MINISTRY OF EDUCATION, YOUTH AND SPORT

BUILD BRIGHT UNIVERSITY

SCHOOL OF DOCTORAL STUDIES

TEP SETHANNA

A STUDY OF BUDGET SYSTEM REFORM STRATEGY OF PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM IN CAMBODIA

THESIS SUBMITTED FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

SPECIALIZATION

IN MANAGEMENT

PHNOM PENH-2025

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UNDER THE GUIDANCE OF

ASSOC. PROF. (DR.) YEAN RITHY

PHNOM PENH-2025

Declaration

I do hereby declare that except otherwise stated the thesis entitled "A Study of Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia" is based on my work experiences, and the same has not been submitted either in part or in full for the award of any other degree of any other university.

Mr. Tep Sethanna

MINISTRY OF EDUCATION, YOUTH AND SPORT

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Certificate

This is to certify that the thesis entitled of "A Study of Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia" written and submitted by Mr. Tep Sethanna towards the fulfillment of the requirement of the Degree of Doctor of Philosophy in Business Administration to Build Bright University, Cambodia is a record of genuine research work carried out under my guidance and supervision. To the best of my knowledge, the thesis or a part thereof has not been submitted to any other University/Institution for any degree. This thesis deserves meritorious consideration.

Assoc. Prof. Dr. Yean Rithy

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List of Abbreviations

ADB	Asian Development Bank
ADF	Asian Development Fund
AFTA	Asian Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ABPP	Annual Budget Preparation Process
BSRS	Budget System Reform Strategy
BSP	Budget Strategic Plan
BPA	Budget Preparation and Approval
BSA	Budget Scrutiny and Approval
BEC	Budget Execution and Control
BME	Budget Monitoring and Evaluation
BC	Budget Credibility
BPL	Budget -Policy Linkages
CMPS	Council of Minister's Plenary Session
CNSD	Concept Note for Strategic Direction
CBSR	Cambodia Budget System Reform
CMC	Change Management and Communications
CEPB	Country Experiences in Performance Budgeting
CAP	Consolidated Action Plan
CA	Chart of Accounts
DPB	Direct Performance Budgeting
DP	Development Partner

EOT	Enhancement of Transparency
EMB	Execution and Monitoring of Budget
EFI	Establishment of Financial Inspection
FMIS	Financial Management Information System
FA	Financial Accountability
FC	Financial Controller
GDNT	General Department of National Treasury
GRPA	General Regulations of Public Accounting
GFS	Government Finance Statistics
GS	General Secretariat
IMF	International Monitoring Fund
IPSAS	International Public Sector Accounting Standards
LFB	Legislation Framework for Budget
LM	Line Ministry
LNPSP	Linkage of National Priorities and sector Policies
MEF	Ministry of Economy and Finance
MTBF	Medium-term Budget Framework
MTFF	Medium-term Fiscal Framework
MEB	Monitoring and Evaluation of Budget
MTEF	Medium-Term Expenditure Framework
NSDC	Note on the Strategic Direction of Cambodia
NBC	National Bank of Cambodia
NSDP	National Strategic Development Plan
NAA	National Audit Authority

NA	National Level
PFMRP	Public Financial Management Reform Program
PFMRSC	Public Financial Management Reform Steering Committee
PB	Performance Budgeting
PIB	Performance Inform Budgeting
PBIE	Performance Budgeting and International Experiences
PERS	Public Expenditure Review in Sector
PPB	Program on Performance Budgeting
PEFA	Public Expenditure and Financial Accountability
PBB	Performance-Base Budgeting
PA	Performance Accountability/ Public Accountant
PDEF	Provincial Department of Economy and Finance
RGC	Royal Government of Cambodia
RMSG	Road Map Toward the Strategic Goal
RS	Rectangular Strategy
SNBSR	Sub-National Budget System Reform
SCBM	Skills and Capacity in Budget Management
SBEM	State Budget Expenditure of Ministries
SPS	Strategic Planning Stage
SNA	Sub National Administration
TIA	Timeframe and Implementation Approach
TSA	Treasury Single Account
WB	World Bank

ABSTRACT

The Royal Government of Cambodia (RGC) launched the Public Financial Management Reform Program (PFMRP) in 2004 with the objective of transforming Cambodia's public financial management system step by step to meet international best practices and standards (RGC-2010). The PFMRP has been designed as a comprehensive long-term undertaking, sequenced into four stages to build on platforms from the ground up. The first stage (2005-2008) focused on building the foundation of the first platform on budget credibility; the second stage (2009-2014) laid out the foundation of the second platform on financial accountability while enhancing the first platform and preparing for the third platform; the third stage (2015-2020) focuses on establishing budget-policy linkage while strengthening the first two platforms and paving the way for the fourth platform on performance accountability (RGC-2018). The last stage (2021-2025) of Public Financial Management (PFM) reform is expected to focus on performance accountability while further strengthening the three previous platforms. On December 5, 2004, Samdach Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, outlined the approach, dividing it into four stages:

1. **First Stage:** "Budget Credibility" (2005-2008)
2. **Second Stage:** "Enhancing Financial Accountability" (2009-2014)
3. **Third Stage:** "Establishing Budget-Policy Linkage" (2015-2020)
4. **Fourth Stage:** "Performance Accountability" (2021-2025)

As mentioned, the implementation of the PFMRP is undertaken in a stage-wise approach, with each stage focusing on one specific platform while continuing to strengthen previous platforms. This approach is conducive to gradual implementation, ensuring strong and effective linkages from one platform to another. To achieve this objective, a **Public Financial Management Reform Program (PFMRP) Steering Committee** has been established to assume responsibility for formulating, implementing, and monitoring the PFMRP.

The platform strategy and stages of PFM reforms are undertaken stage-wise, with each stage focusing on one platform while building the foundation for the next platforms, sliced into four frames corresponding to the four stages of the PFMRP. This method allows for the gradual implementation of each platform across a longer timeframe, providing linkages among the four platforms and continuous strengthening of the reforms. The Steering Committee is chaired by the Senior Minister of the Ministry of Economy and Finance (MEF) and has a permanent General Secretariat tasked with coordinating the implementation of the whole PFMRP. Each Line Ministry has also created a PFM Working Group, chaired by a secretary or Under-Secretary of State, to oversee the reforms under their respective mandates.

Each stage has a Consolidated Action Plan (CAP) as a guide for implementing reform activities (BSRS-2018-2025). These CAPs are reviewed annually with discussions and consultations involving all ministries, institutions, and stakeholders. After the successful completion of the Consolidated Action Plan for Stage 1 (CAP-1) and Stage 2 (CAP-2) in 2015, the MEF assessed the public financial management system using the "Public Framework," with the

involvement of the IMF's regional public financial management adviser and other international experts. The results from this assessment formed the basis for preparing the Consolidated Action Plan for Stage 3 (CAP-3), which was launched at the beginning of 2016.

Overall, the progress in the first platform and the first stage of PFMRP implementation was very good. Remarkable progress includes successful resource mobilization, more comprehensive and realistic budget preparation, and enhanced effectiveness of budget implementation. The tax revenue outturn grew at an average of 17.5% annually, while non-tax revenue increased by 16.9% annually. In terms of budget formulation, the budget cycle was defined more clearly, a Budget Strategic Plan (BSP) and new economic classification were introduced, capital expenditure information was included in the draft Annual Budget Law, and a summary of the Annual Budget Law was prepared and disseminated more widely to the public (RGC-2015).

Regarding budget execution, a Treasury Single Account (TSA) that merged all government accounts was created, and an integrated external funding data system was developed. Mid-year reviews were conducted at the beginning of the second semester, in-year additional credit was limited not to exceed the non-allocated credit amount, non-wage expenditure execution improved, and procurement measures were updated to include requirements for procurement plans, reports, and post-implementation monitoring. The quarterly revenue and expenditure program became part of routine work, cash management units performed their tasks well, and arrears were completely eliminated. Under Stage 1, six preparatory works for the next platform were carried out, including

the development of a medium-term revenue mobilization strategy, expenditure tracking surveys in the education and health sectors, introduction of internal audit, development of program budgeting pilots, development of a Financial Management Information System (FMIS) implementation plan, and preparation of a capacity development strategic plan.

Subsequently, the second phase focused on Platform 2, which aimed to build financial accountability. A new budget classification was introduced, enhancing the functions of auditing, reporting, and transparency, and facilitating budget operation and implementation with tools to promote accountability. Overall, to develop Platform 2, necessary components of the public financial management system and FMIS were launched to strengthen accountability in financial management (MEF-2016). The second phase was considered essentially successful, although some activities were not completed fully as planned, such as delays in launching FMIS and developing other financial accountability instruments. FMIS was launched on a pilot basis at the end of 2015, comprising six functions: budget allocation, general ledger, expenditure commitment and procurement, accounts receivable, accounts payable, and cash management. At the same time, the achievement of budget credibility was maintained with improved revenue mobilization, efficient budget execution, and strengthened cash management (RGC-2015).

Research on the Budget System Reform Strategy of the Public Financial Management Reform Program has been undertaken in Cambodia to address the following questions:

1) What are the basic concepts and conditions of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia?

2) What is the implementation process of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia?

3) What are the significant positive points of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia?

The objectives set for the research on the Budget System Reform Strategy of the PFMRP are as follows:

1) To explain the basic concepts and conditions of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia.

2) To discuss the implementation process of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia.

3) To discuss the significant positive points for further improvement of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia.

The research tested the following hypotheses:

Ho1: There is no significant change in the basic concepts and conditions of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia.

Ho2: There is no significant change in the implementation process of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia.

The research utilized both descriptive and quantitative approaches to analyze the data. Secondary data were collected from various sources, including the Ministry of Economy and Finance, the Office of the Council of Ministers, the Council of Jurists, the General Secretariat of the Public Financial Management Reform Steering Committee, the International Monetary Fund, the Asian Development Bank, the FMIS Project Management Working Group, the General Department of Budget, the Department of Policy, the General Department of National Treasury, the General Department of Public Procurement, the General Department of Sub-National Administration Finance, Government Financial Statistics, the World Bank, and the Internet. Primary data were collected from the Ministry of Economy and Finance (MEF) and selected line ministries: 6 out of 15 General Departments, 14 out of 22 Departments, and 19 out of 39 Line Ministries at the time of the survey. These categories of respondents were selected through a proportional stratified random sampling method. The research used tables, charts, and simple calculations like averages and percentages to analyze the data.

Analysis of the literature shows that the Budget System Reform Strategy (BSRS) of the Public Financial Management Reform Program (PFMRP) is a long-term mechanism of the Royal Government of Cambodia (RGC) to examine the budget system reform required to move from traditional, centralized, input-oriented systems to more modern, best practice, devolved, performance-based systems. It identifies a strategy based on recent reform attempts in emerging market economies and stresses the necessity of sequenced steps in this process. The BSRS emphasizes the need to progress on all three fronts simultaneously among ministries and line ministries while grounding these reforms in firm management skills. In June 2013, the RGC approved the "Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020" to guide and direct the implementation of Stage 3: "Budget-Policy Linkages" of the PFMRP based on the previous phases. The Concept Note is a key document steering budget system reforms to date.

The implementation over the last three years, especially following the pilot of full-fledged Program Budgeting in some line ministries (LMs), has provided the RGC with a better understanding of the challenges in implementing Performance Budgeting (PB). During that time, management and senior officials of the MEF undertook study visits to selected countries to gain insights into their experiences with performance budgeting. The knowledge gained from these study visits, coupled with findings from the Program Budgeting Review, concluded that the Strategic Direction of Budget System Reform in Cambodia needs to be adjusted to become more realistic and practical.

The findings also highlighted the necessity of reviewing the objectives and scope of the reforms to align with the current best international practices. Particularly for the budget system at the sub-national level, the Concept Note pointed to reform directions aligned with the national budget system, emphasizing that:

1. The objectives of sub-national policy need to align with national policy objectives/priorities and the administrative management structure defining the roles, authority, and responsibilities of sub-national administration.
2. Gradual changes in the budget cycle of the sub-national administration need to align with the national budget cycle.
3. The financial accounting system and management of the sub-national administration need to align with the national budget cycle.
4. The financial accounting system and management of the sub-national administration need to align with the national level by using the same budget classification, chart of accounts, and reporting formats.

The findings from these studies suggest that the objectives and scope of the reforms in the sub-national budget system remain valid and relevant and do not require any revision.

CHAPTER I

INTRODUCTION

1.1 Background of Research

The Background of The Public Financial Management Reform Program was subsequently promulgated by Samdech Techo Prime Minister, Phase 1 on December 5, 2004, and Phase II on December 3, 2008 (PFMRP-2009). For the first phase, the main goal is "Increasing the Budget Credibility", giving priority to strengthening the collection and management of revenues, strengthening financial management and improving the implementation of the budget. In line with this goal, in the first phase, they have put forward and promoted a number of measures that will lead them to solve the debt and debt problems. Lack of cash. After four years of implementation and seeing budget reliability on the ground, we have introduced "the second phase of the Public Financial Management Reform Program". For Phase 2 the main goal is "to improve financial accountability," with emphasis on the design improvements and consolidation of records and accounting and financial reporting to more accurately provide accurate and timely manner in accordance with international standard, meanwhile, need to strengthen the credibility of the budget to grow further, particularly on strengthening the asset Project income and expenses to be more accurate. They have spent over six years preparing the components for building the "the core of the overall public financial management system." Preparation Phase 3 "Budget-Policy Linkages" shows that their reforms are an important step is to start to change in part by one of the current budget through the budget for implement the contents new accounting standard layout and a new accounting unit budget and the budget enforcement procedures, along with an information system Math for Public Financial Management Phase 1 and

start expanding and strengthening financial systems to complete the steps of the ministries and institutions at all levels, both national and sub-national level, starting from 2015 until 2018, in accordance with the "concept of the strategic directions of the 2013-2020 budget reforms" for the purpose of stepping layered this is to change the entire budget system from the "Input and Outreach Budget System into the Income-base Budgeting and Decentralization System" by 2020 (BSRS-2018-2025). Making this change is the core task of the third phase of their Public Financial Management Reform Program, which identifies key budget linkages. Then, as planned, from 2020, they will continue to strengthen and expand the program system gradually towards the "acceleration of accountability" of the entire public financial management system in 2025, which is the main objective of the final stage, phase IV of the Public Financial Management Reform Program (BSRS-2018-2025).

1.2 Statement of the Problem

As mentioned above and in the abstraction paragraphs, the implementation of the PFMRP is undertaken stage wise approached with each stage focusing on one specific platform while continuing to strengthen previous platforms and also stay ready to build the foundation for the next platform. As it is a long-term reform program, such an approach is conducive for gradual implementation to ensure strong and effective linkages from one platform to another. To achieve the above objective, a "Public Financial Management Reform Program (PFMRP) Steering Committee" has been established to assume

responsibility of formulating, implementing and monitoring the implementation of the PFMRP (BSRS-2018-2025).

The Law on Public Financial Management System, adopted in 2008, paved the way for the budget system reform with the introduction of Budget Strategic Plan (BSP) and the piloting of Program Budgeting. In June 2013, the RGC approved the *"Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020"* to guide and direct the implement of Stage 3 of the PFMRP (RGC-2010). The Concept Noted is a key document for steering budget system reforms to date. The implementation over the last three years, especially after the piloting of full-fledge Program Budgeting in some Line Ministries (LMs), the RGC has a better understanding about the challenges in the implementation of Performance Budgeting (PB). During that time, the management and senior officials of MEF undertook study visits to a number of selected countries to gain insights from their experiences in the application of performance budgeting. The knowledge gained from these study visits, couple with the findings of the Program Budgeting Review, have drawn an overall conclusion that the *Strategic Direction* of Budget System Reform of Cambodia needs to be adjusted to become more realistic and practical (RGC-2010). This chapter reviews the current Concept Note, the experiences and lessons from practical implementation from other countries, the justification for a move toward performance informed budgeting in 2025, and an explanation of the strategic objectives of 2018-2025 Budget System Reform Strategy. "The Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020" sets out the objectives of gradual changes from "an input based

and centralized budget system towards a performance based and decentralized budget system" by 2020. With this goal, the Concept Note sets out the objectives and scope of the reforms under the framework of the budget cycle namely budget formulation, approval, execution and performance monitoring and evaluation. Up to this point, the objectives and scope related to the first three stages are generally still appropriate in the current context of Financial System Reform. Particularly, with the establishment of a performance monitoring and evaluation system as an objective of Stage 4 there is not much activity yet. However, the findings on the experiences in the implementation of program and performance budgeting from the visits to other countries that implement program and performance budgeting pointed out the necessity to review the objectives and the scope of the reforms to be appropriate with current best international practices (RGC-2010).

In order to achieve the concepts and objectives of the Budget System Reform Strategy 2020, the RGC shall set out a number of strategies, such as the strengthening and improving the effectiveness of the Budget Strategic Plan (BSP), extending the implementation of the Piloting of Program Budgeting, launching Budget Entities, implementing a new budget classification along with the revised chart of accounts, as well as, enhancing and expanding the implementation of the FMIS, coupled with the preparation for the implementation of a performance-based budget system from year 2020 onward. Overall, this Concept Note proved useful in guiding budget system reforms based on a step by step and gradual implementation approach in line with PFMRP and up to now it has proved to be in the right direction. This kind

of approach provided suffice time for changes in the budget system and enabled all stakeholders to learn and gain practical experiences from one stage to another (PFMRP-2009). After two years of piloting comprehensive program budgeting, the review findings both, by PFMR Steering Committee and the World Bank (WB) under the PRMRP framework, concluded that "Cambodia had made good progress in implementing program budgeting" (WB-2018). The review found that one of the key progresses was the introduction of the Strategic Budget Plan (SBP). The setting of policy goals, programs, and indicators in the BSP were recognized as a positive feature for further promoting the focus on performance. Improving the conditions of budget estimation provided enabling environment for budget planning (PFMRP-2009).

In fact, after completing the piloting stage of partial program budgeting in 2014, the full-fledge piloting of program budgeting was introduced to 10 LMs in 2015 and expanded to 36 LMs/institutions in 2017, along with initial implementation in six provincial administrations as well. Following this direction, all ministries and institutions will be required to implement full objectives programs, sub-programs and activities for budget negotiation, and be directly implemented by the budget will continue to be prepared on an online-item basis and remains the official budget document to be submitted to the legislative Body for review and approval (BSRS-2018-2025).

The roll-out of the program budgeting and budget entities are working well with annual budget preparation becoming more comprehensive and realistic. The determination of the number of policy objectives, programs, sub-programs in the BSP have made the preparation and implementation of program budgeting

more efficient and manageable. In addition, MEF provided substantial amount of training, technical support and guidance to LMs which improved the implementation of program budgeting, and in turn, the implementation of program budgeting gained active support and participation from LMs, both at political and technical levels. Seven budget classifications namely economic, administrative, functional, geographical, program, source of budget, and project and project classification were put into practice. FMIS was officially launched in 2015 and deployed to all general departments of MEF and all capital and provincial treasuries 2016 (PFMRPSC-2010). In fact, there is no clear definition or technical standards for performance-based budgeting system. Performance budgeting reform is sometimes called "Performance or Result Based Budgeting System", "Program Budgeting System" or Performance Informed Budgeting System". Many countries, both developing and developed, have been using different models of performance budgeting system based on the country's stage of development, its institutional setup, and legislative power (BSRS-2018-2025). Based on a publication by MEF (MEF-2016), performance budgeting can categorize into three models as follows:

1) Presentational Performance Budgeting: In this model, performance information is illustrated in budget documents or other government documents. Performance information refers to target or result or both and it is included as background information for accountability and for discussion with legislators and the public-on-public policies. Such performance information does not have any formal impact on the decisions made in the budgeting process.

2) Performance Informed Budgeting: In this model, budget resource preparations are indirectly linked to the proposed performance or past achievements by ministries and government agencies. Performance information has an important role, but does not have a pre-determined weight, nor is it an absolute factor for making decisions on budget allocation. In this sense, performance information is not the only basis, but it needs to be used along with other information related to political and economic aspects and policy priorities for decision making on budget or resource allocation.
3) Direct Performance Budgeting or Performance Based budgeting: In this model, resource allocation is made directly and explicitly based on the unit of performance to be achieved, generally referring to outputs achieved in the year.

Up to now, the options for Cambodia, under the current framework of PFMRP, Cambodia has been working to reform its budget system towards "Result-based or Performance Budgeting". While the reforms were considered to be on the right track, the current critical issue for Cambodia is to review this ambitious goal based on its own experiences of actual implementation and based on recent international best practices (GSSC-2014). In the result-based management system, planning, human resource management as well as budget management are directed and aligned among themselves to achieve the policy objectives of the government with reliable database system for decision making. Heads of budget entities were well trained and delegated with sufficient authority to manage budget and resources. Currently, Cambodia lacks

these prerequisite requirements as a basis for implementing result-based management system. This means that Cambodia is not yet ready to implement performance-based budgeting system in the medium-term. In other words, "direct performance budgeting system", which is a model of performance budgeting system, will not be an option for Cambodia (RGC-2021-2035). In this research, will study the reform program of Budget System Reform Strategy conducted by senior management, professional officials, and experts from the World Bank under the framework of the PFMRP recommended that RGC should adjust the direction of its budget system reform from "Performance or Result Based Budgeting System: to Performance Informed Budgeting". The setting new direction and timeframe for Budget System Reform, The Concept Note on the Strategic Direction of Cambodia's Budget System Reform (MEF-2013-2020) has set the target of achieving "Performance Based Budgeting" by 2020. However, based on the review research as mentioned above, it concludes that this timeframe is not appropriate in the Cambodia context. Thus, with the decision to choose "Performance Budgeting" as the specific goal, RGC has decided to develop a long term and comprehensive budget system reform strategy with appropriate timeframe to make gradual and realistic change of the system. As the Budget System Reform is at the heart of PFMRP (MEF-2016), it could not be isolated and out of synergy with the other reforms under the PFMRP. This reform will require support from other major reforms such as public administration reform, decentralization and de-concentration reform, strengthening national strategic development plan and strengthening audit function. In this regard, the strategy for this reform must provide a holistic

approach to ensure that other reforms under PFMRP and other major reforms of the RGC, are mutually linked, synchronized and complementary to each other. The strategy of the Cambodia Budget System Reform will mainly focus on national budget system but also provide the principles and guidance for budget system reform of the sub-national administration in order to achieve the collective results and policy objectives of the nation through the integration of planning, budget management, and reporting system by using a harmonized approach. This approach should not affect the ongoing reform process of decentralization and de-concentration but at the same time help further smoothing functions transfer and delegation of budget execution to sub-national administration. Based on overall assessment of the current status and the complexity of the reforms that will be implemented in the framework of "Performance Budgeting" system, the most appropriate time frame to achieving this goal is 2025. The Budget System Reform Strategy will therefore cover the reform agenda from 2018-2025 known as the "Budget System Reform Strategy 2018-2025 (BSRS)" as an orientation principle for public financial management of RGC and requires all stakeholders to review their own reforms to be consistent both in term of principle and timeframe matching with this strategy.

1.3 Research Questions

The research answers the following questions:

i. What are the basic concepts and conditions of the Budget System Reform Strategy of PFMRP in Cambodia?

ii. What is the implementation process of the Budget System Reform Strategy of PFMRP in Cambodia?

iii. What are the significant positive points of the Budget System Reform Strategy of PFMRP in Cambodia?

1.4 Research Objectives

The Objectives of Budget System Reform Strategy of PFMRP focused on the budget policy linkage with three broad objectives as below:

i. To explain the basic concepts and conditions of the Budget System Reform Strategy of PFMRP in Cambodia.

ii. To discuss about the implementation process of the Budget System Reform Strategy of PFMRP in Cambodia.

iii. To discuss about the significance positive points for further improvement of the Budget System Reform Strategy of PFMRP in Cambodia.

1.5 Hypotheses of Research

The research has tested the following two null hypotheses:

Ho1: There is no significant changed in the basic concepts and conditions of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.

Ho2: There is no significant changed in implementation process of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.

1.6 Significance of the Research

The research would produce data with high internal validity, which is essential to understand the governance and the process of Public Financial Management Reform Program. The findings of the research would help to improve Cambodia's Budget System Reform Strategy. Information relating to importance of the progress of PFMRP and its different dimensions in Cambodia, contribution of PFMRP for strengthening budget credibility by revenue management, debt management, cash management, and strengthening financial accountability via the implementation of budget classification, launching of the new budget system and operation system; and strengthening of the report system and financial accountability as well as the internal audit function. As this is systematic research on Budget System Reform Strategy (BSRS) of PFMRP in Cambodia 2005 to 2025, researchers, academicians, lecturers, students, and officials of national and international organizations having interest on this topic would be immensely benefited from this research.

1.7 Scope and Limitations of Research

The research study specifically has been surveyed only in the six General Departments and fourteen Departments in Ministry of Economy and Finance (MEF) and nineteen Line-Ministry, have not made directly research on other countries that have Public Financial Management Reform Program (PFMRP). The research has used the secondary data relating to the BSRS of PFMRP over the period of 2005-2025 for a whole till the end period of survey, the secondary data relating to PFMRP in Cambodia were official available for

the period 2005-2025. Further, primary data have been collected from General Departments, Departments and Line-Ministry in among of 6 General Departments, namely, (i)-General Department of Budget, (ii)-General Department of Sub-National Administration Finance, (iii)-General Department of Public Procurement, (iv)-General Department of Customs and Excise, (v)-General Department of Taxation, (vi)-General Department of National Treasury, in each 14 Departments and 19 Line-Ministry which were fully operated during the time of research, have been selected for the research purposes. The sampling and sample size selected above, the research has been selected from General Departments: 6 General Directors, 9 Deputy General Directors, 19 Officials; Departments: 14 Chiefs of Department, 18 Deputy Chiefs of Department, 22 Officials; and Line-Ministry: 19 Chief of Office, 36 Deputy Chief, and 46 Officials will be surveyed through direct personal interview method. For 23 Line-Ministry's representatives, census method will be used as this number of each Line-Ministry was in operation during the time of survey. However, there is enough scope for other researchers to undertake research on the related topics of the present research. The research on Budget System Reform Strategy (BSRS) in any purpose like how to keep strengthening budget credibility by strengthening management revenues, dept and cash, and improving budget execution and how to strengthen financial accountability through improving budget classification implementation, launching the new budget system, operation system, strengthening reporting system, enhancing the functions of internal audit and others. More detailed research can also be done on BSRS in a particular entity activity in the Cambodia country. Similarly,

there is also scoped to undertake comparative research on PFMRP among the ASEAN countries, and in the world.

1.8 Lay-Out of Research

The research consists of six chapters, which are as follows:

Chapter One Introduces the subject matter of the research. This includes statements of the problem, research questions, objectives, hypotheses, significance and scope and limitations of the research.

Chapter Two reviews the related literatures of the study. The chapter consists of two parts. The first part is conceptual reviews, and the second part reviews the empirical research already done before.

Chapter Three explains the details of the research methodology of the research.

Chapter Four discusses on the Budget System Reform Strategy in Cambodia.

Chapter Five makes the data presentation and analysis

Chapter Six summarizes the main findings of the research and provides recommendations for further improvement of the next special platforms and stages after 2025.

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CHAPTER II

REVIEW OF LETERATURE

The present chapter has reviewed the related literature of the research. This includes three parts. In the first part, theories of Budget System Reform Strategy, including concept and process of Budget System Reform Strategy, and theoretical framework of Budget System Reform Strategy flows and growth have been discussed. Empirical reviews of related literature have been discussed in the second part. In the last part, experiences of Budget System Reform Strategy of Public Financial Management Reform Program in different countries have been mentioned. The main objective of this literature review is to provide a synthesis of current research and identify the Budget System Reform Strategy of the Public Financial Management Reform Program in order to help explain the main concepts and process of BSRS in PFMRP. Given the broad nature of the topic, the review does not deal with any one issue in detail. Moreover, to make the survey accessible to a multidisciplinary readership, efforts have been made to present the more abstract and technical research in a non-technical way. Detailed references and reading lists are provided for those readers who would like to obtain more information.

2.1 Concept of Budget System Reform Strategy

A Budget System Reform Strategy BSRS of Public Financial Management Reform Program (PFMRP) is a long-term mechanism of the Royal Government of Cambodia (RGC) to examines the process of budget system reform required to move from traditional, centralized input-oriented systems to more modern best practices, devolved, performance-based systems. It identifies a strategy based on recent attempts at this reform in emerging market

economics and stresses the required sequencing of steps in this process. The BSRS is concentrating on the need to progress on all three fronts simultaneously on Ministries, Line-Ministry (LM) and base these reforms on a firm platform management skill. It highlights the need to attain some basic PFMRP thresholds in the area of restructuring the budget and its classification system, to improve the accounting system, to develop a financial Management information system (FMIS), and to strengthen internal financial management skills (BSRS-2018-2025). Otherwise, The BSRS concept is based on the Law on Public Finance System, adopted in 2008, paved the way for the budget system reform with the introduction of Budget Strategic Plan (BSP) and the piloting of Program Budgeting of the Royal Government of Cambodia, Public Financial Management Reform Programme, Stage-2, Building on Improved Budget Credibility toward Achieving Better Financial Accountability (RGC-2010). In Jun 2013, the RGC approved the "Concept Noted for Strategic Direction of Cambodia's Budget System Reform 2013-2020" to guide and direct the implementation of Stage 3 "Budget-Policy Linkages" of the PFMRP based on the previous Phase 1 and Phase 2. The Concept Note is a key document for steering budget system reforms to date. The implementation over the last three years, especially after the piloting of full-fledge Program Budgeting in some Line Ministries (LMs), the RGC has a better understanding about the challenges in the implementation of Performance Budgeting (PB) (GS-PFMSC-2014). During that time, the management and senior officials of MEF undertook study visits to a number of selected countries to gain insights from their experiences in the application of performance budgeting. The knowledge gained from these study

visits, coupled with the findings of the Program Budgeting Review, have drawn an overall conclusion that the Strategic Direction of Budget System Reform of Cambodia needs to be adjusted to become more realistic and practical (RGC-2013-2020). This Chapter reviews the relevant objectives of the current Concept Note, the experiences and lesions from practical implementation from other countries, the justification for a move toward performance informed budgeting in 2025, and an explanation of the strategic objectives of 2018-2025 Budget System. The Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020 sets out the objectives of gradual changes from "an input based and centralized budget system towards a performance based and decentralized budget system" by 2020 (RGC-2013-2020). With this goal, the Concept Note sets out the objectives and scope of the reforms under the framework of the budget cycle namely budget formulation, approval, execution and performance monitoring and evaluation. Up to this point, the objectives and scope related to the first three stages are generally still appropriate in the current context of the Financial Management System Reform Program. Particularly, with the establishment of a performance monitoring and evaluation system as an objective of Stage 4 there is not much activity yet. However, the findings on the experiences in the implementation of program and performance budgeting from the study visits to other countries that implement program and performance budgeting pointed out the necessity to review the objectives and the scope of the reforms to be appropriate with current best international practices.

Particularly for budget system at the sub-national level, the Concept Note pointed to the reform directions aligned with the national budget system as follows:

The objective of the sub-national policy needs to be aligned with the national policy objectives/priorities and in accordance with the administrative management structure that defines the roles, authority, and the responsibilities of sub-national administration (GSPFMRSC-2015):

1) Gradual changes of the budget cycle of the sub-national administration need to be aligned with the national budget cycle.
2) The financial accounting system and management of the sub-national administration need to be aligned with the national budget cycle.
3) The financial accounting system and management of the sub-national administration need to be aligned with the national level by using the same budget classification, chart of accounts and reporting formats. For this direction, the finding from the studies suggested that the objectives and scope of the reforms in the sub-national budget system remain valid and relevant and do not need any revision.

Review of Public Financial Management Reform Literature, the effective Public Financial Management Reform Program (PFMRP) systems are required to maximize the efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long-term economic success. Recent literature has highlighted the importance of sound PFMRP systems to service delivery, poverty reduction and the achievement of the millennium development goals (MDGs). In recent years, a significant amount of literature has been written on the topic of PFM reform; however, no work has been carried out recently to synthesis either its main theoretical approaches or evaluation findings (DID-2009). The triggers for PFM

reform include fiscal crisis, public pressure, donor pressure, political change including post-conflict situations and the demands of regional affiliations such as European Union (EU) accession (EU-2018-2019). In a post-conflict situation, for example, the establishing of an overall framework for PFM reform and economic management is considered to be an important first step for sustainable peace as well as economic growth. During the past several years, the developing countries began to review the management of their public sector. This led to the development of the New Public Management (NPM) model, which emphasizes managerial accountability, and was accompanied by the introduction of financial management measures, often referred to as New Public Finance Management (NPFM) (OECD-Jul-2014). Reviews in some countries show that the precises direction and speed of these PFM reforms were influenced by the country's political and social heritage. The measuring change of PFM reform, despite the level of investment in PMF reform in both developed and developing countries, monitoring and evaluation appears to have been comparatively weak. Until recently, assessment of PFM reform progress has been hampered by the lack of performance-based indicators. The reform experience mostly is a long-term endeavor, or even a continuing process of improvement. Progress assessments for heavily indebted poor countries show limited, but uneven progress and stress the need for realistic timescales. Unrealistic timescales were identified as one the reasons for many PFM reform failures. Most reforms fail not because of the contents or technical aspects of the reform programmes, but because of the way in which they were implemented (OECD-Jul-2014). Evaluations have shown, in particular, the PFM

reform programmes need to be country-specific, as they cannot be divorced from their historical, political and social heritage. The cross-cutting issues of PFM reforms in developing countries concentrated on technical issues, second-generation reforms have recognized the need to enhance the role of the legislature and thus improve domestic accountability. In developing countries, many donors have been promoting changes in legislation, but the literature notes that lack of compliance is often the major issue, and new legislation alone is unlikely to achieve desired results. The challenge of any reform is not failures, but the ability to learn from the mistakes. Several of the most recent studies appear to have very similar messages to those finalized five or ten years ago, particularly on the need to proceed slowly. Evaluation of 'first generation' implementations of FMIS highlighted a number of critical success factors; however, no evaluation appears to have been carried out on whether lessons have been learnt (DID-2009).

2.2 Public Financial Management Reform Program Background

The Royal Government of Cambodia (RGC) has long been recognized the fundamental importance of improving its public financial management policies and systems and some necessary measures have been set out and implemented since the 1980s especially in the area of revenue mobilization and budget expenditure management (RGC-2007). The Ministry of Economy and Finance (MEF) has set out and implemented many activities to strengthen economic and public financial management and establishing good governance systems including (i) macroeconomic policy framework management, (ii)

improving budget system, (iii) modernization tax system, (iv) improving public accounting system, (v) developing audit system, (vi) privatizing public enterprises, and (vii) strengthening state property management.

While remarkable efforts have been devoted and significant achievements have been made, especially in some important areas such as budget management including fiscal framework; budget system management; budget formulation and execution; and treasury operation, tax policy and administration, customs policy and administration, and non-tax revenue collection, considerable challenges and lessons have been faced and learnt. This section provides a summary review of recent progress and challenges in public financial management especially the three core areas of public financial management (revenues policy and administration, public expenditure policy, and public expenditure and financial management) and program implementation and management issues, which has been addressed by the recent integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) and the Technical Cooperation Assistance Program (TCAP) evaluation report (PFMRSC-2004).

2.3 Revenue Policy and Administration

Since 1999 fiscal policy and management have been central to the reform efforts. The critical element of the strategy was to increase revenue to meet expenditure needs. As a result, government revenue strengthened from 8.3 percent of GDP in 1998 to a projected 11.9 percent in 2004. The increase in revenue was mostly due to growth in the tax base. The replacement of the turnover tax and consumption tax on imports with a 10 percent value added

tax (VAT) in 1999 also contributed positively to the revenues increases. At the same time, VAT enhanced the efficiency of the tax system by simplifying the tax structure, widening the coverage and reducing cascading. Overall, tax policy has improved considerably. However, there has been some limited progress in customs and tax administration and non-tax revenue policy and administration. Efforts focused on ensuring a more efficient use of pre-shipment inspection services, and increased transparency to reduce hidden costs in customs procedures. Moreover, anti-smuggling operations were strengthened through enhanced inter-agency cooperation and the establishment of anti-smuggling units in key border provinces. A large taxpayer unit was set up in 2001 and tax payments through banks were introduced for large and medium taxpayers. The General Department of Taxation (GDT) recently introduced several taxes revenue-enhancing measured, such as: improved auditing, strengthened arrears management, strengthened enforcement actions (e.g., seizures of delinquent taxpayer bank and treasury accounts, cessation of import-expert operations, disallowance of import permits, et.), and improved taxpayer registration. As a result of these initial steps, collection of tax arrears has begun. However, recent experience suggests that administrative capacity, in terms of systems; legal framework and regulations; and human resources, is acting as the binding constraint on efforts to improve tax and non-tax revenue collection. The core concern is the delay in re-organizing the tax department along functional lines, an inadequate number of professional tax and customs collectors, and the poor incentive structure throughout the revenue collection system (PFMRSC-2004).

2.4 Public Expenditure Policy

Since 1998, the Government has significantly improved the alignment of resources with its developmental objectives by increasing allocations for priority sectors, notably education and health. Government-executed spending on the priority sectors increased from 1.4 percent of GDP in 1998 to 3.2 percent in 2001. Furthermore, as indicated in the National Poverty Reduction Strategy (NPRS) the Royal Government of Cambodia (RGC) intends to continue this strategy, presenting ambitious targets for growth in priority sector spending. The reallocation to the priority sectors was financed through increased growth and revenues, and reduced expenditures in defense and security. Challenges linking policy and expenditure have resulted in significant sectoral differences in the effectiveness of expenditures in improving social welfare outcomes, thus pointing to expenditure management as the key constraint. In education steady progress has been made since 1999, in expanding educational opportunities by increasing total enrolment. However, net enrolment ratios and the completion rate at the primary level are relatively low. Moreover, quality continues to be a concern. There have also been some significant achievements in the health sector, including a decline in the level of some communicable diseases and expansion of physical coverage of the system. However, the sector needs to improve access to services, which remains low and uneven, and rectify the imbalance int eh incidence of spending. In the roads sector, though a start has been made on reconstruction and rehabilitation, the state of the road network remains poor. Significant increases in maintenance expenditure are required (RGC-2010).

A critical first step is to strengthen management of the Fund of The Repair and Maintenance of Roads (FRMR) by enabling them to carry out financial and performance audits of its expenditure program. In the agricultural sector the lack of both clear sector policy and output information makes evaluation of impact difficult. Recent experience suggests that in order to reach stated poverty reduction goals, it will be necessary to improve the effectiveness of spending by linking it more closely to priority outcomes (PFMRP-2009).

Increased effectiveness can be attained by improving the pro-poor targeting of resources through more tightly linked sector plans and budgets. Public expenditure and financial management have thus emerged as the first priority of the reform program. Without expenditure management reform, the impact of further improvements in expenditure policy will be limited (PFMRSC-2004).

2.5 Public Expenditure and Financial Management

The RGC has placed public expenditure and financial management reform squarely on its development and poverty reduction agendas. Recent initiatives have built on a previous round of reforms, launched after the promulgation of the Organic Budget Law in 1993, which established the institutional architecture for budgeting, planning and budget execution. Priority was given to the development of systems that guarantee budgetary discipline, through a process of commitment control and centralized payments system. These reforms achieved their objective in delivering with the exception of a period of fiscal instability following the disturbances of 1998 budgetary restraint, reflected in current balances of over 1.2 percent of GDP in each of

the last four years. They have also been instrumental in increasing expenditure on the priority sectors of education; health; agriculture; and rural development, while reducing spending on defense and security. It has become increasingly apparent, however, that weaknesses in the public expenditure and financial management system not only have high costs in terms of allocative and operational efficiency but also create unacceptably high levels of fiduciary risk to public funds. The cash-based payments system has emerged as a major constraint. Increasingly, budget execution has suffered from delays and an unpredictable release of funds, due to cash constraints, undermining operational planning, and leading to the build-up of arrears. The system is plagued by gate-keeping and deficient accounting and reporting systems, thus leading to a weak control environment, and increasing opportunities for corruption. Indeed, in comparative perspective, Cambodia's system ranks below average (as compared to the low-income countries assessed by a joint World Bank-IMF diagnostic tool) Attempts have been made to address these problems by implementing pilot initiatives, notably the Accelerated District Development and Priority Action Programs, together with a sector-wide approach in aid coordination, first in education and health. This has improved the alignment of resources with policy objectives and helped channel funds to operational units, but their impact has been muted by liquidity constraints and concerns over the adequacy of control arrangements. Within MEF, attention has recently turned to the improvement of treasury operations, cash management, and public accounting to address these concerns. At the same time, MEF has made progress in the development of a medium-term

expenditure framework, which hopefully will improve resource allocation and the predictability of resources over the medium term (RGC-2010).

Improving the management of external assistance to ensure greater alignment with RGC priorities is also critical, given the sheer volume of external assistance in total Government expenditure. The bulk of this assistance has been channeled off budget, both in the sense that resource allocations are not reflected in the Government's budget documents and that funds are not disbursed through Treasury. Lack of information and the absence of effective instruments to guide the allocation of external financing seriously undermines the integrity and effectiveness of the budgetary system. At present, it is impossible to assess the impact of external project financial on overall resource allocations, let alone its implications for future patterns of on-budget expenditures, as regards provision for operation and maintenance costs for new investments. There is a risk that the proliferation of donor-financed projects by financing investments that are only tangentially related to ministries' development strategies has led to policy drift in some instances (PFMRSC-2004).

2.6 The Long-Term Vision for Public Financial Management

The Prime Minister of the Royal Government of Cambodia (RGC) has declared the strengthening of government to be at the heart of its socio-economic development thrust for the new mandate following the elections of July 2003. This is consistent with the Socio-Economic Development Plan 2001-2005 (SEDPII), National Poverty Reduction Strategy 2003-2005 (NPRS), and the Prime Minister's Rectangular Strategy for Growth, Employment, Equity and

Efficiency 2004-2008. Enhanced public financial management is a crucial element of the strengthening of good governance, and therefore the RGC shall formulate and establish a clear vision of public financial management, and the steps necessary toward the achievement of the vision. The Royal Government (RG) understands that the establishment of enhanced public financial management systems will take many years. The vision statement will thus serve as an overall and continuing guide for the work to come. Success in this work depends on progress made in other key pillars of good governance including the Legal and Judicial Reform and the Civil Service Reform and getting the state closer to the Cambodian people through decentralization. The RG will give its full attention to ensuring synergy between all governance reforms: together, these reforms are the key for enhancing resource mobilization, thereby providing a sustainable path for more effective delivery of government development policies (PFMRSC-2004).

2.7 The Overall Vision of Public of Public Financial Management

The aim is to install much higher standards of management and accountability in the mobilization of all government current and capital resources and effectiveness and efficiency in the use of resources in their application to the operation of the Government's NPRS and other priority programs. The long-term objective is to transform the RGC's Public Financial Management (PFM) system into a system featuring what are generally accepted as the best international standards. The PFM reform program is steadfastly built up upon four sequenced and prioritized platforms: (i) A more credible budget;

(ii) Effective financial accountability; (iii) The RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance. The reform program will progress in four stages: Stage One: short term action plans including all accessary activities for achieving Platform One, plus activities with long lead times and necessary for later Platforms; Stage Two and Three: Medium term, planned for towards the end of Stage One, when Platform One objectives are within sight; and Stage Four: Long term while getting to achieving the vision. In summary, the envisioned public financial management system of Cambodia is a system that fulfils a set of desired characteristics consistent with best practices and standards. The overall system will have sub-systems that are related to operations and monitoring and evaluation. The RG has prepared a long-term strategy which will enable it to reach the vision through a carefully designed series of intermediate step changes in the PFM system. The monitoring and evaluation sub-system will assist in closely monitoring progress made in implementing the strategy (PFMRSC-2004).

2.8 The Desired Key Characteristics of the PFM Reform Program

The envisioned public financial management system of Cambodia shall be established so that, over time, the system is structured and enabled to perform as described by the following characteristics (RGC-2013-2020):

1) Legal separation of functions and fiscal powers for the national, provincial and local levels, yet within a unified budget system that covers all government offices, functions, programs and projects.

2) A consistent plan and program framework across all sectors, with budget transactions classified on an administrative, economic, and functional or programmatic basis which identifies poverty-related spending, and which supports a general orientation of public expenditure management towards the achievement of policy results.

3) An operational Medium Term Expenditure Framework (MTEF) governs multi-year programming.

4) The budget covers all aspects of government operations, including longer term budget financing and debt management planning, and resourcing plans which include all the government sector's financial, fixed and other assets with its liabilities.

5) Budget formulation has an impact on the composition, incentives, size, training, deployment and other staffing implications of the government's policies and programs. The budget system also ensures that post-budget supplementary expenditure credits are fully financed.

6) The acquisition, deployment, use and disposal of all government assets and resources, including human resources, are open, competitive, apolitical, non-discriminatory and transparent. The government shall establish and enforce clear rules that promote value for money for the procurement of goods and services, including privatization, contracting out government services and management processes to the private sector, and the recruitment, deployment and promotion of officials.

7) The government responds promptly, clearly and publicly to any problems which emerge during the course of budget implementation. Monthly up-to-date reports are made public on the progress of budget implementation, including a comprehensive mid-year review. The Ministry Economy of Finance can recommend remedial action to the government if the implementation plan is threatened, for example, by revenue flows underperforming or an unexpected need arises for additional expenditure.

8) There is a computerized, comprehensive, and integrated financial and budget management information and accounting system. This will facilitate prompt, regular reporting on financial transactions by government agencies, and reconciliation of fiscal data with government back accounts and of suspense accounts and advances.

9) The finance ministry set the standards for guides and monitors, financial management in line ministries and other spending agencies, including audit standards.

10) Each ministry and spending agency establishes an internal audit committee to: (i) direct the preparation and management of an annual internal audit plan and (ii) oversight and support audits. There is also a timely and independent external audit.

11) The National Audit Authority provides audit reports which are disclosed to the public, and the government acts promptly on recommendations made in the audit reports.

12) The PFM system is designed to seek performance, both in the use of public resources and in the achievement of policy results through sound public finance management. It seeks maximum value for money over time from the use of government resources. Good performance is rewarded, and offences are detected and prosecuted.

2.9 The Operating Sub-Systems of the Desired PFM System

To build the public finance system that has the desired characteristics as described in the earlier section, the system must be made up of several operational sub-systems. These operating subsystems are the: (a) accounting and transaction processing systems, (b) budgeting systems, (c) revenues systems, and (d) access systems. All four sub-systems have to be consistent with each other and are interrelated. Briefly, these operating subsystems are described as follows (RGC-2013-2020):

1) Accounting and transaction processing systems: Consistent approach to accounting across Government based initially on accounting for cash payments made within the fiscal year. Future considerations may be given to possible movement to accounting on an accrual basis relating to the consumption of resources in a year-staff inputs, goods, and services. Empowerment of budget holders to implement transactions, unhindered, in accordance with budget (as revised during the year) Greater reliance on post payment review rather than pre-payment scrutiny. Separate capture and control of information about commitments entered into, but not yet liquidated.

2) Budgeting systems: Annual budgets of all budget holders set in context of realistic multi-year estimates published alongside them. Roll-over of multi-year estimates so that the second year in one cycle becomes the starting point for the budget yar in the next. Comprehensive in that all significant deployments of public resources, however financed, are captured. Encompasses programme-based analysis of resource deployment and monitoring of the use of resources. Decentralized and conveyed both authority and responsibility to budget implementers.

3) Resource mobilization systems: (Tax and non-tax revenue, external assistance, and debt financing) Effective use of revenue raising capacity in Cambodia through balanced approach to use of taxation (direct and indirect), charges to the public and other financing sources available to the public sector (including external assistance and external and domestic borrowing). Revenue mobilization systems that ensure full compliance with the prevailing laws and regulations (including the Law on Taxation, Customs Law and Law on Investment) and prudent and transparent management of external assistance and debt financing, whilst minimizing costs to the taxpayer and to the Royal Government and optimizing the level of revenue available for the Royal Government to implement its policies through public expenditure programmes.

4) Access systems: Common access of all those involved to the same accurate and reliable data on a timely basis based on integrated use

of modern IT. Open to scrutiny by all interested parties, inside and outside of Government, to view performance compared to budget based on a clear and transparent data trail. An effective system of both external and internal audit in which the latter supports management to make effective use of resources. (Public Financial Management Reform Program, Strengthening Governance Through Enhanced Public Financial Management, Ministry of Economy and Finance, December 2004)

2.10 Monitoring and Evaluation Sub-System

The Royal Government is in the process of developing a monitoring and evaluation sub-system to enable the performance of the public financial management system to be regularly monitored and accessed. Thus, the key features of the targeted vision shall be identified with indicators that are consistent with international standards and best practices, which will cover the following aspects (BSRS-2018-2025):

1) Budget Realism: The budget is realistic and implemented as intended in a predictable manner (e.g. composition of expenditures compared to approved budget, proportion of funds received by service delivery units etc.).
2) Comprehensive, Policy-based Budget: The budget captures all relevant fiscal transactions, and is prepared in an orderly, predictable way with due regard to government policy (e.g. single budget process and circular-fully coordinating budgeting for investment and

recurrent expenditures, budget ceilings informed by government relative spending priorities defined at political level).

3) Fiscal Management: Aggregate fiscal position and risk are monitored and managed (e.g. few or no expenditure arrears, adequate system for management of domestic and foreign debt).

4) Information: Adequate fiscal, revenue and expenditure records and information are produced, maintained, and disseminated to meet decision-making, control and management purposes (e.g. budget reports, with classification allowing comparison with budgets, are timely available in government, after the month/quarter end. Regular, high quality bank reconciliations).

5) Control: Effective control and stewardship are exercised in the use of public funds (e.g. an effective internal audit system; public procurement system based on clear, consistent and enforced rules; payroll records and nominal roll linked through computerized system to which MEF has access).

6) Accountability and Transparency: Effective external financial accountability, transparency arrangements are operating (e.g. communities have regular access to information on budget allocated to funds received by service delivery units; external audit covers all major public sector entities and conducts a full range of financial audits).

7) Clarity and accountability: Clear legal and institutional framework for functional and spending responsibilities across government levels, and for budget holders' management accountability (e.g. Program

managers have maximum possible flexibility in selection, mobilization, and use of resources to achieve program objectives. Accountability to the national assembly and people for use of resources is transferred to line ministries, who are also publicly accountable for program performance).

8) Value for money: in use of public resources (e.g. Decrease in price of items procured regularly by the government).
9) Responsiveness: fiscal and budget management (e.g. institutionalized mid-year review of budget performance feeding into implementation of second budget year half and preparation of subsequent budget).
10) Professionalism: in the civil service and incentive systems (e.g. building a core group of technical experts).

2.11 Long term sequenced strategy

The Royal Government recognized that reaching the vision is going to be a long-term undertaking. It is important, therefore, to identify stages in the process of reform at which the Government will assess whether well-defined intermediate objectives have been reached before proceeding to the next stage. Each stage is designed so as to bring about a step change in the overall performance of the PFM system and provide the platform on which further stages can then be undertaken. Four such intermediate objectives have been identified, as follows (BSRS-2018-2025):

1) A more credible budget: In the first instance, the Royal Government will strive to achieve a position in which the budget becomes more credible as an instrument of strategic and day-to-day management of public resources, because it delivers a reliable and predictable resource to individual budget managers. This entails that the budget reflects all significant public resources and their deployment. It thereby enables steps in subsequent stages to hold budget managers more accountable for the proper, efficient, and effective use of resources.

2) Effective financial accountability: Having removed excuses for non-compliance or inappropriate practices by budget holders, the Royal Government will turn to tightening arrangements for bringing budget holders into account and for rewarding good practice. This will require initial improvements in internal control and accountability systems at all levels. It will enable a focus on what is done with resources by providing better data, effective discipline, and greater internal transparency.

