Analysis and Recommendations on the 2025 National Budget Law for 2026 Budget Law and onward

The CSO Budget Working Group (CSO BWG), a coalition of civil society organizations dedicated to promoting open budgeting, accountability, and oversight, has conducted an analysis and developed a joint position paper on the 2024 Law on Finance for Management, commonly known as the National Budget Law.

This budget analysis aims to provide a comprehensive understanding of the government's annual budget, offering valuable inputs and key recommendations to the Royal Government of Cambodia. The initiative seeks to improve fiscal policies to better address public needs while simultaneously enhancing transparency and accountability in budget management.

The 2025 National Budget analysis focuses on revenues, expenditures, public debts, unexpected costs, and budget allocations across key sectors such as education, health, and social protection. Utilizing a desk review and comparative analysis of state budget laws, international benchmarks, and best practices, it evaluates resource mobilization, allocation, and execution. The analysis uses the exchange rate from the Medium-Term Fiscal Framework (2025–2027) to convert Riel to USD. The findings aim to highlight achievements, address shortcomings, and provide recommendations to enhance budget transparency, accountability, public participation, and oversight in Cambodia.

The adoption of the new Law on Public Finance System and the Medium-Term Fiscal Framework (MTFF) 2025–2027 marks significant progress in public finance management and national budget formulation. Since 2024, these pivotal legal frameworks have set the stage for enhanced transparency and accountability in Cambodia's fiscal policies.

In 2025, the absence of an executive summary on the draft law, previously disclosed alongside the draft, poses a significant challenge to budget transparency. This summary traditionally highlights key economic growth indicators and outlines government commitments for budget allocation, serving as a crucial pre-budget document. Its omission undermines the availability of essential information required for transparent and accountable fiscal planning.

Overview of 2025 State Budget:

The Law on Finance for Management 2025, consisting of six chapters and 15 articles, aims to ensure state sustainability and implement key policy priorities aligned with Cambodia's Pentagon Strategy.[1] Despite economic challenges, the **Medium-Term Fiscal Framework (MTFF) 2025-2027** projects a GDP growth of 6.3% in 2025, with GDP reaching 209,163 billion Riel (USD 51.398 billion)[2], significantly higher than the 2024 estimate of 142,957 billion Riel (USD 35.167 billion).[3]

The 2025 national budget allocates **37,950,385 million Riel** (USD 9.327 billion) for state expenditures, a 2.26% increase from 2024. This budget represents **18.14% of GDP**, with 69% allocated for current expenditures (26,054,019 million Riel or USD 6.403 billion) and 31% for capital expenditures (11,896,366 million Riel or USD 2.924 billion), maintaining a similar expenditure ratio to 2024.

The 2025 budget reflects Cambodia's continued struggle with internal and external economic challenges, including the lingering effects of global conflicts and a slowdown in key sectors like tourism, real estate, and textiles. External pressures, such as the Russia-Ukraine war's impact on oil prices[4] and the economic implications of the Israel-Palestine conflict, compound

[1] Press release by Government's Spokesman Unit issued on 25 October 2024
[2] Ibid
[3] Executive summary for budget law 2024
[4] https://www.imf.org/en/Publications/fandd/issues/2022/03/the-long-lasting-economic-shock-of-war

the situation.[5] Additionally, China's economic downturn further exacerbates Cambodia's challenges, given its significant trading relationship, particularly in real estate and tourism.[6]

The 2025 state income is projected at **31,598,073 million Riel (USD 7.765 billion)**, marking a **2.8% decrease** from 2024. Despite limited revenue growth, the government has increased its expenditure by **2.26%**, with inflation projected at **2.5%**. This indicates a proactive fiscal stance aimed at mitigating inflation rather than expanding market potential.

The budget deficit for 2025 is expected to rise to **16.74%**, a **5-percentage-point increase** from 2024, highlighting the government's reliance on increased spending to address economic challenges amidst constrained revenue. The law indicates that government debt payment is excluded the budget classification of capital expenditure.

State Revenue, Expenditure and Deficit:

In the past three years, Cambodia's state expenditure has fluctuated, showing a slight recovery in 2025 with a **2.26% increase** compared to 2024. However, the expenditure still lags behind the 2023 levels.

Million Riel

Decription	2024	2025
State expenditure	**37,110,404.00**	**37,950,385.00**
State Revenue	**32,508,940.00**	**31,598,073.00**
Budget deficit	**(4,601,464.00)**	**(6,352,312.00)**
% of Budget deficit	**12.40%**	**16.74%**
Foreign borrowing	3,464,464.00	3,877,330.00
Financial supports from delevelopment parnters	697,000.00	1,974,982.00
Security bond	440,000.00	500,000.00
Financing in-need for debt settlement	**2,114,685.00**	**2,428,140.00**

Source: Law on National Budget 2024 and 2025

In 2025, state revenue is projected to decline by **2.80%** to **31,598,073 million Riel (USD 7.77 billion)** from **32,508,940 million Riel in 2024**, leading to a larger budget deficit of **16.74% (6,352,312 million Riel)** compared to **12.40% in 2024**. The decline is attributed to a decrease in taxation revenue, despite a consistent increase in non-taxation revenue by **29.47% in 2024** and **19.26% in 2025**. The current revenue for 2025 is projected to reach **30,388,877 million Riel**, reflecting a **2.93%** decrease compared to 2024.

In 2025, capital expenditure is projected to increase by **5.97%,** while current expenditure is expected to see a modest rise of **0.66%** compared to 2024. The law highlights the government's efforts to allocate domestic financing of **5,025,096 million Riel** for public investment projects in 2025, maintaining the same level as in 2024, which previously experienced a significant **31%** decline compared to 2023. However, the budget for government-directed projects is expected to drop dramatically by about **38%**, from **2,987,751 million Riel** in 2024 to **1,853,457 million Riel** in 2025.

Directed investment projects are typically funded through government domestic income. As the current revenue for 2025 is projected to slightly decline, this has impacted the funding available for government-directed public investment projects. To address this, the government has opted to rely more heavily on foreign financing for capital expenditure. The law further outlines the government's intention to allocate approximately 31% of the state expenditure to capital expenditure.

The government maintains a similar allocation for current expenditures in 2025, divided into staff and non-staff costs. Staff costs will increase by 3.66%, rising from 11,794,780 Million

[5] https://www.bloomberg.com/news/features/2023-10-12/israel-hamas-war-impact-could-tip-global-economy-into-recession
[6] https://time.com/6308850/china-economy-slowdown-global-effects/

Riel in 2024 to 12,226,425 Million Riel, primarily to support wage increases for government servants despite a reduction in staffing levels. However, this increase exerts pressure on non-staff costs, which are vital for ministry program operations. With a projected decline in current revenue for 2025, non-staff costs will decrease by 1.93%, from 13,550,871 Million Riel in 2024 to 13,289,687 Million Riel.

The government projects a current surplus of 3,967,594 Million Riel for the 2025 fiscal year. However, this reflects a significant 21% decrease compared to the 2024 surplus of 5,030,639 Million Riel, representing a reduction of 0.75 percentage points compare with GDP, from 5,030,639 Million Riel to 3,967,594 Million Riel.

Facing a narrowing revenue collection, the government projects a budget deficit of 8,780,452 Million Riel (USD 2,157.88 Million), equating to 4.20% of GDP, to cover a 16.74% shortfall in total state expenditure alongside a debt payment of USD 596.74 Million in 2025.

