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List of Abbreviationst

ADB	Asian Development Bank
AWPB	Annual Work Plan and Budget
BoG	Board of Governor
BSP	Budget Strategic Plan
BSRS	Budget System Reform Strategy
CDB	Commune Database
CoA	Chart of Accounts
CoM	Council of Ministers
CP	Capital and provinces
CS	Commune and Sangkat
CSF	Commune and Sangkat Fund
D&D	Decentralization and deconcentration
DM	District and Municipality
DMF	District and Municipality Fund
DMK	District, Municipality, and Khan
DO	District Ombudsman
FMIS	Financial Management Information System
GDNT	General Department of National Treasury
GDSNAF	General Department of Sub-National Administration Finance
ICT	Information and Communication Technology
IP3	3 Year Implementation Plan
LMs	Line ministries
M&E	Monitoring and evaluation
MAFF	Ministry of Agriculture, Forestry and Fishery
MCS	Ministry of Civil Service
MEF	Ministry of Economy and Finance
MoE	Ministry of Environment
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoI	Ministry of Interior
MoP	Ministry of Planning
MoSVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation
MRD	Ministry of Rural Development
NCDD	National Committee for Democratic Development (NCDD)
NCDD-S	National Committee for Democratic Development (NCDD) Secretariat
NGOs	Non-government organizations
NPAR	National Program for Public Administration Reform
NP-SNDD	National Program for Sub-National Democratic Development
NSDP	National Development Strategic Plan
OWSO	One Window Service Office
PB	Program based budget
PDCS	Provincial Department of Civil Service
PDEF	Provincial Department of Economy and Finance
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Program
PHD	Provincial Health Department
PNH	Phnom Penh Capital
PT	Provincial Treasury
SNA	Sub-national administrations
SNIF	Sub-National Investment Facility
SOP	Standard Operating Procedure

Executive Summary

The Royal Government of Cambodia (RGC) has made a strong commitment to strengthening public service delivery through three interrelated public sector reform initiatives: Public Financial Management Reform Program (PFMRP), National Program for Public Administration Reform (NPAR), and Decentralization and Deconcentration (D&D) reforms. Each of these reform programs carries specific initiatives to improve sub-national governance. Complementing these initiatives, the RGC has progressively increased the allocation of budgetary resources to sub-national administrations (SNAs). Between 2013 and 2020, SNA budgets increased from about US\$190 million to US\$821 million. Within the same period, the budget share of SNAs has increased from 6.1 to 8.1 percent of the total state budget.

D&D reforms began at the commune/sangkat (CS) level, the lowest tier of SNAs, with the direct election of CS councils in 2002. This was followed by indirect elections for district, municipal and khan (DMK), and capital and provincial (CP) level councils. Central to the reform effort is the transfer of more functions and resources to sub-national levels, especially to the district and municipal (DM) level, the main tier for service delivery. In late 2019, a substantial number of functions were transferred to the DM level.

This study reviews the recent changes in Cambodia’s intergovernmental fiscal architecture. It starts with the description of the overall sub-national system, then delves into the challenges of managing different aspects of the reform, such as assigning expenditure responsibilities and financing sources. It also assesses the strengths and weaknesses of the public financial management systems at the sub-national levels. The emphasis is at the DM level, where more service delivery functions and resources are expected to be transferred. The research is based on an extensive review of government documents and regulatory framework, quantitative data analysis, and fieldwork conducted in March 2020. Drawing on its findings, the study offers policy recommendations on how the country’s inter-governmental fiscal architecture can be improved over the short and long-term horizons.

Key Messages

- ▶ **Advancement in D&D requires strengthened coordination with other governance reforms,** namely, the PFMRP and NPAR. It is particularly important to have close coordination between the D&D reform program and the PFMRP, with the latter also targeting reforms for SNAs, namely, the Subnational Administration Budget System Reform Strategy (SNA-BSRS).
- ▶ **The reorientation of reform efforts toward horizontal or territorial deconcentration through transferring functions to DM administrations would require providing clarity to the concept of “unified administration.”** The 2008 Law on the Management of CP and DM administrations (commonly referred to as the Organic Law) established the legal framework for indirectly elected councils at the DM and CP levels and mandated to have “unified administrations.” However, the concept of unified administration is not clearly defined in the legislation nor in policy documents.
- ▶ **The current legal framework for the assignment of service delivery responsibilities needs further clarification.** All three tiers of SNAs are assigned both obligatory and permissive functions without explaining the difference between them. A more explicit articulation of obligatory and permissive functions would support implementation of reforms. In the absence of a clear definition, these concepts are not interpreted uniformly by officials, thus affecting the quality of implementation.
- ▶ **The sub-national share of public expenditures in Cambodia remains among the lowest in the world.** In 2019, around 8.1 percent of total general government expenditures were under the control of the entities at the sub-national levels. Among the spending categories, SNAs account for 5.7 percent of wage and salary

spending, 14.7 percent of non-wage expenditures, and 10.6 percent of capital expenditures (for domestic funding only). Of the decentralized spending (i.e., budgets of the three sub-national levels), the CP level accounts for the largest share while the DM level accounts for the smallest share.

- ▶ **Intergovernmental financing arrangements, which include the transfer system and own-source revenue assignment, need to adjust as more functions are assigned to SNAs.** At least four central government fiscal transfers are currently available to SNAs. Total transfers are by far the largest for the CS and DM levels. Conditional transfers presently play a small role in intergovernmental fiscal relations, though they are expected to grow in importance to support the transfer of more functions. The size and distribution of the District Municipal Fund (DMF), and Commune/Sangkat Fund (CSF) are rule-based and underpinned by several legal instruments. In contrast, there is no similar fund created for the CP level. Progress in own-source revenue generation has been very limited. Currently, only the CP level has been assigned tax revenue through revenue sharing. At the CP level, tax collection is concentrated in Phnom Penh, the administrative and economic capital of the country.
- ▶ **The RGC could look to improving sub-national PFM systems and practices to strengthen D&D implementation.** Sub-national PFM systems were designed when SNAs did not play an important role in budget execution and are no longer fit for purpose. With the advancement in the implementation of D&D reforms, there is an urgent need to improve the PFM systems and practices to fit the direction and pace of reforms.

A list of recommendations is summarized in the table below.

Policy options and recommendations to improve intergovernmental architecture

Issue	Short-term options (1-2 years)	Longer-term options (3+ years)
Preparation and implementation of NP-SNDD Phase 2	<ul style="list-style-type: none"> ▶ Establish strong coordination mechanisms between the D&D reform and the PFMRP. 	<ul style="list-style-type: none"> ▶ Ensure effective implementation of the NP-SNDD.
Addressing vertical and horizontal fiscal imbalances	<ul style="list-style-type: none"> ▶ Review the transfer mechanisms to all three levels of government. ▶ Use a rules-based approach for fiscal transfers to the CP level. 	<ul style="list-style-type: none"> ▶ Address the adequacy of funding to sub-national levels by estimating vertical fiscal imbalances. ▶ Ensure that conditional transfers complement the objectives of functional assignments at SNAs.
Improving sub-national PFM systems and practices	<ul style="list-style-type: none"> ▶ Strengthen the budgeting system at the CP level. ▶ Address the inconsistencies in the use of Chart of Accounts. ▶ Introduce new budget line items to record budgetary resources for conditional transfers for delegated functions and assigned functions. ▶ Provide the SNAs with a timely estimate of national and sub-national transfers to support the preparation of annual plans and budgets. 	<ul style="list-style-type: none"> ▶ Strengthen the implementation mechanisms for SNA-BSRS, especially as it relates to improving the link between planning and budgeting. ▶ Improve the coordination mechanism between MEF, MoI, MoP and NCDD for the preparation and implementation of program-based budgets (PBB) in the SNA-BSRS.

Issue	Short-term options (1-2 years)	Longer-term options (3+ years)
Transfer of functions to the DM level	<ul style="list-style-type: none"> ▶ Issue guidelines to clarify the responsibilities between DM administration staff and technical line offices. ▶ Develop a methodology to estimate the cost of operational and functional expenditures associated with the newly transferred functions. ▶ Review the guidelines on the management of non-tax revenues to improve flexibility and efficiency. ▶ Improve the functioning of OWSOs by deploying ICT technologies, especially for revenue collection. 	<ul style="list-style-type: none"> ▶ Delegate HR management responsibilities to the SNA level. ▶ Develop and implement a capacity building strategy for the DM administrations. ▶ Review legal framework on the transfer of budgetary resources to address inconsistencies.

1. Introduction

1.1. Background and rationale

- 1. The Royal Government of Cambodia (RGC) recognizes the importance of Deconcentration and Decentralization (D&D) reforms as a way to improve local governance and service delivery.** Since 2001, the RGC has been implementing a D&D reform program with the establishment of commune and sangkat (CS) councils, first elected in 2002. Building on the successful reforms at the CS level, the RGC adopted its Strategic Framework on D&D Reform in 2005. The Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans, referred to as the Organic Law, was promulgated in 2008. The organic law has been instrumental in defining the legal basis of reforms for the capital, provincial (CP), municipal, district and Khan (DMK) administrations.
- 2. The D&D reform efforts are growing in significance as Cambodia looks to improve the efficiency and quality of its public service delivery.** While the centralized model of public administration and public financial management was well suited to the development objectives of Cambodia in the past, there is an urgent need to improve the PFM systems and practices to fit the direction and pace of reforms. The D&D reform strategy defines the overall framework of sub-national governance and aspires to establish a strong intergovernmental fiscal architecture. Recent attempts to clarify the roles and responsibilities among tiers of SNAs and to improve public financial management (PFM) systems are a part of this aspiration.
- 3. The RGC has made noticeable progress in reforming the inter-governmental fiscal architecture of the country.** Since 2002, the Government has substantially increased the transfer of resources to SNAs. New intergovernmental financial mechanisms in the form of Commune/Sangkat Fund (CSF), District Municipal Fund (DMF), Sub-National Investment Facility (SNIF), and others have been put in place to manage, administer and use financial resources in an effective, transparent and accountable manner. SNA planning systems have been developed and improved over time. The progress has contributed to a noticeable improvement in local infrastructure development and, to a lesser extent, local social service delivery.
- 4. Since late 2019, the transfer of functional assignments has accelerated, especially to the DM level, presenting both opportunities and challenges for service delivery.** The government took an important step in transferring all the functions performed by the Provincial Health Departments (PHDs) to the CP level. Furthermore, the government transferred 55 functions and nearly 20,000 staff currently employed by all the 13 line offices to the DM level. This shift means that DM administrations will play a more active role in service delivery. Critically, this implies that the Government needs to adopt new rules and regulations to ensure the DM administrations can effectively perform the transferred functions.
- 5. Despite progress, key challenges remain.** The overall share of the decentralized budgets for SNAs in Cambodia is still small when compared to international cohorts and is not reflective of the growing functional mandate and needs for improving service delivery. In addition, significant vertical and horizontal fiscal imbalances exist between rural and urban areas, especially between the capital of Phnom Penh and the rest of the country. The transfer of authority around own source revenue has also been minimal, for both tax and non-tax revenue streams.

6. **The recent transfer of functions to the DM level provides a strong impetus for reform and requires timely attention and support.** The political involvement of the highest levels of the RGC has given the D&D reform agenda a push and has helped to move the needle on policy and legislative fronts. However, implementation remains a key challenge. While the process of transferring functions has already started, some key legal and operational challenges remain. These relate to the costing of transferred functions, procedures for budget transfer, changes in the public financial management processes, and the establishment of new accountability and reporting lines.
7. **With the transfer of functions and resources, critical gaps in the reform design and legal framework have also emerged.** These include fundamental issues of SNA autonomy, the distinction between the devolution and deconcentration models of decentralization, the mechanics of functional transfer process, the policy objective behind the current budget transfers, the potential of sub-national ownresource revenue mobilization, and the coordination between D&D reform and the PFM reform programs.
8. **COVID-19 pandemic has created new challenges to the implementation of the D&D reforms.** First and foremost, it raised concerns about the cost of reforms and the availability of fiscal space to pursue them aggressively. But it also highlighted the need for an effective sub-national system during and post-pandemic periods.

1.2. Objective and methodology

9. **This note reviews and analyzes Cambodia’s intergovernmental fiscal architecture in the context of RGC’s D&D reforms and provides recommendations at the institutional and operational levels to help guide the direction and implementation of future reforms.** The study is motivated by two important analytical gaps.
 - ▶ First, there has not yet been a holistic study of Cambodia’s sub-national governance and PFM systems. The 2018 report on cross-cutting reforms analyzed the progress in the overall design and implementation of public financial management, decentralization and public administration reforms, but without drilling into the specifics of individual reform areas.¹ It identified options for coordination between three reform areas, however, without specific emphasis on either one of the reform efforts. Accordingly, this analysis focuses on D&D reforms while providing a more comprehensive view of sub-national governance.
 - ▶ Second, with the recent push by the RGC to accelerate the implementation of the D&D reforms, the intergovernmental fiscal system is going through a significant change. Accordingly, this analysis provides a timely snapshot of the various moving parts of the reform efforts and an update on the recent progress and challenges in implementing them. A strong emphasis is placed on detailing the myriad rules and regulations that underpin the intergovernmental fiscal system. Specific attention is also given to identifying issues at the DM level, which has not been the focus of previous analytical work, including the 2018 report. The DM focus is presently at the forefront of the RGC’s reform agenda.² The findings of the study are also aimed to provide timely input into developing the second National Program for Sub-National Democratic Development (NP-SNDD).
10. **The analysis draws on information from a range of sources.** In addition to a detailed review of previous studies, the team has conducted an extensive review of legal instruments and policy documents as well as analyses of budget and expenditure information and fiscal data. Interviews were held with officials at the national level in key ministries and agencies (see Annex 1 for a list). Fieldwork was also undertaken alongside the representatives of the National Committee for Democratic Development Secretariat (NCDD-S) and the General Department of Sub-National Administration Finance (GDSNAF) of the Ministry of Economy and Finance (MEF) in one province, one rural district, one municipality, and one sangkat, all in Battambang Province in late March 2020.

¹ World Bank. 2018. “Cambodia’s Cross-Cutting Reforms: Public Financial Management, Decentralization and Public Administration Reforms—Achievements, Coordination, Challenges and Next Steps.”

² This study focuses more on the districts and municipalities (DMs) and less on khan, mainly because khan are subject to different arrangements being constituent units under Phnom Penh Capital. Nonetheless, many of the discussions on DM level is also relevant to Khan, except for some specific areas as provided in the law. Accordingly, the acronyms DMK and DM are used interchangeably.

11. **The study was disrupted by the outbreak of the COVID-19 pandemic, which imposed significant limitations on the team** (see Box 1). Despite the disruption, however, the study team has collected information during 2020 to ensure the report captures the most recent developments. The analysis includes budget allocation and execution information (where applicable) and key policy and regulatory changes that had been introduced.

Box 1: The COVID-19 pandemic and its effect on the study

This study commenced before the COVID-19 pandemic. Accordingly, much of the analysis of fiscal data and the progress of reform utilized pre-pandemic information. Where possible, post-pandemic information and forecasts – in particular for the macro-fiscal context – have been used. Moreover, consideration is given to how the pandemic and its aftermath may influence the substance and style of reforms. The possible role of local governments during and after a pandemic is also discussed. Additionally, the pandemic limited the scope of fieldwork, which could only be done in one province (covering four separate line departments, one municipal administration, one district, five line-ministry offices and one sangkat). However, this case study should provide the necessary information to reflect the big picture of sub-national governance in Cambodia.

12. **The report is structured across six chapters, with analytical work divided into two broad parts.**
 - ▶ The first part of the report (Chapter 2) examines Cambodia’s pathway to a more decentralized governance. Chapter 2 provides an overview of the legal and institutional framework of decentralization, evaluates progress in transferring functions from the central to sub-national levels, situates D&D reforms within the RGC’s broader public sector reform agenda, and details some of the key challenges that have hindered progress to date. In addition, it examines macro-fiscal challenges that COVID-19 may bring on the reform implementation.
 - ▶ The second part (Chapters 3, 4 and 5) dives more deeply into the sub-national fiscal architecture. Chapter 3 takes stock of sub-national expenditures and revenues, including the system of intergovernmental transfers. Chapter 4 undertakes a rapid review of the sub-national PFM systems. Chapter 5 focuses on the crucial DM level reform actions, particularly, the reform process and challenges of implementation identified during fieldwork. Each chapter concludes with a set of short- and long-term recommendations.

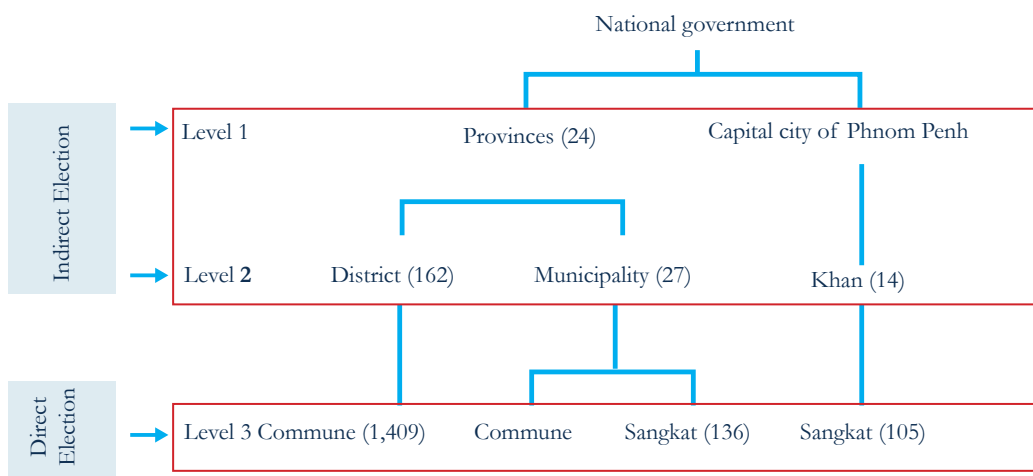
2. Legal and institutional framework and reform management

13. This chapter analyzes the legal and institutional framework of D&D reforms as well as the reform management process. The chapter presents an updated picture of the legal and institutional arrangements of SNA governance in Cambodia by incorporating the institutional changes and reform initiatives introduced since 2019. It also zooms in on the functional assignment and transfer of functions to SNAs, a critical element of the reform effort. Following a brief discussion of D&D reforms, the chapter provides an analysis of the intervention logic of the current legal framework. This chapter also discusses the reform implementation and management processes in Cambodia, comparing it to other countries in Southeast Asia. The chapter ends with a set of recommendations for the short and long term.

2.1. The RGC’s decentralization and deconcentration (D&D) reforms

14. A series of structural reforms have established a three-tiered sub-national system in Cambodia, with distinct governance arrangements (Figure 1). The three-tier hierarchical system is a result of various legislative instruments which put provinces on top of the sub-national hierarchy and gave Phnom Penh a separate designation as the capital of the country. The Law on the Management of Commune/Sangkat Administration in 2001 established communes and sangkats (CS) as the lowest level of local administrations in rural and urban regions, respectively, with democratically elected councils.³ Following this, the 2008 Law on the Management of CP and DMK administrations (hereafter referred to as the Organic Law) established a legal framework for indirectly elected councils for DMK and CP administrations.

Figure 1: Administrative Structure in Cambodia



Source: (RGC , 2020a)

³ Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans and the Law on the Election of the Capital, Provinces, Municipalities, Districts and Khans.

15. **The D&D reforms in Cambodia have been guided by the National Program for Sub-National Democratic Development (NP-SNDD).** The first NP-SNDD covered the period between 2010 and 2020 and addressed all key aspects of the reform, namely: 1) Reform management, 2) SNA functions and structures, 3) Human resource management and development, 4) Fiscal decentralization and SNA planning and budgeting, and 5) Public service delivery and local development. The Government is planning to adopt the NP-SNDD Phase II for the period from 2021 to 2030 expanding the coverage to new areas such as gender equality, social equity and inclusiveness, climate change and disaster management, and E-governance (see Box 2).⁴

Box 2: Key points in the NP-SNDD Phase 2

According to the NP-SNDD Phase 2, the vision for the sub-national democratic development in the next 10 years (2021-2030) is ‘that citizens have improved access to public services and benefit from local development provided by the SNAs in a socially equitable and inclusive manner and eventually contribute to the achievement of socio-economic objectives in advancing Cambodia to a middle high-income country in 2030.’ To achieve this vision, the NP-SNDD will focus on strengthening and improving of structure, management system, functions, capacity, financial resources, and other important aspects of SNA governance.

Component 4 of the NP-SNDD Phase 2 focuses on fiscal decentralization and SNA planning and budgeting systems. Its objective is to ensure that SNAs have predictable, adequate budget resources aligned with mandates and policy priorities and allocated with the flexibility to respond to local contexts and needs that are determined in the development plans, investment programs, and budget strategic plans. The expected outcomes include a more effective and integrated SNA planning and budgeting process, increased local revenues (both tax and non-tax), better SNA asset management, more effective inter-governmental transfer systems, improved public investment management, adequate arrangement public-private partnerships (PPPs), oversight, and auditing.

16. **The D&D reforms are built on improvements in the vertical deconcentration of expenditures and administrative functions that began in the 1990s (Niazi, 2011).** The D&D reforms have wrapped formalized governance arrangements around the existing administrative divisions of the country. Of the 39 line ministries (LMs) at the national level, 28 have subordinate departments at the CP level, and 13 also have line offices at the DM level. Offices at the grassroots CS level, to the extent that they exist, tend to be organized around the last mile of service delivery, including schools, health centers/health posts, and national police posts.
17. **All three tiers of SNAs are assigned two types of functions: permissive and obligatory functions.** There are two types of permissive functions: those transferred to SNAs by a line ministry; and those that fall under the general mandate of an SNA for the welfare of citizens in their constituencies. The latter include local infrastructure and addressing gaps in central government service delivery, and involve managing human, financial and physical resources.⁵ Obligatory functions are those defined by law, royal decree, sub-decree or legal instruments based on the request of the National Committee for Democratic Development (NCDD, whose functions are described below) or LMs. Obligatory functions need to be performed by the receiving SNAs once they are transferred, whether through assignment or delegation. The next section of this report provides discussions about the assignment and delegation of obligatory functions.
18. **According to the Organic Law (Art. 242), each SNA is entitled to receive appropriate fiscal and human resources to perform its core administrative and development functions.** With few revenue sources of their own, revenues assigned to SNAs are highly skewed toward Phnom Penh. In return, the emphasis has been placed on higher levels of government to adequately fund lower levels, via transfers (discussed further in Section 4.2).

⁴ This is based on the interviews with NCDD-S officers in the content of the NP-SNDD Phase 2.

⁵ According to Sub-decree #285 (2014), a permissive function refers to those initiated by a SNA which include: 1) those that do not fall under mandate of an existing line ministry or national institution, or 2) those fall under the mandate of an existing line ministry or national institution but which the line ministry or the national institution has no objection to the SNA choosing to implement them.

19. **SNAs have been given increasing responsibilities over human resource management functions, including the ability to recruit locally and manage certain aspects of performance.**⁶ Personnel management of SNA staff is generally in line with the existing national laws and standards. SNAs have been given increasing authority for recruiting their staff.⁷ However, the CP level has additional delegated authority over line ministry staff working within their jurisdiction. SNAs can directly supervise their activities and have some scope for setting local financial incentives.⁸ Notably, at the CP level, there are provisions for the respective governors to be formally involved in the posting and performance evaluation of key personnel working in line departments within their jurisdictions.⁹
20. **Political decentralization has been most significant at the CS level which operates as a directly elected local administration (World Bank, 2018a; 2018b).** Each CS unit is controlled by a democratically elected council, comprised of between five and eleven councilors who are directly elected via competitive multiparty elections. The elected councilors have the formal authority for CS administration under the leadership of the chief, who is drawn from the party that receives the most votes. CS councils are assigned a general mandate to improve the welfare of citizens in their jurisdiction as well as acting as the delegated agents of the national government (RGC, 2001).
21. **In contrast, the CP and DM administrations have a council that is indirectly elected and a Board of Governors (BoG) that is accountable to both the central government and the council.** Broadly, the CP and DM levels are subject to the same laws, which are distinct from the CS level (Annex 2 provides a list of relevant laws and regulations for each level of SNA).¹⁰ Each CP and DM administration includes an indirectly elected council with some legislative authority, the BoG, which acts as the executive branch, and a host of committees and operational units (see Box 3). The DM and CP councils are not directly elected by local citizens but by commune councilors. The council is accountable to the local citizens and the national government per the Constitution and other laws. The Governor, who is in charge of the BoG, is appointed by the Prime Minister and is jointly accountable to the central government and the Council.¹¹

Box 3: Administrative structure at CP and DM levels

CP and DM councils serve as the legislative body of the SNA and have at most 21 members (for CP), 15 members (for a municipality) and 19 members (for a district). The councilors in office receive remuneration for which provision is made in the annual budget.¹² Councils have the authority to make both legislative and executive decisions and can issue by-laws (known as deika). SNA councils have three mandatory committees, including i) Technical Facilitation Committee (TFC); ii) Procurement Committee (PC); and iii) Women and Children Consultative Committee (WCCC). The TFC is in charge of coordinating with deconcentrated provincial line departments of central ministries. The BoG functions as the executive body within the CP and DM administration. The BoG is chaired by a governor and his/her deputies (up to six for CP and 4 for DM). The governor is appointed by a royal decree based on the request of the prime minister as proposed by the Minister of Interior (MoI). He or she provides comments

⁶ This can be potentially a significant reform with budget implications. As SNAs have more authority over staffing, the accountability of technical line officials will shift to SNAs from their parent ministry. Eventually SNAs will perform employer functions such as performance management, reporting, recruitment and dismissal.

