

2021-2022

Commune and District Budget Analysis Report

BY
ADVOCACY AND POLICY INSTITUTE (API)



Phnom Penh, 07 September 2023

Funded by:



Implemented by:



EXECUTIVE SUMMARY

Advocacy and Policy Institute (API) implements a project on "Citizens' Voices and Actions for Sustainable Development in Cambodia", and another project to develop a Citizen Budget App for a number of communes/Sangkat and districts/municipalities in 09 provinces/city. The project completed the budget analysis that aims to make an analysis of the budget information of the commune/Sangkat and district/municipality available in the Citizen Budget App to identify significant areas for policy advocacy action to improve budget allocation at the commune/Sangkat and district/municipality levels. The analysis method used a literature review and secondary data from the Citizen Budget App tracked in July 2023.

As a result, 32 districts/municipalities were reported in 2021, which increased to 55 in 2022, and 257 commune/Sangkat were reported in 2021, which increased to 381 in 2022. The analysis conducted both the real budget and test its significance with SPSS. The results showed that the average budget of the district/municipality increased from \$431,041 in 2021 to \$517,931 (it is significant as $p < 0.05$). The average budget of the commune/Sangkat increased from \$144,152 in 2021 to \$160,435 in 2022 (it is significant as $p < 0.05$).

The District/Khan comparison with the total budget in 2022 showed that the Unplanned Budget is 3% (the same as 2021), the Admin Budget is 66% (decreased compared to 2021), and the Development Budget is 31% (increased compared to 2021). As for the Commune/Sangkat budget in 2022, the Unplanned Budget is 4% (increased compared to 2021), the Admin Budget is 43% (decreased compared to 2021), and the Development Budget is 53% (the same as 2021).

Budget allocation in district/municipality (in 2021), when compared with the total budget, is that the economic budget is 19.1%, but the social budget is only 0.6%, the Natural Resource, Environment and Climate Change 0.3%, and Administration and Security 1.1%. In 2022, compared with the total budget, the economic budget is 16.4%, but the social budget is only 1.1%, the Natural Resources, Environment and Climate Change 0.8%, and Administration and Security 0.3%.

Budget allocation in commune/Sangkat (2021), when compared with the total budget, is that the economic budget is 49.3%, but the social budget is only 1.7%, the Natural Resources, Environment, and Climate Change 0.8%, and Admin and Security 0.8%. In 2022, when compared with the total budget, the economic budget is 49.8%, but the social budget is only 1.9%, the Natural Resources, Environment and Climate Change 0.3%, and Admin and Security 0.8%.

According to the government policies, the education sector, climate change resilience, natural resource management and protection, and village/commune safety policy are important, but the district/municipality and commune/Sangkat allocated a very low budget to these sectors.

Recommendation 1: The current website and mobile App "Citizen Budget Analysis tool" created by API is a new initiative of digital information that is very beneficial for local citizens, researchers, and development workers to access budget information of sub-national administrations in Cambodia. To improve of citizens' access to information on sub-national budget disclosure for the whole country, the Ministry of Interior and sub-national administration (Commune/Sangkat, District/Khan) should work more with API, NGOs, CBOs, and other stakeholders to promote the Budget Analysis App through online and offline modes.

Recommendation 2: Increasing the budget for local development is a very important step within the framework of financial decentralization reform. It will increase accountability and service provision to the people. However, about 95% of the development budget transferred to the sub-national level was spent on infrastructure development such as roads and irrigation systems. The Ministry of Interior and Ministry of

Economics and Finance should increase the percentage or encourage the sub-national to allocate the development budget to social service funds and climate change mitigation/adaptation/disaster risk reduction and natural resource development.

Recommendation 3: In terms of the complexity of advancing and settling the budget with the provincial treasury. The local government (Commune/Sangkat and district/municipality) are unable or discouraged to allocate budget to the budget line of social service fund and natural resource management and climate change, based on results in the report, on average around 1% each of total budget of commune/district was allocated into. The Ministry of Economics and Finance needs to review the guidelines or procedure and work with the provincial treasury to make it easy or flexible to advance and settle.

Recommendation 4: The government needs to allocate more budget for the sub-national offices to 30% of the total national budget annually; especially, the government needs to allocate more budget at the Provincial to 10%, municipal/district level to 10%, and commune/Sangkat to 10% of the total national budget in annual, while enhancing their ability to manage and execute the budget more effectively through tailored made capacity-building programmes which include the budget management cycle, monitoring, evaluation, and learning (MEL), and internal auditing. An Internal control mechanism should be in place to prevent, detect, and reduce irregularities and opportunities for corruption.

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ACRONYM AND ABBREVIATION

API	Advocacy and Policy Institute
BfdW	Bread for the World
CDRI	Cambodia Development Resource Institute
DCA	Dan Church Aid in Cambodia
D&D	Decentralization and De-concentration
MEF	Ministry of Economy and Finance
MoI	Ministry of Interior
LGBT	Lesbian, Gay, Bisexual, Transgender
NGO	Non-governmental Organization
NSP	National Strategic Plan
RGC	Royal Government of Cambodia

I- INTRODUCTION

The Royal Government of Cambodia (RGC) recognizes that governance reform is essential to the achievement of its economic and social goals. The main goal is to ensure Cambodia becomes an upper-middle-income country by 2030 and a high-income country by 2050. Accordingly, the RGC has enacted a broad and deep modernization of the governance system through measures that include the National Program on Sub-National Democratic Development (NP-SNDD), the Public Financial Management Reform (PFMR) Program, the National Public Administration Reform (NPAR) Program, the Legal and Judicial Reform (LJR) Program, and sectoral reforms.¹

