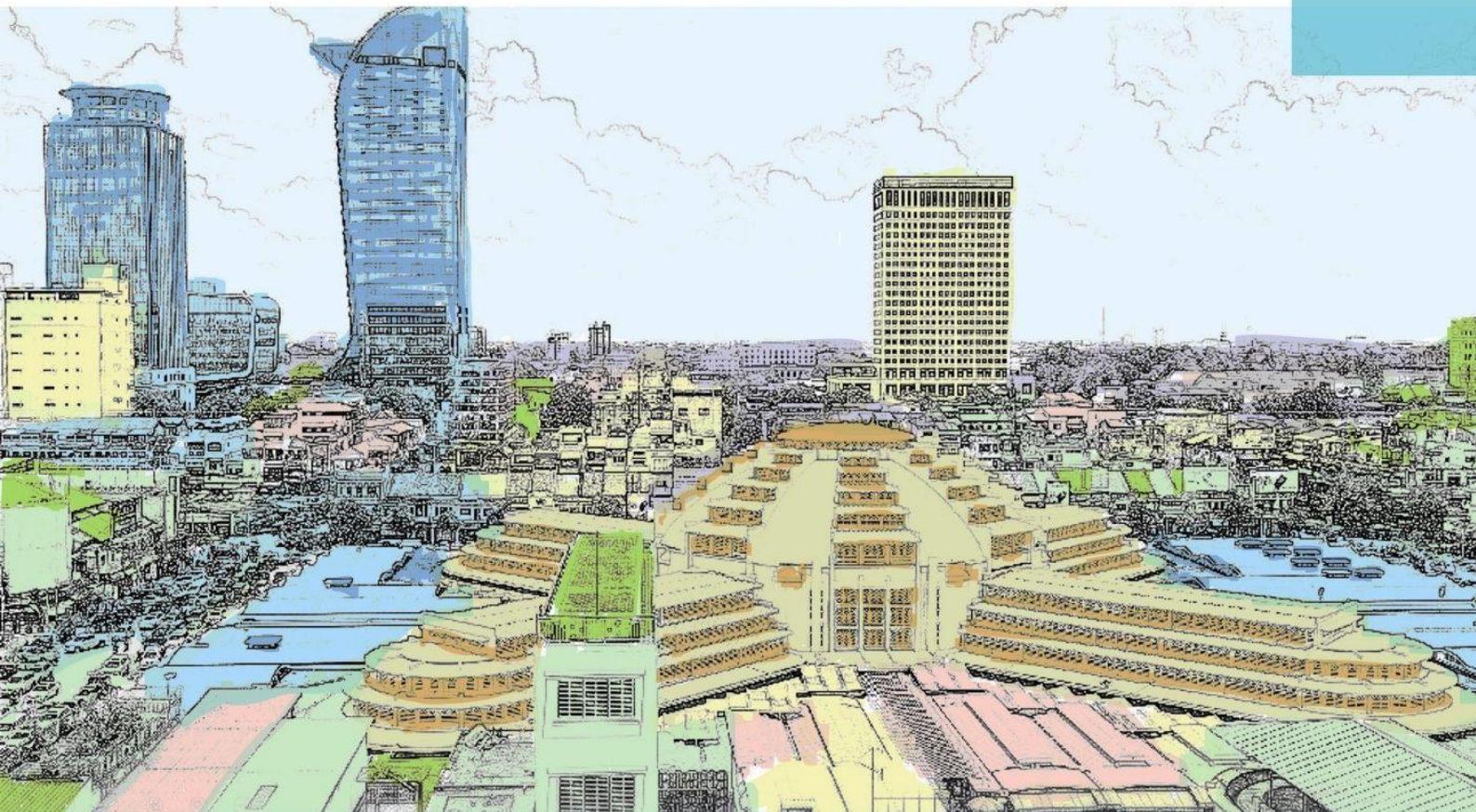




**ROYAL GOVERNMENT OF CAMBODIA
STEERING COMMITTEE OF PUBLIC FINANCIAL
MANAGEMENT REFORM**



**SUBNATIONAL PUBLIC EXPENDITURE AND
FINANCIAL ACCOUNTABILITY (PEFA)
PERFORMANCE ASSESSMENT REPORT
FOR PHNOM PENH CAPITAL ADMINISTRATION**

Based on SNG PEFA Methodology

Prepared by
General Secretariat of Steering Committee of Public Financial Management Reform



The assessment of PFM systems for Phnom Penh Capital Administration (PPCA) is based on the updated SNG PEFA methodology and this is the first evaluation in Cambodia to evaluate the subnational PFM system.



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Royal Government of Cambodia

SNG Phnom Penh Capital Administration

Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat,
July 15, 2022

Preface

Over the past two decades of strong economic growth, Cambodia has attained the lower-middle-income status in 2015 and was called “New Tiger Economy” in Asia in 2016. The achievement of economic growth on the average of 7% per annum has distributed the benefits to government officials and arm forces through the increase of annual salary and to people through job creation and infrastructure development. The RGC has a vision to develop Cambodia into “higher-middle-income status” in 2030 and “high-income status” in 2050.

The Cambodian economy grew at around 7.1% in 2019 as driven by garment, construction, real estate, retail, transportation and telecommunication. The inflation rate was approximately 1.8% and the exchange rate was around 4,055 riels/USD. The growth caused GDP per capita to grow to USD 1,700. However, due to the effects of the covid-19 pandemic, withdrawal of “Everything but Arms-EBA” and flood, the economic growth in 2020 was -3.1%. The agriculture sector grew by 0.5%, the industrial sector dipped by 1.2%, and the service sector dropped by 6.7%. In 2021, Cambodia’s real GDP growth is projected to reach 2.4%, in which the agriculture sector grew by 0.5%; the industrial sector dipped by 1.2%; and the service sector dropped by 6.7%.

In this regard, a good public financial management (PFM) system is a critical foundation to support the successful and sustainable implementation of the Royal Government of Cambodia (RGC) policy agenda. The Public Financial Management Reform Program (PFMRP) has successfully achieved as planned by developing and improving systems, legal framework, mechanism, and human resources since 2005. The successful PFM reform, in particular at subnational administrations (SNAs), can help pave the way for moving forward decentralization and deconcentration (D&D) reforms for managing the public resources and providing efficiency of service delivery.

This assessment of PFM systems of the Phnom Penh Capital Administration (PPCA) is based on the updated SNG PEFA methodology and this is the first in Cambodia to evaluate the subnational PFM system. The assessment, produced by the RGC with International Monetary Fund (IMF) technical support, was conducted over a period of eight months (June 2019-July 2020) in the first phase and resume this exercise for completion (July-November 2021) with updated data and information from 2018 to 2020. Notably, the RGC has had experience in conducting three previous PEFA assessments at the national level. The first national PEFA performance assessment was conducted in 2010 to support the formulation of the Consolidated Action Plan-Stage 2 (CAP2) of the PFMRP. The second national PEFA assessment was completed in 2015 (initiated in 2014) and the third national PEFA assessment in 2021 to support the formulation of the CAP3+2 and CAP4 of the PFMRP.

The decision to specifically target PPCA reflects two key considerations, including (1) Phnom Penh is the largest capital city in Cambodia and the center of economic and business activity, and (2) The PPCA also accounts for a major share of subnational fiscal activity, in terms of both revenue and expenditures. Therefore, the results of this assessment have important implications for the formulation and implementation of subnational PFM reform initiatives, in particular, providing information and inputs to the legal and regulatory reforms with regard to the subnational PFM area under PFMRP. The assessment aims to assist the government to understand and identify all key elements of the PFM system as a whole, i.e. both national and subnational systems are diagnosed in order to determine the strengths and weaknesses and review the linkage between the national and subnational PFM system.

Notably, this essential exercise has been conducted with emphasis on an ownership approach: “the Government evaluation team prepares the performance report, while the international expert reviews the quality and provide feedback to improve compliance with PEFA methodology.” This approach is to ensure ownership by the MEF and to provide the best opportunity to further enhance the capacity of MEF officials and other relevant entities. However, this assessment faced several challenges since Working Group for Subnational PEFA for PPCA Assessment has spent some time to fully understand a new PEFA methodology and extended assessment timeframe because of the Covid-19 pandemic.

On behalf of Steering Committee of Public Financial Management Reform, the General Secretariat of Steering Committee of Public Financial Management Reform-GSC would like to thank all team members, including representatives of the PPCA, National Committee for Subnational Democratic Development Secretariat, Committee for National Public Administration Reform Secretariat, entities within the MEF

(including General Department of Taxation-GDT), General Department of National Treasury-GDNT) and Phnom Penh Capital Treasury-PPCT), General Department of Budget-GDB, General Department of Taxation-GDT, General Department of Subnational Administration Finance-GDSNAF, General Department of Public Procurement-GDPP, General Department of Internal Audit-GDIA, General Department of State Property and Nontax Revenue (GDSPNR), General Department of Policy-GDP), Phnom Penh Capital Department of Economy and Finance-PPCDEF, relevant line ministries/institutions (including National Audit Authority-NAA), Ministry of Education Youth and Sport-MoEYS, Ministry of Health-MoH and Ministry of Interior-General Administration, and development partners (International Monetary Fund-IMF, European Union-EU, World Bank-WB, Asian Development Bank-ADB and United Nations Children’s Fund-UNICEF) and the PEFA Secretariat, for support and involvement with this exercise since planning stage. This effort of assessing significantly contributes to design reform action plan based on the results to align and make coherence between the national and subnational PFM system.

Phnom Penh Capital Administration main facts

Phnom Penh Capital Administration	Detail information
Tier of SNA	PPCA (1 st Tier), Khan (2 nd Tier) and sangkat (3 rd Tier)
Population	2,129,371 persons
Main characteristics	Capital city, economic and business center
Economy	Financial hub, business activity, garment industry, tourism and real estate
Service provided by the PPCA	Public transportation (Public city bus), One Window Service Unit, One Window Service Office (at Khan level), and Waste management.

Assessment management and quality assurance

This subnational PEFA performance assessment for PPCA is conducted under the direction of the Steering Committee of Public Financial Management Reform (PFMR-SC), with coordination and implementation by the General Secretariat of Public Financial Management Reform Steering Committee (GSC) and technical support from the IMF.

The PFMR-SC issued a decision no.080 MEF dated 02 September 2019 on establishing a Working Group for PEFA Performance Assessment for PPCA. This working group consists of members from MEF (GSC, GDNT, GDB, GDP, GDT, GDSNAF, GDPP, GDSPNR, and GDIA), MOI, MoH, MoEYS, NAA, NCDD, MCS and PPCA with the following roles and responsibilities as follows:

- assess PEFA performance of PPCA and submit this performance report to the PFM Reform Steering Committee for approval;
- prepare a PFM reform action plan for PPCA based on findings from the PEFA performance assessment of PPCA report;
- use findings from the assessment as inputs for the preparation of CAP4 of PFMRP to modernize the SNA budget system.

To ensure this subnational PEFA performance assessment report for PPCA's quality, an essential peer review process is provided through consultations and document review by a range of development partners, including the EU, WB, ADB and UNICEF, in addition to circulation across the MEF stakeholders and the PPCA for review.

B Working Group for Subnational PEFA Assessment for PPCA

- **Oversight team**
 - General Secretariat of Public Financial Management Reform Steering Committee
 - Secretariat of National Committee for Subnational Democratic Development
 - Secretariat of Public Administration Reform
 - Phnom Penh Capital Administration
 - General Department of Taxation
 - General Department of National Treasury and Capital Phnom Penh Treasury
 - General Department of Budget
 - General Department of Subnational Administration Finance
 - General Department of Public Procurement
 - General Department of Internal Audit
 - General Department of State Property and Nontax Revenue
 - General Department of Policy
 - Phnom Penh Capital Department of Economy and Finance
 - Relevant line ministries/institutions, including: National Audit Authority, Ministry of Education, Youth and Sport, Ministry of Health, and Ministry of Interior-General Administration
- **Assessment team**
 - Management and officials of General Secretariat of Public Financial Management Reform Steering Committee and international experts

Review of Concept Note on Subnational PEFA Performance Assessment for PPCA

- Draft of concept note was prepared by GSC, with assistance from international experts.
- Reviewers included PEFA Working Group representative of IMF, EU, WB, ADB, UNICE and PEFA Secretariat (30 October 2019)
 - Working Group for PEFA SNA for PPCA Assessment including PPCA (Comment)
 - Mr. Suhas Joshi, Regional Treasury Advisor, Bangkok, Thailand (comment)
 - Mr. CASTILLO ALVAREZ Javier, Attache, Aid Effectiveness, Budget Support and Public Finance Management (comment)
 - Mr. Sokbunthoeun So, Senior Public Sector Specialist, Governance Global Practice (comment)
 - Mr. Chamroen Ouch, Senior Programs Officer (Governance), Cambodia Resident Mission, Asian Development Bank (no comment)
 - Mr. Kimsong Chea, Social Policy Specialist, United Nations Children's Fund (no comment)
 - PEFA Secretariat (comment)
- Final concept note approved by oversight team on 06 September 2019.

Review of the Subnational PEFA Performance Assessment Report for PPCA

- Draft report based on SNG PEFA 2016 Methodology circulated on 22 November 2019
 - Working Group for PEFA SNA for PPCA Assessment including PPCA (comment)
 - Mr. Suhas Joshi, Regional Treasury Advisor, Bangkok, Thailand (comment)
 - Mr. CASTILLO ALVAREZ Javier, Attache, Aid Effectiveness, Budget Support and Public Finance Management (comment)
 - Mr. Sokbunthoeun So, Senior Public Sector Specialist, Governance Global Practice (comment)
 - Mr. Chamroen Ouch, Senior Programs Officer (Governance), Cambodia Resident Mission, Asian Development Bank (comment)
 - Mr. Kimsong Chea, Social Policy Specialist, United Nations Children's Fund (comment).
- First draft PEFA performance assessment report for PPCA with the updated SNG PEFA 2020 Methodology completed on 02 December 2021.
 - Working Group for PEFA SNA for PPCA Assessment including PPCA (comment)
 - Mr. Suhas Joshi, Regional Treasury Advisor, Bangkok, Thailand (comment)
 - Mr. CASTILLO ALVAREZ Javier, Attache, Aid Effectiveness, Budget Support and Public Finance Management (comment)
 - Mr. Davide Berton, EU Cooperation Programme Manager (comment)
 - Mr. Sokbunthoeun So, Senior Public Sector Specialist, Governance Global Practice (comment)
 - Mr. Chamroen Ouch, Senior Programs Officer (Governance), Cambodia Resident Mission, Asian Development Bank (comment)
 - Mr. Kimsong Chea, Social Policy Specialist, United Nations Children's Fund (comment)
 - PEFA Secretariat (comment).
- The updated draft of PEFA SNA for PPCA with inputs from all peer-reviewers was sent to PEFA Secretariat on 27 April 2022.
- Final draft of Subnational PEFA Performance Assessment Report for PPCA completed and sent to PEFA Secretariat with the follow up matrix on 20 June 2022.
- PEFA check received on 15 July 2022.
- Final report endorsed by the PFMR-SC in 06 September 2022.
- Publication of the report in September/October 2022.

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List of abbreviations and acronyms

ADB	Asian Development Bank
BSP	Budget strategic plan
CA	Controlling authority
CAP	Consolidated action plan
CoA	Chart of accounts
C/P	Capital and Province
C/S	Commune and Sangkat
D/M	District and Municipality
EU	European Union
FMIS	Financial management information system
FY	Fiscal year
GFS	Government financial statistics
GDB	General Department of Budget
GDIA	General Department of Internal Audit
GDICDM	General Department of International Cooperation and Debt Management
GDNT	General Department of National Treasury
GDPP	General Department of Public Procurement
GDP	General Department of Policy
GDP	Gross Domestic Product
GSC	General Secretariat of Public Financial Management Reform Steering Committee
GDSNAF	General Department of Subnational Administration Finance
GDSPNR	General Department of State Property and Nontax Revenue
GDT	General Department of Taxation
IGFR	Intergovernmental fiscal relations
IPSAS	International public sector accounting standards
I-SAF	Implementation plan for the social accountability framework
KPI	Key performance indicator
MA	Managing authority
MEF	Ministry of Economy and Finance
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoI	Ministry of Interior
MTBF	Medium-term budget framework
MTFF	Medium-term fiscal framework
OWSO	One Window Service Office
OWSU	One Window Service Unit
NAA	National Audit Authority
NBC	National Bank of Cambodia
NCDDS	National Committee for Subnational Democratic Development Secretariat
NP-SNDD	National program on subnational democratic development
NPAR	National Public Administration Reform
PAE	Public administration of establishment
PE	Public enterprise
PEFA	Public expenditure and financial accountability
PFM	Public financial management
PFMRP	Public financial management reform program
PFMR-SC	Public Financial Management Reform Steering Committee
PI	PEFA Indicator
PIM	Public investment management
PPCA	Phnom Penh Capital Administration
PPCC	Phnom Penh Capital Council

PPCG	Phnom Penh Capital Governor
PPCDEF	Phnom Penh Capital Department of Economy and Finance
PPCT	Phnom Penh Capital Treasury
RGC	Royal Government of Cambodia
SNA	Subnational administrations
SNIF	Subnational investment fund
SARMIS	State property inventory management information system
TSA	Treasury single account
UA	Utilizing authority
UNICEF	United Nations Children’s Fund
WB	World Bank

Currency and indicative exchange rate in 2020: 4,080 KHR per USD (indicated in Macroeconomic and Fiscal Policy Framework 2022)

Fiscal Year: 01 January-31 December

Methodology

This is the first PEFA assessment to be carried out in Cambodia at the subnational level. The PPCA was selected, taking into consideration the following criteria:

- Population size, and high income;
- Budgeted annual spending of PPCA accounts for about 50% of the total (consolidated) C/P administration spending. Therefore, the PPCA fiscal management has a substantial impact on consolidated subnational finances;
- Economic activities show a high level of growth in investment in the commercial and financial industries, tourism and real estate sectors. It is noticed that the absence of prudent economic and public financial management will have a significant impact on good governance and living standards.

The assessment is based on the Subnational Government (SNG) PEFA Methodology¹. The RGC team provides supporting documentation and analyses in preparation for the first mission. As the main institution driving PFM, the MEF provides most documentation on budgets, fiscal reports, medium-term development plans, financial reports, legal documentation relating to PFM, and any other relevant information necessary for this assessment. The PPCA has shared, reviewed and provided valuable inputs to improve the quality of this report.

Coverage of assessment: The assessment covers the PPCA (tier 1), its executive, spending units and council, the services supplied under its authority, as well as PFM activities involving interaction with the MEF, Ministry of Interior, NAA and other relevant line ministries/institutions. There is no extra-budgetary units or public corporations under the direct supervision of PPCA. Based on sub-decree no.30 ANKr.BK on Administrative and Financial Regime and Organizing and Conducting of Authority of C/P, article 1 states that direct service delivery for business of capital and province under status as an authority is requested by the Governor of C/P administration through endorsement from Minister of Interior and permission from Minister of Economy and Finance. Article 2 indicates that when the authority does not have autonomous, its revenue and expenditure is recorded as C/P budget. The annual budget plan of the City Bus Authority is prepared by the its Governor and endorsed by Governor of PPCA. The Governor of PPCA shall submit this annual budget plan of City Bus Authority together with PPCA annual budget plan to Minister of Economy and Finance for approval and copy to Ministry of Interior. This assessment is excluded PAEs and PEs since they are under the control of the central level. This assessment uses data for the period 2018-2020 based on performance indicators required, while also referring to processes and/or data for 2021, as required by only specific performance indicators.

Table 0.1: The coverage of timeframe

Period covered for the analysis	Fiscal years in reference
Last three years' financial report	2018, 2019 and 2020
Last budget submitted to the council/legislative body	2021
Last annual financial report submitted for audit	2020
Last three completed fiscal years	2018, 2019 and 2020
Last completed fiscal year	2020
At time of assessment	Between January and July 2021
Cutoff date (PFM reform progress)	July 2021

Sources of information: Information used to assess each performance indicator is shown in annex 2A and a full list of persons met is provided in annex 2B.

As advised from the PFMR-SC, this exercise was conducted by using the ownership approach²: "The Government evaluation team prepares the report, while the international experts review the quality of report and provide feedback to improve this PEFA performance report in line with PEFA standards." The

¹ It is available on PEFA Secretariat's website: <https://www.pefa.org/resources/guidance-subnational-government-pefa-assessments>

² This approach is also used for national PEFA assessment to ensure ownership and enhance the capacity of the RGC officials.

PEFA assessment team works with the IMF supports by Mr. Suhas Joshi, Regional Treasury Advisor (and Mr. Phil Sinnett, PEFA Expert) having extensive experience in PEFA assessments, in each stage of assessment journey, including planning, fieldwork, and post-fieldwork,

Since the Cambodia PFM system is still centralized, some PEFA indicators/dimensions cannot be evaluated, which have been highlighted by putting “NA” or “NU”, for instance, internal audit function, tax revenue collection, etc. as indicated in Table 0.2.

Table 0.2: PEFA Phnom Penh Capital Administration can be assessed

Pillars	Assessable	Cannot assess	Justification (not assessable)
SNG pillar: Intergovernmental fiscal relations	HLG-1-HLG-2	Only HLG-2.2	Only HLG-2.2 belongs to central government.
Pillar I: Budget reliability	3 PIs (PI-1, PI-2 and PI-3)	Only PI-2.1	The PPCA implements the program budget in 2021.
Pillar II: Transparency of public finances	5 PIs (from PI-4 to PI-9bis)	0	No
Pillar III: Management of assets and liabilities	2 PIs	PI-10.1 and PI-13	<ul style="list-style-type: none"> PI-10: PPCA does not control or have any share in the public corporation. PI-13: Central government control on debt and SNAs are not allowed to borrow.
Pillar IV: Policy-based fiscal strategy and budgeting	3 PIs (PI-14, 17 and 18)	2 PIs (PI-15 and 16)	<ul style="list-style-type: none"> PI-15 and PI-16 are not used (NU).
Pillar V: Predictability and control in budget execution	6 PIs (PI-20, 21, 22, 23, 24 and 25)	1 PI (PI-19)	<ul style="list-style-type: none"> PI-19: Tax revenue is under control by central government.
Pillar VI: Accounting and reporting	2 PIs (PI-27, 28 and 29)	PI-26, PI-27.1, PI-27.2 and PI-27.3	<ul style="list-style-type: none"> PI-26: SNAs do not have audit functions. 27.1, PI-27.2 and PI-27.3 are function of central government.
Pillar VII: External scrutiny and audit	2 PIs (PI-30 and 31)	All	<ul style="list-style-type: none"> PI-30: According to article 40 (New) of the Law on Audit of the Kingdom of Cambodia, only the National Assembly has the mandate to decide to establish a special commission to review the activities and operations of the NAA. Therefore, the information provided below is not for assessing and scoring the audit function. This PI-30 is NU because the function exists. PI-31: It is not applicable (NA) since PI-30 is NU.

The Working Group completed a draft report in 2019; however, there is still a need and more efforts to improve the content to be compliant with upgrading SNG PEFA methodology. This assessment is used 2018, 2019 and 2020 data for assessment so it is very useful for current PFM reform and D&D reform. To finalize the subnational PEFA performance assessment for PPCA, the GSC closely works with the IMF for extending contract of the PEFA expert four months. The Working Group for Subnational PEFA Assessment for PPCA finalizes this report in July 2022.

Table 0.3: PEFA performance assessment report for PPCA implementation schedule

Tasks	Deliverable	Date(s)
Preparatory work		
<ul style="list-style-type: none"> • Invite all stakeholders to discuss the subnational PEFA performance assessment report for PPCA process • Collect all relevant documents/information/data • Request IMF to provide technical support • Preliminary training on broad concepts of PEFA for PPCA • Create Working Group for Subnational PEFA Assessment for PPCA • Prepare concept note to align with PEFA Secretariat • Update data and information to align the updated SNG PEFA methodology (2020) 	Team confirmation	June 2019
	Data request issued to responsible units	June-September 2019
	TA support confirmation	July 2019
	Workshop and training delivery	August 2019
	Decision on PEFA Working Group is approved	August 2019
	Concept note is prepared	September 2019
	Updated data and information	July 2021
Field work		
<ul style="list-style-type: none"> • Prepare questionnaires to collect relevant data and information • Visit relevant entities under MEF • Visit PPCA and interview relevant officials • Visit relevant line ministries • Visit Phnom Penh Chamber of Commerce • Meeting with PPCA via video conference 	Questionnaire delivery	30 September 2019
	All necessary data obtained	2-4 October 2019
	All necessary data obtained	7 October 2019
	All necessary data obtained	21 November 2019
	All necessary data obtained	26 November 2019
	All necessary data obtained	22 July 2020
Reporting stage		
<ul style="list-style-type: none"> • Develop draft Subnational PEFA for PPCA report • Review of comments and further drafting of the report • Conduct consultation workshop • Update the Subnational PEFA performance assessment report to be compliant with the SNG PEFA methodology • Send PEFA performance assessment report to Working Group for Subnational PEFA Assessment for PPCA, Peer reviewers and PEFA Secretariat • Workshop consultation on the updated PEFA performance assessment report for PPCA 	Draft report	28 November 2019
	Comments recorded and considered, draft revised	29 November and 03 December 2019
	Comments recorded and considered, draft revised	05 December 2019
	Updated draft report	25 November 2021
	First draft PEFA report	02 December 2021
	Updated the first draft PEFA report	28 March 2022

Tasks	Deliverable	Date(s)
<ul style="list-style-type: none"> Submit the final Subnational PEFA performance assessment report for PPCA to PEFA Secretariat 	PEFA Check is received	15 July 2022
<ul style="list-style-type: none"> Submit the final subnational PEFA performance assessment report for PPCA to PFMR-SC 	Subnational PEFA report is endorsed	06 September 2022
<ul style="list-style-type: none"> Publication and dissemination workshop on final subnational PEFA performance assessment report for PPCA 	Public can access the subnational PEFA report	September/October 2022

Notably, a substantial number of PPCA officials and relevant LMs/institutions (NAA, MEF, MoI, NCDD, MoEYS, and MoH) participated in the assessment readily provided most of the documentation used for the assessment, as well as their views and insights on all the subjects covered and comments on the draft report. Furthermore, there were several meetings of the Working Group for Subnational PEFA Assessment for PPCA that conducted and organized the PEFA capacity building workshop on 18 September 2019 and the consultative workshops for the draft subnational PEFA performance assessment report on 5 December 2019 (with SNG PEFA methodology 2016) and updated PEFA performance (with updated SNG PEFA methodology) on 28 March 2022.

Executive Summary

The PEFA framework is a tool for assessing a country's public financial management (PFM) system, which can also be used for subnational administration. This report highlights quantitative ratings for seven PEFA 'Pillars' as follows:

- SNG pillar: Intergovernmental fiscal relations
- Pillar I: Budget reliability
- Pillar II: Transparency of public finances
- Pillar III: Management of assets and liabilities
- Pillar IV: Policy-based fiscal strategy and budgeting
- Pillar V: Predictability and control in budget execution
- Pillar VI: Accounting and reporting
- Pillar VII: External scrutiny and audit.

The assessment examines 34 PEFA indicators (PIs) and 101 performance dimensions, with three additional indicators to examine transfers from central government, called the Intergovernmental fiscal relations and public consultation. The assessment also provides a concise integrated performance report analyzing the results across all indicators to summarize their implications for performance against three core budgetary outcomes, namely *fiscal discipline, efficient resource allocation and efficient service delivery*.

Rationale and purpose

The timing for this PEFA assessment for subnational PFM targeting the PPCA also comes at a critical juncture for the PFM reform agenda at both the national and subnational levels. More specifically, at the national level, the platform-based PFMRP is currently in its final year of the designated horizon for Platform 3 by extending for two years, with work already underway on formulating the CAP4 expected to cover the period 2023-2027. Findings from this subnational PEFA assessment report for PPCA, together with the national PEFA performance, are important contributions to the formulation of CAP4 objectives across a range of PFM component-level objectives, including those pertaining to budget preparation, budget execution, budget control, and financial performance report, as well as for the CAP4 objective specifically targeting subnational financial management and fiscal decentralization³ issues.

As noted above, this subnational PEFA performance assessment for PPCA focuses on PFM performance, systems and processes of the PPCA. The decision to specifically target PPCA reflects two key considerations. Firstly, Phnom Penh is not only the capital and the largest city in terms of population, but it also has a uniquely dominant status in terms of economic, business activities and public finance management. Finally, Phnom Penh as the singular focus for this subnational PEFA performance assessment for PPCA allows for the capture of a large proportion of total subnational public financial activity, including both revenue and expenditure.

This report presents significant findings of the first assessment of PFM systems in the PPCA applying the SNG PEFA methodology. The results of the assessment will be used as an input for the preparation of the PFMRP CAP4 for Platform 4 covering the period 2023-2027. More generally, this exercise assists the RGC to understand more clearly key elements of the overall PFM system.

The results of this assessment cannot be applied for other provincial administrations since the Phnom Penh has a unique status within the scope of SNAs, implying some limitations on the direct comparability of findings for provincial administrations. However, it becomes a baseline for the next assessment as well as improving the PFM system.

Coverage of assessment: The assessment covers the PPCA, its executive, spending units and council, the services supplied under its authority, as well as PFM activities involving interaction with the central government. There are no extra-budgetary units or public enterprises under direct supervision of PPCA. The assessment uses data for the 3-year period (2018, 2019 and 2020) for many indicators, while also referring to processes and/or data for 2021, as required by specific performance indicators.

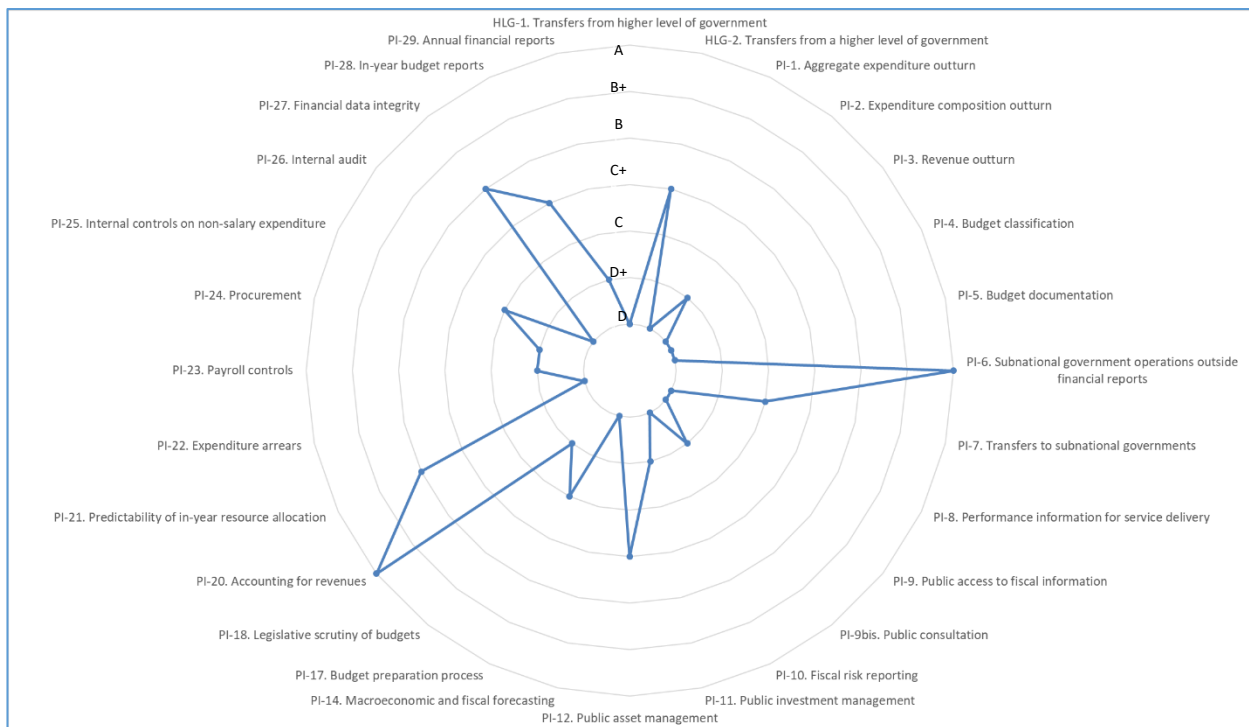
³ The objectives for fiscal decentralization are (i) clear assignment of functions to SNAs matched by transfer of human and financial resources, (ii) delegation of powers SNAs to raise local revenues and to set revenue policies and rates, and (iii) control of SNAs over their civil service.

Main strengths and weaknesses

The main findings of the assessment are focused on whether the PPCA has appropriated systems in place to support achieving the three main fiscal outcomes, namely aggregate fiscal discipline, strategic allocation of resources and efficiency in the use of resources for service delivery or not.

The assessment results show that 4 of the 34 indicators score either “A” or “B”, for a performance considered above the basic alignment with good practice; 6⁴ indicators score “C” or “C+” that suggests basic alignment with the international PFM standards, and 18 indicators scored “D” or “D+” that suggest weak performance, 3 indicators are ‘NA’ (PI-13, PI-19, and PI-31) and 3 indicators are ‘NU’ (PI-15, PI-16, and PI-30) as indicated under diagram 01.

Diagram 0.1: Summary score of PPCA’s PFM system



◆ Strengths

The PPCA’s PFM system, which is still in the early stage of development, certainly needs more time to improve. The PPCA depends on its own source revenue and tax revenue sharing; ordinary annual budget preparation is submitted to MEF on time to consolidate to Council of Ministers and Parliament, and most of the key elements of PFM system are existed. The sound PFM system is required strengthening institutions, regulatory frameworks, and capacity development.

◆ Weaknesses

The weaknesses of PPCA’s PFM system are found such as (1) limited coordination for budget preparation, (2) limited check and balance mechanism between executive branch and councils since the PPCC lacks technical support to review and scrutinize the medium-term budget expenditure, annual budget plan and execution as well as audit report, (3) limited transparency due to lack of publishing the budget document to public and public participation in the budget cycle, (4) lack of using competitive public procurement method. This competitive method is to ensure the value of money, economy and accountability, (5) lack of monitoring and evaluation performance mechanism and internal arrangement to ensure that public service delivery plan is set by program and sub-program, (6) lack of financial skills to provide technical support to match with the speed of reform, (7) limited BSP and PB quality due to not clearly identify outputs, outcomes, and targets in the program/sub-program, and (8) lack of predictable budget execution. These weaknesses indicate the deficiency of system to be effective management of policy and

⁴ PI-22 is rated ‘D*’.

program, budget management and internal control ensures that policies, regulations, and laws are complied with during the process of budget execution.

Addressing the PPCA's PFM system gap is to support to implement the new budget system, known as performance budgeting, by 2025. The performance budgeting system can only be successful if every spending agency can explicitly define the outcomes which services (outputs) aim to deliver.

Impact of budgetary and fiscal outcomes

Aggregate fiscal discipline

Overall, fiscal discipline is still a matter of concern for both spending and revenue collection since it is not realistic and implemented as passed. Transfers from a higher level of government (HLG-1, rated 'D+') and fiscal rule and monitoring of fiscal position (HLG-2, rate 'C+'). The expenditure outturn indicated weak performance (PI-1, rated 'D' and PI-2, rated 'D+'); expenditure arrears are still challenged by a lack of proper definition for arrears aligned to the international standards, lack of an effective expenditure monitoring process (PI-22, rated 'D*'), and lack of monitoring on lower SNAs (PI-10, rated 'D').

Revenue outturn (PI-3, rated 'D') remains a big deviation that needs to strengthen revenue forecasting. One of the fundamental issues with revenue from state property is the limitation of state property registration and inventory management due to a lack of information technology systems.

The PPCA prepares and monitors its budget based only on economic classification. The budget documents include economic classification (PI-4, rated 'D') and quality of performance and structure of program needs to improve more because PPCA'S BSP preparation is not effectively integrating the SNA's plans, including aligning PPCA specialized line department's BSP. Nor does the PPCA's BSP clearly define expected outcomes and outputs (PI-8, rated 'D').

The public investment management (PIM) is still in early-stage (PI-11, rated 'D') and asset management needs further improvement (PI-12, rated 'C+'). Internal control on non-salary expenditure is partially effective but the effectiveness of expenditure controls and compliance with payment rules and procedures can still be improved (PI-25, rated 'C').

Strategic allocation of resources

The weaknesses still persist with the lack of comprehensiveness of the budget documentation, and its classification (PI-5 rated 'D' and PI-4 rated 'D') and lack of reliable and timely information provided on the transfers to PPCA, khans and sangkats, which prepare their own budgets (PI-7, rated 'C'). Transparency to the public is limited due to lack of publication of fiscal information (PI-9, rated 'D') and public participation in the budget cycle (PI-9bis, rated 'D+').

Timing for BSP preparation is very important for PPCA to have enough time to consolidate and make it align with NSDP, 5-year Development Plan, PIP and line departments' BSP. Additionally, the quality of BSP including program structures and KPIs for outputs and outcomes is weak due to not being clearly defined and provided good quality for measuring performance (PI-14, rated 'D').

The PPCC reviews mainly on details of revenue and expenditure included in the budget proposals but lacks discussion policies and medium-term budget expenditure (PI-18, rated 'D+' and PI-31, rated 'NA').

Efficiency in use of resources for service delivery

The medium level of predictability in funds available to the PPCA during budget execution (PI-21.2, rated 'B') and to Khans (PI-7.2, rated 'C') support efficient service delivery. The performance monitoring and evaluation systems for service delivery have to be developed for the PPCA (PI-8.4, rated 'D') and linked with basic performance of public asset management (PI-12, rated 'C+'). The PPCC scrutinizes medium-term budget expenditure (PI-16.3, rated 'D') that faces challenges due to the extremely short period allowed in practice for this process and technical support to ensure the check and balance mechanism in place.

The value of all contracts awarded through competitive methods in the last completed financial year accounted for 10% of the total value of all contracts, meaning a large majority of procurement is conducted using non-competitive methods about 90% (PI-24, rated 'D+'). Combined with the expenditure arrears control (PI-22, rated 'D*') is unlikely to generate good value for money on subnational expenditure.

Deficiencies in the internal control systems (PI-23.4, rated 'D'; PI-25.2 rated 'C' and PI-25.3, rated 'C' and PI-26, rated 'D') despite timely and orderly reviews by the legislature (PI-31, rated 'NA') and low extent of public transparency (PI-9, rated 'D') to limited of efficiency in the use of public resources.

Overall, the subnational PEFA performance assessment for PPCA confirms that there is a need to further strengthen the PFM reforms in the PPCA in order to establish a solid foundation for improving PFM system as well as supporting D&D reform journey.

Table 0.1: Overview of the scores of the PEFA indicators

PFM performance indicator		Scoring method	Dimension ratings				Overall Rating
			i.	ii.	iii.	iv.	
SNG Pillar: Intergovernmental fiscal relations							
HLG-1	Transfers from higher level of government	M2 ⁵	D	D	D	C	D
HLG-2	Fiscal rules and monitoring of fiscal position	M1 ⁶	A	NA	C		C+
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn		D				D
PI-2	Expenditure composition outturn	M1	NA	D	B		D+
PI-3	Revenue outturn	M2	D	D			D
Pillar II: Transparency of public finances							
PI-4	Budget classification		D				D
PI-5	Budget documentation		D				D
PI-6	Subnational operations outside financial reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	C	C			C
PI-8	Performance information for service delivery	M2	D	D	D	D	D
PI-9	Public access to fiscal information		D				D
PI-9bis	Public consultation	M2	D	C	D		D+
Pillar III: Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	NA	D	NA		D
PI-11	Public investment management	M2	D	D	C	C	D+
PI-12	Public asset management	M2	C	C	B		C+
PI-13	Debt management	M2	NA	NA	NA		NA
Pillar IV: Policy-based fiscal strategy and budgeting							
PI-14	Medium-term budget strategy	M2	C	D	D	D	D
PI-15	Fiscal strategy	M2	NU	NU	NU		NU
PI-16	Medium-term perspective in expenditure budgeting	M2	NU	NU	NU	NU	NU
PI-17	Budget preparation process	M2	A	D	D		C
PI-18	Legislative scrutiny of budgets	M1	C	D	A	A	D+
Pillar V: Predictability and control in budget execution							
PI-19	Tax administration	M2	NA	NA	NA	NA	NA
PI-20	Accounting for revenue	M1	A	A	NA		A
PI-21	Predictability of in-year resource allocation	M2	A	B	D	A	B

⁵ 'Averaging': M2 (AV) uses a table provided by the PEFA Secretariat to determine the overall score, based on the individual dimensions.

⁶ 'Weakest link': M1 (WL) is used for multidimensional indicators where poor performance on one dimension is likely to undermine the impact of good performance on other dimensions of the same indicator.