It is observed that the government generally address the budget deficit through alternative budget support from several sources including foreign borrowing, financial supports from development partners, issuance of national security bond and withdraw government's deposit. Particularly to cope with 2025 national expenditure deficit, the government plans to borrow 3% of GDP (USD 1,549.63 million) from foreign bilateral and multilateral partners, with an additional USD 485.37 million (0.94% of GDP) from Official Development Assistance (ODA). USD 122 million in state securities bond will be issued. The budget deficit has risen from 12.40% in 2024 to 16.74% in 2025. The government also needs the financial support as the amount of USD 596.74 million for the debt payment in 2025.

Public Debt:

Million USD

Description	2022(Q1-Q2)	2023(Q1-Q2)					2024(Q1-Q2)					Change in %	
	Total	Total	Principle	%	Interest	%	Total	Principle	%	Interest	%	2023	2024
Total debt payment	218.51	247.09	190.99	77%	56.1	23%	229.09	176.68	77%	52.41	23%	13%	-7%
Debt payment to multilateral-parties	63.39	66.85	51.1	76%	15.75	24%	72.86	53.89	74%	18.97	26%	5%	9%
Debt payment to bilateral-parties	155.12	180.24	139.89	78%	40.35	22%	156.25	122.80	79%	33.45	21%	16%	-13%

Source: Cambodia Public Debt Statistical Bulletin, Vol 23 page 18, by MEF in August

By Q2 2024, Cambodia's public debt totaled USD 11,270.69 million, with 98.9% (USD 11,157.48 million) being external debt. Public foreign debt payments decreased by 7% compared to Q2 2023, from USD 247 million to USD 229 million, largely due to a 13% reduction in government repayments to bilateral parties. Approximately 23% of debt payments were allocated to interest and 77% to principal in both Q2 2023 and Q2 2024.

By Q2 2024, the government settled USD 1.90 million in public domestic debt payments, with 50% allocated to interest[7].

In 2025, the government plans to borrow 2,000 million SDR (USD 2,644.66 million), a 17.65% increase from 2024. The 2025 budget law permits significantly higher borrowing compared to previous years: 1,600 million SDR in 2022 and 1,700 million SDR in 2023 and 2024. In May 2024, the government introduced a rebased GDP, projecting it to reach USD 51,404 million in 2025.

In 2025, the government plans to allocate borrowing to cover a budget gap, representing 16% of state expenditure, and USD 596.74 million for debt payments—an increase of USD 76

[7] Cambodia Public Debt Statistical Bulletin, Vol 23, page 19, Ministry of Economy and Finance, August 2024,

million from 2024. Debt payments are projected to account for 22.6% of the total borrowing in 2025.

By the end of 2024, Cambodia's debt stock is estimated at USD 12,584 million, representing 36% of GDP based on the original forecast. However, with the newly rebased GDP of USD 47,234 million, the debt stock is approximately 26.64% of GDP.

In recent years, loan disbursement has averaged about 65% of the borrowing ceiling. Based on this estimate, in 2025, the government could disburse around USD 1,719 million from bilateral and multilateral sources, while planning to settle USD 596.74 million in debt. Public debt is projected to increase by USD 1,113 million, reaching USD 13,706 million—approximately 26.66% of GDP by the end of 2025. Despite a moderate increase in the debt ceiling compared to previous years, the government aims to maintain the debt ratio at around 26% of GDP.

Million USD

Description	by 2024		by 2025	
	Amount	% to GDP	Amount	% to GDP
GDP	47,234.00		51404.03	
Public debt stock	12,584.00	26.64%	13,706	26.66%
Borrowing ceiling	2,233.00		2644.66	
Loan disbursement (65%) (1)	1,451.45		1719.03	
Debt payment (2)			596.74	
Debt added to 2024 debt stock:(1)-(2)			1122.29	

Sources: 1) Cambodia Public Debt Statistical Bulletin, Vol 23;
2) Law on National Budget 2024 and 2025

With the newly rebased GDP, Cambodia's public debt remains well below the ceiling limit, providing the government with room to mobilize additional foreign resources. According to the IMF, the public debt-to-GDP ratio should not exceed 40%. While the debt level is manageable, the government should adopt proactive measures to avoid a potential debt trap.

By Q2 2024, China holds 36% of Cambodia's public external debt, followed by the Asian Development Bank (22%), the World Bank (12%), and other bilateral and multilateral lenders (30%). To avoid risks and a potential debt trap, Cambodia must maintain debt control. Effective management should focus on investing public debt funds in social and economic development while ensuring transparency and accountability

Recommendation:

Effective public debt management is crucial for mitigating risks and avoiding hazardous debt structures. Transparency, accountability, and institutional integrity are essential for minimizing risks and building public trust. Annual external audits of debt management activities are recommended to ensure adherence to standards, with results reported to oversight agencies. Key debt management records should also be made publicly accessible to enhance transparency.

Revenue Sources:

The government has made significant strides in reforming fiscal policies and modernizing revenue administration under the Public Financial Management Reform Programme and the Public Resource Mobilization Strategy (2014-2018, 2019-2025). In 2025, revenue collection is projected to rely 87% on taxation, totaling USD 6,492 million, a 5.56% decrease compared to the previous year.

Cambodia's revenue sources include taxation and non-taxation. While taxation revenue is expected to decline moderately, non-taxation revenue is projected to rise from USD 819.39

million in 2024 to USD 975.85 million in 2025, a significant 19.21% increase. Over the past two years, non-taxation revenue has shown strong growth, with a 29.5% increase in 2024 compared to 2023.

Non-taxation revenue is projected to grow by 19.26% in 2025 compared to 2024, primarily driven by state property management. However, profits from state property operations, which surged by 219% in 2024, are expected to decline by 6.42% in 2025, from USD 136 million to USD 127 million. In contrast, revenue from the sale, lease of state properties, and services is projected to increase by 27%, rising from USD 531 million in 2024 to USD 674 million in 2025, compared to USD 391 million in 2023. Additionally, fines and penalties revenue will grow by 7%, from USD 15.92 million in 2024 to USD 17.16 million in 2025, maintaining the same level collected in 2023.

Million Riel

Description	Amount							Change in %					
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025
Profit of state property	273,822.79	401,169.24	205,084.50	173,953.00	173,809.40	555,925.80	520,235.50	46.51	-48.88	-15.18	-0.08	219.85	-6.42
Profit from sale, lease of state property and services	2,291,834.75	1,246,303.45	1,470,910.20	1,326,046.30	1,593,326.10	2,160,153.90	2,746,328.60	-45.62	18.02	-9.85	20.16	35.58	27.14
Fine and penalty revenue	44,124.30	80,943.75	59,787.30	65,765.30	71,419.10	64,699.30	69,807.90	83.44	-26.14	10.00	8.60	-9.41	7.90
financial result	169,962.51	139,951.25	120,007.00	173,328.00	211,638.40	296,631.00	333,654.00	-17.66	-14.25	44.43	22.10	40.16	12.48
Other results and special results	94,603.81	50,706.46	39.00	40.40	6.00	6.00	6.00	-46.40	-99.92	3.59	-85.15	0.00	0.00

Sources: 1) Law on National Budget 2021-2025 and 2) Law on National Budget Settlement 2019-2020

The decline in government tax revenue raises concerns and requires a proactive response to maintain budget credibility. There is potential to increase tax revenue for national development while reducing tax burdens through a pro-poor tax system. Boosting tax revenue, rather than relying on non-tax revenue, can better optimize budget credibility. In light of recent efforts to enforce tax collection, CSO BWG proposes specific recommendations to address this issue.