Advocacy and Policy Institute (API) is a leading Cambodian capacity-building organization in the areas of advocacy, policy influence, citizen engagement, and good governance. API's mission is to serve the long-term democratic and social development needs of Cambodia by empowering people to interact with their government to protect their rights and provide for their needs. With API's 4th Strategic Plan for the period 2019-2023, API pursues the strategic goal of realizing the rights and enhancing the voices of citizens for sustainable development in Cambodia, with a focus on women, youth, and disadvantaged groups. Three strategic objectives contribute to the strategic goal: 1) To influence policy and implementation to address the rights and needs of citizens, especially youth, women, and disadvantaged groups, and secure democratic space to exercise their rights. 2) To empower citizens, especially youth, women, and disadvantaged groups, to hold the government accountable for responsive, inclusive decisions and actions to improve public services and policy implementation at the sub-national level. 3) To improve access to and disclosure of public information on critical issues. From January 1, 2023, to December 31, 2025, Bread for the World (BfdW) & Dan Church Aid in Cambodia (DCA) funds the project on "Citizens' Voices and Actions for Sustainable Development in Cambodia". Through this project, API will continue to engage in direct advocacy and policy influencing activities as it has led successful campaigns for a law on access to public procurement and information disclosure. API has worked on building communication amongst Parliament, the Government, and civil society. It has received widespread positive feedback from Cambodian and international organizations for its reliability, relevance, and professionalism. API has forged its reputation through the delivery of advocacy training courses and the production of a range of publications in both Khmer and English to promote an understanding of advocacy, access to information, and the Government's Decentralization and De-concentration (D&D) reforms. The project's aim is to encourage "Citizens to exercise their rights to participate in sustainable development in Cambodia." It is based on:

Outcome 1: The engagement of citizens, especially women, youth, indigenous people, and people with disabilities, in local governance is strengthened.

Outcome 2: Transparency and access to information on budgeting, procurement, and Economic Land Concession (ELC), and Environmental and Social Impact Assessment (ESIA) ELC ESIA's at the national level are improved.

The project will be implemented in the 10 target districts of Pursat, Banteay Meanchey, Kampong Thom, Kampong Speu, Kratie, and Khan Saensok in Phnom Penh, which are key areas of API's Strategy 2019-2023, with strong support from local authorities.

As part of this process, API conducted the analysis of budget information at the commune/Sangkat and district/municipality.

¹ RGC, 2021, National Program on Sub-National Democratic Development Phase 2 (2021-2030)

II- OBJECTIVES

The objective of the project is to make an analysis of the budget information of the commune/Sangkat and district/municipality available in the Citizen Budget App to identify significant areas for policy advocacy action to improve budget allocation at the commune/Sangkat and district/municipality levels.

Analysis Questions

- 1- What is the importance of district and commune budget information disclosure for citizens? What are the recommendations to improve citizens' access to information about sub-national budget disclosure and its implementation in the whole country through pilot disclosure by the citizen budget analysis App?
- 2- What are the results of the analysis of the budget allocation of district and commune budgets based on administrative and development budget lines and other specific sectors? What are the significant results both for the budget of the district and commune that you extremely want to show to the audience? What are the recommendations for the government (MOI and MEF) to allocate the budget for citizens' rights needs, especially vulnerable groups, and to protect natural resource management at the sub-national level?
- 3- How useful is this Citizen Budget Analysis App to promote budget transparency for the government, NGOs, CBOs, and other stakeholders?

III- LITERATURE REVIEW

The Royal Government of Cambodia (RGC) launched the Public Financial Management Reform Program (PFMRP) in 2004 with the objective to transform the public financial management system of Cambodia step-by-step to meet international best practices and standards. The PFMRP has been designed as a comprehensive and long-term undertaking, sequenced into four platforms and four stages. The first stage (2005-2008) of the reform focused on the first platform of increasing budget credibility. The second stage (2009-2015) focused on the second platform on increasing financial accountability, while further enhancing the achievements of the first platform and preparing the foundation for the third platform; the third stage (2016-2020) focused on the third platform on establishing budget policy linkages, while further strengthening the achievements of the first two platforms and paving the way for implementing the fourth platform of the public financial management reform program (i.e. increasing performance accountability, while further strengthening the achievement of the three previous platforms). Stage 4 is performance accountability, which is expected to be completed by 2025. To achieve the above objectives, a PFMRP Steering Committee has been established to assume responsibility for formulating, implementing, and monitoring the implementation of the PFMRP.²

At the sub-national level, the National Committee for Sub-National Democratic Development (NCDD) established the laws and policies on Decentralization & De-concentration (D&D) reform at all levels of local government. Following Phase 1 of the National Program on Sub-National Democratic Development (NP-1) ended in 2020, the NP-2 was designed as a long-term roadmap for the D&D reform from 2021 to 2030.³ The Commune Council Development Project for \$10 million was approved on 3 December 2002 to support the D&D reforms and was completed in November 2007. Its scope was to provide most commune councils, newly elected in February 2002, with the operating facilities and equipment, systems, training, popular understanding, and support required to function effectively. The project's four components were

² RGC, 2018, Budget System Reform Strategy 2018-2025

³ RGC, 2021, National Program on Sub-National Democratic Development Phase 2 (2021-2030)

as follows: (i) construct and improve the physical facilities of communes and provincial departments, (ii) build the capacities of commune officials and hold a media campaign on decentralization, (iii) produce and disseminate photomaps to communes as planning tools, and (iv) support the establishment of a national civil registration system.⁴

The Sub-National administrations are divided into three levels, namely the provincial/capital administration, the municipal/district/Khan administration, and the commune/Sangkat administration. The number of provinces, communes/Sangkat, and district/municipality/Khan each year changes continuously depending on the political pattern, population growth, and national economy. Currently, there is one city, 24 provinces, 1,646 communes/Sangkat, and 204 district/municipality/Khan nationwide.⁵

Sub-national Administrations Budget Flow

According to The Phnom Penh Post published on 14 February 2019, Minister of Interior Sar Kheng said on Wednesday that commune development budgets will be doubled to more than \$70,000 in 2020, excluding administrative costs, and more than tripled in 2023, in response to public needs – but an NGO has requested transparency over the allocation of funds. Speaking at a conference to review past achievements, Sar Kheng said this year that the development budget for each commune is only \$35,000, but this would increase to \$73,000 in 2020. The figure would rise to \$85,000 the following year and would reach \$100,000 in 2022, before increasing to \$110,000 in 2023. He said the decision to increase the commune development budget throughout the country has already been approved by Prime Minister Hun Sen and the Ministry of Economy and Finance. “This is the ambition and political will of the Royal Government.

