

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

**Progress Report  
First Semester, 2009**

**The Secretariat of the Reform Steering Committee**

**1. Background**

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

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

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

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

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

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

<b>Indicators</b>	<b>Target</b>	<b>Second quarter 2009</b>	<b>Second quarter 2008</b>
1. Revenue out-turn increasingly close to targeted level in approved budget	Revenue outturn within + or - 5% of forecast used for budget.	Domestic revenue: 45.1%	Domestic revenue: 67.7%

2. No accumulation of new arrears and steadily declining stock	Arrears as defined to be kept at no more than 2% of total expenditure	No arrears	No arrears
3. Budget holders increasingly able to commit expenditure in line with budgets and cash flow forecasts	Expenditure profile not to be less than: 1st Quarter: 15% 2nd Quarter: 45% 3rd Quarter: 67% 4th Quarter: 96%  Percentage of payments to creditors and staff made through banking system to be not less than 80% by value  Percentage of tax revenue collected through Banks to be not less than 60% by value	Achieved in 2 <sup>nd</sup> Quarter: 40.9%  - The payment through banking system: 100% - 21 Ministries have used banking system for salary payment  - Customs revenue: 98.9% - Tax revenue: 75.1%	Achieved in 2 <sup>nd</sup> Quarter: 43.7%
4. Composition of expenditure by type (staff costs, non-staff costs etc) close to approved budget.	Outturn compared to budget to be not less than: - Salary: 98% - Goods/Services: 95% - Capital: 85%	Achieved: - Salary: 46.9% - Goods/service: 37.7% - Capital: 42.1%	Achieved: - Salary: 49.7% - Goods/service: 42.1% - Capital: 41%
5. Better yield achieved from tax base through improved collection efficiency and planned use of non-tax sources.	Progressive improvement in revenue yield compared to GDP by 0.5% per annum.	- Tax revenue: 45.1% - Direct Tax: 42.3% - Indirect Tax: 45.8% - Non-tax revenue: 36.7%	- Tax revenue: 67.7% - Direct Tax: 77.4% - Indirect Tax: 66.5% - Non-tax revenue: 66.1%
6. All significant areas of both revenue and expenditure captured in both the budget and accounts of the government.	No significant areas of omission	- TSA and government bank accounts consolidation, new chart of account, new budget classification and budget strategic plan have been further improved. - in the first semester 2009 there are only 25 accounts which need to be further	- TSA and government bank account consolidation were strengthened, new chart of account, new budget classification, and budget strategic plan have been implemented. - In early 2008, there

		<p>monitored.</p> <ul style="list-style-type: none"> <li>- Data system (DMFAS) has been implemented to improve external financial management and review</li> </ul>	<p>were 187 accounts of LMs at the Commercial and National Banks and 13 accounts were closed and 42 were frozen.</p> <ul style="list-style-type: none"> <li>- Data system (DMFAS) has been implemented.</li> </ul>
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### 3. Performance measurement of activities implementation stage 2

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

#### 3.1 Platform one activities to be strengthened in stage 2

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

- **Further improved revenue policy and administration**

#### **Non-Tax Revenue:**

Activities that have been carried out including preparing circular on life insurance, circular on Accounting guidance, establishment of inter-ministerial task force for real estate business management, inter-ministerial committee for management and encouraging the purchase of insurance for vehicle, liability to third-party, construction sites and transportation, monitoring mechanism of gambling tools, Real estate association and adherence to ASEAN real estate Appraisal Association, conduct research on revenue and expenditure of the public administrative entities, determining school fees of state-owned universities (two), defining criterion for incentive award to revenue collectors, review of debt from privatization and urging its liquidation and fine payment, review investment proposals and market business operation, revenue payment at provincial level, reporting on revenue from mineral land concession and agreement on mine concession 2008, on revenue from stone and construction raw materials 2008, review of government sub-loan agreement, preparing guideline on capital sub-loan review, determining levy on citizenship card, criminal record certificate, vehicle registration, registration fee of industrial design, patent and commercial model certificate, five missions of the Non –Tax Department to six provinces to monitor non-tax revenue collection, review of debt at the ministry of Post and Telecommunication and State Secretariat of Civil Aviation, establishment of state property management task forces in some LMs and preparing state property inventory.

