



ANNUAL AND 5-YEAR REVIEW MEETING OF PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM

2017 Annual Review Report of the Implementation of PFMRP

General Secretariat of PFM Reform Steering Committee

20 April 2018

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1. Introduction

1.1. Background

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1.3. Methodology of Monitoring and Evaluation

1.4. Progress of the implementation of SC's Decision

1.1. Background

- ❑ The Royal Government of Cambodia introduced the Circular 09 dated on 28th December 2015 “ Rules and Procedure on the Formulation, Implementation, Monitoring and Evaluation of PFM work”.
- ❑ 2017 Annual Report is different from the previous report since it does not only focus annual performance by GDs under MEF and LMs, but also evaluation the PFM system by using Framework for PEFA 2011.

1.2. Objectives

- ❑ Identify the strengths and weaknesses of PFM system
- ❑ Strengthen the implementation of PFM RP-CAP 3.

1.3. Methodology of Monitoring and Evaluation

To get comprehensive report, GSC uses the 3 tools:

CAP3

Case Study



✓Interview the progress of PFM
System of 4 LMs: MEF, MoEYs, MAFF
and MSC and Phnom Penh
Administration and Kampong Speu
Administration





1.4. Progress the implementation of SC's Decision

No	Recommendations	Date	Responsible Entities	Results
1	Prepare PFMRP Fund	Q4, 2016	GSC	<ol style="list-style-type: none">1. Prime Minister approved for Creating PFMRP Fund2. GSC has prepared Prakas, Circular and Instruction for implementation
2	Review and improve the assessment tool of the implementation CAP3 in 2017	Q4, 2016	GSC	<ol style="list-style-type: none">1. Prepared the weight in each activity, Objective, Part of CAP3, and2. Developing online M&E on PFMRP.



1.4. Progress the implementation of SC's Decision

No	Recommendations	Date	Responsible Entities	Results
3	Finish the SCDP in the framework for PFMRP	Q4, 2016	EFI	H.E.Dr. Senior Minister approved on 5 th January 2018
4	Request H.E.Chan Sothy and H.E.Phan Phalla for study the format of executive budget summary proposal in order to publish after the Council of Ministers approves the draft of annual budget law	Q4, 2016	GDB and GDP	Prepared and published the summary of 2018 annual budget proposal on 27 Oct 2017 on MEF's website http://mef.gov.kh/documents/mustsee/Executive-summary.pdf
5	Finish BSRS 2018-2025	Q4, 2015	GDB	Council of Ministers approved the BSRS on 12 January 2018
6	Prepare the Financial Management Manual for the RGC	Q4, 2015	GSC	Recruiting the consultant



1.4. Progress the implementation of SC's Decision

No	Recommendations	Date	Responsible Entities	Results
7	Finish the Law on controlling, using, and managing the state property	Q3, 2017	GDSPNTR	Complete the 1 st draft of law
8	Complete financial report complaint with IPSAS-Cash Basis	Q3, 2017	GDNT	Completed IPSAS-Cash Basis and reviewing the quality of report
9	Develop Public Procurement System Reform Strategy	Q3, 2017	GDPP	-Created the working group -Prepared the content of strategy
10	Prepare Sub-decree and Prakas related to Public procurements	Q1, 2017	GDPP	- Completed and implemented the Sub-decree on Complaint mechanism and procedure on 21 Feb 2018 - Remain 3 Prakas



2. Progress of PFMRP in 2017

2.1. Progress of implementation of CAP3 by MEF

2.2. Performance by LMs

2.3. Results of study of PFM system of LMs and capital and provincial administrations



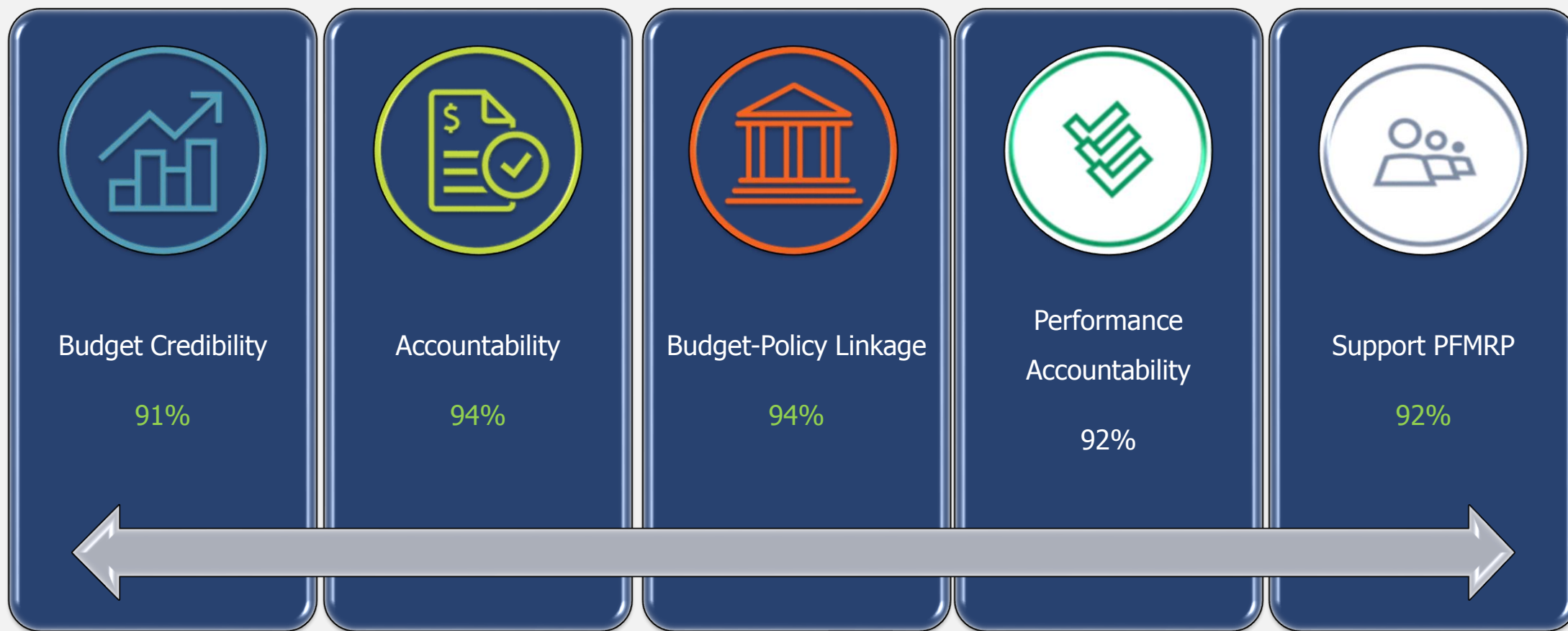
2.1. Progress of implementation of CAP3 by MEF