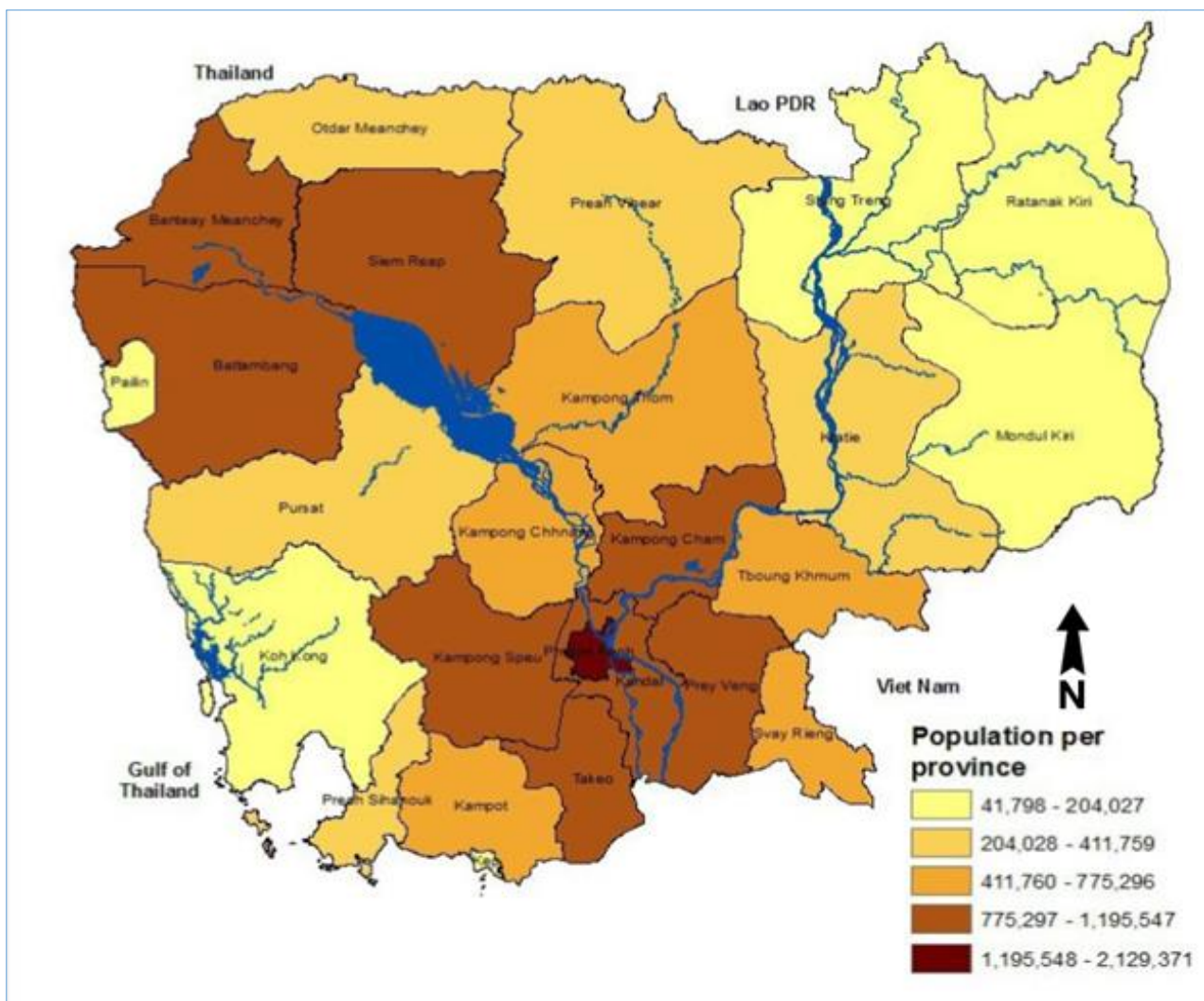
PFM performance indicator		Scoring method	Dimension ratings				Overall Rating
			i.	ii.	iii.	iv.	
PI-22	Expenditure arrears	M1	D*	D*			D*
PI-23	Payroll controls	M1	B	B	B	D	D+
PI-24	Procurement	M2	A	D	D	D	D+
PI-25	Internal controls on non-salary expenditure	M2	C	C	C		C
PI-26	Internal audit	M1	D	NA	NA	NA	D
Pillar VI: Accounting and reporting							
PI-27	Financial data integrity	M2	NA	NA	NA	B	B
PI-28	In-year budget reports	M1	C	A	C		C+
PI-29	Annual financial reports	M1	C	D	D		D+
Pillar VII: External scrutiny and audit							
PI-30	External audit	M1	NU	NU	NU	NU	NU
PI-31	Legislative scrutiny of audit reports	M2	NA	NA	NA	NA	NA

1. PFM and fiscal decentralization context

Cambodia is a Southeast Asian nation bordering Thailand, Laos and Vietnam, and covers a total area of 181,035 km², with a total population of 15,288,489 (General Population Census of Cambodia, 2019). It comprises 25 provinces (including the capital), 28 municipalities, 14 khans, 162 districts, 246 sangkats, 1,406 communes, and 14,443 villages.

As the capital and the largest city of Cambodia, Phnom Penh is a center of government administration and political decision-making, commercial activity, banking and finance, cultural heritage, and diplomacy. The PPCA provides such public services related to waste management, public transportation (city bus), OWSU and OWSO. Delivery education service is more deconcentrated, and health service is transferred to SNAs in 2020 that PFM execution is hybrid system.

Diagram 1.1: Map of Cambodia



Source: National Institute of Statistics, Ministry of Planning

Table 1.1: Demographics and administration in Phnom Penh

Area Km ²	Population	Men	Women	No. of Households	Density	Family size	Khan	Sangkat	Village
679	2,129,371	1,039,192	1,090,179	399,203	3,196 persons/Km ²	5,3	14	105	953

Source: National Institute of Statistics, Ministry of Planning (general population census of Cambodia 2019)

1.1 Financial overview

Cambodia's fiscal decentralization are including functional transfers, revenue transfers, and inter-governmental transfers but not the local borrowing as it belongs to the central government. Table 1.2 sets out core funding sources for each of the three tiers of SNAs, which can include the following: (i) taxes for which revenues are assigned to the capital city and provinces⁷, (ii) nontax revenues; (iii) formula-based unconditional transfers; (iv) unconditional transfers; (v) conditional transfers (including SNIF); (vi) conditional and unconditional transfers from Phnom Penh (capital) and provinces to districts, municipalities and khans; (vii) conditional and unconditional transfers from D/M to C/S; and (viii) others, including development partner funds.

Table 1.2: Subnational administration core funding sources

Phnom Penh/ Provinces	Districts/ Municipalities/Khans	Communes/Sangkats
<ul style="list-style-type: none"> • Tax revenues assigned to capital city and provinces⁸ • Nontax revenues • Conditional transfers from central government⁹ • Others, including project funding from DPs 	<ul style="list-style-type: none"> • Revenues from shared C/P taxes¹⁰ • Nontax revenues • D/M Fund¹¹ • Conditional transfers from central level (including SNIF¹²) • Conditional and unconditional transfers from province and Phnom Penh (which directly funds its khans) • Others, including project funding from DPs 	<ul style="list-style-type: none"> • Revenues from shared C/P taxes • C/S Fund¹³ • Conditional and unconditional transfers from D/M/K administrations • Others, including project funding from DPs

The size of shared tax revenues differs from province to province depending on the revenue collection potential of each location. Almost three-fourths of all provincial tax revenues are collected in the PPCA. As compared to tax revenues, nontax revenue collection has not been as effective.

⁷ It is also called C/P taxes, which can also involve revenue sharing arrangements involving the lower tiers of SNAs (but with control over tax rates and bases being fully retained by central government).

⁸ Tax and nontax revenue allocation: The information of these revenue allocations only transfer to C/P administrations in advance. The information of these allocations is the preliminary budget attached with the circular that the MEF shared within the first week of June. In this regard, the duration to prepare this budget plan is at least six weeks before submitting it to the MEF (by 15 August for the latest).

⁹ Conditional grants: SNAs are to receive specific-purpose grants to cover the costs of functions assigned or delegated to them, or for special projects. Until 2019 however, functional transfers have only occurred for very limited public services such as orphanages and waste management. A Joint Prakas of Mol, MoH and MEF was approved on 25 February 2020 to fix the modalities of the conditional grants to provincial administrations for the health sector. In addition, a Sub-Decree of December 2019 endorsed the transfer of all Line Ministries' district offices staff to the D/M.

¹⁰ Tax and non-tax revenue-sharing arrangements between national and SNAs. MEF is gradually introducing revenue-sharing arrangements through a series of Prakas, one of which was approved in 2017 sharing the product of eight taxes from provinces to D/M and C/S, effective as of Budget 2018. 4% of the revenue pool is shared between D/M, and 1% between C/S. In what represents a remarkable increase of funds available to SNAs, this latter percentage will be raised to 4% as of 2020, and gradually up to 5.5% by 2023. The allocation among them is based on a formula (50% equal share, 50% based on population). Funds can only be used for investment projects.

¹¹ The D/M Fund was established in 2017. It provides unconditional grants to districts and municipalities through a formula based on population size, poverty index, and number of C/S. Grants can be used for both recurrent and capital expenditures. A Sub-decree of April 2018 increases gradually the national budget allocation to the D/M Fund from 1.0% of domestic revenues in 2018 to 1.5% in 2023.

¹² SNIF: All SNAs are not required to prepare and submit this budget plan to the MEF. The fund will transfer to the selected eligible districts after the budget law is approved. Therefore, there is no information provided in advance of payment but the SNIF transfers represent less than 1% of total transfers from CG to SNAs. Currently, the SNIF is implemented only in D/M administrations.

¹³ The C/S Fund was established in 2002. It provides unconditional grants to C/S through a formula based on population size, poverty index, and a number of villages. The C/S Fund will receive 3.1% of national current revenues in 2020, and this share will gradually increase to 3.4% by 2023. In addition, a C/S Investment Fund was established in 2019, with resources coming from the State Budget (1% of national revenue) and 4% of the provincial tax and nontax revenue.

There are eight types of taxes that have been shared with SNAs as indicated below (column on right):

Taxes retained by central level	Taxes shared with SNAs
Income tax	Patent tax
Minimum tax	Public lighting tax
Withholding tax	Accommodation tax
Salary tax	Tax on means of transportation
Value added Tax	Tax on unused land
Excise tax	Stamp registration tax
Stamp tax	Property tax
	Tax on property rental (implemented in 2017) ¹⁴

Taxes shared with C/P administrations are all collected through the MEF GDT. None of the levels of SNA have powers to raise new taxes or to change the nature or rates of existing taxes. Furthermore, all SNAs have only limited powers to impose or reform nontax revenue policies and rates.

The nontax revenue plays a potentially important role in strengthening the fiscal capacity of SNAs. SNAs can spend on their own operational and/or capital needs in the year they are collected (with surpluses able to be carried forward to the next fiscal year).

Financial arrangements for the PPCA differ from those of the provinces, primarily PPCA's revenue collections for taxes shared to the C/P tier exceed its estimated/agreed expenditure needs. As a "surplus" jurisdiction, the PPCA does not receive an unconditional "fiscal gap" transfer from the central government. The subsidies from the central government pass through the PPCA budget for funding of sangkats within PPCA.

Table 1.3 presents aggregate information on the capital's fiscal operations for the last three years. The main source of revenue for the capital is shared taxation revenues (79% on average for the last three years from 2018 to 2020 as well as nontax revenues account for a very small share of total revenue (21% on average).

Tax revenue increased by 55% in 2018 and 35.54% in 2019 compared to budget law. In 2020, however, tax revenue decreased and achieved only 79.76% compared to budget law in which tax on property rental, public lighting tax and stamp tax achieved 83.06%, 76.45% and 68.4% respectively. Additionally, non-tax revenue increased sharply to contribute the share of total revenue. For expenditure side, during the Covid-19 pandemic in 2020, the budget execution is only 67.11% of budget law since it was cut for saving and reallocating to prioritize sectors by the CG.

Table 1.3: The PPCA's revenue and expenditure 2018-2020 (KHR million)

Type of Expenditure	2018		2019		2020	
	Budget law	Outturn	Budget law	Outturn	Budget law	Outturn
Total revenue	719,788	1,266,714	1,097,640	1,854,726	1,664,061	1,679,798
Shared tax	674,341	1,091,318	1,045,697	1,417,360	1,596,641	1,273,510
Non-tax	45,447	175,395	51,943	437,366	67,420	406,288
Total expenditure	599,788	838,344	674,007	1,023,811	1,122,463	753,334
Current expenditure	443,915	602,475	457,897	782,787	766,295	481,084
Capital expenditure	155,873	235,869	216,110	241,024	356,168	272,250
Surplus/Deficit	120,000	428,370	423,633	830,915	541,598	926,464

Source: PPCT (2021)

¹⁴ The MEF decided to reassign revenues from the taxes on movable and immovable property rent to subnational administration budgets for the local development, according to Prakas no.1431 MEF.PrK dated 25 December 2017 on the release of the taxes on movable and immovable property rent to subnational administrations.

1.2 Institutional arrangement for decentralization

Cambodia is considered a centralized PFM system. However, the Phnom Penh capital city and provinces are not entirely financially dependent on national level transfers and are often constrained by detailed guidance, processes and norms set by the central government when it comes to budget implementation, especially in the social sector (e.g. health and education).

The RGC has implemented D&D reform since the first election of C/S in the first mandate in February 2002. Achievements and experiences of the reform at the C/S administrations have encouraged the RGC to adopt a comprehensive D&D reform since the launch of the Strategic Framework for D&D Reform in 2005. Next, the Law on Administrative Management of Capital, Provinces, Municipalities, Districts and Khans and the Law on Elections of Capital Council, Provincial Council, Municipal Council, District Council and Khan Council were promulgated in May 2008. The first election under the organic laws was held in May 2009 to establish new councils in the C/P, and D/M/K administrations of the entire nation.

Table 1.4: Main regulatory frameworks of D&D reform in Cambodia

Descriptions	Note
Law on Management and Election of Communes and Sangkat (2001)	
Election of Communes and Sangkat (2002)	<i>first election</i>
Strategic Framework on D&D Reform (2005)	
Election of Communes and Sangkat (2007)	<i>second election</i>
Law on the Election of Capital Council, Provincial Councils, Municipal Councils, District Councils, and Khan Councils (2008)	
Election of Capital Council, Provincial Councils, Municipal Councils, District Councils, and Khan Councils (2009) ¹⁵	<i>first election</i>
National program of NCDD 2010-2019	
Election of Communes and Sangkat (2012)	<i>third election</i>
Election of Capital Council, Provincial Councils, Municipal Councils, District Councils, and Khan Councils (2014)	<i>second election</i>
Election of Communes and Sangkat (2017)	<i>fourth election</i>
Election of Capital Council, Provincial Councils, Municipal Councils, District Councils, and Khan Councils (2018)	<i>third election</i>
National program of NSDD 2021-2030	

Source: C/P administration management manual (2020)

With the transfer of functions and resources to SNAs, LMs/institutions are responsible to develop policies, regulations, and technical standards and providing appropriate support to SNAs. LMs/institutions are responsible for undertaking compliance inspections to ensure SNAs manage and implement the transferred functions and manage resources in line with rules, regulations, procedures, and standards. In general, compliance inspection aims to promote roles, responsibilities, and autonomy of SNAs, to enhance good governance, and to prevent the misuse of public resources.

The territory of the Kingdom of Cambodia is divided into capital, provinces, municipalities, districts, khans, communes and sangkats. They are administered according to the conditions provided by Law on Administrative Management of Capital, Provincial, Municipalities, District, and Khan (2008)¹⁶.

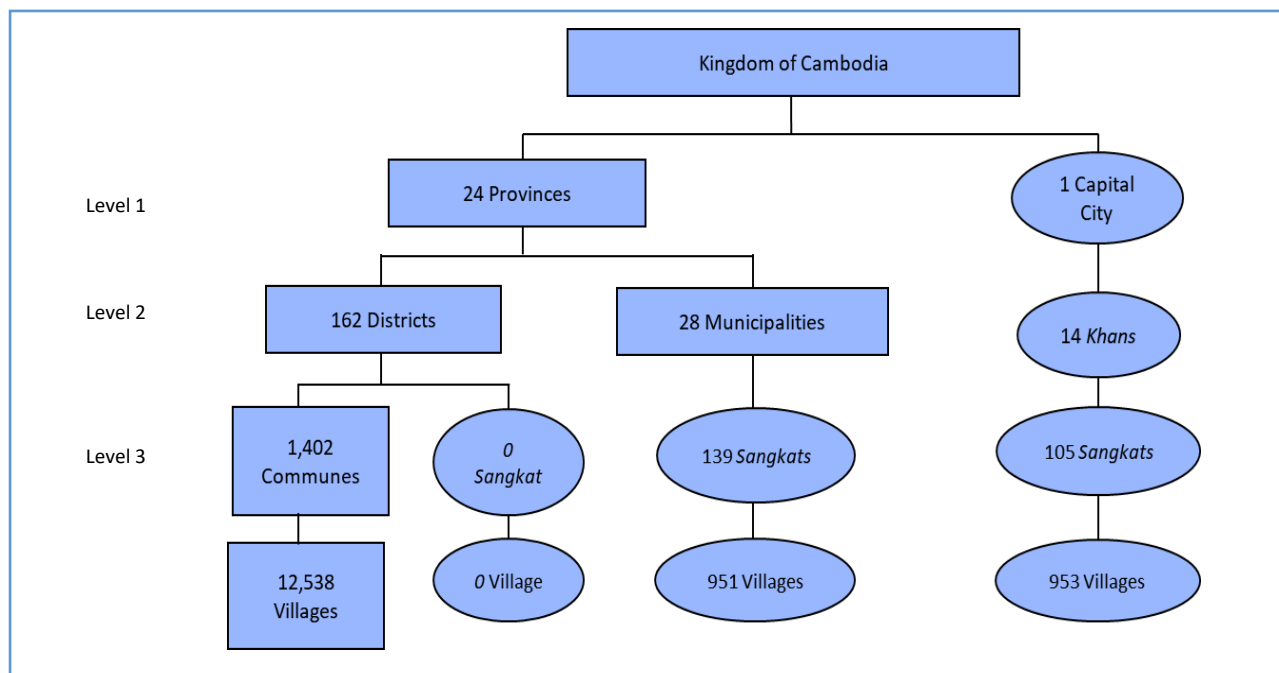
There are three levels of SNAs (see Diagram 1.2). Level 1 comprises 25 C/P administrations. Level 1 and Level 2 jurisdictions of SNAs are controlled by the national level through an appointed governor and a board of governors for each entity. Level 2 jurisdictions also have councils with “indirectly elected” councilors (elected by C/S council members) with a five-year mandate. The C/P governors, in charge of administration, are



¹⁵ Amendment to this law dated 24 January 2019

¹⁶ Article 145-146 of Constitution

represented the government and national line ministries at subnational level in accordance with the provision of Law on Administrative Management of Capital, Province, Municipal, District and Khan (2008).

Diagram 1.2: Subnational administrations



Note:  is for Rural administration
 is for Urban or Town administration

Source: Ministry of Interior (October 2021)

Councilors of C/P, D/M/K of administrations shall be elected by indirect, free and fair election by means of secret balloting. Governors of C/P, D/M/K of administrations are appointed by Royal Decree, Sub-decree, and Prakas accordingly. The heads of C/P technical departments of LMs are appointed by respective LM ministers by the request of governors. Heads of administrative entities below C/P departments of LMs are appointed by governors.

The PPCC comprises 27 members, and khan councils have 270 members, and sangkat councils have 899 members, which are elected every 5-year. A board of governors will be appointed by the central government. The board of governors is chaired by the governor and has several deputy governors. Governors of the capital and provinces are appointed by royal decree. Deputy governors of the capital and provinces and governors of municipalities, districts, and khans are appointed by sub-decree, while the deputy governors are appointed by Prakas of the Mol.

The PPCA includes three main committees, namely Technical Coordination Committee, Procurement Committee and Women and Children Councilors’ Committee. The PPCA is comprised of 11 divisions, including Administration; Planning and Investment; Finance; City Management; Human Resource Management; Inter-sectoral; Legal Affairs and Human Rights; Waste Management; Procurement, Public Relation and International cooperation and One Window Service Unit. They all report to the Governor of PPCA (as indicated in Annex 3). In addition, there are 24-line departments and the total staffing for PPCA is 14,948 (based on August 2019 data). The technical facilitation committee coordinates national and local efforts through plans, the medium-term expenditure framework, and the annual budget.

The C/S is a body representing citizens in its C/S and have missions to serve the general interests of its C/S. A C/S Council is elected by the citizens in its C/S in accordance with the procedures prescribed in the law on the Elections of C/S Councils (Royal Kram no. NS/RKM/0301/05 dated 19 March 2001; and Law on C/S Administrative Management). The C/S Councils have an official 5-year mandate of operation since 2002 under the Law on Administrative Management of C/S (2001) in line with the Law on the Election of C/S Councils. The councils have two main roles: (1) to serve local affairs for the interest of communes and their

citizens in their jurisdiction; and (2) to act as a government agency under the designation and delegation of the central government. Each C/S Council consists of 5-11 councilors ending base on geography and demography, with each council having one clerk to support administration tasks. The C/S administrations take on administrative tasks, including: civil registrations (birth certificates, identity cards, residential booklet, family booklet, etc.), and issuing a letter in support of a single status, widowhood, letter of consent to social events, etc.

As prescribed the different type of transfer above, table 1.5 is shown the expenditure assignments and share of competencies between the different 3 levels of SNAs.

Table 1.5: Composition of transfer of three levels of SNAs (KHR million)

Fund transfers	2019		% of total actual
	Budget	Actual	
Revenue of C/P administrations			
Taxes revenue transfer from central	1,352	2,114	65%
Nontax revenues	33	40	1%
Formula-based unconditional transfers from central level (D/M Fund)	204	1,087	33%
Conditional transfers from central level (including SNIF)	1	4	0.10%
Total	1,590	3,244	100%
Revenue of D/M/Khan administrations			
Nontax revenues	15	33	13%
Formula-based unconditional transfers from central level (D/M Fund)	237	191	77%
Conditional transfers from central level (including SNIF)	8	18	8%
Conditional and unconditional transfers from province and Phnom Penh (which directly funds its Khans)	6	6	2%
Total	260	242	100%
Revenue of C/S administrations			
Conditional and unconditional transfers from district, municipality and khan administrations.	14	14	4%
Formula-based unconditional transfers from central level (C/S Fund)	288	288	96%
Total	301	301	100%

Source: MEF GDSNAF

In addition, for the NCDD program, LMs have important roles in defining and facilitating the reallocation of functions and resources between levels of government. Designated functions planned for transfer from LMs to SNAs include the following:

- **Ministry of Education Youth and Sport:** The MoEYS has transferred its offices of education at Municipality, District and Khan levels along with functions and resources (Personnel, Finance, and properties) to Municipality, District and Khan administrations. Six sub-sectors within education sector (Early Childhood Education, Primary Education, Non-Formal Education, Secondary General Education, Youth and Sport) are delegated and assigned to all districts, municipalities, and khan country-wide.
- **Ministry of Public Works and Transport:** management of national and provincial roads located in provincial towns; construction, repair, and maintenance of provincial, municipal, and rural roads; management of vehicle cleaning garages; vehicle registration; vehicle driving license test; management of vehicle repair garages; vehicle technical checking; and boat registration.
- **Ministry of Environment and Ministry of Agriculture, Forestry and Fisheries:** management of national resource protected areas and natural resource communities; protection of the environment; sustainable environmental development; environmental awareness raising; management of forests; management of fisheries; management of agronomy, soil, and cultivation; management of agro-

industrial cultivation; and management of animal health and production.

- **Ministry of Rural Development:** rural sanitation services; clean water supply; and road development
- **Ministry of Social Affairs, Veterans and Youth Rehabilitation:** management of state and community orphan centers and monitoring of NGO orphan centers.
- **Ministry of Tourism:** management of the tourist industry (e.g., guesthouse, clubs) and development of tourist sites.
- **Ministry of Water Resources and Meteorology:** irrigation systems.

1.3 Institutional arrangement for PFM

Since 1998, Cambodia has passed a significant number of laws and lower-level regulations to guide decentralization reform. The passing of the Organic Law in 2008 represented a major milestone for fiscal decentralization, the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans, covering council structures, powers, and responsibilities, including powers in relation to own-source revenue raising and establishment of intergovernmental fiscal transfers. In addition, the Law on Public Finance Systems was promulgated in 2008 that covers all financial aspects of the state (taxes, budget, assets, and liabilities), including SNA power in relation to subnational revenues and budgets. Later, the RGC adopted the Law on Financial Regime and State Property Management of SNAs (2011) that regulates PFM issues specifically relevant to SNAs, including structure, principles of budgeting, elements of intergovernmental transfers, processes for budget preparation, execution, monitoring and inspection. The Minister of Economy and Finance delegates the authority to conduct “legality control” to Phnom Penh Capital Department of Economy and Finance (PPCDEF) and payment orders to Phnom Penh Capital Treasury (PPCT).

In the current practice, all key aspects of the PFM system are centralized (approval of budgets, payment system, accounting, and reporting). For the institutional arrangement for PFM, it describes through the budget cycle (budget formulation, budget execution and M&E both budget and performance) with the existing PFM regulatory framework.

Budget formulation: The Law on Financial Regime and State Property Management for SNAs (2011) provides guidance for SNAs to prepare medium-term plans and an annual budget according to a clear calendar consistent with Law on Public Finance System (2008). The budget cycle is annual and it coincides with the calendar year. The Governor of PPCA is responsible for setting policy priorities, planning, execution and monitoring of the budget. The PPCA prepares the budget strategic plan (BSP) three-year rolling plan to align to the 5-year Strategic Development Plan and support the predictability of annual budgets. The PPCA’s BSP and annual budget are prepared based on economic and program classifications for budget 2021.

The annual budget is adopted by PPCC before submitting to the MEF for verifying the legality of the budget, referring mainly to compliance with regulations governing processes and documentation.

Public debt management: This function is solely responsible by the central government, the MEF as indicated in article 67 and 68 of Law on Public Finance System (2008) and Law on Financial Regime and State Property Management for SNAs (2011) and article 252 of Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) and article 80 of Law on Administrative Management of Communes and Sangkats (2001). In this regard, SNAs are not allowed to borrow and manage public debt.

State property management: Constitution 1993 (article 58 and 59), Law on Public Finance System 2008 (article 17), Law on Financial Regime and State Property Management for SNAs 2011 (article 51), and Land Law 2001 (article 12, article 15, article 16, and article 17) state that all of the state property will be categorized into the following two types public state property¹⁷ and private state property¹⁸. The properties of PPCA include properties transferred from the Government and those acquired on its own. The central government transfers and hands over to the PPCA the right to occupy and utilize some public state properties and private state properties, which are fixed assets under each Council’s jurisdiction, as determined by the central government. The PPCA shall maintain these properties properly and are not entitled to sell, rent, transfer ownership or the use of these properties without prior approval from the Minister of Economy and Finance

¹⁷ State properties are for public use such as natural lakes, rivers, streams, rivers, canyons, mountains, national parks, railways, beaches, mountains, parks, public parks, land for vacant land, ports, airports, and natural resources.

¹⁸ When there is no longer public interest in the State Public Asset, those assets will be classified as Private State Asset through law, transforming law.

in agreement with the Minister of the Ministry of Interior. The PPCA records its assets and are responsible for recording and management of the records of financial and non-financial assets.

Public procurement: The present system of public procurement is decentralized but remains under tight controls from the central government. The Law on Public Procurement (2012) provides an overarching legal framework governing procurement. Apart from this law, there are some other relevant legal frameworks that are currently enforceable for the management and implementation of public procurement for both national and subnational administrations, except for public procurement by C/S administrations that must follow separate legal frameworks issued by the Mol. The management and implementation of public procurement at the SNAs is the responsibility of the procurement committee and/or a procurement unit of the C/P, D/M/K, and C/S administrations. The governors of the C/P, D/M/K, and chiefs of the C/S administrations are the chair of the procurement committee. All tenders are prepared and organized by procuring entities, but the MEF GDPP has an *ex-ante* control function for tenders above 800 million riels for capital administration and 500 million riels for provincial administrations. The C/PDEF has an *ex-ante* control function for tenders above 100 million riels for D/M/K administration.

Revenue collection: According to article 246 of the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008), local sources of revenue include:

- local taxes;
- fees, charges, and other non-tax revenues;
- revenues of district councils generated from tax and charges to be shared between the district council and the C/S councils within the district;
- voluntary donations;
- other sources that may be defined by law or decree.

There are key legal documents to manage non-tax revenues, namely Sub-decree no. 72 ANKr.BK on Non-tax Revenue Management (2018), Sub-decree no. 18 ANKr.BK on OWSU at SNA (2017), Sub-decree no. 25 ANKr.BK on the Revenue Management in OWSU at C/P Administrations (2020) and Inter-ministerial Prakas on Sectoral Services/Non-tax Revenue.

Non-salary control: Financial control is centralized using ex-ante control mechanisms at the C/P Departments of Economy and Finance (C/PDEFs) applicable to both subnational and line department budgets. The C/PDEF are responsible for verification and stamping (authorizing) expenditure commitments and payment order requests, while the C/PT¹⁹ act as public accountants to verify and implement disbursements. Budget control at SNAs and LMs/institutions are implemented based on Sub-decree no.81 ANKr.BK (1995) on Establishment of Financial Inspection of the State Budget Expenditure at Line Ministries, Municipalities/Provinces, Autonomous Cities, Phnom Penh Municipality, and Public Administration of Establishments and Sub-decree no.82 ANKr.BK (1995) on General Regulations of Public Accounting. The treasury operations are managed centrally by the MEF, with PPCT delegated to manage operation at SNAs. Budget execution procedures require ex-ante approval and payment by PPCT. Following the adoption of the Annual Budget Law and after the budget books are issued, SNAs can request petty cash. The program budget execution guideline for SNAs (2021) states that the MEF issues budget for the first quarter and later on (Q2, Q3 and Q4) C/P administrations must request to MEF for installment/subsidy in first the week of last month of a quarter.

Cash monitoring and forecasting: The PPCA and each khan administration have two bank accounts, one for payment agency transactions and one for petty cash transactions. The PPCT consolidates the cash balance. According to Prakas no. 880 MEF.PrK dated 19 September 2013 on Implementation of Guidelines for Cash Planning, all expenditure units are required to submit their own cash planning to MEF for approval no later than 10 December. SNAs are able to revise cash planning in every quarter (25th of the first month of each quarter) and are required to prepare their quarterly revenue-expenditure programs.

Payroll control: Based on the Circular on the annual budget preparation, personnel expenditure is considered as a priority. SNAs are expected to formulate a plan in alignment with the policy priority to increase the salary to ensure equity, consistency and efficiency. Particular attention is expected to be given to ensure stability and sustainability, as well as supporting a narrow and reasonable salary gap between higher and lower salaries. Personnel expenses are based on the salary table system issued by the MCS. Management of

¹⁹ As an exception, C/S budgets are directly executed by their respective C/S chiefs to C/PT.

personnel who are civil servants of the C/P, D/M/K, C/S administrations must comply with legal frameworks such as the Law on Joint Statute of Civil Servants (1994), the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) and Royal Degree for particular statutes for SNA personnel management. The C/P, D/M/K, and C/S administrations are responsible for developing personnel plans for the human resources required for the performance of duties and responsibilities in response to the work that each administration shall carry out in their jurisdiction.

Financial reporting: The MEF has created an accounting standard for the public sector for the national level. There is no separate accounting standard at the subnational level. National and subnational administrations prepare reports for expenditure and revenue based on CoA, but do not include financial and non-financial assets.

Internal audit and inspection: The PPCA does not have either internal auditors or inspection functions, as are conducted by other LMs/institutions. Audits are undertaken by the MoI General Department of Internal Audit Department, and NAA, while the inspection is conducted by the MEF and the Ministry of National Assembly-Senate Relations and Inspection. The types of audits carried out include compliance, financial statement and performance. However, there is no internal audit unit within the PPCA.

As explained key component of PFM above, table 1.6 indicates about 90% of revenue is collected by the central government and 10% by SNAs and expenditure side is also followed this percentage.

Table 1.6: Overview of SNA structure (Unit: KHR Million)

Government level	Corporate body?	Approves own budget ²⁰	Actual revenue	Actual expenditure	Subsidy from central government
Central government	Yes	Yes	28,500,371.60	29,480,514.50	-
SNAs Level 1	Yes	Yes	2,211,147	1,942,487.50	55,067.30
SNAs Level 2	Yes	Yes	272,963	263,504.90	242,559.70
SNAs Level 3	Yes	Yes	846,230	651,730.60	656,368.00

1.4 PFM reform process

The PFM RP was launched by **Samdech Akka Sena Padei Techo Hun Sen**, Prime Minister of the Kingdom of Cambodia on 05 December 2004. The PFM RP is ambitious in its objectives for strengthening PFM systems in order to support Cambodia's development agenda, which includes sustainable economic development, continued progress in poverty reduction and improving delivery of public services. The PFM RP aims to transform an "input-based and centralized management system" to an "output-based and decentralized system" in accordance with the standard and international best practices. The PFM RP consists of four successive stages implemented under four sequenced platforms:

- Platform 1 targeting on budget credibility (2005-2008);
- Platform 2 targeting on financial accountability (2009-2015);
- Platform 3 targeting budget-policy linkages (2016-2022);
- Platform 4 targeting accountability for performance (2023-2027).

At present, the PFM RP is in the Stage 3, expected to be completed by the end of 2022. At this stage, the program budgeting is introduced to all LMs/institutions and C/P administrations as a very important tool to link the national policy, and strategic sectors with the available budget. The roll-out of program budgeting to the 25 C/P administrations²¹ was initiated in 2017 and is scheduled to be completed in 2021, as shown in Table 1.7 below.

²⁰ Each councilor approves the annual budget and submit to MEF for legality control and consolidation. After the MEF submits the draft budget law to CoM and legislature body for approval.

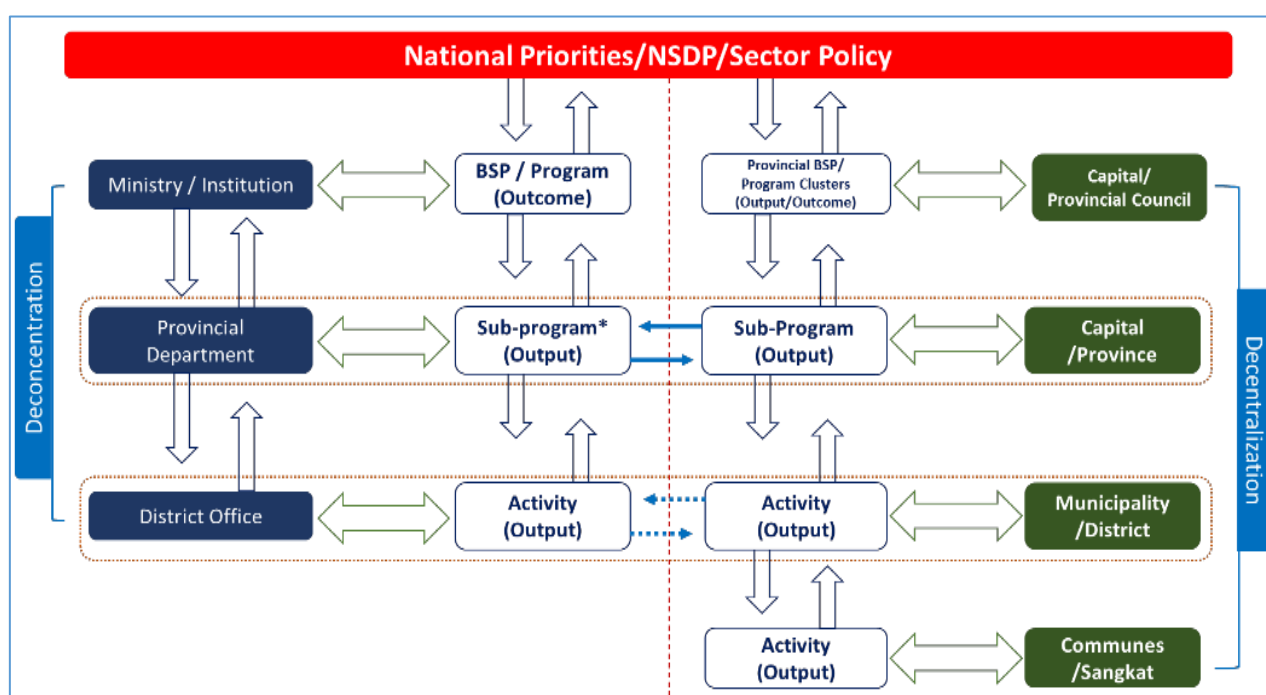
²¹ The rationale underlying the roll-out of program budgeting has been to initially target provinces with relatively smaller total budgets based on total expenditures.

Table 1.7: Program budgeting implementation plan for C/P administrations

2017	2018	2019	2020	2021
Kampong Speu Kep Koh Kong Pailin Kratie Stung Treng	Kampong Chhnang Pursat Takeo Kampot Prey Veng Ratanakiri	Kandal Battambang Banteay Meanchey Svay Rieng Tbong Khmum Mondulkiri	Kampong Cham Kampong Thom Preah Vihear Oddar Meanchey Siem Reap Sihanouk Ville	Phnom Penh

Compared with the national level, the progress in reforming subnational budget processes has been slower, reflecting additional capacity constraints at the SNA. Nonetheless, SNA budget processes are being gradually reformed to shift from an input-based system toward a program-based budget system, with increasing focus on monitoring results to strengthen budget-policy linkages and to move toward the goal of substantive performance accountability by 2025 as indicated in the SBSRS 2019-2025.

Diagram 1.3: Policy and program structure linkages of national and subnational administration



Source: SBSRS 2019-2025

Additionally, the SBSRS 2019-2025 includes a series of sequenced steps for SNA processes aiming to ensure that fundamental (outputs) data requirements are addressed as follows:

- SNA planning and activities being more effectively aligned to the sector priorities of the relevant national-level ministries, with the utilization of standard data templates;
- ensuring responsibilities and accountability at each stage of the budget cycle are well defined;
- codifying the budget calendar at the SNA level with realistic and firm deadlines;
- ensuring that reporting mechanisms are fully operational FMIS.

Currently, there is a lack of horizontal alignment²² of the programs/plans between the subnational and C/P departments’ budgets due to insufficient technical coordination between LMs and SNAs so national and subnational budgets are not integrated. By 2025 C/P BSPs will be horizontally integrated for the SNA budget and aligned vertically²³ to sector priorities of LMs in terms of the C/P line department budget. The process of

²² Subnational budget reflects the aggregation of spending decisions made by the center to be executed within the subnational jurisdiction.

²³ Every line ministry follows a ‘silostucture’ or a ‘stove pipe’ from the central level down to the province level (and possibly to district level). Vertical decentralization allows line ministries a strong role in planning and implementing sectoral services.

horizontal and vertical alignment is made with the objective of using limited resources to generate the maximum results for benefit of the SNAs.

The MEF has established six fiscal transfer instruments as foreseen in the National Program for Subnational Democratic Development (NP-SNDD): a D/M Fund, a formula-based provincial transfer mechanism, a C/S Fund, a SNIF, tax sharing (introduced gradually), and in 2020 conditional grants are being envisaged which had been piloted on a limited scale so far as described in 1.2. The fiscal decentralization and budget system at SNAs in the next the NP-2 would focus on as follows:

- Linkage BSP and annual budget with a 5-year development plan and PIP;
- Revenue transfer is appropriated with functional transfers;
- Create a revenue-sharing fund;
- Revise the PFM system of SNAs to orient performance informed budgeting and implement the program budgeting to align each level of SNAs;
- Increase authority and flexibility for SNAs for budget execution, procurement and own source of revenue;
- Strengthen the role of council of the SNAs for reviewing and endorsement the annual budget proposal;
- Develop standard and procedure of audit on-budget execution of SNAs;
- Study and prepare the PPP framework for SNAs.

