

Unofficial Translation

Progress Report
First Quarter, 2015
Implementation of Consolidated Action Plan, Stage 2 New
Ministry of Economy and Finance

General Secretariat of Public Financial Management Reform Steering Committee

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Appendix A: Progress Report, First Quarter, 2015

I. Overview

II. Introduction

Public Financial Management Reform Program has reached the transition of completing Stage 2 which is “Financial Accountability” in this year of 2015, starting the implementation of Stage 3 focusing on “Budget-Policy Linkages” in the upcoming year of 2016 carried out through the implementation of Consolidated Action Plan, Stage 2 New (CAP 2-New) planned for one-year and six-month implementation, which means it is for the second semester of 2014 and the whole 2015.

The implementation of Public Financial Management Reform Program is tracked and monitored through clear, adequate, and frequent mechanisms including monthly, quarterly, and yearly monitoring.

This quarterly progress report is the progress report of the implementation of Consolidated Action Plan, Stage 2 New (CAP 2 New) of Ministry of Economy and Finance presenting in detail the achieved results in each part up until objective levels and the activities compared to the indicators as well as raising the challenges, recommendations, and later platforms.

The method used to evaluate the progress of the implementation of consolidated action plan is of 2 bases:

1. Achieved work activities compared to planned activities
2. Achieved results compared to targeted indicators.

Moreover, evaluation grading of the achieved progress is divided into 4 levels:

- 100% : Good
- Greater than or equal to 80% : Fair
- Greater than 50% : Average
- Lower than or equal to 50% : Weak.

III. The Achieved Results

Part 1: Budget Credibility

Part 1, Budget Credibility in CAP 2 New is strengthened through 4 objectives such as strengthening revenue management and implementing revenue collection plan, strengthening debt management, strengthening the management of cash and account, and improving budget implementation and strengthening the implementation of expenditure plan supported by 14 activities.

In overall, according to the achieved objectives, this part has achieved 91% in which there has been no objective achieving less than 80%, and there have been three activities achieving more than 50%.

1. Results of Key Performance Indicators

Indicator	Targets	First Quarterly Progress for 2014	First Quarterly Progress for 2015
1. Total domestic revenue result out-turns increasingly close to approved targets under the financial laws.	Total domestic revenue achieves +/- 5% compared to the approved targets under the laws.	Domestic revenue achieves: - First Quarter: 22.3% • Recurrent Revenue: 22.8% • Capital Revenue: 0.6%	Domestic revenue achieves: - First Quarter: 21.8% • Recurrent Revenue: 22.0% • Capital Revenue: 0.5%
2. No accumulation of new arrears	Arrears are defined to be kept at no more than 2% of total expenditure.	No arrears	No arrears
3. Budget holders is increasingly able to commit expenditure in line with budgets and cash flow forecasts	<p>Expenditure profile must not 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 must not be less than 80% of total expenditure.</p> <p>Percentage of revenue payment collected through banking system must not be less than 60% of total expenditure.</p>	<p>National budget expense achieves in: - First Quarter: 15.6%</p> <p>The payment through banking system achieves: - First Quarter: 100% ▪ 9 ministries have collected their salaries through banking system.</p> <p>First Quarter: - Tarriff revenue: • 92% was paid through banks by the customers. • 8% was paid through banks by custom offices.</p> <p>- Tax revenue: • 97% was paid through banks by taxpayers. • 3% was paid through banks by tax offices.</p>	<p>National budget expense achieves in: - First Quarter: 15.4%</p> <p>The payment through banking system achieves: - First Quarter: 100% ▪ 39 ministries got their salaries through banking system</p> <p>First Quarter: - Tarriff revenue: • 92.41% was paid through banks by the customers • 7.59% was paid through banks by custom offices.</p> <p>- Tax revenue: • 97% was paid through banks by taxpayers. • 3% was paid through banks by taxation offices.</p>
4. Composition of expenditure by type (staff costs) is close to approved budget.	Expenditure results compared to approved budget must not be less than: - Salary: 98% - Goods/Service: 95% - Capital: 85%	National budget expense achieved: 1st Quarter: - Salary: 22.7% - Goods/Service: 11.7% - Capital: 25.5%	National budget expense achieved: 1st Quarter: - Salary: 22.2% - Goods/Service: 8.6% - Capital: 14.1%

