



CAMBODIA

TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS MISSION

October 2021

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TECHNICAL ASSISTANCE REPORT

CAMBODIA

Report on Government Finance Statistics
Mission (August 31–November 30, 2020)

SEPTEMBER 2021

PREPARED BY

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CDOT

BENEFICIARY COUNTRIES

Cambodia, Lao P.D.R., Myanmar, Vietnam, Indonesia, Malaysia, Mongolia, Philippines, and Thailand

PARTNERS

Japan, Bank of Thailand

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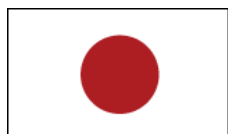


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Glossary

APD	Asia and Pacific Department of the IMF
BCG	Budgetary central government
BOP	Balance of Payments
COFOG	Classification of the Functions of Government
ESS	External Sector Statistics
FMIS	Financial Management Information System
GDB	General Department of Budget
GDICDM	General Department of International Cooperation and Debt Management
GDNT	General Department of National Treasury
GDP	General Department of Policy
GFS	Government Finance Statistics
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
IIP	International Investment Position
IMF	International Monetary Fund
JSA	Japan Administered Account for Selected IMF Activities
LG	Local government
LM	Line ministry
MEF	Ministry of Economy and Finance
MOU	Memorandum of Understanding
MFS	Monetary and Financial Statistics
NBC	National Bank of Cambodia
NIS	National Institute of Statistics
NSSF	National Social Security Fund
PAE	Public administrative establishment
PFM	Public Financial Management
PPP	Public-private partnership
<i>PSDS Guide</i>	<i>Public Sector Debt Statistics: Guide for Compilers and Users</i>
SNA	System of National Accounts
SOEs	State-owned enterprises
STA	Statistics Department of the IMF
TA	Technical Assistance
TOFE	Table of Government Financial Operations
WB	World Bank

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. The A remote technical assistance (TA) mission to the Ministry of Economy and Finance (MEF) was conducted during ten days over the period of August 31–November 30, 2020.¹ This activity was part of Cambodia’s participation in the Japan-funded Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) Project for selected Asian countries (JSA3)². The overall goal of the JSA3 Project is to assist the MEF in strengthening compilation and dissemination of fiscal data in line with the *GFS Manual 2014* and the *PSDS: Guide for Compilers and Users* to support macro-fiscal surveillance and decision making. The mission liaised with Mr. Alexandros Mourmouras, Director of the Capacity Development Office in Thailand (CDOT), Mr. Rifaat Basanti, the IMF Regional JSA3 GFS/PSDS Project Manager, Mr. Suhas Joshi, the IMF Regional Treasury Advisor—both in the CDOT, Mr. Yasuhisa Ojima, the IMF’s Resident Representative for Cambodia, and Ms. Magdalena Tomczynska-Smith, the IMF’s Budget Planning Advisor for Cambodia. The mission would like to thank the authorities for their excellent collaboration and support (Appendix I lists the main official contacts).

2. The mission worked with the MEF on capacity building, improving fiscal data, and supporting further progress in implementing international standards for macroeconomic statistics. To this end, the mission (i) shared international experience in implementing the functional classification of expenditure (COFOG) and elaborated on specific COFOG issues during the webinars with the MEF and line ministries; (ii) advised on a proper GFS classification of the COVID-19-related fiscal policy measures; (iii) participated in an inter-agency webinar and provided practical recommendations on reconciling GFS with general government data in national accounts, monetary and external sector statistics; (iv) advised on the issues identified in the 2020 annual GFS data submission to the IMF; and (v) updated the action plan to further improve compilation and dissemination of fiscal statistics. The mission took stock of the implementation of previous missions’ recommendations (Appendix II); Discussed the GFS classification of COVID-19-related interventions in Cambodia (Appendix III); and advised on coordination of GFS reporting linkages to Public Financial Management (PFM) reforms (Appendix IV).

3. For the first time, the MEF included public administrative establishments (PAEs) in annual GFS based on available source data. GFS for the National Social Security Fund (NSSF) and other PAEs were compiled using PAE’s aggregated budget execution reports for 2019 and were submitted to the IMF’s Statistics Department (STA). However, source data for the NSSF need further investigation to confirm the surplus amounting to 1.6 percent of GDP in 2019 and the counterpart accumulation of currency and deposits. More generally, accounting and reporting procedures for PAEs should be reinforced to provide more reliable source data for transactions and balance sheet

¹ TIMS dates: August 31–September 11, 2020.

² The IMF’s Statistics Department (STA) in collaboration with the IMF’s Capacity Development Office in Thailand (CDOT) manages the Japan Administered Account for Selected IMF Activities Project (JSA3).

positions. In addition, the mission recommended compiling extended GFS time series for 2018 and back to 2015, which would provide a good basis for fiscal analysis and projections in a medium-term perspective.

4. Further improvements have been made in disseminating GFS, though publication of financial balance sheets is still pending, and use of GFSM 2014-based data remains limited. The General Department of Policy (GDP) in cooperation with the General Department of International Cooperation and Debt Management (CDICDM) initiated reporting to the joint World Bank-IMF PSDS Database. The bridge table between the main aggregates of the national *Table of Government Financial Operations (TOFE)* and GFS was posted on the MEF's website. In addition, the GFS Team prepared and shared with the IMF detailed explanations on the differences between TOFE and GFS and the advantages of *GFSM 2014*-based fiscal formats. In January 2021, the GFS Team started compiling and reporting fiscal projections in the *GFSM 2014* format (aggregated Statement of Government Operations) to the IMF (APD) and the ADB. The mission advised on publishing financial balance sheets and encouraged continued coordination between Statistics and Economic Analysis Department and Macroeconomic Department of the MEF's GDP as well as between the GDP and the General Department of Budget (GDB) in using *GFSM 2014*-based fiscal data for policy analysis and projections.

5. The MEF initiated data reconciliation work with the National Institute of Statistics (NIS) and the National Bank of Cambodia (NBC). At first stage, the mission recommended reconciling GFS with MFS and Balance of Payment (BOP)/ International Investment Position (IIP) focusing on government deposits, loans, government's accounts receivable/payable, and grants and other transfers to and from abroad. In parallel, the list of institutional units/entities included in general government and public sector should be coordinated. The reconciliation of national accounts for general government could start with Production Account and Income Account. A formal Memorandum of Understanding (MoU) between the MEF, the NIS, and NBC and a working group on data reconciliation would reinforce the inter-agency communication and data exchange. The NIS and the NBC expect the MEF to take a lead in drafting the MoU and the Terms of References for a working group.