Domestic Tax Revenue: Direct and Indirect Tax

Million Riel

Description	Amount					% to 2025	Change in %			
	2021	2022	2023	2024	2025		2022	2023	2024	2025
Domestic taxation reveune	15224600	17815300	20882942	23200707.7	22047113		17.02	17.22	11.10	-4.97
Direct tax	4,304,000.00	5,481,000.00	7,257,989.00	8,953,173.00	8,827,000.00	40.04%	27.35	32.42	23.36	-1.41
Indirect tax (VAT)	6,276,800.00	7,049,000.00	8,005,355.00	8,297,024.00	8,091,622.00	36.70%	12.30	13.57	3.64	-2.48
Special tax	4,508,800.00	5,125,300.00	5,459,550.00	5,789,510.70	4,966,800.00	22.53%	13.67	6.52	6.04	-14.21
others	135,000.00	160,000.00	160,048.00	161,000.00	161,691.00	0.73%	18.52	0.03	0.59	0.43

Source: Law on National Budget 2021-2025

The government primarily generates revenue through domestic taxes, collected mainly by the central government. In 2025, it plans to collect USD 2,169.32 million (40%) from direct taxes and USD 1,988.60 million (36%) from indirect taxes. The data highlights the government's reliance on both direct and indirect taxation of individuals and businesses as major revenue sources.

Revenue from VAT and Tax on Personal Income:

The Value-Added Tax (VAT), categorized under three accounting codes (70022, 70025, and 70026) in the budget law, is a 10% tax on goods and services applied at each stage of the supply chain.[8] In 2025, the government aims to generate USD 1,988.60 million from VAT. After a significant rise in 2023, VAT revenue grew moderately by 3.64% in 2024 but is projected to decline by 2.48% in 2025.

[8] https://www.rd.go.th/fileadmin/user_upload/AEC/AseanTax-Cambodia.pdf

Million Riel

Description	Amount					Change in %			
	2021	2022	2023	2024	2025	2022	2023	2024	2025
Indirect tax	6,276,800.00	7,049,000.00	8,005,355.00	8,297,024.00	8,091,622.00	12.30%	13.57%	3.64%	-2.48%
VAT	2,640,000.00	3,111,000.00	3,517,000.00	4,027,097.00	3,815,000.00	17.84%	13.05%	14.50%	-5.27%
VAT on the imported (fuel enterprise)	841,700.00	800,500.00	897,600.00	967,484.00	1,179,800.00	-4.89%	12.13%	7.79%	21.95%
VAT on the imported (other enterprises)	2,795,100.00	3,137,500.00	3,590,755.00	3,302,443.00	3,096,822.00	12.25%	14.45%	-8.03%	-6.23%

Source: Law on National Budget 2021-2025

Despite an overall decline in VAT revenue due to limited domestic revenue, the government expects VAT from gasoline to rise by 22%, from USD 238 million in 2024 to USD 289.9 million in 2025. However, CSO BWG has expressed concerns that strengthened VAT enforcement could undermine the pro-poor tax system and discourage new and marginal business activities. The reduction in VAT revenue in 2025 is attributed to diminished resource mobilization efforts by the government.

Million Riel

Description	Amount					% to 2025	Change in %			
	2021	2022	2023	2024	2025		2022	2023	2024	2025
Direct taxes	4,304,000.00	5,481,000.00	7,257,989.00	8,953,173.00	8,827,000.00		27.35	32.42	23.36	-1.41
Income tax (natural person)	144,000.00	86,000.00	45,000.00	45,000.00	45,000.00	0.51%	-40.28	-47.67	0.00	0.00
Income tax (legal entity)	3,410,000.00	4,400,000.00	5,900,000.00	7,300,000.00	7,100,000.00	80.44%	29.03	34.09	23.73	-2.74
Salary tax	750,000.00	995,000.00	1,312,989.00	1,608,173.00	1,682,000.00	19.06%	32.67	31.96	22.48	4.59

Source: Law on National Budget 2021-2025

Since 2021, new tax policies on income, profits, and capital gains have been implemented to diversify revenue streams and increase state income. In 2025, the government expects to collect USD 1,744 million (80% of direct tax) from legal entities, a slight decrease of 2.73% compared to 2024. Taxes paid by individuals remain at USD 11 million (0.5% of direct tax), unchanged since 2023. Revenue from salary taxes is projected to grow by 4.59% in 2025, reaching USD 413 million, following a 22% increase in 2024 compared to 2023.

Special Tax levied on luxury and hazardous products (tobacco, alcohol and sugary beverages and low nutrition intake products etc,..)

Excise taxes are indirect taxes on specific goods like alcohol, tobacco, and fuel, or activities like gambling. They are included in the price and help generate revenue while promoting social and environmental goals.

Million Riel

Description	Amount				
	2021	2022	2023	2024	2025
GDP (as rebase of 2014) (1)	150,793,000.00	164,059,000.00	177,036,000.00	192,005,000.00	209,163,000.00
Domestic taxation revenue (2)	15,224,600.00	17,815,300.00	20,882,942.00	23,200,707.70	22,047,113.00
Special tax (3)	4,508,800.00	5,125,300.00	5,459,550.00	5,789,510.70	4,966,800.00
% of (3) to (1)	2.99%	3.12%	3.08%	3.02%	2.37%
% of (3) to (2)	29.62%	28.77%	26.14%	24.95%	22.53%
Change in % (amount of (3))		13.67%	6.52%	6.04%	-14.21%

Source: Law on National Budget 2021-2025

In 2025, the government expects USD 1,220 million in revenue from special taxes. After COVID-19, income growth from this tax has been gradual, at 6% for 2023 and 2024, but is projected to decline by 14% in 2025. Special taxes will make up only 22.53% of domestic tax revenue in 2025, continuing a downward trend since 2023. These taxes can alleviate public health costs by discouraging consumption of harmful products and fostering healthier behavior.

Evidence shows the harmful impact of alcohol and sweetened beverages on individual health and public healthcare systems. According to a 2020 WHO study, Cambodians aged 15 and older consume an average of 6.7 liters of pure alcohol annually.[9] The Ministry of Health highlighted the government's healthcare budget allocation for non-communicable diseases related to alcohol consumption.[10]

A UNDP study revealed that Cambodia's cigarette tax rate (25-31% of retail price) is one of the lowest in ASEAN. Gradually increasing it to 75% could generate an additional 920 billion KHR in revenue over five years[11]. WHO estimates that raising cigarette taxes by 500 KHR would increase prices by 15%, reduce smokers by 30,000, and save 10,000 lives from smoking-related deaths in 10-15 years while adding $53 million annually to government revenue[12].

In 2023, the government raised taxes on domestic non-alcoholic beverages by 15%[13]. However, the CSO BWG urges further increases on tobacco, alcohol, sugary drinks, and other low-nutrition products to enhance public health. Progressive tax rates should target harmful commodities without slowing economic growth. The government is encouraged to conduct impact assessments to maximize revenue potential while safeguarding economic stability, following examples set by other countries in the region. Revenue from these products could be allocated to enhance the healthcare system, improve services, and fund treatments for non-communicable diseases.

Recommendations:

- The government should enhance fairness and transparency in revenue collection by strictly enforcing tax laws for all taxpayers, ensuring compliance by alcohol companies, and preventing revenue loss while fostering a level playing field.
- The government is encouraged to impose higher taxes on luxury goods, which are progressive, and lower taxes on essential goods to avoid burdening the poor. Tobacco, alcohol, and sugary products should be taxed heavily, while fuel should be exempt to prevent supply chain cost impacts.
- The government should introduce legislation, such as a Prakas, to set an age limit for alcohol consumption and ban public advertising of cigarettes and alcohol to protect younger populations and reduce public exposure.
- The government should expand tax regulations and increase taxes on imported sugary soft drinks. Additionally, it should impose higher taxes on sugary products and regulate the nutritional content of low-nutrition foods consumed by children in schools and during early childhood.