Changing the framework for CAP2 and CAP3

Structure of CAP	CAP2	CAP 2 New (2014-2015)	CAP 3 (2016-2020)	CAP 3 (2017-2020)
Parts	3	4	5	5
Objectives	14	16	21	22
Activities	62	71	68	69

2.1. Progress of implementation of CAP3 by MEF

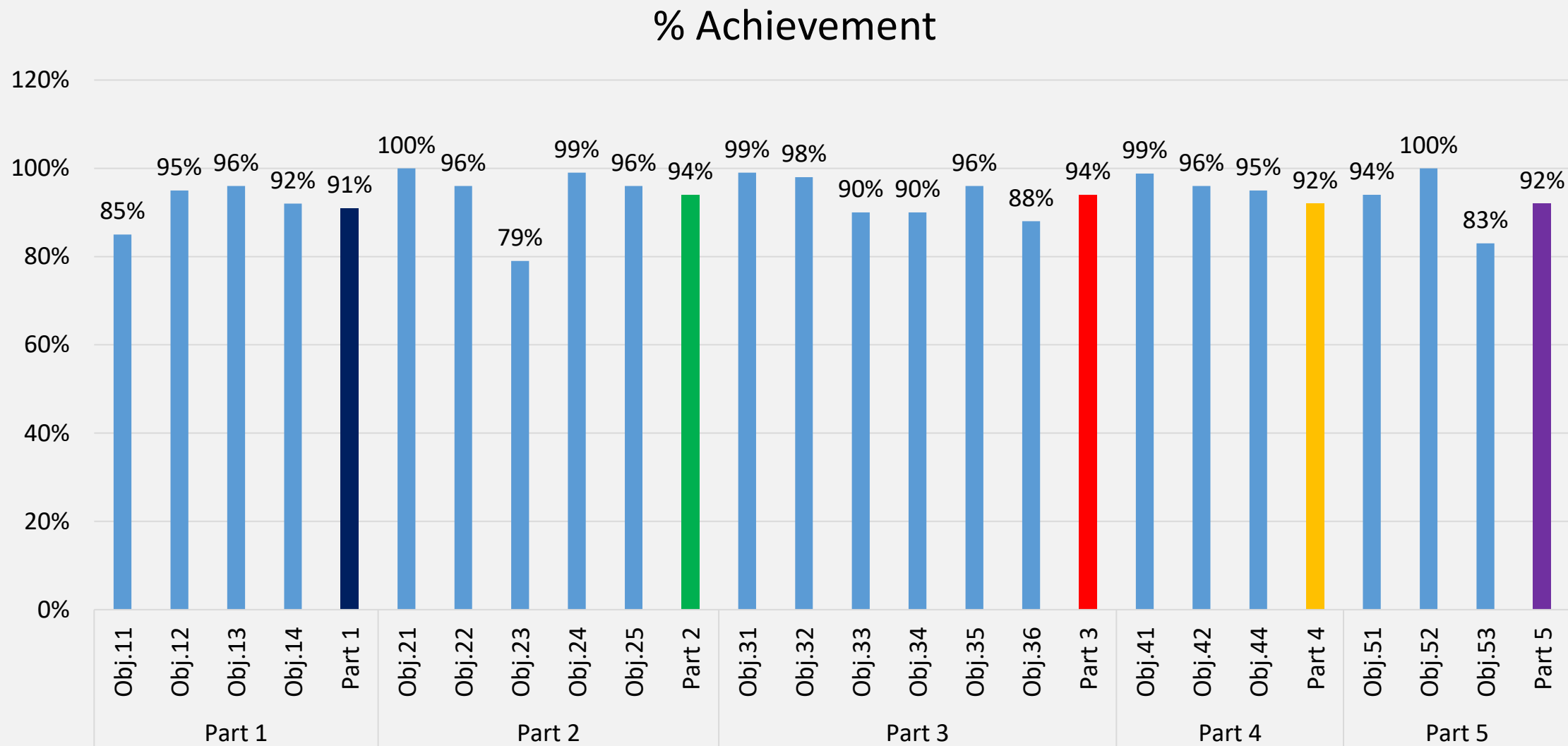
In 2017, the PFMRP achieved 93% compared with action plan.



Excellence (96% - 100%), Good (86%-95%), Above average (71%-85%), Average (61% - 70%), Poor (0% - 50%)




