

**KINGDOM OF CAMBODIA  
NATION, RELIGION, KING**



**Ministry of Economy and Finance  
Budget Department**

**Guidelines  
on  
Development of Strategic Budget Plan**

**Version 08 March 2010**

Designed and drafted by the Budget Integration and Comprehensiveness Task Force of the Budget Department under the Public Financial Management Reform Program

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# **Section 1:**

# **Introduction**

Since the Public Financial Management Reform Program was introduced officially on 05 December 2004 under the chairmanship of Samdech Akka Moha Sena Padei Decho Hun Sen, Prime Minister of the Kingdom of Cambodia, the Ministry of Economy and Finance has been conducting reforms in all areas, and the reform in the budget development process is an integral part and is playing an active role in ensuring effective management and use of public resources. Starting with this in-depth reform and recognizing the weakness in linking the budget to the Royal Government's policies, the Strategic Budget Plan was introduced in 2007, which all line ministries/institutions and technical capital/provincial departments must prepare during Phase 1 of the annual budget preparation between April and May with Ministry of Economy and Finance issuing an instruction circular on preparation of the Strategic Budget Plan in early April.

According to Article 39 of the Law on Public Financial System, promulgated by the Royal Decree No. ៩៩៧/រក្សម/0508/01 dated 13 May 2008, the process of the annual budget preparation is divided into three phases as follows:

### **Phase 1: Preparation of the Strategic Budget Plan from March to May**

- During the first week of March, the Ministry of Economy and Finance must prepare the medium-term macro-economic and public financial policy frameworks;
- During the first week of April, the Ministry of Economy and Finance must issue an instruction circular on preparation of the Strategic Budget Plan;
- By 15 May, line ministries/institutions and technical capital/provincial departments must send their Strategic Budget Plans to the Ministry of Economy and Finance (the Budget Department).

### **Phase 2: Preparation of Budget Packages from June to September**

- During the first week of June, the Ministry of Economy and Finance must issue an instruction circular on the technicality of preparation of a budget projection (instruction circular on preparation of the Draft Law on Annual Finance).
- By 15 July, all line ministries/institutions and technical capital/provincial departments must send an annual budget projection to the Ministry of Economy and Finance (the Budget Department).
- The Ministry of Economy and Finance (the Budget Department) organizes meetings to discuss the annual budget projections at a technical level from the third to the fourth week of July and at a leadership level in August.
- Throughout September, the Ministry of Economy and Finance (the Budget Department) must consolidate the annual budget projections and prepare a Draft Law on Annual Finance with an explanatory note accompanying the Draft Law.

### **Phase 3: Adoption of Budget from October to December**

- During the first week of October, the Ministry of Economy and Finance must submit the Draft Law on Annual Finance along with the explanatory note to the Draft Law to the Council of Ministers for review and adoption.
- During the first week of November, the Royal Government must submit the Draft Law on Annual Finance along with the explanatory note to the Draft Law to the National Assembly for review and adoption.
- During the first week of December, the National Assembly must forward the adopted Law on Annual Finance to the Senate.
- The Law on Annual Finance is adopted finally by 25 December.

## **1.1 Definition of Strategic Budget Plan**

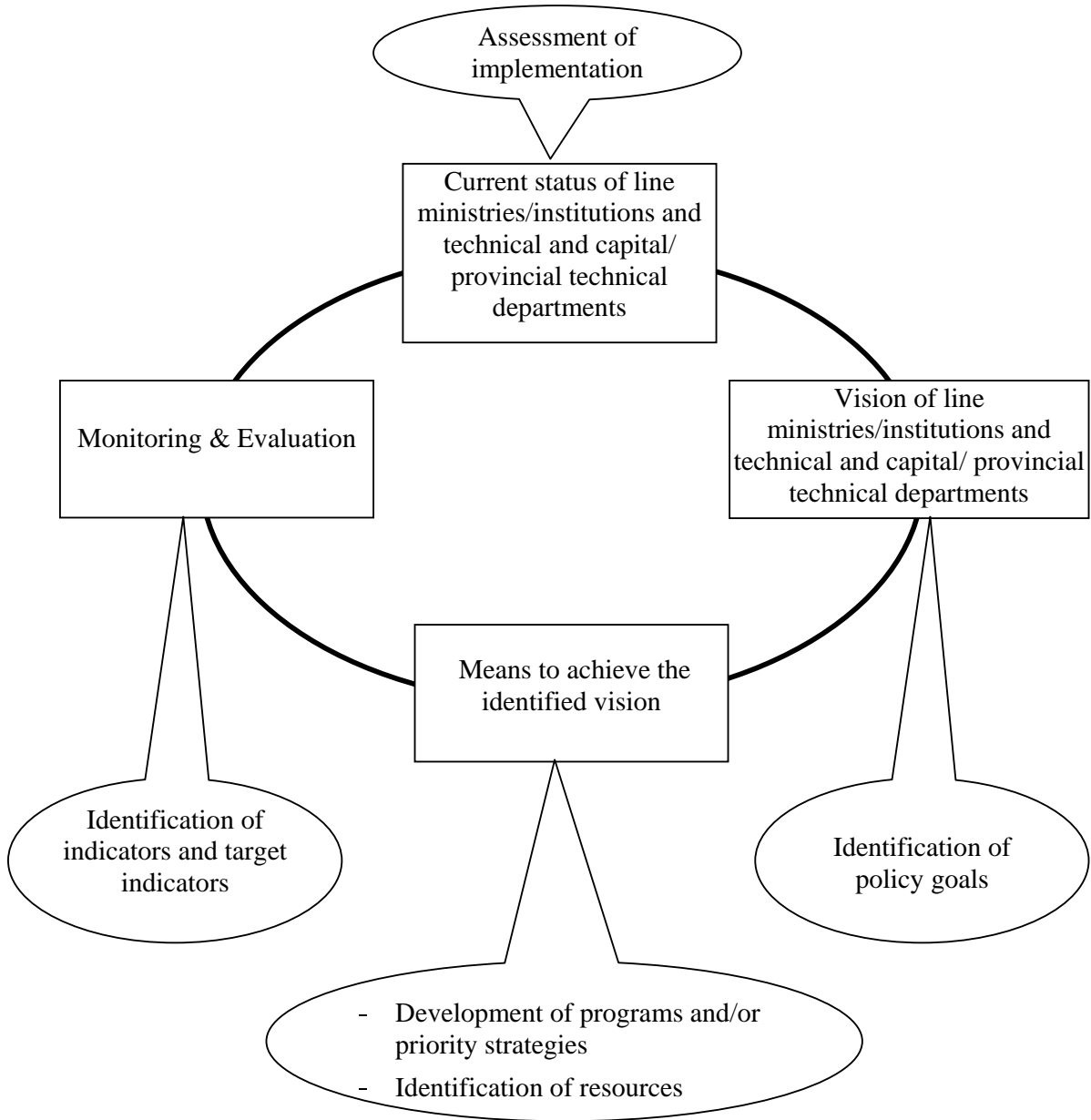
The Strategic Budget Plan is a medium-term budget plan (3 years) reflecting the policy goals of line ministries/institutions and technical capital/provincial departments, development of programs and/or priority strategies in order to implement and identify indicators and indicator objectives for measuring implementation. This plan needs to identify both recurrent resources and capital resources needed and used for current budget year of preparation of the Strategic Budget Plan and the subsequent two years of line ministries/institutions and technical capital/provincial departments.