Revenue from tax on properties:

Property taxation offers significant revenue potential for developing countries and is considered one of the best forms of taxation for inclusive economic growth. It provides a stable, expanding tax base with predictable revenue streams, enhancing domestic public resources and fostering good governance. Property tax, levied on the assessed value of nonexempt property, promotes social equity and economic efficiency. In some countries, it funds education, security,

[9] https://www.who.int/data/gho/data/indicators/indicator-details/GHO/total-(recorded-unrecorded)-alcohol-per-capita-(15-)-consumption
[10] https://www.facebook.com/watch/?v=539604785318134&ref=sharing&_rdr
[11] UNDP, RIT International, WHO, WHO FCTC Secretariat, *Policy Brief: Benefits of tobacco control for lower-income Cambodians*, March 2021, https://www.undp.org/cambodia/publications/benefits-tobacco-control-lower-income-cambodians
[12] https://m.postkhmer.com/national/2023-08-18-1029253676.html?fbclid=IwAR0HvEvK4HXI07oQ8DpOo4IbQ3Beyl7poRA_hv8SlRxr7gSE5do7K6049qU
[13] https://www.tax.gov.kh/km/categories/4Vhve01119351942

infrastructure, and utilities, but in Cambodia, property tax revenue is pooled with other taxes to support national development priorities.

Cambodia introduced the property tax system in 2011 to generate revenue for the national budget. The taxes include:

1. **Tax on Immovable Properties (TIP):** An annual 0.1% tax on immovable properties valued over USD 25,000 (KHR 100 million). This includes land, houses, buildings, and infrastructure.
2. **Tax on Transferring Title of Immovable Property (TTTIP):** A 4% tax on property transfers.
3. **Tax on Unused Land (TUL):** A 2% annual tax on the assessed market value of unused land per square meter.

These taxes contribute to diversifying Cambodia's revenue streams. Certain properties, such as state-owned, agricultural, and industrial lands, are exempt from property taxes in Cambodia. The market value of immovable properties is determined by the Ministry of Economy and Finance.

The government generates moderate revenue from property taxes, including taxes on property transfers (TTTIP), recurrent immovable properties, and unused land, categorized under income accounts in the national budget law. Those taxes are coded as income account 70061, 70071, 70072 and 70073 in revenue management of subnational government indicating in national budget law.

In 2025, the government plans to collect USD 206.97 million from property taxes, a 13% decline from USD 236.86 million in 2024[14] in 2024 and representing 0.4% of GDP. Property tax revenue has fluctuated over recent years, with a slight increase in 2023 before declining in 2024 and 2025. Taxes on property title transfers account for 75–80% of the total revenue.

Revenue Collection from Tax on Immovable Properties

Description	Change in amount (%)					
	2020	2021	2022	2023	2024	2025
Tax on Transferring title of Immovable property (TTTIP)	-14%	-8%	14%	4%	-11%	-14%
Tax on recurrent immovable property by individual (TaIP_I)	-5%	4%	6%	8%	14%	3%
Tax on recurrent immovable property by entity (TaIP_E)	28%	-22%	60%	-28%	56%	3%
Tax on unused land (TUL)	-20%	34%	14%	-44%	24%	-86%
Total of Tax on immovable properties	-13%	-6%	13%	3%	-6%	-13%

In 2025, despite a decline in total property tax revenue, the government expects a 3% increase in current immovable property tax on houses and constructions. Revenue from unused land tax will drop to USD 0.75 million due to a tax exemption introduced in 2024 to ease economic burdens on low-income households and reduce wealth disparities[15]. A growing trend shows families purchasing suburban properties for future housing, with 62% of Cambodian households living in one-room units, according to the 2019 census[16].

Revenue Collection from Tax on Immovable Properties

Description	Change in actual and estimated amount to collect (in Million Riel)						
	2019	2020	2021	2022	2023	2024	2025
Cambodia's GDP	**148,985,000.0**	**142,503,000.0**	**150,793,000.0**	**164,054,000.0**	**177,036,000.0**	**192,005,000.0**	**209,163,000.0**
Tax on Transferring title of Immovable property (TTTIP)	916,834.2	785,514.8	720,083.5	818,405.0	852,904.4	758,275.0	651,708.2
Tax on recurrent immovable property by individual (TaIP_I)	122,252.1	115,875.4	120,512.3	127,682.1	138,395.2	158,150.5	162,291.6
Tax on recurrent immovable property by entity (TaIP_E)	13,571.4	17,386.1	13,630.1	21,865.3	15,697.5	24,411.2	25,108.3
Tax on unused land (TUL)	25,757.7	20,703.4	27,704.9	31,666.6	17,705.2	22,004.0	3,039.0
Total of Tax on immovable properties	**1,078,415.4**	**939,479.7**	**881,930.8**	**999,619.0**	**1,024,702.3**	**962,840.7**	**842,147.1**

[14] KHR 962,840.7 million/KHR4,065, an annual rate for 2024 issued by Ministry of Economy and Finance (MEF)
[15] t.ly/JAwYG
[16] https://www.habitat.org/where-we-build/cambodia

Strengthening enforcement of the unused land tax can improve revenue mobilization. The government should explore progressive tax policies and link taxes to economic activity. Improved land valuation and classification processes are needed for efficient tax collection. A progressive property tax system, with higher rates for larger unused land areas, can discourage speculative investments and stimulate property sales. At 2%, the current tax rate is relatively low compared to other ASEAN countries.

Ratio to GDP of Revenue Collection from Tax on Immovable Properties

	2019	2020	2021	2022	2023	2024	2025
Tax on Transferring title of Immovable property (TTTIP)	0.62%	0.55%	0.48%	0.50%	0.48%	0.39%	0.31%
Tax on recurrent immovable property by individual (TaIP_I+E)	0.09%	0.09%	0.09%	0.09%	0.09%	0.10%	0.09%
Tax on unused land (TUL)	0.017%	0.015%	0.018%	0.019%	0.010%	0.011%	0.001%
Total TIP (TTTIP+(TaIP_I+E)+TUL)	**0.72%**	**0.66%**	**0.58%**	**0.61%**	**0.58%**	**0.50%**	**0.40%**

The CSO BWG views property tax as a significant revenue source for Cambodia. A transparent real estate market is needed for accurate market value assessments. The government could increase the tax rate, expand the tax base beyond capital and provincial cities, and adopt shorter property evaluation cycles. Property tax is fair, as it taxes owners benefiting from urbanization and infrastructure improvements. It is also transparent, harder to evade, and progressive, primarily affecting middle- and high-income earners while minimizing economic distortions.

Recommendation:

Enhance Property Tax Revenue: Improve property registration, expand the tax base, update market price valuations, and strengthen administration with technology. Provide tax relief to address social equity concerns.

Gradual Revenue Growth: Gradually increase property tax revenue to 1%-1.5% of GDP with enforcement of effective and credible policies to minimize impacts on vulnerable taxpayers.

Progressive Tax Policies: Maintain low statutory rates for now but impose pro-poor and progressive taxes, especially on unused land, to enhance equity and revenue.

Combat Corruption: Implement zero-tolerance policies against corruption, digitalize tax administration, disclose payment information, and enhance accountability.

Long-Term System Improvement: Address challenges like urbanization, informal land markets, and institutional constraints. Focus on taxpayer education, compliance, and innovative financing to create an efficient property tax system.