⁷ The recruitment process by SNA is defined by the Ministry of Civil Service (MCS) in consultation with the Ministry of Interior (MoI) and NCDD. A representative from the Provincial Department of Civil Services (PDCS) shall participate in the recruitment process. The appointment and termination of personnel is to be done through deika of SNA councils.

⁸ Relevant laws and reform programs guiding HR management include: the national civil service statute, the Organic Law, the Law on CS Administration, NPAR, PFMRP, NP-SNDD, and gender mainstreaming policy for public sector. SNA personnel management covers personnel planning and budgeting, performance management, recruitment, entrance exams, staff transfer, the incentive system, punishment, deployment, retirement, ethical standards, capacity development, and social security benefits.

⁹ According to Sub-decree #240 (2017), for the appointment and termination of line department directors as well as other personnel, capital and provincial governors can make a proposal to the minister of relevant ministry for their review and approval. The capital and provincial governors, at the request of the director general of respective line department, are delegated the authority to appoint or terminate deputy directors and lower ranks. The detailed procedures are provided in Instruction #788 (2018).

¹⁰ The management of the CP and DMK administrations is based on the Organic Law (2008). The management of the CS administration is based on the Law on CS Administration (2011). On budget matters, the main legal document is the Law on Financial Regime and State Asset Management of Sub-National Administrations (2011). On personnel management, key legal provisions are stated in the Law on Separate Statute for SNA Personnel (2016). To implement each law, many sub-decrees, prakas, circulars, and technical guidelines have been adopted.

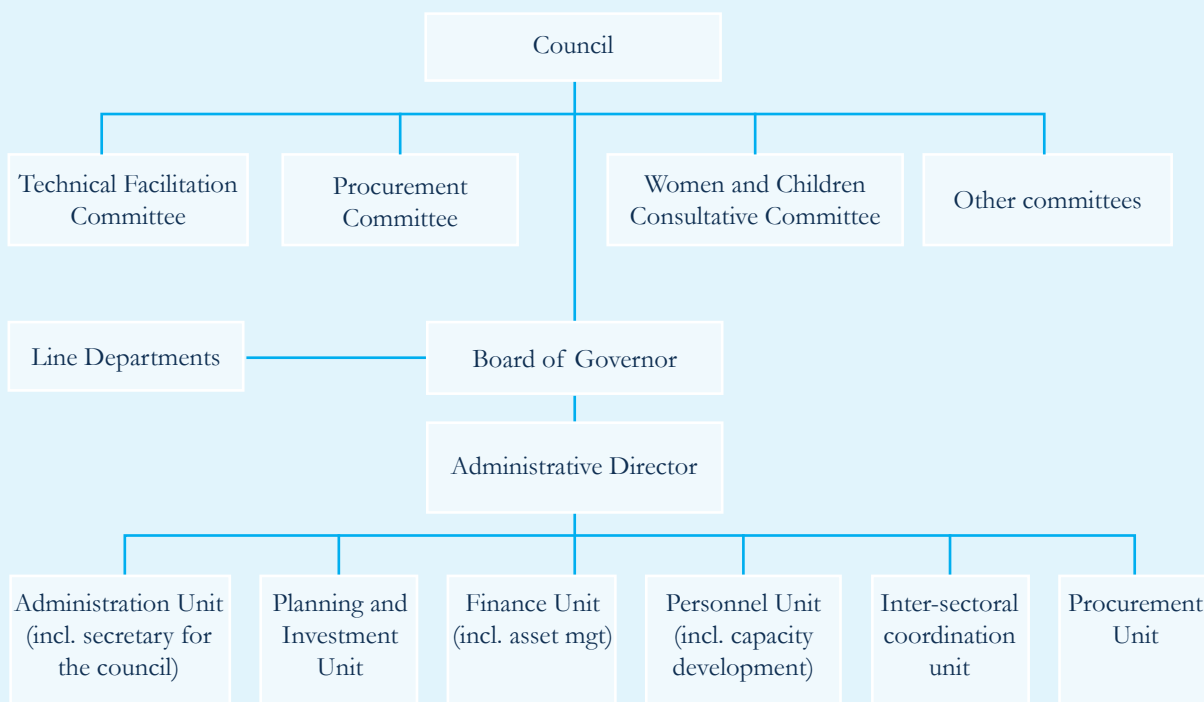
¹¹ Moreover, candidates for district, provincial and municipal elections are largely nominated by the national government – often being former government employees and ruling party members (Smoke 2015).

¹² (RGC, 2008), Article 28.

and advice to the council, reports to the council and implements decisions of the council.¹³ The detailed roles and relationships between the councils and the BoG are provided in Sub-decree #215 and #216 both dated 14 December 2009 (RGC, 2009). The detailed roles and responsibilities of the deputy and his/her deputies for CP and DM are provided in Ministry of Interior Guidelines #034, #036, and #038, all dated 28 December 2010 (MOI, 2010).

The BoG has one administrative director who is appointed by MoI to be in charge of the daily administrative operation of the council and the BoG.¹⁴ In the case of the CP, the administrative director oversees six main units (administration, planning and investment, finance, personnel, inter-sectoral coordination, and procurement) and four units for DM (administration and finance, planning and CS support, inter-sectoral coordination, and procurement).

Provincial administrative structure



22. The Organic Law mandates CP and DM administrations to have a “unified administration.”¹⁵ However, in practice, the concept of unified administration is neither clearly defined nor fully implemented. As of now, the concept of unified administration is not precisely expressed regarding key accountability relationships among line departments and offices, SNAs councils, and LMs. What has been understood, however, is that when the unified administration is in place, DM and CP councils, and BoGs will have more authority over technical departments and offices, including budget and personnel. The progress toward unified administrations would depend on the progress with functional assignments, which in turn is linked to the budget transfer. Before 2019, the authority of SNAs over line departments and offices had been limited, due mainly to the slow progress in functional transfers in the last decade. As the next section elaborates, the transfer of functions picked up its pace in 2019.

23. Inter-ministerial mechanisms have been put in place to coordinate the complicated functional transfer process. According to Articles 215-221 of the Organic Law, LMs are required to undertake a detailed functional mapping and review exercise in preparation for the transfer of responsibilities to the unified administrations at the SNA level.¹⁶ In 2008, the RGC established, via a Royal Decree, the National Committee for Democratic Development (NCDD) as a high-level inter-ministerial agency to coordinate

¹³ (RGC, 2008), Article 138.

¹⁴ (RGC, 2008), Article 183-8.

¹⁵ (RGC, 2008), Article 2, 8.

¹⁶ (RGC, 2008), Article 213-240.

the implementation of the D&D reforms.¹⁷ Originally comprised of 15 ministries, the NCDD now encompasses 22 participating ministries, including the core ministries of Interior (MOI), Economy and Finance (MEF) Civil Service (MCS) and Planning (MoP). The Deputy Prime Minister (Minister of Interior) is the chair (RGC, 2020c).¹⁸ Details on the core ministries and their roles are provided in Annex 3. The NCDD board sets out the RGC's agenda for the implementation of the D&D reforms.¹⁹ Coordination and day-to-day management of the reform process are provided by the secretariat to the NCDD (NCDD-S) and supported by several technical working groups. LMs are required by the NCDD to establish their own working groups on deconcentration and decentralization (directly led by the minister or a secretary of state) to support the development of policy proposals and to implement agreed reforms.

Table 1: Cross-cutting reforms and their foci

D&D	PFMRP	NPAR
<ul style="list-style-type: none"> ▶ Reform management ▶ Good governance ▶ HR management and development ▶ Service delivery and local development ▶ Fiscal decentralization 	<ul style="list-style-type: none"> ▶ Budget credibility ▶ Financial accountability ▶ Policy-budget linkages ▶ Readiness for next steps (of the reform platform) ▶ Reform support 	<ul style="list-style-type: none"> ▶ Quality and effectiveness of public service ▶ HR management and development ▶ Pay and remuneration reform

Source: (RGC, 2020b)

24. It is important to achieve cross-reform coordination to advance the D&D reform agenda and improve service delivery at the local level. In addition to D&D, the RGC has also been pursuing two other important governance reforms, namely, the Public Financial Management Reform Program (PFMRP) and National Public Administration Reform (NPAR). The Ministry of Economy and Finance (MEF) launched the PFMRP in 2004 to heighten standards of management and accountability in the use of government resources. Beginning in 2014, the NPAR, led by the Ministry of Civil Service (MCS), was launched focusing on three pillars: Pay and Remuneration, Human Resource (HR) Management and Development, and Quality and Effectiveness of Service Delivery.

25. The three reforms are highly interdependent and are mutually reinforcing (World Bank, 2018b). Ultimately, they center on reforming and devolving the 3Fs of governance – funds, functions and functionaries—to improve the quality and responsiveness of the public sector. D&D reform, which involves a major rebalancing of the state apparatus, provides the backdrop to the other two reforms, which are more focused on reforming specific functions of government.

2.2. Functional transfer and accountability for service delivery

26. The functional transfer has been both a critical and challenging process of D&D reform in Cambodia. Overall progress in transferring functions has generally been piecemeal and slow. Several efforts to transfer functions to the SNA level had fallen short until 2019. Between 2010 and 2015, with support from development partners, detailed and administratively burdensome functional mapping and reviews were conducted within key sectors (e.g. education, health, social affairs, and agriculture). However, these did not result in substantive or well-coordinated reform implementation decisions.

¹⁷ RGC (2008) The establishment and functioning of the NCDD.

¹⁸ Three deputy chairs include the Minister of MEF, Minister in charge of the Council of Ministers, and the Minister of Land Management, Urbanization, and Construction.

¹⁹ Currently, the NCDD has four sub-committees: 1) Sub-committee on fiscal and financial affairs, 2) Sub-committee on SNA personnel, 3) Sub-committee on SNA development planning, and 4) sub-committee on function and resource. In a recent NCDD meeting, changes were proposed to the NCDD committee structure, namely: to create a new Sub-committee on Justice Services; to create a Working Group on Morale (?) and Audit; and to add Minister-level staff to chair each of the committees (previously, they were at the secretary of state level). The NCDD Secretariat (NCDD-S) has the following units: Policy Analysis and Development Unit, M&E and Information Unit, Program Management and Support Unit, and Administration and Finance Unit.

27. **In 2015, the RGC pushed for all three tiers of SNAs to identify specific permissive functions selected from their general mandate** (see Sub-decree #285) (RGC, 2014). This effort, however, hasn't resulted in SNAs managing all aspects of service delivery because of the insufficiency of funds available to them (ADB, 2018).
28. **Between 2015 and 2019, the transfer of functions had focused on administrative functions.** These functions were mostly transferred to the One Window Service Offices (OWSOs) and the District Ombudsman (DO) (for more details see note below and Annex 4).²⁰ The aim of the OWSOs, which were first introduced in 2001, was to consolidate services commonly required by citizens and small businesses at the local level. Specifically, OWSOs established one-stop locations to improve the quality, reliability and accountability of administrative service delivery. They are also intended to improve compliance and enhance efficiency by streamlining back-office processes (World Bank, 2013). As of 2019, all 25 CP administrations established OWSOs which provide services across 14 sectors that were delegated from 12 LMs – equivalent to 559 individual services. At the DM level, 83 OWSOs are in operation, providing services across 14 sectors, delegated from 10 ministries – equal to 211 individual government services.
29. **A strong top-down push from the highest levels of government has helped to catalyze progress on sectoral service delivery functions in 2019.** Instigated by the Prime Minister's formal decision, 21 functions across five LMs (MoEYS, MoE, MoSVY, MRD, and MoH – see Annex 5 for details of transferred functions) have been formally transferred to the SNA level. In addition, two other reforms have been initiated. The first involves the transfer of all the functions currently performed by the Provincial Health Department (PHD) to CP administration, along with about 20,000 health staff members and its US \$166 million budget (discussed further in Section 4.3.1). Additionally, steps have been taken to integrate all of the 13 deconcentrated line offices, along with their 55 functions and nearly 20,000 staff members, into the DM system of administration (NCDD, 2020) (discussed further in Section 5). These reforms are broad in scope and complicated in their implementation.
30. **The progress in transferring functions followed ambiguity about the modality of transfer of sectoral service delivery functions to SNAs.** The functions can be either “assigned” or “delegated” by LMs to the SNA level. However, the distinction between assignment and delegation is not clearly defined in the legislative framework, and these concepts are not interpreted uniformly by officials.²¹ On the surface, an assignment of functions appears to equate to the concept of “devolution” (in conventional terminology),²² where authority for decision-making, finance, and management is transferred from a LM to a receiving SNA. However, unlike a full devolution, the SNAs that receive functions are expected to be accountable to the parent ministry at the central level for the management of the transferred functions (RGC, 2019f). A delegation of function, in contrast, is where a LM²³ transfers responsibility for decision-making and administration of public functions and resources to SNA level to perform the function on its behalf. In this instance, ownership over the function is maintained by the delegating LM. The functional transfer process has been inconsistent across ministries. Priority ministries such as Ministry of Education, Youth and Sports (MoEYS), Ministry of Health (MoH) and Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSVY) have been pushed by the NCDD to assign functions, while others have only focused on delegating functions.
31. **In addition to D&D reforms, the RGC has also initiated social accountability reforms to improve local service delivery by introducing demand-side pressures.** The Implementation of Social

²⁰ The OWSO/DO were originally modeled upon “Citizen Service Centers” which exist at the municipal level in Germany. The reform comprises three mutually supportive interventions: 1) the OWSO, which is a physical location where applications for a range of permits, licenses, and notarizations (referred to as legalization in Cambodia) can be obtained, 2) The DO, who is physically present at the OWSO at least part-time, plays a mediation and oversight role, and 3) public awareness and dialogue events to increase communication between officials and the public, and advertises the services of the OWSO and DO.

²¹ The two terms “assignment” and “delegation” are provided in Sub -decree #68 (2012) Article 4.

²² The literature defines three forms of decentralization: deconcentration, delegation and devolution. Deconcentration is the shallowest form of decentralization, in which responsibilities are transferred to an administrative unit of the central government, usually a field, regional, or municipal office. Delegation is a form of decentralization in which some authority and responsibilities are transferred, but with a principal-agent relationship between the central and lower levels of government, with the agent remaining accountable to the principal. Devolution is the deepest form of decentralization, in which a government devolves responsibility, authority, and accountability to lower levels with some degree of political autonomy.

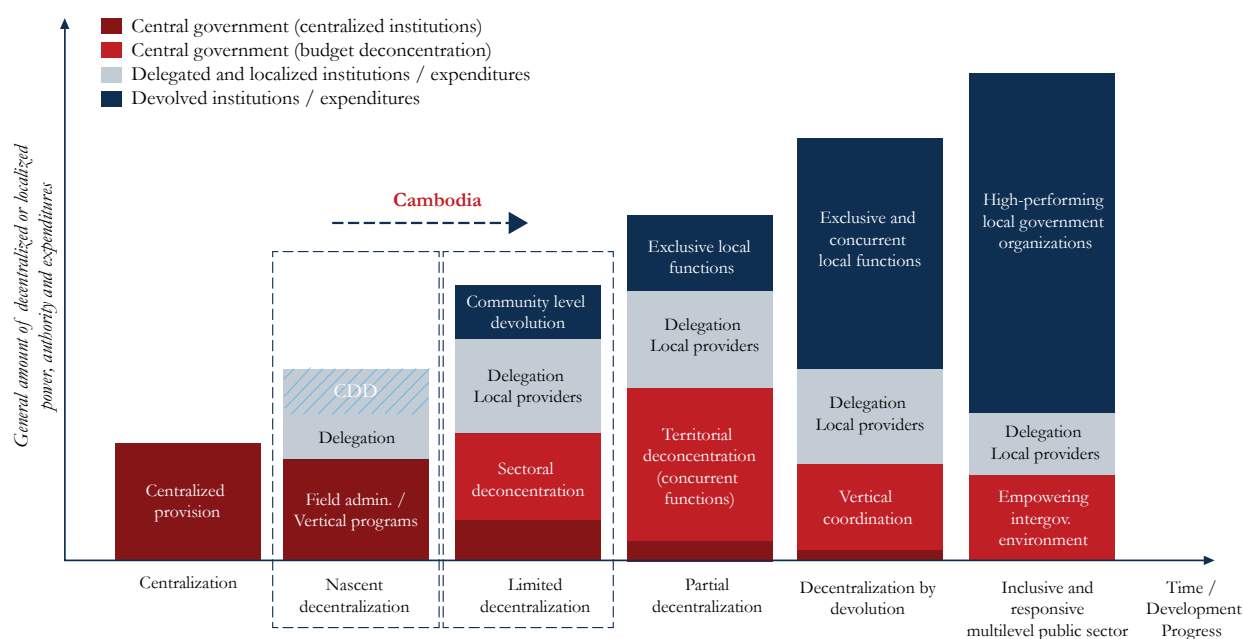
²³ For example, when a central ministry assigns tasks to a technical line department at the CP level or a technical line office (deconcentrated department/office) at the DMK level, the sub-national level department/office remains accountable to the delegating LM. In case of delegation, the deconcentrated department/office also coordinates horizontally with the relevant SNA in its jurisdiction.

Accountability Framework (ISAF) aims to empower citizens and strengthen partnerships between SNAs and citizens. ISAF was introduced as a platform for coordinated action by the government and civil society to operationalize the Strategic Plan on Social Accountability for Sub-National Democratic Development adopted in 2013. It is currently in Phase 2, operating in four areas of focus: i) access to information and open budgets; ii) citizen monitoring; iii) capacity building and facilitation; and iv) program management, learning and monitoring (World Bank, 2020b).

2.3. The Intervention Logic of the 2008 Organic Law

32. While the initial focus of D&D reforms was the devolution of certain responsibilities to the CS level, the RGC has since reoriented its reform efforts toward horizontal or territorial deconcentration through transferring functions to DM administrations. The intervention logic of the 2008 Organic Law is to establish “unified administrations” at the DM level. As per the NP-SNDD developed strategy, the DM level is envisaged to become the fulcrum of service delivery and local economic development, with the CP level playing a coordination role. To date, the CS level has not been assigned any mandatory sectoral functions—key informant interviews suggest that many perceive the CS level as implementing agents of the CP or DM level for transferred functions.
33. The attempt at D&D is not a linear process in any country and Cambodia is no exception. Like many developing countries, Cambodia is making a very gradual move from a centralized system to a more decentralized one. One has to keep in mind that each country’s decentralization trajectory is unique, and the nature and composition of intergovernmental finances tend to evolve with a country’s state of development. Boex (2021) specifies six different generic stages of decentralization and localization that reflect a “typical” transition of institutional and expenditure approaches along the intergovernmental spectrum (Figure 2). The generic typology presented in Figure 2 evolves from a highly centralized institutional and fiscal system (where the central government is paramount and the public sector’s budgetary resources are contained in the budgets of the central government ministries without any further deconcentration or decentralization) to gradually more decentralized or localized institutional settings and fiscal approaches, which typically contain intermediate steps on a long-term trajectory from more centralized to more decentralized public sector institutions and expenditures.
34. In this typology, Cambodia’s intergovernmental arrangements are at a nascent stage. With the establishment of the unified administrations at the DM level, Cambodia aims to move to the “limited decentralization” stage.

Figure 2: Optimal intergovernmental arrangements



Source: Boex (2021).

- 35. The intervention logic of establishing unified administrations at the DM level is an attempt at moving to horizontal (territorial) deconcentration from a vertical deconcentrated structure.** Under the current arrangements of vertical deconcentration, LMs play a prominent role in the planning and provision of sector services. The move to horizontal deconcentration means line ministries can no longer follow a “silo-structure” model (also called the stove-pipe model). In the unified administration model, territorial units (DM) will play a greater role in the coordination of service delivery in their localities and may have greater discretion over expenditures in order to respond to the priorities of their population (see Box 4).

Box 4: Decentralization and localization along the development spectrum

Some of the observations and lessons from the global experience on (fiscal) decentralization—and the choices that countries make with regard to the nature and extent to which they pursue a more decentralized public sector—include the following:

1. Different countries’ approaches to decentralization are complex and hybrid

Much of the traditional literature on (fiscal) decentralization has focused on quantifying the role of (elected) local governments within the public sector. Indeed, the traditional focus of development interventions in the area of decentralization and local governance has been on strengthening elected local governments. More recent studies, however, recognize that different countries’ approaches to decentralization are highly nuanced, and that the label “devolution” or “deconcentration” says very little about the extent or quality of decentralization.²⁴ For instance, both Tanzania and Indonesia have pursued decentralization through devolution, but the extent to which local governments in these countries are empowered to respond to the needs of their constituents is vastly different (Boex and Simatupang 2015).

Furthermore, very few local governance systems pursue “pure” devolution. For instance, it is not unusual for local government entities to be defined as corporate bodies and be led by an elected executive or council, while lacking the power to appoint their own officers. In other instances, local advisory councils are elected that—in practice—do not hold authoritative decision-making power over the local administrative apparatus. In other words, just because an elected local council is in place, this does not necessarily mean local bodies are truly local governments (as defined above).

An extensive global study of the local delivery of public education and health services in 29 developing and transitional countries confirms that the delivery of health and education services seldom relies on a single type of decentralization, but rather, that the provision of local public services relies on a multi-level approach to governance and service delivery (Boex and Edwards 2014). The multi-country analysis finds that countries rarely follow a single model of decentralization; instead, stakeholders at all levels of government are typically actively involved in ensuring access to public services in health and education. Since countries rarely rely exclusively on one model of decentralization or another, this means that there is no categorical answer to whether “devolution is better than deconcentration or centralized provision” in terms of achieving better sectoral outcomes.

Indeed, tentative empirical evidence for local education services suggests that devolution, deconcentration and other forms of “localization” are all associated with better educational outcomes. However, the study does not find a differential impact from different types of decentralization on educational outcomes. Further research will have to explore whether different types of local public sector spending have a differential impact on service delivery outcomes. For instance, it may be the case that a devolved public sector structure may only be a more efficient approach to decentralization under certain economic and/or governance conditions, whereas deconcentration may be a more effective approach to decentralization under other institutional conditions.

2. Different types of deconcentration

In countries that do not have elected local government levels, the local public sector is typically formed by “deconcentrated” sub-national line departments or sub-national territorial units of the national government, which form a hierarchical, administrative tier of the higher-level government. In these countries, these deconcentrated sub-national administrative units are generally assigned the responsibility for delivering key government services—such as education, health services, and so on—within their respective geographic jurisdictions. As such, in a deconcentrated system, the provincial education department or the district education office (for instance) might be a sub-organization of the national Ministry of Education, rather than reporting to any elected local council.

²⁴ For instance, Boex and Edwards (2014) show that most—if not all—countries pursue different approaches to decentralization and localization of public services at the same time.

Because deconcentrated departments or jurisdictions are merely a hierarchical part of the next-higher government level, unlike local governments, deconcentrated units are not corporate bodies. Nor do deconcentrated jurisdictions have their own budgets; instead their budgets are typically contained as sub-organizations within the budget of the higher government level. In deconcentrated systems, “local” government officials are an integral part of the national public service, and local executives (such as regional or district governors, as well as local department heads) are generally appointed by the central government.

It may be helpful to consider two categorizations when dealing with deconcentrated public sector structures: administrative versus budgetary deconcentration, and vertical versus horizontal deconcentration (LPSI Handbook 2012).

In some countries, central line ministries are organized administratively or organizationally in a deconcentrated manner, but the deconcentrated entities are not recognized as separate budget entities in the country’s budget structure. This is generally known as **administrative deconcentration**.²⁵ In contrast, **budgetary deconcentration** can be defined as a situation in which deconcentrated entities: (i) form an organizational part of the national (state) administration; (ii) deliver public services or perform its functions in accordance with a territorial mandate; and (iii) form a formal budgetary entity in the Chart of Accounts.

It may be helpful to further divide deconcentrated public sector structures (or deconcentration budget structures) into two different types of deconcentration: vertical (or sectoral) deconcentration versus horizontal (or territorial) deconcentration.

The hallmark of a **vertical (or sectoral) deconcentrated structure** is that line ministry budgets are organizationally broken out across different government levels or tiers, so that sub-national (e.g, provincial or district) line departments serve as separate sub-organizations and cost centers within their line ministry budgets. From an institutional and budgetary viewpoint, this means that every line ministry follows a ‘silo-structure’ or a ‘stove pipe’ from the central level down to the province level (and possibly to the district level). Vertical deconcentration allows line ministries a strong role in planning and implementing sectoral services.²⁶

Because under a vertical or sectoral approach to deconcentration, each line ministry operates ‘vertically’ in a deconcentrated manner, this approach typically does not allow for much—if any—harmonization of planning and budgeting across sectors at the provincial or district level.

Under a **horizontal (or territorial) deconcentrated budget structure**, sub-national line departments are not included in the budget under their parent ministries. Instead, sub-national revenues and expenditures are included in the central budget disaggregated into territorial units, which are then broken down into sub-national departments. As a result, under horizontal (or territorial) deconcentration, sectoral departments at each administrative level are administratively subordinate to the Provincial Governor or to the District Governor, respectively. As such, under horizontal deconcentration, the ‘sub-national budget’ reflects the disaggregation of spending decisions made by the center are to be executed within the sub-national jurisdiction. However, since the sub-national spending is no longer contained with the budget votes of individual line ministries, sub-national officials are better able to coordinate their efforts across sectors and may have greater discretion over sub-national expenditures in order to respond better to local priorities.

