



Royal Government of Cambodia

Public Financial Management Reform Program

**Strengthening Governance
Through Enhanced
Public Financial Management**

**Ministry of Economy and Finance
December 2004**

Royal Government of Cambodia

Public Financial Management Reform Program

***“STRENGTHENING GOVERNANCE IN CAMBODIA
THROUGH ENHANCED PUBLIC FINANCIAL MANAGEMENT”***

Volume One

***THE LONGER TERM PFM STRATEGIC VISION IN THE POLICY
CONTEXT AND THE PLAN FOR STAGE ONE IMPLEMENTATION***

MINISTRY OF ECONOMY AND FINANCE

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VOLUME ONE

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PREFACE

In the mid-1980s Cambodia embarked on a reform toward a free market economy and after going through many difficulties and constraints the country reached a no turning point in 1989 and adopted an even a higher speed of reform especially after the first and historical general election in 1993. The Royal Government (RG) of the first National Assembly prepared and implemented a comprehensive macroeconomic policy and structural reform program, which together with efforts to integrate Cambodia's economy into the region and the world, resulted in Cambodia's becoming a member of ASEAN and WTO. The Royal Government of Cambodia (RGC) has continuously achieved remarkable outcomes especially in the area of liberalization and stabilization of its economy. During the early 1990s, average annual growth has been about 6 to 7 percent with a significant drop in inflation rate to below 5 percent per annum.

The RG has also recognized the fundamental importance of improving its administration of public finance and some necessary measures have been set out and implemented since the 1980s, especially revenue mobilization and budget expenditure management measures. In fact, the draft law on the financial system, prepared in 1989 during the State of Cambodia, was submitted to and passed by the National Assembly in 1993.

During the first term of the RG, the Ministry of Economy and Finance (MEF) has set out and implemented numerous activities to strengthen economic and public financial management while establishing good governance systems, including: (i) macroeconomic policy framework management, (ii) improving the budget system, (iii) modernization of the tax system, (iv) improving the public accounting system, (v) developing the audit system, (vi) privatizing public enterprises, and (vii) strengthening state property management. Remarkable achievements have been made during the first term, including the implementation of laws and regulations such as law on financial system and its amendments; the law on taxation in 1997; sub-decree 60 on public procurement management; sub-decree 81 on establishing financial control on budget expenditure of ministries, provinces, and public administration entities; sub-decree 82 on public accounting; the law on investment of the Kingdom of Cambodia; and other laws and sub-decree on privatization.

At the same time, a two tier banking system has been established, new Riel notes has been printed and circulated for dedollarization, and the gap between the official and market exchange rates has been significantly reduced. Non-customs tax barriers have been eliminated and the tax system has been reviewed and modified in accordance with a more liberal law on investment for boosting domestic investment. Although Cambodia was suffered from conflict and unstable political situation, Cambodia has significantly enhanced the economic and political stability and reintegrated the country into the international community.

To achieve the political goals of the second term of the RG, and in particular to build the foundation for sustainable development; poverty reduction; and the integration of Cambodia into the region and the world, Samdech Prime Minister Hun Sen set out a **"Triangular Strategy"** focusing on: (i) ensuring peace, stability, and security for the nation and citizen; (ii) integrating Cambodia into the regional and international community; (iii) developing country based on the implementation of the first two strategies. Based on this triangular strategy, four concrete reform programs have been developed and implemented, including: (i) military reform, especially demobilization program; (ii) administrative reform, focusing on enhancing public services; (iii) juridical system reform aiming at strengthening democracy, improving and strengthening rules of law, and respecting human right, and economic reform for ensuring macroeconomic stability and boosting long term sustainable growth.

The Ministry of Economy and Finance has played an important role in implementing the triangular strategy, especially in economic and public financial reform, which included strengthening governance, ensuring macroeconomic stability, strengthening banking and financial systems, implementing fiscal reform, improving state property management, increasing investment in physical and social infrastructure sectors, promoting private sector development and human resource development. For public financial management, the Ministry of Economy and Finance has launched four important programs of reform including (i) customs administration and policy, (ii) tax administration and policy, (iii) treasury operation reform, and (iv) budget formulation and execution reform. In this context, some measures has been adopted and implemented efficiently, resulting in significant achievements.

Specific customs measures included: improvement and dissemination of custom rules and regulations related to streamlining customs procedures; the preparation of a new customs law; the automation of customs valuation; strengthening administration and good governance in the customs and excise department; strengthening discipline, incentives and training for customs officials; continuing to strengthen pre-shipment inspection capacity; streamlining and improving reporting procedures and controls; improving legal framework, procedures, and institutional structure in accordance with international standards especially the implementation of customs tariffs and codes which determine new import and export procedures; implementing anti-smuggling measures and training for ASEAN customs officials to strengthen institutional capacity.

Specific tax measures included: expanding VAT coverage; expanding the tax base (i.e. salary and profit taxes); improving the legal framework and tax collection procedures; tax arrears collection enforcement; strengthening the VAT return mechanism; continued expansion of the real regime to additional provinces; increasing the number of tax officials through selection and training officials within the Ministry of Economy and Finance; and strengthening the compliance capacity of the tax department through training in auditing skills.

Specific treasury operations measures included: centralization of government's accounts; strengthening cash management through establishment of the cash management committee; improving the chart of accounts and accounting procedures; developing a system for managing and eliminating arrears; establishing accounting system for commune-sangkats; and training and strengthening treasury officials.

In the fourth area, which is very much related to the third, key reform measures included: the implementation of the Priority Action Plan (PAP) which is a pilot for program budgeting; expanding and strengthening the implementation of public procurement procedures; fiscal decentralization and strengthening state property management; introduction of a medium term expenditure framework; deconcentration of financial control; and the training officials in executing and managing the implementation of budget.

However, the RG has recognized that the public financial management system in Cambodia is still weak and good governance in managing public finance is still a major concern of the RG. In this context, it is necessary to continue promoting the implementation of a deeper, systematic, and comprehensive public financial management reform program.

In this context, the **"Rectangular Strategies for Growth, Employment, Equity and Efficiency in Cambodia"** which has been set out by Samdech Prime Minister Hun Sen as an economic policy agenda of the RG within the third legislature of the National Assembly has reemphasized the necessity to continue improving the public financial management system in Cambodia.

The Ministry of Economy and Finance has embarked on a systematic evaluation of the state of the administration's public financial management system to draw on all related documents such as assessment reports, analytical and evaluation reports, as well as other related reports in the area of public financial management, and experience from RG's reform programs, especially the Strengthening Economic and Financial Management program, which also known as the Technical Cooperation Assistance Program (TCAP), and the Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) which were the technical cooperation programs supported by many donor agencies and countries. The important goal has been to develop a comprehensive public financial management reform program with a clear long-term vision; and a stage-by-stage program with clear and realistic action plans for each stage toward achieving the vision endorsed by the RGC.

These efforts have been recognized and strongly supported by our development partners, including bilateral partners and international agencies, through a common agreement on adopting a **"Sector Wide Approach (SWAp)"** as the modality for the preparation and implementation of this important and comprehensive public financial management reform program.

With the strong support of our international development partners, the RGC has produced a public financial management vision document which will serve as a guide for the stage by stage implementation of a comprehensive and systematic public financial reform program envisions being achieved in 2015. The most important difference of this reform program from other previous programs is that this program was constructed with a clear structure and a realistic action plan developed stage by stage with strategies to build institutional capacity and human resource, including the provision of equipment and other necessary supports as well as appropriate technology.

In general, the implementation of this reform program is divided into four major stages in the first stage (2004 to 2006) MEF will implement over 200 actions spanning 27 major important activities. Therefore, step by step the RG will be able to promote efficiency and strengthen public financial management, while developing capacity for government officials at all levels and at all ministries and government agencies and as well as at provincial and commune-sangkat levels. In this regard, the RG will be able to provide more resources and directly support priorities from central to line ministries and government agencies as well as to local government agencies at the provincial and commune-sangkat levels. In addition, MEF will also assist in enhancing responsibility of all spending agencies in implementing their program in order to achieve the economic and social policy goals of the RG.

The Ministry of Economy and Finance would like to express its great gratitude to Samdech Prime Minister Hun Sen, who has approved on the reform program and provided encouragement and support to this important and necessary initiative. The Ministry of Economy and Finance, as the only secretary for Samdech Prime Minister and the only commander of this economic and financial management program, has an obligation to lead the implementation of this reform program toward successful completion. However, the Ministry of Economy and Finance efforts alone is not enough, we need the full support of the RGC to carry the program to successful completion. Government officials at all level who are involved in public financial management both in the revenue and expenditure areas all have a responsibility for this work. Each official has to actively participate in this work so that we will be able to achieve a stable and strong public financial management system with transparent and clear accountability, which will ultimately and efficiently respond to the priority and the need for national development, especially poverty reduction for the Cambodian people.

Translated from Khmer

Phnom Penh, 27 October 2004

Senior Minister
Minister of Economy and Finance

A handwritten signature in black ink, appearing to be 'Keat Chhon', written in a cursive style.

Keat Chhon

FOREWORD

The Royal Government of Cambodia (RGC) has long recognized the fundamental importance of improving its administration of public finances. Over this time, some significant steps have been taken, some more successfully than others. However, progress on others has been slow.

Priority has been stressed again on the urgent need to strengthen public financial management in the **“Royal Government of Cambodia’s Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia”** which I as the head of the Royal Government (RG) have set out as the economic policy agenda for the third term of the RG. The Strategy recognizes public finance reform as one of four crosscutting areas of reform which will ensure the successful implementation of the Rectangular Strategy including (i) peace, political stability, and social order; (ii) favorable macroeconomic and financial environment; (iii) development partnership with donor community, private sector, and civil society; and (iv) regional integration.

The Ministry of Economy and Finance responded to this renewed priority and urgency six months ago by embarking on a systematic evaluation of the state of the administration’s public financial management. As a result, the Ministry has been able to draw on all related documents such as assessment reports, analytical and evaluation reports, as well as other related reports in the area of public financial management, and experience from RG’s reform programs especially the Strengthening Economic and Financial Management program, which also known as Technical Cooperation Assistance Program (TCAP), and Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) which were the technical cooperation programs with the supports of many donor agencies and countries.

The Ministry’s efforts to take full ownership and responsibility in this Public Financial Management (PFM) reform work have been highly recognized and strongly supported from most of our development partners including bilateral partners and international agencies. Our important goal is to develop a comprehensive and systematic public financial reform program for improving public financial management of the RG toward international standard practice. The RGC strongly welcomes **“Sector Wide Approach - SWAP”**, which has been decided by our donor partners to apply for the implementation of this reform program, which gives an opportunity for Cambodia to play as an equal partner and especially enables the Ministry to bring together good strategies and experience from development programs and various strands of its ongoing improvement and reform efforts and to reformulate them into an integrated and consolidated public financial management reform program for high accuracy, effectiveness, and efficiency. The RGC also warmly welcomes and highly recognized the keen international interest and kind supports which our international donors have been providing to us toward achieving this ambitious objectives. The RGC strongly anticipates that this approach will provide favorable and fruitful results and will also become an outstanding model for guiding the development, monitoring and managing the implementation of the reform program in other sectors.

As the head of the RGC I would like to appeal to Ministries and all related government agencies especially the Ministry of Economy and Finance to devote effort for absorbing this rare opportunity to ensure full ownership and responsibility in both the preparation and implementation of this important and essential reform program.

With the strong support of our international development partners, the RGC now has produced a public financial management vision document which will serve as a guide for the stage by stage implementation of a comprehensive and systematic public financial reform program envisions being achieved in 2015. The most important thing here is to ensure that the reform program is constructed with a clear structure and a realistic and action plan is

developed stage by stage with strategies to build institutional capacity and human resource efficiently including provision of equipment and necessary supplies as well as appropriate technology. The reform program has to be tightly structured through stages to ensure that the Ministry's precious pool of skilled human resources is kept sharply focused on the reform essentials at any one time and not distracted by initiatives which are not urgent or which need to be kept in abeyance until the heart of the public financial system, the budget, is made the basically credible instrument which is needed to shape and deliver the Royal Government of Cambodia's policy and program agenda.

I would like to stress again and again that our principle of any reform program is long term sustainability of the program especially after the termination of international donors supports. The Government sees the public financial management and improvement program as a central plank underlying the general administrative reform program. Achievement of the 2015 vision is underpinned by the Government's commitment to establishing the framework for a professional civil service, in which officials will be able to maintain PFM standards without depending on continuous external advice. Public financial management reform and the transformation of the civil service will have to become increasingly linked and mutually supportive in the progress towards the vision of installing much higher standards of management of and accountability, transparency, and responsibility for mobilizing all government resources and effectiveness and efficiency in their application to the Government's National Poverty Reduction Strategy and priority programs.

The efforts of the Ministry of Economy Finance have given both a new coherence to our public financial management reform efforts and a greater clarity about what we want them to achieve. They have enabled the design of a program which can start yielding results from the beginning. Starting now, we shall begin to raise our public financial management standards step by step, and as fast as we can realistically manage it, so that they will draw closer and closer to the best that prevail in the region and internationally. From this drive towards higher and higher standards we expect to see increasingly effective and fuller mobilization of the revenue and other financial and other resources on which the law empowers the Royal Government of Cambodia to draw. Increasingly effective resource mobilization will need to go hand-in-hand with increasing rationalization of the Government's expenditure which priority has been given more and more toward productive sector for economic growth and social sector support for social equity and justice. Our ultimate aim is for effective and efficient revenue mobilization, proper management of state property, and increasingly better balanced, targeted and effective expenditure programs across all sectors. Ultimately, our mobilization, guardianship and deployment of public resources should, over time, yield the best possible results for the benefit of the nation and all of its citizens especially the poor and vulnerable group.

Phnom Penh, 30th June 2004
Prime Minister of the Royal Government of Cambodia



HUN SEN

I. BACKGROUND

The Royal Government (RG) has long been recognized the fundamental importance of improving its public financial management policies and systems and some necessary measures have been set out and implemented since the 1980s especially in the area of revenue mobilization and budget expenditure management. The Ministry of Economy and Finance (MEF) has set out and implemented many activities to strengthening economic and public financial management and establishing good governance system including (i) macroeconomic policy framework management, (ii) improving budget system, (iii) modernization tax system, (iv) improving public accounting system, (v) developing audit system, (vi) privatizing public enterprises, and (vii) strengthening state property management.