6. The MEF derives the functional classification of expenditure by mapping sub-programs with the Classification of Outlays by Functions of Government (COFOG) codes. Starting with data for 2020, the Financial Management Information System (FMIS) generates COFOG reports covering current expenditure of line ministries. Mapping internally financed capital expenditure of line ministries is work-in-progress. Formal procedures need to be established for collecting and mapping source data for externally financed capital expenditure. The mission stressed that in addition to acquisitions, disposals of nonfinancial assets should be taken into account when classifying expenditure by COFOG. Relating to local governments, only 18 provinces from 25 can map their programs to COFOG at this stage. Classifying PAEs' expenditure by COFOG is outside current MEF's priorities.

- 7. Based on the IMF’s Special Series Note on COVID-19³, the mission advised on the GFS classification of fiscal policy interventions in Cambodia.** Particular attention should be given to government lending, capital injections, and provision of guarantees. The mission stressed that in the absence of realistic expectations of return on the investment or loan repayment by the debtor, a capital transfer should be recorded rather than an increase in government financial assets. Guarantees until they are called remain outside GFS as memorandum items. A proper GFS recording of government’s interventions is complicated by the absence of a clear definition of COVID-19 related fiscal measures and separate accounts to track these measures, as well as the need for additional detail on the economic substance of operations. Other difficulties relate to measuring certain interventions (for instance, tax relief).
- 8. The mission raised awareness of the IMF’s efforts in populating a Climate Indicators Dashboard in early 2021.** The Dashboard is part of the IMF’s broader work to assess how climate-related issues affect macroeconomic stability and the design of policies that are critical for addressing climate challenges. The mission encouraged the MEF to report, on a best effort basis, three main sets of climate-related fiscal indicators: (i) environmental taxes, (ii) climate-related subsidies (both “brown” and “green” subsidies), and (iii) COFOG expenditures on environmental protection.
- 9. Availability of devoted personnel and description of GFS/PSDS procedures could sustain achieved results and support further developments.** Following the promotion of former GFS Division’s Head, only two young economists are in charge of *GFSM 2014*-based fiscal statistics while having other simultaneous tasks. In order to ensure sustainability of previously achieved results and enable further GFS/PSDS developments there is a need for sufficient human resources and technical guidelines describing compilation and dissemination procedures for *GFSM 2014*-based GFS and Quarterly PSDS.
- 10. The following priority recommendations carry particular weight to improving GFS and PSDS in Cambodia (Table 1).** A detailed Action Plan for further GFS/PSDS developments is included in Section D of this report.

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
April 2021	<i>Drafting technical guidelines on compiling and disseminating the GFSM 2014-based GFS and Quarterly PSDS</i>	GDP MEF
June 2021	<i>Agree on the institutional coverage of the general government and public sector with the NIS and the NBC</i>	GDP MEF, NBC, NIS
September 2021	<i>Validate 2019 statistics for the NSSF, complete annual GFS time series for 2019 and previous years back to 2015 with data for the NSSF and other PAEs, report GFS for general government to the IMF</i>	GDP, MEF

³ COVID-19: How to Record Government Policy Interventions in Fiscal Statistics. The IMF’s Special Series on Statistical Issues in Response to COVID-19. April 18, 2020.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Classifying Expenditure by COFOG

11. The mission participated in several activities initiated by the MEF's GDP to raise awareness about the functional classification of expenditure. On September 4, 2020, the mission shared international experiences in compiling COFOG and using it for fiscal policy analysis and surveillance, especially for assessing additional government expenditure in health and social protection relating to COVID-19. Additional discussions on COFOG progress and challenges took place on September 10, 2020 (internal MEF technical meeting between GDP, GDNT, GDB, and the FMIS Team) and September 14, 2020. In the mission's presentation during the COFOG Workshop for line ministries (LMs) on October 22–23, 2020, a special focus was given to practical issues of applying COFOG to multipurpose functions, grants, administrative expenditure, and net acquisitions of nonfinancial assets.

12. LMs perform the mapping of sub-programs with COFOG codes and report it to the MEF's GDB for review and uploading into the FMIS. The MEF's Prakas N 996 of October 11, 2017 contains general descriptions of COFOG codes. The GDB provides methodological advice to LMs on mapping specific sub-programs. The mapping of current sub-programs and activities has been uploaded into FMIS including the activities relating to more than one sub-sub function. FMIS generates three types of COFOG reports for budgetary central government (BCG)'s current expense: (i) Functional Analysis of Government Expenditure, (ii) Government Expenditure Summary by Functions, and (iii) Analysis of Functional Expenditure by Ministries.

13. The total amount of expense in the COFOG reports generated from the FMIS is substantially different from the total amount of expense in GFS Table 2. The MEF informed the mission that the implementation of COFOG was still ongoing, and the lack of data validation procedures might be the main reason for discrepancies. Setting-up formal procedures for LMs to validate the COFOG reports generated from the FMIS would contribute to data reconciliation.

14. BCG's net acquisitions of nonfinancial assets and overall LG's and PAE's expenditure remain outside COFOG reports. Mapping of internally financed capital expenditure of LMs is work-in-progress. Formal procedures need to be established within the MEF in order to map externally financed capital expenditure using source data from the DMFAS and donors. In addition to acquisitions, disposals of nonfinancial assets should be taken into account in classifying expenditure by COFOG. Relating to LG's, only 18 provinces from 25 can map their programs to COFOG. Four programs exist at the LG level: Economic Development, Social Affairs Improvement, Public Security and Safety Enhancement, and General Administration Promotion. Implementation of program budgeting at all 24 provinces is scheduled to start in 2020 (2021 for Phnom Penh). Financial reports of PAEs are based on economic classification, and their mapping to COFOG codes is outside current MEF's priorities.

Recommended Actions:

- Compile Table 7 (Expenditure by Functions of Government) covering general government's expense and net acquisitions of nonfinancial assets.
- Formalize the GDP's responsibilities to compile and disseminate detailed COFOG data in close cooperation with the GDB and GDICDM as source data providers and report it to the IMF, FAO, OECD and other interested international organizations.

B. Recording COVID-19 Related Fiscal Measures

15. In response to the COVID-19 pandemic, the Royal Government of Cambodia has implemented a wide range of administrative and economic policy measures. As of September 30, 2020, the authorities announced six rounds of policy intervention packages to support the economy and society. As part of fiscal policy responses, the MEF requested government units to rationalize their spending on selected items by 50 percent. Savings from budget rationalization were subject to reallocation to four priority areas: (i) fighting against COVID-19; (ii) maintaining social wellbeing, especially for poor and unemployed people; (iii) keeping businesses and jobs afloat to maintain and promote domestic economic activities; and (iv) maintaining security, public order, and social stability. The IMF Policy Tracker summarizes key policy responses relating to the COVID-19 pandemic in Cambodia⁴.

16. The scale and variety of COVID-19 related fiscal policy measures raise the importance of their economically meaningful recording in fiscal statistics. Different measures—tax relief and social assistance, provision of subsidies and guarantees, lending and capital injections, debt reorganization—require careful monitoring in terms of the impact on fiscal balance and overall sustainability of public finance. When analyzing specific policy measures, it is useful to look beyond the labels and terminology to identify the economic substance of the scheme and its correct treatment in GFS. For instance, in the absence of realistic expectations of return on the investment, an “equity injection” should be recorded as a capital transfer (expense) rather than an increase in government financial assets in form of equity (financial transaction).

