

Joint Analysis on

National Budget Allocation and Civic Engagement for Sub-national Administrations (SNAs)



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1. Rational

The Royal Government of Cambodia (RGC) has committed to the Sub-National Democratic Development Reform (SNDD) reform, guided by the Government's strategic framework for decentralization and de-concentration reforms, Organic Laws, Programs, and related legal frameworks since 2005. The reform journey is also regarded as key governance reform guided by the key principles of good governance of rectangular strategies. The SNDD reform process, along with public administration and public financial management reforms, aims to establish democratic culture at the local level, increase the participation of citizens in sub-national council affairs with the expectation that the local public services are transparent, accountable, and responsive to the needs of the people within each council jurisdiction across the sub-national levels.

The RGC has engaged key stakeholders, including the civil society in the formulation the National Program on SNDD Phase 2 (NP-2, 2021-2030), and implementation of its 5-year implementation plan (IP-5, 2021-2025), with the commitment to elevate the country from a low middle-income county to an upper middle-income country by 2030.

During the National Program Phase 1 (NP-1, 2010-2019) there are number of implementing challenges identified including: the reluctant of several national institutions to transfer their powers, functions, and resources 'human capacity and finances' to sub-national administrations (SNAs). Although notable progress made on civic engagement in the implementation of social accountability, the citizens still have limited knowledge about their rights and how to hold SNAs accountable to them; and financial resources transferred to SNAs are increasing but the amount has been insufficient for SNAs fulfil their responsibility of responding to the needs of the people. The people's access to information (e.g. budgeting and decisions) is also the challenges across sub-national administration levels.

The complementary roles of civil society organizations

(CSOs) in actively engaged the reform process is well acknowledged under the NP-2. Their engagement, including the role as bridge builders between the national/sub-national administrations and citizens could be a boost to the country reform. The Secretariat of the National Committee for Sub-National Democratic Development (NCDD-S) has demonstrated strong commitments in coordinating and moving promises under NP-2/IP-5 forwards, including the engagement of CSOs in the implementation of social accountability projects. That said, more effort is required through formal or informal welcoming CSO participation in the different policy decisions, in particular national budget development and allocations to sub-national level, as this opportunity is not formally created for the CSOs to provide inputs to the national policies on behalf of the public, although the NP-2 has clearly stated 'the NCDD will continue strengthening mechanisms that ensure a positive working environment for CSOs to constructively participate in policy development processⁱ to contribute to strengthening management of the D&D reform process'. Furthermore, the NP-2 also acknowledged that the important of engagement roles of CSOs in raising awareness of citizensⁱⁱ access to SNAs' information, as well as information related to budget planning and execution process.

2. Methodology of the Study

The review of the literature was conducted based on the existing D&D regulatory frameworks, program documents, research study reports, and evidence on sub-national budget and expenditure that publicly made available from the government entities, related policy briefing materials. The team also conducted online survey with members across the Coalition for Partnership in Democratic Development (CPDD) , as

well as consultation and feedback with selected CPDD members to learn their current interacted experiences at sub-national level on citizen engagement and feedback in planning and budgeting activities, on situation relating to public disclosure of SNA information and citizen access to information, last but not least identify any efforts on citizen activities in tracking the use of public budgets. The informant interview was also took place with selected key stakeholders. The literacy review, survey, and direct interview were focusing on learning experience and challenges relating citizen engagement in planning and budgeting process, access to information, and CSO engagement in national budget development and allocations to SNAs, and identify any efforts to address cross-cutting issues including gender responsive budget, social equality, and inclusiveness.

3. Key Findings and Recommendations

3.1. Sub-national budgeting and allocation

The country democratic development reform is about *'move the decisions in service delivery closer to the people'*ⁱⁱⁱ and this means more resources 'budget' are required at sub-national levels along with powers and functions to be transferred from national level. Third year into the NP-2 (2021-2030), the budget allocation from national to sub-national levels government (Capital, Provinces, Municipalities, Khans, Districts, Communes and Sangkats)^{iv}, although it has been increased each year from 10.6% in 2021 to 12.3% in 2022 to 12.9% in 2023 of the national budget, the overall SNA amount is still remained low compared to the central government's expenditures. As district/municipal administrations (DMAs) are becoming the focus of local service deliveries, they (DMAs) should be "account for 30%-35% of overall government expenditures", according to the recommendation made by BWG/ADB^v. The National Program Phase II (NP-2) acknowledges that the SNAs would need to have adequate financial resources made available from national level, and that the budget development and allocation to SNAs would need to be carried out in a transparent, predictable manner, to allow the SNAs to better respond to the needs of the people within each council jurisdiction.