There tends to be a natural progression in the nature of decentralization over time, from a fully centralized budget structure to administrative deconcentration, to vertical (sectoral) budgetary deconcentration, and eventually, horizontal (territorial) deconcentration. A well-functioning system of horizontal deconcentration is also often a precondition for effective devolution (Bahl and Martinez-Vazquez 2006).²⁷

Source: Boex (2021)

²⁵ An example of administrative—but not budgetary—deconcentration is Afghanistan. While many central line ministries are administratively organized into provincial line departments, these departments do not have their own budgets within the ministry budget. Instead, provincial line department heads simply administer the programs of the ministry at the provincial level. Central line departments of the ministry control the (human and financial) resources for these programs.

²⁶ Cambodia is a relatively typical example of a vertically deconcentrated public sector structure (Boex and Simatupang 2015).

²⁷ For instance, Indonesia’s “big bang” decentralization was facilitated by the fact that there were well-functioning, territorially deconcentrated administrative entities in place prior to devolution.

2.4. Reform implementation and management

36. **Relative to other countries in Southeast Asia, Cambodia has been somewhat of a “cautious mover” in its path to decentralized governance (Bhatti and McDonald, 2021).** Significant elements of D&D reforms have been established at the formal policy and legislative levels, but limited progress has been made with implementation. Accordingly, relative to its regional peers, Cambodia is less decentralized across the political and administrative dimensions of governance, and much more centralized on the fiscal dimension (Table 2). The slow and disjointed progress with transferring functions to SNAs has been due, at least in part, to a slew of implementation challenges. The major challenges have existed at the strategic level, and mainly have to do with policy formulation or reform, legislation, and coordination across government. Many of these challenges, which remain fundamentally unresolved, have shaped the direction and dynamics of reform.

Table 2: Decentralization in Southeast Asia

Country	Political Decentralization	Decentralization of Functions	Decentralization of Funds	Decentralization of Functionaries
Cambodia	Low	Moderate	Very low	Low
China	None	High	Very high	Moderate
Indonesia	Moderate	High	High	High
Lao PDR	None	Moderate	Moderate	Moderate
Malaysia	High	Low	Very low	High
Myanmar	Low/ moderate	Very Low	Low	Very low
Philippines	Moderate	High	Low/moderate	High
Thailand	Low	Moderate	Moderate	Low
Vietnam	None	High	High	Moderate

Source: Bhatti and McDonald (2021)

37. **Overall, there has been a lack of a shared strategic vision for D&D reforms across the government.** Despite the policy framework of the NP-SNDD, a common understanding and acceptance of a shared strategic direction of D&D reforms among key actors at the national level has been limited.
38. **The lack of coherence on the strategic direction of the D&D reforms coupled with the lack of coordination between three major reform efforts—D&D, PFMRP, NPAR—have stymied progress.** The PFMRP, for instance, includes plans to further decentralize budget authority, as indicated in the Budget System Reform Strategy for SNA (SNA-BSRS) (2019-2015). While seeking to support the decentralization process, the SNA-BSRS still reflects the more centralized approach to public financial management processes laid out in the Public Finance System Law (2008). The focus at the SNA level is therefore on ensuring compliance with the national PFM rules and regulations (primarily at the CP level), and not on facilitating the financing arrangements required to effectively transfer functions to the DM level.²⁸ For more on the SNA-BSRS, please see Table 3 below. The reform secretariats have met quarterly to plan, report upon and harmonize their activities, while, at the technical level, coordination between reforms has generally been productive.

²⁸ As of this writing, the Public Finance System Law (2008) and the Sub-Decrees #81 and #82, which are the key regulations on budget execution, are being revised. It is expected that the revision will reflect the strategic direction to gradually decentralize budget authority to spending agencies, including SNAs. That said, further attention is still needed to ensure consistency among key laws, regulations and strategies underpinning the two reforms, i.e. NP-SNDD and PFMR.

Table 3: Reform roadmap under SNA-BSRS (2019-2025)

Reform elements and main objectives	Period	Key responsible executive agencies
1. CP Budget strategic plan (BSP)		
▶ CP BSP preparation	2019-2020	MEF/SNAs
▶ Integration of SNA's plans/activities and alignment with the LMs CP departments	2021-2023	MEF/SNAs
2. Budget preparation, negotiation, and approval		
▶ Annual budget preparation at CP level (the use of PB, budget classification, FMIS, and MTBF)	2018-2022	MEF/SNAs
▶ Budget negotiation and approval (PB negotiation for CP level)	2021-2022	MEF/SNAs
▶ More decentralized arrangement for SNA procurement plan preparation	2019-2023	MEF/SNAs
3. Budget execution and monitoring		
▶ More decentralized budget execution arrangement for SNAs	2021-2025	MEF/SNAs
▶ Study on performance-informed budgeting system for SNAs	2025	MEF
▶ Budget monitoring using more FMIS	2019-2025	MEF
▶ More decentralization procurement execution	2019-2025	MEF/SNAs
▶ Budget inspection and internal audit	2020-2022	MEF
4. Reporting system, monitoring, and evaluation		
▶ Reporting and monitoring guideline preparation	2019-2020	MEF
▶ Budget evaluation framework preparation	2024-2025	MEF
5. Enabling infrastructure		
▶ Review of the existing key legal framework on SNA budget	2020-2022	MEF/SNAs
▶ Capacity building and development for SNA relevant officials	2019-2021	MEF/SNAs
▶ FMIS (budget classification and use at CP level)	2019-2022	MEF/SNAs

Source: RGC (2019) SNA-BSRS (2019-2025)

- 39. While legal and regulatory instruments have been helpful in guiding reform implementation, there remains a degree of inconsistency. Addressing these will help avoid arbitrary practices and ambiguity in assigning responsibilities on service delivery.** Since the start of the D&D reforms, many laws, sub-decrees, Prakas, and other legal documents have been issued to guide the reform process. However, gaps remain in the current legal and regulatory framework. For example, the definition of obligatory and permissive functions can be better clarified. In addition, the principles of assignment and delegation of functions need to be better articulated to avoid confusion. If left unaddressed, the lack of legal and regulatory clarity may reflect negatively on service delivery.²⁹
- 40. Monitoring and evaluation (M&E) systems and feedback mechanisms between the center and field offices need reorientation in order to provide strategic guidance to reform implementation.** The feedback from fieldwork suggests that reporting requirements are becoming overwhelming without providing any perceived improvements in the system. Despite voluminous data being generated by M&E systems, it is unclear how reporting and M&E requirements are used to improve decision-making by relevant actors. The increase in reporting requirements has put additional work pressures on administrative directors, administration officers, finance officers, HR officers, and procurement officers. Our key informant interviews suggest that the field offices feel overburdened with the increased reporting requirements.³⁰

2.5. Macro-Fiscal Challenges for Decentralization Associated with COVID-19

- 41. Strong economic growth resulted in substantial increases in government revenue prior to the COVID-19 pandemic.** Cambodia's fiscal decentralization has generally occurred against a backdrop of strong and sustained economic expansion. Growth has averaged more than 7 percent annually in the past decade, resulting in per-capita incomes more than doubling over that time, from about US \$760 to US \$1,612. In addition to the favorable economic climate, the RGC's strong focus on improving revenue mobilization and administration has helped considerably to expand the size of the public purse. Between 2015 and 2019, general government revenue increased from 19.7 percent of GDP to 25.3 percent, which underwrote an increase in expenditure from 20.7 percent of GDP to 26.1 percent over the same timeframe. Concurrently, a greater share of the rising budget has been shifted to the sub-national level. Between 2013 and 2020, the sub-national share of total government spending rose from 6.1 percent to 8.1 percent (see Section 4 for more details).
- 42. The COVID-19 pandemic has strongly impacted the Cambodian economy.** The outlook for Cambodia's economic growth has been gradually improving, and growth is projected to reach 2.2 percent in 2021 and 4.8 percent in 2022 (table 4), after contracting by 3.1 percent in 2020 when the COVID-19 pandemic abruptly interrupted Cambodia's celebrated growth story. The economy had achieved an average of 7.7 percent real growth rate for two decades in the pre-pandemic period, attaining lower middle-income country status in 2015. However, risks to Cambodia's growth outlook have intensified as the current wave of coronavirus outbreaks lingers. Government revenue performance reflects the overall economic trend, decreasing from 25.3 percent of GDP in 2019 to only 21.6 percent in 2020. Revenues are estimated to decrease further to 18.9 percent in 2021. The revenue trend is expected to pick up slightly in 2022, back to about 20.6 percent of GDP. As a result, the SNA budgets have been negatively affected in 2021.

²⁹ This was the case when with solid waste management responsibility was assigned by MOE to the CP level. Similarly, when MoSVY transferred the responsibility for the monitoring of NGO-run child protection and residential care institutions, the lack of clarity in functional responsibilities and the prerequisite financing negatively affected service delivery.

³⁰ Although there have been improvements in the computerization of field offices, which helps with the reporting requirements, the quality of facilities is uneven, and human resource capacity is still inadequate, especially in rural areas.

Table 4: Macro-economic performance in Cambodia (from 2018 to 2022)

	2018	2019	2020	2021p	2022f
GDP growth (%)	7.5	7.1	-3.1	2.2	4.8
National revenue (% of GDP)	22.3	25.3	21.6	18.6	20.6
National expenditure (% of GDP)	24.6	26.1	28.8	27.8	27.9
Current surplus (% of GDP)	5.6	8.0	4.4	2.1	2.8
Total deficit (% of GDP)	-2.3	-0.8	-7.0	-9.2	-7.3

Source: MEF (2019, 2020, 2021) Budget in brief for 2019, 2020, 2021 and 2022.

Box 5: Policy options and recommendations to improve the reform management process, manage the effects of the COVID-19 pandemic, and strengthen the RGC's capacity to manage similar shocks in the future

The coordination of various reforms is critical for improving the intergovernmental fiscal architecture in Cambodia. It is especially important to have close coordination between the D&D reform program and the PFMRF, which has a specific initiative for SNAs: the SNA Budget System Reform Strategy (BSRS). Currently, such coordination has been uneven and not as effective as it should have been.

The COVID-19 pandemic introduced an additional layer of complexity to the implementation of reform efforts. Early indications suggest that the COVID-19 shock will aggravate the fiscal challenges of the country with significant revenue decreases and additional spending pressures to respond to the pandemic. However, it is not yet clear what impact the COVID-19 pandemic might have on implementing D&D reforms. The sharp slowdown in growth is likely to complicate the reform pathway further, as resources get redirected to the changing priorities of the government. On the flip side, the pandemic laid bare the need for strengthening the sub-national systems for a better response to emergencies.

In the short term:

- ▶ Modify the NP-SNDD Phase 2 by emphasizing key reform management practices such as: 1) systematic coordination between the D&D reform and the PFMRF, especially the SNA-BSRS, 2) legal and regulatory clarity and consistency on fiscal decentralization and PFM for SNA, and 3) long-term roles, functions, autonomy and financing sources of different tiers of SNA.
- ▶ Give urgent attention to ensure that the recent transfers of functions to SNAs, especially DM administrations, are followed by appropriate resources and accountability mechanisms to ensure continuity and improvement in service delivery.
- ▶ Ensure that the requirements of D&D and other public sector reforms do not interfere with the demands of the pandemic response.
- ▶ Conversely, where possible, fund pandemic response and minimize disturbances to PFM systems that may have lasting adverse effects at the SNA level (e.g., fragmented funding flows, additional reporting requirements).
- ▶ Look for ways to widen the available fiscal space at the SNA level, possibly by reprioritizing spending and identifying cost savings. For instance, cost savings and improved coordination may be possible through greater use of ICT for training.

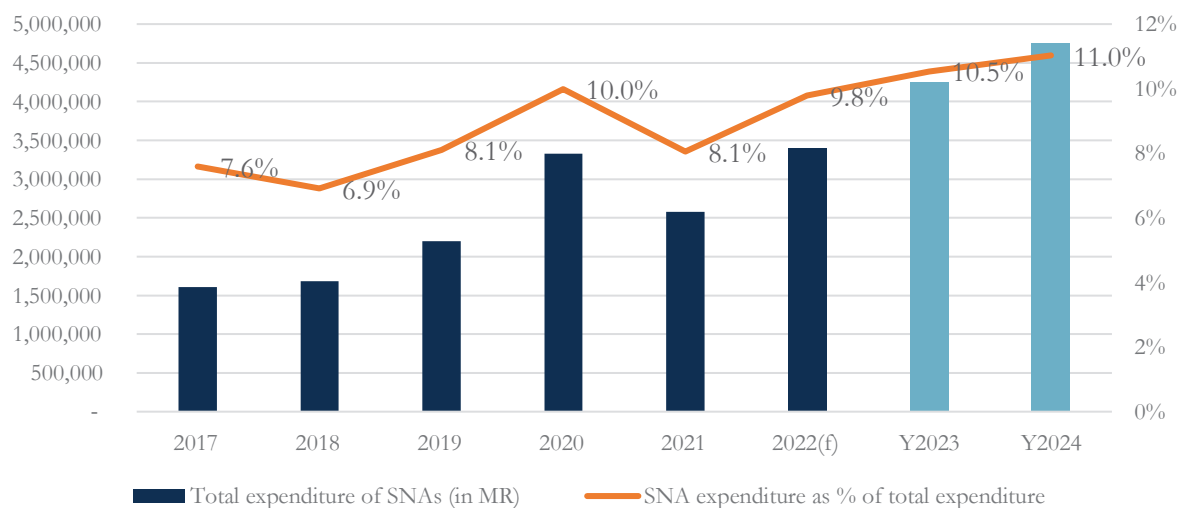
In the longer term:

- ▶ Ensure effective implementation of the NP-SNDD, by giving more attention to the coordination challenges and key strategic considerations pointed out earlier.
- ▶ Consider ways to leverage the strengths of the SNA levels to improve the efficiency and accountability of the RGC's emergency response during shocks. Current decision-making and spending roles, which are presently implemented in an ad hoc way, could be institutionalized and strengthened.

3. Fiscal Decentralization

43. This section reviews the pillars of the intergovernmental fiscal system in Cambodia. First, it focuses on the broad allocation of expenditures among Cambodia’s various levels of administration, and the extent of deconcentration within central LMs. Then, it delves into the specifics of sub-national public spending and revenue mobilization. Because of the general fluidity of the near- to medium-term outlook, the analysis in this section and the rest of the note rely primarily on the realized revenue and expenditure outturns for 2018 and 2019 (see Table A1-A3 in Annex 6 for full details).
44. The RGC has made good progress in shifting resources to SNAs, although financing is still centralized compared to other countries in the region. Between 2013 and 2020, the level of SNA expenditure (i.e., spending across for all the three tiers of sub-national levels) increased four-fold, from US \$190 million (about 6.1 percent of total government expenditure) to US \$821 million (about 10 percent of total government expenditure). The share of the SNA budgets in 2020 is higher than in several countries in the region (e.g. Malaysia which is at 8 percent) but still lower than most (such as the Philippines at 15 percent, Thailand at 19 percent, and Vietnam at 54 percent) (OECD/UCLG, 2019). The COVID-19 pandemic has also put fiscal pressures on SNA budgets, and thus negatively affected decentralization efforts: the share of SNA budgets reduced to 8.1 percent of total government expenditure in 2021, but is expected to increase back to 9.8 percent in 2022.

Figure 3: SNA expenditures in million riels and as % of total government expenditure (2017-2024)



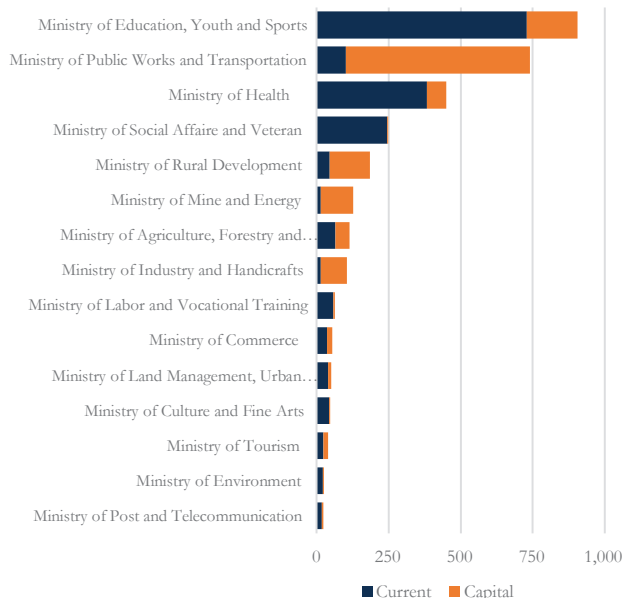
Source: MEF (2019, 2020, 2021) Budget in brief for 2019, 2020, 2021 and 2022.

3.1. Deconcentrated Expenditure of Central Line Ministries

45. Deconcentration of expenditures across central line ministries varies by sector (Figures 4 and 5). The Ministries of Education, Youth and Sports (MoEYS) and Health (MoH) – major service providers and two of the three largest spending agencies in the Cambodian budget – are among the most deconcentrated. In the MoEYS, 89 percent of recurrent spending is executed at the sub-national level, while in the MoH it is 40 percent. Some smaller ministries, such as Land Management, Urban Planning and Construction, Environment, and Mines and Energy, are also relatively deconcentrated.

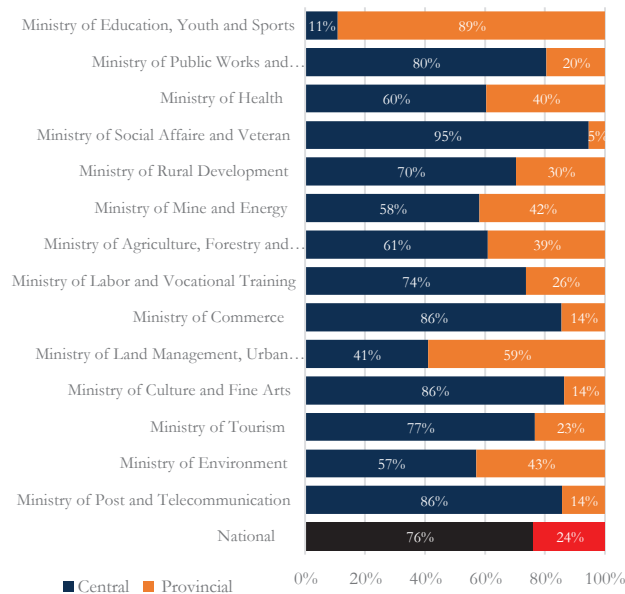
On the other hand, there are large ministries that remain fiscally centralized, among them: Public Works and Transportation; Social Affairs, Veterans and Youth Rehabilitation; and Rural Development.³¹ Overall, around three-quarters of LM budgets are executed at the central level.

Figure 4: Budget allocation by line ministries; 2019, USD millions



Source: MEF

Figure 5: Central and Provincial shares of LM recurrent budgets*; 2019



* Executed wage and non-wage expenditure

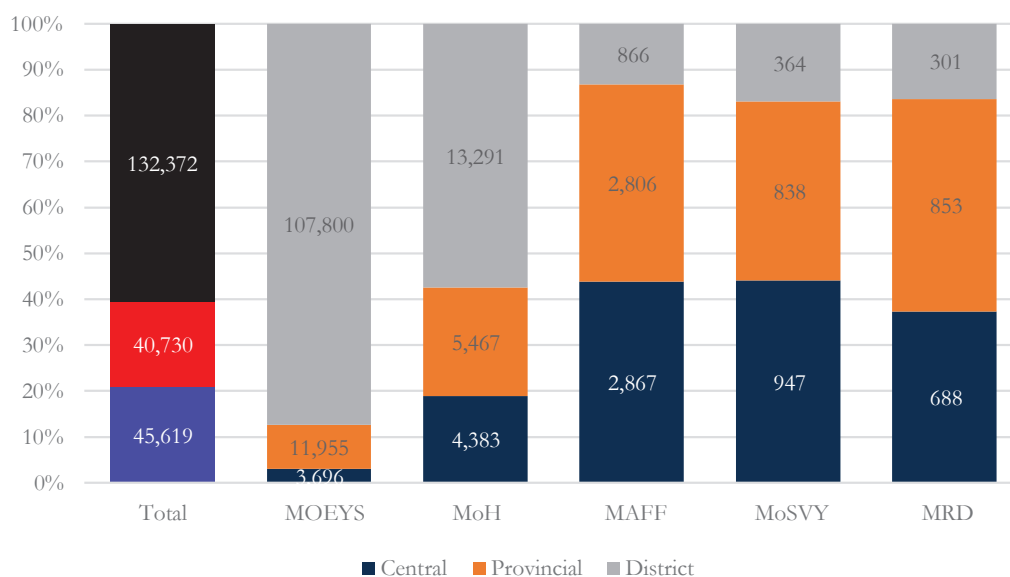
Source: MEF

46. In large part, fiscal deconcentration of LMs corresponds to their allocation of human resources across provinces. Overall 60 percent of total wage spending (including basic salary and other allowances) are registered at the DM level. Line offices of sector ministries at the DM level absorb 60 percent of wage and salary spending with the remaining share split evenly between the central and CP levels. Information from MCS and MEF indicates that these relative shares have been static for the past three years. Much of this reflects the sectors with large cadres of front-line service providers, such as education and health, in which the sub-national share of workers, and thus of the wage bill, is considerably higher (97 percent for education and 80 percent for health) than the average of other ministries (61 percent). Education alone accounts for 69 percent of all sub-national staff, and 81 percent of staff working at the DM level (and along with the health sector, these two sectors account for more than nine out of ten workers at the DM level). In both sectors, however, deconcentration in recurrent wage spending is not matched by non-wage recurrent spending and capital spending, with the difference being the starkest in the health sector.³²

³¹ MoSVY at the central level controls almost half of wage spending, but 97 percent of non-wage. However, this should be treated with caution, as it includes social security benefit and not the operational budget.

³² As line departments at the CP level are budget entities, both capital and current budget information are available at that level. Whereas salary budgets are explicitly linked to each staff member at different ministry offices, the only available spending information at the DM level is wage and salary spending.

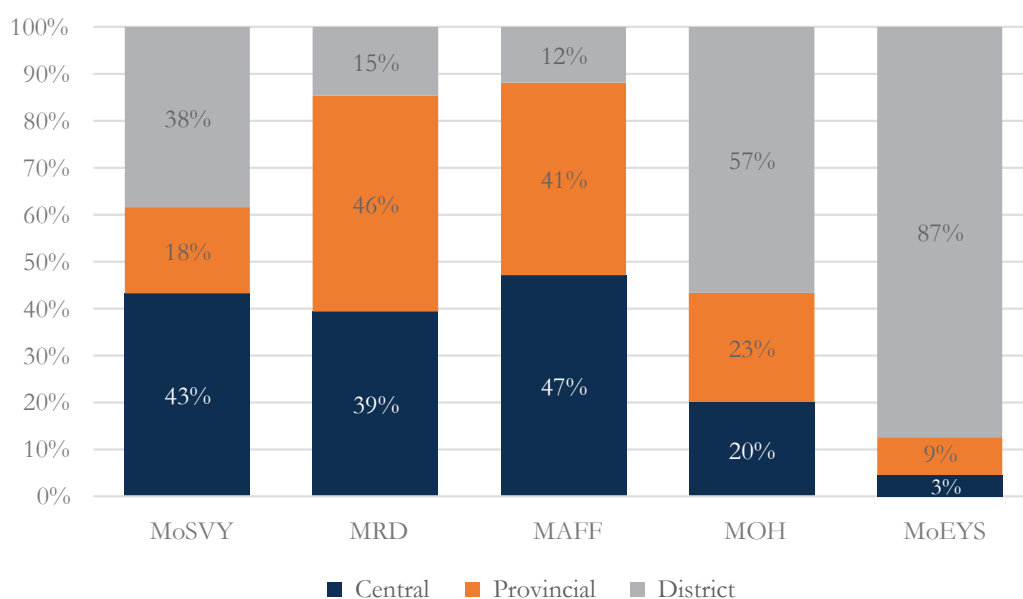
Figure 6: Civil servants of selected LMs at different levels; number and share of the total, 2020



Source: MCS and MEF

47. Further improvements in allocative efficiency may be possible with greater deconcentration of human resource management functions and spending in other sectors (Figure 7). A closer look at the wage allocation at the central and provincial levels suggests that there is still space for some ministries to allocate more budget for wage and salary spending to the provincial level where services are needed. For instance, the share of central spending in the budgets of the Ministries of Agriculture, Forestry and Fishery (MAFF), Rural Development (MRD), and Social Affairs, Veterans and Youth Rehabilitation (MoSVY) are very high, even though activities within these LMs mainly take place in rural areas. This issue raises the question of wage spending allocation efficiency and deserves greater attention.