Indicator	Targets	First Quarterly Progress for 2014	First Quarterly Progress for 2015
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% per year.	<ul style="list-style-type: none"> - Tax Revenue: 24.1% <ul style="list-style-type: none"> • Direct Tax: 22.5% • Indirect Tax: 22.9% - Non-tax revenue: 15.5% 	<ul style="list-style-type: none"> - Tax Revenue: 23.3% <ul style="list-style-type: none"> • Direct Tax: 28.7% • Indirect Tax: 27.1% - Non-tax revenue: 14.4% - <i>Custum office</i>: 99.19% - <i>Taxation office</i>: 150.06% - <i>State property</i>: 87.23% - <i>Financial industry</i>: 94.4%
6. All significant areas of both public revenue and expenditure are captured in both the budget and accounts of the government.	No significant areas of omission.	National Treasury Single Account has been further strengthened, and there is no new account opened without permission (total numbers of accounts are 93).	National Treasury Single Account has been further strengthened, and there is no new account opened without permission (total numbers of accounts are 81).

2. Outcomes of Key Activities in Furthering Budget Credibility Improvement

Besides monitoring the implementation of budget credibility through the 6 key performance indicators mentioned above, additional key activities were both implemented and launched to monitor the strengthening budget credibility aiming to support the financial accountability improvement which is the strategic objective of the stage 2.

These activities pursue 4 objectives and consist of 14 activities to strengthen budget credibility which is one of the most important parts of Public Financial Management Reform Program, Stage 2 New.

The implementation of activities for budget credibility improvement results in certain outcomes as stated below:

2.1 Strengthening Revenue Management and Implementing Revenue Collection

Objective 11 of the budget credibility consists of four activities. Based on achieved activities, 80% of this objective have been accomplished; in particular, the activities 11.1 has reached 90%; 11.2 has reached 71%; 11.3 has reached 84%; and 11.4 has reached 11.4% of their objectives.

At the same time, based on the achieved results of the 4 indicators of the 4 activities, there are 3 indicators have been accomplished in accordance with the targets:

1. 2015 Action Plan specifically involved with mobilizing the custom and Cambodia excise revenue, improving policies, and enhancing governance in this institution has been implemented.
2. E-tax system has been implemented.
3. Drafted law on casino management was submitted to legislation council for reviewing.

On the other hand, the other five unsuccessful indicators are:

1. Regulations have been prepared and non-tax and tax revenue committee has been established.
2. Drafted law on taxing the petroleum and gas operation has been ended only at general department of taxation level.
3. Drafted law on taxing the operation of natural mineral resources such as gold, charcoal, and copper has been ended only at general department of taxation level.
4. Drafted law on state property management has been ended only at Ministry of Economy and Finance level.
5. The implementation of quarterly revenue has achieved in between +/- 2% (except for general department of costumes and excise of Cambodia achieving 99.19%).

At the same time, based on the achieved results of the indicators of activities compared to objective indicators, a significant indicator has not yet reached the target: quarterly revenue implementation must achieve in between +/- 5%.

In short, we can conclude that the strengthening of revenue management and the implementation of revenue collection plan in the year has not reach the target just yet due to the fact that the accuracy of revenue projection and the smoothness of revenue collection are still low.

2.2 Strengthening Debt Management

Strengthening debt management which is the objective 12 of budget credibility consists of 3 activities. Based on achieved activities, this objective has been achieved by 100% in which the activity 12.1 has been achieved by 100%; activity 12.2 has been achieved by 100%; and activity 12.3 has been achieved by 100%.