2.1. Progress of implementation of CAP3 by MEF



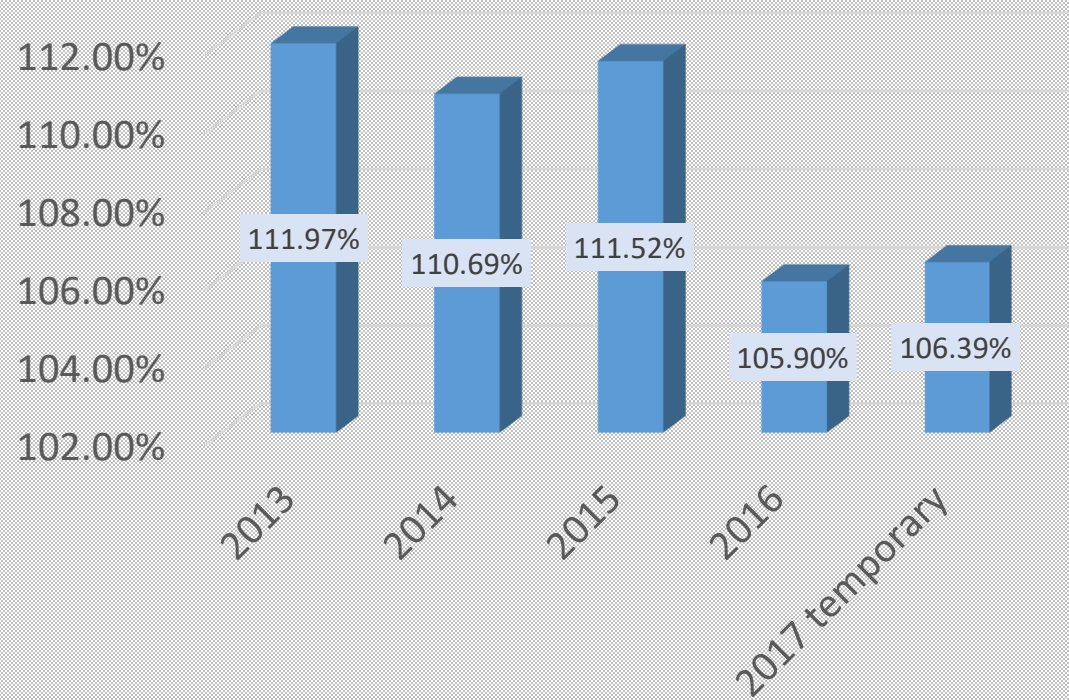
*Not evaluate the objective 43

Summary the progress of 5 parts in 2017 (1/7)

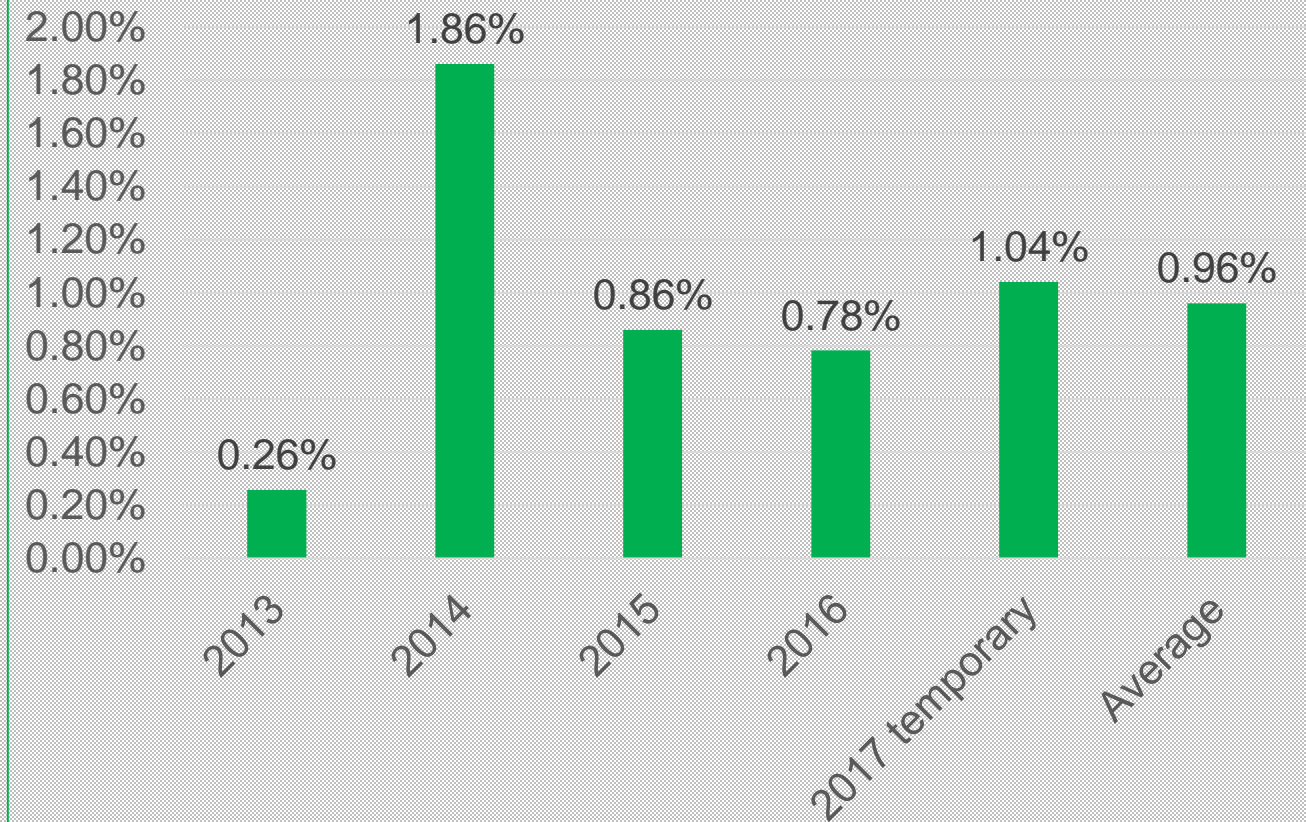
Part 1	KPIs	Targets	Results in 2017
Budget Credibility 	1. Revenue outturn compared with budget law (current revenue + domestic revenue)	+/-5%	106.09%
	2. Current revenue growth	Revenue growth at least 0.5 percentage point of GDP	1.04 percentage point of GDP (Year 2016=18.85% of GDP and Year 2017 = 19.59% of GDP)
	3. Budget execution compared with budget law	+/-5%	98.7%
	4. Effective cash management	Arrear is less than 2% of total expenditure	No (start the payment order in GDNT and exclude the debt)
	5. Effective public debt management	Less 40% of GDP	- 20.6% of GDP (exclude old debt) - 22.8 of GDP (include old debt)

Domestic revenue collection and revenue growth


Domestic revenue collection compared with annual budget in 2013-2017



Current revenue growth as percentage of GDP in 2013-2017




Summary the progress of 5 parts in 2017 (2/7)

Part2	KPIs	Targets	Results in 2017
Financial Accountability 	- Components of FMIS have been prepared and installed	<ul style="list-style-type: none"> - Budget classifications : Economic, Operational and administrative, Geographic, Project, Source of Fund, Functional and Programme classifications - New CoA 	<ul style="list-style-type: none"> -Prakas on Economic, Operational and administrative, Geographic, Project, Source of Fund, Function and Programme classifications have been prepared and implemented. Economic, and Programme classifications have been implemented and partially implemented the Operational and administrative - New CoA have been prepared and installed in FMIS - CoA for Public Administrative Entities have been prepared and implemented
	<ul style="list-style-type: none"> - Solve the FMIS phase 1 issues - Implement FMIS phase 2 	<ul style="list-style-type: none"> - Close account 2016 - User friendly with FMIS to management the budget - Revision of date transaction in FMIS - FMIS can produce the IPSAS - Expand FMIS to LMs 	<ul style="list-style-type: none"> - Stop using KIT and fully implement FMIS - FMIS can close the account in 2017 - Training programme and workshop on FMIS to government officials - IPSAS report can be extracted from the FMIS - 10 LMs are implemented FMIS in 2018