## **1.2 Objectives of Strategic Budget Plan Development**

The Strategic Budget Plan aims at lining the budget to the Royal Government's priority policies in order to ensure effective and efficient management and use of public resources. Further, the Strategic Budget Plan provides a basis for program budgeting and is also an instrument for integration of the recurrent and capital budget for both the State's and development partners' budget, which is the goal of the Public Financial Management Reform Program.

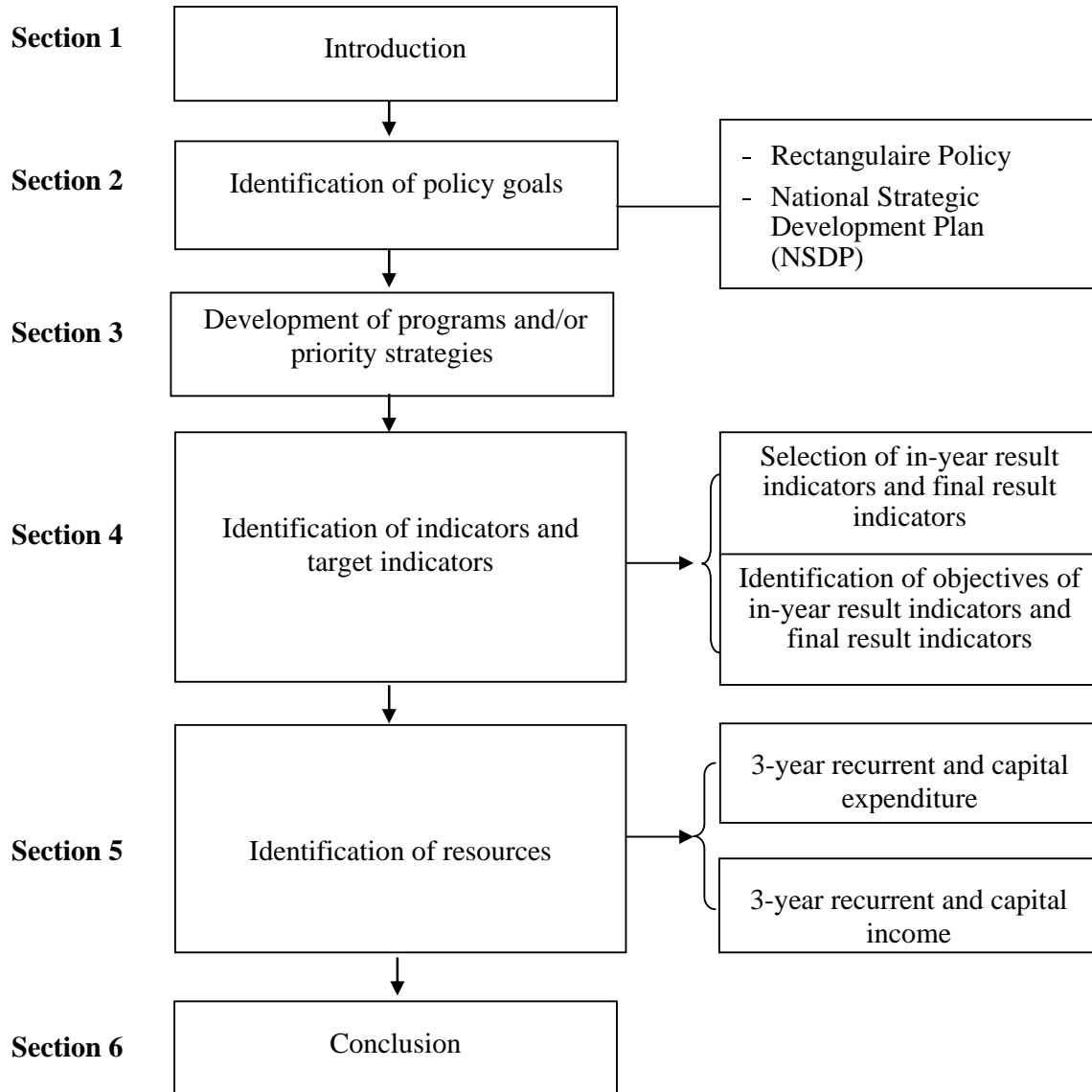
The Strategic Budget Plan needs to be integrated with the mid-term expenditure framework (MTEF) to serve as an instrument linking the budget to policies and as an input to effective and efficient allocation of the annual budget because the MTEF is prepared through a top-down approach based on the macro-economic framework and policy priorities while the Strategic Budget Plan is prepared through a bottom-up approach indicating actual needs for budget by line ministries/institutions and sectors in implementation of sectoral priority policies.