3) The RGC's policy agenda becomes fully affordable and prioritized: From the base established in previous stages, by which the budget is now a credible instrument for policy implementation, the Royal Government will then focus on developing techniques and capacities for analyzing the budgetary impact of policies and for connecting policy priorities and service targets to budget planning and implementation, thereby assuring that government policies are fully

affordable and prioritized. This will enable greater accountability for program performance.

4) RGC managers become fully accountable for program performance: Having reinforced the stability, soundness and policy orientation of budget planning and management practices, the Royal Government will start to hold budget managers accountable and reward them for achieving agreed objectives and standards of performance. Processes of accountability and review for both financial and performance management will be fully integrated, resulting in greater external transparency and more effective feedback from implementation into policy formulation.

2.12 The Public Financial Management Reform Program Activities

At this point in time activities of the PFM reform program are specified in some detail for achieving Platform One. Activities for achievement of later Platforms are outlined indicatively. The following section is an overview of these activities, detailed for Platform One and indicative for Platforms Two, Three and Four. The section also elaborates on the progression from one Platform to the next one (PFMRP-2009).

Activities in Support of Platform 1

Platform one aims at achieving a position in which the budget becomes more credible as an instrument of strategic and day-to-day management of public resources, because it delivers a reliable and predictable resource to

individual budget managers. One crucial objective is to ensure that the budget reflects all significant public resources and their deployment, thereby enabling steps in subsequent platforms to hold budget managers more accountable for the proper, efficient and effective use of resources. Key activities that are necessary in order to reach these objectives are identified in the table as below:

Table 2.1: Activity and Description of what needs to be done.

Activity	Description of what needs to be done
Improve comprehensiveness and integration of the budget (formulation and execution)	1) Identification of main areas of public resource usage that escape incorporation in budget and design of procedures to capture. To capture. Also, improved integration of areas of budget such as capital and recurrent (including external assistance), mainstreaming of PAP expenditures, sector central and provincial programs, and improved planning of counterpart funding requirements. 2) Measures to ensure that budget has an impact on each category of expenditure, including levels of recruitment and staff deployment.
Improve realism and sustainability of the budget	3) Development of an overarching resource mobilization policy including tax, non-tax and debt sources) and identification of measures to improve resource mobilization. 4) Improve macro-fiscal framework management and revenue forecasting.

	5) Establish a debt management function (forecasting, financing analysis and payment management), covering external and domestic debt and linking it to budget formulation and execution.
Streamline ability of budget holders to spend in line with budget provision	6) Streamline approval process. 7) Increase reliance on phased budget release by MEF. 8) Progressive de-concentration of expenditure commitment, procurement, and payment authority within Ministries, streamlined payment and increased reliance on post payment audit. Apply initially to Ministries who meet readiness criteria/tests and then roll out. 9) Widening of scope for payment by check and transfer through banking system, transparent cash management plan for matching in-flows/outflows, isolation of past arrears for separate treatment. 10) Consolidate Government back accounts including daily consolidation of foreign currency into Treasury Single Account, and centralization of accounts opened by line agencies. 11) Eliminate stock of arrears and isolate from on-going management.
Steps to avoid re-accumulation of payment arrears	12) Measures to prevent commitments that go beyond available budget resources in line with the cash management plan.

Improve process for post-budget supplementary expenditure credit approvals.	13) Arrangements to ensure that proposals on post budget supplementary expenditure credits are always accompanied by an MEF report of realistic options for financing the expenditure involved to avoid destabilizing the budget as a whole.
Development of revised procurement procedures.	14) To take advantage of the work being done to streamline/speed up the spending process and to decentralize authority for procurement against demonstrated capacity in spending agencies.
Capacity development measures	15) Focused on capacity to support Platform-1 changes 16) Variety of measures identified by MEF departments. 17) Design guidelines for spending agencies to install de-concentrated financial business processes and accounting arrangements. 18) Specify an institutional strengthening program for spending agencies on a case-by case basis to install dec-concentrated business processes
Motivational measures within MEF	19) Initial measures during the program design phase 20) Interim measures during platform 1 based on existing instruments. 21) Longer term measures in the context of wider pay reform

Motivational measures within Ministries	22) Introduction of criteria and tests of capacity to respond to and support delegated spending authorities.
Initial integration of functions within MEF	23) Targeted initial improvements in coordination, information flows and collaboration to bring together areas that need to work closely together for effective change under Platform 1 objectives Clearer decision-making mechanisms.

Source: Ministry of Economy and Finance-2018.

2.13 As a result of these activities, improved macro-financial management and forecasting coupled with attention to improving revenue mobilization framework provides greater confidence in the overall ability of the system to deliver cash in line with budget. Budget Managers are enabled to manage their budgets, which are a full and integrated expression of the resources available to them, in the knowledge that as they demonstrate their capacity to exercise internal control, they can pay staff and contractors by transfer, issue of check, cash or some proxy for cash within a reasonable and predictable period conditioned only by macro controls. A clean start on arrears combined with improved revenue estimates that accelerate the government's ability to clear past arrears allows the focus to shift on measures to stop re-accumulation of arrears in relation to current budgets. The combined impact of a more realistic budget but also streamlined procedures for its release create confidence in the budget that allows Managers to plan and manage in accordance with it and removes barriers to holding Managers accountable for performance in subsequent platforms. The program as a whole is given momentum by attention to

motivating those on whom it depends and by addressing some current unhelpful fragmentation of organizational structures in MEF, as a prelude to more fundamental organizational change later in the program (PFMRP-2009).

Activities in Support of Platform 2

Platform Two aims at achieving initial improvements in internal controls and in holding managers accountable. Having removed any excuses for non-compliance or inappropriate practices by budget holders, the government is able to tighten arrangements for bringing them into account and for rewarding good practice. Indicative activities to reach this objective include:

i. Improved accountability lines: Clarify roles, functions, and responsibilities (including spending) between levels of Government.
ii. Improved reporting: Interim improvements in reporting of performance against budget, introduction of tracking studies
iii. Improved auditing: Deepening capacity of both internal-external audits.
iv. Related institutional, capacity, and motivational measures.

Indicative Activities in Support of Platform 3

The objective under Platform Three is to improve the linkage of priorities and service targets to budget planning and implementation. From the base established by Platforms 1 and 2 by which the budget is now a credible instrument for policy implementation, Platform 3 activities aim at developing techniques and capacities for analyzing the budgetary impact of policies and for connecting priorities to budget deployment:

i. Deepen budgetary reform: Roll out use of MTEF, multi-year budgeting, techniques for setting sector resource envelopes, procedures for rolling from one multi-year cycle to the next, connection to strategic planning processes, linking of mobilization and deployment of resources to policy priorities including poverty reduction strategies.

ii. Improve budget analysis and appraisal Improve abilities to cost and appraise spending proposal, carry out expenditure reviews, update spending norms.

iii. Deepen decentralization: Further de-concentration of budgets and accountability, improve fiscal decentralization.

iv. Related institutional, capacity, and motivational measures.

Indictive Activities in Support of Platform 4

Platform 4 is about integration of accountability and review processes for both financial and performance management. Having reinforced the stability and soundness of budget planning and management practices in Platform 1, 2 and 3, the government starts to hold budget managers accountable and reward them for achieving agreed objectives and standards of performance.

i. Improved information about both financial and service performance: Computerized FMIS, computerized state asset register, integrated data on performance and budget implementation, move to accrual accounting to improve match between resources consumed and results achieved.

ii. Increased visibility of results achieved: Production of annual reports on budget and service performance by Ministries, consultation with public and politicians about results achieved.

iii. Feedback into resource deployment decisions: Review of results achieved and establishment of procedures to reflect on lessons and adjust future resource deployment decisions accordingly.

iv. Related institutional, capacity, and motivational measures.

2.14 Management Framework

Steering Committee on PFM, the structure of leadership and coordination mechanism of the Public Financial Management Reform Steering Committee (PFMRSC) is as follows (BSRS-2018-2025):

i. PFMR Steering Committee chaired by Senior Minister of Economy and Finance. The members of PFMRSC are from National Bank of Cambodia, Secretary of State and Under-Secretary of State from line ministries. This PFMRSC is a high technical level forum to monitor and coordinate among all government agencies.

ii. Ministry of Economy and Finance Reform Commission (MEFRC) chaired by Senior Ministry of Economy and Finance in which all Secretary of State and Under-Secretary of State, Director General are members.

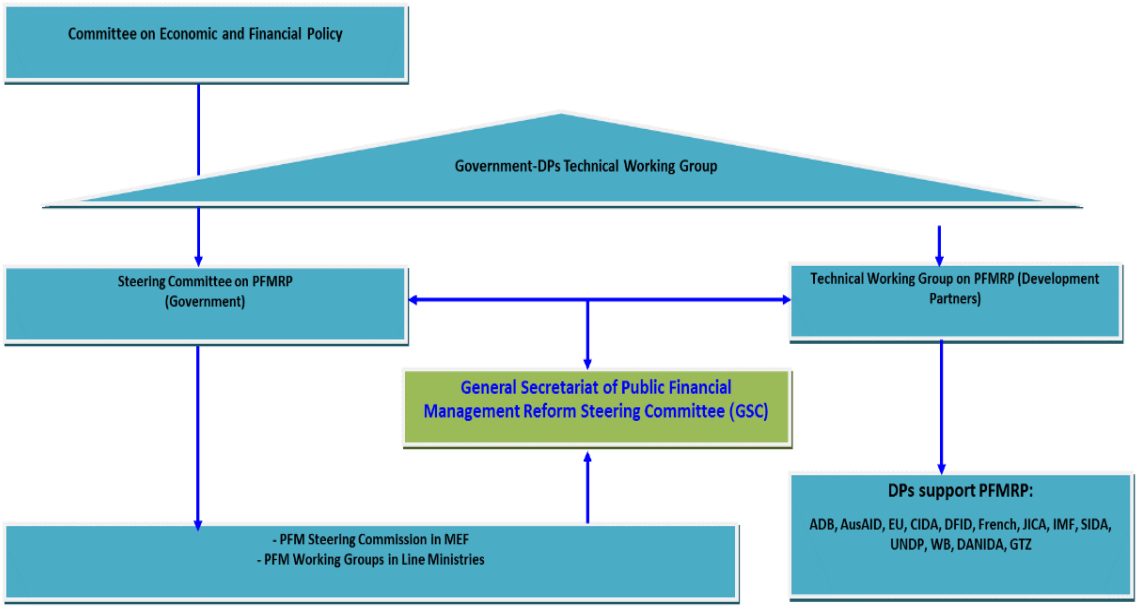
iii. Public Financial Management Reform Working Group (PFMRWG) at all ministries chaired by Secretary of State/Under Secretary State who is a member of PFMSC. Members of this PFMRWG should at least be Deputy Director of Finance of Accounting.

iv. General Secretariat of PFMR Steering Committee (GSC) which serves both PFMSC and MEFRC and supports and assists MEF General Department and PFMRWGs. GSC works closely with Technical Working

Group (Development Partners) and discusses PFM Road, PFM matter, financing agreement, and Quarterly and Annual PFM Report.

Figure 2-1

Structure of Leadership and Coordination Mechanism of PFMRP



2.15 The Empirical Review

Strengthening Public Financial Management Program, Asian Development Bank (ADB), Janaury-2016, in rationale country diagnostic study and government policy and strategy identify weaknesses in public sector management, including public financial management (PFM) and governance, as constraints to more inclusive growth. Weaknesses in PFM systems result in poor public services delivery. The proposed program, comprising two subprograms, will strengthen PFM systems to improve governance and accountability. It will support the implementation of stage 3: budget policy linkages (2016-2020) of the government's Public Financial Management Reform Program (PFMRP), together with residual activities from stage 1: budget credibility (2005-2007) and

stage 2: budget accountability (2008-2015). The development problem in rural urban disparities in poverty levels has fallen from 47.8% in 2007 to 18.9% (14.45% in urban areas, 19.9% in rural areas) in 2012. The remaining challenges include an increasing share of poor households in rural areas (increasing from 89% in 2004 to 91% in 2011), despite an overall declining trend in the poverty rate. Constraints in reducing poverty in Cambodia include weak governance; poor public services; limited productive employment opportunities; and inadequate social safety nets. The binding constraints of weak public financial management and inadequate public service delivery, the poverty reduction requires the efficient use of public resources, which could be improved through better budget allocation, execution, and accountability. Revenues are gradually improving (estimated at 14.4% of gross domestic product in 2014) but remain low. Regulatory framework and systems for program budgeting, financial management procurement, public debt management, and internal and external audits have not been adequately developed. Budget allocations are not fully aligned with sector policies for better targeting the poor. Capacity in financial management and internal and external audits is gradually improving but continues to be inadequate. These weaknesses pose significant fiduciary risks, which are accentuated by allocative inefficiency and poor accountability for public expenditures. The Government's policy and strategy recognize the critical importance of sound PFM for poverty reduction. The PFMRP has been implemented to strengthen oversight of public expenditures for improved public services, particularly those services that target the poor. Progress has been made under services, particularly those services that target the poor. Progress has been

made under stages 1 and 2 in improving budget credibility and introducing a new budget classification system and a new chart of accounts. Progress has also been achieved in public debt management, procurement, and internal and external audit. The financial management information system (FMIS) at the Ministry of Economy and Finance (MEF) has been operational since July 2015. MEF has strengthened and consolidated policy, the institutional framework, and capacity development under the previous two stages of the PFMRP and is preparing for stage 3. Overall, some progress in PFM has been achieved while the reform environment remains complex and challenging. The past interventions and lessons learned of ADB of PFM reform rollout to line ministries, especially those with responsibility for providing key public services, are crucial to the success of the PFMRP. Recognizing this, the ADB-financed public key legislation and measures to strengthen the regulatory framework for public debt management, procurement of goods and services for externally financed projects, financial management, interna audit, and advance work on program budgeting under stage 3. The program cluster also supported the implementation of stage 2 in three rural development ministries (RDMs). In addition, ADB supported the National Audit Authority (NAA) in applying international standards for supreme audit institutions. The Sustaining support is critical to overall reform progress informed by lessons from previous ADB operations, the proposed program combines bottom-up support to key line ministries with support for wider PFM reforms. Satisfactory progress is feasible by taking a step-by-step approach, with strong government ownership and supported by development partners. The implementation of such complex PFM reforms requires sustained support and

time. Initial achievements in budget credibility and accountability, public debt management, and improved budget policy linkages as well as institutional strengthening of the NAA need to be sustained and deepened. The strengthening public financial management in key line ministries is critical for improving public service of the tree RDMs have key roles in providing public services, particularly for the poor and vulnerable groups. Additional support for these ministries and expansion of the proposed program to their additional ministries will strengthen their institutional framework and capacity in key PFM areas and hence improve public services (BSRS-2018-2025).

The coordination with ADB-supported interventions and development partners of the proposed program will be coordinated with ADB support for decentralization reforms, particularly in fiscal decentralization. It will coordinate with other development partners including the European Union, German international cooperation through (GIZ) Sweden, the International Monetary Fund, the United Nations Children's Fund, and the World Bank. The program modality of the proposed intervention, which is a policy-based loan, comprises two subprograms. Building on the accomplishments of the public financial management for rural development program cluster, ADB's value addition to the proposed program will (i) facilitate and accelerate the implementation of strategy policy reform initiatives in a complex political economy environment; (ii) strengthen capacity of MEF in adoption and implementing policy and regulatory reforms, and in implementing those reforms at selected key line ministries; and (iii) strengthen external audit. The program will finance the costs of such policy reforms. Subprogram 1 is being implemented from January

2014 to June 2016 and subprogram 2 will be implemented from July 2016 to December 2018. The subprograms will outline actions taken and indicate actions for follow-up around key government reforms. An impact matrix will be prepared together with mitigation measures for undesired short-term impacts on the poor. The impact, outcome, and outputs of PFMRP will be improved public service with a focus on the poor and vulnerable groups, in line with the government's objective for the PFMRP. The expected outcome will strengthen the oversight of public expenditures to be achieved through three outputs. Output 1 will strengthen the PFM policy framework and systems, with a focus on public debt management, program budgeting, financial management, and internal audit in selected line ministries. Output 3 will strengthen external audits to improve accountability for public expenditures. The program will support MEF in adopting and implementing policy and regulatory reforms and implementing those reforms in the selected key sector ministries (ADB-2016).

The EU support to Public Financial Management Reform Program Stage III, July 20-2018, in line with the national Rectangular Strategy III (RS III) 2014-2018 the objective of the Government-owned Public Financial Management Reform Program (PFMRP Stage 3 2016-2020) is to strengthen public finance management systems in order to implement Cambodia's development agenda, reduce poverty and improve delivery of public service services as set out in the National Strategic Development Plan (NSDP). EU support to PFMRP together with other Donors for the last decade has resulted in increased budget credibility and financial accountability. The third stage of the PFM reform covers the period 2016-2020 and includes among its objectives consolidation of the

financial accountability platform through expansion of the Financial Management Information System (FMIS) to line ministries and strengthening links between budget process and castor policy priorities. Despite its well-identified associated risks, the reform is considered by all development partners (DPs) as a credible set of measures to bring national PFM systems up to international standards (EU-2018-2019).

It is proposed that EU support to PFMRP Stage 3 be delivered through budget support combined with a delegation agreement with SIDA focusing on accountability and transparency systems and an administrative agreement with the WB to provide programmatic Advisory Services and Analytics. This program will aim at improving (i) institutional capacity to implement the PFM reform, (ii) national statistics, (iii) national budget comprehensiveness and transparency, (iv) policy-based budgeting, (v) predictability and control on national budget execution, (vi) accounting, recording, and reporting, (vii) external scrutiny and audit of the national budget, and (viii) public accountability. Cambodia's growth remains strong, driven by robust exports, and construction. Real GDP growth in 2017 reached 6.9%, in line with projections, mainly driven by the construction and garment sectors. Despite a slight slowdown, GDP growth is expected to remain strong with rates of around 6.8% in 2018 and 2019. However, despite high economic growth and steady progress in reducing poverty, Cambodia faces a number of important challenges, including a narrow-based economic structure that makes it vulnerable to external shocks. Clear progress has been observed in Government's efforts to gradually address these challenges, notably through initiatives to accelerate economic diversification,

increase domestic revenue mobilization, strengthen the investment climate, and reinforce public financial management. Structural reforms accompanying economic diversification are a priority concern. In this context, improvements in governance and associated reforms are among the most important factors for inclusive and sustainable growth in Cambodia, as poverty and social exclusion are inextricably linked to weak governance. Focusing on strengthening the responsiveness and accountability of the state through good governance reforms is key. The overall objective of the national PFMRP is to strengthen the governance of public funds to implement the country's development agenda, reduce poverty and improve delivery of public services. The reform is articulated around a service of four sequenced platforms, implemented in stages (SIDA-2001-2010):

i. Platform 1 (budget credibility) is about developing a credible budget and delivering predictable resources. It includes establishing the Single Treasury Account, strengthening revenue collection, and developing fiscal space, improving revenue forecasting and macro-fiscal modelling to ensure fiscal sustainability, establishing cash management procedures, implementing procurement reform, and finally putting in place a debt management strategy with modern management tools.

ii. Platform 2 (financial accountability) aims at providing financial information in a implementation and improving internal control to hold on IPSAS standards, developing new budget classification, a transaction coding structure and accounting rules, implementing a

FMIS, clarifying line of responsibilities through a clear budget entity structure linked to a responsibility/expenditure assignment, and developing a reporting structure, including financial statements that comply with international standards.

iii. Platform 3 (budget-policy linkage) focuses on improving linkage between economic planning and economic policy priorities as reflected in the National Sustainable Development Plan (NSDP) and budget planning. It includes development of a hierarchy of medium-term programming tools and implementing programme budgeting with some elements of fiscal decentralization.

iv. Finally, Platform 4 (performance-based management) intends to deliver broad accountability through better-designed PFM processes and performance-based management.

Since its inception in 2005 (BSRS-2018-2025), through its platform approach, the PFMRP has been recognized by all assessments and evaluations as a set of credible measures to facilitate the transition of Cambodia from centrally input based financial management system s to decentralized performance-based management to achieve the modern and effective PFM system, operating to international standards and best practices by 2025. The PFMRP is strongly owned by the Royal Government of Cambodia (RGC). With the EU having increased the use of Cambodia's national systems in its main bilateral development programs, support to PFMRP is fundamental and will help Cambodia more effectively and efficiently allocate financial resources to priority areas, while also leading to greater transparency and accountability to the

population. Every stage of the PFM reform corresponds to a Consolidated Action Plan (CAP) to which Development Partners refer as the Government-owned master plan. The CAP 3 (2017-2020) labelled by the Ministry of Economy and Finance (MEF) will guide and monitor reform implementation until Stage 3 ends in 2020. The following phase of the reform (post 2020) should be defined by the MEF based on a Public Expenditure and Financial Accountability (PEFA) assessment. Stage 3 of the reform is critical for its key objective of linking national policies and the budget. The reform will need to interact with other reforms, sectors and institutions that are part of the PFMRP environment and will improve overall public accountability. This environment encompasses public administration and decentralization reforms, parliamentary oversight, external audit, and the role of civil society through its representative bodies in making the government and these institutions ultimately more accountable to the public. Risks associated t the reform are well identified. They essentially relate to maintaining political will over the duration of the reform, week institutional capacity in MEF and line ministries to implement reforms and a potential disconnection of the reform its institutional environment and the population (BSRS-2018-2025).

The National Institute of Statistics (NIS), July 20-2018, is responsible for national statistical systems which are key to inform and improve public financial management, notably the budgeting process and monitoring and evaluation of public policies. Stakeholders include general departments of MEF, the General Secretariat of PFMR Steering Committee (GSC), line ministries and provincial treasuries. The government structure of the PFMRP and the different

departments of the MEF are the direct targets of EU support. Indirect stakeholders are the secretariats of other key institutional reforms linked to progress in the PFM reform, line ministries, sub-national administrations, as well as the National Audit Authority and Parliament. In the long run, all ministries and agencies will benefit from the reform program. Cambodian people (in their capacities as public users, citizens and taxpayers) are the ultimate beneficiaries of the reform program. The National Audit Authority (NAA) is the supreme audit institution. Its audit activities are central to strengthening Government accountability for management of public finance. The Parliamentary committees on budget and anti-corruption are responsible for legislative scrutiny of the budget and NAA audit reports and integrity of the use of public finance. Civil society organizations (CSOs) have a key role in preparing and carrying out concrete and visible action for monitoring and assessing budget and audit transparency, anti-corruption, and fostering public participation in the dialogue on policy and budget issues. A new strategic Capacity Development Plan (SCDP) for the government officials within the framework of PFMRP was officially approved on 05 January 2018, aiming to ensure the capacity strengthening and development programs being prepared and implemented systematically, collectively, and comprehensively (RGC-2015). The Economics and Finance Institute (EFI) was promoted in 2015 to be a general department of MEF responsible for reach, and training for government officials on PFM in coordination with other MEF general departments. Line ministries and relevant partners. Considering the large numbers of stakeholders in the PFM reform and the need to accelerate capacity building for reform

implementation as new PFM systems are to be rolled out, it becomes crucial to introduce a strong coordination mechanism for planning and delivery of capacity development activities. Beyond the MEF, this should involve the Royal School of Administration and all other relevant institutes under line ministries at central and sub-national level (MEF-2016). In order to support these activities, the European Union, Swedish International Development Cooperation Agency (SIDA) and The Department of Foreign Affairs and Trade (DFAT, Australia) decided in 2006 to coordinate their funding efforts though a trust fund managed by the World Bank. The harmonized funding helped support the overall reform until 2015. In the Stage 3 of the PFMRP more specifically focuses on the implementation of the FMIS and of the revenue mobilization strategy (SIDA-2001-2010). In 2015, EU support to the PFM reform began to be implemented under budget support modality and a joint program with SIDA "Partnership for Accountability and Transparency (PAT). The EU is now the main development partner supporting the PFM reform, and the present action has been instrumental to strengthen policy dialogue. Complementary to EU support to the PFMRS, other DPs and institutions such as the International Monetary Fund (IMF-Regional Technical Assistance Center), the Asian Development Bank (ADB), and Japanese International Cooperation Agency (JICA) are providing direct support to the Government (EU-2018-2019):

i. JICA provides support to Tax Administration, Customs Policy and Customs Administration, Public Investment Policy, and Aid Management. IMF finances two technical advisors to MEF in the fields of accounting, budget execution and macro-economic analysis.

ii. IMF Fiscal Affairs Department (FAD) and Technical Assistance Office in Thailand (TAOLAM) provides technical assistance (TA) missions to monitor and advise on progress of the FMIS Phase II roll-out and define the scope of the IMF's support related to this initiative.

iii. In the area of PFM reforms, ADB supports the de-concentration and capacity building of PFMRP into 8-line ministries from 2017 onwards. Amounting to USD 20 million, this support would essentially take the form of a targeted budget support operation funded through a concessional loan, associated with a project approach.

iv. UNICEF supports the implementation of the consolidated training manual for Budget Strategic Plan (BSP), Program Based Budgeting (PB) and Budget Execution, establishment of an automated budget formulation system and systematization of more regular dialogue and comprehensive feedback between MEF budget department and key social sector ministries.

Democracy and rule of law remain a concern in Cambodia. On 22 July 2014, the political deadlock originating from the July 2013 parliamentary elections was lifted as the opposition parliamentarians took their seats at the National Assembly. This marked the return to political dialogue and discussions around electoral reform, including the reform of the National Election Committee (NEC) as a condition set by the opposition. At the end of 2016, the new National Election Committee (NEC) conducted a new voter registration process through a computerized system that registered 7.8 million voters and was widely seen as a positive step toward the exercise of credible elections. In

June 2017 Cambodia held commune/Sangkat elections, which were technically well organized and transparent. However, on 4 September 2017, the leader of the main opposition party CNRP, Kem Sokha, was arrested on charges of treason. On 16 November 2017, the Supreme Court decided to dissolve the CNRP and ban 118 of its members from political activities for 5 years. The dialogue between the EU and the Government of Cambodia has been maintained and remains open to discuss those issues. At the general elections of 29 July 2018, following the enforced dissolution by the authorities of the main opposition party (CNRP), Cambodia's ruling party, the Cambodian People's Party (CPP), won all 125 seats int eh country's National Assembly. However, the implementation of the PFM reform deals with non-Partisan technical components that should not be influenced by the prevailing political situation. On the contrary, it's supposed to bring positive impact on socio economic rights through promoting sustainable economic growth, poverty reduction and better service delivery. This intervention remains relevant despite ongoing political developments (PIC-Dec-2019). Cambodia has conducted successful macroeconomic policies during the past ten years. Policies have been generally in line with IMF recommendations and the Royal Government of Cambodia (RGC) is aware of the necessity of maintaining them. Despite internal and external challenges, Cambodia's economy maintains high and robust growth. Real GDP growth in 2017 reached 6.9% and in 2018 the economy is estimated to grow similarly at 6.9% Cambodia's external position remains stable, while the current account deficit has slightly improved because of stronger exports. There are four main drivers of growth in Cambodia: garment and footwear

exports, construction, tourism, and agriculture. Real DGP growth in 2018 is also supported by fiscal expansion; it is expected thereafter to slightly moderate due to a reduction in FDI, Challenges in export diversification, and moderation in the credit cycle. The external sector further improved in 2016 thanks to higher exports, import growth slowed to 9.0% in 2016, compared to 10.5% in 2015, because of decelerating imports of basic construction materials and import substitution in the food and beverage sector, as well as continued low oil prices. The deficit is fully financed by large Foreign Direct Investments (FDI) and international loans, mostly on concessional terms, and by grants. However, the country's economy remains vulnerable to internal and external shocks, due to its slow diversification and the country's dependence on a small number of exports (garment, footwear, and rice) and tourism, in addition, a high degree of dollarization and weak monetary policy hampers the authorities' ability to mitigate economic and financial shocks. The Government is now proceeding with fiscal consolidation following an expansionary stance in response to the 2007 financial crisis. Efforts to increase domestic revenue have proven very effective in Cambodia, as reflected in a significant increase of domestic revenue to GDP, from 15.1% in 2013 to 18.4% in 2016. In November 2017, discussions with IMF under Article IV consultations focused on maintaining the momentum of fiscal consolation, containing macro financial risks, and improving monetary policy effectiveness in the short term as well as promoting economic diversification and inclusive growth over the medium term (WBG-2019).

Since 2005, the Government of Cambodia has been implementing a robust reform program articulated around a series of four sequenced platforms:

budget credibility, financial accountability, budget policy linkages and performance accountability, to be implemented in stages. The first series of reforms (2005-2008) focused mostly on achieving Platform 1 objectives, has been considered a success, with overall budget credibility established at the macro-fiscal level. This resulted in improved macro-economic stability, increased revenue mobilization and predictable overall budget execution. The second stage (2009-2015) introduced a Financial Management Information System (FMIS), as well as a modern chart of accounts based on International Public Sector Accounting Standards (IPSAS) standards, and new budget classification. The implementation plan for the third stage was approved in 2015, for implementation over the period 2016-2010. It has been recently updated, following the approval of the Budget System Reform Strategy 2018-2025. Progress on Platform 1 (budget credibility) has continued in line with expectations. Implementation of the Domestic Revenue Mobilization Strategy (DRMS) 2014-2018 has allowed for a surge in domestic revenue. Revenue collection performed above expectations, with domestic revenues increasing from 17.7% of GDP in FY 2015 to above 19% of GDP in 2017 according to preliminary data. A sound fiscal policy is implemented that keeps budget deficit and debt stocks under control. The Government is now formulating the next Domestic Revenue Mobilization Strategy 2019-2023. Platform 2 (financial accountability) is still progressing with the Financial Management Information System (FMIS) deployed at Provincial Treasuries since March 2016 and the successful deployment of the system to 10-line ministries as of January 2018. The objective is to roll out the system to all Line Ministries and Provincial

Economy and Finance departments by 2020. The FMIS catalyzed several key reforms such as the development of new budget classification and chart of accounts (updated 2017), and accounting standards in line with international standards. MEF has also started developing a procurement reform strategy. A complete set of harmonized rules regulations and procedures will be developed, which will cover both standard internal rules and standard operating procedures (SOP), applied to externally funded projects. Platform 3 (Budget Policy Linkages) is gathering momentum. From a pilot phase on the use of "programme budgeting" for few line ministries, the Government has expanded the use of programme budgeting to all, but 3 ministries (Interior, Defense and Council of Ministries) and 6 provinces have also started the implementation of programme budgeting. The entry point is met, as the Law on Budget 2018 was approved by the Parliament and published in the National Gazette in December 2017. The Budget is also published on the website of the Ministry of Economy and Finance (WBG-2019).

The recent Open Budget Survey (OBS) published in March 2018 and covering up to December 2016, confirmed that Cambodia made publicly available online six of the eight key budget documents, in a timeframe consistent with international standards. This reflects a net increase since the previous OBS was published in 2015. Budget transparency has been a focus of EU policy dialogue attached to its support to Public Financial Management and substantial progress has already been achieved. The MER has continued to be improved and publish a citizen's budget (Budget-in-Brief). It has improved the presentation of its Mid-Year Report and has made it public through its website.

It published an annual and semi-annual Public Debt Statistical Bulletin; it also published on its website procurement plans of line ministries, procurement opportunities, and notices of awards (MEF-2021).

Table 2-2: Risk and Assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Weak institutional capacity in the Line Ministries to implement reforms	M	Implementation of a comprehensive Reform Capacity Development Plan
FMIS implementation will absorb most of MEF and line ministries resources	M	Sustain the committee oversight and carefully monitor developments and results
NAA strategic plan remains outside the PFMRP creating risk that key accountability and transparency issues are not addressed through support to the PFMRP	M	Create conditions for MEF and National Assembly to engage with NAA. Promote systematic publication of audit reports. Provide indirect support to NAA through twinning
Lack of synchronization between PFM, Public Administration Reform (PAR) and Sub-National Democratic Development Reform Programme (SNDD)	M	Encourage the development of a synchronized plan across the board with a common operational platform and indicators supported by donors joint funding initiatives
Weak procurement practices leading to leakages	H	Improvement of the public procurement legal framework and enforcement mechanisms, and transparency
Corruption undermines PFM efforts to enforce PFM systems	H	Encourage working relationship with ACU in PFM implementation plans. Reform the judiciary system, access to information,

		amendment of the Anti-Corruption law. Provide support to enhance CSOs capacities
Insufficient engagement of line ministries by MEF	M	In coordination with other donors, develop a plan for PFM reforms in line ministries
Assumptions		
1. The Government of Cambodia will continue to provide strong support to the PFM reform agenda, including through public financing of the reforms. 2. Line Ministries and sub-national administration will allocate sufficiently qualified human resources to undertake successfully all the activities in the CAP3. 3. Public administration reform will be timely to allow for adequate staffing of the financial management function across line-ministries and sub-national administration, with adequate staff retention. Note: H: high, M: Medium, L: Low		

Source: Ministry of Economy and Finance-2018.

Useful lessons have been learnt from the various external assessments including the PEFA finalized in 2015, External Advisory Panel Reports 2016 and 2017, and regular IMF Technical missions. The Ministry of Economy and Finance (MEF) is flexible in the way it implements its PFM reform. It considers recommendations and does not hesitate to seek internal or external assistance to confront them. In particular, the Budget System Reform Strategy endorses a shift from the originally planned "Performance-based budgeting" to the more realistic "performance-informed budgeting". The new budget system aims to move from an input-based centralized system to a result-based decentralized system.

In this connection, the EU has started providing technical assistance (TA) to MEF to develop a procurement reform strategy that should run in parallel to the BSRS. This TA also includes technical advice for MEF to develop

procurement statistics and improvement of the annual procurement post review report to be published on MEF's procurement website. Year after year the quality of reporting as well as the quality of reporting mechanism is improving. However, there is still a need for better availability of budgetary analysis for an improved timely decision-making process, Development Partners have therefore agreed to undertake again a Multi Donor Trust Fund with the World Bank. This new trust fund will provide specific advisory services, analytical report (Public Expenditure Tracking Survey, Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review.) Ultimately, the annual monitoring reports also highlight the important level of political commitment to the reform by the Government of Cambodia. However, this has, on some occasions, led to overly ambitious plans compared to internal capacities or funding availability (BIB-2021). PFMRP closely interlinks with other key national reforms supported directly or indirectly by the EU and underpins their success, by implementing financial policies needed to provide fiscal space form reforms. The complex PRMRP governance structure is coordinated by a General Secretariat for PFMR Committee (GSC). The GSC consists of one secretary general and six deputy secretary generals who coordinate PFMRP implementation throughout the Ministry. Since 2014, the structure also progressively associates seconded members of line ministries with the task of deconcentrating PFMRP at sector levels. The GSC ensures implementation of all activities of the reform programme and reports back to the Public Financial Management Reform Steering Committee (PFMCSC) chaired by the Minister, whose role is to monitor CAP development and coordinate with line ministries and other national reforms. The PFMSC links

with the Development Partners through the PFM-Technical Working Group, co-chaired by the EU and ADB. In addition, all line-ministries have formed a PFM Technical Working Group (PFM-TWG) to direct and monitor the implementation of reforms through sector-based PFM action plans validated by the MEF. Unital today, the PFMRP governance structure still lacks qualified human resources, which highlights the need to prioritize institutional capacity development. The link between the PFMRP governance structure and development partners is organized through two main mechanisms:

i. DPs involved in PFMR implementation (Australia, Sweden, IMF, World Bank, ADB, JICA, UNICEF and the NGO Budget Working Group) formally meet monthly in the PFM Development Partner Committee (DPC) meeting. The EU and the ADB co-chair these meetings. The group shares information coordinates technical assistance and develops joint understanding and positions on key issues.

ii. DPs and the leadership from the MEF meet on a quarterly basis in the joint PFM technical Working Group (PFM-TWG) to review progress, based on Joint Monitoring Indicators (JMIs) drawn from the CAP, and to discuss DP support. The PFM-TWG is chaired by the Minister of Economy and Finance, with the EU and the ADB acting as co-facilitators. The Non-Governmental Organization platform "NGO Forum for Cambodia" also participates in the joint TWG-PFM. These two platforms for policy dialogue are complemented by a series of meetings. The EU member states usually discuss PFM issues in the Development Councilor meetings and EU and SIDA regularly meet to monitor the

implementation of the joint program "Partnership for Accountability and Transparency" (EU-2018-2019).

2.16 The Experience of BSRS of PFMRP in Selected Countries

The Commonwealth Secretariat in **United Kingdom** (CS-2006) developed the Guidelines for Public Financial Management Reform can be tracked to the report of the Secretary-General prepared by a team of high-level experts on how democracy and development can be promoted in Commonwealth countries. The report emphasized "at the heart of democratic pro-poor development lies the process of government revenue and expenditure that a sound and accountable system for drawing up budgets, implementing them and monitoring their impact is a key instrument for promoting pro-poor development and democracy and for building stable, cohesive societies". The Commonwealth Heads of Government Declaration in Abuja 2003 consequently provided direction by committing themselves to institutionalize transparent and accountable public financial management systems in member countries. The Government and Institutional Development Division (GIDD), which is driving the mandate, adopted a two-tier strategy to carry out the assignment. First, in collaboration with the Economic Affairs Division (EAD), GIDD contracted Genesis Analytics of South Africa, to conduct a study on the South African public financial management reform system and to draw up a discussion paper that will form the basis for broader consultation and discussion for the development of public financial management guidelines. Following submission of the paper, a brainstorming workshop was held at Marlborough Huse on 20 and 21 June

2005 that attracted broader consultations and discussions. Participants to the workshop were drawn from senior finance officers and consultants from ten Commonwealth countries plus representatives from the United Kingdom Department for International Development (DFID) the World Bank, the Organization for Economic Co-operation and Development (OECD), Genesis Analytics and the commonwealth Secretariat. The outcome of that workshop presents a comprehensive set of guidelines to assist developing countries to improve public financial management. The Guidelines are contained in this publication which recognizes that no single solution can be universally applied. However, it sets out universally accepted principles, best practices and processes that can be adopted in the process of reform. In preparing the Guidelines, care was taken to create a document that can be easily used by researchers and development practitioners in developing countries. The process framework of developing a strategic reform framework based on guiding principles as below:

1) Reform needs to be implemented as part of an overall strategy. This does not mean that reform should not be started without a grand, well-elaborated strategy, but rather that reforms should be part of an overall strategic movement towards change (holistic public sector reform initiative) to enhance operations and outcomes in the public sector.
2) This strategy should be home-grown and country-led and should include a plan of action for reform: Donors may contribute funds, ideas and technical skills and can develop strategies to support reform, but the reform strategy itself must be country-owned. The

practice of implementing locally conceived strategies to which donors may contribute is widely becoming acceptable to donors both bilateral and multilateral. PFM movers must therefore take advantage of the strategy because locally conceived ideas largely reflect local realities and are easy to implement with minimal hiccups.

3) The strategy should:

   a. Take a holistic view of the entire PFM process, and institutions
   b. Take realistic account of the political economy and societal context, and how this may present opportunities for our blockages to deliver on the strategy.
   c. Be based on reasonable fiscal and monetary assumptions.
   d. Sequence reform from both a legal and fiscal viewpoint.
   e. Identify realistic priorities based on the sequence, given "resource envelop" and government's execution capacity.
   f. Involving wide consultation with all stakeholders-key constituencies could include public sector unions, opposition parties, state-owned enterprises, civil society, the business community, international markets, and donors.
   g. Make every effort to cut government costs, reduce wastage and obtain excellent value for money.
   h. Be translated into feasible and manageable, practical programs set up in the sequence of recognized priorities, articulated in a clear work-plan timetable with assigned responsibility.

The addressing structural issues of guiding principles as below:

PFM reform starts with sound policy formation at a macroeconomic level. It should consider the following issues:

1) The purview of the state: Countries are increasingly integrated within the global marketplace and the dynamics of the international goods, services, capital, and labore markets. More than ever before, these dynamics define the outer limits of the domestic policy environment. With maximum tax rates, debt burdens and, increasingly, wages determined internationally rather than locally, the difference between success and failure in effective PFM depends on considered and informed decisions on where the state should intervene in the economy and with which instruments. This needs to also take account of the capacity of the state to make such interventions.
2) Framework of government: There needs to be clarity in the allocation of government functions to the respective spheres of government, and clear principles for the allocation of revenue and revenue mobilization authority at each level. Even though there may be many relatively autonomous spheres of governments in a single country, their fiscal arrangements cannot be seen in isolation. Both the individual taxpayer and the international market evaluate the impact of the entire public finance arena, not just one sphere of government or its activities.
3) Institutional arrangements: The level of independence, accountability, and mutual relationships between key institutions, for

example, the central bank, regulatory bodies, parliament, levels of government, and independent oversight bodies are crucial to creating the necessary checks and balance in the use of public resources. These roles need to be enshrined in the legal (or constitutional) framework.

4) Macroeconomic policy: A clear macroeconomic framework that determines the overall fiscal envelope over a multi-year period provides operational certainty to government departments and enables both the public and private sector to adopt a longer-term horizon.

The making a commitment to change (political will), guiding principles as below:

1) PFM reform is first and foremost a political process implying political costs and benefits. As such it requires astute political management backed by a real will to change.
2) The decision to embark on a PFM reform process needs to be taken at the highest political level and must enjoy continuing and unwavering support for the long-term.
3) Political commitment is required to:
    a. Implement credible macro-economic policies.
    b. To cut government costs and wastage.
    c. Ensure an appropriate legal and enforcement environment for government policy.
    d. Empower key institutions with appropriate operational, legal, and independent authority (e.g. Auditor General, parliamentary committees, etc.).

e. Give opposition parties a role in the oversight of PFM; and

f. Ensure transparency and openness in PFM and in governance

4) The Ministry of Finance should be imbued with the strongest possible political authority to oversee public financial management. This mandate needs to be a long-term, not a short-term one.

The establish and empower key institutions, guideline principles as below:

1) Strong institutions are a prerequisite for good PFM: The institutions of government must be given a clear, non-contradictory legal mandate to operate effectively, as well as sufficient funding to secure the human capital they require to operate optimally. This means that clear rules of revenue division between different spheres of government (national, regional, local) and its institutions must be established. Special attention needs to be focused on the funding and functioning of the planning department or budget office, treasury or other expenditure-controlling authority, revenue authority, the auditor-general, and parliament.

2) Institutional independence must be created: Sound financial management requires scrutiny by more than one party, where the one cannot control the conduct of the other. Public financial management is no different. Establishing independent institutions such as the office of an auditor-general is crucial to the integrity of the process. Similarly, an independent central bank should be able to guide monetary policy and act as a disciplining force on fiscal policy. Independence is never absolute, but institutions need to be

independent within the overall strategic framework for the country and adequately resourced to achieve their specific mandate.

3) There must be clarity of mandate: Effective management requires that the mandate of an institution should be clearly defined and supported. A lack of clarity eventually causes conflict within government and a waste of resources.

4) Talented human capital is critical to build healthy institutions: If institutions are starved of people and resources to implement their mandates, the PFM process will not be effective. The government needs to pay market-related salaries for the appropriate resources, and structure training programs to improve the skills of staff.

The management reform guiding principles, there will always be a tension between the resources available for reform and constraints hindering it. The following guidelines are set out to minimize the constraints:

1) Take capacity where you can find it: Without the necessary systems and the skilled personnel to implement them, no PFM reform process can be successful. Financial management, whether in the public or private sector, is skills intensive. A developing country embarking on PFM reform must therefore harness all available expertise. There are two different dimensions to the process of harnessing expertise:

   a. PFM "technology": This is the existing body of international best practice. PFM is a science with well-developed international norms and practices. It is not necessary to re-invent the wheel and a government can gain significant efficiencies by drawing

on existing international best practice. Donors can play a very useful role in this process.

b. Human resources: The appropriate human resources to lead, manage and implement PFM reforms must be found and supported. The economy and governments compete with the private sector for these skills, and they need to do so, based on equal reward. Furthermore, there are pools of talent that can be better used:

   i. Incumbent civil servants are the carriers of the existing institutional memory and knowledge. They are easily overlooked and threatened by change.

   ii. Every country has private sector skills to draw on. One of the most powerful ways in which this can be done is to appoint experienced business leaders to the governing boards of state-owned enterprises.

   iii. Academic and professional partnerships. Government should enter joint ventures with academic and professional bodies to establish public training courses and career placements as a way of filling talent gaps.

   iv. Donor-funded technical skills are available to virtually all developing countries.

2) Communicate pro-actively and deliberately: Successful communication is a key element of successful reform and should include:

a) Citizens: The starting point for a government's communication must be its own citizens.

b) Government employees: Successful PFM reform requires public servants to change behaviors. The public service is therefore a key target market for proactive government communication and support during the process of change; and

c) Domestic and international markets: A government must utilize the signaling devices available to it to communicate in the international market. These vary from the quality of political and administrative appointments to the targeting of international ratings.

3) Invest in accurate, timely information and data collection: Accurate data and information is key to effective management. PFM relies on sound data not only about the government's finances, but also about the international economy, domestic macro-economy, demography, standard of living and social conditions generally. Investment in an independent statistical capacity is an imperative to enhance PFM. This information services four functions:

a) To predict and collect revenue accurately.

b) To facilitate sound planning, reliable information provides the basis for planning.

c) To achieve efficient management-flexible and responsive management requires an ongoing flow of management information. For example, a monthly statement of government

income and expenditure provides the backbone for just-int-time cash management which, if well managed, will reduce the loan requirement and eventually the government's debt burden; and

d) To facilitate effective monitoring of outcomes. In other words, does PFM make a difference to the people whom it is intended to impact? Do things change for the better? Accurate information gleaned from household surveys will indicate whether the government's changed spending patterns and more effective management are hitting the target. Better information on delivery levels is the first step in moving to output-rather than input-focused PFM.

4) Build relationships with donors: Several principles need to be considered in dealing with donors since this community highly influences internal decision-making processes and the operational parameters of policies. Some national budgets are largely donor supported, forming more than 50 percent of recurrent expenditure, which in turn requires donor recipients to meet benchmarks invariably worked out between the government and the donor. However, trends seem to shift towards the practice in which donors are becoming less prescriptive and are adopting country-led friendly arrangements around development assistance. Donors have recently worked together to harmonize assessment instruments as well as strategies to work collaboratively with developing countries as to

keep reforms country owned. The following principles are recommended for country interactions with donors:

a) Donor support should be factored into the PFM reform strategy. This should be a program coordinated between donors, which is coherent and multi-year that supports and is aligned with the PFM strategy. Donors can support government efforts but should never take responsibility for or be the drivers of reform. This should always lie with the government.

b) Citizens of the pledging countries deserve to be treated with the same respect as a country's own citizens. Abuse or misuse of funds can and will lead to a withdrawal of support. In this respect, a government has an obligation to use its best efforts to raise domestic revenue before it turns to donors for fundings.

c) Donor funding can provide a source of stability for the budget process in the long-term and should as far as possible be coordinated through a single-entry point so that full information on aid flows can be integrated into the budget.

d) Donors should try to minimize disruption to the functioning of the state and should coordinate to minimize complex and overlapping cross-conditionality. Ultimately, government has the responsibility for harmonizing donor activity around its priorities, even as donors are encouraged to coordinate among themselves to avoid duplication. Government-chaired donor

coordinating groups on public financial management issues are one vehicle for helping harness donors to the Government reform agenda; and

e) Cloning of donor country initiatives and examples should never become a condition of donor funding.

The monitoring progress of PFM reforms guiding principles as below:

1) PFM requires rigorous monitoring and evaluation: Monitoring should cover the implementation of reform measures but also how institutional and systematic change has been implemented. This can be achieved by embarking on sustainable review exercises with carefully established targets and outcomes over a specific period. The overall exercise requires:

   a) Setting performance-related benchmarks and indicators with the agreed objectives.

   b) Empirical measurement of these benchmarks.

   c) The production of a PFM performance report once every budget cycle; and

   d) Measuring progress by assessing outcomes, rather than input or departmental activities.

The fiscal framework, whereas the process framework sets out how to implement change, the fiscal framework sets out guidelines for best practice in PFM and the revenue collection guideline principles as below:

1) Tax is essential: Tax establishes government's authority-government legitimacy is expressed in its ability to raise tax and its citizens'

willingness to comply. Optimizing domestic revenue collection is also a commitment that needs to be fulfilled before a government justifiably seeks additional funds or aid from donors. Consolidating and extending the revenue base and improving the efficiency of collection is essential to sound PFM.

2) The revenue services must be properly resourced and motivated: If revenue services cannot be made to operate efficiently the outlook is doubtful for other PFM bodies.

3) Policy is limited by external forces: In a globalized world, governments' choices are less about the tax rate than about the efficiency with which tax is collected and the reach of the tax net.

4) Optimizing the revenue services depends on several factors:

   a) Determining an appropriate tax policy for the country's specific economic development.

   b) Proper consultation and coordination between tax policy and tax administration departments.

   c) The tax administration should be empowered both legally (its ability to seek redress for non-compliance through the courts) and with respect to human capital (revenues services need properly motivated and managed staff).

   d) Adequate systems and data are needed to ensure accurate forecasting so that gaps between revenue forecasts and out-turn do not destabilize the fiscal framework.

e) Transparency, predictability and fairness in the implementation and collection of tax and in the tax department's interaction with citizens.

f) Ensuring full and timely accounting for all government revenues and receipts; and

g) Effective control of arrears and write-offs.

The improvement of debt management guiding principles as below:

1) Government funding activities play a key role in determining the fiscal envelope, communicating government policy to the markets, and in determining the cost borrowing in the economy.

2) Proper management of the government's borrowing program will reduce the cost of funding through reducing the level of risk and uncertainty associated with investing in government stock.

3) Sound principles for deficit funding should be established and are crucial to effective PFM and macro-economic policy. These should include the following:

   a) The public debt burden should remain sustainable, not only for the present, but also future generations.

   b) A clear and sustainable deficit target for the short, medium, and long term should be established.

   c) Prudential guidelines to manage contingent liabilities with respect to government guarantees, the government employee pension fund, debt consolidation to minimize costs, and parastatal borrowing should be set.

d) Departments should not incur financial or contingent liabilities that attempt to leverage a departmental budget above that which was intended in the budget approval process.

e) Governments need to build a sound framework for managing contractual relationships at a departmental level and within state owned enterprises.

f) The accumulation of arrears is the same as overspending and should attract the same penalties.

g) Cash should be managed wisely across the public sector.

h) Transparency and predictability in funding hold be optimized-there should be tight record-keeping and controls to manage obligations as well as full disclosure of arrears and contingent liabilities.

i) Borrowing should seek to enhance liquidity through benchmark bond issues, maintain a full yield curve, and achieve an appropriate balance between domestic and foreign currency borrowing; and

j) Finally, the government should ensure that capital expenditure can be supported over the long term by recurrent budget allocations.

The improvement planning processes guiding principles are as below:

1) Planning is the logical organization of activities towards the achievement of national objectives while budgeting (the next section) is the financial representation of this plan. The demand for

public goods will always exceed supply. Effective planning and allocation of resources is therefore critical.

2) Best practice in expenditure planning required that:

   a) Governments should develop and institutionalize planning processes at all levels of government.

   b) Planning needs to be based on realistic expectations concerning the future availability of resources.

   c) Government should create the capacity to manage the public private interface and to leverage private sector activities in the meeting of public objectives.

   d) Plans should be flexible and revisited periodically as circumstances change and plans fall out of date.

   e) Planning needs to be based on sound information on current expenditure trends, and address short (next budget), medium, and long-term issues.

   f) Public outcomes are mostly long-term outcomes. Changing the outcomes therefore requires aligning the planning horizon with the length of the change process itself.

   g) Lengthening the time horizon requires bringing other stakeholders on-board because successful PFM reform, which results in a big impact for society, usually requires implementation over a period that extends beyond the life of one democratically elected parliament (given the average prevailing electoral term). Bipartisan political commitment to

the process would therefore ensure full implementation even though there may be a change of government; and

h) The issues identified during planning need to be appropriately reflected in the budget stage.