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

1. 1. Revenue Policy and Administration

Since 1999 fiscal policy and management has been central to the reform efforts. The critical element of the strategy was to increase revenue to meet expenditure needs. As a result, government revenue strengthened from 8.3 percent of GDP in 1998 to a projected 11.9 percent in 2004. The increase in revenue was mostly due to growth in the tax base. The replacement of the turnover tax and consumption tax on imports with a 10 percent value added tax (VAT) in 1999 also contributed positively to the revenue increases. At the same time, the VAT enhanced the efficiency of the tax system by simplifying the tax structure, widening the coverage, and reducing cascading. Overall, tax policy has improved considerably.

However, there has been some limited progress in customs and tax administration and non-tax revenue policy and administration. Efforts focused on ensuring a more efficient use of pre-shipment inspection services, and increased transparency to reduce hidden costs in customs procedures. Moreover, anti-smuggling operations were strengthened through enhanced inter-agency cooperation and the establishment of anti-smuggling units in key border provinces. A large taxpayer unit was set up in 2001 and tax payments through banks were introduced for large and medium taxpayers. The Tax Department recently introduced a number of tax revenue-enhancing measures, such as: improved auditing, strengthened arrears management, strengthened enforcement actions (e.g., seizures of delinquent taxpayer bank and treasury accounts, cessation of import-export operations, disallowance of import permits, etc.), and improved taxpayer registration. As a result of these initial steps, collection of tax arrears has begun. However, the recent experience suggests that administrative capacity, in terms of systems; legal framework and regulations; and human resources, is acting as the binding constraint on efforts to improve tax and non-tax revenue collection. The core concern are the delays in re-organizing the tax department along

functional lines, an inadequate number of professional tax and customs collectors, and the poor incentive structure throughout the revenue collection system.

1. 2. Public Expenditure Policy

Since 1998, the Government has significantly improved the alignment of resources with its developmental objectives by increasing allocations for priority sectors, notably education and health. Government-executed spending on the priority sectors increased from 1.4 percent of GDP in 1998 to 3.2 percent in 2001. Furthermore, as indicated in the National Poverty Reduction Strategy (NPRS) the Royal Government of Cambodia (RGC) intends to continue this strategy, presenting ambitious targets for growth in priority sector spending. The reallocation to the priority sectors was financed through increased growth and revenues, and reduced expenditures in defense and security.

Challenges linking policy and expenditure have resulted in significant sectoral differences in the effectiveness of expenditures in improving social welfare outcomes, thus pointing to expenditure management as the key constraint. In *education* steady progress has been made since 1999, in expanding educational opportunities by growing total enrolment. However, net enrolment ratios and the completion rate at the primary level are relatively low. Moreover, quality continues to be a concern. There have also been some significant achievements in the *health* sector, including a decline in the level of some communicable diseases and expansion of physical coverage of the system. However, the sector needs to improve access to services, which remains low and uneven, and rectify the imbalance in the incidence of spending. In the *roads* sector, though a start has been made on reconstruction and rehabilitation, the state of the road network remains poor. Significant increases in maintenance expenditure are required. A critical first step is to strengthen management of the Fund for the Repair and Maintenance of Roads (FRMR) by enabling it to carry out financial and performance audits of its expenditures and by requiring a formula-based maintenance expenditure program. In the *agricultural* sector the lack of both clear sector policy and output information makes evaluation of impact difficult.

Recent experience suggests that in order to reach stated poverty reduction goals, it will be necessary to improve the effectiveness of spending by linking it more closely to priority outcomes. Increased effectiveness can be attained by improving the pro-poor targeting of resources through more tightly linked sector plans and budgets. Public expenditure and financial management have thus emerged as the first priority of the reform program. Without expenditure management reform, the impact of further improvements in expenditure policy will be limited.

1. 3. Public Expenditure and Financial Management

The RGC has placed public expenditure and financial management reform squarely on its development and poverty reduction agendas. Recent initiatives have built on a previous round of reforms, launched after the promulgation of the Organic Budget Law in 1993, which established the institutional architecture for budgeting, planning and budget execution. Priority was given to the development of systems that guaranteed budgetary discipline, through a process of commitment control and centralized payments system. These reforms achieved their objective in delivering—with the exception of a period of fiscal instability following the disturbances of 1998—budgetary restraint, reflected in current balances of over 1.2 percent of GDP in each the last four years. They have also been instrumental in increasing expenditures on the priority sectors of education; health; agriculture; and rural development, while reducing spending on defense and security.

It has become increasingly apparent, however, that weaknesses in the public expenditure and financial management system not only have high costs in terms of allocative and operational efficiency, but also create unacceptably high levels of fiduciary risk to public

funds. The cash-based payments system has emerged as a major constraint. Increasingly, budget execution has suffered from delays and an unpredictable release of funds, due to cash constraints, undermining operational planning, and leading to the build-up of arrears. The system is plagued by gate-keeping and deficient accounting and reporting systems, thus leading to a weak control environment and increasing opportunities for corruption. Indeed, in comparative perspective, Cambodia's system ranks below average (as compared to the low income countries assessed by a joint World Bank-IMF diagnostic tool).

Attempts have been made to address these problems by implementing pilot initiatives, notably the Accelerated District Development and Priority Action Programs, together with a sector-wide approach in aid coordination, first in education and health. This has improved the alignment of resources with policy objectives and helped channel funds to operational units, but their impact has been muted by liquidity constraints and concerns over the adequacy of control arrangements. Within MEF, attention has recently turned to the improvement of treasury operations, cash management, and public accounting so as to address these concerns. At the same time, MEF has made progress in the development of a medium term expenditure framework, which hopefully will improve resource allocation and the predictability of resources over the medium term.

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

1. 4. Conclusion

In broad terms the fiscal, fiduciary, and institutional challenges identified have been on the Government's reform agenda for some time. There is no doubt that the Government has made progress—significant in some areas, less impressive in others—in all major reform areas. One factor which may explain the differential in success is the level of consensus about the importance and nature of the reform. Government-Donor and Donor-Donor consensus and coordination is critical for ensuring success. With the strong support of our international development partners, the RGC has now produced a public financial management vision document which will serve as a guide for the stage-by-stage implementation of a comprehensive and systematic public financial reform program envisions being achieved in 2015. The important difference of this reform program is the use of bottom up and top down program formulation approaches with a strong and clear ownership and responsibility of all implementing agencies with a stage by stage, realistic, and detailed action plan ready for implantation plus a high level of consensus and coordination among Donors and Government.

II. The Long Term Vision for Public Financial Management in Cambodia and the Program to Achieve It

STRENGTHENING GOVERNANCE IN CAMBODIA THROUGH ENHANCED PUBLIC FINANCIAL MANAGEMENT

2. 1. Introduction

The Prime Minister of the Royal Government of Cambodia (RGC) has declared the strengthening of governance to be at the heart of its socio-economic development thrust for the new mandate following the elections of July 2003. This is consistent with the *Socio-Economic Development Plan 2001-2005 (SEDPII)*, *National Poverty Reduction Strategy 2003-2005 (NPRS)*, and the Prime Minister's *Rectangular Strategy for Growth, Employment, Equity and Efficiency 2004-2008*.

Enhanced public financial management is a crucial element of the strengthening of good governance, and therefore the RGC shall formulate and establish a clear vision of public financial management, and the steps necessary toward the achievement of the vision. The Royal Government (RG) understands that the establishment of enhanced public financial management systems will take many years. The vision statement will thus serve as an overall and continuing guide for the work to come.

Success in this work depends on progress made in other key pillars of good governance including the Legal and Judicial Reform and the Civil Service Reform, and getting the state closer to the Cambodian people through decentralization. The RG will give its full attention to ensuring synergy between all governance reforms: together, these reforms are the key for enhancing resource mobilization, thereby providing a sustainable path for more effective delivery of government development policies.

2. 2. The Overall Vision of Public Financial Management

The aim is to install much higher standards of management and accountability in the mobilization of all government current and capital resources and effectiveness and efficiency in the use of resources in their application to the operation of the Government's NPRS and other priority programs. The long term objective is to transform the RGC's Public Financial Management (PFM) system into a system featuring what are generally accepted as the best international standards.

The PFM reform program is steadfastly built up upon four sequenced and prioritized platforms: **(i) A more credible budget; (ii) Effective financial accountability; (iii) The RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance.**

The reform program will progress in four stages: **Stage One:** short term action plans including all necessary activities for achieving Platform One, plus activities with long lead times and necessary for later Platforms; **Stage Two and Three:** Medium term, planned for towards the end of Stage One, when Platform One objectives are within sight; and **Stage Four:** Long term while getting to achieving the vision.

In summary, the envisioned public financial management system of Cambodia is a system that fulfils a set of desired **characteristics** consistent with best practices and standards. The overall system will have sub-systems that relate to **operations** and **monitoring and evaluation**.

The RG has prepared a long term **strategy** which will enable it to reach the vision through a carefully designed series of intermediate step changes in the PFM system. The monitoring and evaluation sub-system will assist in closely monitoring progress made in implementing the strategy.

2. 3. The Desired Key Characteristics of the Public Financial Management System

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

- 1.** Legal separation of functions and fiscal powers for the national, provincial and local levels, yet within a unified budget system that covers all government offices, functions, programs and projects.
 - 2.** A consistent plan and program framework across all sectors, with budget transactions classified on an administrative, economic, and functional or programmatic basis which identifies poverty-related spending and which supports a general orientation of public expenditure management towards the achievement of policy results.
 - 3.** An operational Medium Term Expenditure Framework (MTEF) governs multi-year programming.
 - 4.** The budget covers all aspects of government operations, including longer term budget financing and debt management planning, and resourcing plans which include all of the government sector's financial, fixed and other assets with its liabilities.
 - 5.** Budget formulation has an impact on the composition, incentives, size, training, deployment and other staffing implications of the government's policies and programs. The budget system also ensures that post-budget supplementary expenditure credits are fully financed.
 - 6.** The acquisition, deployment, use and disposal of all government assets and resources, including human resources, are open, competitive, apolitical, non-discriminatory and transparent. The government shall establish and enforce clear rules that promote value for money for the procurement of goods and services, including privatization, contracting out government services and management processes to the private sector, and the recruitment, deployment and promotion of officials.
 - 7.** The government responds promptly, clearly and publicly to any problems which emerge during the course of budget implementation. Monthly up-to-date reports are made public on the progress of budget implementation, including a comprehensive mid-year review. The finance ministry is able to recommend remedial action to the government if the implementation plan is threatened, for example, by revenue flows underperforming or an unexpected need arises for additional expenditure.
 - 8.** There is computerized, comprehensive and integrated financial and budget management information and accounting system. This will facilitate prompt, regular reporting on financial transactions by government agencies, and reconciliation of fiscal data with government bank accounts and of suspense accounts and advances.
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9. The finance ministry sets the standards for, and guides and monitors, financial management in line ministries and other spending agencies, including internal audit standards.

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

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

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

2. 4. The Operating Sub-Systems of the Desired Public Finance System

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

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

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

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

4. Access systems: Common access of all those involved to the same accurate and reliable data on a timely basis based on integrated use of modern IT. Open to scrutiny by all interested parties, inside and outside of Government, to view performance compared to budget based on a clear and transparent data trail. An effective system of both external and internal audit in which the latter supports management to make effective use of resources.

2. 5. Monitoring and Evaluation Sub-System

The Royal Government is in the process of developing a monitoring and evaluation sub-system to enable performance of the public financial management system being regularly monitored and assessed.

Thus the key features of the targeted vision shall be identified with indicators that are consistent with international standards and best practices, which will cover the following aspects:

1. Budget Realism: The budget is realistic and implemented as intended in a predictable manner (e.g. composition of expenditures compared to approved budget, proportion of funds received by service delivery units etc.).

2. Comprehensive, Policy-based Budget: The budget captures all relevant fiscal transactions, and is prepared in an orderly, predictable way with due regard to government policy (e.g. single budget process - calendar and circular - fully coordinating budgeting for investment and recurrent expenditures, budget ceilings informed by government relative spending priorities defined at political level).

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

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

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

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

7. Clarity and accountability: Clear legal and institutional framework for functional and spending responsibilities across government levels, and for budget holders' management accountability (e.g. Program managers have maximum possible flexibility in selection, mobilization and use of resources to achieve program objectives. Accountability to national assembly and people for use of resources is

transferred to line ministries, who are also publicly accountable for program performance).

8. Value for money: in use of public resources (e.g. Decrease in price of items procured regularly by the government).

9. Responsiveness: of fiscal and budget management (e.g. institutionalized mid-year review of budget performance feeding into implementation of second budget year half and preparation of subsequent budget).

10. Professionalism: in the civil service and incentive systems (e.g. build a core group of technical experts).

2. 6. Long term sequenced strategy

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

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

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

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

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

transparency and more effective feedback from implementation into policy formulation.

2.7. Conclusion

As stated above, the RG understands that to achieve the vision of Public Financial Management will require long term commitment and willing to devote efforts for a long way. In addition, the success of this Public Financial Management reform program depends on progress made in other key pillars of good governance including the Legal and Judicial Reform and the Civil Service Reform, and active participation of Development Partners including donor community, private sector, civil society, and all level of government officials.

Indeed, a comprehensive and systematic design of the Public Financial Management reform program with clear long term vision and step by step strategy plus joint efforts from all stakeholders, we are confident in making positive changes within the short future in order to contribute to the ultimate goals of enhancing growth, employment, equity, and efficiency for the nation and its people.

III. THE REFORM PROGRAM ACTIVITIES

3. 1. Overview of the PFM reform program activities

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

ACTIVITIES IN SUPPORT OF PLATFORM 1

Platform one aims at achieving a position in which the budget becomes more credible as an instrument of strategic and day to day management of public resources, because it delivers a reliable and predictable resource to individual budget managers. One crucial objective is to ensure that the budget reflects all significant public resources and their deployment, thereby enabling steps in subsequent platforms to hold budget managers more accountable for the proper, efficient and effective use of resources. Key activities that are necessary in order to reach these objectives are identified in table A below.