Some activities have been commenced such as preparing microfinance policy and strategy framework, draft code of professional ethics for real estate appraisal and service companies, Prakas on monitoring and license issuing to real estate developers, draft sub-degree on issuing and trading non-government bond, draft sub-degree on functioning of the Stock-Exchange Committee, draft regulation on bond, draft-Prakas on reshuffling members of privatization committee, translation of real estate appraisal standard, draft law on Casino, Trust law, and other regulations related to insurance, collecting information of small and medium enterprise, study on legal framework related to non-revenue collection and improving draft circular on nation receipt. Line Ministries have been requested to claiming arrears payment, collecting revenue, factory rental and mine concessions, preparing monthly/quarterly/bi-annual/annual non-tax revenue report, collecting information on non-tax revenue within LMs and drafting inter-ministries circular on non-tax revenue management.

### **Tax Revenue:**

Activities which have been fully implemented including five new circulars on tax audit (audit preparation, audit process, audit planning, audit working papers and audit reporting), self assessment and estimated system implementation in 07 Khans of the Phnom Penh, Tax revenue management system in Tax Offices of Khans and Provinces, accounting program and tax statistics, Strategic Plan and Modernization Program Manual of Customs and Excise General Department.

The Ministry of Economy and Finance (MEF) has finalized the third draft-law on oil taxation, draft-law on unused land and accommodation tax, sub-degree on reducing threshold of business turnover subject to Taxation, Prakas on the determination of annual profit tax for foreign companies, draft IT policy of the General Department of Taxation (GDT), preparing tax-arrears collection plan, list of companies subject to tax auditing at central level and in Siem Reap and Bontey MeanChey Provinces, classifying companies by business sectors, implementation of self assessment system in Phnom Penh and Provinces, Guidance on taxpayer's obligation and rights, Notice on new tax assessment.

Some activities have been commenced such as translation of Model Treaty on Tax, preparing circular on tax inspection rules and procedures, tax information collection, preparing plan for enterprise census in Phnom Penh, tax database preparation at the central level, planning for establishing Tax Training Center.

Besides the above mentioned activities other activities have been also commenced including updating revenue policy, macro-economic Framework, draft-circular on enforcing the implementation of the article 17 of the public financial system law, economic forecasting model state owned enterprises. Inter-ministerial Task Force has also reviewed revenue report format from oil, gas and other mines, payment of fees and royalties; and action plan has been defined.

- **Further improved debt management**

A report format on loan and grant and a draft of guideline on debt management were prepared. Training courses on using DMFAS were conducted. In addition, officials in charge participated in training courses in Philippine on debt management through DMFAS. Workshops on debt management strategy and DMFAS's functions were conducted for officials of the Department of Investment and Cooperation and other relevant departments.

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

In early 2009, there were 174 accounts. By 31 May 2009; and 63 accounts were closed, 33 accounts were frozen, new 05 accounts were opened and 91 accounts were withdrawn from the list; as a result, there are only 25 accounts which need to be further monitored. The account balance of the General Department of Taxation (GDT) and the General Department of Customs and Excise is regularly kept zero at the end of the day. General Department of Treasury has reviewed to find out accounts outside the projects and the balance of the accounts which were closed; 17 accounts will be closed soon as the relevant projects come to an end. 16 LMs actively participated in reviewing accounts and provided information related to existing accounts at the National Bank and the Commercial Banks.

Using the commercial banking services and encouraging salary payment through the commercial banking system have been further improved. The memorandum of understanding for pilot project of banking service in 02 provinces was signed by the Ministry of Economy and Finance and the ACLEDA bank. During the first semester 32 LMs (over 38) have opened accounts; 21 among them have operated accounts for salary payment; however, 11 other LM have not yet operated their accounts. Saving accounts with untraceable holders and inactive accounts have been reported and closed. The scope of using banking system in the main locations and covering a whole country including cash flow procedures through the banks has been studied. In overall, LMs have contributed a lots in reducing a number of cash based transactions and expanding the use of banking system for salary payment.