Tax on Gasoline:

Gasoline taxes in Cambodia fund road construction, maintenance, and public transportation. In 2025, the government plans to collect USD 111.39 million from this tax, up from USD 96 million in 2024. This increase aligns with greater investments in road maintenance and improvement, which rose from USD 134 million in 2023 to USD 142 million in 2024.[17]

In early 2024, the government reduced the customs tax on gasoline from 15% (USD 0.0847/liter) to 0%, easing the burden on consumers. Gasoline is now taxed through VAT (10%), a special tax (USD 0.1571/liter, up from USD 0.0669), and an additional tax (USD 0.0200/liter). The special tax (account code 71004) is expected to generate USD 111 million in

Million Riel

Special adding tax on gasoline for road improvement	**2021**	**2022**	**2023**	**2024**	**2025**
Amount in million riel	361,000.00	370,000.00	412,300.00	393,169.00	453,250.00
Change in amount (%)		2.49%	11.43%	-4.64%	15.28%

Source: Law on National Budget 2021-2025

[17] MEF, Budget in Brief 2023 and 2024

2025, while VAT will contribute USD 289.94 million. The government projects higher gasoline consumption and should consider reallocating tariff income to avoid overburdening taxpayers.

Gasoline is essential for transportation and production, affecting daily life and economic stability.[18] Fair pricing can improve living standards, while domestic fiscal policies play a key role in shaping local prices despite international market fluctuations.

The text discusses gasoline pricing in Cambodia, highlighting that its retail price is significantly higher than neighboring countries like Thailand ($1.04/liter) and Vietnam ($0.78/liter), with Cambodia at $1.15/liter as of late October 2024.[19] The report suggests reducing gasoline taxes to lower prices and improve livelihoods, while proposing alternative tax revenues from tobacco, alcohol, sugary drinks, and property. These measures could reduce poverty, promote equity, and enhance overall well-being by addressing wealth disparities and discouraging harmful products.

Recommendation:

The government could ease rising fuel costs by reducing gasoline taxes, including cutting VAT from 10% to 5%, saving consumers around USD 150 million. This would lower costs across goods, services, logistics, and production, benefitting the economy.

Tax Incentive and Expenditure:

Cambodia uses tax incentives to attract investment, boost employment, and promote domestic economic contributions, such as spending on goods and services and fulfilling tax obligations like payroll and VAT. Despite a 4.6% annual rise in FDI over the past decade, the role of tax incentives in attracting investments remains uncertain. Other factors, such as low-cost labor, trade agreements (EBA, GSP), relaxed foreign ownership laws, and US dollar usage, already make Cambodia appealing to investors. A comprehensive evaluation of tax incentives is needed to maximize benefits, minimize costs, and ensure transparency and accountability in their management.

Recommendation:

The CSO BWG urges the government to regularly disclose assessments on the effectiveness of tax incentives, focusing on tax expenditures, cost efficiency, benefits, and the behavioral response of investors.

Expenditure for education, health and social protection under budget line of respective ministries and sub national administrations:

The 2025 budget reflects careful allocation due to revenue collection constraints, particularly in taxation, and is described as a forward-looking framework aimed at addressing challenges and achieving political objectives. The government prioritizes enhancing human capital as a strategic pillar, with increased investment in education, public health, and social protection.

Notably, the Ministry of Education, Youth, and Sports sees an 8% budget increase, exceeding the projected inflation rate of 2%. In terms of GDP share, the Ministry of Education, Youth,

[18] https://www.nytimes.com/2022/10/25/upshot/gas-prices-biden-midterms.html
19 https://tradingeconomics.com/country-list/gasoline-prices?continent=asia

and Sports receives 2.10%, the Ministry of Health 1.28%, and the Ministry of Social Affairs, Veterans, and Youth Rehabilitation 1.11%. Among all ministries, education receives the highest budget allocation, followed by the Ministry of National Defense with 1.42% of GDP.

Million Riel

Description	2019 Amount	2019 % to GDP	2019 % to national expenditure	2020 Amount	2020 % to GDP	2020 % to national expenditure	2021 Amount	2021 % to GDP	2021 % to national expenditure	2022 Amount	2022 % to GDP	2022 % to national expenditure
GDP	148,985,000.0			142,503,000.0			150,793,000.0			164,059,000.0		
Total national expenditure	25,765,028.0			31,095,855.0			30,491,336.0			32,576,866.0		
Ministry of Heath	1,820,925.0	1.22	7.07	2,102,899.4	1.48	6.76	2,228,069.0	1.48	7.31	2,888,090.4	1.76	8.87
Minstry of Education Youth Sport	3,661,670.2	2.46	14.21	3,738,130.3	2.62	12.02	3,436,236.0	2.28	11.27	3,382,658.2	2.06	10.38
Ministry of Social Affairs, veterans, and Youth Rehabilitation	1,007,390.9	0.68	3.91	1,142,664.4	0.80	3.67	1,301,249.0	0.86	4.27	1,426,095.0	0.87	4.38

Description	2023 Amount	2023 % to GDP	2023 % to national expenditure	2024 Amount	2024 % to GDP	2024 % to national expenditure	2025 Amount	2025 % to GDP	2025 % to national expenditure	Change in 2024-2025 Amount (%)	Change in 2024-2025 % point to GDP	Change in 2024-2025 % point to national expenditure
GDP	177,036,000.0			192,005,000.0			209,163,000.0					
Total national expenditure	36,603,698.0			34,497,444.0			35,398,175.0					
Ministry of Heath	2,880,574.6	1.63	7.87	2,668,153.0	1.39	7.73	2,670,042.0	1.28	7.54	0.07	-0.113	-0.191
Minstry of Education Youth Sport	3,730,157.0	2.11	10.19	4,051,781.0	2.11	11.75	4,393,805.4	2.10	12.41	8.44	-0.010	0.667
Ministry of Social Affairs, veterans, and Youth Rehabilitation	1,468,855.0	0.83	4.01	2,314,645.0	1.21	6.71	2,316,500.0	1.11	6.54	0.08	-0.098	-0.165

Sources: Law on National Budget 2019-2025

The government projects a 2% inflation rate for 2024 and 2.5% for 2025. Adjusted for inflation, budget allocations for the Ministry of Social Affairs, Veterans, and Youth Rehabilitation, as well as health, face a slight decrease. This raises concerns about the government's ability to maintain performance accountability at 2024 levels.

Additionally, the 2025 national budget includes a 3.5% increase in staff costs within current expenditure. This shift, coupled with inflation adjustments, may limit the government's capacity to enhance service delivery, as a significant portion of the budget is absorbed by rising staff costs rather than addressing broader public needs.

Million Riel

Description	Amount in 2024	Amount for 2025 inflation rate (2%)	Nomial amount in 2025 (before inflation adjustment)	Actual amount in 2025 (After inflation adjustment)	Change Amount in 2024-2025 (%)
Ministry of Health	2,668,153.00	53,363.06	2,670,042.00	2,616,678.94	-1.93
Ministry of Education, Youth, and Sport	4,051,781.00	81,035.62	4,393,805.40	4,312,769.78	6.44
Ministry of Social Affairs, Verterans, Youth Rehabilitation	2,314,645.00	46,292.90	2,316,500.00	2,270,207.10	-1.92

Source: Law on National Budget 2024 and 2025, and MTFF 2024 of MoEF

Education

The education budget under the Ministry of Education and subnational administrations for 2025 remains at 2.10% of GDP (USD 1,079.82 million), nearly unchanged from 2024 (2.11%) and still below the pre-COVID-19 level of 2.46% in 2019. Despite government commitments to improving education quality, the allocation falls significantly short of the Global Partnership for Education's recommended 20% of total expenditure. Cambodia's education spending also lags behind the regional average of 4.7% of GDP[20].

A report on Cambodia's education sector reveals that 80% of the current budget is allocated to wages for education personnel and teachers, leaving only 20% for non-wage expenditures. This

[20] Cambodia Human Capital Index 2020, www.worldbank.org/humancapital

imbalance underscores the limited investment in other critical areas of education, potentially impacting overall quality and resources.[21]

From 2018 to 2022, Cambodia recorded an average student enrollment of 3.18 million per academic year across all levels of public education, excluding university students, according to data from the Ministry of Education, Youth, and Sports (MoEYS). Based on this enrollment figure, the government allocates approximately 1.1 million Riel or about $250 per student per academic year.