Table A: Activities in Support of Achieving Platform One

| Activity | Description of what needs to be done |
|---|--|
| Improve comprehensiveness and integration of the budget (formulation and execution) | <ul style="list-style-type: none"> - Identification of main areas of public resource usage that escape incorporation in budget and design of procedures to capture. Also, improved integration of areas of budget such as capital and recurrent (including external assistance), mainstreaming of PAP expenditures, sector central and provincial programs, and improved planning of counterpart funding requirements. - Measures to ensure that budget has an impact on each category of expenditure including levels of recruitment and staff deployment. |
| Improve realism and sustainability of the budget | <ul style="list-style-type: none"> - Development of an overarching resource mobilization policy including tax, non tax and debt sources) and identification of measures to improve resource mobilization. - Improve macro-fiscal framework management and revenue forecasting. - Establish a debt management function (forecasting, financing analysis and payment management), covering external and domestic debt and linking it to budget formulation and execution. |
| Streamline ability of budget holders to spend in line with budget provision | <ul style="list-style-type: none"> - Streamline approval process. - Increase reliance on phased budget release by MEF. - Progressive de-concentration of expenditure commitment, procurement and payment authority within Ministries, streamlined payment and increased reliance on post payment audit. Apply initially to Ministries who meet readiness criteria/tests and then roll out. - Widening of scope for payment by check and transfer through banking system, transparent cash management plan for matching in-flows/ outflows, isolation of past arrears for separate treatment. - Consolidate Government bank accounts including daily consolidation of foreign currency into Treasury Single Account, and centralization of accounts opened by line agencies. - Eliminate stock of arrears and isolate from on-going management. |
| Steps to avoid re-accumulation of payment arrears | <ul style="list-style-type: none"> - Measures to prevent entering into commitments that go beyond available budget resources in line with cash management plan. |

| | |
|---|--|
| Improve process for post-budget supplementary expenditure credit approvals. | - Arrangements to ensure that proposals on post budget supplementary expenditure credits are always accompanied by an MEF report of realistic options for financing the expenditure involved in order to avoid destabilizing the budget as a whole. |
| Development of revised procurement procedures. | - To take advantage of the work being done to streamline/ speed up the spending process and to decentralize authority for procurement against demonstrated capacity in spending agencies. |
| Capacity development measures | - Focused at capacity to support Platform 1 changes - Variety of measures identified by MEF departments. - Design guidelines for spending agencies to install de-concentrated financial business processes and accounting arrangements. - Specify an institutional strengthening program for spending agencies on a case-by-case basis in order to install de-concentrated business processes (meet readiness checks). |
| Motivational measures within MEF | - Initial measures during the program design phase - Interim measures during platform 1 based on existing instruments. - Longer term measures in the context of wider pay reform |
| Motivational measures within Ministries | - Introduction of criteria and tests of capacity to respond to and support delegated spending authorities. |
| Initial integration of functions within MEF. | - Targeted initial improvements in coordination, information flows and collaboration to bring together areas that need to work closely together for effective change under Platform 1 objectives. (For example, integration of institutional responsibility for non-tax revenue, integration of FCU's operations with Treasury operations, rationalization of central and provincial budget management). Clearer decision-making mechanisms. |

As a result of these activities, improved macro-financial management and forecasting coupled with attention to improving revenue mobilization framework provide greater confidence in the overall ability of the system to deliver cash in line with budget.

Budget Managers are enabled to commit their budgets, which are a full and integrated expression of the resources available to them, in the knowledge that as they demonstrate their capacity to exercise internal control they can pay staff and contractors by transfer, issue of check, cash or some proxy for cash within a reasonable and predictable period conditioned only by macro controls.

A clean start on arrears combined with improved revenue estimates that accelerate the government's ability to clear past arrears allow the focus to shift on measures to stop re-accumulation of arrears in relation to current budgets. The combined impact of a more realistic budget, but also streamlined procedures for its release create confidence in the budget that allows Managers to plan and manage in accordance with it and removes barriers to holding Managers accountable for performance in subsequent platforms.

The program as a whole is given momentum by attention to motivating those on whom it depends and by addressing some current unhelpful fragmentation of organizational structures in MEF, as a prelude to more fundamental organizational change later in the program.

INDICATIVE ACTIVITIES IN SUPPORT OF PLATFORM 2

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

- Improved accountability lines: Clarify roles, functions and responsibilities (including spending) between levels of Government.
- Improved accounting: Initial consolidation of accounting data, improved reconciliation procedures.
- Improved reporting: Interim improvements in reporting of performance against budget, introduction of tracking studies
- Improved auditing: Deepening capacity of both internal and external audit.
- Related institutional, capacity and motivational measures.

INDICATIVE ACTIVITIES IN SUPPORT OF PLATFORM 3

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

- Deepen budgetary reform: Roll out use of MTEF, multi-year budgeting, techniques for setting sector resource envelopes, procedures for rolling from one multi-year cycle to the next, connection to strategic planning processes, linking of mobilization and deployment of resources to policy priorities including poverty reduction strategies.
- Improve budget analysis and appraisal: Improve abilities to cost and appraise spending proposals, carry out expenditure reviews, update spending norms.
- Deepen decentralization: Further de-concentration of budgets and accountability, improve fiscal decentralization.
- Widen engagement in resource deployment decisions: Create improved opportunities for politicians and civil society to have visibility of and contribute to resource allocation decisions.
- Related institutional, capacity and motivational measures.

INDICATIVE ACTIVITIES IN SUPPORT OF PLATFORM 4

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

- Improved information about both financial and service performance: Computerized FMIS, computerized state asset register, integrated data on performance and budget implementation, move to accrual accounting to improve match between resources consumed and results achieved.
 - Increased visibility of results achieved: Production of annual reports on budget and service performance by Ministries, consultation with public and politicians about results achieved.
 - Feedback into resource deployment decisions: Review of results achieved and establishment of procedures to reflect on lessons and adjust future resource deployment decisions accordingly.
-

- Related institutional, capacity and motivational measures.

3. 2. The Strategy: Moving through Stages to Build one Platform at a Time

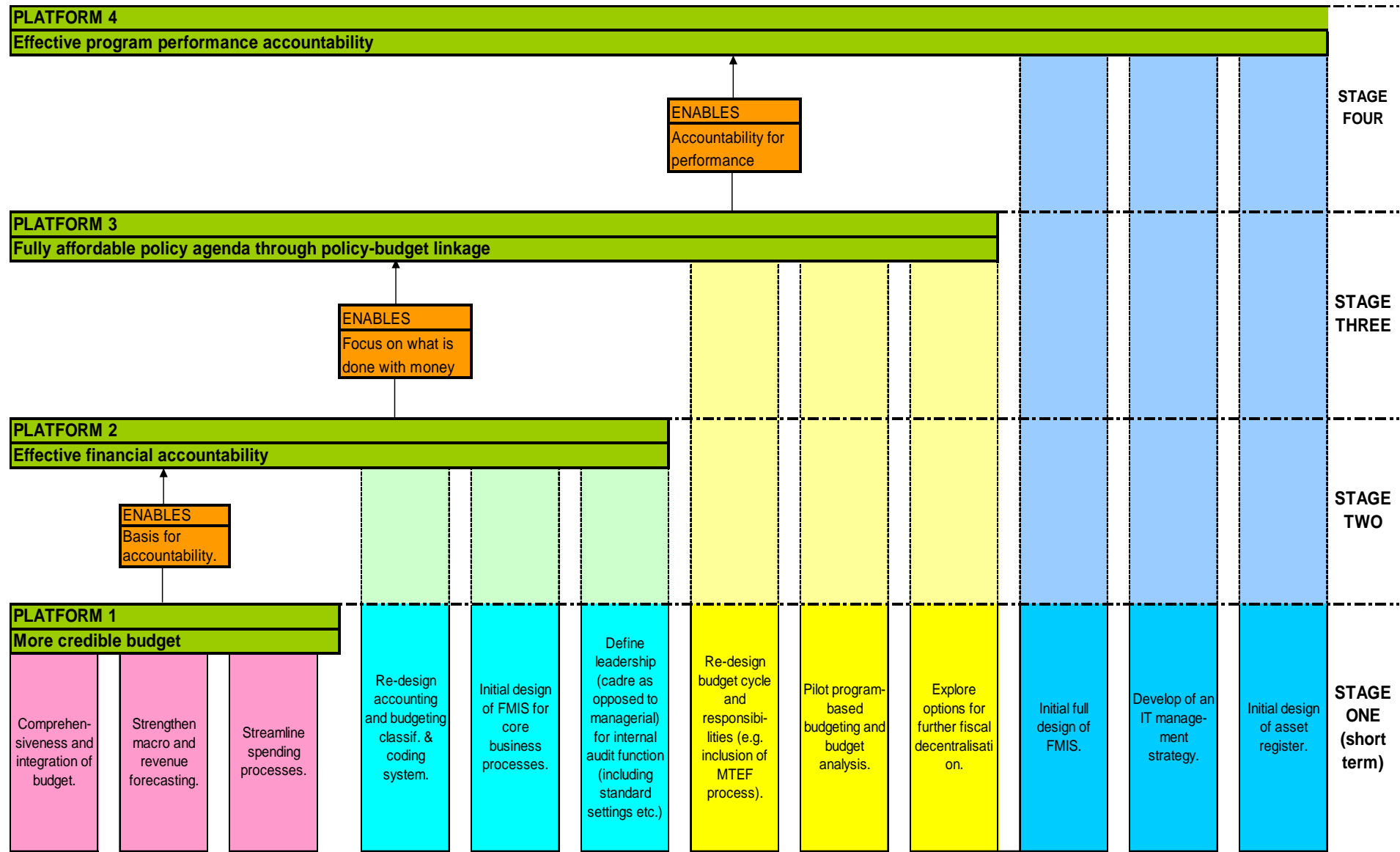
As may be seen in previous sections, **many steps** are needed to upgrade Cambodia's PFM system and its operations to meet the basic standards for a modern system for a developing country. For several reasons, all these steps cannot be taken at once and they must therefore be *sequenced* and *paced*. First, many of the steps can only be taken once others have been successfully completed. Secondly, the steps being taken at any one time need to be kept to manageable numbers so that key MEF officials including those at the most senior levels can give effective leadership and direction to implementation. The time of these officials is scarce and valuable and the program design has to take account of these and other capacity constraints. Thirdly, success will also depend on the pace of the program. A reform momentum needs to be built and maintained. At the same time however, the program must be paced at a slow enough rate to allow for satisfactory internalization of the changes by the thousands of MEF officials who will be affected sooner or later, let alone its eventual impact on many more officials across all line ministries. Fourthly, the annual budget cycle can also determine the pace at which some elements of the program can proceed – if they are not implemented at the right point in the cycle in one year, and then their implementation must necessarily be delayed until the right point in next year's cycle.

The **four platforms** need to be constructed one at a time, one on top of another. To be practical, program activities should be focused first on repairing existing critical *operational* deficiencies. Only when these are made good should the steps aimed at higher-level *systemic* improvements be taken. The concept of platforms is used to help work out the *sequence* for system improvement and reform activities. Thus, Platform 1 in the program has been designed to focus on critical improvements to overcome basic operational deficiencies which are detracting from the budget's credibility. Only when these basic deficiencies should steps be taken to begin to install the basic PFM system upgrades which have been identified for Platforms 2, 3 and 4. These form the logical step changes of the four platforms: budget credibility, accountability for resource usage, close policy/ budget linkage and accountability for outcomes. Each platform in turn provides the base on which to build the next.

While most of the activities needed to install these later platforms will be scheduled for later in the program, the development of some system features needed for later platforms will be long and complicated, stretching over a number of years. This applies, for example, to the development of a fully comprehensive medium term framework (MTEF) and an integrated financial management information system (FMIS). Work is already underway on these advanced PFM system features and the reform program design has to include these ongoing development activities from the beginning.

The reform program is thus being phased **over four Stages**. The first steps will include (i) activities which are essential to the installation of Platform 1 plus (ii) ongoing activities on PFM system development on features which are needed to support later platforms but which have long lead times. Together, these activities make up Stage 1 of the reform program. Thus, the program consists of four stages of activities, with Stage 1 being the short term phase. Each stage leads to the installation of a platform of new PFM system features *plus* each stage also includes ongoing development activities on those PFM system features which support the eventual installation of a later platform. So Stage 2 will continue the long lead time activities carried on from Stage 1 plus any new activities needed for Platform 2 achievement and so on through Stages 3 and 4. (Stages 2 and 3 could be seen as being for the medium term and Stage 4 for the longer term.) This is illustrated in the diagram below.

Diagram of Platforms and Stages



3. 3. PFM Reform Program for Stage One

Hence, stage 1 of the PFM Reform Program will consist mainly of activities to support the installation of Platform 1: the achievement of a more credible budget. However, it will also include other activities which will assist in the consolidation of Platform 1 but whose main ultimate purpose will be to support all three of the later platforms.

The following table B lists, first, the Stage 1 reform activities which will most directly support Platform 1 and then the activities which will begin in Stage 1 and will consolidate Platform One achievements but which are intended mainly to eventually support the installation of the later Platforms. These include the following activities:

- Even if it takes some time to implement a new unified classification system and FMIS until Platform's 2 and 4 respectively, the future shape of both have implications for improved transaction management processes being developed under Platform 1 and it is important to have at least carried out design work.
- Similarly, it is important to have commenced foundation work for the development of internal audit capacity as it will take time and the internal audit role is important to a transaction processing system that will increasingly rely on post payment audit.
- The early piloting of expenditure tracking will enable its systematic use as part of the accountability framework under Platform 2.
- Although fundamental changes in budgetary practice cannot be made sustainable until Platform 3, it is important to have a concept of a new form of budget cycle that is more integrated and allows room for more consideration of options and priorities in order to inform the changes in transaction management that will be undertaken in Platform 1 and to have deepened earlier pilots in program budgeting so that lessons are being gained before more general application in Platform 3.
- Similarly, although it would not be safe to extend fiscal decentralization until the national framework for resource management and accountability has been approved, it is important to have now a clear vision of how fiscal decentralization might be achieved as it will have implications for the design of cash, transaction management and procurement systems under Platform 1.
- While a full FMIS is vital to the fulfillment of the connection of accountability for financial management and performance envisaged under Platform 4, having a clear vision of its design will be important earlier, in order to inform the re-shaping of transaction processing systems in Platform 1 and the consideration of the early introduction of 'core' computerized facilities that will support Platform 2 and build the foundation for the full system in Platform 4.
- While the introduction of a full FMIS in Platform 4 will represent a major upgrade in IT systems, the use of IT will gradually be increasing through all platforms, and thinking through a clear IT strategy now will help inform design, procurement and management decisions as the whole of the program unfolds.
- Similarly, while the full value of establishing a register of assets might not be felt until Platform 4, carrying out the design now will help to inform earlier decisions about systems to which it must connect and draw from.

**PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1
DEPARTMENTAL ACTION PLANS**

Table B: STAGE ONE ACTIVITIES

| Activity For Platform One | Description of what needs to be done |
|---|--|
| Improve comprehensiveness and integration of the budget (formulation and execution) | <ul style="list-style-type: none"> - Identification of main areas of public resource usage that escape incorporation in budget and design of procedures to capture. Also, improved integration of areas of budget such as capital and recurrent (including external assistance), mainstreaming of PAP expenditures, sector central and provincial programs, and improved planning of counterpart funding requirements. - Measures to ensure that budget has an impact on each category of expenditure including levels of recruitment and staff deployment. |
| Improve realism and sustainability of the budget | <ul style="list-style-type: none"> - Development of an overarching resource mobilization policy (including tax, non tax and debt sources) and identification of measures to improve resource mobilization. - Improve macro-fiscal framework management and revenue forecasting. - Establish a debt management function (forecasting, financing analysis and payment management), covering external and domestic debt and linking it to budget formulation and execution. |
| Streamline ability of budget holders to spend in line with budget provision | <ul style="list-style-type: none"> - Streamline approval process. - Increase reliance on phased budget release by MEF. - Progressive de-concentration of expenditure commitment, procurement and payment authority within Ministries, streamlined payment and increased reliance on post payment audit. Apply initially to Ministries who meet readiness criteria/tests and then roll out. - Widening of scope for payment by check and transfer through banking system, transparent cash management plan for matching in-flows/ outflows, isolation of past arrears for separate treatment. - Consolidate Government bank accounts including daily consolidation of foreign currency into Treasury Single Account, and centralization of accounts opened by line agencies. - Eliminate stock of arrears and isolate from on-going management. |
| Steps to avoid re-accumulation of payment arrears | <ul style="list-style-type: none"> - Measures to prevent entering into commitments that go beyond available budget resources in line with cash management plan. |
| Improve process for post-budget supplementary expenditure credit approvals. | <ul style="list-style-type: none"> - Arrangements to ensure that proposals on post budget supplementary expenditure credits are always accompanied by an MEF report of realistic options for financing the expenditure involved in order to avoid destabilizing the budget as a whole. |
| Development of revised procurement procedures. | <ul style="list-style-type: none"> - To take advantage of the work being done to streamline/ speed up the spending process and to decentralize authority for procurement against demonstrated capacity in spending agencies. |
| Capacity development measures | <ul style="list-style-type: none"> - Focused at capacity to support Platform 1 changes - Variety of measures identified by MEF departments. - Design guidelines for spending agencies to install de-concentrated financial business processes and accounting arrangements. - Specify an institutional strengthening program for spending agencies on a case-by-case basis in order to install de-concentrated business processes (meet readiness checks). |
| Motivational measures within MEF | <ul style="list-style-type: none"> - Initial measures during the program design phase - Interim measures during platform 1 based on existing instruments. - Longer term measures in the context of wider pay reform |
| Motivational measures within Ministries | <ul style="list-style-type: none"> - Introduction of criteria and tests of capacity to respond to and support delegated spending authorities. |

**PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1
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| | |
|---|--|
| Initial integration of functions within MEF. | - Targeted initial improvements in coordination, information flows and collaboration to bring together areas that need to work closely together for effective change under Platform 1 objectives. (For example, integration of institutional responsibility for non-tax revenue, integration of FCU's operations with Treasury operations, rationalization of central and provincial budget management). Clearer decision-making mechanisms. |
| Activity For Consolidating Platform One and Preparing for Later Platforms | |
| Re-design and integrate accounting and budget classification system. | - Consider what forms of analysis are desirable in the longer term, improve and rationalize the hierarchy of analysis and integrate analysis for accounting and budgeting purposes. |
| Initial design of FMIS requirements and implementation of interim 'core' improvements including improved financial summaries. | - Establish an initial system specification, but within that specification to identify certain basic and 'core' requirements that might be introduced on an interim basis. - Ensure linkage/ inter-connectivity with existing/already planned MIS in MEF (e.g. ICD, CED). |
| Definition of arrangement for managing and leading internal audit function. | - Establish arrangements for cadre (as opposed to managerial) leadership, standards setting and review of standards achieved. |
| Design of capacity development program for internal audit staff. | - To develop and provide access to training facilities to support line ministries as they begin to respond to the obligation on them to establish internal audit departments. |
| Piloting of expenditure tracking work. | - Piloting in a number of Ministries as preparation for building tracking reviews into longer term accountability systems. |
| Re-design budget cycle and institutional arrangements and reflect in new legislation. | - The existing budget cycle and institutional arrangements do not reflect changes in budget practice that have already taken place. These need to be re-worked into a new sub-decree, and further changes during the course of the reform program anticipated and flexibility provided for them to be introduced. |
| Pilot program based budget analysis. | - Deepen the piloting work carried out through those Ministries experimenting with MTEF techniques. |
| Investigate options for improving fiscal decentralization | - Continue and deepen on-going discussions and investigation of options with regards to fiscal distribution, equalization etc. |
| Initial design of full FMIS | - Establish an initial system specification for the eventual fuller development of an FMIS as a basis for moving towards commissioning implementation from a service provider. |
| Develop an IT management strategy. | - To anticipate the burden of managing and sustaining wider use of computer technology. Development of a strategy and resource requirements. |
| Initial design of asset register | - To establish capacity for register to help manage and maintain assets effectively, link to accounting systems, link to revenue generation and charging systems. |

IV. STAGE ONE CONSOLIDATED ACTION PLAN¹

The attached plans are a summary by activity of the proposed actions together with a planned timescale for implementation. At this stage, the detailed plans deal only with Platform One/ Stage One activities. Implementation is planned over a 15 month timeframe. Although the proposed actions might not be fully complete over this period, the intention is that sufficient progress will have been made to enable planning for moving to Platform Two/ Stage Two.

The working plans are drawn from plans prepared by individual Departments that have been prepared in accordance with the overall reform strategy. Those Departmental plans give more detail about the actions planned and are retained by MEF as a means for monitoring progress and holding Departments accountable for action. They are compiled in a Companion Volume, as an important management tool for MEF Reform Committee and senior management.

In some cases, the exact shape of detailed actions will be defined by initial work, supported by technical assistance where appropriate, to identify strategic options for the implementation of that activity. This emphasises the need for the plan to be viewed as a living document that will be developed and refined as progress is made.

The attached plans consolidate the complete reform program action plans of all MEF departments which directly support the public financial management (PFM) function except for the plans of the Customs and Excise Department (CED) and the Financial Industry Department (FID). While the CED's revenue collection is the biggest, its functions extend beyond PFM to cover matters such as international harmonization of customs procedures and the non-revenue related border supervision function aimed at counteracting illegal importation of banned substances. Similarly, the main focus of the FID is on the development and regulation of the finance sector. However, its functions include the collection of non-tax revenue derived from lotteries and soccer betting, which is directly relevant to the PFM reform program.

Both departments have developed reform programs covering the whole of their functions, including those related to revenue collection. Accordingly, those sections of their programs have been included in the consolidated PFM Reform Program. Readers are advised to refer to the separate program statements by the two departments for details on the remainder of their programs.

¹ Acronyms :

| | |
|--------|---|
| BFAD | Budget and Financial Affairs Department |
| CED | Customs and Excises Department |
| ICD | Investment and Cooperation Department |
| TD | Tax Department |
| PPD | Public Procurement Department |
| SPD | State Property Department |
| EAFD | Economic Analysis and Forecast Department |
| EFI | Economic and Finance Institute |
| EFPPMU | Economic and Finance Policy Planning, Management and Monitoring Unit |
| FID | Financial Industry Department |
| GID | General Inspection Department |
| IAD | Internal Audit Department (to be established following Council of Ministers' approval of general Internal Audit Sub-Decree) |
| LFD | Local Finance Department |
| NT | National Treasury |
| PD | Personnel Department |
| EIAD | Economic Integration and Asean Department |
| FAD | Financial Administration Department |

**PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1
DEPARTMENTAL ACTION PLANS**

Generally, technical assistance requirements have been classified in three broad types of support:

1. Strategic advice
2. Implementation support
3. IT support.

The plans also indicate where this support might be provided by local consultants. Local consultants are resources external to MEF, contracted for a specific task and for which there is no expectation that the resource might be integrated into MEF cadre of officials. This is not to say that this should not happen. Further work is required by MEF to better specify its own inputs to the implementation of the Consolidated Action Plan. This will include specification of the number of staff required from within the *existing* cadre of MEF officials, and the time which staff members will be expected to devote to the tasks outlined in the action plans. An initiative aimed at enhancing officials' pay, based on merit, is being put in place to reward MEF officials for the particular effort that they will make in order to complete the reform tasks (see activity 31).

In addition, Departments might identify critical tasks for which they believe that they do not have any staff member whom they could deploy to carry out the task. MEF will explore the possibility of recruiting additional resources which it would expect to be integrated into MEF cadre of officials in due time (they would then be eligible for benefiting from the incentive scheme as other MEF officials). A special intensive induction training course will be designed and delivered so that these resources are quickly brought up to speed (see activity 30). MEF will explore modalities for remuneration of these resources and consult DPs on this matter.

In their action plans several Departments have also identified other types of requirements such as training and other capacity development activities (e.g. study tours) and also, equipments deemed necessary to carry out the planned activities or to strengthen the Department's general capacity to fulfil its functions. This has been taken up in several ways.

- Where specific needs could be related to an activity of the Stage One CAP they have been integrated within the work plan for this activity (e.g. action 3.11 for purchasing the necessary IT equipment for customs automation, action 3.21 for institutional strengthening of TD in line with recommendations from previous technical assistance, action 4.7 of development of manuals and training on forecasting model, action 13.8 including provision of LAN and computers for PPD etc.).
- Several types of support emerged as being requested by all or a large number of Departments: these have been integrated in generic capacity development activities including better connectivity (action 21.1 as an element of the development of a core FMIS), general IT needs (activity 28 of development of an IT strategy), English/language training (action 30.8), vehicles (action 30.10 starting by rationalizing use of existing pool) etc.

The costing of inputs that will support Stage One program includes provision for these requirements. Estimates have been calculated on an aggregate basis. The total envelopes for, say, training, will be allocated to Departments in line with Departmental action plans once these will have been revised and further detailed in light of the CAP.

4. 1. WORK IDENTIFIED AS NECESSARY TO COMPLETE PLATFORM 1

PFM REFORM PROGRAM

CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 1: Improve comprehensiveness and integration of the budget (formulation and execution). Identification of main areas of public resource usage that escape incorporation in budget and design of procedures to capture. Also, improved integration of areas of budget such as capital and recurrent (including external assistance), mainstreaming of PAP expenditures, sector central and provincial programs, and improved planning of counterpart funding requirements. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------|-------------------------|---------------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agencies | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 1.1. Research and review all revenue sources. Identify those not being captured that should. | X | X | | | | | | | | | | | | | | | BFAD SPD | |
| 1.2. Consider and implement any changes in budget management law required. | | | X | X | | | | | | | | | | | | | BFAD | TA – 3 weeks (1). |
| 1.3. Prepare and issue circular on new requirements. | | | | | X | | | | | | | | | | | | BFAD | |
| 1.4. Formulate reporting requirements and formats. | | | | | X | X | | | | | | | | | | | BFAD | |
| 1.5. Organise seminar to advise Ministries on obligations and proposed enforcement. | | | | | | | X | | | | | | | | | | BFAD | TA - 1 week (2). Seminar costs. |
| 1.6. Strengthen implementation by continuing the program to locate Financial Controllers in Ministries. | | | | | | | | X | X | X | X | X | X | X | X | | BFAD | |
| 1.7. Design system for improved capture and analysis of information about ALL capital spending (including Road Fund and other domestic capital budget resources). | X | X | X | X | X | | | | | | | | | | | | ICD BFAD | TA – 6 weeks (1) |
| 1.8. Implement system for improved capture of information and analysis about capital spending. | | | | | | X | X | X | X | X | | | | | | | ICD BFAD | TA – 6 weeks (2). Some IT. |
| 1.9. Develop system for production of annual and rolling 12-month forecast of monthly counterpart funding requirements based on ICD project portfolio database. | X | X | X | | | | | | | | | | | | | | ICD | TA – 3 weeks. Some IT. |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 1: Improve comprehensiveness and integration of the budget (formulation and execution). Identification of main areas of public resource usage that escape incorporation in budget and design of procedures to capture. Also, improved integration of areas of budget such as capital and recurrent (including external assistance), mainstreaming of PAP expenditures, sector central and provincial programs, and improved planning of counterpart funding requirements. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agencies | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 1.10. Review and ensure compliance with IMF definitions including TOFE-GFS. | | | | X | X | X | X | X | X | X | X | X | | | | EAFD | TA – 4 weeks (2) | |

NOTE: In this plan, TA support required is identified as strategic advice (1), implementation support (2) and IT support (3).

