

KINGDOM OF CAMBODIA

**INTERGOVERNMENTAL TRANSFER
(Commune/Sangkat - CS FUND)**

Outline of Presentation

- 1. Introduction
- 2. Evolution of SNA Finance System
- 3. The establishment and objective of the fund
- 4. Distribution of the Fund to CS
- 5. Special fund for Climate Change

Introduction

- Fiscal Decentralization (FD) is cross cutting issue which addressed in both NSDD and PFMRP
- NP2 (2021-2030) of National Program on Sub-national Democratic at Sub-national Level (NSDD) – Comp 4: (i) FD concerns the national transfer of resources and strengthening the efficiency of collection of local revenues. (ii) SNAs will manage these resources and ensure consistency with the principles and approaches of state budget management as well as the decentralization principle.
- FD in Cambodia has 3 pillars: 1. Functional Transfer, 2. Own Source Revenue, 3. National Transfers

Evolution of SNA Finance System

Situation from 2002 to Present

- 2002 – 2012: SNAs had two levels of budget (Province/Capital and CS Budget). Delegated budgets for municipal/district/khan in 2012.
- 2013 onward: SNAs have had three levels of budget (Capital/Province, Municipal/District and Commune Budget). Capital budget included khan and sangkat budget and Municipal budget included sangkat budget.

THE ESTABLISHMENT AND OBJECTIVE OF THE FUND

- **CS Fund (the Fund)** has been established by government sub-decree since 2022.
- **Objective of the Fund:** To enable the CS to assume their general responsibilities for local administration and promotion of local development.
- **Source of the Fund:**
 - (1) Government recurrent domestic revenue (2% in 2022 and 3.5% annually from 2024 to 2028)
 - (2) Contributions from grants and loans.
- **Components of the Fund**
 - ❖ From 2022 to 2023
 - General Administration
 - Local Development
 - ❖ From 2024 to 2028
 - General Administration
 - Social and Environmental Services
 - Local Development

DISTRIBUTION OF THE FUND TO CS

From 2002-2013

- **General Administration not more than 1/3**
 - ❖ Allowances of councilors and village leaders
 - ❖ Administrative operation in proportion to number of councilors.
- **Local Development not less than 2/3:** Allocated to CS through formula based (equal share, population, poverty index)

From 2014-2023

- **General Administration**
 - ❖ Allowances of councilors and village leaders
 - ❖ Administrative Operation = (Total fund – Allowance)*17%, with formula base (equal share, councilor and poverty)
- **Local Development** - Residual from allowance and administrative operation and allocated to CS through formula based (equal share, population, poverty index and number of village)

DISTRIBUTION OF THE FUND TO CS

From 2024-2028

- **General Administration**
 - ❖ Allowances of councilors and village leaders
 - ❖ Administrative Operation = (Total fund – Allowance)*17%, and allocated to CS through formula based (equal share and councilors)
- **Social and Environmental Services** = % of Total fund – Allowance (13%, 18%, 22%, 26%, 31% for 2024 to 2028 respectively) and allocated to CS through formula based (equal share, population and poverty index).
- **Local Development** - Residual from general administrative and social & environmental services and allocated to CS through formula based (equal share, population, poverty index and number of village)

Special fund for Climate Change

- DP's financed projects initiated a top up approach on CS's annual investment
- Grant for Vulnerability Reduction Assessment (VRA)
- Performance based climate resilience Grant for infrastructure
- CS will identified their development plan and non-climate related cost financed from CS fund.



THANK YOU