Challenges of Budget Allocation

The Government of Cambodia has established many laws, and strategic frameworks and provided technical guidance as well as a clear roadmap in support of the public financial management reform program and support for the Commune/Sangkat development and investment plans. The strategy of turning budget management from a centralized and input-based system into a decentralized and results-based one with the purpose of linking the budget to policy and resource allocation, and enhancing public service delivery in terms of reliability, effectiveness, and responsiveness still remains an issue to be solved and may take more time to be achieved.

The public Finance Management Systems do not seem to support this well and require the orderly and participatory information provided on the transfer to Communes/Sangkat which prepare their own budget independently.

Moreover, effective budget allocation requires the integration of budget strategic plans and subnational strategic plans (local development plans and investment plans) through frequent consultations among relevant actors, while human resource capacity building on how to develop sub-national strategic plans corresponding to policy-based budget strategic plans could also be considered. Based on the experience and timeframe for the transition from program budgeting to the achievement budget system, sub-national administration budget reform faces difficulties in both capacity and resources and it may not be possible to achieve it by the year 2025.⁶

⁴ ADB: Performance Evaluation Report, December 2013

⁵ RGC, 2019, Cambodia Population Census

⁶ Parliamentary Institute of Cambodia (2019). Overview of sub-national budget allocation and settlement for local development plan

IV- METHODOLOGY

Advanced Research Team (ART) used mixed methodology – quantitative and qualitative for the study. The quantitative method employed secondary data analysis from official documents from the government, UN Agency reports, NGO reports, and research reports. The qualitative method was conducted with agricultural networks (NGOs/CSOs).

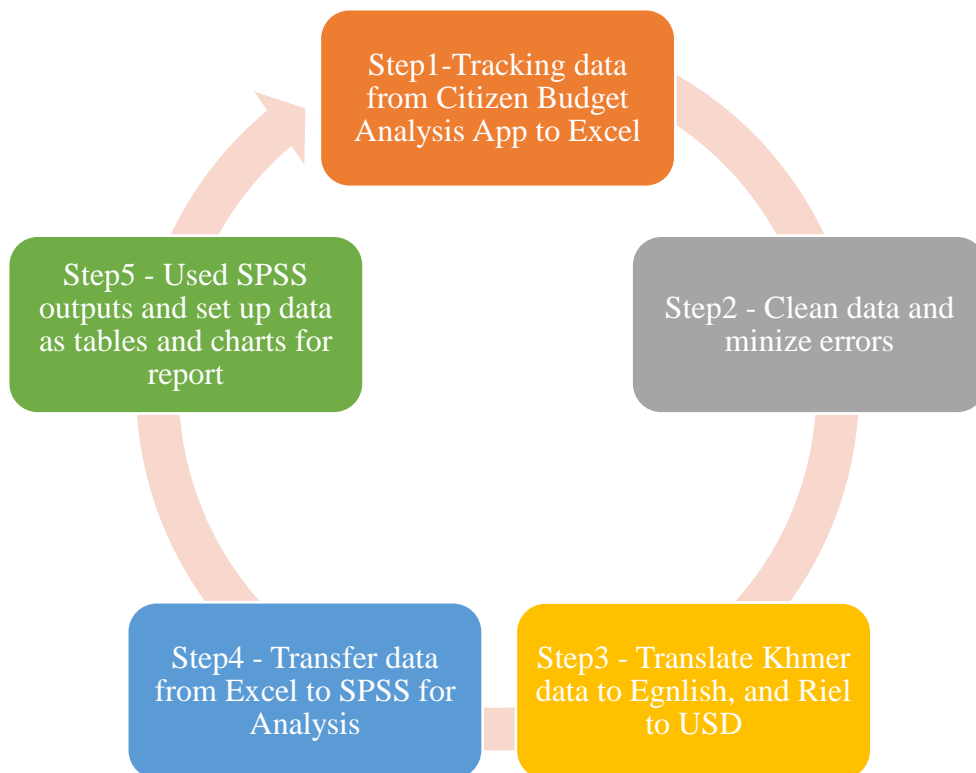
Qualitative Method

The qualitative method used secondary data from the national laws, policies, decrees, sub-decrees, Prakas, guidelines, and reports from the government ministries, especially the Ministry of Interior (MoI), and Ministry of Economy and Finance (MoEF). The data were also tracked from the NGOs/CSOs reports, research reports, and related documents from API.

Quantitative Method

The report analysed the budget information of communes/Sangkat and districts/municipalities in 2021 and 2022 from the Citizen Budget Analysis App⁷: <http://citizenbudget.apiinstitute.org/dashboard> and conducted a desk review on the relevant policies and analyses, produced a report with policy recommendations to advocate with the policy makers. The steps of quantitative data analysis are shown in Figure 1.

Figure 1: Five Steps of Quantitative Data Analysis



⁷ The data tracking is in July 2023

V- FINDINGS

Budget Information Disclosure Benefits for Citizens

The Sub-national administrations have financial resources and an appropriate budget to carry out their functions and responsibilities for economic and social development within their jurisdictions. The sub-national administrations have the right to receive conditional and unconditional fund transfers from the annual state budget through a process carried out step by step annually. The allocation of the national budget to sub-national administrations is the RGC's commitment to promote D&D reform in order to ensure that the sub-national administrations have sufficient ability to carry out their local development.