Recommendation #1	page 2
Recommendation #2 - #8	page 4
Recommendation #9	page 5
Recommendation #10 - #11	page 6

Table1: National vs. Sub-national expenditures [source: CSO's BWG analysis/2023]

Share of State's Expenditure	Year 2018		Year 2019		Year 2020		Year 2021		Year 2022		Year 2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Grand Total State's Expenditure	23,375,102.0		27,164,996.0		33,339,660.0		32,009,742.0		34,708,630.0		39,206,205.0	
National Expenditure (minus: budget line of support to capital, provinces, cities, districts, and communes and budget lines of transferring education and health affairs)	22,690,428.0	97.1	24,965,360.0	91.9	30,010,397.0	90.0	28,606,805.0	89.4	30,433,568.0	87.7	34,147,892.6	87.1
Subnational Expenditure	684,674.0	2.9	2,199,636.0	8.1	3,329,263.0	10.0	3,402,937.0	10.6	4,275,062.0	12.3	5,058,312.4	12.9

Source: laws on National Budget for Management from 2018-2023

Table2: National vs (Capital/Provinces/inl. Khans, DMs, CSs) [source: CSO's BWG analysis/2023]

Share of Subnational Expenditure	Year 2018		Year 2019		Year 2020		Year 2021		Year 2022		Year 2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Grand Total State's Expenditure	23,375,102.0		27,164,996.0		33,339,660.0		32,009,742.0		34,708,630.0		39,206,205.0	
Provincial/ Capital Expenditure including municipalities	1,090,233.0	4.66	1,476,946.0	5.44	2,278,691.0	6.83	2,203,579.0	6.88	2,859,652.0	8.24	3,436,250.0	8.76
City/district Expenditure	160,400.0	0.69	198,890.0	0.73	247,228.0	0.74	489,810.0	1.53	568,053.0	1.64	647,139.4	1.65
Commune/ Sangkat Expenditure	434,041.0	1.86	523,800.0	1.93	803,317.0	2.41	709,548.0	2.22	847,357.0	2.44	974,923.0	2.49

Source: laws on National Budget for Management from 2018-2023

Recommendation #1

National Government to please consider a reasonable decrease of the general national level government expenditures and further increase the allocation to sub-national administrations^{vi} (SNAs), of at least 20% of national expenditures in 2024, with further increment to 30% in the later years, with the reasonable shared of the SNA budget to districts/municipal levels in according to functions assigned to them.

3.2. Sub-national budget preparation and public engagement

Cambodia has two levels of public administration, the national and sub-national administrations. The budget system reform at sub-national levels are required to align and integrate with the national level, in term of budget preparation, management and reporting and both levels are realizing the national policies, and guided under the Law on Public Finance System. The provincial budget strategy plans (BSPs) will align SNA budget and programs - that response to their SNA priorities 'the priorities raised by citizens^{vii}' - with the sectoral objectives, and further contribute to achieving the national priorities.

Brief timeline of SNA budget formulation and adoption

Schedule	Activities
March to May	Preparation of a Strategic Budget Plan: <ul style="list-style-type: none"> • Instruction from Ministry of Economy and Finance (MEF) to all ministries, institutions, SNAs, and all Strategic Budget Plans (SBPs), including those from SNAs to be submitted to MEF by 15 May.
June to September	Preparation of SNA Budgets: <ul style="list-style-type: none"> • MEF issues circular to SNAs to prepare detailed budget plan • SNAs draft budget, disseminate draft budget to public for feedback no later than 30 June • SNAs finalise and submit to MEF 15 July; and August/MEF may conduct legal control check, before endorse SNA budgets.
October to December	Approval of SNA budgets: <ul style="list-style-type: none"> • October, MEF submits SNAs' budgets to Council of Ministers • November, Council of Ministers submits SNAs' budgets to the Senate • December, Senate approval, and final endorsement by The King.

(Source: Law on Finance Regime and Property Management of SNAs)

The CSO engagement in SNA budget process: Accountability and transparency in managing 'allocating and execution' the SNA budget to better response to the needs and priorities raised by citizens can only be ensured through the meaningful consultation

with, engagement of, and feedback from, the citizens - especially the under-represented, women and youth groups- in budget planning, allocation, and monitoring the use of council budgets.

At Commune/Sangkat (CS) level, the engagement of citizens in council budgeting and monitoring process is remained limited, let alone their engagement at District/Municipal (DM) level, this is partly due to the knowledge and understanding of council budgets. At provincial level, according to the feedback from selected the CPDD members from across Battambang (BAT), Banteay Meanchey (BMC), Kampong Cham (KPC), Kampong Thom (KPT), Siem Reap (SRP), and Svay Rieng (SVR), they were invited to attend the provincial level meetings on budget strategy plans (BSPs).