To strengthen cash management framework, some activities have been further implemented such as preparation of expenditure and revenue spreadsheets (including capital expenditure and revenue) by ministries, chapters, accounts and sub-accounts by having incorporated data 2007, 2008 and also updating data 2009; updating monthly/weekly/daily cash reports; preparing state cash report format; preparing cash flow forecast model and format and RACI Matrix Template for FMIS; matching actual cash flow and monthly cash forecast. 17 LMs have been actively engaged in providing revenue and expenditure data, revenue-expenditure forecast, and cash flow balance report. More remarkably since 2007 there are no more arrears at the General Department of National Treasury. LMs have shown their best efforts to improve payment mandate issuing in compliance with annual expenditure plan to avoid accumulating payment

mandates at the end of the year. Automated system for treasury operation has been reviewed for further improvement.

- **Further improved public procurement**

In improving public procurement, some tasks were implemented such as 2<sup>nd</sup> re-advertisement for recruiting international adviser of procurement law, further improving annexes of the implementing rules and regulation on public procurement (IRRPP), public procurement plan of the LMs, TOR of international consultant for procurement post review, preparing service contract for e-procurement website, procurement post auditing in 14 ministries/entities, sending two officials to participate in the training course on international procurement in the USA, reforming procurement department structure, and establishing the procurement plan office, participating in the training course on FMIS Project.

Meanwhile 10 LMs have been improving their procurement process by developing annual procurement plan, preparing procurement implementation schedule and procurement monitoring schedule. Moreover, LMs have also sent their officials to participate in the training course on procurement organized by the MEF, and regularly sent reports and procurement data to the MEF; they have also enhanced competition in procurement process through providing documents and data related to procurements to participants as well as proving information to the public.

### **3.2 Platform two activities to be implemented in stage 2**

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

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

A study on legal framework related to budget entities and budget managers at the national and sub-national levels has been commenced by reviewing consistency of the existing regulations, new accountability framework, and budget entities with the law on public finance system of 2008; and research on responsibility framework related to preparing PIP has been conducted. Consultations with IMF experts on how to determine budget entities have been done three times. LMs have been reviewing draft document on responsibility for budget, distinguishing roles and duties of each department and offices in order to determine responsibility at each level, establishing new budget holder and budget flow in accordance with the guideline of MEF, preparing new accountability framework and new business process. Workshops on budget entity and its preparation and management have been conducted.

Functional review methodology manual for MEF has been drafted and submitted for consultation. In addition, a study on new business process has been started under FMIS and financial controllers have been relocated to 11 LMs.

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

Program budgeting and budget strategic plan have been further improved; reporting system has been set up to review budget performance; and it is used as a tool for budget allocation. Budget management and execution disciplines have been further strengthened. Moreover, some activities have been commenced such as preparation of circular on expenditure implementation, rationalizing expenditure for salary, incentives allowance, implementing measures to restrict administrative expenditure. LMs have been preparing the financial management standard, developing plan to monitor entities under their jurisdiction, and preparing quarterly monitoring report of resources management.

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

The activities implemented to meet the objective including progressive integration of accounts receivable and accounts payable with relevant entities, data collection for recording accounts payable and accounts receivable, developing accounting ledger, issuing circular on duties and responsibilities of each department for recording debt, researching new methodology for recording accounts receivable, data reconciliation, further linking bridging table of the new chart of account with TOFE; updating TOFE 2008 TOFE January-May 2009, GFS January-May 2009; determining temporary measures for recording debt transaction through and outside the national treasury; reviewing fixed asset inventory before 2007; splitting tax payment vouchers of 2009 from tax revenue of previous years.

New budget classification, accounting classification by functions and programs have been further prepared (functional classification may be implemented subject to FMIS implementation), further improving economic classification by drafting revenue classification and sub-sub accounts of expenditure, further reviewing 10 criteria of COFOG and the four functional classifications (administrative, national defense-security, social, and economic), developing guideline of economic classification, reviewing the implementation of the new budget classification and new accounts classification related to capital expenditure and researching solutions for consistent recording and budget integration and studying the importance of program code number. LMs have been progressively improving the new chart of account, the new budget classification, preparing budget based on administrative, economic, and sub-function classification, annual inventory of state property.