Preparation of the Strategic Budget Plan will address four main issues as follows:



### 1.3 Structure of Strategic Budget Plan

The Strategic Budget Plan consists of 6 sections as follows:



**Section 2:**  
**Strategic Budget Plan Development**  
**Process**

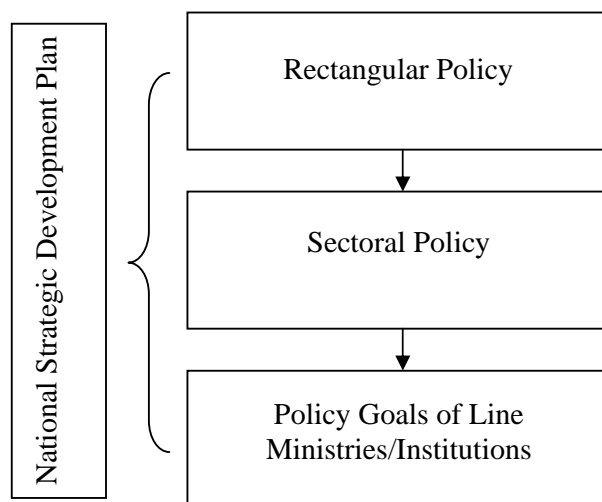


In order to prepare the Strategic Budget Plan well and in a consistent manner, all line ministries/institutions and all technical capital/provincial departments must apply the forms and procedures established by the Ministry of Economy and Finance as indicated in Section 3 of these Guidelines. The indispensable factor of preparation of the Strategic Budget Plan is that line ministries/institutions and technical capital/provincial departments must establish budget working groups that comprise membership from the planning, finance, and project management sections and should be led by a leader responsible for administration and finance. These working groups need to organize clear working mechanism in order to ensure work sustainability and effectiveness.

The following interpretation and explanation of the preparation process of the Strategic Budget Plan is based on the Annex 1 on forms and procedures for preparation of the Strategic Budget Plan in Section 4 of these Guidelines.

## 2.1 Identification of policy goals

In this Section, line ministries/institutions must identify their policy goals to be achieved in a long term based on the sectoral policies outlined in the Rectangular Strategy, and developed within the National Strategic Development Plan. The capital/provincial technical line departments must depend on the policy goals of parental line ministries/institutions as a basis for selecting policy goals consistent with their geographical areas. The following diagram shows the process of identification of policy goals.



<b>Examples of policy goals of the Ministry of Education, Youth, and Sports</b>
• Ensure equitable access to educational services
• Increase effectiveness and quality of educational services
• Develop institutions and build capacity for decentralization

Identification of policy goals as indicated in Table 2 was extracted from the National Strategic Development Plan Update 2009-2013 by the Ministry of Education, Youth, and Sports.

## 2.2 Development of programs and/or priority strategies

Programs and/or priority strategies were developed under the National Strategic Development Plan, which is a strategy for implementing the Rectangular Strategy of the Royal Government, and these programs and/or priority strategies need to respond to the identified policy goals. Development of programs and/or priority strategies must be comprehensive, covering programs and/or priority strategies funded by both program and non-program budgeting and by development partners.

Programs and/or priority strategies are implementation methodologies to achieve the identified policy goals, and the programs refer to line ministries/institutions implementing program budgeting and programs funded by development partners. Therefore, some line ministries/institutions may have both programs and priority strategies while others do not have programs, but only priority strategies.

The capital/provincial technical line departments must use the programs and/or priority strategies developed by their respective parental line ministries/institutions as a basis for developing programs and/or priority strategies consistent with their geographical areas.

<b>Examples of program development of the Ministry of Education, Youth, and Sports</b>	
<b>Policy goals</b>	<b>Programs</b>
<ul style="list-style-type: none"> <li>• Ensure equitable access to educational services</li> </ul>	<ul style="list-style-type: none"> <li>• Development of general education and non-formal education</li> </ul>
<ul style="list-style-type: none"> <li>• Increase effectiveness and quality of educational services</li> </ul>	<ul style="list-style-type: none"> <li>• Development of technical education and training, higher education and scientific research</li> </ul>
<ul style="list-style-type: none"> <li>• Develop institutions and build capacity for decentralization</li> </ul>	<ul style="list-style-type: none"> <li>• Development of physical education and sports</li> <li>• Development of youths</li> <li>• Support and management of educational services and good governance</li> </ul>

### **Instruction on how to complete Table 3.1 of Annex 1:**

- The **policy goals** column requires description of policy goals as indicated in Table 2 above
- The **programs and/or priority strategies** column requires description of programs or priority strategies

Number 1.1: means program or priority strategy 1 of policy goal 1

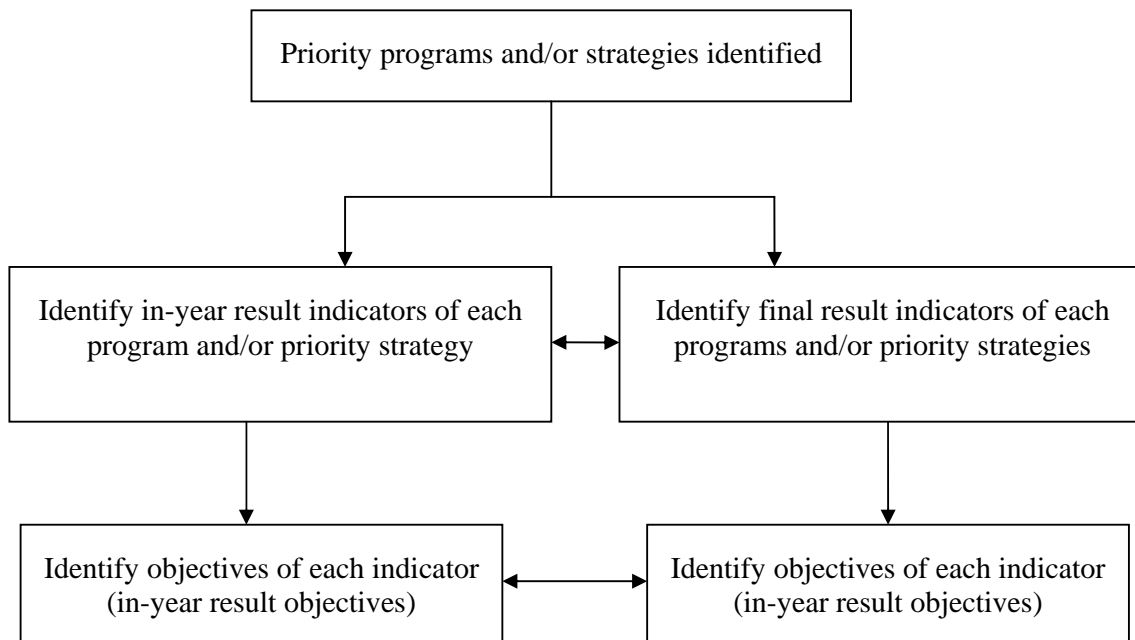
Number 1.2: means program or priority strategy 2 of policy goal 1