Base on the assessment performance report, the PPCA should have priorities actions as follows:

7 Pillars	Priority actions/Recommendations
I. Budget reliability (including intergovernmental fiscal relations)	<ul style="list-style-type: none"> ▪ Central level should clearly identify the conditional transfers to support delegated functions with finance support and establish a well-defined calendar for budget corresponding disbursements. ▪ The PPCA should ensure that the responsibilities and accountability at each stage of the budget cycle are clearly defined.
II. Transparency of public finances	<ul style="list-style-type: none"> ▪ The PPCA should accelerate measures to comply with MEF Prakas (regulations) pertain to 7-segment budget classification in order to support comprehensiveness of budget and reporting, with appropriate increase in training/capacity development programs to support implementation. ▪ The PPCA needs to strengthen the scope and quality of narrative explanation for policy priorities, program objectives and activities, as well as providing an assessment of economic developments objectives, recent and forecasted performance in order establish clear linkages between fiscal and economic policies. ▪ The PPCA should increase budget transparency by publishing budget document and timeliness of consultation. ▪ The PPCA establishes an effective monitoring system both performance and finance timely manner.
III. Management of assets and liabilities	<ul style="list-style-type: none"> ▪ The PPCA should strengthen state property management by using SARMIS and produce the report from this system.
IV. Policy-based fiscal strategy and budgeting	<ul style="list-style-type: none"> ▪ The PPCA should strengthen capacity to improving economic development strategic planning through some clearer linkage of budget expenditures (or revenue policies) to economic growth objectives. ▪ The PPCA further strengthen BSP and annual budget quality and timeliness submission to PPCC and MEF. ▪ The PPCA should do economic growth estimates in its own authority so it will be easy to allocate budget in the certain sector and development areas. ▪ The PPCC should strengthen role as well as check and balance mechanism between the PPCA and PPCC.
V. Predictability and control in budget execution	<ul style="list-style-type: none"> ▪ Changes to the procurement plan need to be conducted according to well-defined procedures and in transparent manner and competitive bidding should be applied to a broader scope of procurement activities. ▪ Establish an internal audit unit to strengthen the quality and effectiveness of its management processes as planned in the SBSRS 2018-2025 and NP-II.

<p>VI. Accounting and reporting</p>	<ul style="list-style-type: none"> ▪ Using FMIS for PFM system in the PPCA and to enhance the accuracy of data for financial reporting. ▪ Advance is clear within the year budget.
<p>VII. External scrutiny and audit</p>	<p>None identified.</p>

2. Detailed analysis of PFM performance

This chapter provides an assessment of the key elements of the PFM system as captured by the 34 PIs. As this is a subnational assessment, HLG-1 was also used to assess transfers from the central government. The PFM performance for each of the PIs was assessed and assigned ratings of 'A' to 'D' according to the scoring criteria for each indicator that must be met in its entirety. The scores may be broadly interpreted as follows:

Score	Meanings
A	Reflects a high level of performance that meets good international practices.
B	Reflects a sound performance in line with many elements of good international practices.
C	Reflects the basic level of performance for each indicator and dimension, consistent with good international practices.
D	Means that the feature being measured is present at less than the basic level of performance or is absent altogether, or that there is insufficient information to score the dimension.

SNG Pillar: Intergovernmental fiscal relations

HLG-1. Transfers from a higher-level government

This indicator assesses the extent to which transfers to the subnational government from higher levels of government (HLG) are consistent with originally approved budgets of higher-level government and are provided according to agreed time frames. The indicator contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

Dimension HLG.1.1: Outturn of transfers from higher-levels of government

Dimension HLG.1.2: Transfers composition outturn

Dimension HLG.1.3: Timeliness of transfers from higher-levels of government

Dimension HLG.1.4: Predictability of transfers.

The NP-SNDD 2010-2019²⁴ aims at gradually decentralizing the delivery of core services from the central government level (ministries and provinces) to subnational authorities (primarily districts and municipalities). In order for SNAs to undertake their new mandates, transferred functions should be accompanied by the transfer of adequate financial and human resources. The NP-SNDD²⁵ comprises the development of a fiscal decentralization policy framework and funding mechanisms for the three tiers: C/P, D/M/K and C/S²⁶. Fiscal decentralization reforms have focused on three of the four basic "pillars" of intergovernmental fiscal relations (IGFR), namely functional assignments, own source revenues and intergovernmental transfers.

The PFMRP has given more attention to how it should embrace fiscal decentralization in terms of revenue sharing and management, the budgetary process, procurement, treasury operation and oversight or transfer of functions and resources to SNAs. The MEF has introduced the six fiscal transfer instruments as indicated in the NP-SNDD, including D/M Fund, formula-based provincial transfer mechanism²⁷, C/S Fund, SNIF, conditional grants²⁸ and tax and non-tax sharing. The PPCA receives only shared tax revenue and implementing as an environmental agency.

HLG-1.1. Outturn of transfers from higher level government

This dimension assesses if and how actual total transfers from higher-levels to SNG deviated from the

²⁴Subnational democratic development refers to development aligned to 8 principles, namely public representation, regional autonomy, consultation and participation, responsiveness and accountability, enhancing quality of life, enhancing equity, transparency and integrity, and anti-corruption and preventing abuse of power.

²⁵This program outlines five program areas, namely subnational institutional development, development of strong human resource management systems, the transfer of functions and resources, subnational budget, financial and property systems and support institutions for D&D reform process.

²⁶All these activities are detailed in the NP-SNDD implementation plan for 2015-2017 ('IP3-2', Component 5 on fiscal decentralization) and largely reflected in the scope of PFMRP CAP3, specifically Objective 35 for fiscal decentralization.

²⁷It is not purely formula-based. C/P transfers are still subject to negotiation and discretionary allocations.

²⁸Conditional grants refer to funding that recipient SNAs manage to implement function(s) that have been delegated by LMs/institutions.

originally budgeted total to be allocated.

Transfers from the national budget are regulated by the Law on the Financial Regime and State Property Management of SNAs (2011, articles 28 to 30), and they are unconditional grant.²⁹ Rules, procedures and modalities for the determination and payment of these unconditional transfers are determined by a sub-decree, revised every 3 years, which describes the formulas which permits the calculation of the grant (population, poverty index, number of villages). Transfers are fully formula-based in the case of districts and communes; however, in the case of capital and provinces, they are also subject to negotiation with the MEF. Final amounts of transfers to SNAs are allocated by the annual budget law (article 24 of Law on Public Finance System).

Sub-decree no.32 ANKr.BK dated 29 February 2016 on the Conducting and Organizing of the SNA Development Fund aims to promote economic development, the performance of duties and the management of public investment. Sub-decree no.06 ANKr.BK dated 05 January 2017 on Transfer of Financial Resources based on Conditions to SNAs aims to provide coordination mechanisms and risk management for the delivering and delegating of functions to SNAs.

Sub-decree no.06 ANKr.BK (2017) states the MEF is responsible for transferring budget to the C/P administration to perform the assigned functions. The RGC issued the Sub-decree no.193 ANKr.BK, dated 4th December 2019, on Assigning Health Service Provided and Management to C/P Administrations. Detailed guidelines are also provided on the budgeting aspects of the newly assigned functions in Prakas no.182 MEF.PrK (2020). Prakas no.182 MEF.PrK (article 5) indicates that the C/P Health Department shall prepare its annual budget following the MEF circular for the national level budget strategic plan (BSP), i.e. not for the SNA. The budget proposal needs to be approved by C/P councils before submitting to MEF and MoH and integrated with the overall MoH overall budget. During budget execution, the Governors of C/P³⁰ administrations is the original budget authorizer. The function is decentralized but the budget is only de-concentrated with the parent LMs.

The unconditional grant has been equal to or higher than the budget law during each of the last three years. PPCA includes such funds in their budget formulated on the basis of unconditional grants, shared taxes and own revenue collections, as per instructions.

In addition, Khans' budgets are part of PPCA's budget and each khan is allocated more than KHR 5,000 million. The C/S fund is transferred through PPCA budget to sangkats. This is not the role of PPCA to transfer to budget to C/S fund but central government.

The environmental service budget is a separate earmarked transfer to designated municipalities for implementing tasks related to solid waste management that stands apart from the conditional transfer system. The budget, which was set at USD 2 million in 2019, is executed as a separate fund flow from the national level to the provincial level and then to 26 targeted municipal administrations using a formula.

Table 2.1: Transfer composition outturn 2018-2020

Shared Revenue with SNAs	2018	2019	2020
Subsidy from national level (included Grant from function implementation agency)	218.7%	600.0%	19.8%
Direct tax-acct.7001 (Tax on property rental)	-	24.3%	4.6%
Special Tax (Public lighting tax)- acct.7003	41.2%	32.0%	3.7%
Tax on specific service	45.4%	42.0%	61.1%

²⁹ The SNIF is the only investment-specific transfer to SNAs. This initiative, launched in 2018 and financially supported by the RGC, is focused on districts in its first phase. Extra resources for capital spending are allocated to the best performing districts across a set of public financial management indicators and practices.

³⁰ The Board of Governors at the C/P level, with the technical support of the respective PHD, is required to prepare an annual work plan and budget for the health sector in its jurisdiction.

Shared Revenue with SNAs	2018	2019	2020
(accommodation and slaughtering)- acct.7004			
Tax on using property and implementation action (patent and transport)-acct.7005	31.3%	26.6%	36.6%
Stamp registration tax- acct.7006	13.2%	6.8%	13.5%
Property tax-acct.7007	28.6%	14.7%	19.2%
Overall variance	161.8%	135.5%	79.4%
Composition variance	52.3%	20.2%	13.7%

Source: PPCA and PPCT

The variances of the last three years are 161.8% in 2018, 135.5% in 2019 and 79.4% in 2020, which indicate serious issues with the accuracy of the revenue forecasts as well as an unpredictable event in 2020 (Covid-19 pandemic). The property tax and stamp registration tax revenue since the MEF revised the tax rate to be paid in real estate values that have grown substantially due to economic growth.

This dimension is scored D because outturn of transfers from central government was not between 92%-116% in the last three years.

HLG-1.2. Transfers composition outturn

This dimension measures the difference between the actual and estimated transfers.

Even though the PPCA has main sources revenue from own-source of revenue, and tax and non-tax revenue sharing, the shared taxation revenues contribute 79% on average for the last three years from 2018 to 2020. Table 2.1 indicated the transfers composition outturn are between 13% and 52% in the last three years as provided reason in HLG-1.1. In 2020, the MEF issued two circulars on budget rationalization in order to cut the budget for reallocating for fighting Covid-19 pandemic so it impacts on budget transfer in 2020.

This dimension was scored D because the transfers composition outturn was 52.3% (2018), 20.2% (2019) and 13.7% (2020).

HLG-1.3. Timeliness of transfers from higher level government

This dimension assesses the in-year timeliness of transfers from higher-level governments, with reference to timetables for in-year distribution of disbursements.

After the annual budget proposal is passed by Parliament and promulgated by King, the MEF issues budget books by economic and program classifications for 2020 and 2021 and sends budget institutions. The PPCA received budget books 2019 and 2020 from the MEF on 29 January 2020 and 26 January 2021 respectively.

In the current practice, LMs send requests to the MEF for any budget transfer to the PPCA. After the MEF issues a Prakas on additional appropriation to the PPCA, the PPCA is able to execute the budget. This process can take a considerable amount of time, and there is no specified calendar determining the timing for disbursement.

The PPCA and Khan administrations' budgets are based their own sources of revenue and tax sharing revenue. This does not depend on central government budget. The PPCA and Khan administrations are able to execute budget if the is available a cash balance in treasury account. The actual expenditure of the PPCA by quarterly from 2018-2020 in diagram 2.2 (PI-22) indicated in quarter 4 of each year expenditure is more than 50% of the total budget (55% in 2018, 62% in 2019 and 54% in 2020).

This dimension is scored D because there is no disbursement timetable that is agreed at the beginning of the fiscal year and actual transfers have not been distributed evenly across the year in last three fiscal years.

HLG-1.4. Predictability of transfers

This dimension assesses the extent to which the HLG provides information to the SNG on the amount and composition of transfers for the current fiscal year and the two following fiscal years.

In compliance with the Law on Public Finance System (2008), Law on Financial Regime and State Property Management for SNAs (2011), after the head of RGC approved on the macroeconomic and fiscal policy framework, the MEF issued circulars on the Guidance on BSP and Annual Budget Formulation that set out the main steps of the budget calendar for SNAs' budget formulation.

As circulars on Guidance on BSP and Annual Budget Preparations, SNA budgets indicate fiscal year and next year's budget based macroeconomic and fiscal policy framework, especially for C/P administration. The Governor of the PPCA after receiving the annual package of budget from the MEF shall estimate the total potential revenue to prepare the budget proposal and submit it to the PPCC to review and endorse no later than July 15, 2021.

The budget of the PPCA shall include the budget of the Khan Administration. The Governor of PPCA shall allocate and inform the budget to Khan administrations no later than June 30, 2021, as well as shall support Khan administrations' budget to submit to its council no later than July 10, 2021. The PPCA shall send the annual package of budget proposal endorsed to PPCDEF no later than 19 July 2021.

This dimension is scored C because the central government provides information on the fiscal year and next following year by providing partial explanations of all changes between 2020 and 2021; however, it is not broken down by head administration of SNA level 1.

Table 2.2: Scores for HLG-1

PI	Dimension	Score	Brief justification for score
HLG-1	Transfers from a higher level of government	D	Scoring method M2
HLG-1.1	Outturn of transfers from higher-levels government	D	The variances of the last three years are 161.8% in 2018, 135.5% in 2019 and 79.4% in 2020.
HLG-1.2	Transfers composition outturn	D	The transfers composition outturn was 52.3% (2018), 20.2% (2019) and 13.7% (2020).
HLG-1.3	Timeliness of transfers from higher-levels government	D	There is no a disbursement timetable that is agreed at the beginning of the fiscal year and actual transfers have not been distributed evenly across the year in last three fiscal years.
HLG-1.4	Predictability of transfers	C	The central government provides information on the fiscal year and next following year by providing partial explanations of all changes between 2020 and 2021; however, it is not broken down by head administration of SNA level 1.

Ongoing reforms

The PPCA transfers functions to 14 khan administrations to provide service to people; however, they lack human resources to technical support from technical LMs/institutions that will be addressed in the next NP-2.

HLG-2. Fiscal rules and monitoring of fiscal position

HLG-2 assesses the extent to which the central government sets fiscal rules framing the budget and granting subnational governments the right to borrow. It also assesses the extent to which the central government monitors the financial position of subnational governments. It contains the following three dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

HLG-2.1: Fiscal rules for subnational governments

HLG-2.2: Debt rules for subnational governments

HLG-2.3: Monitoring of subnational governments.

The Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) and Law on Public Finance System (2008) provided a framework for transforming the subnational administration system into a unified administration to enhance, promote and sustain democratic

development by defining its role, functions and rights corresponding to the types of subnational administrations.

HLG-2.1. Fiscal rules for subnational governments

According to the article 17 and 18 states the annual budget plan of the SNA plans, and allows all sources of revenues and liabilities to ensure budget balance. All SNAs are required to follow a zero-budget balance approach, which means that they can only spend up to the amount that has been budgeted for revenues (including transfers), noting that some SNAs are allowed to “carryover” remaining balances from the preceding financial year to fund spending activities. Article 42 (new) of the Law on the Financial Regime and State Property Management of SNAs (2011), in the case of the implementation of the budget of the SNAs is deficit, SNAs shall be subject to the implementation of all measures to reassure the budget balance.

During the fiscal year, if the actual revenue of the SNA budget exceeds the approved annual revenue plan, the appropriation may be increased or regulated to benefit the subnational administrative budget by a Prakas of the Minister of Economy and Finance in accordance with excess revenue as in accounting record.

At the end of the budget year, the budget surplus of the SNAs shall be transferred to the subnational administrative fund account in the national treasury to accumulate to the next year’s budget. The use of this fund shall be planned by the budget of each SNA in the annual financial management law.

However, it is noticed that there is no sanction that has been used for SNAs, including the PPCA. In PI-22.1, stock of expenditure was incurred, but the materiality is low base on current practice.

This dimension was scored A because the provincial administrations respect fiscal rules and the materiality is low that incurred liability.

HLG-2.2. Debt rules for subnational governments

The PPCA’s financial internal control system is governed by the Law on Public Finance System (2008) and Law on Financial Regime and State Property Management for SNAs (2011). This indicator is not applicable for assessing PPCA’s PFM System performance since borrowing right belongs to the central government.

HLG-2.3. Monitoring of subnational governments

This dimension assesses the extent to which information on financial performance, including the central government’s potential exposure to fiscal risks, is available through the audited annual financial statements of SNAs.

Based on Circular no.009 MEF, dated 30 December 2019, on the implementation of financial management law for SNAs (2020), the reports on revenue and expenditure at C/P and D/M/K administrations shall be consolidated and submitted reports to MoI, MEF, and C/PDEF by monthly, quarterly, semi-annually, and annually. The report shall be sent no later than 15 days of each ending period (N+15 days).

The PPCA cover expense about 50% of the total expenditure of SNAs. Official budget execution report 2020 of PPCA is submitted to the MEF on 23 August 2021.

This dimension is scored C because a consolidated budget execution report of PPCA is submitted to MEF late more than 6 months.

Table 2.3: Scores for HLG-2

PI	Dimension	Score	Brief justification for score
HLG-2	Transfers from a higher level of government	C+	Scoring method M1
HLG-2.1	Fiscal rules for subnational governments	A	The provincial administrations respect fiscal rules by following a zero-budget balance approach.
HLG-2.2	Debt rules for subnational governments	NA	-
HLG-2.3	Monitoring of subnational governments	C	A consolidated budget report of PPCA is submitted to MEF late more than 6 months.

Pillar one: Budget reliability

Pillar One assesses whether the government budget is realistic and implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget. Realistic and reliable budgets underpin good fiscal management and are essential for long-term fiscal sustainability.

Pillar one has three indicators:

- ◆ PI-1. Aggregate budget outturn
- ◆ PI-2. Expenditure composition outturn
- ◆ PI-3. Revenue outturn.

PI-1. Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator – Dimension 1.1: Aggregate expenditure outturn.

Financial control performed by PPCDEF via ex-ante control includes the budget of SNAs and LM departments, but not the budgets of C/S administrations. The PPCT controls all payments for SNAs as a public accountant.

The assessment for this indicator refers only to the original budget estimate as approved by the legislative body and it covers expenditure whose sources originate from locally generated revenue; unconditional grant and shared taxes. During the budget year, if actual revenues of the SNAs exceed annual planned revenues, the appropriations can be increased based on legal authorization, according to the recorded amount of excess revenue, to benefit the budget of other SNAs by Prakas of MEF. On the other hand, this excess revenue collection typically is reclaimed by the central government for redistribution, including to other SNAs.

The results in Table 2.4 presented the comparison of the initial planned expenditures and actual expenditure outturns for the PPCA within 5 percent in 2018 and 2019 except 2020. The main differences in annual spending are for building physical infrastructures in Phnom Penh including Win-Win boulevard, Samdech Techou 60-meter Boulevard, etc.

This indicator was scored as D because outturns were 139.8%, 160.1%, and 67.1% in 2018, 2019, and 2020 respectively.

Table 2.4: Comparison of budgeted estimates against actuals (KHR million)

Descriptions	2018	2019	2020
Aggregate budgeted expenditure	599,788.00	639,550.00	1,088,181.00
Aggregate outturn	838,343.96	1,023,808.64	729,961.09
Aggregate expenditure deviation	238,555.96	384,258.64	358,219.91
Aggregate expenditure outturn in %	139.8%	160.1%	67.1%

Table 2.5: Scores for PI-1

PI	Dimension	Score	Brief justification for score
PI-1	Aggregate expenditure outturn	D	Aggregate expenditure outturns were 139.8%, 160.1%, and 67.1% in 2018, 2019, and 2020 respectively.

Ongoing reforms

The PPCA begins implementing program budgeting in 2021. Implementation of program budgeting can potentially contribute to a more understandable and comprehensive budget. Meanwhile, the MEF GDSNAF studied to create budget entities under PPCA to provide more flexibility, accountability, and transparency. Notably, khan administrations become budget entities in 2022 and are obligated to send procurement plan to the PPCDEF no later than the 3rd week of November and before 31 December the PPCDEF approves on procurement plan.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

- Dimension 2.1: Expenditure composition outturn by function
- Dimension 2.2: Expenditure composition outturn by economic type
- Dimension 2.3: Expenditure from contingency reserves.

2.1 Expenditure composition outturn by administration

This dimension compares budgeted and actual expenditure by administrative/functional classification.

The PPCA prepares the annual budget based on only economic classification. The program classification is used for the annual budget FY2021, and administration classification is not presented by main headings. Additionally, the functional classification is not implemented since MEF will issue the Prakas to execute in 2022.

This dimension is scored NA because the PPCA uses only economic classification which cannot be categorized by function/ program/administration.

2.2 Expenditure composition outturn by economic type

This dimension compares budgeted and actual expenditure by economic classification. Overall, the variance in expenditure composition between actual and budget ranged between 11% and 19.9% across the period 2018-2020. The variances are mainly attributable to two factors: changes in procurement plans of more than 20% annually and additional expenditures financed by higher than planned shared tax revenue. The table suggests that the budget is not a strong predictor of actual outcomes.

Table 2.6: Expenditure outturns by economic classification (actuals/estimates)

Descriptions	2018	2019	2020
Use of goods-ch.60	40.6%	43.8%	57.4%
Use of services-ch.61	4.2%	80.0%	68.4%
Compensation of employees-ch.64	31.4%	37.8%	22.4%
Social benefits-ch.62	31.1%	37.9%	37.6%
Subsidy-ch.65	23.8%	35.6%	41.1%
Tax and excise-ch.63	-	-	37.5%
Investment-ch.21	2.0%	30.3%	52.3%
Aggregate expenditure outturn in (%)	139.8%	160.1%	67.1%
Composition variance (PI-2)	14.8%	47.6%	55.9%
Contingency share of budget	5.7%	0.0%	5.0%

Source: GDNT, GDSNAF, and PPCA

This dimension was scored D because the variance in expenditure composition exceeded 15% in two (2019 and 2020) of the last three fiscal years.

2.3 Expenditure from contingency reserves

The dimension measures the average amount of subnational expenditure(s) actually charged to the contingency reserve as a percentage of the total budget approved by the subnational council (including expenditures funded by transfers to the subnational government and approved by the national legislature).

The approved amount for contingency expenditure can, in accordance with the law, be used for any category of expenditure as proposed by the governor, subject to the council's approval.³¹ Chapter 69 is contingency vote. The PPCA cannot directly execute so the PPCA shall transfer this chapter to other chapters, especially

³¹ Article 41 of Law on Financial Regime and State Property Management for SNAs (2011)

Chapter 64-Payroll and Chapter 20 and 21-Capital. In the circular on the preparation of both BSP and annual budget, the PPCA is required to plan a contingency of 5%. The average amount of expenditure actually assigned to the “contingency vote” over the last three years is 3.6%.

This dimension was scored B because on average actual expenditure charged to contingency funding was higher than 3% but below 6% in each of the last three years.

Table 2.7: Scores for PI-2

PI	Dimension	Score	Brief justification for score
PI-2	Expenditure composition outturn	D+	Scoring method M1
2.1	Expenditure composition outturn by function	NA	The PPCA follows the line-item budgeting system and uses only economic classification.
2.2	Expenditure composition outturn by economic type	D	The variance in expenditure composition exceeded 15% in two (2019 and 2020) of the last three financial years.
2.3	Expenditure from contingency reserves	B	The average amount of expenditure actually charged to the contingency vote over the last three years is 3.6%.

Ongoing reforms

With the goal of reducing the high concentration of spending in the 4th quarter, the PPCA is required for submitting the draft annual procurement plan together with the annual budget proposal as the basis for budget negotiations with the MEF.

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

Dimension 3.1: Aggregate revenue outturn

Dimension 3.2: Revenue composition outturn.

Assessment of this indicator is based only on nontax revenues collected by the PPCA as well as by capital line departments on behalf of PPCA and line ministries/institutions. Shared taxes controlled and administered by the central government are not included here, as revenues accruing to the PPCA from those tax is considered to be a transfer and assessed as such under HLG-1. SNAs do not have the authority to raise new taxes or to change the base or rates of existing taxes.

Sub-decree no. 72 ANKr.BK dated 07 June 2018 on Non-Tax Revenue Management indicates the clarification of roles and responsibilities of key actors at both national and subnational administrations, and the modernization of non-tax revenue management (especially the introduction and expansion of the Non-Tax Revenue Management Information System (NRMIS). Improvements have also been made in actual revenue collection, leading to reductions in nontax revenue arrears. Five different types of nontax revenue are defined in Sub-decree no. 72 ANKr.BK, namely revenue from public service fees, revenue from state assets, revenue from state-owned enterprise dividends, revenue from fines and penalties, and revenue from other sources.

The nontax revenue is classified in the Chart of Accounts (CoA) into three chapters (Chapters: 72 – State Property Revenue; 73 – Income from Sales, Rental of Properties and Services; and 74 – Fines and penalties), 12 accounts and 64 sub-accounts.

The PPCA has only three sources of revenue, which are: shared tax revenues and agency fees for special services performed by capital administration on behalf of line ministries. In addition, national transfers for sangkat administrations within PPCA are also channeled through the PPCA budget.

3.1 Aggregate revenue outturn

This dimension assesses the change in revenue between the original approved budget and the end-of-year

outturn.

Part of total local nontax revenues is collected by PPCA, while other non-tax revenues are collected by line departments and other entities and on behalf of PPCA.

Table 2.8: Type of non-tax revenue collection

Type of nontax revenue	Responsible entity
City bus	Public Transport Authority Phnom Penh Municipal Bus
Sewage fee	CENTRI Company Co. LTD (private company)
Landfill site fee ³²	Phnom Penh Capital Hall
Advertisement fee	Phnom Penh Capital Hall
Market fee	PPCDEF
Mine business	Phnom Penh Capital Department of Mine and Energy
Tourism places (Wat Phnom)	Phnom Penh Capital Department of Culture and Fine Arts
License for broadcasting	Phnom Penh Capital Hall
Administrative services in 14 sectors (legalization, civil registration, education, health, transportation, cadaster, construction, commerce, tourism, culture, agriculture, administrative affairs related to industry, mines and energy)	OSWU

In 2020, the OWSU in the PPCA provided a total of 60,057 services and earned KHR 12,700,968,500.

Table 2.9: Service and revenue collection under OWSU (Unit: KHR)

No.	Sectors	No. of service	Amount of revenue
1	Legalization	9,244	312,959,000
2	Administration	9	40,300,000
3	Health	805	317,700,000
4	Tourism	665	352,426,000
5	Public work and transport	383	56,653,500
6	Culture and fine arts	1	200,000
7	Information	384	35,210,000
8	Environment	14	2,900,000
9	Industry and handicraft	278	32,100,000
10	Mine and energy	-	-
11	Business	134	8,160,000
12	Land Management, Urban Planning and Construction (A)+(B)	30,964	10,780,677,800
	(A) Construction	417	1,343,671,600
	(B) Cadastral	30,547	9,437,006,200
13	Agriculture Forest and Fisheries	12,581	507,462,200
14	Labor and vocational training	4,595	254,220,000
	Total	60,057	12,700,968,500

³² Company pays USD 0.25 per ton to Phnom Penh Capital Hall.

In 2020, the OWSO in the PPCA provided a total of 486,528 services and earned KHR 8,044,363,870.

Some limited information regarding nontax revenues can be found on the PPCA website, but the information is not up to date and there is no listing of “frequently asked questions”. In Phnom Penh, household liability for payment of solid waste fees increased to USD 20 million, but no payments have been made or received.

Table 2.10: Nontax Revenue outturn (KHR million)

Type of revenue	2018		2019		2020	
	budget law	actual	budget law	actual	budget law	actual
Concession and rental land-acct.7200	10,930	701,5	430	587	480.0	537.9
Income of administrative public enterprises - operational services (for profit) sub-acct.7300&7301	0	11,560	10,500	8,208	11,668.0	6,689.2
Administrative fees-acct.7302&7308	630	798	730	717	7,880.4	7,147.3
Service delivery-acct.7304	1,050	1,771	1,102	8,410	44,429.8	92,403.9
Rental immovable state properties-7305	2,085	1,963	2,335	2,051	2,324.0	2,000.9
Others-acct.7401 & 7698 ³³	0	0	-	13	134.0	917.9
Overall variance	114.3%		132.4%		163.9%	
Composition variance	145.4%		76.4%		36.0%	

In fact, non-tax revenue is a type of fixed revenue, which has specific contracts and the differences in each year is mainly from deposit and attuniate expense.

This dimension was scored D because outturns were 114.3% (2018), 132.4% (2019) and 163.9% (2020).

3.2 Revenue composition outturn

Compositional variance in revenue outturn has been calculated on the basis of nontax revenue categories.

This dimension was scored D because the compositional variance was more than 15% in two of the last three years.

Table 2.11: Score for PI-3

PI	Dimension	Score	Brief justification for score
PI-3	Revenue outturn	D	Scoring method M2
3.1	Aggregate revenue outturn	D	Aggregate revenue outturn is 114.3%, 132.4 %, and 163.9% in 2018, 2019, and 2020 respectively.
3.2	Revenue composition outturn	D	Revenue composition outturn is 145.4%, 76.4% and 36.4% in 2018, 2019, and 2020 respectively.

³³ It refers to attuniate expense and exchange rate differentiation.

Ongoing reforms

The RGC adopted the Revenue Mobilization Strategy 2019-2023 (May 2019) covering both tax and nontax revenues. In this regard, the PPCA is to strengthen nontax revenue collection and management by exploring options for significant new revenues and review existing leasing contracts to reflect current market prices.

The MEF has been rules and regulations for implementing the Law on Management of Nontax Revenue (2022) and the Law on Managing, Organizing and Utilizing State Property (2020), with both expected to strengthen relevant revenue collections.

Pillar two: Transparency of public finances

Pillar II assesses whether information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, the transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.

Pillar two has six indicators:

- ◆ PI-4. Budget classification
- ◆ PI-5. Budget documentation
- ◆ PI-6. Central government operations outside financial reports
- ◆ PI-7. Transfers to subnational government
- ◆ PI-8. Performance information for service delivery
- ◆ PI-9. Public access to fiscal information
- ◆ PI-9bis. Public consultation.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and account classification are consistent with international standards. There is one dimension for this indicator: 4.1 Budget classification.

The MEF has issued a series of Prakas (regulations) on implementation of a 7-segment budget classification with the following segments:³⁴

- administrative classification covers all budget entities;
- economic classification covers by chapter, account, and sub-account;
- functional classification link with program classification. Currently, it is not clear how one can identify and track the conditional transfer either for assigned or delegated functions from national to SNA.
- program classification (covers policy objective, program, sub-program and activity cluster)
- project classification covers projects that are financed by national budget and development partners.
- source of fund (covers domestic or external financing);
- geographic classification disaggregates the spending by location.

The revised administrative classification was issued for implementation on 03 August 2017 to the execution of expenditure and revenue by entities at national and subnational administrations. At SNAs, 3 levels are used as C/P-3 digits, D/M-5 digits, and C/S-7digits.

Notably, the PPCA used the administrative classification for 1 digit for high level head, economic classification in detail and program classification for 2021.

This indicator is scored D because the PPCA prepares, implements and monitors its budget based only economic and program classifications.

³⁴ - Prakas no.189 MEF.PrK dated 22 February 2013 on the Implementation of Economic Classification
 - Prakas no.242 MEF.PrK dated 27 February 2015 on the Implementation of Geography Code
 - Prakas no.523 MEF.PrK dated 09 May 2017 on the Implementation of Economic Classification for National and Subnational Administrations
 - Prakas no.549 MEF.PrK dated 22 May 2017 on the Implementation of Revision and Additional Geography Code
 - Prakas no.732 MEF.PrK dated 14 July 2017 on the Implementation of Sources of Fund Classification for National and Subnational Administrations
 - Prakas no.772 MEF.PrK dated 03 August 2017 on the Implementation of Administrative Classification for National and Subnational Administrations
 - Prakas no.882 MEF.PrK dated 07 September 2017 on the Implementation of Project Classification for National Administration
 - Prakas no.996 MEF.PrK dated 11 October 2017 on the Implementation of Functional Classification for National and Subnational Administrations
 - Prakas no.1022 MEF.PrK dated 17 October 2017 on the Implementation of Program Classification for National and Subnational Administrations

Table 2.12: Score for PI-4

PI	Dimension	Score	Brief justification for score
PI-4	Budget classification	D	The PPCA prepares and monitors its budget based on only economic classifications.

Ongoing reforms

By the end of 2021, the MEF GDSNAF will issue a Prakas on functional classification for SNAs. All C/P administrations will use functional classification in 2022.

PI-5. Budget documentation

This indicator assesses the comprehensiveness of information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is only one dimension for this indicator: 5.1 Budget document.

The assessment of performance on this indicator is based on the contents of the budget document for FY2021.

Table 2.13: Critical elements of budget documentation

Full Description of PEFA 2020 requirements	Requirements Fulfilled (Yes/No)	Information included in 2021 budget
Basic elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result.	No	The MEF is responsible for fiscal forecasting and the PPCA implements the zero-balance budget system.
2. Previous year's budget outturn, presented in the same format as the budget proposal.	No	Annual budget document for 2021 includes economic classification and program budget. The PPCA prepared the annual budget proposal is based on MEF's circular. The MEF consolidates both national and subnational administrations. However, the PPCA does not include the outturn of the budget 2019 that is presented in parallel to the proposals for 2021.
3. Current fiscal year's budget is presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	In 2021, information is included only for the main categories of revenue and current expenditure. The estimated outturn for 2020 should be presented in parallel to the proposals for 2021 as instructed in the circular on annual budget preparation.
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	No	The budget data cover only 1 st digit level 1, level 2 and level 3 of SNA, including revenue and expenditure data are classified by economic classification.
Additional elements		
5. Deficit financing, describing its anticipated composition.	NA	Borrowing is not allowed for SNAs according to the Law on Public Finance System (2008) and Law on Financial Regime and State Property Management for SNAs (2011).

Full Description of PEFA 2020 requirements	Requirements Fulfilled (Yes/No)	Information included in 2021 budget
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	NA	No estimates of economic growth in the PPCA, inflation and interest rates are shown. Such information is covered by the national budget instructions. It is under responsible by MEF. ³⁵
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standards.	NA	The PPCA is not allowed to borrow.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standards.	No	No information included. The PPCA follows a zero-budget balance approach, i.e. the PPCA is not carrying over next year's budget. Budget proposal presents with economic and program classifications.
9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No	No information included.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	No	No information included.
11. Documentation on the medium-term fiscal forecasts. In this element, the content of the documentation on the medium-term forecast should include as a minimum medium-term projection of expenditure, revenue, and fiscal balance.	No	Currently, SNAs do not have the medium-term budget estimate indicating 3-year celling. However, the PPCA has prepared a 3-year BSP which includes estimates of annual revenues and expenditures over a 3-year horizon. It should be noted that the out-year estimates are not robust.
12. Quantification of tax expenditures. In this element, tax expenditure refers to revenue foregone due to preferential tax treatments such as exemptions, deductions, credits, tax breaks, etc.	NA	Tax expenditures are under the control of the MEF.

The indicator is scored D because only one basic element is met.

Table 2.14: Score for PI-5

PI	Dimension	Score	Brief justification for score
PI-5	Budget documentation	D	There is only one requirement for basic that is fulfilled.

³⁵ <https://mef.gov.kh/>

Ongoing reforms

None identified.

PI-6. Government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside the government's core financial reports. It contains the following three dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 6.1: Expenditure outside financial reports
- Dimension 6.2: Revenue outside financial reports
- Dimension 6.3: Financial reports of extra-budgetary units.

Article 70 of the Law on Public Finance System (2008) requires PAEs and state-owned enterprises (SOEs) to follow all laws and regulations on public procurement.

The Royal Decree (2015) on the Legal and Regulatory Frameworks for PAEs establishes rules and regulations for PAEs.³⁶ Article 6 of Royal Decree no. 0518/590 states that all PAEs shall be established through Royal Decree or Sub-decree based on the proposal of the technical LMs, institutions and the MEF. Article 26 assigns the head of the PAEs as the delegated budget authority from the ministers of the technical LMs. Article 32 defines that the budget of the PAEs is comprised of public funds of the state. PAEs' budget, with any state subsidy, shall be recorded in the treasury single account (TSA) except the MEF's permit. This means that PAEs can open and use one or more commercial bank's accounts to manage the revenue from their activities or other sources of funds. PAEs' accountants shall be recognized by Prakas of MEF and the MEF assigns one financial controller to attach each PAE.

By 2019, at the national level, there are 28 PAEs, of which 9 PAEs are under MoH, 4 PAEs are under Ministry of Culture and Fine Arts, 2 PAEs are under Ministry of Education, Youth and Sport, 5 PAEs are under the Ministry of Agriculture, Forestry and Fisheries, 2 PAEs are under the Ministry of Labour and Vocational Training, 3 PAEs are under Ministry of Social Affairs, Veterans and Youth Rehabilitation, and 1 each PAE is under Office of the Council of Minister, Ministry of Tourism and Ministry of Defense.

6.1 Expenditure outside financial reports

This dimension assesses the amount of expenditure incurred by budgetary and extrabudgetary units (including social security funds) at the subnational level but not reported in the SNG financial reports.

In accordance with the Law on Public Finance System (2008), article 19 states that revenues shall be fully recorded and shall not be used to directly offset expenses. There is no PAE under the control of PPCA.

Social security fund is currently financed by the central government to cover health insurance for civil servants.

This dimension is scored A because there is no expenditure outside financial reporting in the last three FYs.

6.2 Revenue outside financial reports

This dimension assesses the magnitude of revenues received by budgetary and extrabudgetary units (including social security funds) at the subnational level but not reported in the SNG financial reports.

According to Sub-decree no. 18 ANKr.BK (2017), specific services are transferred (mostly through delegation, not assignment) to both the top-level C/P administrations through OWSU and D/M/K administrations through OWSO. At present, the C/P line departments of MEF (C/PDEF) collect state property revenues on behalf of the C/P administrations.

Revenue outside financial reports refers only to project donations in kind. The value of the donations is not known since DPs work with respective LMs.

³⁶ Royal Decree no. 0518/590, dated 28 May 2018, on the Amendments to the Royal Decree on the Legal and Regulatory Frameworks for PAEs.

For this practice, the Working Group for Subnational PEFA Assessment for PPCA can estimate revenue outside financial report can be less than 1 percent since revenue fees from schools and hospitals are not in control of PPCA.

This dimension is scored A because revenue outside financial reporting can be less than 1 percent of PPCA's revenue in the last three financial years.

6.3 Financial reports of extra-budgetary units

This dimension refers to ex-post financial reports of subnational extrabudgetary units that are provided to the subnational government.

This dimension is scored as NA because there are no extra-budgetary units under PPCA.

Table 2.15: Score for PI-6

PI	Dimension	Score	Brief justification for Score
PI-6	Government operations outside financial reports	A	Scoring method M2
6.1	Expenditure outside financial reports	A	All PPCA's expenditure is reported in monthly and annual expenditure reports.
6.2	Revenue outside financial reports	A	All PPCA's revenue is reported in monthly and annual revenue reports.
6.3	Financial reports of extra-budgetary units	NA	There are no extra-budgetary units under PPCA.

Ongoing reforms

The MEF is drafting the new Law on Public Finance System. This law will allow having PAEs at SNAs; however, there will need to have more rules and regulations to govern.

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from the assessed government to lower levels of government with direct financial relationships to it. The indicator is comprised of the following two dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

Dimension 7.1: System for allocating transfers

Dimension 7.2: Timeliness of information on transfers.

The Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) states that functions are to be transferred to councils of capital, provinces, municipalities, districts and khans (article 214, 217, 277, 278 and 281). Furthermore, article 44 of this law states the capital, provincial, municipal and district councils shall have their own budget, which is to be referred to as budget of the SNAs. Khans and Sangkats within the PPCA shall have their budgets defined within the PPCA's budget.

The MEF is responsible for the formulation and implementation of policies and mechanisms for fiscal decentralization, including revision of the legal framework and development of new legislation and regulations.

7.1 System for allocating transfers

This dimension assesses the extent to which transparent, rule-based systems are applied to budgeting and the actual allocation of conditional and unconditional transfers.

The khan budget is determined by discussion between PPCA and Khan administration. While sangkat's budgets under the PPCA are primarily determined by C/S fund allocations in the same way as for all C/S administrations, but in case of sangkats inside PPCA, the C/S fund allocations are channeled through the PPCA budget.

At the planning phase, the PPCA includes 100 percent of the planned tax revenue in their revenue budget (Chapter 70) and the shared tax revenue for D/M/K and C/S in their subsidy expenditure (Chapter 65012 for D/M/K and 65013 for C/S). Khans' budget is a part of PPCA's budget. Annually, the PPCA allocated an amount of KHR 5,000 million per khan. Sangkats received between 33-47 percent compared total transfer to both lower tiers (khans and sangkats) with the rule-based system.