Summary the progress of 5 parts in 2017 (3/7)

Part2	KPIs	Targets	Results in 2017
Financial Accountability 	Budget transparency increase gradually	Budget Document are published	<ul style="list-style-type: none"> • Citizen budget 2017 has been published • Budget Proposal Summary in 2018 has been prepared and published after Council of Minister approved. • Circulars on BSP and Annual budget have been published • In-year budget execution has been published • Mid year budget review in 2017 has been published • Law on budget settlement in 2016 has been published • Public Debt of Cambodia Bulletin has been published twice a year • Procurement plans, bidding notification, and contract award have been published • Public procurement post review report under the threshold of public procurement entities/budget entities in 2015 was published


Summary the progress of 5 parts in 2017 (4/7)

Part 3	KPIs	Targets	Results in 2017
Budget-Policy Linkage 	Program budgeting and budget entities are implemented by LMs and SNAs	All LMs implement program budgeting in 2018	-2015: 10 LMs -2016 :15 LMs -2017: 11 LMs -2018: 3 LMs
		All capital and provincial administrations implement in 2020	- 2017: 6 Provinces: Kampong Speu, Kep, Koh Kong, Pailin and Stung Treng - 2018: 6 provinces: Kampong Speu, Kampong Chhnang, Pursat, Kampot, Prey Veng, Takeo and Ratanakiri


Summary the progress of 5 parts in 2017 (5/7)

Part 3	KPIs	Targets	Results in 2017
Budget-Policy linkage 	MTFF and MTBF are prepared by MEF and submit to Council of Minister for review and approval	MTFF and MTBF have prepared and implemented	MTFF and MTBF have been indicated clearly in BSRS 2018-2025
	BSP is prepared and implemented with quality, effective and efficient	Gap of budget (BSP and Annual budget) compared with budget approval is reduced	<ul style="list-style-type: none"> • Circular on BSP has set ceiling on sectoral expenditure • Structure of BSP has been improved • Budget negotiation has focused on priorities

Summary the progress of 5 parts in 2017 (6/7)

Part 4	KPIs	Targets	Results in 2017
Performance Accountability 	Develop performance based budget framework	-	After BSRS 2018-2025 have prepared and approved, Part 4 of CAP3 has been updated have 3 performance indicators as follows: (1). Accountability framework of budget performance, (2).Performance Audit framework (all auditees attached LMs have internal audit strategy and annual audit plan, and audit capacity on financial statement, compliance, IT, and Performance), and (3). Monitoring and evaluation framework include check and balance mechanism between executive body and legislative body. Part 4 of CAP3 has 4 objectives.
	Develop performance based management framework	-	

Summary the progress of 5 parts in 2017 (7/7)

Part 5	KPIs	Targets	Results in 2017
<p>Support PFMRP successful and sustainable</p> 	<p>-Developing technical capacity on PFM</p> <p>-Incentive system for PFM working group of LMs</p>	<p>- Strategic Capacity Development Plan medium and long term on PFM</p> <p>- Incentive System for PFM working group</p>	<ul style="list-style-type: none"> • SCDP has been prepared • PFMRP Funds have been created and prepared detail procedures) • Strengthening the implementation of Prakas No.616 MEF.Prk on Guideline, Mechanism, Procedure, and Monitoring for incentive by implementing Circular No.04 MEF. • Training and field study related PFM, Revenue management, leadership, etc.