17. The IMF's STA prepared a Special Series Note on how to record COVID-19 related fiscal policy interventions.⁵ The most commonly observed types of government interventions are grouped into eight broad categories: A) increased healthcare spending, B) provision of assistance to households, C) relaxation of tax obligations for households and corporations, D) provision of financial assistance to corporations (and other units other than households), E) capital injections, establishment of new, or extended, lending facilities and provision of guarantees, F) emergency assistance from international organizations and foreign governments, and G) liquidity and

⁴ *Policy Responses to Covid-19*. Policy Tracker. Cambodia
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#C>

⁵ *COVID-19: How to Record Government Policy Interventions in Fiscal Statistics*. The IMF's Special Series on Statistical Issues in Response to COVID-19. April 18, 2020.

quasi-fiscal operations by public financial institutions, and H. Debt reorganization. The MEF informed the mission about fiscal support mechanisms relevant for categories A–F.

18. Based on available information, the mission advised on the GFS classification of specific fiscal policy interventions in Cambodia (see Appendix III). The mission acknowledged that a proper recording of government’s interventions was complicated by the absence of a clear definition of COVID-19-related fiscal measures. Additional difficulties concern ex-ante assessment of certain interventions (for instance, tax relief). Further detail is needed about real economic effects of operations or their primary goals (such as primarily helping households or primarily helping businesses). Fiscal accounting and budget classification should provide for separate recording of traditional fiscal policy interventions and new measures related to COVID-19. Finally, it is important to ensure consistency in recording policy measures in GFS and other subsets of macroeconomic statistics (for instance, classification of government’s support to banks).

C. Improving Annual GFS Time Series

19. The MEF has made progress in expanding institutional coverage of annual GFS. For the first time, GFS included data on the National Social Security Fund (NSSF) and other public administrative establishments (PAEs) based on PAEs’ budget execution reports. The GFS Team confirmed the status of the NSSF as a Social Security Fund and presented its data separately from other PAEs. Consolidated GFS for 2019 (Statement of Government Operations and detailed tables for revenue, expense, and transactions in assets and liabilities) covering general government sector and its subsectors were submitted to the IMF. Compiling extended GFS time series for 2018 and back to 2015 would provide a good basis for fiscal analysis and projections in a medium-term perspective.

Recommended Action:

- Complete annual GFS time series for 2018 and previous years back to 2015 with data for NSSF and other PAEs, report consolidated GFS for general government to the IMF.

20. Source data for the NSSF need further investigation and validation before GFS for the NSSF can be disseminated. The NSSF’s revenue rose from 0.48 percent of GDP in 2018 to 1.93 percent of GDP in 2019. The mission was informed that this increase was mainly due to the implementation of a new Health Care Scheme. In the absence of detailed source data for expense, the GFS Team estimated the amount of social benefits for 2019 based on the trend in the detailed NSSF’s reports for previous years. The resulting surplus was balanced by an increase in the NSSF’s currency and deposits (GFS code 3212). However, the detail of the NSSF’s expense and transactions in financial assets needs further investigation and validation. In the meantime, STA will consider GFS for the NSSF as work-in-progress, which is not subject to dissemination.

Recommended Action:

- Make additional investigation to validate large accumulation of currency and deposits by the NSSF and update annual GFS for 2019.

21. Accounting and reporting procedures for PAEs should be reinforced to provide more reliable source data for both GFS transactions and balance sheet positions. The mission noticed that the PAEs' overall balance has been progressively increasing from 0.55 percent of GDP in 2017 to 2.14 percent of GDP in 2019, which proves the importance of covering PAEs in fiscal reports. In contrast to aggregated budget execution data, financial reports represent more detailed and integrated source data for GFS compilation. At first stage, aggregated PAE's budget execution reports could support the compilation of GFS time series for general government. However, the MEF should aim at using financial reports as source data for PAEs' *GFSM 2014*-based GFS. The mission was informed that applying government accounting and reporting rules was part of PAEs' reform agenda. Only 11 PAEs from 29 are presenting financial reports to the MEF with a two-year time lag.

22. Additional GFS quality issue relates to the ratio of Compensation of employees to Use of goods and services. Based on other countries' statistics in the IMF GFS database, the total amount of *Compensation of employees* (GFS code 21) is usually higher than the total amount of *Use of goods and services* (GFS code 22) for any subsector of general government. However, it is not the case for local governments (LGs) in the annual GFS time series for Cambodia (see Table 2). The mission was informed that the total amount of *Use of goods and services* for LGs might include capital expenditure for major renovations and reconstructions of existing buildings, roads, bridges, irrigation system, and technical equipment, which should be treated as acquisitions of fixed assets rather than current expense for the ordinary maintenance and repair. In the future, the LGs will follow a new MEF's Guideline on Fixed Assets Accounting to distinguish between current and capital expenditure.

Table 2. Compensation of Employees and Use of Goods and Services
(KHR Billion)

GFS Expense / Year	2012	2013	2014	2015	2016	2017	2018	2019
21. Compensation of employees	60.91	61.46	90.20	225.08	309.00	314.64	418.45	500.7
22. Use of goods and services	375.22	273.66	533.96	684.97	696.59	782.48	1,035.44	1,799.7

23. A clear distinction between current and capital spending is important for measuring government's non-market output and gross fixed capital formation. *Intermediate consumption* and *Compensation of employees* participate in the calculation of the government's non-market output when deriving the production measure of GDP. Conceptually, *Intermediate consumption* in SNA is close to *Use of goods and services* in GFS. Incorrect distinction between current and capital spending distorts the amount of general government's contribution to the domestic production and accumulation of fixed assets. A possible approach to solve the issue could be conducting in depth analysis of sample LGs to identify correct proportions of *Compensation of employees*, *Use of goods and services*, other categories of current expense, and *Acquisitions of fixed assets* and other transactions in assets, and then apply these proportions across all LG's spending.

Recommended Action:

- Improve GFS for LGs to ensure an accurate split between Compensation of employees (GFS code 21), Use of goods and services (GFS code 22), and Acquisitions of nonfinancial assets (GFS code 31).

24. Developing and disseminating financial balance sheets for general government and the entire public sector will usefully support fiscal policy analysis and decisions. Balance sheets provide for stock-flow reconciliation and improve the quality of fiscal statistics. Financial balance sheets contain important detail to analyze solvency and sustainability across time, identify vulnerabilities, and assess fiscal risks. The MEF has been working on validating the pilot balance sheets for 2015–2018 with source data providers and reconciling government’s financial assets and liabilities in GFS, Monetary and Financial Statistics (MFS), and International Investment Position (IIP). Compilation of financial balance sheets for PAEs is complicated due to the absence of full set of accounts for most PAEs. Availability of source data for state-owned enterprises (SOEs) and major public–private partnership (PPP) projects needs further investigation.