Table 2.16: Inclusion of different budget transfers in the budget-planning stage

Types of transfer	Inclusion in the budget planning stage?	Notes
Unconditional transfer from national level	Yes	Follow the annual budgeting process and calendar.
Shared tax from C/P to D/M/K and C/S administrations	No	Treated as 'in-year' budget adjustment/ addition.
Conditional transfer	No	-
SNIF	No	Project-based and Khan administrations are not in the competition yet.
Environment service budget	No	Treated as 'in-year' budget adjustment/ addition.
Transfer from development partner projects	No	Project-based.

This dimension is scored C because Khan budgets are a part of the PPCA budget and are not determined by a rule-based system but sangkats received between 33-47 percent compared total transfer to both (khans and sangkats) with the rule-based system.

7.2 Timeliness of information on transfers

This dimension assesses the timeliness of reliable information provided to lower-tier of SNG on their allocations from the SNG being assessed for the coming year.

According to article 35 of Law on Financial Regime and State Property Management for SNAs (2011), the Minister of the Economy and Finance shall prepare the circular on technique of budgeting specifying the procedures for budgeting and related documents to be attached and sent to the SNAs to prepare their revenue and expenditure plan within the first week of June. In practice, the circular is attached with preliminary budget allocation and budget meeting schedule to all SNAs. The MEF issued Circular no.005 to all SNAs on June 25, 2020, and attached with a letter of preliminary budget and meeting invitation letters to all SNAs. Therefore, SNAs received information of their annual transfers more for than six weeks to complete their budget planning before submitting it to the MEF (by 15 August for the latest).

In the current practice, the transfer to the lower-tier of PPCA as follows:

Khan administrations:

- After receiving the revenue from the allocation of the Khan fund, revenue sharing and own source of revenue, the Governor of Khan administrations shall start to prepare annual budget proposals and submit to councils for endorsement no later than 15 July of N-1.
- After receiving the budget package from PPCA, the Governor of Khan administrations shall prepare and submit the budget proposal to councils for endorsement no later than 10 July of N-1 and then to the PPCA no later than 15 July of N-1.
- Khan administrations shall submit annual budget proposals that councils endorse to PPCA and MEF no later than 19 July of N-1.
- PPCDEF prepares programs with coordination with the Governor of PPCA for legality control no later than 09 August of N-1.

Sangkat administrations:

- After receiving an allocation of the C/F fund, revenue sharing and own source of revenue, Sangkat administrations have a basis for preparation of annual budget proposal and submit to respective council for approval no later than 09 August of N-1.
- They submit the budgets to the C/P administrations for information in October of the year prior to

the budget year. In practice, the C/S administrations are informed in July about their subsidy for the coming year.

Table 2.17: 14 Khan and Sangkat administrations submit the annual budget proposal to PPCA

No.	Khan administration	Code	FY 2018		FY 2019		FY 2020	
			Endorsement at Khans	Submission to PPCA	Endorsement at Khans	Submission to PPCA	Endorsement at Khans	Submission to PPCA
1	Chamkarmon	91201	13/09/2017	06/10/2017	31/08/2018	12/09/2018	03/10/2019	16/10/2019
2	Daun Penh	91202	02/10/2017	08/11/2017	05/09/2018	12/09/2018	21/08/2019	03/09/2019
3	7 Makara	91203	10/11/2017	20/11/2017	17/10/2018	07/11/2018	29/08/2019	09/10/2019
4	Tuol Kork	91204	11/09/2017	10/10/2017	03/09/2018	10/09/2018	04/10/2019	17/10/2019
5	Dangkor	91205	31/10/2017	15/11/2017	12/11/2018	05/12/2018	06/09/2019	07/10/2019
6	Meanchey	91206	10/11/2017	27/11/2017	04/12/2018	28/12/2018	04/10/2019	25/10/2019
7	Russei Keo	91207	04/09/2017	06/11/2017	09/09/2018	17/12/2018	06/09/2019	25/10/2019
8	Sen Sok	91208	16/10/2017	29/12/2017	12/07/2018	31/12/2018	19/11/2019	31/12/2019
9	Pou Senchey	91209	03/10/2017	15/11/2017	31/08/2018	14/09/2018	09/08/2019	02/09/2019
10	Chrouy Changva	91210	29/09/2017	17/10/2017	11/06/2018	13/12/2018	26/09/2019	21/10/2019
11	Preaek Pnov	91211	29/08/2017	15/09/2017	20/08/2018	14/09/2018	23/08/2019	16/09/2019
12	Chbar Ampov	91212	13/06/2017	28/08/2017	23/07/2018	17/12/2018	29/07/2019	18/10/2019
13	Boeng Keng Kang	1213	Not yet established	Not yet established	Not yet established	Not yet established	24/10/2019	28/10/2019
14	Kamboul	1214	Not yet established	Not yet established	Not yet established	Not yet established	21/10/2019	01/11/2019

However, most of sangkat administrations submit annual budget proposal late to the PPCA.

This dimension is scored C because khan administrations are able to execute budget without any delay and received information for budget planning before fiscal year; however, there is no budget disbursement calendar.

Table 2.18: Score for PI-7

PI	Dimension	Score	Brief justification for Score
PI-7	Transfers to subnational governments	C	Scoring method M2
7.1	System for allocating transfers	C	Khans' budget are a part of the PPCA's budget and are not determined by a rule-based system but sangkats received between 33-47 percent compared total transfer to both lower tiers (khans and sangkats) with the rule-based system.
7.2	Timeliness of information on transfers	C	Khan administrations are able to execute the budget without delay and received information for budget planning before fiscal year but there is no calendar for budget disbursement.

Ongoing reforms

The budget execution is more predictable when Khan administrations are authorized as budget entities in 2022.

PI-8. Performance information for service delivery

This indicator examines service delivery performance information in the assessed SNA's budget proposal or its supporting documentation in year-end reports. It contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 8.1: Performance plans for service delivery
- Dimension 8.2: Performance achieved for service delivery
- Dimension 8.3: Resources received by service delivery units
- Dimension 8.4: Performance evaluation for service delivery.

The MCS is working on the development of the Law on Public Service Delivery, aiming to systematically improve service delivery across sectors, especially the delivery of administrative services. The law aims to address several issues and gaps, including; coordination across sectors, data sharing among ministries, setting up of data interoperability standards, risk-based business processes for approvals of citizen requests, equitable recovery of costs, setting of standards and ensuring compliance, provision of information, incentives for service delivery providers, performance management of ministries and individuals, conduct of functional reviews to align department structures with service delivery needs, innovative data collection, and proactive feedback mechanisms.

Most of the public services which are "administrative services" are concentrated at the OWSU established in each C/P administration and OWSO in each D/M/K administration.³⁷ The One Window Service approach is a mechanism for more effective and timely provision of administrative services transferred from the central level (including LMs) to SNA administrations. The scope services provided through OWSU and OWSO covers 14 sectors (i.e. legalization, civil registration, education, health, transportation, cadaster, construction, commerce, tourism, culture, agriculture, administrative affairs related to industry and mines and energy). However, some public services are not yet provided through these OWSO.

Additional public services have been prepared for transfer of functions and resources from LMs/institutions to SNAs at C/P, D/M/K and C/S administrations based on the Law on Capital, Provincial, Municipalities, Districts and Khans Administrative Management (2011), Sub-decree no.68 ANKr.BK on General Processes of Functional and Resource Transfer to SNAs (2012) and Sub-decree no. 06 ANKr.BK on the Conditional Transfer of Finances to SNAs (2018).

Implementation of program budgeting at the C/P level as part of the broader PFMRP process is also relevance to the preparation and availability of information about service delivery performance at the SNA. Implementation of program budgeting at the SNA, focusing only on C/P level administrations, started in 2017, with a staged annual "roll-out" to designated C/P administrations. The PPCA is the last of the C/P administrations to begin implementation of PB, with implementation to being for FY2021. However, the PPCA has already been preparing a BSP, which provides a program-based structure for budget planning at the program and sub-program levels. Thus, the PPCA annual budget preparation in 2020 is not yet based on program classification, but rather it is prepared based on economic classification, i.e., outputs and outcomes cannot be measured.

8.1 Performance plans for public service delivery

This dimension assesses the extent to which key performance indicators for the planned outputs and outcomes of programs and services that are financed through the budget are included in the executive's budget proposals or related documentation, at the function, program or entity level.

Some service delivery areas are under control of the PPCA, namely administrative services and also for some local infrastructure such as roads, lights, sewers, etc.

Currently, the PPCA budget preparation is not based on programs. Policy objectives and service delivery programs are not described in the budget documentation. The budget plan is not set any specific outcomes, outputs, targets or other information for activities that can be used to measure the effectiveness of service

³⁷ The OWSO is a place where people can request all types of documents and collect information on the provision of all types of public services, service charges and applicable fees of all sectors.

delivery.

This dimension is scored D because there is no performance plan identifying the expected scope/level of services and the main sectors (e.g., education) for public service delivery that are controlled by the central level.

8.2 Performance achieved for public service delivery

This dimension examines the extent to which performance results for outputs and outcomes are presented either in the executive's budget proposals or in an annual report or other public documents, in a format and at a level (program or unit) that is comparable to the plans previously adopted within the annual or medium-term budget.

Information for annual activities performed by the PPCA is not routinely reported in the budget documentation or other financial or management reports. At present, there is no information that is published annually on the quantity of outputs produced and outcomes achieved in each policy objective and program.

This dimension is scored D because there is no information provided for the actual implementation of services, noting as well that the central level controls public service delivery for the main services such as education and health.

8.3 Resources received by public service delivery units

The dimension measures the extent to which information is available on the level of resources actually received by service delivery units (such as schools and primary health clinics) of at least two large ministries (or departments) and the source of those funds.

There is no information on the level of resources received by individual service delivery units. Expenditures can be tracked only for the PPCA's transactions on the basis of the economic classification. The PPCA Financial Division controls spending by chapters, accounts and sub-accounts as defined in the current economic classification of CoA.

Furthermore, schools and health centers are not under the control of the PPCA. These core public services are under the control of the deconcentrated technical line departments under the supervision of respective LMs. Performance information for schools and health centers is reflected in respective LMs' reports.

This dimension is scored D because there is no information available for individual spending units under the control of PPCA, with reporting being consolidated across the whole PPCA and reporting using only economic classification.

8.4 Performance evaluation for service delivery

This dimension considers the extent to which the design of public services and the appropriateness, efficiency, and effectiveness of those services is assessed in a systematic way through program or performance evaluations.

Independent evaluations of the efficiency and effectiveness of service delivery have not been carried out for any major programs or departments at any point within the last three years. Presently, only financial information is available.

The capacity of the SNAs to prepare a performance evaluation report is limited, with SNAs only required to monitor budget implementation primarily on a financial basis and to prepare a budget execution report. Current performance reporting prepared by activities does not provide information using indicators (e.g., length/number of roads constructed or repaired, number of buildings rehabilitated, etc.).

This dimension is scored D because there are no indicators and targets used to assess actual implementation and because the central level controls core areas of public service delivery (e.g., education and health).

Table 2.19: Score for PI-8

PI	Dimension	Score	Brief justification for score
PI-8	Performance information for service delivery	D	Scoring method M2
8.1	Performance plans for service delivery	D	There is no information published annually. In current practice, outputs are set only in the BSP but not in the annual budget since the PPCA will not implement the program budget until FY2021.
8.2	Performance achieved for service delivery	D	Information is not published with the activities performed with reference to output and outcome indicators for major public service programs.
8.3	Resources received by service delivery units	D	There is no information available for individual spending units under the control of PPCA, with reporting being consolidated across the whole PPCA and reporting using only economic classification.
8.4	Performance evaluation for service delivery	D	Evaluations of the efficiency or effectiveness of public service delivery have not been carried out by programs within the last three fiscal years.

Ongoing reforms

The PPCA will be articulating policy objectives, programs and sub-programs, as well as corresponding outcome and output indicators and targets. For the next step, it is needed to develop M&E systems and feedback mechanisms in order to provide strategic guidance to reform implementation.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension for this indicator: 9.1 Public access to fiscal information which covers the last fiscal year.

During the assessment in 2021, there is very limited access to fiscal information on the website of PPCA (<http://phnompenh.gov.kh/en/>), which appears to be used primarily for sharing information about events and other items, but not fiscal/budget information.

9.1 Public access to fiscal information

The following is a summary of key fiscal documents to which the citizens should have access.

Table 2.20: Critical elements of public access to fiscal information

Elements	Fulfilled (Yes/No)	Reference/Mean of publication
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented in PI-5) (as presented by the SNG in PI-5) is available to the public within one week of the executive's submission of them to the subnational council.	No	This draft budget proposal is not available to the public.

Elements	Fulfilled (Yes/No)	Reference/Means of publication
2. Enacted budget. The annual budget law approved by the subnational council is publicized within two weeks of passage of the law.	No	Following PPCA council approval, the budget proposal is submitted to the MEF for review and verification of compliance with relevant legal requirements. After the MEF will consolidate the both national and subnational budget to submit to CoM and legislative body. In current practice, the PPCA has not published annual budget law approved by the subnational council.
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	No	The PPCA has not published in-year budget execution reports.
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	No	The annual financial report for 2018 has not been disclosed to the public within six months of the end of the fiscal year (ref. PI-29).
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	No	The audited annual budget 2018 of the PPCA is not available in public (ref. PI-30).
Additional elements		
6. Pre-budget Statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	NA	The PCAA follows the MEF circular on procedure on the preparation of BSP and annual budget for SNAs.
7. Other external audit reports. All non-confidential reports on the PPCA's consolidated operations are made available to the public within six months of submission.	No	No publication of external audit report. It is for internal use for the PPCA to improve PFM system.
8. Summary of the budget proposal. Either (i) a clear, simple summary of the executive budget proposal is publicly available within two weeks of the executive budget proposal's submission to the subnational council, or (ii) the enacted budget understandable by the nonbudget experts, often referred to as a 'citizens' budget,' and where appropriate translated into the most commonly spoken local language(s), is publicly available within one month of the budget's approval.	No	A citizen budget has been developed for the whole national budget, but not for the PPCA.

This dimension is scored D because there is lack of fiscal information of PPCA available to the public.

Table 2.21: Score for PI-9

PI	Dimension	Score	Brief justification for score
PI-9	Public access to fiscal information	D	There is limitation of fiscal information available to the public.

Ongoing reforms

The PPCA plans to create an official website to improve transparency by publishing budget documents.

PI-9bis. Public consultation

This indicator assesses the extent to which the subnational government conducts public consultation in preparing the budget, designing service delivery programs, and planning investments. It contains the following three dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

Dimension 9bis.1: Public consultation in budget preparation

Dimension 9bis.2: Public consultation in the design of service delivery programs

Dimension 9bis.3: Public consultation in investment planning.

Planning, governance, and management procedures at the subnational level have been put in place. Procedures have been created that allow D/M councils to enact bylaws, hold council meetings and consultative forums, engage with citizens and civil society, and promote local economic development.

9bis.1 Public consultation in budget preparation

This dimension assesses the extent to which the design of service delivery programs, or the redesign of existing programs, has benefited from public consultation to meet citizens' needs.

The Law on Financial Regime and State Property Management for SNAs (2011) requires public consultation, but the date of issuance of the circular from MEF on annual budget formulation is too short or sometimes bypassing the date set in the law for C/P and D/M/K administrations to conduct consultation on the draft budget before adoption by the council.

The PPCA usually organized the public consultation to listen to the needs of local citizens as inputs for annual budget preparation. However, the PPCA does not present the annual budget plan and estimates in public consultation/forum. Through the discussion with the PPCA, local citizens request more infrastructure and over budget can support. The PPCA advises to khan and sangkat administrations to conduct public forums in their local authority.

This dimension is scored D because the PPCA usually prepares the public consultation to listen to the needs of local citizens as inputs for annual budget preparation. However, the PPCA does not present the annual budget plan and estimates in public consultation/forum.

9bis.2 Public consultation in the design of service delivery programs

This dimension assesses the extent to which the design of service delivery programs, or the redesign of existing programs, has benefited from public consultation to meet citizens' needs and wants.

The PPCA organized a public forum in 2020. However, due to the Covid-19 pandemic and lockdown, public forum is delayed. The topic of public forum mainly focuses on security order and public safety, local development, and environmental issue.

The PPCA received many requests from citizens in total 951 issues in verbal and official letters for 2020 mainly on public order, drug eradication, eradication of gambling, school constructions, health centers, road construction and road repair, renovation of public parks, clearing congested garbage depots, hard land title as soon as possible, expansion of water supply network, support poor people, help to make family books, residence books for citizens, etc. There is no publication of the received inputs from public forum.

This dimension is scored C because the PPCA conducted the public consultation once per year and received feedback on the service provided.

9bis.3 Public consultation in investment planning

This dimension assesses the extent to which public consultation has been conducted for the major investment projects (a definition of major investment projects is provided under PI-11: Public Investment Management) managed and decided by the SNG.

The PPCA organizes the general public forum as indicated in 9bis.1 and 9bis.2 on big investment projects. This investment project selection process is through an Investment Project Formulation Commission.

This dimension is scored D because there is no public consultation on the preparation of major investment projects.

Table 2.22: Score for PI-9bis

PI	Dimension	Score	Brief justification for score
PI-9bis	Public consultation	D+	Scoring method M2
9.1bis	Public consultation in budget preparation	D	The PPCA usually prepares the public consultation to listen to the needs of local citizens as inputs for annual budget preparation. However, the PPCA does not present the annual budget plan and estimates in public consultation/forum.
9.2bis	Public consultation in the design of service delivery programs	C	The PPCA conducted the public consultation once per year and received feedback on the service provided.
9.3bis	Public consultation in investment planning	D	There is no public consultation on the preparation of major investment projects.

Pillar three: Management of assets and liabilities

Effective management of assets and liabilities ensures that risks are adequately identified and monitored, public investments provide value-for-money, financial investments offer appropriate returns, asset maintenance is well planned, and asset disposal follows clear rules. It also ensures that debt service costs are optimized and fiscal risks are adequately monitored so that timely mitigating measures may be taken.

Pillar three has four indicators:

- ◆ PI-10. Fiscal risk reporting
- ◆ PI-11. Public investment management
- ◆ PI-12. Public asset management
- ◆ PI-13. Debt management.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the PPCA are reported. This indicator contains the following three dimensions assessed on the basis of the last 12 months and using the **M2 (AV)** method for aggregating dimension scores:

- Dimension 10.1: Monitoring of public corporations
- Dimension 10.2: Monitoring of lower-level governments
- Dimension 10.3: Contingent liabilities and other fiscal risks.

Fiscal risks can arise from adverse macroeconomic situations, financial positions of SNAs or public companies, and contingent liabilities from the PEs and investment projects. They can also arise from other implicit and external risks such as market failure and natural disasters. The MEF is a body for the RGC to govern and monitor fiscal risks.

10.1 Monitoring of public corporations

Dimension 10.1 is not applicable for PPCA since the Law on Public Enterprises (1996) designates each individual public enterprise as being affiliated with a “parent” technical LMs or the MEF having responsibilities for monitoring their respective public enterprises.

10.2 Monitoring of lower level governments

This dimension assesses the extent to which information on financial performance, including the HLG’s potential exposure to fiscal risks, is available through the audited annual financial statements of the lower-tiers of subnational government.

Based on Circular no.009 MEF dated 30 December 2019 on the implementation of financial management law (2020) of SNAs, the reports on revenue and expenditure at C/P and D/M/K administrations shall be consolidated and submitted to MoI, MEF, and C/PDEF by monthly, quarterly, semi-annually, and annually. The report shall be sent no later than 15 days of each ending period (N+15 days). At the C/S administrations, the consolidated reports on revenue and expenditure shall be prepared and sent to Governors of Boards of C/P administrations, and further sent to MEF through C/PDEF quarterly, semi-annually, and annually. The report shall be sent no later than 15 days of each ending period (N+15).

In practice, Khan and sangkat administrations within the PPCA submit budget execution reports to the PPCA. Usually, the PPCA conducts a monthly meeting to review the progress of budget implementation.

The PPCA monthly meeting, over presided by Head of PPCC, is organized to monitor the progress of implementation budget as well as the performance with participation by all Governors of Khan administration and Khan Council. However, sangkat Councils have not participated in this meeting.

Implementation Plan for the Social Accountability Framework³⁸ (I-SAF database) of National Committee for Subnational Democratic Development Secretariat (NCDDSD) publishes D/M/K and C/S budget execution

³⁸ <http://mis.ncdd.gov.kh/isaf/en>

(revenue and expenditure) and project reports of individual D/M/K and C/S. In addition, the MEF published the annual budget settlement (consolidated budget execution of national and subnational administrations) annually. However, the audited annual budget settlement is not published by the NAA.

Table 2.23: Revenue and expenditure reporting of PPCA, Khans and Sangkats

SNAs	Annex	Revenue and expenditure reports (frequency)	Responsible entities	Deadline of reporting	Summit report to LMs/institutions
PPCA	A1&A2	<ul style="list-style-type: none"> ✓ Monthly ✓ Quarterly ✓ Semesterly ✓ Annually 	Financial Division	No later than 15 days after reporting period	MEF, MoI and PPCDEF
Khans	A1&A2	<ul style="list-style-type: none"> ✓ Monthly ✓ Quarterly ✓ Semesterly ✓ Annually 	Planning/financial office of D/M/K	No later than 15 days after reporting period	MEF, MoI and PPCDEF
Sangkats	C1 & C2	<ul style="list-style-type: none"> ✓ Quarterly ✓ Semesterly ✓ Annually 	Clerk	No later than 15 days after reporting period	PPCA, MEF and PPCDEF

This dimension is scored D because Khan and sangkat administrations submit the budget execution reports to the PPCA, which is available on the I-SAF database of NCDD; however, the audit or unaudited financial positions are not published.

10.3 Contingent liabilities and other fiscal risks

This dimension assesses the monitoring and reporting of contingent liabilities for which the SNG is responsible, including those of its extrabudgetary units.

As regulated by Law on Public Finance System (2008) and Law on Financial Regime and State Property for SNAs (2011), SNAs are not authorized to borrow money so they are not able to create fiscal risks for the central government. Whilst they formulate and execute their own budgets, their revenue constitutes almost entirely transfers from the central government and all payments are made through C/P Treasuries.

This dimension is scored NA because the PPCA does not identify the contingent liabilities in a report.

Table 2.24: Score for PI-10

PI	Dimension	Score	Brief justification for score
PI-10	Fiscal risk reporting	D	Scoring method M2
10.1	Monitoring of capital corporations	NA	The PPCA does not hold equity shares or in any way control any public enterprises.
10.2	Monitoring of lower levels of government	D	Khan and sangkat administrations submit the budget execution reports to the PPCA, which is available on the I-SAF database of NCDD; however, the audit or unaudited financial positions are not published.
10.3	Contingent liabilities and other fiscal risks	NA	The PPCA does not identify the contingent liabilities in a report.

Ongoing reforms:

None identified.

PI-11. Public investment management

This indicator assesses the economic appraisal, selection, costing and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. The indicator contains the following four dimensions, which are assessed based on the last 12 months using the **M2 (AV)** method for aggregating dimension scores:

Dimension 11.1: Economic analysis of investment projects

Dimension 11.2: Investment project selection

Dimension 11.3: Investment project costing

Dimension 11.4: Investment project monitoring.

The PIP is a 3-years rolling investment plan under the coordination between the MOP, MEF, and CDC. The PIP is regulated by Sub-decree no.36 ANKr.BK dated 14 June 2000 to Guidance on the Selection and Monitoring and Evaluation of PIP.

Each SNA is responsible by law for preparing, reviewing and approving a five-year development plan, a three-year rolling investment plan, a medium-term expenditure framework and annual BSPs, as indicated in articles 10 and 11 of the Law on Financial Regime and State Property Management for SNAs (2011).

Coordination between central and local administrations on their investment plans was limited until the approval of the Public Investment Management System Reform Strategy (PIMSRS) in 2019. In practice, SNAs prepare their investment projects based on their five-year development plan, with little consultation or alignment with central-level planning processes. Their three-year rolling investment programs (total cost and breakdown between projects) are discussed and approved by the MEF.

To develop PIP 2020-2022, the PPCA issued an instruction that established the four categories for projects³⁹ namely: socio-economic, social affairs, natural resources environment and climate change, and administrative security and public order.

The Department of Planning consolidates all the plans into one capital development investment program (CDIP). The development activities listed in the CDIP lack consistency with the 5-Year Development Plan due to not being supported by adequate, predictable and timely funds. Consequently, the CDIP is often merely a compilation of the with some statistics and statements themselves not closely linked to particular programs or budgets.

The PIP 3-year rolling is prepared followed by the PIP calendar; however, it is quite different from the budget preparation calendar (see PI-17.1).

Table 2.25: PIP calendar

Timeframe	Activities
January-March	Review of previous planning and implementation period.
March-May	Line ministries update sectoral policy matrixes and formulate new projects. Size of PIP and sectoral ceiling set for each ministry according to macroeconomic framework and policy priorities.
June-July	Line ministries priorities and select project proposals for submission to MoP.
July-August	MoP collates and enters all project data into the PIP database and assesses
August	MoP prioritizes projects in line with policy.
September	Draft PIP produced and presented to the inter-ministerial meeting.
September-October	Draft PIP amended and PIP for next year's budget submitted to MEF.
November	Council of Ministers approves budget and PIP.
December	National Assembly approves PIP together with next year's budget document.

³⁹ The PIP 2019-2021 of PPCA lacks an explanation of each program and coherence of the logical framework.

According to Inter-ministerial Prakas no.0149 PK.Prk dated 07 October 2020 on the Implementing Supplementary Guidance for Technical Guidance on the Formulating and Developing PIP 3-year rolling of C/P, D/M/K and C/S, the PIP calendar is revised by starting from January to March. The PPCA conducts guidance meetings to gather priority needs and collect a list of public investment programs from D/M/K and C/S administrations. The PIP of PPCA must complete by the end of March and submit to the BSP Working Group. In practice, the PPCA follows steps for processing of investment projects (formulation until payment stage) are executed as below:

- PPCA develops PIP;
- PPCC approval of PIP;
- Procuring procurement;
- Study investment project;
- PPCA requests commitment from PPCDEF and MEF;
- PPCA issues opportunity notice for bidding in newspaper;
- PPCA implement development projects;
- PPCA conducts project monitoring and evaluating;
- PPCA prepares document support to process for payment to company or government agency.

11.1 Economic analysis of investment projects

This dimension assesses the extent to which robust appraisal methods, based on economic analysis are used to conduct feasibility or prefeasibility studies for major investment projects on the basis of an analysis of its economic, financial, and other effects; whether the results of analyses are published, and whether the analyses are reviewed by an entity other than the sponsoring entity.

The PPCA prepares its investment projects based on its five-year development plan, with little coordination between SNAs and central-level planning processes. All major projects in PIP of PPCA, with the total cost and a breakdown by projects, are discussed during budget meetings with MEF in August-September. The PPCA cooperated with C/P line departments to cost all programs based on the relevant sector for the investment project (e.g. Provincial Department of Public Works and Transport for road projects).

Proposed project investments of PPCA are using a feasibility study. Project preparation is managed by the Project Formulation Committee, Chaired by PPCA Governor, with participation from the Department of Public Works and Transport, PPCDE, Department of Land Management Urban Planning and Construction, Department of Rural Development, Department of Education, Youth and Sport, Department of Environment, Department of Planning, Department of Water Resources and Meteorology and divisions within the PPCA including Finance, Procurement, City Management and Planning and Investment. This committee has broad responsibilities for managing capital investment.

There are also no public investment guidelines requiring cost-benefit analyses for assessing the economic feasibility and social and environmental impact of local investment projects proposed for the new budget year.

This dimension is scored D because the PPCA does not conduct the economic analysis of investment projects, which are mainly upgraded and rehabilitated investment projects.

11.2 Investment project selection

This dimension assesses the extent to which the project-selection process prioritizes investment projects against clearly defined criteria to ensure that selected projects are aligned with subnational government priorities.

The RGC lacks comprehensive formal guidelines and standard criteria for the identification and selection of domestically financed projects as well as formal processes for integrating the recurrent costs of the investment and maintenance of projects. Before 2020, although the process of project preparation and appraisal begin early, the final approval of investment projects is after the annual budget law. In 2020, formal standard criteria are adopted to select projects as indicated in article 5 of Sub-decree no.41 ANKr.BK as follows:

- Rationality: The project must be essential to the economy, society and environment, to meet the national development strategic planning priorities, sectoral development strategies, sectoral master plans, geographical master plans, as well as other relevant policies and strategies of the Royal Government;
- Economic and Financial Viability: The project must demonstrate the economic and financial benefits of investment. However, judgments on this principle are also based on a balance of the importance and necessity of public service and social equity principles for public investment projects that are socially acceptable;
- Best Option: The project must have comparative advantage, higher economic and social performance compared to other project options;
- Affordability principles;
- Deliverability principle; and
- Readiness principle for project implementation.

In this regard, the Project Formulation Committee of PPCA conducts a meeting to select based on the priority demand of local citizens, PIP 3-year rolling as well as political interests.

This dimension is scored D because the Project Formulation Committee of PPCA selected investment projects proposal based on PIP 3-year rolling as well as political interests.

11.3 Investment project costing

This dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated.

The PPCA advises specialized line departments to cost all of the projects. Projections of the total cost of the major investment projects, together with the capital costs for the forthcoming budget year, are included in the PIP attached to the budget documentation. However, they do not comprehensively cover the capital and recurrent costs over the whole life of the investment and currently, there is no costing standard.

This dimension is scored C because technical line departments in the PPCA are responsible for project costings. Medium-term major project costing included in the PIP does not reflect full capital and recurrent costs for the forthcoming budget year as well as included in the annual budget.

11.4 Investment project monitoring

This dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place to ensure value for money and fiduciary integrity.

Sub-decree no.219 ANKr.BK dated 14 December 2009 on Development Plan and 3-Year Rolling Investment Programs of the C/P, and D/M/K administrations prescribes the principles, mechanisms and procedures for managing and implementing the development plans and investment programs at the administration of municipalities, provinces, cities, districts and khans. However, the sub-decree does not specify the process of managing public investment projects and the investment project cycle.

The total cost and physical progress of major investment projects are monitored during project implementation. Payment for projects is based on contract completion attached with the request from PPCA to PPCDEF and PPCT for payment. There is a permanent working group that was created with participation of specialized line departments to monitor the progress of project investment. This working group presents reports to the Governor of PPCA and the PPCC for approval. In addition, the PPCA also cooperates with MoI to monitor project investments.

This dimension is scored C because there is based on the existence of the working group for monitoring major projects implementation but monitoring reports were prepared annually but not published.

Table 2.26: Score for PI-11

PI	Dimension	Score	Brief justification for Score
PI-11	Public investment management	D+	Scoring method M2
11.1	Economic analysis of investment projects	D	Economic analyses are not carried out to assess the feasibility of major investment projects proposed for the next year's budget.
11.2	Investment project selection	D	The Project Formulation Committee of PPCA selected investment projects proposal based on PIP 3-year rolling as well as political interests. There is still a lack of specific criteria for project selections.
11.3	Investment project costing	C	Technical line departments in the PPCA are responsible for project costings. Medium-term major project costing included in the PIP does not reflect full capital and recurrent costs for the forthcoming budget year as well as included in the annual budget.
11.4	Investment project monitoring	C	The existence of the working group monitors major projects implementation and report annually; however, these reports were not published.

Ongoing reforms

The Public Investment Management System Reform Strategy 2019-2025 – focusing on establishing and implementing a comprehensive legal framework, procedures and technical capacity for effective public investment planning, financing, coordination, project implementation and monitoring. The MEF is developing regulatory frameworks for the development of identification mechanisms for subnational investment projects.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains the following three dimensions assessed on the last 12 months using the **M2 (AV)** method for aggregating dimension scores:

Dimension 12.1: Financial asset monitoring

Dimension 12.2: Nonfinancial asset monitoring

Dimension 12.3: Transparency of asset disposal.

State property in Cambodia is decentralized allowing each entity to manage its assets. Three layers of authority are indicated as a controlling authority (CA), managing authorities (MAs), and utilizing authorities (UAs). The MEF is a CA, that is responsible for regulating, monitoring, inspecting all level of authorities. MAs refer to line ministries, institutions, SNAs, and other qualified public entities, etc. MAs have a number of UAs; UAs are reporting to MAs, and MAs are reporting to CA.

However, currently, there is no centralized database system for collating key details on state property management information. This leads to weak governance on revenue management from state property. However, to address this issue, the MEF has piloted and rolled out the State Property Inventory Management Information System (SARMIS) to C/P administrations in 2022 that will replace existing paper-based systems for compiling and maintaining a state property assets registry (including lands, buildings, vehicles, machinery, equipment and furniture).

12.1 Financial asset monitoring

This dimension assesses the nature of financial asset monitoring, which is critical to identifying and effectively managing the key financial exposures and risks to overall fiscal management.

On yearly basis, the PPCT prepares a trial balance, which presents the opening and ending balance of current assets, non-current assets, capital and reserves, current liabilities, non-current liabilities (domestic borrowings, financial market borrowings, etc.). The PPCT consolidates cash balances held in the various commercial banks and produces a consolidated monitoring report on a monthly basis and sends it to GDNT.

Additionally, the PPCA does not hold equity shares in PEs (e.g., in Phnom Penh Water Supply) or other commercial entities. Financial Division of PPCA monitor and record cash in the bank and cash in hand as well as cash balance every day and prepare monthly, quarterly and annually reports on cash balance.

This dimension is scored C because the PPCA consolidates its cash balances each month.

12.2 Non-financial asset monitoring

This dimension assesses the features of nonfinancial asset monitoring for budgetary units of the subnational government being assessed.

The nonfinancial asset management is regulated by Law on Managing, Organizing and Utilizing State Property (2020), Sub-decree no. 66 ANKr.BK dated 27 April 2017 on Rule and Procedure of List of State Property Inventory Register Management, Circular no.001 dated 10 January 2003 and Circular no.005 dated 20 January 2005 on Revision of List of State Property Inventory and Circular no. 07 SR dated 30 June 2014 on Preparation of List of State Property Inventory.

Two types of documents exist, which are (1) five year- inventory book, and (2) annual updated inventory list, are utilized to manage the state properties. The two documents compose the reporting on use and management of state property and include an annual updated inventory list and a Fixed Asset Register, which is updated every five years. Both types of documents contain various information based on the assets' category including: (1) the specific entities using the properties, (2) situational status of the property, and (3) valuation.

There are five types of state property: (1) lands and buildings, (2) technical and industrial equipment, (3) vehicles and machinery, (4) office equipment and furniture, (5) others.

The land and buildings category consist of five sub-categories: TUB, TUN, TRH, TRA, and ESP. According to the guideline on five year-inventory books and the annually updated inventory list, for recognizing as a Fixed Asset Register, the land and buildings category report do not cover the cultural immovable properties, mines and oils, waters ways and infrastructures, natural assets in the seas, roads, and railroads.

By Circular no.07 SR on Preparation of List of State Property Inventory (2014), MAs are required to process the Ownership Certificates for all state immovable properties in their own inventories, and list in the inventory book. For the concession agreements on every type of state property, they shall be updated annually before the end of the first quarter of each fiscal year and send to the MEF.

The UAs report annually to MAs on the annual updated inventory list. MAs shall report to CA annually on the annual updated inventory lists, and based inventory book every five years within 3 months after completed fiscal year. GDSPNR Department of State Property reviews, verifies, and report annually to the Minister of Economy and Finance. However, no central consolidating process is in place, information on state property is not published or consolidated at the national level.

The PPCA maintains a register of its holdings of fixed assets, which are recognized at their acquisition cost or fair value depending on the type of asset (i.e., tangibles/intangibles). A detailed asset management report is consolidated and submitted to the PPCC, but the inventory provides only partial information on the assets' usage, value, location and age.

There is no information technology system to register and monitor the assets. In addition, there is no information available to the public. The PPCA maintains a manual registration with records of entities of movable fixed assets and carries out periodic inventories. The PPCA has prepared and updated its inventory listings of state property for submission to MEF.

This dimension is scored C because the PPCA registers state property annually but lacks asset information on immovable assets and the value of asset.

12.3 Transparency of asset disposal

This dimension assesses whether the procedures for the transfer and disposal of assets are established through legislation, regulation, or approved procedures.

Article 254-255 of Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2018) states that state properties of the SNAs include the transferring to the administrations and their own property. SNAs have no right to sell or transfer ownership and transfer the utilization without the agreement from Minister of the MoI and the approval from Minister of the Economy and Finance.

Sub-decree no.66 ANKr.BK (2017) on Rules and Procedures on Managing State Property Inventory List indicates the overall aspects of managing state property including the roles of stakeholders, and key procedures on recording, reporting, clearance, and monitoring and evaluation.

Transfers and disposal of non-financial assets are covered by standing rules on asset disposal. Two procedures are applicable for disposal assets depending on the value of the asset:

- (1) for assets of relatively low value such as furniture (tables, cabinets, chairs, fans and bikes), the State Property commission of PPCA has authority to dispose of the assets;
- (2) for assets of more substantial value, a request for disposal must be submitted to the MEF.

In practice, the PPCA implements the procedure as follows:

- **Small items** (chair, table, cabinet, etc.) are old, dilapidated, obsolete or severely damaged. As procedure, these disposal small items are decided by the Chairman of the PPCA and then they are deducted from the inventory list.
- **State property** is available for sale. The PPCA follows the procedure with the participation of the relevant LMs and line departments before submitting requests to the MEF for approval. After receiving the decision from the MEF, the PPCA shall make a public bid. After completing the procedure and paying the income into the state budget, it can be deducted from the inventory list.
- **Land and buildings:** The PPCA follows the mechanism of the Privatization Commission by deducting it from the inventory list or recording it in the inventory list with a joint Prakas.

In this regard, the MEF issued the Prakas no.002 MEF.PrK dated 06 January 2020 on Detailed Rules and Procedures on Disposal Asset from Inventory List. The disposal is allowed one per year and include original cost, disposal value, date of acquisition, and date of disposal. This value of disposal is included in the annual budget planned and budget execution for revenue and updated the inventory list. In 2020, the PPCA is no disposal non-financial asset.

This dimension is scored C because the State Property Commission of PPCA has authority to monitor and dispose and follows the Prakas (2020) on Detailed Rule and Procedure on Disposal Asset from Inventory List.

Table 2.27: Score for PI-12

PI	Dimension	Score	Brief justification for score
PI-12	Public asset management	C+	Scoring method M2
12.1	Financial asset monitoring	C	The PPCT consolidates its cash balances each month.
12.2	Non-financial asset monitoring	C	The PPCA registers state property annually but lacks asset information on immovable assets and the value of asset. However, the information is not made available to the public and some immovable assets have not had hard titles.
12.3	Transparency of asset disposal	B	The State Property Commission of PPCA has authority to monitor and dispose and follows the Prakas no.002 MEF.PrK (2020) on Detailed Rules and Procedures on Disposal Asset from Inventory List.

Ongoing reforms

The MEF is rolling out the SARMIS and training to users. The system is first implemented offline and then expected to go online starting 2023.

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. The indicator contains the following three dimensions, which are assessed on the basis of the last 12 months, and uses the **M2 (AV)** method for aggregating scores:

Dimension 13.1: Recording and reporting of debt and guarantees

Dimension 13.2: Approval of debt and guarantees

Dimension 13.3: Debt management strategy.

Article 67 of Law on Public Finance System (2008) states that the Minister of Economy and Finance has the authority as delegated by the Prime Minister to approve borrowing, publish treasury notes, receive grants, invest in fixed assets and other financial instruments and to lend domestically and internationally. The article prohibits such rights for other ministers, heads of public agencies and similar entities, heads of public enterprises, governors of subnational administration and other public sector officials. Article 68 defines the rights of the Minister of Economy and Finance to prepare and schedule public debt repayments and collections to be presented in the annual budget law.

Consistent with the Law on Public Finance System (2008), article 21 of Law on Financial Regime and State Property Management for SNAs (2011), article 252 of Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) states that local councils are not entitled to enter into loan agreements, issue bonds or financial commitments, provide guarantees or apply any financial instruments that create liabilities.

In this regard, the legal framework referenced above does not give local executives of any SNA, including the PPCA, or other SNA officials the authority to issue, approve or manage public debt.

Therefore, this indicator is assessed as not applicable (NA) for PPCA's PFM system.

Table 2.28: Score for PI-13

PI	Dimension	Score	Brief justification for score
PI-13	Debt management	NA	Scoring Method M2
13.1	Recording and reporting and debt and guarantees	NA	-
13.2	Approval of debt and guarantees	NA	-
13.3	Debt management strategy	NA	-

Ongoing reforms

None identified.