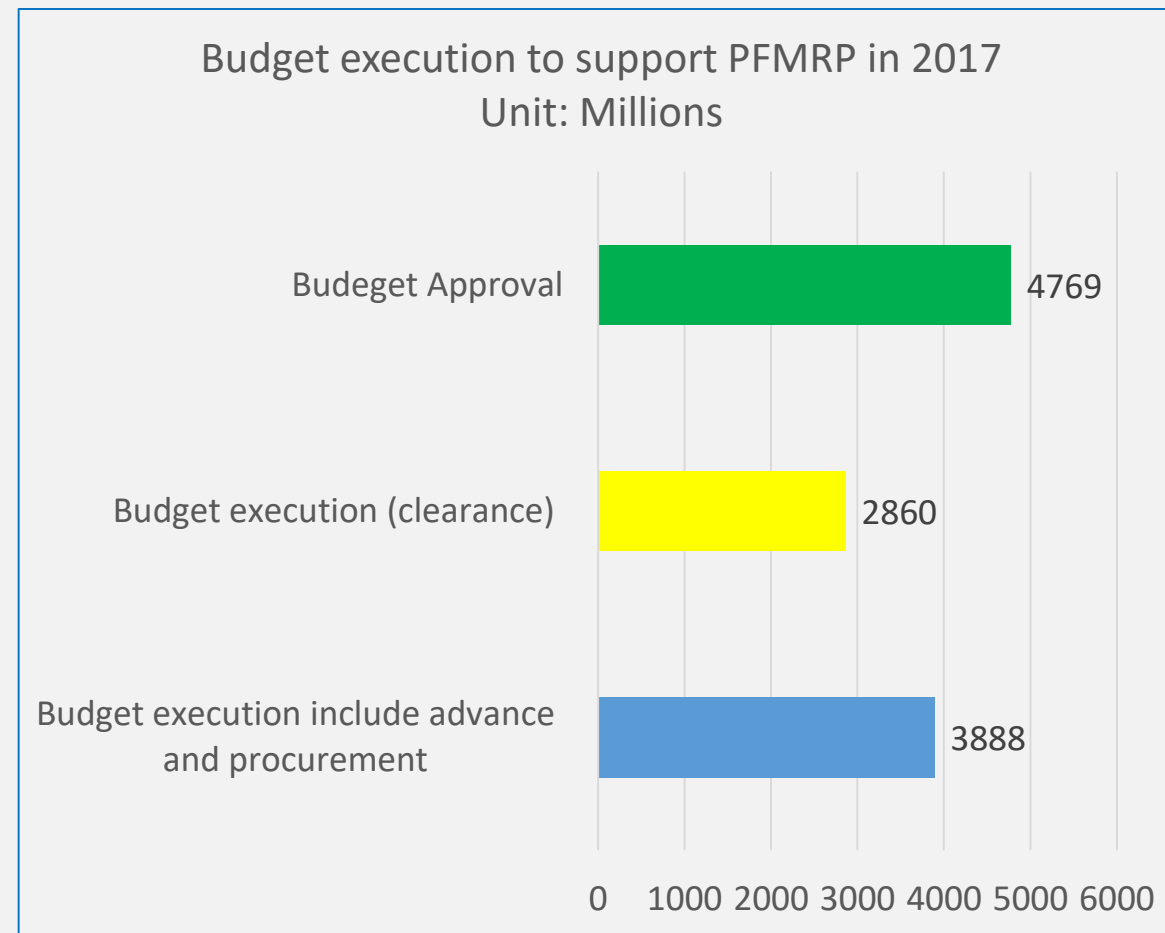


2.2. Performance by LMs

- ❑ The PFMRP-Stage 3 “Budget-Policy Linkages” was supported by 40 LMs (Included MEF) through preparing the MAP3:
 - Economic Institutes: 11 LMs
 - Financial, Foreign Affairs, and General Public Service Institutes : 8 LMs
 - Defense, Security and Public Order Institutes : 5 LMs
 - Social Institutes : 6 LMs
 - Supreme and Independent Institutes : 11 LMs
- ❑ Both 2017 Annual Performance Report and Q4 Performance Report were prepared but not graded since the MAP3 is not fully consistent and aligned with CAP3.

2.2. Performance by LMs

- ❑ Steering Committee of PFM Reform approved the annual budget amount 120 million riels for LMs to implement 3 priorities as follows:
 1. Strengthen the revenue collection and management
 2. Strengthen and expand FMIS system
 3. Strengthen and expand PB.
- ❑ Budget execution in 2017 of LMs to support PFMRP was executed amount 3,888 million riels (include advance and procurement) equal to 81,5% of annual budget.





2.2. Performance by LMs

❑ LMs have not executed 2017 annual budget as follows:

- 1. Ministry of Justice
- 2. Appeal Court
- 3. Ministry of Information
- 4. Ministry of Royal Palace
- 5. General Secretariat of Constitutional Council
- 6. General Secretariat of Supreme Court

Sector	Line Ministries	Budget Plan (Million Riels)	Budget Execution (Million Riels)	Number of Activities achieved	Score (%)
Economic Institutions	Secretariat of Civil Aviation	121	45.53	17/25	59
	Ministry of Ministry of Industry and Handicrafts	120	123.5	11/25	64
	Ministry of Mines and Energy	124	66.96	15/20	87
	Ministry of Commerce	124	43.46	23/39	90
	Ministry of Agriculture Forestry and Fisheries	113	115.58	33/43	76
	Ministry of Rural Development	117	98.74	21/29	94
	Ministry of Post and Telecommunications	107	81.52	21/32	91
	Ministry of Public Works and Transport	128	112.96	20/55	50
	Ministry of Tourism	115	32.6	15/24	92
	Ministry of Water Resources and Meteorology	126	68.88	15/18	83
	Ministry of Labor and Vocational Training	137	116.67	15/19	91
Financial, Foreign Affairs, and General Public Service Institutions	Council of Ministers	49	0.4	4/10	82
	Ministry of Civil Service	118	129.84	35/35	100
	Council for the Development Of Cambodia	82	9.83	11/12	86
	Ministry of National Assembly-Senate Relations and Inspection	119	128.32	13/14	98
	Ministry of Foreign Affairs and International Cooperation	0	0	10/19	71
	Ministry of Information	120	0	5/8	94
	Ministry of Planning	322	292.54	27/37	91
	Securities and Exchange Commission of Cambodia	93	68.97	3/4	91

