Public Financial Management (PFM) Reform Program Steering Committee and Technical Working Group Meeting of September 7, 2026

Draft Development Partners (DPs) Consolidated Comments

General Comments

Development Partners commend the General Secretariat of the PFMRP Steering Committee (GSC), the Ministry of Economy and Finance (MEF), and the Royal Government of Cambodia (RGC) for the continued implementation of the Public Financial Management Reform Programme (PFMRP) during the first half of 2026. DPs welcome the progress reported across the five parts of the Consolidated Action Plan Stage 4 (CAP4) of the PFMRP , including further expansion and implementation of the FMIS, preparations for Performance-Informed Budgeting (PIB), strengthened public investment management and public procurement systems, and continued efforts to improve transparency and accountability in the management of public resources.

DPs particularly welcome the continued transition towards performance-oriented, sector focused, public financial management. As Cambodia moves through Stage 4, greater emphasis is being placed on the effective implementation of PFM reforms by line ministries, budget entities and sub-national administrations, and on their contribution to improved public service delivery.

DPs also welcome the continued development and implementation of the strategic frameworks adopted in 2025, including, but not limited to, the updated Budget System Reform Strategy, Public Procurement System Reform Strategy, Public Investment Management System Reform Strategy, FMIS Blueprint for Phase IV, and State-Owned Enterprise Management Reform Strategy, as well as progress under the Revenue Mobilisation Strategy, Non-Tax Revenue Management Reform Blueprint, and State Property Management Blueprint. As implementation advances, DPs would welcome further information on the status of the respective detailed action plans, including which have now been formally adopted and which remain under preparation or finalisation.

DPs also welcome ongoing efforts to further strengthen institutional arrangements supporting PFM reforms, including the development of performance monitoring mechanisms, fiscal risk management frameworks, and the extension of reform implementation to fully delegated budget entities and sub-national administrations. As these reforms mature, DPs would welcome greater information on how implementation progress is being measured and how reform achievements are contributing to improved service delivery outcomes. DPs would also welcome further information on the Government's plans to strengthen fiscal risk management arrangements, including the identification, monitoring and reporting of risks arising from state-owned enterprises, PPPs, public debt, guarantees and other contingent liabilities, and how such information will be incorporated into fiscal planning and decision-making.

Against this background, DPs would like to highlight the following items for continued attention and discussion.

Specific Comments

1) Development of CAP4+3 and extension of the PFMRP to 2030

DPs welcome the decision to begin the preparation of CAP4+3, which will extend the implementation framework of the PFMRP to 2030. DPs understand that a preliminary draft is expected to be prepared in 2026, with completion of CAP4+3 targeted for the second quarter of 2027.

Given the strategic importance of CAP4+3 in determining the priorities and sequencing of PFM reforms during 2028-2030, DPs would welcome early and substantive engagement in its preparation. Consultation at an early stage would allow DPs to contribute lessons from the implementation of CAP4, relevant diagnostic work and international experience, and would facilitate alignment of future technical and financial assistance with the Government's priorities.

DPs would also welcome clarification on how CAP4+3 will relate to the major PFM reform strategies recently adopted by the Government. Several key strategies, including the Budget System Reform Strategy, Public Procurement System Reform Strategy, and Public Investment Management System Reform Strategy, currently cover the period to 2028, while CAP4+3 will extend the overall PFMRP framework to 2030. DPs would therefore appreciate clarification as to whether the extension of the PFMRP is expected to require revisions to these strategies themselves, or whether their strategic objectives will remain unchanged and only their detailed action plans for implementation will need to be updated or extended.

2) Implementation of the PFMRP at line-ministry and subnational level, and service delivery

Stage 4 of the PFMRP, "Performance Accountability", marks a progressive shift from compliance with PFM processes towards measurable results for citizens. This also shifts the centre of gravity of the reform: while earlier stages depended heavily on MEF establishing core PFM systems, Stage 4 increasingly depends on line ministries, budget entities, and sub-national administrations applying these systems effectively to improve sector performance and service delivery.

DPs welcome the efforts being made by GSC and MEF to support and guide line ministries in accelerating implementation of their PFMRP action plans. In particular, DPs note the use of PFM/PEFA-based assessments at ministry level and welcome the follow-up under Executive Order #17, which requires the six assessed ministries and institutions to select key performance indicators (KPIs) and establish improvement targets towards 2027.

DPs would therefore encourage greater opportunities for line ministries to report on their reform progress within the TWG. Selected ministries could periodically present their PFM reform targets, achievements and implementation challenges, including follow-up to recommendations from analytical work on PFM and service delivery, such as the study covering the education and health sectors.

DPs encourage stronger monitoring of timely PFM reporting by Sub-National Administrations (SNAs) and suggest that persistent reporting delays be addressed through targeted capacity support and clearer accountability arrangements.

DPs would like to encourage the strengthening of the effective implementation of Circular No. 007 at local level, particularly in relation to subnational budget allocations for social services, environmental management, and natural resource protection, while promoting a more balanced allocation of development resources.