Figure 7: Wage allocation at central and deconcentrated offices; Selected LMs, 2019



Source: MCS

3.2. Sub-national Expenditure Responsibilities

48. To support the analysis of subnational spending, a brief literature overview is presented. Specifically, the review covers general theoretical principles for expenditure assignments as well as the most common errors and problems with assignments in actual practice. The challenge of expenditure assignment is characterized utilizing the principles and lessons that inform decisions and assessing how the assignment of functional responsibilities is conducted in practice in Cambodia.
49. Expenditure assignments to sub-national levels are usually guided by several specific principles, as follow: (Martinez-Vazquez 2020)
- ▶ First, the “correspondence” principle dictates that the geographical dimension of the benefits received from a service should accrue to residents of the sub-national level of government responsible for its provision. Thus, services spreading throughout the national territory (for example, air traffic control) should be assigned at the central level, services with benefits with regional dimensions (for example, tertiary specialized hospitals) at the regional government level, and those with a local dimension (for example, street cleaning) at the local government level.
 - ▶ Second, the “subsidiarity” principle states that the responsibility for services that can be provided at different levels should be assigned at the lowest possible level of government compatible with the size of the “benefit area” associated with those services.³³ Assigning responsibility to the lowest level of government that spatially encompasses most of the benefits and costs associated with the service allows tailoring the service to the preferences and needs of residents and to the costs of production and other local conditions, and therefore yields higher social welfare.
 - ▶ Third, service provision is generally enhanced by making use of the “benefit” principle of service finance: wherever possible, utilizing fee structures and issuing service charges to service users. This general “pricing” mechanism not only contributes to recovering the costs of provision, but it also helps reveal users’ demands and preferences for services and reduces congestion by rationing demand.
 - ▶ Fourth, the principle of “affordability” considers whether sub-national authorities have enough resources to adequately deliver the service and expenditure responsibilities assigned to them.
 - ▶ Fifth, the principle of “capacity” puts the focus on whether sub-national governments are administratively and technically capable of delivering the service function assigned.
 - ▶ Last but not least, for any system of expenditure assignments to work smoothly there is always a need for “coordination” among the different levels of government. No expenditure assignment can ever be detailed enough to preempt the need for coordination and dialogue among the different levels of government, especially in areas of concurrent responsibilities.
50. **There is no single best assignment of expenditure responsibilities, but there are pitfalls to avoid.** Expenditure assignments at the national, regional and local levels differ significantly across countries. Box 6 offers a representative assignment of expenditure responsibilities for a typical list of public services. The international experience provides valuable lessons in avoiding poor practice (Martinez-Vazquez 2020): First, a common problem is the lack of a formal or explicit assignment of responsibilities in the laws. Second, there is the risk of inefficient or wrong assignments, which openly break with the correspondence principle. Third, it is important not to establish unstable and constantly shifting assignments, such as those that change according to annual budgets. The final pitfall to avoid is the extensive use of concurrent responsibilities, lacking clarity on what level of government is responsible for the different “attributes” of the service. Box 7 offers an overview of social service delivery responsibilities in the region.

³³ The European Charter of Sub-national Governments uses the “subsidiarity” principle as the most prominent guide for expenditure assignments.

Box 6 : Representative Assignment of Expenditure Responsibilities

Function	Regulatory Responsibility	Financing	Administration	Provision
International affairs	N	N	N	N
Defense	N	N	N	N
Public order and safety	N, R, L	N, R, L	N, R, L	N, R, L
Primary and secondary education	N, R, L	N, R, L	N, R, L	N, R, L
Higher education	N, R	N, R	N, R	N, R
Healthcare	N, R	N, R	N, R, L	N, R, L
Social security and welfare	N, R	N, R	N, R, L	N, R, L
Local services (water, sewer, refuse, waste collection, fire protection)	N, L	N, R, L	R, L	L
Highways, roads, street	N, R, L	N, R, L	N, R, L	N, R, L
Parks, recreation, culture, and sports	N, R, L	N, R, L	N, R, L	R, L
National transportation and communications network	N	N, R	N, R, L	N, R, L
Regional and local public transportation	N, R	N, R, L	R, L	R, L

N: National Government; R: Regional Government; L: Local Government

Source: Martínez-Vázquez (2020)

Box 7 : Social Service Delivery Responsibilities in Southeast Asia

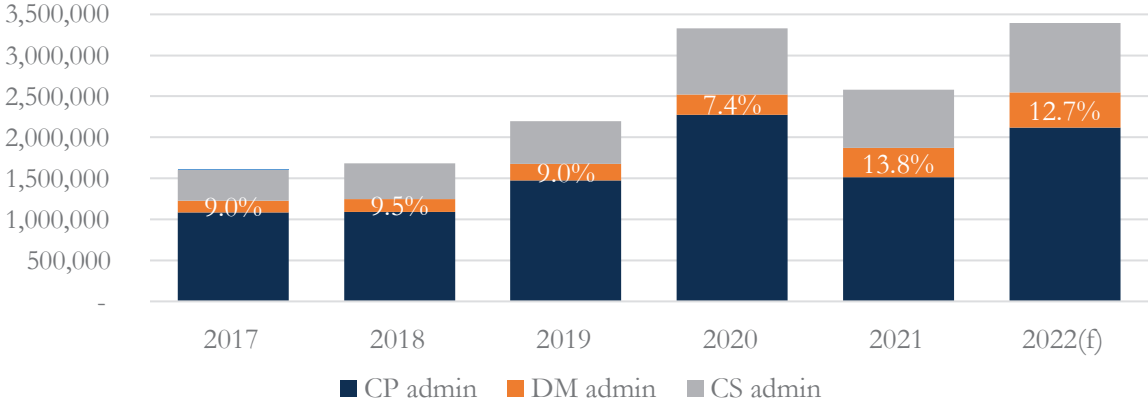
Country	Education	Health	Social Welfare
China	Provincial, local	Provincial, local	Provincial, local
Indonesia	Local: primary and junior high Province: high school	Local: health clinics Province: hospitals	Provincial, local
Lao PDR	Provincial	Provincial	N/A
Malaysia	Central	Central	Central, provincial
Myanmar	Central	Central	Central
Philippines	Central, provincial, local	Central, provincial, local	Central, provincial, local
Thailand	Central, provincial	Central, provincial	Central, provincial
Vietnam	Provincial, local	Provincial, local	Provincial, local

Source: Bhatti and McDonald (2021)

51. In Cambodia, of the decentralized spending (i.e. budgets of the three sub-national levels), the CP level accounts for a clear majority, while the DM level accounts for the smallest share. The budget of the DM administrations increased in absolute terms since 2017 (Figure 8), but still accounts for only around 10 percent of total SNA budgets. The largest share of the SNA budgets has been concentrated under the Capital and provincial level.

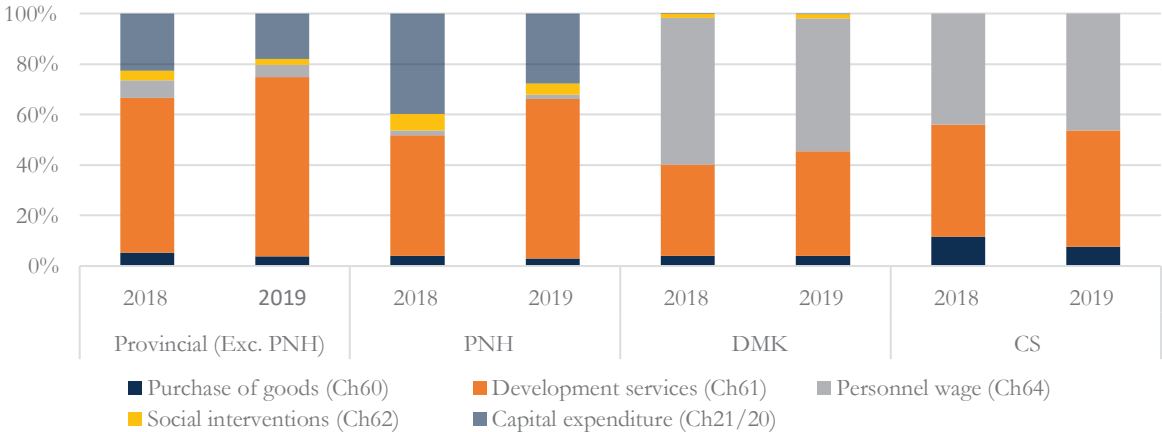
52. Spending patterns within the SNAs are distinct, with the DM level standing out for its low share of development spending (Figure 9). Expenditures at the DM and CS levels are dominated by wage and salary spending and development spending, with capital expenditure virtually non-existent. The DM level, in particular, has the largest wage bill as a share of total spending (53 percent in 2019 compared with 4 percent at the CP level and 46 percent at the CS level). Until 2013 it was a legal requirement that the cost of administration did not exceed one-third of all total funding. By 2019, the cost of administration reached 70 percent of total costs. As a corollary, the DM also has the smallest development budget. In addition to the risk of leaving sub-provincial levels of SNA with unfunded development mandates, the high wage bill raises potential allocative efficiency issues, as the opportunity costs of high salary costs are reduced development spending. Development spending can include construction and repairs of local infrastructure, such as roads and irrigation; reducing this spending can decrease the economic efficiency of SNAs.

Figure 8: SNA budget for each tier and % of DM budget (2017-2022)



Source: MEF

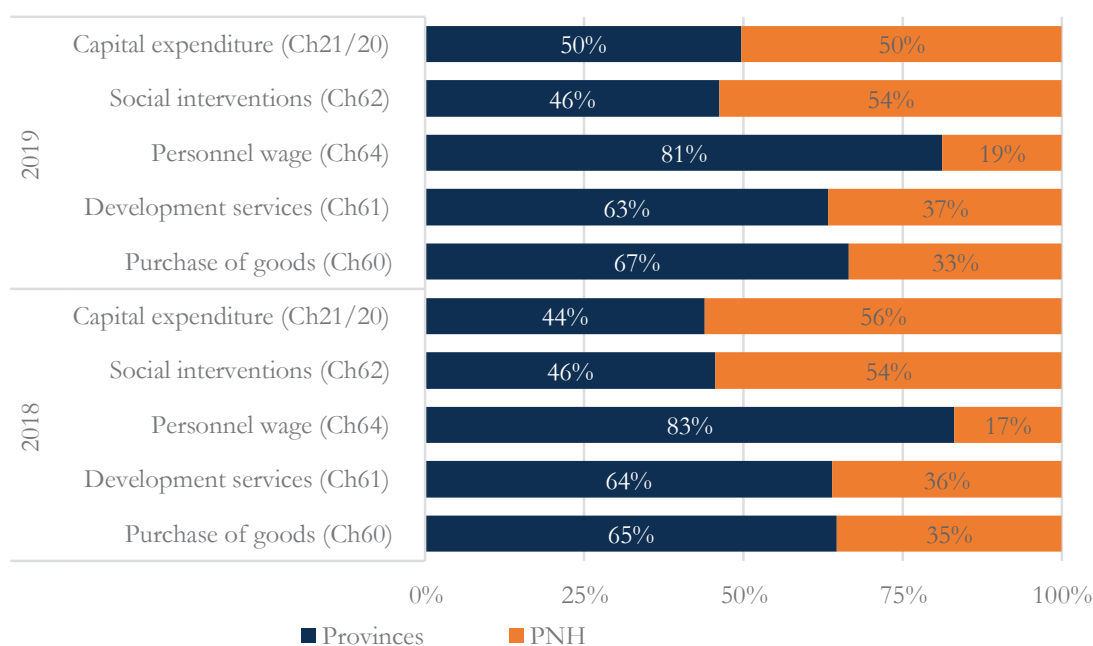
Figure 9: Expenditure by SNA; share of total, 2018 and 2019



Source: MEF

53. There are considerable horizontal inequities in sub-national spending (Figure 10). Using 2016 data, the Asian Development Bank (ADB) (2018) showed that per capita expenditure in Phnom Penh was 14 times larger than the median per capita spending of all other provinces. These severe inequities were reflected at each level of SNA (with the khans of Phnom Penh receiving, on average, twice the per capita funding of the five next-largest urban centers in the country combined). These horizontal inequities, which are particularly high by international standards, continue to persist. In 2019, per capita expenditure in Phnom Penh was still 13.7 times larger than the median per capita spending of all other provinces (Table 5). To a large extent, these distinct skews in capital and development spending reveal the RGC’s targeting of spending toward the investment needs in Cambodia’s growth pole in Phnom Penh. The persistence of large horizontal imbalances creates a risk that benefits of growth, and its spatial distribution, are not being broadly shared.

Figure 10: Expenditure by provincial administrations and PNH; share of total, 2018 and 2019



Source: MEF

Table 5: Per capita spending at the CP level; 2019

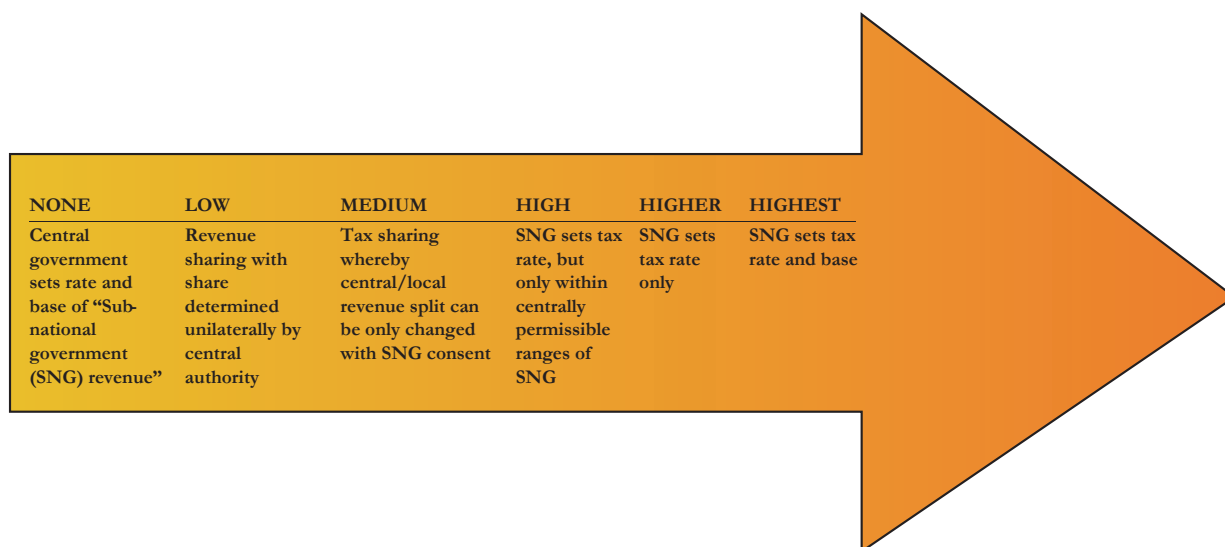
Province	Per capita expenditure	Ratio to PP
Phnom Penh (largest)	426,397	
Median of remaining 24 provinces	31,221	13.7
Prey Veng (smallest)	12,263	34.8

3.3. Sub-national Financing

54. Sub-national revenue autonomy is at the core of successful fiscal decentralization reform. The fundamental premise of fiscal decentralization is that it has the potential to increase the overall efficiency of the public sector and lead to improved social and economic welfare (Martinez-Vazquez 2020). The benefits of revenue autonomy are very important in terms of improving accountability linkages with citizens, increasing expenditure efficiency, promoting responsible budgeting and fiscal practices, and enforcing hard budget constraints. While there is no set of prescribed rules in sub-national revenue assignment, three aspects of sub-national revenue generation are important: (i) setting the tax rate; (ii)

defining the tax base; and (iii) administering the revenue collection. Sub-national revenue arrangement is more of a continuum, ranging from very little autonomy for conditional grants (allocated for specific tasks with strict controls and spending obligations) to high autonomy for own-source revenues when sub-national levels have the power to set rates and bases for revenue sources.

Figure 11: Sub-national revenue autonomy on a continuum



55. The broad profile of sub-national financing in Cambodia resembles that of a number of other countries in Southeast Asia (Table 6). Similar to Indonesia, Lao PDR, and Myanmar, unconditional transfers from the central government play a particularly important role in financing the spending of Cambodia’s SNAs. Conditional transfers play a small (though increasing) role. Shared taxes overall are small, which is common across the region; however, their importance in financing municipal governance in the commercial center and growth pole of Phnom Penh is similar in configuration to Myanmar (World Bank 2019). Abstracting from shared taxes, own-source revenues – the sources of revenue over which SNAs have full control – account for only 1 percent of total SNA revenue, smaller than elsewhere in the region (Bhatti and McDonald 2021).

Table 6: Sub-national Fiscal Structure of Selected Southeast Asian Countries

Country	Fiscal Transfers			Own-Source Revenue
	Unconditional	Conditional	Shared taxes	
Cambodia	High	Low	Low (except Phnom Penh)	Very low
China	Moderate	Moderate	High	Moderate
Indonesia	High	Moderate	Low	Low
Lao PDR	High	n.a.	Low	Low to moderate
Myanmar	High	n.a.	Low (except Yangon)	Low
Malaysia	Moderate	Low	Low	Moderate
Philippines	High	Low	Low	Moderate
Thailand	Low	High	Low	Low
Vietnam	Moderate	Moderate	Moderate	Low

Sources: Bhatti and McDonald (2021)

Note: “Low,” “moderate,” and “high” refer to the rough proportions of total sub-national revenues attributable to each revenue source relative to international experience.

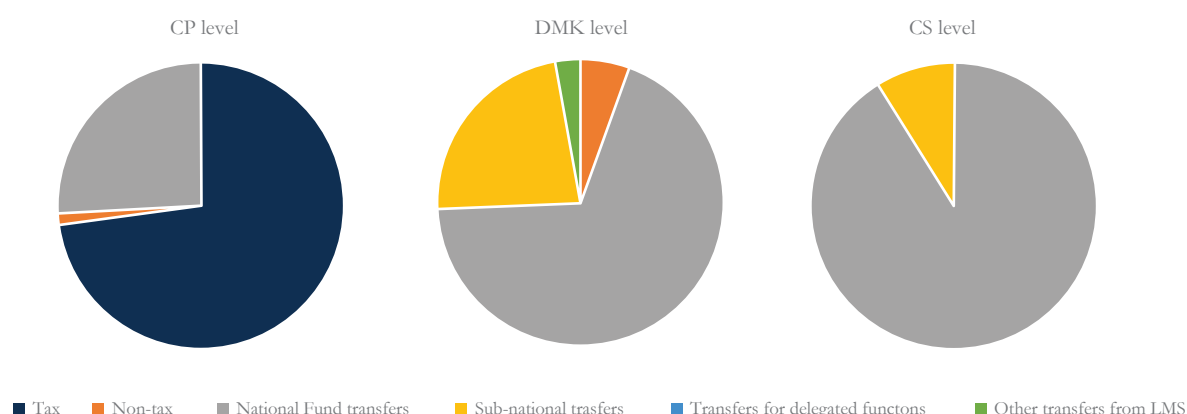
56. In aggregate, the CP level has the broadest mix of financing among the three levels of SNAs (Table 7 and Figure 12). The CP level is unique in being assigned tax revenue in the form of revenue sharing, while also receiving unconditional and conditional transfers from the central level. In 2019, taxes accounted for 59 percent of total CP revenues, with national transfers accounting for 40 percent; and non-tax revenue 1 percent. The sub-provincial DM and CS levels are almost entirely dependent on transfers, from both the central and capital/provincial levels (with some small non-tax revenue handles also assigned). Each of these major types of revenue are discussed below.

Table 7: Revenue sources of SNAs

Capital/provinces administrations	
Own revenues	<ul style="list-style-type: none"> ▶ Assigned taxes shared by the central government ▶ Nontax revenues
Transfers	<ul style="list-style-type: none"> ▶ Formula-based unconditional transfers from the central government ▶ Negotiated unconditional transfers from the central government ▶ Conditional transfers from the national level (including, potentially, the SNIF) ▶ Funding support from other sources, including DP-funded projects
DM administrations	
Own revenues	<ul style="list-style-type: none"> ▶ Nontax revenues
Transfers	<ul style="list-style-type: none"> ▶ Formula-based unconditional transfers from the national level (DMF) ▶ Conditional transfers from the national level (including, potentially, the SNIF and transfers for delegated functions) ▶ Transfers from line ministries ▶ Funding support from other sources, including DP-funded projects
Sub-national transfers	<ul style="list-style-type: none"> ▶ Shared taxes from the capital/provincial level (1 percent in 2018 and 2019, rising to 4 percent in 2020)
CS administrations	
Own revenues	<ul style="list-style-type: none"> ▶ Nontax revenues
National transfers	<ul style="list-style-type: none"> ▶ Formula-based unconditional transfers from the central government (CSF) ▶ Additional transfer for development component (added into CSF) ▶ Conditional transfers from the central level (including, potentially, the SNIF) ▶ Funding support from other sources, including DP-funded projects
Sub-national transfers	<ul style="list-style-type: none"> ▶ Shared taxes from the capital and provincial administrations (1 percent in 2018 and 2019, rising to 4 percent in 2020)

Source: ADB (2018), RGC (2018a), RGC (2018b), RGC (2020b)

Figure 12: Financing mix of SNA levels; share of total revenue, 2019



Source: MEF

3.3.1. Central Transfers

57. At least four types of central government transfers (unconditional and conditional) are available to SNAs; though unconditional transfers are by far the largest, particularly for the sub-provincial levels. The national transfer to the sub-provincial levels, known as the District Municipality Fund (DMF) and the Commune/Sangkat Fund (CSF), account for almost all transferred funds (and thus of total revenue) for the DM and CS levels, respectively. In the national budget, the unconditional transfer is classified under the unallocated budget (under the heading of “Subsidy for CP, DM and CS administrations”). Within the sub-national budget (Chapter 5 in the Annual Financial Law), the subsidy is presented as a part of the revenue for each tier of the SNA (see Table 8).³⁴

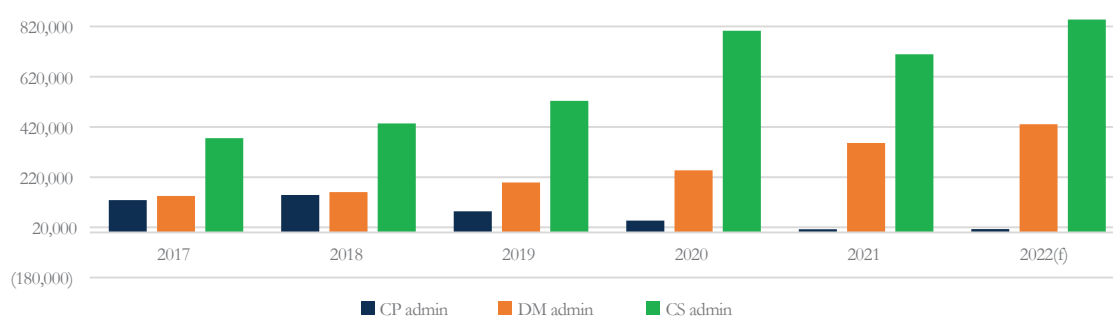
Table 8: Key central transfer mechanisms, their features and gaps

Transfer mechanisms	Key features	Key gaps
Unconditional transfer	<ul style="list-style-type: none"> ▶ DMF and CSF are formula-based ▶ No formula-based transfer to CP 	<ul style="list-style-type: none"> ▶ The volume to DMF is very limited compared to assigned functions ▶ The transfer amount to CP is not based on any formula
Conditional transfer	<ul style="list-style-type: none"> ▶ Small but growing as more functions are transferred ▶ A hybrid-transfer (functions are transferred, but budget is deconcentrated) 	<ul style="list-style-type: none"> ▶ Unclear legal basis for costing of transferred functions ▶ Unclear procedures for budgeting formulation and execution of conditional transfers ▶ Limited understanding of how to implement and manage the conditional transfer
Sub-National Investment Fund (SNIF)	<ul style="list-style-type: none"> ▶ Project-based funding ▶ Co-financed by the state budget and donor funding support 	<ul style="list-style-type: none"> ▶ Actual allocation smaller than the amount set in the sub-decree ▶ Effectiveness yet to be determined
Earmarked environmental service budget	<ul style="list-style-type: none"> ▶ Only for specific municipalities ▶ Not truly a conditional transfer 	<ul style="list-style-type: none"> ▶ Complicated PFM processes, covering planning to execution ▶ Limited M&E on the effectiveness of the execution of the budget

³⁴ As per Budget Law for 2020 (RGC, 2019).

58. The size and distribution of the DMF and CSF are rule-based and underpinned by several legal instruments.³⁵ The total size of the funding pool for the DMF and CSF levels is determined by the previous years' total recurrent revenue collection. Greater prioritization has been placed, so far, on the CS level. In 2003, the allocation of the CSF was 2 percent of the previous year's budget before being raised to 2.8 percent in 2010 and again to 3 percent in 2019. The share is slated to rise again, to 3.4 percent, by 2023, though the effects of the pandemic make the fate of this increase uncertain. An additional development budget (worth a further 1 percent of recurrent national revenue) for the CS administrations was also introduced, though its fate is also unclear. The share of DMF was 0.8 percent of recurrent revenues in 2008 before rising to 1.0 percent in 2018 and 1.1 percent in 2019. The DMF is projected to rise to 1.5 percent of recurrent national revenue by 2023. The horizontal allocation of both the DMF and CSF between jurisdictions is based on a formula that takes equal share, population size and poverty rate into consideration (RGC, 2018b; RGC, 2018c).³⁶

Figure 13: National transfer for SNA (in Million riels)



Source: MEF

59. In contrast to the DMF and CSF, there is no similar fund created in law for the CP level. In aggregate, the CP level relies more on own-source revenues; though this masks variation between Phnom Penh capital, which is mostly self-financing, and other Provinces, where transfers are an essential source of revenue (see Section 4.2.2 below). Interviews revealed that there is a similar mechanism, albeit informal, for transferring national funds to the CP level similar to the DM and CS levels, with the transfer pool capped at 0.96 percent of recurrent national revenue. Notably, the formula used to allocate funds across the CP level is not provided in any sub-decree, nor is it well known, even to the MEF staff, who were not able to provide details during fieldwork.³⁷ What is clear is that Phnom Penh Capital does not receive a national subsidy. Instead, since 2018, the central government has sought to address horizontal inequities at the CP level by reallocating part of the capital's revenue to other provinces where revenue-generation capacity is weaker. The formula for this re-allocation is also not stated in any sub-decree or prakas.

