

Project Administration Manual

Project Number: 49041-002

Loan Number:

5 August 2016

Proposed Technical Assistance Loan
Kingdom of Cambodia: Strengthening Public
Financial Management Program, Subprogram 1

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM includes references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Economy and Finance (MEF) is the executing agency (EA) for the project. The General Secretariat of the Public Financial Management (PFM) Reform Steering Committee will be responsible for overall coordination of the project implementation and for achievement of outputs 1 and 2.¹ MEF's Department of Information Technology, General Department of Budget/Department of Cooperation and Debt Management, General Department of Internal Audit are implementing agencies (IAs) for outputs 1 and 2. The PFM working groups in the Ministry of Agriculture, Forestry and Fisheries (MAFF); Ministry of Education Youth and Sports (MOEYS); Ministry of Labor and Vocational Training (MLVT); Ministry of Public Works and Transport (MPWT); Ministry of Rural Development (MRD); and Ministry of Water Resources and Meteorology (MOWRAM) are the IAs for output 2. The Secretary General of the PFM Reform Steering Committee is project director and will be responsible for outputs 1 and 2. As an independent institution, the National Audit Authority (NAA) is the IA for output 3. The NAA's auditor general is the project manager for output 3. The EAs and IAs are wholly responsible for the implementation of the ADB-financed project, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff are responsible for supporting implementation including compliance by the EA and IAs with their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations held on 5 August 2016, the borrower and ADB agreed to the PAM and ensured its consistency with the loan agreements. Such agreements are reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreements, the provisions of the loan agreements shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

¹ The PFM Reform Steering Committee is an inter-ministerial body chaired by MEF. It oversees the implementation of the government's PFM Reform Program.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BSP	–	Budget Strategic Plan
CBP	–	Capacity Building Plan
DMFAS	–	Debt Management and Financial Analysis System
EFI	–	Economics and Finance Institute
FMA	–	Financial Management Assessment
FMIS	–	Financial Management Information System
GDB/DCDM	–	General Department of Budget/Department of Cooperation and Debt Management
GDP	–	Gross Domestic Product
IA	–	Implementing Agency
IAD	–	Internal Audit Department
IT	–	Information Technology
MAFF	–	Ministry of Agriculture, Forestry and Fisheries
MDG	–	Millennium Development Goal
MEF	–	Ministry of Economy and Finance
MOEYS	–	Ministry of Education, Youth and Sports
MOWRAM	–	Ministry of Water Resources and Meteorology
MPWT	–	Ministry of Public Works and Transport
MVLT	–	Ministry of Labor and Vocational Training
MRD	–	Ministry of Rural Development
MTEF	–	Medium-Term Expenditure Framework
NAA	–	National Audit Authority
NPAR	–	National Program for Administration Reforms
NSDP	–	National Strategic Development Plan
PAM	–	Project Administration Manual
PCMU	–	Project Coordination and Monitoring Unit
PEFA	–	Public Expenditure and Financial Accountability PFM
PFM	–	Public Finance Management
PFMRP	–	Public Finance Management Reform Program
PM	–	Procurement Manual
PSC	–	Program Steering Committee
QCBS	–	Quality- and Cost Based Selection
RCS	–	Reform Committee Secretariat
RGC	–	Royal Government of Cambodia
RDM	–	Rural Development Ministry
SAI	–	Supreme Audit Institution
SCS	–	Steering Committee Secretariat
SOPs	–	Standard Operating Procedures
SPFMRP	–	Strengthening Public Financial Management Program
TA	–	Technical Assistance
TOR	–	Terms of Reference

I. PROJECT DESCRIPTION

1. The project seeks to enhance the availability and efficiency of public services in Cambodia, including services for the poor and vulnerable groups, by strengthening public expenditure management. The project has been developed to support implementation of a broader program, namely the Strengthening Public Financial Management Program (SPFMP) and particularly to support the realization of policy actions under subprogram 2 of the SPFMP. The program and the TA loan provide direct support to the Government of Cambodia's long-term Public Financial Management Reform Program (PFMRP).² The project finances actions and initiatives aimed at: (i) strengthening the policy and regulatory framework for expenditure and revenue management; (ii) raising the capacities of select line ministries to implement budgeting and expenditure management reforms; and (iii) enhancing the capacity of the external audit function.

A. Program Impact and Outcome

2. The impact of the proposed SPFMP program is directly aligned with the PFMRP's objective of delivering improved public services, including for poor and vulnerable groups, by strengthening the effectiveness, efficiency, and accountability of public resources. The outcome will be a better performing public financial management system that enhances the efficiency, effectiveness, and accountability of public expenditure and revenue management. Subprogram 1 with eighteen (18) policy actions, which were implemented from 1 January 2014 - 30 June 2016, have been completed. Implementation of these policy reforms will continue and be intensified under subprogram 2, which contains twenty-one (21) policy actions. Subprogram 1 includes a TA loan to support the government with implementation of subprogram 2. ADB has further agreed with the government that implementation of subprogram 2 will occur from 1 July 2016 - 30 June 2019. This project administration manual is for implementation of the TA Loan from February 2017 to September 2019.

B. TA Outputs

3. The proposed program and the TA loan combine support for further development of the policy and regulatory framework led by the Ministry of Economy and Finance (MEF) under stage 3 of the PFMRP, together with developing systems and capacities of selected line ministries to extend and deepen the implementation of reforms, along with enhancing external audit capacities. Subprograms 1 and 2 and the TA loan are therefore structured around three outputs: (i) policy and regulatory framework for expenditure and revenue management strengthened; (ii) capacity of selected line ministries to implement budgeting and expenditure management reforms improved; and (iii) capacity of the external audit function improved.

II IMPLEMENTATION PLANS

A. Project Readiness Activities

4 Table 1 sets out project readiness activities for the TA loan.

²Royal Government of Cambodia. 2004. *Public Financial Management Reform Program*. Phnom Penh.

Table 1: Project Readiness Activities

	Indicative Activities	Months (2016)							Who is responsible
		1 Aug	2 Sep	3 Oct	4 Nov	5 Dec	6 Jan	7 Feb	
1	Advance contracting actions	√	√	√					EA
2	Retroactive financing actions								Not applicable
3	Establish project implementation arrangements	√							EA and IAs
4	ADB Board approval		√						ADB
5	Technical Assistance signing				√				EA/CARM
6	Government legal opinion provided						√		EA
7	Technical Assistance Loan effectiveness							√	RGC/ADB

Source: Asian Development Bank

B. Overall Project Implementation Plan

5 Chart 1 records outputs with key implementation activities on a quarterly basis. The chart must be updated annually and must be submitted to ADB with contract and disbursement projections for the following year.

Chart 1: Overall Project Implementation Plan

Indicative Activities (Activities are only indicative, and will be finalized during the inception phase of the project based on updated Action Plans of EAs, and IAs).	Yr 1 (2016)(Mth/Qtr)	Yr 2 (2017)(Mth/Qtr)	Yr 3 (2018)(Mth/Qtr)	Yr 4 (2019)(Mth/Qtr)
Output 1: Policy and Regulatory Framework for Expenditure and Revenue Management Strengthened. Under this output the TA loan will assist MEF to coordinate and manage the program through the General Secretariat of the PFM Reform Steering Committee and also assist different Departments of MEF (Department of Information Technology; General Department of Budget/Department of Cooperation and Debt Management; and General Department of Internal Audit) to support implementation of the program at the central level of MEF.				
Activity 1.1- Management and coordination support to the General Secretariat of the PFM Reform Steering Committee (1 national assistant consultant to support program management and coordination (30 person months), 1 national consultant to assist in program financial management (30 person months) and 1 national consultant to support procurement (12 person months).				
Activity – 1.2-Support the General Department of Internal Audit to complete the Internal Audit Manual and to implement it in 6 ministries (same national and international consultants for Activities 2.4).				
Activity – 1.3- Support the General Department of Budget/Department of Cooperation and Debt Management (GDB/DCDM) to prepare policy on contingent liabilities including government guarantees related to the public private partnership (1 international consultant for 2 person months)				
Output 2: Capacity of Selected Line Ministries to Implement Budgeting Reforms Improved Under this output the TA loan will assist 6 line ministries (Ministries of Agriculture Forestry and Fisheries; Labour and Vocational Training; Public Works and Transport; Education, Youth and Sports; Rural Development; Water Resources and Meteorology) plus MEF, to improve budget management, accounting, financial management and internal audit so as to support implementation of the program at the devolved level of line ministries.				
Activity 2.1 – Provide support to 6 line ministries in the development and strengthening of budget entities, budget strategic plans; and program budgeting. (1 international consultant for 16 person-months and 2 national consultants for 48 person months – with each national consultant to cover 3 ministries)				
Activity 2.2 – Provide support to 6 line ministries in the development and strengthening of budget entities, accounting and financial management (1 international consultant for 13 months and 2 national consultants for 48 person months – with each national consultant to cover 3 ministries)				
Activity 2.3 – Provide support to 6 line ministries to prepare them for the rollout of FMIS				

Indicative Activities (Activities are only indicative, and will be finalized during the inception phase of the project based on updated Action Plans of EAs, and IAs).	Yr 1 (2016)(Mth/Qtr)				Yr 2 (2017)(Mth/Qtr)				Yr 3 (2018)(Mth/Qtr)				Yr 4 (2019)(Mth/Qtr)			
(Phase 2), including preparing business process and change management plans (1 international consultant for 12 person months and 1 national consultant for 12 person months)																
Activity 2.4 – Provide support to Internal Audit Departments of 6 line ministries to assist in the strengthening of their departments (1 international consultant for 12 person months and 1 national consultant for 24 person months). These consultants will also support implementation of activities 1.2.																
Output 3: Capacity of External Audit Function Improved Under this output the TA loan will assist the National Audit Authority (NAA) to improve regulatory and institutional arrangements in their management of the external audit function so as to improve the credibility of PFM in line departments.																
Activity 3.1 – Support the NAA to update the audit guidelines and to prepare an audit manual for district level audits and to support conducting of the audits in 10 districts (1 international consultant for 4 person-months and 1 national consultant for 8 person-months).																

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 2: Project Implementation Organizations

Project Implementation Organizations	Management Roles and Responsibilities
Oversight Body – Public Financial Management Reform Steering Committee (chaired by MEF)	<ul style="list-style-type: none"> ➤ Will be responsible for approving: (i) consolidated action plan of stage 3 of the PFMRP; and (ii) approving work plan and budget for implementation of the Strengthening Public Financial Management Program and TA loan and monitoring implementation progress.
Executing Agency (EA) MEF is the EA supported by the General Secretariat of PFM Reform Steering Committee which will be responsible for overall project coordination and for outputs 1 and 2.	<p>The EA will be responsible for the following:</p> <ul style="list-style-type: none"> ➤ Nominate staff to support program implementation; ➤ Achieve policy actions under outputs 1 and 2; ➤ Provide compliance documents for policy actions; ➤ Opening and managing an imprest account under the management of the General Secretariat of the PFM Reform Steering Committee and oversee operations of sub-accounts managed by each implementing agency (IA); ➤ Submission of withdrawal applications, retention of supporting documents through MEF and submission to ADB; ➤ Endorsing work plans, and budgets including work plans and budgets prepared and liquidated by IAs; ➤ Submit consolidated quarterly progress report to ADB; ➤ Submit the consolidated audited annual project financial statements within 6 months after the end of each fiscal year; ➤ Recruit consultants for outputs 1 and 2; and ➤ Coordinating with IAs to ensure achievements of all program impact, outcomes and outputs and liaise with ADB.
Implementing Agency 1 - Ministry of Agriculture, Forestry and Fisheries (MAFF)	<ul style="list-style-type: none"> ➤ Under output 2, MAFF will implement activities (particularly capacity building) to improve their ability to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activities as per the approved work plan.
Implementing Agency 2 - Ministry of Education, Youth and Sports (MOEYS)	<ul style="list-style-type: none"> ➤ Under output 2, MOEYS will implement activities to improve their ability to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activity, as per the approved work plan.
Implementing Agency 3 - Ministry of Labour and Vocational Training (MLVT)	<ul style="list-style-type: none"> ➤ Under output 2, MLVT will implement activities to improve their ability to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation

Project Implementation Organizations	Management Roles and Responsibilities
	<p>of the consolidated quarterly progress report; and</p> <ul style="list-style-type: none"> ➤ Manage a sub-account established specifically for financing project activity, as per approved work plan.
<p>Implementing Agency 4 - Ministry of Rural Development (MRD)</p>	<ul style="list-style-type: none"> ➤ Under output 2, MRD will implement activities to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activity, as per work plan.
<p>Implementing Agency 5 - Ministry of Water Resources and Meteorology (MOWRAM)</p>	<ul style="list-style-type: none"> ➤ Under output 2, MOWRAM will implement activities to improve their ability to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activity, as per work plan.
<p>Implementing Agency 6 -the Ministry of Public Works and Transport's (MPWT)</p>	<ul style="list-style-type: none"> ➤ Under output 2, MPWT will implement activities to improve their ability to effectively manage budgeting, accounting, financial management and internal audit so as to support implementation of the SPFMP at devolved levels of the ministry; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activity, as approved per work plan.
<p>Implementing Agency 7 - National Audit Authority (NAA)</p>	<ul style="list-style-type: none"> ➤ As IA for output 3, the NAA is responsible for achievement of policy actions and implementation of activities under output 3 to improve regulatory and institutional arrangements in their management of the external audit function so as to improve the credibility of PFM system in Cambodia; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report. ➤ Manage a sub-account established specifically for financing project activity, as per approved work plan; and ➤ Recruitment of consultants for output 3.
<p>Implementing Agency 8 - The General Department of Internal Audit (GDIA) of MEF</p>	<ul style="list-style-type: none"> ➤ Finalize the Internal Audit Manual, support its implementation and institutional strengthening of internal audit in 6 ministries; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report. ➤ Manage a sub-account established specifically for financing project activity under outputs 1 and 2.
<p>Implementing Agency 9 – Department of Information Technology (ITD) of MEF.</p>	<ul style="list-style-type: none"> ➤ Support reviews in FMIS business processes, change management and ICT development to assist in preparing 6 line ministries for stage 2 FMIS rollout; ➤ Manage a sub-account established specifically for financing

Project Implementation Organizations	Management Roles and Responsibilities
	project activity, including making payments for national and international consultants (FMIS specialists); and ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report.
Implementing Agency 10 - The General Department of Budget/Department of Cooperation and Debt Management (GDB/DCDM) of MEF.	➤ Be responsible for the preparation of guidelines on contingent liabilities, including government guarantees in relation to PPPs; ➤ Provide quarterly progress report in assisting the EA in preparation of the consolidated quarterly progress report; and ➤ Manage a sub-account established specifically for financing project activity, as per work plan.
Asian Development Bank	➤ Be responsible for overseeing all aspects of project administration, provide no-objections to procurement requests from the EAs, monitoring of contract awards and disbursements, review of work-plans and progress reports; ➤ Undertakes six-monthly reviews of the project implementation; and ➤ Assist in selection of consultants, including preparation of terms of reference and tender documents, advertisement, and selection, and provides assistance during contract negotiations with the EA and IA.