Recommended Actions:

- Reconcile different source data for loans and on-lending loans, acquisition of nonfinancial assets financed from abroad, and debt liabilities to validate the 2015–2018 consolidated balance sheet (Table 6) for BCG and LG
- Publish 2015–2018 consolidated balance sheet (Table 6) for budgetary central government and local governments as part of GFS on the MEF website.

D. Action Plan to Improve GFS/PSDS Compilation and Dissemination

N	Indicative Target Date	Recommendation	Responsible Institutions
Outcome: Data are compiled and disseminated using the coverage and scope of the latest manual/guide			
1.	March 2021	Draft a MoU, send it to the NIS and the NBC for comments, prepare and approve the final version of the MoU	GDP MEF, NBC, NIS
2.	March 2021	Form a technical working group on reconciling GFS with data on general government in other datasets of macroeconomic statistics (NBC and NIS)	GDP MEF, NBC, NIS
3.	March 2021	Reconcile GG financial balance sheet data between MEF and NBC (IIP, MFS), explain the reasons for remaining differences	GDP MEF, NBC
4.	March 2021	Reconcile GG data on transactions between MEF and NBC (BOP), explain the reasons for remaining differences	GDP MEF, NBC
5.	April 2021	Coordinate and agree on the institutional coverage of the general government and public sector with NBC	GDP MEF, NBC

N	Indicative Target Date	Recommendation	Responsible Institutions
6.	April 2021	Reconcile different source data on loans and on-lending loans, acquisition of nonfinancial assets financed from abroad, and debt liabilities to validate the 2015–2018 consolidated balance sheet (Table 6) for BCG and LG	GDNT, GDICDM, GDP MEF
7.	May 2021	Publish 2015–2018 consolidated balance sheet (Table 6) for budgetary central government and local governments as part of GFS on the MEF website	GDP MEF
8.	May 2021	Improve GFS for LGs to ensure an accurate split between Compensation of employees (GFS code 21), Use of goods and services (GFS code 22), and Acquisitions of nonfinancial assets (GFS code 31)	GDP MEF, GDNT
9.	May 2021	Reconcile GG data on transactions between MEF and NIS (Production account, Income Accounts, Saving) explain the reasons for remaining differences.	GDP MEF, NIS
10.	June 2021	Coordinate and agree on the institutional coverage of the general government and public sector with NIS	GDP MEF, NIS
11.	September 2021	Make additional investigation to validate large accumulation of Currency and deposits by the NSSF and update annual GFS for 2019	GDP MEF
12.	September 2021	Complete annual GFS time series for 2018 and previous years back to 2015 with data for NSSF and other PAEs, report consolidated GFS for general government to the IMF	GDP MEF
Outcome: Data are compiled and disseminated using the classification of the latest manual/guide			
13.	March 2021	Report to the IMF's STA metadata and available data on climate-related fiscal indicators	GDP MEF
14.	April 2021	Formalize the GDP's responsibilities to compile and disseminate detailed COFOG data in close cooperation with the GDB and GDICDM as source data providers and report it to the IMF, FAO, OECD and other international organizations	GDP, GDB, and GDICDM, MEF
15.	April 2021	Prepare the first draft of technical guidelines on compiling and disseminating the <i>GFSM 2014</i> -based GFS and Quarterly PSDS	GDP MEF
16.	May 2021	Generate and review GFS Table 2 (Expense) for budgetary central government from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and FMIS Team MEF
17.	May 2021	Generate and review GFS Table 2 (Expense) for local governments from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and FMIS Team MEF

N	Indicative Target Date	Recommendation	Responsible Institutions
18.	September 2021	Compile Table 7 (Expenditure by Functions of Government) covering expense and net acquisitions of NFAs and report to the IMF as part of annual GFS submission	GDP, MEF
19.	October 2021	Generate and review GFS Table 3 (Transactions in Assets and Liabilities) for budgetary central government from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP, GDICDM, GDNT MEF
20.	October 2021	Generate and review GFS Table 3 (Transactions in Assets and Liabilities) for local governments from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and GDNT, MEF
Outcome: Higher frequency data has been compiled and disseminated internally and/or to the public			
21.	March 2021	Post explanation on the advantages of using GFS in fiscal analysis on the MEF website	GDP MEF
22.	April 2021	Formalize the GDP's responsibilities for reporting to the Joint World Bank–IMF quarterly PSDS database in close cooperation with the GDICDM as source data provider	GDP and GDICDM, MEF
23.	September 2021	Improve data coverage of quarterly PSDS to include accounts payable and report to the Joint World Bank–IMF PSDS database	GDP and GDICDM, MEF
24.	September 2021	Compile and publish consolidated GFS for budgetary central government and local governments on a quarterly basis	GDP MEF

Appendix I. Officials Met During the Mission

Name	Institution
H.E. Cheang Vanarith	Director General, GDP
Dr. Chhau Somethea	Deputy Director General of the GDP
Sok Khorn	Director, Statistics and Economic Analysis Department, GDP
Yorn Sambath	Head of Public Finance Statistics Division, GDP, MEF
Khut Chankanika	Young Economist Professional, GDP, MEF
Prak Tha Achharawadei	Young Economist Professional, GDP, MEF