The improvement of budgeting guiding principles as below:

There are several principles that should be respected in the budget process:

1) The budget should reflect overall economic policy (both in focus and on a scale).
2) The budget must be accurate, informative, and comprehensive. It must encompass all government revenues and expenditures.
3) Aggregate expenditure out-turn and its composition should not consistently diverge from budget, and sanctions should be in place for budget overruns.
4) The budget should include a discussion of public liabilities, assets, employee pension obligations, tax, and non-tax revenues, as well as details on public expenditure categories.
5) The annual and/or multi-year budget should be based on a medium-to-long-term framework. This greatly enhances predictability in departmental allocations and has a positive impact on planning and execution within government.
6) The budget should be participatory and transparent. It should include all stakeholders, including civil society, private sector consultations and parliamentary public hearings, as well as full and open media coverage.

7) The budget cycle should provide sufficient time for informed discussion by parliament.
8) Comprehensive information on the budget and its out-turn should be widely available within a reasonable timeframe to inform debate.
9) Expenditure management processes should assign clear responsibility from the political head of a department responsible for policy matters and outcomes to the head official (Director General or Permanent Secretary) responsible for outputs and implementation and ensuring that funds are not wasted or stolen; and
10) There must be a monitoring of progress. Budgeting should be focused on ensuring better outcomes, not on input.

The strong budget implementation, accounting, and reporting guiding principles as below:

1) Managing the implementation of the budget and expenditure management processes are essential to the credibility of PFM.
2) Several principles must be respected in implementing the budget:
    a) The budget must be approved by the legislature prior to implementation.
    b) Implementation must comply with accounting and financial management laws.
    c) Implementation should ensure good performance and value for money in government operations and should cut government costs and wastage.

d) Successful implementation requires capacity and capacity development, especially training in modern public financial management techniques.

e) The office of the accountant- General must be properly resourced and funded to fulfil its function. This role includes providing clear definition with committees responsible for overall cash and debt management; preparation of the annual report and accounts of government in a timely manner; and compliance with accounting norms and standards.

f) All government expenditures should be accounted for in a timely manner and significant deviation from budget estimates should be investigated; and

g) Clear rules regarding the format, frequency and timing of financial and operational reporting and clear reporting standards should be established.

The procurement guiding principle as below:

There should be clear rules on open and accountable procurement policies based on the following principles:

1) A centralized procurement authority should be set up to be responsible for bringing about an efficient and effective procurement system into government. Procurement decisions based on these rules should be decentralized to the bodies, for example, line ministries responsible for funding the procurement.

2) Procurement laws should be reviewed to meet base practice criteria.

3) Procurement guidelines must be put in place that are consistent with principles of transparency, fairness, openness, and value for money.
4) Sanctions must be implemented for non-compliance with regulations; and
5) There should be strictly scrutinized and accountable procurement procedures, for example, regarding tender processes.

The strong internal and external oversight guiding principles are as below:

1) Effective oversight and monitoring are crucial to sound governance and PFM reform. A well-functioning PFM system must have clear rules on transparency and reporting, as well as enforceable sanctions for failure.
2) Oversight should take place both internally. This generally means shifting the locus of control from outside to inside the organization.
3) Guiding principles for internal oversight should be.
    a) Internal oversight should come from the Ministry of Finance: The Ministry of Finance should be given oversight responsibility over all line ministries, departments and agencies in the budget and implementation process, which, in turn, should have adequate, current, and timely information and data to manage their own finance and to provide the Ministry of Finance with records.
    b) Internal oversight includes the internal audit function which must be effective and should comply with generally accepted auditing standards with regards to staffing, planning, and reporting. Internal audit mechanisms should ensure that:

i. Spending is within budgetary provisions.

ii. Disbursements comply with specified procedures.

iii. Dual control is employed in processing transactions.

iv. There is a timely reconciliation of accounts.

v. Sanctions for non-compliance are defined and applied.

vi. Effective systems for managing physical and financial assets are developed.

vii. Adequate management reporting systems are in place.

viii. From time to time, random operational performance audits are carried out.

4) Guiding principles for external oversight are:

a) There should be parliamentary oversight of PFM: This should take place in several ways: through the tabling of documents; debates and questions; raising and explanation of PFM issues; and through the operation of parliamentary finance committees who are empowered to oversee budget formulation and appropriation, implementation of policies and outcomes of budget allocations. All forums should be open to the media and public. Parliament itself should be independent, adequately resourced, and should have knowledgeable members with sufficient resources at their disposal to be able to interrogate PFM issues.

b) The Standing Committee on Public Accounts should be afforded a special status, including its chairperson being drawn from the largest opposition party and its members having financial

acumen. It should ensure value for money in PFM through results and outcomes. The resources for such a committee should be greater than for other committees, given that it should be independently able to interrogate both the reports of the Auditor-General and the affected departments or entities being reported on. Examining the Auditor-General annual financial reports is crucial not only for PFM but also for governance.

c) The public must be given effective redress through the office of a similar channel for the settlement of complaints relating to PFM without having to rely on resources to the courts. This office must provide protection and security of tenure to public officers in the performance of their duties, without being exposed to the intimidation of political pressure from other public officials.

d) Oversight can also come from international bodies like the IMF, Transparency International, the Bank for International Settlements, IOSCO, and the International Committee for Bank Supervisors, all of which reinforce effective oversight and best international practice. Being members of such bodies and participating in their various working groups and technical committees enhances skill development and accountability.

e) The media and civil society should be regarded as PFM stakeholder institutions and should be encouraged to play a role in bringing to light the failures and successes of PFM. The

media should be allowed to engage in open dialogue with officials and have access to the sittings of parliament and meeting of the Committed on Public Accounts. Moreover, the press should be timely and well briefed around the time of the budget so that the public is informed of developments and problems, if any, in budget and spending allocation. Funds should be allocated for the education of the public in the budgetary processes. All stakeholders including civil society, the private sector and professional institutions must be proactively engaged in the process or reform and provided with the requisite incentives to participate in the laying of the foundation of workable infrastructure, good governance, and deliverable policies.

f) The auditor-General should be the external auditor of all government affairs. The Auditor-General should be independent and subject only to the rule of law so that functions can be exercised without fear or prejudice. No political person should interfere with the functioning of the Auditor-General. To protect its independence the Auditor-General should be nominated and approved by parliament and should report to an audit commission (consisting of members and non-members of parliament), not to the executive. The Office is housed in separate and independent offices to any part of the executive. The Auditor-General should have an advisory board to assist in

the performance of duties and to provide technical support. This should not limit the Auditor-General to rely on the work of external auditors or of internal auditors.

g) Procedures should be in place whereby judicial enforcement may be exercised by the courts to ensure that the provisions of the public finance administration act and regulations are fully respected and adhered to.

These Guidelines have outlined processes and practical requirements for reforming public fiancé management with emphasis that the contents can be modified to reflect local dynamics. However, the research would like to send an important message to policy makers that reforms, especially those dealing with the management of public funds, can be threatening to both former and their populace. In this sense, resistance to change, slow yielding of reforms and constant change in the national and international environments pose challenges that must be managed with requisite flexibility and sterner measures (CS-2006).

The PEFA program, Final Report, September 18, 2016, PEFA Secretariat, Swedish Development Advisers (SDA-2016), The Public Expenditure Financial Accountability (PEFA) framework is widely used, trusted, and respected as uniform evidence-based tool. The proliferation of use shows that it is used by a majority of low-and middle-income countries in the world. The national governments are also using it for their own purposes and driving the process to a larger degree. The evidence also shows that more PEFA assessments are being coordinated among donors and that there is no overlap or duplication of national PEFA assessments. The limited size of the Steering

Committee and its role as the decision-making body and framework-development body should remain. The evaluation team recommends increasing the PEFA partnership by inciting bilateral donors and/or IFIs to an advisory board. This would improve the PEFA Program's ability to represent the countries where PEFA assessments are being carried out. Any new PEFA partners would need to be able to fulfill the following criteria: being able to contribute to the World Bank trust fund, participate in SC meetings, spread the use of the Framework and be active supporters of PFM reform in developing countries. The Government uses the PEFA framework for improvement in PFM systems, the Evaluation Team (ET) has interviewed senior government officials from the Ministries of Finance, Revenue Authorities, Supreme Audit Institutions, and other relevant government authorities. The information gathered from government officials shows that they find the PEFA framework useful for the following reasons:

1) The government officials' understanding and knowledge of the PFM reform process was improved by being part of the PEFA assessment. In Ukraine, Nepal and Rwanda workshops/training events were held before and during the process with government officials. Government officials learned about PFM reform, best practice, and standards and by carrying out the assessment, trusted the results and were therefore able to argue for reforms based on these. Government officials involved in the PEFA assessment stated that because they were responsible for all stages of the assessment their

knowledge of PEFA, and the methodologies used, has improved significantly.

2) The initiative to start the PEFA assessment process was taken by the government. In Ukraine, Zambia and Nepal, the governments approached donors to fund the PEFA assessment. In Ukraine and Nepal, the wish to seek support from donors for a subsequent PFM reform program was the underlying reason. This was also a strong argument for using the PEFA assessment.

3) With a PEFA report it was easier for Ukrainian and Nepalese officials to argue for reform with the politicians and decision-makers.

United Republic of Tanzania (URT-2009), Public Financial Management, Performance Report on Mainland Tanzania, Public Financial Management Working Group Tanzania, November 2010, the integrated assessment of PFM performance on credibility of the budget up to 2008, revenue collection exceeded original budget estimates mainly due to improved economic performance, continued tax policy and administration reforms, and a conservation revenue projections policy. In 2009 however, the impact of the global recession on Tanzania reduced collections, which fell 10 percent short of budget. In the same period, actual expenditures have been substantially less than the original budget, especially in the categories of goods and other services, and domestically-finance development expenditures. The variations between actual expenditures and originally approved budgets, depending on the year, have been greater when looking at the expenditure composition within most ministries, departments, and agencies (MDAs). There are several

reasons for these deviations, including shifting priorities during expenditure categories which have suffered across the board cuts due to macro-fiscal considerations and cash shortfalls. The comprehensiveness and transparency of the budget preparation and documentation process is extensive and is supported by very detailed budget preparation manuals issued by the Ministry of Finance and Economic Affairs (MOFEA) to the MDAs and separately to the local government authorities (LGAs). Transfers to the autonomous government agencies (AGAs) are recorded in the budgets of the MDAs, but the remaining part of the AGA's budgets are not part of the budget documentation, as the AGAs budget is approved by their own authorities established by individual laws. Some AGAs might pose fiscal risks for future budgets in the form of a need for increased transfers resulting from commitments that are not made known to MOFEA. Furthermore, it is not known to what extent potential fiscal liabilities created by the public enterprises (Pes) are considered in the fiscal planning, as these are not highlighted in the government budget documentation. Public access to fiscal information, both in the budget presentation and execution phases in good. Fiscal information in both budget documentation and execution reports is provided through several means, including the media and some government websites. However, the coverage and details of information are limited in the budget execution phase. For example, the actual composition of the MDAs' budgets is not published over the year. These details are also excluded from the government final accounts, as the final accounts and government financial statements are very brief, only summarizing government transactions (URT-2009). The lack of an

internationally accepted functional classification in the budget, as well as the presentation of recurrent and development expenditures in different formats (very detailed for recurrent expenditures and very brief for development expenditure) reduce the value of the budget documentation. There are unreported expenditures in the budget and accounting systems, and some limited donor-financed operations do not pass through government systems. More importantly, the expenditures of AGAs that are financed from earmarked revenues as well as from the government budget are not reported in a timely manner and in a classification compatible with the government and MDAs' budgets. The allocation of all types of transfers to LGAs is largely formula based, but because the transfers are conditional, sectoral policies are also considered. Budget ceilings along with detailed instructions and technical manuals are issued to the LGAs three months before the beginning of the fiscal year. However, the budget ceiling is subject to significant change as the government budget is finalized and these changes in some cases are not adequately communicated to spending units in local governments. The policy-based budget, several policy papers and technical documents are prepared to support budget preparation, including macro-fiscal analysis papers, the National Strategy for Growth and Reduction of Poverty (NSGRP), Medium-term Expenditure Framework (MTEF), and more recently a document called Strategic Budget Allocation System (SBAS) to help establish MDA budget ceilings. It is not clear; however, how medium-term sectoral policies translate into annual budgets. Although the MOFEA is responsible for the preparation of both recurrent and development budgets, these two budgets are technically not

integrated, and absence of a functional classification system in the budget does not help improve the policy base of the budget. A clear link between long-term sectoral planning and macroeconomic strategic and the budget formulation process is missing. There is a clear budget calendar. Starting from FY 2008 MOFEA has been involving the Budget and Finance Committee of the Bunge early in the budget formulation process. The budget is normally submitted to the National Assembly just a few days before the beginning of the fiscal year, so there is little time for Parliamentary scrutiny (URT-2009).

Myanma, 2018 Public Financial Management Reform Program Strategy (PFMRP-2018-Myanma), the importance of carrying out PFM reform linking up with Myanma economic and social reform process. The PFM is all about fiscal and tax reform, national budget transparency, fiscal policy, investment budget and effective public expenditure management, state-owned enterprises reform, strategic resource allocation and resource mobilization, which are stated in the Government's Economic Policy priorities regulated by the government. PFM reform program needs to link up with Monetary and Fiscal Policy, the Central Bank of Myanma is mainly responsible for and deal with monetary policy independently after enacting the new Central Bank law, reviewing current functions of Central Bank and task sharing among Central Bank, Treasury Department and Myanma Economic Back and Budget Department for selling bonds and treasury bills to finance budget deficit, maintaining the accounts of the Government functions. It is important to ensure that financing of the budget deficit is conducted in such a manner that it does not impact on inflation. PFM reform program needs for transparency of public financial management system,

being a democratic country, reporting the matters related to the government budget to the Parliaments, discussions about these matters during sessions of parliament and releasing information to the public in openness are required. Myanmar is one of the member states of international organizations (the World Bank, International Monetary Fund and EITI) and has the obligation to follow international norms. Not only annual budget law but also a variety of documents relating to budget which are worth reporting to the public such as budget report, budget in brief, budget speech, and budget review should be proclaimed to the public. PFM reform program needs to state-owned economic organization reform, pension system reform, adjusting categories of budget classification, implementing state economic policies, efficiently and transparent utilizing the development assistance, updating and enacting legal framework governing public financial management, exercising policy-based budgeting before progressively moving to program budgeting, reforming systems such as budget preparation which predominantly includes government revenues, government expenditures, budget surplus, budget deficit, status of debt, budget scrutinizing system, budget monitoring system on execution, budget assessment and reporting system, long-term budget estimates, revenues mobilization and aggregation systems, and efficient resources allocating system. Furthermore, PFM reform program is important to develop clear revenue and expenditure, policy and procedures of financing deficit, methods of planning to make plan with budget harmonious, concerning public finance management insufficiency of rules and regulations. Public Financial Management Reform Strategy has been prepared based on policies of the last

government's National Economic Social Reform Framework and updated based on achievements of each stage (PFMRP-2018-Myanma).

Philippine, PFM Reform Program aims to ensure the effective delivery of public services especially to the poor through improved efficiency, transparency, and accountability in public fund use (PFM Program Management Office-PMO-Manila-Philippine). PFM reform program implements the key strategies of the Philippine PFM reform roadmap to improved accountability and transparency, comprehensive map that seeks to clarify, simplify, improve, and harmonize the government's financial management processes and information systems. The integrated systems shall cover all financial transactions of government and apply uniformly to all government agencies. The major PFM reform is the development of a Government Integrated Financial Management Information System (GIFMIS) as an integrated IT solution that will collect and organize financial information in a central database to support budget management and financial reporting. The GIFMIS conceptual design, which is the blueprint for its development and implementation, has been approved through PFM Committee Resolution No. 02-2013. The Budget Reporting and Performance Standards, to enable the integration of financial systems, it is necessary to harmonize, simplify and consolidate data structures and apply a consistent set of budgeting and accounting rules and regulations for generating financial and physical performance reports with plans, policies, and targets. Budget officers from all national government agencies (NGAs) received training to understanding the Unified Accounts Code Structure (UACS) or Accounting Code classification system and use the Online Submission of Budget Proposal

System (OSBPS), which enables NGAs to submit FY 2014 budget proposals electronically. During 2013, budget execution systems utilized by NGAs will need to be amended to make them UACS compliant and related harmonized reporting templates created in readiness for FY2014. Standards on the development of performance indicators and templates on performance reporting to support results-based budgeting will also be developed. With the improvement of Treasury Cash Management Operations, the aim is to develop a cash management system that will provide accurate and timely information on bank account balances, revenue and cash positions and fund utilization. As its core initiative, the treasury single account (TSA) will serve as a unified structure of government bank accounts that will give a consolidated view of Government cash resources. Identification and analysis of all existing bank accounts and closure of dormant accounts are ongoing. By the end of 2013, the consolidation of accounts, piloting of the functional TSA, and development of cash management systems are set to be completed. Liability Management, the aims to develop a system for recording and reporting all liabilities of government entities to better manage the National Government's financial exposure. Capacity Building, Capacity building seeks to support and sustain the various PFM reforms and business process improvements through training and development, communications, change management and advocacy involving stakeholders from the civil service, legislature, and civil society. By the end of 2013, a comprehensive PFM competency framework will be developed to provide a whole-of government approach to developing a highly skilled and able PFM workforce. The framework will define the full range of competencies

and qualification standards that will guide the development and delivery of competency-based training and career development of individuals at all levels of PFM jobs in the national Government (PFM Program Management Office-PMO-Manila-Philippine).

French, Public Governance and Territorial Development (OECD-July 2014-Paris), the budget is a central policy document of government, showing how it will priorities and achieve its annual and multi-annual objectives. Apart from financing new and existing programmes, the budget is the primary instrument for implementing fiscal policy and thereby influencing the economy as a whole; the budget aims to turn plans and aspirations into reality. More than this, the budget is a contract between the citizens and state, showing how resources are raised and allocated for the delivery of public services. Budget is not simply the preserve of central governments, it is a process that encompasses all levels of government, national and subnational, where different mandates and levels of autonomy apply in different countries. Budget systems and procedures should be coordinated, coherent and consistent across levels of government. Budget practices can vary widely across countries in light of traditional, institutional and cultural factors. However, based on the experience of the Senior Budget Officials (SBO) and the extensive analysis of various aspects of budgeting conducted by SBO and its networks over recent years. Overall budget targets for each year should ensure that all elements of revenue, expenditure and broader economic policy are consistent and are managed in line with the available resources and should include (OECD-July 2014-Paris):

1) Budget should be managed within clear, credible, and predictable limits for fiscal policy.
2) Budget should be closely aligned with the medium-term strategic priorities of government.
3) The capital budgeting framework should be designed to meet national development needs in a cost-effective and coherent manner.
4) Budget documents and data should be open, transparent, and accessible.
5) Debate on budgetary choices should be inclusive, participative, and realistic.
6) Budgets should present a comprehensive, accurate and reliable account of the public finances.
7) Budge execution should be actively planned, managed, and monitored.
8) Performance, evaluation, and value for money should be integral to the budget process.
9) Longer-term sustainability and other fiscal risks should be identified, assessed, and managed prudently.
10) The integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation should be promoted through rigorous quality assurance including independent audit.

Thailand, Budget is the most important economic policy instrument for government. It serves numerous socio-economic purposes by allocating resources in ways that promote growth and equity. The Budget System concerns the decisions about how much money to spend and what to spend it

on. Through the system, the government determines the allocation of resources among the agencies and these decisions resulting affect the nations as a whole. Since the 19th century, the evolution of budgeting has influenced the practice of resource allocation and use in all countries. However, budgets in developing countries have not been as effective as they should be. While many countries differ in the magnitude of their budgetary problems, there has been increased acceptance by governments that the structure of the budget process and institutions influence budgetary results. This is why the agenda to reform the budgeting system, in order to achieve a durable budgetary condition, has been given such a high priority in many countries including Thailand. The Royal Thai Government has introduced a number of reforms to its budget implementation and management procedures since the early 1980s. However, the reform efforts were accelerated by the financial crisis in 1997 and by the effects of the new constitution which was also promulgated in 1997. Consequently, in February 2001, the government announced that expedite budget reform process will expedite budgeting so that budgeting becomes an effective and efficient tool for translating policies into tangible results, while empowering ministers, ministries, and departments to manage with greater accountability and transparency coupled with comprehensive performance monitoring and evaluation system. Hence, in 2003, a Strategic Performance Based Budgeting System (SPBB) has been implemented in accordance with the current administrative system. Although Thai's government has been practiced the SPBB for more than four years, the overall budgeting system especially the allocation and execution still be perceived as inefficient, ineffective, and

unaccountable. According to the historical performances, the significant amounts of transferring funds at the end of fiscal year, the delayed of budget spending, the number of project failure and the corruptions implied that the SPBB reform in Thailand still be far to reach its aims. Why would that be? How did they reform, and did it work? What should they do to accomplish the reform? All these questions need to be answered in order to assure that Thai's government is on the right track for developing its budgeting system. A budget document is the final product in the budget process, and it should be suitable for consideration and approval by the legislative authority, while the execution of its contents should realize public objective as below:

1). Principles

The public budgeting contains the expenditure plan, as well as the revenue estimates, of the government. The classical principles for appraising budgets are:

a. Comprehensiveness: The budget should include all receipts and outlays from the government. The single process would include all activities of the government.
b. Unity: All spending and revenue-collecting parts should be related to each other. Consistent evaluation criteria should be applied to any expenditure, regardless of the government area in which it is located.
c. Exclusiveness: Only financial matters should be in the budget.
d. Specification: The budget should be executed as it is enacted. Cavalier changes should not be made during the budget year.
e. Annually: The budget should be prepared every year for the next year of the agency's existence.

f. Accuracy: Forecasts should be as reasonable as possible, and the documents should be internally consistent.

g. Clarity: The budget should describe what is proposed in an understandable fashion. The document, in an effort to encompass all, should not hurry policy intent in line-item detail.

h. Publicity: The budget in a representative democracy should not be secret. However, the most important budget related rules are comprehensiveness and a multi-year perspective in budget elaboration, and the capability for monitoring implementation so as to further accountability and timely adjustments.

2). The Formats

The format of public budgeting system is determined by the level at which governments need to control and manage budgets. The well-known and widely used formats can be summarized as follows:

i. Line-item Budgeting refers to objectives or lines of expenditure, for example: personnel, supplies, contractual services, capital outlay that are the focus of development, analysis, authorization and control of the budget. Even when a more complex budgeting technique is used, the line-item budget usually exists.

j. Planning-Programming Budgeting (PPB)-refers to budgets that are formulated and appropriated on the basis of expected results of services to be carried out by programs. Emphasis is placed on identifying objectives of government entity and relating all program expenditures to these activities. The budget request and report are

summarized in terms of broad programs rather than detail of line-item which is less control and evaluation oriented. Conceptual framework focuses on long-term costs of programs and evaluation of different program alternatives that may be used to attain long-term goals and objectives. This format is considered as a transitional form between traditional line-item and performance budgeting.

k. Performance Budgeting: Similar to planning-programming budgeting, performance budgets are constructed by program but focus on program goals and objectives; measured by short-term outputs, projected longer term outcomes, and cost/benefits analysis. Appropriations are not only linked with programs, but also with expected results specified by these performance criteria.

l. Zero-Based Budgeting: subjects all programs, activities, and expenditures to justification annually. The central point is the elimination of outdated efforts and expenditures and concentration of resources where most effective. Funding requests, recommendations and allocations for existing and new programs are usually ranked in priority order on the basis of alternative service levels, which are lower, equal to and higher than current levels. This process can be used in conjunction with either line-item budgeting and/or planning-programming budgeting.

Nauru country, Public Financial Management Reform Program, (ADB-May 2016), on 9 August 2012, the Asian Development Bank (ADB) approved a multi-tranche policy-based grant to the Government of Nauru under the Public

Financial Management Reform Program (the program). The program was designed to support the government's long-term development objective of improving the living standards of Nauruan people by delivering more efficient and equitable social services. In 2012 Nauru was in the early stage of an economic resurgence following the resumption of phosphate mining. However, the longer-term economic outlook remained highly uncertain, and the country still faced extensive development challenges. The program was designed to support a major government reform effort to strengthen its public financial management (PFM) system and improve service delivery. It was envisioned that these reforms would deliver better health and education outcomes that would, in turn, promote greater participation of Nauruan in income-generating activities both domestically and abroad. During implementation, Nauru benefitted from substantial unanticipated windfall income following the reopening of the regional processing center (RPC) for asylum seekers and an associated refugee resettlement program in cooperation with the Government of Australia. This along with windfall fisheries revenue, significantly altered Nauru's economic situation and heightened the program's importance in improving PFM. The program focused on three outputs. Output 1 aimed to improve PFM at the Ministry of Finance (MOF). This included efforts to improve revenue management, budget and planning processes, and overall financial and aid management. Output 2 aimed to improve the corporate governance and economic performance of selected state-owned enterprises (SOEs), including the Nauru Utilities Corporation (NUC) and the Nauru Phosphate Corporation (RONPHOS). Output 3 aimed to enhance the legal and policy

framework for equitable social service delivery, with a focus on education, health, and gender equity. The program as aligned with the government's 2011 PFM Action Plan and supportive of the Nauru National Sustainable Development Strategy, 2005-2015 (updated in 2009), which focuses on fiscal responsibility, enhancing services, and generating multiple sources of revenues. There was close collaboration with the Government of Australia, which is Naura's largest development partner and provides complementary support in the areas of program focus. The intended program outputs were (i) stronger (PFM) by the MOF, (ii) more rigorous corporate governance and economic performance of selected SOEs, and (iii) an enhanced legal and policy framework for equitable social service delivery. It was intended that these outputs would improve the delivery of social services by increasing the resources available for them, as well as improving the equity and efficiency of their use.

Burkina Faso, Evaluation of Public Financial Management Reform, (Final Synthesis Report-Sida-Burkina Faso, Ghana and Malawi 2001-2010), We are now entering a second generation of PFM reforms, so learning the lessons from the experience is crucial. The added value of the country case studies is that they analyze the context and mechanisms which make for successful PFM reforms. The report identifies lessons for countries going through PFM reforms, including the importance of high-level buy-in and leadership, alongside effective coordination. It also identifies lessons for development partners, which include resisting the temptation to push for reforms where the context is not right, and making sure the advice they provide is high quality and relevant to the setting. The evaluation observes a general improvement in donor coordination and

alignment, while noting that it is those inputs which are not integrated into government-owned programmes that most often fail. On both sides, flexibility is needed, even the best planned projects often need adjustments. The three organizations that commissioned the evaluation and the teams that carried it out would like to express sincere thanks to those individuals and groups that played a role in the evaluation process. In particular, this third phase of the evaluation would not have been possible without the cooperation of government officials and local PFM experts in the three countries' case study countries. The evaluation of PFM, there are two main questions clarified: where and why do PFM reforms deliver results and (ii) where and how does donor support to PFM reform efforts contribute most effectively to results?

Where and why do PFM reforms deliver results?

1. PFM reforms deliver results when three conditions coincide:
    a. When there is a strong political commitment to their implementation.
    b. When reform designs and implementation models are well tailored to the institutional and capacities of context; and
    c. When strong coordination arrangements-led by government officials- are in place to monitor and guide reforms.
2. Strong leadership and commitment to reform are also needed at the technical level. In the case of study countries, this emerged naturally where there was political commitment and leadership. By contrast, commitment at the technical level was not sufficient to generate political commitment.

3. External donor pressure and domestic pressure from the Legislature or Civil Society will generally contribute to preserving political commitment for reform, where it already exists but, in the case studies, it proved insufficient to generate political commitment for PFM reform, where it was lacking.
4. PFM reform designs and implementation models will almost inevitably have flaws; hence a learning process is essential to permit the continuous evaluation and adaptation of reform designs and models. Where management and coordination mechanisms for PFM reform are built in adequate provision for the regular, independent evaluation of performance, these learning processes are more likely to be effective.
5. Reform outcomes are generally more favorable where a wide range of policy options is available at the outset or where the mechanisms for monitoring and coordination of reforms promote active lesson learning and adaptation during the implementation process. By contrast, the case study countries frequently found themselves facing a constraint in respect of the policy space for reforms, where the menu of available policy designs and models for PFM reform was not appropriate to the institutional and capacity context, and where the learning and adaptation processes were rarely effective enough to promote quick changes to faulty design and implementation models.

Where and how does donor support to PFM reform efforts contribute most effectively to results?

1. Donor funding for PFM reform has facilitated its implementation in those countries where the context and mechanisms were right for success, and where external funding was focused on the Government's reform programme. On the other hand, governments in the study countries showed a willingness to fund PFM reforms directly and their ability to do so was significantly facilitated by the General Budget Support inflows they were receiving. Hence, in many cases, direct external funding for PFM reform may not be the deciding factor.
2. Donor pressure to develop comprehensive PFM reform plans and to establish clearly defined monitoring frameworks has been a positive influence in countries receiving Budget Support.
3. By contract, attempts to overtly influence either the pace or the content of PFM reforms through Budget Support conditionality have been ineffective and often counter-productive.

China, Budget Reform-Progress and prospects in the Xi Jinging era, (Chistine Wong-2010), after three decades of remarkable growth and development I the country, the Chinese leadership is confronted with a very different set of challenges to those faced by its predecessors at the outset of its market-oriented reform program. China then was a poor but relatively well educated and egalitarian country, with an abundance of surplus labour in the rural sector and very little interaction with the global market. A series of

measures to increase the scope of the market and facilitate the transfer of labour from agriculture to industry was all it took to launch China's economic lift-off. Now, China is an upper to middle-income country with emerging shortages of manual labour that dominates the global supply of low to mid-end manufactured goods and global demand for most commodities. The traditional model of extensive growth dependent on exports and investment, however, appears to be running out of steam. The administration of President Xi Jinping has acknowledged that a major shift is required by announcing a new era of comprehensively deepening reforms, which was endorsed at the Third Plenum of the Chinese Communist Party's Eighteenth Congress in November 2013. The 60-pont 'Decision of the Chinese Communist Party Central Committee on Several Major Questions about Deepening Reform' (Xinhau 2013) spelled out an ambitious, comprehensive agenda containing 336 reform initiatives under 16 broad headings that cover all parts of the economy, society, the political system, and its institutions. Together, the measures are aimed at restructuring the roles of government and the market, with modernizing governance as the ultimate goal of the program. The first major reform of the fiscal system was enacted in 1994, when a new system of taxes was introduced, focusing on the value-added tax (VAT), business tax, corporate income tax, personal income tax and several taxes on property, land transactions and land use. These are broad-based taxes with uniform levy rates. They replaced the previous complex system, with is hundreds of product-specific industrial commercial taxes transplanted from the Soviet economic system and began to separate government finances from those of state-owned enterprises (SOEs) by

introducing an income tax on profits to replace the previous negotiated profit remittances. While the new tax system was far from perfect, it represented a huge improvement in terms of simplifying the tax structure, eliminating distortionary elements, and increasing transparency, and it greatly facilitated tax administration and monitoring of tax capacity across regions. Along with the creation of a new national tax administration, this system restored the government's revenue mechanism and reversed the steep fiscal decline that had characterized the first two decades of market reform. Under the planned economy, the budget was not a significant policy instrument. It was simply the financial counterpart to the economic plan in which the government's allocative decisions were embedded. Budget preparation simply followed the plan, and financial performance was of secondary importance. Even as the budget gained increasing importance when the planned economy and its allocative instruments were gradually phased out in the 1980s and 1990s, the government was slow to recognize the urgent need to install a PFM system to manage its finance, as all attention was focused on finding a way to revive the revenue mechanism. PFM reform began finally in 1999, when the government introduced a broad package over the following three to four years that included reforms to budget preparation, budget classification, treasury management, government procurement and the installation of new fiscal information systems. New procedures were introduced for budget preparation and approval, and budge reporting to the National People's Congress was strengthened. Department budgets were introduced alongside the traditional functional allocations aimed at clearly identifying all resources and expenditures for each

government department as the first step towards building a system whereby spending units could be held accountable for the public money they received. Finally, given the highly decentralized pattern of public expenditure in Chia, for which the central government accounts for only 15 per cent, PFM reform depends critically on its implementation at the subnational level. As PFM reforms aim to curb extra-budgetary resources and activities, they are seen as depriving local governments of autonomy and will be met with much foot-dragging. The experience of the 1990s is not encouraging, when the take-up of new PFM processes was slow and uneven at subnational levels. More than 15 years after the first round of PFM reform called for increasing transparency and the adoption of uniform reporting standards, for example, information on local budgets remains spotty and uneven, and few provinces release information on transfers to lower levels. In China's hierarchical but delegated system of level-by-level administration, the central government has only attenuated control over subordinates. In summary, this brief review of the fiscal reform being implemented has found much to praise in the package of proposed reforms; it is ambitious and comprehensive, addresses many of the key problems in the existing system of PFM and the measure are well designed to build the foundation for good governance. The quick rollout of legislation and regulations from the State Council has, to date, provided strong support for implementing PFM reforms in the first phase. Building a robust system of PFM is only the first step in fiscal reform. The key part is yet to come, which is to realign and rationalize the system of intergovernmental fiscal relations, the

linchpin of effective management of a large, multilevel fiscal system that has for so long been missing in the Chines economy.

International Monetary Fund (IMF) 2023, Digital Solution Guidelines for Public Financial Management, digital transformation of public financial management can bring significant benefits to governments. First, it can enhance fiscal operations and ensure optimal use of public funds through process automation, which can reduce manual errors and increase the efficiency of financial transactions. It can also support budget planning and resource allocation as well as strengthen expenditure control and monitoring. Digital solutions can also facilitate timely and comprehensive identification, assessment, and mitigation of fiscal risks including contingent liabilities, enhancing the government's ability to manage and respond to fiscal vulnerabilities. Governments have been using financial management information systems (FMISs) as the main digital solution to support their PFM functions. FMISs can be defined as a set of digital solutions to automate PFM processes including budget formulation, execution, accounting, and reporting, as well as the custodianship and reporting of revenues. When FMIS integrates or interoperates with other government information technology systems that provide extended PFM functions such as payroll, debt management, and e-procurement it is generally known as an integrated FMIS. The evolution of FMIS and its adoption by the ministries of finance can be traced back to the early 1960s, when the use of mainframe computers become increasingly common, and governments began to recognize their potential to automate financial processes. The first FMISs were standalone systems, used primarily by finance

and accounting departments to track expenditure, manage accounts payable and receivable, and generate financial statements. As FMIS capabilities have evolved over time, they can now be sophisticated systems that integrated government budgeting, accounting, financial reporting, and core financial management functions with other government IT systems, such as procurement and payroll management systems. In 2022 Govtech Dataset shows that in more than 140 countries, these systems support more than just budget execution and treasury management and allow exchange of data with other systems. However, despite large investments from government and development partners over more than three decades, many countries still face challenges in transforming FMISs into effective tools of fiscal management. The Governments have adopted digital innovations at different paces, reflecting not only barriers to digital transformation but also their specific windows of opportunity for such reform. Reengineering a process to be digital by design allows eliminating obsolete practices, taking advantage of modern technologies, and building on the learnings of digital PFM pioneers. Governments can also tap opportunities where digital solutions can yield rapid and substantial benefits, for example, using fiscal data to improve economic predictions and integrating digitalization of payments with a country's PFM system including fintech solutions for savings and a wider reach. A country's progress in modernizing its PFM functions and IT systems may not necessarily follow parallel tracks. It is possible, for example, to have an IT system with broad coverage but with dysfunctional PFM processes, or vice versa. Although they are likely to be correlated, it is also not guaranteed that the efficiency of

PFM and level of digital adoption in a country will be aligned with the quality of its public institutions. Governments can benefit from adopting digital solutions, but lack of appropriate safeguards may poor governance. Therefore, governments should seek to make improvements in all relevant areas-efficient PFM functions, modern digital solutions, and sound governance and institutions and approach the adoption of digital solutions in key PFM functions holistically, from the functional technological, and governance and management perspectives. This Technical Noted sets out the general framework of Digital Solutions Guidelines for Public Financial Management to assist governments and other relevant actors in this endeavor.

Sweden, in the early 1980s, enjoyed the largest budget surplus among all OECD countries. However, from 1993 to 1995, the country experienced a deep economic crisis that resulted in the largest ever budget deficit. To address the crisis, Sweden established a Commission of Inquiry and by the late 1990s significant budget reforms were introduced that brought the budget back to balance. The key elements of the reforms included the adoption of a multi-year budget framework, a top-down budget process, delegation of authority to lower levels, and strong fiscal discipline with the introduction of aggregate budgets for broad spending areas. The new budgeting system in Sweden was divided onto three levels. The first level constitutes the articulation of the government's fiscal policy objectives in macroeconomic terms; the second level determines the maximum aggregate level of expenditure for public finance policy objectives based on economic assumptions; and the third level allocates budget package to each of the 27 Expenditure Areas. Another key feature of the budget system is

budgeting for a surplus target which is mandated by law over each budget cycle. Sweden follows a stringent top-down budget process. The Cabinet considers the budget proposals from all ministries and collectively agrees on the total annual expenditure plus the expenditures for the next 2 years separated into package for each of the 27 Expenditure Areas within the overall budget aggregates. Before 15th April, the Government submits the Spring Fiscal Policy Bill to Parliament which discusses and approves the key aggregate figures in the budget framework by end of June, a process introduced to maintain budget discipline. The approvals are made at the level of each expenditure Area among the 27 expenditure areas without further detailed allocation and the total level of expenditures for the coming year and the following years are controlled within the maximum specified level in the multi-year budget framework (OECD-2014). Once the figures for the 27 Expenditure Areas are approved, in principle, the Ministry of Finance will not take part in the detailed budget formulation process and the sector ministers become responsible for allocating detailed funds within specific appropriations in their respective Expenditure Area. The detailed budget proposal is again submitted to the Cabinet in early September after which the Budget Bill, which includes PI for each Expenditure Areas, is presented to Parliament by late September. Parliamentary committees play a key role in scrutiny and much of the fundamental work in reviewing budget proposals takes place in these specialized committees. The Finance Committee of parliament is responsible for the overall budget proposal and for recommending to Parliament the level of overall aggregate expenditure and the aggregate expenditures for each of the 27 Expenditure Areas. The Sector

Committees are responsible for scrutinizing budget allocation within their respective Expenditure Areas. At the local government, Sweden has 290 local administrations using 45 percent of the total budget. In respect of monitoring and evaluation of performance, the Budget Act requires the Government to report to Parliament on the performance/impact in terms of implemented policies and measures. This work is mainly carried out by the National Audit Authority through performance audits and financial audits. At the beginning of each year, the Ministry of Finance placed strong emphasis on performance information, but the experience did not yield much success as their LMs reacted strongly against the use of performance information. Moreover, such practice causes the generation of too many pieces of information and the passing of budgeting bills consists of voluminous documents which was simply unfeasible for the Ministry of Finance to verify and process. Parliament also voiced concern about the quality of the performance information attached to the budget documents as well. In this sense, the importance of performance information for budget allocation and approval remained limited which is yet to respond to the concept of performance budgeting (OECD-2014).

Malaysia moved to Result-Based Management (RBM) by beginning with Program Planning Budgeting System (PPBS) in 1969, then moving to a Modified Budgeting System (MBS) before evolving to the current Outcome-based Budgeting (OBB) System in 2013 after piloting it for one year. The key focus was in strengthening the linkages between national policy priorities and resources using six key transformation levers to guide the development of the new budgeting system namely focusing on performance; vertical alignment of

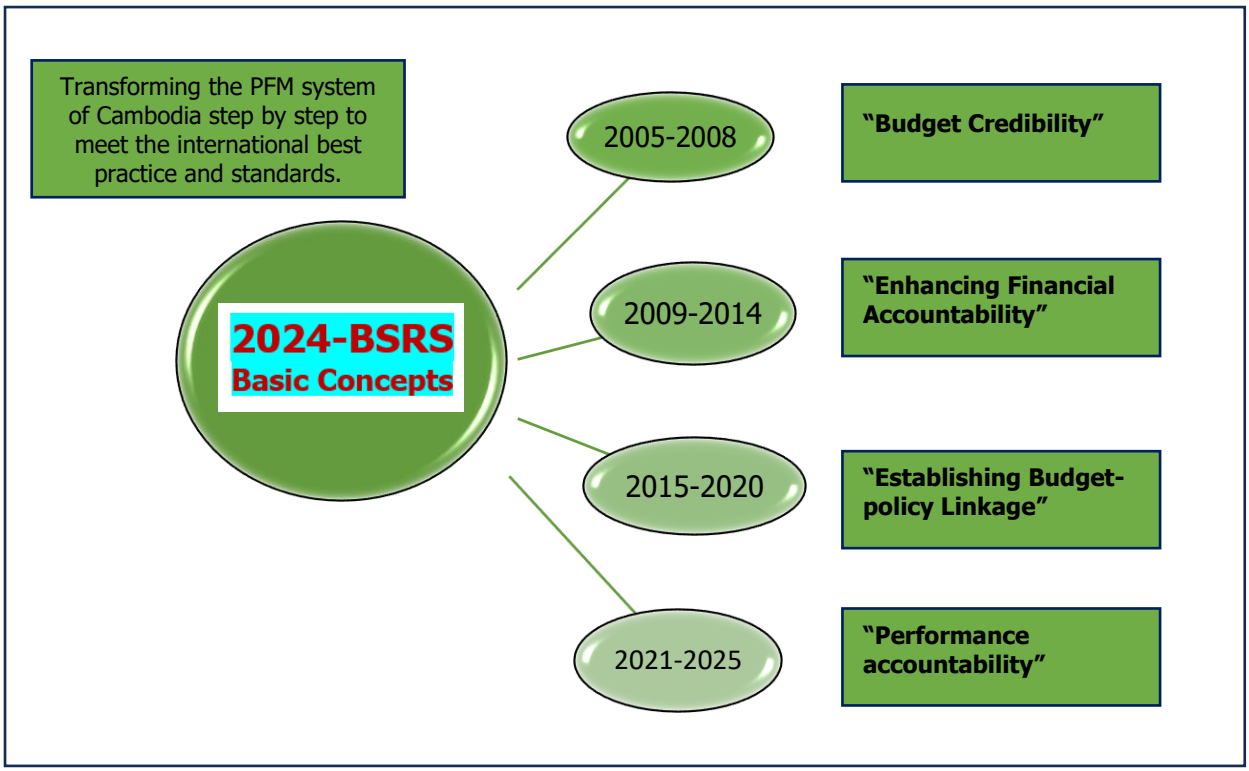
national priorities and ministry activities; managing cross-cutting sector initiatives; coordinating capital and recurrent spending; delegating authority with accountability for results; and monitoring and evaluation system. In the earlier budgeting systems, PIs were used extensively in the early stages for resource allocation. However, as it progressed, under OBB, PIs were used in planning for achieving better service and program delivery. Greater emphasis is placed on performance monitoring and evaluation. Accountability has been improved significantly in this process. However, there is a lack of transparency to a certain extent in the overall budget process and the consultations among stakeholders due to time constraint. Overall, Malaysia has been relatively successful in the implementation of performance budgeting in the region. Similar to OECD countries and Thailand, resource/budget allocations are not dependent only on PIs as other economic, political and policy factors are also taken into consideration before making decision. In terms of de-concentration and decentralization, financial management in Malaysia has been highly centralized. Critical programs covering health, education, agriculture, rural development, infrastructure, security, and traded have been centrally driven by federal departments at the sub-national level (MEF-PFMRP-2018).

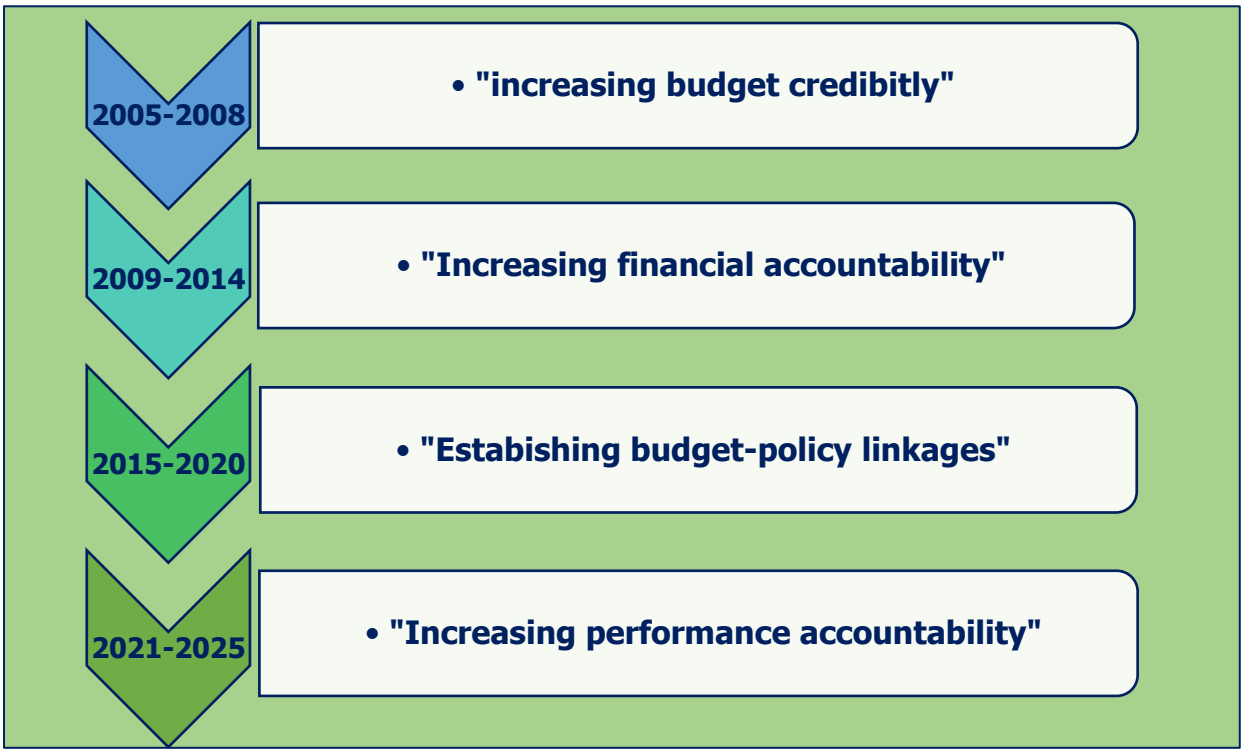
2.17 Conceptual Framework of Research

In the relation of structures and linkages of changing basic concepts of BSRS of PFMRP are shown in conceptual framework (1) below, the evolution of basic concepts within the Budgeting and Financial Management Reform Program (PFMRP) can be segmented into distinct phases, each reflecting a shift

in focus and objectives. Phase 1: 2005-2008-Increasing Budget Credibility. During this initial phase, the primary goal was to enhance the credibility of the budget. This involved ensuring that budgetary projections were realistic and that the budget was consistently adhered to during implementation. The emphasis was on establishing trust in the budgeting process among stakeholders. Phase 2: 2009-2014 - Increasing Financial Accountability, In the subsequent phase, the focus shifted toward increasing financial accountability. This involved improving the systems and processes in order to ensure that public funds were used responsibly. The aim was to foster a culture of accountability among public financial managers and institutions. Phase 3: 2015-2020 - Establishing Budget-Policy Linkages. The third phase marked a significant shift towards establishing clear connections between budget decisions and policy objectives. This period aimed at aligning budget allocations with desired outcomes, ensuring that financial resources were effectively directed toward achieving policy goals. Phase 4: 2021-2025 - Increasing Performance Accountability. The current phase emphasizes the importance of performance accountability. This involves measuring and reporting on the outcomes of budget expenditures, promoting transparency and responsibility in public financial management. The goal is to create a system where the results of financial decisions are clearly understood and evaluated. Overall, this framework illustrates the progressive development of budgeting concepts aimed at enhancing governance and accountability within public financial management systems over time.

1). Conceptual Framework of Changing Basic Concepts of BSRS of PFMRP



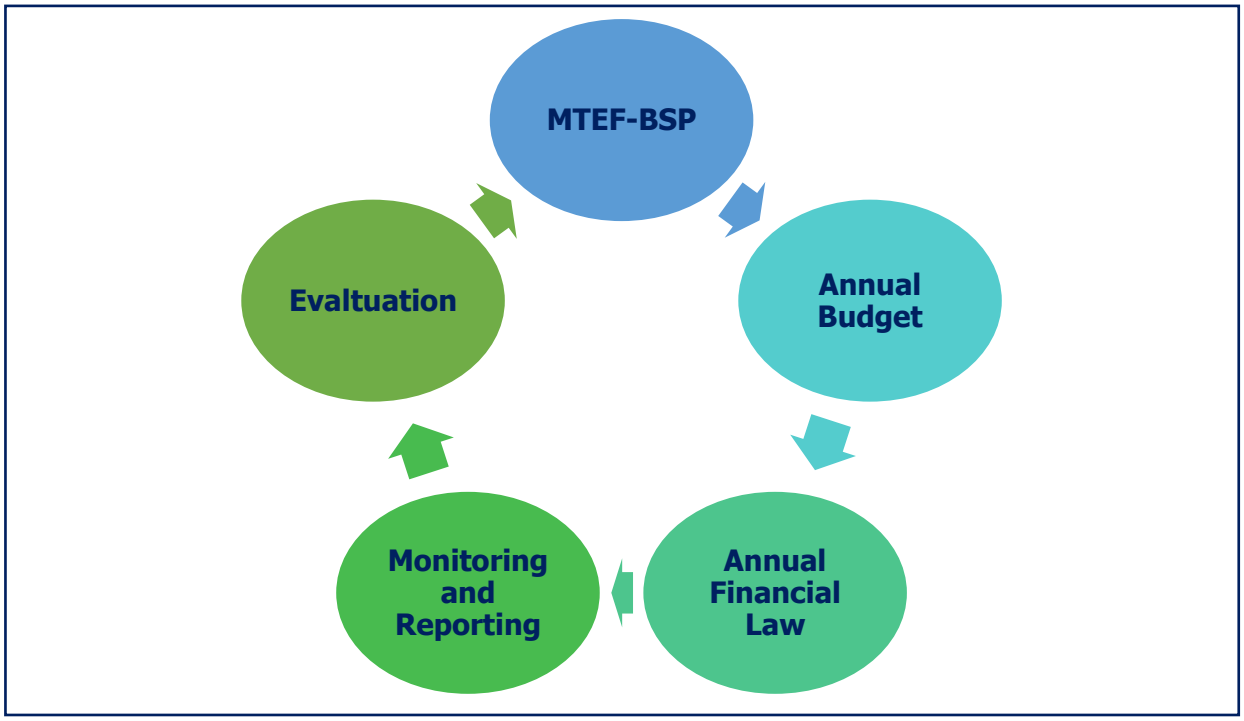


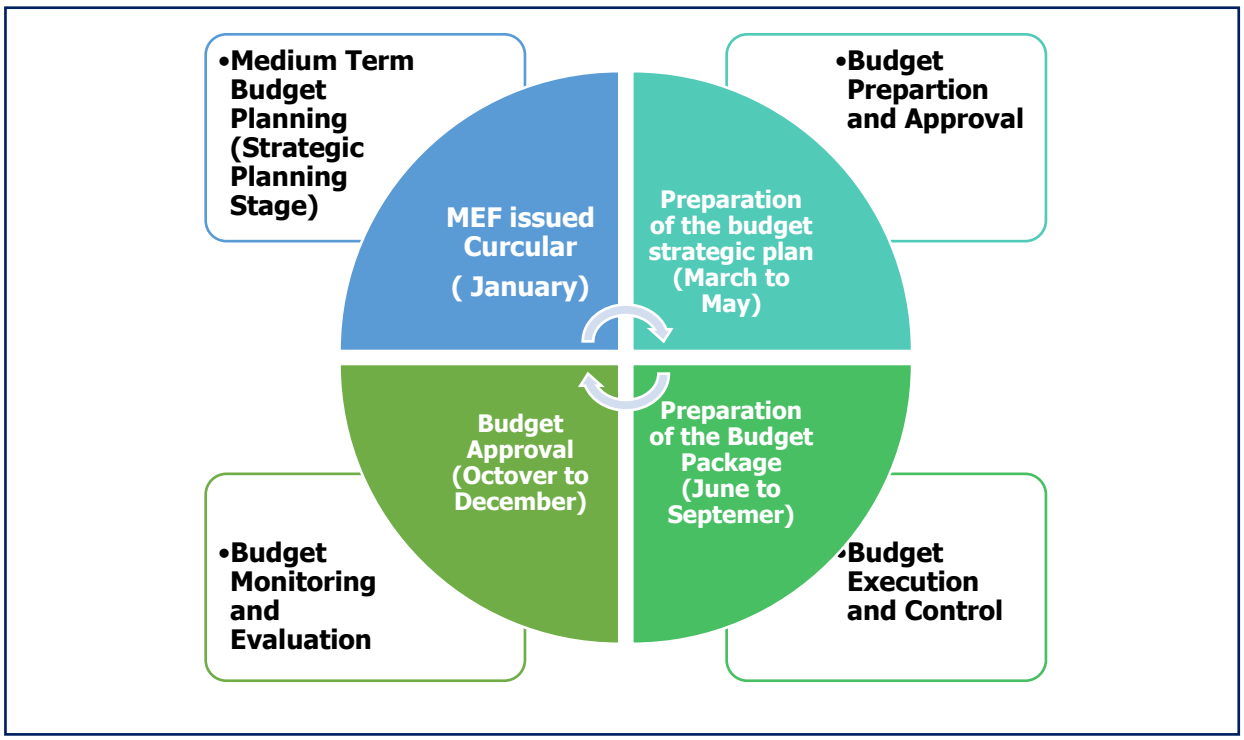
Up on the conceptual framework of changing conditions of BSRS of PFMRP are shown in (2) below, the framework outlines the key components and processes associated with the Medium-Term Expenditure Framework and Budget Strategic Planning (MTEF-BSP), emphasizing the interconnectivity between planning, execution, and evaluation in public financial management. Key Components 1). Annual Budget, the annual budget serves as a crucial document that outlines government spending and revenue generation for a fiscal year. It is developed through a structured process that includes preparation, approval, and execution. 2). Annual Financial Law, this law formalizes the budget and provides legal authority for government expenditures, ensuring compliance with established financial regulations. 3). Monitoring and Reporting, Continuous monitoring and reporting are essential for assessing the implementation of the budget. This process helps identify variances from planned expenditures and informs necessary adjustments. 4). Evaluation, the evaluation is critical for assessing the effectiveness and efficiency of the budget execution. It provides insights into the outcomes of fiscal policies and programs, guiding future budgetary decisions.

