained by the MEF are engaged in providing trainings at the central and sub national levels. The program budgeting has been implemented step by step. 24 municipalities/provincial departments of education, youth and sports have piloted the program budgeting under the monitoring of their Ministry.

- **Further improving budget comprehensiveness and integration**

Budget Strategic plan has been improved. Guideline on BSP was finalized for publication. The budget strategic plans 2010 of LMs were used to prepare circulars for implementing the draft Financial Law 2010. The relevant departments of the MEF

together with the Ministry of Planning and relevant LMs have prepared PIP 2010-2012. Some activities have been pursued such as collecting data and documents on revenue-expenditure of public enterprises, administrative entities and off budget of the development partners (DPs) at the LMs, information on capital expenditure financed by the DPs to be integrated into BSP and budget reports, matching PIP with BSP 2010-2012 and incorporation of revenue and expenditure of public enterprises, administrative entities, and DPs' off budget into the BSP 2010-2012. However, there are not many LMS which present DPs' off budget. Legal documents related to management and functioning of administrative entities and public enterprises have been compiled for preparing budget annex to be integrated into annual budget plan. A legal framework for off budget management, especially of public enterprises and autonomous budget entities, was reviewed. The report format of off budget management was also drafted.

The Medium Term Expenditure Framework (MTEF) 2011-2013 was updated and the workshop on MTEF 2010-2012 was conducted. LMs are improving their BSP; relevant working group were established and strengthened. BSP preparation process was sensitized within the LMs meanwhile information sharing and capacity building have been encouraged. LMs, based on the MEF guideline, have made great effort to improve budget integration through preparation of annual budget plan and monthly and quarterly revenue and expenditure reports.

The RGC has also created the working group (including Ministry of Planning, MEF, CDC and SNEC) on budget integration and harmonization to be in charge of coordination and facilitating the preparation of public investment plan financed by the Government and DPs.

3. Issues and challenges

Some challenges had been raised such as:

- Limited qualified human resource and budget to support the implementation of the reform activities;
- Internal coordination and cooperation for information sharing are not effective and efficient;
- limited cooperation of LMs and implementation of some activities by LMs cannot be done unless the prior actions of the General Departments/Departments/Entities under the MEF have commenced;
- Selection of international consultants was not done as planned (DPP and GDNT);
- Reporting arrears and its age profile is still manually prepared;
- Lack of legal experts for preparing the policy on revenue from oil and gas; and inadequate qualified staff, means and information related to oil and gas business operation;
- Delay in adopting law on casino management and relevant circulars are not effectively enforceable;
- Incentive policy for revenue collection has not yet been approved; and incentives for staff undertaking PFM activities are not sufficient;

- Limited knowledge of information system and selection of IT business analyst was not complete due to lack of qualified candidates;
- Establishment and functioning of budget working groups in charge of preparing BSP at LMs are not really effective;
- Difficulties in getting access to information related to DPs' Fund at the LMs cause problems for budget integration;
- Qualified and capable staff are still limited while incentives for trainers who are civil servants are not allowed;
- Automation system issue at the GDT has not been decided yet;

4. Conclusion

In overall, in 2009 MEF and LMs/Institutions have achieved a satisfactory progress in implementing the PFM reform activities. According to the achievements and referring to indicators outlined in the Consolidated action plan budget credibility is still maintained and robust even though under unfavorable economic and financial conditions; this reflects the robustness of the public financial management system of Cambodia.

Platform One activities to be strengthened in stage 2 have been satisfactorily implemented to achieve the four objectives set out in the CAP 2. Meanwhile, some key activities require more attention such as effective and efficient preparation and implementation of revenue policy and developing public procurement legal framework and improving staff's capacity in this area.

Regarding platform 2 activities which aim to improved financial accountability a satisfactory progress has been made. However, it is noticed that there many and complicated activities in this platform; then the progress does not reflect all the targets of 2009 in the CAP. Some limited progress have been observed in areas of defining budget entities, defining line of accountability of budget manager and entities, financial decentralization and deconcentration, functional review and effective and efficient capacity building. It is probably explained by the fact that some targets are too ambitious and unrealistic; and activities were not well arranged. Moreover, some proposed activities are beyond the existing capacity and ability of implementing units. Administrative, financial, technical and coordination arrangements are also the factors which contribute to determine the result.

Activities for later platforms were well carried out. A good progress has been achieved to build a robust foundation for moving forward the intended objectives of the program.

Some challenges have been raised by the implementing units; this requires more attention and appropriate solutions to allow the program moving ahead effectively and efficiently.