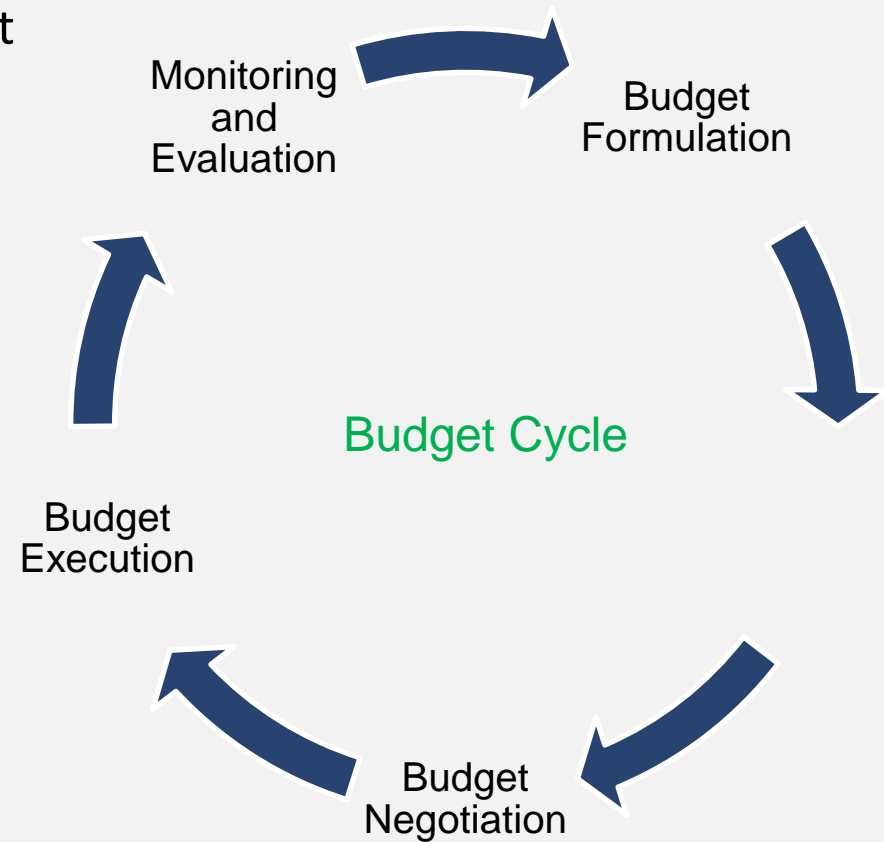


Sector	Line Ministries	Budget Plan (Million Riels)	Budget Execution (Million Riels)	Number of Activities achieved	Score (%)
Defense, Security and Public Order Institutions	Ministry of National Defense	117	110.37	19/19	100
	Ministry of Interiors (Public security)	116	34.7	23/25	99
	Ministry of Interior (General Administration)	123	132.83	19/19	100
	Ministry of Environment	119	122.09	16/18	98
	Ministry of Land Management, Urban Planning and Construction	119	0	13/19	98
Social Service Institutions	Ministry of Health	120	110.44	14/16	92
	Ministry of Education Youth and Sport	135	120.89	26/35	95
	Ministry of Culture and Fine Arts	94	127.22	18/19	95
	Ministry of Social Affairs, Veterans and Youth Rehabilit	91	56.03	13/17	88
	Ministry of Cult and religions	115	63.38	26/29	86
	Ministry of Women's Affairs	110	113.09	11/13	98
Supreme and Independent Institutions	Ministry of Royal Palace	120	0	9/15	64
	General Secretariat of Constitutional Council	120	0	2/9	62
	General Secretariat of Senate	20	0	12/19	95
	General Secretariat of National Assembly	122	0	3/30	14
	Appeal Court	120	0	3/6	21
	Supreme Council of Magistracy	94	89.06	5/5	100
	National Election Committee	69	20.99	20/20	100
	National Audit Authority	289	140.13	26/29	96
	Anti-Corruption Unit	82	83.06	3/5	85
	General Secretariat of Supreme Court	120	0	Have not received official document	
	Ministry of Justice	120	0	14/20	70

2.3. Results of study of PFM system of LMs and capital and provincial administration (1/2)

The objective is an additional study on PFM progress report of implementation MAP3 by reviewing strengths and weakness of PFM system as follows:

- 1.MEF
- 2.MoEYS
- 3.MAFF
- 4.MSC
- 5.Phnom Penh Administration
6. Kampong Speu Administration





2.3. Results of study of PFM system of LMs and capital and provincial administration (2/2)

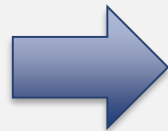
No	Progress	Challenges
1	LMs and capital and provincial administration welcome to implement PB	Implementation of PB in capital and provincial administrations are determined the number annually as a result they are not ready.
2	Understanding Roles and Responsibilities of LMs to implement PB (Financial and budget entities)	Limited cooperation between financial and budget entities
3	Increasing participation of budget formulation (BSP and Annual Budget) from all budget entities	Create many activities and over the resources exp. capital and provincial administration
4	Increasing transparency and accountability of budget entities to support action plan	Limited capacity of budget entities
5	LMs start prioritizing programmes by align BSP and annual budget with Gov. policy	LMs are difficult to determine the priority since the changing government policy and alignment between of gov. policy and sectoral policies.



*3. Assessment the Strengths and Weaknesses of PFM System

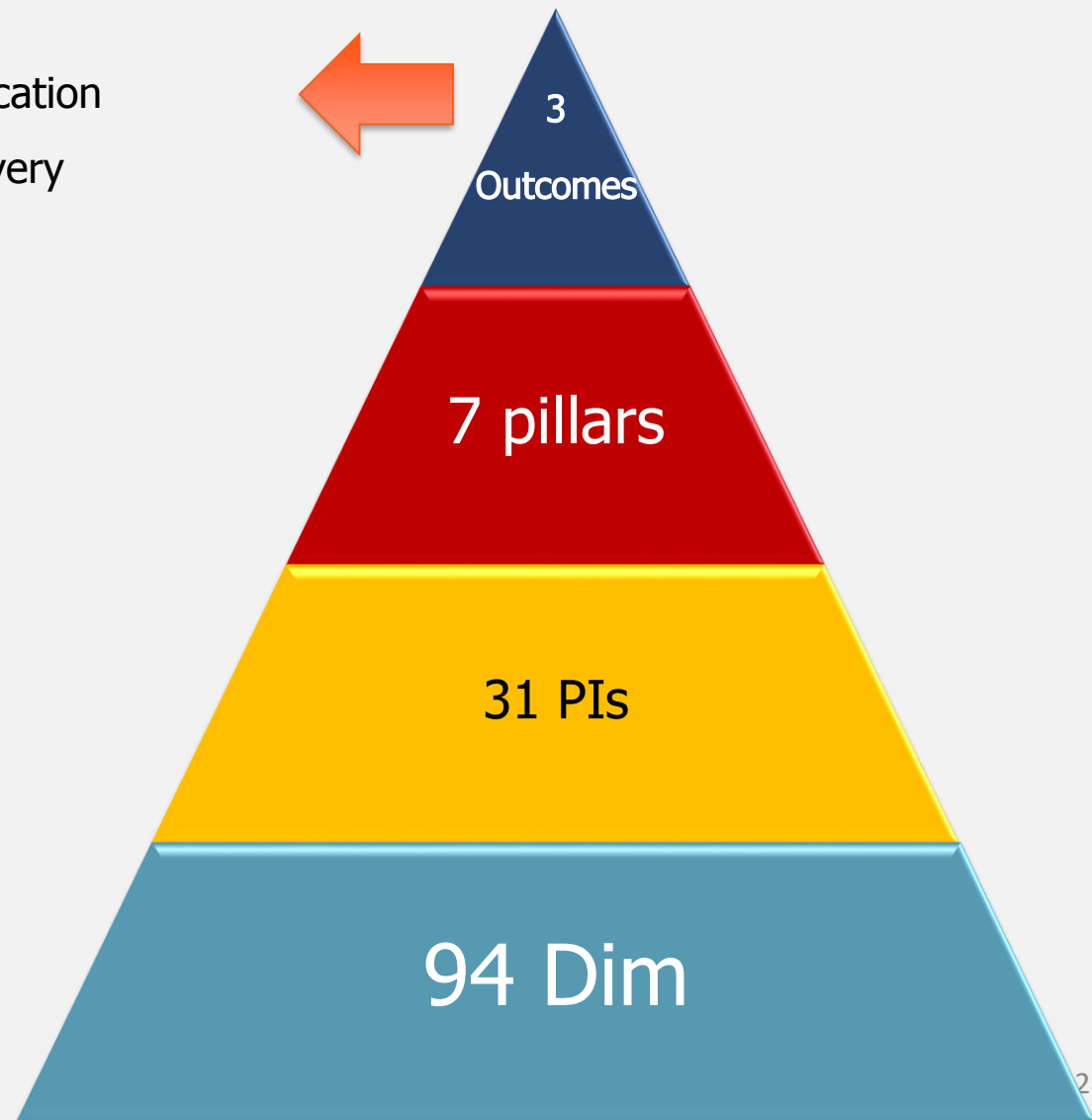
*the report using data 2014-2016 as well as included the progress in 2017. The evaluation is prepared by GSC's team by using framework for PEFA 2011.