Appendix II. Implementation of the Previous Mission's Recommendations

Target Date	Recommendation	Responsible Institutions	Implementation Status
Outcome: Data are compiled and disseminated using the coverage and scope of the latest manual/guide			
May 2020	Coordinate and agree on the institutional coverage of the general government and public sector with NIS and NBC	GDP MEF, NBC, NIS	<p>Partly Implemented</p> <p>Following the first inter-agency workshop on GG data reconciliation in December 2019, the GDP shared the list of PAEs and SOEs with the NIS and the NBC.</p> <p>In addition, a technical meeting was held by the GFS Team on October 14, 2020 with the NIS and the NBC, and the second inter-agency workshop on GG data reconciliation was hosted by the MEF during October 26–27, 2020.</p> <p>Still, further coordinated efforts are needed to agree on institutional units of GG and public sector.</p> <p>The NIS claims using the same data coverage for GG as the MEF. However, the discussion during the workshop revealed that only source data for BCG might be used to compile GG accounts in SNA. This issue needs further investigation.</p> <p>According to the NBC's opinion, the discussion on the institutional coverage should be held in parallel with reconciling data on GG in GFS, MFF, and ESS.</p>
May 2020	Bridge the 2018 budget execution reports of PAEs with the <i>GFSM 2014</i> -based formats and compile consolidated GFS for general government	GDP MEF	<p>Implemented</p> <p>The GDP's GFS Team bridged the 2015–2019 budget execution reports for 29 PAEs (including the NSSF) with the <i>GFSM 2014</i>-based formats. The GFS Team confirmed</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
			the status of the NSSF as a Social Security Fund and presented its data separately from other PAEs. Consolidated GG GFS for 2018 were compiled and sent to the IMF's STA in June 2020. This report has to be updated and sent to STAGODATA or uploaded through the ICS.
June 2020	Bridge the 2018 financial reports of 11 PAEs with <i>GFSM 2014</i> -based formats and compare the results with GFS based on budget execution data	GDP MEF	<p>Partly Implemented</p> <p>The GFS team bridged the 2018 financial reports of 11 PAEs with <i>GFSM 2014</i>-based formats (Statement of Government Operations and Tables 1-3) and reported the working file to the IMF's STA in June 2020.</p> <p>However, further actions are needed to compare results for 11 PAEs with their 2018 GFS based on budget execution, identify discrepancies and propose follow up steps to minimize discrepancies.</p>
July 2020	Reconcile GFS on general government financial balance sheet with the NBC statistics (MFS, BOP/IIP) on an annual basis by comparing data, identifying differences, reconciling and explaining the reasons for differences in a note of reconciliation	GDP MEF, NBC	<p>Partly implemented</p> <p>A technical meeting was held by the GFS Team on October 14, 2020 with the NIS and the NBC, and the second inter-agency workshop on GG data reconciliation was hosted by the MEF during October 26–27, 2020. Reconciliation tables were populated with GG 2018 data in GFS, MFS, and BOP/IIP. Discrepancies identified will serve as a basis to further discuss data consistency, reconcile the numbers, and explain the reasons for remaining differences in a note of reconciliation.</p>
July 2020	Reconcile GFS on general government with the NIS (Totals for Saving, Net investment in NFAs, and Net Lending/Borrowing) annually by	GDP MEF, NIS	<p>Partly implemented</p> <p>A technical meeting was held by the GFS Team on October 14, 2020 with the NIS and the NBC, and the</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
	<p>comparing, identifying differences, reconciling and explaining the reasons in the note of reconciliation</p>		<p>second inter-agency workshop on GG data reconciliation was hosted by the MEF during October 26–27, 2020.</p> <p>A basic reconciliation table was populated with GG 2018 data for Saving, Net investment in NFAs, and Net Lending/Borrowing in GFS. Only amount for GG Saving was presented by the NIS. In addition, the NIS provided the numbers to cross-check on selected the GFS items for revenue, expense and a total for net acquisitions of NFA. The differences reveal different coverage used by the NIS for GG accounts (BCG instead of consolidated BCG and LG).</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
<p>October 2020</p>	<p>Bridge the 2019 budget execution reports of PAEs with GFSM 2014-based formats, compile consolidated GFS for general government including GFS balance sheet (Table 6) and report them to STA and APD</p>	<p>GDP MEF</p>	<p>Partly Implemented</p> <p>The GDP's GFS Team bridged the 2015–2019 budget execution reports for 29 PAEs (including the NSSF) with the <i>GFSM 2014</i>-based formats. The GFS Team confirmed the status of the NSSF as a Social Security Fund and presented its data separately from other PAEs. Consolidated GFS for 2019 covering BCG, EBUs (PAEs), SSF (NSSF) and LG were submitted to the IMF (Statement of Government Operations, Tables 1-3).</p> <p>After carefully reviewing the 2019 annual submission for consolidated GG, the IMF's STA decided to consider data for SSF as a work in progress due to serious data issues that need further investigation. For the time being, the SSF will be published by STA as NA. The mission was informed that before the end of 2020 a meeting with the NSSF will be scheduled by the GFS Team to work on data issues.</p> <p>Further actions are needed to enhance source data for PEAs to compile GFS balance sheet (Table 6) for PAEs and the whole GG. Only 11 PAEs are currently presenting financial reports to the MEF (GDNT), these procedures need to be reinforced.</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
October 2020	Publish 2015–2018 consolidated balance sheet (Table 6) for budgetary central government and local governments as part of GFS on the MEF website	GDP, MEF	<p>Not Implemented</p> <p>The GDP compiles financial balance sheet on a pilot basis (by October 2020, pilot balance sheets for 2015–2018 were available) but did not start reporting it to STA and APD or publish on the MEF web site. The intention is to further improve data quality and validate the results with source data providers in the MEF (GDNT and GDICDM) and the NBC (in terms of GG data in MFS and IIP).</p> <p>The December 2019 GFS mission was informed that the main discrepancies relate to debt, on-lending loans, and acquisitions of nonfinancial assets and arise from different exchange rates applied by different source data providers (GDNT and GDICDM). One technical meeting was held to discuss the issues with the GDNT, GDICDM, and the National Accounting Council.</p>
November 2020	Perform internal reconciliation on an annual basis to ensure data consistency between query-based and posted data, different source data on loans and on-lending loans, acquisition of nonfinancial assets financed from abroad, and debt liabilities.	GDNT, GDICDM, GDP MEF	To include in the updated Action Plan.
December 2020	Form a working group on reconciling GFS with data on general government in other datasets of macroeconomic statistics (NBC and NIS)	GDP MEF	To include in the updated Action Plan