At the same time, based on the achieved result of the indicators of the activities for this first quarter, it is observed that all 5 indicators have reached the objective:

1. Prakas on loan management principles and procedures has been adopted and implemented.
2. First draft of Prakas on the procedures of state's guarantee has been prepared.
3. Final draft on updating debt management strategy has been prepared.
4. The draft on updating institutional capacity and human resources development plan has been prepared.
5. The implementation of DMFAS has been evaluated (by UNTAD experts).

Hence, it can be concluded that strengthening debt management was still maintained for the first quarter of 2015. This result reflects the necessity to make further effort for more effective debt management and to achieve the objectives of reform program, stage 2 new which will be concluded at the end of 2015, especially accelerating the preparation of procedures of state's guarantee which is an important part of public debt management.

2.3 Strengthening Cash and Account Management

Strengthening Cash and Account Management which is the objective 13 of Budget Credibility consists of 4 activities. Based on the achieved activity, the objective has been achieved by 97%; in specific, the achievement rate of the 4 activities; 13.1, 13.2, 13.3, and 13.4; is 100%, 100%, 89% and 100% respectively.

Based on the achieved results of the indicators of the activities for this first quarter of 2015, it is observed that 3 indicators have reached the target:

1. Non-TSA accounts that have no approval from ministry of economy and finance in the national bank and commercial banks were closed. Single accounts of Municipal and Provincial National Treasury have been monitored and clearly identified. Project accounts of development partner have been collected.
2. Middle level payment through banking system has been achieved by 100% and payment system through E-Transfer was studied, and salary account has been regularly monitored.
3. Payment warrant is monitored and offered fast and on time. Arrear integration plan has been prepared, and the preparation of arrear monitoring system has been concluded.

On the other hand, another one indicator which has not reached the target is improving daily, weekly, and quarterly cash plan report and monitoring cash management. It has not reached the target yet because the projection has not moved closely to the actual balance sheet yet; however, general department of national treasury has fostered the bargaining with Consultant and General Secretariat of Public Financial Management Reform Steering Committee in the first and following quarters in order to establish Web-based Application Software to assist planning and cash forecast so that it will be accurate and achieve the objective 13 by the end of this year of 2015.

In overall, it is concluded that improving cash and accounting management still can be maintained for the first quarter of 2015 and has moved closely to the targeted stability even though the indicators of activities 13.3 have not reached the determined target; as a matter of fact, the balance sheet projection was not accurate just yet due to the lack of Software Online system for the middle level ministries and institutions to input the data. As a result, general department of national treasury must continue to foster the development of Software Online system as well as establish regular monitoring mechanism and train the middle level ministries and institutions to update the data.

2.4- Improving the Budget Implementation and Strengthening the Implementation of Spending Plans

Objective 14 of the budget credibility consists of 3 activities. Based on the achieved activities, this objective has realized 87% in which activities 14.1 has realized 71%; activities 14.2 has realized 90%; and activities 14.3 has realized 100%.

On the one hand, if reviewing the achieved results of the indicators of activities for this first quarter, we can see that one indicator has reached the target: the implementation of payment based on spending plans.

On the other hand, there are two indicators that have not reached the target:

1. Drafted Sub-decrees and Prakas are adopted and published, and procurement manual has been introduced.
2. The drafted plan on Operational manual for the preparing and implementing the investment plans, and maintenance program is operated step by step.

Therefore, it can be concluded that improving budget implementation and strengthening spending plans could not achieve the determined targets yet for the first quarter of 2015 because (1) internal monitoring mechanism of the general department on the activities and choosing the indicators are still limited to respond to the activities and determined objectives (2) some procurement implementing institutions have not sent the notification about the bids to the general department of procurement.

Part 2: Financial Accountability

In section 2 of CAP 2 New, financial accountability is implemented through 6 objectives such as introduction of new budget contents and new account plans; introduction of new budget system and new operational process; introduction of new accounting, recording, reporting systems and transparency system; introduction of tools and mechanisms to increase responsibilities and accountabilities; strengthening and increasing comprehensiveness and budget integration; and strengthening internal audit and inspection. These objectives are supported by 28 activities.