The Budgeting Cycle Processes, 1). Medium-Term Budgeting, this stage involves strategic planning and the issuance of circulars by the Ministry of Economy and Finance (MEF) in January, outlining budget guidelines and priorities. 2). Preparation of the Budget Package, during this phase, various stakeholders prepare the budget package, which includes detailed proposals and justifications for funding. This collaborative effort is essential for aligning budget allocations with strategic objectives. 3). Budget Approval, the budget

package undergoes a thorough review and approval process, ensuring that all proposed expenditures are justified and aligned with government priorities. 4). Budget Execution and Control, once approved, the budget is executed, and strict control measures are implemented to monitor spending against the approved allocations. This ensures accountability and transparency in the use of public funds. This conceptual framework illustrates the dynamic and iterative nature of public financial management, highlighting the importance of integration between planning, execution, and evaluation to achieve effective governance and accountability.

1). Conceptual Framework of Changing Conditions of BSRS of PFMRP (Cont'd)





In accordance with the conceptual framework of changing implementation processes of BSRS of PFMRP are shown in structure (3) below, this framework outlines the evolution of implementation processes within the Budgeting and Financial Management Reform Program (PFMRP). It highlights significant shifts in focus from traditional line-item budgeting to more program-oriented and performance-based approaches. 1). Changing Implementation Processes Line Items versus Budget Programs, initially, budgeting was primarily based on the line items, which focused on specific expenditures without considering broader program objectives. This incremental approach limits the ability to assess the effectiveness of funding in achieving desired outcomes. 2). Transition to Budget Programs (2008-2014), The implementation process shifted towards budget programs, which emphasized funding specific activities aligned with strategic goals. This transition included: 1). Policy Linkage: Establishing connections between budget allocations and policy objectives to ensure that financial resources support intended outcomes. 2). Budget Program Activities: Outlining specific activities within programs that require funding, facilitating clearer tracking of expenditures. 3). Performance Indicators: Developing metrics to evaluate the effectiveness of program activities, allowing for better assessment of fiscal performance. 4). Performance-Based Budgeting (2015-2020), the next phase focused on performance-based budgeting, which emphasized the outcomes of budgetary allocations. Key components included: 1). Budget Ceilings: Setting limits on expenditures for specific programs based on anticipated performance outcomes. 2). Program Agreements: Formalizing commitments between funding agencies and program managers to achieve

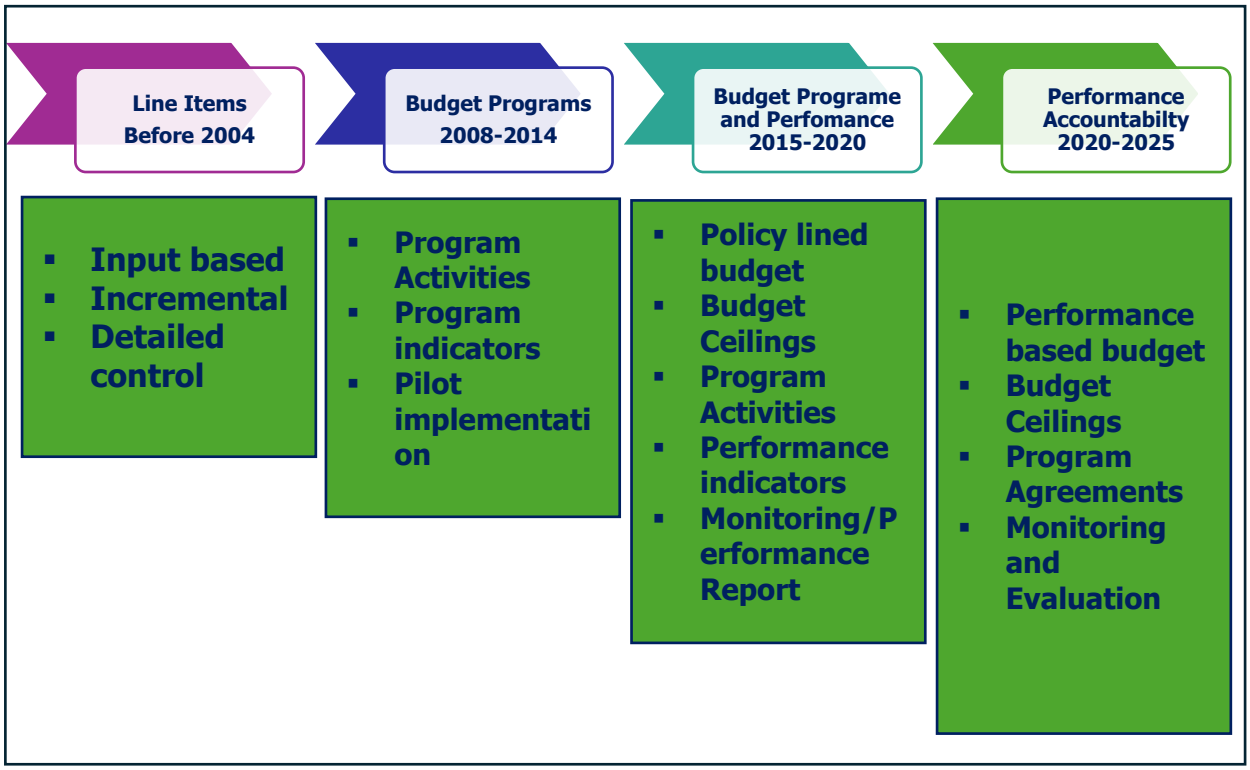
agreed-upon results. 3). Monitoring and Evaluation: Establishing robust mechanisms for ongoing assessment of program activities to ensure accountability and transparency. The significant changes in the Conceptual Framework of Basic Concepts of BSRS of PFMRP, the framework highlights significant changes in both the conceptual understanding and the implementation processes of the BSRS of PFMRP:

Ho1: Conceptual Framework Change- this aspect focuses on the fundamental shifts in the underlying concepts of budgeting and financial management, moving from a traditional approach towards a more integrated and strategic framework.

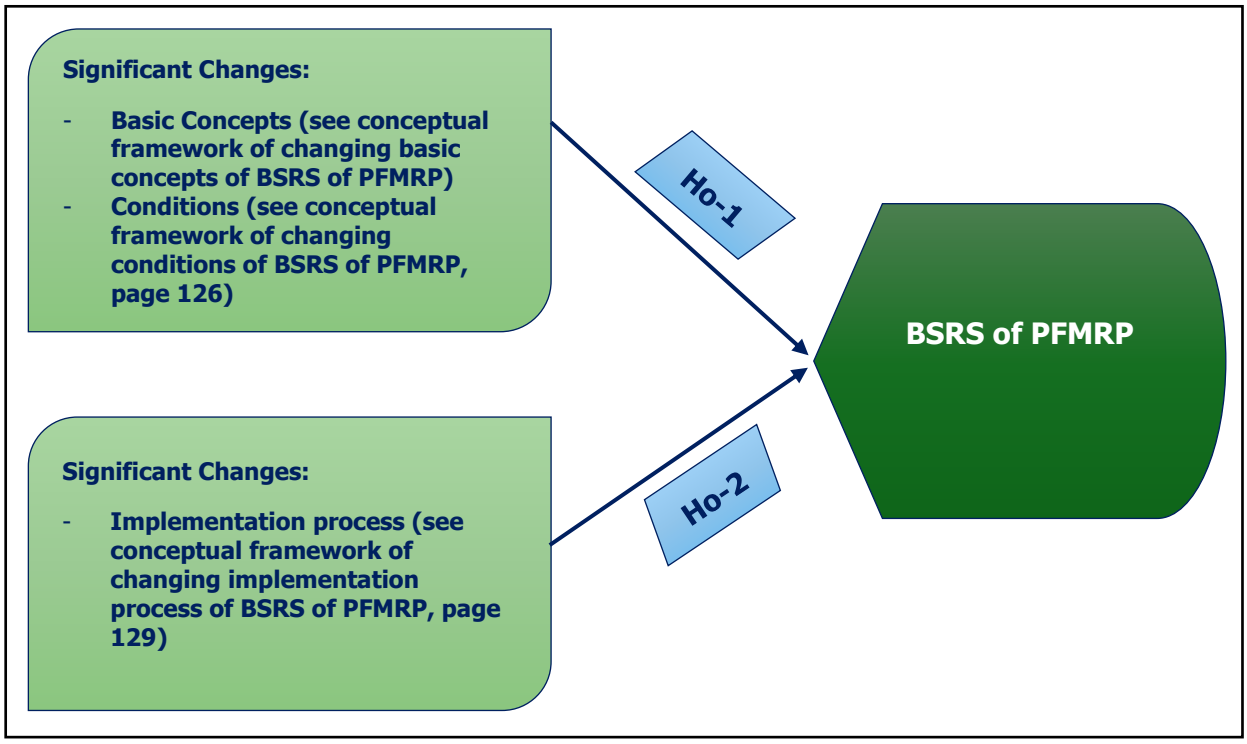
Ho2: Implementation Process Change- this change emphasizes the evolution of the implementation process itself, illustrating how budgetary practices have adapted to prioritize performance and accountability over mere compliance with line-item expenditures.

Overall, this conceptual framework reflects the ongoing evolution in public financial management, underscoring the importance of aligning budgeting practices with strategic objectives and performance outcomes to enhance governance and accountability.

2). Conceptual Framework of Changing Implementation Process of BSRS of PFMRP



3). The Significant Changes of Conceptual Framework of BSRS of PFMRP



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CHAPTER III

RESEARCH METHODOLOGY

This chapter discusses the methodology of the research in detail. It includes an explanation of type analysis carried out in the research, type and source of data, sampling and sample size, statistical tools, coverage, scope and limitation of the research.

3.1 Type of Analysis

The research has used both descriptive and quantitative approaches to answer the research questions, meet the objectives and test the hypotheses. In descriptive approach, the research has relied on relevant literatures on PFMRP and the policies of the government of Cambodia. In the Quantitative approach, the research has used necessary tables, graphs and statistical models for the analysis of the data.

3.2 Type and Sources of Data

The data for the research includes both primary and secondary sources. The secondary data were collected from various entities such as the Ministry of Economy and Finance, the Office of the Council of Ministers, the Council of Jurists of the Office of the Council of Ministers, the General Secretariat of the Public Financial Management Reform Steering Committee, the International Monetary Fund, the Asian Development Bank, the FMIS Project Management Working Group, the General Department of Budget, the Department of Policy, the General Department of National Treasury, the General Department of Public Procurement, the General Department of Sub-National Administration Finance, Government Financial Statistics, the World Bank, and the Internet. The primary

data for the research was collected from selected respondents, including officials and top management of the designated special departments within the Ministry of Economy and Finance.

3.3 Sample Size

As per the information collected from the Ministry of Economy and Finance (MEF) and Line-Ministry selected 6 among of 15 General Departments, selected 14 among of 22 Departments, and selected 19 among of 39 of Line-Ministry in the time of the survey. In these General Departments, Departments and Line-Ministries had already started involvement in processing of Budget System Reform Strategy of Public Financial Management Reform Program.

3.4 Sampling Method

The research used stratified random sampling to select participants for this study. The selected sample included general directors, deputy general directors, and officials from the General Department, departments of the Ministry of Economy and Finance (MEF), and Line Ministries. Additionally, government officials from the Line Ministries were included. The estimated total number of officials in this research consists of 2,590 people, which is defined as the research population. The formula of Taro Yamane was used to calculate the sample size, with a precision level of 7%. The research calculated the number of participants as follows:

Formular $n = \frac{N}{1+Ne^2}$

Where:

- n = Number of samples
- N = Number of populations
- e = Level of precision.

The calculations:

Sample size $n = \frac{2590}{1+2590(0.07)^2}$

n = 189 people

To reach the required sample size, data collection was conducted using a stratified random sampling method. The researcher utilized a total of 189 study samples for data collection and analysis. This sample included 6 General Directors, 14 Deputy General Directors, and representatives from 19 Line Ministries, as shown in Table 3.1, which details the number of categories of respondents surveyed from a population of 2,590.

To collect primary data from the Ministry of Economy and Finance (MEF) and the Line Ministries, the research focused on opportunities available within the aforementioned sample size. The study addressed the challenges faced by respondents and examined the roles of each General Department, Department, and Line Ministry among the six General Departments: (i) General Department of Budget, (ii) General Department of Sub-National Administration Finance, (iii) General Department of Public Procurement, (iv) General Department of Customs and Excise, (v) General Department of Taxation, and (vi) General Department of National Treasury.

The selected sampling and sample size included: from the General Departments, 6 General Directors, 9 Deputy General Directors, and 19 officials; from the Departments, 14 Chiefs, 18 Deputy Chiefs, and 22 officials; and from the Line Ministries, 19 Office Managers, 36 Deputy Office Managers, and 46 officials. Data will be collected through direct personal interviews. For the representatives of the 19 Line Ministries, a census method will be employed, as all representatives were operational during the time of the survey.

Table 3.1

Number and Categories of Respondents Surveyed in the Selected General Departments, Departments, and Line-Ministry

No.	Sample of Selection	Number & Categories of Respondents Surveyed			
		General Departments	Departments	Line-Ministry	Total
1	Number and categories of respondents selected	6	14	19	
		General Directors	Deputy Directors	Officials	Total
2	Number of respondents selected from General Department	6	9	19	34
		Chief of Department	Deputy Chief of Department	Officials	
3	Number of respondents selected from Department	14	18	22	54
		Chief of Line-Ministry	Deputy Chief of Line-Ministry	Officials	

4	Number of respondents selected from Line-Ministry	19	36	46	101
Total		**39**	**63**	**87**	**189**

3.5 Reliability Test

Reliability refers to the accuracy of measurements, ensuring they are free from errors and produce valid results. Research tools are considered reliable if they consistently assign the same score to individuals or items that are fundamentally the same (Thanasegaran, 2009). A pilot study of the questionnaire, involving 30 participants with similar characteristics to the actual research sample (but who were not part of it), was conducted to determine the discriminant index of each question and the overall reliability index (Cronbach's alpha). Excellent reliability is indicated by a Cronbach's alpha of .90 or above; good reliability falls between .80 and .89; and acceptable reliability ranges from .70 to .79 (George & Mallery, 2016, p. 240).

Table Reliability

No	Items	Number of questions	Reliability (α)
1	Reform Implementation Process Strategy	15	.611
2	Effectiveness of the FMIS	14	.722
3	Perceived Risks of Reform	20	.926

The dependability of the measuring instrument was evaluated using Cronbach's alpha, a measure of internal consistency. Three separate measures were examined: Reform Implementation Strategy, FMIS Effectiveness, and Reform Risk Perceptions. The Reform Implementation Strategy scale, which consists of 15 items, had a Cronbach's alpha of .611. This result indicates a problematic level of internal consistency, suggesting possible discrepancies among the items assessing this concept. While some academics consider Cronbach's alpha of .6 to be acceptable, the observed value is at the lower end of that range, raising concerns regarding the homogeneity of the items on this scale. Further analysis and possible revision of these elements may be required to enhance the scale's dependability.

The Cronbach's alpha for the 14-item FMIS scale was .722. This result suggests an appropriate level of internal consistency, indicating that the items on this scale are well-connected and measure the same underlying concept. This degree of dependability instills confidence that the measurements obtained from this scale will be consistent.

The Perceived Risks of Reform scale, comprising 20 items, exhibited an exceptionally high Cronbach's alpha of .926. While a high alpha is generally desirable, this value raises concerns about the validity of the data collection process due to its unusually high nature.

3.6 Data Gathering Procedures

The research collected secondary data from various sources, including the Ministry of Economy and Finance (MEF), Line Ministries, the Office of the

Council of Ministers (OCM), the Council of Jurists of the Office of the Council of Ministers (CJOCM), the General Secretariat of the Public Financial Management Reform Steering Committee (GSPFMRSC), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the FMIS Project Management Working Group (PMWG), the General Department of Budget (GDB), the Department of Policy (DP), the General Department of National Treasury (GDNT), the General Department of Public Procurement (GDPP), the General Department of Sub-National Administration Finance (GDSAF), Government Financial Statistics (GFS), the World Bank (WB), as well as various books, journals, and online resources. This data collection followed the creation of a comprehensive list of secondary data necessary for the research.

For the collection of primary data related to strengthening financial accountability, a comprehensive working manual of financial management, and strategies and standard practices of the budget system strategy to enhance the Public Financial Management Reform Program in Cambodia, the research utilized well-structured questionnaires. The required primary data was gathered through direct personal interviews with selected respondents.

3.7 Statistical Tools

For data analysis, the table, graphs and charts of various kinds have been used. Simple calculations like average and percentage have also been used to analysis the data. The research has used both Microsoft Excel and Statistical Package for Social Sciences (SPSS) to process the data. Secondary data have been processed in Excel, and primary data have been processed both

in SPSS and Excel. Descriptive statistics such as mean, standard deviations and percentage were employed withing data analysis while content analysis was also used on concluding the meaning of findings.

3.8 Scope and Limitation of Research

The research study specifically surveyed six General Departments, namely: (i) General Department of Budget, (ii) General Department of Sub-National Administration and Finance, (iii) General Department of Public Procurement, (iv) General Department of Customs and Excise, (v) General Department of Taxation, and (vi) General Department of National Treasury. This included 14 Departments and 19 Line Ministries that were fully operational during the study period, ensuring relevance to the research objectives.

The study utilized both primary and secondary data related to the Budget System Reform Strategy (BSRS) of the Public Finance Management Reform Program (PFMRP) from 2005 to 2025. It reviewed pertinent changes in basic concepts, conditions, and the implementation process, discussing significant points during the implementation period of the BSRS and its positive impacts within the PFMRP in Cambodia. However, there remains considerable scope for further research on related topics. Future researchers could conduct in-depth studies on the BSRS to explore how to strengthen budget credibility through improved revenue management, debt and cash management, and enhanced budget execution. Additionally, research could focus on strengthening financial accountability by improving budget classification implementation, launching new operational systems, enhancing reporting systems, and bolstering the

functions of internal audits. More detailed research could also be conducted on the BSRS within specific entities in Cambodia. Similarly, there is potential for comparative studies on PFMRP among ASEAN countries and internationally.

3.9 Procedure of Analyzing Data

The research has used both Microsoft Excel and Statistical Package for Social Sciences (SPSS) to process the data. Secondary data have been processed in Excel, and primary data have been processed both in SPSS and Excel. Necessary tables and graphs have been used to analyze the data. Further, simple calculations like average and percentages have been done at appropriate places for analysis of the data. In this research, tabular analysis has also been carried out. Data collected from various sources were further compiled, processed and tabulated, keeping the objectives in mind. The interrelation among the data forms the basis of tabulation.

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CHAPTER IV

BUDGET SYSTEM REFORM STRATEGY OF PFMRP IN CAMBODIA

The present chapter discusses the details of the Budget System Reform Strategy (BSRS) in Public Financial Management Reform Program (PFMRP) in Cambodia for 2005-2025. This includes four parts; First, the background to the PFM reform in Cambodia; Second, the direction of budget system reform; Third, the strategy for budget system reform; Fourth, the road map toward the strategic goal 2025 and particularly, also summarizing the international experiences in performance budgeting and conclusion.

4.1 Background of the PFM Reform in Cambodia

The Royal Government of Cambodia (RCG) has launched the Public Financial Management Reform Program (PFMRP) in 2004 with the objective to transform the public financial management system of Cambodia step-by-step to meet the international best practices and standards. The PFMRP has been designed as a comprehensive and long-term undertaking, sequenced in four platforms and four stages. The first stage (2005-2008) of the reform focused on the first platform on increasing budget credibility the second stage (2009-2015) focused on the second platform on increasing financial accountability, while further enhancing the achievements of the first platform and preparing the foundation for the third platform; the third stage (2016-2020) focused on the third platform on establishing budget-policy linkages, while further strengthening the achievements of the first two platforms and paving the way for implementing the fourth platform. The fourth stage (2021-2025) has been focusing primarily on building the fourth platform of public financial management reform program, increasing performance

accountability, while further strengthening the achievements of the three previous platforms (BSRS-2018-2025).

4.1.1 Platform and Stage Strategy and Progress of the PFM Reform

As mentioned above, the implementation of the PFMRP is undertaken stage wise approach with each stage focusing on one specific platform while continuing to strengthen previous platforms and also stay ready to build the foundation for the next platform. As it is a long-term reform program, such an approach is conducive for gradual implementation to ensure strong and effective linkages from one platform to another. To achieve the above objective, a "Public Financial Management Reform Program (PFMRP) Steering Committee" has been established to assume responsibility of formulating, implementing and monitoring the implementation of the PFMRP. The Steering Committee is chaired by his Excellency Senior Minister of the Ministry of Economy and Finance (MEF) and a permanent General Secretariat with the task of coordinating the implementation of the whole PFMRP. Each Line Ministry has also created a PFM Working Group, chaired by a Secretary/Under-Secretary of State, to oversee the reforms under their respective mandates. Each stage has a Consolidated Action Plan (CAP) as a guide for implementing reform activities. Those CAPs are reviewed annually with discussion and consultation with all ministries, institutions and stakeholders. After the successful completion of the Consolidated Action Plan for Stage 1 (CAP-1) and Stage 2 (CAP-2) in 2015, the Ministry of Economy and Finance (MEF) assessed public financial management system by using the "Public Expenditure and Financial

Accountability Assessment Framework" (PEFA Assessment Framework) with the involvement of the IMF's regional public financial management adviser and other international experts. The results from this assessment have become the necessary basis for the preparation of Consolidated Action Plan for Stage 3 (CAP-3) which was launched at the beginning of 2016. Overall, the progress in the first platform and the first stage of PFMRP implementation was very good. Remarkable progress includes the success of resource mobilization, budget preparation becoming more comprehensive and realistic and enhanced effectiveness of budget implementation. As a matter of fact, tax revenue grew to an average of 17.5% annually, while non-tax revenue increased by 16.9% annually. On budget formulation side, budget cycle was defined more clearly, Budget Strategic Plan (BSP) and new economic classification were introduced, capital expenditure information was included in draft Annual Budget Law, and the summary of Annual Budget Law was prepared and disseminated more widely to the public. In respect of budget execution, Treasury Single Account (TSA) which merged all government accounts was created and an integrated external funding data system was developed. At the same time, mid-year reviews were conducted at the beginning of the second semester, in-year additional credit was limited not to exceed the non-allocated credit amount, non-wage expenditure execution was improved, and procurement measures were updated to include the requirement for procurement plans, reports and post-implementation monitoring. Quarterly revenue and expenditure program has now become part of the routine work, cash management units have performed well their tasks, and arrears have been completely eliminated. Under

Stage 1, six preparatory works for the next platform were carried out, namely the development and health sectors, introduction of internal audit, development of program budgeting pilots, development of Financial Management Information System (FMIS) implementation plan, and preparation of capacity development strategic plan (BSRS-2018-2025).

Subsequently, the second phase focuses on platform 2, which was to build Financial Accountability. Under this, a new budget classification was introduced. At the same time, the functions of auditing, reporting and transparency, the facilitation of budget operation and implementation as well as other tools to promote accountability were enhanced and strengthened. Overall, to develop platform 2, necessary components of the public financial management system and FMIS were launched to strengthen lines of accountability for financial management. The second phase was considered to be essentially successful, although some activities were not completed fully as planned, such as the delay in launching FMIS and development of other financial accountability instruments. FMIS was launched on a pilot basis at the end of 2015, comprising of six functions namely budget allocation, general ledger, expenditure commitment and procurement, account receivable, account payable and cash management. At the same time, the achievement of budget credibility was essentially maintained with improved revenue mobilization, efficient budget execution and strengthened cash management. The implementation of the new budget classification and chart of accounts saw good progress, and the function of internal audit was also further strengthened. Moreover, the implementation of program budgeting was piloted in 2008 at

eight ministries and agencies and was subsequently expanded to 10 ministries by 2015 to fully implement it. These experiences provided an important basis for scaling up the full implementation of program budgeting to all ministries and institutions in the third stage of public financial management reform. In conclusion, the implementation of CAP 1 and CAP 2 as of the end of 2015 formed a necessary and sufficient basis for the implementation of platform 3, establishing Budget-Policy linkages in stage 3 (2016-2020) and further enhancing the implementation of the first two platforms (BSRS-2018-2025).

4.1.2 Components and Objectives of Stage 3 and 4

CAP 3 of Stage 3 of the PFMRP, launched in March 2016, focused primarily on budget-policy linkages with five objectives. Objective 1: Keep strengthening budget credibility by strengthening management of revenue, debt and cash, and improving budget execution. Objective 2: Continue strengthening financial accountability through improving budget classification implementation; launching the new budget system and operation system, strengthening reporting system and financial accountability, and enhancing the functions of internal audit. Objective 3: Focus on budget-policy linkages by rolling out full program budgeting and covering more budget entities, improving budget comprehensiveness and integration, defining clear roles and responsibilities of MEF, line ministries and legislative bodies, developing medium-term expenditure framework (MTEF), developing Monitoring & Evaluation (M&E) system, and implementing financial decentralization. Objective 4: Prepare the foundation for the introduction of performance

accountability including performance budgeting framework, defining lines of performance budget accountability; launching performance auditing framework and capacity development plan. Objective 5: Support the reform program by building capacity and incentivizing the reform and strengthening the capacity for the implementation of Stage 3. Stage 4 is performance accountability, which is expected to be completed by 2025. The objectives of CAP for stage 4 have not been defined yet (RGC-2018).

4.1.3 Constraints in Achieving Objectives in Platforms 3 and 4

Platform 3 is expected to make good progress, but improving the quality of program structure, budget integration and enhancing budget comprehensiveness remains challenging. In practice, moving from input-based to program-based approach is not very difficult, but changing from program budgeting to performance budgeting would be difficult if performance accountability remained weak. Budget system reform focuses on the key elements of the budget cycle, such as development of strategic plan, budget formulation, budget execution, monitoring and oversight as well as auditing is the core of the PFMRP. This reform is accompanied by other inter-connected components, such as resources mobilization, FMIS, state property management, cash flow management and financial accounting and reporting. These components have critical flow management and financial accounting and reporting. These components have critical impacts and could pose constraints in achieving the objectives of moving the budget system reforms forward. Hence, the lack of effective mechanism for coordinating and monitoring the reform of

budget system with other interlinked reforms may pose a risk to achieving the objectives of platforms 3 and 4 as well as the overall objective of the PFMRP. Moreover, along with the implementation of platform 3, there are aspects of platform 1 and 2 which still require further improvements, especially for ensuring revenue sustainability, enhancing the efficiency of budget execution, including further strengthening of the procurement system. It is very important to ensure budget credibility and a well-functioning FMIS for performance accountability. At the same time, besides the PFMRP, there are other major relevant areas of reforms, especially the decentralization and de-concentration reforms being undertaken by other ministries and institutions of the Royal Government of Cambodia (RGC), which may influence the process of budget system reforms as well as in achieving the objectives of platform 3 and 4. In addition, there is a need to improve and enhance the effectiveness of the NSDP as basis for linking budget to policy, and strengthening and enhancing the role of independent auditing. Unless these reforms are implemented in tandem and well-coordinated with the reforms under Stage 3 and 4, the objectives of the PFMRP may not be achieved. Human resources management in the public sector is not sufficiently developed and this would be a major constraint in achieving the objectives across all platforms and stages. Public administration system reforms will need to be further accelerated to make civil servants accountable for their performances. As a matter of fact, it is not expected that an effective performance-based human resources management system of the public sector can be put in place in the short to medium term in Cambodia. Further concerted efforts will be required to

move public administration reforms forward, especially during the implementation of stages 3 and 4.

4.1.4 Review of Timeframe

On the sub-national administrative system, even though (its budget) functions have not yet been differentiated from one another, a unified framework of the budget system has yet to be defined. The planning process of both national and sub-national (budgets) levels needs to be aligned and mutually complemented to achieve common objectives. At the subnational level, the roles and responsibilities should be more clearly defined as a basis for better preparation of accountability framework and more target budgeting for better accountability. The overall progress in the implementation of the PFMRP has been encouraging. In addition, adopting a step-by-step approach or phase-shift approach of public financial systems has enabled a more dynamic process which allowed changes or strengthening of the CAP, based on practical experience. However, an evaluation of the progress of the Public financial Management Reform Program using Public Expenditure and Financial Accountability Framework in 2015 provided valuable lesson and pointed out the challenges of implementing reform program for stages 3 and 4. The evaluation highlighted that achieving the third stage in 2020 will be linked and complemented with the progress of public administration reform and the progress of reform of decentralization and de-concentration. At the same time, a review of the program budget implementation by the World Bank in 2016 under the framework of the Public Financial Management Reform program, as

part of the mid-term review of the concept noted on the Strategic Direction of Budget System Reform in Cambodia 2013-2020, has drawn on lessons from international experiences on program budgeting and suggested future directions in the implementation of program budgeting in Cambodia. The study shows that the implementation of full program budgeting is only achievable in the context of an overall result-based management system, which has not yet been implemented in Cambodia, and based on the lessons learned and past experiences, the current framework for the implementation of the performance accountability framework is too ambitious. The review therefore concluded that the full implementation of performance-based budgeting management by 2020 is unrealistic. The RGC, therefore, needs to review more thoroughly and within appropriated timeframe to ensure the success of the budget system reform in Cambodia (RGC-2013-2020).

4.2 The Direction of Budget System Reform, the Law on Public

The law on Public Financial System, adopted in 2008, paved the way for the budget system reform with the introduction of Budget Strategic Plan (BSP) and the piloting of Program Budgeting. In June 2013, the RGC approved the "Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020" to guide and direct the implementation of Stage 3 of the PFMRP. The Concept Note is a key document for steering budget system reforms to date. The implementation over the last five years. Especially after piloting full-fledge Program Budgeting in some Line Ministries (LMs), the RGC has a better understanding about the challenges in the implementation of Performance

Budgeting (PB). During that time, the management and senior officials of MEF undertook study visits to a number of selected countries to gain insights from their experiences in the application of performance budgeting. The knowledge gained from these study visits, coupled with the findings of the Program Budgeting Review, have drawn an overall conclusion that the Strategic Direction of Budget System Reform of Cambodia needs to be adjusted to become more realistic and practical. This Chapter reviews the relevant objectives of the current Concept Noted, the experiences and lessons from practical implementation from other countries, the justification for a move toward performance informed budgeting in 2025, and an explanation of the Strategic objectives of 2018-2025 Budget System (BSRS-2018-2025).

4.2.1 Review of the Concept Note for Strategic Direction of BSRS

The Concept Note for Strategic Direction of Cambodia's Budget System Reform 2013-2020 sets out the objectives of gradual changes from "an input based and centralized budget system towards a performance based and decentralized budget system" by 2020. With this goal, Concept Noted sets out the objectives and scope of the reforms under the framework of the budget cycle namely budget formulation, approval, execution and performance monitoring and evaluation. Up to this point, the objectives and scope related to the first three stages are generally still appropriate in the current context of Financial System Reform. Particularly, with the establishment of a performance monitoring and evaluation system as an objective of Stage 4 there is not much activity yet. However, the findings on the experiences in the implementation of

program and performance budgeting from the study visits to other countries that implement program and performance budgeting pointed out the necessity to review the objectives and the scope of the reforms to be appropriate with current best international practices. Particularly for budget system at the sub-national level, the Concept Noted Pointed to the reform directions aligned with the national budget system as follows:

The objective of the sub-national policy needs to be aligned with the national policy objectives/priorities and in accordance with the administrative management structure that defines the roles, authority, and the responsibilities of sub-national administration (RGC-2013-2020).

1) Gradual changes of the budget cycle of the sub-national administration need to be aligned with the national budget cycle.
2) The financial accounting system and management of the sub-national administration need to be aligned with the national level by using the same budget classification, chart of accounts and reporting formats. For this direction, the finding from the studies suggested that the objectives and scope of the reforms in the sub-national budget system remain valid and relevant and do not need any revision.

In order to achieve the objectives of the Budget System Reform 2020, the RGC shall set out a number of strategics, such as the strengthening and improving the effectiveness of the Budget Strategic Plan (BSP), extending the implementation of the Piloting of Program Budgeting, launching Budget Entities, implementing a new budget classification along with the revised chart

of accounts, as well as, enhancing and expanding the implementation of the FMIS, coupled with the preparation for the implementation of a performance-based budget system from year 2020 onward. Overall, this Concept Note proved useful in guiding budget system reforms based on a step by step and gradual implementation approach in line with PFMRP and up to now it has proved to be in the right direction. This kind of approach provided sufficient time for changes in the budget system and enabled all stakeholders to learn and gain practical experiences from one stage to another (RGC-2013-2020).

4.2.2 Progress and Challenges of Cambodia's BSRS

After two years of piloting comprehensive program budgeting, the review finding both, by PFMR Steering Committee and the World Bank (WB) under the PFMRP framework, concluded that "Cambodia had made good progress in implementing program budgeting". The review found that one of the key progresses was the introduction of the Strategic Budget Plan (BSP). The setting of policy goals, programs, and indicators in the BSP were recognized as a positive feature for further promoting the focus on performance. Improving the conditions of budget estimation provided enabling environment for budget planning. In fact, after completing the piloting stage of partial program budgeting in 2014, the full-fledge piloting of program budgeting was introduced to 10 LMs in 2015 and expanded to 36 LMs/institutions in 2017, along with initial implementation in six provincial administrations as well. Following this direction, all ministries and institutions will be required to implement full program budgeting by 2018. They will be required to prepare their annual

budget by policy objectives, programs, sub-programs and activities for budget negotiation, and be directly implemented by the budget entities of LMs and institutions of the RGC. However, during this piloting period, the budget will continue to be prepared on an online-item basis and remains the official budget document to be submitted to the legislative Body for review and approval. The roll-out of the program budgeting and budget entities are working well with annual budget preparation becoming more comprehensive and realistic. The determination of the number of policy objectives, programs, sub-programs in the BSP have made the preparation and implementation of program budgeting more efficient and manageable. In addition, MEF provided substantial amount of training, technical support and guidance to LMs which improved the implementation of program budgeting, and in turn, the implementation of program budgeting gained active support and participation from LMs, both at political and technical levels. Seven budget classifications, namely economic, administrative, functional, geographical, program, source of budget, and project classification were put into practice. FMIS was officially launched in 2015 and deployed to all genera departments of MEF and all capital and provincial treasuries in 2016 (BSRS-2018-2025). In addition to the progress outlined above, the review highlighted some shortcomings that need to be addressed as follows (WBG-2019):

1) The BSP was prepared without limiting the expenditure ceiling, which allows LMs to use it as a tool to increase their budget request in an unreasonable manner. When the BSP was first introduced, the proposed budget was as much as 100% over the budget of the

previous year. By 2015, the increase in the proposal budget in the BSP reduced significantly but in some cases, they still exceeded 40% to 50%. This caused difficulty in allocating budget to the right targets and caused the budget negotiation to concentrate more on the economic classification rather than the program classification.

2) The estimate for capital expenditure remained unclear and government personnel expenditure and large spending items, which are subject to public procurement procedures, were still not broken down by programs.

3) The contents of BSP remains poor due to the limited knowledge of the concept and different capacities across ministries and institutions resulting in poor program structure.

4) Performance Indicators (PIs) were not well defined due to capacity constraints and the mechanisms for collecting and reporting information in the LMs remained fragmented. On the other hand, the lack of regular and reliable data is also a main reason for making the report on key performance indicators unable to be used for the purpose of effective budget planning.

5) Insufficient human resources and limited capacity constitute a barrier to the performance accountability of each program. In addition, an effective human resources management system in the public sector based on performance is not expected to be achieved before.

Overall, the budget system based on full performance could be achieved only in the whole context of performance-based management system where program managers have full control over resources, where performance can be measured and where accurate reports are available, where programs are evaluated regularly, and where managers are held accountable for results and incentivize them to perform. For Cambodia, key elements for the basis of the abovementioned result-based management system are missing or insufficiently developed, which constrains the move towards achieving comprehensive performance-based budgeting in the medium term (EU-2018-2019).

4.2.3 Performance Budgeting Model and International Experiences

In fact, there is no clear definition of technical standards for a performance-based budgeting system. Performance budgeting reform is sometimes called "Performance or Result Based Budgeting System", "Program Budgeting System" or "Performance Information Budgeting System". Many countries, both developing and developed, have been using different models of performance budgeting system based on the country's stage of development, its institutional setup, and legislative power. Based on a publication by IMF, performance budgeting can be categorized into three models as follows (BSRS-2018-2019):

1) Presentational Performance Budgeting: In this model, performance information is illustrated in budget documents or other government documents. Performance information refers to target or result or bother and it is included as background information for

accountability and for discussion with legislators and the public-on-public policies. Such performance information does not have any formal impact on the decisions made in the budgeting process.

2) Performance Informed Budgeting: In this model, budget resource preparations are indirectly linked to the proposed performance or past achievements by ministries and government agencies. Performance information has an important role, but does not have a pre-determined weight, nor is it an absolute factor for making decisions on budget allocation. In this sense, performance information is not the only basis, but it needs to be used along with other information related to political and economic aspects and policy priorities for decision making on budget or resource allocation.

3) Direct Performance Budgeting or Performance Based Budgeting: In this model, resource allocation is made directly and explicitly based on the unit of performance to be achieved, generally referring to outputs achieved in the year.

Experiences of OECD member countries showed that implementing "direct performance budgeting or performance-based budgeting" is difficult, even in the countries with a lot of resources and strong institutions. These budgeting models are used in only very few OECD countries, while most of them are moving towards implementing "Performance Informed Budgeting". Lessons learnt from the study visits to Sweden, France, Malaysia, and Thailand showed similar challenges and problems, especially at the budget preparation stage. These countries refer to their national agenda or priorities, then break

it/them down into programs and sub-programs to execute them. The level of utilization of performance information varies from one country to another and they are used in directing budget negotiation and for performance monitoring. Sweden is one of the most developed countries in using performance information, but the budgeting system of this country has its unique characteristic inherited from the evolution of social, political, economic and cultural system over a long period of time. Thailand and Malaysia make minimal use of performance information for annual budget preparation and negotiation, but they utilize it widely for reporting purposes. In contrast, in France, performance information is widely used in budgeting process, but budget allocation does not entirely depend on performance information. Overall, based on experiences of the four above countries, the budgeting reform in France provides a valuable lesson in guiding for budgeting reform in Cambodia as Cambodia has been using a budgeting system quite similar to the French system and Cambodia's budget reforms have evolved in a similar direction and approach as that of the current French budgeting system. Hence France's budgeting model could be regarded as the appropriate basis for Cambodia to consider in its reform of this budget system (OECD-JULY-2014).

4.2.4 Options for Cambodia

Up to now, under the current framework of PFMRP, Cambodia has been working to reform its budget system towards "Result-based or Performance Budgeting". While the reforms were considered to be on the right track, the current critical issue for Cambodia is to review this ambitious goal based on its

own experiences of actual implementation and based on recent international best practices. International experiences have shown that most countries faced difficulty in implementing performance-based budgeting system, although they have a lot of resources, and generally retreated from the "full-fledged performance-based budgeting system" to "performance informed budgeting". Countries that achieved better progress in implementing performance-based budgeting systems were that their budgeting system was a part of a comprehensive result-based management system. In the result-based management system, planning, human resource management as well as budget management are directed and aligned among themselves to achieve the policy objectives of the government are directed and aligned among themselves to achieve the policy objectives of the government with reliable database system for decision making. Heads of budget entities are well trained and delegated with sufficient authority to manage budget and resources. Currently, Cambodia lacks these pre-requisite requirements as a basis for implementing result-based management system. This mean that Cambodia is not yet ready to implement performance-based budgeting system in the medium-term. In other words, "direct performance budgeting system", which is a model of performance budgeting system, will not be an option for Cambodia. A study reviewing program budgeting conducted by experts from the World Bank under the framework of the PFMRP recommended that RGC should adjust the direction of its budget system reform from "Performance or Result Based Budgeting System" to "Performance Informed Budgeting". The evaluation based on the experiences gained over 3 years in piloting full fledge

program budgeting and the recent developments of budgeting system reform in other countries also concluded the same as the World Bank study. Cambodia has therefore decided to choose the model of "Performance Informed Budgeting" as a specific goal to develop its budgeting system based on international best practice. From now on, budget system in Cambodia will be called "Performance Budgeting-PB" (GS-PFMRSC-2015).

4.2.5 Setting New Direction and Timeframe for BSRS

The Concept Note on the Strategic Direction of Cambodia's Budget System Reform (2013-2020) has set the target of achieving "Performance Based Budgeting" by 2020. However, based on the review study as mentioned above, it concludes that this time frame is not appropriate in the Cambodian context. Thus, with the decision to choose "Performance Budgeting" as the specific goal, RGC has decided to develop a long term and comprehensive budget system reform strategy with appropriate timeframe to make gradual and realistic change of the system. As the Budget System Reform is at the heart of PFMRP, it could not be isolated and out of synergy with the other reforms under the PFMRP. This reform will require support from other major reforms such as public administration reform, decentralization and de-concentration reform, strengthening national strategic development plan and strengthening audit function. In this regard, the strategy for this reform must provide a holistic approach to ensure that other reforms are under, the strategy for this reform must provide a holistic approach to ensure that other reforms under PFRMP and other major reforms of the RGC are mutually linked, synchronized and

complementary to each other. The strategy of the Cambodian Budget System Reform will mainly focus on national budge system but also provide the principles and guidance for budget system reform of the sub-national administration in order to achieve the collective results and policy objective of the nation through the integration of planning, budget management, and reporting system by using a harmonized approach. This approach should not affect the ongoing reform process of decentralization and de-concentration but at the same time help further smoothing functions transfer and delegation of budget execution to sub-national administration. Based on overall assessment of the current status and the complexity of the reforms that will be implemented in the framework of "Performance budgeting" system, the most appropriate time frame to achieving this goal is 2025. The Budget System Reform Strategy will therefore cover the reform agenda from 2018-2015 known as the "Budget System Reform Strategy 2018-2025 (BSRS)" as an orientation principle for public financial management of RGC and requires all stakeholders to review their own reforms to be consistent both in term of principle and timeframe matching with this strategy (BSRS-2018-2025).

4.3 The Strategy for Budget System Reform in Cambodia

The fundamental objective of the Budget System Reform Strategies 2005-2025 is to move forward to implement Performance Budgeting in accordance with the strategic direction of policy-budget linkages and performance accountability by 2025. Under this system, the budget is prepared based on the program, along with measures that are to be achieved based on

a clear performance framework. In this endeavor, the budget preparation process will be made more open and transparent and budget reviews by the legislative body will be further enhanced. At the same time, budget practice will be more effective through improvements and simplification of expenditure procedure, timely reporting in conformity with international standards, and modernization of internal control in all government ministries and institutions, together with improved monitoring and evaluation framework. In this sense, human resource skills and information technology systems will be progressively upgraded to support these changes. In this SBSR 2018-2025, it outlines the reforms of four key elements of the budget cycle and defines their directions for 2025. To ensure effective and sustainable reforms, each key element will need to be institutionalized. In addition, there are a number of other reforms in the PFM systems which are not considered as the key elements but have significant impacts, linkages, or interrelationships with the budget system as a supportive infrastructure. Those elements are not subject to detailed discussion under this strategy as their reforms are already covered in strategic documents or are covered in other plans under CAP 3 of the PFMRP (BSRS-2018-2025).

4.3.1 Strategic Planning Stage

The one-year budget preparation cycle is too short a timeframe because phasing out of programs or introducing new ones, generally, would need more than a year. In this regard, the annual budget cannot reflect changes in the direction of expenditure effectively unless a medium-term forecast is expected. Therefore, a medium-term annual budget perspective is

necessary. Currently, Cambodia has included a medium-term perspective in preparing its Annual Budget. The Macroeconomic and Public Fiscal Framework are prepared from top-down and in line with macroeconomic outlook, RGC's priority policies, and trends of revenue and expenditures. In particular, the "Medium-term Budget Framework" is prepared based on macroeconomic and public finance framework to provide information to the ministries/institution on the indicative and priority expenditure as well as the potential revenue of the fiscal year and the next two year for the preparation of Budget Strategic plan. The objective for 2025 is to institutionalize medium-term budget planning and be introduced to all ministries/institutions for implementation. The medium-term budget planning will consist of the following 3 elements:

1) Medium-term macroeconomic and public finance framework.
2) Medium-term budget framework; and
3) Budget strategic plans of ministries/institutions/provincial levels

The above framework and these plans will be prepared and updated annually on a three-year rolling perspective. Medium term budget plans shall be comprehensive, covering all types of financial sources, including external financing, and all forms of spending including current expenses, capital expenses, investment, grants, cash transfers, and subsidies. Along with the institutionalization of the medium-term budget planning above, the reform of the budget system may lead to a need to revisit the current calendar of the annual budget preparation (BSRS-2018-2025).

4.3.2 Macroeconomic Framework

Macroeconomic model provides a key basis to forecast the growth by sector of the economy, inflation, interest rates, exchange rates and potential revenues and expenditure, etc. based on assumptions of the sectoral interaction in the economy as well as the impact from any eventual shocks of the world economy. The reliability of the forecasts will depend on the economic model and assumptions which may reflect the actual status of the economy. The outcomes of these projections are the basis for defining the macroeconomic and public finance policy framework. The objective for 2025 is to improve the quality of macroeconomic forecasting by strengthening forecasting methodology, capacity building, facilitating and exchanging of information between relevant government agencies, including the MEF, the National Bank of Cambodia (NBC) and the Ministry of Planning (MOP). In addition, international institutions can also play a complementary role and provide technical support. In this regard, the quality of macroeconomic and public finance data must be further improved in a timely manner and be more accurate (MEF-2021).

4.3.3 The Medium-Term Fiscal Framework

The Medium-Term Fiscal Framework (MTFF) focuses on adhering to fiscal objectives and disciplines such as restricting the size of public debt, targeting budget deficits or strictly limiting spending on some specific expenses etc. This framework will determine the amount of total revenue and total expenditure for the medium term which is a basis of expenditure ceiling of the

four broad sectors namely General Administrative, National Defense and Security, Social and Economic sectors. The Framework will be prepared based on assumptions of prudent macroeconomic forecasts, especially with respect to revenue and expenditure forecasting. The actual result of public finance performance may differ greatly from the planned figures due to unforeseen deviations from the forecast of economic growth, changes in terms of trade, realization of government guarantee, occurrences of natural disasters, etc. In this regard, information on financial risks could help manage risks, improving economic efficiency and reducing the cost of borrowing. Presenting accurate and comprehensive financial risk information to decision makers will permit thorough scrutiny and make quality decisions, especially the decision with regard to the level of risks appetite that the government should take. In addition, the transparency of this work will promote policy responsiveness in a timely, smooth and effective manner. The financial risk document aims to show the possibility of changes in the budget outcomes resulting from changes in the macroeconomic conditions and assumptions. The MEF will be responsible for assessing and reporting financial risks. Other ministries and institutions including the NBC and ministries and institutions which possess state owned enterprises and sub-national administrations shall also be responsible for identifying risk targets and putting them under control. A coordinating mechanism will be established to exchange, track, and monitor information on fiscal risks with all line ministries and agencies. The Medium-Term Fiscal Framework and risks statement will be submitted to the Plenary Session of the

Council of Ministers for review and approval before formulating budget strategic plans and annual budget (BSRS-2018-2025).

4.3.4 The Medium-Term Budget Framework (MTBF)

The Medium-Term Budget Framework (MTBF) is an important tool for enforcing budget ceilings by sectors and by Ministries/Institutions in line with the RGC policy priorities and national development goals. The MTBF will be prepared in the four sectors, namely General Administration, National Defense and Security, Social and Economic sectors and will be broken down by Ministry and Agency. The basis of consideration in MTBF will be the need for ongoing program expenditures and estimation of spending requirements for new programs or policies. In addition to expenditure allocations by sector and line ministry, the MTBF will be prioritized by a simplified economic classification, such as wage, capital expenditure, loan guarantees, etc. This will ensure budget linkages to the RGC economic policy and priorities and help to control and monitor the ceilings of each type of expenditure. The budget ceiling under the framework of MTBF will become the reference for Ministries/Institutions to prepare their budget strategic plans and annual budget. The medium-term budget framework will be prepared in consultation with line ministries and institutions with respect to new expenditure proposals and adjustments in expenditure priorities under the guidance and decision of the Prime Minister (BSRS-2018-2025).