Target Date	Recommendation	Responsible Institutions	Implementation Status
Outcome: Data are compiled and disseminated using the classification of the latest manual/guide			
August 2020	Review source data for GFS COFOG (Table 7) for budgetary central government expenditure (expense and net acquisition of nonfinancial assets) to comply with consistency with <i>GFSM 2014</i> recommendations	GDP, GDB, MEF	<p>Implemented</p> <p>On September 4, 2020, the GDP hosted a webinar on discussing the international experiences in compiling COFOG. An internal MEF technical meeting (GDP, GDNT, GDB, and the FMIS Team) took place on September 10, 2020 to discuss the progress and challenges concerning COFOG. This meeting was followed by additional COFOG discussions on September 14, 2020 and a COFOG consultation and input collection workshop for line ministries hosted by the MEF during December 22–23, 2020.</p> <p>The mapping of sub-programs with COFOG codes is performed by LMs and reported to the MEF's GDB for review and uploading into the FMIS. The programs, sub-programs, and activities of 34 ministries/institutions (BCG) are mapped with COFOG codes at the level of sub-programs. The GDB provides methodological advice to LMs on mapping specific sub-programs. The mapping for current expense has been uploaded into FMIS. The FMIS generates three forms of COFOG reports for BCG: (i) Functional Analysis of Government Expenditure (Original Budget, Modified Budget, Actual Expenditure, and percentage share of Actual Expenditure in Modified Budget by detailed COFOG codes); (ii) Government Expenditure Summary by Functions (same by COFOG Divisions); and (iii) Analysis of Functional Expenditure by Ministries (same by COFOG Divisions and LMs).</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
			<p>The remaining issues relate to (i) mapping one sub-program to several COFOG codes in the FMIS (the share for splitting is reported by the LMs but cannot be uploaded into the FMIS until technical issues are solved by the FMIS Team); (ii) validating by LMs the COFOG reports generated from the FMIS (lack of formalized procedures for validation) ; (iii) reconciling the totals for current expense by COGOG with the total for GFS Table 2 (important discrepancies remain); (iv) mapping internally financed capital expenditure which is still work-in-progress (disposals of NFA are not taken into consideration at all) ; (v) mapping externally financed expenditure which needs to be initiated in cooperation with the GDB and GDICDM using source data from donors (need for a strong formal procedures to receive detail on source data).</p> <p>Financial reports of PAEs are based on economic classification. The current focus of the GDB is on COFOG for BCG and LG.</p> <p>The COFOG classification for LG is still work in progress. The mapping is implemented on the basis of existing programs in the same way as for BCG. The mission was informed that time schedule for performance budgeting implementation at all 24 provinces is 2020 (2021 for Phnom Penh). Currently, only 18 provinces from 25 implement program budgeting and have programs that can be mapped to COFOG. There are four programs at the LG level: Economic Development, Social Affairs</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
			Improvement, Public Security and Safety Enhancement, and General Administration Promotion.
October 2020	Compile annual GFS COFOG (Table 7) for budgetary central government expenditure (expense and net acquisition of nonfinancial assets) in line with <i>GFSM 2014</i> recommendations	GDP, MEF	Not Implemented Available source data are for BCG current expense only (see above). Responsibilities for compiling detailed COFOG data and reporting it to the IMF, FAO, OECD and other international organizations should be specified more clearly.
November 2020	Develop proposal to GDB to determine budget deficit in accordance with <i>GFSM 2014</i>	GDB, GDNT, GDP MEF	To include in the updated Action Plan
November 2020	Generate and review GFS Table 2 (Expense) for budgetary central government from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and FMIS Team MEF	To include in the updated Action Plan
November 2020	Generate and review GFS Table 2 (Expense) for local governments from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and FMIS Team MEF	To include in the updated Action Plan
December 2020	Prepare the first draft of documentation on business-process for GFS compilation and dissemination	GDP MEF	To include in the updated Action Plan

Target Date	Recommendation	Responsible Institutions	Implementation Status
August 2021	Generate and review GFS Table 3 (Transactions in Assets and Liabilities) for budgetary central government from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP, GDICDM, GDNT MEF	To include in the updated Action Plan
August 2021	Generate and review GFS Table 3 (Transactions in Assets and Liabilities) for local governments from FMIS, make necessary corrections of mapping CoA to GFS in FMIS	GDP and GDNT, MEF	To include in the updated Action Plan
Outcome: Higher frequency data has been compiled and disseminated internally and/or to the public			
May 2020	Establish regular reporting to the Joint World Bank–IMF quarterly PSDS database to publish PSDS for Cambodia	GDP and GDICDM, MEF	<p>Implemented</p> <p>Quarterly PSDS for Cambodia were published in the Joint World Bank–IMF database. The MEF’s GDP submits quarterly PSDS for the database on a semi-annual basis following the date of the national publication.</p> <p>However, regular reporting procedures for quarterly PSDS need further enhancement to clearly specify the GDP’s responsibilities for reporting to the Joint World Bank–IMF quarterly PSDS database in close cooperation and coordination with the GDICDM as source data provider. Further work is needed to expand institutional and data coverage for quarterly PSDS.</p>

Target Date	Recommendation	Responsible Institutions	Implementation Status
May 2020	Update the derivation table to present the derivation of aggregates from TOFE to GFS and post it on the MEF website	GDP MEF	Implemented Derivation table from TOFE to GFS updated and posted on the MEF website.
May 2020	Add explanation on the differences between TOFE and GFS and advantages of using GFS in fiscal analysis on the MEF website	GDP MEF	Partly Implemented Explanation on the differences between TOFE and GFS and advantages of using GFS in fiscal analysis was prepared but not published on the MEF website.
September 2021	Compile and publish consolidated GFS for budgetary central government and local governments on a quarterly basis	GDP MEF	To include in the updated Action Plan

Appendix III. GFS Classification of COVID-19 Related Fiscal Interventions in Cambodia

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
A. Increased Healthcare Spending		
Anti-COVID-19 Master Plan, including virus testing, containment, and treatment		
	21 Compensation of employees	In case of hiring additional workers as government employees or increasing spending on existing healthcare workers who are government employees
	22 Use of goods and services	<p>Payments for healthcare workers in case they are not government employees and the government is buying their services from private healthcare contractors.</p> <p>Virus testing when government is buying this service from private healthcare contractors.</p> <p>Medical supplies (antiviral masks, antiseptics, pharmaceuticals) and other operational expense in government hospitals.</p> <p>Constructions that do not meet the definition of a fixed asset (such as temporary tents used for testing, which are not intended to be used for multiple years).</p>
	2632 Grants to other general government units, Capital	In case a government unit is making a payment to another government unit, who will construct/purchase the asset and become the economic owner of that asset
	2822 Transfers n.e.c., Capital	In case a government unit is making a payment to a unit/entity outside general government, who will construct/purchase the asset and become the economic owner of that asset

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
	3111 Net Investment in Nonfinancial Assets, Buildings and structures	Construction of new health facilities (including quarantine facilities and new or extended medical facilities) that meet the definition of a fixed asset when the government unit who will construct/purchase the asset will become the economic owner of that asset.
	3112 Net Investment in Nonfinancial Assets, Machinery and equipment	Acquisition of medical machinery and equipment (such as respiratory ventilators).
B. Provision of Assistance to Households		
<p>1. Monthly cash transfer program for poor and vulnerable households</p> <p>A social protection program related to the COVID-19 crisis introduced by the Royal Government in June 2020 to support the daily livelihoods of poor and vulnerable families across the country holding Equity Cards, further paying great attention to the children below five years old, people with disabilities, old people aged 60 and over and the people living with HIV in those poor families.</p>		
	272 Social assistance benefits	<p>Current transfers to households paid directly from the budget (i.e., not through the National Social Security Fund) to provide for the needs arising from events or circumstances adversely affecting the welfare of the households concerned either by imposing additional demands on their resources or by reducing their income.</p> <p>Similar transfers paid through the NSSF would be treated as <i>Social security benefits</i> (GFS 271).</p>