60. In 2020, there was a change in the regulations regarding budget surplus carryover. Having noted that some CP administrations were able to generate a budget surplus, in 2020 the Government amended Article 42 of the 2011 Law on Financial Regime of SNAs to transfer revenue surplus generated by them into an account called 'SNA Fund.' The fund is a mechanism to carry over their budget surplus to the following fiscal year. It appears the fund can accumulate a significant amount of resources as the recorded surplus in 2020 was more than 25 percent of the total CP budget. This highlights the importance of the management of the SNA Fund. However, the details of procedures to classify, record, and manage budget surpluses have not been determined yet.

61. Conditional transfers presently play a small role in sub-national financing, though they are expected to grow in importance to support the transfer of obligatory and permissive functions.

³⁵ The main provisions on CSF are found in Sub-decree #16 (2012) and Sub-decree #26 (2002) and those for DMF are stated in Sub-decree #36 (2012) and Sub-decree #172 (2012). In 2018, the Government adopted Sub-decree #50 and Sub-decree #51 to set the level of DMF and CSF (respectively) from 2019-2023.

³⁶ In addition, 10 percent of the DMF and CSF pool is held back to cover discretionary adjustment by MEF later in the year (ADB, 2018).

³⁷ It is believed to be based on a combination of population size, administrative provision and poverty rate, similar to the case of the DMF and CSF.

The Organic Law and Sub-decree #06 (2017) both set out key provisions for conditional transfers for both functional assignment and functional delegation, and for fiscal transfers from the national level to SNAs and among SNAs. Sub-decree #06 sets out the key principles, accountability lines, and budgetary process to initiate and manage conditional transfers (see Box 8).

Box 8 : Key legal provisions on conditional transfers

According to Sub-decree #06 (2017), a conditional transfer must adhere to the following principles: appropriate resource sustainability (in performing a function), SNA autonomy, effectiveness, and accountability. Conditional transfers can take the form of transfer from national to SNA or between SNAs. It can be in the form of assignment or delegation. For assigned functions, the conditional transfer is to be done by the MEF to the SNA receiving the function and budget by following the procedures intended for SNAs (Article 9). For delegated functions, the budget transfer is to be done by the delegating ministries or institutions through an inter-ministry prakas. Line ministries or institutions transferring functions are responsible for preparing technical guidelines and/or procedures for implementing and monitoring the implementation of transferred functions.

For both assigned and delegated functions, the transfer of budget needs to be done in conjunction with the procedures and calendar of annual budget preparation as indicated in Article 39 of the Public Finance System Law (2008) and Article 35 of the Law on SNA financial regime (2011). Article 17 indicates that implementation must follow budget execution procedures intended for SNAs. If necessary, the MEF can issue additional guidelines to support budget implementation.

62. **There have been several pilots of functional transfers using conditional transfers. A notable example is an assignment of the Provincial Health Department (PHD) functions to CP administrations.**³⁸ According to the relevant sub-decree (Sub-decree #193, 2019), the MoH has assigned (not delegated) functions performed by PHDs to CP administrations. These relate to the provision of services at referral hospitals, health centers and health posts. CP administrations then further delegated the transferred functions down to appropriate DM and CS administrations in their jurisdictions. The Minister of Health is still ultimately responsible and accountable to the government and the National Assembly, with respective SNA councils accountable to the Minister for following national health policies and guidelines. Directors of the PHDs are accountable to the respective PC councils and BoGs. Lower-level officials in the vertical line agencies of MoH (e.g. referral hospitals, health centers) are accountable to the Director of the PHD.
63. **The MEF is responsible for transferring the budget to CP administrations to perform the assigned functions**³⁹. Detailed guidelines are provided on the budgeting aspects of the newly assigned functions in Prakas #182 (2020). The BoG at the CP level, with the technical support of the respective PHD, is required to prepare an annual work plan and budget for the health sector in its jurisdiction. Prakas #182 (Article 5) explicitly states that the PHD shall prepare its annual budget following the MEF circular for the national level budget strategic plan (BSP), i.e. not for the SNA level. However, the proposed budget needs to be approved by the CP council before being sent to MEF and MoH and integrated with the overall MoH budget. During budget execution, the Governor of CP is the original budget authorizer. However, s/he shall delegate (through a council deika) the authority to the Director of the PHD who acts as the delegated budget authorizer.
64. **The upside is that this fiscal transfer, as it is currently operating, is arguably a ‘hybrid-transfer’, and not a purely conditional one.**³⁹ The function is transferred, but the budget is only deconcentrated to the parent LM (the MoH in this instance). This is not necessarily a negative development as the health sector requires a significant amount of capacity on part of SNAs to adhere to the national standards in service delivery. This arrangement, however, is not entirely in line with the spirit of the Organic Law and Sub-decree #06 (2017), especially Article 19 which states that: “for assigned or delegated functions, SNAs receiving the conditional transfer shall follow the financial management and procedures for SNAs, unless stated otherwise”.

³⁸ The key legal provisions for this transfer can be found in Sub-decree #193 (2019) and inter-ministerial Prakas #182 (2020) (MOI-MEF-MOH, 2020).

³⁹ As per sub-decree #06 (2017)

65. Fieldwork revealed three main issues with the current conditional transfer arrangements:

- ▶ Lack of clear and consistent guidance. Unlike the case of the MoH described above, not all sub-decree and prakas that assign and delegate functions from the national level provide adequate guidance on how to account for transferred funds in SNA budgets. Examples include the transfer of solid waste management, monitoring of residential care facilities, and many of the functional delegations to DM and CS administrations.
- ▶ A lack of common understanding among officials. The lack of legal clarity has been compounded by limited knowledge among finance officers at the SNA level and limited M&E capacity by the national level.
- ▶ Even where detailed guidance is provided on conditional transfers, there are key PFM gaps. In the case of the health sector, the transferred budget is not included as part of the CP budget but only presented in the Annex to the CP budget. Further, the budgetary processes for the transferred budget must follow the budget circular for the national level, not the one designated for the SNA level. In other words, even after the transfer to the SNA, the funds are still considered part of the national budget.

66. Other transfers to the SNA level include the Sub-National Investment Facility (SNIF), which provides project-based funding, an earmarked environmental service budget, and transfers from development partners. The SNIF was established by Sub-decree #32 (2016) to provide funding from the national government and other sources for public investment projects prepared and implemented by the SNAs (RGC, 2016). The Fund is set at 0.02 percent of the recurrent national budget. In 2020, the rate was expected to be at 0.07 percent. A SNIF Board was established and chaired by the Minister of MEF, two deputies (one from MEF and one from MoI) and 18 members from key LMs. A maximum of 30 percent of the funding is used to cover the administrative cost of the SNIF Secretariat. Funds are made available through a competitive project selection process and thus allocated to only selected districts. (see Annex 8 for more details).

67. The actual allocation of the SNIF has been smaller than the amount in the sub-decree. In 2019, the RGC contributed US \$1.5 million into SNIF, rather than the US \$3 million cited in the SNIF sub-decree; the Asian Development Bank (ADB) contributed US \$5 million. Fifteen district administrations were selected to receive funding from the contributions of the RGC. Another 30 districts, eight municipalities and four khans were chosen to receive funding from the contributions of the ADB. The budget for SNIF in 2020 is estimated to be around US \$2 million (as compared to US \$3.5 million as planned in the SNIF sub-decree). About US \$0.5 million is allocated for SNIF Secretariat, while the other US \$1.5 million is for local development projects in 12 districts in 9 provinces (NCDD, 2019).

68. The environmental service budget is a separate earmarked transfer to designated municipalities for implementing tasks related to solid waste management.⁴⁰ The budget, which was set at US \$2 million in 2019, is executed as a separate fund flow from the national level to the provincial level and then to 26 targeted municipal administrations using a formula. It is allocated as an in-year budget adjustment, i.e. not recorded in the selected municipalities' budget at the beginning of the fiscal year (MEF, 2019). Specific challenges associated with the execution of this budget include: complicated PFM processes, which require the disbursement to go through many layers of approval (i.e. from MEF to the provincial level and then to municipalities) and limited M&E on the effectiveness of budget execution.

69. In addition to the four central government transfers, SNAs in Cambodia also receive significant project-based funding from development partners, although the exact amount is not known. The RGC considers development assistance to be a form of conditional transfer, the management of which is required to follow respective project financing agreements.⁴¹ In practice, two main channels have been used to channel donor funds to the sub-national level: through NCDD-S project management process, which means funding is on-plan, on-budget and on-system (NCDD, 2019); and through parallel project funding mechanisms. In this case, the preferred arrangement is to follow the government's standard operating procedure (SOPs) and financial management manual for externally funded projects (RGC, 2020).

⁴⁰ The environmental service budget was established by Inter-Ministerial Prakas #073 (2015), which was adopted a few months before the formal transfer reassignment of solid waste management functions to the DMK in Sub-decree #113 (MOI-MEF-MOE, 2015).

⁴¹ As per Sub-decree #06 (2017) (Article 8).

3.3.2. Shared Taxes and Other Own Source Revenues of SNAs

70. All SNA tax revenue formally accrues to the CP level and is then shared with constituent DM and CS levels. CP administrations are entitled to retain 100 percent of the revenues collected from eight centrally assigned tax handles, including: patent tax; public lighting tax; accommodation tax; tax on means of transportation; tax on unused land; stamp registration tax; property tax; and tax on rental property.⁴² Stamp taxes are the largest tax income for SNAs, accounting for 45 percent of all such tax collected nationwide in 2019, followed by the taxes on rental property (20 percent) and transportation means (15 percent) (Figure 14). Collectively, these taxes have been relatively buoyant, increasing from 1.23 percent of GDP in 2019 to 1.99 percent in 2020.

Figure 14: Sub-national tax handles nation-wide and Phnom Penh; 2018 and 2019, USD millions



Source: (RGC, 2019)

71. The eight centrally assigned taxes are akin to a shared tax rather than a purely own-source of revenue for the CP level. SNAs have no role in tax policy and collection process, with all authority for determining the base and rate of taxes centralized at the national level. The collection is also managed by the MEF's General Department of Taxation. The lack of sub-national autonomy in deciding various aspects of tax revenues is a common feature observed across Southeast Asia (Bhatti and McDonald, 2021).

72. SNA taxes are shared based on the derivation principle, which creates severe horizontal inequities. Around two-thirds of all SNA taxes are collected in the country's commercial capital Phnom Penh. While this provides a mechanism for reinvesting in high growth areas, it means that the benefits of that growth are not being broadly shared. Indeed, in 2019 Phnom Penh accounted for more than 80 percent of taxes on rental property, property, and public lighting (and virtually all of the latter). The horizontal inequities in revenues mirror the trends in expenditures.⁴³ Starting in 2018, according to MEF officials, the government has tried to re-allocate some of the SNA tax revenue from Phnom Penh to other provinces. However, to date, this has had little effect.

73. From the perspective of SNAs, tax revenues shared from the CP level are sub-national fiscal transfers. SNA tax revenues assigned to the CP level are allocated to the DM and CS levels based on a fixed percentage (3 percent for the DM level in 2019 and 1 percent for the CS level, both increased to 4 percent in 2020). Horizontal distribution is based on a formula, which is based on a 50 percent equal share and 50 percent population size. Reflecting the geographic distribution of tax collection, most of the shared taxes (around 80-90 percent) are within the Phnom Penh capital region (though, it is not clear if

⁴² The tax on Property Rental was shared to CP only starting from 2017.

⁴³ Interviewed GDSNAF officials indicate that this horizontal imbalance has been well recognized.

the same formula is applied for the revenue shared from Phnom Penh capital to its constituent khan and sankgats). Excluding Phnom Penh, the average transfer is modest: a bit above US \$20,000 for each DM and only US \$500 for each CS administration (Table 9).

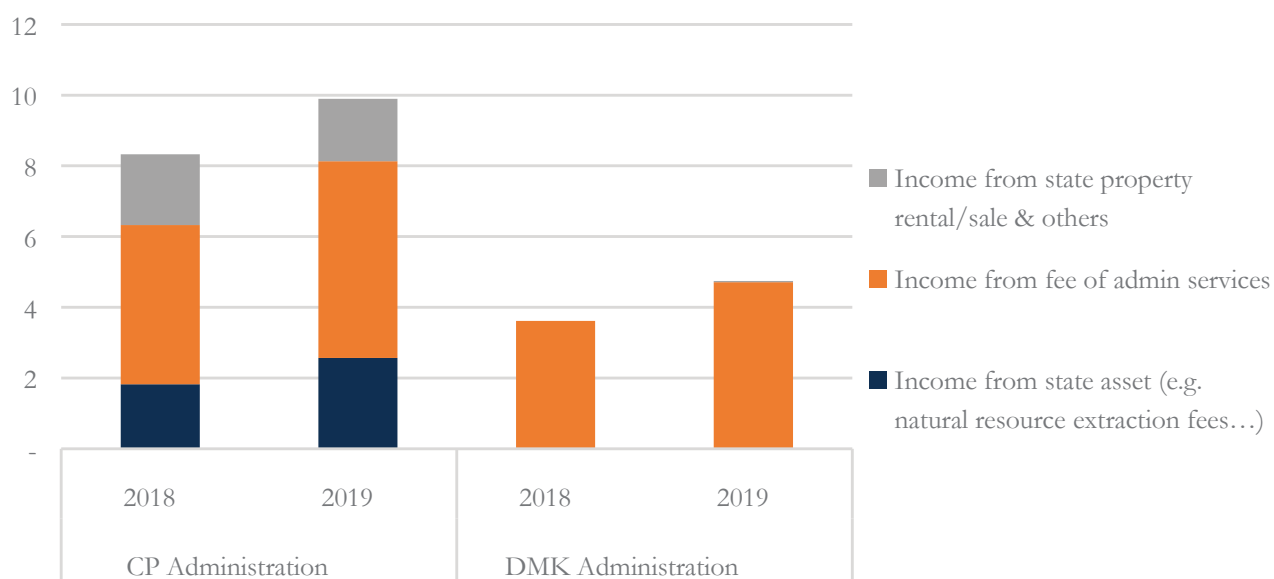
Table 9: Shared tax from provincial admin to DM and CS; Excluding PNH, US dollars

	2018	2019
Subsidy from provincial admin to DM	3,754,841	4,288,805
Average per DM administration	19,867	22,692
Subsidy from provincial admin to CS	1,000,698	762,140
Average per DM administration	648	493

Source: MEF

- 74. The CP and DM levels are also assigned a host of smaller non-tax revenue (NTR) handles, with fees of administrative services (mostly through OWSOs) being the most prominent (Figure 15).**⁴⁴ Fee revenue accounts for the majority of NTR at the CP level (with the remainder coming from sale and lease of state assets). At the DM level, all NTR is from fee revenue. In 2019, CP-level OWSO's provided 553,928 individual services, generating US \$12.5 million (at an average fee of US \$22.50). Of the provinces, Siem Reap collected the most (11 percent of the total revenue), followed by Battambang (9 percent). Nearly three-quarters of total non-tax revenue came from services in the Land Management and Construction sector. For the DM level, the average fee from OWSOs was US \$3.68 (see Section 6.1.3 below).

Figure 15: Non-tax revenue for CP and DM SNAs; 2018 and 2019, USD millions



Source: MEF

⁴⁴ By law, SNAs in Cambodia are not allowed to borrow.

- 75. Policy reforms have been introduced to transfer more non-tax revenue to SNAs.** As a part of the broader reform on non-tax revenue policy and administration, the Government is finalizing the Blueprint on Non-Tax Revenue to improve overall NTR collection, including those at the SNA level. In addition, specific measures have been put in place to delegate more non-tax revenue functions to SNAs, together with more use of integrated digital management systems (see Box 9).

Box 9: Policy options and recommendations to improve the intergovernmental fiscal system

As more functions are assigned to SNAs, intergovernmental financing arrangements, including transfer system and own-source revenue assignment, need to be reformed. The current intergovernmental fiscal system needs improvements to ensure that SNAs have predictable, adequate budget resources aligned with their mandates and policy priorities. In addition, they need to be endowed with discretion in the use of fiscal resources in order to respond to local needs and preferences of local populations—that are supposedly identified in development plans, investment programs and budget strategic plans.

In the short term:

- ▶ Review the transfer system to ensure that it adequately addresses vertical and horizontal fiscal imbalances and that SNAs are not left with unfunded functional mandates, nor an unfunded development mandate.
- ▶ Institutionalize fiscal transfers to the CP level as well as horizontal reallocations at the CP level (especially from Phnom Penh to other provinces) by ensuring that they are consistent with transparent rules and formulas.
- ▶ Ensure that the level of national funding for the Sub-National Investment Facility complies with Sub-decree #32 (2016).

In the longer term

- ▶ Follow the target set on expenditure management under fiscal decentralization action plans to increase fiscal transfers while considering the options to address vertical and horizontal fiscal imbalances.
- ▶ Ensure that conditional transfers complement the objectives of transfers of functional assignments.

4. A brief review of the sub-national PFM system

76. Each SNA is required to comply with relevant budget rules and regulations when preparing, executing and reporting on their budget. SNA budgets are prepared following the same national budget calendar, as indicated in Article 39 of the Public Finance System Law (2008) and summarized in Table 10. The approved budget is presented in a separate chapter in the annual budget. Every year, the budget law for SNA is published in budget books Volumes 4, 5 and 6. During budget execution, the GDSNAF and General Department of National Treasury (GDNT) track revenues and expenditures using the Financial Management Information System (FMIS) input by Provincial Departments of Economy and Finance (PDEF) and provincial treasuries (PT).

Table 10: Overview of Budgetary and PFM process for SNA

Period	Activities
March	The RGC issues the Circular on Budget Strategic Plan Preparation
May	SNAs submit the BSP to Department of Economy and Finance no later than 15 May
June	The government issues the Circular on Annual Budget Preparation
July	SNAs submit the annual budget preparation to MEF
August	Budget negotiation and budget consolidation
September	Budget negotiation and budget consolidation
October	Council of Ministers approves the draft of the annual budget
November	National Assembly reviews and approves the draft of the annual budget
December	Senate reviews and approves the draft of the annual budget, followed by the King's signature of approval

Source: RGC (2001)

77. The research identifies some general issues with the transfer system. The system of intergovernmental transfers is highly fragmented, with SNAs receiving multiple transfers, each with its own budgetary process, compliance requirements and even budget calendar. At present, only information on the size of the unconditional transfer (namely, CSF, DMF and subsidy to CP) is transmitted to each SNA at the budgeting and planning stage. Information on other transfers is provided much later in the budget cycle (Table 11). An example of the material implications this has for sub-national planning and budgeting can be seen with shared taxes. Shared taxes are supposed to be presented in the budget books of the CP administrations (as a subsidy) and, if possible, included in the budget plans of receiving DM and CS administrations.⁴⁵

⁴⁵ The procedures for planning, executing and reporting the shared tax revenue are based on MEF Prakas #1458 (2017) and are applied nationwide (MEF, 2017).

78. The timing of MEF notification to the DM and CS levels about their allocated shared tax impacts the quality of the budgeting process. In practice, information on estimated value of shared taxes often comes after the approval of the budget plan. As such, it is transacted as in-year budget adjustments for the DM and CS levels (see Box 10). This undermines the ability of SNAs to plan and link available resources to their development priorities. There were also inconsistencies observed in the amounts recorded for the same CP transfer between two levels of SNA (for instance: Subsidy to CS (as per the CP budget) in 2018 was US \$10,374,445, while the Subsidy to CS, (as per the CS budget) was US \$8,506,026 (see Tables A2 and A3 in Annex 6).

Table 11: Inclusion of different budget transfers in the budget-planning stage

Types of transfer	Inclusion in the budget planning stage?	Notes
Unconditional transfer from the national level	Yes	Follow the annual budgeting process and calendar.
Shared tax from CP to DM and CS administrations	No	Treated as ‘in-year’ budget adjustment/addition.
Conditional transfer	No	
SNIF	No	Project-based.
Environment service budget	No	Treated as ‘in-year’ budget adjustment/addition.
Transfer from development partner projects	No	Project-based.

Source: Authors

Box 10: Planning, budgeting and spending shared SNA taxes

At the planning phase, CP administrations include 100 percent of the planned tax revenue in their revenue budget (Chapter 70) and the shared tax revenue for DM and CS in their subsidy expenditure (Chapter 65012 for DM and 65013 for CS). This legal requirement has been implemented unevenly. For 2019, all CP budget books indicate the subsidy budget, but for 2020, it was shown only in that of Phnom Penh administration.

At the execution phase, the transfer of the shared tax revenue is initiated as a quarterly expenditure from the CP administration (Chapter 65012, 65013) and is based on quarterly tax revenue collection receipts from the General Tax Department or its branch and on the balance table from MEF. DM and CS administrations can spend the shared tax revenue only for development (i.e., not for administration). Based on the fieldwork, this provision is interpreted to mean “only for infrastructure projects” and thus needs to be spent through public procurement processes.

79. There are inconsistencies in the way transfers and other flows are recorded (Table 12). In particular:

- ▶ There is an inconsistency between the figures on the CP subsidy in the Budget Law Vol 1 (Laws and regulations) and the Budget Law Vol 4 (CP budget);
- ▶ There is a high level of over-execution for both years: 368 percent for 2018 and 532 percent for 2019;
- ▶ There are two budget items not reflected in the budget law including: i) subsidy from the national development fund; and ii) revenue from performing delegated functions.

Table 12: Specific issues on the execution of CP subsidy; 2018 and 2019, US dollars

Description	CoA Code	Budget law (Vol. 1)	Budget law (Vol. 4)	Actual	Execution rate
For 2018					
Subsidy from line ministries and institutions	75011	\$37,203,500	\$44,891,500	\$165,298,248	368%
Subsidy from national development fund	7520	-	-	\$21,415,410	Not budgeted
Revenue from performing delegated functions	7506	-	-	\$7,499.50	Not budgeted
For 2019					
Subsidy from line ministries and institutions	75011	\$20,952,000	\$51,111,500	\$271,659,500	532%
Subsidy from national development fund	7520	-	-	\$84,575,000	Not budgeted
Revenue from performing delegated functions	7506	-	-	\$236,225	Not budgeted

Source: MEF

80. Furthermore, following issues are identified:

- ▶ Issues with circulars. SNA officials adhere to the detailed annual circulars by MEF, which separately cover BSP preparation, annual budget preparation, budget implementation, and budget account closing. However, there are critical information gaps (such as the limited guidance on how to plan and execute conditional transfers explained above) as well as inconsistencies with other laws and regulations.
- ▶ Issues with the use of the chart of accounts (COA) and the recording of transactions. While the MEF has introduced and improved the COA for SNAs (RGC, 2020), ambiguities and inconsistencies remain in implementation. In particular, there are issues with classifying capital versus development projects. Additional challenges include: absence of delineation between administration and development spending, recording of conditional transfers through assignment versus delegation, and treatment of carry-forward of budget surpluses (Table 13).
- ▶ Issues with budget discipline, in particular at the capital/provincial level of SNA. SNA revenues at CP level in 2019 were substantially higher than budgeted – in some cases, many multiples of what was initially budgeted (Table 14). This was the case both within Phnom Penh as well as across the other provinces. While this means more revenue, the overly high rate also suggests weak planning/forecasting, which undermines the budget credibility of the SNA level overall. An over-execution rate of nearly 400 percent on national subsidy potentially hints at issues in forecasting and/or record keeping. On the spending side, outside of wages, the CP level is also considerably overspent its budget, for example – on goods and services and capital. The overspending issues appear to be greater outside of Phnom Penh (see Table A2 in Annex 6)

Table 13: Specific issues with the use of CoA codes and recording

Description of budget transactions	Relevant CoA codes	Notes
Classification of capital versus development projects	Ch21 Ch61	Although many SNA projects are infrastructure investments, they have been recorded under Chapter 61.
In practice, no clear delineation between administration and development spending	Ch64, Ch60 Ch61 Ch6105, Ch62, and Ch21-20	It is broadly understood that administration spending is registered under Ch64, Ch60, and part of Ch61 and development spending under Ch6105, Ch62, and Ch21-20.
Conditional transfer	Unclear	Currently, it is not clear how one can identify and track the conditional transfer either for assigned or delegated functions from national to SNA level.
Fees from performing delegated works	Ch7506	It is not clear what this refers to.
Carried forward investment budget	Ch7510	Currently, only CS has this, while all SNA tiers have also implemented investment projects.
Subsidy from the national development fund	Ch7520*	The definition is unclear and how it is applied in practice might be inconsistent.

*The budget line 7520 is found in the annual budget law (vol 4) but it is not found in Prakas #523 (2017) on the use of CoA by economic classification for national and sub-national level.

Table 14: Execution rate for selected SNA tax revenue for 2019

Type of tax revenue	Country-wide	PNH
Total tax revenue	156%	136%
Tax on transportation means	136%	123%
Stamp registration on property transfer	218%	172%
Property tax	145%	182%
Tax on un-used land	427%	642%

Source: MEF

- 81. There have been notable improvements in budget execution at the CP and CS levels, consistent with developments at the national level.** For example, delayed budget execution no longer needed to be raised as a key challenge for CP and CS administrations. Execution challenges, however, do persist at the DM level (see Section 6). In general, these findings coincide with recent government assessments that have found good progress being made in terms of overall fiscal discipline; in aggregate, budget execution has been achieved within a 5 percent variance. Additionally, overall allocative efficiency has also been improved, with more budget allocated to key priority sectors (education, health, social affair, road), partly because of the introduction of medium-term budgetary planning.⁴⁶ However, the operational efficiency of budget spending is still limited and unknown, given the overall limited M&E data and findings at outcomes and impact level (So, 2018) (MEF, 2020).