Framework for PEFA 2011

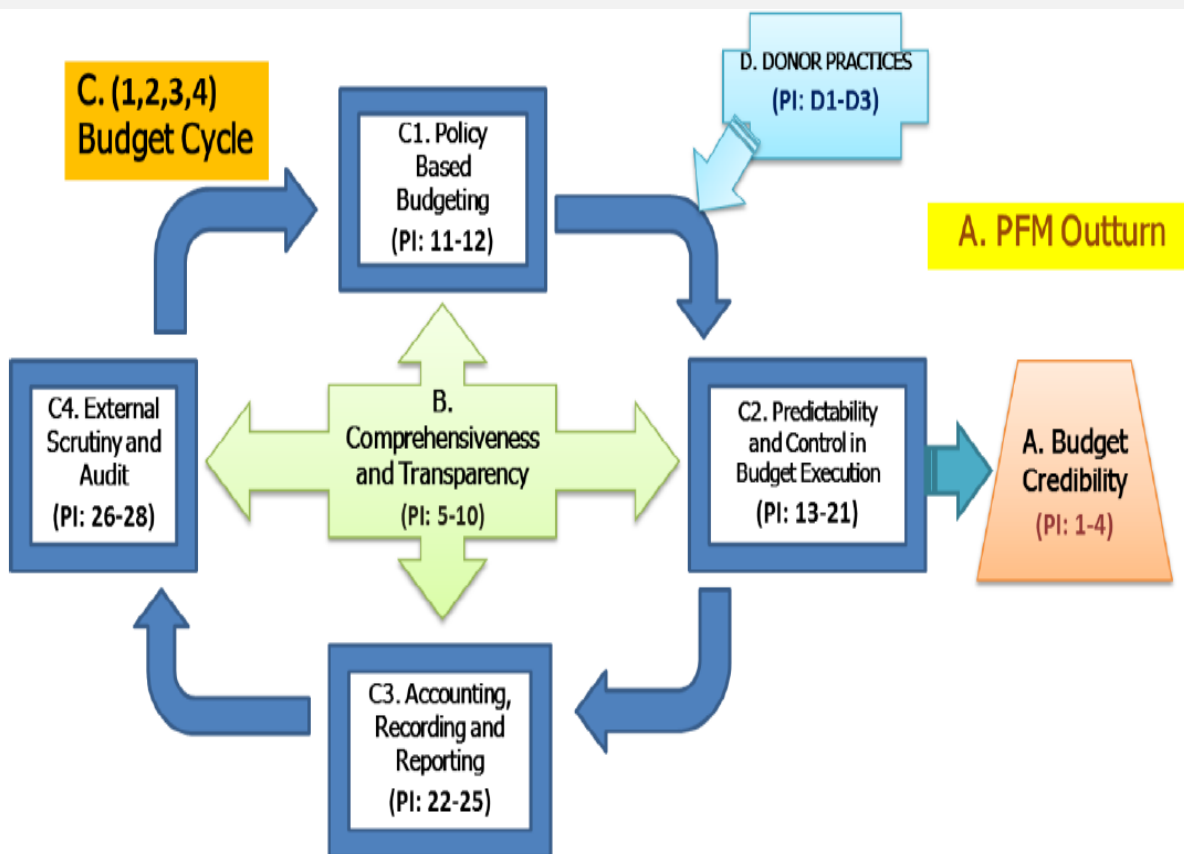


1. Budget discipline
2. Efficient Budget Allocation
3. Efficient service delivery

Framework for PEFA 2016



Compared between framework for PEFA 2011 and PEFA 2016





2017 Annual Review Report of the Implementation of PFMRP

A. PFM-OUT-TURNS: Credibility of the budget	
PI-1	Aggregate expenditure out-turn compared to original approved budget
PI-2	Composition of expenditure out-turn compared to original approved budget
PI-3	Aggregate revenue out-turn compared to original approved budget
PI-4	Stock and monitoring of expenditure payment arrears
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	
PI-5	Classification of the budget
PI-6	Comprehensiveness of information included in budget documentation
PI-7	Extent of unreported government operations
PI-8	Transparency of inter-governmental fiscal relations
PI-9	Oversight of aggregate fiscal risk from other public sector entities
PI-10	Public access to key fiscal information
PI-11	Orderliness and participation in the annual budget process
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting
C(ii) Predictability and Control in Budget Execution	
PI-13	Transparency of taxpayer obligations and liabilities
PI-14	Effectiveness of measures for taxpayer registration and tax assessment
PI-15	Effectiveness in collection of tax payments
PI-16	Predictability in the availability of funds for commitment of expenditures
PI-17	Recording and management of cash balances, debt and guarantees

PI-18	Effectiveness of payroll controls
PI-19	Competition, value for money and controls in procurement
PI-20	Effectiveness of internal controls for non-salary expenditure
PI-21	Effectiveness of internal audit
C(iii) Accounting, Recording and Reporting	
PI-22	Timeliness and regularity of accounts reconciliation
PI-23	Availability of information on resources received by service delivery units
PI-24	Quality and timeliness of in-year budget reports
PI-25	Quality and timeliness of annual financial statements
C(iv) External Scrutiny and Audit	
PI-26	Scope, nature and follow-up of external audit
PI-27	Legislative scrutiny of the annual budget law
PI-28	Legislative scrutiny of external audit reports
D. DONOR PRACTICES	
D-1	Predictability of Direct Budget Support
D-2	Financial info provided by donors for budgeting/reporting on project/program aid
D-3	Proportion of aid that is managed by use of national procedures