The CSOs appreciate the commitments of the RGC, under the leadership of the NCDD-S and through the Ministry of Interior (MOI) in June 2021 issued the guideline #025 to 'promote the participation of citizens in preparing and approval of CS Administration budget'. The guideline requires the CS administration to disclose draft CS budget plan at least twice (on 15 and 31 October) for the feedback from public/communities, its allows up to two weeks. The guideline also suggests multiple approaches for the dissemination of the CS budget information to public, and at least one consultation session need to take place with the diverse community members, including the under-represented groups. It is pleased to learn that similar guideline to promote participation of citizens in preparation and approval of district/municipal budget is under drafting process.

Among 14 CPDD members working across 6 provinces (BAT, BMC, KPC, KPT, SRP, and SVR) responded in the consultation session that they have not aware of the guideline or not yet engage in the implementation of the guideline. They further responded that there was limited, or in some areas, no CSOs/CBOs engagement at DM level budget preparation, although most have engaged in, or were invited to join, the district integration workshop (DIW). Most of the CPDD members claimed that they also have limited knowledge on DM budgeting process. That said there is opportunity for CSOs/NGOs to engage and act as bridge builders between the SNAs and citizens to ensure that the budgeting decisions not only align with the national policies but also response to the citizens' priorities within SNA jurisdictions^{viii}.

Recommendation #2

CSOs appreciate engagement space ‘opening’ at sub-national levels for SNA budgeting process; it is further recommended that CSO representatives be included in the national budgeting technical working group/ committee, for collective CSO inputs to enrich national decisions on budget allocations to SNAs.

Recommendation #3

Urgent need to increase budgeting knowledge of CSOs/NGOs, so that they are able to further build the budget knowledge and engagement of citizens/CBO leaders in SNA budget preparation, execution/ monitoring process. The leading national level CSO network could lead or play the coordination roles.

Recommendation #4

CBO/citizen participation in DM budgeting (e.g. contributing to budget development) are limited or no involvement at DM level, so urgent attention of CSOs/NGOs working in respective DM Administrations to act as bridge builders to increase effective, transparent and accountable DM budgeting process. Greater attention is required from DM Administrations to also reach out to potential CSOs working within own DM jurisdictions for partnership collaboration and complementary supports.

Recommendation #5

NCDD-S to lead^{ix} organizes annual dialogues between CSOs/key stakeholders and the government for collective inputs to SNA budget development and allocation process (the annual dialogue should occur and align with the budget policy meeting sometime between March-May).

Recommendation #6

Provincial Administration to organize similar budget consultation with CSOs/CBOs and key stakeholders to identify and agree on collective inputs to inform provincial strategic budget plan that are taking place sometime between March-June.

Recommendation #7

Citizens’ budgeting knowledge is limited. It is recommended that CS to actively engage CSOs/CBOs/Citizens in CS budget preparation and allocation process “build citizen budgeting knowledges, understand engagement rights and roles, and the know-how to participate and also tracking CS budget execution”.

Recommendation #8

It is recommended to the national administration to accelerate the finalization and approval of the similar guidelines ‘to promote the participation of citizens in preparing and approval of PC/DMK Administration budgets’ that are currently under the formulation process.

3.3. Transparency/Access to Information *‘building people’s trust’*

There are provisions under the Organic Law^x and related regulations that require SNAs to disseminate information to citizens under their respective jurisdictions. Citizens need to be engaged in decision-making between elections, in particular at sub-national levels, so that their needs and priorities are better responded by the elected councils and their administrations. Meaningful participation of, and monitoring by, the citizens will also contributing to transparent decisions and effectively use of public budgets. The SNAs would need to make efforts to ensure that the public has access to information

‘with or without demand’, those efforts are including share council agenda, meeting minutes, bylaws ‘Deika’, development and budget plan, decisions, budget executions, and related reports. The SNAs would also need to explore different means to ensure information dissemination is reaching and understood by the citizens.

According to the 14 CPDD members consulted from across 6 provinces (above), claimed that some DM Administrations have made efforts to disseminate or

disclose information to public using different approaches (e.g. Battambang and Kampong Cham municipalities), and many others only use the information boards located at the DM offices. In some areas the DM Administrations have made limited efforts to explore different means to disseminate information to citizens, and this could be partly due to the limited interests of the citizens^{xi} (in depth study/survey may be required to learn the reasons), and when there is 'no interest or demand from the publics or unable to hold DM Administrations to account, there is little incentive for SNAs to try their best'. Other assumption is that this could be the mistrust between SNAs and the citizens e.g. so many promises with no actions or actions are not responded to their daily needs. It is believed that when citizens have gained access to relevant information that effective their daily lives – for example when they know that the budgeting decisions could affect health services in their community 'better quality and transparent fees' or resolve the poor education services in the primary

school that their children are attending – they 'villagers' would want to know more or dare to speak for the budget decisions; and along with budget knowledge and expenditures, would increase their interests or desire to want to track the use of related public budgets and promises – and when this is happening, it will activate effectiveness of SNAs' performance, contribute to more transparent, accountable, responsive, and equitable public services.