The sub-national administrations in Cambodia have their own budget allocated for their administrative expenses and development in their respective areas.⁸ The entities have to prepare their own budget projection and plan and submit it to the Ministry of Economy and Finance for circulation. Then the expenses need to be approved by the Royal Government of Cambodia.⁹ Identifying the budget of sub-national administrations is an important tool to address people's needs. Therefore, it is important that the budget used by each district and commune should be properly disclosed to the citizens. The OECD has stated five benefits of disclosing the budget to the citizens, including promoting accountability, integrity, inclusiveness, trust, and quality.¹⁰ When public spending is disclosed, it helps the citizens, their representatives, as well as officials know clearly about what areas of the spending are for. It helps those people to check, verify, and analyse how the spending is going on, which is a way to prevent corruption and build trust between the public and the government. When people know the public spending, they can check if their district and commune officials are doing the right things with the spending or not. Understanding budget disclosure is important, but a study shows that budget transparency and accountability in sub-national administration in Cambodia are quite limited.¹¹ 98.5% of the public participation perceived that the commune budget should be made available and accessible for the public in order to make them more engaged with the government. Most citizens have never received any information from their commune authority about how the budget is disseminated at all in their respective areas.

⁸ <https://opendevelopmentcambodia.net/social-accountability/sub-national-administration-budgets/>

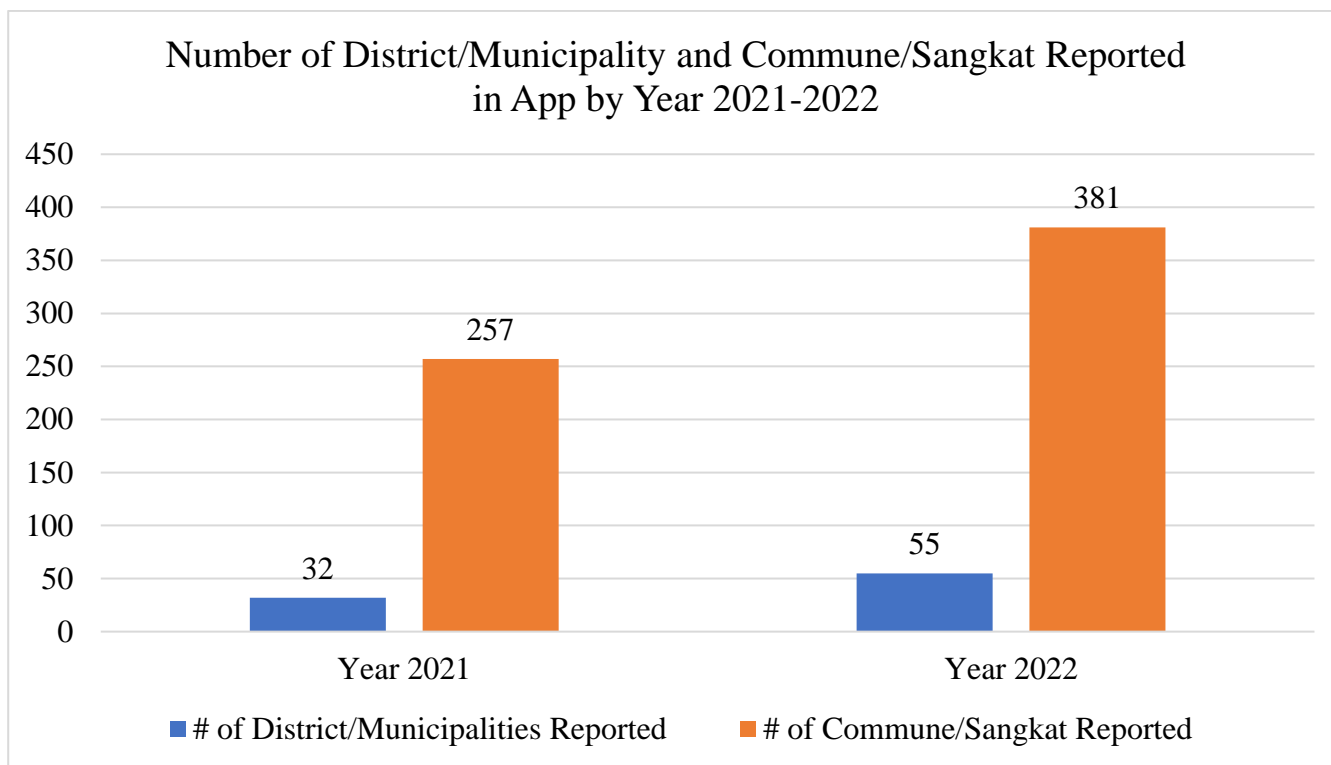
⁹ <https://opendevelopmentcambodia.net/topics/budget/>

¹⁰ <https://www.oecd.org/gov/budgeting/best-practices-budget-transparency.htm>

¹¹ http://ticambodia.org/library/wp-content/files_mf/1526534245FullreportonAccountabililtyandTransparencyofBudgetProcess.pdf

Citizen Budget Analysis

Figure 2: District/Municipality and Commune/Sangkat Reported in the App by Year¹²



RGC entrusted the sub-national administration with the responsibilities to develop the budget strategic plan, budget management, and review of its budget implementation, especially ensuring accountability for determination and the performance of policy implementation in its own sector in line with the government policy. There are two laws governing the sub-national budget allocation and settlement to support local development plans and strengthen public service delivery. The law on sub-national finance does not have the scope for the financial regime and property management of the administrations of Commune/Sangkat. This law has its scope of operation for the financial regime and property management of the administrations of the capital, province, municipality, district, and Khan in the Kingdom of Cambodia. The sub-national finances for Commune/Sangkat administrations are regulated by the Law on the administration and Management of Communes/Sangkat Sub-Decree on Commune/Sangkat Financial Management System.