4.3.5 Strategic Budget Plan

The Budget Strategic Plan (BSP) is a three-year rolling plan which Ministries and Line-Ministry need to prepare annually thorough a top-down approach by linking policy priorities of the Ministries and Line-Ministry to sectoral goals and National Strategic Development Plan. The BSP will be prepared in accordance with policy and program objectives with descriptions and rationale, sources of financing, key performance targets, performance objectives, timeframe and budget requirements. The BSP will be based on the expenditure ceiling prescribed in the medium-term budget framework. When preparing for BSP, it is also necessary to consider the requirement for program funding on a recurrent basis (e.g. wage expenses, operational expenses, maintenance, utilities etc.), the proposed policy and other programs which are not directly related to outcomes. However, it is subjected to prior approval of MEF. For such programs, the emphasis will be on input, output and operational efficiency improvement, rather than policy performance and program effectiveness. BSPs need to be comprehensive through progressive expansion by including coverage of all sources of financing (e.g. state budget, Development Partner budgets, owned sources of revenues etc.) and all types of expenditure (e.g. current expenses, financial expenses, grant, subsidies, resources transfer etc.) In this regard, BSP is an important tool for integrating current and capital budgets. Currently, the medium-term investment plan for financing by borrowings, a large share of capital budget coming from direct external financing, is prepared separately for each partner under the MEF cooperation. These investments are integrated into the list of the Three-Year

Rolling Public Investment Program by the Ministry Planning, together with the public investment projects financial under grants from development partners through the Council for the Development of Cambodia. The MEF is responsible for the preparation of the annual budget for capital expenditures for investments financed by external financing based on a three-year rolling list of public investment projects. Besides, for the domestically financed capital budget, there is no medium-term plan yet, and currently the MEF is responsible for allocating it to ministries/institutions in line with the Law on Public Finance System 2008. The challenges of fully integrating both types of financing are:

1) The medium-term budget plans and public investment plans have two different time frames as large investment projects will be subject to special approvals, based on their long-term financial obligations which are beyond the standard timeframe of budget planning.
2) The two different planning processes (public investment programming and recurrent budget formulation) are carried out by two different agencies and at different timelines.

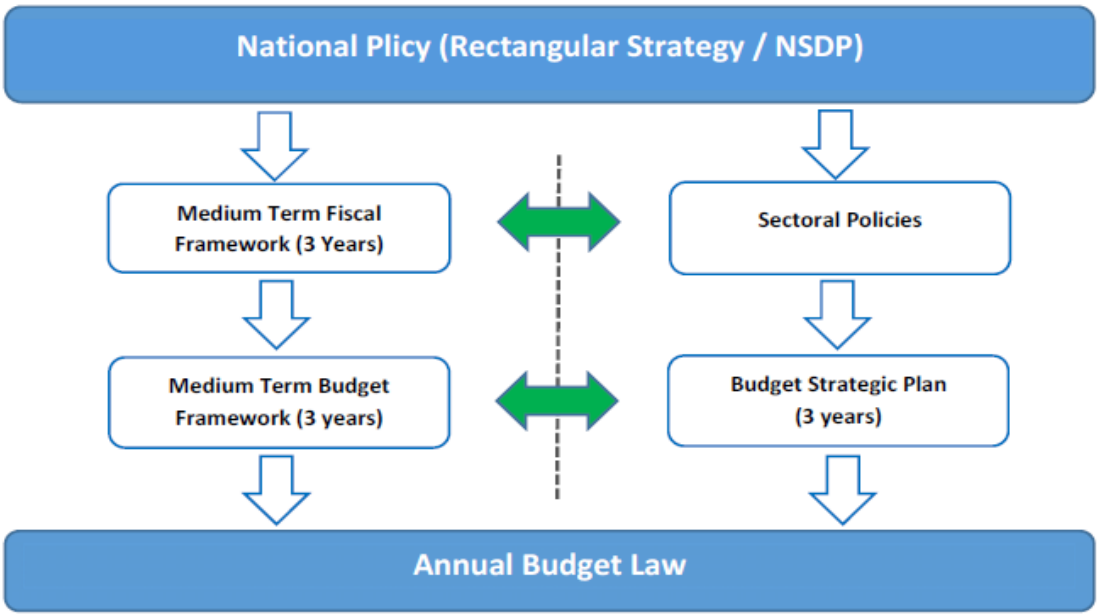
Among other things, the objective of BSP is to improve the financial integration of both current and capital budgets during annual budget formulation. Project proposals shall be prepared by the Ministries/institutions being part of BSP preparation, and justifications for achieving respective program objectives are necessary. In this regard, it is necessary to develop a clear Public Investment Management Framework (PIM) as the basis for the preparation and approval of the medium-term investment budget (GS-PFMSC-2014).

4.4 Annual Budget Preparation Process

The annual budget is currently prepared on an incremental basis to support the continuation of the public service from another year, even though program budgeting has been implemented for some time. The budget is adjusted based on wage increases, the net increase of personnel, previous year's budget implementation, and unexpected price changes. Each Ministry and Institution can request an additional budget consistent with their BSP and within the incremental rate set forth as ceiling for LMs. LMs shall defend their proposals with the MEF at budget discussion meetings which currently focus on sensitive inputs and outputs. The annual budget will reflect both the links between sector policies and MTFF and MTBF and budget strategic plan. Sector policies and MTFF are developed based on the national policies (Rectangular Strategy and National Strategic Development Plan) as illustrated in Figure 4-1. Moreover, Figure 4-2 illustrates the relationship between policy structure (policies objectives, programs, sub-programs, activities cluster and activities) and organizational management structure (leadership, management, and technical level) with clear roles and responsibilities, in transparent and accountable manner. The objective for 2025 is that the discussion on budget proposals, both current and capital budget, will principally be based on program performance; especially on the new proposed budget which will contribute towards achieving program objective, output, outcome and improve efficiency of program implementation (BSRS-2018-2025).

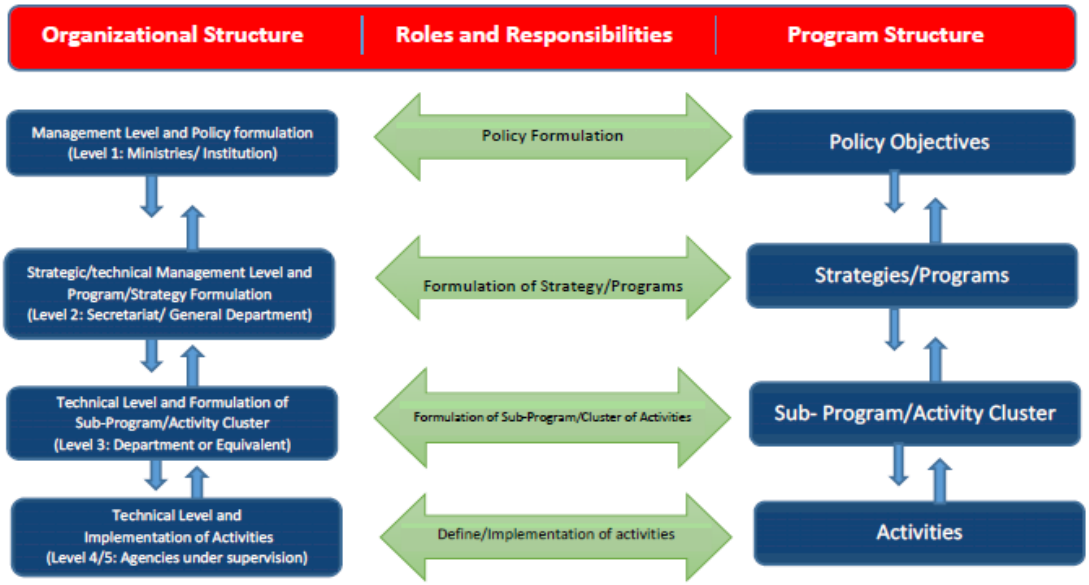
Figure 4-1

Linkage of National Priorities and Sector Policies



Source: RGC-Budget System Reform Strategy 20018-2025

Figure 4-2
Linkage of Organizational Structure, Role and Responsibility, and Program Structure



Source: RGC-Budget System Reform Strategy 20018-2025

LMs are required to identify potential saving that could be subjected to reallocation. The current input-based budget negotiations process will gradually shift towards negotiations which are primarily based on program outputs and outcomes. Meanwhile, budget preparation will fully utilize all the seven budget classifications within the FMIS. These budget classifications comprise of economic, administrative, functional, geographical, program, source of funds, and project classification. The control of economic classification will only apply on certain types of expenditure, allowing for greater flexibility in the use of funds for implementing programs, sub-programs and cluster of activities (BSRS-2018-2025).

4.4.1 Budget Scrutiny and Approval

The process of approving an annual budget is sequenced following the calendar for drafting Annual Budget Law. Generally, this principle has been adhered to, and each ministry/institution shall have a period of more than six weeks to prepare their respective budgets. After the government's endorsement, the draft Annual Budget Law (or call Law on Financial Management) is submitted to the Legislative Body for review and approval. Currently, the scrutiny of the draft Annual Budget Law at the Legislative Body is done in the Economic, Finance, Banking and Auditing Committees. The MEF is responsible, on behalf of LMs, for defending the draft Annual Budget Law, both in the second Committee and at the Plenary Session of the Legislative Body, in accordance with the law on Public Finance System 2008. In 2025, the scrutiny of the Annual Budget Law, including the Revised Budget Law and Budget Settlement Law, by the Legislative Bodies, will be revised and further

strengthened. Budget debates at the program level will be held at the relevant specialized Committees of Legislative Bodies which are organized by the National Assembly and can be participated by relevant specialized Committees of the Senate. In principle, the LMs will be responsible for defending their budgets at the program level at the respective specialized Committee meetings. The annual budget discussion at the Plenary Session of the Legislative Bodies will focus on policy objectives at the ministry/institutional level and the overall budget envelope. The MEF will be responsible for defending the ministerial level budget envelopment in the Second Committee and at the Plenary Session of the Legislative Bodies. The Second Committee meeting will decide on the overall budget preparation before the draft Annual Budget Law is presented to the Plenary Session of the Legislative Bodies. Over time, the National Assembly will approve, chapter-by-chapter, the draft law that annexed with policy objectives and program classification as well as simplified economic classification. By 2025, the draft Annual Budget Law will include performance information as an annex, which will play an important role in providing program information for scrutiny purposes.

4.4.2 Budget Execution and Control Expenditure Authorization

Under the current system, LMs, being principal authorizer, are required to obtain commitment from MEF before entering into spending. After the official adoption of the Annual Budget Law and issuing the budget book, ministries/institutions can request petty cash. Other standard types of operating expenditure are implemented through the commitment and public procurement

procedures. Once goods and services have been received and verified, LMs has to issue payment order requests and submit them to the MEF financial Controller (FC) along with supporting documents. After being examined by the FC attached to the LMs and approved by MEF management with different levels of authorization, the stamped payment order requests along with supporting documents are submitted to the General Department of National Treasury (GDNT) for verification and disbursement to suppliers. For provincial budget, the control mechanism and implementing procedures are similar to those of the LMs. The heads of LMs provincial departments act as authorized budget entities and the provincial department of economy and finance is responsible for verification and stamping on expenditure commitment and payment order requests, and provincial department of treasury act as Public Accountants (PA) to verify and made disbursement. The objective for 2025 is that once the Budget law is approved, the budget will be the basis of authorization for spending commitment of the LMs for the whole year. The authorization for spending commitment will be based on quarter/semester expenditure allotment up to the agreed budget limit, except for exceptional, unclear and/or highly sensitive spending items, which will be subject to prior approval of the commitment from MEF. The quarter/semester expenditure allotment refers to the distribution of resources based on programs, budget entities, spending items, and periods. The procedures of budget implementation will be modernized and streamlined through and improved FMIS to bring efficiency, transparency and accountability. Based on this direction the usage of cash advances, which have not yet been recorded as expenses as currently

practicing, will be progressively reduced. Until now, the budget controls of LMs and provincial departments have been implemented based on sub-Decree No. 81 ANKR, dated November 16, 1995, on the Establishment of Financial Inspection on the State Budget Expenditure at Ministries, Municipalities/ Provinces, Autonomous Cities, Phnom Penh Municipality, and Public Administration Organizations, and Sub Decree 82 ANKR.BK dated November 16, 1995, on General Regulations of Public Accounting. These two Sub Decrees which have been implemented over more than 20 years are not comprehensive enough to respond to the evolution of the Budget Control System in line with international best practices, in particular concerning the roles of FC and PA. Accordingly, both Sub Decrees will be reviewed and eventually revised. The objective for 2025 is to simplify the budget control system by putting in place a clear and short procedure for budget control both at the LMs and at the MEF. At the same time, FMIS shall be fully functional, so that it can be used as a tool for automated monitoring and controlling functions aiming to increase operational efficiency and at the same time provide greater flexibility for budget management and execution. In line with this direction, the functions of national budget control will be delegated to operational levels to accelerate budget execution in a timely manner, efficient, and clear accountability with the principle of performance budgeting. Accordingly, the mechanism for national budget control will be the following (BSRS-2018-2025):

1) Establish a centralized mechanism for budget execution control at the LMs, which combines both financial control and procurement functions, under direct supervision of MEF.

2) Establish a mechanism for budget execution at the provincial department of economy and finance by delegating authorities and responsibilities for financial control and procurement. To ensure checks and balances, the role of PA will be kept as currently practiced, to verify compliance with public accounting and cash management rules but shall be reduced to a minimum by preparing concise and efficient legal framework as well as the implementation of FMIS and E-Transfer. As soon as the system of budget management is improved to the international best practices and the capacity of institutions is getting better, Pas shall decentralize their roles to the LMs/Institutions in order to lighten and improve efficiency of the control mechanism, which is a precondition for the LMs/Institutions having full accountabilities on financial and non-financial performance. In addition to the budget control function, the above mechanism shall also carry out the roles of monitoring non-tax revenue collection and state properties management.

4.4.3 Procurement

The Law on Public Procurement was enacted in January 2012 and the MEF is preparing to finalize all related regulations to implement this, Law. However, the existing regulatory framework does not clearly separate the functions of procurement regulator and the procurement implementation entities. The objective for 2025 is to improve the transparency mechanism through the establishment of a regulatory framework under which the MEF will

function as the regulator and procurement auditor while the procurement entities will be responsible for carrying out the procurement. Complaints and grievance handling mechanisms will be improved and made independent with the creation of a sanction regime. The rules, regulations and procedures for public procurement will be harmonized to increase competitiveness, transparency and efficiency (BSRS-2018-2025).

4.4.4 Disbursement Control

Currently, in accordance with the Sub-Decree 82 ANKR.BK, dated November 16, 1995, on General Regulations of Public Accounting, the GDNT of the MEF is acting as PA is also responsible for checking and verifying compliance with financial procedures before disbursing cash against payment orders. The objective for 2025 is to move towards the simplified disbursement control framework and procedures through FMIS, while payment will be disbursed through E-Transfer. The roles and functions of Pas will be reviewed according to the revised new legal framework concerning PA as mentioned in section 3.3.2.1 (MEF-2016).

4.4.5 Financial Inspection

In performance budgeting, budget management will shift from a centralized system where expenditure control is highly centralized at MEF, to a decentralized system where LMs/institutions have higher autonomy in control of their budget. To ensure checks and balances, post expenditures control will be more critical. Hence, the General Inspectorate Department of the MEF, which has been empowered by legislature to conduct financial inspection on

LMs/institutions and public entities, will need to improve and enhance its financial inspection function. Likewise, to ensure efficiency and cost savings, financial inspection shall be carried out in responding to the necessity, reports from PA and complaints or information on irregularities (BSRS-2018-2025).

4.5 Budget Monitoring and evaluation

Currently, Cambodia uses "modified cash basis" accounting system for recording and reporting purpose. However, the accounting system does not comply with International Public Sector Accounting Standards (IPSAS), which require a Statement of Cash Flows and Payments (including opening and closing cash balances), consolidated statement of all administrative bodies that are part of the central government under the Government Finance Statistics (GFS) definition, a statement of accounting policies, and extensive explanatory notes. The objective for 2025 is to fully meet with Modified Cash-IPSAS for the financial reporting for every line ministry/institution. However, the general national accounting system will continue to use a modified cash basis. With the improved FMIS, financial monitoring will facilitate real-time financial reports based on the user's needs. The system will be able to generate weekly, monthly, quarterly and annual reports in any classification required. The financial monitoring will be improved and integrated with the fiscal report (BSRS-2018-2025).

4.5.1 Performance Reporting

As part of the implementation of budgeting, LMs are required to provide semi-annual and annual performance reports in the format provided by the

MEF. Currently, the compliance rate is low. Thus, strengthening the performance reporting system and increasing the compliance rates are necessary because these are the pre-conditions for establishing a well-functioning monitoring and evaluation (M&E) system. The objective for 2025 is to improve performance reporting for all program and sub-program levels under a well-functioning M&E system (BSRS-2018-2025).

4.5.2 Monitoring and Evaluation

A well-functioning performance-based management system requires regular monitoring and evaluation. This system provides feedback into decision making at each level, informing the progress, efficiency, and effectiveness of each program and, more importantly, taking timely corrective measures if programs are not well performing or over-performing. Reasons for under (or over) performing may be due to poor program design, inappropriate/ unreasonable targets, poor program management, or insufficient resources. Each of these requires different management responses, which may or may not have any budget implications. At present, the monitoring system of LMs and MEF is not comprehensive enough. In the case of evaluation, the National Audit Authority (NAA) has carried out performance audits, but on a limited basis and mainly focuses on financial audits. At the same time, systematic procedures on program evaluation do not exist as yet. The internal audit arrangement at the LMs currently plays a very limited role in performance auditing. Its role will need to be strengthened and reoriented towards assessing the performance of budget entities and service delivery. The objective for 2025 is to achieve

systematic performance monitoring and evaluation that is consistent with international best practices. This will require the preparation of relevant standards and guidelines, raising awareness and building the capacity of auditors in performance auditing. In principle, MEF will carry out regular semi-annual and annual monitoring of the implementation of program budgeting to examine if the intended purpose and results are achieved. Each LM will also monitor their implementation program on a regular basis to determine if the objectives and expected results are being met. Both the monitoring, by the MEF and LMs, would lead to program adjustments. The LMs may carry out more in-depth assessments, if necessary, to determine the effectiveness of each program. Every program should be subject to regular monitoring, but evaluation will only be carried out on selected programs, as and when required. Program evaluation requires a cross section of skills covering both financial and specific sector technical skills. This tends to be costly and so comprehensive program evaluation should be targeted at programs that have high value, high value, high risk or high political importance or significant performance issues. Currently, broader program evaluation is done on an ad-hoc basis and largely supported by DPs. By 2025, there will be a comprehensive and specific program monitoring and evaluation framework which will include the following major components (BSRS-2018-2025):

1) Semi-annual and annual performance monitoring,
2) In-depth monitoring of effectiveness of program design & implementation,

3) Partial in-depth monitoring of rolling program focused on program design and effectiveness,
4) Comprehensive program evaluation based on necessity and post-execution evaluation on selective basis

Respective line ministries must do regular monitoring and can eventually do in-depth reviews so that timely and effective measures can be put forward if any program is off track. The MEF monitors program execution and may carry out basis review of program performance based on budget execution data and performance, in order to use this information to assist in budget allocation but will not be a factor in deciding the allocation. Selective programs may be subject to comprehensive evaluation, if needed, in order to explore and find the causes of variances between budget plans and actual outcomes by checking expenditures and performance indicators. The ex-post evaluation to gather experiences and lessons will be carried out on some programs on a selective basis. The NAA is responsible for carrying out independent reviews of program performance in accordance with its mandate. These may include validation of spending, program effectiveness, audit of non-financial performance indicators as well as the review of program design and management. In accommodating the above requirements, all the relevant LMs/institution (the MEF, LMs. And NAA) needs to follow the above monitoring and evaluation framework in a consistent and coherent manner to enhance effectiveness and avoid overlapping (MEF-2016).

4.5.3 Public Expenditure Reviews in Sector

The review of public expenditure may be done in the context of sector, sub-sector or ministry/institution, with the objective of aligning expenditure with policy priorities and identifying the targets for cost savings. The MEF may select targets and timeframe, if needed, but generally once every 5 years (MEF-2016).

4.6 Enabling Infrastructure of the Legal Framework for Budget

Currently, Cambodia is implementing centralized and input-based budget management system, in compliance with the Law on Public Finance System 2008 and this law sets a stage for the government to prepare for program budgeting, a step towards performance and decentralized budgeting system with the key reform elements as described earlier of this chapter. In this sense, a clear and comprehensive legal framework is needed to implement a performance budget system. The current Law on Public Finance System will need to be amended (MEF-2016).

4.6.1 Skills and Capacity in Budget Management

The modernization and enhancement of the budget system will require substantial investment in public financial management (PFM) skills development. Important areas that require skills upgrade are:

1) Budget analysis
2) Accrual accounting and financial reporting
3) Financial management information technology (IT)
4) Procurement

5) Project management

6) Monitoring and Evaluation (M&E)

Human resource capacity building is a long term and non-stop process. The human resource development strategic plan must be prepared in the early stage of the execution of this system reform strategy to upgrade and retain key PFM skills in public administration. The key elements of this strategic plan will include the specifying/codifying of key competencies, developing effective recruitment procedures and mechanisms, providing systematic training and career development support (BSRS-2018-2025).

4.6.2 Financial Management Information Systems (FMIS)

The FMIS project was formulated as an important element within the second stage of PFMRP to support public financial management, especially for the management of budget. FMIS is an integrated system that will cover budget formulation, budget execution, accounting, reporting, monitoring and audits. It will also bring about changes in the business processes. In the framework of FMIS execution, the current chart of accounts classifies expense based on economic, geographical, program, administrative, functional, project, and sources of fund classifications. These classifications are consistent with the international standards of classification in the government finance statistics (GFS). The immediate benefits envisaged from using FMIS are improvements in budget formulation and execution through streamlined and automated payments, accounting and budgeting reports. The strategy on FMIS development is set out in two phases, of which phase one is intended to

implement the main functions of budget execution within MEF. Phase two will include Budget Planning and Formulation, Procurement, Fixed Assets and Inventory, along with the extension of FMIS uses to LMs including capital and provincial administration. The FMIS will automate the budget preparation process, facilitate the transfer of approved budget allocations to budget entities, and will gradually become the main tool for managing and controlling expenditures of the LMs including capital and provincial administrations by 2025. Moreover, FMIS could be required to interface and synchronize with the Cambodia performance management system.

4.6.3 Change Management and Communications

The implementation of these major reforms in budget management requir3es public servants to transform their working environment, individually and organizationally. Changing efforts can produce high levels of anxiety and worries in the working performance that can lead to resistance or creation of barriers, either openly or silently. Thus, it is essential to communicate the necessities and importance based on the clear reasons, right principles, and balancing perspectives to alleviate potential fears and encourage participation in the reforms. The critical success factors to change include effective communication on the vision and direction of changes, nature of changes, timeframe, and key areas of change to the LMs and within the LMs, themselves, from management levels to general public servants. Moreover, communication must be explicit on the real benefits of changes from the current budget management system to a new system

while building trust to enhance the effectiveness, transparency, and accountability of budget management (RGC-2015).

4.6.4 Enhancement of Transparency

Transparency and disclosure are key elements in performance budgeting. The broader aspects of budget like Macroeconomic Framework, MTFF, MTBF and elements related to fiscal risk will be disclosed to the public. These disclosures will be made through the MEF websites. Likewise, the LMs will disclose their budgets on their respective websites. Overall, these public disclosures will contribute to transparency enhancement and provide a basic reference and justification for performance budget execution. In addition, the use of the FMIS will further improve transparency (MEF-2017).

4.7 Sub-National Budget System Reform Strategy

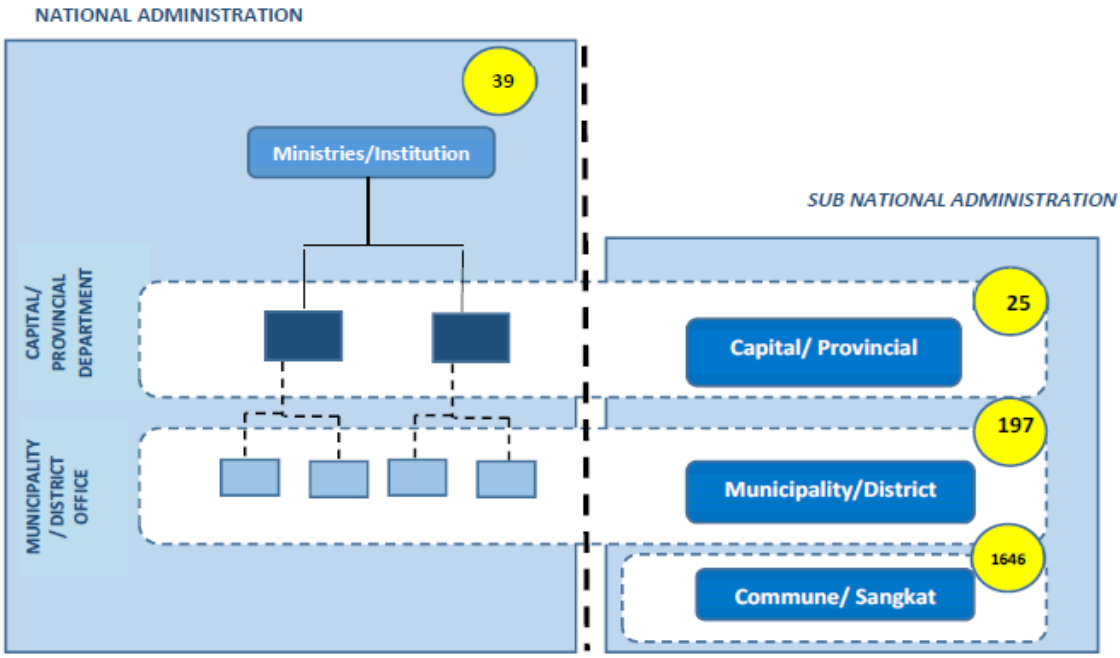
There are two levels of public administration in Cambodia, namely the National level Administration and the Sub-National Level Administration (SNA). Both administrations have one common purpose of realizing national policy priorities. In this sense, it is important to integrate the budgets of the two administrations. It is also important to ensure consistency in the principles and approaches of budget management. Thus, this section will focus on reforms of budget system, which are the integration and alignment of the principles and requirements for budget preparation, management and reporting between the National Level and the SNA level under the single Law on Public Finance System. After exploring the budget system of SNAs in many countries, it suggested that

there were a lot of similarities between the sub-national administration system in Cambodia and France. In this sense, the French SNA model provided a conceptual basis for formulating budget system of SNA in the context of Cambodia, especially in the areas of execution and controls (BSRS-2018-2025).

4.7.1 Conceptual Framework

Currently, the structures and linkages of both public administration arrangement in Cambodia are shown in Figure 4-3. Heads of LMs' provincial departments are appointed by their respective ministers after being nominated by the provincial governors. At the capital and provincial level, the provincial governors are appointed by the Royal Decree, while chairperson of capital/provincial governors are appointed by the Royal Decree, while chairperson of capital/provincial council are chosen by their respective councilors that are elected by indirect vote. The governors of municipal, district, and khan are appointed by the sub-decree and the chairperson of district/municipality council are chosen by their respective district/municipality councilors that are elected by indirect vote (MEF-2018).

Figure 4-3
Linkage Between the Two Levels of Administration for the Implementation of National Policy Priorities.



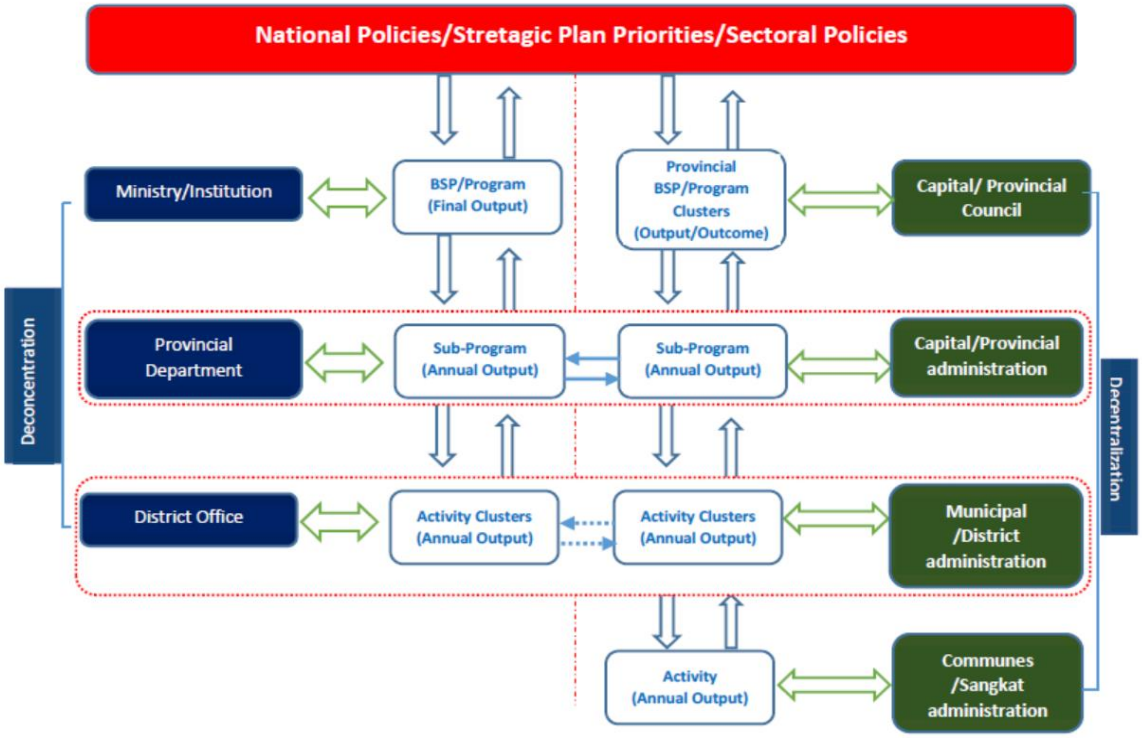
Source: MEF-Public Financial Management Reform Program-2018

Among others, the capital, provincial, municipal, district, commune and Sangkat councils have responsibility to review and approve development plans and annual budget plans. The governors of the capital, province, municipality, district and Khan and chiefs of communes and Sangkat are responsible for the preparation and execution of the annual budget plan and development plan. Currently, financial control is centralized by pre-control mechanism at the Provincial Department of Economy and Finance (PDEF) covering both decentralized budget and de-concentrated budgets for capital, provincial, municipality, district, and khan. As an exception, the budget for commune and Sangkat is directly executed by their respective Chiefs. The provincial treasury

plays the role of Public Accountant and makes disbursement for the three levels of Sub-National Administration.

Figure 4-4

Conceptual Framework for Budget Integration of National and Sub-National administration



Source: MEF-Public Financial Management Reform Program-2018

The budget reform will integrate the National and the Sub-national administration budgets by aligning the program activities according to the administrative arrangements as shown in Figure 4-4. The main objective of integration is to enhance interrelation and complementary between program activities of the SNA levels and those of the national level, in realizing the overall objective of the NSDP. The introduction of program budgeting at the SNA level will provide the necessary mechanism for such integration. Figure 4-4 shows programs at the two levels of administration, which collectively contribute to

the sectoral objectives and achieving the national policy priorities. For the budget of Provincial Line Departments, LMs and SNAs must work together in the planning process and in achieving overall sectoral objectives. For SNA budget, the SNA programs must plan to meet their respective priorities and align them with sectoral objectives, which in turn will contribute to achieving national priorities. At present, the Macroeconomic and Fiscal Policy Framework is the guide for formulating budget strategic plan both the LMs and the SNAs. Within this process, there is a coordination mechanism to incorporate sectoral programs into programs at the SNA level; however, its effectiveness is still limited. The budget formulation and approval process are driven by the national level where SNA budgets are allocated as block without breakdown and detailed by program. The Governors of each province must submit their proposed budgets to the MEF for negotiation. Budget execution, accounting and reporting are based on the centralized approach. Financial transactions including revenues, expenditures and cash and accounting are centralized at provincial treasury. The MEF conducts financial inspections, while independent audits are carried out by the NAA. The strategic direction of the Budget System Reform is to introduce program budgeting and gradually move to performance budgeting by 2025. In principle, the same purposes and frameworks of program budgeting and performance budgeting are applicable for both national and sub-national administrations. Therefore, the key elements of national budget system reforms outlined above in this point will also guide the directions of reforms in the Sub-National Budget, but SNA budget reform may need a longer timeframe and a customization to fit its context. In this regard, the SNA budget system which is

integrated and aligned with the requirements and principles of budget formulation and execution of the National budget system will be developed under a single Law on Public Financial System (MEF-2018).

4.7.2. The Preparation of Capital/Provincial BSRS Planned

Currently, once the Macroeconomic and Fiscal Policy Framework has been defined, the Royal Government will issue the circular on the preparation of national BSPs. Based on that circular, the MEF will issue another circular on the preparation of capital/provincial BSPs. The BSPs are prepared at the provincial level based on SNA programs and the SNA priorities while aligning to national priorities/NSDP that are reflected in each of the capital/provincial development plan and investment programs. The Capital and Provincial BSPs are submitted to their respective councils for review and endorsement before they are sent to the MEF. The development plan of SNA is a five-year development plan which is the result of the integration of all levels of SNA. Capital/Provincial administrations prepare an SNA development plan every five years and submit to the capital/provincial administrations will prepare SNA development plan every five years and submit to the capital/provincial councils for review and endorse before they are submitted to the Ministry of Interior for discussion and approval. These development plans are prepared separately and put forward for their respective councils for review and endorsement before submitting to capital/provincial administration for consolidation. The development plans of municipality, district, khan and development plans of commune and Sangkat are not consolidated in the capital/provincial BSPs.

Currently, there is a lack of horizontal alignment of the programs/plans between the sub-national and provincial departments' budgets, due to insufficient consultation and collaboration between the LMs and the SNAs. The current practices, therefore, do not provide a good integration basis between national and sub-national planning. The objective is to gradually improve budget strategic planning process at the capital/provincial level by 2025, to have it in place as an integrated process that effectively links the programs/plans under the SNA budget to the national priorities/NSDP. The preparation of capital/provincial BSPs will be guided by the MTBF that will define a budget ceiling for each LM and capital/provincial administration. The capital/provincial BSPs will be horizontally integrated for the SNA budget and aligned vertically to sector priorities of the LMs at national level in terms of provincial department budget. The process of horizontal integration and vertical alignments is made with the objective of using limited resources to generate the maximum results for the benefit of SNAs. This will require improved consultation and coordination between the LMs and SNAs during the strategic planning process and support for the capacity building of SNAs. For improved budgetary discipline, the MEF will prescribe a budget ceiling for the SNSs which will guide the preparation of the capital/provincial BSPs. The capital/provincial BSPs will align and integrate with capital/provincial policies to support sector policy and outcomes as shown in Figure 4-4 above. The municipal/provincial policy priorities will eventually contribute to sector and national priorities. Because the Capital/Provincial BSPs are prepared based on sector priorities from the national level downward, these BSPs will also need to offer the flexibility to include local priorities needs and

requests from municipal, district, khan, commune, and Sangkat administrations which is the bottom up (BSRS-2018-2025).

4.7.3 Budget Preparation, Negotiations and Approval at SNA Level

Currently, although there are two different processes of budget preparations at the LMs and SNAs, they will eventually intersect with one another at the capital/provincial level. The capital/provincial department budgets are prepared by their respective LMs based on a top-down planning approach, guided by national priorities, which will be negotiated and agreed on by the MEF, and approved as part of the national budget by the Legislative Body. Capital/provincial budgets are prepared and submitted to their respective provincial councils for deliberation and endorsement. These budgets are then submitted to the MEF for negotiation, verification and consolidated in the draft Annual Budget Law. On the other hand, the total budget for municipal/district/Khan and the total budget for commune/Sangkat are allocated based on a specific proportion of the current national revenue. The size of the allocation is determined by a specific formula, based on population size, poverty index and number of councils and number of communes/Sangkat (for municipal/district) or number of villages (for commune/Sangkat). The capital/provincial administration provides technical support in the preparation of the municipal/district budgets. After review and endorsement by the municipal/district council, the PDEF consolidated each provincial budget then submitted it to the MEF. Each commune/Sangkat prepares their own budgets, then submits them to their respective councils for review and endorsement,

which is then submitted to the capital/provincial level for review and verification for compliance. Provincial budget is approved as a block which is a part of the National Budget by the Legislative Body. Provincial departments of LMs are not involved in this budget preparation process. Although there is a well-structured process for budget preparation, negotiations and approval at the SNA level, the SNA budgets still lack quality, comprehensiveness and policy-budget linkages. The objective is to make provincial budgets more comprehensive by 2025, with the enhancement of policy-budget linkages. Capital and current expenditures will be integrated. The negotiation process of the capital/provincial budgets will be reoriented towards program outputs. Since the Chart of Accounts will be unified and FMIS will be deployed to capital/provincial administrations, the budget classifications will be the same as that for the national level as well. There will be only one Annual Law on Financial Management which will incorporate the SNA budget with the national budget. The capital/provincial budget will be reflected in aggregation for each province and will be broken down into current and capital budgets and shown in the annex of the law. However, municipal/district and commune/Sankat budgets will be reflected in aggregate which is the result of detail allocation to each administration based on an allocation formula and based on performances. In the future, as the SNA budget management system makes improvements, the principles for preparation and approval of budgets will need to be re-examined in order to align it with the best international practices. Overall, the reforms concerning budget preparation, negotiations, and the verification by MEF, and the submission to Council of Ministers and the Legislative Body for reviews and approvals will need to be more

aligned with the underlying principles of the corresponding reforms in the national budget system (RGC-2018).

4.7.4 Expenditure Authorization

In the current system, the capital/provincial administrations and municipality/district administrations must request the PDEF for expenditure commitment before spending, except the commune/Sankat administrations that are given autonomously over their expenses. Following the adoption of the Annual Budget Law and after the budget books are issued, the sub-national administrations can request a cash advance. For other expenses, the expenditure commitment procedures and public procurement procedures need to follow. When capital/provincial administration and municipality/district administration receive and verify their goods and services, they must issue payment orders with supporting documents and submit them to the PDEF. After the review and approval by the PDEF, the payment order, along with the supporting documents, will be sent to the Provincial Treasury for review, settlement, and disbursement. The objective in 2025 is to allow the allocated budget of SNAs to become the basis for expenses authorization for the full year, after adoption of the Annual Budget Law. The authorization plan for expenditure will be prepared as trimester/semester allotment, based on the pre-defined principles, except some expenses that have high value and/or are highly sensitive, which will be subject to prior commitment from the PDEF. The trimester/semester expenditure allotment is the distribution of resources, in accordance with programs, entities, nature of expenses, and timeframe. Budget

execution procedures will be modernized and streamlined further through the enhancement of FMIS to ensure effectiveness, transparency and accountability. The key success factor of performance budgeting system is the delegation of power to the front-line managers in managing their resources in the best possible way to achieve their performance. Based on this principle, capital/provincial administrations should be fully responsible and accountable for all matters pertaining to their own financial execution and controls. At the commune/Sangkat administration, since the commune/Sangkat councils are elected by the people, social accountability at commune/Sangkat administrations is the most priority (RGC-2018).

4.7.5 Budget Monitoring at SNA Levels

Currently, the SNA budgets are monitored based on centralized mechanism, from commitment stage to procurement, payment order and disbursement stages, except for the administration budget of the commune/Sangkat. The budget monitoring is carried out similar to the national level, based on Sub-Decree No. 81 dated 16-November-1995 on the Establishment of National Budget Financial Controls at the Ministry level, municipal, provincial, autonomous municipal, capital and public administration entities, and Sub-Decree No. 82 dated 16-November-1995 on General Orders of Public Accountants. The objective for 2025 is to accelerate and simplify the implementation of the sub-national administration budget by delegate authority, based on the progress of decentralization and de-concentration reforms and consistent with international best practices, to capital/provincial administrations,

municipal/district administrations, and commune/Sangkat administrations in order to improve effectiveness and accountability in line with the conceptual framework of performance budgeting. In line with this direction, for the capital/provincial budget, which PDEF assumes both financial and procurement control, will be delegated more authorities and responsibilities from the MEF. In addition to expenditure control, the non-tax revenues collection and the state properties management will be consolidated into the roles and responsibilities of PDEF. Similar to the National Budget, the PA's function will continue as a separate mechanism similar to the current practice to verify the accuracy of the spending, in accordance with the rules of public accounting and cash management, but the verification process will be reduced to a minimum through concise and effective legal arrangements and with the use of FMIS and E-Transfer. In future, when the budget management system has improved to the level of international best practices and capacity of related entities increased, the PA's function at the capital/provincial Treasury will be integrated with the functions of budget control of the PDEF in order to ensure effectiveness and responsibility under MEF at one place, which will be a pre-requisite condition for SNA to have more financial and performance accountability. For municipal/district and commune/Sangkat budget, the budget control shall be carried out by Capital/Provincial Treasury in its role as the public accountant. Additionally, to accelerate and facilitate the implementation of the budget, especially to streamline disbursement process, public accountants could be recruited at the municipal/district administrations eventually based on capacity and necessity. The budget execution of municipal/district administration and commune/Sangkat administration is subject

to the post-reviews. In this regard, to ensure check and balance, it is necessary to promote the role and responsibility of the general inspectorate of the MEF. However, to ensure effectiveness and save maximum cost, the financial inspection will minimally perform its function, based on the necessities, reporting from public accountant, and addressing the complaints or irregularities. The framework and the detailed procedures for the financial inspection on SNA budget execution at the capital/provincial, municipal/district levels, and commune/Sangkat administration will be defined separately (RGC-PFMRP-2028).

4.7.6 Reporting System, Monitoring and Evaluation of Budget at Sub-National Administrative Level

Currently, the reporting system for the SNA budget is still rudimentary and irregular. The SNA will need to adopt a similar reporting system to that of the national level, but simpler and more appropriate to the responsibilities and legalities of the sub-national levels. Figure 4-4 shows the key roles of the SNAs in achieving program objectives and providing service delivery. The reporting regime for budget clusters under the SNA will be prepared bottom-up. The commune/Sangkat administrations will report outputs of the activities to their respective commune/Sangkat councils, while the municipal/district/khan administration will report the progresses of sub-programs to their respective councils. The capital/provincial administrations will consolidate, both the financial and the MEF. For SNA budget, the evaluation will be carried out by program clusters to assess the quality-of-service delivery and customer satisfaction at the capital/provincial level. The objective by 2025 shall gradually

institutionalize the reporting regime of the SNA and improve the capacity of SNA in performance reporting at the capital/provincial level (BSRS-2018-2025).

4.7.7 The Road Map Toward the Strategic Goals 2025

In the point of 4.3 has already highlighted the need for a move in the budget system reform toward the performance budgeting system, specifically to "Performance-informed Budgeting". This new strategic direction is in view of more realistic, comprehensive and accurate objectives for the budget system reform in Cambodia for a period from 2018 to 2025. In point 4.5 sets out reform activities through simplified, realistic and sequenced approach to achieve all the objectives set out in point 4.3. The strategy has retained the original objective of implementing full program budgeting, which adopted programs as a tool for linking budget to policy objectives by the year 2020, and then, will start to implement performance budgeting from 2022 onwards by gradually strengthening performance/outcomes information and accountability to have adequate time to be ready for implementing full performance budgeting from 2025. The above objective is consistent with PFMRP Stage 3, budget-policy linkages (2015-2020), and with PFMRP Stage 4, performance accountability (BSRS-2018-2025).

In 4.7 highlights the road map in the framework for implementing national budget system reform strategy, which is centered on 4 key elements which are strategic planning; budget preparation and approval; budget execution and financial controls; and monitoring reports and evaluation as stated in 4.4 does not cover budget system reform at sub-national administration, as this task will be prepared separately. However, it will be

based on key principles and the framework set out in paragraph 4.7 of 4.4 and guided by the directions and targets in the road map for the national budget system reform, that will be illustrated in this point. Meanwhile, this 4.7.1 does not include the road map for other relevant reforms such as State Property Management, Cash Flow Management, Accounting Standards and Financial Report Standards, Internal Audit Reforms and Independent Performance Audit, which also contribute to the budget system reform. These reforms will be addressed separately under the consolidated action plan of PFMRP Stage 3 and 4. However, the elements of these reforms have to be reviewed when the Law on Public Financial System is amended in 2020 with the related legal framework in order to support the change of budget system (BSRS-2018-2025).

4.7.8 The Road Map and Strategic Planning

Strategic planning will be strengthened through the implementation of the macro-economic framework, the medium-term fiscal framework (MTFF), the medium-term budget framework (MTBF) and the budget strategic plan (BSP).

1) Macro-economic framework and MTFF: the quality of these frameworks will be improved through capacity building and better coordination amongst MEF, MOP and NBC. The Economic and Financial Policy Committee is an effective mechanism to lead review, discussion and decision-making prior to the submission to the Council of Ministers for review and final endorsement.
2) Budget Strategic plan: the quality of the BSP will be improved with focus on two important aspects, 1) review and reinforcement of the

program structure, especially in relation to the policies and related programs by ensuring these aligned to the National Strategic Development Plan. The performance information will also be improved as the basis for performance-based management; 2) integration of capital expenditure into the BSP in order to have comprehensive information for both capital and current expenditure. These two tasks have to be achieved by 2020. While focusing on the two tasks above, the quality of BSP will be improved through the capacity building of the staff of the MEF including the budget analysts and budget managers as well as all budget entities at the line ministries. All these will include the update of the guideline on the BSP and guideline on the budget preparation that will be implemented from 2028 onwards and plan for subsequent training programs (BSRS-2018-2025).

4.7.9 Budget Preparation and Approval

The annual budget preparation will be strengthened with the improved quality of the BSP. In this context, in preparation of implementing performance budget, full program budgeting needs to be strengthened and rolled out to all line ministries by 2028 and rolled out to all provincial/municipal administrations by 2020, and at the same time accomplishing full integration of current and capital budget by 2020. With strengthening and expanding program budgeting, budget classification system will be expanded to use all the seven classifications (Economy, Administration, Function, Geography, Program, Source of Fund and

Project) by integrating it into the FMIS, which will be implemented starting 2028, and completed by 2022. For the purpose of improving annual budget formulation, the preparation and the introduction of budget ceiling for line ministries will start in 2018 and be fully and effectively implemented in 2021. Line ministries will need to attach their procurement plan with budget requests from 2019 onward. As highlighted in the 4.4, one objective of the strategy are that when the Annual Budget Law is adopted, budget appropriation will be basis of authorization for all line ministries. In this context, cash advance will be implemented under clear and comprehensive legal framework by 2020, instead of current practice where the annual procurement plans are prepared and approved after budget negotiations and draft Annual Budget Law, the review and decision on procurement plans will be made during budget negotiation with the LMs, and it will serve as the basis for MEF's endorsement form 2020. The framework of the budget negotiation will be further strengthened by focusing more on performance, including both outputs and outcomes of programs. More weights will be shifted from input to output in 2019 and to outcomes from 2021 onward. Additionally, "Performance Agreement" between the MEF and LMs will be implemented starting 2019 onward, by reflecting the result to be achieved in budget year. The performance agreement will be expanded to include outcomes in the budget formulation from 2023. To fully adopt performance budgeting by 2025, budget scrutiny and approval process will be done in stages. In 2021, THE DRAFT Annual Budget Law, with program details and simplified economic classification, will be submitted to the Council of Ministers for review and endorsement, but the draft Annual Budget Law, with existing

economic classification, will be submitted to the Legislative Body for review and adoption. The draft Annual Budget Law, with program details and simplified economic classification, will be submitted to the Legislative Body for review and adoption in 2022. Within, scrutinize and adoption process, the draft Annual Budget Law will include performance information as an annex and submit to the Council of Ministers for review and endorsement starting 2022. This is to present within the Royal Government its comprehensiveness and usefulness in order to collect feedback and make revision, before including performance information as an annex the draft Annual Budget Law to be submitted to the legislative body for discussion and adoption in 2024 (BSRS-2018-2025).

4.7.10 Budget Execution and Financial Control

The process of expenditure commitment and disbursement will be streamlined and improved efficiency through easing procedure and replacing manual work with FMIS by 2025. Currently, FMIS has been rolled out to 10 LMs in 2017 and will be rolled out to all LMs by 2020, before the fully automated procedures with FMIS. The current guideline on expenditure and financial control procedures, especially Sub Decree 81 and 82 mentioned in Chapter 3 as well as other rules and regulations concerned, shall be reviewed to simplify internal control system and working procedure with clear designation of roles and fully implemented by 2022. The internal control system, including monitoring function, will be redesigned and incorporated into FMIS by 2025. The central budget control mechanism, which is under MEF for both financial

and procurement control, will be delegated and attached to the LMs. The pilot will begin in 2022 and gradually roll out until 2025 (BSRS-2018-2025).

4.7.11 Procurement

To accelerate, streamline and improve procurement procedures in line with the strategy direction detailed in 4.3, the decisions rights and responsibilities on procurement will be gradually delegated to LMs, SNAs and other public institutions. At the same time, procurement audits will be strengthened by 2025 to ensure a clear accountability framework. In this context, the procurement function which is part of budget control mechanism as stated in 4.3 will start to pilot and gradually roll out from 2022 to 2025. The strategy for Public Procurement System Reform will be prepared separately based on the above framework and objective (BSRS-2018-2025).

4.7.12 Disbursement Control

The disbursement control procedure will be shortened and streamlined both at MEF and LMs from 2018 onward to fully automated with FMIS by 2025. LMs will be required to prepare budget operational plans starting from 2022 as a guide for budget implementation, and this plan will be mandatory by 2025 onward. At that time, cash management, payment order management, and supporting documents will be controlled and verified through FMIS, which is the basis for payment through Electronic Fund Transfer (EFT) (BSRS-2018-2025).

4.7.13 Monitoring and Evaluation

A clear monitoring framework and procedures will be established for monitoring financial and program performance. The preparation of the guideline for this will commence in 2028 and will be finalized by 2020. Quarterly, semi-annual and year-end financial reporting based on the current accounting standards will become mandatory from 2021and on Modified Cash-IPSAS Financial Reporting standards by 2025. For performance monitoring and reporting, the LMs will be required to report on KPIs on a quarterly and year-end basis by 2022. A basic monitoring and evaluation framework will be developed by 2019 which will be piloted by 2023. LMs can carry out their program evaluations in the middle of each year based on reports and internal discussion when necessary. This basis framework will gradually evolve into a fully functioning M&E System after 2025 (BSRS-2018-2025).

4.7.14 Enabling Infrastructure Budget Legislation

The comprehensive reviews of Public Finance System Law (2008) will commence in 2018 to allow for sufficient time to complete all the preparatory work before the submission of the amended law to the legislative body for review and adoption in 2020. Under this amendment, calendar of timeline budget preparation process from the Medium-Term Fiscal Framework, Medium-Term Budget Framework Budget Strategic Plans and Annual Budget Law, Budget negotiation, budget balancing and submission to the Council of Ministers to the submission to the legislative Body will be reviewed and revised

as necessary to provide sufficient times for each stage within budget preparation and adoption processes (BSRS-2018-2025).

Accountability Framework

As PFM Reform is progressing well toward performance accountability. Internal and performance audits will play an important role in moving towards performance evaluation of service delivery and the performance of budget entities. In this direction, guideline principles and performance audit procedures will be incorporated into the internal audit framework by 2021. However, independent performance audit will gradually become a mainstream work of National Audit Authority (NAA) (BSRS-2018-2025).

4.7.15 Timeframe and Implementation Approach

The implementation of the road map for the BSRS 2018-2025 is divided into two main phases, the first phase 2018-2021 will focus on building the basis foundation for starting the implementation of performance budgeting, and the second Phase 2022-2025 will focus on pilot implementation of performance budgeting before moving toward the full implementation of the performance budgeting system after 2025. Based on this, the budget system reform is consistent with the timeframe of the PFMRP with stage 3 (2015-2020) policy budget linkages, and Stage 4 (2021-2025) performance accountability. Similar to the PFMRP, the BSRS 2018-2025 will use the "Building Block" approach by reforming some key components simultaneously yet step by step through building on the past achievements, and at the same time laying out the foundation for the next stage. To turn the road map of the BSRS 2018-2025

into action, all LMs and Agencies shall prepare specific action plans on a timely basis to be implemented within the framework of the consolidated action plan under the PFMRP. The Public Financial Management Reform Steering Committee will play an oversight role in monitoring the progress of the budget system reforms. The General Secretariat of this Steering Committee will monitor the implementation and coordinate the implementation of the budget system reforms and other reforms (RGC-PFMRP-2028).