The new chart of accounts, circulars, guiding manual of budget classification and new chart of accounts and other relevant documents have been progressively compiled and relevant trainings have been provided.

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

A sub-degree on improving current expenditure process and cash advance of investment expenditure has been drafted; a circular on petty cash advance record at LMs, provincial

departments has been issued; accounting record to monitor the petty cash advance and income collection, has been prepared. In addition, relevant training courses and workshops have been conducted. Working process has been reduced while payment mandate reviewing process has been improved; and monthly expense report has been reconciled with the balance sheet.

The level of understanding and capacity building of concerned officials have been improved for the FMIS project. 14 IT staff were trained on basic information technology and database management program. A bidding document for stage 2 was prepared and submitted to the World Bank for approval (fifth time). An assessment of ICT equipments and infrastructure needs, human resources, capacity building plan, change management in all departments and relevant LMs was completed. Strategic documents on ICT implementation, common business process and procedure for each phase and identification of business process, and change management strategy and communication plan were prepared. Meanwhile documents related to function and roles of all departments within the MEF were developed and compiled.

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

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

Quarterly, bi-annual, and annual performance report formats of budget execution were prepared, improved, and circulated to relevant LMs, especially the ministries which have been implementing program budgeting.

A number of activities have been also implemented including guidance of recording tax debt, drafting Prakas on opening deposit accounts at the commercial banks, district-khan budget accounts, and district-khan deposit accounts at the provincial treasuries. More importantly, a draft-prakas on guidance of the revenue-expenditure transaction through the ACLEDA bank was developed. Training courses on petty cash advance and income collection were conducted for new staff and LMs. A prakas on additional current account at the commercial banks was issued and an instruction on the commercial banks' operation was implemented. In addition, sub national accounting and debt record related to investment expenditure have been studied; and performance report of the quarterly/bi-annual/ annual budget implementation was prepared. DMFAS system was implemented to improve reporting of debt management office through IT system. LMs have been compiling accounting report formats, preparing internal reports and new report formats in accordance with the MEF's requirement. A recording report and state property inventory review have been improved and LMs have been urged to process for land title of properties under their responsibility.



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

Activities implemented including monitoring and evaluation of establishment and functioning of the Internal Audit Departments at LMs. 25 LMs established the Internal Audit Department but only 13 of them have been operated and 3 state-owned enterprises also established internal audit entities; audit boxes were installed in 23 capital/provinces. Internal audit procedures for the General Department of Customs and Excise, the General Department of Taxation and at other tax branches were drafted.

Three year inspection plan (2009-2011) and financial inspection program 2009 were prepared by the General Inspectorate of the MEF. Separation of roles and duties between the inspection and internal audit at LMs has been reviewed. Prakas on discipline, professional code of conduct for financial inspectors, performance evaluation, activities of financial inspectors have been drafted. Inspection of the financial management and program budgeting implemented in 2007-2008 at the ministry of land management, urbanization and construction and provinces (07) was conducted. Internal Audit Departments at LMs have prepared annual audit plan in collaboration with the MEF. Mechanisms to ensure the efficiency of audit output were improved; and questionnaires and criteria for auditing were developed.

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

Guidelines on technical procedure of budget preparation and budget execution, allocation of non-tax revenue for sub-national administration were developed to enhance budget formulation and execution of capital/provinces to be consistent with the Law on Administration of municipality, province, district, and khan; and the Law on financial regime and management of state assets at sub-national level; a study of options for autonomous and uniform budget at the municipalities/provinces has been carried out.

Recommendations on improving of the implementation of commune/sangkat budget, the new chart of account for commune/sangkat budget, guideline on improving of procurement at commune/sangkat budget, and draft-manual on the implementation of commune/sangkat projects were prepared and documented. Relevant workshops were conducted in two provinces (Kampong Speu and Kampong Cham).

The working group for reviewing the law on financial regime and management of the provinces/municipalities assets was created and the law on financial regime and management of state assets at sub-national level was drafted and submitted to the National Committee for sub-National Democratic Development. Short (2009-2011) and long term (2011-2018) strategies for implementing fiscal decentralization were developed. In addition, 10 years national program for democratic development was prepared in cooperation with the National Committee for sub-National Democratic Development. A draft-law on management of state assets at sub-national level was reviewed and revised. At the same time, short term strategies for implementing fiscal decentralization has been developed in accordance with the Law on Administration of Municipality, province, district, and khan. LMs have gradually delegated roles and responsibilities to sub-national level.