ADB = Asian Development Bank.

6 In addition to the above EA and IAs, the MEF's Economic and Finance Institute (EFI) will provide training on key competencies of PFM under stage 3 of the PFMRP.

B. Key Persons Involved in Implementation

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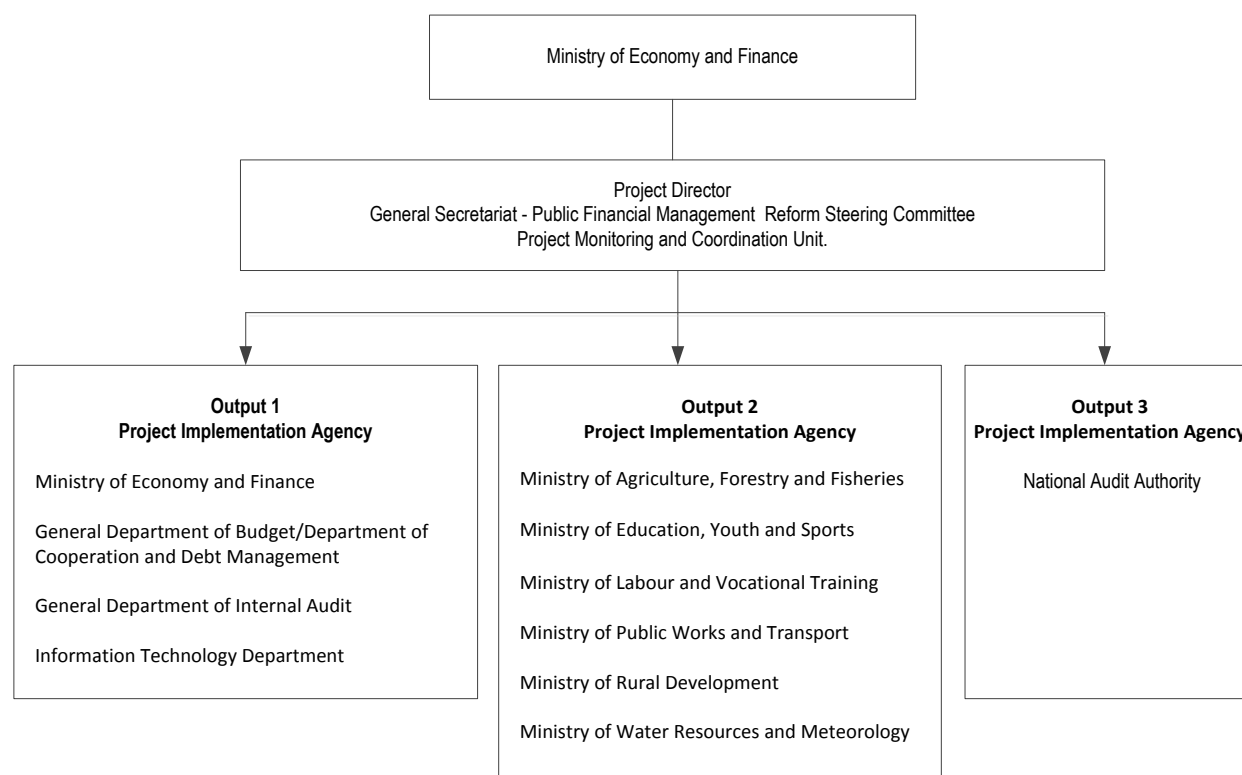
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C. Project Organization Structure



IV. COSTS AND FINANCING

7. For the TA loan, the government has requested from ADB's Special Fund resources for SDR 2,501,000 in equivalent to \$3.5 million in total.

Table 3: Financing Plan (\$ million)

Financiers		Percent
Asian Development Bank	3.500	81.40
The Government	0.800	18.60
Total	4.300	100.00

Note: Bank charges related to the imprest account may be financed from the loan proceeds. The government will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment allocated to the Economic and Finance Institute (EFI) of the Ministry of Economy and Finance (MEF) and selected line ministries, worth \$0.3 million; and capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million.

Source: Asian Development Bank estimates.

8. **TA Loan Investment Plan:** The government has requested a loan of \$3.5 million equivalent from ADB's Special Funds resources to finance the outlined project outputs and activities, including

taxes and duties related to ADB funded expenditures.³ The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the loan agreement. The government will also contribute counterpart support including counterpart staff, office space, communications and other facilities.

Table 4: Project Investment Plan (\$ million)

Item		Amount ^a	Percent
A	Base Costs	Total^b	%
1	Revenue & Expenditure Management	0.825	19.19
2	Line Ministries Revenue & Expenditure	2.675	62.20
3	External Audit	0.385	8.95
	A Subtotal	3.885	90.34
	B Contingencies	0.260	6.05
	C Financing Charges During Implementation	0.155	3.61
Total (A+B+C)		4.300	100.0

^a Inclusive of local taxes and duties of \$ 0.35 million, financed by ADB. Inclusion of taxes on ADB-financed project expenditures is consistent with the current country partnership strategy. Financing of taxes does not represent an excessive share of the project cost and it is material to the success of the project.

^b In mid-2016 prices.

Source: Asian Development Bank estimates.

9. **Detailed cost tables:** The following tables present the cost summaries by: (i) expenditure category; (ii) allocation and withdrawal of loan proceeds; (iii) financiers; (iv) outputs; (v) years; (vi) contract awards and disbursements; and (vii) project Fund Flow Diagram.

Table 5: Detailed Cost Estimates by Expenditure Category (\$ Million)

Items	Total \$ Million	Total Riel. Million	Total % Percentage
A Consultants	2.14	8,582	49.8
B Trainings, Workshops and Seminars	0.89	3,574	20.7
C TA Management	0.05	217	1.3
D Government Contribution	0.80	3,209	18.6
Total Base Costs	3.88	15,581	90.3
E Contingencies	0.26	1,043	6.0
a. Physical	0.08	313	1.8
b. Price	0.18	730	4.2
F Interest During Implementation	0.16	623	3.6
Total Project Cost	4.30	17,247	100.0

Note: The government will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment allocated to the EFI of MEF and selected line ministries,

³ Inclusion of taxes on ADB-financed project expenditures is consistent with the current country partnership strategy. Financing of taxes does not represent an excessive share of the project cost and it is material to the success of the project.

worth \$0.3 million; and capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million

Source: Asian Development Bank estimates.

Table 6: Allocation and Withdrawal of Loan Proceeds

No.	Item	Total Amount Allocated for ADB Financing (\$ million)	ADB Financing
			Basis for Withdrawal from Loan Account
1	Consulting Services, and	2.140	100% of total expenditure claimed.
2	Training, Workshops, Study Tour, and Seminars	0.891	100% of total expenditure claimed.
3	TA Management	0.054	100% of total expenditure claimed.
4	Interest During Implementation	0.155	100% of amount due.
5	Unallocated	0.260	
	Total	3.500	

Source: Asian Development Bank estimates.

Table 7: Detailed Cost Estimates by Financier (\$ Million)

Items		ADB	%	Government	%	Total
A	Consultants	2.140	100.0			2.140
B	Trainings, Workshops and Seminars	0.891	100.00	-	-	0.891
C	TA Management	0.054	100.00			0.054
D	Government Contribution	-	0.00	0.800	100.00	0.800
	Total Base Costs	3.085	79.41	0.800	20.59	3.885
E	Contingencies	0.260	100.00	0.00	00.00	0.260
	a. Physical	0.078	100.00	0.00	00.00	0.078
	b. Price	0.182	100.00	0.00	00.00	0.182
F	Interest During Implementation	0.155	100.00	-	-	0.155
	Total Project Cost	3.500^a	81.400	0.800	18.60	4.300

^a Includes taxes of \$0.35 million to be financed by ADB.

Note: The government will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment allocated to the Economic and Finance Institute of the Ministry of Economy and Finance and selected line ministries, worth \$0.3 million; and capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million. Technical Assistance Management covers provision of in-country missions, office support and local transportation including vehicle hire, for the duration of the SPFM program implementation.

Source: Asian Development Bank estimates.

Table 8: Detailed Cost Estimates by Output / Components (\$ Million)

	PFM Reform Revenue & Expenditure Management	%	Line Ministries Revenue & Expenditure	%	External Audit	%	Total
Items							
A Consultants	0.53	24.55	1.47	68.89	0.14	6.56	2.14
B Trainings, Workshops and Seminars	0.13	15.00	0.67	75.00	0.09	10.00	0.89
C TA Management	0.02	30.00	0.03	60.00	0.01	10.00	0.05
D Government Contribution	0.15	18.75	0.50	62.50	0.15	18.75	0.80
Total Base Costs	0.83	21.24	2.67	68.85	0.39	9.91	3.88
E Contingencies	0.05	21.03	0.18	68.99	0.03	9.98	0.26
a. Physical	0.01	21.03	0.05	68.99	0.01	9.98	0.08
b. Price	0.04	21.03	0.13	68.99	0.02	9.98	0.18
F Interest During Implementation	0.03	21.00	0.11	69.00	0.01	10.00	0.15
Total Project Cost	0.91	21.22	2.96	68.86	0.43	9.92	4.30

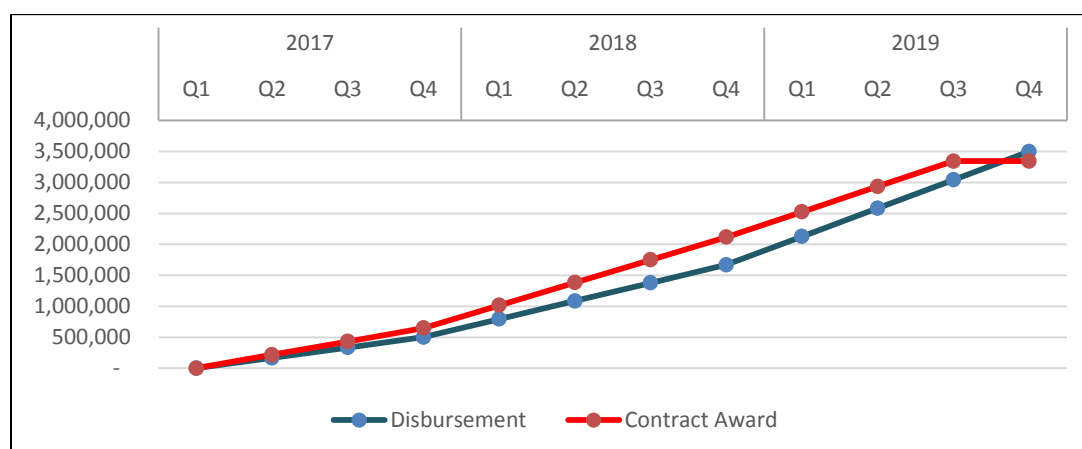
The government will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment allocated to EFI and selected line ministries, worth \$0.3 million, capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million
Source: Asian Development Bank estimates.

Table 9: Detailed Cost Estimates by Year (\$ Million)

Items	2017	2018	2019	Total
A Consultants	0.71	0.71	0.72	2.14
B Trainings, Workshops and Seminars	0.29	0.30	0.30	0.89
C TA Management	0.02	0.01	0.02	0.05
D Government Contribution	0.27	0.27	0.26	0.80
Total Base Costs	1.29	1.29	1.30	3.88
E Contingencies	0.08	0.09	0.09	0.26
a. Physical	0.02	0.03	0.03	0.08
b. Price	0.06	0.06	0.06	0.18
F Interest During Implementation	0.05	0.05	0.05	0.15
Total Project Cost	1.42	1.43	1.44	4.30

Note: The government will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment allocated to EFI and selected line ministries, worth \$0.3 million, capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million

Source: Asian Development Bank estimates.