Figure 2 shows the number of District/Municipality and Commune/Sangkat Reported in the App by Year 2021-2022. For Districts/Municipalities, 32 of them were reported in 2021, which increased to 55 in 2022. The figure also shows that there were 257 commune/Sangkat reported in 2021, which increased to 381 in 2022.¹³

¹² Data analysis from Citizen Budget App

¹³ The data tracking is in July 2023

Table 1: District/Khan Budget (Compared Unplan, Admin, and Development with Total by Year)

Comparison between the Unplan, Admin, and Development Budget with Total Budget by Year (in District/Khan)					
Year	Total	Unplan Expenditure	Admin Budget	Development Budget	Description
2021	(100%) 55,173,220,000₺ (\$13,793,305)	4% 1,926,192,000₺ (\$481,548)	75% 41,638,000,000₺ (\$10,409,500)	21% 11,609,032,000₺ (\$2,902,258)	In 2021, compared with the total budget, the Unplan budget is 3%, the Admin Budget is 75%, and the Development Budget is 21%.
2022	(100%) 113,944,748,000₺ (\$28,486,187)	(3%) 3,934,240,000₺ (\$985,810)	(66%) 74,898,776,000₺ (\$18,724,694)	(31%) 35,102,732,000₺ (\$8,775,683)	In 2022, compared with the total budget, the Unplan Budget is 3% (the same 2021), the Admin Budget is 66% (decrease compared to 2021), and the Development Budget is 31% (increase compared to 2021).

Table 2: Commune/Sangkat (Compared Unplan, Admin, and Development with Total by Year)

Comparison between the Unplan, Admin, and Development Budget with Total Budget by Year (in Commune/Sangkat)					
Year	Total	Unplan Budget	Admin Budget	Development Budget	Description
2021	(100%) 148,189,108,000₺ (\$37,047,277)	(1%) 2,105,964,000₺ (\$526,491)	(46%) 68,082,652,000₺ (\$17,020,663)	(53%) 78,000,488,000₺ (\$19,500,122)	In 2021, compared with the total budget, the Unplan budget is 1%, the Admin Budget is 46%, and the Development Budget is 53%.
2022	(100%) 240,214,236,000₺ (\$60,053,559)	(4%) 10,886,168,000₺ (\$2,721,542)	(43%) 102,532,016,000₺ (\$25,633,004)	(53%) 126,796,052,000₺ (\$31,699,013)	In 2022, compared with the total budget, the Unplan Budget is 4% (an increase compared to 2021), the Admin Budget is 43% (a decrease compared to 2021), and the Development Budget is 53% (the same as 2021).

Table 3: Minimum/Maximum Budget of Commune/Sangkat and District/Municipality¹⁴

Commune/District	Year 2021	Year 2022	Description
Minimum Budget in District/Municipality	346,500,000f (\$86,625)	565,480,000f \$141,370	The Minimum Budget in the District/ Municipality in 2022 increased by \$54,745 (39%) compared to 2021
Average Budget in District/Municipality	1,724,164,000f (\$431,041)	2,071,724,000f (\$517,931)	The Average Budget in the District/Municipality in 2022 increased by \$86,890 (17%) compared to 2021
Maximum Budget in District/Municipality	2,551,400,000f (\$637,850)	3,299,080,000f \$824,770	The Maximum Budget in the District/ Municipality in 2022 increased by \$186,920 (23%) compared to 2021
Minimum Budget in Commune/Sangkat	172,976,000f (\$43,244)	240,880,000f \$60,220	The Maximum Budget in Commune/Sangkat in 2022 increased \$16,976 (72%) compared to 2021
Average Budget in Commune/Sangkat	576,612,000f \$144,153	630,484,000f \$157,621	-The Average Budget in Commune/Sangkat in 2022 increased by \$13,468 (9%) compared to 2021 -However, the Budget In Brief (MoEF) 2021 and 2022 ¹⁵ showed that the average budget allocation for commune/Sangkat was \$60,000.
Maximum Budget in Commune/Sangkat	1,051,332,000f (\$262,833)	1,279,772,000f \$319,943	The Maximum Budget in Commune/Sangkat in 2022 increased \$57,110 (18%) compared to 2021

Table 4: The Development Budget Allocation in District/Municipality by Year

The Development Budget Allocation in District/Municipality by Year			
District/Municipality	2021	2022	Description
Economic	91% 10,541,720,000f (\$2,635,430)	88% 18,672,536,000f (\$4,668,134)	<p>The analysis results (data from the Citizen Budget App) of development budget allocation in District/Municipality show that:</p> <ul style="list-style-type: none"> - The economic budget allocation is very high 91% in 2021 and 88% in 2022 - The social budget allocation slightly increased from 3% in 2021 to 6% in 2022 - The Natural Resource, Environment, and Climate Change budget allocation is only 1% in 2021 and 4% in 2022 - The administration and security budget allocation are very low and decreased from 5% in 2021 to 1% in 2022 - The total budget increased by 45% when compared between 2021 and 2022
Social Service	3% 305,940,000f (\$76,485)	6% 1,274,980,000f (\$318,745)	
Natural Resource, Environment and Climate Change	1% 144,252,000f (\$36,063)	4% 931,800,000f (\$232,950)	
Admin and Security	5% 617,120,000f (\$154,280)	2% 296,180,000f (\$74,045)	
Total	100% 11,609,032,000f (\$2,902,258)	100% 21,175,496,000f (\$5,293,874)	

¹⁴ Budget analysis from Citizen Budget App 2021-2022¹⁵ <https://mef.gov.kh/documents-category/publication/budget-in-brief/>

Table 2 shows the development budget allocation in districts /municipalities to the economy, society, natural resources/environment/climate change, and administration/security. Almost all of the total budget in the development sector (91%) was allocated to the economic budget, and only 9% was allocated to three sectors (Social, Natural Resources, Environment and Climate Change, and Admin and Security) in 2021. In 2022, around 88% of the development budget was allocated to the economic sector, while only 12% flowed to the three other sectors. Surprisingly, only 2% of the development budget was allocated to the three sectors, but 98% was spent on the economic sector. It is a concern that the government set up the policy to improve the education sector, climate change adaptation, and natural resource projection, but the district/municipality allocated a very low budget to these sectors.