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
<p>2. Cash-for-work program</p> <p>In May 2020 the Royal Government decided to extend the coverage and amount of the budget for the cash-for-work program for those who have lost employment from the factories/enterprises and returned home from the foreign countries, to support the local people's living standards, and to bring about socio-economic achievements through the construction of small local physical infrastructures to enhance the agricultural and economic sectors. Implemented by line ministries.</p>		
	22 Use of goods and services	Payments in cash to people who are not government employees for work on maintaining, repairing or rehabilitating community assets such as irrigation canals, drinking water supply systems, and forestry. These payments do not relate major renovations, constructions and reconstructions of government's nonfinancial assets.
	3111 Net Investment in Nonfinancial Assets, Buildings and structures	Major renovation, construction or reconstruction of infrastructure or other type of nonfinancial assets when the government unit who is paying for work will become the economic owner of the nonfinancial asset and reflect it in the government's balance sheet. Payments to people participating in this work will constitute part of the total cost of the nonfinancial asset in the government's balance sheet.
<p>3. Wages subsidies and skill training programs</p> <p>Government provides training programs through vocational training institutions and contributes 20% to the mandate minimum wage to workers and employee who are working for hotels, guesthouses, restaurants and travel agencies operating in Phnom Penh, Siem Reap, Sihanouk, Kep, Kampot, Bavet and Poipet.</p>		

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
	272 Social assistance benefits	<p>Payments to unemployed people who completed skill training programs.</p> <p>Wage subsidy payment in case the predominant intent of this payment to support the income of the worker (for instance, when the employer suspends the work), and the employer is largely acting as a conduit for the payment. These benefits are paid directly from the main budget (i.e., not through the NSSF).</p>
	2821 Transfers n.e.c., Current	<p>Payments to training institutions for providing skill training services to unemployed people in case these institutions are not general government units. In case a training institution belongs to general government its expense should be classified under relevant economic categories such as <i>Compensation of employees</i> (GFS 21), <i>Use of goods and services</i> (GFS 22), <i>Consumption of fixed capital</i> (GFS 23), etc.</p>
C. Relaxation of Tax Obligations for Households and Corporations		
<p>1. Corporate income tax and monthly taxes exemptions for hotels, guesthouses, restaurants and travel agencies operating in Phnom Penh, Siem Reap, Sihanouk, Kep, Kampot, Bavet and Poipet; tax waiving on transfer tax for any purchases below 70,000 USD from licensed property developers; tax waiving for Cambodian-registered airlines; lower withholding tax on the loans of banks and financial institutions from both local and overseas sources</p>		
	11 Taxes	<p>Reflected as a reduction in the expected revenue <i>under the relevant tax category</i>. The impact will be reflected in the amount of taxes actually collected after the changes in tax scheme rules. Specific amounts could be recorded as memorandum items.</p>
<p>2. Non-payment to the National Social Security Fund (NSSF) allowed for tourism businesses during the business suspension</p>		

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
	121 Social security contributions	Reflected as a reduction in the compulsory social security contributions to the NSSF, which is part of the general government sector. According to the <i>GFSM 2014</i> , social contributions are treated separately from taxes.
3. Fee deferral of civil aviation fee; exemptions from the renewal fees for tourism licenses of all types		
	1422 Other revenue, Administrative fees	Reflected as a reduction in the fees for compulsory licenses and other administrative fees. These fees are considered a sale of a service when, for instance, issuing the license or permit implies a proper regulatory function of the government. In this case, the payment is taken to be proportional to the cost of producing the service. If a payment is clearly out of all proportion to such cost, then the fee is classified as <i>Taxes on use of goods and on permission to use goods or perform activities</i> (GFS 1145).
D. Provision of Financial Assistance to Corporations		
1. Wages subsidies Government contributes 20% to the mandate minimum wage to workers and employee who are working for hotels, guesthouses, restaurants and travel agencies operating in Phnom Penh, Siem Reap, Sihanouk, Kep, Kampot, Bavet and Poipet.		
	25 Subsidies	In case the predominant intent of this payment to support the employer (not its workers) and ensure a quick return to full production after the end of the crisis.
2. Special Financing Scheme through the Agriculture and Rural Development Bank (ARDB); Co-financing through the Small and Medium Sized Enterprises (SME) Bank Following the government's decision, the ARDB and the SME Bank provide low-interest loans to the SMEs in priority sectors such as tourism, garments, construction, transportation, medical device, and pharmacy.		

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
	25 Subsidies	In case the ARDB and the SME Bank are public corporations running recurrent deficits as a matter of government policy objectives, and these deficits are covered by transfer from government to match the deficits.
	2822 Transfers n.e.c., Capital	In case the ARDB and the SME Bank are public corporations, and the government makes investments in these public corporation without a reasonable expectation of a realistic rate of return on the investment, or without receiving anything of equal value in exchange.
E. Capital Injections, Establishment of New, or Extended Lending Facilities and Provision of Guarantees		
<p>1. Special Financing Scheme through the ARDB; Co-financing through the SME Bank</p> <p>Following the government's decision, the ARDB and the SME Bank provide low-interest loans to the SMEs in priority sectors such as tourism, garments, construction, transportation, medical device, and pharmacy.</p>		
	3204 Net acquisition of financial assets, Loans	In case of government lending to the ARDB and the SME bank with evidence of a contractual financing agreement. The recording is not influenced by whether the lending is concessional or non-concessional.

Government Intervention	GFS Classification	
	GFS Code and Descriptor	Instructions for GFS Classification
	3205 Net acquisition of financial assets, Equity	<p>Without a specific financing agreement (such as loan) and in case of an evidence that the government can expect a realistic return on its investment, the payments to the ARDB or the SME Bank should be treated as acquisition of equity even if no new shares are issued in response to the financial contribution. In such a case, government, acting in the same capacity as a private shareholder, provides funds while receiving contractually something of equal value in exchange (i.e., increased value of its equity) and expecting to earn a sufficient rate of return on its investment, in the form of dividends (as a return on equity).</p> <p>In some cases, such as equity injections above the prevailing market price, the payments can be partitioned into <i>Net Acquisition of Financial Assets, Equity</i> (GFS 3205) element and <i>Transfers n.e.c., Capital</i> (GFS 2822) element.</p>
<p>2. Credit Guarantee Fund</p> <p>The MEF allocated additional financing into the Credit Guarantee Fund, which guarantees loans provided by banks.</p>		
	Memorandum item	In general, guarantees are contingent liabilities and therefore not recorded as government debt (or as transactions) within GFS, although for fiscal risks management purposes it is useful to record guarantees as memo items.
	1422 Other revenue, Administrative fees	In case government is receiving fees for the provision of guarantees
	3304 Net incurrence of liabilities, Loans	In case the government provides a guarantee, where there is a very high likelihood that it will be regularly called, then the entire amount of debt should be treated from inception as debt assumption by government.