Results of Assessment PEFA in 2017

PFM Performance Indicators		Dimension Ratings 2015				Overall Rating	Dimension Ratings 2017				Overall Rating
		i	ii	iii	iv		i	ii	iii	iv	
A. PFM-OUT-TURNS: Credibility of the budget											
PI-1	Aggregate expenditure out-turn compared to original approved budget	A				A	A				A
PI-2	Composition of expenditure out-turn compared to original approved budget	D	B			D+	B	B			B
PI-3	Aggregate revenue out-turn compared to original approved budget	A				A	B				B
PI-4	Stock and monitoring of expenditure payment arrears	D	C			D+	B	C			C+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency											
PI-5	Classification of the budget	C				C	C				C
PI-6	Comprehensiveness of information included in budget documentation	C				C	C				C
PI-7	Extent of unreported government operations	C	C			C	A	C			C+
PI-8	Transparency of inter-governmental fiscal relations	A	A	D		B	A	A	D		B
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	A			C+	B	A			B+
PI-10	Public access to key fiscal information	D				D	B				B
PI-11	Orderliness and participation in the annual budget process	A	A	A		A	A	A	A		A
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	A	C	C	C+	C	A	C	C	C+



PFM Performance Indicators		Dimension Ratings 2015				Overall Rating	Dimension Ratings 2017				Overall Rating	
		i	ii	iii	iv		i	ii	iii	iv		
C(ii) Predictability and Control in Budget Execution												
PI-13	Transparency of taxpayer obligations and liabilities	C	B	C		C+	C	B	B		B	↑
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D	C	C		D+	C	C	C		C	↑
PI-15	Effectiveness in collection of tax payments	D	B	C		D+	D	B	C		D+	
PI-16	Predictability in the availability of funds for commitment of expenditures	B	B	C		C+	C	C	C		C	↓
PI-17	Recording and management of cash balances, debt and guarantees	C	B	C		C+	C	B	C		C+	
PI-18	Effectiveness of payroll controls	B	C	B	D	D+	B	C	B	C	C+	↑
PI-19	Competition, value for money and controls in procurement	B	D	D	D	D+	B	D	B	D	C	↑
PI-20	Effectiveness of internal controls for non-salary expenditure	C	C	C		C	C	C	C		C	
PI-21	Effectiveness of internal audit	C	C	C		C	C	C	C		C	

PFM Performance Indicators		Dimension Ratings 2015				Overall Rating	Dimension Ratings 2017				Overall Rating
		i	ii	iii	iv		i	ii	iii	iv	
C(iii) Accounting, Recording and Reporting											
PI-22	Timeliness and regularity of accounts reconciliation	B	D			C	B	D			C
PI-23	Availability of information on resources received by service delivery units	D				D	D				D
PI-24	Quality and timeliness of in-year budget reports	C	A	C		C+	C	A	C		C+
PI-25	Quality and timeliness of annual financial statements	D	B	C		D+	D	B	C		D+
C(iv) External Scrutiny and Audit											
PI-26	Scope, nature and follow-up of external audit	NR	A	C		NR	D	A	C		D+
PI-27	Legislative scrutiny of the annual budget law	C	B	C	B	C+	C	B	C	B	C+
PI-28	Legislative scrutiny of external audit reports	B	B	B		B	B	B	B		B

4. Challenges and Suggestions

CAP3

PEFA



4. Challenges and Suggestions (1/3)

Challenges	Suggestions
1. Change the structure of LMs as a result overload coordination and they need time for awhile to understand and participate PFMRP	Request LMs for support and encourage focal point attached LMs and not frequently change in order to be effective work and coordination.
2. Limited coordination between LMs and MEF to formulate and implement program budgeting	Request MEF for organizing the annual workshop on promotion the roles and responsibilities of financial and budget entities an share the experiences on implementation program budgeting:
3. Limited coordination between financial and budget entities of LMs so MEF should strengthen its role	<ul style="list-style-type: none"> ✓ Get awareness the roles and responsibilities ✓ Get experiences on procedure of budget formulation and execution, etc.



4. Challenges and Solutions (2/3)

Challenges	Suggestions
4. Developing capacity of gov. officials on PFM sector in particular program budgeting is still challenges	Request for medium term and long term training
5. Developing revenue forecasting model for GDCE and non-revenue forecasting form has been postponed due to lack of technical assistant	Request MEF GD of Policy for providing technical assistant to GDCE and GDSPNTR and completing in 2018
6. Change Management and business process in LMs to implementation of FMIS is not clear	Request for dissemination on change management and reviewing the business process in LMs, which implement FMIS, particularly there is a report on current business process and to be business process.
7. strengthen preparation and execution of program revenue and expenditure has not been considered as priority	Should strengthen preparation and execution of program revenue and expenditure



4. Challenges and Solutions (3/3)

Challenges	Suggestions
8. Law on State Property Management has not been completed as targeted	Request relevant entities for speeding up preparation legal document no later than 2018 to avoid delaying that it will be effect on implementation on PFMRP.
9. Procedure on clearance state property is not clear, preparation hard title of property owners have few, and annual update of list of state property is late	
10. Law on Non-tax management and Sub-decree on non-tax management have not been completed as targeted.	
11. Functions of Audit and Inspection have not been harmonized	Request all relevant entities for speeding up harmonization.

5. Conclusions

CAP3

PEFA





5. Conclusions (1/2)

- ❑ Through results of 2017, it is indicated that the efforts of both LMs and entities under MEF take efforts to achieve the overall goal of PFMRP.
- ❑ GSC will coordinate and encourage all LMs to strengthen implementation PFMRP by using BSRS 2018-2025, strengthening revenue collection and management, strengthening and expanding FMIS Phase 2, and Program budgeting.

5. Conclusions (2/2)



Budget credibility
has been achieved
essentially but need
to strengthen
Revenue and
expenditure
programme



Accountable System
have been
developing through
implementation of
FMIS phase 1 and
prudent FMIS phase

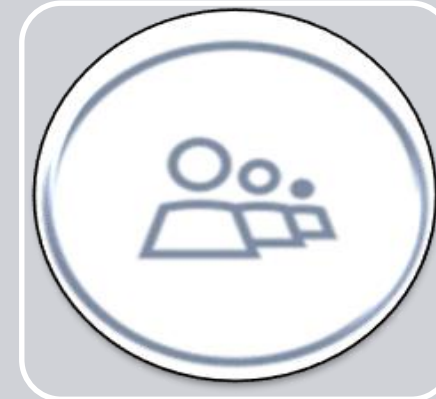
2



Strengthening and
expanding PB
implementation is
basic to prepare and
determine change
budget system



BSRS is a core
element to
determine the
budget system



Incentive scheme
that is being
developed will
promote the
institutionalization to
align PFM RP



Public Financial Management Reform Program

“System, Mechanism, Legal framework and Human Resources”

are key factors to determine successful, disciplinary, transparency, accountable, effective and efficient PFM system

Thanks