



## Presentation on SNA Finance System

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# Outline of Presentation

- 1. Evolution of SNA Finance System**
- 2. Legal Background**
- 3. SNA Budget**
- 4. SNA Revenue**
- 5. National Transfer**
- 6. Summary of SNA Budget**

# 1. Evolution of SNA Finance System

## Situation before 1993

- Established when the national currency printed
- In accordance with administrative and Planning system
- Decentralized finance/budget system
- Province/Municipal Budget “unified budget” (administrations and provincial line agencies)
- CS budget within the District/Khan budget and District/Khan budget in the Province/Municipal budget.
- Provinces/Municipal discussed their respective budget with Ministry of Economy and Finance
- Fund transfer made through national bank which had branches till district level.
- More power transferred to provincial/municipal administration.

# 1. Evolution of SNA Finance System (cont')

## Situation from 1993 to 1998

- Law on Finance System (1993)
- High Centralized finance/budget system
- Province/Municipal/CS budget was part of Ministry of Interior's budget
- Provincial/Municipal line departments were part of their respective line ministries 'budget
- Difficulty in budget execution made by provinces/municipal/CS (needed to request MOI).
- Difficulty in horizontal coordination (administration and line department)

# 1. Evolution of SNA Finance System (cont')

## Situation from 1998 to 2002

- Law on Provincial/Municipal Finance Regime and Property Management (February, 1998)
- De-concentrated Finance/Budget system when there was absent of Organic Law.
- Some main provisions were related to administrative management system.
- Province/Municipal budget covered the activities/ expenditure of district/khan budget as well CS (only salary and operation expense).
- Small provincial budget for development purpose.
- Development Expenditure budget heavily depended on provincial line departments budget.

# 1. Evolution of SNA Finance System (cont')

## Situation from 2002 to Present

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

## 2. Legal Background

- Law on Administrative Management of Capital, Province, Municipalities, Districts and Khans (2008).
- Law on Public Finance (2008)
- Law on Procurement (2012)
- Law on Provincial/Municipal Finance Regime and Property Management (1998)
- Law on Financial Regime and Property Management of SNA (2011)
- Sub-decree on CS Fund (2002)
- Sub-decree on CS Financial Management System (2002)
- Sub-decree on Establishment and Functioning of Municipal /District Fund (2012)
- Sub-decree on Financial Management of Municipal /District Administration

# 3. SNA Budget

## General Principle

- Budget Cycle: 1 Jan- 31 Dec

## SNA

- Capital/Provincial Budget: 1 Capital and 23 Provinces
- Municipal/District/Khan Budget: 26 Municipal, 159 Districts and 9 Khan.
- Commune/Sangkat Budget: 1633 Commune /Sangkat.

# 3. SNA Budget (Cont')

## Capital/Province Budget Formulation

- BOG: Prepare the annual budget
- Council: Reviewing, approving and monitoring the annual budget.
- Provincial Governor is responsible to support Municipal/District in budget preparation.
- MEF: Legality control check on the Capital/Province and Municipal/District's budget (2013 budget).
- MEF delegated authority to Provincial Governor along with Provincial Department of Finance to review and endorse the Municipal/District budget (from 2014).

# 3. SNA Budget (Cont')

## Capital/Province Budget Execution

- Governor: As principal budget administrator (Khan and Sangkat are delegated budget administrators), execute the budget on behalf of its council and reporting.
- Council: Monitor the budget executed by the governor
- Financial Controller: Review, control and provide visa on the request (expenditure commitment) and payment order made by the governor.
- Provincial Treasury: Review on payment order and execute the payment.
- Year end budget surplus return to national budget.

# 3. SNA Budget (Cont')

## **Municipal/District Budget Formulation**

- BOG: Prepare the annual budget
- Council: Reviewing, approving and monitoring the annual budget.
- MEF: Legality control check on the Municipal/District's budget (2013 budget).
- Municipal/District budget will be reviewed and endorsed by Provincial Governor along with Provincial Department of Finance (2014 budget).
- In 2012, the Municipal/District budget was part of Provincial budget.
- From 2013 onward Municipal/District have its own budget.

# 3. SNA Budget (Cont')

- **Municipal/District Budget Execution**
- Governor: As principal budget administrator (Sangkat in the Municipal are delegated budget administrators), execute the budget on behalf of its council and reporting.
- Council: Monitor the budget executed by the governor
- No Function of Financial Controller: To review, control and provide visa on the request (expenditure commitment) and payment order made by the governor.
- Provincial Treasury: Review on payment order and execute the payment.
- Year end budget surplus return to national budget.