- **Building institutional capacity and motivational measures**

A capacity building plan was reviewed and improved by including new arising needs from General Departments, Departments, and relevant entities. 43 trainers of the National Audit Authority were trained. Local and overseas short term training courses and workshops were conducted for staff of MEF and relevant LMs such as two training programs on leadership for public policy management were conducted and one student was selected to study in Singapore (in total 7 students). Monitoring and evaluation mechanisms of progress study of student and policy and evaluation methodology for awarding scholarship have been further improved. Training courses on revenue forecasting and 8 training schedules were prepared. Furthermore, workshops on change management; and training courses on IT capacity building and English were conducted. A retreat for building action plan was prepared to implement the official's capacity development program of the MEF and LMs and 2 levels of IT system training course were conducted.

Significantly, structure and implementation program of the capacity building plan stage 2 were developed to ensure effective implementation. Moreover, short, medium, and long term training policies and strategies were also reviewed and improved in accordance with the reform program objectives. Training plan for building specific skills has been developed.

73 staff were recruited for the General Department of National Treasury. An international consultant for human resource management was selected. The document of HRMIS, personnel files of the MEF, and other legal documents related to the staff management have been prepared and documented. A report on functional review strategy and methodology for the MEF has been developed and submitted for consultation in the MEF. MBPI operation manuals, PMAS and business cases for MEF and LMs were prepared and approved from the Council for Administrative Reform (CAR) and waiting for draft MOU approval from DPs. At the same time, documents related to MBPI (personal service contract, term of reference, annual performance agreement, application form, and conditions of appointment) for entities under the MEF and LMs were developed. Mission plan for staff data collection and survey of capacity building needs at municipalities/provincial departments has been developed. In addition, bidding document for human resource management project through IT system and information boards of the MEF were prepared; a training course on human resource management was conducted and human resource management guideline was also drafted. Review of state property inventory at 19 municipalities/provinces, and library, study room and storing document of auditing were also prepared. LMs have been developing training plan, selecting qualified staff, clarifying their functions and duties for implementing reform activities.

### **3-3 Activities for later platforms**

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

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

The guideline on program budgeting was improved and updated. A quality evaluation standard of the program budgeting was also reviewed and improved. A manual; and monitoring and evaluation report formats were developed and implemented. Activities and indicators were improved in accordance with the sub programs and programs. In addition, the implementation of program budgeting was improved and identified. Significantly, performance report, scoring and evaluation procedures on the program budgeting, and internal procedures to pilot the program budgeting were developed. Internal mechanisms to report of the program budgeting preparation were also established. Moreover, 11 training courses were also conducted. LMs have further circulated MEF's principle on the budget strategic plan preparation to budget working groups on gender within the LMs. To strengthen official capability of the formulation and execution program budgeting, LMs prepared internal training plan with using human resources who were trained from the MEF and have experience on the program budgeting to provide future training to officials at the central and sub national levels. The program budgeting has been implemented step by step. 24 municipalities/provincial departments of education, youth and sports have piloted the program budgeting under the monitoring of their Ministry.

- **Further improving budget comprehensiveness and integration**

The Medium Term Expenditure Framework (MTEF) was updated and the workshop was conducted. A guideline on preparation of the budget strategic plan was revised will be circulated to LMs and scoring and evaluating procedures were prepared. The budget strategic plan 2010 of LMs was used as a basis in preparation technical circulars of the draft Law on financial for 2010. MEF prepared forecasting credit investment budget chapter 21 within medium term budget implementation framework.

Some tasks have being processed such as information collection; and document on revenue-expenditure enterprises and industries, budget of administrative public institutions and off budget of the development partners (DPs) at the LMs. Information on expenditure finance by the DPs to be integrated into BSP and budget reports were improved. At the same time, revenue-expenditure of administrative public institutions and industries, and off budget of DPs were also included in the BSP 2010-2012.