This investment aligns with findings from a UNICEF report, which states that in 2021, in New Generation Schools the government along together with parent's contribution invested $515 per student annually., more than double the $240 allocated per student in regular public schools. These figures highlight disparities in resource allocation between different types of educational institutions.[22]

Cambodia's Education Strategic Plan 2024-2028 requires 2.10% of GDP for implementation in 2025, reflecting fluctuating investment in education. The previous plan (2019-2023) aimed for 19.1% of the national budget (3.1% of GDP) by 2023. Cambodia, a signatory to the Education 2030 Framework, is encouraged to allocate 4%-6% of GDP or 15%-20% of public expenditures to education.[23] To meet international benchmarks, the government could reallocate funds from sectors like defense and unnecessary expenditures while prioritizing disadvantaged populations.

Of Cambodia's USD 1,079.82 million education budget, USD 453 million (42%) is allocated to subnational institutions, marking a 5.3% increase from 2024. This includes USD 431 million for municipal and district administrations and USD 22 million for provincial administrations. The government aims to enhance education quality through decentralization, focusing on early childhood, primary, and informal education. To ensure the effectiveness of these efforts, the Ministry of Education should promote public awareness, engagement, and transparency.

The World Bank emphasizes that adequate education funding is vital for improving school quality. School operating budgets range from USD 248 to USD 25,833 annually, with a portion allocated to quality aspects through School Improvement Grants (SIG). In 2015-2016, primary and lower secondary schools spent an average of USD 118 of SIG funds on quality improvements. Despite strong administration, small schools face challenges in enhancing educational quality due to limited resources.[24]

Health

In 2025, Cambodia's health budget remains unchanged from 2024 at USD 656 million, with a slight decline as a percentage of GDP and national expenditure. This follows a USD 71.8 million reduction in 2023 from 2022, reflecting shifting priorities as the pandemic subsided. The continued decline in 2024 and 2025 raises concerns about public health which has a significant role for economic growth projected over 6%. The government is urged to prioritize health by reallocating funds from sectors like defense and reducing unnecessary expenditures.

Cambodia's 2024 health budget of USD 656 million falls short of the USD 745 million target set in the Health Strategic Plan 2016-2020. Health spending has fluctuated over the past five

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[21] Page 06, https://www.unicef.org/cambodia/media/7871/file/Education%20Budget%20Brief%202020%20-%20English.pdf

[22] Page6, EDUCATION BUDGET BRIEF 2021, Semptember 2021 by NICEF Cambodia

[23] Page:9, Incheon Declaration and Framework for Action for the implementation of Sustainable Development Goal 4 https://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pd

[24] PUBLIC EXPENDITURE TRACKING AND QUALITY OF SERVICE DELIVERY SURVEY: page 13-14, World Bank: t.ly/DsWE0

years, making up 8.87% of national expenditure in 2022 before dropping to 7.87% in 2023 and 7.73% in 2024, below Southeast Asia's 8.5% regional average[25].

Social protection and budget execution in account code 62028 for social assistance to people:

The Ministry of Social Affairs' budget rose from 0.83% of GDP in 2023 to 1.21% in 2024, dropping slightly to 1.11% in 2025. The 2025 allocation remains similar to 2024 despite inflation concerns (2.5%). The ministry's 3-year plan aimed for USD 421 million by 2023, while USD 569 million is allocated in 2024, reflecting social protection as a growing priority[26]. Globally, social protection accounts for 12.8% of GDP, with an average of 7.5% in Asia, highlighting Cambodia's comparatively low spending levels.

Despite an increase in Cambodia's 2024 budget allocation for social protection, the country remains significantly behind regional and global benchmarks in government spending. According to the ILO, low-income countries require an additional investment of USD 77.9 billion annually (15.9% of GDP) to ensure basic social security. For lower-middle-income countries like Cambodia, the recommended investment is 5.1% of GDP, equivalent to an additional USD 362.9 billion globally per year[27]. Cambodia must significantly boost its social protection spending to meet these recommendations.

Social protection in Cambodia is managed by multiple ministries. The Ministry of Social Affairs oversees key programs, while the Ministry of Health administers health equity cards for vulnerable groups. The Ministry of Planning runs the ID Poor program, and the Ministry of Education implements nutrition and scholarship policies. Additionally, the Ministry of Economy and Finance (via the National Council for Social Protection) and the Ministry of Labour (via the National Social Security Fund) coordinate social security, vocational training, and cash-transfer programs.

Million Riel

Expenditure on other social assistance for people (62028) by central ministries or state institutions	2023	%	2024	%
	624,371.10		594,041.50	
Senate	4,000.00	0.64%	4,000.00	0.67%
Council of Ministers Cabinet	82,000.00	13.13%	172,000.00	28.95%
State Secretariat for Civil Aviation	10,000.00	1.60%	10,000.00	1.68%
Ministry of Interior-General Administration	1,160.00	0.19%	1,185.00	0.20%
Ministry of Foreign Affairs and International	2,300.00	0.37%	2,300.00	0.39%
Ministry of Economy and Finance	120.00	0.02%	120.00	0.02%
Ministry of Information	250.00	0.04%	270.00	0.05%
Ministry of Health	516,000.00	82.64%	386,000.00	64.98%
Ministry of Education, Youth and Sports	2,804.10	0.45%	5,439.50	0.92%
Ministry of Culture and Fine Arts	497.00	0.08%	487.00	0.08%
Ministry of Environment	730.00	0.12%	730.00	0.12%
Ministry of Social Affairs, Veterans Affairs a	1,900.00	0.30%	1,900.00	0.32%
Ministry of Justice	2,600.00	0.42%	2,600.00	0.44%
Supreme Court	10.00	0.00%	10.00	0.00%
Ministry of Planning			7,000.00	1.18%

In 2024, 16% of the USD 5,852 million allocated for current expenditures went to the social benefits chapter, with 35% designated for social assistance to citizens. However, USD 155 million under the subcategory "other support" (48% of the category) was distributed to various central institutions not directly tied to the social protection framework, such as the Office of the Council of Ministers, which received 28%, and other entities like the Civil Aviation Secretariat and the Senate.

Civil Society Organizations commend increased social spending but emphasize the need for transparency and accountability in budget utilization. Social protection funds should be

[25] Augustine D Asante, Por Ir, Bart Jacobs, Limwattananon Supon, Marco Liverani, Andrew Hayen, Stephen Jan, Virginia Wiseman, October 2019, Who benefits from healthcare spending in Cambodia? Evidence for a universal health coverage policy, https://doi.org/10.1093/heapol/czz011
[26] Executive Summary of Budget Law 2014
[27] ILO. (2021). More than 4 billion people still lack any social protection, ILO report finds. https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_817653/lang--en/index.htm

managed directly by responsible ministries to enhance efficiency and reduce operational costs for unrelated institutions.

Recommendation:

To foster sustainable development, the government should prioritize funding for education, health, and social affairs while improving service delivery. Health budgets can be optimized by encouraging collaboration between health and commune chiefs to enhance local health services and facilities. Addressing rural disparities requires mobilizing human resources and ensuring equitable access to services. Capacity-building programs should promote integrity, accountability, and ethical governance.

For Education:

The Royal Government of Cambodia (RGC) should gradually allocate 20% of national expenditure to education, as pledged in 2021, focusing on reducing disparities between private and public schools. Investments should improve teaching and learning quality, particularly in nine-year fundamental education, and support the development of model schools in rural areas.