4.7.16 Risk Analysis

As budget reforms are broad based, having linkages with many other reforms, and interlocked, the implementation of the budget reforms would have potential risks or implementation delays. There are many factors contributing to these risks. If reforms in the enabling infrastructure of other reforms under the PFMRP are delayed, the budget system reforms shall be delayed as well. In that sense, the reforms included revenue mobilization, FMIS, public assets management, cash flow management, accounting standards, and financial statements that require closely aligned, linked, and intertwined as they are of critical importance to the success of the budget system reforms. The RGC is also undertaking a number of reforms in other key areas outside the mandate or jurisdiction of the MEF. These include Decentralization and De-concentration Reform, Public Administration Reform, the NSDP Reform, and Audit Reform which will have significant impact on the success or failure of the budget system reforms. Any delays or slow pace of these reforms will impact on the effectiveness of the budget system reforms. This could be avoided if there was

close coordination and cooperation among the respective LMs responsible for each area. The Election in 2018 is a political turning point which could disrupt the pace of the reforms as a result of certain subjective and objective factors, in particular individual mindsets and time pressure. On top of that, any eventual post-election changes related to the managements of certain ministries, senior officials and officials with other relevant skills could be a major obstacle to the anticipated reforms. LMs reforms, in particular, changes in administrative structure to be consistent with program structure are one of the crucial factors to be considered to ensure effectiveness of performance budgeting implementation. Delays or holding up the reforms due to lack willingness will impact on the achievement of budget system reforms. Effectiveness and comprehensiveness of the capacity building program and the effectiveness of the change management programs are among the most necessary tasks to prevent and resolve those above risks. Hence, they must be closely monitored. Meanwhile, there needs to be joint responsibility in implementation, coordination and monitoring of the budget system reforms, as pointed out in the Road Map. This will be done by the General Secretariat of the PFMR Steering Committee. Risks identification and steps taken to mitigate them will be elaborated in the detailed action plan. Regular monitoring and reporting of the implementation of budget system reforms is very crucial. These will be closely monitored and addressed in annual meetings of PFMRP and during the mid-term review of the implementation of the (BSRS 2018-2025).

4.8. International Experiences in Performance Budgeting

Budget System Reform Strategy 2018-2025 is the comprehensive long-term strategy document for budget reform in Cambodia. In principle, budget reforms do not have any one common standard, since each country's reforms are based on its own historical context, political setup, and institutions. However, in order to be realistic, this strategy document was prepared with in-depth analysis and consideration of international best practice, especially on common practices in OECD countries. Additionally, budget reforms in Sweden and France, which have two separate modern budgeting system; and in the regional countries such as Thailand and Malaysia, which have gone through budget reforms and performance budgeting practices before Cambodia, were also analyzed.

4.8.1. Member Countries of OECD

According to IMF publication, nearly all Organization for Economic Co-operation and Development (OECD) member countries have developed and used performance indicators (PIs) and many have sought to integrate performance information into the budget process. Actually, 67% of the OECD countries use performance indicators against targets when negotiating budget, but not across all line ministries (LMs). Eight countries use this for more than 80% of the LMs and six other countries, for less than 20% of the LMs. 67% of the countries use performance evaluation reports as a basis for budget negotiations. Of which, six countries used this for more than 80% of the LMs, while seven countries used it for less than 20% of the LMs. OECD countries

have a long history of conducting program and policy evaluations. Each LMs mostly uses the information from evaluation for managing their programs, setting targets for the following year, justifying budget allocations or making changes to the programs and to a lesser extent cutting expenditures. In these countries, the Central Budget Authorities use evaluation information for managing expenditure, program changes and reallocating resources between programs and LMs. However, these countries acknowledge that the use of performance indicators in budgeting preparation still faces a lot of challenges while politics is a key factor (RGC-PFMRP-2028).

4.8.2. Sweden

Sweden, in the early 1980s, enjoyed the largest budget surplus among all OECD countries. However, from 1993 to 1995, the country experienced a deep economic crisis that resulted in the largest ever budget deficit. To address the crisis, Sweden established a Commission of Inquiry and by the late 1990s significant budget reforms were introduced that brought the budget back to balance. The key elements of the reforms included the adoption of a multi-year budget framework, a top-down budget process, delegation of authority to lower levels, and strong fiscal discipline with the introduction of aggregate budgets for broad spending areas. The new budgeting system in Sweden was divided onto three levels. The first level constitutes the articulation of the government's fiscal policy objectives in macroeconomic terms; the second level determines the maximum aggregate level of expenditure for public finance policy objectives based on economic assumptions; and the third level allocates budget package to

each of the 27 Expenditure Areas. Another key feature of the budget system is budgeting for a surplus target which is mandated by law over each budget cycle. Sweden follows a stringent top-down budget process. The Cabinet considers the budget proposals from all ministries and collectively agrees on the total annual expenditure plus the expenditures for the next 2 years separated into package for each of the 27 Expenditure Areas within the overall budget aggregates. Before 15th April, the Government submits the Spring Fiscal Policy Bill to Parliament which discusses and approves the key aggregate figures in the budget framework by end of June, a process introduced to maintain budget discipline. The approvals are made at the level of each expenditure Area among the 27 expenditure areas without further detailed allocation and the total level of expenditures for the coming year and the following years are controlled within the maximum specified level in the multi-year budget framework (OECD-2014). Once the figures for the 27 Expenditure Areas are approved, in principle, the Ministry of Finance will not take part in the detailed budget formulation process and the sector ministers become responsible for allocating detailed funds within specific appropriations in their respective Expenditure Area. The detailed budget proposal is again submitted to the Cabinet in early September after which the Budget Bill, which includes PI for each Expenditure Areas, is presented to Parliament by late September. Parliamentary committees play a key role in scrutiny and much of the fundamental work in reviewing budget proposals takes place in these specialized committees. The Finance Committee of parliament is responsible for the overall budget proposal and for recommending to Parliament the level of overall aggregate expenditure and the

aggregate expenditures for each of the 27 Expenditure Areas. The Sector Committees are responsible for scrutinizing budget allocation within their respective Expenditure Areas. At the local government, Sweden has 290 local administrations using 45 percent of the total budget. In respect of monitoring and evaluation of performance, the Budget Act requires the Government to report to Parliament on the performance/impact in terms of implemented policies and measures. This work is mainly carried out by the National Audit Authority through performance audits and financial audits. At the beginning of each year, the Ministry of Finance placed strong emphasis on performance information, but the experience did not yield much success as their LMs reacted strongly against the use of performance information. Moreover, such practice causes the generation of too many pieces of information and the passing of budgeting bills consists of voluminous documents which was simply unfeasible for the Ministry of Finance to verify and process. Parliament also voiced concern about the quality of the performance information attached to the budget documents as well. In this sense, the importance of performance information for budget allocation and approval remained limited which is yet to respond to the concept of performance budgeting (OECD-2014).

4.8.3. France

The French performance budget system was introduced in January 2006 under a budget organizational law called the "Constitutional By law on Budget Acts (LOLF)". Under the new rules of this law, Parliament approves and provides ministers with overall budgets by attaching them to the respective

objectives and the indicators for measuring performance. Ministers and program managers are required to make a commitment to reach specific results as stated in the annual performance plan (APP) which is attached to the draft Annual Budget Law. The APP presents budget allocation for each program, the performance indicators and the expected results. Under the reform, budgets are organized around the purpose of expenditure to meet political objectives. Allocation of budget by types of expenditures has been replaced by a budget preparation presented in the form of broad public policies called "Mission". Missions are implemented through a series of "program" with clearly defined outcomes, outputs and delivery action plans. These plans are called sub-programs or actions. The budget preparation process follows a top-down approach where results are guided and cascaded from the top, based on national priorities (missions). To make public spending more efficient, performance goals are defined, and the results measured at two levels: at parliamentary and governmental level as a basis for better budget preparation and allocation process, and within the ministerial/institutional framework for the efficient management of the programs. The Budget structure and the performance framework are defined at three levels as follows:

1) Missions: There are thirty-one (31) missions that correspond to the state's major public policy. Each mission contains a set of programs, and the Parliament approves the budget down to the program level. The approval is given in one vote for the general budget, the annex budget and the special accounts. The approval covers commitment authorization, cash-limit appropriation and the ceiling for

employment. The Parliament approves the draft Annual Budget Law at a mission level that, yet the parliament has the authority to make adjustments to allocated budgets from one program to another in the same mission which consists in draft law. Ministers can make budget reallocation from one program to another program of the budget of their ministry, however total reallocations cannot exceed 2% of the total budget of the ministry. This also applies to appropriations made for personnel expenditure for each program. After the approval, the government issued a Decree to allocate appropriations by programs and personnel expenditure by the respective programs.

2) Programs: There are 122 programs describing the responsibility for policy implementation and each program is supported by sub-programs or actions which are managed by a program coordinator appointed by the minister concerned. Program coordinators receive an overall budget which enables them to use those resources to achieve their objectives.

3) Sub-programs/Actions: There are 500 sub-programs or actions which describe the programs in greater detail. The actions provide program managers with information regarding the use of the budget resources. By describing the budget at the objectives level, it makes the state's missions and public service goals become fully transparent.

Parliament receives comprehensive budget documentation twice a year, namely the Budget Review Bill (for the previous year) and the Budget Bill (for the next budget year). To be able to systematically verify the planned budget with the actual execution, LOLF requires the submission of the previous year performance report and the previous Budget Review Bill into the plenary meeting before the Parliament accepts the budget bill for the following year. Parliament will not vote on the new Budget Bill until the Budget Review Bill is debated and voted on. The outcome for the previous year must be submitted to parliament in April and the draft of the Annual Budget Law must be submitted in October. By doing this, Parliament can review the report for the previous year before making any decisions for the next year. The program strategy, objectives and the relevant indicators are presented to Parliament in the APP which is attached to the budget bills. Each program's strategy and objective are defined together by the relevant Ministers with the help of the program coordinators and are subject to debate in Parliament as part of the budget approval process. After approval of the Parliament, the program coordinators/program managers are delegated with sufficient managerial flexibility to make decisions and use the allocated resources to manage the program towards attaining the approved program objectives. With this high degree of autonomy, the program coordinators/program managers are held accountable for results. In accordance with the control protocol (control protocol), commitments must be based on discussion between the Financial Controller (FC) and the relevant ministries/institutions following the threshold and the nature of the expenditure. If the amount exceeds the threshold, a visa

is required from the FC before making a commitment. In terms of payments, a visa is necessary before the PA is allowed to make any payments exceeding the threshold. The expenditure process in the French system is articulated by a strict distinction between the person who initiates the decision to spend (*l′ ordonnateur*) and the person handling the payment itself (*le comptable*). This principle aims at minimizing fraud and misuse and increasing compliance with the Annual Budget Law. The *ordonnateur* is an administrator of funds, yet not entitled to actually handle the funds, he/she has the responsibility for deciding on revenue and/or expenditure. The *comptable* has a passive role, where he/she controls budget based on the approval of the *ordonnateur*, handles bookkeeping, and makes payments. The role of the *comptable (PA)* is clearly defined in Article 31 of the Constitutional by law on Budget Act. The *comptable* is not authorized to make any decisions regarding the use or management of these funds except in cases where the rules are violated. In the French model, D&D reforms are primarily based on the actual need for delegation and the capacity of the regional administrations to undertake their functions effectively. Programs revolving around national strategies are always centrally managed. As a matter of fact, health and education programs are taken care of and implemented at the national level. Supporting components such as managing facilities and budling are decentralized to the regional administrations bud with specific guidelines. In the health sector, larger regional hospitals are managed centrally since they contribute directly to the overall national health strategy, while the smaller clinics and health centers at the districts and communes have been decentralized. The decisions on D&D are based on discussions and done

on a case-by-case basis. Once the budget has been executed, performance results are included in an Annual Performance Report (APR) to be attached to the Budget Review Act. The APR is built on the same model as the APP to make it easier to compare approved budget with actual execution. The State's Audit Office also prepares an annual report on the results of budget with the review of the program's objectives and results. Moreover, there is also an interdepartmental Audit Committee that additionally audits the quality of performance information. Despite these reforms and revised business processes, the performance results are not used much as a basis for discussion in Parliament as this information has no direct link to resource allocation. While the reforms provided a high degree of autonomy to program coordinators/program managers to use the allocated resources, a lot of difficulties were encountered in making them accountable for results (MEF-PFMRP-2018).

4.8.4. Thailand

Thailand moved out of line-item budgeting system to Planning-Programming Budget System (PPBS) in 1982, then, moved to performance-based budgeting in 1989 which evolved to a Strategic Performance-based Budgeting (SPBB) system in 2003. SPBB focuses on output and outcomes rather than input in order to improve public management and fulfill state agency missions within the limited resources provided. The main emphasis of this system is on policies and strategic delivery targets. De-concentration and decentralization to provinces and municipalities are key features of this system.

Policy initiatives included a clear public finance policy finance policy framework, national policies and priorities were driven top-down and allocations are strategic in nature. The Thai model was also equipped with bottom-up approach based on the needs at the implementation level which are then integrated into the top-down approach. In terms of management, it is decentralized with sufficient flexibility given to program managers to manage their resources by themselves. The decentralized initiative is accompanied by a good governance framework, good internal controls and disclosure of all transactions. Thailand used budget ceilings as an integral tool in budget formulation process and linked the performance framework down to the implementation level. The SPBB has faced a number of challenges in its implementation since 2003. While the SPBB system focuses on outputs and outcomes, in practice the budgeting process is fundamentally input based with limited focus on performance. Budget to policy linkages remain input based weak and decided by central agencies with limited consideration given to implanting entities. There were also difficulties in determining the right indicators in measuring performance, lack of technical expertise, information overload, capacity building issues and the constant temptation to move back to line-item by both in executive and legislature level. The resource/budget allocations are not totally based on PIs or conditional on the achievement of performance targets but other economic, political and policy factors are taken into consideration in the decision-making process. The decentralization reform in Thailand started in the late 1990s, through the amendments of the constitution in 1997 which addressed the issues of transfer of functions, delineation of authority, allocation of taxes and

duties and the institutional setup for Regional Administration (provincial) and local Administration. This was followed by the adoption of the Decentralization Act in 1999. The administrative structure of Thailand involves 20 Ministries, and 76 Provinces which comprised of a total of 877 Districts. This is further broken down to 7,255 Communes and 74,944 Villages. Local governments were administered by way of Provincial Administrative Organizations, Municipalities and Sub-District Administrative Organization. The Decentralization Act identified 245 functions to be transferred and sharing revenue up to 25% of total revenue to Local Government Organization (LGOs). It also outlined the criteria for transferring personnel from national agencies to Local Government Organizations (LGOs) as well. Thailand has made good progress in providing the enabling environment for decentralization, and budgets were detailed down to the village levels. Despite this, the process of decentralization faces many challenges both in its practical execution and politically. This could be attributed to weakness in intergovernmental linkages, regulations that stifled local autonomy, financial gaps in local government expenditure and issues pertaining to capacity and governance (MEF-PFMRP-2018).

4.8.5. Malaysia

Malaysia moved to Result-Based Management (RBM) by beginning with Program Planning Budgeting System (PPBS) in 1969, then moving to a Modified Budgeting System (MBS) before evolving to the current Outcome-based Budgeting (OBB) System in 2013 after piloting it for one year. The key focus was in strengthening the linkages between national policy priorities and

resources using six key transformation levers to guide the development of the new budgeting system namely focusing on performance; vertical alignment of national priorities and ministry activities; managing cross-cutting sector initiatives; coordinating capital and recurrent spending; delegating authority with accountability for results; and monitoring and evaluation system. In the earlier budgeting systems, PIs were used extensively in the early stages for resource allocation. However, as it progressed, under OBB, PIs were used in planning for achieving better service and program delivery. Greater emphasis is placed on performance monitoring and evaluation. Program Manager are required to sign on performance agreements in which the performance areas are presented in detail together with the achieving targets and resource allocation. Accountability has been improved significantly in this process. However, there is a lack of transparency to a certain extent in the overall budget process and the consultations among stakeholders due to time constraint. Overall, Malaysia has been relatively successful in the implementation of performance budgeting in the region. Similar to OECD countries and Thailand, resource/budget allocations are not dependent only on PIs as other economic, political and policy factors are also taken into consideration before making decision. In terms of de-concentration and decentralization, financial management in Malaysia has been highly centralized. Critical programs covering health, education, agriculture, rural development, infrastructure, security, and traded have been centrally driven by federal departments at the sub-national level (MEF-PFMRP-2018).

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CHAPTER V

DATA PRESENTATION AND ANALYSIS

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. The present chapter reviews on the basic concepts of the Royal Government of Cambodia (RGC) in considering the Budget System Reform Strategy of PFMRP can play an important role for taking care a good health of public financial management system and a backbone to support successful and sustainable the implementation policy agenda of the RGC. The chapter also highlighted the implementation process of PFMRP that has been developing the system, mechanism, legal framework and these are keys to determine success, discipline, transparency, accountability, effectiveness and efficiency of the PFM system.

5.1. The Profile and Information of Respondents

The research study specifically has been surveyed on the scope and limitation of research, and in accordance with Table 5.1 (The Profile and Information of Respondents) and Figure 5.1 showed that there are participants in this research a total of 189 from selected sample which are presented in each category of participants personal information as mentioned in table 5.1. Gender: A total of 189 individuals participated in this research. Among them, 134 (70.90%) were male, and 55 (29.10%) were female. Participants' age range: The study included individuals across different age brackets. 74 (39.20%) participants were between 20-34 years old, 110 (57.8%) were between 35-54 years old, and 5 (2.06%) were in a different age bracket. Marital

status: Participants' marital status was distributed as follows: 60 (36.10%) were single and 106 (63.90%) married. Occupation: All participants were employed in the government sector. Specific entities: The specific entities most associated with the participants were official and assistance, followed by the ministry and general departments with frequencies of 85, 27, 41, and 36, respectively. Education: The educational level of the participants in this study is detailed in Table 5.1. Among the total participants, the highest frequency was represented by individuals with a bachelor's degree (125), followed by those with a master's degree (61) and Ph.D. degree (3). Specialization: The highest frequency of participants' specialization was in accounting, followed by finance and banking, international technology, human resources, and marketing, with frequencies of 114, 63, 9, 2, and 1, respectively. Position: The participants held various positions, with 6 being general directors, 14 being deputy general directors, and 169 being officials, representing 3.02%, 7.4%, and 89.4% of the total, respectively. which are presented in each category of participants personal information as mentioned in table.

The research involved 189 participants from the government sector, predominantly male (70.90%) and aged between 35-54 years (57.80%). Most respondents were married (63.90%) and held bachelor's degrees (66.12%), with a specialization in accounting (60.32%). The majority held positions as officials (89.4%), indicating a strong representation of experienced individuals in the study. This demographic profile underscores the reliability of the findings related to public financial management.

Table 5.1

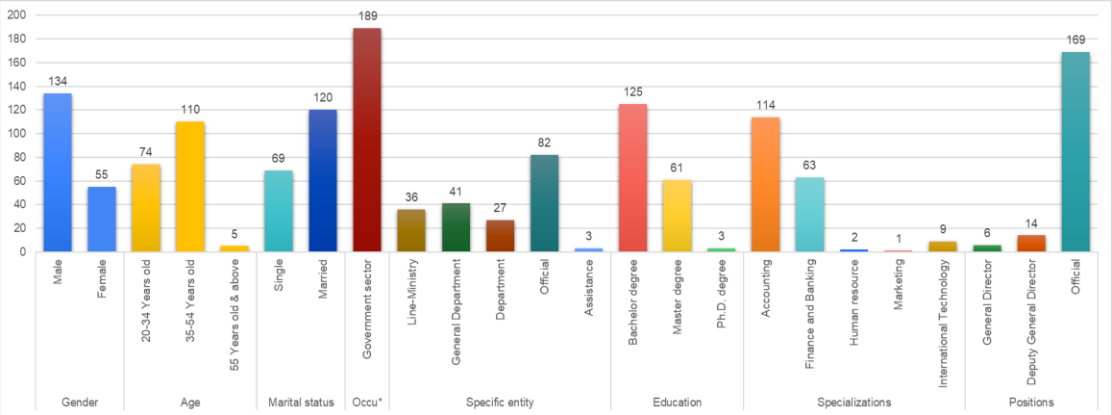
Profile and Information Respondents

Participant's information	Descriptions	Frequency	Percent (%)
Gender	Male	134	70.9
	Female	55	29.1
Age	20-34 Years old	74	39.2
	35-54 Years old	110	58.2
	55 Years old & above	5	2.6
Marital status	Single	69	36.5
	Married	120	63.5
Occupation	Government sector	189	100.0
Specific entity	Line-Ministry	36	19.0
	General Department	41	21.7
	Department	27	14.3
	Officials	82	43.4
	Assistance	3	1.6
Education	Bachelor's degree	125	66.1
	Master's degree	61	32.3
	Ph.D. degree	3	1.6
Specializations	Accounting	114	60.3
	Finance and Banking	63	33.3
	Human resource	2	1.1
	Marketing	1	0.5
	International Technology	9	4.8
Positions	General Director	6	3.2
	Deputy General Director	14	7.4
	Official	169	89.4
Total		**189**	**100.0**

Source: Own Survey

Figure 5.1

Percentage of Profile and Information Respondents



Note: Table 5.1 and Figure 5.1 indicate the percentage of the respondents.
Source: Own Survey

5.2. The Basic Concepts and Conditions of BSRS in PFMRP

In relation to the basic concepts and conditions of the Budget System Reform Strategy (BSRS) in the Public Financial Management Reform Program (PFMRP) during the implementation period, this research study surveyed the scope and limitations based on sample size, sampling method, data gathering procedures, statistical tools, and data analysis procedures. According to Table 5.2 (The Reformation System Status) and Table 5.3 (The Conditions of BSRS of PFMRP in Cambodia), the data indicates that the Budget System Reform Strategy under PFMRP involved all 189 instances (100%) of the studied participants, who were actively engaged in these reforms.

The findings reflect the Royal Government of Cambodia's conceptual framework and objectives for BSRS of PFMRP in Cambodia:

1. Public entities (human capital resources) mostly exhibited insufficient performance.
2. Leaders primarily employed a centralized system.
3. The financial information management system performed poorly.
4. Political revolutions in Cambodia were consistently modernized.
5. The Royal Government strongly believes that budget system reform within the financial management reform program is key to maximizing national and sub-national macroeconomic growth, aiming to create an efficient, accountable, and transparent national budget system.

Moreover, the status of the Budget System Reform Strategy across categories indicates that PFMRP is an ongoing process among all studied participants, involving government and grant project funds. These two funding sources cover all planned reforms according to the data from this study. The findings reveal:

1. **Budget System Reform Strategy in PFMRP**: All 189 instances (100%) were actively engaged in ongoing reforms.
2. **Ongoing Reforms/Planned Reforms**: The analysis shows that government funds and grants exclusively support ongoing or planned reforms, encompassing all 189 instances (100%), indicating a uniform financing approach.
3. **Reformation Level**: Reformation efforts are distributed across different levels:
    - Regional and Sub-Regional Level: A significant majority, consisting of 132 instances (69.8%), are being implemented.

- Regional and Sub-Regional Level, Across Finance/Treasury Offices Only: Additionally, 56 instances (29.6%) specifically target the regional or sub-regional level within finance or treasury offices.
- National and Sub-National Level: A substantial majority, consisting of 162 instances (87.8%), are transitioning from centralized, input-based budgeting with limited transparency and rigid procedures to decentralized, performance-based budgeting with enhanced transparency, robust monitoring and evaluation.

The study highlights the comprehensive engagement of all 189 participants in the Budget System Reform Strategy (BSRS) under the Public Financial Management Reform Program (PFMRP). Key issues identified include insufficient performance in public entities and a centralized financial management system. However, the Royal Government of Cambodia's strong commitment to reform aims to enhance macroeconomic growth and transparency. The ongoing transition from centralized to decentralized, performance-based budgeting reflects a significant step toward improving public financial management across national and sub-national levels. This section offers a detailed examination of the Budget System Reform Strategy (BSRS) within the Public Financial Management Reform Program (PFMRP) in Cambodia. A comparative analysis can be drawn between the Review of Literature Chapter, it's concepts and conditions highlighted the need to attain some basic PFMRP thresholds in the area of restructuring the budget and its classification system, to improve the accounting system, to develop a financial

management system, and to strengthen internal financial management skills (MEF, BSRS-2018-2025, Chapter II-Review of Literature, Page-20).

Table 5.2

The Reformation System Status

Items	Frequency	Percent
Budget System Reform Strategy in doing PFMRP		
Ongoing	189	100.0
Total	189	100.0
Ongoing reforms/planned reforms		
Government fund & Grant	189	
Total	189	100.0
Reformation Level		
Regional level, Sub-Regional level	132	69.8
Regional level, Sub-Regional level, Across finance/treasury	56	29.6
Sub-Regional level, Across finance/treasury offices only	1	0.5
Total	189	100

Source: Own Survey

Table 5.3

The Conditions of BSRS of PFMRP in Cambodia

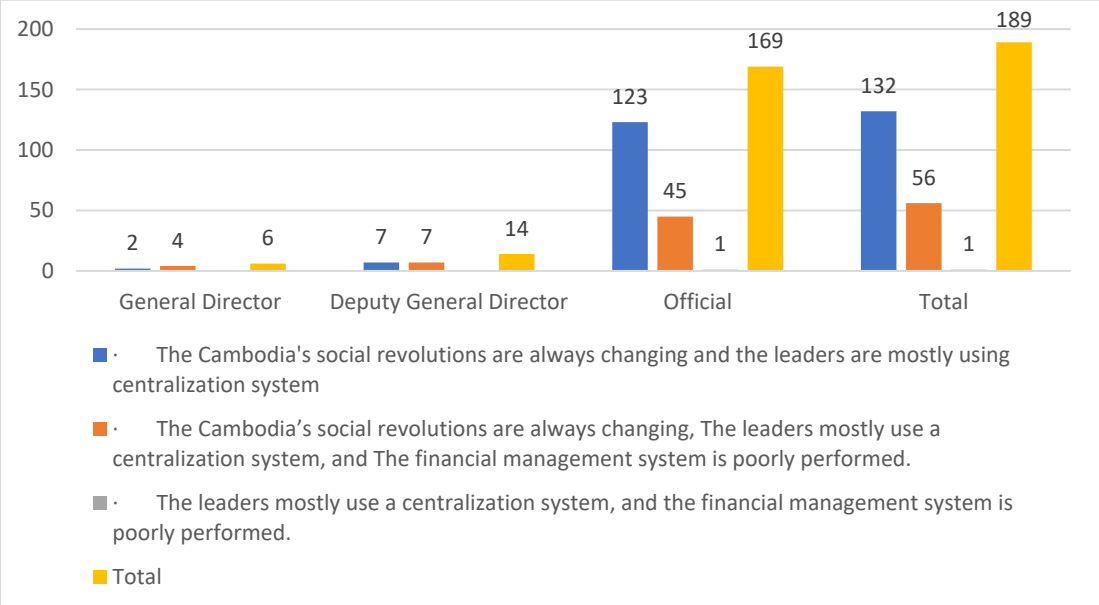
Concepts/Reasons	General Director	Deputy General Director	Official	Total
• The Cambodia's social revolutions are always changing, and the leaders are mostly using centralization system	1 (1.06%)	3 (3.07%)	79 (41.80%)	76 (40.21%)
• The Cambodia's social revolutions are always changing, the leaders mostly use a centralization system, and the FMS is poorly performed.	1 (2.12%)	3 (3.70%)	14 (7.41%)	23 (12.17%)

• The leaders mostly use a centralization system, and the financial management system is poorly performed.	1	2 (2.21%)	23 (12.1%)	25 (13.23%)
• Cambodia political revolutions were always modernization updated	1	3 (3.07%)	31 (16.40%)	31 (16.40%)
• The Royal Government strongly believes that the strategy of doing budget system reform of financial management reform program was the main key to maximizing the national and sub-national macroeconomic increase with the main objectives to build an efficient accountability and transparency national budget system.	2	3 (5.07%)	22 (11.64%)	34 (17.99%)
Total	6	14	169	189

Source: Own Survey

Figure 5.2

The Concepts of PFMRP in Cambodia



Note: Table 5.3 and Figure 5.2 indicate percentage of the respondents.

Source: Own Survey

5.2.1 The Aims of BSRS of PFMRP in Cambodia

In accordance with Table 5.4 (The Aims of PFMRP in Cambodia), the data displayed the aims of the Cambodia Budget System Reform Strategies in the PFMRP. Participants agreed on four main objectives as follows:

1. **Strengthening budget credibility** by enhancing the management of revenue, debt, cash, and improving budget execution.
2. **Enhancing financial accountability** through improved budget classification implementation, the launch of new budget and operations systems, strengthening the reporting system, and enhancing the functions of internal audit.
3. **Focusing on budget-policy linkages** by rolling out full program budgeting, covering more budget entities, improving budget comprehensiveness and integration, and defining clear roles and responsibilities for MEF line ministries and legislative bodies.
4. **Preparing the foundation for the introduction of performance accountability**, including the performance budgeting framework, defining lines of performance budget accountability, and launching the performance auditing framework.

The Budget System Reform Strategies (BSRS) within the Public Financial Management Reform Program (PFMRP) in Cambodia focus on enhancing budget credibility, financial accountability, budget-policy linkages, and performance accountability. These objectives reflect the government's commitment to improving fiscal governance and operational efficiency. By prioritizing these aims, Cambodia seeks to promote transparency and ensure

effective use of public resources, ultimately fostering sustainable economic growth and better serving its citizens. By focusing on these objectives, the Cambodian government demonstrates its commitment to improving fiscal governance and operational efficiency. This multifaceted strategy not only seeks to enhance the management of financial resources but also aims to foster transparency and accountability in public budgeting processes. Ultimately, these efforts are essential for promoting sustainable economic growth and ensuring that public resources are utilized effectively to meet the needs of the Cambodian population. In the Review of Literature Chapter, the effective BSRS of PFMRP systems were required to maximize the efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long-term economic success. The triggers for PFM reform include fiscal crisis, public pressure, donor pressure, political change including post-conflict situations and the demands of regional affiliations such as European Union (EU) accession (EU-2018-2019, Review of Literature Chapter, Page-23).

Table 5.4

The Aims of BSRS of PFMRP in Cambodia

The Aims	Frequency	Percent
1,2,3,4	189	100
Total	189	100.0

Source: Own Survey

5.2.2 Financial Management Information System-BSRS

Based on the technical report of the PFM Working Group, the research study found that the MEF decided to use the Financial Management Information System (FMIS) as the tool for financial management. According to Table 5.5 (Financial Management Information System Used for PFMRP), the FMIS is being applied and practiced by Ministries and Line Ministries. The data in Table 5.5 revealed that the personnel responsible for data entry in the FMIS are finance staff, who indicated that all participants are familiar with the data entry process.

The adoption of the Financial Management Information System (FMIS) by the Ministry of Economy and Finance (MEF) is a significant step in enhancing financial management in Cambodia. With active use across various Ministries and Line Ministries, and a knowledgeable finance staff responsible for data entry, the FMIS is positioned to improve accuracy and efficiency in financial practices. This familiarity among personnel underscores the potential for effective implementation of the system in supporting the country's financial management reforms.

Table 5.5

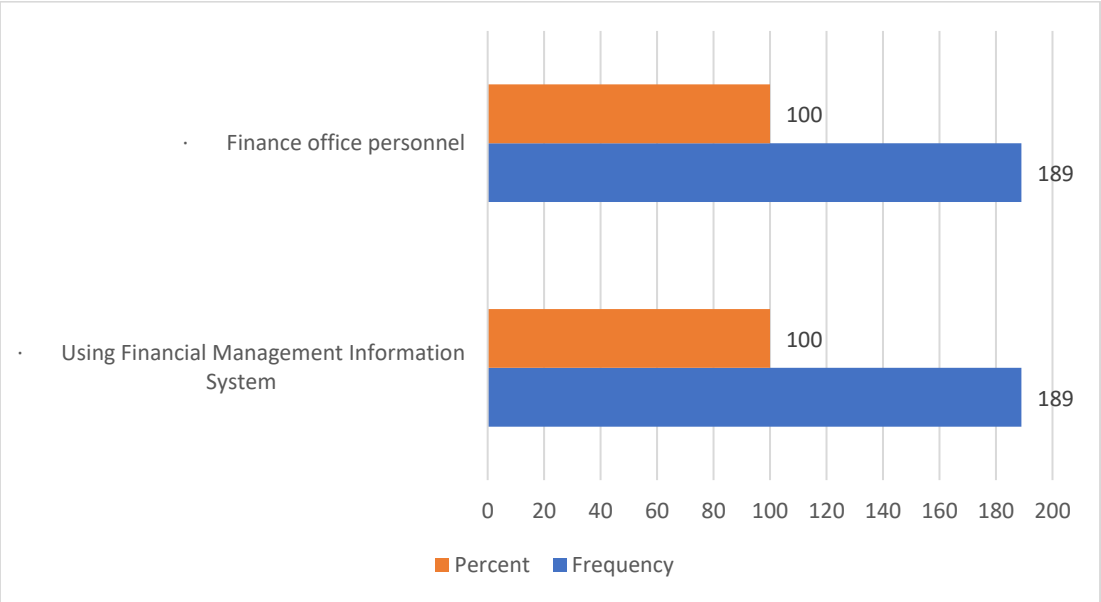
Financial Management Information System-PFMRP

System categories	Frequency	Percent
1. Financial system in PFMRP usage		
• Using Financial Management Information System	189	100.0
Total	189	100.0
2. Financial system (FMIS) data entering		
• Finance office personnel	189	100.0
Total	189	100.0

Source: Own Survey

Figure 5.3

Financial Management Information System-PFMRP



Note: Table 5.5 and Figure 5.3 indicate a percentage for the respondents.
Source: Own Survey

5.2.3 Demonstrate the Carry Out BSRS in PFMRP

As shown in the results of Table 5.6 (Demonstrate the Carrying Out of BSRS in PFMRP), the findings indicate that PFMRP has been nearly unanimous in one decision, with 187 participants (98.

9%) agreeing on four key points, which are as follows:

1. Public entities are increasingly using the budget program to manage revenues and expenditures.
2. Public entities are utilizing financial information based on the budget program to track revenues and expenditure.
3. The direction of Cambodia's budget system needs to be adjusted to enhance efficiency.

4. Improving the conditions of budget estimation provides a more enabling environment for budget planning. The remaining two participants selected points 1, 2, and 3.

The strong consensus among participants on the Budget System Reform Strategies (BSRS) in the Public Financial Management Reform Program (PFMRP) underscores a commitment to improving financial management in Cambodia. Key points include the use of budget programs for managing finances and the need for enhanced efficiency in budget estimation.

Table 5.6

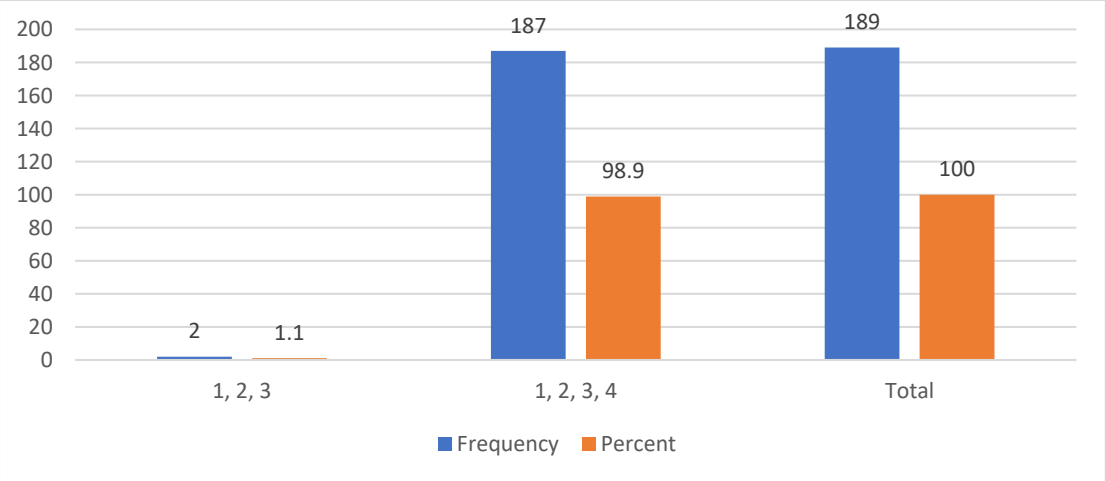
Demonstrate the Carry Out BSRS in PFMRP

Reason	Frequency	Percent
1, 2, 3	2	1.1
1, 2, 3, 4	187	98.9
Total	189	100.0

Source: Own Survey

Figure 5.4

Demonstrate the Carry Out BSRS in PFMRP



Note: Table 5.6 and Figure 5.4 indicate a percentage for the respondents.

Source: Own Survey

5.2.4 Reasons of FMIS Plays an Important Role of BSRS

The reasons the Financial Management Information System (FMIS) plays an important role in the Budget System Reform Strategy of PFMRP, as reported by all respondents, are found in Table 5.7 (Reasons for FMIS's Importance in PFMRP) and are divided into six main points:

1. Customizable functional tools with the budget system program.
2. Customizable functional tools for Ministries and Line Ministries.
3. Controllable cash on hand, cash advances, and cash in bank.
4. Controllable monthly and annual revenues and expenditures.
5. The ability to produce financial reports with more detailed options.
6. Alignment with the objectives of the PFMRP government.

The fundamental concepts of the Budget System Reform Strategy began with the Royal Government of Cambodia (RGC) and its partners, using government funds and grants, with most practices occurring at the regional and sub-regional levels. In line with the purpose of PFMRP, nearly all participants were aware of the underlying factors causing the reform. The concepts of government reform were well understood by the participants.

The study discovered that the understanding of the PFMRP reform was influenced by previous insufficient performance, social changes and revolutions, the prior use of centralization, and poor performance in the Financial Management Information System (FMIS). The objectives of the Cambodia Budget System Reform Strategies in PFMRP were found to be well acknowledged in this study. According to the findings, these objectives were classified into four categories:

1. Maintain budget credibility by improving revenue, debt, and cash management, as well as improving budget execution.
2. Maintain financial accountability by improving budget classification implementation, launching new budget and operations systems, strengthening the reporting system and financial accountability, and enhancing internal audit functions.
3. Focus on budget-policy linkages by rolling out full program budgeting and covering more budget entities, improving budget comprehensiveness and integration, defining clear roles and responsibilities of MEF line ministries and legislative bodies, developing a medium-term expenditure framework (MTEF), developing a monitoring and evaluation (M&E) system, and implementing financial decentralization.
4. Prepare the foundation for the introduction of performance accountability, including the performance budgeting framework, defining lines of performance budget accountability, launching the performance auditing framework, and developing a capacity development plan.

Furthermore, the study found that almost all participants have a good understanding of why the government is implementing the Budget System Reform Strategy (BSRS) and the important role of the Financial Management Information System (FMIS) in executing the PFMRP. The Financial Management Information System (FMIS) is vital to the Budget System Reform Strategy (BSRS) in Cambodia. It enhances operational efficiency, promotes financial accountability, and aligns with government objectives. By addressing past

performance issues, FMIS supports improved budget execution and prepares the groundwork for future advancements in performance accountability, making it essential for effective public financial management. A comparative analysis can be drawn between the Review of Literature Chapter, the inception of the Financial Management Information System (FMIS) dates back to 2008, when it was introduced to bolster the objectives of the Public Financial Reform Program (PFMRP). The second phase of PFMRP aimed to enhance financial accountability. The FMIS project underwent continuous refinement, culminating in its official launch on January 21, 2014 (MEF, BSRS, 2028-2025, Review of Literature Chapter, Page-49).

Table 5.7

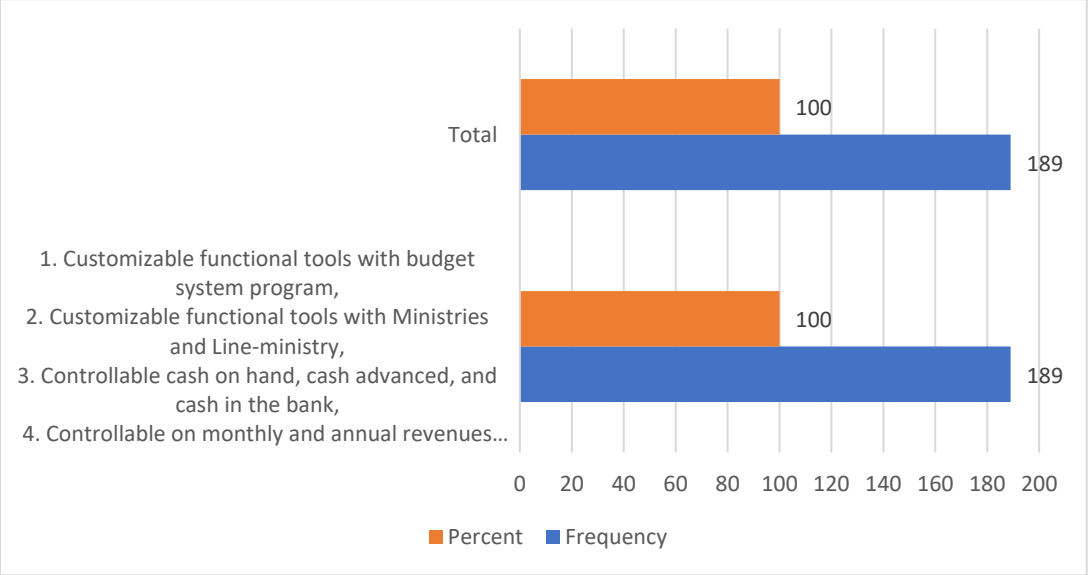
Reasons of FMIS Plays an Important Role of BSRS in PFMRP

Item	Frequency	Percentage
1. Customizable functional tools with budget system program, 2. Customizable functional tools with Ministries and Line-ministry, 3. Controllable cash on hand, advanced cash, and cash in the bank, 4. Controllable on monthly and annual revenues and expenditures, 5. Producible on financial reports with more optional in detail, 6. Fit able with the objectives of PFMRP of government	189	100.0
Total	189	100.0

Source: Own Survey

Figure 5.5

Reasons for FMIS Plays an Important Role in PFMRP To be updated



Note: Table 5.7 and Figure 5.5 indicate a percentage of the respondents.

Source: Own Survey

5.2.5 Qualitative results

The qualitative method was employed to gain a more in-depth understanding of the assessment criteria for the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia. In the process of collecting qualitative data, online interviews were conducted. The findings from the qualitative data are presented as follows:

The experts participated in individual physical interviews, as shown in Table 5.8, which displays the qualitative results.

Table 5.8

The Qualitative Results

Characteristics	Frequency	Percentage
1. Gender		
Male	6	85.71
Female	2	14.29
2. Working Experiences		
5-10 years	2	28.57
11-15 years	2	28.57
16-20 years	2	28.57
More than 20 years	1	14.29
3. Educational Level		
Master's degree	6	85.71
Doctoral Degree	1	14.29

Source: Own Survey

The qualitative results indicate that physical interviews were conducted to engage directly with participants, discussing significant points and providing critical recommendations for further improvement of the Budget System Reform Strategy (BSRS). The participants were primarily experts who mostly held master's degrees in fields related to accounting, finance, and banking, and they occupied positions as General Director and Deputy General Director.

According to Table 5.8, the personal information of the experts came from various departments. A total of seven participants were involved in this study, consisting of six males and one female. The data revealed that two experts (28.57%) had 5-10 years of experience, two experts (28.57%) had 11-15 years, two experts (28.57%) had 16-20 years, and one expert (14.29%) had more than 20 years of working experience. Most participants had completed a

master's degree in fields related to accounting, finance, and economics. Specifically, six experts held master's degrees, while one expert completed a doctoral degree.

The findings of the research based on the data from the interviews are displayed as follows:

Participant 1

He stated that, "…the basic concepts and conditions of the BSRS of PFMRP in Cambodia…" are based on the Public Financial Law, the Sub-Degree of the Royal Government, Prakas of Appointment and Function of PFM, Steering Committee of PFM, and Working Group: *"…I think the concepts and conditions of the BSRS of PFMRP represent a long-term mechanism of the Royal Government of Cambodia (RGC) to examine the process of budget system reform required to transition from traditional, centralized, input-oriented systems to more modern, best practices that are devolved and performance-based. It identifies a strategy based on recent attempts at this reform in emerging market economies and stresses the required sequencing of steps in this process…."* The explanation seems to reflect mostly the same concepts and conditions of the Royal Government of Cambodia in implementing the BSRS of PFMRP but has been adapted to current practices involving modern technologies, a more dynamic political system, higher staff turnover, lower staff costs, and faster responsiveness of support.

The explanation seems mostly the same concepts and conditions of the Royal Government of Cambodia in doing BSRS of PFMRP, but had been changed up on the currently practice attempts to the modernizing technologies, political

system, and staff turnover higher, staff cost lower, and responsiveness of support faster.

Participant 3

"…Based on my observation, the BSRS emphasizes the need to progress on all three fronts simultaneously: Ministries, Line Ministries (LM), and to base these reforms on a firm platform of management skills. It highlights the necessity of attaining some basic PFMRP thresholds in the areas of restructuring the budget and its classification system, improving the accounting system, developing a Financial Management Information System (FMIS), and strengthening internal financial management skills…"

From the expert's opinion, it seems that he understands the conditions of the BSRS within the context of the PFMRP status and the methods for reforming the structure of the budget and its classification system. According to the expert, FMIS is an effective accounting and financial system that can be customized and can generate additional functions for preparing or producing the budgeting program.

Participant 5

"…The BSRS concept is based on the Law on the Public Finance System, adopted in 2008, which paved the way for budget system reform through the introduction of the Budget Strategic Plan (BSP) and the piloting of Program Budgeting by the Royal Government of Cambodia. This aligns with the Public Financial Management Reform Programme, Stage 2, which focuses on building improved budget credibility toward achieving better financial accountability…"

The expert's ideas are likely to be understood clearly because they explain the Royal Government's rationale for implementing the BSRS and highlight the current improvements in the budget reform system and the techniques of the Budget Strategic Plan.

Participant 7

"…she said that the concepts required for the Budget System Reform Strategy in implementing the Public Financial Management Reform Program (PFMRP) include: 1) Public entities are currently using a budget program to manage revenues and expenditures; 2) Public entities are utilizing financial information based on the budget program by tracking revenues and expenditures; 3) The direction of the budget system in Cambodia needs to be adjusted to become more realistic and practical; 4) Improving the conditions for budget estimation provides an enabling environment for budget planning…"

This participant is a professional in the budget programming system in Cambodia. She shared practical guidelines by clearly explaining the conditions of the budget program system before and during the reform. According to the expert, this involves changing the basic concepts and conditions, such as creating a customizable functional budget system program, managing controllable cash on hand, cash advances, cash in bank, and controllable monthly and annual revenues and expenditures, while producing financial reports with more detailed options.

5.2.6 Summary of Basic Concepts and Conditions of BSRS

In accordance with the research data referenced in Tables 5.2 to 5.7, it is clearly stated that the basic concepts and conditions of the Budget System Reform Strategy of the Public Financial Management Reform Program in Cambodia are as follows:

1. The Public Financial Management Reform Program is a long-term initiative with an ambitious and realistic vision of transforming Cambodia's public financial system toward international best practices. This transformation involves building and strengthening four core components: improving the system, enhancing the legal framework, developing institutional mechanisms, and strengthening human resources. The program is organized in accordance with the socio-economic development context.
2. The Public Financial Management Reform Program was launched under the leadership of H.E. Hun Sen, Prime Minister of the Kingdom of Cambodia, on December 5, 2004. It was structured into four stages:
    - First Stage: "Budget Credibility" (2005-2008)
    - Second Stage: "Enhancing Financial Accountability" (2009-2014)
    - Third Stage: "Establishing Budget-Policy Linkage" (2015-2020)
    - Fourth Stage: "Performance Accountability" (2021-2025)
3. Currently, the Budget System Reform Strategy of the Public Financial Management Reform Program is being implemented in the fourth phase. The Steering Committee for the PFM Reform Program has identified three priority goals:

i. Strengthening the management and implementation of revenue collection plans,
ii. Enhancing and expanding the deployment of Information Technology Systems (FMIS) for the PFM Reform Program, and
iii. Strengthening, expanding the implementation of program budgets, as well as providing funding to support the action plans for the reform team.

The Budget System Reform Strategy (BSRS) within Cambodia's Public Financial Management Reform Program (PFMRP) is a vital initiative aimed at enhancing the efficiency and transparency of public financial management. With full engagement from participants and a strong commitment from the Royal Government, the BSRS addresses key challenges such as insufficient performance and centralized systems. By prioritizing objectives like budget credibility and financial accountability and leveraging the Financial Management Information System (FMIS), Cambodia is on a path to align its practices with international standards, ultimately fostering sustainable economic growth and improved public service delivery.

5.3 Discuss the Implementation Process of the BSRS

In accordance with Table 5.9 (Platform and Stages in PFMRP) stated that in discussing the implementation process of BSRS, platforms and stages in PFMRP and the basic concepts of each that account for all participants were agreed and finding four platforms and four stages, such as below:

1) increasing budget credibility,
2) increasing financial accountability,

3) establishing budget-policy linkages, and

4) increasing performance accountability

Table 5.9

The Platform and Stage in PFMRP

Characteristics	Frequency	Percent
1,2	189	100.0
Total	189	100

Source: Own Survey

According to Table 5.10 (PFMRP Strategic Platforms) shown that in processing the strategic platforms in PFMRP usages have been found into the four steps such as below:

1) Creating the PFMRP Steering Committee,

2) Creating the PFM Working Group,

3) Preparing the Consolidate Action Plan (CAP), and

4) Using the Public Expenditure and Financial Accountability Assessment Framework (PEFAAF).

Table 5.10

PFMRP Strategic Platforms

Characteristics	Frequency	Percent
1,2,3,4	189	100.0
Total	189	100

Source: Own Survey

In Accordance with the Table 5.11 (The Scope of Platforms and Stages in Each Area) found that they display descriptive statistics on the scope of the reforms, as well as the platforms and stages attained in each area. This section is divided into four stages, which are ordered from completed to ongoing to future, not applicable and scored from 1 to 4. The lowest means is the fourth platform on increasing performance accountability at Mean= 1.03, SD= 0.18. The highest Mean account for Medium Term Planning (Mean= 2.01, SD= 0.07) and Asset Register/Accounting (Mean= 2.01, SD= 0.08).

Table 5.11

The Scope of Platforms and Stages in Each Area

Area	N	Mean	SD
Medium Term Planning	189	2.01	0.07
PFMRP is Designed in long-term undertaking standards	189	1.99	0.10
First platform on increasing budget credibility	189	2.00	0.00
Second platform on increasing financial accountability	189	2.00	0.00
Third platform on establishing budget-policy linkages	189	1.99	0.07
Fourth platform on increasing performance accountability	189	1.03	0.18
Public Investment Programming	189	1.13	0.45
Budget reform system preparation	189	1.51	0.50
Cash management, included disbursements	189	1.86	0.35
Budget execution commitment, payments	189	1.63	0.48
Accounting (e.g. new classification, basis)	189	1.72	0.45
Revenue collection	189	1.77	0.42
Procurement	189	1.14	0.35
Payroll	189	1.99	0.10

Area	N	Mean	SD
Asset Register/Accounting	189	1.89	0.33
Debt & loan management	189	1.87	0.33

Source: Own Survey

Up on the Table 5.12 (The Progressing of Implementation Process of BSRS of PFMRP) indicated that the implementation progressing of the reform's platforms and stage in each area from all participants as follows:

1. Medium Term Planning: most participants (188, 99.5%) indicated that this area is ongoing, with only 1 participant (0.5%) considering it a future task, reflecting a near-complete engagement in this area.
2. PFMRP is Designed in Long-Term Undertaking Standards: This area shows significant progress, with 187 participants (98.9%) stating it is ongoing, and a minor fraction (2 participants, 1.1%) indicating completion.
3. First Platform on Increasing Budget Credibility: All participants (189, 100%) reported this area as ongoing, indicating unanimous engagement.
4. Second Platform on Increasing Financial Accountability: Similar to the first platform, 100% of participants (189) are engaged in ongoing activities in this area.
5. Third Platform on Establishing Budget-Policy Linkages: The data reveals that 188 participants (99.5%) are working on ongoing tasks, with 1 participant (0.5%) having completed this area.

