

	<b>Indirect management with:</b> <ul style="list-style-type: none"> <li>- World Bank (WB)</li> <li>- Swedish International Development Cooperation Agency (Sida)</li> </ul>
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## 1.2. Summary of the Action

The National Rectangular Strategy IV (RS IV) 2019-2023 has at its core a comprehensive good governance reform programme. In line with the RS IV, as well as with the objectives of the Government Public Financial Management Programme, improvement in economic governance is one of the most important factors for inclusive and sustainable growth in Cambodia.

Improvement in economic governance will therefore also help to foster better results in all the other priorities of the MIP. Building on the previous MIP (2014-2020), the implementation of the Public Financial Management (PFM) Reform Program will allow to enhance fiscal discipline, further increase domestic resource mobilisation and improve policy-based budgeting and allocation of financial resources for an improved service delivery to citizens

Despite some improvements in Public Finance Management, the global level of efficiency gap can still be further reduced. Strengthening efficiency in public spending, revenue mobilisation and service delivery through progressive and structured reforms are the keys to the success for meeting the SDGs.

The proposed Action is for continued strategic partnership with the Ministry of Economy and Finance (MEF) through support to the implementation of the national PFM Reform Programme (PFMRP) in the transition from its 3rd stage, the Consolidated Action Plan 3 (CAP3) 2017-2020 and the Consolidated Action Plan 3+2 (CAP3+2) 2021-2022, which is focused on the establishment of budget-policy linkages, to its 4th stage (future CAP4 2022-2025) that will aim at performance accountability (performance informed budgeting).

The proposed Action contributes to the MIP Priority Area 3 (Good Governance) and to its Specific Objective 1 to improve efficiency, transparency and accountability in management of public funds to improve public service delivery. Good governance underpins the two other priority areas of Green growth and decent jobs and Education and skills development; without a better functioning public financial management, the potential for a transformative impact of all interventions will be at risk.

The Action's overall objective is to promote sustainable, inclusive and climate neutral economic recovery post-Covid-19. The specific objectives are (1) Enhanced budget credibility; (2) Enhanced financial accountability and transparency; (3) Strengthened efficient budget-policy linkages, including on Climate Change and Gender (4) Capacity development for PFM and service delivery. The Action will focus in particular on domestic resource mobilisation, revenue management (administration and policy), budget comprehensiveness and transparency, public investment management, public procurement, digitalisation through the financial management information systems (FMIS), accounting and reporting, and national statistics.

It is proposed to continue using the budget support modality together with a strong policy dialogue and complementary measures through delegated cooperation and direct technical assistance. The Action will also introduce Twinning projects for the first time in Cambodia to support capacity building and inter-institutional cooperation.

This Action is expected to contribute to the achievement of SDGs 16 (Peace, justice and strong institutions) and 17 (Partnerships), and indirectly to most other SDGs such as SDGs 3 and 4 on Good health and Quality education which require substantial quality investment in people and infrastructure but also to SDG 1 (No poverty), SDG 8 (Decent work and economic growth), SDG 13 (Climate Action) and SDG 5 (Gender equality), through green and gender budgeting.

## 2. RATIONALE

### 2.1. Context