Number 2.1: means program or priority strategy 1 of policy goal 2

- The **implementation duration** column requires description of duration needed to implement programs or/and priority strategies, showing starting year and completion year (e.g., if a program needs 5 years to implement starting in 2008, it is required to write *2008-2012*).
- The **total fund needed** column requires projection of fund needed for implementing programs or priority strategies from the starting year till the completion year.
- The **fund implemented to date** column requires calculation of funds already implemented, covering the starting year of program and/or priority strategy implementation to the current year (**n**).
- The **fund needed** column requires calculation of fund needed, which is the subtraction result between the fund implemented to date together with the total fund needed and planning and projection of fund needed for the first subsequent year, the second subsequent year, and subsequent third year.

### 2.3 Identification of indicators and indicator objectives

This section shows identification of indicators and indicator objectives to monitor and evaluate implementation of each program and/or priority strategy. Therefore, once programs and/or priority strategies have been identified to achieve the identified policy goals line ministries/institutions and capital/provincial technical line departments must pay attention to the following two steps:



### **Step 1: Identification of indicators**

Indicators are a measure that can identify achievement objectives to monitor progress and results of program or priority strategy implementation, and indicators are both quantitative and qualitative. In identifying indicators, line ministries/institutions and technical capital/provincial departments must identify both in-year result indicators and final result indicators of each program and/or priority strategy. In order to identify indicators well, it is important to focus on the following 7 components:

- **Comprehensiveness:** Indicators must be comprehensive and sufficient, responding to programs and/or priority strategies and identified policy goals;
- **Meaningful and easy to understand:** Indicators must be easy to understand and useful for managers and politicians;
- **Creditability:** Indicators must have sufficient data and information that can serve as a basis;
- **Simplicity:** Indicators must be simple and facilitate calculation and interpretation;
- **Accuracy:** Indicators must be sufficient and ensure accuracy of evaluation of in-year results and final results.
- **Verifiability:** Indicators must have verifiable and examinable information;
- **Efficiency:** Collection of data related to indicators must be efficient and timely.

In-year result indicators are a measure that can identify achievement objectives of implementation of each program or priority strategy in a specific period (not more than one year). Final result indicators, on the other hand, are a measure that can identify final achievement objectives, which are the results created by in-year results of implementation of medium-term and long-term (more than a year) program or priority strategy.

Each programs or priority strategy may have numerous indicators, but line ministries/institutions and capital/provincial technical line departments must choose appropriate and sufficient indicators, ensuring the achievement of program and/or priority strategy implementation.

<b>Example of identification of in-year result indicators</b>		
<b>Programs</b>	<b>In-year result indicators</b>	<b>Evaluation of sufficiency of indicators</b>
Improve and enhance the quality of higher education	Indicator 1: Number of higher education teachers trained	Collect sufficient data
	Indicator 2: % of dropouts decreased	Collect sufficient data

	Indicator 3: Number of repeated students in higher education decreased	Collect sufficient data
	Indicator 4: Number of students studying at home and doing more research increased	Difficult in collecting data due to survey required
	Indicator 5: Having sufficient libraries and research documents	Collect sufficient data

<b>Examples of identification of final result indicators</b>		
<b>Programs</b>	<b>Final result indicators</b>	<b>Evaluation of sufficiency of indicators</b>
Improve and enhance the quality of higher education	Indicator 1: % of employed graduates increased	Difficult in collecting data due to survey required
	Indicator 2: % of students successfully completing their study increased	Collect sufficient data
	Indicator 3: % of students receiving scholarship to study overseas increased	Difficult in collecting data due to survey required

### **Step 2: Identification of selected indicator objectives**

The next step is to identify both in-year result indicator objectives and final result indicator objectives that require effective interlinks and mutual responsiveness to ensure achievement of identified policy goals in a specific period.

In-year result indicator objectives identify annual quantitative and/or qualitative objectives, which are the achievements of implementation of each program or priority strategy. The final result indicator objectives, on the other hand, identify final quantitative and/or qualitative achievement objectives, which are the results created by in-year results of implementation of each medium-term and long-term (more than one year) program and/or priority strategy.

In identifying indicator objectives, the necessary and essential factor is to be aware of the current status of those indicators, which can lead to identifying desired objectives in order to respond to identified policy goals, and these objectives need to be appropriate and realistically achievable.

<b>Example of identification of in-year result indicator objectives</b>				
<b>In-year result indicators</b>	<b>Current status</b>	<b>Objectives Year n+1</b>	<b>Objectives Year n+2</b>	<b>Objectives Year n+3</b>
Indicator 1: Number of higher education teachers trained	3.000 teachers trained	500 teachers trained	500 teachers trained	500 teachers trained
Indicator 2: % of dropouts decreased	40% dropouts	Number of dropouts decreased to 30%	Number of dropouts decreased to 20%	Number of dropouts decreased to 10%
Indicator 3: Number of repeated students in higher education decreased	25% repeated students	Number of repeated students decreased to 20%	Number of repeated students decreased to 10%	Number of repeated students decreased to 5%
Indicator 4: Number of students studying at home and doing more research increased	?	?	?	?
Indicator 5: Having sufficient libraries and research documents	Libraries and research documents can meet only 50% of students' needs	Libraries and research documents can meet 60% of students' needs	Libraries and research documents can meet 70% of students' needs	Libraries and research documents can meet 80% of students' needs