Pillar four: Policy-based fiscal strategy and budgeting

This pillar is about whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Pillar four has four indicators:

- ◆ PI-14. Medium-term budget strategy
- ◆ PI-15. Fiscal strategy
- ◆ PI-16. Medium-term perspective in expenditure budgeting
- ◆ PI-17. Budget preparation process
- ◆ PI-18. Legislative scrutiny of budgets.

PI-14. Medium-term budget strategy

This indicator measures the ability of the municipality to develop robust fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It contains the following four dimensions assessed using the **M2 (AV)** method for aggregating dimension scores:

- Dimension 14.1: Underlying forecasts for medium-term budget
- Dimension 14.2: Fiscal impact of policy proposals
- Dimension 14.3: Medium-term expenditure and revenue estimates
- Dimension 14.4: Consistency of budget with previous year estimates.

The MEF developed the annual macroeconomic and fiscal policy framework (MFPF) through a top-down process and in line with the macroeconomic outlook, the RGC's priority policies, and trends of revenue and expenditure. After the RGC approves the annual MFPF, the MEF issues a circular on Guidance on the BSP preparation for SNAs. The BSP is a 3-year rolling plan and prepared annually by C/P administrations with consolidating all 3 tiers (C/P, D/M/K and C/S) and C/P line departments revenue and expenditure programs and aligning policy objectives and programs.

The PPCA prepared a 5-year development plan every 5 years (remaining fixed over the relevant 5-year period), whereas the 3-year public investment program (PIP) is prepared every year.

Table 2.29: Expenditure type in COA

Costs	Type of inputs
Recurrent	The cost available in the economic classification of the content of the budget includes Chapter 60, 61, 62, 63, 64, and 65. For example, water, electricity, repair and maintenance of buildings, fuel, vehicle maintenance, vehicle insurance, office stationeries (paper, ink cartridges, printer), phone, fax, staff training, meetings, seminars, missions, and so on.
Capital	The cost available in the economic classification of the content of the budget includes chapter 20 and 21. For example, public investment including the construction of the buildings, renovation of large-scale buildings, and construction of irrigation systems, roads. Some other materials are also a kind of capital such as machinery, vehicles, etc., which have a threshold and a lifetime of use based on the capital cost.

The PPCA 5-year development plan and 3-year rolling PIP, which serve as the basis for developing the BSP, are developed separately among the three levels of SNAs within the PPCA. Within this process, the "technical coordination committee" manages a coordination mechanism to incorporate national sector policy priorities and programs into programs at the SNA. However, its effectiveness is still limited due to the differences in timelines, methods and approaches.

The PPCA has prepared BSP since 2016 as a basis for preparing annual budget. The BSP is based on the priorities and programs of the SNA as reflected in the SNA's development plan and investment program.

The BSP is developed based on policy objectives, programs, subprograms and activity clusters, with narrative expected to describe the purposes, key performance indicators and indicator targets, timeframe and budget requirements.

Table 2.30: BSP preparation (2021-2023), Million KHR

Program/Sub-program and Chapters	2020 (Current FY)	2021 (Plan)	2022 (Plan)	2023 (Plan)
Total expenditure by program budget	494,963.0	999,288.0	1,123,888.0	1,235,500.0
Recurrent expenditure	304,773.0	710,063.0	820,688.0	909,950.0
Capital expenditure	190,190.0	289,225.0	303,200.0	325,550.0
1.Program 1: Economic development	81,789.0	214,962.4	243,489.0	259,922.0
Recurrent expenditure	36,200.0	106,135.4	128,889.0	141,122.0
Capital expenditure	45,589.0	108,827.0	114,600.0	118,800.0
2.Program 2: Strengthen social affairs	201,795.2	281,290.6	313,122.0	348,894.0
Recurrent expenditure	69,869.5	154,168.9	186,112.0	208,374.0
Capital expenditure	131,925.7	127,121.7	127,010.0	140,520.0
3. Program 3: Enhance social security and public safety	45,565.8	70,813.8	87,110.0	99,332.0
Recurrent expenditure	38,398.5	49,791.5	61,420.0	70,952.0
Capital expenditure	7,167.3	21,022.3	25,690.0	28,380.0
4.Program 4: Strengthening general administration	165,813.0	432,221.2	480,167.0	527,352.0
Recurrent expenditure	160,305.0	399,967.2	444,267.0	489,502.0
Capital expenditure	5,508.0	32,254.0	35,900.0	37,850.0

Source: PPCA's BSP Book (2021-2023)

Note: PPCA's BSP 2022-2024 covers only state budget and not supports by other sources.

Table 2.31: Budget classification by PB and economic classification (2021), Million KHR

Program/Sub-program and Chapters	Total	Recurrent expenditure								Capital expenditure
		sub-total	60	61	62	63	64	65	69	21
Total expenditure by program budget	434297.6	394,297.6	36,584.0	82,866.8	58,680.0	1.2	63,479.0	142,722.6	9,964.0	40,000.0
1.Program 1: Economic development	45,116.9	29,275.9	-	29,275.9	-	-	-	-	-	15,841.0
1.1 Sub-program 1: Contribution of C/P in economic development	45,116.9	29,275.9	-	29,275.9	-	-	-	-	-	15,841.0
2.Program 2: Strengthen social affairs	67,163.4	49,719.4	65.0	30,951.9	18,390.0	-	312.5	-	-	17,444.0
2.1 Sub-program 1: Contribution of C/P in strengthening social affairs	67,163.4	49,719.4	65.0	30,951.9	18,390.0	-	312.5	-	-	17,444.0
3. Program 3: Enhance social security and public safety	59,627.0	52,912.0	-	12,622.0	40,290.0	-	-	-	-	6,715.0
3.1 Sub-program 1: Support Capital/Provinces to enhance social security and crime prevention	59,627.0	52,912.0	-	12,622.0	40,290.0	-	-	-	-	6,715.0
4.Program 4: Strengthening general administration	262,390.3	262,390.3	36,519.0	10,017.0	-	1.2	63,166.5	142,722.6	9,964.0	-
4.1 Sub-program 1: Increasing efficiency of administrative affairs	145,730.6	145,730.6	2,945.0	63.0	-	-	-	142,722.6	-	-

Program/Sub-program and Chapters	Total	Recurrent expenditure								Capital expenditure
		sub-total	60	61	62	63	64	65	69	21
4.2 Sub-program 2: General support service	106,695.7	106,695.7	33,574.0	9,954.0	-	1.2	63,166.5		9,964.0	-

Source: PPCA's PB Book (2021)

14.1 Underlying forecasts for medium-term budget

This dimension assesses the extent to which estimates of revenue and expenditure for the budget year and two following years are prepared by taking into account the economic context.

The annual MFPF demonstrates the forecast of the growth by sector of the economy, inflation, interest rates, exchange rates, and potential revenue and expenditure, etc.).

The annual budget law 2021 is prepared based on macroeconomic indicators as follows:

- Real GDP growth to achieve within 3.5%;
- GDP per capita expected to increase 1,771 USD;
- Inflation is maintained within 3.1%;
- Exchange rate is maintained at 4,065 riels/USD;
- Deficit of current account is reduced from -17.6% of GDP in 2020 to -17.3% of GDP in 2021;
- International reserve is estimated to increase 16,981 USD billion that can be imported 8 months in 2019.

The MEF prepares forecasts of key macroeconomic indicators and provides assumptions and forecasts for years N-1, N and N+1 as well as forecast years N+2, N+3 and keeps updating these figures annually.

After the MEF issued the two circulars for BSP and annual budget formulations that provide more detailed information on revenue and expenditure for SNAs including the PPCA. In this regard, the PPCA works with line departments to formulate BSP and program budget to estimate the revenue and expenditure based on information on transfers, revenue and expenditure assignment.

This dimension is scored C because the PPCA estimates the revenue and expenditure based on information on transfers, revenue and expenditure assignment.

14.2 Fiscal impact of policy proposals

This dimension assesses the capacity of the SNG to estimate the fiscal impact of revenue and expenditure policy proposals developed during budget preparation.

The PPCA collects only non-tax revenue and it is usually fixed with the contract. The change of tax policy and regulations to mobilize revenue is in-charged by the central government. The BSP or annual budget does not include the estimated fiscal impact of the policy adjustments for the budget year and the following fiscal years.

This dimension is scored D because the PPCA does not prepare estimates of the fiscal impact in the BSP and annual budget.

14.3 Medium-term expenditure and revenue estimates

This dimension assesses the extent to which medium-term expenditure estimates are prepared and updated as part of the annual budget process.

Governors of the C/P administrations shall prepare its BSP to be in line with sector priorities of LMs/institutions for the budget of the specialized departments of the capital and provinces and integrate Plan/Program of C/P, D/M/K and C/S administrations in accordance with the BSP process and template attached. After the completion of the BSP, it shall be submitted to the Chairman of the Committee on Technical Coordinator to review and decide. The PPCA sends to the PPCDF to consolidate and send to the MEF GDSNAF no later than May 31, 2021, with the attachment of the 5-Year Development Plan, PIP and line departments' BSP. The annual budget proposal presents only the current budget and one following year.

This dimension is scored D because the annual budget proposal presents only the current budget and one following year.

14.4 Consistency of budgets with previous year's estimates

This dimension is assessed through the consistency between the final approved budget and the initial estimates.

The PPCA's BSP remains poor with performance indicators that are not well defined and expenditure estimates that are also unclear, reflecting capacity constraints within the PPCA administration.

Even though BSP has been used for annual budget preparation, the gap between the BSP estimates for the forthcoming budget year and the subsequent annual budget is quite substantial 20%-30%, as well as the gap is not explained in the budget proposal according to discussion with PPCA.

This dimension is scored D because the gap between the BSP estimates for the forthcoming budget year and the subsequent annual budget is a quite substantial 20%-30%, as well as the gap, is not explained in the budget proposal.

Table 2.32: Score for PI-14

PI	Dimension	Score	Brief justification for score
PI-14	Medium-term budget strategy	D	Scoring method M2
14.1	Underlying forecasts for medium-term budget	C	The PPCA estimates of the revenue and expenditure based on information on transfers, revenue and expenditure assignment.
14.2	Fiscal impact of policy proposals	D	The PPCA does not prepares estimates of the fiscal impact in the BSP and annual budget.
14.3	Medium-term expenditure and revenue estimates	D	The annual budget proposal presents only current budget and one following year.
14.4	Consistency of budget with previous year estimates	D	The gap between the BSP estimates for the forthcoming budget year and the subsequent annual budget is a quite substantial 20%-30% as well as the gap is not explained in the budget proposal.

Ongoing reforms

The SBSRS 2019-2025 – targeting subnational planning and budgeting processes with the goal of strengthening the integration of strategic planning and budgeting processes across the three SNA tiers together with deconcentrated LM provincial departments. The SBSRS establishes C/P BSPs as the primary mechanism for achieving more closely integrated strategic and budget planning, supported by increased coordination and consultation under the guidance of C/P-level “technical coordination committees”. Specific procedures and responsibilities are to be defined in a new set of C/P BSP guidelines.

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It covers the entire PPCA operations and contains the following three dimensions, using the **M2 (AV)** method for aggregating dimension scores:

- Dimension 15.1: Fiscal impact of policy proposals
- Dimension 15.2: Fiscal strategy adoption
- Dimension 15.3: Reporting on fiscal outcomes.

All dimensions are undertaken by the central government so it is not applicable for assessing PPCA's PFM system.

Table 2.33: Score for PI-15

PI	Dimension	Score	Brief justification for score
PI-15	Fiscal strategy	NU	Scoring method M2
15.1	Fiscal impact of policy proposals	NU	-
15.2	Fiscal strategy adoption	NU	-
15.3	Reporting on fiscal outcomes	NU	-

Ongoing reforms

None identified.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It covers the last budget submitted to the local council for review and approval and contains the following four dimensions, using the **M2 (AV)** method for aggregating dimension scores:

- Dimension 16.1: Medium-term expenditure estimates
- Dimension 16.2: Medium-term expenditure ceilings
- Dimension 16.3: Alignment of strategic plans and medium-term budgets
- Dimension 16.4: Consistency of budgets with previous year's estimates.

All dimensions are undertaken by the central government so it is not used for assessing PPCA's PFM system.

Table 2.34: Score for PI-16

PI	Dimension	Score	Brief justification for score
PI-16	Medium-term perspective in expenditure budgeting	NU	Scoring method M2
16.1	Medium-term expenditure estimates	NU	-
16.2	Medium-term expenditure ceilings	NU	-
16.3	Alignment of strategic plans and medium-term budgets	NU	-
16.4	Consistency of budgets with previous year's estimates	NU	-

Ongoing reforms

None identified.

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It covers budgetary PPCA and contains the following three dimensions using the **M2 (AV)** method for aggregating dimension scores:

- Dimension 17.1: Budget calendar
- Dimension 17.2: Guidance on budget preparation
- Dimension 17.3: Budget submission to the legislature.

17.1 Budget calendar

This dimension assesses whether a budget calendar exists for the subnational government and the

extent to which it is adhered to.

Based on article 39 of the Law on Public Finance System (2008), and article 35 of the Law on Financial Regime and State Property Management for SNAs (2011), the MEF issued circulars on BSP and annual budget formulation that set out the main steps of the budget calendar for local budget formulation. The Annual Budget Law is approved by the legislature and signed by King within fiscal year.

The MEF provides guidance on the preparation of revenue and expenditure of the budget. The Financial Division of PPCA prepares the budget for municipality hall only, and does not prepare a budget for other specialized line departments. The preparation starts around July or August. The draft budget is to be submitted to the governor for approval. The draft budget has to be approved by the MEF and by the Mol. The Mol reviews expenditures relevant to capital development programs.

The Governor submits to the MEF by July 15. The MEF consolidates the budget plans of the SNAs for each year. In the whole month of August, the MEF conducts the legality control for SNAs' budget with participation by representatives of Mol, NCDs and related general departments of MEF, Governors of C/P Administrations. In the process of conducting budget reviews, MEF GDSNAF checks on the following principles:

- the budget plan is prepared according to the defined budget classification format, formality and procedures;
- the process of budget preparation is participated by the public and other stakeholders;
- appropriation plan is based on the mandatory expenditures;
- the budget plan is prepared in line with the conditions set for the utilization of resources from specifically defined sources;
- a balance is guaranteed between revenues and expenditures;
- there have a discussion and approval of the budget plan in a public meeting of the local council.

In the event that the MEF or the delegated authority finds any SNAs' budget plans to deviate from the above principles of legitimacy, they shall revise and inform the governors of the SNAs in writing to revise their budget plan.

Therefore, budget planning of the SNAs needs to be consolidated and sent to the MEF by 15 August at the latest. The process of budget approval of SNAs takes place from October to December. The MEF submits the finalized budget of SNA to the Cabinet for review and decision in the first week of October.

Table 2.35: Budget calendar for PPCA preparation of annual budget in 2021

Period	Activities
March-April	The RGC issues the Circular on Budget Strategic Plan Preparation
May	The PPCA submits the BSP to PPCDPEF no later than 15 May
June	The RGC issues the Circular on Annual Budget Preparation
July	The PPCA shall submit the draft annual budget to MEF
August and September	Legality control for budget and budget consolidation
October	CoM approves the draft annual budget
November	National Assembly reviews and approves the draft of annual budget
December	Senate reviews and approves the draft of annual budget and King signs into law

This dimension is scored A because there is a clear budget calendar that is set out in the Law on Financial Regime and State Property Management for SNAs (2011) and the PPCA has more than six weeks (BSP and annual budget preparation as indicated in table 2.35) to prepare the annual budget.

17.2 Guidance on budget preparation

This dimension assesses the clarity and comprehensiveness of top-down guidance on the preparation of

budget submissions.

The MEF issues the Circular on Annual Budget Preparation to instruct all SNAs to formulate the budget. SNAs are expected to focus on priority policies and programs, identifying sources of revenue, identifying all non-salary and salary expenses and using the correct format of annual budget. The annual budget of SNAs is expected to be prepared based on the annual growth of budget revenues derived from the central government transfers, own source revenues of each administration, local development priorities, the rate of salary increase and net increase in the number of personnel. However, the guidance does not define budget ceilings for SNAs.

After the issuance of the guideline, the MEF conducts training at PPCA which all 14 khans and 105 sangkats. In addition to the training, there is also ongoing communication and coordination between all Khan's officials and MEF (GDSNAF official in-charge of PPCA and khan's budget).

This dimension is scored D because there is a clear guidance for budget formulation based central government guidance; however, it does not include budget ceiling for PPCA.

17.3 Budget submission to the legislature

This dimension assesses the timeliness of the submission of the subnational budget to the subnational council.

The BSP and annual budget are prepared under the coordination mechanism of the "technical coordination committee" led by the governor before submission to the PPCA council for review and approval.

Governors of all subnational administrations must send to the MEF, by prescribed dates, proposed plans and budgets for approval. In August each year, the MEF negotiates budget outcomes with governors of C/P administrations. Importantly, procedures for approval of the budget are limited to approvals by the National Assembly and do not refer to approvals by elected councils, as provided in the Organic Law.

Table 2.36: Annual submission and approval of the budget

Budget Year	Date of submission budget proposal to PPCC	Date of PPCC Endorsed budget proposal
Budget Proposal 2019	24 September 2018	04 October 2018 (53th meeting of 2 nd Mandate)
Budget Proposal 2020	13 August 2019	21 August 2019 (3th meeting of 3 rd Mandate)
Budget Proposal 2021	27 July 2020	06 August 2020 (15th meeting of 3 rd Mandate)

This dimension is scored D because the governor submitted the budget proposal to PPCC less than one month.

Table 2.37: Score for PI-17

PI	Dimension	Score	Brief justification for score
PI-17	Budget preparation process	C	Scoring method M2
17.1	Budget calendar	A	There is a clear budget calendar that is set out in the Law on Financial Regime and State Property Management for SNAs (2011).
17.2	Guidance on budget preparation	D	There is a clear guidance for budget formulation based central government guidance; however, it does not include budget ceiling for PPCA.
17.3	Budget submission to the subnational council	D	The governor submitted the budget proposal to PPCC less than one month.

Ongoing reforms

The MEF will set a budget ceiling for the SNAs to guide the preparation of C/P BSPs, which are aligned and

integrated with C/P policies to support sector policies and outcomes.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. The assessment of this PI is comprised of the following four dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

Dimension 18.1: Scope of budget scrutiny

Dimension 18.2: Legislative procedures for budget scrutiny

Dimension 18.3: Timing of budget approval

Dimension 18.4: Rules for budget adjustments by the executive.

The PPCC has broad roles, duties, and authority and can make legislative and executive decisions. Councils may make legislative decisions—by-laws—on the following: new functions, obligatory functions, permissive functions, 3-year investment programs, 5-year unified area development plans, annual budgets and medium-term expenditure frameworks, structures and committees of council, asset management, citizen consultation, and other duties prescribed by law.

The PPCA's budget is prepared and submitted to the local council for deliberation and endorsement. These budgets are then submitted to the MEF. In the process of conducting budget reviews, the MEF conducts legality control the following principles:

- the budget plan is prepared according to the defined budget classification format, formality and procedures;
- the process of budget preparation is participated by the public and other stakeholders;
- appropriation is based on the mandatory expenditures;
- the budget plan is prepared in line with the conditions set for the utilization of resources from specifically defined sources;
- a balance is guaranteed between revenues and expenditures;
- there is a discussion and approval of the budget plan in a public meeting of the local council.

In the event that MEF or the delegated authority finds any SNA budget plan to deviate from the above principles of legitimacy, they shall revise and inform the governor of the SNA in writing to revise their budget plan according to the procedure in force.

18.1 Scope of budget scrutiny

This dimension assesses the scope of legislative scrutiny. Such scrutiny should cover a review of fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as the specific details of expenditure and revenue estimates.

The PPCC is required to formulate and adopt a 5-year development plan as well as a 3-year investment plan. Budgeting and public financial management are to focus on priorities, especially newly assigned and delegated functions; essential services, such as infrastructure; poverty reduction; and other priorities. All SNAs shall have their own budgets, except khans and sangkats in the capital whose budgets are subsumed within the budget of PPCA.

The PPCC is expected to review and approve PPCA's budget in accordance with the procedures and calendar of the annual state budgeting. The PPCC is also expected to approve medium-term expenditure plans which are to be updated every year. The PPCC's review covers policies, medium-term priorities, revenue and expenditure as all of these items are included in BSP and the annual budget.

This dimension is scored C because the PPCC's review of the budget proposal is conducted in one short meeting and lack of comprehensive review.

18.2 Legislative procedures for budget scrutiny

This dimension assesses the extent to which the procedures of the subnational council are established and adhered to.

After the consolidation of the annual budget, the governor submits it to the local council. The council meets

for review and approval of the budget. The council's meeting⁴⁰ to discuss the annual budget plan is quite brief and the PPCC approves the budget based on a majority of votes. In the event the numbers of votes are equal, the vote of the meeting chairperson shall be considered as decisive. Board of governor members are not councilors and cannot vote in council meetings, though they can participate.

This dimension is scored D because there is no detailed procedure for the council to review the budget with focusing on the revenue and expenditure sides.

18.3 Timing of budget approval

The dimension assesses whether, over the last three years, the subnational budget had been approved by the subnational council before the commencement of the fiscal year.

The PPCC endorsed the budget proposal FY2021 on 06 August 2020 (as indicated in Table 2.36) and submitted the PPCA's budget to MEF for legality control. The budget is required to be approved by the council before the start of the new fiscal year. Following council approval, the budget is submitted to MEF for consolidation before being submitted to the CoM and then to the legislature. The SNA budgets are approved as a package by the national legislature as a part of the overall national budget. Based on the agreed annual budget revenue package, the PPCA Governor determines budget allocations for each khan and instructs each khan and sangkat to prepare their budget in detail.

This dimension is scored A because the annual budget was approved on time for the last three fiscal years.

18.4 Rules for budget adjustments by the executive

The dimension covers subnational legislative rules on budget adjustments that apply to subnational executive virements.

Adjustments to the annual budget appropriations are regulated through an amended annual budget law, or by sub-decrees in some case by Prakas and/or circulars, issued by heads of ministries.

Article 38 of Law on Financial Regime and State Property Management for SNAs (2011) states the budget of the SNAs could be revised during the budget year to respond to changes in economic and financial conditions, which is influence the forecasting of revenues and expenditures. Article 42 (new), in the case of the SNAs facing deficit, SNAs shall be subject to the implementation of all measures to reassure the budget balance.

In case of budget adjustment, the Governor of PPCA requests to the PPCC for endorsement in the monthly meeting of PPCC before sending it to the MEF. Additionally, the size of the total budget can also be adjusted based on changes in revenue collections, whereby higher than planned revenues can potentially be used as the basis for requesting additional budget expenditures.

For current expenditure (Chapter 60, 61, 62, 64 and 69), the PPCA follows the Prakas no. 275 MEF.PrK dated 10 March 2015 on Petty Cash Procedure for SNAs, Prakas no.1587 MEF.PrK dated 27 December 2016 on Revision of article 23 of Prakas no. 275 MEF.PrK and Prakas no. 167 MEF.PrK dated 14 February 2017 on Program Budget Execution for SNAs. The budget adjustment is allowed in the 2nd quarter. The adjustment happens only one time on 13 August 2020 from contingency vote to other chapters 64 and 21.

This dimension is scored A because there is a clear rule for in-year budget adjustment. When there is an budget adjustment, the PPCA must request for approval from the MEF.

⁴⁰ The head of administration coordinates the meeting and prepares minutes to record the council meeting's discussion.

Table 2.38: Score for PI-18

PI	Dimension	Score	Brief justification for Score
PI-18	Legislative scrutiny of budgets	D+	Scoring method M1
18.1	Scope of budget scrutiny	C	The PPCC reviews cover only revenue and expenditure but lack of review completed on policies, and medium-term expenditure.
18.2	Legislative procedures for budget scrutiny	D	The PPCC lacks of its own procedure for budget review, resulting in a lack of effective budget scrutiny.
18.3	Timing of budget approval	A	Approval of the 2020 budget was in accordance with the budget calendar set out in Law on Financial Regime and State Property Management (2011). There were no significant delays.
18.4	Rules for budget adjustments by the executive	A	There is a clear rule for in-year budget adjustment. When there is a budget adjustment, the PPCA must request for approval from the MEF. The rules for adjustments to the annual budget appropriations are strictly respected.

Ongoing reforms

None identified.

Pillar five: Predictability and control in budget execution

This pillar assesses whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Pillar five has eight indicators:

- ◆ PI-19. Revenue administration
- ◆ PI-20. Accounting for revenue
- ◆ PI-21. Predictability of in-year resource allocation
- ◆ PI-22. Expenditure arrears
- ◆ PI-23. Payroll controls
- ◆ PI-24. Procurement management
- ◆ PI-25. Internal controls on nonsalary expenditure
- ◆ PI-26. Internal audit.

PI-19. Tax administration

This indicator assesses the procedures used to collect and monitor the core taxes of the subnational government. It contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 19.1: Rights and obligations for tax measures
- Dimension 19.2: Property tax register and valuation
- Dimension 19.3: Tax risk management, audit and investigations
- Dimension 19.4: Tax arrears monitoring.

SNAs are not authorized to collect tax and set tax base and tax rate. This is responsible for the central government, MEF GDT. Shared taxes are for the benefit of SNAs, namely 1. Patent tax, 2. Public lighting tax, 3. Accommodation tax, 4. Tax on means of transportation, 5. Tax on unused land, 6. Tax on Property Rental, 7. Tax on Property, and 8. Registration Tax or Stamp duty.

So, this PI-19 is scored NA.

Table 2.39: Score for PI-19

PI	Dimension	Score	Brief justification for score
PI-19	Tax administration	NA	Scoring method M2
19.1	Rights and obligations for tax measures	NA	-
19.2	Property tax register and valuation	NA	-
19.3	Tax risk management, audit and investigations	NA	-
19.4	Tax arrears monitoring	NA	-

Ongoing reforms

None identify.

PI-20. Accounting for revenue

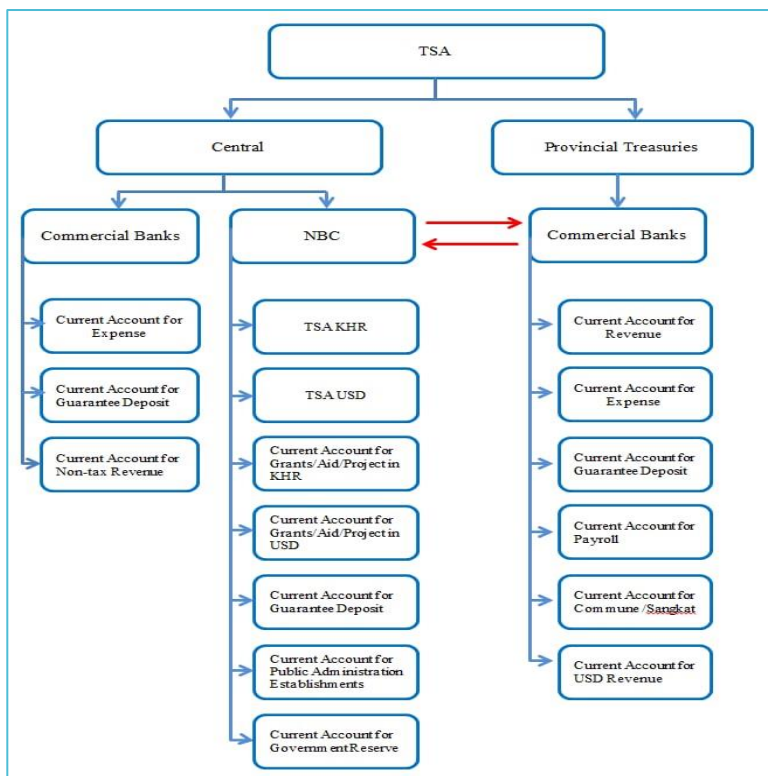
This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected and reconciling tax revenue accounts. This indicator contains the following three dimensions and uses **M1 (WL)** for aggregating dimension scores:

- Dimension 20.1: Information on revenue collections
- Dimension 20.2: Transfer of revenue collections

Dimension 20.3: Tax accounts reconciliation.

The budgetary system is managed through the TSA, managed by the MEF. Each budgetary entity, including national and subnational administration and their institutions, have their own accounts and subaccounts with Treasury, which is linked with the second-tier banking system. The PPCA approves their own budgets, which are subject to a conformity/legality control by the PPCDEF, a deconcentrated institution and payment by GDNT under MEF.

Diagram 2.1: TSA structure



Source: GDNT

According to Sub-decree no.18 ANKr.BK on Establishing One Window Service at SNAs (2017), specific services are transferred (mostly through delegation, not assignment) to both the top-level C/P administrations and the middle-level D/M/K administrations. Most of these services are transferred to the OWSU for C/P administrations and OWSO for D/M/K administrations. Additionally, Sub-decree no.25 ANKr.BK on the Management of OWSU at C/P Administrations (2020) has provided guidance for revenue management, including revenue planning, collection, sharing, payment and usage.

20.1 Information on revenue collections

This dimension assesses the extent to which an agency (department or a body with similar responsibilities) of the subnational government coordinates revenue administration activities and collects, accounts for, and reports timely information on collected revenue.

The PPCA also perform delegated responsibilities on behalf of the central government for 14 services in the OWSU. The PPCA receives monthly information from the Tax Division and Treasury in Phnom Penh on revenue collections. The Financial Division of PPCA arranges a meeting to discuss the revenue data with related entities before adding a discussion of the data to the monthly meeting agenda of the local council. Reporting contains information broken down by type of revenue.

This dimension is scored A because the data and reporting are prepared on a timely basis by the PPCA Financial Division in cooperation with the PPCT.

20.2 Transfer of revenue collections

This dimension assesses the promptness of collected revenues being transferred to the subnational treasury

or other designated agencies.

The MEF has an MOU with 5 commercial banks (i.e. ACLEDA, ANZ Royal, CAMPU, Vattanac, and Canadia) that support the payment of tax and nontax payments being made through the banking system using designated accounts at partner banks. The MOU specifies that all payments (revenues) are to be automatically transferred to the PPCT accounts on a daily basis and subsequently transferred to the TSA at the NBC on the same day. Payments made after a specified time (15.00 pm) are transferred the following day.

This dimension is scored A because revenue transfers to the national TSA are performed on a timely basis (daily).

20.3 Tax accounts reconciliation

This dimension covers the core taxes and assesses the extent to which aggregate amounts related to assessments, collections, arrears, and transfers to (and receipts by) the subnational treasury or another designated agency take place regularly and are reconciled in a timely manner.

Revenue accounts are reconciled daily and monthly through debit advice and bank statements. The cashier for revenue is not allowed to keep cash of more than 2 million riels, which must be transferred to the revenue collections received through commercial bank partners. There is an electronic interface between the bank statements and FMIS, with both electronic and hard copies sent daily to the PPCT.

This dimension is scored NA because the central government is responsible to collect taxes.

Table 2.40: Score for PI-20

PI	Dimension	Score	Brief justification for score
PI-20	Accounting for revenue	A	Scoring method M1
20.1	Information on revenue collections	A	The PPCA receives monthly revenue collections data from the Phnom Penh Capital Treasury and from the Phnom Penh Municipality of Tax Division.
20.2	Transfer of revenue collections	A	All revenue is directly transferred to the national TSA on a daily basis. These accounts are 'zero balance' accounts.
20.3	Tax accounts reconciliation	NA	The central government is responsible for collecting taxes.

Ongoing reforms

There are ongoing measures being taken to further strengthen coordination between the PPCDEF, the Tax Division, the PPCT and the PPCA to facilitate data sharing on revenue among related entities.

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the PPCA is able to forecast cash commitments and cash requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 21.1: Consolidation of cash balances
- Dimension 21.2: Cash forecasting and monitoring
- Dimension 21.3: Information on commitment ceilings
- Dimension 21.4: Significance of in-year budget adjustments.

21.1. Consolidation of cash balances

The dimension assesses the extent to which the C/PDEF and PPCT can identify and consolidate cash balances of the subnational government as a basis for informing the release of funds.

The PPCA and khans each have only two bank accounts, one for payment agency and one for petty cash, that are managed by the PPCT. There is a restriction of rules for opening bank accounts. The PPCT consolidates the cash balance daily. Cash balances comprise various revenue sub-accounts and balances of available cash

from various sources.

For consolidation of cash balances, the GDNT has done on a daily basis for 2 accounts of TSA and 12 accounts of Sub-TSA. For the other accounts that rarely have transactions, GDNT had done consolidation on monthly basis.

All revenues collected by relevant entities are daily transferred to TSA accounts (see PI-20.2).

This dimension is scored A because the PPCT consolidates the cash balance daily.

21.2. Cash forecasting and monitoring

The dimension refers to cash-flow forecasts prepared at the subnational level and monitored by the MEF, C/PDEF, and C/PT.

The MEF issued Prakas no. 880 MEF.PrK dated 19 September 2013 on the implementation of the guidelines on cash management. All spending units submit their cash plan for the next financial year to MEF for approval no later than 10 December. Cash plans can be revised on a quarterly basis before the 25th day of the first month in each quarter.

A Manual on Cash Planning was issued in 2013 under Prakas 617 MEF.PrK. The GDNT prepares a cash flow plan with the purpose to manage its cash resources more effectively and efficiently, and to better monitor in-year cash inflows and outflows.

Cash flow planning is managed by the Cash Management Technical Committee (CMTC) under direct supervision from GDNT's Cash Management Unit. However, the PPCA just informs the PPCT of cash needs.

In the current practice, the PPCT prepares a quarterly cash forecast and sends it to the GDNT for consolidation for whole-of-government cash forecasts.

This dimension is scored B because the annual cash flow forecasts are prepared and updated quarterly on the basis of actual past cash flows and re-forecasts for the remainder of the year.

21.3. Information on commitment ceilings

The dimension assesses the reliability of in-year information available to budgetary units on ceilings for expenditure commitment for specific periods.

The PPCA is able to spend their budgets provided they have sufficient appropriation based on revenue collections in their respective bank account⁴¹. The PPCA is required to prepare revenue and expenditure program; however, usually, the PPCT estimates the amount of expenditure of PPCA by CoA based on historical spending data. It is noticed that there are no commitment ceilings.

This dimension is scored D because there is no commitment ceiling provided one month in advance and based on revenue collection.

21.4. Significance of in-year budget adjustments

The dimension assesses the frequency and transparency of adjustments to budget allocations.

In-year budget adjustments are allowed in the 2nd quarter so C/P administrations can transfer budget funding from one sub-account, account or chapter to another sub-account, account or chapter subject to the MEF approval of the request for such transfer, together with supporting documentation in the form of approval by MoI, while C/P that implement program budgeting do not need to seek for approval from MoI. In addition, the PPCA must attach a financial report on actual spending and an estimate of expenditures for the year. In 2020, the adjustment happens only one time on 13 August 2020 from contingency vote to other chapters 64 and 21 in the amount of 7 percent of 2020 budget law.

This dimension is scored A because the budget adjustment happens only one time in 2020 in a transparent and predictable way.

⁴¹ Before issuing commitment, the PPCDEF checks the available appropriations and PPCT verifies as public accountant.

Table 2.41: Score for PI-21

PI	Dimension	Score	Brief justification for score
PI-21	Predictability of in-year resource allocation	C+	Scoring method M2
21.1	Consolidation of cash balances	A	The PPCT consolidates the cash balance daily.
21.2	Cash forecasting and monitoring	B	A cash flow forecast is prepared for the fiscal year and is updated at least quarterly by the PPCT on the basis of actual cash inflows and outflows.
21.3	Information on commitment ceilings	D	There is no commitment ceiling provided at least one month in advance and based on revenue collection.
21.4	Significance of in-year budget adjustments	A	The budget adjustment happens only one time in 2020 in a transparent and predictable way.

Ongoing reforms

None identified.

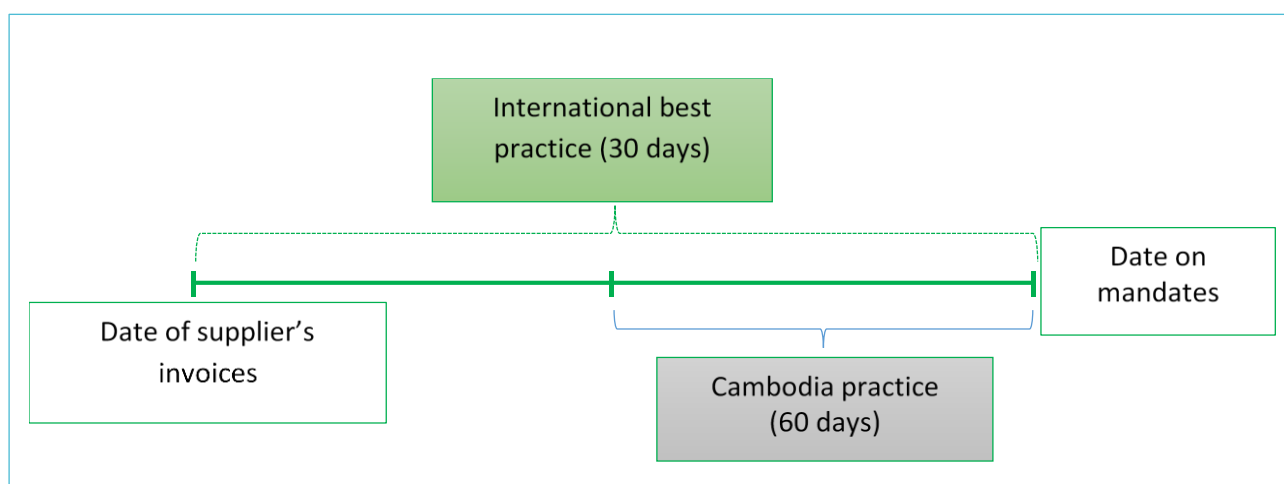
PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains the following two dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

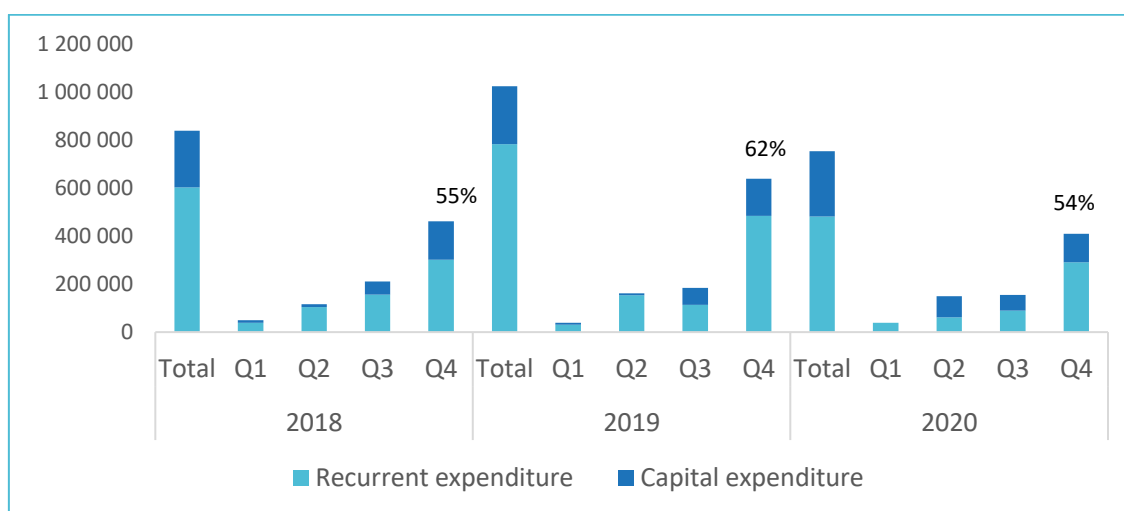
Dimension 22.1: Stock of expenditure arrears

Dimension 22.2: Expenditure arrears monitoring

In current practice, there is no legal definition of expenditure payment arrears. However, in assessing its own performance against the current PFMRF KPI for expenditure arrears, the MEF has for some time applied a standard rule defining payment arrear to be a payment that is outstanding beyond 60 days from GDNT's receipt of the payment mandate as indicated in diagram 2.1.

Diagram 2.2: Definition of arrears

The PPCDEF is tasked to oversee the budget expenditure (from commitments to payment orders) and make sure that the expenditures meet legal requirements – i.e. credit is within the limit approved by law and in compliance with the existing financial procedures.

Diagram 2.3: Total expenditure of PPCA by quarter from 2018-2020 (KHR Millions)

Source: PPCT

The actual expenditure of the PPCA by quarterly from 2018-2020 in diagram 2.2 indicated in quarter 4 of each year expenditure is more than 50% of the total budget (55% in 2018, 62% in 2019 and 54% in 2020). This is shown the spending is not smooth and might be able to create the expenditure arrears.