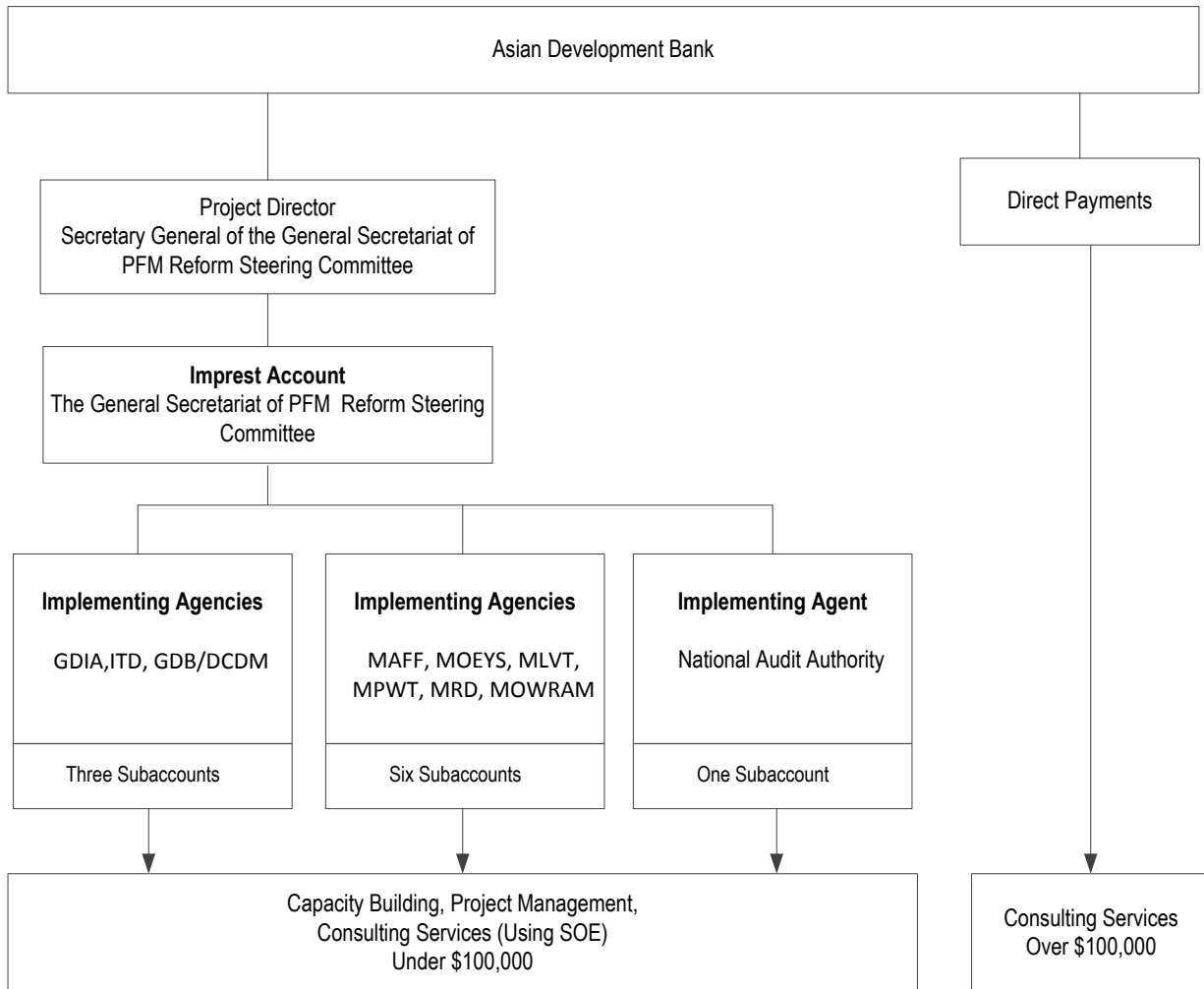
Table 10: Contract and Disbursement S-curve (in US \$ Million)

Quarterly Breakdown P49041 CAM : Strengthening Public Financial Management Program										
Year	Yearly Disbursement (USD million)				Total	Yearly Contract Awards (USD million)				Total
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
2017	0.000	0.167	0.167	0.167	0.502	0.000	0.217	0.217	0.217	0.651
2018	0.292	0.292	0.292	0.292	1.168	0.367	0.367	0.367	0.367	1.466
2019	0.458	0.458	0.458	0.458	1.830	0.409	0.409	0.409	0.000	1.228
Total	0.750	0.917	0.917	0.917	3.500	0.776	0.993	0.993	0.583	3.345

Cumulative Breakdown P49041 CAM : Strengthening Public Financial Management Program										
Year	Yearly Disbursement (USD million)				Total	Yearly Contract Awards (USD million)				Total
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
2017	0.000	0.167	0.335	0.502	0.502	0.000	0.217	0.434	0.651	0.651
2018	0.794	1.086	1.378	1.670	1.670	1.017	1.384	1.750	2.117	2.117
2019	2.127	2.585	3.042	3.500	3.500	2.526	2.935	3.345	3.345	3.345
Total				3.500						3.345

Source Asian Development Bank

A. Funds Flow Diagram



Source: ADB and MEF

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

10. The purpose of this financial management assessment (FMA) is to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the EA and IAs to meet all the fiduciary requirements which are set out in the loan and project agreements and other project documents. Within this context, the PAM presents results of a FMA of the EA and IAs, including agreed project financial arrangements, financial responsibilities of the EA and each IA, and associated entities and perceived financial risks and risk management. This FMA also provides guidance to the EA, IAs and other stakeholders to allow them to prepare proper mitigation measures to ensure the effective project performance, following the laws and regulations of the Kingdom of Cambodia as well as ADB's requirements.

11. The FMA draws closely on the substantive diagnostic work in the PFM, in particular the PFM assessment contained in the Public Expenditure Financial Accountability Framework (PEFA),⁴ and on the external review of the government's PFMRP.⁵ Quarterly and annual monitoring reports of the PFMRP and interviews with key government and non-government stakeholders have also been incorporated in the assessment. The analysis indicates that there are a broad range of reform areas to address for Cambodia to lift its PFM performance, but also acknowledges that significant progress has been made since commencement of the PFMRP in 2005. These improvements include progress in revenue collections, with greater use of the banking system to streamline revenue collection and payment processes. The redesign of an integrated chart of accounts and budget classification has been completed to improve expenditure tracking and reporting. As part of efforts to improve governance, the government continues to place significant emphasis on strengthening the overall public financial management system, internal control systems (including internal audit functions), and the functions of the National Audit Authority. The PFMRP, which is supported by a number of development partners (DPs) including ADB, has helped lower the fiduciary risks of the system. The phase 3 of the PFMRP will continue to consolidate improvements already made with regard to budget credibility and financial accountability, while moving the focus to the linking of policy and budgeting to improve public service delivery.

12 **Institutional Capacities.** MEF exercises strong central control over public finance matters, including the PFMRP. A dual budget system (at least until recently) has emerged with MEF in charge of preparing and managing the recurrent budget, while the Ministry of Planning ostensibly has powers to prepare and manage a public investment program. Most externally financed investments involve development partners dealing with line ministries, the Council for the Development of Cambodia and MEF's Department of Cooperation and Debt Management (DCDM). The DCDM prepares and manages both the government-operated externally and domestically-financed capital/development budgets. Since the 2015 budget, attempts have been made to fully integrate the capital and recurrent budgets, including the foreign and government funded portions, though this will take time. The MEF's Financial Affairs Department (FAD), the General Department of National Treasury, the General Department of Public Procurement, and the Cash Management Units are all closely involved with budget execution. FAD has financial controllers located in 21 key ministries. A PFM Reform Steering Committee is responsible for leading, preparing, facilitating, monitoring and inspecting the government's PFMRP

⁴ Ministry of Economy and Finance, Cambodia. 2010 and 2015. *Public Financial Management Assessment of Cambodia – Based on the Public Expenditure Financial Accountability Framework (PEFA)*. Phnom Penh.

⁵ External Advisory Panel. 2010 and 2015. *Public Financial Management Reform Program – Final External Advisory Panel Report*. Phnom Penh.

implementation in cooperation with DPs. The committee is chaired by MEF and supported by the PFM Reform Steering Committee Secretariat. A technical working group, comprising representatives of government institutions and DPs, meets every six months to discuss progress and constraints of the PFM reform.

13. **Organization and Staff Capacity.** The assessment reveals that both the EA and IAs have adequate experience to deal with projects funded by DPs including ADB. Their experiences particularly at the EA level, include program loans, investment loans and various technical assistance projects. All have adequate internal control systems and financial reporting arrangements, not only for their regular budget and expenditure management, but also for other DP-funded projects. Additional ADB TA capacity development support particularly on financial management, and procurement to properly comply with ADB procedures will further improve their capacity in these areas. Section B (page 10) shows the organizational structure of the project.

14. **Program Budgeting.** Government capacity for budget preparation (strategic planning, program budgeting and budget execution) is being gradually improved. At the start of each budget cycle, the government produces a Macroeconomic Policy Framework and then develops a Public Financial Policy Framework using a very simplified form of Medium-Term Expenditure Framework (MTEF). A more comprehensive MTEF is to be developed by 2018. The macroeconomic framework, which forecasts on the basis of economic and sector classifications, is updated annually to provide forward budget planning from a “top-down” perspective. Based on the annual budget circular (2016 budget circular provides indicative ceilings for ministries), line ministries prepare annual and medium-term 3-year rolling budget strategic plans, inclusive of the public investment program, which link budgets to sector policies and priority strategies. The budget strategic plans and program budgets are prepared annually using a “bottom-up” approach with inputs from line ministries within fixed timelines though both top down and bottoms up approach is being applied since 2016 budget.

15. **Expenditure Management, Accounting and Financial Management.** Capacities in budget preparation and execution, financial management and accounting, procurement, internal and external audit, and monitoring and evaluation are still limited but are being strengthened. The Cash Management Unit at MEF monitors budget execution and cash management of all line ministries. This is augmented by a comprehensive and very complex set of internal controls (commitment and payment order processes) which are in place, though further improvements and streamlining are needed. The General Department of the National Treasury has rationalized government accounts held at commercial banks, and transferred balances to the Single Treasury Account. In addition, government payments, including salary administration through the banking system which significantly reduce the number of cash-based transactions.

16. **Financial Reporting.** The accuracy and comprehensiveness of financial reporting are being systematically improved through the implementation of international standard budget classifications, charts of accounts, and integration of capital and recurrent spending. The Treasury controls the government bank accounts at the National Bank of Cambodia and reconciles these accounts with corresponding cash books monthly, within 4 weeks from the end of the month. In addition, cash forecasting models and approaches are expected to be further strengthened under the ongoing Financial Management Information System (FMIS) project, Stage 1 of which has been completed in 2016 in MEF and in all its provincial departments. Planning for the phase 2 rollout of the FMIS implementation to all line ministries is underway. Areas for improvements in accounting include: (i) adopting IT accounting, and promoting a

harmonized treasury and line ministry accounting system in line with the full FMIS rollout; and (ii) implementing robust and computerized asset management systems.

17. **Financial risks are mitigated through coordinated and comprehensive ADB assistance.** Fiduciary risks related to PFM are assessed to be low to moderate and include weak institutional and human capacity, and lack of attention to coordination between MEF and line ministries. Mitigation of these risks takes place through the PFMRP and also in the government efforts to improve public financial management. The overall trajectory of change is positive, though progress in some key areas has been slow. The NAA is gradually strengthened to oversee and audit activities of all government ministries and agencies. Both MEF and NAA have demonstrated capacity in implementing ADB projects over the years, and have received significant training in ADB disbursement procedures. In view of this, there are no significant risks to financial management by the EA and the IAs.

B. The Summary of Inherent Risks

18. Table 11 provides a summary of the inherent risks to the project.

Table 11: The Summary of Inherent Risks

Risks	Risk Assessment*	Risk-Mitigation Measures
1. Country-Specific Risks: <ul style="list-style-type: none"> Weak capacity of the government to properly allocate adequate and sustainable budget to support activities funded through the PFMRP Secretariat. Limited experience of line ministries in implementing major public finance reforms, particularly in successfully rolling out of FMIS. 	N	<ul style="list-style-type: none"> Adequate training is being provided and will continue to be provided, including on budget strategic plans, program budgets, information technology, especially in the proper use of the PFM and FMIS.
2. Entity-Specific Risks: <ul style="list-style-type: none"> Significant number of PFM reform activities with multi-stakeholder management. Potential dependency on contractual staff and consultants until FMIS is fully managed by regular staff. 	M	<ul style="list-style-type: none"> Strong Secretariat of PFM Reform Steering Committee will provide adequate support and reduce the variance in PFM reform efforts. The Secretariat will establish a clear change management and implementation plans to reduce dependence to contractual staff and consultants.
3. Project-Specific Risks <ul style="list-style-type: none"> Viability and sustainability of various PFM activities that will be supported by the project. 	M	<ul style="list-style-type: none"> Prepare detailed feasibility studies for each specific project and ensure the sense of belonging of the end users to take care of operating manual of each activity
Overall Inherent Risk	Moderate	
* H = High, S = Substantial, M = Moderate, N = Negligible or Low		

19. The control risks focus on financial management issues, including the executing and implementing entities, fund flow, staffing, accounting policies and procedures, internal audit, reporting and monitoring and information system, are summarized in Table 12.

Table 12: Summary of Financial Management Risks and Risk-Mitigation Measures

Risks	Risk Assessment*	Risk-Mitigation Measures
<p>1. Executing and Implementing Entity:</p> <ul style="list-style-type: none"> • Lack of familiarities of EA and IAs in managing both fund flow and project activities. 	M	<ul style="list-style-type: none"> • EA and IAs are staffed with seasoned bureaucrats, all of them with procurement experience in line departments or oversight agencies. • Training on financial management and procurement will be provided to EA and IAs staff within 2 months of project start-up. Additional support in these areas will continue to be provided by ADB Cambodia Resident Mission.
<p>2. Funds Flow:</p> <ul style="list-style-type: none"> • Potential delays in disbursements and replenishment since the Project will deal with about 10 participating agencies that may lack experience directly dealing with donor funded projects. • Uncertain availability of the regular government budget at national and state level to support the Project. 	S	<ul style="list-style-type: none"> • Intensive coordination between EA and IAs in procurement and disbursement processes including provision of training in financial management, disbursement and procurement procedures in line with ADB requirements. • Inclusion in the policy development letter to ensure regular budget allocation for the PFMRP and its Secretariat.
<p>3. Staffing</p> <ul style="list-style-type: none"> • Shortage of competent public sector bureaucrats in managing and overseeing the public sector reform agenda. 	M	<ul style="list-style-type: none"> • Adequate capacity building for staff of the General Secretariat of the PFM Reform Steering Committee and participating MEF agencies, participating line ministries, and the NAA will be provided under the project.
<p>4. Accounting Policies and Procedures:</p> <ul style="list-style-type: none"> • Unfamiliarity of involved EA and IAs staff in ADB's financial management guidelines and procedures. 	N	<ul style="list-style-type: none"> • EA and IAs staff will be trained on ADB's financial management guidelines and procedures, as per 1 above.
<p>5. Internal Audit:</p> <ul style="list-style-type: none"> • Inadequate internal control for fund flow from MEF to end users; and weak internal control especially within the participating line ministries. 	M	<ul style="list-style-type: none"> • Strengthening of internal audit by the TA loan within line ministries will assist in improving public financial management in those ministries.

Risks	Risk Assessment*	Risk-Mitigation Measures
6. External Audit <ul style="list-style-type: none"> Incomplete and late submission of audited project financial statements. 	M	<ul style="list-style-type: none"> The NAA will participate in capacity building to improve audit quality and number of audits completed each year.
7. Reporting and Monitoring: <ul style="list-style-type: none"> Incomplete and late submission of quarterly financial progress reports; and lack of project based financial figures in reports. Inconsistent reports on physical and financial performance of the project. 	M	<ul style="list-style-type: none"> ADB staff and consultants will train staff of the General Secretariat of the PFM Reform Steering Committee and implementing partners on accounts recording and preparation of financial reports. Project accounting policies and procedures will be formulated to provide guidance to staff; and Proper links between physical and financial progress will be prepared and updated regularly.
Overall Control Risk	M	

* H = High, S = Substantial, M = Moderate, N = Negligible or Low.

ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, MEF = Ministry of Economy and Finance, NAA = national audit authority, PFM RP = Public Financial Management Reform Program

Sources: The Government of Cambodia and Asian Development Bank.

C. Disbursement

20. The TA Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the Government and ADB.⁶ Online training for project staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

21. The government will establish a separate imprest account at the National Bank of Cambodia immediately after loan effectiveness, which will be managed by the General Secretariat of the PFM Reform Steering Committee, as the project coordination management unit (PCMU). The total outstanding advance to the imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for the forthcoming 6 months. The imprest account (and the subaccounts) is to be used exclusively for ADB's share of eligible expenditures. The PFM RP General Secretariat, which establishes the imprest account in its name, is accountable and responsible for proper use of advances to the imprest account including advances to any subaccounts. A separate sub-account will be established and operated for each IA.

22. For each output, the General Secretariat of the PFM Reform Steering Committee will disburse funds from the imprest account to the respective sub-accounts established for by each IA. The EA and IAs may arrange for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet setting out the estimated expenditures to be

⁶ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

financed through the account for the forthcoming six (6) months.⁷ Supporting documents should be submitted to ADB or retained by EA or IAs as appropriate in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time) when liquidating or replenishing the imprest account. The General Secretariat of PFM Reform Steering Committee will be responsible for (i) preparing disbursement projections for outputs 1 and 2; (ii) collecting supporting documents for all components; and (iii) preparing and sending withdrawal applications through MEF to ADB. The NAA will be responsible for preparing disbursement projection for output 3. A ceiling for each sub-account will be based on the estimated expenditure for the forthcoming six (6) months of project implementation.

23. The EA and IAs have sufficient past experience in administering ADB-funded project accounts, and disbursement arrangements have been satisfactory to ADB. The EA has been responsible for preparing the annual contract awards and disbursement projections. It will be responsible for: (i) requesting budgetary allocations for counterpart funds; (ii) preparation of withdrawal applications; and (iii) sending the withdrawal applications to ADB. EA and the IAs will be responsible for collecting supporting documents for the project expenditures incurred.

24. **Statement of Expenditures (SOE).** The SOE procedures will be used for reimbursement, liquidation and replenishment of the imprest account for eligible expenditures. SOE procedures will apply for eligible expenditures not exceeding equivalent of \$100,000 per individual payment. For payments exceeding \$100,000, full supporting documents will be required such as contractor's invoice claim or proof of payment to the contractors. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.⁸

25. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, equivalent. Individual payments below this amount should be paid by the EA or IAs and subsequently claimed from ADB (i) through reimbursement; or (ii) from the imprest and sub-account, unless otherwise accepted by ADB.

26. **The Government budget:** Separate account(s) will be established and maintained by funding source. The government will use the relevant disbursement and liquidation procedures for its funds.

D. Accounting and Reporting

27. The MEF will maintain separate project accounts and records by funding source for all expenditures incurred on the project. Project accounts will follow international accounting principles and practices. The EA and the IAs have sufficient past experience in administering ADB-funded project accounts, and disbursement arrangements have been satisfactory to ADB. EA has been responsible for preparing the annual contract awards and disbursement projections. It will be responsible in (i) requesting budgetary allocations for counterpart funds, (ii) preparation of withdrawal applications, and (iii) sending the withdrawal applications to ADB. EA

⁷ ADB. 2015. Loan Disbursement Handbook. 10B.

⁸ Forms for SOE procedures and formats are available in Appendix 9B of the Loan Disbursement Handbook.

and the IAs will be responsible for collecting supporting documents for the project expenditures incurred.

E. Auditing and Public Disclosure

28. The General Secretariat of the PFM Reform Steering Committee will cause the consolidated project financial statements to be audited in accordance with International Standards on Auditing or equivalent national standards adopted by the Government of Cambodia, by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the PFM RP.

29. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

30. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

31. The government, EA and IAs have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁹ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

32. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.¹⁰ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions will not be disclosed.¹¹

⁹ ADB's approach and procedures regarding delayed submission of audited project financial statements:

(i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

(ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.

(iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

¹⁰ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹¹ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

33. The MEF will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The government has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

VI. PROCUREMENT AND CONSULTING SERVICES

34. This section reflects the project's specific procurement and consulting services arrangements. Any procurement will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2015, as amended from time to time) and the engagement of all consultants will be undertaken in conformity with ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time).¹² All procurement for the project will follow procurement methods that are aligned with the Government's SOP (May 2012).¹³ Should there be any discrepancy between the national procedures and the ADB Guidelines, then ADB's Guidelines shall prevail.

35. Overall assessment of the project procurement risk was Medium, and the project is categorized as C. At country level, Cambodia's public procurement system presents moderate risks, based on results of a recent ADB procurement assessment. Since 2012, the government has begun to put policies and procedures in place to improve procurement governance. Specific for the Project, risks were identified as medium, but adequate mitigation measures, including good governance and internal control frameworks have been built in.

A. Advance Contracting

36. All advance contracting for output 1, 2 and 3 will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2015, as amended from time to time)¹⁴ and ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time).¹⁵ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, the MEF has been advised that approval of advance contracting does not commit ADB to finance the Project.

37. Advance procurement activities may be undertaken for the recruitment of consultants and procurement of goods in conformity with ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time) and ADB's *Procurement Guidelines* (April 2015, as amended from time to time). The issuance of Request for Proposals (RFP) for consulting services and invitations to bid and bidding document for procurement of goods under advance contracting required by the project will be subject to ADB approval. In accordance with the agreed project readiness filter for advance action, the SPFMP will prepare the bidding document and seek prior approval from ADB before issuing the bidding document after loan negotiation and ready for contract signing after the project is declared effective.

¹² No substantive procurement is anticipated under the program beyond consultant recruitment.

¹³ No substantive procurement is currently anticipated.

¹⁴ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹⁵ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

B. Procurement of Goods, Works and Consulting Services

38. No substantive procurement of goods or works is anticipated under the project. Consulting recruitment will be undertaken in accordance with ADB's *Guidelines on the use of Consultants by Asian Development Bank and its Borrower* (March 2013, as amended from time to time) and will be done by the SPFMP.

C. Procurement Plan

Basic Data

Project Name: Strengthening Public Financial Management Program	
Project Number:	Approval Number:
Country: The Kingdom of Cambodia	Executing Agency: Ministry of Economy and Finance supported by the General Secretariat of the PFM Reform Steering Committee
Project Procurement Classification: C	Implementing Agency: General Departments of MEF (IT, Budget/Department of Cooperation Debt Management, Internal Audit, and six ministries (MAFF, MOEYS, MOWRAM, MRD, MLVT, and MPWT).
Procurement Risk: Moderate	
Project Financing Amount: \$ 4.300 million ADB Financing: \$ 3.5 million Non-ADB Financing: \$ 0.80 million	Project Completion Date: 30 September 2019
Date of First Procurement Plan : 5 August 2016	Date of this Procurement Plan: 5 August 2016

D. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

39. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply:

Procurement of Goods and Works		
Method	Threshold	Comments
Not applicable. No substantive procurement envisaged		
Consulting Services		
Method	Comments	
Individual Consultant Selection		

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

40 The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months. (Not applicable as no substantive procurement of goods and works envisaged)

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior/Post/ Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
	Not Applicable						

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

41. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Consulting Services								
Package Number	General Description	Estimated Value USD	Number Contracts	Recruitment Method	Review (Prior / Post)	Advertise Date (quarter/year)	Type of Proposal	Comments
1	Public Sector Planning and Budget Specialist and Team Leader (International)	455,110	1	ICS	Prior	Q3/2016	NA	
2	Public Sector Financial Accounting Specialist (International)	369,380	1	ICS	Prior	Q3/2016	NA	
3	Internal Audit Specialist (International)	342,380	1	ICS	Prior	Q3/2016	NA	
4	FMS and Business Process Specialist (International)	224,380	1	ICS	Prior	Q3/2016	NA	
5	External Audit Specialist (International)	116,650	1	ICS	Prior	Q3/2016	NA	

LCS= least-cost selection; BTP = bio-data technical proposal

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

42. The following tables group smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments

Consulting Services								
Package Number	General Description	Estimated Value USD	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertise Date (quarter/year)	Type of Proposal	Comments
6	Project Coordinator (National)	87,005	1	ICS	Prior	Q3/2016	NA	
7	Public Sector Planning and Budget Specialist (National)	69,642	1	ICS	Prior	Q3/2016	NA	
8	Public Sector Planning and Budget Specialist (National)	69,642	1	ICS	Prior	Q3/2016	NA	
9	Public Sector Finance and Accounting	69,642	1	ICS	Prior	Q3/2016	NA	

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments

Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comment

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

Non-ADB Financing

45. The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments

Regulation and Reference Documents

46. The procedures to be followed for national competitive bidding shall be those set forth for the “National Competitive Bidding” method in the Government’s Procurement Manual issued under Sub-Decree Number 74 ANKR.BK (updated version dated 22 May 2012) with the clarifications and modifications described in the following paragraphs. These clarifications and modifications are required for compliance with the provisions of the Procurement Guidelines.

47. For the procurement of ADB financed contracts under National Competitive Bidding (NCB) procedures, the use of harmonized national bidding documents (NCB and National Shopping) developed in consultation with development partners including ADB, is mandatory except where the Government and ADB have agreed to amendments to any part of the documents. The Procurement Manual also advises users to check the ADB website from time to time for any update on ADB documents, which form the basis, among others, of the existing harmonized national bidding documents.

E. Consultant's Terms of Reference (Short Version)

48. The terms of reference for all consulting services are detailed below.¹⁶

General

49. At the request of and as approved by the government, the consultants, including the team leader, will be selected, engaged and administered by the government. All consultants will be recruited as individuals with no firm to be recruited for any position. The individual consultants will be selected in accordance with the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (2010 as amended from time to time) and other arrangements satisfactory to ADB. Consultants are to be selected individually justified by this being a loan and the government has expressed preference for individual selection. Government thinking includes: (a) diverse consulting skills needed; (b) faster recruitment; and (c) lower costs. For output 1, three national consultants will be recruited for a total of 72 consulting months and one international consultant will be recruited for a total of 2 consulting months. For output 2, six national consultants will be recruited for a total of 132 consulting months and 3 international consultants will be recruited for a total of 53 person-months. For output 3, one national consultant will be recruited for a total of 8 consulting months and one international consultants will be recruited for a total of 4 person-months. Overall, 10 national consultants will be appointed for a total of 212 consulting months and 6 international consultants will be recruited for a total of 59 person-months.

TOR for Output 1: Strengthened Policies and Systems for Expenditure and Revenue Management.

50. Under Output1 the TA will assist MEF to coordinate and manage the program and also assist different Departments in MEF (Steering Committee of the PFMRP; Department of Information and Communications Technology and the GDB/DCDM and the General Department of Internal Audit).to support implementation of the program at the central level of MEF. There are three activities under Output 1 as follows:

¹⁶ Short version TORs are provided for this version of the PAM. They will be updated prior to recruitment actions (or advance actions) being undertaken

- **Activity 1.1 Management and Coordination Support to the Steering Committee of the PFMRP** (1 national consultant to support program management and coordination, 1 national consultant will support procurement activity (as a procurement –assistant) and 1 national consultant to assist in program payments, accounting and financial management for 72 consulting months];
- **Activity 1.2 Support the General Department of Internal Audit** to complete the internal audit manual and to socialize it in 6 Ministries (see also 2.4 with one TOR to be prepared for appointment of consultancy work under 1.2 and 2.4; and
- **Activity 1.3 Support the General Department of Budget and Department of Cooperation and Debt Management** to prepare guidelines on contingent liabilities including Government Guarantees. (1 international consultant for 2 months).

51. Allowing for treatment of the international external audit specialist under output 2 there are three consultants to be appointed under Output 1, two national consultants and one international consultant. The TORs for these three positions are as follows:

Individual International Consultants (1) for 2 Person Months under Output 1

Activity 1.3 Terms of Reference – International Public Debt Management Specialist (2 person-months)

52. The Public Debt Management (PDM) Specialist will be a public debt specialist with a macroeconomic and PDM background (preferably in fiscal and debt management issues) with high-level academic qualifications (at least master’s degree) in economics, public finance, commerce or another related field. The PDM Specialist should have significant experience in managing public debt in developing economies, preferably those countries comparable to Cambodia. Experience in the preparation of guidelines or manuals in relation to contingent liabilities and government guarantees (particularly in the context of public, private partnerships) would be highly regarded as the specialist will be required to work closely with the Department of Cooperation and Debt Management in the Ministry of Economy and Finance to support preparation of these guidelines. The specialist should be sensitive to the cultural and political economy context of Cambodia. Previous experience in Cambodia would be beneficial. Specific tasks will include the following:

- Review all existing instructions, guidelines and related instruments regarding contingent liabilities and guarantees, including in relation to PPPs;
- Consult widely in MEF, line Ministries and the National Bank of Cambodia as to the nature and effectiveness of existing instruments regarding the approval of Government Guarantees/Contingent liabilities;
- Prepare in draft new guidelines regarding contingent liabilities and guarantees, including in relation to PPPs;
- Consult widely on the draft guidelines;
- Based on feedback received assist MEF to finalize the instructions;
- Provide training in the use of the guidelines; and
- Provide reports and other inputs in the debt management area as requested by the team leader.