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 2: Improve comprehensiveness and integration of the budget (formulation and execution). Measures to ensure that budget has an impact on each category of expenditure including levels of recruitment and staff deployment. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|--|--|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 2.1. Field work to analyse the impact of budget controls on different categories of expenditure at different levels of spending agency. | | | | | | | X | X | X | X | | | | | | BFAD | 3 weeks TA to guide field work and review results (2). | |
| 2.2. Implement measures identified and agreed under 2.1. | | | | | | | | | | | | X | X | X | X | BFAD | 3 weeks TA (2) | |
| 2.3. Review current arrangements for change in pay structure and levels to ensure joint preparation/appraisal by CARS and MEF. | | | | | | | | | | | X | | | | | RC EFPPMU Personnel Dept | | |
| 2.4. Study options to implement the 1993 Organic Budget Law requirement for MEF to formulate and manage civil service budgets through its personnel establishment control and unit cost setting powers (including development of establishment register facility). | X | X | X | X | | | | | | | | | | | | RC EFPPMU BFAD Personnel Dept | 6 weeks TA (1 and 2) | |
| 2.5. Plan and develop pilot establishment control arrangements. | | | | | X | X | X | X | | | | | | | | BFAD | 6 weeks TA (2) Some IT | |
| 2.6. Implement pilot and prepare for expansion and generalization of civil service establishment control system. | | | | | | | | | X | X | X | X | X | X | X | BFAD | 4 weeks TA (1 & 2) | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 2: Improve comprehensiveness and integration of the budget (formulation and execution). Measures to ensure that budget has an impact on each category of expenditure including levels of recruitment and staff deployment. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|---------------------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 2.7. Design criteria for selecting projects that will be appraised for assessment of local capital investment and recurrent implications. | | X | | | | | | | | | | | | | | BFAD (and/ or ICD?) | 2 Weeks TA (1) | |
| 2.8. Review current projects as completely as possible (merging data from MEF, MOP and CDC and possibly selected line agencies) and identify larger capital investment projects. | | | X | | | | | | | | | | | | | BFAD (and/ or ICD?) | Collaboration with MOP and CDC on PIP | |
| 2.9. Assess recurrent implications for selected projects (annualized projections). | | | | X | X | | | | | | | | | | | BFAD (and/ or ICD?) | | |
| 2.10. Verify information with line agencies and donor agencies. | | | | | X | | | | | | | | | | | BFAD (and/ or ICD?) | | |
| 2.11. Develop simple computerized tool to present information for reference during budget preparation. | | | | | | X | X | | | | | | | | | BFAD (and/ or ICD?) | 4 weeks TA Some IT & software (3). | |
| 2.12. Develop and implement a model for a monthly rolling plan of current-year local capital and recurrent expenditure impact of ongoing projects. | | | | | | | | X | X | | | | | | | BFAD (and/or ICD) | 4 weeks TA Some IT & software (3). | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|----------------------------|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 3.1. Develop options to strengthen MEF's capacity to formulate policies for and manage a fully integrated budget resource mobilization program. | X | X | X | X | | | | | | | | | | | | | EFPPMU | 6 weeks TA (1) | |
| 3.2. Develop a framework for revenue mobilization and sharing across administration levels, providing directions for the development of measures aimed at enhancing commune and provincial resources (also see 27). | X | X | X | | | | | | | | | | | | | | EFPPMU LFD | 4 weeks TA (1) | |
| 3.3. Develop options for an integrated medium to longer term budget resource mobilization program for consideration during 2005 budget/ MTEF preparation. | X | X | X | X | | | | | | | | | | | | | EFPPMU | 6 weeks TA (1) | |
| 3.4. Develop options to integrate coordinated resource mobilization considerations into budget development and review processes. | | | | | X | X | X | X | X | | | | | | | | EFPPMU | 6 weeks TA (1). Some IT. Some software. | |
| 3.5. Identify arrears in tax and non-tax revenue collection and develop a plan for collection. | X | X | X | X | X | X | X | X | | | | | | | | | TD, CED, SPD, BFAD, FID | JICA | |

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|---|----------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|---------------------|--|--------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.6. Strengthen CED's revenue collection through implementation of (i) targeted enforcement initiatives aimed at non-compliant sectors and high revenue risk goods and (ii) RGC order on prevention and suppression of smuggling. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | CED | IMF peripatetic customs advisor (2). JICA | |
| 3.7. Specify clearer procedures in order to strengthen information sharing between CED and TD on large taxpayers. | X | | | | | | | | | | | | | | | CED, TD | JICA | |
| 3.8. Strengthen CED's legal regulatory framework under the new law (when passed by the NA); implement new framework including through development of Customs Policy and Procedures Manual and associated training. | X | X | X | X | X | | | | | | | | | | | CED EFPPMU | IMF peripatetic customs advisor (2). JICA long term expert (2). | |
| 3.9. Implement a comprehensive CED program of revenue analysis and provision of up-to-date accurate revenue and trade statistics. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | CED EFPPMU | IMF peripatetic IT advisor (2). | |
| 3.10. Implementation of a CED enforcement strategy and programs using risk management principles in order to reduce smuggling and other illegal cross-border activities. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | CED | IMF peripatetic advisor (short term missions - 2 months). JICA (2). | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | |
|--|----------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|---------------------|---|--------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.11. Complete selection of IT project and supplier and take short term measures in readiness for customs automation implementation including provision of legal basis, procedural changes, training, and mobilization of project team. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | CED | IMF peripatetic IT advisor (3). PSI TA program (TBD). Japan/ JICA (2). | |
| 3.12. Initiate identified CED institutional strengthening measures, including a revised staff compensation and incentive structure and development of a good governance program. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | CED | IMF peripatetic advisor. Short term advisor on good governance program (1&2) | |
| 3.13. Establish a CED structure to manage the Department's reform program. | X | X | X | X | X | X | X | X | X | X | | | | | | CED | IMF peripatetic customs advisor (2). JICA long term expert (2). | |
| 3.14. Strengthen revenue collection by preparing amendments to tax law sub-decrees on investment, VAT, excise, house rental and land, transfer stamp tax, salary and profit, and further development of double taxation agreement. Implement and improved VAT refund system. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | TA (2) IMF | |
| 3.15. Extend the Real regime to other provinces. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | | |
| 3.16. Improve tax revenue analysis and forecasting; develop new policy options to increase tax revenue. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD, EFPPMU | TA (1), (2) IMF | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|---------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.17. Maximize use of the banking system for medium taxpayer transactions. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | IMF treasury advisor (2). | |
| 3.18. Strengthen excise tax administration. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | JICA | |
| 3.19. Strengthen comprehensive tax audit of large and medium taxpayers. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | TA (2) JICA | |
| 3.20. Strengthen TD enforcement program, IT system development for return processing, and desk audit and de-registration. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | TA (3) IMF | |
| 3.21. Initiate TD institutional strengthening measures including reorganization, new recruitment, improved tax payer service, training program, internal audit, physical infrastructure and equipment upgrading, and library. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | TA (2) IMF | |
| 3.22. Deliver training program on the new computer system and extend its linkages to all tax offices. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | TA (3) IMF | |
| 3.23. Increase information cross-checking aimed at identifying turnover in the estimated regime which requires transfer to the real regime. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | TD | | |
| 3.24. Identify shorter term measures to strengthen the legal framework for non-tax revenue collection. | X | X | X | X | X | | | | | | | | | | | EFPPMU, BFAD, SPD | TA (1) | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.25. Strengthen management of state property inventories. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | TA: 13 person-weeks covering all SPD activities in this plan (1) | |
| 3.26. Identify and direct implementation of approved measures to strengthen non-tax revenue collections from the lease/sale of real property assets including through enhanced leasing processes and contracts. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | | |
| 3.27. Identify and direct implementation of approved measures to strengthen non-tax revenue collections from the operations of public enterprises and administrative units through enhancement of their management frameworks. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | | |
| 3.28. Identify and direct implementation of approved measures to strengthen non-tax revenue receipts from sales of goods and services. | X | X | X | X | X | | X | | | | | | | | | BFAD | TA (1) | |
| 3.29. Enhance revenue exploitation from natural resource management. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | |
|---|----------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|---|---|---|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.30. Enhance management of privatization of state property. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | TA (1) (2) | |
| 3.31. Strengthen the existing lottery and soccer betting revenue control and collection systems by drawing on international experience. | X | X | X | X | X | X | | | | | | | | | | FID | Local and international consultant | Computers needed Experience d staff to research international practice |
| 3.32. Identify options for increasing lottery and soccer betting revenue. | X | X | X | X | X | X | X | X | X | X | X | X | | | | FID | | Need additional three staff to carry out new work assignments as first step |
| 3.33. Strengthen the casino revenue collections' inspection legal framework and operations. | X | X | X | X | | | | | | | | | | | | FID | TA (1), (2) | |
| 3.34. Develop the Casino Management Office's administration and enforcement capabilities and operations including the submission of monthly income reports to the Minister. | X | X | | | | | | | | | | | | | | FID | TA (1), (2) 1 week study tours to selected experienced countries | |
| 3.35. Strengthen the FID's institutional capacity for revenue collection, including through management training. | X | X | X | X | X | X | | | | | | | | | | FID, in cooperation with MOI and municipal and provincial finance departments | Expert to provide training to all staff | |

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| ACTIVITY 3: Improve realism and sustainability of the budget. Development of an overarching resource mobilization policy including tax, non tax and debt sources and identification of measures to improve resource mobilization (see cover note). | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 3.36. Develop and implement a system for MEF to give final approval to concession agreements/ contracts and to enhance revenue collection from concessionaires. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | SPD | | |

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| ACTIVITY 4: Improve realism and sustainability of the budget. Improve macro-fiscal framework management and budget resource forecasting. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 4.1. Develop a Medium Term Fiscal Framework driven by transparent policy related fiscal management parameters. | X | X | X | | | | | | | | | | | | | | EFPPMU EAFD | 8 weeks TA (1) | |
| 4.2. Develop a computerised model to help with MTFE management. | | | X | X | X | | | | | | | | | | | | EFPPMU EAFD | 3 weeks TA (2). 2 X 5 weeks programmer (3). Some IT. | |
| 4.3. Review and identify potential improvements in budget resource data flows as a basis for improved forecasting. | X | X | X | | | | | | | | | | | | | | EFPPMU TD, CED, ICD, BFAD, LFD, SPD, EAFD | DOC-IMF peripatetic IT advisor. | |
| 4.4. Review and enhance budget resource forecasting models. | | | X | X | X | | | | | | | | | | | | EFPPMU EAFD | 5 weeks TA (2). 5 weeks programmer (3). DOC-IMF peripatetic IT advisor. | |
| 4.5. Develop procedures for reviewing lessons from earlier forecasts and making those lessons transparent. | | | | | | X | X | X | | | | | | | | | EFPPMU EAFD | | |
| 4.6. Develop capacity to test the sensitivity of forecasts to changes in assumption and to manage risk effectively. | | | | | | X | X | X | | | | | | | | | EFPPMU EAFD | | |
| 4.7. Develop a mechanism for regular within-year revision of assumptions and of the MTFE and this to feed into revisions of budget framework and cash plan. | | | | | | X | X | X | | | | | | | | | EFPPMU EAFD | | |
| 4.8. Develop manuals and training programs in relation to all of the above. | | | | | | | | | | X | X | X | | | | | EFPPMU EFI | 3 weeks TA (2). Cost of training & manuals. | |

ACTIVITY 5: Improve realism and sustainability of the budget. Strengthen a debt management function (forecasting, financing analysis and

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| payment management), covering external and domestic debt and linking it to budget formulation and execution. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|----------------------------------|--|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 5.1. Strengthen debt management function covering all forms of debt and link to budget formulation and execution. | | | | X | X | X | X | | | | | | | | | | EFPPMU ICD, BFAD, NT | | |
| 5.2. Develop improved and integrated data flows and capture about all forms of debt including payment arrears. | | | | | | | | X | X | X | X | X | X | | | | EFPPMU ICD, BFAD, NT, EAFD | 5 weeks TA (2) Some IT Some software | |
| 5.3. Harmonise aid loan procedures moving towards integration of whole of GRC loan procedure. | X | X | X | X | X | X | X | X | | | | | | | | | EFPPMU ICD | On-going | |
| 5.4. Develop operational manuals and training programs in relation to all of the above. | | | | | | | | | | | X | X | X | X | | | EFPPMU EFI | 5 weeks TA (2) Training costs | |

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| ACTIVITY 6: Streamline ability of budget holders to spend in line with budget provision. Streamline approval process. Increase reliance on phased budget release by MEF. Progressive de-concentration of expenditure commitment, procurement and payment authority within Ministries, streamlined payment and increased reliance on post payment audit. Apply initially to Ministries who meet readiness criteria/tests and then roll out. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 6.1. Clarify commitment and payment authority within BFAD (authority of Financial Controllers, BFAD Department, and MEF management) | X | X | | | | | | | | | | | | | | BFAD | | |
| 6.2. Map existing processes in some detail from budget release to commitment to payment, for all major variants (practice rather than theory, and including provincial level processes). | X | X | | | | | | | | | | | | | | BFAD LFD NT | TA -3 weeks (1) | |
| 6.3. Identify delay points on this map and develop design to retain essential controls but reduce unnecessary multiple handling/ approval stages, incl. review of current regulations and practices related to FCs' authority on commitments and payment orders. | | X | | | | | | | | | | | | | | BFAD NT LFD | TA - 4 weeks (1) | |
| 6.4. Consult on that design with all major stakeholders. | | | X | | | | | | | | | | | | | BFAD NT | TA - 2 weeks (1) | |
| 6.5. Develop detailed design for commitment process. | | | X | X | | | | | | | | | | | | BFAD NT | TA - 3 weeks (2) | |
| 6.6. Develop detailed design for payment process. | | | X | X | | | | | | | | | | | | BFAD NT | TA - 3 weeks (2) | |
| 6.7. Develop new documentation and guidance manuals. | | | | | X | | | | | | | | | | | BFAD NT | TA -4weeks (2) | |
| 6.8. Consult again on the detailed proposals for process change. | | | | | | X | | | | | | | | | | BFAD NT | TA - 2 weeks (2) | |