⁴⁶ These include: 1) MTFP and MTBF (at Government-wide level), and 2) BSP (at line ministerial, SNA and similar public institution level).

- 82. Fieldwork also revealed important insights around the SNA-BSRS reforms.** One reform area of note is the planned expanded use of medium-term planning and budget tools, in particular, how three-year BSP and program-based budgets (PBB) will be integrated with the existing five-year development plans. The details of how these different planning and budgeting tools should be simplified and integrated are beyond the scope of this report. However, a high-level summary of the issues and considerations is provided in Box 11. Higher-level coordination is required to align the planning tools, which were developed as part of both the prevailing decentralization and PFM reforms. Study interviews revealed discussions are already underway between MEF, MoI, MoP and NCDD.

Box 11: Planning and budgeting tools for SNAs

According to the Article 37 of the Organic Law (2008), CP and DM councils shall prepare and adopt a five-year development plan which is to be annually updated through the preparation of the three-year rolling investment plan. The details of how the plans are prepared and adopted are provided in a series of sub-decree and prakas issued in 2009 and 2010 and a series of technical guidelines issued in 2017 (RGC, 2009) (MoI and MoP, 2010). According to Article 35, the SNA Financial Regime Law (2011), SNAs shall prepare a BSP during the period from March to May, followed by the preparation of the annual budget in June through September. The following are the official definition of the three planning and budgeting tools:

- ▶ The five-year development plan (same time frame as the council's mandate) is an important tool for SNA to identify problems, needs and strategies for solving the problem of meeting priority needs of citizens (NASLA, 2019);
- ▶ The three-year rolling investment plan is the translation of the development plan into actual project activities or services attached with budget/fund for public service delivery and development for three years. The plan is to be updated annually (NASLA, 2019);
- ▶ The BSP is a three-year plan developed to connect budget planning to the overall development policy of the RGC, especially between the National Development Strategic Plan (NSDP) and the five- and three-year plans of SNAs (MEF, 2017).

Since 2009, SNAs have been preparing their five-year development and three-year rolling investment plan. In 2015, BSP was introduced in selected provincial governments with a plan to expand to all CP. As of 2020, all 24 provincial administrations have adopted BSP, while Phnom Penh is expected to start in 2021. Beginning in 2017, PBB was also introduced to selected provincial administrations and is expected to roll out nation-wide (MEF, 2017). With the implementation of BSP and PBB, the following points are worth noting:

- ▶ The guideline on the BSP and PBB for SNA follows the substance and forms of the BSP and PB for the national level which had already been implemented in all central ministries and institutions,
- ▶ SNAs are considered 'budget entities' with authority to prepare, spend and manage their approved budget, and
- ▶ SNAs' budgets are to be classified into programs, sub-programs, and activities, each with key indicator for monitoring and evaluation. This classification is applied in addition to the current economic budget classification.

While more details need to be explored, the document review conducted for this paper identifies some key areas to be considered and addressed:

- ▶ The SNA's five-year and three-year plan processes were developed in the context of decentralization reform, whereas the BSP and PBB follow the sequencing logic of the PFM reform. This suggests that the alignment of these different tools requires more than just technical adjustments but higher institutional coordination among MEF, MoI, MoP and NCDD,
- ▶ Given their definitions, there seems to be significant overlap and complementarity between the BSP and the three-year rolling investment plan in term of their objectives, time-frame, and coverage. In such cases, where possible, the existing three-year rolling investment plan could be integrated into one BSP for SNA while ensuring that such integration does not affect the autonomy of the SNAs in project identification and selection,

- ▶ As a part of such planning integration, the timing of the three-year rolling investment plan could be more clearly defined to match with the annual budget process following the Article 35 of the SNA Financial Regime Law (2011), and
- ▶ The revised BSP for SNAs should be made simpler, at least more straightforward than what is required of national level. Interviewed officials suggested that the current process of developing the BSPS is too detailed (especially on the part of costing) and too time-consuming for the current capacity of many administrative and finance offices to handle.

Box 12: Policy options and recommendations to strengthen sub-national PFM systems

Sub-national PFM systems were designed at the time when SNAs didn't play an important role in budget execution. With the progress in the implementation of D&D reforms, there is an increased importance to improve PFM processes. The Government could consider giving priority to clarifying the role of sub-national councils in budget approval and execution. In addition, SNAs will benefit from a more effective capacity building program for relevant SNA staff, and the use of information technology to improve PFM systems and processes.

In the short Term

- ▶ Address identified budget issues in the rapid review of the sub-national PFM, including:
 - institutionalizing a consistent budgeting system at the CP level for the management and record of national subsidy, horizontal budget re-allocation and carried-forward surplus;
 - addressing inconsistencies in the use of specific Chart of Accounts codes (particularly: Ch61, Ch21, Ch7506, Ch7510, and Ch7520);
 - better aligning and coordinating external support with existing PFM systems;
 - introducing new budget line items to record, track and distinct between i) conditional transfer for delegated functions; and ii) conditional transfer for assigned functions.
- ▶ Provide the DM (and CS) level with a timely estimate of national and sub-national transfers to support the preparation of annual plans and budgets.

In the longer term

- ▶ Implement the SNA-BSRS, especially as it relates to improving the link between planning and budgeting. The alignment of SNA's existing five-year and three-year plan and the BSP and program-based budgets (PBB) in the SNA-BSRS will require higher institutional coordination among MEF, MoI, MoP and NCDD.
- ▶ Closely review and institutionalize the current budget system for CP administrations, especially with relation to the management and record of national subsidy, horizontal budget re-allocation and carried-forward surplus.

5. The Fiscal Architecture at the DM level

83. This section of the report focuses on the DM level. Despite being envisioned by the NP-SNDD as the main point of service delivery, the DM level faces significant challenges. The section discusses the evolution of recent reforms, which are transforming DM administrations and reorienting the intergovernmental fiscal system. There are challenges with the devolution of a large array of new responsibilities into a level with a small fiscal footprint. The section also discusses the role of information, communications and technology (ICT) to support service delivery at the DM level.

5.1. The Reform Process

84. DM administrations had a limited role in service delivery between 2009 and 2019. Besides the administrative services provided through OWSO, the DM administrations did not have clear roles in service delivery and local development, except for small-scale local infrastructure development. Despite the plan to establish the so-called unified administrations during this time, the DM administrations essentially only played a coordinating role over line technical offices (from 13 to 15 of them) which themselves had no clear functions and budget except for paying salaries. The Organic Law did not give the DM administrations any clear functions, only mentioning that new functions would be transferred to them. As a result, without significant service delivery responsibilities, DM administrations spent their DMF allocations on local infrastructure projects (mostly roads, canals, and ponds).

85. By the end of 2019, five different ministries transferred functions to the DM level. Those include functions from MoEYS (pre-school, non-formal education, and primary education to 14 DMs in Battambang), MoE (urban solid waste management), MRD (rural clean water supply and sanitation), and MoSVY (monitoring of NGO-run residential cares). However, most of the functional transfers were in the form of delegation (as opposed to assignment) and most of them were not accompanied by full budget transfer. In some cases (e.g., education sector, water and sanitation) LMs transferred functional responsibility on a piloting basis. For a full list of functions at DM level before 2020, see Annex 5.

86. A strong push has been made by the RGC to restructure the DM administration and integrate all 13 LM offices, along with their 55 functions to the DM level, beginning in 2020 (Table 15; see also Annex 5a). Several sub-decrees were promulgated in late 2019 that support this widespread integration.⁴⁷ These new sub-decrees introduced key changes to the administrative structure of DMs (redefining the functions, organizational structures, roles, responsibilities, and accountability lines of the DM and key stakeholders). The aim was to improve the efficiency of the functioning of DM administrations and their capacity to deliver services and promote local economic development.

⁴⁷ This includes Sub-decrees #182, #183 and #184. The different sub-decrees issued in districts, municipalities, and khans reflects their differences in term of population size and density, level of economic activities, relationship between municipalities and sangkats, between khan and sangkats, and between districts and communes.

Table 15: Functional transfers to the DM level in 2020*

No	Sector	Functions	Sub Functions	Activities
1	Land Management, Urban Planning, Construction	4	9	
2	Rural Development	4	6	
3	Water Resources and Meteorology	3	5	
4	Environment	5	6	26
5	Mines and Energy	3	5	
6	Agriculture, Forestry, and Fishery	5	10	33
7	Public Works and Transport	2	7	
8	Industry and Handicraft	2	3	
9	Commerce	3	4	
10	Tourism	2	10	
11	Social Affairs, Veterans, and Youth Rehabilitation	8	8	32
12	Women Affairs	1	3	
13	Labor and Vocational Training	2	5	
14	Cults and Religion	1	6	
15	Culture and Fine Arts	2	16	13
16	Posts and Telecommunications	1	6	
17	Health	1	8	
18	Education, Youth, and Sports	6	45	174
Total		55	162	278

*Not all the sub-functions have been disaggregated to activities in the sub-decrees.

Source: RGC (2019e)

87. There are special provisions for the transfer of education and health functions. The six education functions (and 45 sub-functions) were delegated to the DM level; standing in contrast to the assignment of the remaining 49 functions in all the other ministries. The exception to this is Battambang Province, where education service delivery responsibilities are split between three delegated functions (pre-school education, primary education and non-formal education) and assigned functions (secondary education, youth development and sports) are delegated.⁴⁸ For health functions, the transfer to the DM level relies on the provisions in Sub-decree #193, which already assigns responsibility for PHD functions to the CP level, which are then, in turn, delegated to constituent DM and CS levels (see Section 4.2.1 for more details).

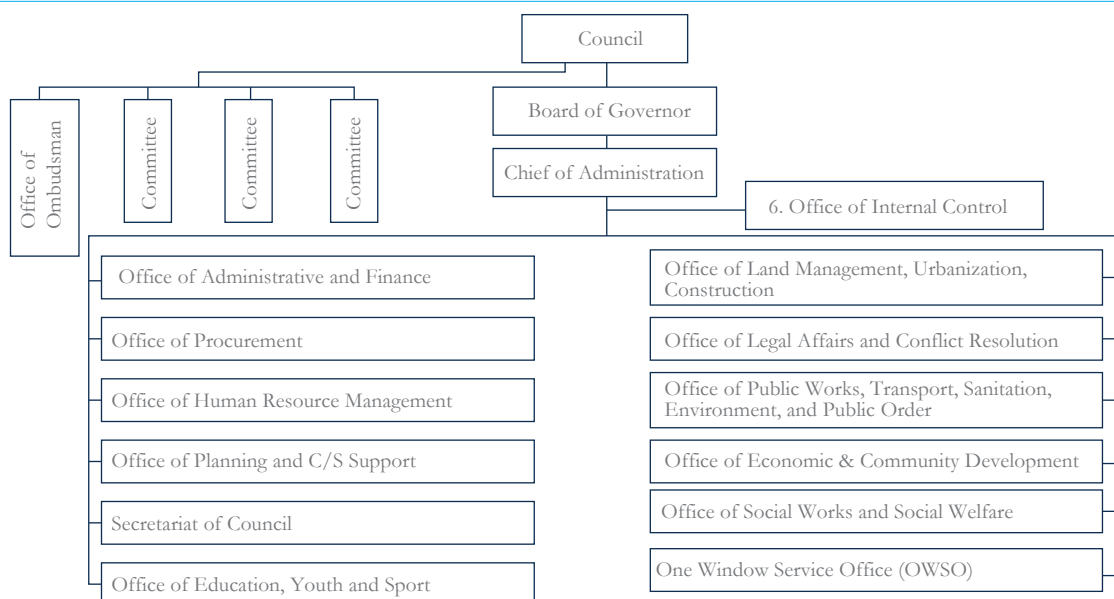
88. The transfer also involves a sizable increase in DM Council administrative oversight and an organizational restructure. In addition to the transfer of functions, the reforms also consist of the integration of about 2,600 offices and 19,612 staff members into the DM Councils' administrative remit. The transfer of personnel under the management and supervision of DM administrations will be in accordance with existing SNA personnel management regulations.⁴⁹ However, an additional administrative burden will be placed on DMs insofar as each transferred staff member will require a new Terms of Reference. Staff will retain their grade classification and salaries. Of the total staff to be transferred, 18 percent are contract staff, 52 percent are Grade C, 20 percent Grade B, and 11 percent Grade A; 40 percent

⁴⁸ This is reflected in the fact that Battambang is the only province where teachers (performing assigned functions) are being transferred to being under the authority of DMK administrations.

⁴⁹ According to Sub-decrees #182, #183 and #184.

are female (see Annex 9 for a full list of staff scheduled to be transferred to the DM SNA, disaggregated by province). Existing line offices will also be consolidated into office clusters based on economic and social clusters (Figure 16). Exceptions will be made for priority ministries, such as education, health, land management which need to be kept as separate offices. The re-structuring differs between DMKs.

Figure 16: The new DM administrative structure



Source: RGC (2019e)

89. The high-level political involvement of the RGC has given the reform agenda a push and has helped to move the policy and legislative needle. However, implementation remains a challenge.

Key informant interviews with officials at both the DM level and within LMs revealed that while the process of transferring functions had already started, some key legal and operational questions still need to be clarified. In particular, while sub-decrees provide overall guidance, the information remains at a high level and is ambiguous and open to interpretation. Specifically, they don't provide detailed instructions regarding conducting day-to-day functions, especially on budget management and personnel actions. Key gaps included:

- ▶ the procedure for budget transfer from line ministries to the DM administrations and the mechanism for such transfers (either as conditional or unconditional transfers);
- ▶ the estimated additional cost that should be covered by additional transfers;
- ▶ the public financial management processes that accompany these transfers;
- ▶ the human resource management functions (e.g. reporting lines, performance management) within the revised DM administrative structure (e.g. among district technical officials, the DM BoG/councils and line departments at the CP level); and
- ▶ operational considerations, such as the process for approving everyday administrative paperwork, permission and the use of budget for travel and mission, the process of getting permission to work with NGO partners, the reporting requirement on staffing update to line departments and PDCS, and the use of budget funds for hiring contract staff and other unbudgeted functions.

90. More explicit and consistent instructions are required to ensure consistent implementation of laws and sub-decrees.

It is not clear, according to key informants, which of the 55 transferred functions are obligatory and which are permissive, and what their corresponding funding mechanisms are. The current provisions in the Organic Law and Sub-decree #68 do not provide enough guidance to answer these questions. Without such clarity, implementation risks being open to interpretation and unsystematic (in interviews, for example, key informants posited a range of different ways in which rules could be interpreted). NCDD-S, MEF and relevant LMs have been working to clarify these, and other, legal and regulatory changes. One observed concern is that given the long time usually taken for such work, all officials at the DM level will need to wait and operate with the legal and procedural uncertainty for some time to come.

5.2. The Small Fiscal Footprint of the DM Level

91. **Despite increasing overall revenues, the resource envelope at the DM level remains small compared to its expected responsibilities.** Firstly, as indicated in the table below, DM administrations still rely heavily on the budget transfer from the national level (which accounts for about 90 percent of the DM total budget). On the spending side, more than 75 percent of the total budget has been spent on personnel and operation, leaving only a small proportion on what can be termed as ‘development’ (i.e., those spending under Chapter 61052 and Chapter 21).

Table 16: Detailed breakdown of DM administration budget for 2018, 2019, 2020 (in million riels)

Description	2018	2019	2020
Revenue	187,405	240,091	272,963
Own source revenue	6,299	9,854	10,017
Non-tax revenue	6,299	9,854	10,017
National transfer - Current	169,981	209,090	255,797
DMF	146,995	191,917	236,141
Shared revenue from provincial level (4%)	14,986	9,173	11,535
Environment budget	8,000	8,000	8,121
National transfer - Capital	11,125	21,147	7,149
SNIF	891	8,929	6,419
Budget from DPs	286	72	56
Other budget supports	9,948	12,147	675
Spending	176,060	233,866	263,505
Current spending	147,409	175,424	200,064
Wage	114,096	129,296	140,348
Non-wage/operation	33,313	46,128	59,716
Investment	28,651	58,442	63,441
Repair and maintenance (Chapter 61053)	28,400	57,807	63,441
Investment (Chapter 21)	251	635	0

Source: MEF

92. **Opportunities to increase fiscal space will need to come through transfers and existing own-source revenue handles, owing to the low likelihood of DM being assigned new tax revenue.** In addition to issues of fragmentation identified in Section 4.3, the fund disbursement process is complex and rigid. For instance, although some general guidance exists for conditional transfers (Sub-decree #05, 2017) and specific procedures are stated in sub-decrees transferring specific functions by line ministries, DM officials expressed a limited understanding of such processes. The most common and immediate response provided by implementing DM officials is that they simply follow the annual circular from the MEF during the budgetary process, which provides only limited guidance on conditional transfers.
93. **There are difficulties in adequately financing newly transferred functions.** A key challenge is the limited extent of fiscal deconcentration at the DM level. Except for the three major service-providing ministries (education, health and social affairs), expenditure in most LMs has not been meaningfully deconcentrated below the CP level. The line offices at the DM level tend to be small (two to five staff members), with no separate budgetary authority. Accordingly, outside of education, health and social affairs ministries, DM-level line offices do not prepare annual operational and other service-delivery related budgets. Instead, they have their spending covered as a part of the budget of their departmental unit at the CP level, (which are considered separate budget entities). The exception is the budget for salaries, which is explicitly linked to each staff member at the line office level. Moreover, the actual

spending arrangements between levels of sub-national administration are not consistent across ministries, which leads to several ad hoc arrangements. Even within education, health and social affairs, the budgets made available to DM line offices are not strictly their own but are allocated and disbursed as a form of a petty cash advance.

- 94. Accordingly, transferring functions at the line office level to DM councils requires a corresponding budget transfer for operational and functional expenditures.** Without this, there is a risk that the DM level will have unfunded mandates for many of the transferred functions. This can have potentially grave implications for the continuity of essential and ongoing service delivery, such as orphanages.
- 95. Key to ensuring that the DM level has adequate resources to perform its newly transferred functions is to ascertain how much it will cost to perform them.** Based on the ongoing policy discussion, three groups of budget or costs are identified: i) personnel costs; ii) operational costs; and iii) functional costs. Determining the amount of personnel budget to be transferred to DM administration is straightforward, as the funds are attached to personnel who have already been transferred (see below on personnel transfer). However, determining the other costs is more complicated, with little technical guidance provided.
- 96. At the time of this study, NCDD-S, MEF, and LMs were in discussions to find a common approach to costing functions.** The NCDD-S proposes to use the personnel-operational budget ratio as a foundation for determining the additional operational cost. Using the budget information from DM administration and the District Office of Education, Youth and Sport, the team at NCDD-S determined a rate of around US \$600 per staff member per year in operational costs. This equates to an additional operational budget of US \$11.7 million for the DM level – a boost of about 20 percent from the current level of the DMF transfer. The NCDD-S had asked other LMs to provide their pre-transfer (i.e. pre-2019/2020) operational budget disbursed to their district offices so that more comparable ratio can be used. However, obtaining and using such data has been challenging, for at least three reasons:
- ▶ Data has not been available for allocated budgets for DM line offices from which to benchmark, as they are only branches of line departments.
 - ▶ While it is possible to dig into the detailed accounting and financial records of each line department to determine how much operational budget has been disbursed, spent and or attributed to each of their DM line offices, the task is seen by many as tedious.
 - ▶ There could be incentive to under-report spending (meaning a lower budget to be cut at the central level and transferred to the DM level). This seems to have been confirmed when the initial round of estimates provided by some line ministries was derived at around 20-25 percent of the NCDD-S estimate.
- 97. A rapid assessment of costs undertaken with selected line office officials (besides education and health) for this study suggests operational costs of around US \$550 per staff member per year.⁵⁰** Much of this (upwards of 90 percent) reflects transport costs and per diem for various site visits and training. Per diem and allowance, it is noted, is one of the most sensitive budget items as it is considered an essential incentive for some staff members. It has also been one of the most quickly spent budget items for many government agencies. In some cases, all of the budgets for per diems are executed in the first half of the fiscal year. The considerable financial impost of per diems and mission budgets does, however, highlight the opportunity for potential cost savings from standardizing and digitizing training programs and shifting away from face-to-face training.
- 98. The non-tax revenue regime does not provide a large source of funding, particularly outside of Phnom Penh.** The primary source of own-source revenue comes from the OWSOs. In 2019, 83 OWSOs existed in 83 DM (or 40 percent of the total 203 DM nationwide). These OWSOs provided 1.4 million administrative services, of which 55 percent were legalization services, with the rest split between civil registration services, public works and transportation services, and land management and construction permits. In aggregate, these services generated US \$4.98 million in revenue, with an average service fee of US \$3.68. Most revenue accrued to a few larger khans in Phnom Penh (the 12 khan each generated US \$227,613 on average, while the remaining OWSO generated US \$51,852 on average). For the 52 OWSOs that were also operating in 2018 (31 OWSOs were introduced in 2019) services increased by 21 percent between 2018 and 2019, with fee revenues rising by 28 percent over the same timeframe. This fee

⁵⁰ The estimation is based on DM officials own calculation of items such as office supplies, travel allowance, gasoline, training materials, hiring of trainers, repair and maintenance, etc.

increase was insufficient to cover inflation (presuming the composition of services was broadly unchanged from year-to-year), which in turn means the real amount of revenue for DM may well have fallen.

- 99. The lack of buoyancy in fee revenue may be partly attributable to discretionary and non-systematic fee waivers. Most of the services delegated to the DM OWSO can be characterized as low fee services.** However, interviews revealed a practice of waiving fees for many local administrative services, especially those relating to birth certification, marriage certification, and legalization services.
- 100. Looking forward, in addition to the possibilities to improve the transfer system, there may also be opportunities for DMs to broaden and deepen their sources of non-tax revenues.** Options include collecting revenue from recently transferred functions, especially solid waste management, and the revenue generation from DM assets, such as the lease of land and market areas. However, apart from the authority of DMs to collect revenue from OWSOs, there is little clarity on the roles of DM in generating own-source revenues. There is, at present, no guidance on the authority of DM councils to charge fees for services, such as solid waste management. There is also a lack of legal clarity on the delineation in revenue-generating power between provincial and DM administrations. The default position is often to defer authority to the provincial administration, which in many respects, is still perceived as the direct superior of the DM. One seemingly well-known anecdote revealed in fieldwork involved rental income accruing to the provincial administration despite the land being owned by a municipality. Interviewed MEF officials indicated that there had been much discussion lately about the management of state property and associated income at SNA level. Details are still to be hammered out, though it is expected that PDEF will play an important role, working closely with SNAs (and line departments) who have the ownership or authority to use and manage state property.

5.3. PFM Processes at the DM Level

- 101. Despite their circumscribed revenue generation and expenditure authority, planning and budgeting at the DM level follow the normal budget cycle.** These are guided by a broad set of rules and laws. Key activities and their calendar for each of the three steps are summarized in Table 17.

Table 17: Key PFM procedures and activities at the DM level

Budget preparation

- ▶ DM administration prepares a three-year Investment Plan (March).
- ▶ DM prepares an annual budget plan, following the 3 Year Investment Plan, which is based on the expected amount of DMF and annual revenue (May-June).
- ▶ DM council reviews and approves the annual budget plan (by mid-July).
- ▶ DM administrations send the approved annual budget plan to provincial administrations and PDEF (by late July).
- ▶ PDEF works with provincial BoD to review the budget plan and provide approval on the legality (July).
- ▶ PDEF works with provincial administrations and with participation from MEF officials to review on the legal compliance of the submitted DM budget (August).
- ▶ PDEF compiles all the approved SNA budget and send to MEF by the end of July.

Budget execution and control

Revenue

- ▶ For non-tax revenue (including that from OWSO), DM collects and deposits into the saving account at the Provincial Treasury per relevant rules and regulations.
- ▶ The execution of the national transfers, including the DMF and shared tax revenue need to follow the MEF circular on the budget execution for SNA.

Expenditure

- ▶ DM follows the MEF circular in executing expenditures by economic categories, namely: i) recurrent expenditure (wage, petty cash advance, other recurrent expenditure, unplanned expenditure, and conditional transfer), and ii) capital expenditure.
- ▶ DM follows relevant rules concerning public procurement.
- ▶ DM follows relevant rules on budget transfers and in-year budget adjustment.

Budget reporting and accounting

- ▶ DM follows MEF annual circular on accounting closure and reporting.