6. Fourth Platform on Increasing Performance Accountability: Most participants (183, 96.8%) reported completion, while a small group (6, 3.2%) indicated ongoing efforts.
7. Public Investment Programming: A high number of participants (172.91%) completed this area, with 9 participants (4.8%) working on ongoing tasks, and 8 participants (4.2%) identifying it as a future task.
8. Budget Reform System Preparation (Classification, Basis): This area is evenly split between completed (93 participants, 49.2%) and ongoing (96 participants, 50.8%) tasks.
9. Cash Management, Including Disbursements: The majority (163 participants, 86.2%) indicated ongoing efforts, while 26 participants (13.8%) reported completion.
10. Budget Execution - Commitment, Payments, Receipts: Participants are predominantly engaged in ongoing activities (119, 63%), with 70 participants (37%) having completed tasks.
11. Accounting (New Classification, Basis, Standard): This area has significant ongoing engagement (136 participants, 72%), while 53 participants (28%) reported completion.
12. Revenue Collection: The majority (136 participants, 77.2%) are engaged in ongoing tasks, with 43 participants (22.8%) having completed this area.
13. Procurement: A large proportion of participants (162, 85.7%) reported completion, while 27 participants (14.3%) are doing ongoing tasks.

14. Payroll: Nearly all participants (187, 98.9%) indicated ongoing activities, with 2 participants (1.1%) reporting completion.
15. Asset Register/Accounting: The majority (166 participants, 87.9%) are engaged in ongoing efforts, with 22 participants (11.6%) reporting completion, and 1 participant (0.5%) identifying it as a future task.
16. Debt & Loan Management: This area has a high number of ongoing efforts (165 participants, 87.3%), with 24 participants (12.7%) reporting completion.

Table 5.12

The Progressing of Implementation of BSRS of PFMRP

No	Area	completed	Ongoing	Future	Not Applicable	Total
1	Medium Term Planning		188(99.5 %)	1(0.5%)		100%
2	PFMRP is Designed in long-term undertaking standards	2(1.1%)	187 (98.9%)			100%
3	First platform on increasing budget credibility		189 (100%)			100%
4	Second platform on increasing financial accountability		189 (100%)			100%
5	Third platform on establishing budget-policy linkages	1(0.5%)	188 (99.5%)			100%
6	Fourth platform on increasing performance accountability	183(96.8%)	6(3.2%)			100%

7	Public Investment Programming	172(91%)	9(4.8%)	8(4.2%)		100%
8	Budget reform system preparation (classification, basis)	93(49.2%)	96(50.8%)			100%
9	Cash management, included disbursements	26(13.8%)	163(86.2%)			100%
10	Budget execution commitment, payments, receipts	70(37%)	119(63%)			100%
11	Accounting (e.g. new classification, basis, standard)	53 (28%)	136(72%)			100%
12	Revenue collection	43 (22.8%)	136 (77.2%)			100%
13	Procurement	162 (85.7%)	27 (14.3%)			100%
14	Payroll	2 (1.1%)	187 (98.9%)			100%
15	Asset Register/Accounting	22 (11.6)	166 (87.9%)	1(0.5%)		100%
16	Debt & loan management	24 (12.7%)	165 (87.3%)			100%

Source: Own Survey

According to Table 5.13 (Performance and Satisfaction with Current or Planned Systems) it is shown that the current system in general use had a performance and satisfaction rating of 13, or 6.9%. With the new system currently being implemented, 176 people (93.1%) have been discovered.

Table 5.13

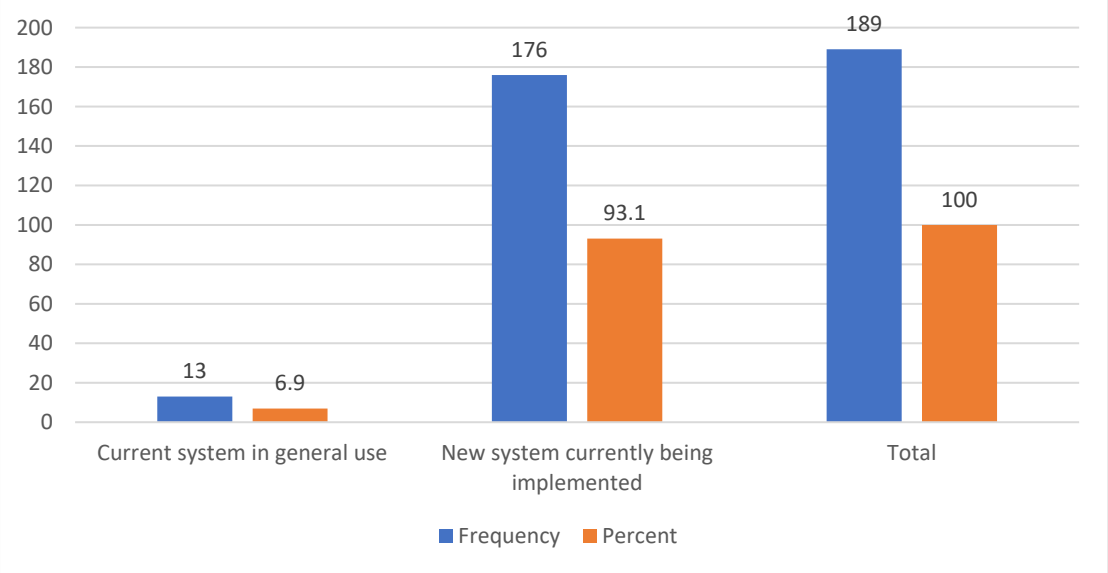
Performance and Satisfaction with Current or Planned Systems

Items	Frequency	Percent
Current system in general use	13	6.9
New system currently being implemented	176	93.1
Total	189	100.0

Source: Own Survey

Figure 5-6

Performance and Satisfaction with Current or Planned System



Note: Table 5.13 and Figure 5.6 indicate percentage of the respondents.
Source: Own Survey

According to Table 5.14 (The Functional of Currently Producing Report), it stated that the process of making a report was found to be mentioned as follows:

1) In the current process, daily registers, receipts, and payments reports are 92% produced manually and 7.4% are fully automated practices for all departments and related ministries.
2) Another step in the account balance report process has been added. Partially automated and partially manual, which account for 170 (89.9%) followed by fully automated for 18 (9.5%) among related departments. The small percentage is only 1 participant, or 0.50%, with the manual produced data on the report.
3) Transaction listing for account balance is still almost complete, with data produced manually by 84.7% of participants, or 160.
4) Monthly budget execution (variance) management reports appear to be more manually produced because 151 participants, or 79.9%, agree with this. Others were left on "partially automated and partially manual" at a frequency of 31 or 3.7%, the rest are fully automated.
5) Financial statements are nearly equal in each part, with 85 (45.0%), 94 (49.7%), and partially automated, and 10 (5.3%) fully automated respectively.
6) Reports for external stakeholders, including donors, have been updated to be partially automated and partially manual at 163 (86.2%), manual reports at 23 (13.90%), and fully automated 3(1.6%).

Table 5.14

The Functional of Currently Producing Report

Description	Manually produced		Partially automated, partially manual		Fully automated		Not Produced	
	N	(%)	N	(%)	N	(%)	N	(%)
Daily registers-receipts, payments			175	92.6%	14	7.4%	-	-
Account balances	1	0.5%	170	89.9%	18	9.5%	-	-
Transaction listing for account balance	160	84.7%	10	5.3%	19	10.1%	-	-
Monthly budget execution (variance) management reports	151	79.9%	31	16.4%	7	3.7%	-	-
Financial Statements	85	45.0%	94	49.7%	10	5.3%	-	-
Reports for external stakeholders (e.g. donors)	23	12.2%	163	86.2%	3	1.6	-	-

Source: Own Survey

Upon reviewing Table 5.15 (The Performance Reports of FMIS), it is evident that the speed of data entry into the financial management information system has been found to be more frequent than slow. Specifically, very fast entries account for 107 (56.46%), while very slow entries account for 82 (35.50%). Inquiries about reporting account balances also appear to be improving, with 121 (64.00%) indicating very fast or easy processes, and only 68 (36.00%) indicating very slow or cumbersome processes. Furthermore, the outcomes of inquiries regarding our reporting account balances were very similar to the preceding action, with very fast and easy processes accounting for 128 (67.70%) and very slow and cumbersome processes accounting for 61 (32.30%). In contrast, the process of producing reports was quite different from the preceding actions, with very fast or easy processes accounting for only 21 (12.70%) and very slow or cumbersome processes accounting for 145 (87.30%).

Table 5.15

Performance of FMIS

Categories	Very slow/ Cumbersome		Very fast/ easy	
	Frequency	Percent	Frequency	Percent
Inputting data.	82	43.40%	107	56.60%
Enquiring/reporting account	68	36.00%	121	64.00%
Enquiring/transaction listings	61	32.30%	128	67.70%
Producing management reports	168	88.90%	21	11.10%

Source: Own Survey

On Table 5.16 (The Key Official in Charge of FMIS) it has been stated that the result of the study showed that all participants agreed that the information technology department is responding by providing changes to the FMI system. This task is included in the work on the new screen for the system. The design of the FMI system was entirely up to accountants and functional specialists while working on drives. In accordance with the In-person response in providing FMI systems administration, such as setting up new users, creating new reports, and setting up a new cost center, it was found to be nearly identical to those Accountants/functional specialists in line departments, at 164 (86.8%). Accountants/functional specialists in FMIS department, at a frequency of 23(12.2%) while the individual user was found at 2(1.1%).

Table 5.16

The Key Officials in Charge of FMIS

Working units	Frequency	Percent
1. Providing FMI systems administration		
• Individual users	2	1.1
• Accountants/functional specialists in line departments	164	86.8
• Accountants/functional specialists in FMIS department	23	12.2
Total	189	100.0
2. Providing changes to the FMI system		
Accountants/functional specialists in FMIS department	161	85.2
IT department	4	2.1
External organization	24	12.7

Total	189	100.0
3. Driving the design of the FMI system		
Accountants/functional specialists	186	98.4
IT department	3	1.6
Total	189	100.0

Source: Own Survey

5.3.1 The Implementation and Performance of FMIS

The Financial Management Information System (FMIS) in the Budget System Reform Strategy (BSRS) were evaluated through a comprehensive survey. Respondents were asked to rate various aspects of the FMIS on a scale from "Very Poor" to "Very Good." The results, summarized in Table 5.17, provide insights into user satisfaction and areas for potential improvement.

1. **Meets Requirements:** The FMIS effectively meets user requirements, with 63% of respondents rating it as "Very Good" and 37% as "Good." This demonstrates a high level of satisfaction with the system's ability to fulfill organizational needs. No respondents rated this aspect as "Fair," "Poor," or "Very Poor," indicating that the FMIS is well-aligned with user expectations.
2. **Speed of Work:** The system's impact on work efficiency was rated favorably by most users, with 46.6% describing it as "Good" and 36.5% as "Very Good." However, 15.9% rated it as "Fair," and 1.1% as "Poor," suggesting that while the FMIS generally enhances work speed, there may be instances where its performance is perceived as suboptimal.

3. **Improvement in Control:** The FMIS is recognized for improving control within the organization, with 63% of users rating this aspect as "Good" and 4.8% as "Very Good." However, 32.3% of respondents rated this feature as "Fair," highlighting a potential area for further enhancements to ensure more consistent control across all areas.
4. **System Reliability:** Reliability is a key strength of the FMIS, with 58.7% of users rating it as "Very Good" and 40.7% as "Good." Only 0.5% rated it as "Fair," and no respondents rated it as "Poor" or "Very Poor," underscoring the system's dependability and robustness in supporting financial management functions.
5. **Accuracy of the System:** The accuracy of the FMIS is generally perceived positively, with 45% of users rating it as "Very Good" and 24.3% as "Good." However, a notable 30.7% of respondents rated accuracy as "Fair," indicating that while the system is largely accurate, there may be specific areas where precision could be improved.
6. **User-Friendliness:** User-friendliness of the FMIS garnered mixed reviews, with 56.1% rating it as "Good" and 43.9% as "Fair." This split suggests that while the system is navigable for most users, a significant portion finds it less intuitive, signaling an opportunity for interface improvements to enhance the user experience.
7. **Adaptability:** The adaptability of the FMIS was rated as "Fair" by 57.7% of respondents and "Good" by 42.3%. The absence of "Very Good" ratings indicates that while the system is somewhat adaptable, it does not fully meet the needs of users requiring flexibility. This suggests

the need for modifications to better accommodate diverse and evolving organizational processes.

8. **System Integration:** System integration was another well-rated feature, with 66.1% of respondents rating it as "Good" and 0.5% as "Very Good." However, 33.3% rated it as "Fair," indicating that while the FMIS integrates well with existing systems, there is room for improvement in ensuring seamless integration across all platforms.
9. **Availability of Assistance:** Assistance availability was rated as "Fair" by 51.3% of respondents and "Good" by 48.1%. This close split suggests that while support is generally accessible, improvements in the timeliness and quality of assistance could further enhance user satisfaction.
10. **Adherence to Schedule:** The system's adherence to project schedules was positively rated, with 44.4% of users describing it as "Very Good" and 35.4% as "Good." However, 20.1% rated it as "Fair," indicating occasional challenges in meeting deadlines. Addressing these issues could help ensure more consistent project delivery times.
11. **Adherence to Budget:** The FMIS performed well in adhering to the original budget, with 54% of users rating it as "Good" and 46% as "Fair." No respondents rated it as "Very Good," suggesting that while the system generally meets budgetary constraints, there may be areas where cost management could be improved.
12. **Cost-Effectiveness:** The cost-effectiveness of the FMIS was rated as "Good" by 54% of users, while 42.9% rated it as "Fair." A small portion

(3.2%) rated it as "Very Good," indicating that while the system provides value for money, there is room to enhance its cost-benefit ratio.

13. **Improvement Over Previous Systems:** Regarding the system's improvements over previous systems, 60.8% of users rated it as "Good" and 39.2% as "Fair." No respondents rated it as "Very Good," indicating that while the FMIS is an improvement over past systems, its full potential has not yet been realized. Further enhancements could solidify its position as a superior financial management tool.
14. **Overall Satisfaction:** Overall satisfaction with FMIS was rated as "Good" by 33.9% of respondents and "Very Good" by 39.2%. A smaller portion, 25.9%, rated it as "Fair," and 1.1% as "Poor." These results suggest that while the FMIS is generally well regarded, there is still a minority of users who experience challenges with the system, pointing to areas for ongoing improvement.

Table 5.17

The Rating Level of Using FMIS in BSRS

N	Items	Very Poor	Poor	Fair	Good	Very Good
1	Meets	-	-	-	70 (37%)	119 (63%)
2	Speeds work	-	2 (1.1%)	30 (15.9%)	88 (46.6%)	69 (36.5%)
3	Improves control	-	-	61 (32.3%)	119 (63%)	9 (4.8%)
4	Reliable	-	-	1 (0.5%)	77 (40.7%)	111 (58.7%)
5	Accurate	-	-	58 (30.7%)	46 (24.3%)	85 (45%)
6	User friendly	-	-	83 (43.9%)	106 (56.1%)	-

7	Adaptable	-	-	109 (57.7%)	80 (42.3%)	-
8	Integrated	-	-	63 (33.3%)	125 (66.1%)	1 (0.5%)
9	Available assistance	-	1 (0.5%)	97 (51.3%)	91 (48.1%)	-
10	On schedule	-	-	38 (20.1%)	67 (35.4%)	84 (44.4%)
11	On original budget	-	-	87 (46%)	102 (54%)	-
12	Cost-beneficial	-	-	81 (42.9%)	102 (54%)	6 (3.2%)
13	Improves to current system(s), if applicable	-	-	74 (39.2%)	115 (60.8%)	-
14	Overall satisfaction	-	2 (1.1%)	49 (25.9%)	64 (33.9%)	74 (39.2%)

Source: Own Survey

Table 5.18 illustrates the perceived impact of implementing a Financial Management Information System (FMIS) across various organizational factors, as reported by the respondents. The table is divided into five key areas: staff turnover, staff costs, recurrent/running costs, user empowerment, and responsiveness of support. Respondents indicated whether each factor had increased ("Higher"), remained unchanged ("About same"), or decreased ("Lower") after the adoption of FMIS.

1. **Staff Turnover**: Most respondents (96.3%) reported that staff turnover had increased following the implementation of FMIS, while a small fraction (3.7%) noted a decrease. No respondents indicated that turnover remained the same.
2. **Staff Costs**: The data indicate a reduction in staff costs for 67.7% of respondents, while 32.3% reported an increase in costs. None of the respondents felt that staff costs remained unchanged.

3. **Recurrent/Running Costs**: A significant portion of respondents (70.9%) reported higher recurrent or running costs post-FMIS implementation. Conversely, 29.1% experienced a reduction in these costs, with no respondents reporting no change.
4. **User Empowerment**: The vast majority (97.4%) of respondents felt that FMIS empowered users more, while a minority (2.6%) believed it led to less user empowerment. No respondents indicated any change in user empowerment levels.
5. **Responsiveness of Support**: Nearly all respondents (99.5%) observed an improvement in the responsiveness of support services after FMIS was introduced, with only 0.5% reporting a slowdown. There were no reports of unchanged responsiveness.

The evaluation of the Financial Management Information System (FMIS) within the Budget System Reform Strategy (BSRS) highlights strong user satisfaction, particularly regarding reliability and user empowerment. While most aspects of the FMIS received positive ratings, areas such as adaptability, user-friendliness, and cost management need improvement. Addressing these challenges will enhance the system's effectiveness and better align it with organizational needs, ultimately supporting better public financial management in Cambodia.

Table 5.18

The Impacted of Using FMIS

Items	Higher		About same		Lower	
	Freq	Percent	Freq	Percent	Freq	Percent
Staff turnover	182	96.3	-	-	7	3.7
Staff costs	61	32.3			128	67.7
Recurrent/running cost	134	70.9	-	-	55	29.1
Empowered users	Less		About same		More	
	5	2.6			184	97.4
Responsiveness of support	Slower		About same		Faster	
	1	0.5			188	99.5

Source: Own Survey

5.3.2 Summarized the Implementation Process of BSRS

Based on Tables 5.9 to 5.18, the implementation process of the Budget System Reform Strategy (BSRS) in the Public Financial Management Reform Program (PFMRP) is outlined as follows:

1. **Monitoring Progress**: The progress of the implementation of the PFM Reform Program is organized quarterly and annually, in accordance with the Royal Government Directive No. 09 dated December 28, 2015, on "Rules and Procedures for Organizing, Implementation, Monitoring, and Evaluation of PFM Reform Program's Works." This ensures the effectiveness of the preparation, implementation, and monitoring of action plans.

2. **Implementation Across Ministries**: The program budget has been implemented across all ministries, institutions, and capital-provincial administrations. From 2015 to 2018, all 39 ministries and institutions fully implemented the pilot program budget, while all 25 capital-provincial administrations also executed the full pilot program budget.

3. **Strategic Direction for Budget Reform**: To establish a clear and realistic direction for budget reform, the Steering Committee for the PFM Reform Program has prepared a strategy defining the Cambodian budget system as a performance information budget system, or achievement budget.
4. **Overall Achievements**: Based on the results achieved, we can conclude that:
    - The budget is more reliable and has become a driving force for economic growth.
    - Key features have been built and strengthened to ensure financial accountability.
    - The program budget framework is designed to strengthen and expand implementation, serving as an important tool for linking the budget to government policies.
    - The capacity of officials to manage public finances has been strengthened.
    - Awareness and participation in the PFM Reform Program have been steadily increasing.
5. **Future Goals**: The goal of the PFM Reform Program is to complete the third phase, leading into the fourth phase. The General Secretariat of the PFM Reform Program Steering Committee collaborates with the PFM Reform Working Group under the auspices of the Ministry of Economy and Finance.

In conclusion, the implementation of the Budget System Reform Strategy (BSRS) within the Public Financial Management Reform Program (PFMRP) has demonstrated significant progress in enhancing financial accountability and efficiency across Cambodian ministries. Through structured monitoring, comprehensive execution of the program budget, and a clear strategic direction, the initiative has strengthened public financial management

while fostering economic growth. As the program transitions into its fourth phase, continued collaboration among stakeholders will be essential to achieving sustainable development goals and further refining Cambodia's budgetary practices. Reflections of the Review of Literature Chapter, the added value of the country case studies is that they analyze the context and mechanisms which make for successful PFM reforms. The report identifies lessons for countries going through PFM reforms, including the importance of high-level and leadership, alongside effective coordination. It also identifies lesion for development partners, which includes resisting the temptation to push for reforms where the context is not right and making sure the advice they provide in high quality and relevant to the setting (Final Synthesis Report-Sida-Burkina Faso, Ghana and Malawi 2001-2010, page-112).

5.4 Discuss the Significance of Positive Points for Further Improvement of the BSRS of PFMRP in Cambodia

The descriptive statistics in Table 5.19 provide a comprehensive overview of the respondents' understanding of key government budgeting and fiscal policy concepts. The survey included 20 questions designed to assess participants' knowledge levels on various aspects of the budgetary process and related governmental procedures.

The first question, "What is a budget?" yielded a mean score of 4.64, with a standard deviation of 0.62, indicating a strong understanding of the fundamental concept of a budget among respondents. This was followed by a question regarding the legal basis governing the use of the government budget, which had a mean score of 4.45 and a standard deviation of 0.63. Respondents also demonstrated a solid grasp of the government budget appropriation process, with a mean score of 4.46 and a similar standard deviation of 0.63.

Further probing into the respondents' understanding of what constitutes a government budget revealed a mean score of 4.53 and a standard deviation of 0.63, reinforcing the notion that this is a well-understood area. Questions concerning expenditure and financing programs yielded mean scores of 4.47 and 4.41, with standard deviations of 0.64 and 0.66, respectively, suggesting a consistent level of familiarity across these topics.

The survey also explored the respondents' knowledge of the term "national government budget" and its application, with mean scores of 4.43 and 4.42, and standard deviations of 0.64 each. The understanding of the necessity for annual budget preparation by the government was also strong, reflected in a mean score of 4.46 and a standard deviation of 0.64. However, when asked about the sources of appropriations that make up the annual budget, respondents showed slightly less certainty, with a mean score of 4.38 and a standard deviation of 0.62.

Knowledge of existing or continuing appropriations, as well as the support and allocation of resources during the budget year, was tested next, resulting in mean scores of 4.41 and 4.34, with standard deviations of 0.64 and 0.63, respectively. The survey then addressed more specialized concepts such as the "one-fund" concept, its importance, and the idea of a balanced budget, all of which showed mean scores ranging from 4.31 to 4.36 and standard deviations between 0.63 and 0.65, indicating a somewhat lower but still substantial understanding among respondents.

Questions regarding the government's fiscal policy, surplus budgeting, and the total resource budget concept yielded mean scores between 4.33 and 4.38,

with standard deviations from 0.65 to 0.66, suggesting these are areas where respondents feel relatively confident. The final two questions covered the consolidated public sector fiscal position and the planning-programming-budgeting system (PPBS). These received mean scores of 4.35 and 4.60, respectively, with standard deviations of 0.65 and 0.63, highlighting a strong comprehension of these topics, particularly the PPBS, which had one of the highest mean scores in the survey.

In summary, the responses indicate a high level of understanding across all areas covered by the survey, with slight variations in familiarity depending on the specific question. The consistency of the mean scores, all above 4.3, reflects the respondents' overall competence in government budgeting concepts, with the planning-programming-budgeting system (PPBS) standing out as the most well-understood topic.

The survey results indicate a strong understanding of key budgeting and fiscal policy concepts among respondents, highlighting a solid foundation for the Budget System Reform Strategy (BSRS). This robust knowledge can be leveraged to enhance public financial management practices in Cambodia. By focusing on targeted training in areas with slightly lower scores, the Royal Government can further strengthen the effectiveness of the BSRS, fostering improved governance and sustainable economic growth.

Table 5.19

Descriptive Statistics of the Major Concerns with the Reformation

Questions	N	Mean	SD
What is a budget?	189	4.64	0.62
What is the basis law of government in using of government budget?	189	4.45	0.63
How is the government budget appropriate for processing?	189	4.46	0.63
What is the government budget?	189	4.53	0.63
What is the expenditure program?	189	4.47	0.64
What is the financing program?	189	4.41	0.66
What is referred to by the term "national government budget?	189	4.43	0.64
On what is the national government budget spent?	189	4.42	0.64
Why does the government prepare a new budget every year?	189	4.46	0.64
What are the sources of appropriations that make up the annual budget?	189	4.38	0.62
What are the existing or continuing appropriations?	189	4.41	0.64
Are all the appropriate resources supported by resources and allocable during the budget year?	189	4.34	0.63
What is the "one-fund" concept?	189	4.34	0.65
Why is the "one-fund" concept important?	189	4.31	0.64

What is a balanced budget? What happens when the budget is not balanced?	189	4.36	0.63
What has been the government's fiscal policy?	189	4.36	0.66
Why is surplus budgeting necessary?	189	4.33	0.65
What is the total resource budget concept and its significance?	189	4.38	0.65
What is the consolidated public sector fiscal position?	189	4.35	0.65
What is the planning-programming-budgeting system (PPBS)?	189	4.60	0.63

Source: Own Survey

Table 5.20 (The Major Concerns or Risks Associated with the Reform) presents the major concerns or risks associated with the Budget System Reform Strategy of the PFMRS in Cambodia from 2005 to 2025, as highlighted below:

1. **Definition of Budget**: The term "budget" in government encompasses several meanings. It can refer to an appropriation (legislative authorization to spend), an allotment (authorization by the General Department of Budget [GDB] to obligate funds), or actual cash available. A high percentage of respondents (71.4% or 135 participants) strongly agreed with this definition, followed by those who agreed (21.2% or 40 participants) and those neutral (7.4% or 14 participants).
2. **Basic Law of Government Budgeting**: The relevant provision from the Cambodian Constitution establishes basic rules for using government funds: "Art. VI, Sec. 29. No money shall be paid by the Treasury except in pursuance of an appropriation made by law." This statement garnered

strong agreement from over half of the participants (N=99, 52.4%), with 40.2% (N=76) agreeing and 7.4% (N=14) neutral.

3. **Appropriate Processing of Government Budget**: This process is characterized by several major steps, including the preparation of expenditure estimates by ministries and their justification before GDB technical review panels. Strong agreement was noted at N=101 (53.4%), followed by an agreement at N=74 (39.2%) and neutral at N=14 (7.4%).
4. **Understanding the Government Budget**: A government budget is defined as the financial plan for a given period, usually a fiscal year, which outlines resources, their generation, and utilization. This definition received strong agreement at N=115 (54.5%), with agreement at N=60 (31.7%) and neutral at N=14 (7.4%).
5. **Understanding Expenditure Programs**: The expenditure program, which refers to current operating expenditures and capital outlays, received strong agreement at N=103 (54.5%), agree at N=71 (37.6%), and neutral at N=18 (9.5%).
6. **Financing Programs**: This includes projected revenues and planned borrowings. Strong agreement was noted at N=95 (50.3%), agree at N=76 (40.2%), and neutral at N=18 (9.5%).
7. **National Government Budget**: This refers to the total budget of various national government departments and support to Local Government Units (LGUs). Strong agreement was observed at N=96 (50.8%), agree at N=78 (41.3%), and neutral at N=15 (7.9%).

8. **Budget Allocation**: The national budget is allocated for government programs, operations, salaries, public debts. Strong agreement was recorded at N=96 (50.8%), agree at N=77 (40.7%), and neutral at N=16 (8.5%).
9. **Annual Budget Preparation**: The government's budget preparation follows constitutional provisions requiring the President to submit a budget within 30 days of Congress opening. Strong agreement was at N=102 (54%), agree at N=72 (38.1%), and neutral at N=15 (7.9%).
10. **Sources of Appropriations**: Sources include new general appropriations legislated by Congress and existing appropriations. Agreement was at N=90 (47.6%), with strong agreement at N=85 (45.0%) and neutral at N=14 (7.4%).
11. **Existing or Continuing Appropriations**: These appropriations remain valid for public fund expenditure. Strong agreement was noted at N=93 (49.2%), agree at N=81 (42.9%), and neutral at N=15 (7.9%).
12. **Programmed vs. Unprogrammed Appropriations**: Programmed appropriations have funding sources; unprogrammed appropriations do not. Agreement was at N=92 (48.7%), strong agreement at N=81 (42.9%), and neutral at N=16 (8.5%).
13. **One-Fund Concept**: This policy requires all government revenues to accrue to the General Fund for allocation to government programs. Agreement was at N=89 (47.1%), strong agreement at N=82 (43.4%), and neutral at N=18 (10.8%).
14. **One-Fund Concept in Fiscal Management**: This policy emphasizes that all government revenues should enter the General Fund and be

subject to the budgeting process. Agreement was at N=93 (49.2%), strong agreement at N=77 (40.7%), and neutral at N=19 (10.1%).

15. **Balanced Budget Definition**: A budget is balanced when revenues match expenditure. Agreement was at N=89 (47.1%), strong agreement at N=84 (47.1%), and neutral at N=16 (8.5%).
16. **Historical Budget Deficits**: National government expenditures have historically exceeded revenues. The agreement was at N=88 (46.6%), agree at N=82 (43.4%), and neutral at N=18 (9.5%).
17. **Importance of Surplus Budget Policy**: This policy encourages economic growth by reducing government borrowing. Agreement was at N=88 (46.6%), strong agreement at N=82 (43.4%), and neutral at N=19 (10.1%).
18. **Total Resource Budgeting**: This concept requires the national government budget to consider the total impact of all government entities. Strong agreement was at N=868 (45.5%), agree at N=84 (44.4%), and neutral at N=17 (9.0%).
19. **Consolidated Public Sector Fiscal Position (CPSFP)**: This refers to the net deficit or surplus calculated after summing the budget balance of all government entities. The agreement was at N=86 (45.5%), agree at N=85 (45.0%), and neutral at N=18 (9.5%).
20. **Planning-Programming-Budgeting System (PPBS)**: This concept emphasizes the link between planning and implementing a national budget. Strong agreement was at N=127 (67.2%), agree at N=48 (25.4%), and neutral at N=14 (7.4%).

The assessment of major concerns and risks related to the Budget System Reform Strategy reveals a strong foundational understanding of key budgeting and fiscal policy concepts among respondents. While areas such as the Planning-Programming-Budgeting System (PPBS) and basic budget definitions received high agreement, some topics, particularly around appropriations and fiscal health, indicate a need for further clarification. Addressing these gaps will be crucial for the successful implementation of the reform strategy and for minimizing risks in public financial management in Cambodia.

Table 5.20

The Major Concerns with the Reformation

No.	**Questions**	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
		Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)
1	What is a budget?	-		-		14	7.4	40	21.2	135	71.4
2	What is the basis law of government in using of government budget?	-		-		14	7.4	76	40.2	99	52.4
3	How is the government budget appropriate for processing?	-		-		14	7.4	74	39.2	101	53.4

4	What is the government budget?	-		-		14	7.4	60	31.7	115	60.8
5	What is the expenditure program?	-		-		15	7.9	71	37.6	103	54.5
6	What is the financing program?	-		-		18	9.5	76	40.2	95	50.3
7	What is referred to by the term "national government budget?	-		-		15	7.9	78	41.3	96	50.8
8	On what is the national government budget spent?	-		-		16	8.5	77	40.7	96	50.8
9	Why does the government prepare a new budget every year?	-		-		15	7.9	72	38.1	102	54.0
10	What are the sources of appropriations that make up the annual budget?	-		-		14	7.4	90	47.6	85	45.0
11	What are the existing or continuing appropriations?	-		-		15	7.9	81	42.9	93	49.2
12	Are all the appropriate resources supported by resources and	-		-		16	8.5	92	48.7	81	42.9

	allocable during the budget year?										
13	What is the "one-fund" concept?	-		-		18	9.5	89	47.1	82	43.4
14	Why is the "one-fund" concept important?	-		-		19	10.1	93	49.2	77	40.7
15	What is a balanced budget? What happens when the budget is not balanced?	-		-		16	8.5	89	47.1	84	44.4
16	What has been the government's fiscal policy?	-		-		19	10.1	83	43.9	87	46.0
17	Why is surplus budgeting necessary?	-		-		19	10.1	88	46.6	82	43.4
18	What is the total resource budget concept and its significance?	-		-		17	9.0	84	44.4	88	46.6
19	What is the consolidated public sector fiscal position?	-		-		18	9.5	86	45..5	85	45.0
20	What is the planning-programming-budgeting system (PPBS)?	-		-		14	7.4	48	25.4	127	67.2

Source: Own Survey

In accordance with Tables 5-19 and 5-20, the significant positive aspects of the Budget System Reform Strategy of the Public Financial Management Reform Program (PFMRP) in Cambodia are summarized as follows:

First, the foundation of budget credibility is being built by strengthening the mechanisms for revenue collection and the effective management of expenditures and public debt, particularly through the complete elimination of chronic debt. Additionally, increased current revenue has enabled the Royal Government of Cambodia to enhance expenditures aimed at improving the quality and expanding the scope of public services, bringing these services closer to the people.

Second, the achievement of a core mechanism for financial accountability is underway through the implementation of an information technology system for the Public Financial Management Reform Program (FMIS) within the Ministry of Economy and Finance, as well as across various ministries and institutions. Strengthening the internal audit function at these levels and amending and enforcing relevant laws and legal provisions for future budget management will enhance budget efficiency and financial accountability at all levels, including financial oversight, cash management, and performance.

Third, there has been progress in linking the budget to policy through the implementation of a full program budget in all ministries, institutions, and capital-provincial administrations. This has led to improved budget preparation

and negotiation processes that better reflect the government's key policy priorities.

Fourth, improvements have been made in disseminating budget information, including providing data from the preparation of the macroeconomic framework, as well as adopting and implementing the annual financial law to ensure efficiency, accountability, and transparency in budgeting.

Fifth, the country has achieved high economic growth with equitable distribution and maintained overall macroeconomic stability. With an average growth rate of around 7% per year and strong macroeconomic conditions characterized by low inflation and stable exchange rates, the positive results of the PFMRP have allowed Cambodians at all levels—civil servants, armed forces, and the general public—to increase their incomes and support their families.

In summary, significant statements have been made directly and indirectly by the Royal Government of Cambodia (RGC) and various officials regarding the implementation process and notable improvements of the Budget System Reform Strategy of the PFMRP, as briefly described below:

1. The 18-year journey of implementing the PFMRP has been satisfactory, particularly regarding the essential progress in platforms and stages 1, 2, and 3, as well as notable advancements in the implementation of platform 4 (2021-2025). According to the Ministry of Economy and Finance (MEF) and research studies, performance budgeting can be categorized into three models:

- **Presentational Performance Budgeting**: In this model, performance information is illustrated in budget documents or other government documents. While it provides background information for accountability and discussions with legislators and the public, it does not formally impact budgeting decisions.
- **Performance Informed Budgeting**: Here, budget resource preparations are indirectly linked to proposed performance or past achievements by ministries and government agencies. Performance information plays an important role but is not the sole factor in budget allocation decisions.
- **Direct Performance Budgeting or Performance-Based Budgeting**: In this model, resource allocation is directly based on performance units to be achieved, typically referring to outputs for the year.

As of now, Cambodia is working towards a "Result-based or Performance Budgeting" system under the current framework of the PFMRP. Although the reforms are on track, it is critical to review this ambitious goal based on actual implementation experiences and recent best international practices. The achievements to date result from active involvement and ownership by ministries and institutions, along with consistent support from RGC leaders and policymakers.

2. Following its official launch in 2004, the progress of the PFMRP was slow in the initial years as the MEF needed time to understand and absorb

new concepts, study evolving international best practices, and adapt these to the Cambodian context. The pace of reforms has accelerated over the past 19 years as the prerequisites for program implementation core elements of the reforms in Stage 3 were completed, and progress was made in institutionalizing them. Ministries and institutions have gained better understanding and adapted to the new concepts, particularly the linkages between budget and policy.

3. Under the RGC's long-term vision to become an upper middle-income country by 2030 and a higher-income country by 2050, the PFMRP is considered a key determinant, with budget system reform being a crucial tool to achieve this vision. The PFMRP will continue to play a critical role in achieving platform 4 objectives by 2025. However, the budget system-reform will likely face several challenges in the coming years:

    - The reform agenda may be overly optimistic and unrealistic, with limited understanding of the value of reform.
    - The pace of reforms in the national budget system may not align with other related reforms, leading to disjointed progress.
    - Human capital and institutional capacity development may not match the demands of comprehensive reforms, requiring time, resources, and commitment from stakeholders, especially leaders of ministries and institutions.
    - The reform process is dynamic, as international practices continue to evolve within an ever-changing global landscape.

In conclusion, the Budget System Reform Strategy (BSRS) of the Public Financial Management Reform Program (PFMRP) has significantly advanced Cambodia's financial management landscape, enhancing budget credibility, accountability, and policy alignment. While substantial progress has been made over the past 19 years, including robust economic growth and improved public services, ongoing challenges must be addressed. Continued commitment from all stakeholders and adaptation to international best practices will be essential for realizing the long-term vision of sustainable development and economic stability in Cambodia. Up on the Review of Literature Chapter, where and why PFM reforms deliver results, there were three conditions coincide 1). When there is a strong political commitment to their implementation, 2). When reform designs and implementation models are well tailored to the institutional and capacities of context; and 3). When strong coordination arrangements and led by government officials are in place to monitor and guide reforms (Final Synthesis Report-Sida-Burkina Faso, Ghana and Malawi 2001-2010, page-113).

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

This chapter attempts to summarize the main findings of the present study, conclusion, and provide some recommendations for the improvement of the Budget System Reform Strategy (BSRS) of Public Financial Management Reform Program (PFMRP) in Cambodia.

6.1 Main Findings of Research

Chapter One presents the introduction to the research study by outlining the historical background of the Budget System Reform Strategy (BSRS) of the Public Financial Management Reform Program (PFMRP), its relation to the evolving basic concepts, conditions, and implementation processes during the research period. The problem statements are described to provide the rationale for choosing the BSRS for this study.

After being officially launched in 2004, the progress of the BSRS was slow in the initial years of implementation, as the Ministry of Economy and Finance (MEF) required time to understand and absorb new concepts and knowledge, study systems evolving as international best practices, and draw on its own practical experiences as well as those from other countries that had advanced further than Cambodia.

Even though Cambodia lacks fully developed practical experiences, the Royal Government of Cambodia strongly believes that with a long-term vision of becoming an upper-middle-income country by 2030 and a higher-income country by 2050, the PFMRP can be considered a determinant, while the BSRS will be a key tool to achieve this vision. Therefore, the PFMRP will continue to

play a critical role in the reform agenda aimed at achieving the objectives of Platform 4 by 2025.

To explain the changes in basic concepts and conditions, discuss the implementation process, and highlight the significant positive points of the BSRS within the PFMRP, the study addresses three main questions as follows:

1) What are the basic concepts and conditions of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia?
2) What is the implementation process of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia?
3) What are the significant positive points of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia?

The present study deals with the following objectives:

1) To explain the basic concepts and conditions of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.
2) To discuss about the implementation process of the Budget System Reform Strategy of PFMRP in Cambodia.
3) To discuss about the significance positive points for further improvement of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.

The research has tasted two null hypotheses:

1) **Ho1:** There is no significant changed in the basic concepts and conditions of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.
2) **Ho2:** There is no significant changed in implementation process of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia.

Besides testing hypotheses, further studies on platform and stage strategies, the progress of the PFM reform, components and objectives of stages 1, 2, 3, and 4, constraints in achieving platforms 1, 2, 3, and 4, a review of the timeframe, the direction of budget system reform, and the concept note for the strategic direction of Cambodia's Budget System Reform were conducted. The research also examined the progress and challenges of Cambodia's Budget System Reform Strategy, performance budgeting models, international experiences, and the setting of new directions and timeframes for the Budget System Reform Strategy.

The research utilized both descriptive and quantitative approaches to meet its objectives. The study specifically surveyed six General Departments: (i) General Department of Budget, (ii) General Department of Sub-National Administration and Finance, (iii) General Department of Public Procurement, (iv) General Department of Customs and Excise, (v) General Department of Taxation, and (vi) General Department of National Treasury, along with 14 Departments and 19 Line Ministries that were fully operational during the study period, reflecting the research purposes.

Both primary and secondary data related to the Budget System Reform Strategy (BSRS) of the Public Finance Management Reform Program (PFMRP) from 2005 to 2025 were used. The research reviewed relevant changing concepts, conditions, and implementation processes, discussing significant points during the implementation period of the BSRS and highlighting the positive outcomes of the BSRS in Cambodia.

However, there is ample scope for other researchers to explore related topics. In-depth research on the BSRS could focus on how to strengthen budget credibility through improved revenue management, debt management, cash flow, and budget execution. Additionally, strengthening financial accountability by enhancing budget classification, launching new operational systems, and improving reporting systems and internal audit functions could be valuable areas of study. More detailed research could also be conducted on the BSRS within specific entities in Cambodia. There is also scope for comparative research on the PFMRP among ASEAN countries and globally. Secondary data were collected from various sources, including the Ministry of Economy and Finance, Office of the Council of Ministers, Council of Jurists, General Secretariat of the Public Financial Management Reform Steering Committee, International Monetary Fund, Asian Development Bank, FMIS Project Management Working Group, General Department of Budget, Department of Policy, General Department of National Treasury, General Department of Public Procurement, General Department of Sub-National Administration and Finance, Government Financial Statistics, World Bank, and various internet resources.

Chapter Two has reviewed the relevant literature of the research. The important findings of the chapter "The desired key characteristics of the Public Financial Management System" are described as follows:

1) Legal separation of functions and fiscal powers for the national, provincial and local levels, yet within a unified budget system that covers all government offices, functions, programs and projects.
2) A consistent plan and program framework across all sectors, with budget transactions classified on an administrative, economic, and functional or programmatic basis which identifies poverty-related spending, and which supports a general orientation of public expenditure management towards the achievement of policy results.
3) An operational Medium Term Expenditure Framework (MTEF) governs multi-year programming.
4) The budget covers all aspects of government operations, including longer term budget financing and debt management planning, and resourcing plans which include all of the government sector's financial, fixed and other assets with its liabilities.
5) Budget formulation has an impact on the composition, incentives, size, training, deployment and other staffing implications of the government's policies and programs. The budget system also ensures that post-budget supplementary expenditure credits are fully financed.
6) The acquisition, deployment, use and disposal of all government assets and resources, including human resources, are open, competitive, apolitical, non-discriminatory and transparent. The

government shall establish and enforce clear rules that promote value for money for the procurement of goods and services, including privatization, contracting out government services and management processes to the private sector, and the recruitment, deployment and promotion of officials.

7) The government responds promptly, clearly and publicly to any problems which emerge during the course of budget implementation. Monthly up-to-date reports are made public on the progress of budget implementation, including a comprehensive mid-year review. The finance ministry is able to recommend remedial action to the government if the implementation plan is threatened, for example, by revenue flows underperforming or an unexpected need arises for additional expenditure.

8) There is a computerized, comprehensive and integrated financial and budget management information and accounting system. This will facilitate prompt, regular reporting on financial transactions by government agencies, and reconciliation of fiscal data with government back accounts and of suspense accounts and advances.

9) The finance ministry set the standards for guides and monitors, financial management in line ministries and other spending agencies, including audit standards.

10) Each ministry and spending agency establishes an internal audit committee to: (i) direct the preparation and management of an

annual internal audit plan and (ii) oversight and support audits. There is also a timely and independent external audit.

11) The National Audit Authority provides audit reports which are disclosed to the public, and the government acts promptly on recommendations made in the audit reports.

12) The PFM system is designed to seek performance, both in the use of public resources and in the achievement of policy results through sound public finance management. It seeks maximum value for money over time from the use of government resources. Good performance is rewarded, and offences are detected and prosecuted.

Chapter Two reviews the relevant literature of the research. The important findings of the chapter, titled "The Desired Key Characteristics of the Public Financial Management System," are described as follows:

1. **Legal Separation of Functions**: There is a legal separation of functions and fiscal powers for the national, provincial, and local levels, yet within a unified budget system that covers all government offices, functions, programs, and projects.

2. **Consistent Plan and Program Framework**: A consistent plan and program framework exists across all sectors, with budget transactions classified on an administrative, economic, and functional or programmatic basis. This classification identifies poverty-related spending and supports a general orientation of public expenditure management towards the achievement of policy results.

3. **Operational Medium-Term Expenditure Framework (MTEF)**: An operational MTEF governs multi-year programming.

4. **Comprehensive Budget Coverage**: The budget covers all aspects of government operations, including longer-term budget financing and debt management planning. It also includes resourcing plans that account for all of the government sector's financial, fixed, and other assets along with its liabilities.

5. **Impact of Budget Formulation**: Budget formulation impacts the composition, incentives, size, training, deployment, and other staffing implications of government policies and programs. The budget system ensures that post-budget supplementary expenditure credits are fully financed.

6. **Transparent Asset Management**: The acquisition, deployment, use, and disposal of all government assets and resources, including human resources, are conducted in an open, competitive, apolitical, non-discriminatory, and transparent manner. The government establishes and enforces clear rules that promote value for money in the procurement of goods and services, including privatization, contracting out government services, and the recruitment, deployment, and promotion of officials.

7. **Responsive Problem Management**: The government responds promptly, clearly, and publicly to any problems that emerge during the course of budget implementation. Monthly up-to-date reports are made

public on the progress of budget implementation, including a comprehensive mid-year review. The finance ministry can recommend remedial action to the government if the implementation plan is threatened, for example, by underperforming revenue flows or unexpected needs for additional expenditure.

8. **Integrated Financial Management System**: There is a computerized, comprehensive, and integrated financial and budget management information and accounting system. This system facilitates prompt, regular reporting on financial transactions by government agencies and reconciliation of fiscal data with government bank accounts, suspense accounts, and advances.

9. **Standards and Monitoring**: The finance ministry sets the standards for guiding and monitoring financial management in line ministries and other spending agencies, including audit standards.

10. **Internal Audit Committees**: Each ministry and spending agency establishes an internal audit committee to (i) direct the preparation and management of an annual internal audit plan and (ii) oversee and support audits. There is also a timely and independent external audit.

11. **Public Audit Reports**: The National Audit Authority provides audit reports that are disclosed to the public, and the government acts promptly on recommendations made in the audit reports.

12. **Performance-Driven PFM System**: The PFM system is designed to seek performance both in the use of public resources and in achieving

policy results through sound public finance management. It aims to achieve maximum value for money over time from the use of government resources. Good performance is rewarded, while offenses are detected and prosecuted.

Chapter Three discusses the details of the research methodology of the study. This chapter addresses seven key points: the type of analysis, the type and sources of data, sample size and sampling methods, data collection procedures, statistical tools, the coverage of the study, and the procedure for analyzing data.

Chapter Four has discussed on the budget system reform strategy of PFMRP in Cambodia. This includes background of the PFM reform in Cambodia, platform and stage strategy, components and objectives, constraints in achieving objectives, review of timeframe, direction of budget system reform, progress and challenges of doing BSSR, performance budgeting model, international experiences, options for Cambodia, setting new direction, timeframe for budget system reform, strategy for budget system reform by each platform and stage, and the detailed discussions on the budget strategic plan. The main findings of the chapter are as mentioned below:

The Budget Strategic Plan (BSP) is a three-year rolling plan which Ministries and Line-Ministry need to prepare annually thorough a top-down approach by linking policy priorities of the Ministries and Line-Ministry to sectoral goals and National Strategic Development Plan:

1) **The medium-term budget plans and public** investment plans have two different time frames as large investment projects will be

subject to special approvals, based on their long-term financial obligations which are beyond the standard timeframe of budget planning.

2) **The two different planning processes** (public investment programming and recurrent budget formulation) are carried out by two different Line-Ministry and at different timelines.

3) **Budget preparation and approval (Annual budget preparation process)-** The annual budget is currently prepared on an incremental basis to support the continuation of the public service from another year, even though program budgeting has been implemented for some time. The budget is adjusted based on wage increases, the net increase of personnel, previous year's budget implementation, and unexpected price changes. Each Ministry and Institution can request an additional budget consistent with their BSP and within the incremental rate set forth as ceiling for LMs. LMs shall defend their proposals with the MEF at budget discussion meetings which currently focus on sensitive inputs and outputs. The annual budget will reflect both the links between sector policies and MTFF and MTBF and budget strategic plan.

4) **Budget scrutiny and approval-** The process of approving an annual budget is sequenced following the calendar for drafting Annual Budget Law. Generally, this principle has been adhered to, and each ministry/institution shall have a period of more than six weeks to prepare their respective budgets. After the government's

endorsement, the draft Annual Budget Law (or call Law on Financial Management) is submitted to the Legislative Body for review and approval. Currently, the scrutiny of the draft Annual Budget Law at the Legislative Body is done in the Economic, Finance, Banking and Auditing Committees. The MEF is responsible, on behalf of LMs, for defending the draft Annual Budget Law, both on the second Committee and at the Plenary Session of the Legislative Body. The scrutiny of the Annual Budget Law, including the Revised Budget Law and Budget Settlement Law, by the Legislative Bodies, will be revised and further strengthened. Budget debates at the program level will be held at the relevant specialized Committees of Legislative Bodies which are organized by the National Assembly and can be participated in by relevant specialized Committees of the Senate.

5) **Budget execution and control**- Under the current system, LMs, being principal authorizer, are required to obtain commitment from MEF before entering into spending. After the official adoption of the Annual Budget Law and issuing the budget book, ministries/institutions can request petty cash. Other standard types of operating expenditure are implemented through the commitment and public procurement procedures. Once goods and services have been received and verified, LMs has to issue payment order requests and submit them to the MEF financial Controller (FC) along with supporting documents. After being examined by the FC attached to the LMs and approved by MEF management with different levels of

authorization, the stamped payment order requests along with supporting documents are submitted to the General Department of National Treasury (GDNT) for verification and disbursement to suppliers. For provincial budget, the control mechanism and implementing procedures are similar to those of the LMs.

6) **Procurement-** The Law on Public Procurement was enacted in January 2012 and the MEF is preparing to finalize all related regulations to implement this, Law. However, the existing regulatory framework does not clearly separate the functions of procurement regulator and the procurement implementation entities. The objective is to improve the transparency mechanism through the establishment of a regulatory framework under which the MEF will function as the regulator and procurement auditor while the procurement entities will be responsible for carrying out the procurement. Complaints and grievance handling mechanisms will be improved and made independent with the creation of a sanction regime. The rules, regulations and procedures for public procurement will be harmonized to increase competitiveness, transparency and efficiency.

7) **Financial inspection-** In performance budgeting, budget management will shift from a centralized system where expenditure control is highly centralized at MEF, to a decentralized system where LMs/institutions have higher autonomy in control of their budget. To ensure checks and balances, post expenditures control will be more

critical. Hence, the General Inspectorate Department of the MEF, which has been empowered by legislature to conduct financial inspection on LMs/institutions and public entities, will need to improve and enhance its financial inspection function. Likewise, to ensure efficiency and cost savings, a financial inspection should be carried out in responding to the necessity, reports from PA and complaints or information on irregularities.