Table 5: The Development Budget Allocation in District/Municipality Compared to Total Budget by Year

Comparison between the Development Budget Allocation in District/Municipality and Total Budget by Year					
Year	Economic	Social Service	Natural Resource, Environment and Climate Change	Administration and Security	Description
2021 55,173,220,000₺ (\$13,793,305)	19.1% 10,541,720,000₺ (\$2,635,430)	0.6% 305,940,000₺ (\$76,485)	0.3% 144,252,000₺ (\$36,063)	1.1% 617,120,000₺ (\$154,280)	In 2021, compared with the total budget, the economic budget is 19.1%, but the social budget is only 0.6%, the Natural Resources, Environment, and Climate Change 0.3%, and Admin and Security 1.1%
2022 113,944,748,000₺ (\$28,486,187)	16.4% 18,672,536,000₺ (\$4,668,134)	1.1% 1,274,980,000 ₺ (\$318,745)	0.8% 931,800,000₺ (\$232,950)	0.3% 296,180,000₺ (\$74,045)	In 2022, compared with the total budget, the economic budget is 16.4%, but the social budget is only 1.1%, the Natural Resources, Environment, and Climate Change 0.8%, and Admin and Security 0.3%

Table 3 shows the comparison of economic, social, Natural Resource, Environment and Climate Change, and administrative and security budget allocation with the total budget in the district/municipality in 2021 (\$13,793,305) and 2022 (\$28,486,187). The results showed a very low budget allocated for social, Natural Resources, Environment and Climate Change, and Administration and Security aspects.

Table 6: The Development Budget Allocation in Commune/Sangkat Compared to Total Budget by Year

Comparison between the Development Budget Allocation in Commune/Sangkat and Total Budget by Year					
Year	Economic	Social Service	Natural Resource, Environment and Climate Change	Administration and Security	Description
2021 Total budget 148,764,824,000f (\$37,191,206)	49.3% 73,345,932,000f (\$18,336,483)	1.7% 2,499,588,000f (\$624,897)	0.8% 1,172,196,000f (\$293,049)	0.8% 1,225,704,000f (\$306,426)	In 2021, compared with the total budget, the economic budget is 49.3%, but the social budget is only 1.7%, the Natural Resources, Environment and Climate Change 0.8%, and Admin and Security 0.8%.
2022 Total budget 240,214,236,000f (\$60,053,559)	49.9% 119,616,380,000f (\$29,904,097)	1.9% 4,652,912,000f (\$1,163,228)	0.3% 629,672,000f (\$157,418)	0.8% 1,897,080,000f (\$474,270)	In 2022, compared with the total budget, the economic budget is 49.9%, but the social budget is only 1.9%, the Natural Resources, Environment and Climate Change 0.3%, and Admin and Security 0.8%.

Table 4 shows the comparison of economic, social, Natural Resource, Environment and Climate Change, and administration and security budget allocation with the total budget in commune/Sangkat in 2021 (\$37,191,206) and 2022 (\$61,286,259). The results showed that very low budget for social (3.8%), Natural Resources, Environment and Climate Change (0.8%), and Administration and Security (1.6%) aspects.

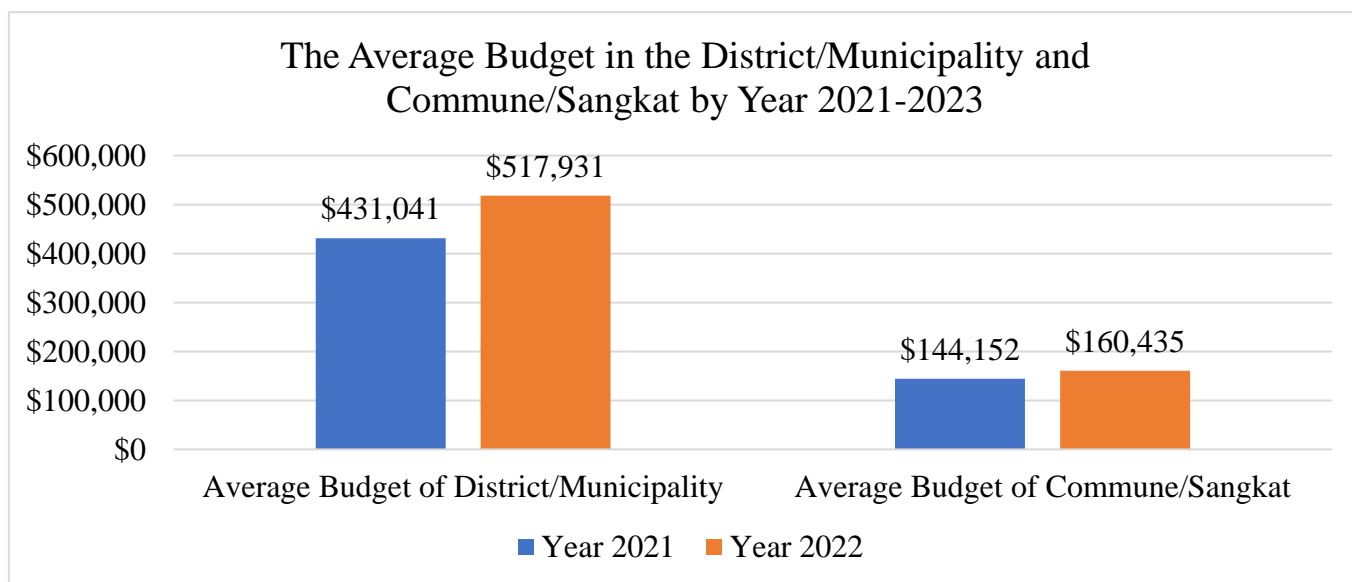
Table 7: The Development Budget Allocation in Commune/Sangkat by Year