Appendix IV. Proposals for the GFS Questionnaire in the PFM Q4 2020 Progress Report

A. Emphasize the importance of using GFS.

GFS represent fiscal data produced in accordance with international statistical standards. The latest standard for GFS is the IMF's GFS Manual 2014 (*GFSM 2014*). The main benefits of using *GFSM 2014*-based framework are the following:

- i. GFS meet globalization demands and provides international community with comparable fiscal data to detect sources of vulnerability and take timely corrective measures to prevent global financial crisis.
- ii. GFS framework produces summary information on the overall performance and financial position of the general government sector using specific balancing items, such as the net operating balance, net lending/net borrowing, and the change in net worth.
- iii. GFS contain a comprehensive information for fiscal policy analysis, formulation, and monitoring in accordance with the statistical approach "Better Data Better Policy".
- iv. GFS support monitoring and evaluating the implementation of the Sustainable Development Goals (SDGs 2030), assessing specific fiscal policy measures of the Royal Government, for instance government lending and subsidies to enterprises, social spending, investment in public infrastructure and environmental protection.
- v. GFS enhance the analysis of government's contribution to macroeconomic developments and achievement of fiscal policy objectives such as macroeconomic stability, efficient resource allocation, redistribution of income and service delivery.
- vi. GFS integrate economic flows with balance sheet positions, which allows a more systematic evaluation of the impact of current policies on a long-term fiscal sustainability.
- vii. GFS provide inputs for general government data in other subsets of national macroeconomic statistics (national accounts, balance of payments and international investment position, and monetary and financial statistics).
- viii. GFS serve as a bridge to align budgeting and accounting information with macroeconomics to support interaction within and between technical specialists (economists and accountants) and policy makers in the formulation of fiscal and macroeconomic policy.

B. How does government financial statistics contribute to strengthening the public financial management system?

GFS's contribution to strengthening the PFM system consists in the following:

- i. GFS reporting is an integral part of public fiscal reporting in Cambodia (together with budget reporting and financial reporting) and constitutes an important element of the PFM system.
- ii. GFS provide indicators to support the Transparency Architecture Codes of the Royal Government's financial management and ensure government's accountability for its fiscal
- iii. performance, efficient and sustainable use of public resources (revenue collection, expenditure allocation, investment, use of financial assets and liabilities, etc.).

- iv. GFS contain detailed information on government balance sheets and corresponding changes in nonfinancial assets, financial assets, liabilities and net worth during the accounting period, which supports efficient PFM and balance sheet analysis.
- v. GFS framework contributes to improving oversight of SOEs and management of corresponding fiscal risks by providing structured data on government's guarantees, subsidies, capital transfers, policy lending, and equity injections.
- vi. GFS include data on fiscal flows between different levels of government and support the assessment of sectoral and other aspects of fiscal decentralization.
- vii. Assessment of GFS elements (classifications, institutional and data coverage, reporting formats, etc.) is part of internationally used PFM Diagnostic Tools such as *Public Expenditure and Financial Accountability (PEFA) Assessment*, *Fiscal Transparency Evaluation*, *Open Budget Survey*, and others.

C. What are the challenges in improving the quality of GFS? Please clarify more about the direction of GFS implementation?

The IMF's *Data Quality Assessment Framework (DQAF) for GFS and Public Sector Debt Statistics (PSDS)*¹ covers various quality aspects of data collection, processing, and dissemination. The main challenges in improving the quality of Cambodian GFS include:

- i. *Absence of formal provisions assigning responsibility and the authority for the collection, processing, and dissemination of GFS and PSDS in line with international standards.* It would be important to formalize the GDP's responsibilities to collect and process relevant source data for general government and public sector, disseminate internationally comparable Quarterly PSDS and GFS, including balance sheets and detailed COFOG data in close cooperation with the GDB and GDICDM as source data providers.
- ii. *Absence of detailed source data for extrabudgetary units.* To support fiscal policy analysis and improve international comparability of the Cambodian fiscal statistics it would be important to expand the coverage of GFS by including the Public Administrative Establishments (PAEs). However, source data for PAEs, especially the National Social Security Fund remain limited and contain only aggregates on transactions. Accounting and reporting procedures for PAEs should be reinforced to provide more reliable source data for both transactions and balance sheet positions.
- iii. *Absence of detailed source data for public corporations.* To assess the overall role of government in the economy, GFS should cover not only general government but also the overall public sector, including public financial and non-financial corporations. Detailed source data for public corporations are not available.
- iv. *Limited data sharing and coordination among statistics-producing agencies and knowledge gaps.* A formal Memorandum of Understanding agreed between the MEF, the NBC, and the NIS as well as a technical working group on reconciling GFS with data on general government in other datasets of macroeconomic statistics would facilitate data sharing and reconciliation. Further efforts are needed to coordinate the coverage general government

¹ https://dsbb.imf.org/content/pdfs/dqrs_gfs.pdf

and public sector between all statistics producing agencies and improve the understanding of linkages between macroeconomic statistics at the technical staff's level.

- v. *Lack of resources and support infrastructure.* Staff, facilities, computing resources (compilation systems, tools, etc.) and financing to produce GFS and PSDS remain limited. Only two economists are assigned with GFS. In order to ensure sustainability of GFS compilation and dissemination there is a need for additional resources and technical documentation (guidelines) describing GFS compilation and dissemination procedures.
- vi. *Lack of understanding the advantages of using the GFSM 2014 framework in fiscal analysis and policy making.* The reliance on a traditional approach to budgeting and fiscal forecasting, the need for further understanding the advantages of using the *GFSM 2014* analytical framework in policy making represent the main factors that complicate implementing GFS. Additional challenges include the absence of comparative time series for both traditional and new fiscal formats with clear explanations of the differences, and the rationale for a more comprehensive fiscal policy framework.
- vii. *Limited GFS and PSDS scope.* Instead of all economic stocks and flows, GFS cover transactions only, and COFOG is absent. The PSDS covers loans and debt securities for BCG. The dissemination of pilot financial balance sheets for 2015–2018 covering BCG and LGs is pending. Data quality needs further improvement and cross-checking with source data providers in the MEF (GDNT and GDICDM) and the NBC. Compilation of financial balance sheets for PAEs is complicated: only 11 PAEs from 29 are currently presenting financial reports to the MEF with a two-year time lag. The main challenges relating to COFOG compilation consist in covering all capital expenditure, including externally financed projects, and estimating compiling COFOG data for local governments and PAEs.

The main directions of GFS implementation include:

- i. Enhancing cooperation between statistics producing agencies, coordinating the coverage of general government and public sector, reconciling data for general government in GFS, national accounts, external sector statistics and monetary and financial statistics, and explaining the reasons for remaining differences.
- ii. Improving the quality of source data to compile GFS and PSDS including enhancing the accounting and reporting procedures for PAEs, externally financed projects, and SOEs.
- iii. Expanding the scope of annual GFS to include all transactions, other economic flows and balance sheet positions for general government, including detail of functional classification and classification by counterpart sectors.
- iv. Developing and disseminating additional explanations on the advantages of using the *GFSM-2014* framework in fiscal analysis and policy making, developing proposals to determine budget deficit in accordance with *GFSM 2014*.
- v. Formalizing responsibility and the authority for the collection, processing, and dissemination of GFS and PSDS in line with international standards.
- vi. Coordinating GFS and PSDS developments with the PFM Reform Agenda.