Individual National Consultants (3) for 72 Person Months under Output 1

Activity 1.1.1 Terms of Reference – National Program Coordinator (30 person months)

53. The National Program Coordinator will be required to have a university degree in management, accounting, economics or a related field and will have a minimum of 8 years' experience of working in program or project management or related consulting assignments in Cambodia. The Coordinator will have strong knowledge of project or program coordination and management techniques and the ability to operate proactively in the management and monitoring of program components. Experience working in the public finance management field in Cambodia will be well regarded. The specialist will possess effective interpersonal and communication skills and will be responsible for working closely with the Steering Committee of the Public Finance Management Reform Program in MEF in managing and coordinating a large program of budget support financing and technical assistance that will operate in 3 Departments in MEF and will also involve 6 other line Ministries and the NAA. Specific tasks will include the following:

- Support the TA Team Leader, MEF, and PFMRP General Secretariat to coordinate and manage all program and TA activities;
- Prepare 3 yearly, yearly and quarterly work plans for coordinating work of the program;
- Coordinate the work of all the TA loan implementing agencies to ensure that all planned TA work in each IA is prepared and implemented on time;
- Assist in the recruitment, appointment and deployment of TA loan funded consultants;
- Monitor and evaluate TA loan performance including specific TA components managed by EAs and IAs;
- Assist with TA procurement;
- Assist the TA Team Leader with all required reporting to ADB and MEF;
- Manage the work of and supervise the national program assistant accountant; and
- Undertake other activities as directed by the TA Team Leader.

Activity 1.1.2 Terms of Reference – Assistant Program Accountant (National, 30 person months)

54. The National Program Accountant will be required to have a university degree in accounting, economics, finance or a related field and will have a minimum of 8 years' experience of working in the accounting and financial management of development partner programs or projects or in related consulting or financial management assignments in Cambodia. The accountant will have strong knowledge of project and program accounting and financial management techniques and the ability to operate proactively in the financial management and financial monitoring of program components. Experience working in the public finance management or a similar field in Cambodia will be well regarded. The accountant will possess effective interpersonal and communication skills and will be responsible for working closely with accounting and administrative staff in the Steering Committee of the Public Finance Management Reform Program in MEF in managing the finances and accounts of a large program of budget support financing and technical assistance that operates in 3 Departments in MEF and also involves 6 other line Ministries and the NAA. Specific tasks will include the following:

- Under guidance and supervision of the National Program Coordinator, support the TA Team Leader, MEF, and the PFMRP General Secretariat to manage all financial matters related to the program and TA activities;
- Assist to prepare 3 yearly, yearly and quarterly budgets and cash flow forecasts for managing work of the program;
- Work closely with all TA loan implementing agencies on financial matters to ensure that all planned TA spending in each IA is prepared and implemented on time;
- Assist in the recruitment, appointment and deployment of TA loan consultants;
- Assist to establish, manage and report on TA loan imprest account(s);
- Assist with TA procurement;
- Manage payment orders and make recommendations for payments to designated authorizing officer(s);
- Reconcile the imprest accounts and prepare regular financial reports;
- Assist the national program assistant administration officer to monitor and evaluate TA loan performance including specific TA components managed by EAs and IAs;
- Assist the TA Team Leader with financial reporting to ADB and MEF; and
- Undertake other activities as directed by the national program coordinator and the TA Team Leader.

Activity 1.1.3 Terms of Reference –Program Procurement Assistant (national, 12 person months)

55. The Procurement Assistant will have at least a bachelor's degree in management or related fields with at least five years project experience. The assignment will require substantial knowledge and understanding of procurement in Cambodia, preferably with the administration of ADB-financed projects along with good skills in communicating in English, and will be responsible for working closely with accounting and administrative staff in the Steering Committee of the Public Finance Management Reform Program in the MEF in managing the procurement activity of a large program of budget support financing and technical assistance that operates in 3 Departments in MEF and also involves 6 other line Ministries and the National Audit Authority. Specific tasks will include the following:

- Assist preparing a procurement plan mainly covering recruitment of consulting services, and minor procurement for TA management and training/workshops, in consultation with ADB and EA and IAs;
- Assist in setting up a suitable procurement and contract management system with procurement arrangements, procedures, and guidelines and standards, particularly for consultant recruitment, acceptable to ADB;
- Facilitate and undertake training sessions to the governments' staff on the procurement arrangements, contract management, and ADB's procurement guidelines and procedures, particularly for consultant recruitment;
- Assist in establishing procurement that follows ADB procedures and ensure that submission of supporting documents is accurate and on time;
- Assist and prepare the terms of reference and cost estimates for recruitment of individual consultants, review recruitment proposals and assist in contract negotiations;

- Provide support in packaging procurement based on technical specifications/descriptions of office furniture, materials and equipment for project implementation; and
- Prepare evaluation criteria for the procurement, help prepare the advertisements and bid documents for the review of MEF and ADB; and assist evaluate bids, particularly in relation to consultant recruitment.
- Undertake other activities as directed by the national program coordinator and / or the TA Team Leader.

TOR for Output 2: Improved Capacity of Selected Line Ministries to Implement Budgeting and Expenditure Management Reforms.

56. Under Output 2, the TA will assist 6 line ministries (Ministries of Agriculture Forestry and Fisheries; Labor and Vocational Training; Public Works and Transport; Education and Youth Affairs; Rural Development; and Water Resources and Meteorology) to improve their management of budgeting, accounting, financial management and internal audit so as to support implementation of the program at the devolved level of line Ministries. There are four activities under Output 2 as follows:

- Activity 2.1 Provide support to six line ministries in the development and strengthening of budget entities, strategic business plans; and program budgeting. (1 international consultant for 16 months and 2 domestic consultant for 24 months each or 48 months in total) – with each domestic consultant to cover 3 Ministries each);
- Activity 2.2 Provide support to six line ministries in the development and strengthening of budget entities, accounting and financial management (1 international consultant for 13 months and 2 domestic consultant for 24 months each or 48 months in total);
- Activity 2.3 Provide support to the ITC Department in MEF and 6 line ministries to prepare six line ministries for the rollout of FMIS phase 2 (1 international FMIS and Business Process consultant for 12 months; 1 national FMIS and Business Process consultant for 12 months; and 1 domestic ICT consultant for 12 months); and
- Activity 2.4 Provide support to the General Department of Internal Audit in MEF to prepare an internal audit manual ¹⁷ and to the Internal Audit Departments of 6 Line Ministries to assist in the strengthening of their Departments (1 international consultant for 12 months and 1 domestic consultant for 24 months).

Individual International Consultants (4) for 53 Person Months under Output 2

Activity 2.1 Terms of Reference – Public Sector Planning and Budget Specialist and Team Leader (16 person months)

57. The Public Sector Planning and Budget Specialist and Team Leader will possess an advanced university degree (Masters or equivalent) in Economics, Public Sector Finance, Commerce or a closely related discipline and have a minimum of 15 years' experience in budget systems and operational management and reforms including budget laws, ministry strategic

¹⁷ Refer also to activity 1.2 whereby activities 1.2 and 2.4 are to be treated as one consolidated TOR for the international internal audit specialist with the consolidated TOR presented here only under output 2.

planning, budget planning and formulation, program and policy based budgeting, MTEF and intergovernmental fiscal relationships. Experience at line ministry level or in the MEF and with one or more of the sector ministries to be supported will be highly regarded. At least 10 years' experience in developing countries is required, preferably in the Asian region. Previous experience in Cambodia will be highly regarded. The specialist should be sensitive to the cultural and political economy context of Cambodia. The specialist will function as the team leader for the team of consultants engaged under all three TA outputs and covering all TA activities and outputs. The Team Leader will assume responsibilities for overall coordination with the PFM Steering Group and Secretariat in MEF; and through IAs in six line Ministries (Ministries of Agriculture Forestry and Fisheries; Labor and Vocational Education; Public Works and Transport; Education and Youth Affairs; Rural Development; and Water Resources and Meteorology) and to IAs in the Department of ITC and to the General Department of Internal Audit in MEF. As Team Leader, the specialist will possess effective interpersonal and communication skills and will be responsible for all activities under the TA loan, including coordinating the outputs of the other international and domestic experts and ensuring timely delivery of all outputs in coordination with the RGC counterparts, including meeting reporting requirements to the RGC and the ADB. Specific tasks will include the following:

- Advise and assist the six appointed Ministries to prepare and publish three year rolling budget strategic plans (BSP) and their annual budgets in full program budgeting formats and with unification of recurrent and capital budgets;
- Assist appointed Ministries to prepare and publish annual financial and performance reports (especially in relation to budget matters);
- Provide on the job support and training in MEF and to the selected 6 Ministries to counterparts in relation to budget entity management; strategic business plans and program budgeting and unified budgeting;
- Coordinate support with budgeting, planning and finance departments and budget entities in the selected 6 ministries to strengthen program-based budgeting processes, and ensure there is proper coordination in the preparation of full program budgets;
- As required by them assist MEF to prepare an MEF Financial Management Manual (particularly planning and budget related matters) and to prepare training background materials, update manuals, and guidance notes, and prepare new manuals and guidance where needed;
- Assist in adaptation of the MEF Financial Management Manual to Ministry specific manuals (for the six Ministries being supported); particularly for budget related matters;
- Facilitate training in budget matters through EFI and other suitable institutions;
- Provide support and training to Provincial Departments of all six line Ministries and MEF provincial departments and assist in coordinating and harmonizing approval and management of headquarters and provincial budgets;
- Assist in the coordination of budget related matters between MEF and the line Ministries supported;
- Undertake other PFM and budget related tasks as required by the Project Manager and ADB;
- Closely coordinate and manage the work of the two national planning and budgeting specialists; and
- Undertake duties of Team Leader in coordinating and managing work planning, outputs and reporting of all consultants appointed under the TA loan.

Activity 2.2 Terms of Reference – Public Sector Finance and Accounting Specialist (13 person months)

58. The Public Sector Finance and Accounting Specialist should possess advanced qualifications, preferably at least at Master's Degree (or senior professional) level in Accountancy, Finance, Commerce or Public Sector Accounting, with a minimum of 15 years of experience of public sector accounting, budget systems, financial management reporting, including experience with the rollout and utilization of Financial Management Information Systems (FMIS). The specialist should have direct experience of PFM and accounting reforms in developing countries, with significant experience of public sector accounting principles and standards, integrated financial management information systems (FMIS) and business processes, FMIS applications and systems training; and FMIS transition management. The specialist should have demonstrated experiences of capacity building and training for accountants and possess strong inter- personnel skills and experience of change management. The specialist should be sensitive to the cultural and political economy context of Cambodia. Prior experience working in public sector finance and accounting in Cambodia would be well regarded. Specific tasks will include the following:

59. Assist selected Ministries in budget execution, cash management and payments processes through training and mentoring in preparing and managing cash forecasting, expenditure commitment controls and for increased use of the banking system for government revenue and expenditure transaction processing:

- Assist selected Ministries to prepare and publish quality quarterly and annual financial and performance reports (particularly the financial statements);
- Assist the selected ministries to implement financial and accounting aspects of new charts of account, budget classifications, program budgeting; and unified capital and recurrent budgeting, accounting and reporting;
- Work closely with FMIS and ICT specialists to be appointed under the TA loan to undertake business process and change management studies and to strengthen level of understanding, ownership, engagement and capacity for FMIS implementation in selected Ministries;
- Provide on the job support and training to counterparts in selected ministries in relation to budget entity management; accounting; financial management and reporting;
- As required by them assist MEF to prepare the MEF Financial Management Manual (particularly for accounting and financial management related matters);
- Assist in adaptation of the MEF's Financial Management Manual to Ministry specific manuals in the six ministries being supported (particularly for accounting and financial management matters);
- Facilitate training in accounting and financial management matters through EFI and other suitable institutions particularly for the selected Ministries;
- Provide support and training in accounting and finance to Provincial Departments of all six Ministries covered;
- Assist in the coordination of accounting and finance related matters between MEF and the line Ministries supported;
- Closely coordinate and manage the work of the two national finance and accounting specialists;
- Undertake other PFM and accounting / finance related tasks as directed by the TA Team Leader; and

- Prepare reports as required on all accounting and finance activities undertaken to be included in the inception, mid-term, final, and quarterly progress reports to be prepared under coordination of the Team Leader

Activity 2.3 - Terms of Reference – FMIS and Business Process Specialist – 12 person months

60. The FMIS and Business Process Specialist should possess advanced qualifications, preferably at least at Master's Degree (or senior professional) level in Accountancy, Business, Commerce, Business Processes; Management and Change Management; or Information and Communications Technology. The Specialist should have a minimum of 15 years of experience undertaking detailed preparations for the rolling out of complex Financial Management Information Systems (FMIS). The specialist should have direct experience of PFM, accounting and FMIS reforms, particularly reforms in developing countries, with significant experience of undertaking business process re-engineering and change management studies. They should have extensive experience working with FMIS applications; FMIS transition management and with working closely with Government officials to provide detailed documentation (including flow charts) of existing business processes and for re-engineered processes including change management planning and implementation. The specialist should have demonstrated experiences of capacity building and training for financial and other managers and possess strong inter- personnel skills and experience of change management. The specialist should be sensitive to the cultural and political economy context of Cambodia. Prior experience working in FMIS design and implementation planning in Cambodia would be well regarded. Specific tasks will include the following:

- Consult widely with the MEF's ICT Department and all 6 selected ministries to assess business process, change management; and ICT needs and readiness for the FMIS rollout to line Ministries;
- Undertake a business process and re-engineering study in all 6 Ministries and prepare a report for each Ministry;
- Undertake a change management study in all 6 Ministries and prepare a report for each, recommending business process and organizational changes;
- Supervise and work closely with FMIS and ICT specialists to be appointed under the TA loan to support preparation of the planned ICT, business process and change management studies and to strengthen levels of understanding, ownership, engagement and capacity for FMIS implementation in selected Ministries;
- Provide support to the proposed ICT study in all 6 Ministries and assist the ICT specialist to prepare a report for each, documenting current ICT systems and capacities and providing a plan for future ICT development;
- Provide general advisory support to each ministry to assist in their preparation for receiving the FMIS;
- Undertake training to prepare officials for the rollout;
- As required by them provide policy and planning support to the ICT Department in MEF;
- Undertake other FMIS implementation tasks as requested by the TA Team Leader; and
- Prepare reports as required on all FMIS, business process and change management activities undertaken to be included in the inception, mid-term, final, and quarterly progress reports to be prepared under coordination of the Team Leader

Activity 2.4 Terms of Reference - Internal Audit Specialist to Assist MEF to Prepare an Internal Audit Manual and Support Six line Ministries to Strengthen their Internal Audit Function (12 person-months)

61. The Internal Audit Specialist will be required to have an advanced university degree in accounting, audit, business administration, commerce or a related field; or professional accounting, auditing or related qualifications (CA, CPA, CIA, CISA, CFE) and will have a minimum of 15 years' experience of working in the area of public sector internal audit and the design and implementation of public sector internal audit reforms in the developing world. The specialist must have demonstrated competence in INTOSAI Auditing Standards and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) or similar recognized authority. The adviser will have strong knowledge of public sector internal auditing standards and practices; internal audit tools and techniques. Experience in the development of internal audit manuals for the public sector will be well regarded. The specialist should be sensitive to the cultural and political economy context of Cambodia. Prior work in the internal audit function in Cambodia would be highly valued. The specialist will possess effective interpersonal and communication skills and will be responsible for working closely with the Ministry of Economy and Finance (MEF) and six line Ministries in strengthening the internal audit function in the six line Ministries. Specific tasks will include the following:

- Review all existing internal audit instructions, guidelines and related instruments both in MEF and the selected line ministries;
- Consult widely in MEF, line Ministries and NAA as to the nature and usability of existing internal audit instruments to assess needs for internal audit strengthening. Prepare an updated capacity assessment report;
- Prepare in draft a new internal audit manual suitable for MEF and all line ministry internal audit units, including coverage of financial, compliance; ICT and performance based internal audits;
- Consult widely on the draft internal audit manual;
- Based on feedback received assist MEF to finalize the manual;
- Utilize the new internal audit manual and the needs assessment to plan for and provide comprehensive training and capacity building in 6 line Ministries;
- Adapt the manual for use in the selected line Ministries bearing in mind specific ministry circumstances as required; and
- Undertake other internal audit related tasks as requested by the TA Team Leader.