<b>Example of identification of final result indicator objectives</b>		
<b>Final result indicators</b>	<b>Current status</b>	<b>Final result objectives</b>
Indicator 1: % of employed graduates increased	Employment rate of graduates is only 30%	Employment rate of graduates will be 70%
Indicator 2: % of students successfully completing their study increased	Every year, only 60% of students successfully complete their study	Number of students successfully completing their study increased to 80%
Indicator 3: % of students receiving scholarship to study overseas increased	Only 10% of students receive scholarship to study overseas	Number of students receiving scholarship to study overseas will be increased to 40%

Assessment of achievement of final result objectives is difficult because other external factors may affect positively or negatively these final result objectives. For example, in Table 7 above, one final result indicator objective is that the rate of employed graduates is 70%. In

this case, assessment of achievement or failure to achieve the final result indicator objective resulted from the in-year results of the implementation of the educational quality improvement and enhancement at higher education is difficult because there might be external factors affecting the achievement or failure to achieve the indicator objective, such as changes in economic growth resulting from domestic or external factors that may affect investment positively or negatively.

#### **Instruction on how to complete Table 4.1 of Annex 1:**

- The **programs and/or priority strategies** column requires description of each program or priority strategy
- The **identification of in-year result and final result indicators** column requires identification of measures of in-year and final results of implementation of programs or priority strategies.
- The **current status of in-year and final result indicators** requires indication of the current status of each in-year and final result indicator, which provides a basis for identifying the objectives of those indicators. Therefore, selection of indicators is an important factor because some indicators do not have sufficient database to facilitate the awareness of their current status.
- The **in-year result indicator objectives** column requires identification of annual objectives of each indicator, and the identification of these objectives must be appropriate and realistic, which can implement and achieve identified policy goals.
- The **final result indicator objectives** column requires identification of the final achievement objectives of each indicator and the identification of these objectives must be consistent with in-year results and respond to identified policy goals.

## **2.4 Identification of resources**

### **2.4.1 Identification of expenditure needs**

Based on the identified policy goals and programs and/or priority strategies, line ministries/institutions and technical capital/provincial departments must identify needs for resources for implementing each program and/or priority strategy, focusing on a number of important components as follows:

- The frameworks of macro-economic policies and public finance determined by the Ministry of Economy and Finance, such as the annual economic growth and inflation.
- Assessment of past expenditure and expenditure projection during the implementation year by each line ministry/institution and technical capital/provincial department.
- Identification of resource needs in each year must be concrete and accurate in order to meet the needs of each program or priority strategy.

#### **Instruction on how to complete Table 5.1 of Annex 1:**

- The **policy goals / programs / priority strategies / expenditure items** column requires allocation of expenditure of each program and/or priority strategy according to recurrent and capital expenditure items, and the recurrent expenditure must be divided into personnel and non-personnel expenditure. The personnel expenditure may not be required to allocate according to each program or priority strategy if this cannot be done. Capital expenditure is divided into shared investment projects with State's budget for project implementation, budget support funding by development partners and technical assistance.
- The **State's Budget** column is the needs for funds from the State's budget for implementing policies and programs and/or priority strategies.
- The **development partners' funding** column is the needs for funds received from development partners for implementing policies and programs and/or priority strategies.
- The **Others** column is the needs for funds received from sources other than the State's budget and development partners for implementing policy goals and programs and/or priority strategies.

#### 2.4.2 Revenue projection

In this section, those line ministries/institutions and technical capital/provincial departments that do not have any revenue sources are not required to develop any strategies. In contrast, those line ministries/institutions and technical capital/provincial departments that have revenue sources must develop a strategy including policies and measures to strengthen management and revenue collection.

In projecting revenue, line ministries/institutions and technical capital/provincial departments must base mainly on:

- Long-term revenue policies
- The framework of macro-economic policies and public finance
- Developed strategies
- Assessment of revenue collection during the past year and revenue collection projection during the implementation year

#### **Instruction on how to complete Table 5.2 of Annex 1:**

- The **Revenue Type** column requires description of revenue sources managed and collected by line ministries/institutions and technical capital/provincial departments. The revenue is divided into two types, i.e., revenue from domestic sources and revenue from external sources. Revenue from domestic sources includes fiscal revenue, non-fiscal revenue, and domestic capital revenue, which is a revenue source of line ministries/institutions and technical capital/provincial departments. Revenue from external sources is capital revenue received from development partners. This revenue is divided into two types, i.e., investment projects and technical assistance. This type of revenue must be described in details according to the title of each program or project, and according to the types of investment projects and technical assistance.
- The **Financial Law Year (n)** column must include revenue fund collected during the years **n** (in million Riels), which was adopted by the Law on Finance for Management year **n**



- The **1st Subsequent Year (n+1) Projection, 2nd Subsequent Year (n+2) Projection and 3rd Subsequent Year (n+3) Projection** column must include revenue projection in each year (in million Riels), which is expected to be obtained based on the identified revenue collection strengthening strategy.

**Section 3:**  
**Monitoring and Evaluation of Strategic  
Budget Plan**

In March each year, all line ministries/institutions and technical capital/provincial departments must review and evaluate the Strategic Budget Plan developed during the previous year in accordance with the procedures outlined in Appendix 2 in Section 4 of these Guidelines.

The review and evaluation of Strategic Budget Plan will enable line ministries/institutions and capital/provincial technical line departments to find gaps for improving the Strategic Budget Plan for the next year, which is developed in April. Areas that need to be reviewed and evaluated include:

1. Review and evaluation of policy goals
2. Review and evaluation of programs and/or priority strategies
3. Review and evaluation of indicators and indicator objectives
4. Review and evaluation of identification of resources

This Section will provide instruction related to review and evaluation of each point as shown above as follows:

### **3.1 Monitoring and Evaluation of Policy Goals**

All line ministries/institutions and technical capital/provincial departments must review and evaluate policy goals developed in the Strategic Budget Plan of the previous year in order to identify the validity of these policy goals resulting in revision of the policy goals for developing the next year's strategic budget plan. The review and evaluation must focus on factors leading to changes in policy goals. These factors include:

- Changes in functions and responsibilities of institutions if these changes have to revise policy goals so that they will be consistent with the new functions and responsibilities.
- Changes in sectoral policies: If changes in the sectoral policies in the National Strategic Development Plan, which results from the policy changes in the Rectangular Strategy, it is necessary to revise the policy goals in order to ensure consistency with their changed sectoral policies.
- New programs policies of the Royal Government: In this case, more new policy goals need to be developed in order to contribute to the implementation of these new programs policies of the Royal Government.
- Comprehensiveness and effectiveness of policy goals: Are developed policy goals comprehensive and effective in achieving the sectoral polices? If it is considered that the developed policy goals cannot achieve the sectoral polices, it is necessary to revise the policy goals.
- Completion of implementation of policy goals: If a policy goal has been completed, the policy goal must be removed from the next year's Strategic Budget Plan years.