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| ACTIVITY 6: Streamline ability of budget holders to spend in line with budget provision. Streamline approval process. Increase reliance on phased budget release by MEF. Progressive de-concentration of expenditure commitment, procurement and payment authority within Ministries, streamlined payment and increased reliance on post payment audit. Apply initially to Ministries who meet readiness criteria/tests and then roll out. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|--|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 6.9. Consider what short to medium term help might be provided by use of IT systems in anticipation of an IFMIS and the transaction processing support it could be expected to provide. Design needs to be undertaken for IFMIS anyway. | | | | X | | | | | | | | | | | | | BFAD NT | TA - 3 weeks (1) | |
| 6.10. Either develop small scale/short term IT usage to help with introducing new processes or decide to wait for the emerging IFMIS. | | | | | X | X | X | X | X | X | X | X | X | X | X | | BFAD NT | TA – Up to 6 weeks (3) | |
| 6.11. Develop transition plan to new transaction processes, including through expanding/strengthening FC re-location scheme and mainstreaming of PAP into cornerstone for RGC medium term financial de-concentration reform. | | | | | | X | X | X | X | X | | | | | | | BFAD NT | TA – 2 weeks (1) | |
| 6.12. Provide training in the operation of new processes | | | | | | | | | X | X | X | X | X | X | X | | BFAD NT | TA – 4 weeks international (2) & 18 weeks local. | |
| 6.13. Consideration of any changes in legislation or authorities required. | | | | | | | | | X | X | | | | | | | BFAD NT | | |
| 6.14. Implement those processes. | | | | | | | | | | | X | X | X | X | X | | BFAD NT | TA – 7 weeks International (2&3) 14 weeks local | |

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| ACTIVITY 7: Streamline ability of budget holders to spend in line with budget provision. Widening of scope for payment by cheque and transfer through banking system. (Timing indicated below relates to implementation in Phnom Penh. Roll out needs to be separately planned and phased) | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 7.1. All cash collected by tax authorities to be deposited directly into the TSA in NBC. | | | X | X | | | | | | | | | | | | | NT Tax authorities | TA- 2weeks (2) | |
| 7.2. NBC to issue tax payment receipt, acceptable to the TD and CED, where payments are made by company cheque. | X | X | | | | | | | | | | | | | | | NT TD NBC CED | | |
| 7.3. Tax office to accept payment of tax by certified cheque. | X | X | | | | | | | | | | | | | | | NT TD | | |
| 7.4. Introduce payment of tax through commercial banking sector. | | | | | | | | | | X | X | | | | | | NT TD | TA – 3 weeks (2) | |
| 7.5. Mandatory payment of tax by cheque or funds transfer for all large corporate tax payers. | | | | | | | | | | X | X | | | | | | NT TD | TA – 3 weeks (2) | |
| 7.6. All cash collected by Customs to be deposited directly into the TSA in the NBC. | | | X | X | | | | | | | | | | | | | NT CED | TA – 3 weeks (2) | |
| 7.7. Customs payers to be required to pay by certified company cheque bank draft except from Friday noon to Monday 08:00AM. | | | | | | | | | | X | X | | | | | | NT CED (first step in Phnom Penh and Sihanoukville) | TA – 2 weeks (2) | |
| 7.8. Study options and agree procedures for cash collected by relevant non tax revenue agencies to be deposited into the TSA regularly (agree on maximum balances minimum transfers to be agreed). | | X | X | | | | | | | | | | | | | | NT Line ministries, SPD, BFAD, FID | | |

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| ACTIVITY 7: Streamline ability of budget holders to spend in line with budget provision. Widening of scope for payment by cheque and transfer through banking system. (Timing indicated below relates to implementation in Phnom Penh. Roll out needs to be separately planned and phased) | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 7.9. Implement agreed procedures for cash collected by agencies to be deposited directly into the TSA as agreed. | | | | | X | X | | | | | | | | | | | NT Line ministries, SPD, BFAD, FID | UNDP/UNCDF | |
| 7.10. Establish set of procedures to be followed in relation to all payments from the NT. | | | X | X | | | | | | | | | | | | | NT NBC | TA – 2 weeks (2) | |
| 7.11. Relevant Ministries collect funds for the payment of wages from NBC rather than NT. | | | | | X | X | | | | | | | | | | | NT NBC, line ministries | TA – 3 weeks (2) | |
| 7.12. Establish pilot scheme for direct payment of wages into bank accounts. | | | | | | | | | | X | X | | | | | | NT NBC, selected line ministries | Included in above | |
| 7.13. Study feasibility and present options for scheme for payments of creditors through NBC direct to creditors' bank accounts at commercial banks. | | | | | X | X | | | | | | | | | | | NT NBC | TA – 2 weeks (2) | |
| 7.14. Establish scheme for such payment of creditor. | | | | | | | | | | X | X | X | | | | | NT NBC | | |
| 7.15. Study feasibility and present proposals for procedures for payment of creditors by cheque. | | | | | X | X | | | | | | | | | | | NT NBC | TA – 3 weeks (2) | |
| 7.16. Set up procedures for payment of creditors by cheque. | | | | | | | | | | X | X | X | | | | | NT | | |
| 7.17. Study options and develop a plan for enhancing efficiency of transfers from Commune/Sangkat Fund (CSF) and for payment of commune expenses, including through expanding use of banking system. | X | X | X | | | | | | | | | | | | | | LFD NT | TA – 2 weeks (2) | |

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| ACTIVITY 8: Streamline ability of budget holders to spend in line with budget provision. Development of a transparent cash management plan for matching in-flows/ outflows. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|------------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 8.1. Consider and implement measures to strengthen the Cash Management Committee's capacity for budget implementation/ cash flow planning, forecasting and monitoring, for the purposes of budget releases on a rolling 3 month basis (updated monthly). | X | X | X | X | X | X | | | | | | | | | | BFAD, NT, ICD | 4 weeks TA (1) UNDP/UNCDF | |
| 8.2. Issue a fresh circular (or stronger regulation text) on cash management reflecting these improvements. Establish clear link between top down and bottom up cash planning. | | | | | | X | | | | | | | | | | BFAD | UNDP/UNCDF | |
| 8.3. Strengthen cash management and budget release planning at the beginning of the year with transparent assumptions including what happens if cash not available. | | | | | | X | X | X | | | | | | | | BFAD | 4 weeks TA (2) UNDP/UNCDF | |
| 8.4. Support and advise spending agencies to provide a bottom up forecast of cash requirements based on the parameters supplied....also on a rolling 3 month basis. | | | | | | X | X | X | | | | | | | | BFAD | | |
| 8.5. Develop measures to smooth out short term pressures and minimise risk of defaulting on initial cash release plan. | | | | | | | | X | X | | | | | | | BFAD | 4 Weeks TA (2) | |

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| ACTIVITY 8: Streamline ability of budget holders to spend in line with budget provision. Development of a transparent cash management plan for matching in-flows/ outflows. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 8.6. Study options for and decide on revised CSF budget release system, taking account of seasonality of local expenses and general cash constraints, and aligning CSF release system with general budget management system of monthly releases. | X | X | | | | | | | | | | | | | | LFD BFAD | Included in TA above | |
| 8.7. Revise the sub-decree and regulatory framework to align CSF release system with budget management system through monthly releases on a non-discretionary basis, in line with the approved budget credit. | | | X | X | | | | | | | | | | | | LFD BFAD | | |
| 8.8. Implement and monitor revised CSF release system. Integrate within general cash management planning. | | | | | X | X | X | X | X | X | X | X | X | X | X | LFD BFAD | | |

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| ACTIVITY 9: Streamline ability of budget holders to spend in line with budget provision. Consolidate Government bank accounts including daily consolidation of foreign currency into Treasury Single Account, and elimination/centralize accounts opened by line agencies. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|---------------------------------------|--|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 9.1. Update the survey of accounts that exist. | X | | | | | | | | | | | | | | | | NT | 16 weeks TA (2) (covering all activities in this work plan). | |
| 9.2. Continue to eliminate unnecessary accounts. Consider establishing separate committee to review their continuance in consultation with Ministries. | | X | X | X | X | X | X | X | X | X | X | X | X | X | X | | NT EAFD (implications for TOFE) | | |
| 9.3. Continue to consolidate with NBC accounts currently held in commercial banks. | | X | X | X | X | X | X | X | X | X | X | X | X | X | X | | NT | | |
| 9.4. Issue/enforce instructions prohibiting opening of accounts with commercial banks unless authorized. | | X | X | | | | | | | | | | | | | | NT | | |
| 9.5. Persuade external donors not to open separate accounts, particularly in commercial banks, and disburse through NBC. | | | X | X | X | X | X | X | X | X | X | X | X | X | X | | NT EAFD (implications for TOFE) | | |
| 9.6. Implement decision to move the Foreign Currency Unit under National Treasury. | X | | | | | | | | | | | | | | | | MEF NT | | |
| 9.7. Development of processes to more fully integrate foreign currency management within overall cash management. | | X | X | | | | | | | | | | | | | | NT | | |
| 9.8. Establish arrangements to transfer dollars to Treasury Single Account (TSA) regularly on a planned basis. | | | X | | | | | | | | | | | | | | NT | | |

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| ACTIVITY 9: Streamline ability of budget holders to spend in line with budget provision. Consolidate Government bank accounts including daily consolidation of foreign currency into Treasury Single Account, and elimination/centralize accounts opened by line agencies. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 9.9. Review all accounts to consider conversion to Riels and bringing under normal budgetary procedure. | | | | X | X | | | | | | | | | | | NT EAFD (implications for TOFE) | | |
| 9.10. Until integration of foreign currency bank accounts is achieved fully, Treasury will monitor their operation and consolidate transactions. | | | | | | X | X | X | X | X | X | X | X | X | X | NT | | |

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| ACTIVITY 10: Streamline ability of budget holders to spend in line with budget provision. Eliminate stock of arrears and isolate from on-going management. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 10.1. Continue to isolate old arrears and deal with separately. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | BFAD NT | | |
| 10.2. Establish a multi-year repayment plan for arrears based on classification by type and using the budget funds set aside for this purpose. | X | X | X | | | | | | | | | | | | | BFAD NT | TA – 3 weeks (1) | |
| 10.3. Advise relevant suppliers of intention to repay and the schedule of payments. | | | X | X | | | | | | | | | | | | BFAD NT | | |

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| ACTIVITY 11: Steps to avoid re-accumulation of payment arrears. Measures to prevent entering into commitments that go beyond available budget resources in line with cash management plan. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 11.1. Improve data flows about commitments (including for provincial technical departments' budgets) and ability to influence level of new commitments entered into. | X | X | X | X | X | | | | | | | | | | | | BFAD NT | TA – 6 weeks (2) | |
| 11.2. Work alongside re-design of transaction process to ensure ability to influence entering into new commitments where necessary in an efficient way and minimising delay in normal on-going management processes. | | | | X | X | X | X | X | X | X | X | | | | | | BFAD NT | | |
| 11.3. Establish a system for transparent and pro-active cut-backs in budget credits when required, including development of a formal mid-year budget review mechanism and specification of policy/ program impact of cut-backs. | | | | | | | | X | X | X | X | | | | | | BFAD | TA – 2 weeks (1) | |

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| ACTIVITY 12: Improve process for post-budget supplementary expenditure credit approvals. Arrangements to ensure that proposals on post budget supplementary expenditure credits are always accompanied by an MEF report of realistic options for financing the expenditure involved in order to avoid destabilizing the budget as a whole. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 12.1. Conduct a study of supplementaries approved in recent years to identify causes and why they were not anticipated in the budget. | X | X | | | | | | | | | | | | | | BFAD | | |
| 12.2. Develop a procedure by which it is compulsory for the sources of funding for proposed supplementaries to be identified before approval (including for civil service budgets). | | | X | X | | | | | | | | | | | | BFAD | TA – 2 weeks (2) | |
| 12.3. Work with Ministries to develop an early warning system for potential supplementaries and assessing their priority. | | | | | X | X | X | | | | | | | | | BFAD | | |

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| ACTIVITY 13: Development of revised procurement procedures. To take advantage of the work being done to streamline/ speed up the spending process and to decentralize authority for procurement against demonstrated capacity in spending agencies. | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 13.1. Clarify leadership role for strengthening procurement across the public service with a view to the eventual integration of all procurement activities within one system. | X | X | | | | | | | | | | | | | | | Reform Committee | | |
| 13.2. Strengthen procurement procedures through harmonization of procedures and documentation across public service. | X | X | X | X | | | | | | | | | | | | | PPD | TA – 12 weeks international (2). WB | |
| 13.3. Strengthen the existing '95 procurement sub-decree and Implementing Rules and Regulations governing Public Procurement (IRRPP). | | | | X | X | X | X | X | | | | | | | | | PPD | TA – 4 weeks International (2), 4 weeks local. WB | |
| 13.4. Carry out study of institutional arrangements for procurement including decentralisation. | | | | X | X | X | X | X | | | | | | | | | PPD | TA – 6 weeks international (1) WB | |
| 13.5. Identify measures to take early advantages of improvements by BFAD and NT in transaction and cash release processes (see item 6.11) so as to lower public contract prices and achieve other contract advantages. | | | | | | X | X | X | | | | | | | | | PPD | | |
| 13.6. Prepare and disseminate procurement manuals for strengthening the implementation of updated procedures. | | | | | | | | X | X | X | | | | | | | PPD | TA – 4 weeks (2) international, 12 weeks local. Dissemination costs. | |

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| ACTIVITY 13: Development of revised procurement procedures. To take advantage of the work being done to streamline/ speed up the spending process and to decentralize authority for procurement against demonstrated capacity in spending agencies. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------------|---|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 13.7. Establishment of Sovereign Procurement Law. Preparation of draft. | | | | | | | | | | | | X | X | X | X | PPD (activity not complete) | TA - 6 weeks international (1), 12 weeks local. | |
| 13.8. Capacity building within PPD in relation to the above. | | | | | | | | | | | X | X | X | | | PPD | TA – 4 weeks to design (2), local delivery. Local area network and 20 computers. Photocopier. | |
| 13.9. Decentralise procurement in Ministries, Provinces and SOEs, including through raising procurement thresholds under which ministries, provinces and SOEs may procure directly. | | | | | | | | | | | | X | X | X | X | PPD (activity not complete) SPD | | |
| 13.10. Start design dissemination programme for implementing Sovereign Law and legal and procurement documentation. | | | | | | | | | | | | | | | X | PPD (activity not complete) | | |