3) FMIS and the development of the Integrated Public Investment Management System (i-PIM)

DPs welcome continued progress in implementing FMIS Blueprint Phase IV and developing the i-PIM. **DPs consider FMIS to be the 'indispensable backbone' of Cambodia's PFM information system architecture**, with specialised systems complementing it through effective interfaces.

In this context, DPs would welcome clarification on the respective functions of FMIS and i-PIM, the information to be maintained in each system, arrangements for automatic data exchange between them, and clarification on the front and back-end functions of the i-PIM system. Interoperability with FMIS should be built into i-PIM from the outset, with clear assignment of authoritative data sources, to avoid duplicate data entry by line ministries, reduce administrative burdens and preserve data integrity and consistency. DPs note the growing number of new PFM systems that line ministries, budget entities, and sub-national administrations are being asked to adopt simultaneously and encourage MEF to sequence rollouts and align capacity building support so that the cumulative burden on these entities remains proportionate to their absorption capacity.

DPs encourage further strengthening of PFM information systems at SNA level, particularly ensuring that SNAs can generate timely management reports from NRMIS and FMIS and use the information for budget planning, monitoring and decision-making.

DPs would also welcome further information on how data generated through FMIS, i-PIM and related PFM systems are being used to strengthen budget monitoring, commitment control, cash management, project implementation monitoring, and management decision-making. As additional entities are brought onto FMIS, DPs would be interested to understand the extent to which system expansion is translating into measurable improvements in financial management performance. DPs would also welcome information on measures being taken to strengthen data integrity, reconciliation procedures, audit trails, and quality assurance across FMIS and other core PFM information systems, particularly as interoperability among systems continues to expand.

4) Completion of key legal, regulatory and capacity-development frameworks

DPs welcome progress in revising the legal frameworks for State-Owned Enterprises and Public Debt management and understand that further consultation on the draft SOE Law is envisaged in October/November 2026, with submission to the Council of Ministers targeted by the end of the year. Similarly, it is noted that the Public Debt Management Law is also slated for submission to the Council of Ministers by the end of the year. DPs also note progress on the Law on Financial Management and Assets of Sub-National Administrations, which the Q2 report indicates is being submitted to the Council of Ministers. DPs would welcome confirmation of the expected timetable for approval of all three laws and of the principal subsequent steps required for their implementation.

DPs similarly welcome progress on the broader legal framework for public investment and public debt management. DPs note that the update of the PIM Sub-Decree is intended to strengthen the regulatory framework for public investment management, including the incorporation of climate considerations, while the Q2 report indicates that the draft Law on Public Debt Management is being prepared for technical consultation with relevant ministries and institutions. DPs would welcome an update on the status and expected timetable for finalisation and adoption of the PIM Sub-Decree and the Public Debt Management Law.

DPs would appreciate if MEF could share more information about the draft Prakas on delegation of financial control functions to municipal and district administrations and draft Prakas on delegation of financial control functions to commune and Sangkat administrations. DPs encourage the Government to clarify how the planned delegation of financial control functions to municipal, district, khan, commune and Sangkat administrations will translate into greater operational responsibility and accountability for SNAs, including clear authority, responsibilities, controls and reporting requirements. DPs encourage the Government to develop a differentiated capacity building approach for SNAs, recognising difference in administrative size, fiscal capacity, functions, and PFM maturity, particularly as more financial management responsibilities are delegated.

Finally, effective implementation will depend heavily on institutional and human capacity, and transition measures across MEF, line ministries, and budget entities. DPs would therefore welcome an update on the status of the updated Strategic Capacity Development Plan, including whether it has now been formally approved and, if not, the expected timetable for approval.

DPs would also welcome an update on the approval and implementation status of the updated Strategic Capacity Development Plan, including how priority capacity gaps will be identified, responsibilities assigned, resources provided, and capacity-development results monitored over time.

5) Public procurement and increased use of competitive procurement methods

DPs welcome continued progress in implementing the Public Procurement System Reform Strategy 2025-2028, including the approval of its detailed action plan, preparation of secondary regulations, strengthening of post-procurement monitoring, and development of the first phase of the e-GP system in FMIS. At the same time, DPs note that the use of non-competitive procurement methods remains relatively high, particularly for capital expenditure, and encourage continued efforts to increase competition to strengthen value for money, transparency and accountability in the management of public resources.

In this regard, DPs particularly welcome the establishment by MEF, through Decision No. 045 of 13 May 2026, of a working group to study the feasibility of increasing the use of competitive bidding for direct investment projects financed by the national budget. DPs would welcome further information on the mandate and work programme of this group, the timetable for completion of its analysis and recommendations, and the extent to which its findings may result in regulatory or procedural changes to increase competition in domestically financed investment procurement.

Operational efficiency has been one of the three core fiscal outcomes of PFMRP. In this regard, DPs commend the MEF for taking the initiative to conduct a Public Expenditure Review of sanitation services. While this is a learning-by-doing exercise, DPs would encourage MEF to also consider conducting PER and cost efficiency review of selected public procurement projects with consideration of their size and project value and expand overtime coupled with increasing technical expertise and capacity of the team conducting the exercise.