Based on the achieved objectives, this section achieved 76% in which there is no objective being able to achieve 100%, and there are 4 objectives being able to achieve more than 80%, 1 objective achieving less than 80%, and 1 objective achieving 50%. Among the 25 activities, there are 3 activities achieving more than 50%, 5 activities achieving less than or equal to 50%, and 1 activities not being able to measure.

1. Implementation of New Budget Content and New Account Plan

Objective 21 of Financial Accountability consists of 4 activities. Based on the achieved activities in the first quarter of 2015, this objective has been achieved by 96% in which the activities 21.1 has been achieved by 87%; the activities 21.2 has been achieved by 100%; the activities 21.3 has been achieved by 100%; and the activities 21.4 has been achieved by 100%.

According to the achieved result of the indicators of the activities for this first quarter, four indicators are reported to reach the target:

1. Copied table of new chart of account and table of state's financial operation (TOEF and GFS) were edited.
2. Guidelines on the new framework of budget content were adopted.
3. Information about functional structure and services of the ministries and institutions was updated, and the tables of administrative classifications and new fictional classifications were prepared.
4. Report based on the standard IPSAP was monitored and piloted to evaluate the quality and acceptability.

To sum up, it is concluded that the roll-out of the new budget content, new chart of account, and report based on the standard IPSAP for the first phase of FMIS system in July 2015 is still maintained for the first quarter of 2015. Furthermore, the indicator that has not been achieved fully yet in the fourth quarter of 2014 and has been achieved in the first quarter of 2015 is the roll-out of the guidelines on the new framework of budget content.

2. Roll-out of New Budget System and New Operational Process

Objective 22 of Financial Accountability consists of 7 activities. This objective has been achieved by 75% in which the activities 22.1 has been achieved by 92%; the activities 22.2 has been achieved by 35%; the activities 22.3 has been achieved by 90%; the activities 22.4 has been achieved by 58%; the activities 22.5 has been achieved by 92%; the activities 22.6 has been achieved by 80%; and the activities 22.7 has been achieved by 77%.

According to the achieved result of the indicators of the activities for this first quarter, five indicators are reported to reach the target:

1. Context for new expense aligned with FMIS system was prepared;
2. MEF officials' capacity in FMIS and involvement in FMIS project were further strengthen through extensive publication;
3. FMIS project managers' capacity in FMIS management and public finance was established and expended;
4. Managing change strategic plans were published and implemented;
5. Training courses on accounting and FMIS related IT were prepared.

Nevertheless, there are only 2 indicators that have not reached the targets such as:

1. Effect analysis of managing the changes and updating juridical documents;
2. FMIS project managers' capacity in FMIS management and public finance.

In conclusion, it can be concluded that preparing to roll-out the new budget system and new operational process can be essentially maintained and can establish the work effectiveness in order to achieve the targets for the first quarter 2015; however, the launch of the 2 indicators requires further attention and higher will in order to achieve the roll-out of new budget system and new operational process aligned with the roll-out of FMIS in the upcoming July.

3. Introduction of New Accounting System, New Recording System, New Reporting System and Transparency System

Objective 23 of Financial Accountability consists of 4 activities. In overall, based on the achieved activities, this objective has been achieved by 86% in which the activities 23.1 has been achieved by 90%; the activities 23.4 has been achieved by 100%; the activities 23.5 has been achieved by 65%; and the activities 23.3 could not be measured.

According to the achieved result of the indicators of the activities for this first quarter, two indicators have reached the target:

1. Actual accounting standard and international accounting standard were compared, and financial report standard based on the cash bases was monitored and evaluated.
2. Some important information has been uploaded to the website.

Another indicator has not reached the target: the directive on inventory document was published to ministries, institutions, and all units.