22.1. Stock of expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

The stock of expenditure of arrears is happened to settle advance for 50%-50% development project (a policy to build roads) in Phnom Penh. The additional subsidy required from the central government to the PPCA in 2018 to settle liability matter from 2005 to 2013 for an amount total 24,847.5 million riels. Liability arose from insufficient payment by households; however, there is no expenditure arrears on the payroll as well as pensions. Until 2018, the MEF issued Prakas no. 1679 dated 31 December 2018 to additional appropriations for PPCA for settlement the rest. There is no sufficient data to assess based on the PEFA definition⁴². It is noticed that in the specific context of PPCA, based on cash availability, the PPCT will issue payment orders within 5 working days in case of enough supporting documentation.

Table 2.42: Analysis of expenditure payment arrears based on current practice

Expenditures	2018	2019	2020
Total expenditure (KHR billions)	838,344	1,023,811	753,334
Total expenditure arrears (KHR billion)	24,847.50	0	0
As a % of total expenditure	0.000003%	0	0

This dimension is scored D* because there is insufficient data to assess based on the PEFA definition.

22.2. Expenditure arrears monitoring

The dimension assesses the stock of expenditure arrears under the purview of the subnational government.

The PPCDEF is overcharged all payment spending processes and entry of all information is FMIS. The processing of transactions in the FMIS reaches to the PPCT for payment. The PPCT verifies the payment

⁴² According to PEFA, an expenditure arrears are expenditure obligations that have been incurred by government, for which payment to the employee, retiree, supplier, contractor or loan creditor is overdue. Hence, the starting point for calculating the arrears cannot be the receipt of the mandate payment. It has to be the moment when the obligation is created, which generally corresponds to the date the supplier invoice is received.

request and proceeds with payment in case of enough supporting documents.

The FMIS informs the PPCT on the quantity and value of all outstanding payments and disaggregates outstanding payment orders by supplier. It records the payments from the dates the PPCT received payment orders and can alert the PPCT about any unpaid payment orders. Monthly reports are extracted from the FMIS and analyzed, usually in the first week of each month.

The PEFA methodology established a definition for “expenditure arrears” as “an unpaid claim obligation that is not paid at the date stipulated in the contract or in the corresponding law or regulation”. The FMIS used by GDNT tracks arrears that are older than 60 days from the arrival of the payment order to GDNT.

The PPCT aims to execute all payments for PPCA expenditures within five days. However, in the 4th quarter, it is typical for there to be a very large number of requests for payment prior to the end of the fiscal year (see diagram 2.2). Payments can still be made within a month if all the necessary supporting documentation is provided and in order. The PPCT report to GDNT and monitors payment arrears regularly by extracting a sample of payment data from payment orders, examining the date stamped for receipt by Treasury and the payment date.

This dimension is scored D because the data maintained on the FMIS can be extracted to generate Excel reports and data on stock and composition of arrears is monitored by the PPCT on a regular basis and reported annually. However, the definition of arrears is not aligned to the international definition used in the SNG PEFA methodology.

Table 2.43: Score for PI-22

PI	Dimension	Score	Brief justification for score
PI-22	Expenditure arrears	D*	Scoring method M1
22.1	Stock of expenditure arrears	D*	Stock expenditure arrears are not able to assess due insufficient data based on definition of PEFA.
22.2	Expenditure arrears monitoring	D*	Data maintained on the FMIS can be extracted to generate Excel reports and data on stock and composition of arrears is monitored by the PPCT on a regular basis and reported annually based on current practice.

Ongoing reforms

The PPCA is scheduled to begin using FMIS in 2022, thereby providing a tool for more effective management and control of expenditures, including monitoring and preventing expenditure arrears.

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled and how consistency with personnel records management is achieved. This indicator contains the following four dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

Dimension 23.1: Integration of payroll and personnel records (as at time of assessment)

Dimension 23.2: Management of payroll changes (as at time of assessment)

Dimension 23.3: Internal control of payroll (as at time of assessment)

Dimension 23.4: Payroll audit (last three completed financial years)

Through cooperation between the D&D and NPAR, a regulatory environment for decentralized SNA human resource management is largely in place under the lead of the MCS. Personnel management and salary policies at subnational levels are important for fiscal decentralization as salaries take up very significant portions of subnational expenditures. Operationally, these empower SNAs to manage effectively and develop the capacity of staff, to hold them accountable, to encourage civil servants to work at SNAs, to ensure the neutrality of staff in the discharge of their roles and duties, and to facilitate the transfer of staff to accompany

the transfer of functions.

Personnel management of civil servants employed in SNAs, including PPCA, is compliant with Law on Joint Statute of Civil Servant of the RGC (1994), Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008), Law on Commune and Sangkat Administrations (2001) and Royal Decree on Separate Statute of Personnel of SNAs (2016).

A sub-decree issued in 2013 delegated powers to SNAs to appoint, transfer, and terminate civil servants working at subnational levels, including as well a provision for the governors of C/P administrations to appoint, transfer, and dismiss civil servants (apart from directors) in LM provincial departments in order to support a unified administrative approach. This sub-decree was supplemented in 2016 with approval of a royal decree on the management of subnational civil servants, which covers a broad range of personnel management areas, including recruitment, termination, transfers and working conditions. In 2017, the RGC issued a Sub-decree no.240 ANKr.BK dated 27 December 2017 on Authorization of delegation to C/P and D/M instead of Sub-decree no.240 ANKr.BK (2013). Governor of C/P and D/M administrations in name of the council has the power to appoint and dismiss civil servants ranked from deputy head of administration or deputy head of equivalence agencies to bottom; deputy head of C/P technical departments to bottom of civil servants and technical offices of LMs performing at SNAs. In addition, the head of C/P departments or equivalence governors of C/P administration can request the minister of LMs/institutions for appointments or dismisses.

Royal Decree no.NS/RKT/1014/1175 (October 2014) on the general principle of organization of the state civil service states that the civil service Cambodia is organized according to the “body”, “position” and “category” as follows:

- Category A has 3 grades with grade 1 having 6 steps, grade 2 having 4 steps and grade 3 having 4 steps;
- Category B has 3 grades with grade 1 having 6 steps, grade 2 having 4 steps and grade 3 having 4 steps;
- Category C has no grade, but it has 10 steps.

Table 2.44: Category of civil servants

Category	Grade													
	3				2				1					
A	Step				Step				Step					
	4	3	2	1	4	3	2	1	6	5	4	3	2	1
	Salary index				Salary index				Salary index					
	345	354	364	379	394	410	426	443	461	479	496	513	531	550
B	Step				Step				Step					
	4	3	2	1	4	3	2	1	6	5	4	3	2	1
	Salary index				Salary index				Salary index					
	300	308	318	331	344	358	369	380	393	407	421	436	453	470
C	Step													
	10	9	8	7	6	5	4	3	2	1				
	Salary index													
	265	274	284	295	307	321	335	352	370	390				

Table 2.45: Category of civil servants with opportunity position

A	Director General, Inspector
	Deputy Director General Deputy Inspector
	Director
	Deputy Director
	Head of Provincial Department

B	Chief of Office, Sub-Head of Provincial Department Vice-Chief of Office, Chief of Office at Provincial Department Vice-Chief of Office at Provincial Department
C	Administrative work

The personnel management system combines principles of the career system (basic salary based on indexes established according to each category, grade and step) and the employment/contract system (functional allowances provided to civil servants according to their positions or functions).

Basic salary and subsidiary allowances of salary include:

- Basic salary;
- Functional allowance or additional allowance;
- Subsidiary allowances (e.g., regional allowances for education and health sectors and family allowances).

Significant powers are delegated to subnational managers, but standards, salary levels, staff ceilings and working conditions are still subject to national regulations. Some scope is provided for location allowances to attract quality staff in the provinces. Further work is still proceeding to finalize lower-level regulations providing detailed procedures for managing subnational personnel.

Table 2.46: Regulatory for payroll control for SNAs

Payroll control	Rule and regulatory document
Payment salary is made through banking system. Payment agency is based on salary record issuing from Ministry of Civil Service, which certifies VISA on employment and category of the civil servant.	<ul style="list-style-type: none"> • Circular on.07 SR dated 12 December 2018 on the procedure for payment salary twice per month
Khan and sangkat administrations issued salary payments to civil servants, members of councils and village officials twice per month.	
Basis salary of government officials	<ul style="list-style-type: none"> • Sub-decree no. 173 ANKr.BK dated 18 December 2018 on the Revision of Salary Index and Rate for RGC officials for implementation in 2019 • Sub-decree no.192 ANKr.BK dated 04 December 2019 dated 18 December 2018 on the Revision of Salary Index and Rate for RGC officials for implementation in 2020
Monthly allowance for contract staff	<ul style="list-style-type: none"> • Sub-decree no.172 ANKr.BK dated 18 December 2018 on increasing monthly allowance for Contract staff, member of Councils of Capital, Provinces, Municipalities, Districts, Khans, Communes, Sangkats, village staff and Citizen office in Capital, Provinces, municipalities, Districts, Khan, Commune Sangkats for implementing in 2019 • Sub-decree no.191 ANKr.BK dated 04 December 2019 on increasing monthly allowance for Contract staff, member of Councils of Capital, Provinces, Municipalities, Districts, Khan, Commune, sangkats, village staff and Citizen office in Capital, Provinces, municipalities, Districts, Khan, Commune sangkats for implementing in 2020 • Sub-decree no.35 ANKr.BK dated 16 March 2020 on Revision and Increasing monthly allowance for member of Councils of Capital, Provinces, municipalities, Districts, Khan, Commune, sangkats, village staff and Citizen office in Capital, Provinces, Municipalities, Districts, Khan, Commune, sangkats for implementing in 2020

Civil Servants position allowance	<ul style="list-style-type: none"> Sub-decree no.31 ANKr.BK dated 16 March 2020 on Revising and Increasing Allowance for Civil Servants Position
Family allowances for civil servants, the Royal Cambodian Armed Forces, National Police of Cambodia, Prison Officials of the Mol	<ul style="list-style-type: none"> Sub-decree no.278 ANKr.BK dated 29 December 2016 on Increasing Allowances for Civil Servant Families, Family Allowances and Veterans of the Royal Cambodian Armed Forces, National Police of Cambodia, and Prison Officials of the Mol
Maternity allowance and funeral allowance	<ul style="list-style-type: none"> Sub-decree no. 194 ANKr.BK dated 20 November 2017 on the Amendment and Increase of Maternity Allowance for Civil Servants, Interns and Contracted Staff for Women

23.1. Integration of payroll and personnel records

The dimension assesses the degree of integration between SNA personnel, payroll and budget data.

There are several components to the payroll management process:

- Organizational Structure Controls.** Article 177-178 of Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) indicates that the council shall make decisions on appointment and termination of personnel and setting-up salary levels and other benefits for the positions of its personnel. The appointment, termination and establishment of salary levels and other benefits of the council personnel shall be carried out in accordance with the provisions on personnel of the SNAs.
- Attendance List.** All attendant list has been recorded by scanning as the basis for preparing payroll.
- Position control.** Each position is determined by the mayor (governor), while the level of salary for each position is defined by the PPCC.
- Payroll Records.** The payroll records and management of issuing salary payments to employees is the responsibility of the Financial Division of PPCA. These records contain the general information about the employees – date of birth, gender, civil status, educational and other professional qualifications, salary, bonus, etc. These files are accessible only by the officials designated by the Human Resource Management Division. All changes made to the databases require an approval document signed by the Governor. This document is retained as part of the audit trail.

Each annual personnel plan is developed in the first quarter of the year in order to be included in the following year's budget with C/P technical departments of civil service and C/PDEF. The rules and formal procedures for personnel management are determined by the MCS in consultation with Mol and other relevant line ministries and institutions.

It is highlighted that payrolls in Phnom Penh Capital line departments are paid through by horizontal line. The payroll plan is prepared in the first quarter for inclusion in the next annual budget plan. In PPCA, the payroll plan is prepared by the Department of Civil Service.

This dimension is scored B because the payroll is supported by full documentation for *all* changes made to personnel records each month and checked against the previous month's payroll data.

23.2. Management of payroll changes

This dimension assesses the timeliness of changes to personnel and payroll data.

Article 177-178 of Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) indicates that the council shall make decisions on appointment and termination of personnel and setting-up salary levels and other benefits for the positions of its personnel.

Human Resource Management Division updates and reconciled personnel records monthly basis with online declarations database to verify the correct application of the payroll changes. For retirement control, the Phnom Penh Capital Department sends a list of retirements to the PPCA to review and confirm. Payments to retired officials are paid in accordance with the Law on Joint Statute of Civil Servant (1993) and Royal Decree

no. NS/RKT/0416/373 on Management of Subnational Civil Servants (2013). In addition, from the discussion with the Human Resource Management Division, the PEFA assessment team understands that there were some retroactive adjustments made and have been corrected in the following month. According to the table below, the retroactive adjustments to civil servants' payroll in 2018-2020 for 3 levels are between 5% and 11% from 2018-2020.

Table 2.47: Retroactive adjustments to civil servants' payroll in 2018-2020

Year	Month	Total number of civil servants	Total allowance (KHR Millions)	Total salary (KHR Millions)	% retroactive adjustment compared to total payroll	Changes by number of positions in the year
2018	January	763	303,000,000	868,167,080	11.04%	62
2018	December	777	385,620,000	975,900,170		
2019	January	776	385,170,000	1,051,841,240	5.07%	95
2019	December	795	417,720,000	1,107,973,140		
2020	January	794	416,880,000	1,139,295,000	8.06%	62
2020	December	847	469,910,000	1,239,237,500		

Source: Ministry of Civil Service

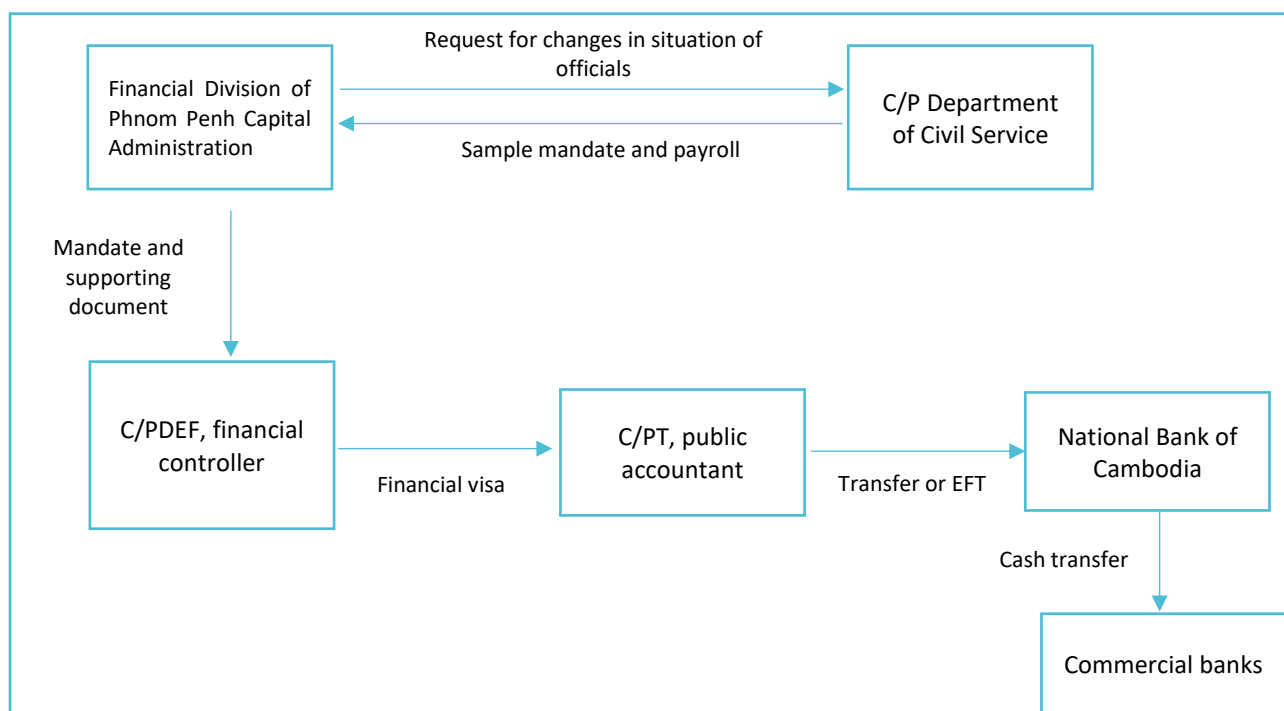
This dimension is scored B because the personnel records and payroll are updated at least monthly, generally in time for the following month's payments and retroactive adjustments to the payroll are between 5% and 11% from 2018-2020.

23.3. Internal control of payroll

This dimension assesses the controls that are applied to the making of changes to personnel and payroll data.

The responsible finance staff validates the HR-provided data, confirms the existence of the needed documentation and approvals for any changes in the payroll, confirms the attendance calculations for payroll purposes and updates the payroll. It includes salary amounts, tax, bonus (if any) and payroll deductions. Checking payroll records is performed on monthly basis. The calculations are done employing payroll system. Monthly payroll updates are based on changes made to the personnel file during the previous month. The preparation of payment of salaries is done by the PPCA and submitted to Phnom Penh Capital Department of Civil Service to review and then submitted the PPCT, which is executed the payment. The calculations of the payroll are based on regulation. Civil servants are paid electronically and on time through bank accounts.

Diagram 2.4: Financial flow chart for personnel expenses



Since 2019, payroll is paid using direct payments twice monthly. The PPCA payroll is approved by the governor. Payment request is then sent to PPCT for execution (See diagram 2.4).

This dimension is scored B because sufficient controls exist to ensure the integrity of the payroll data, but audit trails are generally missing.

23.4. Payroll audit

This dimension assesses the degree of integrity of the payroll. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps, and identify control weaknesses.

No payroll audit was undertaken within the last three completed financial years, although the NAA audited the PPCA 2018 on expenditure, revenue, asset management and internal control. According to discussion with the NAA, the payment of payroll is via the banking system and the current systems control for attendance poses a very low risk because the government is successful in reforming on payroll management. Therefore, at the time of assessment, no findings/information on issues in the calculation of salaries, and other benefits.

This dimension is scored D because of no audit on payroll in the PPCA for period assessment.

Table 2.48: Score for PI-23

PI	Dimension	Score	Brief justification for score
PI-23	Payroll controls	D+	Scoring method M1
23.1	Integration of payroll and personnel records	B	The payroll is supported by full documentation for <i>all</i> changes made to personnel records each month and checked against the previous month’s payroll data. Staff hiring and promotion is controlled by a list of approved staff positions. The PPCA control only staffs in the jurisdiction and has the authorization to promote only up to deputy heads of departments.

23.2	Management of personnel changes	B	The personnel records and payroll are updated at least monthly, generally in time for the following month's payments and retroactive adjustments to the payroll are between 5% and 11% from 2018-2020.
23.3	Internal control of payroll	B	Sufficient controls exist to ensure the integrity of the payroll data, but audit trails are generally missing.
23.4	Payroll audit	D	The NAA audited the PPCA in 2018 on PFM (expenditure, revenue, and asset management) and internal control. There is no findings/information on payroll.

Ongoing reforms

The PPCA is developing a Human Resource Management Information System to improve personnel records and controls.

PI-24. Procurement management

This indicator examines key aspects of procurement management. The indicator contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 24.1: Procurement monitoring
- Dimension 24.2: Procurement methods
- Dimension 24.3: Public access to procurement information
- Dimension 24.4: Procurement complaints management.

Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) states that the procurement committee shall have the authority and duties to ensure all SNA procurement activities are conducted with integrity, openness, transparency and fairness and in accordance with the Law on Public Procurement⁴³ (2012). Procurement activities of C/P are controlled by the Central government and D/M/K administrations are closely monitored, reviewed and controlled by the C/PDEF. The procurement activities funded by and conducted by C/S administrations operate on the basis of separate guidelines. To support the implementation of public procurement process, the MEF GDPP has produced and issued the Manual of Implementation Rules and Regulations for Public Procurement. The Manual controls mainly the procurement activities for domestically financed project procurement.

Procurement was decentralized to LMs/institutions and C/P administrations as indicated by Prakas no.45 MEF.PrK (2005). For procurement below the threshold, which is KHR 500 million (approx. USD 125,000), procuring entities are fully responsible. For contracts over USD 125,000 and up to USD 250,000 for goods or USD 300,000 for works contracts, national competitive bidding is required. Above these thresholds, international competitive bidding is required. LMs/institutions and C/P administrations are required to prepare annual procurement plans in support of their budget proposals and have them approved by the MEF GDPP. Based on Prakas no.10 MEF.PrK dated 14 January 2019 procurement entities have authority and responsibility for conducting procurement below specific thresholds as follows:

- below threshold KHR 300 million for C/P departments of LMs;
- below threshold KHR 500 million for provincial administrations;
- below threshold KHR 800 million for capital administration;
- below threshold KHR 800 million for LMs and authorized budget entities central level;
- below threshold KHR 1,000 million for University of Health Sciences and National Institute of Public Health;
- below threshold KHR 1,000 million for Ministry of Interior and Ministry of National Defence;
- below threshold KHR 1,500 million for MoEYS and MoH;
- below threshold KHR 1,500 million for state-owned enterprises;
- below threshold KHR 2,000 million for Phnom Penh Water Supply Authority;
- below threshold KHR 3,000 million for Electricite du Cambodge.

⁴³ The MEF GDPP is the central agency responsible for procurement using government funds.

24.1. Procurement monitoring

This dimension assesses the extent to which prudent monitoring and reporting systems are in place within the government to ensure value for money and promote fiduciary integrity.

The PPCA issued Decision no. 315/19 on the Recognition of the Chairman, Vice-Chairman and Members of the Procurement Committee in accordance with Inter-Ministerial Prakas no. 324 MEF.PrK on the Procedure for Organizing and the Functioning of the Procurement Committee and Procurement Unit of Phnom Penh Capital, Province, Municipality, District and Khan.

The PPCA established only the Public Procurement Committee and Procurement Unit. Composition of Public Procurement Committee is chaired by the Governor of PPCA, one Deputy of Governor, Head of PPCDEF, a member of PPCC, Head of Administration, Head of Division of PPCA, and Head of Procurement Unit.

All tenders are prepared and organized by procuring units, but the MEF GDPP has an *ex-ante* control function for tenders above a relevant threshold. In 2020, all procurement plans (20 projects) are above thresholds so MEF GDPP managed and consolidated the contracts awarded on an excel document. The Contract Management Office of GDPP is responsible for consolidating records of all procurement contracts (above the threshold/final approval from the MEF) using excel spreadsheets including relevant information of procurement contracts such as the purpose of contract, name of Procurement Entities/Budget Entities, name of suppliers/contractors/service providers, contract value, contract date etc.

This dimension is scored A because the PPCA is a procuring unit recording all data in an excel spreadsheet and the total value of 20 contracts could calculate against the total annual procurement value.

24.2. Procurement methods

This dimension assesses the procurement methods used by the subnational government and analyzes the percentage of the total value of subnational contracts awarded with and without competition.

Law on Public Procurement (2012) clearly states the public procurement method of goods, works, and services shall be conducted in compliance with article 11, 12, and 13 (Article 11 and 12 state public competitive bidding method and other competitive bidding methods of non-public bidding. Article 13 identifies the non-competitive bidding method). Based on this law, the MEF issued Prakas no.1866 MEF.PrK dated 26 December 2014 on Thresholds of Procurement Methods as summarized in table 2.49.

According to article 45 of the Law on Public Procurement (2012), a Procurement Committee⁴⁴ shall review and assess bidding document proposals in secret.

Table 2.49: Thresholds for procurement methods

Procurement methods	Threshold (KHR Million)		
	Goods	Construction	Services
International Competitive Bidding	From 5,000 up	From 6,000 up	From 4,000 up
National Competitive Bidding	100 – 5,000	100 – 6,000	100 – 4,000
Limited Competitive Bidding	No limit	No limit	No limit
Shopping	20 – 100	20 – 100	20 – 100
Canvassing	Less than 20	Less than 20	Less than 20
Direct Contracts	No limit	No limit	No limit

Source: MEF GDPP

In 2020, 34 projects that were procured with total amount KHR 557,444,840,500 were through the national competitive bidding (25 projects=KHR 54,872,230,500 equal to 10% of total value of contracts) and direct contracts (9 projects=KHR 510,636,260,000 equal to 90% of total value of contracts).

⁴⁴ An Inter-ministerial Prakas on Organizing and Conducting of Procurement Committees in Capital, Province, Municipality, District and Khan Administrations states that the MEF delegates authority to C/P Departments of Economy and Finance to review and approve procurement plans and implementation of procurement activities by D/M/K administrations.

Table 2.50: Procurement methods used by the PPCA 2020 (Unit: KHR)

No.	Procurement methods	Number of projects	2020	
			Value of contracts threshold	Percentage (%)
1	International competitive bidding	-	-	0%
2	National competitive bidding	25	54,872,230,500	10%
3	Shopping	-	-	0%
4	Canvassing	-	-	0%
5	Direct contracts	9	510,636,260,000	90%
Total		34	565,508,490,500	100%

Source: MEF GDPP

This dimension is scored D because the total value of contracts awarded through competitive methods in 2020 was only 10%.

24.3. Public access to procurement information

The dimension reviews the level of public access to complete, reliable, and timely procurement information at the subnational level.

The MEF issued a Circular no. 02, dated 14 January 2014, on Public Procurement Implementation to support transparency, accountability, fairness, efficiency, equity, economy and effectiveness in achieving intended results. Point 7 of this circular states that the bidding notice is to be published and open to competitive bidding. Procuring Units must publish the bidding notice in newspapers, on their own website and on the website of MEF GDPP. Other procurement documents (Legal and regulatory framework for procurement, government procurement plan, contract award, data on the results of review of complaints and annual Procurement Statistics) required are published on the GDPP's website.

The PPCA's annual procurement plans, bidding opportunities and contract awards (i.e. purpose, contractor and value) are not available on its own website (www.phnompenh.gov.kh).⁴⁵

Table 2.51: Procurement documentation/information of PPCA

Publicly available	Yes/No
Legal and regulatory framework for procurement	No
Government procurement plan	No
Bidding opportunities	Yes, it is published on the newspaper.
Contract award (purpose, contractor and value)	No
data on the results of review of complaints	No (There is no complaint during period assessment)
Annual Procurement Statistics	No

This dimension is scored D because there is only 1 key procurement information made available to public.

24.4. Procurement complaints management

The dimension assesses the existence and effectiveness of an independent, administrative complaint-resolution mechanism for subnational procurement.

⁴⁵ This website is not official and it is used for sharing information only.

Articles 62 and 63 of Law on Public Procurement (2012) define the settlement of conflicts and complaints but do not establish an independent institution to review procurement complaints. Recently, the RGC has adopted the Sub-decree no.21 ANKr.BK dated 21 February 2018 on Rules and Procedures for Complaints and Mechanism of Complaint Resolution. A Committee of Public Procurement Arbitration has been established as an independent committee⁴⁶ composed of the Minister of Economy and Finance as a chairman, Secretary of State of Economy and Finance as a vice-chairman, Director General of GDPP as a permanent member, and Director General of the GDICDM, and Head of the Legal Council Secretariat as members.

In the current practice, the PPCA established only the Public Procurement Committee and Procurement Unit as indicated Dim (24.1). When there is a complaint, the PPCA will invite all parties to solve the issues and send to MEF for next step resolution. In case, any party does not agree with solution, this complaint will be sent to court. During the assessment period (2018-2020), there is no appeal/complaint.

Table 2.52: Criteria for procurement complaints management

	Yes/No	Explanations
1) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	No	Below threshold KHR 800 million is assigned the rights and responsibilities for public procurement to for capital administration.
2) Does not charge fees that prohibit assess by concerned parties	Yes	No fees charged.
3) Follows process for submission and resolution of complaints that are clearly defined and publicly available	Yes	Article 9, 13 and 16 of Sub-decree no.21 ANKr.BK dated 21 February 2018 on Rules and Procedures and Resolution Mechanism for Complaints explicitly states the delays for complaints to be lodged and for the Committee of Public Procurement Arbitration to resolve them.
4) Exercises the authority to suspend the procurement process	Yes	When complaints are lodged, the Public Procurement Committee has the power to suspend the contract award to solve complaints within 15 working days as allowed in Sub-decree no. 21 ANKr.BK.
5) Issues decisions within the timeframe specified in the rules and regulations	Yes	The Public Procurement Committee has the power to issue decisions based on Sub-decree no. 21 ANKr.BK.
6) Issue decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes	Decision issued by Public Procurement Committee is binding for all parties even if there is an option to appeal in the court. This situation has not taken place in the assessment period.

This dimension is scored D because criteria (i) is not met and other 5 are met.

Table 2.53: Score for PI-24

PI	Dimension	Score	Brief justification for score
PI-24	Procurement	D+	Scoring method M2
24.1	Procurement monitoring	A	The PPCA is a procuring unit recording all data in an excel spread sheet and the total value of 34 contracts could calculate against the total annual procurement value.
24.2	Procurement methods	D	The total value of contracts awarded through competitive methods in 2020 was only 10%.

⁴⁶ Prakas no.721 MEF.Prk dated 13 August 2019 on Committee of Public Procurement Arbitration

24.3	Public access to procurement information	D	There is only 1 key procurement information made available to the public.
24.4	Procurement complaints management	D	Criteria (i) is not met and the other 5 are met.

Ongoing reforms

The Law on Public Procurement will be amended to provide legitimacy for the implementation of the reform strategy and relevant regulations will be revised or newly prepared to ensure consistency with the amended Law on Public Procurement.

Authorities and responsibilities for procurement are to be increasingly delegated to C/P and D/M/K administrations by increasing the thresholds values for delegations of authority, except for some expense items of a strategic and technical nature for which management will remain subject to prior approval from the MEF.

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. The present indicator contains the following three dimensions, assessed as at time of assessment, and uses the **M2 (AV)** method for aggregating dimension scores:

Dimension 25.1: Segregation of duties

Dimension 25.2: Effectiveness of expenditure commitment controls

Dimension 25.3: Compliance with payment rules and procedures.

Following the adoption of the Annual Budget Law and after the budget books are issued, SNAs can request petty cash. According to PB guideline for SNAs (2021), the MEF issues budget for the first quarter and later on (Q2, Q3 and Q4) C/P administrations must request to the MEF for installment/subsidy in the first week of the last month of the quarter. This request is submitted to the MEF no later than 15 of early each quarter.

C/P and D/M administrations are expected to be fully responsible and accountable for all matters pertaining to their own financial execution and controls. Khan administrations remain budget entities with the PPCA, but their authority for budget allocation and budget execution is expected to increase with further delegations. The PPCA's budget is entered into FMIS after their official endorsement by PPCDEF.

25.1. Segregation of duties

The dimension assesses the existence of the segregation of duties for the control of nonsalary expenditure at the subnational level (irrespective of who set the rules).

The Mol issued the Guideline on Roles, Duties, and Business Process to Governors of PPCA and Khan administrations. The Mol has also issued a Prakas for procedures, roles and duties pertaining to divisions and offices under the PPCA and Khan management.

This Prakas provides information specific to each division and, including the Division of Financial Affairs, which has three offices responsible for managing financial affairs, accounting, and state property (annex 3a. Structure of PPCA). In this regard, roles and responsibilities are clearly defined on every step across various departments starting from the request of requisition until the payment execution.

As regulated the budget expenditure management, the Governor must give a signature on payment spending orders prior to signature of the PPCDEF. Nonetheless, the financial authorizer is signed first then the PPCDEF signed later by backdate.

In addition, it is noticed that the additional budget appropriation within the fiscal year, the PPCA work directly with the central government with a copy to the PPCDEF for information. After processing for payment, the PPCA requests the PPCDEF to authorize the approval and proceed payments to the PPCT.

This dimension is scored C because segregation of duties is clearly specified across administrative units throughout the expenditure process; however, it is only partially effective implementation.

25.2. Effectiveness of expenditure commitment controls

The dimension assesses the effectiveness of controls on SNA expenditure commitments.

The financial control has the key functions for ex ante control on supporting documents of the national expenditure and special accounts at the Treasury. The financial control of national and subnational administrations is implemented based on two sub-decrees as follows:

- Sub-decree no. 81 ANKr.BK (November 1995) on the Establishment of Financial Inspection on the State Budget Expenditure at Ministries, Provinces, Municipalities, Autonomous Cities, Phnom Penh Municipality and Public Administrative Entities
- Sub-decree no. 82 ANKr.BK (November 1995) on General Regulations of Public Accounting.

Compliance with the two sub-decrees above, the PPCDEF is responsible for reviewing and issuing the expenditure commitments and payment orders, while the PPCT in its role as the public accountant reviews payment orders and disburses payments. In article 4 of sub-decree no. 81 ANKr.BK, the financial controller is to control on the expenditure proposal and based on the following factors:

- The objective of expenses;
- The appropriation, compliance with the regulations released by the MEF, the type of expenses in accordance with the budget book specifying the budget appropriation;
- The accuracy of the evaluation of expenses;
- The budget availability;
- The proper compliant with Financial Law, Royal Decree, Royal Kram, and other existing regulations;
- The expenses properly spent according to the budget formulation;
- All the request for expenses shall have sufficient support documents so that the financial control is able to evaluate the request of those expenses;
- A financial controller even in any case shall not exercise his/her rights to take opportunity to make pressure on spending matters.

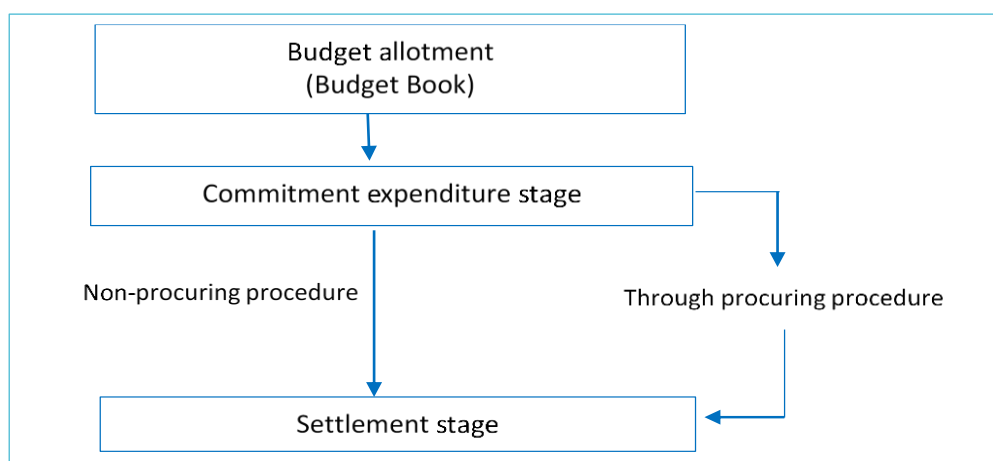
In this regard, the PPCA must request authorization for use of budget funds from the PPCDEF in order to establish expenditure commitment. This provides ex-ante budget control before spending.

In the event that SNA budget execution incurs a deficit, the SNAs are required to take necessary measures to restore budget balance. During the budget year, if actual revenues of the SNAs exceed annual planned revenues, the budget appropriation can be legally increased, according to the recorded amount of excess, to benefit the budget of other SNAs, as authorized by Prakas of the Minister of Economy and Finance. At the end of the budget year, the budget surplus of SNAs shall be returned to and recorded in the account of the national treasury⁴⁷.

After the annual budget is promulgated, the MEF issues a Prakas on the Assignment of Obligation to Collect Revenue and Appropriation Allotment for PPCA. The Governor shall issue a decision to delegate the revenue, expenditure, budget and delegate authority to the Governor of the Board of Governors of each khan and sangkat in the PPCA to implement the budget and send 1 copy to the PPCDEF; 1 copy of PPCT (original) based on the budget revenue and expenditure plan book of year N prepared by each khan and sangkat administrations as well as to include in the budget revenue plan of year N of PPCA for legality control and being compliance by the Governor of PPCA. The Governor of the Board of Governors shall be responsible for the delegation budget implemented as a budget manager.

Other expenditures via procurement procedure are required for commitment.

⁴⁷ Article (new) 42 of Law on Financial Regime and Property Management for SNAs (2011)

Diagram 2.5: Budget expenditure context

For current expenditure (Chapter 60, 61, 62, 64 and 69), khan and sangkat administrations are followed the Prakas no. 275 MEF.PrK dated 10 March 2015 on Petty Cash Procedure for SNAs, Prakas no.1587 MEF.PrK dated 27 December 2016 on Revision of Article 23 of Prakas no. 275 MEF.PrK and Prakas no. 167 MEF.PrK dated 14 February 2017 on Program Budget Execution for SNAs. Budget adjustment is allowed in the 2nd quarter.

This dimension is scored C because the PPCA executes the annual budget based on cash availability and commitment is under control of PPCEF and payment is under control of PPCT. However, the PPCA has not prepared for quarterly revenue and expenditure program and submission to PPCDEF.

25.3. Compliance with payment rules and procedures

The dimension assesses the extent of compliance with the payment control rules and procedures at the subnational level based on available evidence.

The PPCDEF is in-charge all payment spending processes and entry of all information is FMIS. The processing of transactions in the FMIS reaches PPCT for payment. The PPCT verifies the payment request and proceeds for payment in case of enough supporting documents. However, according to the NAA audit findings in the 2018 annual audit report, there were frequent changes made to the PPCA procurement plan and payments are not fully complied with the terms set out in procurement contracts. However, the PEFA assessment team could not find the extent of the materiality of the expenditure that is non-compliant with regular procedures. However, the NAA's findings (2019), there were frequent changes made to procurement plans and payments were not fully in compliance with the planned expenditures and terms set out in procurement contracts.

This dimension is scored C because the majority of payments are compliant with regular payments procedures and majority of exceptions are duly authorized or justified.

Table 2.54: Score for PI-25

PI	Dimension	Score	Brief justification for score
PI-25	Internal controls on non-salary expenditure	C	Scoring method M2
25.1	Segregation of duties	C	Segregation of duties is clearly specified across administrative units throughout the expenditure process; however, it is partially effective.
25.2	Effectiveness of expenditure commitment controls	C	The PPCA executes the annual budget based on cash availability and commitment is under control of PPCEF and Payment is under control of PPCT. However, the PPCA has not prepared for quarterly revenue and expenditure programs and submission to PPCDEF.

25.3	Compliance with payment rules and procedures	C	The majority of payments are compliant with regular payments procedures and majority of exceptions are duly authorized or justified.
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Ongoing reforms

With full implementation of program budgeting in all C/P administrations from 2021 (noting that PPCA is to be the last of the C/P administration to adopt program budgeting starting from 2021), it is expected that authority for budget virement will be further delegated. Additionally, budget execution procedures will be modernized and streamlined further through the enhancement of FMIS to ensure effectiveness, transparency, and accountability.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit functions. The indicator is comprised of the following four dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

Dimension 26.1: Coverage of internal audit (as at time of assessment)

Dimension 26.2: Nature of audits and standards applied (as at time of assessment)

Dimension 26.3: Implementation of internal audits and reporting (last 12 months budget cycle)

Dimension 26.4: Response to internal audits (audit reports issued during the last 3 years)

Internal audit functions have been introduced for central government entities starting in 2006 to accompany some decentralisation of financial management responsibilities to line ministries in the context of the budget entity framework and program budgeting reform. As of the end of 2020, almost all LMs have internal audit units. The audit function needs to further strengthen as well as the capacity of officials.

Currently, C/P administrations do not have internal audit units for reviewing internal control systems and processes and to ensuring mechanisms for “checks and balances” between local councils and governors. The procedures for internal audit of the budget entities at the C/P administrations are defined and implemented by MoI. This audit report is sent to PPCA, NAA and MoI. The MoI GDIA reports to the governor.

According to Prakas no. 167 MEF.PrK dated 14 February 2017 on implementing PB for SNAs, C/P administrations are required for establishing the audit committee aiming to strengthen PB. However, establishing internal audit function under the PPCC is an enabling factor for ensuring check and balance mechanism between the government’s executive branch to account for its fiscal and expenditure policies and their implementation and the PPCC.

This indicator is scored D since the PPCA does not have internal audit functions.

Table 2.55: Score for PI-26

PI	Dimension	Score	Brief justification for score
PI-26	Effectiveness of internal audit	D	Scoring method M1
26.1	Coverage of internal audit	D	No internal audit has taken place during the assessment period.
26.2	Nature of audits and standards applied	NA	-
26.3	Implementation of internal audits and reporting	NA	-
26.4	Response to internal audits	NA	-

Ongoing reforms

The first initiative is to create the Audit Committee in PPCA as indicated by the PB for SNA guideline. Based on NP-2 is intended to establish the Internal Audit Unit of C/P structures. The MEF will cooperate with MoI and NCDSDS to develop and put in place procedures for internal audit of SNAs.