Source: Authors

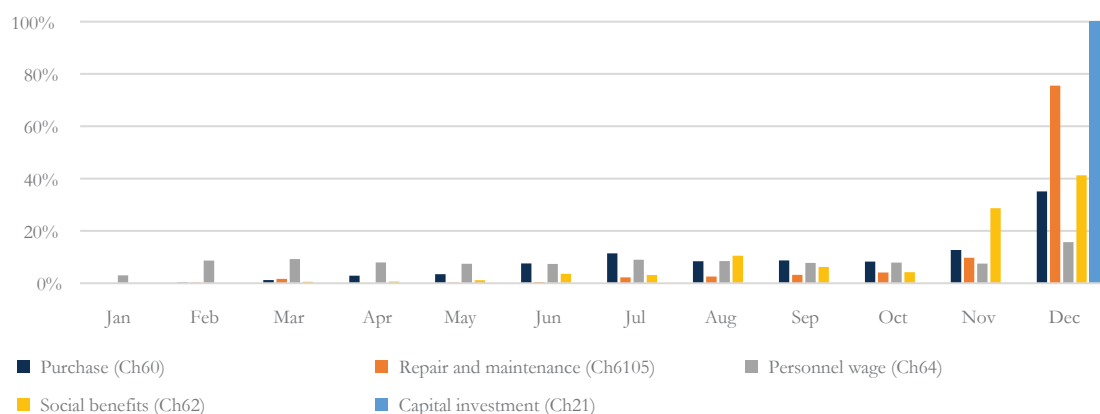
102. **To date, little attention has been given to the PFM processes at the DM level.** Fieldwork for this study sought to address this issue and has identified some specific shortcomings with the PFM processes at the DM level. These include issues with planning and budgeting processes and the processes for execution and control of revenues and expenditures.⁵¹

- ▶ Timing mismatches in planning. The timing/calendar of the preparation of the three-year investment plan is inconsistent with the annual budget preparation plan. By rule, the latter needs to follow the development priorities outlined in the former. The three-year investment plan, in turn, depends on the commune data and scorecards produced from it. Interviews with visited DM administrations indicate that the production of such data and scorecards (which is the responsibility of the Provincial Department of Planning) has sometimes been delayed and thus lead to delays in the development of the three-year investment plan itself. In such a case, the annual budget plan had to start before the plan is developed and approved.
- ▶ Inconsistencies in procedural requirements set out in different laws and regulations. For example, the MEF Circular for 2020 budget preparation does not require a municipality to include sangkat's budget. Yet, in its circular on-budget execution, municipalities are required to transfer budget appropriation to sangkat level. This case indicates two specific inconsistencies. First, the inconsistency between the two circulars (one on preparation and the other on execution). The second inconsistency is between the two circulars and the Law on SNA finance regime (2011), which requires that sangkat budgets be part of municipalities.
- ▶ On the revenue side, incentive payments are not well-targeted. In the current practice, at least 70 percent of the revenue generated from OWSO is to be shared as an incentive to staff members. However, these incentive payments accrue to all staff of DM administration, not just those working at OWSOs. While some performance-based evaluation is done, it is observed that OWSO staff end up receiving a similar amount of shared incentive as the rest, which can be demotivating. This distorts the performance incentive objective in OWSOs.
- ▶ Rules inhibiting the retention of non-tax revenue can create cash flow issues for OWSOs. Prakas # 1890 (2015) requires all non-tax revenue (including OWSO revenue) to be remitted to and spent as part of, the general DM budget. This rule is standard for all non-tax revenue. It should have been easy to follow except that it usually takes time for OWSO to request funds back from the DM budget office, which delays the purchase of equipment and supplies, which are essential to ongoing service delivery.
- ▶ One-size-fits-all cash management rules create additional costs in larger OWSOs. Prakas #1890 (2015) also mandates that officials cannot hold more than 2 million riels of non-tax revenue in cash at any point in time. Amounts beyond this threshold must be deposited into the saving account at the Provincial Treasury or a partner commercial bank. This imposes higher costs on larger OWSOs with high revenues, who make more regular visits to the bank.
- ▶ On the expenditure side, there are issues with budget execution, particularly spending involving public procurement. In general, SNA officials indicated that there had not been challenges with budget availability and the recurrent expenditure had been executed relatively smoothly especially for personnel wage (Ch 64), purchase (Ch 60), and social benefits (Ch 62). However, challenges were evident with spending that required public procurement, namely: repair and maintenance (Ch 6105) and capital spending (Ch 21). In each case, an unusually large share of spending was executed later in the year (Figure 17).

⁵¹ The main PFM regulatory frameworks that each DM needs to comply with are:

- Inter-ministerial Prakas #14342 on Administrative Service Delivery at SNA (2016);
- Inter-ministerial Prakas #14343 on Incentive Sharing on the Management and Collection of Fee from Administrative Service at SNAs (2016);
- MEF Prakas #1890 on the Procedures for Managing Non-Tax Revenue for National and Sub-National Administration (2015);
- MEF annual circular on the preparation of budget for SNA; and
- MEF annual circular on the implementation of budget for SNA.

Figure 17: Monthly budget execution for DM; share of total budget, by budget items, 2019



Source: MEF

103. Interviews with DM officials revealed four specific challenges that help explain the skewed patterns of public procurement expenditure.

- ▶ Delays in transmitting information on shared CP taxes and restrictive rules on how they can be spent. Shared CP taxes account for more than one-fifth of DM-level revenues. These funds can only be spent through procurement, which implies it has to be spent on physical infrastructure.⁵² However, information on these sub-national transfers is not available when DMs prepare their procurement plan (which is now prepared at the same time as the annual budget, see Section 4.3), which means the spending is not included in the mainstream procurement process.
- ▶ Severe capacity constraints in undertaking feasibility analysis and preparing project documents. To a large extent, public procurement at the DM level follows the same rules and regulations as those of the national level. On the face of it, allowing procurement plans to be approved at the same time as the annual budget should allow projects to commence early in the fiscal year. However, a key requirement that annual procurement plans are reviewed and approved by a technical person before proceeding is creating delays. Technical resources, must be assigned from the province level and are scarce (only 2-3 in each province) as they are swamped with preparing project documents for hundreds of the infrastructure projects at both the DM and CS levels. Consequently, there can be long delays – up to several months – in gaining approvals, delaying project implementation.
- ▶ A lack of clarity around the planning, budgeting and executing spending on transferred functions. Interviews at the DM level confirmed a consistent theme identified in this study: officials were not clear on the funding processes with functional transfers. For two previous transfers--the monitoring of NGO-run residential care facilities (transferred from MoSVY) and management of solid waste (transferred from MoE)--there was confusion on where additional funding would come and how to include it in annual budgets. In the case of solid waste management, there was also confusion with managing the fragmented and overlapping flows of the conditional transfer that should have come with the transfer of function (per Sub-decree #113) and the Environment Service Budget.
- ▶ The current economic classification of the budget at the SNA is not compliant with the Prakas on economic classification (2017). Specifically, the definition of capital versus the development budget is still not consistently applied. For DM (and also CS), infrastructure investment is still classified under the recurrent budget (under Ch 6105). This is in conflict with the definition of capital spending and inconsistent with how the classification is used at the CP level.

104. According to the SNA-BSRS, specific reforms are planned for DM level, as summarized in Table 18.

⁵² As a corollary, it means the DMs cannot use the money on social services or other non-recurrent spending needs.

Table 18: Key PFM reform activities for the DM level

Budget preparation

- ▶ DM development plans will be reflected in the BSP of CP administration.
- ▶ DM administrations need to submit annual procurement plan to PDEF at the same time as the annual preparation, approval and submittal to CP governor for legality check.
- ▶ The functioning of the DM will comply with Sub-decrees #182, #183, and #184 (2019).

Budget execution and control

- ▶ DM administrations will receive more delegation in the management of their budget.
- ▶ Based on the approved budget allocation, spending authorization will be done through the quarterly spending program, with simpler procedures and more use of FMIS.
- ▶ The control of DM budget will be done by the provincial treasury in its capacity as a public accountant.
- ▶ For Khan administrations, the current practice will continue, i.e. PDEF checks and monitors on budget execution and the Capital Treasury serves as a public accountant.
- ▶ The threshold of public procurement for DM budget will be revised and increased, while procurement audit will be strengthened.

Budget reporting and accounting

- ▶ In the context of joint BSP of SNAs, DM administrations will report on the progress of sub-programs to their own councils and to submit CP administrations for compilation.
- ▶ DM administrations will submit quarterly, semi-annual, and annual procurement implementation reports to DEM who will then compile and further report to MEF.
- ▶ For 2025 targets, DM administrations will only implement budget monitoring and reporting, leaving budget evaluation to post-2025.

Source: RGC (2019g)

5.4. The Role of ICT in supporting reforms at the DM level

105. **A general issue for the effectiveness of the development and implementation of decentralization reforms is the lack of bottom-up feedback.** Timely and actionable feedback from the field is critical to help quickly identify problems and make course corrections as required. At the DM level, a two-way flow of information will be vital as the implementation of functional transfers continues to progress. As evidenced by the slow progress in implementing decentralization reforms and considerable levels of ambiguity and confusion from officials on the ground, it appears that the current monitoring mechanisms may not be fit-for-purpose at present.
106. **As reporting burdens increase so too does the need for modernization, by shifting away from piecemeal paper-based systems to systems underpinned by information and communications technologies (ICTs).** Officials working in administration, finance, and personnel pointed out the need for reporting to different offices, including line department directors, line office chiefs, DM administration, PDEF, and the provincial treasury (on budget-related matters), PDCS (for staff management matters), while others need information from these entities.
107. **At present, there is a comprehensive digital information management strategy (See Box 13).** Despite the use of an FMIS by PDEF and provincial treasuries, and more use of computers for daily administrative work by all government offices, the computerization and ICT use within SNAs in general (and DMs in particular) has been uneven. While specific budget data of SNAs are currently entered into the FMIS by PDEF and the Provincial Treasury, much of the financial transactions incurred by DM (and other SNAs) are recorded separately in Microsoft Excel files with reports prepared in Microsoft Word. The requirement for physical papers together with red stamps is still the norm.
108. **There have been several ICT innovations that are being used to improve PFM and administrative processes at the SNA level.** To help facilitate part of the budget execution process, the provincial

treasury has allowed SNAs to send their PDF files of supporting documents to clear their petty cash advances. Online monitoring tools are also being used to regularly report on the number of services and revenue generated by OWSO of both capital and provincial and DM levels. Platforms such as Telegram and Facebook Messenger are being used to share information and coordinates. These initiatives, although not yet fully institutionalized, have been encouraged at the national level and are welcome at the sub-national level. These anecdotal examples suggest that ICT holds considerable potential for improving operational efficiency on the ground. However, these lack systematic support and investment from the national level to standardize operations and minimize risks and disturbances.

Box 13: E-governance at SNA: Progress, challenges and future plan

E-governance (“electronic governance”) means the integration of modern information and communication technology (ICT) into all aspects of the work of government institutions. E-governance can be considered as having three fields of implementation:

- ▶ **E-Administration** refers to the improvement of government processes and internal affairs of the public sector with new ICT-executed information processes;
- ▶ **E-Services** refers to improved delivery of public services to citizens, facilitated by technology;
- ▶ **E-Democracy** implies greater and more active citizen participation and involvement enabled by ICTs in the decision-making processes.

E-governance has many aspects but it must be founded on a technologically aware and trained civil service staff who learn not only how to operate digital applications but, more importantly, how to flexibly and creatively integrate digital technology into their work.

In the NP-SNDD Phase 2, the Government seeks to ensure that “SNAs use digital technology in all aspects of their work including internal and government-to-government administrative tasks, delivery of administrative services to businesses and citizens, and facilitating two-way communication with citizens for efficiency, transparency, and accountability.”

The implementation of the plan will build on the existing achievements and be targeted at addressing the specific remaining challenges. In the last decade, the e-government achievements at the SNA level have mainly concerned the introduction of database systems for the collection, sharing, and analysis of SNA data. Valuable experience has been gained through this process which can be a basis for further progress.

NCDD website lists eight databases that are accessible to users to different degrees: the Project Information Database, the Cambodia Gazetteer, the Commune Database, the NCDD Library, NCCC-S bidding announcements, the ISAF Database, the DM Internal M&E system, and the Sub-National Project Database. Greater use could be made of these systems for sharing information publicly, but clear rules are needed to permit this (e.g. public sharing of CDB data ceased after 2010 because of concerns over a possible misunderstanding or misuse of the data).

Thus far, all DM were provided with Internet connections and until 2018 had the services of a local ITC technician for support. However, familiarity with the use of computers and Internet applications remains at a relatively low level. Sharing of information through websites and Facebook pages has become widely practiced though it is not fully systematic. Among Cambodia’s SNA, only Phnom Penh Capital appears to have an active website (<http://www.phnompenh.gov.kh>) which has a wide range of information but does not offer any services directly online.

For SNA to succeed in integrating e-governance, key challenges must be overcome, including:

- ▶ Lack of physical infrastructure, particularly high-quality Internet connections in rural and remote areas;
- ▶ Software needed for complex service delivery functions (that require the security of sensitive data or handling of payments) is not yet available and will need to be adapted once it is developed at the national level;
- ▶ Staff have limited IT skills;
- ▶ Hardware, software, and the culture of Internet use change rapidly, so systems designed now may be obsolete by the time they are rolled out; and
- ▶ Citizens are not yet familiar with interacting with the Government virtually and may take time to become used to the concept.

Source: discussion with NCDD-S

109. **Major work is going on to build additional capacity in SNA civil servants, though processes could be better coordinated and streamlined, potentially using ICT.** Fieldwork for this study revealed that training can be fragmented and burdensome. Taking training on SNA finance as an example, there are currently various state institutions performing the tasks, including MEF's GDSNAF and other general departments (e.g. GDNT, GD of procurement), NCDD-S, MoI, the National School for Local Administration (NASLA), and the Economics and Finance Institute (EFI) of MEF. Fieldwork and key informant interviews suggest that coordination among these training institutions could be further improved.

Box 14: Policy options and recommendations to improve the smooth transition of functions to the SNAs

There are limited resources available for DM administrations compared to assigned responsibilities—especially in the context of 55 new functions having been transferred in late 2019. In addition, they face challenges in collecting and managing non-tax revenues from the One Window Service Office (OWSO) and SNA state assets.

In the short and medium-term:

- ▶ Issue guidelines in the next phase of the NP-SNDD that clarifies the roles between DM administration staff and technical line offices.
- ▶ Review the guidelines on the management of non-tax revenues to help improve flexibility and efficiency. To begin with, this should focus on improving the management of non-tax revenue from OWSOs, including: i) expanding the use of ICT into the daily functioning of OWSOs and the management of non-tax revenue in general; ii) retaining sufficient revenues for administrative expense; and iii) making incentive sharing fairer.
- ▶ Establish and implement a consistent approach to costing operational and functional expenditures associated with newly transferred functions (most likely beginning with simple administrative functions).
- ▶ Better coordinate the current practices of capacity building through face-to-face training and increasingly replace it with online material and training.

In the longer term:

- ▶ Consider delegating the necessary authority to SNAs to manage human resources and collect revenue as agreed to in fiscal decentralization action plans. This may include providing guidance on collecting management revenues from services (such as the roles DMs may play with entering into and managing contracts with private solid waste management companies) and the rent and use of state property.
- ▶ Consider ways to alleviate capacity constraints on technical resources at the DM level (e.g. by using external contractors to evaluate annual procurement plans) which presently delay the procurement process.
- ▶ Invest in stronger, more agile, interconnected, and harmonized digital information systems, beyond the FMIS, to manage administrative paperwork, recording, and reporting.
- ▶ Review the legal consistencies on the budgetary process around conditional transfer (potentially considering new sub-accounts for assigned and delegated functions).

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Annexes

Annex 1: Key stakeholders consulted

Institutions	Topics discussed
MEF – GDSNAF	Various aspects of the whole SNA financing reform
MEF – GDB	The linkage between SNA budget reform and the national level Public investment management at SNA (linked to national PIM) The changing role of the financial controller (PDEF) at the provincial level
MEF – NT	The changing roles of a public accountant at CP, DM, CS level
MOP	Data collection and use on sub-national administrations
NCDD-S	Various aspects of the whole SNA financing reform
MoI	Various aspects of the whole SNA financing reform
MoEY	Experience/reflection on the ongoing functional transfer
MoH	Experience/reflection on the ongoing functional transfer
MoSVY	Experience/reflection on the ongoing functional transfer
ADB	Various aspects of the whole SNA financing reform
UNICEF	Various aspects of the whole SNA financing reform
EU	Various aspects of the whole SNA financing reform

Annex 2: Key policies and legal documents for SNA and D&D Reforms in Cambodia:

Overall SNA governance and reform

- ▶ Law on the Management of Capital, provincial, municipals, districts and Khan (2008)
- ▶ Law on Public Financial System (2008)
- ▶ Law on the Management of Commune/Sangkat Administration (2001)
- ▶ National Program on Sub-National Democratic Development (2010)
- ▶ Public Financial Management Reform Program (2004)
- ▶ National Public Administration Reform Program (2004)

On functional assignment

- ▶ Sub-decree #68 on the General Process of Transferring Functions and Resources to SNA (2012)
- ▶ Sub-decree #285 on the Selection, Management and Implementation of Permissive Functions by SNA Councils (2014)
- ▶ Sub-decree #68 on the Provision of Administrative Services by SNA (2013)
- ▶ Sub-decree #18 on the Establishment of OWSO for Administrative Service Provision at SNA (2017)
- ▶ Sub-decree #18 on the Establishment of Ombudsman Office at SNA (2017)
- ▶ Various sub-decrees and prakas on the transfer of specific functions to SNAs

On fiscal decentralization

- ▶ Law on Financial Regime and the Management of Property of SNA (2011)
- ▶ Sub-decree #6 on the Transfer of Conditional Grants to SNA (2017)
- ▶ Sub-decree #36 on the Establishment and Functioning of the DMF (2012)
- ▶ Sub-decree #172 on the Financial Management System of DM administrations (2012)
- ▶ Prakas #2809 (MoI) on the Delegation of Authority to Provincial Governor to Verify the Conditions Necessary for the Transfer of DMF (2013)
- ▶ Sub-decree #32 on the Establishment of the Sub-National Investment Facility (SNIF) (2016)
- ▶ Prakas #1431 (MEF) on the Transfer of Tax on the Rental of Moveable and Non-Moveable Property to SNA (2017)
- ▶ Prakas #1458 (MEF) on the Sharing of Tax Revenue of Capital and Provincial Administration to DM and CS administrations (2017)

On PFM at SNA

- ▶ Law on Financial Regime and the Management of Property of SNA (2011)
- ▶ Law on Public Procurement (2012) and various sub-decree, prakas, and guideline on public procurement at the SNA level
- ▶ Sub-decree #219 on the Development Plan and 3 Year Investment Plan for CP and DKM (2009)
- ▶ Prakas #275 (MEF) on Procedures for Petty Cash Advance Spending for SNA (2015)
- ▶ Sarachor #002 (MEF) on Accounting Record for Petty Cash Advance Spending for national and SNA (2018)
- ▶ Prakas #523 (MEF) on the Use of Economic Classification CoA for National and SNA (2017)
- ▶ Sarachor #002 (MEF) on Procedures for Payment and Accounting System for DM (2013)

On personnel management and capacity development at the SNA level

- ▶ Policy on the management and development of human resources at SNA (2013),
- ▶ Law on the separate statute for personnel at SNA (2016),
- ▶ Sub-decree #240 on the delegation of authority to capital, provincial and municipalities in managing personnel working at sub-national level (2017)
- ▶ Instruction #788 on the principles and procedures for appointment and termination of management positions of civil servants working in line department and offices of line ministries at sub-national level (2018)
- ▶ Instruction #789 on the principles, process, and procedures for managing personnel of SNA and the amendments in Instruction #1232 (2018).
- ▶ Sub-decree #114 on the Organizational Structure and Positions in Line Ministries and Sub-National Administration (2017)
- ▶ Sub-decree #192 on the Establishment of National School on Local Administration (2016)

Annex 3: Key players in decentralization reform in Cambodia

Ministry of Interior (MoI) has two main parts: the civil administration and the national police. More relevant to this study is the civil administration side. The MoI also supervises the performance of SNAs, supports central government efforts to build their capacity, and plays a lead role in addressing any irregularities committed by SNAs. In some cases, the MoI can facilitate the dismissal of councilors. It also plays a key role in the appointments of governors, boards of governors, deputy governors, directors of administration, clerks, and finance directors at sub-national administration levels. The MoI also chairs some important subcommittees of the NCDD and provides the bulk of staff of the NCDD Secretariat.

Ministry of Economy and Finance (MEF) is a central ministry overseeing all budgetary and public financial management matters. As provided in Sub-decree #488 (2013) and its later revision, the MEF has many general departments, two of which are particularly relevant for decentralization. The first is the General Department of Budget (GDB), which has departments of budget formulation, budget execution, and investment cooperation. The other is the General Department of Sub-National Finance (GD-SNAF) which has one department for Capital and provincial financial management, one for DM, and one for the CS level.

At the sub-national level, MEF has: (i) Provincial Department of Economy and Finance (PDEF), (ii) Provincial Custom and Exercise Branch, (iii) Provincial and district taxation branch, and (iv) Provincial Treasury. The MEF operates mainly through the PDEF who serves as the financial controller over the revenue and spending of various line technical departments and SNA. The PDEF also plays an important role in managing the procurement processes of those spending agencies. The MEF, through PDEF, is also in charge of periodic capacity-building activities on specific guidelines for the sub-national level. Mainly these take the form of ‘cascade’ training, in which each level delivers a core set of training tools the level below.

Ministry of Civil Service (MCS) is in charge of coordinating personnel management and capacity building of human resources under the NP-SNDD. Working as a key member of the NCDD, the MCS drafts relevant policies, laws, sub-decrees, and regulations. It is also a key player in planning and monitoring key aspects of personnel management including pay policy, establishment control, and career management. At the sub-national level, the MCS performs these functions through its Provincial Departments of Civil Service (PDCS). The MCS also plays a key role in the establishment of a national institute for sub-national administration and its regional branches.

Ministry of Planning (MoP) is a key member of the NCDD responsible for leading the drafting and adoption of key policy and regulations on planning at the SNA level. At the sub-national level, the MoP has Provincial Departments of Planning which assists in the management, analysis, and production of necessary local development data (such as the provincial scorecard) to be used by SNAs in developing their annual development and plan and the three-year investment plan.

Development Partners: Under the NP-SNDD policy framework, development partners have not only provided technical support and partnership but also used the NCDD-S mechanisms to channel their budget support and implement specific development projects on various topics ranging from education, health, water and sanitation, child protection, cash transfer, climate change, land management, and gender.

Annex 4: OWSO in Cambodia – a brief history

2001 to 2007: The OWSO and DO were initiated and piloted in Siem Reap Municipality and Battambang Municipality with support from Germany, Italy, the Konrad-Adenauer Foundation (KAS), and BBJ Servis. In this period, the Ministry of Interior (MoI) adopted a prakas to establish OWSO and DO in the two municipalities, The OWSO was an approach to provide administrative services to citizens and small businesses under a single roof and in a speedy, transparent, and corruption-free manner.⁵³

2008 to 2014: The OWSO and DO were supported by the World Bank and the Demand for Good Governance project. The support was provided to establish the OWSOs/DO in one urban district in each province of the country. The intention was to significantly improve and strengthen the OWSO through capacity building, improved equipment, enhanced competencies, more partnerships with other state institutions and non-state institutions, and wider outreach. The DO is responsible for accepting and responding to information requests and complaints as well as monitoring the OWSO’s activities as prevention against irregularities.

2014 to 2017: Since the completion of the World Bank project, the OWSOs/DO have been supported by the RGC, with the Department of Function and Resources of the MoI playing a direct supporting and supervising role. As of the end of 2017, 46 OWSO/DO were established, 26 at the municipal, eight (8) at the district, and eight (8) at the Khan levels.

2017 to Present: In 2017, building on the previous success, the RGC adopted Sub-Decree #18 on the establishment of OWSO at the sub-national level and Sub-Decree #19 on the establishment of DO at the sub-national level. According to the sub-decrees, the capital and provincial levels will also have OWSO/DO.

⁵³ OWSO website: <http://www.owso.gov.kh/en/>

Annex 5: List of transferred functions as of December 2019

No.	Line ministries	# of functions	Functions	Forms of transfer	Receiving SNAs
1	MoEYS	3	▶ Pre-schools	Assignment	14 DM in Battambang
			▶ Non-formal education	Assignment	
			▶ Primary education	Assignment	
2	MoE	7	▶ Urban solid waste management	Assignment	Capital, municipals, districts
			▶ Management of natural conservation areas	Delegation	Target municipals, districts
			▶ Management of conservation communities	Delegation	Target communes, sangkats
			▶ Mainstreaming climate change adaptation	Delegation	Target municipals, districts
			▶ Strengthening environmental education	Delegation	Capital, provinces
			▶ Management of sewage system	Assignment	Capital, municipals, districts, khans
			▶ Management of dirty water treatment	Assignment	Capital, municipals, districts, khans
3	MRD	3	▶ Repair and maintenance of rural clean water supply system	Delegation	Target districts in Kampot, Tbong Khmum, Kampong Speu, and Kampong Chhnang
			▶ Provision of rural sanitation	Delegation	Target districts in Kampong Cham, Kratie, Tbong Khmum, Kampong Speu, and Kampong Chhnang
			▶ Regular road maintenance	Delegation	Target districts in Tbong Khmum, Kampong Speu
4	MoSVY	3	▶ Management of state residential care institutions	Assignment	Capital, provinces
			▶ Monitoring of NGO run residential care institutions	Assignment	Capital, municipals, districts
			▶ Management of care for vulnerable children in community	Assignment	Capital, Municipals, and communes
5	MoH	5	▶ Management of Provincial Health Department	Assignment	Capital, provinces
			▶ Management of health operating districts	Assignment	Capital, provinces
			▶ Health service provision at Capital/ provincial referral hospitals	Assignment	Capital, provinces
			▶ Health service provision at DM provincial referral hospitals	Assignment	Capital, provinces
			▶ Health service provision at health centers and health posts	Assignment	Capital, provinces

Source: MOI progress report for 2019 and plan for 2020.