Another indicator which could not be measured is the main book and the report forms of program-based budget implementation were published to all 10 ministries because the relevant general departments have not prepared any actions.

All in all, it can be concluded that the introduction of new accounting, recording, reporting and transparency systems are not yet secured and maintained for the first quarter 2015 because the actions contributing to the achievement of the activities 23.3 are not prepared.

4. Introduction of the tools and mechanism to increase responsibility and accountability

Objective 24 of Financial Accountability consists of 4 activities. In overall, based on the achieved activities, this objective has been achieved by 25% in which the activities 24.1 and 24.2 has been by 50%.

According to the achieved result of the indicators of the activities for this first quarter, there is not indicator reaching the target just yet such as:

1. Guidelines on the establishment of appropriate sanctions for wrong, inappropriate or inefficient management of public resources were prepared by Ministry of Economy and Finance.
2. Principles on the freedoms and responsibility of the budget entities were prepared.
3. Regular review on standards of resource management achieved by each individual budget entities as a basis for extending those freedoms and flexibilities was conduct quarterly.
4. Quarterly budget progress reports commenting on stage of completion reached, results achieved and any delays and remedial action proposed: from ministries and institutions to

MEF and within ministries and institutions from internal budget entities to senior management were updated.

In overall, it is concluded that the rollout of tools and mechanism to increase responsibility and accountability cannot be secured and maintained for the first quarter of 2015 due to the fact that the actions contributing to the achievement of the set activities were not implemented aligned with the plans. Based on this result, relevant general departments need to implement the activities under this objective.

5. Strengthen and improve budget comprehensiveness and integration

Objective 25 of Financial Accountability consists of 2 activities. In overall, based on the achieved activities, this objective has been achieved by 80% in which the activities 25.1 has been by 60%, the activities 25.2 has been by 100% .

According to the achieved result of the indicators of the activities for this first quarter, it is seen that there is one indicator reaching the target which is that the directive on annual budget strategic plans for budget integration between recurrent budgets and capital budgets and administrative public institutions were improved and prepared. Another indicator which is not yet to be fully achieved is that the draft on guidelines on preparing BSP was improved and updated (achieved by 60%).

As a result, it is concluded that strengthening and improving budget comprehensiveness and integration for the first quarter of 2015 have still been implementing, aimed at ensuring the set target. This result indicates the necessity to continuously make further efforts, especially to accelerate the completion of improving and updating guidelines on preparing BSP and to continue integrating current and capital budgets.

6. Strengthening internal audit and inspection

Objective 26 of Financial Accountability has set out 4 activities. Based on the achieved activities, this objective has been achieved by 95% in which the activities 26.1 has been achieved by 94%; the activities 26.2 has been achieved by 95%; the activities 26.3 has been achieved by 100%; and the activities 26.4 has been achieved by 90%.

According to the achieved result of the indicators of the activities for this first quarter, it is showed that 4 indicators are reported to reach the target:

1. Internal Audit Unit in all ministries and institutions was prepared and rolled out
2. There is a common procedures and legal framework in order to deal with any issues and conflict related to audit and inspection at state's units.
3. Audit and inspection plans compared to the actual results of the lines ministries were prepared, improved and rolled out with high effectiveness and responsibility associated with the guidelines of MEF.
4. Standard record and sample of financial inspection report and audit report were prepared and rolled out.

In conclusion, strengthening internal audit and inspection has been strengthened and expanded at all relevant ministries and institutions by this first quarter; nonetheless, an essential and necessary task is to strengthen and to increase the effectiveness of internal monitoring for non-salary spending aiming to achieve the planned targets.

Part 3: Preparedness for the Next Step

Preparedness for the Next Step is supported by four objectives and 19 activities. The four objectives include: strengthening and expanding program-based budget implementation, preparing and introducing accountability system (between the legislature and executive, MEF and ministries and institutions and in the framework of ministries and institutions), strengthening the preparation of policy and public financial planning, and strengthening the implementation of centralized financial policy.