Individual National Consultants (6) for 132 Person Months under Output 2

Activity 2.1.1 Terms of Reference – National Public Sector Planning and Budget Specialist (2 positions of 24 months each or 48 person-months in total) ¹⁸

62. The national Public Sector Planning and Budget Specialist will possess a university degree in Economics, Public Sector Finance, Commerce or a closely related discipline and have a minimum of 7 years' experience in budget systems and operational management and reforms,

¹⁸ The TOR of the two national planning and budget specialists are identical with the exception that each will be responsible for work in 3 Ministries. One will work with: Ministries of Agriculture Forestry and Fisheries; Rural Development; and Water Resources and Meteorology - while the other will work with the Ministries of: Labor and Vocational Training; Public Works and Transport; Education and Youth Affairs. As a result only one common TOR is presented here for both positions.

including budget laws, ministry strategic planning, budget planning and formulation, program and policy based budgeting, MTEF and intergovernmental fiscal relationships. Experience at line ministry level in one or more of the 6 sector ministries to be supported will be highly regarded. Each of the two specialists to be appointed will focus his/her support on 3 of the 6 ministries selected for support under the TA loan. Specific tasks, all of which will be undertaken under direction and supervision of the international Public Sector Planning and Budget Specialist (and Team Leader) will include the following:

- Advise and assist the appointed Ministries to prepare and publish three year rolling budget strategic plans (BSP) and their annual budgets in full program budgeting formats and with unification of recurrent and capital budgets;
- Assist appointed Ministries to prepare and publish annual financial and performance reports (especially in relation to budget matters);
- Provide on the job support and training in MEF and to the selected Ministries to counterparts in relation to budget entity management; strategic business plans and program budgeting and unified budgeting;
- Coordinate support with budget, planning and finance departments and budget entities in the selected ministries to strengthen program-based budgeting processes, and ensure there is proper coordination in the preparation of full program budgets;
- As required by them assist MEF to prepare the MEF Financial Management Manual (particularly planning and budget related matters) and to prepare training background materials, update manuals, and guidance notes, and prepare new manuals and guidance where needed;
- Assist in adaptation of the MEF Financial Management Manual to Ministry specific manuals (for the Ministries being supported); particularly for budget related matters;
- Facilitate training in budget matters through EFI and other suitable institutions;
- Provide support and training to Provincial Departments of all selected line ministries and MEF provincial departments and assist in coordinating and harmonizing approval and management of headquarters and provincial budgets;
- Assist in the coordination of budget related matters between MEF and the line Ministries supported;
- Undertake other PFM and budget related tasks as required by the Team Leader; and
- Support duties of the Team Leader in coordinating and managing work planning, outputs and reporting for the TA loan, especially at times when the Team Leader is not in Cambodia.

Activity 2.2.1 Terms of Reference – National Public Sector Finance and Accounting Specialist (2 positions of 24 months each or 48 person-months in total) ¹⁹

63. The Public Sector Finance and Accounting Specialist should possess a degree or equivalent professional level qualifications in Accountancy, Finance, Commerce or Public Sector Accounting, with a minimum of 7 years of experience of public sector accounting, budget systems, financial management reporting with significant experience of public sector accounting principles and standards, integrated financial management information systems (FMIS) and

¹⁹ The TOR of the two national public sector planning and financial specialists are identical with the exception that each will be responsible for work in 3 Ministries. One will work with Ministries of Agriculture Forestry and Fisheries; Rural Development; and Water Resources and Meteorology - while the other will work with the Ministries of Labor and Vocational Training; Public Works and Transport; Education and Youth Affairs. As a result only one common TOR is presented here for both positions.

business processes, FMIS applications and systems training; and FMIS transition management. The specialist should have demonstrated experiences of capacity building and training for accountants and possess strong inter- personnel skills and experience of change management. Experience at line ministry level in one or more of the 6 sector ministries to be supported will be highly regarded. Each of the two specialists to be appointed will focus his / her support on 3 of the 6 ministries selected for support under the TA loan. Specific tasks, all of which will be undertaken under direction and supervision of the international Public Sector Finance and Accounting Specialist will include the following:

- Assist selected Ministries in budget execution, cash management and payments processes through training/mentoring in preparing and managing cash forecasting, expenditure commitment controls and for increased use of the banking system for government revenue and expenditure transaction processing;
- Assist selected Ministries to prepare and publish quality quarterly and annual financial and performance reports (particularly the financial statements);
- Assist the selected ministries to implement financial and accounting aspects of new charts of account, budget classifications, program budgeting; and unified capital and recurrent budgeting, accounting and reporting;
- Work closely with FMIS and ICT specialists to be appointed under the TA loan to undertake business process and change management studies and to strengthen level of understanding, ownership, engagement and capacity for FMIS implementation in selected Ministries;
- Provide on the job support and training to counterparts in selected ministries in relation to budget entity management; accounting; financial management and reporting;
- As required by them assist MEF to prepare the MEF Financial Management Manual (particularly for accounting and financial management related matters);
- Assist in adaptation of the MEF Financial Management Manual to Ministry specific manuals in the ministries being supported (particularly for accounting and financial management matters);
- Facilitate training in accounting and financial management matters through EFI and other suitable institutions particularly for the selected Ministries;
- Provide support and training in accounting and finance to Provincial Departments of all Ministries covered;
- Assist in the coordination of accounting and finance related matters between MEF and the line Ministries supported;
- Undertake other PFM and accounting and finance related tasks as directed by the TA Team Leader; and
- Assist to prepare reports as required on all accounting and finance activities undertaken to be included in the inception, mid-term, final, and quarterly progress reports to be prepared under coordination of the Team Leader

Activity 2.3.1 - Terms of Reference – National FMIS and Business Process Specialist – 12 person-months

64. The National FMIS and Business Process Specialist should possess qualifications at Degree (or senior professional) level in Accountancy, Business, Commerce, Business Processes; Management and Change Management; or Information and Communications Technology. The Specialist should have a minimum of 8 years of experience undertaking

preparations for the rolling out of complex Financial Management Information Systems (FMIS). The specialist should have direct experience of PFM, accounting and FMIS particularly reforms in developing countries, with significant experience of undertaking business process and business process re-engineering studies and change management studies. They should have extensive experience working with FMIS applications; FMIS transition management and with working closely with Government officials to provide detailed documentation (including flow charts) of existing business processes and for re-engineered processes including change management arrangements. The specialist should have experiences of capacity building and training for FMIS, financial and other managers and possess strong inter-personnel skills and experience of change management. The national specialist will work under supervision of and report to the international FMIS and Business Process Specialist. Specific tasks to be addressed and supported under this supervision will include the following:

- Support to consulting widely with the ICT Department of MEF and all 6 selected ministries to assess business process, change management; and ICT needs and readiness for the FMIS rollout to line Ministries;
- Support the undertaking of a business process and re-engineering study in all 6 Ministries and prepare a report for each Ministry;
- Support the planned change management study in all 6 Ministries and prepare a report for each recommending business process and organizational changes;
- Work closely with international FMIS and national ICT specialists to be appointed under the TA loan to support preparation of the planned ICT, business process and change management studies and to strengthen levels of understanding, ownership, engagement and capacity for FMIS implementation in selected Ministries;
- Provide support to the proposed ICT study in all 6 Ministries and assist the ICT specialist to prepare a report for each documenting current ICT systems and capacities and providing a plan for future ICT development;
- Provide general advisory support to each ministry to assist in their preparation for receiving the FMIS;
- Undertake training to prepare officials for the rollout;
- As required by them assist to provide policy and planning support to the ICT Department in MEF;
- Undertake other FMIS implementation tasks as requested by the international FMIS and Business Process Specialist and the TA Team Leader; and
- Provide input for reports as required on all FMIS, business process and change management activities undertaken to be included in the inception, mid-term, final, and quarterly progress reports to be prepared under coordination of the Team Leader.

Activity 2.4.1 Terms of Reference – National Internal Audit Specialist to Assist MEF to Prepare an Internal Audit Manual and Support Six Line Ministries to Strengthen their Internal Audit Functions (24 person-months)

65. The Internal Audit Specialist will be required to have a university degree in accounting, audit, business administration, commerce or a related field; or professional accounting, auditing or related qualifications (CA, CPA, CIA, CISA, CFE) and will have a minimum of 8 years' experience of working in the area of public sector internal audit and the design and implementation of public sector internal audit reforms in the developing world. The specialist must have a sound knowledge of INTOSAI Auditing Standards and International Standards for

the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) or similar recognized authority. The expert will have strong knowledge of public sector internal auditing standards and practices; internal audit tools and techniques. Experience in the development of internal audit manuals for the public sector will be well regarded. Prior work in the internal audit function in Cambodia would be highly valued. The specialist will possess effective interpersonal and communication skills and will be responsible for working closely with MEF and six line Ministries in strengthening the internal audit function in the six line Ministries. The internal audit specialist will be supervised by and report to the international internal audit specialist. Specific tasks will include the following:

- Provide support to a review of all existing internal audit instructions, guidelines and related instruments both in MEF and the selected line ministries;
- Assist to consult widely in MEF, line Ministries and NAA as to the nature and usability of existing internal audit instruments to assess needs for internal audit strengthening. Assist to prepare an updated capacity assessment report;
- Assist to prepare in draft a new internal audit manual suitable for MEF and all line ministry internal audit units, including coverage of financial, compliance; ICT and performance based internal audits;
- Assist to consult widely on the draft internal audit manual;
- Based on feedback received assist MEF and the international internal audit consultant to finalize the manual;
- Assist to utilize the new internal audit manual and the needs assessment to plan for and provide comprehensive training and capacity building in 6 line Ministries;
- If found suitable / necessary assist to adapt the manual for use in the selected line Ministries bearing in mind specific ministry circumstances;
- Assist to undertake other internal audit related tasks as requested by the international internal audit specialist and the TA Team Leader; and
- Assist to prepare quarterly and annual reports in relation to program work on internal audit.

TOR for Output 3: Improved Capacity of External Audit Function

66. Under Output 3 the TA loan will assist the National Audit Authority to improve regulatory and institutional arrangements in their management of the external audit function so as to improve the credibility of PFM in line Departments. There will be one TA activity under output 3 as follows:

- Activity 3.1: Support the National Audit Authority to update the Audit Guidelines and to complete an audit manual for district level audits and to support conducting of the audits in 10 districts (1 international consultant for 4 months and 1 domestic consultant for 8 months).

Individual International Consultant (1) for 4 Person Months under Output 3

Activity 3.1 – TOR for International External Audit Specialist – 4 person months

67. The international external audit specialist will be required to have an advanced university degree in accounting, audit, business administration, commerce or related field; or professional accounting, auditing or related designation (CA, CPA, CIA, CISA, CFE) and will have a minimum of 15 years' experience of working in government audit, preferably in one of

the Supreme Audit institutions of an INTOSAI and ASSOSAI member country. The specialist will have strong knowledge of general auditing standards and practices; audit tools and techniques, and will have extensive working experience in designing and implementing capacity development and audit training programs for the national supreme audit institutions in the region. The specialist must have demonstrated competence in INTOSAI Auditing Standards and ASOSAI Performance Auditing Standards and Implementation Guidelines and preferably competence in International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). Prior experience in the preparation of audit manuals, guidelines and plans would be preferred. The specialist should be sensitive to the cultural and political economy context of Cambodia and have demonstrated skills in building capacities of counterpart staff. Prior work experience in Cambodia would be an advantage. Specific responsibilities will be:

- To review all existing external audit instructions, guidelines and related instruments;
- Consult widely in NAA, MEF, selected line ministries and selected districts as to the nature and usability of existing external audit guidelines used centrally for line ministries and agencies and current approaches to auditing at subnational levels (particularly district levels);
- Prepare in draft revised external audit guidelines suitable for use at central level by NAA;
- Prepare in draft a new manual for audits at district levels;
- Consult widely on the draft revised national level audit guidelines and the draft manual for district level audits;
- Based on feedback received assist NAA to finalize the revised national guidelines and the draft manual for district level audits;
- Support the NAA to trial the new manual for district level audits by working with them to complete at least two district level audits;
- Supervise the work of the national external audit adviser who will support delivery of all outputs for the external audit component;
- Prepare reports as required on external audit activities of the TA to support quarterly and annual reporting by the TA Team Leader; and
- Undertake other external audit related tasks as requested by the TA Team Leader.