DPs strongly encourage MEF to establish a clear mechanism to plan, monitor, and evaluate expenditure under this new DM budget component. This will help ensure that funding responds to citizens' needs and provides evidence and policy feedback for potential budget increases and additional expenditure categories.

DPs welcome the preparation of procurement procedures for commune/Sangkat administrations and the proposed procurement arrangements for capital, provincial, city, district and khan administrations. DPs encourage particular attention to procurement capacity, internal controls, competition, and value for money as procurement responsibilities are increasingly decentralized.

6) Budget transparency and implementation of Performance-Informed Budgeting

DPs commend MEF for the significant improvement in Cambodia's Open Budget Survey score from 43 in 2023 to 54 in 2025 and encourage MEF to build on this achievement. DPs would welcome information on whether an action plan will be developed to address the remaining recommendations of the 2025 survey and support further improvement in 2027.

As Cambodia implements Performance-Informed Budgeting, DPs would welcome greater transparency of performance information, including clarification on Government plans to publish Annual Performance Reports of line ministries, possibly in consolidated form. This would allow stakeholders to assess not only how public resources are allocated and spent, but also the results achieved.

DPs would welcome an update on progress in strengthening internal control and internal audit functions across line ministries and budget entities, including how internal audit findings are being used to improve financial management, compliance, and service delivery performance.

DPs also encourage closer alignment of internal audit coverage with key fiscal risks, major public investment projects and externally-financed operations.

As Performance-Informed Budgeting is rolled out, DPs would welcome information on how MEF is supporting line ministries to improve the quality, consistency, and reliability of performance indicators and reported results, so that performance information can be used meaningfully in budget decisions.

DPs welcome the introduction of a standardised citizen budget guideline for municipal, district and khan administrations and encourage its gradual implementation across SNAs, including accessible publication of budget allocations, execution and results.

DPs would welcome an update on the operationalisation of performance monitoring mechanisms across ministries and institutions, including how performance information will be validated, reported, and used to strengthen accountability for results. DPs would also welcome information on how performance information generated through performance agreements, annual performance reports, and monitoring systems is being used to inform budget preparation, resource allocation, and management decision-making, thereby strengthening the link between performance and public expenditure.

7) Budget execution and expenditure rationalisation

DPs note that national budget expenditure reached 38.34 percent of the annual budget during the first half of 2026, compared with approximately 45.5 percent during the same period in 2025, while capital expenditure execution was particularly low at 18.72 percent. DPs understand that this partly reflects expenditure rationalisation measures introduced in 2026 and the usual concentration of capital expenditure in the second half of the year. While recognising the importance of prudent expenditure management, DPs would welcome further information on the scope, expected fiscal impact and duration of these rationalisation measures.

DPs would also appreciate MEF's assessment of the main factors contributing to the lower capital expenditure execution in the first half of 2026 and whether the relatively low level of expenditure execution, particularly for capital expenditure, is expected to recover during the second half of 2026, and whether the rationalisation measures could affect the implementation of priority programmes, investment projects and essential public services.

DPs would welcome MEF’s assessment of whether cash planning and expenditure forecasting arrangements are being strengthened to support more predictable budget execution, particularly for capital expenditure and priority programmes.

8) Financial Transparency and Accountability

DPs commend MEF for the steady progress in implementing fiscal reporting reforms. Recent reforms have strengthened accounting policies and expanded financial disclosures. For example, The 2024 financial statements introduced new reporting elements, including a Statement of Assets and Liabilities and a Statement of Revenue and Expenditure. DPs encourage MEF to strengthen the MEF’s the comprehensiveness and timeliness of fiscal reporting digitally.

DPs also commend MEF for developing of the *Roadmap for Managing Expenditure Arrears 2025–2028*. DPs encourage MEF to strengthen implementation of this Roadmap in parallel with the roll-out of Financial Management Information System, to help ensure timely recording, monitoring, and management of expenditure arrears.

9) Ownership and accountability for SNA PFM reform

DPs welcome continued efforts to strengthen non-tax revenue management at sub-national level. DPs encourage further consideration of how SNA own-source revenues can be strengthened in a predictable, transparent and sustainable manner, while ensuring that revenue mobilisation remains aligned with service-delivery responsibilities and does not create excessive administrative burdens for citizens and businesses. In particular, DPs encourage efforts to expand the range of own-source revenue available to the District/Municipality (DM) level, where appropriate, and to use pilot approaches as a key mechanism to test and strengthen the capacity of DM administrations in revenue mobilisation and management.

10) Policy budget linkage

DPs welcome preparation of the SNA MTBF 2027–2029 and encourage further clarification on how the SNA MTBF will be linked to realistic revenue forecasts, intergovernmental transfers, expenditure responsibilities, investment priorities and annual budgets at municipal, district and khan levels.

DPs would welcome further information on the framework and medium-term roadmap for intergovernmental fiscal transfers, including the balance between general-purpose and earmarked transfers, allocation criteria, predictability, and mechanisms to address differences in expenditure needs and revenue capacity among SNAs.

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