The Development Budget Allocation in Commune/Sangkat by Years			
Commune/Sangkat	2021	2022	Description
Economic	94% 73,345,932,000f (\$18,336,483)	93% 122,376,188,000f (\$30,594,047)	The analysis of the results (data from the Citizen Budget App) of development budget allocation in Communes/Sangkat shows that:
Social Service	3%	4%	

The Development Budget Allocation in Commune/Sangkat by Years			
Commune/Sangkat	2021	2022	Description
	2,499,584,000f (\$624,896)	5,603,412,000f (\$1,400,853)	- The economic budget allocation is very high 94% in 2021 and 93% in 2022 of the total development budgets.
Natural Resource, Environment and Climate Change	1% 1,172,196,000f (\$293,049)	1% 2,313,080,000f (\$291,293)	- The economic budget allocation is very low is 3% in 2021 and 4% in 2022 of the total development budgets.
Administration and Security	2% 1,225,704,000f (\$306,426)	2% 2,313,080,000f (\$578,270)	- The Natural Resource, Environment and Climate Change budget allocation is very low at 1% in 2021 and 2022 of the total development budgets.
Total	100% 78,243,416,000f (\$19,560,854)	100% 131,457,848,000f (\$32,864,462)	- The administration and security budget allocation are very low at 2% in 2021 and 2022 of the total development budgets. - However, the total budget increased by 40% compared to 2021 and 2022.

As shown in Table 5, 94% of the development budget was allocated to the economic budget, and three other sectors received only 6% of the total budget in 2021. In 2022, around 93% of the development budget was allocated to economic sectors, while only 7% of the total budget flowed to three other sectors. Critically, only 3% of the development budget was allocated to three other sectors, but 97% was spent on the economic sector. According to the government policies, the education sector, climate change resilience, natural resource management and protection, and village/commune safety policy are important, but the districts/municipalities allocated very low budgets to these sectors.

Figure 3: The Average Budget in the District/Municipality and Commune/Sangkat by Year



To support the functions of the Commune/Sangkat, the government has committed to increasing the CS fund by one percent based on its current revenue between 2020 and 2023. In 2019, the Royal Government of Cambodia issued Sub-Decree No. 121 on the transfer of additional resources from the national budget to commune/Sangkat administrations for local development expenditure. This sub-decree aims at determining the transfer of additional budget to Commune/Sangkat administrations to promote local administrative service delivery and local development. It also determines the resource scope and additional

resource management of the national budget transferred to the commune/Sangkat administration for the period of 4 years starting from 2020 to 2023. This sub-decree is to support the function of the established financial management system for sub-national administrations in line with the principles of financial decentralisation, which is to transfer funds to the commune/district administrations to enable them to independently use those financial resources efficiently, transparently, and accountably.

The Ministry of Economy and Finance (MEF) entered budget allocation for the capital-provincial level, municipalities/districts/Khan level and Commune/Sangkat level which was received from the General Department of Sub-national Administration of Finance (GDSNAF) of MEF into the Public Financial Management Information System (FMIS). MEF is prepared to increase the budget by 0.1% annually for district/town and Commune/Sangkat administrations.¹⁶ The district/town funds are to be increased from 1.1% in 2019 to 1.5% by 2023 and Commune/Sangkat funds are to be increased from 3% in 2019 to 3.4% by 2023 of the current national budget revenues approved in the prior year.¹⁷ The preparation and procedure for the transfer of revenue from the national level to the above fund based on the formula or the exact rate for at least three years and no later than five years determined by the sub-decree No. 26 dated 2 April 2002 and sub-decree on the management of commune/Sangkat budget.

According to The Phnom Penh Post issued on 12 January 2022, the government increased funding for all sub-national administrations in 2022 to more than \$1 billion, with each district and commune administration receiving an average of \$570,000 and \$127,000. In 2022, the sub-national administrations receive a total budget of \$1.43 billion, with \$207 million of that for communes which will receive around \$127,000 a year on average.¹⁸

The analysis of the results from the Citizen Budget App linked to the government policies, as shown in Figure 3, showed the Average Budget in the District/Municipality and Commune/Sangkat by the Year 2021-2022 from the Citizen Budget App. The analysis has done both the real budget and tested its significance with SPSS. The analysis conducted both the real budget and test its significance with SPSS. The results showed that the average budget of the district/municipality increased from \$431,041 in 2021 to \$517,931 (it is significant as $p < 0.05$). The average budget of commune/Sangkat increased from \$144,152 in 2021 to \$160,435 in 2022 (it is significant as $p < 0.05$).

It is generally appreciated that the increased budget available for the administrations at the sub-national level will increase accountability and service provision to the people. However, most of the budget transferred (accounted for approximately 90%) to the sub-national level was spent on physical infrastructure development such as roads and irrigation systems. Infrastructure in some areas has been considerably improved by letting local administrations set their own spending priorities. With this funding, there is improvement in social programmes like projects to help vulnerable communities to increased access to improved water sources, sanitary facilities, knowledge on water, sanitation and hygiene (WASH) and nutrition or supporting vocational training for school drop-out youth or any intervention to respond to the specific needs of local communities.