Pillar six: Accounting and reporting

This pillar assesses the extent to which accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Pillar six has three indicators:

- ◆ PI-27. Financial data integrity
- ◆ PI-28. In-year budget reports
- ◆ PI 29. Annual financial reports.

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores:

- Dimension 27.1: Bank account reconciliation
- Dimension 27.2: Suspense accounts
- Dimension 27.3: Advance accounts
- Dimension 27.4: Financial data integrity processes.

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants. Article 15 of the Law on Financial Regime and Property Management for SNAs (2011) states that the C/P Treasury shall perform the role of the public accountant for SNAs with the following duties:

- collect or receive SNA revenues;
- execute payment orders issued by SNAs governors;
- manage and release payments from SNA budgets;
- prepare periodic financial reports for SNAs;
- properly file all documents, supporting documents and accounting records of SNAs.

According to Circular no.01 dated 03 January 2018 on Accounting for Revenue Recording for National and Subnational Administrations, the Financial Division of PPCA has mainly operated for accounting records as follows:

- General ledger;
- Cash on hand Book;
- Cash in bank Book;
- Petty cash book.

27.1 Bank account reconciliation

This dimension evaluates the timeliness and regularity of the reconciliation of bank accounts under subnational control as managed by the subnational treasury.

The PPCT verifies all bank accounts using bank statements from commercial banks, with aggregate data on a daily basis and detailed data on a monthly basis. The PPCA has no special/project bank accounts. The PPCT bank accounts are completely reconciled within the first two weeks from the end of each month. The Financial Division of PPCA only monitors cash on hand and cash in the bank and prepares cash balance monthly, quarterly and annually.

This dimension is scored NA because the PPCT reconciled completely the bank accounts within the first two weeks from the end of each month.

27.2 Suspense accounts

This dimension evaluates the extent to which suspense accounts, including sundry deposit/liabilities, are reconciled on a regular basis and cleared in a timely way.

Suspense accounts are used temporarily to record revenues or disbursements that have yet to be classified

and are to be cleared by the end of each year. As revenues are collected by the GDT and PPCA, reconciliations of accounts are performed on a monthly basis, with differences (variances) being duly followed up. Generally, the amounts recorded in suspense accounts are very small and there is sufficient time and capacity to examine and resolve any differences.

Firstly, the PPCT records these revenues in the suspense account. The PPCT then conducts account clearances when the revenue slips are received from tax collectors. Usually, the clearances of the suspense account are done on daily and monthly basis. Any remaining revenues for which revenue slips are not provided are duly investigated. The suspense accounts were entirely cleared in 2018, 2019 and 2020.

This dimension is scored NA because suspense accounts are recorded and reconciled by the PPCT.

27.3 Advance accounts

This dimension applies to budgetary units of the PPCA and to the advances considered exclusive to a subnational entity. Advance accounts are used to record operations-related advances released to SNAs for the implementation of projects undertaken by government agents.

Some advance accounts are cleared within a short period, while others are not. In some instances, clearances of advance accounts have been delayed to the following year, raising the risk of creating complications for the actual implementation of expenditures. This is because PPCT is not able to record actual expenditures until advances are cleared through the required accounting procedures. Article 5 of the Sub-degree no.155 ANKr.BK (2009) setting out procedures for the release of advances for both current and investment expenditures states that where the previous year's advances have not been cleared, the appropriation for the following year can be withheld. Clearance of the advance accounts must be completed before budget execution can be completed. Delays in project implementation or completion can result in in-year advances not being cleared, with an amount equivalent to the outstanding advance than being withheld from the amount of appropriations provided for the following year. Article 9 of this sub-decree states for current expenditure, a cash advance must be provided for operating expenses in the amount of 60% of total cash advance, except for road and irrigation infrastructure maintenance costs are only 40% of the total cash advance.

This dimension is scored NA because reconciliation of advance is made by the PPCT.

27.4 Financial data integrity processes

This dimension assesses the extent to which the process supports the delivery of subnational financial information, as well as the accuracy and completeness of the data delivered. The assessment focuses on two key aspects: (1) access to subnational information (and any changes to records); and (2) the existence of a body, unit or team responsible for verifying data integrity.

All financial operations are recorded in FMIS by the PPCDEF and PPCT. The business process for transaction entry in the FMIS system has been designed in two basic steps and follows a strict delegation of authority: (1) Data entry by initial creator, (2) Confirmation by the approver. These processes are set for all users with access to the system in the FMIS, if a user wants to adjust any transaction, the approver needs to reject it in the FMIS so the creator can edit or adjust. The changes to the records results in an audit trail in the FMIS that allows potential verification of the historical records and ensures the integrity of internal controls in the FMIS.

The dimension is scored B because there is a clear separation of responsibility from entry data to recording in the business process of FMIS which provides information on any access to records and changes to data entry, and results in an audit trail. However, there is no an operational unit in charge of the integrity of the system.

Table 2.56: Score for PI-27

PI	Dimension	Score	Brief justification for score
PI-27	Financial data integrity	B	Scoring method M2
27.1	Bank account reconciliation	NA	It is a function of the central government.
27.2	Suspense accounts	NA	It is a function of the central government.
27.3	Advance accounts	NA	It is a function of the central government.
27.4	Financial data integrity processes	B	There is a clear separation of responsibility from entry data to recording in the business process of FMIS which provides information on any access to records and changes to data entry and results in an audit trail. However, there is no operational unit in charge of the integrity of the system.

Ongoing reforms

None identified.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. This indicator contains the following three dimensions, assessed on the basis of the last 12-month budget cycle and using the **M1 (WL)** method for aggregating dimension scores:

Dimension 28.1: Coverage and comparability of reports

Dimension 28.2: Timing of in-year budget reports

Dimension 28.3: Accuracy of in-year budget reports.

28.1 Coverage and comparability of reports

This dimension assesses the coverage of reporting on subnational financial information and reporting is in a format that facilitates comparison to the original budget.

In-year budget reports form the basis for measuring the extent of year-to-date performance through the analysis of revenue and expenditure outturns, with respect to budget estimates. Financial Division monitored revenue and expenditure performance by cooperation with the PPCDEF and PPCT. None of these reports, however, are published; they are kept for internal use only.

The budget execution reports are designed so as to compare coverage and classification of budget execution data to the revised budget estimates and the original estimates. The reports are poorly designed as all the expenditures and revenues are listed based on economic classifications (Ref. PI-4) whereas functional classification and main administrative headings are missing. In addition, the expenditures are cumulative and compared to the annual plan. In this way, the management is not provided with a full picture of monthly progress in order to facilitate the analysis of discrepancies and take action accordingly.

This dimension is scored C because the coverage and classification of data allow direct comparison to the original budget for the main administrative headings under the PPCA.

28.2 Timing of in-year budget reports

This dimension assesses whether subnational financial information is submitted in a timely manner and is accompanied by an analysis and commentary on budget execution.

The PPCA's Finance Division submits monthly draft budget execution reports to the governor's office within four weeks from the end of each month for PPCC monthly meeting. The final monthly budget execution report is available within two weeks from the end of each month. Based on Circular no.009 MEF dated 30 December 2019 on the implementation of financial management law (2020) of SNAs, the reports on revenue and expenditure at C/P and D/M/K administrations shall be consolidated and submitted to MoI, MEF, and C/PDEF by monthly, quarterly, semi-annually, and annually. The report shall be sent no later than 15 days of

each ending period (N+15 days) (see 10.2, table 2.22). While the budget execution reports are relatively timely, the content of in-year reporting does not offer any analysis or commentary about budget execution, such as with respect to changes made to original budget allocations for administrative headings.

This dimension is scored A because the PPCA produces monthly budget execution reports and issued within two weeks from the end of each month.

28.3 Accuracy of in-year budget reports

This dimension assesses the accuracy of the information submitted, including whether information about expenditure for both the commitment and the payment stage is provided.

In-year budget reports do not present an accurate analysis of expenditure and are not useful for analysis of budget execution as they do not provide both commitment and payment stages, thereby limiting the usefulness of financial reporting to support monitoring for the possible timing for cash needs and thereby helping to ensure smoother budget execution. Reports prepared and submitted by the PPCA are considered final only after they have been reconciled with the automated financial reports produced using FMIS. These budget execution reports produced by GDNT and PPCT make a significant contribution to improving the quality of data, in terms of integrity and accuracy, as well as the timeliness of reporting.

The tracking commitments are important in order to improve the reporting's usefulness for supporting smoother budget implementation (by allowing for advance monitoring of timing for cash needs).

This dimension is scored C because concerns exist regarding data accuracy thus weakening the analysis of budget execution. Expenditure is captured at the payment stage only (not including the commitment stage). Analysis of changes in initial allocations between administrative headings is lacking.

Table 2.57: Score for PI-28

PI	Dimension	Score	Brief justification for score
PI-28	In-year budget reports	C+	Scoring Method M1
28.1	Coverage and comparability of reports	C	The coverage and classification of data allow direct comparison to the original budget for the main administrative headings under the PPCA.
28.2	Timing of in-year budget reports	A	The PPCA produces monthly budget execution reports and issues them within two weeks from the end of each month. These reports are used for monthly PPCC meeting.
28.3	Accuracy of in-year budget reports	C	Expenditure is captured at the payment stage only (not including the commitment stage).

Ongoing reforms

The PPCA will use the FMIS in 2022 so it will support the financial operation and internal control.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and established accounting standards. The indicator contains the following three dimensions and uses the **M1 (WL)** method for aggregating dimension scores:

Dimension 29.1: Completeness of annual financial reports

Dimension 29.2: Submission of reports for external audit

Dimension 29.3: Accounting standards.

Financial operations (revenues, expenditure and cash) and public accounting at SNAs shall be centralized in the National Treasury based on international accounting standards and in line with MEF-approved charts of accounts. There shall be an annual law on budget execution based on treasury reports for all budget entities (including the subnational administrations).

Councilors approve plans, budgets, financial statements, etc. The board of governors supports, advises, and coordinates budgets through the technical facilitation committee. The governor is responsible for financial management and control. The chief of finance is responsible under the delegation of the governor for good PFM systems.

29.1 Completeness of annual financial reports

This dimension assesses whether financial reports for subnational governments are prepared annually and are comparable with the approved budget.

The PPCA prepares annual financial reporting that includes only expenditures and revenues but not financial and non-financial assets. In current practice, the PPCA prepares annual financial statement by using CoA that disaggregated by Category (Current and Capital expenditure), Chapters, Accounts and Sub-accounts for revenue and expenditure and comparison between budget plans, adjustments in year and outturn and cash balance. The explanatory of the financial statement is not comprehensive enough.

This dimension is scored C because the PPCA's annual financial reporting includes only revenues and expenditures and cash balance.

29.2 Submission of reports for external audit

This dimension assesses the timeliness of submission of reconciled year-end subnational financial reports for external audits.

Annual financial reports for the PPCA are not submitted for external audit. The annual financial report is submitted to the PPCC for internal review, after which the PPCA submits the report to MEF for annual budget settlement (budget closure). However, the final budget settlement is not completed until well after three months following the end of the budget year, as indicated below:

Table 2.58: Submission of report to MEF

Fiscal Year	Date of submission reports to PPCC	Date of submission reports to MEF
Budget execution report 2018	-	14 August 2019
Budget execution report 2019	-	21 July 2020
Budget execution report 2020	-	23 August 2021

Source: PPCA

The current practice is the MEF consolidates the budget execution reports (inclusive of both national and SNAs) and prepares the draft annual budget settlement law and then sends it to NAA for external audit, usually in the 3rd quarter.

This dimension is scored D because the annual financial reports for the PPCA are not submitted to the NAA.

29.3 Accounting standards

This dimension measures the extent to which the basis of recording subnational operations relies on accounting standards and their transparency and consistency over time.

The Prakas on Implementation on Cash Basis of Accounting Standard in Cambodia (June 2019) states that the regulation (i.e. accounting standard) applies to line ministries and deconcentrated C/P line departments. However, they are not applicable to SNAs, SOEs or PAEs.

This dimension is scored D because the Cash Basis of Accounting Standard is not applicable for the PPCA.

Table 2.59: Score for PI-29

PI	Dimension	Score	Brief justification for score
PI-29	Annual financial reports	D+	Scoring method M1
29.1	Completeness of annual financial reports	C	The PPCA's annual financial reporting includes only revenues and expenditures and cash balance.
29.2	Submission of reports for external audits	D	Annual financial reports are prepared and submitted to the MEF for consolidation. The MEF will then prepare a draft budget settlement law and submit that for an external audit by NAA, typically in Q3. The draft of the consolidated budget settlement law is inclusive of both national and subnational administrations.
29.3	Accounting standards	D	Cash Basis of Accounting Standard is not applicable for the PPCA since it is used for central government.

Ongoing reforms

None identified.

Pillar seven: External scrutiny and audit

This pillar assesses whether public finances are independently reviewed and there is an external follow-up on the implementation of recommendations for improvement by the executive.

Pillar seven has two indicators:

- ◆ PI-30. External audit
- ◆ PI-31. Legislative scrutiny of audit reports.

PI-30. External audit

This indicator examines the characteristics of external audits. It contains the following four dimensions, covering all SNA operations and using the **M1 (WL)** method for aggregating dimension scores:

Dimension 30.1: Audit coverage

Dimension 30.2: Submission of audit reports to the subnational council

Dimension 30.3: External audit follow-up

Dimension 30.4: Independence of the public audit institution in charge of subnational governments

The NAA was established in 2001 following the promulgation of the Law on Audit by Royal Kram CS/RKM/0300/10 (March 2000) and started operations in 2002. The NAA is the Supreme Audit Institution of Cambodia, a member of the International Organization of Supreme Audit Institutions and the ASEAN Supreme Audit Institutions. The Auditor-General and Deputy Auditor-General are appointed by royal decree on the recommendation of RGC and approved by majority vote in the National Assembly.

The NAA actively performs the external audit of the RGC and reports to the National Assembly, Senate and the government, aiming to promote good governance and improving the efficiency of the public sector, as well as contributing to the successful implementation of strategies, policies and reform programs. The Audit Law provides the NAA with the mandate to conduct a full scope of audit functions within the public sector, including financial, performance and compliance audits. The NAA sends audit reports to the National Assembly, Senate and to the Royal Government for information.

The NAA conducted an audit on PPCA for 2018 report to Parliament and circulate a copy to PPCA Governor, and MEF. According to the audit report of PPCA including the C/P line department in 2018, the audit report was organized in three main sections, namely (1) institutional arrangements, (2) compliance of financial internal controls, and (3) follow-up recommendation.

The external audit found mismanagement issues, such as deviations from and changes to the procurement plan and late clearance of advances. Recommendations were provided for how to improve the efficacy of financial internal controls across a range of activities, including revenue management, state property management and procurement.

According to article 40 (New) of Audit Law, only the National Assembly has the mandate to decide to establish a special commission to review the activities and operations of the NAA. Therefore, this indicator is not used.

Table 2.60: Score for PI-30

PI	Dimension	Score	Brief justification for score
PI-30	External Audit	NU	Scoring method M1
30.1	Audit coverage	NU	-
30.2	Submission of audit reports to the subnational council	NU	-
30.3	External audit follow-up	NU	-
30.4	Independence of the public audit institution of in charge of subnational governments	NU	-

Ongoing reforms

The NAA further follows up recommendations timely to ensure that auditees take measures to deal with inefficiency internal control and public financial management as well as to strengthen staff capacity.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on local legislative scrutiny of the audited financial reports of the municipality, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the local council or (b) any “parent” or controlling unit must answer questions and take action on their behalf. The indicator has the following four dimensions, which are assessed on the basis of the last three completed fiscal years using the **M2 (AV)** method for aggregating dimension scores:

Dimension 31.1: Timing of audit report scrutiny

Dimension 31.2: Hearings on audit findings

Dimension 31.3: Recommendations on audit by the subnational council

Dimension 31.4: Transparency of legislative scrutiny of audit reports.

According to the PEFA methodology, this PI-31 cannot be scored because the PI-30 is not scored so the performance narrative is maintained but the score is NA.

31.1 Timing of audit report scrutiny

After preparing the audit report of any institution, the Auditor-General shall send a copy of the draft report to the head of the institution. An auditee has 28 days to official respond to audit reports. However, in general practice, in the case of an SNA (e.g. C/P administration) the NAA sends the audit report only to the governor for review and response, but not to the PPCC. If the local council wants to receive a copy of the audit report or information about the content of the audit report, the council must make a request to PPCC by official letter to the governor. In practice, this can lead to a meeting at which the governor will summarize the report for the council.

31.2 Hearings on audit findings

There were no audit reports on PPCA submitted to PPCC. Hearings on audit findings do not take place within the technical coordination committee. Currently, there is lack of regulations to conduct the hearings on audits.

31.3 Recommendations on audit by the subnational council

Based on Article 43 of the Law on Financial Regime and State Property Management for SNAs (2011), financial inspection and audit reports, inclusive of comments from the PPCC are expected to be publicly disclosed.

In the practice, the PPCC does not issue recommendations on actions to be implemented by the Governor of PPCA because the audit report is not reviewed by PPCC.

31.4 Transparency of legislative scrutiny of audit reports

The PPCC has the mandate to take measures for the whole budget cycle from budget formulation to budget monitoring and evaluation. However, the audit reports are only reviewed internally by the Governor of PPCA and there is limitation of publication of results of any review process or recommendations as well as the PPCC.

Table 2.61: Score for PI-31

PI	Dimension	Score	Brief justification for score
PI-31	Legislative scrutiny of audit reports	NA	Scoring method M2
31.1	Timing of audit report scrutiny	NA	-
31.2	Hearings on audit findings	NA	-
31.3	Recommendations on audit by subnational council	NA	-
31.4	Transparency of legislative scrutiny of audit reports	NA	-

Ongoing reforms

None identified.

3. Conclusions on the analysis of PFM systems

3.1 Integrated assessment across the performance indicators

The findings of the 2021 subnational PEFA performance assessment report is summarized below for each of the seven pillars of PFM performance that structure the subnational PEFA framework. Attention is given to the strengths and weaknesses that affect the achievement of the expected budgetary outcomes.

Intergovernmental fiscal relations

Intergovernmental transfers and shared tax revenues are the main instruments used to overcome vertical and horizontal fiscal imbalances. The timings of transfers from higher level of government (HLG-1, rated 'D+') are uncertain, as are fiscal rules and the monitoring of the fiscal position (HLG-2, rated 'C+').

Budget reliability

The PPCA's PFM systems is limited to maintaining fiscal discipline. Aggregate budget execution is a large deviation (PI-1, rated 'D') and the expenditure composition outturn is achieved basic performance (PI-2, rated 'D+') and there are significant expenditure arrears (P-22, rated 'D+') which reflects ineffective commitment controls. Significantly, public investment projects by the national budget are not adequately managed and lack rules/regulations/guidelines for economic appraisal, selection, costing, and monitoring (PI-11, rated 'D+'). There are also frequently in-year budget adjustments with limited flexibility of budget execution and this impact on budget reallocation (PI-21.4, rated 'A'). Annual cash flow forecasts are prepared and updated quarterly on the basis of actual past cash flows and re-forecasts for the remainder of the year (PI-21.2, rated 'B'). This is noticed that the budget execution is required improvements by simplifying spending procedures, clarifying segregations of duty of financial controllers and public accountants, as well as developing the monitoring and management system.

Transparency of public finances

Transparency of information on public finances for the PPCA is very limited. The classification is used for budgeting and accounting purposes only for economic classification (PI-4, rated 'D') so this is an impact on budget management and reporting arrangements. The PCAA has not published budget information on its website (PI-9, rated 'D'), although the timeliness could be improved. (PI-8, rated 'D'). The PPCA allows direct comparison to the original budget based on only economic classification and it is not captured the commitment stage (PI-28, rated 'C+').

On the other hand, transfer resources from lower levels only for khan administrations is not based on rule-based systems, but transparency (PI-7, rated 'C'). Consistency of budget with previous year estimates is not existed (PI-14, rated 'D+').

Public asset and liabilities

The management of the public investment is still lacking rules/regulations/guidelines (PI-11, rated 'D+'), so economic analyses of investment proposals are not carried out to assess the feasibility of the major investment projects proposed for the next year's budget.

The PPCA maintains their own lists of state property which are updated annually and prepared every 5-year of principle state asset books; however, the information is not available to the public, nor is it consolidated as the whole government. Furthermore, the value of asset disposal is included in the financial report only when acquired as well as lack of timely asset disposal (PI-12, rated 'C+').

Financial reports are prepared annually and are comparable with the approved budget, which include revenue, expenditure, and cash balance. However, it takes more than 8 months from the fiscal year-end to complete and submit to the MEF (PI-29, rated 'D+').

Policy-based fiscal strategy and budgeting

Progress has been made toward medium-term expenditure framework based on the implementation of program budgeting. Consistency of the RS, NSDP, sectoral policies, and BSP is not in place due to lack of comprehensive medium-term expenditure (PI-15, rated 'C' and PI-16, rated 'D+') as well as coordination across line departments and lower tiers.

The PPCA follows the budgeting processes as indicated in the fiscal calendar based on the Law on Financial Regime and State Property Management for SNAs (2011) and the draft budget proposal is submitted to the PPCC and MEF (PI-17.3, rated D).

The budget proposal details of revenue and expenditure are reviewed by the PPCC; however, there is a lack of technical support for comprehensive budget scrutiny to match with medium-term expenditure and a 5-year development plan (PI-18, rated 'D+').

However, introducing MTBF for SNAs which sets fiscal/budgetary targets/ceilings, while aiming at allocating resources to strategic priorities within these targets is often a challenge as it requires: (i) good quality and timeliness of monthly and annual financial records and statements (PI-24, rated 'D+' and PI-25, rated 'C'); and budgeting linkage including public investment management (PI-11, rated 'D+'); and PI-14, rated 'D+') and comprehensiveness of information included in budget documentation (PI-5, rated 'D').

Predictability and control in budget execution

The predictability and control in budget execution is still a matter concern since some functions have not existed and the existing functions have not been operating well. From 2005 to 2013, the RGC made a decision to allow for development in Phnom Penh (road repairing and constructing) via method 50% is from State budget) and the other (50%) is from the Citizen budget.

All revenues are paid into the TSA and treasury accounts (PI-20.2, rated 'A'). PPCT can monitor revenues in real-time. Payments into the TSA are reconciled daily, monthly, and annually (PI-27.1, rated 'B').

The PPCA does not prepare quarterly revenue and expenditure only by economic classification and can spend only cash available in the treasury account (PI-25.2, rated 'C').

The payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion are controlled by a list of approved staff positions. However, the payroll system and HMIS are not integrated yet and no audit trails. Besides, payroll audits have not been undertaken within the last three completed FYs (PI-23, rated 'D+').

The total value of contracts awarded through competitive methods in the last completed FY represents 10% (PI-24.2, rated 'D'). However, external audit findings show that most payments are compliant with payment procedures and justification for using the method of public procurement, although procurement plans are frequently changed (PI-25.3, rated 'C').

Accounting and reporting

Budget execution reports are prepared monthly and issued within four weeks of the end of each month by the Financial Division of PPCA. These reports are not available to the public and the annual financial report is submitted to the MEF late until August (PI-29, rated 'D+').

External security and audit

The PI-30 is NU and PI-31 is NA.

3.2 PFM strengths and weaknesses

The focus of this section is on assessing whether the PPCA has appropriate systems in place to support achievements of the three main fiscal/budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources and efficiency in the use of resources for service delivery.

Aggregate fiscal discipline

Overall, fiscal discipline is still a matter of concern for both spending and revenue collection. The timings of transfers from the higher level of government (HLG-1, rated 'D+') are uncertain, as are fiscal rules and the monitoring of the fiscal position (HLG-2, rated 'C+'). The expenditure outturn indicates weak performance (PI-1, rated 'D' and PI-2, rated 'D+'); expenditure arrears are still challenged by the lack of a proper definition to be aligned with international standards, as well as the lack of an effective expenditure monitoring process (PI-22, rated 'D*'). It is noted that monitoring of fiscal risks from other lower subnational structures (khan and sangkats) is also limited ('PI-10.2, rated 'D'). In fact, liabilities arose from the PPCA having a policy to build roads with 50% funding from the government and 50% to be financed by households, but this did not materialize.

Revenue outturn (PI-3, rated 'D') shows large deviations that require revenue forecasting to be strengthened.

The PPCA prepares and monitors its budget based only on economic classification (PI-4, rated 'D').

Information about service delivery performance is not available, as the PPCA uses the only line-item economic classification for budgeting (with program budgeting scheduled to be introduced for FY2021), so there are no non-financial indicators to assess performance in delivering expected outputs and achieving outcomes (PI-8, rated 'D').

It is noticed that the PIM is at the early stage of development, and for public investments financed through the national and subnational budget, there are no formal national guidelines for feasibility studies, economic analysis and selection criteria (PI-11, rated 'D+'). Asset management is still needed to improve (PI-12, rated 'C+') due to lack of IT system to operate. Internal control on nonsalary expenditure is partially effective, but the effectiveness of expenditure controls and compliance with payment rules and procedures can still be improved (PI-25, rated 'C').

Strategic allocation of resources

The PPCC's review covers policies, medium-term expenditure and details of revenue and expenditure, as all of these items are included in the budget proposals. The annual budget formulation is not timely and comprehensive review (PI-18, rated 'D+' and PI-31 is not rated ('NA')), as well as lack of reliable and timely information provided on transfers to PPCA, khans and sangkats, which prepare their own budgets (PI-7.1, rated 'C'). The weaknesses still persist with the lack of comprehensiveness of the budget documentation, and its classification is not in accordance with international standards (PI-5, rated 'D' and PI-4, rated 'D').

Additionally, there is a lack of guidelines for the PIM, and the selection of capital investment projects lacks any consideration of the implications for the recurrent budget of completed projects (PI-11, rated 'D+').

Timing for BSP preparation is very important for PPCA to have enough time to consolidate and ensure alignment with the NSDP, the 5-year Development Plan, the PIP as well as individual line departments' BSP. It is noticed that BSP structures and KPIs for outputs and outcomes are not clearly defined and do not provide good quality (PI-14, rated 'D').

Public availability of budget information for the PPCA is limited, with most of the publicly available information being provided by MEF on its website (PI-9, rated 'D'). There are still challenges for the PPCA, such as limited participation in the budget/planning process, the extension of time allowed for achieving the

budget settlement, and the lack of publicizing the budget plan (PI-9bis, rated 'D+').

Efficiency in use of resources for service delivery

There is good predictability in the availability of funds to PPCA during budget execution (PI-21.2, rated 'B') as well as to khans (PI-7.2, rated 'C'), and these supports efficient service delivery. The PPCA makes expenditure commitments (executive spending) based on cash being available up to the point where it has used up all the budget allocated to a given line item, with strong centralized controls on any reallocation of budget across line items. It is uncertain; however, how well the system would perform in the case of major shocks affecting aggregate revenue⁴⁸, as the commitment control system is incomplete (PI-25.2, rated 'C'). The performance monitoring and evaluation systems for service delivery require improvement for key service to citizens (PI-8, rated 'D') and also need to be linked with basic performance of public asset management (PI-12, rated 'C+').

The value of all contracts awarded through competitive methods in the last completed financial year accounted for 10% of the total value of all contracts, meaning a large majority of procurement is conducted using non-competitive methods: 90% (PI-24.2, rated 'D'), and, when combined with the expenditure arrears (PI-22, rated 'D*') is unlikely to suggest good 'Value for Money' on public expenditure. An effective M&E system is a priority for improving both performance and decision-making by relevant actors, and while the PPCA has established a working group for BSP and annual budget formulation; however, lack of comprehensive mechanism for monitoring performance.

Deficiencies are apparent in the internal control systems (PI-23.4, rated 'D'; PI-25.2 rated 'C' and PI-25.3, rated 'C' and PI-26, rated 'D') and lack timely and orderly reviews by the legislature (PI-31, rated 'NA'): when coupled with the low extent of public transparency (PI-9, rated 'D') suggest limited efficiency in the use of public resources. The audit (2019) undertaken by the NAA revealed a range of issues concerning the completeness and quality of financial data maintained by PPCA.

While the PPCC scrutinizes medium-term budget expenditure, the extremely short period allowed in practice for this process (as well as limited technical support) suggests that the check and balance mechanism in place may not be effective.

Payroll expenditure is supported by full documentation for all changes made to personnel records each month and is also checked against the previous month's payroll data. Any required changes to the personnel records and payroll are made at least on a monthly basis, generally in time for the following month's payments and retroactive adjustments are rare. Staff hiring and promotion are controlled by a list of approved staff positions. The PPCA controls only the staff employed directly by the PPCA with authorization to manage promotions up to deputy director level of provincial departments. The promotion of director of C/P line department is through the request of C/P governors to address to the minister of line ministries. This means sufficient controls exist to ensure the integrity of the payroll data (PI-23.1, 2 & 3), but audit trails are missing over the last three completed FYs (PI-23.4).

In summary, the assessment confirms that there is a need to strengthen PFM reforms in the PPCA in order to establish a solid foundation for improved PFM processes and procedures. The effectiveness of the PFM systems in place is limited, capacity for enforcement of the existing regulatory framework is lacking and monitoring of performance must be considerably strengthened. Weaknesses are linked to the limited credibility of the budget as an instrument to achieve high-level policy objectives. Links between the multi-year strategic development plans approved at a high level, sector strategic plans and annual allocation of resources through the budget are weak.

⁴⁸ Covid-19 pandemic effects on budget execution since the MEF issues circulars on budget rationalization and strengthening the efficiency of budget execution.

Annex 1. Performance indicator summary

PEFA Indicator/Dimension Title	Score	Description of requirements met
HLG-1. Transfers from higher level of government	D	Scoring method M2
HLG-1.1 Outturn of transfers from higher-levels government	D	The variances of the last three years are 161.8% in 2018, 135.5% in 2019 and 79.4% in 2020.
HLG-1.2 Transfers composition outturn	D	The transfers composition outturn was 52.3% (2018), 20.2% (2019) and 13.7% (2020).
HLG-1.3 Timeliness of transfers from higher-levels government	D	There is no disbursement timetable that is agreed upon at the beginning of the fiscal year.
HLG-1.4 Predictability of transfers	C	The central government provides information on a fiscal year and next following year.
HLG-2. Transfers from a higher level of government	C+	Scoring method M1
HLG-1. Fiscal rules for subnational governments	A	The provincial administrations respect fiscal rules by following a zero-budget balance approach.
HLG-2. Debt rules for subnational governments	NA	-
HLG-3. Monitoring of subnational governments	C	A consolidated budget report of PPCA is submitted to the MEF late more than 6 months.
PI-1. Aggregate expenditure outturn	D	Aggregate expenditure outturns were 139.8%, 160.1%, and 67.1% in 2018, 2019, and 2020 respectively.
PI-2. Expenditure composition outturn	D+	Scoring method M1
2.1 Expenditure composition outturn by function	NA	The PPCA follows the line-item budgeting system and uses only economic classification.
2.2 Expenditure composition outturn by economic type	D	The variance in expenditure composition exceeded 15% in two (2019 and 2020) of the last three financial years.
2.3 Expenditure for contingency reserves	B	The average amount of expenditure actually charged to the contingency vote over the last three years is 3.6%.
PI-3. Revenue outturn	D	Scoring method M2
3.1. Aggregate revenue outturn	D	Aggregate revenue outturns were 109.5%, 132.4 %, and 163.9% in 2018, 2019, and 2020 respectively.
3.2. Revenue composition outturn	D	Revenue composition outturn is 152.7%, 76.4% and 36.4% in 2018, 2019, and 2020 respectively.
PI-4. Budget classification	D	The PPCA prepares and monitors its budget based on only economic classifications.
PI-5. Budget documentation	D	There is only one requirement for basic that is fulfilled
PI-6. Subnational government operations outside financial reports	A	Scoring method M2
6.1. Expenditure outside financial reports	A	All PPCA's expenditures are reported in monthly and annual expenditure reports.
6.2. Revenue outside financial reports	A	All PPCA's revenue is reported in monthly and annual revenue reports.
6.3. Financial reports of extra-budgetary units	NA	There are no extra-budgetary units under PPCA.

PEFA Indicator/Dimension Title	Score	Description of requirements met
PI-7. Transfers to subnational governments	C	Scoring method M2
7.1. System for allocating transfers	C	Khans' budget are a part of the PPCA's budget and are not determined by a rule-based system but sangkats received between 33-47 percent compared total transfer to both lower tiers (khans and sangkats) with the rule-based system.
7.2. Timeliness of information on transfers	C	Khan administrations are able to execute the budget without delay and received information for budget planning before fiscal year but there is no calendar for budget disbursement.
PI-8. Performance information for service delivery	D	Scoring method M2
8.1. Performance plans for service delivery	D	There is no information published annually. In current practice, outputs are set only in the BSP but not in the annual budget since the PPCA will not implement the program budget until FY2021.
8.2. Performance achieved for service delivery	D	Information is not published with the activities performed with reference to output and outcome indicators for major public service programs.
8.3. Resources received by service delivery units	D	There is no information available for individual spending units under the control of PPCA, with reporting being consolidated across the whole PPCA and reporting using only economic classification.
8.4. Performance evaluation for service delivery	D	Evaluations of the efficiency or effectiveness of public service delivery have not been carried out by programs within the last three fiscal years.
PI-9. Public access to fiscal information	D	The PPCA makes no fiscal information available to the public.
PI-9bis. Public consultation	D+	Scoring method M2
Public consultation in budget preparation	D	The PPCA usually prepares the public consultation to listen to the needs of local citizens as inputs for annual budget preparation. However, the PPCA does not present the annual budget plan and estimates in public consultation/forum.
9.2bis. Public consultation in the design of service delivery programs	C	The PPCA conducted the public consultation once per year and received feedback on the service provided.
9.3bis. Public consultation in investment planning	D	There is no public consultation on the preparation of major investment projects.
PI-10. Fiscal risk reporting	D	Scoring method M2
10.1. Monitoring of public corporations	NA	The PPCA does not hold equity shares or in any way control any public enterprises.
10.2. Monitoring of subnational governments (SNGs)	D	Khan and sangkat administrations submit the budget execution reports to the PPCA, which is available on the I-SAF database of NCCDS; however, the audit or unaudited financial positions are not published.
10.3. Contingent liabilities and other fiscal risks	NA	The PPCA does not identify the contingent liabilities in a report.

PEFA Indicator/Dimension Title	Score	Description of requirements met
PI-11. Public investment management	D+	Scoring method M2
11.1. Economic analysis of investment proposals	D	Economic analyses are not carried out to assess the feasibility of major investment projects proposed for the next year's budget.
11.2. Investment project selection	D	The Project Formulation Committee of PPCA selected investment projects proposal based on PIP 3-year rolling as well as political interests. There is still a lack of specific criteria for project selections.
11.3. Investment project costing	C	Technical line departments in the PPCA are responsible for project costings. Medium-term major project costing included in the PIP does not reflect full capital and recurrent costs for the forthcoming budget year as well as included in the annual budget.
11.4. Investment project monitoring	C	The existence of the working group monitors major projects implementation and report annually; however, these reports were not published.
PI-12. Public asset management	C+	Scoring method M2
12.1. Financial asset monitoring	C	The PPCT consolidates its cash balances each month.
12.2. Nonfinancial asset monitoring	C	The PPCA registers state property annually but lacks asset information on immovable assets and the value of asset. However, the information is not made available to the public and some immovable assets have not had hard titles.
12.3. Transparency of asset disposal	B	The State Property Commission of PPCA has authority to monitor and dispose and follows the Prakas no.002 MEF.PrK (2020) on Detailed Rules and Procedures on Disposal Asset from Inventory List.
PI-13. Debt management	NA	Scoring method M2
13.1. Recording and reporting of debt and guarantees	NA	-
13.2. Approval of debt and guarantees	NA	-
13.3. Debt management strategy	NA	-
PI-14. Macroeconomic and fiscal forecasting	D	Scoring method M2
14.1. Underlying forecasts for medium-term budget	C	The PPCA estimates of the revenue and expenditure based on information on transfers, revenue and expenditure assignment.
14.2. Fiscal impact of policy proposals	D	The PPCA does not prepares estimates of the fiscal impact in the BSP and annual budget.
14.3. Medium-term expenditure and revenue estimates	D	The annual budget proposal presents only current budget and one following year.
14.4. Consistency of budget with previous year estimates	D	The gap between the BSP estimates for the forthcoming budget year and the subsequent annual budget is a quite substantial 20%-30% as well as the gap is not explained in the budget proposal.
PI-15. Fiscal strategy	NU	Scoring method M2

PEFA Indicator/Dimension Title	Score	Description of requirements met
15.1. Fiscal impact of policy proposals	NU	-
15.2. Fiscal strategy adoption	NU	-
15.3. Reporting on fiscal outcomes	NU	-
PI-16. Medium-term perspective in expenditure budgeting	NU	Scoring method M2
16.1. Medium-term expenditure estimates	NU	-
16.2. Medium-term expenditure ceilings	NU	-
16.3. Alignment of strategic plans and medium-term budgets	NU	-
16.4. Consistency of budgets with previous year's estimates	NU	-
PI-17. Budget preparation process	C	Scoring method M2
17.1. Budget calendar	A	There is a clear budget calendar that is set out in the Law on Financial Regime and State Property Management for SNAs (2011).
17.2. Guidance on budget preparation	D	There is a clear guidance for budget formulation based central government guidance; however, it does not include budget ceiling for PPCA.
17.3. Budget submission to the subnational council	D	The governor submitted the budget proposal to PPCC less than one month.
PI-18. Legislative scrutiny of budgets	D+	Scoring method M1
18.1. Scope of budget scrutiny	C	The PPCC reviews cover only revenue and expenditure but lack of review completed on policies, and medium-term expenditure.
18.2. Legislative procedures for budget scrutiny	D	The PPCC lacks of its own procedure for budget review, resulting in a lack of effective budget scrutiny.
18.3. Timing of budget approval	A	Approval of the 2020 budget was in accordance with the budget calendar set out in Law on Financial Regime and State Property Management (2011). There were no significant delays.
18.4. Rules for budget adjustments by the executive	A	There is a clear rule for in-year budget adjustment. When there is a budget adjustment, the PPCA must request for approval from the MEF. The rules for adjustments to the annual budget appropriations are strictly respected.
PI-19. Tax administration	NA	Scoring method M2
19.1. Rights and obligations for tax measures	NA	-
19.2. Property tax register and valuation	NA	-
19.3 Tax risk management, audit and investigations	NA	-
19.4 Tax arrears monitoring	NA	-
PI-20. Accounting for revenues	A	Scoring method M1

PEFA Indicator/Dimension Title	Score	Description of requirements met
20.1. Information on revenue collections	A	The PPCA receives monthly revenue collections data from the Phnom Penh Capital Treasury and from the Phnom Penh Municipality of Tax Division.
20.2. Transfer of revenue collections	A	All revenue is directly transferred to the national TSA on a daily basis. These accounts are 'zero balance' accounts.
20.3. Tax accounts reconciliation	NA	The central government is responsible for collecting taxes.
PI-21. Predictability of in-year resource allocation	C+	Scoring method M2
21.1. Consolidation of cash balances	A	The PPCT consolidates the cash balance daily.
21.2. Cash forecasting and monitoring	B	A cash flow forecast is prepared for the fiscal year and is updated at least quarterly by the PPCT on the basis of actual cash inflows and outflows.
21.3. Information on commitment ceilings	D	There is no commitment ceiling provided at least one month in advance and based on revenue collection.
21.4. Significance of in-year budget adjustments	A	The budget adjustment happens only one time in 2020 in a transparent and predictable way.
PI-22. Expenditure arrears	D*	Scoring method M1
22.1. Stock of expenditure arrears	D*	Stock expenditure arrears are not able to assess due insufficient data based on definition of PEFA.
22.2. Expenditure arrears monitoring	D*	Data maintained on the FMIS can be extracted to generate Excel reports and data on stock and composition of arrears is monitored by the PPCT on a regular basis and reported annually based on current practice.
PI-23. Payroll controls	D+	Scoring method M1
23.1. Integration of payroll and personnel records	B	The payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved staff positions. The PPCA control only staffs in the jurisdiction and has the authorization to promote only up to deputy heads of departments.
23.2. Management of personnel changes	B	The personnel records and payroll are updated at least monthly, generally in time for the following month's payments and retroactive adjustments to the payroll are between 5% and 11% from 2018-2020.
23.3. Internal control of payroll	B	Sufficient controls exist to ensure the integrity of the payroll data, but audit trails are generally missing.
23.4. Payroll audit	D	The NAA audited the PPCA in 2018 on PFM (expenditure, revenue, and asset management) and internal control. There is no findings/information on payroll.
PI-24. Procurement	D+	Scoring method M2
24.1. Procurement monitoring	A	The PPCA is a procuring unit recording all data in an excel spread sheet and the total value of 34 contracts could calculate against the total annual procurement value.
24.2. Procurement methods	D	The total value of contracts awarded through competitive methods in 2020 was only 10%.
24.3. Public access to procurement information	D	There is only 1 key procurement information made available to the public.