According to achieved objectives, this part has accomplished by 83%, in which three objectives has accomplished by more than 80%, and one objective has accomplished by more than 50%. Moreover, among all 19 activities, there are 3 activities accomplishing more than 50%, one activities accomplishing less than or equal to 50%, and 2 activities being immeasurable.

1. Strengthening and expanding the implementation of program based budget

Objective 31 of Preparedness for the Next Step consists of 3 activities. Based on the achieved activities, this objective has been achieved by 90% in which the activities 31.1 and 31.2 has been achieved by 100% whereas the activities 31.3 has been achieved by 70%.

According to the achieved result of the indicators of the activities for this first quarter, it is showed that 3 indicators has reached the target:

1. Guideline on procedures of program-based budget expense operation was introduced and published as well as trained to the ministries implementing program based budget.
2. Guideline on the preparation of program based budget was updated.
3. Training courses and technical assistances for the ministries and institutions preparing to implement program based budget were prepared and coordinated.

Besides the above achieved results based on the indicators of Consolidated Action Plan, Stage 2 New of the general department and the target to expend the program-based budget implementation, 15 more ministries and institutions have been requested to fully implement program-based budget in 2016.

In conclusion, strengthening and expanding program-based budget implementation have reached the target for the first quarter of 2015. Moreover, the indicators that were not fully achieved in the first quarter of 2014 have been achieved in this first quarter of 2015, especially the introduction of guideline on procedures of program-based budget expense operation and this principle has been published and trained to the 10 ministries implementing program based budget.

2. Preparing and introducing accountability system (between the legislature and executive, MEF and ministries and institutions and in the framework of ministries and institutions)

Objective 32 of Preparedness for the Next Step consists of 6 activities. Based on the achieved activities in the first quarter of 2015, this objective has been achieved by 56% in which the activities 32.1 has been achieved by 100%; the activities 32.3 has been achieved by 100%; the activities 32.5 has been achieved by 90%; and the activities 32.6 has been achieved by 50%. On the other hand, for activities 32.2 and 32.4, the relevant general departments have not prepared the detail action plan to support these activities.

According to the achieved result of the indicators of the activities for this first quarter, it is showed that 2 indicators has fully reached the target:

1. Legal framework to exercise financial power at the budget unit of the 10 ministries was checked, and legal consultation in the framework of public financial reform program has been submitted to the general department.
2. Budget units of the 10 ministries and institutions implementing program based budget has been introduced.

On the other hand, the other 2 indicators have not fully been achieved:

1. Guidelines on the preparation of budget units have been updated and have been achieved by 80% because they have not been printed following the plan.
2. Financial controllers directly attached to the ministries and institutions have been delegated more powers (achieved by 50%).

On the other hand, the indicators of activities 32.2 and 32.4 could not be measured because the relevant general departments have not prepared any action and indicator to respond to the objectives in consolidated action plan stage 2 new.

All in all, we can conclude that the preparation and implementation of the accountability system (between legislative and executive among MEF, ministries, institutions and in the framework of ministries and institutions) could not guarantee and abide by the set target for this first quarter of 2015 because the preparation of action plan and the determination of indicators were not accurate and inconsistent with the needs of the set activities and objectives. This result reflects the necessity to prepare the action plan and indicators in order to respond to activities 32.2 and 32.4 as well as to conclude the preparation of further delegation of power to the financial controllers directly attached to the ministries and institutions.

3. Strengthening the preparation of policy and public financial plan

Objective 33 of this part 3 consists of 6 activities. If based on the achieved activities, this objective has been achieved by 97% in which the activities 33.1 has been achieved by 95%; the activities 33.2 has been achieved by 98%; and the activities 33.3 has been achieved by 100%.