4. 2. ENCOMPASSING WORK FOR LATER PLATFORMS THAT NEEDS TO BE COMMENCED NOW

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| ACTIVITY 20: Re-design and integrate accounting and budget classification system. Consider what forms of analysis are desirable in the longer term, improve and rationalize the hierarchy of analysis and integrate analysis for accounting and budgeting purposes. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 20.1. Complete design of an aligned budget and accounting classification based on international standards. | X | X | X | | | | | | | | | | | | | NT BFAD EAFD | TA 6 weeks (1) | |
| 20.2. Conduct seminar to consult on proposed form of classification. | | | | X | | | | | | | | | | | | NT BFAD EAFD | TA 1 week (1) | |
| 20.3. Finalise the new system of classification. | | | | | X | X | | | | | | | | | | NT, BFAD EAFD | | |
| 20.4. Document the new chart of accounts in a manual with clear definitions and use of new account codes. | | | | | | | X | X | | | | | | | | NT BFAD EAFD | TA 2 weeks (2) | |
| 20.5. Develop a migration plan for moving from the old to new forms of classification. | | | | | | | X | X | | | | | | | | NT BFAD EAFD | TA 3 weeks (1) | |
| 20.6. Compile a table mapping the current Chart Of Accounts (COA) with the new COA. | | | | | | | | | X | | | | | | | NT BFAD EAFD | | |
| 20.7. Review relevant accounting procedures and recording of transactions to conform to the new COA. | | | | | | | X | X | X | | | | | | | NT BFAD EAFD | TA 3 weeks (2) | |
| 20.8. Conduct training on the use of the new classification system. | | | | | | | | | | X | X | X | X | | | NT BFAD | TA 4 weeks (2) | |
| 20.9. Assess implications for provincial (Salakhet) and commune COA and budget classification | | | | | | | | | | | | | | X | X | NT BFAD LFD | | |

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| ACTIVITY 21: Initial design of FMIS requirements and implementation of interim ‘core’ improvements including improved financial summaries. Establish an initial system specification, but within that specification to identify certain basic and ‘core’ requirements that might be introduced on an interim basis. Ensure linkage/ inter-connectivity with existing/already planned MIS in MEF (e.g. ICD, CED). | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------------|---|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 21.1. Review options for the management of the development of the FMIS with due regard to likely priorities for early functionalities and to its ultimate operations, and direct establishment of arrangements accordingly | X | | | | | | | | | | | | | | | MEF | | |
| 21.2. Undertake networking of PCs currently available to MEF, and consider the benefit that could be achieved by simple networks for transfer and sharing of files. | X | X | X | X | | | | | | | | | | | | EFI (IT) NT BFAD | TA – 4 weeks (3) Servers Lines Software | |
| 21.3. Develop interim arrangements for channelling accounting and fiscal data for ‘cleansing’ prior to management and policy use and for producing improved financial summaries. | | | | X | X | X | | | | | | | | | | EFPPMU NT BFAD | TA – 6 weeks (2) | |
| 21.4. Plan and undertake a capacity-building process to raise understanding and competence of desktop computers/common applications available in finance areas. | | X | X | X | | | | | | | | | | | | EFPPMU EFI NT BFAD | TA – 3 weeks (1) | |

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|---|---------------|---|---|---|---|---|---|--|--|--|--|--|--|--|---------------|----------------------|-----------------------|--|
| Action | Action | | | | | | | | | | | | | | Action | Action | Action | |
| | | | | | | | | | | | | | | | | | | |
| 21.5. Establish a small team in MEF to analyse how and where FMIS may best serve the objectives of improved budget execution, cash management and operational efficiency, recognizing priority to be given to reform of Treasury and budget operations. | | X | | | | | | | | | | | | | | EFPPMU NT BFAD | | |
| 21.6. Commence planning for the early introduction of a change management process to prepare staff within MEF and Ministries for both business process reviews and the possible introduction of a FMIS. | | | X | X | X | X | | | | | | | | | | EFPPMU NT BFAD | TA – 3 weeks (1) | |
| 21.7. Undertake study tour to view FMIS operation and functionality in other countries. | | | | | X | | | | | | | | | | | EFPPMU NT BFAD | Cost of study tour | |
| 21.8. Consider any legal constraints that may need to be reviewed to enable an IFMIS. | | | | | | X | | | | | | | | | | EFPPMU NT BFAD | | |
| 21.9. Develop a view on priority functionality for an FMIS, based on results from actions 21.5 to 21.8 above. | | | | | | | X | | | | | | | | | EFPPMU NT BFAD | | |

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|---|---------------|---|---|---|---|--|--|--|--|---|---|---|---|---------------|---------------|-------------------------|--|
| Action | Action | | | | | | | | | | | | | Action | Action | Action | |
| 21.10. Organize a seminar to review possible accounting bases and discuss their implications with regard to capacities and timeframes of the whole PFM reform program | X | | | | | | | | | | | | | | NT BFAD | TA (3 person-weeks) (1) | |
| 21.11. In accordance with the Vision and following the results from the seminar, take a view on the medium term basis for using modified cash accounting and the potential for moving toward accrual accounting in the longer term. | | X | X | | | | | | | | | | | | RC/ MEF NT | | |
| 21.12. Create links to works on FMIS design and transaction processing redesign (activity 6). | | | X | X | X | | | | | | | | | | NT | | |
| 21.13. In the context of changes in accounting procedures, develop NT capacity to provide advice and training to Departments, ministries and provinces agencies on accounting matters. | | | | | | | | | | X | X | X | X | | NT | TA (6 person-weeks) (2) | |

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|---|---------------|--|--|--|--|--|--|--|---|---|---|--|---------------|---------------|---------------|----------------------|--|--|
| Action | Action | | | | | | | | | | | | Action | Action | Action | | | |
| 21.14. Prepare and place tender for contracting a User Requirements Specification Team. Draw upon work done to analyse existing processes and redefine new processes elsewhere under Platform 1. | | | | | | | | | X | X | X | | | | | EFPPMU BFAD NT | TA to prepare tender – 3 weeks (3). Cost of Team. | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 22: Definition of arrangement for managing and leading internal audit function. Establish arrangements for cadre (as opposed to managerial) leadership, standards setting and review of standards achieved. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 22.1. Recognise MEF role to provide leadership, guidance and advice to the cadre of internal auditors as a professional group (as provided for in the general internal audit sub-decree). | X | X | X | | | | | | | | | | | | | | MEF | | |
| 22.2. Clarify residual role of GID once IAD is established and improve arrangements for consulting with other MEF Departments on content of inspection program. | | X | X | X | X | | | | | | | | | | | | GID | TA – 1 week (2) | |
| 22.3. Develop a work plan to assist in establishing internal audit in other agencies and SOEs as stipulated in internal audit sub-decree. | | | X | X | X | | | | | | | | | | | | IAD ² /MEF | TA-3 weeks (2) | |
| 22.4. Finalise internal audit standards and code of conduct for implementation by all IA departments. | | | | X | X | X | X | | | | | | | | | | IAD/MEF | TA – 5 weeks (1) | |
| 22.5. Develop a work plan for building capacities of GID in a new function of inspecting internal audit in government agencies. | | | X | X | X | X | | | | | | | | | | | GID | | |
| 22.6. Develop a work plan to enforce establishment and review internal audit implementation in other agencies to ensure that internal audit works comply with the audit standards and code of conduct issued by MEF. | | | | | X | X | X | X | X | X | X | | | | | | GID | TA – 4 weeks (2) | |

² Activities may start prior to the establishment of the IAD in MEF, and be carried out by GID's staff identified for re-deployment in the IAD once established.

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 22: Definition of arrangement for managing and leading internal audit function. Establish arrangements for cadre (as opposed to managerial) leadership, standards setting and review of standards achieved. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 22.7. Develop and issue a policy statement on internal control. | | | | | | | X | X | X | X | X | X | | | | | GID and IAD | TA – 4 weeks (1) | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 23: Design of capacity development program for internal audit staff. To develop and provide access to training facilities to support line ministries as they begin to respond to the obligation on them to establish internal audit departments. | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 23.1. Relocate 20 Inspectorate staff (and second a further 10) to the new Internal Audit Department within MEF based on their qualification and experience in accounting and auditing. | X | X | X | X | X | | | | | | | | | | | | GID/MEF | IAD: 5 laptops, 5 desktops, printer and photocopier | |
| 23.2. Develop a Training Needs Analysis for all IAD staff. | | | | | X | X | X | | | | | | | | | | IAD+GID | TA – 4 weeks (2) | |
| 23.3. Based on the TNA prioritise skills required to fulfil internal audit role. | | | | | | X | X | X | | | | | | | | | IAD+GID | | |
| 23.4. Develop a master training plan to build audit capacity and related training material. | | | | | | | X | X | X | X | | | | | | | IAD+GID | TA – 5 weeks (2) | |
| 23.5. Prepare and print copies of audit training manual including advice on the application of risk assessment techniques and audit program planning. | | | | | | | X | X | X | X | X | X | | | | | IAD+GID | TA – 4 weeks (2) | |

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| ACTIVITY 24: Piloting of expenditure tracking work. Piloting in a number of Ministries as preparation for building tracking reviews into longer term accountability systems. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 24.1. Analyse results of first pilot study (Education). | X | X | X | | | | | | | | | | | | | | BFAD EFPPMU GID | On-going | |
| 24.2. Consider lessons arising and management action that should follow, including clarification of how PETS will be used in future and which Department(s) in MEF should be responsible for which tasks. | | X | X | X | | | | | | | | | | | | | BFAD EFPPMU GID | | |
| 24.3. Develop a plan to carry out studies in other sectors as an on-going tool to management. | | | X | X | X | X | | | | | | | | | | | BFAD EFPPMU GID | | |
| 24.4. Mobilise studies in at least one other sector. | | | | | | | | X | X | X | X | | | | | | BFAD EFPPMU GID | TA – 12 weeks (3) | |
| 24.5 Design and test a Commune budget/expenditure monitoring system. | | | | | | | | | | | | | | | | | LFD MOI | TA – 4 weeks (2) | |

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| ACTIVITY 25: Re-design budget cycle and institutional arrangements and reflect in new legislation. The existing budget cycle and institutional arrangements do not reflect changes in budget practice that have already taken place. These need to be re-worked into a new sub-decree, and further changes during the course of the reform program anticipated and flexibility provided for them to be introduced. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 25.1. Identify the likely impact of changes in approach to resource management (incl. development of MTEF) on both the role/ relationships of BFAD and on the timing/ procedure of the budget process. | X | X | | | | | | | | | | | | | | EFPPMU BFAD | TA – 4 weeks (1) | |
| 25.2. Review existing structure of BFAD and propose a new effective structure taking account of functional responsibilities and of the need for stronger sectoral expertise in BFAD. | | X | X | | | | | | | | | | | | | BFAD EFPPMU | TA: 6 weeks (1) | |
| 25.3. Identify the likely phasing of those changes and the measures that might be required to respond to them. | | X | | | | | | | | | | | | | | EFPPMU BFAD | TA – 2 weeks (1) | |
| 25.4. Develop a detailed plan to implement the strategy to mainstream the PAP system ensure that it supports and leads the way towards across the reform program’s longer term objectives for the budget system. | | X | | | | | | | | | | | | | | BFAD | TA - 3 weeks (1) | |
| 25.5. To consider the need for enabling legislation that will permit changes to be implemented in both BFAD and in the budget process as circumstances allow. | | | X | | | | | | | | | | | | | BFAD | | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 25: Re-design budget cycle and institutional arrangements and reflect in new legislation. The existing budget cycle and institutional arrangements do not reflect changes in budget practice that have already taken place. These need to be re-worked into a new sub-decree, and further changes during the course of the reform program anticipated and flexibility provided for them to be introduced. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|---|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 25.6. Training to prepare staff in spending agencies for the changes in budget process. | | | | X | X | X | X | X | X | X | X | X | X | X | X | BFAD EFI | TA (course design) – 6 weeks (2). EFI delivery | | |
| 25.7. Improve enforcement of budget requirements (such as including of all revenue collected by government agencies etc.) through the issue of more detailed guidance and specifications in the proposed code of practice for internal audit departments (see item 22.4) | | | | | | X | X | X | | | | | | | | BFAD IAD | | | |
| 25.8. Design and pilot the production of an accessible form of budget summary for publication and circulation. | | | | | | | | | X | X | | | | | X | X | BFAD | TA (3 person-weeks) (2) | |
| 25.9. Study current practices and develop options for strengthening preparation and implementation of provincial governors’ budgets through improved budget cycle and institutional arrangements (refer to activity 27). | | | X | X | | | | | | | | | | | | | EFPPMU LFD BFAD | TA (6 person weeks) (1 & 2) also covering next activity | |

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ACTIVITY 25: Re-design budget cycle and institutional arrangements and reflect in new legislation. The existing budget cycle and institutional arrangements do not reflect changes in budget practice that have already taken place. These need to be re-worked into a new sub-decree, and further changes during the course of the reform program anticipated and flexibility provided for them to be introduced.

| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
|--|----------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|---------------------|------------------|--------------------|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 25.10. Develop action plan for implementation of preferred option, including revision of regulatory framework. | | | | | X | X | X | | | | | | | | | | | | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 26: Pilot program based budget analysis. Deepen the piloting work carried out through those Ministries experimenting with MTEF techniques. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--------------------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 26.1. Using experience gained in implementing program budgeting (through PAP) in selected line ministries, develop enhanced program budget structure for these ministries under the new budget classification and linked to MTEF further development. | | | | X | X | X | X | | | | | | | | | | BFAD, Selected Line Ministries | TA (6 weeks) (1) | |
| 26.2. Develop modalities for piloting increased flexibility in use of resources within broader categories of expenditures in programs for these ministries. | | | | | | | X | X | X | X | | | | | | | BFAD Selected Line Ministries | TA (6 weeks) (2) | |
| 26.3. Pilot increased flexibility in use of program resources for selected ministries. | | | | | | | | | | X | X | X | X | X | X | | BFAD Selected line Ministries | | |