Annex 5a: List of transferred functions since 2020

Functions	Sub-functions/Activities
I. Functions to be assigned	
A. Land Management, Urban Planning, Construction and land	
1. Land Management and Urban Planning	1. Develop land use master plan at the municipal level, urban land-use master plan, urban land use planning, and detailed urbanization planning in any areas within a municipality.
2. Land	1. Transfer ownership of unregistered properties. 2. Protect the state's private and public land by taking preventative measures against intrusion or land grabbing.
3. Construction	1. Issuance of permission licenses for construction, renovation, dismantlement, or new construction site, and granting utility certification for residential constructions with a maximum surface of 500 square meters and with a maximum of 4 floors including the ground floor (E0, E1, E2, E3). 2. Issuance of permission licenses for construction, renovation or dismantlement of the fence with a maximum of 3 meters height measured from the ground of the fence. 3. Renew permission licenses for construction, dismantlement, renovation, or new construction site, and construction utility certificates for building with a maximum surface of 500 square meters and with a maximum of 4 floors including the ground floor (E0, E1, E2, E3). 4. Issuance of letters to suspend construction activity that does not comply with the applicable regulations.
4. Housing	1. Review and provide comments for the local land concession plan. 2. Prevent temporary construction on state's land illegally occupies within the municipality.
B. Rural Development	
1. Rural Road Development	1. Construction, repair, and maintenance of rural roads, bridges, and sewage.
2. Clean water management and supply	1. Construction, repair, and maintenance of rural clean water supply systems.
3. Management and rural sanitation provision	1. Construction, repair, and maintenance of public toilets. 2. Outreach on the promotion of rural sanitation. 3. Subsidies for the construction of poor households' toilets.
4. Management of Community Market	1. Establishment and management of community markets.
C. Water Resources	
1. Irrigation	1. Management, construction, repair, and maintenance of distribution canals. 2. Construction, repair, and maintenance of small-scale irrigation systems. 3. Establishment and management of water use farmer communities in small-scale irrigation systems.
2. Management buffer zone of Rivers, Streams, Canals, and Dams	1. Management, and protection buffer zone of river, streams, canals, and dams.
3. Management of water pumping station	1. Establishment and management of water pumping stations.
D. Environment and Natural Resource Sector	
1. Management of Natural Protected Area Systems	1. Management of natural protected area systems.
2. Management of Community Protected Areas	1. Establishment, management, and support of community-protected areas.

3. Environmental Protection Measurements	<ol style="list-style-type: none"> 1. Management of sewerage system and wastewater treatment system. 2. Waste and solid waste management in urban areas.
4. Dissemination	<ol style="list-style-type: none"> 1. Dissemination of legal regulations and increase knowledge and awareness related to the environment.
5. Sustainable Development	<ol style="list-style-type: none"> 1. Sustainable development
E. Mine and Energies Sector	
1. Mineral Resources	<ol style="list-style-type: none"> 1. Permit and registration of license of mineral resources, handicraft, land excavation service, or mobile exaction service with the surface of no more than 0.5 hectares and depth of no more than 03 meters, or excavation operations with the surface of no more than 01 hectares and depth of no more than 01 meter. 2. Registration of business depot location of sand mines, pebbles, and construction stone.
2. Energies	<ol style="list-style-type: none"> 1. Management and permit for installation of electronic machines for battery recharge service with the energy of no more than 25 kilowatt-hours.
3. Petroleum	<ol style="list-style-type: none"> 1. Management and permit for business selling white gas in cans or gallons with the volume of no more than 45 kilograms. 2. Management and permit for the business selling and changing motor oil.
F. Agriculture, Forestry and Fisheries Sector	
1. Agriculture	<ol style="list-style-type: none"> 1. Dissemination of agricultural technique works (rice, crop, and vegetable).
	<ol style="list-style-type: none"> 1. Implementation of activities related to agronomy and land management for a crop. 2. Implementation of activities related to agro-industry crops.
2. Animal Health and Animal Productions	<ol style="list-style-type: none"> 1. Implementation of activities related to animal health and animal productions.
3. Forestry	<ol style="list-style-type: none"> 1. Implementation of activities related to forestry.
4. Fishery	<ol style="list-style-type: none"> 1. Implementation of activities related to fisheries.
5. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Agricultural section 2. Animal hygiene section 3. Freshwater section 4. Maritime section
G. Public Works and Transportation Sector	
1. Tasks related to Road	<ol style="list-style-type: none"> 1. Management of buffer zones for national roads and provincial roads in urban areas. 2. Construction, repair, and maintenance of roads and urban roads in Municipality.
2. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Management, registration, and issuance of a license for businesses related to motorcycle fixing, recycling, and installation of garages. 2. Management and issuance of a license for ferries. 3. Motorcycle services, including legal registration, changes, duplication, and third copy of registration cards. 4. Tricycles and motorcycles with trailer services, including registration of tricycles, motorcycles with trailer and motorcycles, changes, duplication, and third copy of registration cards. 5. Technical check of tricycles and motorcycles with trailer, providing, duplication, and third copy of certification of a technical check.
H. Industry and Handicraft Sector	
1. Clean water supply	<ol style="list-style-type: none"> 1. Management of piped clean water supply business (licenses received directly from the Ministry of Industry and Handicraft).

2. Provision of Administrative Services	<ol style="list-style-type: none"> 1. Management and legal registration of handicrafts, small enterprises without risks and having investment fund equivalent of 80 million riels or below, including the establishment of legal registration, issuance of permission certification, the addition of new products, expansion of productions, changes of handicraft locations, changes of handicraft owners (transfer of ownership), changes of handicraft name, and requesting copies of documents. 2. Services for garages related to repairing electronic devices, car wash, and motorcycle wash.
I. Commercial Sector	
1. Business, Services, and Commerce	<ol style="list-style-type: none"> 1. Issuance of license for businesses, services, and commerce. 2. Issuance of license for businesses related to all types of metals and valuable gems for jewelry
2. Label price on goods	<ol style="list-style-type: none"> 1. Checking of price label on all types of goods and services and recording necessary commodity price index for daily livelihood
3. Market	<ol style="list-style-type: none"> 1. Market research for citizen's products
J. Tourism Sector	
1. Management of eco-tourism areas and tourist attraction sites	<ol style="list-style-type: none"> 1. Management and development of eco-tourism areas and tourist attraction sites.
2. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Guesthouse that consists of 08 rooms or below. 2. Renting rooms. 3. House with rooms for rent. 4. Cafeterias and restaurants for tourists from 50 people/chairs or below (except those with standards or owned by a foreigner). 5. Cafeterias and restaurants in Khan from 50 people/chairs or below (including food stalls, restaurants selling noodles, coffee, and barbecue restaurants). 6. Means of transportation for tourists including tourist bus from 05 chairs or below, tourist motorbikes, motorbikes for rent or tourist tricycle. 7. Karaoke that consists of 05 rooms or below. 8. Therapy massage houses that consist of 05 beds or 05 chairs or below. 9. Snooker houses that consist of 05 tables or below.
K. Social Affairs, Veterans and Youth Rehabilitation Sectors	
1. Orphan and vulnerable children	<ol style="list-style-type: none"> 1. Management of cases of orphans and vulnerable children.
2. Victim and Vulnerable People	<ol style="list-style-type: none"> 1. Management and identification of victims and vulnerable people.
3. People with disabilities	<ol style="list-style-type: none"> 1. Management of people with disabilities and provision of information on labor rehabilitation services.
4. National Veterans Foundation and National Social Security Fund	<ol style="list-style-type: none"> 1. Management and identification of potential National Fund for Veterans and National Social Security Fund for civil servants.
5. Veterans and Their Households	<ol style="list-style-type: none"> 1. Management and identification of veterans and their families.
6. Rehabilitation Center	<ol style="list-style-type: none"> 1. Management and cooperation with Rehabilitation Center of Capital and Province.
7. Older People's Association	<ol style="list-style-type: none"> 1. Management of data of older people in a community.
8. Checking on child care centers of Non-Government Organizations	<ol style="list-style-type: none"> 1. Checking on child care centers of non-governmental organizations
L. Women Affairs Sector	

1. Women and Children	<ol style="list-style-type: none"> 1. Facilitation, prevention, and addressing violence against women and children and trafficking of women and children. 2. Management and collection of women and children data in local communities. 3. Education and dissemination on women's and children's rights to promote social morals and gender equity.
M. Labor and Vocational Training Sector	
1. Employment and labor market service	<ol style="list-style-type: none"> 1. Dissemination of employment service and labor market information.
2. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Record of establishment register (with employees less than 8 persons). 2. Record of payroll ledger (with employees less than 8 persons). 3. Record of minors register from aged 12 to below 15 years old (with employees less than 8 persons). 4. Record of minors register from aged 15 to below 18 years old (with employees less than 8 persons). 5. Issuance of visa for companies who request to employ minors (with employees less than 8 persons).
N. Cults and Religion Sectors	
1. Cults and Religion	<ol style="list-style-type: none"> 1. Checking and issuance of visa for a request to frock a monk or nun. 2. Establishment of Achar committee and pagoda committee. 3. Cooperation with monastic code of conduct committee to address any matter at pagodas. 4. Promotion of activities related to the Buddhist religion and other religions. 5. Facilitation of any religious activities and events. 6. Prevention of anarchical fund-raising.
O. Culture and Fine Arts Sectors	
1. Culture and Fine Arts	<ol style="list-style-type: none"> 1. Protection and preservation of historical sites in local areas. 2. Maintenance, protection, and promotion of cultural assets in local areas. 3. Prevention of any destructive activities on cultural assets, distribution of filming videos which affect to national customs and traditions. 4. Inspiring people and the mass in local areas to participate in cultural activities and organization of national festivals. 5. Regular prevention against the destruction, stealing, and illegal trafficking of cultural products. 6. Enforcement and expansion of culture at pagodas.
2. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Other performances (unofficial). 2. Movies and video screening (advertisement for public events and guests). 3. Movies and video selling and renting businesses. 4. Business sign. 5. Issuance of license (produce signs, panels, and advertising panels). 6. Speaker businesses (renting speakers and loudspeakers). 7. Bookselling businesses (book centers with a surface of below 50 square meters). 8. Art molding businesses. 9. Photography businesses (houses or buildings for printing, photographing, and recording videos). 10. Hair salon, nail salon, and dress wedding businesses (shops).
P. Post and Telecommunication Sectors	

1. Post and telecommunication	<ol style="list-style-type: none"> 1. Check and report on any crimes related to illegal use of equipment, telecommunication facilities, and illegal businesses. 2. Monitor and check any activity related to postal and telecommunication infrastructure constructions in the geography of Khan with cooperation with telecommunication operators. 3. Report on quality level and areas that do not access to postal and telecommunication services. 4. Collect data of the number of mobile phone antenna towers, microwave radios, telecommunication repairing and selling locations, and coffee and internet halls. 5. Record data of the number of operators or postal branches and telecommunication operators, and companies supplying internet services. 6. Disseminate and promote the introduction of information and communication technologies in public establishments and in communities.
Q. Health Sector	
1. Provision of Administrative Service	<ol style="list-style-type: none"> 1. Issuance permit for opening, renewal, and relocation of the prenatal and postnatal cabinet. 2. Issuance permit for opening, renewal, and relocation of physical therapy cabinet. 3. Issuance permit for opening, renewal, and relocation of health care cabinet. 4. Issuance permit for opening, renewal, and rename of pharmacists or change the responsible person for sub-pharmacy "A". 5. Issuance permit for renewal of sub-pharmacy "B". 6. Issuance of permit for opening, renewal, and relocation of dental care clinic. 7. Issuance of permit for opening, renewal, and relocation of general health treatment clinic. 8. Issuance of certificate to certify on food hygiene in restaurants and local cafeterias or tourist cafeterias that contains a maximum of 50 people.
R. Legalization, Administration and Civil Registration	
1. Legalization	<ol style="list-style-type: none"> 1. Verification of original copy of documents.
2. Administration	<ol style="list-style-type: none"> 1. Issuance of permit for landfilling of privately-owned land with an area below 10,000 square meters.
3. Civil Registration	<ol style="list-style-type: none"> 1. Copy of birth certificate or of birth certificate. 2. Copy of marriage certificate or marriage certificate. 3. Copy of death certificate or death certificate.
II. Delegated Functions	
A. Education Sector	
1. Management of Early Childhood Education	<ol style="list-style-type: none"> 1. Management of Pre-school personnel
	<ol style="list-style-type: none"> 2. Management of pre-school students.
	<ol style="list-style-type: none"> 3. Planning
	<ol style="list-style-type: none"> 4. Management of finance and properties.
	<ol style="list-style-type: none"> 5. Management of goods, building, construction, renovation, infrastructure maintenance, and other services.
	<ol style="list-style-type: none"> 6. Management of public pre-school program.
	<ol style="list-style-type: none"> 7. Management of private pre-school program.
	<ol style="list-style-type: none"> 8. Management of inclusive learning program and multilingual program (for Municipality with ethnic minority).
	<ol style="list-style-type: none"> 9. Management of nutrition program.
	<ol style="list-style-type: none"> 10. Management of scholarship program for poor children at school.
	<ol style="list-style-type: none"> 11. Management of Parental education program in conjunction with public pre-school program and community pre-school program.

2. Management of primary education	1. Management of primary education personnel.
	2. Management of contracted primary school teacher.
	3. Management of students.
	4. Planning
	5. Management of finance and properties.
	6. Supply of main textbook.
	7. Management of goods, building, construction, renovation, infrastructure maintenance, and other services.
	8. Management of school management committee operation.
	9. Management of School Cluster Development Committee.
	10. License Issuance.
	11. Management of Child-Friendly School Program.
	12. Management of multilingual program (for Municipality with ethnic minority).
	13. Management of accelerated learning program.
	14. Management of School Feeding Program.
	15. Management of special education program.
	16. Management of scholarship program for poor students.
	17. Management of health and hygiene education program.
3. Management of non-formal education	1. Management of personnel.
	2. Recruitment and management of contracted teachers.
	3. Mobilization and management of students, learners, and participants.
	4. Preparation of Activity Plan.
	5. Management of finance and properties.
	6. License Issuance.
	7. Management of goods, building, construction, renovation, infrastructure maintenance, and other services.
	8. Management of vocational literacy program.
	9. Management of post-literacy program.
	10. Management of primary education equivalent program and preparation class.
	11. Management of income generation program.
	12. Management of re-enrollment program.
4. Administrative works supporting general secondary education establishments	1. Administrative works.
	2. Management of personnel.
	3. Planning, Finance, and Properties.
5. Youth Development	1. Youth development.
6. Physical Education and sport	1. Physical education and sport.

Annex 6: Key Data Tables

Table A1: Total Revenue and Expenditure of National and Capital/provincial Level (2018-2020)

Revenue and expenditure (In Billion riels)	2018		2019		2020	
	Budget Law	% of GDP	Budget Law	% of GDP	Budget Law (Plan)	% of GDP
Revenue						
Total revenue	18,587	22.2%	21,186	22.6%	26,805	22.5%
Current Revenue	18,407	22.0%	20,993	22.5%	26,612	22.4%
Capital Revenue	180	0.2%	193	0.2%	193	0.2%
Central level						
Current Revenue	17,448	20.3%	19,593	20.7%	24,325	20.4%
-Tax Revenue	15,076	17.6%	16,879	17.8%	21,107	17.7%
-Non-Tax Revenue	2,372	2.7%	2,714	2.8%	3,218	2.7%
Capital Revenue	180	0.2%	193	0.2%	193	0.2%
Capital-Provincial level						
Tax Revenue	959	1.7%	1,400	1.8%	2,286	1.9%
Tax Revenue	910	1.6%	1,352	1.8%	2,070	1.7%
Non-Tax Revenue	48	0.1%	48	0.1%	216	0.2%
Expenditure						
Total Expenditure	24,375	24.4%	27,165	25.0%	33,808	28.4%
Current Expenditure	15,945	16.2%	17,908	16.5%	19,938	16.8%
Capital Expenditure	8,430	8.2%	9,257	8.5%	13,870	11.7%
Central level						
Current Expenditure	15,218	15.1%	16,827	15.5%	18,109	15.2%
Capital Expenditure	7,473	7.3%	8,032	7.4%	12,307	10.3%
Capital/provincial level						
Current Expenditure	1,465	1.8%	1,880	1.7%	2,914	2.5%
Capital Expenditure	220	0.2%	320	0.3%	457	0.4%
Capital-provincial level Transfer/ Subsidize	738	0.8%	800	0.7%	1,085	0.9%

Source: (MEF, 2019)

Table A2: Budget execution for CP level 2018 and 2019

Description	CoA Code	Actual execution (USD)				Execution rate for selected budget items for 2019	
		2018		2019		Total	PNH
		Total	% of PNH	Total	% of PNH		
Total revenue		591,689,304	54%	894,826,523	52%	225%	169%
Tax revenue	70	396,628,354	69%	528,435,761	67%	156%	136%
Non tax revenue	72/73	8,330,068	50%	9,897,786	50%	125%	133%
Subsidy and donation	75	186,722,255	0%	356,472,003	29%	697%	1,132%
Total expenditure		478,659,721	44%	595,847,348	43%	208%	151%
Recurrent expenditure (incl. development)		248,368,166	36%	429,661,902	36%	175%	145%
Personnel wage	64	17,085,613	17%	19,815,838	19%	100%	100%
Service & development	61	196,411,472	36%	373,399,122	37%	382%	343%
Subsidy	65	125,121,213	49%	46,369,985	85%	112%	103%
Subsidy to DM	65012	18,754,841	80%	19,288,805	78%	112%	100%
Subsidy to CS	65013	10,374,445	90%	12,587,748	94%	100%	100%
Capital expenditure	21/20	105,165,005	56%	119,806,836	50%	150%	111%
Surplus		113,029,583		98,979,175			
As % of expenditure		24%		50%			

Table A3: Budget execution for DM and CS for 2018 and 2019

Description	CoA Code	DM (USD)		CS (USD)	
		2018	2019	2018	2019
Total revenue		69,967,997	84,625,776	118,884,695	143,537,748
Tax own revenue	70	-	-	-	-
Non own tax revenue	72/73	3,618,519	4,744,130	-	-
Income from state asset	72	675	375	-	-
Income from admin services	7300/2/4/8	3,617,844	4,711,060	-	-
Income from state asset rental & sale and others	7301/5/7	-	32,694	-	-
Received subsidy and donation	75	66,349,479	79,881,646	118,884,695	143,537,748
Subsidy from national level fund (DMF/ CSF)	7501	47,248,103	58,137,788	108,510,250	130,950,000
Subsidy from CP level	75021	18,746,560	19,351,414	10,374,445	12,587,748
Income from performing delegated functions	7506/8	32,048	198,813	-	-
Subsidy from national level (line ministries)	7520	222,725	2,174,052	-	-
Total expenditure		69,175,896	85,513,913	118,884,620	143,537,731
Recurrent/development expenditure		60,607,058	75,189,924	118,884,620	143,537,731

Description	CoA Code	DM (USD)		CS (USD)	
		2018	2019	2018	2019
Total revenue		69,967,997	84,625,776	118,884,695	143,537,748
Purchase of goods	60	2,447,169	3,073,012	13,856,000	10,966,284
Purchase of services/ development	61	21,949,180	31,161,069	52,722,445	66,128,998
Personnel wage	64	35,171,058	39,719,814	52,306,175	66,442,450
Social interventions	62	1,039,651	1,236,029	-	-
Subsidy to CS	65013	8,506,026	10,165,118	-	-
Capital expenditure	21/20	62,812	158,870	-	-
Physical infrastructure	21	62,812	158,870	-	-

Annex 7: Per capita spending across CPs

Province	Total population	Expenditure (millions of riel)	Per capita spending (Riel)	Ratio to Phnom Penh
Phnom Penh	1,329,052	566,704	426,397	
Preah Sihanouk	212,258	44,313	208,770	2.0
Kep	40,763	7,777	190,786	2.2
Pailin	67,601	11,400	168,637	2.5
Mondul Kiri	81,343	11,936	146,737	2.9
Stung Treng	143,547	10,583	73,725	5.8
Koh Kong	130,868	9,060	69,230	6.2
Ratanak Kiri	194,773	12,311	63,207	6.7
Siem Reap	1,067,353	58,599	54,901	7.8
Kandal	1,227,890	56,139	45,720	9.3
Banteay Meanchey	769,908	30,857	40,079	10.6
Preah Vihear	238,661	9,483	39,734	10.7
Otdar Meanchey	241,986	7,618	31,481	13.5
Kracheh	392,442	12,150	30,960	13.8
Kampot	674,015	18,578	27,563	15.5
Battambang	1,242,525	30,690	24,700	17.3
Svay Rieng	617,458	14,746	23,882	17.9
Pursat	486,299	11,426	23,496	18.1
Kampong Thom	775,566	16,740	21,584	19.8
Kampong Cham	1,135,182	24,082	21,214	20.1
Kampong Speu	848,076	17,832	21,026	20.3
Kampong Chhnang	543,902	11,406	20,971	20.3
Tboung Khmum	833,672	15,850	19,012	22.4
Takeo	1,007,121	16,159	16,045	26.6
Prey Veng	12,10,434	14,843	12,263	34.8
Median of remaining 24 Provinces	580,680	14,795	31,221	13.7

Annex 8: An overview of the SNIF

Legal framework: Sub-decree No. 32 (2016). *Establishment and Functioning of the Subnational Investment Fund.*

Objectives: To provide funding from central government and other sources for public investment projects prepared and implemented by subnational administrations.

Board: Sets policies and direction, and makes major decisions, including in relation to investments. It is chaired by the Senior Minister and Minister of Economy and Finance, with two deputy chairs being the Secretary of State (Ministry of Economy and Finance) and a representative of the Ministry of the Interior. There are 18 other board members, including from the National Committee for Sub-National Democratic Development Secretariat and most major ministries. The Subnational Investment Fund (SNIF) Board has now met on several occasions and is operational.

Secretariat: Undertakes day-to-day management functions under supervision of the board. It is based in the Ministry of Economy and Finance, and the head and deputy heads come from the General Directorate of Subnational Administration Finance. It assesses and processes project proposals for board consideration and undertakes annual eligibility assessments. It also monitors and evaluates project performance. The SNIF Secretariat is now operational but not yet fully staffed.

Tier(s) of subnational administration to be supported: The sub-decree allows for all three subnational tiers to be supported with priorities to be set by the board, which has determined that the focus in the first few years will be solely on districts and municipalities.

Funding sources: The central government, development partners, and other sources may contribute funds. Development partners and other sources can reach specific agreements on the conditions of funding. Government funding for the SNIF has been determined for 5 years. In 2016, it was based on 0.02% of recurrent revenue, to scale up to 0.07% of recurrent revenue by 2020. From 2017 to 2020, a maximum of 30% of government funding can be used for administrative costs of the SNIF Secretariat with a minimum of 70% to be applied to project financing. Year-end balances can be carried forward.

Allocation of funds to subnational administrations: The SNIF Board determines eligibility criteria, which initially include adequate assessments (to be undertaken annually) in relation to public financial management and procurement capacities. Within each tier, funding is allocated in line with a formula that specifies allocations will be 60% according to population and 40% according to poverty indexes (though scarcity of funding seems to have prevented full use of this formula in the initial round of grants allocated and it is not clear how this formula will be operationalized in future).

Project preparation and approval: Only eligible and selected subnational administrations prepare projects with budgets not to exceed ceilings provided by the SNIF Secretariat and SNIF Board. Prepared projects are approved by the SNIF Board and are included in annual budgets of the subnational administrations, with budget execution and procurement in line with normal public financial management procedures.

Supervision and oversight: The SNIF is subject to internal and external audit requirements and is required to prepare an annual financial and performance report. Citizens in the regions are to be transparently involved in project preparation and performance evaluations.

Annex 9: Staff transfers to the DM SNA

By Provinces	Number of offices	Number of Positions				Number of staff		Number of Grade			Contract staff	Teachers
		Before restructuring		After restructuring		Total	Female	A	B	C		
		Chiefs	Deputy	Chiefs	Deputy							
Pailin	26	17	19	13	31	84	24	17	30	35	2	-
Kep	26	13	12	17	21	81	26	17	28	34	2	-
Prey Veng	169	174	136	99	211	758	203	122	188	432	16	-
Svay Rieng	104	105	71	69	114	414	111	70	154	186	4	-
Sihanoukville	65	37	46	32	56	214	55	52	61	85	15	-
Battambang	182	119	244	121	186	7,313	4,294	146	803	5,285	1,079	6,546
Kampong Thom	117	102	105	68	158	546	175	90	160	296	-	-
Koh Kong	91	44	41	46	52	238	63	29	78	99	32	-
Preah Vihea	104	68	62	63	72	305	97	37	106	152	10	-
Ratanakiri	117	61	59	51	73	271	70	35	100	135	1	-
Mundulkiri	65	39	34	34	46	140	44	18	31	70	21	-
Steung Treng	78	43	40	40	66	215	81	20	82	113	-	-
Siem Reap	156	123	105	90	162	689	240	110	152	346	81	-
Kratie	78	42	39	39	56	249	69	31	95	112	11	-
Udor Meanchey	65	45	36	34	55	245	55	37	76	132	-	-
Tbong Khmum	91	81	56	58	88	334	107	70	88	153	23	-
Pursat	91	55	58	44	84	362	131	51	134	161	16	-
Phnom Penh	154	235	195	125	334	3,121	723	485	216	340	2,080	-
Banteay Meanchey	117	88	91	67	111	488	147	97	142	249	-	-
Kampong Chhang	104	92	74	64	121	457	156	100	140	212	5	-
Kampot	104	120	109	75	174	609	179	121	171	307	10	-
Kampong Speu	104	114	82	64	131	487	114	76	153	240	18	-
Kampong Cham	130	127	104	92	167	607	188	132	155	276	44	-
Takeo	130	132	128	86	190	663	162	140	190	314	19	-
Kandal	143	157	154	89	232	722	193	107	207	353	30	-
Total	2,611	2,233	2,100	1,580	2,991	19,612	7,707	3,740	3,740	10,118	3,519	6,546