It should be noted that policy goals usually do not change within one year because they are developed for a long-term vision (3-5 years).

### **Instruction on how to complete Table 1.1 of Annex 2:**

- The **policies column in the Rectangular Strategy / the National Strategic Development Plan** requires description of all policies found in the Rectangular Strategy, which were developed in the National Strategic Development Plan and related to their functions and responsibilities.
- The **sectoral policies** column requires description of all their sectoral policies found in the Rectangular Strategy, which were developed in the National Strategic Development Plan.
- The **policy goals developed in the Strategic Budget Plan** column requires description of policy goals developed in the previous year's Strategic Budget Plan.
- The **evaluation** column requires evaluation of each policy goal developed in the previous year's Strategic Budget Plan. If a policy goal does not change, the word *still valid* should be written in this evaluation column in the same row with the policy goal. But if a policy goal has changed or its implementation has been completed (based on the evaluation criteria described above), the word *no longer valid* should be written in the evaluation column in the same row with the policy goal.
- For the **revision** column, if a policy goal has been changed or removed or re-established, the policy goal must be written in this column in the same row with the revised policy goal.

## **3.2 Review and Evaluation of Priority Programs and/or Strategies**

Once policy goals have been reviewed and evaluated all line ministries/institutions and technical capital/provincial departments must review and evaluate programs and/or priority strategies. The review and evaluation must focus on factors that lead to changes in these programs and priority strategies. These factors include:

- Results of policy goal evaluation: If a policy goal has been changed or removed or re-established, then programs and/or priority strategies need to be revised in order to respond to those policy goals.
- Comprehensiveness and effectiveness of programs and/or priority strategies: Are the programs and/or priority strategies developed in the previous year's Strategic comprehensive and effective in achieving their policy goals? If the programs and/or priority strategies developed in the previous year's Strategic Budget Plan cannot achieve their policy goals, then the programs and/or priority strategies need to be revised.
- Completion of implementation of programs and/or priority strategies: If a program and/or priority strategy has been completed, it must be removed from the next year's Strategic Budget Plan.

### **Instruction on how to complete Table 2.1 of Annex 2:**

- The **programs and/or priority strategies developed in the Strategic Budget Plan** column requires writing all programs and/or priority strategies developed in the previous year's Strategic Budget Plan.
- The **evaluation** column requires evaluation of programs and/or priority strategies developed in the previous year's Strategic Budget Plan. If a program

and/or priority strategy does not change, the word *still valid* in the column in the same row with the program and/or priority strategy. If a program and/or priority strategy has changed, and its implementation has been completed (based on the criteria described above), the word *no longer valid* should be written in the evaluation column in the same row with the program and/or priority strategy.

- For the **revision** column, if a program and/or priority strategy has been changed or removed or re-established based on the results of the evaluation described above, the program and/or priority strategy must be written in this column in the same row with the revised program and/or priority strategy.
- The **explanation** column must explain revision of programs and/or priority strategies.

### **3.3 Review and Evaluation of Indicators and Indicator Objectives**

#### **3.3.1 Review and evaluation of indicators**

Once the programs and/or priority strategies have been reviewed and evaluated, all line ministries/institutions and technical capital/provincial departments must review and evaluate the indicators. The review and evaluation must focus on factors that lead to changes in indicators. The factors include:

- **Comprehensiveness:** The indicators must be comprehensive and sufficient responding to the identified programs and/or priority strategies and policy goals.
- **Meaningful and easy to understand:** Indicators must be easy to understand and useful for managers and politicians.
- **Creditability:** Indicators must have sufficient data and information that can be used as a basis.
- **Simplicity:** Indicators must be simple, which makes it easy to calculate and interpret.
- **Accuracy:** Indicators must be comprehensive, which ensures accuracy of evaluation of in-year and final results.
- **Verifiability:** Indicators must include information that can be verified and reviewed.
- **Efficiency:** Collection of data related to indicators must be economical and timely.
- **Results of program and/or priority strategy evaluation:** If a program and/or priority strategy has been changed or removed or re-established, the indicators must be revised to respond to the program and/or priority strategy.
- **Completion of implementation of indicators:** If a final result indicator objective has been completed, the indicator must be removed from the next year's Strategic Budget Plan.

#### **Instruction on how to complete Table 3.1 of Annex 2:**

- The **indicators developed in the Strategic Budget Plan** column requires writing all indicators developed in the next year's Strategic Budget Plan.
- The **evaluation** column requires evaluation of indicators developed in the previous year's Strategic Budget Plan. If an indicator has not been changed, the word *still valid* must be written in this column in the same row with the indicator. But if an indicator has been changed, or its implementation has been completed (based on the criteria described above), the word *no longer valid* must be written in this column in the same row with the indicator.
- For the **revision** column, if an indicator has been changed or removed or re-established based on the results of evaluation as described above, the indicator must be written in this column in the same row with the revised indicator.
- The **explanation** column requires explanation of revision of indicator.

### 3.3.2 Review and evaluation of indicator objectives

Once the indicators have been reviewed and evaluated, all line ministries/institutions and technical capital/provincial departments must review and evaluate the indicator objectives. The review and evaluation must be conducted in two steps as follows:

**Step 1:** Evaluate achievements against indicator objectives as identified in the previous year's Strategic Budget Plan in order to determine the realism of the identified indicator objectives in order to revise the indicator objectives for the preparation of the next year's Strategic Budget Plan.