¹⁶ Parliamentary Institute of Cambodia (2019). Overview of sub-national budget allocation and settlement for local development plan

¹⁷ RGC, 2018, Budget System Reform Strategy 2018-2025

¹⁸ The Phnom Penh Post, 12 Jan 22

VI- CONCLUSION AND RECOMMENDATIONS

Conclusion

Citizen Budget App is one of the tools to increase the accountability of the sub-national administration and the responsibility of sub-national government officials. The factors influencing the disclosure of the information are still complex; especially, regarding the budget information of sub-national administrations. It is generally recognized that information disclosure is a mechanism of good governance. Cambodia is committed to continuously improving the governance of the sub-national administration by bringing the government closer to the local people. The government is increasing funding transfer to sub-national administrations within the framework of financial decentralization, which enables sub-national and local administrations to efficiently manage and utilise funds to address their particular challenges related to public service provision and investment in local development which are highly relevant to the needs of the people.

However, the transparency of the budget allocation and settlement is far behind the government reform framework. API has been working on advocacy to increase access to public information by creating an App available for districts and communes to share their budget information. There is more work to be done to encourage better access to public information, especially budget information at the sub-national level.

Recommendations

Recommendation 1: The current website and mobile App “Citizen Budget Analysis tool” created by API is a new initiative of digital information that is very beneficial for local citizens, researchers and development workers to access budget information of sub-national administrations in Cambodia. To improve of citizens' access to information on sub-national budget disclosure for the whole country, the Ministry of Interior and sub-national administration (Commune/Sangkat, District/Khan) should work more with API, NGOs, CBOs, and other stakeholders to promote the Budget Analysis App through online and offline modes.

Recommendation 2: Increasing the budget for local development is a very important step within the framework of financial decentralization reform. It will increase accountability and service provision to the public. However, about 95% of the development budget transferred to the sub-national level was spent on infrastructure development such as roads and irrigation systems. API should work with relevant national government agencies (especially MoI and MEF) to increase the percentage of the allocation of the development budget on climate change mitigation/adaptation/Disaster Risk Reduction and natural resource development. As seen in the API-developed “Citizen Budget Analysis Tool” these sectors have very low budget allocation. It is recognized that climate change has adversely affected nearly all sectors of the development goals, especially agricultural sectors. Drought and flood disrupted the traditional cycle of farming. Communities are exposed to a higher risk of crop failure and food shortages.

The sub-national administration has to maximize the gains from the D&D reform by fulfilling all legal responsibilities of the commune councils as specified in the law. The authorities should also encourage civic engagement and prepare pilot mechanisms to promote public participation in order to build trust and gain support from the public. Moreover, the authorities should provide greater accountability for urban residents by conducting research to identify the challenges and barriers to participation in commune budgeting process by the urban population and providing technical training to develop the capacity of the commune councils to work on how to promote public participation. Encouragement and great facilitation from the local authorities are also great sources to increase people’s interest in public spending.

Moreover, budget allocation procedures could be simplified in terms of payment procedures (using bank systems for budget allocation, and budgeted receipts and payments), clear accountability frameworks could be established and a monitoring and controlling system (digital skills, system valuation) could be implemented. Moreover, to address the challenges faced by Commune/Sangkat in the preparation of local development and investment plans, more support is required in terms of finance, capacity building, and more collaboration from stakeholders. NGOs could be in a good position and ready to share their experiences in developing budgets and development plans in their respective work areas.¹⁹

Recommendation 3: In terms of the complexity of advancing and settling the budget with the provincial treasury. The local government (Commune/Sangkat and district/municipality) are unable or discouraged to allocate budget to the budget line of social service fund and natural resource management and climate change, based on results in the report, on average around 1% each of total budget of commune/district was allocated into. The Ministry of Economics and Finance needs to review the guidelines or procedure and work with the provincial treasury to make it easy or flexible to advance and settle.

Recommendation 4: The government needs to allocate more budget for the sub-national offices to 30% of the total national budget annually, especially government need to allocate more budget at Provincial to 10%, municipal/district level to 10%, and commune/Sangkat to 10% of the total national budget in annual while enhancing their ability to manage and execute the budget more effectively through tailored made capacity-building programmes which include the budget management cycle, monitoring, evaluation, and learning (MEL), and internal auditing. An Internal control mechanism should be in place to prevent, detect, and reduce irregularities and opportunities for corruption.

¹⁹ Parliamentary Institute of Cambodia (2019). Overview of sub-national budget allocation and settlement for local development plan



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ADVOCACY AND POLICY INSTITUTE

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**A leading Cambodian NGO active in advocacy,
policy influencing, capacity building,
good governance and dialogue facilitation
between citizens and state actors**

The Advocacy and Policy Institute (API) is a Cambodian non-governmental organisation active in advocacy, policy influencing, good governance and civic engagement. Capacity building and dialogue facilitation are at the heart of our efforts towards democratic and sustainable development.

We have received widespread acclaim from both local and international organisations for our reliability, relevance and professionalism. Over a time span of almost two decades, API has helped institutionalise advocacy skills and has been striving to make local democratic and accountable governance a reality. To these ends, we have been conducting more than 300 training courses for over 10,000 participants affiliated with civil society and community-based organisations, local councils, media outlets, trade unions, Government institutions and the Cambodian Parliament.

API is unique in Cambodia's civil society in serving as a connector and facilitator for citizens' empowerment in their interaction with government at all levels. API has acquired first-hand experience on policy issues like access to information (A2I) through its grassroots work. Based on this vast experience, we are in the best position to make the voices of ordinary citizens count in policy-making at the national level. Here we have been trying to support government actors serve citizens according to the law and contribute to an enabling environment for citizens and civil society to express their concerns. Finally, we have been playing an important role in helping citizens understand their rights, access to information and make use of the opportunities for engagement offered by various laws and government policies.

Our programmes are guided by a human rights based approach. API serves all Cambodians and values the diversity of gender, sexual orientation and identity, (dis)ability, ethnicity, faith and political opinions. At the same time, we are especially committed to support the most disadvantaged in their efforts to make their voices heard.

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