# 3. SNA Budget (Cont')

## CS Budget Formulation

- CS chief: Prepare the annual budget.
- Council: Reviewing, approving and monitoring the annual budget.
- Sangkat shall submit the approved by its council to Municipal or Capital for consolidation.
- Provincial Governor: Reviewing and endorse the Commune budget which approved by its council.
- District/Municipal: Support to CS on budget preparation.
- Year end budget surplus of Commune carried over to the following years.
- From 2013 onward, the Sangkat budget has been part of Municipal and Capital budget.

# 3. SNA Budget (Cont')

## Commune/Sangkat Budget Execution

- Commune Chief: As budget administrator, execute the budget and reporting.
- Sangkat Chief: As delegated budget administrator, execute the budget and reporting.
- Council: Monitor the budget executed by the commune/sangkat chief.
- Provincial Treasury (accountant): Reviewing the payment order issued commune/sangkat chief by and execute the payment.
- Commune year end budget surplus carried over to following year.

# 4. SNA Revenue

**In accordance with the Law, the SNA Revenues are:**

- Local Source Revenue: Study was made and the policy will be formulated.
- National Source Revenues
- Other revenues as defined by law or other enforced legal regulations.

## ***Capital/Province***

- Local Source Revenues are: tax and non-tax revenues
  - Tax revenues are: transportation means, road lighting, slaughter, unused land, patent, stamp transfer and property.
  - Non-tax revenues are from electricity supply, water supply, renting of state assets and others.
- National Transfer: Gap filling

# 4. SNA Revenue (Cont')

## *Municipal/District*

- National Transfer: Municipal/District Fund

## *Commune/Sangkat*

- Local Source Revenue: Non-tax revenues are from civic registration, administration fee and land titling fee.
- National Transfer: Commune/Sangkat Fund
- Contribution from DPs: Earmarked Fund (specific purpose).

# 5. National Transfer

## Commune/Sangkat Fund (CSF)

- **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 and (2) Contributions from grants and loans.
- **Components of the Fund:**
  - General Administration not more than  $1/3$
  - Local Development not less than  $2/3$
- **General Administration**
  - Allowances of councilors and village leaders
  - Administrative operation in proportion to number of councilors.
- **Local Development:** Formula based
  - Equal share = 35%
  - Population = 35%
  - Poverty Index = 30%

# 5. National Transfer (Cont')

## Municipal/District Fund (MDF)

- **Objective of the Fund:** To provide specific financial resource to MD in an equitable, sustainable and predictable manner to support local development within their jurisdiction.
- **Source of the Fund:** (1) Government recurrent domestic revenue and (2) Contributions from grants and loans.
- **Components of the Fund:** (1) General Administrative Operation (salary and other operation cost = 24% of total fund – salary) and (2) Local Development (total fund – general administrative operation).

# 5. National Transfer (Cont')

## Municipal/District Fund (MDF)

- **General Administrative Operation:**
  1. Salary and Allowance of Councilor, BOG and Staff
  2. Other Operation Cost: Formula based
    - Equal Share = 40%
    - Councilor = 20%
    - BOG = 20%
    - Number of Staff = 20%
- **Local Development: Formula based**
  - Equal share = 40%
  - Population = 20%
  - Poverty Index = 20%
  - Number of Commune/Sangkat = 20%

# 6. Summary of SNA Budget (2011-2013)

Unit: Million USD

SNA*	2011	2012	2013	2013 (%)
Capital/ Province	79.03	92.80	125.17	4.14%
Municipal/District/ <b>Khan</b> ( <u>Sida included</u> )	<b>10.37</b>	<b>14.15</b>	18.43	0.61%
Commune/Sangkat **	39.85	45.50	50.47	1.67%
<b>Total</b>	<b>129.25</b>	<b>152.45</b>	<b>194.07</b>	<b>6.42%</b>
<b>National Budget</b>	<b>2,462.41</b>	<b>2,692.00</b>	<b>3,023.77</b>	
<b>Share of National Budget</b>	<b>5.25%</b>	<b>5.66%</b>	<b>6.42%</b>	20.80%

\* Provincial Line Department budgets excluded: 2011 = 338.95 and 2012 = 393.43 and 2013 = 435.17

\*\* Allocation from CS Fund

# Sub-national Budget

*Unit: Million US\$*

Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	% (2013)
Total national budget	753	792	954	1,156	1,418	1,815	2,075	2,462	2,692	2,139	100%
National budget	713	748	899	1,091	1,343	1,697	1,956	2,333	2,540	1,938	91%
Sub-national budget	40	44	54	64	75	118	119	129	152	201	9%
Capital/Provincial budget	25	28	35	42	52	89	82	89	107	130	65%
Municipal/district budget										20	10%
Commune/sangkat budget	15	17	19	22	23	28	37	40	45	51	25%

(Percentage of capital, province, municipality, commune, sangkat is percentage in comparison to sub-national budget.)



Others DPs Budget Flow.  
NRML ,UNICEF, UNFPA



**THANK YOU**