**Step 2:** Focus on factors leading to changes in indicator objectives. These factors include:

- Results of evaluation of indicators: If an indicator has been changed or removed or re-established, then indicator objectives need to be revised in order to respond to the indicator.
- Results of evaluation of achievements against identified indicator objectives: Must be based on the previous year's achievements in order to identify ease and difficulties in achieving the identified objectives, aimed at revising the objectives so as to achieve the identified policy goals.
- Results of evaluation of expenditure implementation: If procurement of goods and services is implemented in the year, then it affects the achievement of the identified indicator objectives, which will lead to revision of indicator objectives for next year.

#### **Instruction on how to complete Table 3.2 of Annex 2:**

- The **indicators developed in the Strategic Budget Plan** column requires writing all indicators developed in the next year's Strategic Budget Plan.
- The **annual objectives** column requires writing all indicator objectives identified in the previous year's Strategic Budget Plan, and each indicator objective must be written in the same row with the indicators developed in the last year's Strategic Budget Plan.
- The **result** column requires writing all achievements made in the previous year in terms of each indicator objective, and the results of each indicator objective must be written in the same row with the identified indicator objectives.

- For the **revision** column, if an indicator objective has been changed or removed or re-established based on the results of the two-step evaluation as described above, then the revised indicator objectives and the newly established indicator objectives must be written in this column.
- The **explanation** column requires explanation of the indicator objectives that have been revised or removed or re-established.

### 3.4 Review and Evaluation of Resource Identification

#### 3.4.1 Review and evaluation of needs for expenditure

All line ministries/institutions and technical capital/provincial departments must review and evaluate expenditure. The review and evaluation must focus on factors leading to changes in expenditure. These factors include:

- Results of evaluation of policy goals
- Results of evaluation of programs and/or priority strategies
- Results of evaluation of indicators
- Results of evaluation of indicator objectives
- Results of actual expenditure implementation
- Failure to implement expenditure
- Failure to provide funds by development partners
- Errors made in estimating project or unit cost
- Other factors, such as changes in economic growth, high inflation, and occurrence of natural disasters, negatively affecting expenditure implementation as well as implementation of programs and/or priority strategies.

#### **Instruction on how to complete Table 4.1 of Annex 2:**

- The **policy goals / programs / priority strategies / expenditure items** column requires writing policy goals together with programs and/or priority strategies according to recurrent and capital expenditure items. The recurrent expenditure must be divided into personnel and non-personnel expenditure. The capital expenditure is divided into shared investment projects with State's budget for project implementation, budget support funding by development partners and technical assistance.
- The **State's Budget** column requires inclusion of funds requested in the preparation of the previous year's Strategic Budget Plan by funding sources, i.e., the State's funding, development partners' funding, and funding from other sources.
- The **Finance Law** column requires inclusion of funding adopted by the Finance Law for the previous year's management by funding sources, i.e., the State's funding, development partners' funding, and funding from other sources.
- The **implementation** column requires inclusion of funding actually implemented for the previous year's management by funding sources, i.e., the State's funding, development partners' funding, and funding from other sources.

- The **explanation** column requires explanation of implementation compared with the Finance Law, for example, why implementation is lower or higher than the Finance Law.

### 3.4.2 Review and Evaluation of Revenue projection

All line ministries/institutions and technical capital/provincial departments that have revenue sources must review and evaluate revenue projection. The review and evaluation must be based on factors leading to changes in revenue projection. These factors include:

- Results of actual revenue implementation
- Changes in economic growth
- Changes in inflation rate
- Changes in enforcement of laws, regulations, and executive orders of the Royal Government
- Errors made in projecting revenue or errors made in determining the basis for calculating revenue
- Other factors, such as external factors affecting domestic economy, natural disasters, etc.

#### **Instruction on how to complete Table 4.2 of Annex 2:**

- The **revenue type** column requires writing revenue sources that are under the management of and collected by line ministries/institutions and technical capital/provincial departments, divided into two types, i.e., revenue from domestic sources and revenue from external sources. Revenue from domestic sources include fiscal, non-fiscal, and capital revenue, which are direct revenue sources of line ministries/institutions and technical capital/provincial departments. Revenue from external sources is capital revenue received from development partners and is in two forms, i.e., investment projects and technical assistance. This type of revenue must be detailed according to the titles of each program or project and the types of investment projects and technical assistance.
- The **Strategic Budget Plan** column requires inclusion of funding amount projected in the preparation of the previous year's Strategic Budget Plan.
- The **Finance Law** column requires inclusion of funding amount adopted by the Finance Law for the previous year's management.
- The **implementation** column requires inclusion of funding amount actually implemented for the previous year's management.
- The **explanation** column requires explanation of implementation compared with the Finance Law, for example, why implementation is lower or higher than the Finance Law.



## **Section 4:**

## **Annexes**

## Annex 1: Forms and Procedures for Strategic Budget Plan Development

### Strategic Budget Plan For year n+1, year n+2, and year n+3

**of line ministries/institutions or technical capital/provincial departments ...**

#### I. Introduction

.....  
.....  
.....

#### II. Policy goals

In order to contribute to implementation of sectoral policies as outlined in the National Strategic Development Plan Update 2009-2013, which is a strategy for implementing the Rectangular Strategy for *Growth, Employment, Equity* and *Effectiveness* to achieve the goal of poverty reduction and enhancing people's living standard, the line ministry/institution or capital/provincial technical department of ..... has the following policy goals:

Policy Goals	Responding to an Angle of the Rectangular Strategy in the National Strategic Development Plan	Being in a Sectoral Policy in the National Strategic Development Plan
1st.: .....		
2nd.: .....		
.....		

#### III. Programs and/or Priority Strategies

In order to successfully implement the policy goals above, the line ministry/institution or the capital/provincial technical department has developed the following programs and/or priority strategies:

**Table 3.1: Programs and/or Priority Strategies**

in million Riels

<b>Policy Goals</b>	<b>Programs and/or Priority Strategies</b>	<b>Implementation Duration</b>	<b>Total Funds Needed</b>	<b>Estimate of Funds Implemented till Year n</b>	<b>Funds Needed</b>
Policy goal 1:.....	1.1:.....				
	1.2:.....				
	1.3:.....				
Policy goal 2:.....	2.1:.....				
	2.2:.....				
	2.3:.....				
Policy goal 3:.....	3.1:.....				
	3.2:.....				
	3.3:.....				
.....	.....				