According to the achieved result of the indicators of the activities for this first quarter, it is showed that 3 indicators has reached the target as below:

1. Guiding documents of coordinating data collection from producing institutions and the set of statistics for statistic newsletters have been prepared, and the economic-social trend report has been expanded by using more information.
2. The medium term expenditure framework for 2015-2017 was finalized (ministerial level) and standard form and balance sheet data entry between TOFE and GFS have been prepared.
3. Analytical form and statistical form of commercial payment list for macroeconomic model have been compiled, and annually economic analyzing report has been prepared.

Therefore, we can conclude that strengthening on the preparation of policy and public financial plan could be guaranteed and maintained in this first quarter of 2015 due to the fact that most of the defined supporting activities have already reached the target, and there have been only small amount of activities that have not reached the target yet but will be achieved in the near future. Nevertheless, his result reflects the necessity to continue further attention in implementing this objective, especially strengthening the capacity to prepare and increase efficiency and effectiveness of the macroeconomic policy framework.

4- Strengthening the implementation of financial decentralization policy

Objective 34 of Preparedness for the Next Step consists of 7 activities. Based on the achieved activities in the first quarter of 2015, this objective has been achieved by 88% in which the activities 34.1 has been achieved by 63%; the activities 34.2 has been achieved by 100%; the activities 34.3 has been achieved by 90%; the activities 34.4 has been achieved by 100%; the activities 34.5 has been achieved by 75%; the activities 34.6 has been achieved by 85%, and the activities 34.7 has been achieved by 100%.

According to the achieved result of the indicators of the activities for this first quarter, it is showed that 6 indicators has fully reached the target as follow:

1. Drafted policy on financial decentralization for medium and long term has been prepared.
2. Drafted guideline on budget preparation and implementation of sub-national administration has been prepared and studied the data system with the relevance general department in order to prepare the budget data for sub-national administration.
3. Juridical framework letters to implement policy documents on direct revenue collection of sub national administration have been prepared along with relevant general departments.
4. Drafted conceptual document on investment instruments has been finalized.
5. Guideline on the preparation of the budget strategic plan for sub national administration has been prepared.
6. Drafted conceptual document on the capacity building plan for the general departments' officials to analyze the financial decentralized policy has been prepared.

On the other hand, one indicator of the activities 34.1 has not been fully achieved which is: some juridical framework letters have not been prepared and introduced on time.

So according to the assessment of action and result achieved, we can conclude that strengthening the financial decentralization policy implementation has reached its target for the first quarter of 2015. Plus, the recommendations raised in 2014 progress report have been

implemented in this first quarter of 2015, especially the guideline on the preparation of the budget strategic plan for sub national administration has been prepared and the drafted policy on financial decentralization for medium and long term has been prepared.

Part 4: Supporting the successful and sustainable reform program implementation

Part 4 was established to support the successful and sustainable reform program implementation through two objectives including “increasing leadership and management capacity and building the will of reform as well as increasing ownership and responsibility” and “increasing effectiveness of capacity building and encouragement measure.” Each objective was supported by two implementation activities.

According to the achievability of both objectives, this part has achieved 61% in which the both objectives could be achieved more than 50%; however, for the activities, there is one activities achieving below 50%, and there are three activities achieving below 80%. Meanwhile, there are two general departments which have not prepared any supporting action in this part such as general department of public procurement and general inspectorate.

1. Increasing leadership, adequate capacity, and reform will as well as increasing the ownership and responsibility

Objective 41 of supporting the successful and sustainable reform program implementation consists of two activities. Based on the achieved activities this objective has been achieved by 53% in which activities 41.1 has been achieved by 48%, and activities 41.2 has been achieved by 58%.

Meanwhile, if we look at the consolidated activities supporting this objective 41, there have been only 4 general departments preparing the supporting activities, and there have been three units in the activities 41.1 such as: General Secretariat, General Department of Customs and Excise of Cambodia, and General Department of National Treasury whereas in the activities 41.2, there have been three units preparing the supporting activities including General Secretariat, General Department of Customs and Excise of Cambodia, and General Department of National Treasury.