The potential solutions in building people's trust in SNAs could link to the demonstration of results (or actions) of effective – transparent and accountable – service deliveries, maintaining two-way communication between SNA-citizens, along with quality information (e.g. information that link to citizens interests) disclose to the public, 'with or without asking'. Again CSOs could be the bridge builders and faithful counterparts with SNAs to win the people's trusts, as there are some notable experiences under ISAF activities in some target communes that could be build upon.

Recommendation #9

DM Administrations and CSOs to explore joint efforts to promote the disclosure of DM and CS information (in particular on decisions and budgets) using multi-approaches (e.g. some of those approaches are suggested in MOI guideline 025) to disseminate information to public. Resources will need to be made available to test out the different partnership efforts, and if success the experience and practices should be extended to other DMs/CSs.

3.4. Challenges in SNA budget execution for social services

Promotion of life quality of citizens is the responsibilities of the elected sub-national councils and their administrations. Citizen engaged planning and budgeting activities across SNA levels will also address the social and economic development issues 'beyond infrastructure projects' along with efforts to address cross-cutting issues such as gender equality, social equity, and inclusiveness – must not be neglected.

At the multi-stakeholder-dialogues on National Budget Allocation for SNAs in Hotel Cambodiana on 26 May 2023 funded by UNDP/Japanese Embassy and facilitated by the CPDD coalition/presided by NCDD-S representative, attended by over 100 stakeholders both online and face-to-face, the workshop acknowledged that the implementation of social projects at DM and CS levels are still facing different challenges, including the unclear procedures on budget execution (e.g. budget

code issues effecting advance, and payment delays) for different types of social services, complex social service procurements, and little incentives for councils to prioritise social spending for poor and vulnerable groups. The workshop also acknowledged that there have been increased efforts of the MOI with support from UNICEF to address the budget executions for social services, however the challenges on social budget execution at field level still remain, and required further follow up to resolves them. It was acknowledged that there are also partnership opportunities (e.g. promote diverse technical support for quality social services, citizen participation, and budget tracking) between SNAs, CSOs, and private sector to reinforce accountability towards citizens and responsiveness to their social demands, in particular the poor and vulnerable groups of diverse background, cultural or political beliefs to benefit from social services without discrimination.

Recommendation #10

Social service procurement and related budget execution guidance should be reviewed and clarified to address the current field challenges^{xii}; those may include authority and flexibilities for SNAs to transparently and accountably move forward delivering different types of social projects.

Recommendation #11

CSOs/NGOs to explore/seek agreement with DM administrations to issue ‘Deika’ to establish and test out the DM gender and social budget responsive unit^{xiii} that promotes mindful-decisions on budget allocations that promote gender and social equity.

Endnotes

- ⁱ NP-2/page 13: Priority Activity 1.5.4: Promoting Participation of CSOs in Policy Development Process
- ⁱⁱ NP-2/component 1: Reform leadership and coordination/page 5 and priority activity 2.6.3/page 27.
- ⁱⁱⁱ NP-2/message from the SAMDECH AKKA MOHA SENA PADEI TECHO HUN SEN/Nov 2021
- ^{iv} CSO’s budget working group’s (BWG) input on Analysis of 2023 National Budget Allocation
- ^v BWG and Tariq H. Niazi, Deconcentration and Decentralization Reforms in Cambodia Recommendations for an Institutional Framework, Page 71, 2011, Asian Development Bank
- ^{vi} NP-2/page 1: SNAs will be provided with adequate financial resources made available through increased local revenue and additional transfers from the national level
- ^{vii} Law on Finance Regime and Property Management of SNAs/ Article 22 “SNAs shall manage and use their budgets in an effective manner, transparently and with accountability to its citizens and the RGC...”
- ^{viii} Law on Financial Regime for SNAs/Article 6 “The Council shall manage its public financial affairs effectively, transparently and accountable for its citizens and for the RGC...”
- ^{ix} The Secretariat of CPDD could be the potential co-lead in mobilizing relevant CSOs and grassroots CBOs to engage in the national dialogues
- ^x Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans: Article 36, 51, 52, 169, and Article 170.
- ^{xi} In depth study/survey is needed to learn or verify the reasons of why the citizens are interested in DM information.
- ^{xii} There is a need to conduct field study/consultation with SNAs and CSO stakeholders to specifically learn current field challenges (e.g. budget code issues, budget advance and payment delays) and seek their feedback to inform the improved policy guidelines on social services.
- ^{xiii} NP-2/component 4/page53: “Fiscal decentralization and SNA planning and budgeting are also closely linked with the promotion of gender equality, social equity, and inclusiveness.”