Activity 3.1 – TOR for National External Audit Specialist – 8 person months

68. The national external audit specialist will be required to have a university degree in accounting, audit, business administration, commerce or related field; or professional accounting, auditing or related designation (CA, CPA, CIA, CISA, CFE) and will have a minimum of 8 years' experience of working in government or closely related areas of external audit in Cambodia. The specialist will have knowledge of general auditing standards and practices; audit tools and techniques and will have extensive working experience in designing and implementing capacity development. The specialist will preferably have knowledge and competence in INTOSAI Auditing Standards and ASOSAI Performance Auditing Standards and Implementation Guidelines. Prior experience in the preparation of audit manuals, guidelines and plans would be an advantage. The specialist should have skills in building capacities of counterpart staff in Cambodian institutions. The national expert will work closely with and under supervision of the international external audit expert. Specific responsibilities will be:

- To support a review all existing external audit instructions, guidelines and related instruments;

- To assist to consult widely in NAA, MEF, selected line ministries and selected districts as to the nature and usability of existing external audit guidelines used centrally for line ministries and agencies and current approaches to auditing at subnational levels (particularly district levels);
- To assist prepare in draft revised external audit guidelines suitable for use at central level by NAA;
- To assist prepare in draft a new manual for audits at district levels;
- To assist to consult widely on the draft revised national level audit guidelines and the draft manual for district level audits;
- Based on feedback received assist NAA to finalize the revised national guidelines and the draft manual for district level audits;
- Support the NAA to trial the new manual for district level audits by working with them and the international external audit specialist to complete at least two district level audits;
- To support work of the international external audit specialist who will support delivery of all outputs for the external audit component;
- Assist to prepare reports as required on external audit activities of the TA to support quarterly and annual reporting by the TA Team Leader; and
- Undertake other external audit related tasks as requested by the international external audit specialist and the TA Team Leader.

VII. SAFEGUARDS

69. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS (2009). There will be no land acquisition associated to the implementation of projects under the program. Since the program is categorized C for all safeguards, no safeguards documents are required to be disclosed on ADB's website.

VIII. GENDER AND SOCIAL DIMENSIONS

70. The PFMRP CAP3 point 32.1 includes the following recommendation: "Highlight the poverty reduction and gender issues in PB and BSP". The project should include capacity development for MEF and line ministry (LM) in how to achieve the above, perhaps as part of developing guidelines and building capacity for developing BSP and PBs in LMs that are based on poverty and gender responsive sector analysis, reflect poverty reduction and gender targets, as articulated in the Social Protection Policy Framework (MEF, forthcoming May 2016), Ministry of Women's Affairs' (MOWA) 5 Year Strategic Plan 2014-2018 (Neary Rattanak IV), and each LM's Gender Mainstreaming Action Plan (GMAP). The LM budget planning process should also feature timely adequate and inclusive public consultation with relevant stakeholders including civil society sector specialists.

71. Specific direct poverty reduction transmission mechanisms within SPFMR for poverty reduction include increasing resource envelope within relevant LMs for social assistance (MEF is leading the coordination on the Social Protection Policy Framework, which includes within the Social Assistance cluster: using the application of ID Poor in targeting sector specific social assistance and subsidized social services such as stipends and scholarships for poor and vulnerable groups with quota for women/girls in education (MOEYS) and TVET (MLVT), school feeding programs (MOEYS) as well as other forms of cash transfers and support to vulnerable

groups such as pregnant women and their children, disabled, and elderly (MOSALVY). The ILO are working with MEF to cost various Social Assistance packages.

72. In terms of mainstreaming gender, the LM budgeting planning process should be guided by the national gender policy framework: the MOWA 5 year strategic plan (Neary Ratanak IV), policy matrix includes a recommendation to ensure that LMs receive national budget for gender mainstreaming through the PFMRP by integrating sector specific gender policy recommendations from the Neary Ratanak IV in annual action plans and budgets, and integrate the GMAPs into LMs' strategic plans and budgets. The project can play an important role in mainstreaming gender in the BSPs and program budgets that also include the poor, marginalized and vulnerable groups. The NGO Forum, as an observer to the TWG for the PFMRP TWG, can facilitate the CSO inputs in upstream consultations and support CSO capacity for engaging in the budgeting process of the sector ministries.

IX. PERFORMANCE MONITORING, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

73. The following is the overall program design and monitoring framework. The General Secretariat of the PFM Reform Steering Committee will only be responsible for the operation of the SPFMP including all investment activities funded by the Project.

DESIGN AND MONITORING FRAMEWORK

Impacts the Program is Aligned with.			
Effective and efficient public resource delivery and inclusive growth (Pubic Financial Management Reform Program (PFMRP) 2005–2025). ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome The efficiency, effectiveness, and accountability of public expenditure and revenue management enhanced.	By 2020 Improvement in PEFA assessment ratings of the following key summary PFM areas: (i) Budget credibility: from C+ (2015) to B. (ii) Budget policy linkages: from C+ (2015) to B. (iii) Financial accountability: from C (2015) to C+. (iv) External audit: from D+ (2010) to C.	2015 and 2020 PEFA reports	Commune and National elections in 2017 and 2018 could slow reform efforts. External shocks weaken growth and fiscal outcomes, hampering reforms.
Outputs 1. Policy and regulatory framework for expenditure and revenue management strengthened.	Subprogram 1 (by 30 June 2016) 1a. Consolidated action plan of stage 3 (budget-policy linkages) of PFMRP for 2016-2020 approved (2013 baseline: N/A). 1b. Medium-term revenue mobilization strategy 2014-2018 adopted and implemented targeting revenue growing on average of 0.5% of GDP annually (2013 baseline: N/A).	1a-1i. MEF annual progress reports	Internal controls and internal audit remain weak. Weak internal and external reporting lessens the transparency and integrity of the PFM system.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>1c. New budget classification (including by ministry, economic, and source of funds) and chart of accounts implemented starting in 2015 budget (2013 baseline: N/A).</p> <p>1d. FMIS developed and stage 1 implementation started in MEF and 25 provincial treasuries (2013 baseline: N/A).</p> <p>1e. Policy on principles for internal control for FMIS adopted and implemented (2013 baseline: N/A).</p> <p>1f. Updated public debt management strategy for 2015-2018 approved (2013 baseline: N/A).</p> <p>Subprogram 2 and TA Loan (by 30 June 2019)</p> <p>1g. Amendment to Law on State Budget System (2008) prepared to institutionalize PFM reforms including program budgeting (2015 baseline: N/A).</p> <p>1h. MTRMS implemented with revenues (excluding grants) growing over the medium term on average at 0.5 percentage point of GDP p.a. or from a total of 13.5% of GDP in FY 2013 to 16.0% of GDP in FY 2018 (2013 baseline: 13.5% of GDP).</p> <p>1i. Comprehensive financial management manual for government budgeting approved (2015 baseline: N/A).</p> <p>1j. Stage 1 of FMIS fully operationalized in MEF and 25 provincial treasuries and stage 2 implementation started for expanding system functionality and coverage to line ministries (2015 baseline: phase 2 not started).</p> <p>1k. Government-wide internal audit manual, including policy and standards for audit of ICT approved (2015 baseline: not prepared).</p> <p>1l. Guidelines on (ii) government guarantees, including guarantees on public private partnership (PPP) projects and (ii) Standard Operating Procedures for Public Debt Management approved (2015 baseline: not prepared).</p>		<p>External audit capacity while improving remains weak creating fiduciary and development risks.</p> <p>Weak PFM capacities with insufficient PFM-trained officials, especially in line ministries.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>2. Capacity of selected line ministries to implement budgeting and expenditure management reforms improved.</p>	<p>Subprogram 1 (by 30 June 2016)</p> <p>2a. 3-year rolling BSPs 2016-2018 prepared and approved by ministers of relevant ministries (2013 baseline: new item).</p> <p>2b. Budget entities established and program budgeting increasingly implemented by 25 line ministries (2013 baseline: 0).</p> <p>2c. Annual financial reports prepared in accordance with revised budget classifications, including economic format for 10 line ministries (2013 baseline: 0).</p> <p>2d. Internal audit units established in all government ministries (2015 baseline: 90%).</p> <p>Subprogram 2 and TA Loan (by 30 June 2019)</p> <p>2e. BSPs annually updated and annual program budgeting prepared with poverty and gender issues included by at least six line ministries (2015 baseline: 3).</p> <p>2.f. Program budgeting with integrated capital and recurrent budgets fully implemented and issues of gender and poverty included by at least six ministries (2015 baseline: 0).</p> <p>2g. Financial management manuals for budget preparation, execution, and financial and performance reporting prepared in at least six ministries (2015 baseline: 0).</p> <p>2h. Annual financial and performance reports prepared and published by at least six line ministries (2015 baseline: 0).</p> <p>2i. FMIS implementation plans, including business process and change management strategies, prepared by at least 6 line ministries under phase 2 of FMIS (2015 baseline: 0).</p> <p>2j. Performance audits and audits of ICT included in internal audit plans and implemented in at least six ministries (2015 baseline: 0).</p>	<p>2a. MEF annual progress reports</p> <p>2b.-2j. MEF and line ministry annual progress reports.</p>	
<p>3. Capacity of the external audit function improved.</p>	<p>Subprogram 1 (by 30 June 2016)</p> <p>3a. Regulation for implementing Audit Law approved (2013 baseline: none).</p> <p>3b. NAA's annual activity report for 2015 approved, in line with implementation of Strategic Plan 2012-2016 (2013 baseline: not prepared).</p> <p>3c. Annual audit report of public finance statements submitted to National Assembly within 4 months of receipt from MEF (2013 baseline: 4 months).</p>	<p>3a-3f. NAA annual progress reports</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>Subprogram 2 and TA Loan (by 30 June 2019)</p> <p>3d. Updated guidelines on financial audits, compliance audits, and performance audits approved (2015 baseline: no update of guidelines prepared).</p> <p>3e. Manual on audit of sub-national administration (districts) approved, and audits of at least 10 districts completed (2015 baseline: none).</p> <p>3f. Annual audit report of public finance statements continued to be submitted to National Assembly within 4 months of receipt from MEF (2015 baseline: 4 months).</p>		
Key Activities with milestones - refer to the policy matrices.			
Inputs:			
ADB: \$30.00 million (\$26.50 million for program; \$3.5 million for TA loan) for subprogram 1. Government: In-kind contributions, including for computers for training; IT equipment for FMIS operations for the six ministries, counterpart staff and office facilities. Indicative ADB funding for subprogram 2 is \$30 million.			
Assumption for Partner Financing: Not applicable.			

BSP = budget strategic plan, FMIS = financial management information system, GDP = gross domestic product, ICT = information and communications technology, MEF = ministry of economy and finance, MTRMS = medium term revenue mobilization strategy; NAA = National Audit Authority, PEFA = public expenditure and financial accountability, PFM = public financial management, PFMRP = public financial management reform program

^a Royal Government of Cambodia. 2004. *Public Financial Management Reform Program*. Phnom Penh

Source: Asian Development Bank

B. Monitoring

74. Project performance monitoring: The EA will monitor the Project implementation to achieve target indicators in the DMF and will report to ADB quarterly. The ADB will carry out joint program review missions at least twice annually. The EA and ADB will continue to engage in actively policy dialogues throughout the Program implementation period. The EA will monitor the investment projects closely.

75. Compliance monitoring: The EA will monitor and ensure the compliance of loan assurances- policy, legal, financial, safeguards, and others. All non-compliance issues, if any, will be updated in quarterly progress reports, together with remedial actions. Each review mission by ADB will monitor the status of compliance with loan assurances and recommend measures to tackle non-compliance issues.

76. Safeguards monitoring: The IAs will provide quarterly, semi-annual progress and monitoring reports to the EA and ADB confirming all activities fall under category "C" for all safeguards.

77. Gender and social dimensions monitoring: The EA and IAs will be responsible for gender mainstreaming activities, including in the BSPs and program budgets of sector ministries.

C. Evaluation

78. An inception mission will be fielded soon after the Program is declared effective. At least 2 project review missions will be carried out annually. These will include: (i) performance of the EAIAs, consultants and contractors; and (ii) physical progress of subprojects which include effectiveness of safeguards and compliances. The EA will closely monitor the reform project to ensure quality and compliance with the terms of the contractual agreements. Within 6 months of physical completion of the Project, the EA will submit a project completion report to ADB.²⁰

D. Reporting

79. The SPFMP will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets; (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency's AFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

80. A shared objective of the ADB–government communication strategy is to build public awareness and recognition of the collaboration and its outcomes. ADB and the government will proactively make maximum use of well-proven communication methodologies for raising awareness of the viability and credibility of the project.

X. ANTICORRUPTION POLICY

81. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.²¹ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.²²

82. To support these efforts, relevant provisions are included in the financing agreement, project agreement and the bidding documents for the Program. In particular, all contracts financed by ADB under the Program will include provisions specifying the rights of ADB to audit and examine the records and accounts of the EA, IAs, and all contractors, suppliers, consultants, and other service providers as they relate to the Program. ADB will disseminate ADB's anticorruption policy to the EA and the IAs.

83. The Anti-Corruption Unit, operating under the Anti-Corruption Law (2010), has the power to investigate and irregularities in the Project. This includes financial irregularities and corruption by government officials.

²⁰ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

²¹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²² ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

84. Project specific measures to promote governance and prevent corruption, designed with the stages of project implementation and the disbursements chain in mind, include (i) the requirements for the EA and IAs to follow the government's SOPs for all expenses and revenue items including cash and financial management records; (ii) implementing the risk assessment and risk management plan.

XI. ACCOUNTABILITY MECHANISM

85. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²³

XII. RECORD OF PAM CHANGES

86. The first draft of the PAM (May 2016) has been prepared and agreed upon at the loan negotiation. All revisions/updates during the course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

²³ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

Appendix 1: Procurement Capacity Assessment Report and Recommendations ²⁴

Proposed Project Name : Strengthening Public Financial Management Program Subprogram 1	Proposed Amount : US\$ 3.5 million
Executing Agency : Ministry of Economy and Finance	Source of Funding : ADB
Assessor : Sok Sokunthea, Senior Procurement Officer	Date : 15 June 2016

Expected Procurement

The main procurements under this project are for the recruitment of consultants. There is no procurement of goods and works applicable for this project. A few individual consultants will be retained to assist the project implementation unit of Executing and Implementing Agencies.

Assessment of the National Environment

Cambodia's public procurement regulatory framework is in essence well-developed. A new Public Procurement Law was promulgated in January 2012 but the extent of changes that the new Law will bring about is unclear at this stage as is the timeline for implementation of those changes. Under the current public procurement system, ADB recognizes the use of National Standard Operating Procedures and an accompanying Procurement Manual that defines the rules and procedures of NCB Goods and Works. Overall procurement capacity remains low, with Governance and Integrity risks identified as "**Moderate**". The fiduciary risks for ADB require close oversight of procurement transactions and contract execution.