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| ACTIVITY 27: Investigate options for improving fiscal decentralization. Continue and deepen on-going discussions and investigation of options with regards to fiscal distribution, equalization etc. | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|---|-----------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 27.1. Establish arrangements for MEF to strengthen its involvement in the development of RGC de-concentration and decentralization strategic framework. | X | X | | | | | | | | | | | | | | | RC (proposed specialized sub-group)/ EFPPMU | UNDP | |
| 27.2. Consider implications arising from specific PFM reform activities related to D&D (e.g. strengthening of CSF functioning, study of provincial budget operations, development of C/S Councils' own source revenues) for emerging D&D framework and PFM reform program and vice-versa, and ensure consistency and coordination. | | | X | X | X | X | X | X | | | | | | | | | RC/ EFPPMU | UNDP | |
| 27.3. Identify and carry out finance-related studies required to inform the development of D&D strategic framework (e.g. analysis of vertical and horizontal resource allocation, distribution of services delivery responsibilities and functional assignments). | | | X | X | X | X | X | X | | | | | | | | | RC/ EFPPMU | UNDP | |
| 27.4. Contribute to D&D strategic framework development. | X | X | X | X | X | X | X | X | X | X | | | | | | | RC/ EFPPMU | UNDP | |
| 27.5. Identify implications from emerging D&D strategic framework for PFM reform program. | | | | | | | | | X | X | | | | | | | | UNDP | |
| 27.6. Study options and develop measures for piloting commune councils' "own source" revenue. | | X | X | X | X | X | X | X | | | | | | | | | LFD EFPPMU | 12 weeks TA (2) UNDP/ UNCDF | |

PFM REFORM PROGRAM: CONSOLIDATED STATEMENT OF PLATFORM 1/STAGE 1 DEPARTMENTAL ACTION PLANS

| ACTIVITY 27: Investigate options for improving fiscal decentralization. Continue and deepen on-going discussions and investigation of options with regards to fiscal distribution, equalization etc. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------------------|-------------------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 27.7. Study options and develop measures for piloting devolution and delegation arrangements for services delivery to CC and related fiscal implications in selected sectors | | | X | X | X | X | | | | | | | | | | LFD Selected Line Ministries | UNDP/ UNCDF | |
| 27.8. Implement pilot and draw lessons for further strengthening resource basis at local and provincial levels. | | | | X | X | X | X | X | X | X | X | X | X | X | X | LFD EFPPMU | 4 weeks TA (2) UNDP/ UNCDF | |
| 27.9. Establish CSF Board | X | X | X | X | X | | | | | | | | | | | EFPPMU LFD | UNDP/ UNCDF | |
| 27.10. Develop options for a medium term strategy for financing CS own activities (clarifying the balance between transfers from the CSF and own source revenue) | | | X | X | | | | | | | | | | | | EFPPMU LFD | 2 weeks TA (1) UNDP/ UNCDF | |
| 27.11. Develop a mechanism for integrating the implications of the preferred option for financing CS activities in government budget, including for determining CSF envelope over the medium term as required by the CSF sub-decree. | | | | | X | X | | | | | | | | | | EFPPMU LFD | UNDP/ UNCDF | |

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| ACTIVITY 27: Investigate options for improving fiscal decentralization. Continue and deepen on-going discussions and investigation of options with regards to fiscal distribution, equalization etc. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 27.12. Develop an action plan for improving the allocation of resources to C/S Councils, based on lessons from the pilot on own source revenue and better integration of poverty-related information in CSF allocation formulae. | | | | | | | | | | | | | X | X | | EFPPMU LFD | 2 weeks TA (1) UNDP/ UNCDF | |

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| ACTIVITY 28: Develop an IT management strategy. To anticipate the burden of managing and sustaining wider use of computer technology. Development of a strategy and resource requirements. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|--|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 28.1. Review likely trends in administrative use of computers and the needs that this will give rise to. | X | X | | | | | | | | | | | | | | EFI | TA - 12 weeks (covers 28.1-28.5) (1 and 2) | |
| 28.2. Identify a strategy in the light of the above analysis. | | | X | X | | | | | | | | | | | | EFI | | |
| 28.3. Consider short term measures that might be taken in the light of that strategy to make better use of the IT already or likely to be shortly available. | | | X | X | | | | | | | | | | | | EFI | | |
| 28.4. Assess both the cost of implementing the strategy and the capacity required. | | | | X | | | | | | | | | | | | EFI | | |
| 28.5. Propose initial institutional and organisational arrangements to manage the implementation of both the short term measures and longer term strategy. | | | | X | | | | | | | | | | | | EFI | | |
| 28.6. Consult on the proposed strategy. | | | | | X | | | | | | | | | | | EFI | | |

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| ACTIVITY 29: Initial design of asset register. To establish capacity for register to help manage and maintain assets effectively, link to accounting systems, link to revenue generation and charging systems. | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 29.1. Workshop to help clarify roles and responsibilities with regards to state asset management. | X | | | | | | | | | | | | | | | | SPD | TA – 2 weeks (1) Study tour 10 staff | |
| 29.2. Review design of asset register and consider/implement enhanced functionality for computer system. | | X | X | X | | | | | | | | | | | | | SPD | 2 sets of laptop computers | |
| 29.3. Train SPD staff to operate and input data into the computerised data base. | | | | | X | X | | | | | | | | | | | SPD | TA – 2 weeks (2) | |
| 29.4. Enter data into the computerised data base | | | | | | | X | X | X | X | X | X | X | X | X | | SPD | | |
| 29.5. Assist line Ministries, institutions and Provinces to complete their inventories. | | | | | | | X | X | X | X | X | X | X | X | X | | SPD | Travel costs | |
| 29.6. Develop framework and draft regulations defining C/S assets. | | | | | | | | | X | X | X | X | | | | | LFD, SPD | TA (2 weeks) (2) | |

4. 3. INSTITUTIONAL, CAPACITY AND MOTIVATIONAL MEASURES

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| ACTIVITY 30: Capacity development measures. Focused at capacity to support Platform 1 changes. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 30.1. Institutional appraisal of EFI capacity with regard to potential roles in the PFM reform program (assistance to MEF Departments and government agencies in organization development for improved PFM systems, IT strategy development and implementation and training need identification and provision) and development of an action plan for developing the required capacities | X | X | | | | | | | | | | | | | | EFI | TA (6 person-weeks) (1) | |
| 30.2. Training, capacity development and study tours relevant to specific process changes are dealt with in the relevant sections of this Plan. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | Individual Departments with support of EFI | | |
| 30.3. Review options for the development of an intensive induction course to enable the rapid mobilization of new talents as change agents within MEF | | | | X | X | | | | | | | | | | | EFI | TA (2 person-weeks) (2) | |
| 30.4. Design and implement intensive induction course as mentioned above. | | | | | | X | X | | | | | | | | | EFI (managing; actual implementation may be contracted out) | | |

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| ACTIVITY 30: Capacity development measures. Focused at capacity to support Platform 1 changes. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------------|--|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 30.5. Develop a foundation course in knowledge and skills relevant to financial management reform. Build a cadre of people capable of responding to the reform challenge. | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | EFI | TA for design and some delivery – 24 weeks (1 and 2) | |
| 30.6. Develop and implement a training program on fiscal decentralization for MEF/MOI staff and decentralization focal persons in line Ministries | | | | | | | | | | | | | | | | | | |
| 30.7. Design and implement a course to upgrade awareness of international standards for PFM (including use of performance indicators). | | | | | | | | X | X | X | | | | | | EFI EFPPMU | TA (8 person-weeks) (1) | |
| 30.8. Design and implement a course to upgrade capacity to use IT in PFM. | | | | | | | | | | | X | X | X | X | X | EFI | TA (8 person-weeks) (3) | |
| 30.9. Identify needs for upgrading language skills and consider options for delivering training program. | | | | | X | X | | | | | | | | | | EFI | | |
| 30.10. Implement language skill enhancement training program. | | | | | | X | X | X | | | | | | | | Likely to be contracted out | | |
| 30.11. Develop adequate management arrangements for rational use of MEF pool of vehicles and identify residual needs. | X | X | | | | | | | | | | | | | | Administration Department | | |
| 30.12. Identify options and implement measures for wider email and internet connection across MEF. | X | X | | | | | | X | X | | | | | | | EFI EFPPMU | IT support (see activity 28) | |

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| ACTIVITY 30: Capacity development measures. Focused at capacity to support Platform 1 changes. | | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 30.13. Identify further capacity development measures in the course of the IOCC mission in August 2004. | | | | | | | | | | | | | | | | | EFI All Departments | | |

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| ACTIVITY 31: Motivational measures within MEF. Initial measures during the program design phase. | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---|--|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 31.1. Finalization of design of first phase merit-based pay initiative. | X | | | | | | | | | | | | | | | RC Personnel Dept | IOCC (August 2004) | |
| 31.2. Implementation of first phase scheme merit-based pay initiative. | | X | X | X | X | X | | | | | | | | | | RC Personnel Dept All Depts | | |
| 31.3. Development of full framework of principles for merit-based pay initiative into a fundable and sustainable scheme. | X | X | X | X | X | X | | | | | | | | | | RC Personnel Dept | CARS Consultancy support to be identified | |
| 31.4. Rollout of full merit-based pay initiative for Platform/ Stage One. | | | | | | | X | X | X | X | X | X | X | X | | RC Personnel Dept All Depts | | |
| 31.5. Review of implementation of incentive scheme and adjustment for rollout as required. | | | | | | | | | | | | | X | X | | RC Personnel Dept | TA (3 person-weeks) (1) | |
| 31.6. Develop teams/ individuals' performance agreements, and associated management arrangements. | X | X | | | | | | | | | | | | | | RC Personnel Dept All Depts | TA (2 person-weeks) (2) | |
| 31.7. Finalize performance monitoring arrangements including base-lining performance indicators (all levels: individuals, Departments and program impact). | X | X | X | | | | | | | | | | | | | RC EFPPMU Relevant Depts | TA (4 person-weeks) | |
| 31.8. Launch workshops of Departmental action plans. | X | X | | | | | | | | | | | | | | Departments EFPPMU/RC secretariat | | |
| 31.9. Design PFM Reform News Bulletin. | | | | X | X | | | | | | | | | | | EFI EFPPMU | TA (3 person-weeks, local) | |

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| ACTIVITY 31: Motivational measures within MEF. Initial measures during the program design phase. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 31.10. Regularly issue and disseminate PFM Reform Program News Bulletin. | | | | | | X | X | X | X | X | X | X | X | X | X | EFI EFPPMU | | |
| 31.11. Identify other non financial motivational measures. | X | | | | | | | | | | | | | | | RC | IOCC (August 2004) | |

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| ACTIVITY 32: Motivational measures within Ministries. Introduction of criteria and tests of capacity to respond to and support delegated spending authorities. Design guidelines for spending agencies to install de-concentrated financial business processes and accounting arrangements. Specify an institutional strengthening program for spending agencies on a case-by-case basis in order to install de-concentrated business processes (meet readiness checks). | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|--|--|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | | |
| 32.1. Identify the motivational impact of the PAP scheme to ensure that the design of the plan to implement the strategy for mainstreaming the system incorporates an incentive structure to promote its adoption and operation. | | | | X | | | | | | | | | | | | | BFAD NT | | |
| 32.2. Identify what improved flexibilities and freedoms would prepare staff in spending agencies to take a positive attitude to reforms. | | | | | | | X | | | | | | | | | | BFAD NT | TA – 4 weeks (23.2 and 23.3) (1) | |
| 32.3. Identify the criteria by which spending agencies might be invited to ‘compete’ to attract those freedoms and flexibilities. | | | | | | | X | | | | | | | | | | BFAD NT | | |
| 32.4. Link those criteria back to plans developed under (6) for re-design of transaction processes. | | | | | | | | X | X | | | | | | | | BFAD NT | | |

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| ACTIVITY 33: Initial integration of functions within MEF. Targeted initial improvements in coordination, information flows and collaboration to bring together areas that need to work closely together for effective change under Platform 1 objectives. (For example, integration of institutional responsibility for non-tax revenue, integration of FCU's operations with Treasury operations, rationalization of central and provincial budget management). Clearer decision-making mechanisms. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---|----------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 33.1. Ensure appropriate attention to cross-cutting development issues by drawing Departments together under 'Process Groups' led by Deputy Secretary Generals. | X | X | X | | | | | | | | | | | | | Chair RC | IOCC team and continued TA | |
| 33.2. Merge EFPPMU with EAFD to form EFPD to provide strong management of overall fiscal policy. | X | X | X | | | | | | | | | | | | | Chair RC | | |
| 33.3. The new EFPD to have responsibility for interim arrangements for financial management data consolidation and 'cleansing'. | | | | X | X | | | | | | | | | | | Chair RC | TA | |
| 33.4. Establish and deploy staff for RC secretariat as stand-alone unit reporting to Chair of RC | X | X | X | | | | | | | | | | | | | Chair RC | | |
| 33.5. Include new IFMIS Development Unit into new EFPD. | X | X | X | | | | | | | | | | | | | Chair RC | TA | |
| 33.6. Merge FCU into Treasury based on revised processes developed under Section 9. | X | X | X | | | | | | | | | | | | | Chair RC | | |
| 33.7. Establish a new unit/ Department to manage Non-tax revenue policy. | X | X | X | | | | | | | | | | | | | Chair RC EFPPMU SPD, BFAD, FID | TA | |
| 33.8. Establish a new unit/ Department to manage all forms of debt. | X | X | X | | | | | | | | | | | | | Chair RC EFPPMU ICD | TA | |

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| ACTIVITY 33: Initial integration of functions within MEF. Targeted initial improvements in coordination, information flows and collaboration to bring together areas that need to work closely together for effective change under Platform 1 objectives. (For example, integration of institutional responsibility for non-tax revenue, integration of FCU's operations with Treasury operations, rationalization of central and provincial budget management). Clearer decision-making mechanisms. | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------------|-------------------------|---------------------------|
| Action | Timing (Month) | | | | | | | | | | | | | | | Implementing Agency | Support Required | MEF Input Required |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 33.9. Carry out a full functional review of BFAD and LFD, based on existing legal and regulatory framework, to ensure that functions appropriate for the role of each are properly identified and decided. | X | X | X | | | | | | | | | | | | | Chair RC | | |
| 33.10. Establish joint (MEF-CARS) working modalities for integration of civil service management and reform policies in government budget. | X | X | X | | | | | | | | | | | | | Chair RC | | |
| 33.11. Establish relevant mechanism for internal coordination of D&D issues and for clear interface with other government agencies involved in D&D. | X | X | X | | | | | | | | | | | | | Chair RC | | |