Key recommendations include:

- Ensuring access to nine-year education for all children, with extra support for disadvantaged groups post-COVID-19.
- Allocating funds for school renovation, infrastructure, textbooks and technology upgrades.
- Strengthening teacher training using a Continuous Professional Development (CPD) system and upgrading principals' and teachers' capacities.
- Mobilizing resources and partnerships with civil society, the private sector, and communities to enhance education quality.
- Promoting transparency and providing technical support to subnational administrations during function transfers.

For social Protection:

The government should expand social protection policies to cover vulnerable groups, including informal workers, the elderly, people with disabilities, indigenous communities, youth, migrant workers, and the unemployed. Coverage should also extend to MSMEs, smallholder farmers, and workers in sectors like agriculture and fisheries. Strengthening enforcement through NSSF officials and subnational governments can ensure compliance with the National Social Security Fund (NSSF) scheme.

Key recommendations include:

- Allocating 5.1% of GDP to social protection as per global recommendations for lower-middle-income countries.
- Increasing the social security budget for veterans, the elderly, and persons with disabilities, including reviewing pension policies and establishing nursing homes.
- Expanding NSSF healthcare benefits to improve service quality, early diagnostics, and trust.
- Piloting contributory and subsidized schemes for informal workers and small-scale farmers to enhance inclusiveness and sustainability.
- Legally mandating public release of NSSF and National Social Assistance Fund financial and auditing reports to ensure transparency.

- ➢ Mapping entities responsible for social protection policies to optimize budget execution under sub-account 62028, dedicated to public support.

Oversight Bodies:

In Cambodia, fiscal oversight is mandated to institutions like the Senate, National Assembly, National Audit Authority, Financial Inspecting Office, and Anti-Corruption Institution. As part of the government's PFM Phase IV, oversight institutions must act independently and transparently to ensure accountability in budget usage.

Million Riel

Description	Amount														Change in %					
	2019		2020		2021		2022		2023		2024		2025		2020	2021	2022	2023	2024	2025
Total national expenditure	25,765,028.0	%	31,095,855.0	%	30,491,336.0	%	32,576,866.0	%	36,603,698.0	%	34,497,444.0	%	35,398,175.0	%						
National Assembly	183,783.0	0.71%	193,937.0	0.62%	162,699.0	0.53%	200,586.0	0.62%	211,120.0	0.58%	219,313.0	0.64%	191,643.00	0.54%	5.52%	-16.11%	23.29%	5.25%	3.88%	-12.62%
Senate	87,233.0	0.34%	87,309.0	0.28%	76,052.0	0.25%	69,866.0	0.21%	74,021.0	0.20%	86,003.0	0.25%	97,995.00	0.28%	0.09%	-12.89%	-8.13%	5.95%	16.19%	13.94%
National Authority of Aud	14,905.0	0.06%	14,986.0	0.05%	12,948.0	0.04%	12,310.0	0.04%	13,837.0	0.04%	15,313.0	0.04%	15,880.0	0.04%	0.54%	-13.60%	-4.93%	12.40%	10.67%	3.70%
Anti-corruption Institute	46,536.4	0.18%	50,815.0	0.16%	42,549.0	0.14%	41,872.0	0.13%	48,442.0	0.13%	52,549.0	0.15%	55,216.0	0.16%	9.19%	-16.27%	-1.59%	15.69%	8.48%	5.08%

Source: Law on National Budget 2019-2025

However, the Open Budget Survey (OBS) by the International Budget Partnership shows weak oversight. Cambodia scored only 41/100 in 2021 and 2023, with limited legislative and audit institution involvement across all budget stages.[28] MPs have tools to monitor government performance, including the right under Article 96 of the Constitution to submit questions to officials. Ministers or the Prime Minister must respond within seven days, either orally or in writing. Oral replies may allow for debate, while written replies end the inquiry.

Legislatures need adequate financial, human, and logistical resources to function effectively. While the Constitution guarantees the Legislature's budget, no minimum allocation is specified, and it is included in the Law on the Annual Finance for Management, drafted primarily by the Ministry of Economy and Finance without mandatory input from the Legislature. From 2019 to 2025, the Legislature's share of the national budget has averaged 0.6%. In 2025, this share decreased slightly from 0.64% in 2024 to 0.54%, reflecting a 12% decline since 2014, while the Senate's budget increased by 13%.

The National Audit Authority (NAA), tasked with auditing government entities and promoting financial transparency, receives only 0.04% (USD 3.9 million) of the 2025 budget. This allocation has remained unchanged since 2019, with a minor 3% increase in 2025. The NAA's budget is four times smaller than that of the Anti-Corruption Institution, raising concerns about its capacity to fulfill its mandate effectively.

Recommendations:

- ➢ The legislative branch plays a vital role in overseeing public expenditure and revenue. CSO BWG recommends stronger parliamentary engagement throughout the entire budget cycle-from formulation to execution and monitoring-rather than focusing only on audits.
- ➢ To enhance informed decision-making, the establishment of a Parliament Budget Office in the Senate and National Assembly is recommended, with adequate funding to ensure its effectiveness.

[28] https://internationalbudget.org/open-budget-survey/country-results/2021/cambodia

Usage of foreign loans on key public investments:

In 2025, Cambodia's capital expenditure for in-country financing (domestic and grants) is projected to remain at USD 1,234.97 million, similar to 2024 after a sharp 39% decline from 2023. Direct investment projects funded solely by domestic revenue will decrease significantly by 37%, from USD 734 million in 2024 to USD 455 million, potentially impacting social and economic development and increasing dependence on grants and foreign borrowing.

Public debt has risen steadily, from USD 6.797 billion in 2018 to USD 12.58 billion in 2024. [29] and is forecasted to reach USD 13.70 billion in 2025. [30] The government plans to spend USD 1,688 million in 2025 on public investment projects, a 10% increase from 2024, mostly funded by foreign loans. While increased investment in infrastructure is commendable, transparency, accountability, and a zero-tolerance policy on corruption are critical for managing these funds effectively.

Ministries/state institution	% of Borrowing budget allocation for public investment							
	2018	2019	2020	2021	2022	2023	2024	2025
National Assembly	0.00	0.00	0.00	0.00	0.46	0.32	0.52	N/A
Office of the Council of Ministers	3.19	2.59	1.67	1.74	1.73	1.71	0.05	N/A
Ministry of Inspection	0.00	0.02	0.02	0.05	0.02	0.04	N/A	N/A
Ministry of Economy and Finance	0.35	0.61	0.33	0.16	0.23	0.31	0.33	1.29
Ministry of Land, Urban Planning and Construction	0.25	0.53	0.33	0.49	0.52	1.40	1.31	0.89
Anti-Corruption Institution	0.02	0.01	0.02	N/A	N/A	N/A	N/A	N/A
Ministry of Public Service	0.01	0.02	0.01	0.11	0.02	0.07	N/A	N/A
Ministry of Interior - General Department of Administration	1.04	1.41	0.64	0.49	1.55	1.23	0.85	2.20
Ministry of Justice	0.20	0.13	0.11	0.13	0.12	0.13	N/A	N/A
Ministry of Information	0.09	0.05	0.36	0.12	0.08	0.15	N/A	N/A
Ministry of Health	12.62	5.17	7.71	9.28	13.09	9.52	5.96	6.52
Ministry of Education, Youth and Sports	6.87	8.12	5.71	3.44	2.54	2.56	3.80	4.44
Ministry of Cults and Religion	0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Women's Affairs	0.03	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Labor and Vocational Training	0.25	0.47	1.07	2.07	0.63	1.83	1.64	1.77
Secretariat of State for Civil Aviation	0.19	0.37	0.66	0.31	0.00	0.13	N/A	N/A
Ministry of Mines and Energy	15.45	8.65	8.33	12.22	13.53	6.50	9.04	9.97
Ministry of Commerce	1.16	1.34	2.11	2.62	2.56	3.18	0.98	1.77
Ministry of Agriculture, Forestry and Fisheries	3.11	3.48	5.35	7.13	3.32	5.98	5.50	6.74
Ministry of Rural Development	6.94	7.06	4.66	6.16	9.31	11.01	15.01	14.89
Ministry of Posts and Telecommunications	0.44	0.39	0.76	3.34	0.30	3.35	2.62	2.96
Ministry of Public Works and Transport	33.71	39.50	38.47	31.80	32.16	32.96	34.29	28.02
Ministry of Tourism	0.74	1.19	1.02	0.79	0.43	0.49	0.36	N/A
Ministry of Water Resources and Meteorology	10.68	11.31	13.27	10.77	7.08	7.67	11.13	14.98
Ministry of Industry, Science, Technology and Innovation	1.95	6.88	6.75	5.92	9.34	8.41	5.30	2.96

Source: Law on National Budget 2018-2025

The Ministry of Public Works and Transportation (MPWT) receives the largest share of foreign loans for public investment in 2025, at 28%. The Ministry of Rural Development and Water Resources follows with 14%, reflecting the government's focus on infrastructure and utilities.