8) **Budget monitoring and evaluation-** Currently, Cambodia uses "modified cash basis" accounting system for recording and reporting purpose. However, the accounting system does not comply with International Public Sector Accounting Standards (IPSAS), which require a Statement of Cash Flows and Payments (including opening and closing cash balances), consolidated statement of all administrative bodies that are part of the central government under the Government Finance Statistics (GFS) definition, a statement of accounting policies, and extensive explanatory notes. The objective is to fully meet with Modified Cash-IPSAS for the financial reporting for every line ministry/institution. However, the general national accounting system will continue to use a modified cash basis. With the improved FMIS, financial monitoring will facilitate real-time financial reports based on the user's needs. The system will be able to generate weekly, monthly, quarterly and annual reports in any classification required. The financial monitoring will be improved and integrated with the fiscal report. There will be a comprehensive and

specific program monitoring and evaluation framework which will include the following major components:

a) Semi-annual and annual performance monitoring,

b) In-depth monitoring of effectiveness of program design and implementation,

c) Partial in-depth monitoring of rolling program focused on program design and effectiveness,

d) Comprehensive program evaluation based on necessity and post-execution evaluation on selective basis

9) **Performance reporting-** As part of the implementation of program budgeting, LMs are required to provide semi-annual and annual performance reports in the format provided by the MEF. Currently, the compliance rate is low. Thus, strengthening the performance reporting system and increasing the compliance rates are necessary because these are the pre-conditions for establishing a well-functioning monitoring and evaluation (M&E) system. The objective for 2025 is to improve performance reporting for all program and sub-program levels under a well-functioning M&E system.

10) **The legal framework for budget-** Currently, Cambodia is implementing centralized and input-based budget management system, in compliance with the Law on Public Finance System 2008 and this law sets a stage for the government to prepare for program budgeting, a step towards performance and decentralized budgeting system with the key reform elements as described earlier of this

chapter. In this sense, a clear and comprehensive legal framework is needed to implement a performance budget system. The current Law on the Public Finance System will need to be amended.

11) **Skills and capacity in budget management-** The modernization and enhancement of the budget system will require substantial investment in public financial management (PFM) skills development. Important areas that require skills upgrade are:

    a) Budget analysis
    b) Accrual accounting and financial reporting
    c) Financial management information technology (IT)
    d) Procurement
    e) Project management
    f) Monitoring and Evaluation (M&E)

Human resource capacity building is a long term and non-stop process. The human resource development strategic plan must be prepared in the early stage of the execution of this system reform strategy to upgrade and retain key PFM skills in public administration. The key elements of this strategic plan will include the specifying/codifying of key competencies, developing effective recruitment procedures and mechanisms, providing systematic training and career development support.

12) **Financial Management Information System (FMIS)-** The FMIS project was formulated as an important element within the second stage of PFMRP to support public financial management, especially for the management of budget. FMIS is an integrated

system that will cover budget formulation, budget execution, accounting, reporting, monitoring and audits. It will also bring about changes in the business processes. In the framework of FMIS execution, the current chart of accounts classifies expense based on economic, geographical, program, administrative, functional, project, and sources of fund classifications. These classifications are consistent with the international standards of classification in the government finance statistics (GFS). The immediate benefits envisaged from using FMIS are improvements in budget formulation and execution through streamlined and automated payments, accounting and budgeting reports.

13) **Sub-national budget system reform-** There are two levels of public administration in Cambodia, namely the National level Administration and the Sub-National Level Administration (SNA). Both administrations have one common purpose of realizing national policy priorities. In this sense, it is important to integrate the budgets of the two administrations. It is also important to ensure consistency in the principles and approaches of budget management. Thus, this section will focus on reforms of budget system, which are the integration and alignment of the principles and requirements for budget preparation, management and reporting between the National Level and the SNA level under the single Law on Public Finance System. After exploring the budget system of SNAs in many countries, it suggested that there were a lot of similarities between

the sub-national administration system in Cambodia and France. In this sense, the French SNA model provided a conceptual basis for formulating budget system of SNA in the context of Cambodia, especially in the areas of execution and controls.

Chapter Four discusses the budget system reform strategy of the Public Financial Management Reform Program (PFMRP) in Cambodia. This includes the background of the PFM reform in Cambodia, platform and stage strategy, components and objectives, constraints in achieving objectives, review of timeframe, direction of budget system reform, progress and challenges of implementing the Budget System Reform Strategy (BSRS), performance budgeting model, international experiences, options for Cambodia, setting new direction, timeframe for budget system reform, strategy for budget system reform by each platform and stage, and detailed discussions on the budget strategic plan. The main findings of the chapter are as follows:

The Budget Strategic Plan (BSP) is a three-year rolling plan that Ministries and Line Ministries need to prepare annually through a top-down approach by linking policy priorities of the Ministries and Line Ministries to sectoral goals and the National Strategic Development Plan:

1. **The medium-term budget plans and public** investment plans have two different time frames, as large investment projects will be subject to special approvals based on their long-term financial obligations, which exceed the standard timeframe of budget planning.

2. **The two different planning processes** (public investment programming and recurrent budget formulation) are carried out by two different Line Ministries and at different timelines.

3. **Budget Preparation and Approval**: The annual budget is currently prepared on an incremental basis to support the continuation of public services from the previous year, even though program budgeting has been implemented for some time. The budget is adjusted based on wage increases, net personnel increases, previous year's budget implementation, and unexpected price changes. Each Ministry and Institution can request an additional budget consistent with their BSP and within the incremental ceiling set for Line Ministries (LMs). LMs must defend their proposals with the Ministry of Economy and Finance (MEF) at budget discussions, which currently focus on sensitive inputs and outputs. The annual budget will reflect both the links between sector policies and the Medium-Term Financial Framework (MTFF) and Medium-Term Budget Framework (MTBF) and the budget strategic plan.

4. **Budget Scrutiny and Approval**: The process of approving an annual budget is sequenced according to the calendar for drafting the Annual Budget Law. Generally, this principle has been adhered to, allowing each ministry/institution over six weeks to prepare their respective budgets. After government endorsement, the draft Annual Budget Law (or Law on Financial Management) is submitted to the Legislative Body for review and approval. Currently, scrutiny of the draft Annual Budget Law is conducted by the Economic, Finance, Banking, and Auditing

Committees. The MEF is responsible for defending the draft Annual Budget Law on behalf of LMs, both in the second Committee and at the Plenary Session of the Legislative Body. The scrutiny of the Annual Budget Law, including the Revised Budget Law and Budget Settlement Law, will be revised and further strengthened. Budget debates at the program level will be held in relevant specialized Committees of the Legislative Bodies, organized by the National Assembly and open to relevant specialized Committees of the Senate.

5. **Budget Execution and Control**: Under the current system, LMs, as principal authorizers, are required to obtain commitment from the MEF before entering into spending. After the official adoption of the Annual Budget Law and issuance of the budget book, ministries/institutions can request petty cash. Other standard operating expenditures are implemented through commitment and public procurement procedures. Once goods and services have been received and verified, LMs must issue payment order requests and submit them to the MEF's financial controller along with supporting documents. After examination by the financial controller and approval by MEF management with varying levels of authorization, the stamped payment order requests are submitted to the General Department of National Treasury (GDNT) for verification and disbursement to suppliers. For provincial budgets, the control mechanism and implementing procedures are similar to those of the LMs.

6. **Procurement**: The Law on Public Procurement was enacted in January 2012, and the MEF is preparing to finalize all related regulations for its

implementation. However, the existing regulatory framework does not clearly separate the functions of procurement regulators from the procurement implementation entities. The objective is to improve transparency through a regulatory framework where the MEF functions as the regulator and procurement auditor, while procurement entities are responsible for carrying out the procurement. Complaints and grievance handling mechanisms will be improved and made independent, along with the creation of a sanction regime. Rules, regulations, and procedures for public procurement will be harmonized to increase competitiveness, transparency, and efficiency.

7. **Financial Inspection**: In performance budgeting, budget management will shift from a centralized system, where expenditure control is highly centralized at the MEF, to a decentralized system, granting LMs/institutions higher autonomy over their budgets. To ensure checks and balances, post-expenditure control will be more critical. Consequently, the General Inspectorate Department of the MEF, empowered by legislation to conduct financial inspections of LMs/institutions and public entities, will need to enhance its financial inspection function. Additionally, to ensure efficiency and cost savings, financial inspections should respond to necessity, reports from public audits, and complaints regarding irregularities.

8. **Budget Monitoring and Evaluation**: Currently, Cambodia uses a "modified cash basis" accounting system for recording and reporting purposes. However, this system does not comply with International

Public Sector Accounting Standards (IPSAS), which require a Statement of Cash Flows and Payments (including opening and closing cash balances), a consolidated statement of all administrative bodies that are part of the central government under the Government Finance Statistics (GFS) definition, a statement of accounting policies, and extensive explanatory notes. The goal is to fully meet Modified Cash-IPSAS for financial reporting for every line ministry/institution while continuing to use a modified cash basis for the general national accounting system. With the improved Financial Management Information System (FMIS), financial monitoring will facilitate real-time financial reports based on user needs and generate weekly, monthly, quarterly, and annual reports in any required classification. A comprehensive program monitoring and evaluation framework will include major components such as:

- Semi-annual and annual performance monitoring
- In-depth monitoring of program design and implementation effectiveness
- Partial in-depth monitoring of rolling programs focused on design and effectiveness
- Comprehensive program evaluation based on necessity and post-execution evaluation on a selective basis

9. **Performance Reporting**: As part of implementing program budgeting, LMs are required to provide semi-annual and annual performance reports in a format provided by the MEF. Currently, the compliance rate

is low, making it necessary to strengthen the performance reporting system and increase compliance rates, as these are prerequisites for establishing a well-functioning monitoring and evaluation (M&E) system. The objective for 2025 is to improve performance reporting for all program and sub-program levels under a well-functioning M&E system.

10. **Legal Framework for Budget**: Currently, Cambodia implements a centralized and input-based budget management system, in compliance with the Law on Public Finance System 2008. This law prepares the government for program budgeting, a step towards performance and decentralized budgeting systems with key reform elements described earlier in this chapter. A clear and comprehensive legal framework is needed to implement a performance budget system, necessitating amendments to the current Law on the Public Finance System.

11. **Skills and Capacity in Budget Management**: The modernization and enhancement of the budget system will require substantial investment in public financial management (PFM) skills development. Key areas needing skill upgrades include:
    - Budget analysis
    - Accrual accounting and financial reporting
    - Financial management information technology (IT)
    - Procurement
    - Project management
    - Monitoring and evaluation (M&E) resource capacity building is a long-term and ongoing process. A human resource development

strategic plan must be prepared in the early stages of executing this system reform strategy to upgrade and retain key PFM skills in public administration. Key elements of this strategic plan will include defining key competencies, developing effective recruitment procedures and mechanisms, and providing systematic training and career development support.

12. **Financial Management Information System (FMIS)**: The FMIS project is an important element within the second stage of the PFMRP to support public financial management, especially for budget management. FMIS is an integrated system covering budget formulation, execution, accounting, reporting, monitoring, and audits. It will also bring about changes in business processes. In the framework of FMIS execution, the current chart of accounts classifies expenses based on economic, geographical, program, administrative, functional, project, and source of fund classifications. These classifications align with international standards of classification in government finance statistics (GFS). Immediate benefits anticipated from using FMIS include improvements in budget formulation and execution through streamlined and automated payments, accounting, and budgeting reports.

13. **Sub-national Budget System Reform**: Cambodia has two levels of public administration: the National Level Administration and the Sub-National Level Administration (SNA). Both aim to realize national policy priorities. It is important to integrate the budgets of both administrations and ensure consistency in budget management principles and

approaches. This section focuses on reforms in budget systems, integrating and aligning principles and requirements for budget preparation, management, and reporting between the National Level and SNA under a single Law on Public Finance System. After exploring the budget systems of SNAs in various countries, many similarities were found between Cambodia's sub-national administration system and that of France. Therefore, the French SNA model provides a conceptual basis for formulating the budget system of SNA in Cambodia, particularly in execution and control.

Chapter Five provides an in-depth examination of the Budget System Reform Strategy (BSRS) within the framework of the Public Financial Management Reform Program (PFMRP) in Cambodia. This chapter discusses the fundamental concepts and conditions of the BSRS, the implementation process, and the significant positive outcomes achieved thus far.

1) Basic Concepts and Conditions of the BSRS

The basic concepts and conditions that underpin the BSRS are critical for understanding the direction and goals of the PFMRP:

- **Long-Term Vision**: The PFMRP is designed as a long-term reform initiative aimed at aligning Cambodia’s public financial management with international best practices. This involves enhancing accountability, transparency, and efficiency within public financial systems.
- **Phased Approach**: The BSRS is organized into four distinct stages:
    - **Stage 1 (2005-2008)**: Focused on establishing budget credibility, ensuring that budgetary processes are reliable and trusted.

- **Stage 2 (2009-2014)**: Aimed at enhancing financial accountability through improved reporting and compliance mechanisms.
- **Stage 3 (2015-2020)**: Concentrated on creating strong linkages between budget allocations and policy objectives, ensuring that financial resources are effectively aligned with government priorities.
- **Stage 4 (2021-2025)**: Currently under implementation, this stage emphasizes performance accountability, where budget allocations are directly tied to performance outcomes.

- **Performance Budgeting Models**: The study categorizes performance budgeting into three models:
  - **Presentational Performance Budgeting**: This model presents performance data in budget documents for transparency but does not formally influence budgeting decisions.
  - **Performance Informed Budgeting**: Here, budget allocations are indirectly related to past performance, using performance data alongside other political and economic considerations during resource allocation.
  - **Direct Performance Budgeting**: In this model, budget resources are allocated explicitly based on measurable performance outcomes, linking funding directly to the achievement of specific goals.

- **Conditions for Reform**: The chapter highlights the need for ongoing adaptation to changing conditions, including political dynamics, technological advancements, to ensure the BSRS remains relevant and effective.

2) Implementation Process of the BSRS

The implementation process of the BSRS is detailed and involves several structured steps:

- **Monitoring and Evaluation Framework**: The Royal Government has established a rigorous framework for monitoring the implementation of the PFMRP. This includes quarterly and annual assessments aligned with Royal Government Directive No. 09, ensuring that action plans are effectively prepared, executed, and evaluated.
- **Engagement Across Ministries**: The program budget has been implemented across all ministries and capital-provincial administrations. By 2018, all 39 ministries had successfully adopted the full pilot program budget, indicating broad participation in the reform process.
- **Strategic Planning**: The Steering Committee for the PFMRP has developed a comprehensive strategy for budget reform for the period 2018-2025. This strategy defines the Cambodian budget system as a performance information budget system, focusing on establishing clear linkages between policy and budget.
- **Achievements to Date**:

- **Increased Reliability**: The reforms have resulted in a more reliable budget, which is seen as a driving force for economic growth.
- **Strengthened Financial Accountability**: Key features, such as improved internal audits and compliance mechanisms, have been implemented to enhance accountability.
- **Enhanced Capacity**: There is a marked improvement in the ability of officials to manage public finances, leading to better governance and fiscal discipline.
- **Growing Awareness and Participation**: Public understanding and engagement with the PFM reform initiatives have increased, reflecting a positive trend towards transparency and accountability.

3) Significant Positive Points for Further Improvement

The chapter outlines several key achievements of the BSRS that provide a foundation for continued improvements:

1. **Building Budget Credibility**: The reform has focused on strengthening the mechanisms for state budget revenue collection and effective expenditure management. This includes eliminating chronic debt issues, which has allowed the Royal Government to enhance public services and bring them closer to citizens.
2. **Financial Accountability Mechanisms**: The implementation of the FMIS has been pivotal in improving internal audit functions across

ministries. This system strengthens efficiency and accountability, ensuring that financial oversight is robust at every government level.

3. **Linking Budget to Policy**: The successful rollout of program budgeting across all ministries ensures that budget preparation aligns with government priorities. This strategic alignment enhances the effectiveness of resource allocation.
4. **Improved Transparency**: The dissemination of budget information has been significantly enhanced, contributing to greater accountability. The adoption of the annual financial law has further solidified the commitment to transparent budgeting practices.
5. **Sustained Economic Growth**: The reforms have contributed to a strong economic growth rate of approximately 7% annually. This growth has been accompanied by macroeconomic stability, low inflation, and stable exchange rates, benefiting citizens across Cambodia by increasing their income and improving living standards.

Overall, Chapter Five emphasizes the critical role of the BSRS of PFMRP in transforming Cambodia's public financial management landscape. While notable progress has been made, the chapter also acknowledges the challenges that lie ahead, including the need for realistic reform agendas and enhanced human capital development. The ongoing commitment from the Royal Government and all stakeholders is essential to navigating these challenges and achieving the ambitious goals set for the future.

The hypotheses in the research have been tested, and after testing, it is found that hypotheses Ho1 and Ho2 are rejected, because there were

changed in the conditions and implementation process of the Budget System Reform Strategy of PFMRP in Cambodia. Further, the BSRS of PFM Reform Program was also found to have significant positive points for further improvement of the PFM Reform Program. The significant changes in the conceptual framework of basic concepts and conditions, and significant changes in the implementation processes of the BSRS of PFMRP:

Ho1: Conceptual Framework of Changing basic concepts and conditions- this aspect focuses on the fundamental shifts in the underlying concepts of budgeting and financial management, moving from a traditional approach towards a more integrated and strategic framework.

Ho2: Conceptual Framework of Changing Implementation Process Changed- this change emphasizes the evolution of the implementation process itself, illustrating how budgetary practices have adapted to prioritize performance and accountability over mere compliance with line-item expenditures. Overall, this conceptual framework reflects the ongoing evolution in public financial management, underscoring the importance of aligning budgeting practices with strategic objectives and performance outcomes to enhance governance and accountability. Besides the testing of hypotheses, the findings of the studies in technical approaches of platform and stage strategy, and progress of the PFM Reform Program, components and objectives of stage 1, 2, 3 and 4, constraints in achieving in platforms 1, 2, 3 and 4, review of timeframe, the direction of budget system reform strategy, review of the concept note for strategic direction of Cambodia's Budget System Reform, progress and challenges of Cambodia's Budget System Reform

Strategic, performance budgeting model and international practice experiences, setting new direction and timeframe for Budget System Reform Strategic, etc. over the period of time, and the problems faced by the changing of basic concepts and conditions, implementation process, discussing on the significant positive points for further improvement of the Budget System Reform Strategy of PFM Reform Program in Cambodia were done.

Test Statistics	Concepts, Conditions and Implementation
Chi-Square	141.81
DF	8
P< .001	0.000

A Chi-square goodness-of-fit test revealed a significant deviation from a uniform distribution for the Concepts, Conditions, and Implementation Process of BSRS of PFMRP variable (χ^2 (8) = 141.810, p < .001). Observed frequencies across the nine categories differed substantially from the expected equal distribution, indicating that certain categories were considerably more prevalent than others. Based on this result the hypotheses Ho1: There is no significant changed in concepts and conditions, and Ho2: There is no significant changed in implementation process of the Budget System Reform Strategy of Public Financial Management Reform Program in Cambodia are rejected.

Comparison Experiences with Commonwealth Secretariat (CS-2006)

Summary comparison based on the research information regarding the Budget System Reform Strategy of the Public Financial Management Reform

Program (PFMRP) in Cambodia and the guidelines from the Commonwealth Secretariat (CS-2006):

Comparison of BSRS of PFMRP and CS-2006 Guidelines

1. Scope and Vision:

- BSRS of PFMRP: Aims to transform Cambodia's Public Financial System towards international best practices, focusing on legal frameworks, institutions, mechanisms, FMIS, and human resources. It is a long-term, phased reform initiative (2005-2025).
- CS-2006 Guidelines: Emphasizes the need for a sound and accountable public financial management system as a tool for promoting pro-poor development and democracy across Commonwealth countries.

2. Implementation Framework

- BSRS of PFMRP: Divided into four stages: budget credibility, enhancing financial accountability, budget-policy linkage, and performance accountability, with specific goals for revenue management and IT deployment.
- CS-2006 Guidelines: Advocates for holistic reform as part of an overall strategy, emphasizing country-led initiatives that are realistically sequenced and prioritize local contexts.

3. Institutional Capacity and Political Will

- BSRS of PFMRP: Focuses on strengthening management and capacity within Cambodian institutions to enhance public finance reforms.

- CS-2006 Guidelines: Stresses the importance of political commitment and strong institutions, highlighting the need for legal clarity, accountability, and independence of key financial bodies.

4. Stakeholder Involvement

- BSRS of PFMRP: Involves ministries and local administrations in implementing program budgets, indicating a collaborative approach.
- CS-2006 Guidelines: Emphasizes broad stakeholder engagement, including public sector unions, civil society, and donors, ensuring that reforms reflect local realities.

5. Monitoring and Evaluation

- BSRS of PFMRP: Implements quarterly and annual monitoring based on government directives to ensure effective evaluation of the reform process.
- CS-2006 Guidelines: Calls for rigorous monitoring and evaluation of PFM reforms, with the establishment of benchmarks and performance indicators to assess outcomes.

6. Financial Management Principles

- BSRS of PFMRP: Aims to enhance budget reliability and link it to economic growth through improved accountability mechanisms.
- CS-2006 Guidelines: Outlines principles for sound fiscal management, including the importance of tax compliance, resource allocation, and transparent procurement processes.

Conclusion, both frameworks share a commitment to improving public financial management, emphasizing the need for robust legal and institutional frameworks, active stakeholder engagement, and ongoing monitoring and

evaluation. However, the BSRS of PFMRP is more focused on a phased implementation specific to Cambodia, while the CS-2006 Guidelines provide broader, adaptable principles applicable to various Commonwealth nations.

6.2 Conclusions

The journey of Cambodia's Public Financial Management Reform Program (PFMRP) underscores a transformative initiative dedicated to enhancing the country's financial management systems through a comprehensive Budget System Reform Strategy (BSRS). Over the past 19 years, the PFMRP has made notable strides in establishing a robust framework for financial management, resulting in increased transparency, accountability, and efficiency in budgetary processes. Since the official launch of the PFMRP in 2004, the strategy has evolved significantly, particularly as the Ministry of Economy and Finance (MEF) has assimilated new concepts and best practices from international experiences. The active engagement of ministries and institutions, supported by resolute leadership from the Royal Government, has been fundamental to this progress. As line ministries have come to understand the critical importance of linking budgetary processes with policy objectives, the foundations for more strategic and impactful fiscal management have been laid. Looking forward, the planned transition to a Performance-Based Budgeting (PB) system by 2025 represents a pivotal element of the BSRS, designed to enhance budget efficiency and ensure that resource allocations are closely aligned with governmental policies and priorities. This transformation is not merely a procedural change; it signifies a cultural shift towards a more results-

oriented approach in public finance, aimed at fostering sustainable economic growth and contributing to Cambodia's aspirations of achieving upper-middle-income status by 2030 and higher income by 2050.

Nevertheless, the PFMRP faces several significant challenges that could impede the successful implementation of the BSRS. The ambitious nature of the reform agenda has been met with skepticism, as there remains a gap in understanding the complexities of the necessary reforms among various stakeholders. Furthermore, the disconnect between the national budget system and other related reforms has introduced barriers to coherence and consistency in implementation. The development of human capital and institutional capacities has also struggled to keep pace with the demands of these comprehensive reforms, highlighting the need for enhanced training and resource allocation.

To address these challenges, the strategy for Sub-National Budget (SNB) System reform must closely mirror the national budget reforms, ensuring alignment with national objectives and priorities. This alignment is crucial for fostering a coherent approach that allows for effective communication and collaboration across different levels of government. The strategic planning and budget cycle, which encompasses preparation, approval, execution, and monitoring and evaluation, are essential components for developing a robust SNB Reform Strategic Plan that supports the overarching goals of the BSRS.

The roadmap for the reform process, which is divided into two phases, underscores a structured approach to fostering meaningful change. Phase 1 (2018-2021) aimed at establishing solid policy-budget linkages, while Phase 2 (2022-2025) focuses on the comprehensive implementation of the PB system.

This phased approach provides a clear framework for action, enabling stakeholders to track progress and make necessary adjustments to enhance the reform's effectiveness.

In summary, Cambodia stands at a crucial juncture in its public financial management reform journey. The successful realization of the ambitious goals outlined in the BSRS hinges on strong leadership, active stakeholder involvement, and decisive support from Development Partners. By navigating the challenges ahead and fostering a collaborative environment, Cambodia can create a more effective, accountable, and transparent public financial management system. Ultimately, these efforts not only align with best international practices but are also essential for ensuring the successful realization of Cambodia’s objectives by 2025 and its broader economic aspirations for the future. The transformative potential of these reforms offers hope for a prosperous and sustainable economic landscape that benefits all Cambodians. good, but a bit shorter than this one. In conclusion, Cambodia's Public Financial Management Reform Program (PFMRP) represents a significant initiative aimed at enhancing the country's financial management systems through the Budget System Reform Strategy (BSRS). Over the past 19 years, notable progress has been achieved, particularly as the Ministry of Economy and Finance (MEF) has integrated international best practices into its framework. The commitment of ministries and institutions, supported by the Royal Government's strong leadership, has been crucial in fostering a more transparent and accountable budgetary process.

The anticipated shift to a Performance-Based Budgeting (PB) system by 2025 is a key aspect of the BSRS, designed to improve budget efficiency and ensure that fiscal allocations are closely tied to governmental policies. This change embodies a cultural shift towards results-oriented budgeting, essential for Cambodia's ambition to achieve upper-middle-income status by 2030 and higher income by 2050.

However, the PFMRP faces challenges that could hinder its progress. Critics argue that the reform agenda may be overly ambitious, with some stakeholders lacking a full understanding of the necessary changes. Additionally, discrepancies between the national budget system and related reforms pose risks to coherent implementation, while the development of human capital has not kept pace with reform requirements. To address these issues, aligning Sub-National Budget (SNB) reforms with national objectives is vital. The structured roadmap, divided into two phases, aims to establish solid policy-budget linkages and fully implement the PB system, offering clarity and direction.

As Cambodia navigates this critical phase of its public financial management reform journey, the success of the BSRS will depend on strong leadership, engaged stakeholders, and robust support from Development Partners. By overcoming challenges and fostering collaboration, Cambodia can enhance its public financial management practices, ensuring alignment with international standards and paving the way for sustainable economic growth and prosperity in the years to come.

6.3 Recommendations

Based on the findings from the research on the BSRS of PFMRP in Cambodia, several recommendations can be made to enhance the positive outcomes and further improve the BSRS of PFMRP:

1. Strengthen Revenue Collection Mechanisms

- **Enhance Training Programs**: Implement continuous training for revenue collection officials to improve their skills in identifying and collecting taxes effectively.
- **Leverage Technology**: Utilize advanced data analytics and information technology systems to track revenue sources and enhance compliance among taxpayers.

2. Promote Financial Accountability

- **Expand the Use of FMIS**: Encourage broader adoption of the Financial Management Information System (FMIS) across all governmental agencies to enhance transparency and efficiency in financial reporting.
- **Enhance Internal Audit Functions**: Strengthen internal audit capabilities within ministries to ensure compliance and accountability at all levels. Regular audits can help identify inefficiencies and areas for improvement.

3. Deepen Policy-Budget Linkages

- **Integrate Program Budgets**: Ensure that program budgeting is fully integrated with strategic policy objectives, enabling clearer alignment of financial resources with government priorities.
- **Regular Review of Budget Allocations**: Conduct periodic reviews of budget allocations to ensure they align with evolving policy priorities and socio-economic needs.

4. Improve Transparency and Public Engagement

- **Disseminate Budget Information**: Increase efforts to provide comprehensive budget information to the public, ensuring that citizens understand how public funds are allocated and spent.
- **Encourage Citizen Participation**: Implement mechanisms for public participation in the budgeting process, such as public consultations and feedback sessions, to enhance accountability and trust in government.

5. Foster Economic Growth and Stability

- **Invest in Public Services**: Utilize increased revenue to enhance public services, focusing on health, education, and infrastructure to support equitable economic growth.
- **Monitor Economic Indicators**: Establish a framework for monitoring economic indicators to assess the impact of budgetary decisions on growth and stability, allowing for timely adjustments.

6. Capacity Building for Human Resources

- **Develop a Comprehensive Training Strategy**: Create a long-term training strategy for public financial management to build capacity among officials at all levels.
- **Encourage Knowledge Sharing**: Promote knowledge sharing and collaboration among ministries to enhance understanding of best practices in budgeting and financial management.

7. Adopt Performance-Based Budgeting

- **Pilot Performance Budgeting Initiatives**: Implement pilot programs for performance-based budgeting in select ministries to assess effectiveness and gather insights before wider rollout.
- **Establish Clear Performance Metrics**: Define clear performance metrics and outcomes to evaluate the effectiveness of budget allocations and ensure accountability for results.

8. Regular Evaluation of Reform Progress

- **Conduct Regular Assessments**: Establish a routine evaluation process to assess the progress of the BSRS, identifying challenges and areas for improvement.
- **Adapt to Changing Circumstances**: Be flexible and adaptive to changing local and international contexts, ensuring that the reform strategy remains relevant and effective.

9. Strengthen Leadership and Political Commitment

- **Engage Political Leaders**: Ensure ongoing engagement and commitment from political leaders to support the reform agenda, providing the necessary resources and political will.
- **Build Coalitions**: Foster coalitions among stakeholders, including civil society and private sector actors, to support public financial management reforms.

By implementing these recommendations, Cambodia can enhance the positive impacts of the BSRS within the PFMRP, ultimately leading to a more effective, accountable, and transparent Public Financial management system that supports the country's long-term development goals.

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APPENDIX

SURVEY QUESTIONNAIRE

BUDGET SYSTEM REFORM STRATEGY OF PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM IN CAMBODIA

RESEARCH FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

SPECIALIZATION IN MANAGEMENT

UNDER THE SUPERVISION OF

Prof. (DR.) YEARN RITHY

SEPTEMBER 2025

CONSENT FORM

I have read and understood the information regarding the research survey questionnaire, and the study has been explained to me by a researcher. I also understand that my participation in this study is entirely voluntary, and I voluntarily give my consent to participate.

Responder

Name: …….

Signature:

Date: ……/……. /……..

OBJECTIVES OF SURVEY QUESTIONNAIRE

Dear Responder,

I am TEP SETHANNA from Build Bright University, Phnom Penh campus, pursuing a Ph.D. in the School of Doctoral Studies. This study is part of my research for the Doctor of Philosophy degree, specializing in Public Financial Management. The ideal respondents for this research are individuals from the Ministry of Economic & Finance and Line Ministries. I am currently conducting a survey on the "Budget System Reform Strategy of the Public Financial Management Reform Program" in Cambodia for the years 2005 to 2025.

The objectives of the research are:

1. To explain the basic concept of the Budget System Reform Strategy of the Public Financial Management Reform Program (PFMRP).
2. To discuss the implementation process of the Budget System Reform Strategy of PFMRP.
3. To highlight significant points and provide critical recommendations for the further improvement of the Budget System Reform Strategy of PFMRP in Cambodia for 2005 to 2025.

All information provided will be treated with strict confidentiality and will be used for academic and research purposes only. Therefore, I kindly request your sincere cooperation in completing this questionnaire. Thank you for participating in my research. I would greatly appreciate it if you could take a few minutes to complete my survey questionnaire. I sincerely thank you for your time and support.

Researcher,

Tep Sethanna

QUESTIONNAIRE

(These questionnaires are subjected to further review and revision)

1. **SECTION A- Responder's demography**
2. **SECTION B- General Department, Department, and Line-Ministry Questionnaire:**
   - **a.** To explain the basic concept of Budget System Reform Strategy
   - **b.** To discuss the implementation process of BSRS
   - **c.** To discuss the significant points and provide critical recommendations for further improvement of BSRS

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1. **SECTION A-** Responder's demography

Please tick "√" and fill up your answer as following questions:

1. Gender a). Male ☐ b). Female ☐
2. Age:
   a. Below 20 years old ☐
   b. 20-34 Years old ☐
   c. 35-54 Years old ☐
   d. 55 Years old and above ☐
3. Marital status
   a. Single ☐
   b. Married ☐
   c. Others ☐
   Please specify: …….
4. Occupation:
   a. Government sector ☐
   b. Private sector ☐
   c. Student ☐
   d. Others ☐

Please specify: ……..

5. Specific Entity:
    a. Ministry ☐
    Please specify: ……
    b. General Department ☐
    Please specify: ……
    c. Department ☐
    Please specify: ……
6. Education:
    a. Bachelor's degree ☐
    b. Master's degree ☐
    c. Ph.D. degree ☐
    d. DBA degree ☐
    e. Others ☐
7. Specialization
    a. Accounting ☐
    b. Finance and Banking ☐
    c. Human resources ☐
    d. Marketing ☐
    e. International Technology ☐
    f. Engineering ☐
    g. Architecture ☐
    h. Others ☐
    Please specify: ……
8. Position:
    a. General Director ☐
    b. Deputy General Director ☐
    c. Secretary/Treasurer ☐
    d. Official ☐
    e. Assistance ☐
    f. Others ☐
    Please specify: ……

2. **SECTION B-** General Departments, Departments, and Line-Ministry

A. To explain the basic concept of Budget System Reform Strategy

Note: please tick one or more up on your perspective answers

1) Is your government undertaking a Budget System Reform Strategy in doing Public Financial Management Reform Program (PFMRP)?

☐ Ongoing

☐ Planned

☐ None

If ongoing or planned, please indicate (planned) start date and expected duration (or end date) of reforms program …….

2) Ongoing reforms/planned reforms?

If the reforms are ongoing, please proceed to next section.

Are the reforms funded by and, if donor funded, in what form?

☐ Bi-lateral donor(s)

☐ Multi-lateral donor

☐ Government fund

☐ Grant

☐ Loan

☐ Partial grant/partial loan

3) Where are the reforms being implemented?

☐ Federal level

☐ Regional level

☐ Sub-Regional level

☐ Across finance/treasury offices only

☐ Across all sector offices/public bodies

☐ Both finance/treasury offices and all Sector offices/public bodies

4) Why the government decide to do PFMRP in Cambodia?

☐ Because the public entities are mostly insufficient performed

☐ Because of the Cambodia social revolutions are always changing

- Because the leaders are mostly using the centralization system
- Because the financial management system is poorly performed

5) What are the aims of the Cambodia Budget System Reform Strategies in PFMRP?

The main purpose of the strategy is to build an efficient, accountability and transparent national budget system:

1. Keep strengthening budget credibility by strengthening management of revenue, debt and cash, and improving budget execution.
2. Continue strengthening financial accountability through improving budget classification implementation, launching the new budget system and operation system, strengthening reporting system and financial accountability, and enhancing the functions of internal audit.
3. Focus on budget-policy linkages by rolling out full program budgeting and covering more budget entities, improving budget comprehensive and integration, defining clear roles and responsibilities of MEF line ministries and legislative bodies, developing medium-term expenditure framework (MTEF), developing monitoring & evaluation (M&E) system, and implementing financial decentralization.
4. Prepare the foundation for the introduction of performance accountability including performance budgeting framework, defining lines of performance budget accountability, launching performance auditing framework and capacity development plan.

5. Support the reform program by building capacity and incentivizing the reform and strengthening the capacity for the implementation of each Stage.

6) What financial system is currently used in PFMRP?

- ☐ Using Financial Management Information System (FMIS)
- ☐ An integrated commercially available (COTS) package
- ☐ Custom-built bespoke system(s)
- ☐ Manual processes supported by office systems

If COTS, please indicate name of package(s) .....

If bespoke, please indicate technologies used, if know .....

7) Who is using the financial system (FMIS) to enter the data?

- ☐ Finance office personnel
- ☐ Personnel across all government departments
- ☐ All processes are undertaken by government personnel
- ☐ All processes undertaken by organization(s) external to government (outsourced)
- ☐ Mixed-some processes performed by government personnel, some undertaken by organization(s) external to government (outsourced)

If mixed, please indicate which processes are outsourced .....

.....

8) Why is it required to do the Budget System Reform Strategy in doing the Public Financial Management Reform Program (PFMRP)?

- ☐ Based on public entities recently are using budget programs to manage revenues and expenditures

- The public entities are using finance information based on the budget program by tracking the revenues and expenditure.
- The direction of budget system of Cambodia needs to be adjusted to be become more realistic and practical
- Improving the conditions of budget estimation provided enabling the environment for budget planning

9) Why does financial management information system plays in an important role in doing Budget System Reform Strategy of PFMRP?

- Customizable functional tools with budget system program
- Customizable functional tools with Ministries and Line-ministry
- Controllable cash on hand, cash advanced, and cash in bank
- Controllable on monthly and annually revenues and expenditures
- Producible on financial reports with more optional in detail
- Fit able with the objectives of PFMRP of government

B. To discuss the implementation process of BSRS

10) How many platforms and stages are used in PFMRP and basic concept of each?

- There are four platforms and four stages
- The concepts are focusing on
    - Increasing budget credibility
    - Increasing financial accountability
    - Establishing budget-policy linkages
    - Increasing performance accountability
- There are five platforms and three stages
- There are four platforms and four stages, but not included second options

11) What strategic platforms are used in PFMRP?

- ☐ Creating the PFMRP Steering Committee
- ☐ Creating the PFM Working Group
- ☐ Preparing the Consolidate Action Plan (CAP)
- ☐ Using the Public Expenditure and Financial Accountability Assessment Framework (PEFAAF)

12) Which areas are within the scope of the reforms and at which platforms and stage in each area? Please add any additional areas at the end of the table!

Area	Completed	Ongoing	Future	Not applicable
Medium Term Planning				
PFMRP is Designed in long-term undertaking standards				
First platform on increasing budget credibility				
Second platform on increasing financial accountability				
Third platform on establishing budget-policy linkages				
Fourth platform on increasing performance accountability				
Public Investment Programming				

Budget reform system preparation (classification, basis)				
Cash management, included disbursements				
Budget execution- commitment, payments, receipts				
Accounting (e.g. new classification, basis, standard)				
Revenue collection				
Procurement				
Payroll				
Asset Register/Accounting				
Debt & loan management				

13) Performance and satisfaction with current/planned systems

Which system are you rating? Please rate the new system if reforms are implemented and are suitably advanced for system to be rated

- ☐ Current system in general use
- ☐ New system currently being implemented

14) Which reports are currently being produced?

Report	Manually produced (including	Partially automated,	Fully automated	Not Produced

	use of office systems)	partially manual		
Daily registers- receipts, payments etc				
Account balances				
Transaction listing for account balance				
Monthly budget execution (variance) management reports				
Financial Statements				
Reports for external stakeholders (e.g. donors)				

15) What is speed/ease of undertaking the following actions in the financial management information system?

	Very slow/ Cumbersome	Very fast/ easy
Inputting data, e.g. journal payments		
Enquiring/reporting account balances		
Enquiring/reporting transaction listings		
Producing management reports		

16) Who provides FMI systems administration? (e.g. set up new users, create new reports, set up a new cost center, provides help)

- ☐ Individual users
- ☐ Accountants/functional specialists in line departments
- ☐ Accountants/functional specialists in FMIS department

- ☐ IT department
- ☐ External organization

17) Who provides changes to the FMI system? (e.g. new screens)

- ☐ Accountants/functional specialists in FMIS department
- ☐ IT department
- ☐ External organization

18) Who drives the design of the FMI system?

- ☐ Accountants/functional specialists
- ☐ IT department
- ☐ External organization/software supplier

19) How do you rate the financial management information system in using budget system reform strategy?

	Very Poor	Could do better	OK	Good	Great
Meets					
Speeds work					
Improves control					
Reliable					
Accurate					
User friendly					
Adaptable					
Integrated					
Available assistance					
On schedule					
On original budget					

Cost-beneficial					
Improves to current system(s), if applicable					
Overall satisfaction					

20) How has the reform (where applicable) impacted the following areas?

Compared to before the reforms

	Higher	About same	Lower
Staff turnover			
Staff costs			
Recurrent/running cost			
	Less	About same	More
Empowered users			
	Slower	About same	Faster
Responsiveness of support			

C.To discuss the significant points and provide critical recommendations for further improvement of BSRS.

21) What are the major concerns/risks associated with the reform?

Directions: please read each statement carefully and tick "√" the most appropriate number(s) to represent the level of agreement for each statement. While 1). is Strongly Disagree; 2). Is Disagree; 3). Is Neutral; 4). Is Agree and 5). Is Strongly Agree.

No.	Questions	1	2	3	4	5
1	**What is a budget?** The word "budget" in government has taken several meanings or connotations. It is sometimes used to refer to an appropriation which is a legislative authorization to spend or an allotment which is an authorization by the General Department of Budget (GDB) to obligate, or as actual cash available.					
2	**What is the basis law of government in using of government budget?** The following provision of the Cambodia Constitution sets the basic rule for the use of government funds: **"Art. VI, Sec. 29.** No money shall be paid by the Treasury except in pursuance of an appropriation made by law. The provision of the Constitution also establishes the need for establishing the need for all government entities to undergo the budgeting process to secure funds for use in carrying out their mandated functions, programs and activities.					
3	**How are government budget appropriated processing?**					

	Funds for the use of government entities are appropriate or authorized following a process with the following major steps: 1). Individual Ministries and Line-Ministry prepare their estimates of expenditures or proposed budgets for the succeeding year and submit these estimates or proposals contained in required budget forms to the GDB following baseline figures, guidelines and timetable set earlier. 2). Ministries justify details of their proposed budgets before GDB technical review panels. 3). GDB reviews and consolidates proposed budgets of all Ministry for inclusion in the President's proposed budget for submission to Congress. 4). Assembly review and proposed budgets to the Senate. The Senate makes inclusion for submission to the Ministry of Royal Palace for approval; and 5). Ministry of Royal Palace issued the notification back to the Senate and Assembly.					
4	**What is a government budget?** In general, a government budget is the financial plan of a government for a given period, usually for a fiscal year, which shows what its resources are, and how they will be generated and used over the fiscal period. The budget is the government's key instrument for promoting its socio-economic objectives. The government budget also refers to the income, expenditures and sources of borrowing of the National Government (NG) that are used					

	to achieve national objectives, strategies and programs. **Section 22, Article VII of the Constitution states that:** "The president shall submit to the Congress within 30 days from the opening of every regular session, as the basis of the general appropriation bill (GAB), a budget of expenditures and sources of financing including receipts from existing and proposed revenue measures."					
5	**What is the expenditure program?** The expenditure program is that portion of the national budget that refers to the current operating expenditure and capital outlays necessary for the operation of the programs, projects and activities of the various government departments and Ministries.					
6	**What is the financing program?** The financing program includes the projected revenues from both existing and new measures, the planned borrowings to finance budgetary transactions and the payment of debt principal failing due.					
7	**What is referred to by the term "national government budget?** The National Government budget (also known simply as the budget) refers to the totality of the budget of various departments of the national government including the NG support to Local Government Units (LGUs) and Government Owned and Controlled Corporations (GOCCs). It is what the national government plans to spend on its programs and					

	projects, and the sources of what it projects to have as funds, either from revenues or from borrowings with which to finance such expenditures.					
8	**What is the national government budget spent on?** The national budget is allocated for the implementation of various government programs and projects, the operation of government offices, payment of salaries of government employees, and payment of public debts. These expenditures are classified by expense class, sector and implementing unit of government.					
9	**Why does the government prepare a new budget every year?** The preparation of the government's budget every year is in accordance with the provision of the Constitution which requires the President to submit a budget of expenditure and sources of financing with 30 days from the opening of every regular session of Congress. The yearly preparation of the budget is also in consonance with the principle which requires all government spending to be justified anew each year. This principle ensures that government entities continuously evaluate and review the allocation of resources to project/activities for cost efficiency and effectiveness.					
10	**What are the sources of appropriations that make up the annual budget?** The sources of appropriations of the annual budget are:					

	1). New general appropriations legislated by Congress for every budget year under the General Appropriations Act (GAA); and 2). Existing appropriations previously authorized by Congress. Under the Constitution, **Article VI, Section 29**, no money can be withdrawn from the Treasury except in pursuance of an appropriation made by law.					
11	**What are the existing or continuing appropriations?** Existing or continuing appropriations are those which have been previously enacted by Congress, and which continue to remain valid as an appropriation authority for the expenditure of public funds. There are two types of existing appropriations: 1). Continuing and 2). Automatic. Continuing appropriations refer to appropriations available to support obligations for a specified purpose or project, such as multi-year construction projects which require the incurrence of obligations even beyond the budget year. Examples of continuing appropriations are those from existing laws such as: **RA 8150, otherwise known as the Public Works Act of 1995; and Republic Act No. 6657 and Republic Act 8532** which set funds specifically for the Agrarian Reform Program (ARP). Currently, appropriations for capital outlays and maintenance and other operating expenses are considered as continuing appropriations but only for a period of 2 years.					

12	**Are all appropriations supported by resources allocable during the budget year?** No, only programmed appropriations are supported by corresponding resources, that is, they already have definite funding sources and are readily implementable, Unprogrammed appropriations are not yet supported by corresponding resources and are nevertheless included by Congress in the General Appropriations Act. These are called standby appropriations which authorize additional agency expenditures for priority programs and projects in excess of the original budget only but only when revenue collections exceed the resource targets assumed in the budget or when additional foreign project loan proceeds are realized.					
13	**What is the "one-fund" concept?** The "one-fund" concept is the policy enunciated through PD 1177 which requires that all income and revenues of the government must accrue to the General Fund and revenues of the government must accrue to the General Fund and thus can be freely allocated to fund programs and projects of government as prioritized.					
14	**Why is the "one-fund" concept important?** The "one-fund" concept is a fiscal management policy requiring that as much as possible, all revenues and other receipts of the government must enter the General Fund and their utilization and disbursement subject to the					

	budgeting process. The one-fund concept is significant in that it serves as an avenue through which fiscal authorities may properly allocate scarce government resources in accordance with the priorities in the over-all program of economic development. It likewise provides a mechanism to control drawdowns on pooled resources. Regularly, the level of funds disbursed is monitored against the level of revenues generated. This way, we are able to stick to the targeted level of disbursement for a given period and avoid incurring a deficit. It also alerts us of possible revenues shortfalls.					
15	**What is a balanced budget? What happens when the budget is not balanced?** In the context of government budgeting, a budget is said to be balanced when revenues match expenditures or disbursements. When expenditure exceeds revenues, the government incurs a deficit which may result in the following situations: ✓ The government borrows money either from foreign sources or from the domestic capital market which increases the debt stock of NG and its debt servicing requirements. ✓ The government borrows money from the Central Bank; or, ✓ The government withdraws from its cash balance in the Treasure					
16	**What has been the government's fiscal policy?**					

	Historically, national government expenditures have always exceeded total revenues resulting in annual budget deficits. Thus, the national government had to resort to borrowing to cover said deficits which resulted in the ballooning of foreign and domestic debts. However, in 1994, the government broke the deficit trend by posting a budget surplus of P16 billion through an aggressive privatization and revenue generation program and a prudent expenditure program. Since then, the government has been exerting efforts to maintain the surplus budget policy.					
17	**Why is surplus budgeting necessary?** The surplus budget policy is important to encourage economic growth. The less the government borrows from the public, the less the pressure on interest and inflation rates and the more funds are made available in the financial market. Such funds may be used by businessmen to build factories, hire workers, buy equipment and open more employment opportunities. By keeping more funds in the hands of the private sector rather than competing for credit, the government helps make finance available for families who want to own homes, buy cars, or support their children's education. The government also needs to generate a budget surplus to repay the huge debt it has accumulated over the years. The reduction of the national budget debt will correspondingly lessen the government's requirements for interest and principal payments. This becomes important particularly					

	during periods of rising interest rates and unstable exchange rates.					
18	**What is the total resource budget concept and its significance?** Total resource budgeting is a concept adopted by the present budgeting system which requires the preparation of the national government within the framework of the total impact of all government entities on the national economy. Under this concept, the National Government (NG) budget is considered as only one component of the entire public sector resources. Government-Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs) are also considered as substantial contributors to total public resources. In total resource budgeting, the energies and capabilities of all public entities are harnessed in drawing up the optimal package of goods and services that can be sustained by available resources.					
19	**What is the consolidated public sector fiscal position?** The consolidated public sector fiscal position (CPSFP) refers to the net deficit or surplus calculated after summing-up the budget balance of all government, the non-financial government corporations (usually includes only the 14 major GOCCs), and the Central Bank-Board of Liquidators. Through the CPSFP, the government is able to assure itself that the public resources are mobilized and used in magnitudes that are					

	consistent with overall macroeconomic targets and the government's economic priorities.					
20	**What is the planning-programming-budgeting system (PPBS)?** The planning-programming-budgeting system (PPBS) is a concept that stresses the importance of establishing a strong link between planning and implementing a national budget that is an instrument of national development, reflective of national objectives, strategies and plans. Under the PPBS concept, the budget is anchored on the degree by which the accomplishment of economic plans and the attainment of target contained in the Medium-Term Cambodia Development Plan (MTCDP) and the Medium-Term Public Investment Program (MTPIP) are supported.					

LIST OF GENERAL DEPARTMENTS OF MINISTRY OF ECONOMY AND FINANCE (MEF)

ល.រ No.	បរិយាយ Description ជាភាសាខ្មែរ Khmer	 ជាភាសាអង់គ្លេស English	សេចក្តីផ្សេងៗ Remarks
១	អគ្គលេខាធិការដ្ឋាន	General Secretariat	
២	អគ្គនាយកដ្ឋានគោលនយោបាយសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុសាធារណៈ	General Department of Economy and Finance Public Policy	
៣	អគ្គនាយកដ្ឋានថវិកា	General Department of Budget	
៤	អគ្គនាយកដ្ឋានហិរញ្ញវត្ថុរដ្ឋបាលថ្នាក់ក្រោមជាតិ	General Department of Sub-National Administration Finance	
៥	អគ្គនាយកដ្ឋានលទ្ធកម្មសាធារណៈ	General Department of Public Procurement	
៦	អគ្គនាយកដ្ឋានគយ និងរដ្ឋាករ	General Department of Customs and Excise	
៧	អគ្គនាយកដ្ឋានពន្ធដារ	General Department of Taxation	
៨	អគ្គនាយកដ្ឋានទ្រព្យសម្បត្តិរដ្ឋ និងចំណូលមិនមែនសារពើពន្ធ	General Department of State Property and Non-Tax Revenue	

៩	អគ្គនាយកដ្ឋានរតនាគារជាតិ	General Department of National treasury	
១០	អគ្គនាយកដ្ឋានឧស្សាហកម្មហិរញ្ញវត្ថុ	General Department of Financial Industry	
១១	អគ្គាធិការដ្ឋាន	General Inspectorate Department	
១២	សាលកវិទ្យាល័យសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ	Economics and Finance University	
១៣	អគ្គនាយកដ្ឋានដោះស្រាយផលប៉ះពាល់ដោយសារគម្រោងអភិវឌ្ឍន៍	General Department of Resolving Impact Development Projects	
១៤	អគ្គនាយកដ្ឋានសហប្រតិបត្តិការអន្តរជាតិ និងគ្រប់គ្រងបំណុល	General Department of International Cooperation and Debt	
១៥	អគ្គនាយកដ្ឋានសវនកម្មផ្ទៃក្នុង	General Department of Internal Audit	

LIST OF MINISTRIES AND INSTITUTIONS

1) Ministry of Royal Palace
2) National Assembly
3) Senate
4) Constitutional Council
5) Council of Ministers
6) Council for Development of Cambodia
7) Ministry of Agriculture, Forestry and Fisheries
8) Ministry of Commerce
9) Ministry of Culture and Fine Arts
10) Ministry of Education Youth and Sports
11) Ministry of Environment
12) Ministry of Foreign Affairs and International Cooperation
13) Ministry of Health
14) Ministry of Industry Mines and Energy
15) Ministry of Information
16) Ministry of Interior
17) Ministry of Justice
18) Ministry of Labor and Vocational Training
19) Ministry of Land Management Urban Planning and Construction
20) Ministry of National Defense
21) Ministry of National Assembly-Senate Relations and Inspection
22) Ministry of Planning

23) Ministry of Post and Telecommunication

24) Ministry of Public Works and Transport

25) Ministry of Religions and Cults

26) Ministry of Rural Development

27) Ministry of Social Affairs, Veterans and Youth Rehabilitation

28) Ministry of Tourism

29) Ministry of Water Resources and Meteorology

30) Ministry of Women Affairs

31) Secretariat of Public Service

32) Secretariat of Civil Aviation

33) National Election of Cambodia

34) National Audit Authority

35) Appeal Court

36) Supreme Court

37) Supreme Council of Magistracy