A working group has been established; it has been collecting legal documents related to management and functioning of public entities for preparing budget annex to be integrated into annual budget plan. A legal framework for off budget management, especially for state owned enterprises and autonomous budget entities was reviewed and the draft of revenue-expenditure report format for off budget management was also prepared. The working group had reviewed the circular on guideline for preparing annual budget plan to improve the list of annual budget preparation in order to integrate the

budget of the public entities into the annual budget. A draft report of off budget execution was prepared.

LMs have been improved step by step of BSP preparation with establishment and encouraging to be process of BSP working group. BSP preparation meeting was conducted; and process of integration into the ministry consolidated budget and officials' capacity within the BSP preparation was also strengthened. Within the off budget management framework, LMs have been focused on advising entities in order to prepare budget in accordance with the MEF's guideline and collaborated with the MEF to integrate the revenue-expenditure off budget into the annual budget plan. Moreover, internal mechanisms; and monthly and quarterly revenue-expenditure reports were also prepared for MEF.

The relevant departments of the MEF together with the Ministry of Planning and relevant LMs have prepared PIP 2010-2012 and participated in forecasting investment budget expenditure financed by domestic fund and providing data related to PIP financed by both external and internal fund for improving efficiency of BSP and PIP.

#### **4. Issues and challenges**

During the first semester, some challenges of the implementation of action plans have had been raised as follows:

- Recruiting consultants was not done as planned (local consultant of Internal Audit, International Advisor of public procurement);
- Lack of qualified and experienced lecturers and training materials, and cooperation with oversea training institutes is limited;
- Difficulties in using program's fund to support the implementation of the action plans;
- Inadequate means to support missions to provinces for inventory tasks;
- MBPI has not yet been implemented;
- Coordination and cooperation among departments within the MEF and with LMs are still limited;
- Reporting arrears and its age profile is manually prepared;
- Lack of legal expert for preparing the revenue policy from oil and gas; and inadequate means and information related to oil and gas business operation;
- Delay in adopting law on casino management;
- Principles of reviewing and managing government sub-loan are not in place;
- Incentive policy for revenue collection has not yet been approved;
- Budget entity has not been clearly identified;
- Limited knowledge of information system and selection of IT business analyst was not complete due to lack of qualified candidates;
- Establishment and functioning of budget working groups in charge of preparing BSP at LMs did not happen as planned;
- Difficulties in getting access to information related to DPs' Fund at the LMs which create problems for budget integration;

- Staff have limited skills and capability for implementing planned activities;
- Implementation of some activities of LMs is subject to the prior action of the General Departments/Departments/Entities under the MEF.

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## **5. Conclusion**

In overall, during the first semester the MEF and LMs have made satisfactory progress in implementing the reform program. The planned activities of the CAP 2, MEF DAPs, and LMs MAPs have been remarkably carried out; so this is a good sign for the PFMRP stage 2.

However, some challenges have been raised and require more attention from every stakeholders, particularly strengthening the ownership and management proactive approach of all ministries and institutions involving in implementing the reform program together with improving coordination mechanism within the ministries and institutions and also across ministries and institutions which need to work together or provide support to each other to avoid unnecessary and eventual impediments to the implementation of the reform activities. In addition, the role of five coordination groups should be reviewed and strengthened to assist in improving task coordination in each specific area of the PFM (revenue, budget formulation, budget execution, policy and general support) which involves different departments and units or ministries/institutions.

Capacity building through training course and workshops, effective incentive mechanisms, the wider sensitization of the reform program, technical assistance providing and supporting means to the activities implementation upon needs and on time have to be taken into more consideration.

Relevant departments and units of the MEF should follow up the implementation of activities in the DAPs and allocated budget of 2009 and ensure that proposed activities and budget have been carried out and spent within the timeframe. Moreover, activities implemented by the MEF will guide LMs to initiate their own reform activities; in this regard, the MEF should particularly take into account of some core reform activities of the PFMRP stage 2 such as defining the budget entity, proposing sanctions on budget mismanagement and flexibility for budget entity, improving budget classification and its further action plan and improving business process for FMIS, clearly defining the accounting standard and creating audit and reporting framework.

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