2. Increasing the effectiveness of capacity building and incentive measure

The objective 2 of supporting the successful and sustainable reform program implementation consists of two activities. Based on the achieved activities this objective has been achieved by 69% in which activities 42.1 has been achieved by 58%, and activities 42.2 has been achieved by 79%.

Meanwhile, if we look at the consolidated activities supporting this objective 42, there have been only 2 general departments not preparing the supporting activities such as General Department of Public Procurement and General Inspectorate. In the activities 42.1, there have been four units not preparing the supporting activities including: General Department of Public Procurement, General Secretariat, General Department of Customs and Excise of Cambodia, and

General Department of State Property whereas in the activities 42.2, there have been five units preparing the supporting activities most of which are the activities implemented in the preparation of incentive provision action plan in the Prakas framework 616 SHV.BrK dated 04 June 2014.

All in all, we can conclude that leadership, management capacity, and cultivation of the reform will; moreover, ownership and responsibility have been established for the year 2015, but general departments which have not prepared any activity to support this objective must start to prepare the activities, especially the activities to support officials' capacity building as well as appoint the officials properly (right appointment and right choice before sending to the training) in order to increase productivity and work effectiveness of the units.

IV. Challenges

- Some general departments have not prepared any activities to support the introduced activities and objectives.
- Some general departments have not implemented the activities introduced in the action plan.
- The interval of quarterly revenue planning and revenue plan implementation is still bigger than +/- 5%.
- Economic and Public Finance Policy General Department is not well informed by the General Department of Taxation and General Department of Customs and Excise of Cambodia in order to improve income projecting model
- Lack of human resource to manage and lack of budget for wide area network (taxation)
- Knowledge of the experts is still limited on audit, gambling technics and money laundering, and financing the terrorism (financial industry)
- Training by Contractor is not adequate for FMIS working group, and Contractor does not have sufficient capacity to share the knowledge to the main officials.
- Managing the changes for FMIS plan is late because of waiting for signing from the relevant general departments on the procedure document to implement the works, but there is not effect on the process of the whole plan, and
- IT instruments of municipal-provincial treasury are still limited.

V. Recommendation

- General departments which have not held the monthly meeting on the reform should prepare the meeting plan in order to monitor and track the introduced reform activities.
- General department should prepare adequate, clear, consistent, and comprehensive activities, indicators and objectives of the indicators.
- Take strict actions in order to end the chronic challenges in getting and providing the data as well as internal coordination of the general department.
- Revenue collection units should prepare effective revenue projection model with the cooperation and technical assistance of policy general department.

- Have the mechanisms to coordinate the preparation of consolidated procedure of the implementation of program-based budgets between general department of budget and general department of national treasury on the consolidated procedure of the implementation of program-based budgets has not be consistently and fully prepared.
- Prepare and implement the officials' capacity building plan of sub-national administration of the financial general department in the preparation of budget strategic plan.
- Continue to foster the preparation of all components in order to introduce FMIS Go Live plan in July 2015.
- Prepare the evaluation on the performances of the previous training and the introduction of consolidated mechanisms and methods of the evaluation on the needs of training of the general department/units under the supervision of MEF in order to encourage the government officials and to increase working performance.

VI. Conclusion

Progressive report for the first quarter of 2015 of the implementation of action plan, stage 2 new of public financial management reform program in this first quarter of 2015 showed that:

- Budget credibility has still been essentially maintained, but it is not yet stable by achieving 91% of the objective.
- Financial accountability has still been guaranteed, but it has not reached the target just yet by achieving 76% of the objective.
- Preparedness for the next step has still been guaranteed, but it has not reached the target just yet by achieving 83% of the objective.
- Supporting the implementation of successful and sustainable reform program has not yet been maintained in this first quarter by achieving 61%.

In overall, progress result for the first quarter of 2015 of the implementation of public financial management reform program has still been maintained even though it has not reached the targets of the comprehensive key performance indicators just yet, and it is necessary to deal with the raised challenges and follow the provided recommendations.