#### IV. Identification of Indicators and Indicator Objectives

The line ministry/institution or capital/provincial technical department has identified indicators and indicator objectives to monitor progress and achievements of implementation of each program or priority strategy as follows:

**Table 4.1: Identification of Indicators and Indicator Objectives**

Programs and/or Priority Strategies	Identification of Indicators		Current Status		in-year result indicator objectives			Final Result Indicator Objectives
	In-Year Result Indicators	Final Result Indicators	In-Year Result Indicators	Final Result Indicators	1st Subsequent Year n+1	2nd Subsequent Year n+2	3rd Subsequent Year n+3	
1.1:.....								
1.2:.....								
1.3:.....								
.....								
2.1:.....								
2.2:.....								
2.3:.....								
.....								
3.3:.....								

**V. Identification of Resources**

**Projected Expenditure Needs**

**Table 5.1: Projected Expenditure Needs**

in million Riels

Policy Goals Programs and/or Priority Strategies Expenditure Item	Finance Law Current Year n			Projected Funding Needs for 1st Subsequent Year n+1 (n+1)			Projected Funding Needs for 2nd Subsequent Year n+1 (n+2)			Projected Funding Needs for 3rd Subsequent Year n+1 (n+3)		
	State's Fund	DPs' Fund	Others	State's Fund	DPs' Fund	Others	State's Fund	DPs' Fund	Others	State's Fund	DPs' Fund	Others
<b>Total</b>												
- Total recurrent expenditure												
Personnel												
Non-personnel												
- Total capital expenditure												
Investment projects												
Royal Government's contribution												
Budget support												
Technical assistance												
1. Policy goal 1												
- Total recurrent expenditure												
Personnel												
Non-personnel												
- Total capital expenditure												
Investment projects												
Royal Government's contribution												
Budget support												
Technical assistance												
1.1: Programs - Priority Strategy 1												
- Recurrent Expenditure												
.....												
- Capital expenditure												
.....												

## Revenue Projection

In order to contribute to the efforts made by the Royal Government in collecting resources to achieve the established macro-economic framework, the line ministry/institution or the capital/provincial technical department has developed a number of strategies to strengthen revenue collection as follows:

- A. ....
- B. ....
- C. ....

Based on these strategies, the line ministry/institution or the capital/provincial technical department has projected revenue as follows:

<b>Table 5.2: Revenue Projection</b> in million Riels				
<b>Revenue Types</b>	<b>Finance Law</b> Current year (n)	<b>Projected</b> 1st Subsequent Year (n+1)	<b>Projected</b> 2nd Subsequent (n+2)	<b>Projected</b> 3rd Subsequent (n+3)
<b>Total</b>				
1. Revenue from domestic sources – Fiscal revenue – Non-fiscal revenue – Domestic capital revenue				
2. Revenue from external sources (from development partners) – Projects/programs ..... • Investment projects • Technical assistance				

## VI. Conclusion

Phnom Penh, .....

Minister

**Annex 2: Forms and Procedures for Reviewing and Evaluation of Strategic Budget Plan**

Review and Evaluation of Strategic Budget Plan for the Year .....  
of the line ministry/institution / technical capital/provincial department .....

**1. Identification of Policy Goals**

<b>Table 1.1: Reviewing and Evaluation of Identification of Policy Goals</b>					
<b>Policies in the Rectangular Strategy / National Strategic Development Plan</b>	<b>Sectoral Policies</b>	<b>Policy Goals Developed in the Strategic Budget Plan</b>	<b>Evaluation</b>		<b>Revision</b>
			<b>Still Valid</b>	<b>No Longer Valid</b>	

## 2. Development of Programs and/or Priority Strategies

<b>Table 2.1: Review and Evaluation of Development of Programs and/or Priority Strategies</b>				
<b>Programs and/or Priority Strategies Developed in the Strategic Budget Plan</b>	<b>Evaluation</b>		<b>Revision</b>	<b>Explanation</b>
	<b>Still Valid</b>	<b>No Longer Valid</b>		

## 3. Identification of Indicators and Indicator Objectives

### 3.1. Identification of Indicators

<b>Table 3.1: Review and Evaluation of Identification of indicators</b>				
<b>Indicators developed in the Strategic Budget Plan</b>	<b>Evaluation</b>		<b>Revision</b>	<b>Explanation</b>
	<b>Still Valid</b>	<b>No Longer Valid</b>		





## 4. Identification of Resources

### 4.1. Identification of Needs for Expenditure

Table 4.1: Review and Evaluation of Identification of Expenditure Needs for the Management Year .....														in million Riels
Policy Goals Programs - Priority Strategies	Strategic Budget Plan				Finance Law				Implementation					Explanation
	Total	State's Fund	DPs' Fund	Others	Total	State's Fund	DPs' Fund	Others	Total	% Law	State's Fund	DPs' Fund	Others	
<b>Total</b>														
- Total recurrent expenditure														
Personnel														
Non-personnel														
- Total capital expenditure														
Investment projects														
Royal Government's contribution														
Budget support														
Technical assistance														
1. Policy goal 1 .....														
1.1: Programs - Priority Strategy 1 .....														
1.2: Programs - Priority Strategy 2 .....														
.....														
.....														
.....														

#### 4.2. Revenue projection

Table 4.2: Review and Evaluation of Revenue Projection for the Management Year .....

in million Riels

Revenue Types	Strategic Budget Plan	Finance Law	Implementation		Explanation
			Amount	% Law	
<b>Total</b>					
1. Revenue from domestic sources – Fiscal revenue – Non-fiscal revenue – Domestic capital revenue					
2. Revenue from external sources (from development partners) – Projects/programs ..... + Investment projects + Technical assistance					

#### 5. Challenges and Recommendations on Preparation of the Strategic Budget Plan

Phnom Penh, .....

**Director General of Administration and Finance**

**Seen and Approved  
Minister**