PEFA Indicator/Dimension Title	Score	Description of requirements met
24.4. Procurement complaints management	D	Criteria (i) is not met and the other 5 are met.
PI-25. Internal controls on non-salary expenditure	C	Scoring method M2
25.1. Segregation of duties	C	Segregation of duties is clearly specified across administrative units throughout the expenditure process; however, it is partially effective.
25.2. Effectiveness of expenditure commitment controls	C	The PPCA executes the annual budget based on cash availability and commitment is under control of PPCEF and Payment is under control of PPCT. However, the PPCA has not prepared for quarterly revenue and expenditure programs and submission to PPCDEF.
25.3. Compliance with payment rules and procedures	C	The majority of payments are compliant with regular payments procedures and majority of exceptions are duly authorized or justified.
PI-26. Internal audit	D	Scoring method M1
26.1. Coverage of internal audit	D	No internal audit has taken place during the assessment period.
26.2. Nature of audits and standards applied	NA	-
26.3. Implementation of internal audits and reporting	NA	-
26.4. Response to internal audits	NA	-
PI-27. Financial data integrity	B	Scoring method M2
27.1. Bank account reconciliation	NA	It is a function of the central government.
27.2. Suspense accounts	NA	It is a function of the central government.
27.3. Advance accounts	NA	It is a function of the central government.
27.4. Financial data integrity processes	B	There is a clear separation of responsibility from entry data to recording in the business process of FMIS which provides information on any access to records and changes to data entry and results in an audit trail. However, there is no operational unit in charge of the integrity of the system.
PI-28. In-year budget reports	C+	Scoring method M1
28.1. Coverage and comparability of reports	C	The coverage and classification of data allow direct comparison to the original budget for the main administrative headings under the PPCA.
28.2. Timing of in-year budget reports	A	The PPCA produces monthly budget execution reports and issues them within two weeks from the end of each month. These reports are used for monthly PPCC meeting.
28.3. Accuracy of in-year budget reports	C	Expenditure is captured at the payment stage only (not including the commitment stage).
PI-29. Annual financial reports	D+	Scoring method M1
29.1. Completeness of annual financial reports	C	The PPCA's annual financial reporting includes only revenues and expenditures and cash balance.
29.2. Submission of reports for external audit	D	Annual financial reports are prepared and submitted to the MEF for consolidation. The MEF will then prepare a draft budget settlement law and submit that for an

PEFA Indicator/Dimension Title	Score	Description of requirements met
		external audit by NAA, typically in Q3. The draft of the consolidated budget settlement law is inclusive of both national and subnational administrations.
29.3. Accounting standards	D	Cash Basis of Accounting Standard is not applicable for the PPCA since it is used for central government.
PI-30. External Audit	NU	Scoring method M1
30.1. Audit coverage	NU	-
30.2. Submission of audit reports to the subnational council	NU	-
30.3. External audit follow-up	NU	-
30.4. Independence of the public audit institution of in charge of subnational governments	NU	-
PI-31. Legislative scrutiny of audit reports	NA	Scoring method M2
31.1. Timing of audit report scrutiny	NA	-
31.2. Hearings on audit findings	NA	-
31.3. Recommendations on audit by subnational council	NA	-
31.4. Transparency of legislative scrutiny of audit reports	NA	-

Annex 2A. List of documents consulted

PEFA INDICATORS	Information sources (Document and websites)
HLG-1. Transfers from a higher level of government	<ul style="list-style-type: none"> - Law on Public Finance System (2008) - Law on Financial Regime and State Property Management for SNAs (2011)
HLG-2. Fiscal rules and monitoring of fiscal position	<ul style="list-style-type: none"> - Sub-decree no.50 ANKr.BK dated 11 April 2018 on Resources Transfer from State Budget to District and Municipalities Fund - Sub-decree no. 06 ANKr.BK dated 05 January 2018 on the Conditional Grant Transfer to SNAs - Sub-decree no. 32 ANKr.BK dated 29 February 2016 on the Organizing and Functioning of the Subnational Administration's Investment Fund - Sub-decree no.68 ANKr.BK dated 10 May 2012 on General Process for Transferring Functions and Resources to the SNAs - Sub-decree no. 285 ANK.BK dated 18 November 2014 on The Selection, Management, Arrangement and Execution of Permissive Functions by Subnational Administration - Sub-decree no.172 ANKr.BK dated 09 October 2012 on the D/M Administration Financial Management System
PI-1. Aggregate expenditure outturn	<ul style="list-style-type: none"> - Law on Annual Budget Settlement 2018, 2019 and 2020 - Revenue and expenditure statement 2018, 2019 and 2020
PI-2. Expenditure composition outturn	<ul style="list-style-type: none"> - Prakas no.523 MEF.PrK dated 09 May 2017 on Implementation of Economic Classification for National Level and Subnational Administration
PI-3. Revenue outturn	<ul style="list-style-type: none"> - Taxation Law (1997), and Law on Amendment of Law on Taxation (2001) - Sub-decree no. 72 ANKr.BK on Non-tax Revenue Management - Law on Concession (2007) - Law on Income Tax - Law on Minimum Tax - Law on Withholding tax - Law on Salary Tax - Law on Value Added Tax - Law on Excise Tax - Law on Stamp Tax - Law on Patent Tax - Law on Public Lighting Tax - Law on Accommodation Tax - Law on Tax on Means of Transportation - Law on Un-used Land Tax - Law on Stamp registration Tax - Law on Property Tax - Law on Property Rental Tax (transfer to SNAs in 2018)
PI-4. Budget classifications	<ul style="list-style-type: none"> - Prakas no.189 MEF.PrK dated 22 February 2013 on the Implementation of Economic Classification - Prakas no.242 MEF.PrK dated 27 February 2015 on the Implementation of Geography Code - Prakas no.523 MEF.PrK dated 09 May 2017 on the Implementation of Economic Classification for National and Subnational Administrations - Prakas no.549 MEF.PrK dated 22 May 2017 on Revision and Additional Geography Code Implementation - Prakas no.732 MEF.PrK dated 14 July 2017 on the Implementation of Sources of Fund Classification for National and Subnational Administrations

PEFA INDICATORS	Information sources (Document and websites)
	<ul style="list-style-type: none"> - Prakas no.772 MEF.PrK dated 03 August 2017 on the Implementation of Administrative Classification for National and Subnational Administrations - Prakas no.882 MEF.PrK dated 07 September 2017 on the Implementation of Project Classification for National Administration - Prakas no.996 MEF.PrK dated 11 October 2017 on the Implementation of Functional Classification for National and Subnational Administration - Prakas no.1022 MEF.PrK dated 17 October 2017 on the Implementation of Program Classification for National and Subnational Administrations
PI-5. Budget documentation	<ul style="list-style-type: none"> - Circular on Guidance of BSP Formulation 2020-2022 and 2021-2023 - Circular on Guidance of Annual Budget Formulation 2020 and 2021
PI-6. Subnational government operations outside financial reports	<ul style="list-style-type: none"> - Law on Public Finance System (2008) - Law on Financial Regime and State Property Management for SNAs (2011) - Sub-decree no. 15 ANKr.BK dated 15 January 2019 on the Management of Budget and State Assets of Public Administrative Entities - Sub-decision no. 100 ANKr.BK dated 31 December 2018 on the Implementation of Sample of the Sub-decree on Establishment of Public Administrative Entities - Circular no.002 MEF dated 12 March 2019 on Accounting Records of the State Subsidy of Public Administrative Entities
PI-7. Transfers to subnational governments	<ul style="list-style-type: none"> - Sub-decree no.68 ANKr.BK on the General Process of Transferring Functions and Resources to SNA (2012) - Sub-decree no.285 ANKr.BK on the Selection, Management and Implementation of Permissive Functions by SNA Councils (2014) - Sub-decree no.68 ANKr.BK on the Provision of Administrative Services by SNAs (2013) - Sub-decree no.18 ANKr.BK on the Establishment of OWSO for Administrative Service Provision at SNAs (2017)
PI-8. Performance information for service delivery	<ul style="list-style-type: none"> - Sub-decree no.54 ANKr.BK dated 30 April 2018 on the Evaluation and Acceptance of Service Delivery Units in Education and Health Sectors - Executive Order of the RGC no.07 dated 7 June 2018 on the Establishment of National Assessment Committee for Service Delivery Units - Inter-ministerial Prakas no.2481 dated 01 June 2018 on Launching on Assessment and Acceptance the Model Service Delivery Units in the Health Sector - Executive Order no.3136 dated 12 July 2018 on the Implementation of Evaluation and Acceptance of Service Delivery Units in Education and Health Sectors
PI-9. Public access to fiscal information	<ul style="list-style-type: none"> - Website of MEF: https://mef.gov.kh - Website of PPCA: https://phnompenh.gov.kh
PI-9bis. Public consultation	<ul style="list-style-type: none"> - Law on Financial Regime and State Property Management for SNAs (2011)
PI-10. Fiscal risk reporting	<ul style="list-style-type: none"> - Law on Public Finance System (2008) - Law on Financial Regime and State Property Management for SNAs (2011)
PI-11. Public investment management	<ul style="list-style-type: none"> - Sub-decree no.41 ANKr.BK dated 25 March 2020 on Public Investment Management - Sub-decree no.219 ANKr.BK dated Dec 14, 2009 on Development Plan and Investment Program of Capital, Province, Municipality, District, Khan

PEFA INDICATORS	Information sources (Document and websites)
	<ul style="list-style-type: none"> - Sub-decree no.215 ANKr.BK dated 14 December 2009 on Roles, Duties and Working Relationship of the Phnom Penh Capital Council and Board of Governors, and the Khan Council and Board of Governors of the Phnom Penh Capital - Sub-decree no. 216 ANKr.BK dated 14 December 2009 on Roles, Duties and Working Relationship of the Provincial Council and Board of Governors, Municipal Council and Board of Governors and District Council and Board of Governors - Sub-decree no.217 ANKr.BK dated 14 December 2009 on Establishment, Organization and Functioning of the Technical Facilitation Committee of the Phnom Penh Capital Council and the Technical Facilitation Committee of the Khan Council of the Phnom Penh Capital - Sub-decree no.218 ANKr.BK dated 14 December 2009 on Establishment, Organization and Functioning of the Technical Facilitation Committee of the Provincial Council, the Technical Facilitation Committee of the Municipal Council and the Technical Committee of the District Council - Sub-decree no.152 ANKr.BK dated 06 December 2010 on Revision on Article 12 of Sub-decree 219 on the Organizing and Conducting of Technical Coordination Committee of Council of Provinces, Municipality, and District Administrations - Inter-ministerial Prakas no.2417 on Development Plan and 3- Year Rolling Plan of Capital, Province, Municipality, District, and Khan Administrations - Sub-decree no.36 ANKr.BK dated 14 June 2000 to Guidance on the Selection and Monitoring and Evaluation of PIP - Joint- Circular no.01 dated 27 May 1999 on PIP Formulation 2000-2002 - Sub-degree no.155 ANKr.BK dated 15 September 2009 on Advance Payments Procedures for Currents Funding and Public Investments Fund - Guideline no.207 dated 26 February 2019 on procedure of public investment
PI-12. Public asset management	<ul style="list-style-type: none"> - Law on Public Finance System (2008) - Law on Financial Regime and State Property Management for SNAs (2011) - Law on Managing, Organizing, and Utilizing State Property (2020) - Sub-decree no.66 ANKr.BK (2017) on Rules and Procedures on Managing State Property Inventory List - Prakas no.002 MEF.PrK (2020) on Detailed Rule and Procedure on Disposal Asset from Inventory List
PI-13. Debt management	<ul style="list-style-type: none"> - Law on Public Finance System (2008) - Law on Financial Regime and State Property Management for SNAs (2011) - Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (2008) - Law on Administrative Management of C/S (2001)
PI-14. Macroeconomic and fiscal forecasting	<ul style="list-style-type: none"> - NA
PI-15. Fiscal strategy	<ul style="list-style-type: none"> - NA
PI-16. Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> - BSP 2021-2023 and Budget Book 2021

PEFA INDICATORS	Information sources (Document and websites)
PI-17. Budget preparation process	- Law on Financial Regime and State Property Management for SNAs (2011)
PI-18. Legislative Scrutiny of budgets	- Law on the Election of Capital Council, Provincial Councils, Municipal Councils, District Councils, and Khan Councils (2008)
PI-19. Tax administration	- Prakas on Organizing and Conducting of Phnom Penh Capital Tax Division
PI-20. Accounting for revenues	- Prakas no.545 MEF.PrK dated 06 June 2019 on Implementation of the Cambodia Public Accounting Standards based on Cash Basis
PI-21. Predictability of in-year resource allocation	- Prakas no. 880 MEF.PrK dated 19 September 2013 on Implementation of Guideline of Cash Planning
PI-22. Expenditure arrears	- Annual Progress Report of PFMRP
PI-23. Payroll controls	<ul style="list-style-type: none"> - Law on Joint Statute of Civil Servant (1994) - Law on Separate Statute of Personnel of SNAs (2016) - Sub-decree no. 497 ANKr.BK on Delegation of Powers to Subnational Administrations to Appoint, Transfer, Terminate Civil Servants Working at Subnational Levels - Royal Decree no.NS/RKT/0416/373. Management of Subnational Civil Servants - Prakas no.4273 MEF.PrK on Establishing Offices under Divisions of PPCA, Offices of Khan and Determining Responsibilities, Duties and Business Process - Sub-decree no.240 ANKr.BK on the Delegation of Authority to Capital, Provincial and Municipalities in Managing Personnel Working at SNAs (2017) - Instruction no.788 on the principles and procedures for appointment and termination of management positions of civil servants working in line department and offices of line ministries at SNAs (2018) - Instruction no.789 on the Principles, Process and Procedures for Managing Personnel of SNA and the Amendments in Instruction no.1232 (2018) - Sub-decree no.114 ANKr.BK on the Organizational Structure and Positions in Line Ministries and SNAs (2017) - Sub-decree no.192 ANKr.BK on the Establishment of National School on Local Administration (2016)
PI-24. Procurement	<ul style="list-style-type: none"> - Law on Public Procurement (2012) - Sub-decree no. 488 ANKr.BK dated 16 October 2013 on Operation and Functions of the MEF - Sub-decree no.105 ANKr.BK dated 18 October 2006 on procurement - Sub-decree no.13 ANKr.BK dated 23 February 2015 on Organizing and Conducting Procurement Entities - Sub-decree no.21 dated 21 February 2018 on Complaint Procedures and Handling Procurement - Prakas no.249 MEF.PrK dated 3 March 2015 Procurement Team Formulation under Budget Entity - Prakas no.851 MEF.PrK dated 28 August 2018 on Procurement Plan Preparation - Prakas no.1613 MEF.PrK dated 24 December 2018 on Management of Public Procurement Contractual Implementation - Prakas no.10 MEF.PrK on Threshold for Public Procurement - Circulation no.002 dated 14 January 2014 on implementation of Public Procurement - Post review report 2018 on monitoring public procurement
PI-25. Internal controls on non-salary expenditure	- Sub-decree no. 81 ANKr.BK dated 16 November 1995 on the Establishment of Financial Inspection on the State Budget Expenditure at Ministries, Municipalities/Provinces, Autonomous

PEFA INDICATORS	Information sources (Document and websites)
	Cities, Phnom Penh Municipality and Public Administration Organizations <ul style="list-style-type: none"> - Sub-decree no.82 ANKr.BK dated 16 November 1995 on General Regulations of Public Accounting - Prakas no. 275 MEF.PrK dated 10 March 2015 on Petty Cash Procedure for SNAs - Prakas no.1587 MEF.PrK dated 27 December 2016 on Revision of Article 23 of Prakas no. 275 MEF.PrK - Prakas no. 167 MEF.PrK dated 14 February 2017 on Program Budget Execution for SNAs
PI-26. Internal audit	<ul style="list-style-type: none"> - Law on Audit (2000) - Sub-decree no.40 ANKr.BK on Establishment of Internal Audit Units in LMs/Institutions
PI-27. Financial data integrity	<ul style="list-style-type: none"> - Revenue and Expenditure Statement 2018, 2019, and 2020 - Circular no.07 dated 12 December 2018 on Procedures for Salary Payment Twice Per Month - Circular no.001 dated 03 January 2018 on Accounting Revenue for National and Subnational Administrations
PI-28. In-year budget reports	<ul style="list-style-type: none"> - Revenue and Expenditure Statement - Website of MEF: https://mef.gov.kh - Website of PPCA: https://phnompenh.gov.kh
PI-29. Annual financial reports	<ul style="list-style-type: none"> - Law on Budget Settlement FY2018, FY2019 and FY2020 - Law on Public Finance System (2008)
PI-30. External audit	<ul style="list-style-type: none"> - Audit Law (2000)
PI-31. Legislative Scrutiny of audit reports	

Annex 2B. List of persons interviewed

No.	Names	Positions	Line Ministries/Institutions
1.	Mr. HING Chanbora	Deputy Director General, GDSNAF	MEF
2.	Mr. TUON Sareth	Chief Office, GDSNAF	MEF
3.	Mr. SAROEUN Sokol	Chief of Secretariat, GDSNAF	MEF
4.	Mr. LY Sarun	Director of Department of Subnational Procurement Management, GDPP	MEF
5.	Mr. OUNG Somi	Official, GDPP	MEF
6.	Ms. SEAN Sreytob	Official, GDPP	MEF
7.	Ms. NEY Sokea	Director of Audit Department 2	NAA
8.	Mr. HEAN Treng	Director of Phnom Penh Municipality Tax Division, GDT	NAA
9.	Mr. MAO Bunthim	Chief Office, GDT	NAA
10.	Mr. RAN Sarak	Official, GDT	NAA
11.	Mr. VA Sothea	Director, PPCDEF	MEF
12.	Mr. CHEY Vimeanrith	Deputy Director, PPCDEF	MEF
13.	Mr. LON Sor	Deputy Director, PPCDEF	MEF
14.	Mr. KHAT Yoeun	Deputy Director, PPCDEF	MEF
15.	Mr. UK Ayida	Chief Office, PPCDEF	MEF
16.	Mr. OUM Sopheak	Deputy Chief of Office, GDNT	MEF
17.	Mrs. LONG Yukho	Chief of Accounting Office for Subnational Budget, PPCT, GDNT	MEF
18.	Mr. LY Sealong	Deputy Chief of Secretariat, General Department of Nontax Revenue and State Property, GDSPNR	MEF
19.	Mr. SAY Sopheara	Deputy Chief of office, General Department of Nontax Revenue and State Property, GDSPNR	MEF
20.	H.E. KOEUT Chhe	Deputy Governor of PPCA	PPCA
21.	Mr. KE Punlork	Deputy Director of PPCA	PPCA
22.	Mr. SAR Bannang	Deputy Director of Phnom Penh Capital Department of Land Management Urban Planning and Construction	PPCA
23.	Mr. OM Sophal	Deputy Chief office	PPCA
24.	Mr. KHUN Vanna	Director of Human Resource Management Division	PPCA
25.	Ms. CHHUN Boravy	Chief Office of Personnel Management	PPCA
26.	Mr. SUOS Chhormony	Chief Office of Accounting	PPCA
27.	Mr. SO Seathyk	Chief Office of State Property	PPCA
28.	Mr. TEP Phyorith	Director of Finance Department	MoEYS
29.	Mr. THEB Bunthom	Deputy Chief	MoEYS
30.	Ms. NETH Angkearoth	Chief office	MoEYS
31.	Mr. HAN Daluy	Deputy Department	MoEYS
32.	Mr. ONEA Kim	Deputy Department	MoEYS
33.	Mr. DY Kheang	Director	MoEYS
34.	Ms. KOUT Meakolaren	Vice chief	MoH
35.	Mr. BUN Rek	Director of Department	MoH

No.	Names	Positions	Line Ministries/Institutions
36.	Mr. CHAP Seak Chhay	Deputy Director General	MoH
37.	Mr. TOP Bunthy	Accountant	MoH
38.	Mr. YIM Samang	Administrative officer	MoH
39.	Mr. SO Nary	Chief Financial Planning office	MoH

Annex 2C: Source of information from analytical studies and reports

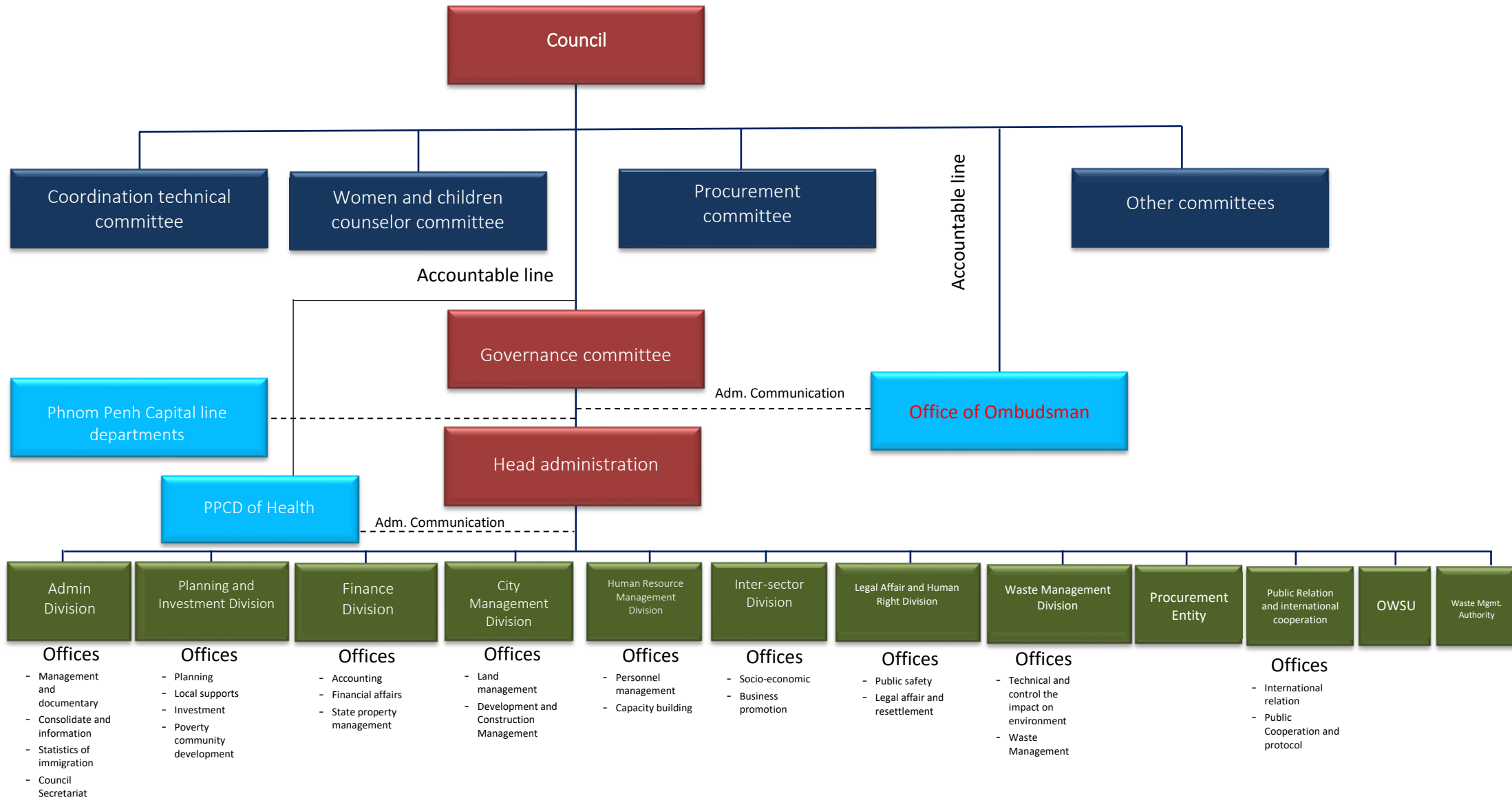
General document

1. 2018, 2019, and 2020 annual PFM reform progress report
2. Cambodia PEFA performance assessment report 2021
3. Cap3 review report, consolidated action plan phase 3+2 and draft cap4
4. Budget system reform strategy 2018-2025
5. Medium-term rms 2014-2018 and rms 2019-2023
6. Budget system reform strategy for subnational administration 2019-2025
7. Public procurement system reform strategy 2019-2025
8. Public investment management reform strategy 2019-2025
9. Draft strategy for implementing accrual basis Cambodian public sector accounting standard 2021-2031
10. Strategic plan of FMIS for streamlining business process 2020-2025
11. Fiscal decentralization reform in Cambodia by ADB (2018)
12. Deconcentration and decentralization reforms in Cambodia 2011 by ADB
13. Public expenditure review by the WB (2019)
14. Public investment management assessment report (2019)
15. Cambodia intergovernmental fiscal architecture by the WB (2021)
16. Cambodia's crossing-cutting reform by WB
17. IMF's monitoring report on FMIS
18. IMF article on Cambodia (2019)

Websites

1. www.mef.gov.kh
2. www.phnompenh.gov.kh
3. www.pfm.gov.kh
4. www.fmis.gov.kh
5. www.treasury.gov.kh
6. www.gdb.mef.gov.kh
7. www.gdicdm.mef.gov.kh
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15. www.naacambodia.com
16. www.mop.gov.kh
17. www.cdc.gov.kh
18. www.ncdd.gov.kh
19. www.pefa.org
20. www.mis.ncdd.gov.kh/isaf/en

Annex 3. Structure of Phnom Penh Capital Administration



Phnom Penh Capital Line Departments and Khan Administration Structure

No.	Phnom Penh Capital Line Departments	Khan Administrations
1	Phnom Penh Capital Department of Social Affairs, Veterans and Youth Rehabilitation	Chamkarmon
2	Phnom Penh Capital Department of Cult and Religion	Daun Phnom
3	Phnom Penh Capital Department of Rural Development	7 Makara
4	Phnom Penh Capital Department of Information	Toul Kork
5	Department of Commerce	Dang Kor
6	PPCDEF	Mean Chey
7	Phnom Penh Capital Department of Water Resources and Meteorology	Russey keo
8	Phnom Penh Capital Department of Health	Sen Sok
9	Phnom Penh Capital Department of Tourism	Por Sen Chey
10	Phnom Penh Capital Department of Planning	Chbar ampov
11	Phnom Penh Capital Department of Environment	Chroy Changva
12	Phnom Penh Capital Department of Women's Affairs	Prek Pnov
13	Phnom Penh Capital Department of Education, Youth and Sport	Boeng kengokang
14	Phnom Penh Capital Department of National Assembly Senate Relations and Inspection	Kombol
15	Phnom Penh Capital Department of Industry and Handicrafts, Phnom Penh	
16	Phnom Penh Capital Department of Mines and Energy	
17	Phnom Penh Capital Department of Land Management Urban Planning and Construction	
18	Phnom Penh Capital Department of Agriculture, Forestry and Fisheries	
19	Phnom Penh Capital Department of Public Works and Transport of Phnom Penh	
20	Phnom Penh Capital Department of Culture and Fine Arts	
21	Phnom Penh Capital Department of Labor and Vocational Training	
22	Phnom Penh Capital Department of Civil Service	
23	Phnom Penh Fisheries Administration	

Annex 4A. Data and calculations for HLG1 (Million KHR)

Data for year 2018

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Subsidy from national level (included Grant from function implementation agency)-7501&7506	30,752	158,602	49,767	108,835	108,835	218.7%
Direct tax-acct.7001 (Tax on property rental)	0	285,599	0	285,599	285,599	#DIV/0!
Special Tax (Public lighting tax)- acct.7003	165,359	157,384	267,608	-110,224	110,224	41.2%
Tax on specific service (accommodation and slaughtering)- acct.7004	10,947	9,675	17,716	-8,041	8,041	45.4%
Tax on using property and implementation action (patent and transport)- acct.7005	136,029	151,254	220,142	-68,888	68,888	31.3%
Stamp registration tax- acct.7006	276,686	388,823	447,774	-58,951	58,951	13.2%
Property tax-acct.7007	85,320	98,583	138,077	-39,494	39,494	28.6%
Total transfer revenue	<u>674,341</u>	<u>1,091,318</u>	1,091,318	0	571,198	
Overall variance						161.8%
Composition variance						52.3%

Data for year 2019

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Subsidy from national level (included Grant from function implementation agency)	36,846	417,380	59,630	357,750	357,750	600.0%
Direct tax-acct.7001 (Tax on property rental)	306,700	375,764	496,347	-120,583	120,583	24.3%
Special Tax (Public lighting tax)- acct.7003	177,000	194,817	286,448	-91,631	91,631	32.0%
Tax on specific service (accommodation and slaughtering)- acct.7004	12,500	11,731	20,229	-8,499	8,499	42.0%
Tax on using property and implementation action (patent and transport)- acct.7005	155,000	184,021	250,844	-66,823	66,823	26.6%
Stamp registration tax- acct.7006	306,497	529,510	496,019	33,491	33,491	6.8%
Property tax-acct.7007	88,000	121,517	142,415	-20,898	20,898	14.7%
Total transfer revenue	<u>1,045,697</u>	<u>1,417,360</u>	1,692,302	-274,942	341,923	
Overall variance						135.5%
Composition variance						20.2%

Data for year 2020

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Subsidy from national level (included Grant from function implementation agency)	220	209	174.6	34.6	34.6	19.8%
Direct tax-acct.7001 (Tax on property rental)	366,102	304,069	290,561.6	13,507.5	13,507.5	4.6%
Special Tax (Public lighting tax)- acct.7003	222,000	169,600	176,193.2	-6,593.3	6,593.3	3.7%
Tax on specific service (accommodation and slaughtering)- acct.7004	15,000	4,632	11,904.9	-7,272.5	7,272.5	61.1%
Tax on using property and implementation action (patent and transport)-acct.7005	187,000	202,750	148,415.0	54,334.6	54,334.6	36.6%
Stamp registration tax- acct.7006	673,215	462,064	534,305.8	-72,241.5	72,241.5	13.5%
Property tax-acct.7007	119,600	113,187	94,922.1	18,265.3	18,265.3	19.2%
Total transfer revenue	1,582,917	1,256,302	1,256,302	0	172,215	
Overall variance						79.4%
Composition variance						13.7%

Results Matrix

Year	Total revenue deviation	Composition variance
2018	161.8%	52.3%
2019	135.5%	20.2%
2020	79.4%	13.7%

Annex 4B. Data and calculations for PI-1, PI-2.1 & PI-2.3 (Million KHR)

Data for year = 2018						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Use of goods-ch.60	27,334.00	24,092.41	40,533.9	-16,441.5	16,441.5	40.6%
Use of services-ch.61	199,748.00	283,830.66	296,208.9	-12,378.2	12,378.2	4.2%
Compensation of employees-ch.64	11,361.00	11,560.69	16,847.4	-5,286.7	5,286.7	31.4%
Social benefits-ch.62	38,025.00	38,847.81	56,387.8	-17,539.9	17,539.9	31.1%
Subsidy-ch.65	132,995.00	244,143.25	197,220.0	46,923.3	46,923.3	23.8%
Tax and excise-ch.63	0.00	0.20	0.0	0.2	0.2	#DIV/0!
Investment-ch.21	155,873.00	235,868.95	231,146.1	4,722.9	4,722.9	2.0%
allocated expenditure	565,336.00	838,343.96	501,601.17	28,819.73	74,472.99	
contingency*	34,452.00					
Total expenditure	599,788.00	838,343.96		238,555.96		
aggregate outturn (PI-1)						139.8%
composition variance (PI-2)						14.8%
contingency share of budget						5.7%

Data for year = 2019						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Use of goods-ch.60	28,091.00	25,258.48	44,968.82	-19,710.34	19,710.34	43.8%
Use of services-ch.61	190,106.40	547,783.15	304,327.38	243,455.77	243,455.77	80.0%
Compensation of employees-ch.64	14,915.00	14,855.68	23,876.33	-9,020.64	9,020.64	37.8%
Social benefits-ch.62	38,025.00	37,785.04	60,871.43	-23,086.39	23,086.39	37.9%
Subsidy-ch.65	152,303.00	157,102.43	243,810.69	-86,708.26	86,708.26	35.6%
Tax and excise-ch.63	0.00	0.00	0.00	0.00	0.00	#DIV/0!
Investment-ch.21	216,109.60	241,023.86	345,953.99	-104,930.14	104,930.14	30.3%
allocated expenditure	639,550.00	1,023,808.64	1,023,808.64	0.00	486,911.54	
contingency	0.00	0.00				
total expenditure	639,550.00	1,023,808.64				
aggregate outturn (PI-1)						160.1%
composition variance (PI-2)						47.6%
contingency share of budget						0.0%

Data for year = 2020						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Use of goods-ch.60	34,282.00	23,373.87	54,879.54	-31,505.66	31,505.66	57.4%
Use of services-ch.61	454,332.00	230,131.53	727,306.74	-497,175.21	497,175.21	68.4%
Compensation of employees-ch.64	45,221.00	56,172.13	72,390.98	-16,218.85	16,218.85	22.4%
Social benefits-ch.62	58,280.00	58,234.04	93,296.17	-35,062.13	35,062.13	37.6%
Subsidy-ch.65	120,000.00	113,171.10	192,099.19	-78,928.08	78,928.08	41.1%
Tax and excise-ch.63	2.00	2.00	3.20	-1.20	1.20	37.5%
Investment-ch.21	356,168.00	272,250.28	570,163.20	-297,912.92	297,912.92	52.3%
allocated expenditure	1,034,003.00	729,961.09	1,655,259.48	-925,298.40	925,298.40	
contingency*	54,178.00					
total expenditure	1,088,181.00	729,961.09				
aggregate outturn (PI-1)						67.1%
composition variance (PI-2)						55.9%
contingency share of budget						5.0%

* It has been allocated to other chapters.

Results Matrix

Year	For PI-1.1	For PI-2.1	For PI-2.3
	total exp. Outturn	composition variance	contingency share
2018	139.8%	14.8%	3.6%
2019	160.1%	47.6%	
2020	67.1%	55.9%	

Annex 4C. Data and calculations for PI-3.1 and PI-3.2 (Million KHR)

Data for year =		2018					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Concession and rental land-acct.7200	10,930	701	12,491	-11,789	11,789	94.4%	
Income of administrative public enterprises - operational services (for profit) subacct.7300	0	11,560	0	11,560	11,560	#DIV/0!	
Administrative fees-acct.7302&7308	630	798	720	78	78	10.9%	
Service delivery-acct.7304	1,050	1,771	1,200	571	571	47.6%	
Rental immovable state properties-7305	2,085	1,963	2,383	-420	420	17.6%	
Others-acct.7698	0	0	0	0	0	#DIV/0!	
Total revenue	<u>14,695</u>	<u>16,793</u>	16,793	0	24,419		
overall variance						114.3%	
composition variance						145.4%	

Data for year =		2019					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Concession and rental land-acct.7200	430	587	569	18	18	3.1%	
Income of administrative public enterprises - operational services (for profit) subacct.7300	10,500	8,208	13,900	-5,692	5,692	41.0%	
Administrative fees-acct.7302&7308	730	717	966	-249	249	25.8%	
Service delivery-acct.7304	1,102	8,410	1,459	6,951	6,951	476.5%	
Rental immovable state properties-7305	2,335	2,051	0	0	0	0.0%	
Others-acct.7698	-	13	0	0	0	0.0%	
Total revenue	<u>15,097</u>	<u>19,986</u>	16,895	1,027	12,911		
overall variance						132.4%	
composition variance						76.4%	

Data for year = 2020						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Concession and rental land-acct.7200	480.0	537.9	786.9	-249.0	249.0	31.6%
Income of administrative public enterprises - operational services (for profit) subacct.7300&7301	11,668.0	6,689.2	19,127.6	-12,438.4	12,438.4	65.0%
Administrative fees-acct.7302&7308	7,880.4	7,147.3	12,918.5	-5,771.2	5,771.2	44.7%
Service delivery-acct.7304	44,429.8	92,403.9	72,834.7	19,569.3	19,569.3	26.9%
Rental immovable state properties-7305	2,324.0	2,000.9				
Others-acct.7401 & 7698	134.0	917.9	0.0	917.9	0.0	#DIV/0!
Total revenue	<u>66,916</u>	<u>109,697</u>	105,668	2,029	38,028	
overall variance						163.9%
composition variance						36.0%

Results Matrix

Year	Total revenue deviation	Composition variance
2018	109.5%	152.7%
2019	132.4%	76.4%
2020	163.9%	36.0%

Annex 5. Disclosure of quality assurance managements

Composition of Oversight Team

Name	Position	Ministry/Institution
H.E. ROS Seilava	Secretary of State and Secretary General	GSC/MEF
H.E. YETH Vinel	Under-Secretary of State and Deputy Secretary General	GSC/MEF
Mr. KOEUT Chhe	Deputy Governor of Phnom Penh	PPCA
Mr. SUOS Prathna	Deputy General Director in charge as Director of Department of Capital, Khan and Provincial Administrative Affairs	General Department of Administration, Ministry of Interior
Mr. PRAK Mow	Deputy Director General	General Department of Public Policy, Ministry of Civil Service
Prof. CHAP Seak Chhay	Deputy Director General for Administration and Finance	MoH
Mr. HING Chanbora	Deputy Director General	GDSNAF, MEF
Mr. SIEK Sopheak	Deputy Director General	GDSNR, MEF
Mr. HEAN Treng	Head of Phnom Penh Municipality Tax Division	Phnom Penh Municipality Tax Division, GDT
Mr. HAY Sovuthea	Director of Department	GDNSAF, MEF
Mr. LY Sarun	Director of Department of Sub National Procurement Management	GDPP, MEF
Mrs. NEY Sokea	Director of Audit Department 2	NAA
Mr. TEP Phyorith	Director of Finance Department	MoEYS
Mr. SORN Senghok	Director of Legislation Department	MoEYS
Mr. SAROEUN Sokol	Chief of Secretariat, GDSNAF	GDSNAF, MEF
Mr. ROS Seyha	Deputy Director of Budget Formulation Department	GDB, MEF
Ms. CHHUN Dalin	Deputy Director, Macroeconomic and Fiscal Policy Department	Macroeconomic and Fiscal Policy Department, General Department of Policy
Mr. SOK Lyna	Deputy Director	GDIA, MEF
Mrs. HENG Sovicha	Deputy Director of Policy Analysis and Development Division	National Committee for Sub-National Democratic Development
Mr. VA Sothea	Director of Phnom Penh Department of Economy and Finance	Phnom Penh Capital Department of Economy and Finance, MEF
Mr. LY Senlong	Deputy Head of Secretariat	GDSNR, MEF
Mr. OUM Sopheak	Deputy Chief of Office	GDNT, MEF
Mrs. LONG Yokho	Chief of Accounting Office for Subnational Budget	GDNT, MEF

Composition of the assessment team

Name	Position	Ministry/Institution
H.E. ROS Seilava	Secretary of State and Secretary General	GSC/MEF
H.E. YETH Vinel	Under-Secretary of State and Deputy Secretary General	GSC/MEF
Mr. UM Youthy	Head of Administration Finance and Monitoring and Evaluation Division	GSC
Mr. OUCH Sophorn	PFM Senior Specialist	GSC
Mr. LY Vong	PFM Senior Specialist	GSC
Ms. SOKUN Chakriya	PFM Senior Specialist	GSC
Mr. POM Laiheng	PFM Senior Specialist	GSC
Mr. UNG Makara	PFM Senior Specialist	GSC
Mr. CHHUN Mardy	PFM Specialist	GSC

Name	Position	Ministry/Institution
Mr. VUTHY Sastra	PFM Specialist	GSC
Mr. METH Ramorn	PFM Specialist	GSC
Ms. PHENG Sokmai	PFM Specialist	GSC
Mr. ROS Dalin	PFM Specialist	GSC
Mr. LEM Sokheng	PFM Specialist	GSC
Ms. KONG Chhomkeovoleak	PFM Specialist	GSC
Mr. SRON Ratha	PFM Assistant to Specialist	GSC
Ms. UNG Voleaktevy	PFM Assistant to Specialist	GSC
Ms. TEP Borita	Financial Controller	GSC
Ms. HEANG Sinuorn	Senior Accountant	GSC
Mr. HUY Sovannara	Senior Procurement Officer	GSC
Ms. LOEUNG Sovandy	Budget Specialist	GSC
Ms. LENG Chanphuong	Budget Assistant	GSC
Ms. SUNTEARAK Soriya	Administrative Officer	GSC