General Agency Resource Assessment

MEF has experience for a long history of project implementation with ADB. Most of MEF staff are experienced in ADB-financed procurement but acknowledges that the IAs will need the support of Consultants to handle procurement required under the project.

Agency Procurement Processes: Goods and Works

MEF staff have experience using NCB in previous projects with other Development Partners (following RGC procedures under SOP/Procurement Manual). This manual was accepted to use by ADB and it was similar to the NCB procedures of RGC procedures under SOP/Procurement Manual. However, there is no procurement of goods and works for this project.

Agency Procurement Processes: Consulting Services

MEF will recruit many individual consultants to provide support in debt management, budget, financial management, internal an internal audit, accounting and procurement. The experts will support and assist the executing agencies and many implementing agencies. The EA suggested ADB to recruit individual consultants rather than recruit firms because the experts will be short-term and long term consulting assignment in different public financial reform program expertise, will be recruited separately in different times, and will support different agencies. The reason is justified by project team.

Process Control and Oversight

Procedures under the SOP/Procurement Manual for the setting-up of a Procurement Review Committee (PRC) and consultant selection committee (CSC) are well established and provide a fair degree of internal oversight at the project level. A consultant to be recruited by the EA will also support the work of the PRC to ensure that no delay in processing happens at that level. ADB will perform a *prior* reviews per standard ADB procedures.

Records Keeping and Audit

²⁴ Although no major procurement is envisaged this appendix has been prepared in view of the fact that recruitment of consultants is envisaged and in the event that substantive procurement is introduced at a later time.

MEF keep on file and in archives all the procurement documentation for a minimum of 10 years, as required under Government Procedure.

Summary Assessment and Recommendations

Experience and staffing of the MEF indicates that the project will need consultant support to successfully conduct all procurement in a timely manner.

*There is only individual consultant selection will be processed following the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers, March 2013 (as amended from time to time) and in accordance with RGC SOP/Procurement Manual, which the MEF staff are conversant with. This being said, **speed in processing** and **accuracy** in preparation of the packages and in their processing/conclusion of contract award will be the key factors ensuring the success of the project.*

Specific Recommendations, Project Implementation

Capacity Constraint	Recommended Action	Responsibility and comment
<i>Weak processing experience in recruitment of consultants</i>	<i>All will be prior review</i>	

General Recommendations, EA Capacity

Capacity Constraint	Recommended Action	Responsibility and comment
<i>Experience of MEF in processing procurement following ADB Guidelines</i>	<i>Support of a national procurement consultant to be ensured at critical junctures, when most procurement transactions are to be processed.</i>	<i>EA to perform recruitment of individual consultants.</i>

General Recommendations, Procurement Environment

Capacity Constraint	Recommended Action	Responsibility and comment
<i>Weak technical competence of PRC and CSC</i>	<i>Support provided by Consultant to MEF should strengthen PRC reviews</i>	<i>MEF</i>

**Appendix 2: Project Procurement Classification
Concept Paper**

CAM-49041: Strengthening Public Financial Management Program, Subprogram 1

Characteristic	Assessor's rating: 'Yes' or 'No' with brief comments, if 'Yes'
Is the Procurement Environment Risk for this project assessed as "High" based on the country and sector/agency risk assessments?	No
Are multiple (typically more than three) and/or diverse Executing (EAs) and/or Implementing Agencies (IAs) envisaged during project implementation? Do EAs/IAs lack prior experience in ADB project implementation?	No
Are multiple contract packages and/or complex and high value contracts expected (compare to recent donor projects in DMC)?	No
Does the project plan to use innovative contracts (PPP, Performance-based, Design & Build, O&M, etc)?	No
Are contracts distributed in more than three geographical locations?	No
Are there significant ongoing contractual and/or procurement issues under ADB (or other donor) funded projects? Has misprocurement been declared in the DMC?	No
Does the DMC have prolonged procurement lead times, experience implementation delays, or otherwise consistently fail to meet procurement timeframes?	No
Do EAs/IAs lack capacity to manage new and ongoing procurement? Have EAs/IAs requested ADB for procurement support under previous projects?	Yes. ADB did all procurement on behalf of EA under the previous Grant 0222-CAM: Public Financial Management Reform Project. However, the EA's capacity in procurement has been significantly developed in recent years, including in procurement of a consulting firm and individual consultants under a World Bank financed PFM program.
OVERALL PROJECT CATEGORIZATION RECOMMENDED	B

Overall recommendation of the concerned project officer: Chamroen Ouch, Senior Programs Officer (Governance), CARM

The proposed project does not involve procurement of goods and works nor does it involve multiple contract packages compared to recent donor financed projects in Cambodia. Although ADB did all the procurement on behalf of the EA under the previous project, the EA's capacity in procurement has been significantly developed in recent years, including in procurements under development financed projects and for this project there is only recruitment of individual

consultant. Where assistance maybe required, CARM Senior Procurement Officer (CARM) will advise the EA in the procurement processes. As such, it is recommended that the project procurement be categorized as B.

**Recommendation of OSFMD's procurement specialist: Mr. Valerie D. Tian
Procurement Specialist**

Appendix 3: Safeguards Compliance Status

INDIGENOUS PEOPLES IMPACT CATEGORIZATION

Date: 5 June 2015

A. Instructions			
(i) The project team completes and submits the form to the Environment and Safeguards Division (RSES) for endorsement by RSES Director, and for approval by the Chief Compliance Officer (CCO).			
(ii) The classification of a project is a continuing process. If there is a change in the project components or/and site that may result in category change, the Sector Division submits a new form and requests for recategorization, and endorsement by RSES Director and by the CCO. The old form is attached for reference.			
(iii) The project team indicates if the project requires broad community support (BCS) of indigenous Peoples communities. BCS is required when project activities involve (a) commercial development of the cultural resources and knowledge of indigenous peoples, (b) physical displacement from traditional or customary lands; and (c) commercial development of natural resources within customary lands under use that would impact the livelihoods or the cultural, ceremonial, or spiritual use that define the identity and community of indigenous peoples.			
(iv) In addition, the project team may propose in the comments section that the project is highly complex and sensitive (HCS), for approval by the CCO. HCS projects are a subset of category A projects that ADB deems to be highly risky or contentious or involve serious and multidimensional and generally interrelated potential social and/or environmental impacts.			
B. Project Data			
Country/Project No./Project Title : CAM (49041): Strengthening Public Financial Management Program, Subprogram 1			
Department/ Division : SERD/CARM			
Processing Stage : Submission of Draft Concept Paper for Approval			
Modality :			
[x] Project Loan [X] Program Loan [] Financial Intermediary [] General Corporate Finance			
[] Sector Loan [] MFF [] Emergency Assistance [] Grant			
[] Other financing modalities:			
C. Indigenous Peoples Category			
[X] New [] Recategorization — Previous Category []			
<input type="checkbox"/> Category A	<input type="checkbox"/> Category B	<input checked="" type="checkbox"/> Category C	<input type="checkbox"/> Category FI
D. Project requires the broad community support of affected Indigenous Peoples communities. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
E. Comments			
Project Team Comments:		RSES Comments:	
The proposed program will support capacity development in public financial management for the central government. No impact on indigenous people is envisaged resulting from the implementation of the program.			
F. Approval			
Proposed by: <i>[Signature]</i>		Reviewed by: <i>[Signature]</i>	
Chamroen Ouch, Project Team Leader, SERD/CARM		Social Safeguard Specialist, SDCC/SDES	
Date: 6 November 2015		Date: 13/11/2015	
Endorsed by: <i>[Signature]</i>		Endorsed by: <i>[Signature]</i>	
Sokha Ouk, Senior Safeguards Officer, SERD/CARM		Director, SDES	
Date: 6 November 2015		Date: 15/11/2015	
Endorsed by: <i>[Signature]</i>		Approved by: <i>[Signature]</i>	
Jan Hansen, Officer-in-Charge, CARM		Chief Compliance Officer	
Date: 6 November 2015		Date: 11/16/2015	
			<input type="checkbox"/> Highly Complex and Sensitive Project

Indigenous Peoples Categorization Form

Indigenous Peoples Impact Screening Checklist

KEY CONCERNS (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	Remarks
A. Indigenous Peoples Identification				
1. Are there socio-cultural groups present in or use the project area who may be considered as "tribes" (hill tribes, scheduled tribes, tribal peoples), "minorities" (ethnic or national minorities), or "Indigenous communities" in the project area?		n.a.		The proposed program will support capacity development in public financial management for the central government. No impact on indigenous people is envisaged.
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?		n.a.		
3. Do such groups self-identify as being part of a distinct social and cultural group?		n.a.		
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?		n.a.		
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?		n.a.		
6. Do such groups speak a distinct language or dialect?		n.a.		
7. Has such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?		n.a.		
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?		n.a.		
B. Identification of Potential Impacts				
9. Will the project directly or indirectly benefit or target Indigenous Peoples?	X			The proposed program intends to improve accountability in public expenditure management which would result in improvement of the livelihoods of the general population, including the indigenous population.

KEY CONCERNS (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	Remarks
10. Will the project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)		n.a.		
11. Will the project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)		n.a.		
12. Will the project be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?		n.a.		
C. Identification of Special Requirements				
<i>Will the project activities include:</i>				
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?		n.a.		The proposed program will support capacity development in public financial management for the central government. No impacts on IP.
14. Physical displacement from traditional or customary lands?		n.a.		
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?		n.a.		
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?		n.a.		
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?		n.a.		

D. Anticipated project impacts on Indigenous Peoples

Project component/ activity/ output	Anticipated positive effect	Anticipated negative effect
1. Capacity development in budget preparation for selected ministries.	The proposed program intends to improve accountability in public expenditure management which would result in improvement of the livelihoods of the general population, including the indigenous population.	No impacts on IPs
2. Capacity development in financial management for selected ministries.		No impacts on IPs
3. Capacity development in internal and external audits for selected ministries and the National Audit Authority.		No impacts on IPs
4. Capacity development in public debt management for the Ministry of		No impacts on IPs

Indigenous Peoples Categorization Form

Economy and Finance		
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Note: The project team may attach additional information on the project, as necessary.

INVOLUNTARY RESETTLEMENT IMPACT CATEGORIZATION

Date: 5 November 2015

A. Instructions (i) The project team completes and submits the form to the Environment and Safeguards Division (RSES) for endorsement by RSES Director, and for approval by the Chief Compliance Officer (CCO). (ii) The classification of a project is a continuing process. If there is a change in the project components or/and site that may result in category change, the Sector Division submits a new form and requests for recategorization, and endorsement by RSES Director and by the CCO. The old form is attached for reference. (iii) In addition, the project team may propose in the comments section that the project is highly complex and sensitive (HCS), for approval by the CCO. HCS projects are a subset of category A projects that ADB deems to be highly risky or contentious or involve serious and multidimensional and generally interrelated potential social and/or environmental impacts.			
B. Project Data Country/Project No./Project Title : CAM (49041): Strengthening Public Financial Management Program, Subprogram 1 Department/ Division : SERD/CARM Processing Stage : Submission of Draft Concept Paper for Approval Modality <input checked="" type="checkbox"/> Technical Assistance Loan Finance <input checked="" type="checkbox"/> Program Loan <input type="checkbox"/> Financial Intermediary <input type="checkbox"/> General Corporate Finance <input type="checkbox"/> Sector Loan <input type="checkbox"/> MFF <input type="checkbox"/> Emergency Assistance <input type="checkbox"/> Grant <input type="checkbox"/> Other financing modalities:			
C. Involuntary Resettlement Category <input checked="" type="checkbox"/> New <input type="checkbox"/> Recategorization — Previous Category []			
<input type="checkbox"/> Category A	Category B	<input checked="" type="checkbox"/> Category C	<input type="checkbox"/> Category Ft
D. Comments Project Team Comments: The proposed program will support <u>capacity development</u> in public financial management for the central government. It will not involve <u>land acquisition and involuntary resettlement</u> .		RSES Comments:	
E. Approval Proposed by: <i>fh</i> Chamroen Ouch, Project Team Leader, SERD/CARM Date: 6 November 2015		Reviewed by: <i>Tulon Rany</i> Tuki Charan Bight 13/11/2015 Social Safeguard Specialist, SDCC/SDES Date:	
Endorsed by: <i>Sokha</i> Sokha Ouk, Senior Safeguards Officer, SERD/CARM Date: 6 November 2015		Endorsed by: <i>SDES</i> Director, SDES Date: 16/11/2015	
Endorsed by: <i>Jan Hansen</i> Jan Hansen, Officer-in-Charge, CARM Date: 6 November 2015		Approved by: <i>fh</i> Chief Compliance Officer Date: 11/10/2015	
<input type="checkbox"/> Highly Complex and Sensitive Project			

Involuntary Resettlement Impact Categorization Checklist

Probable Involuntary Resettlement Effects	Yes	No	Not Known	Remarks
Involuntary Acquisition of Land				
1. Will there be land acquisition?		n.a.		The proposed program will support capacity development in public financial management for the central government. It will not involve land acquisition.
2. Is the site for land acquisition known?		n.a.		
3. Is the ownership status and current usage of land to be acquired known?		n.a.		
4. Will easement be utilized within an existing Right of Way (ROW)?		n.a.		
5. Will there be loss of shelter and residential land due to land acquisition?		n.a.		
6. Will there be loss of agricultural and other productive assets due to land acquisition?		n.a.		
7. Will there be losses of crops, trees, and fixed assets due to land acquisition?		n.a.		
8. Will there be loss of businesses or enterprises due to land acquisition?		n.a.		
9. Will there be loss of income sources and means of livelihoods due to land acquisition?		n.a.		
Involuntary restrictions on land use or on access to legally designated parks and protected areas				
10. Will people lose access to natural resources, communal facilities and services?		n.a.		
11. If land use is changed, will it have an adverse impact on social and economic activities?		n.a.		
12. Will access to land and resources owned communally or by the state be restricted?		n.a.		
Information on Displaced Persons:				
Any estimate of the likely number of persons that will be displaced by the Project?				[X] No [] Yes
If yes, approximately how many? None				
Are any of them poor, female-heads of households, or vulnerable to poverty risks?				[X] No [] Yes n.a.
Are any displaced persons from indigenous or ethnic minority groups?				[X] No [] Yes n.a.

Note: The project team may attach additional information on the project, as necessary.