In contrast, the Ministry of Industry, Science, Technology, and Innovation (MISTI) faces declining allocations, from 9.34% in 2022 to 2.96% in 2025. Similarly, public health funding has dropped sharply, from 12.62% in 2018 to 6.52% in 2025. Public education funding through foreign loans has seen a slight increase, from 2.54% in 2022 to 4.44% in 2025, but remains insufficient given the need to develop skilled human capital. Meanwhile, the Ministry of Interior's share rises from 0.85% in 2024 to 2.20% in 2025.

To ensure proper management of foreign loan budgets, the government must strengthen public procurement practices for transparency in public investment projects. Compliance with procurement standards is crucial for executing public and BOT projects, as failure to meet these standards poses significant social and economic risks.

The Cambodian government has prioritized infrastructure development through public investment and BOT agreements, notably with Chinese corporations. However, China's procurement methods face criticism for a lack of transparency[31]. Ensuring openness and integrity in procurement is essential to prevent negative impacts during post-project transfer

[29] page 3, Cambodia public debt statistical bulletin Vol.16
[30] 30 Cambodia Public Debt Statistical Bulletin, Vol 23, page 06, Ministry of Economy and Finance, August 2024,
[31] Craig Fagan (2011), op. cit.

periods. Concerns include the absence of publicly accessible contracts for BOT projects, such as the airport project, which limits public scrutiny and accountability.[32]

Recommendations:

- Effective loan utilization is essential to avoid debt traps and ensure long-term benefits. Investments should prioritize economically viable projects, enhance social welfare, and support marginalized groups, including women, children, and the elderly. Strategic use of loans for critical infrastructure can improve Cambodia's connectivity and competitiveness, benefiting both national and sub-national levels through projects like transport, water, electricity, and internet access.
- A zero-tolerance policy on corruption is vital in managing public funds. Transparent public procurement, independent audits, and mandatory disclosure of contracts, financial agreements, and environmental impact assessments for public and BOT projects are necessary to ensure accountability and public involvement.

Transparency and accountability in budget:

The government holds a critical responsibility to manage national assets, acquire foreign loans, and allocate resources effectively, as citizens ultimately bear the burden of repayment. Accountability and transparency are essential to building public trust and ensuring sound resource management, avoiding crises related to debt or resource depletion.

While the release of the full draft budget law and efforts like budget summaries and public forums are commendable, the absence of a budget executive summary in 2025 complicates public and stakeholder understanding of economic trends. The establishment of the MTFF 2025–2027 is a positive step, but transparency could be further enhanced by releasing all eight key budget documents on time and engaging stakeholders during budget formulation, execution, and evaluation.

The government should adopt innovative public engagement strategies, such as an online platform, and draw on regional best practices. External audits, corruption prevention measures, and detailed budget breakdowns at the subnational level are necessary to strengthen accountability and public access to information.

Recommendations:

The government should establish an online platform to collect and integrate public feedback into fiscal policy and budget development, fostering greater transparency and inclusivity in the budgeting process.

[32] ABD and OECD (December 2006), Curbing Corruption Public Procurement in Asia and the Pacific (Manila, Philippines). www.oecd.org/dataoecd/4/40/37575976.pdf.

Unanticipated Expenditure (Reserve Funds):

Million Riel

Description	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Total national expenditure	25,765,028.00		31,095,855.00		30,491,336.00		32,576,866.00	
Unallocated Fund	5,006,459.00	19.43	8,592,575.00	27.63	10,322,966.00	33.86	11,591,345.00	35.58
Unanticipanted Fund	1,069,010.00	4.15	838,884.00	2.70	697,000.00	2.29	1,618,264.00	4.97
Description	2023		2024		2025		Change in 2024-2025	
	Amount	%	Amount	%	Amount	%	Amount	%
Total national expenditure	36,603,698.00		34,497,444.00		35,398,175.00		900,731.00	2.61
Unallocated Fund	11,409,580.40	31.17	8,335,304.70	24.16	8,770,872.90	24.78	435,568.20	5.23
Unanticipanted Fund	1,713,847.00	4.68	2,454,267.00	7.11	1,672,599.50	4.73	-781,667.50	-31.85

Source: law on National Budget 2019-2023

In 2025, Cambodia's unanticipated expenditure is set at 4.73% of national expenditure, down from 7.11% (USD 603.75 million) in 2024. This decline, following years of fluctuation, reflects reduced pressure on the budget deficit. Unanticipated expenses previously peaked at 4.97% in 2022 and 7.11% in 2024, after being moderate at 2.70% and 2.29% in 2020 and 2021, respectively.

While such funds are essential for emergencies, their management must adhere to financial and procurement policies to prevent irregularities. Independent audits and oversight by institutions like parliament are crucial for ensuring integrity. Establishing binding regulations for the use of these funds can promote transparency and accountability.

To enhance public trust, the government should ensure key information about unanticipated expenses is accessible to the public, media, stakeholders, and legislative bodies. Current challenges in verifying these expenses, due to limited comparability with the budget settlement law, should be addressed for greater scrutiny.

Recommendations:

- Cambodia's persistent annual budget deficit underscores the need to cap unforeseen expenses at 3% annually, enabling greater allocation to critical sectors like health, education, and social protection.
- Achieving this requires strict adherence to financial and procurement policies to prevent irregularities and corruption. Independent audits and parliamentary oversight are vital to maintaining fund integrity. Establishing binding regulations for fund use will ensure responsible management, safeguard against misuse, and promote fiscal discipline.

Operational Budget for Provincial Departments and Central Ministries:

In 2025, 83.61% of the national operational expenditure is allocated to central ministries, leaving only 16.39% for provincial departments. Despite receiving significantly smaller allocations than their central counterparts, provincial departments of key ministries such as Labor, Agriculture, Rural Development, and Public Works play a critical role in delivering public services and fostering economic growth.

Million Riel

2025 opertional cost of central ministries Vs its provincial departments

Decrition	Amount	%	Decrition	Amount	%
Total Expenditure	3,562,461.90		Ministry of Cult and Religion	19,667.40	
Total for all Central Ministries	2,978,398.80	83.61	Central Ministry	8,459.60	43.01
Total for Provincial Departments of all ministri	584,063.10	16.39	Provincial Departments	11,207.80	56.99
Ministry of Inspection	24,631.00		Ministry of Women's Affairs	24,108.00	
Central Ministry	11,974.00	48.61	Central Ministry	9,815.00	40.71
Provincial Department	12,657.00	51.39	Provincial Departments	14,293.00	59.29
Ministry of Economy and Finace	191,667.20		Ministry of Labour and Vocational Trair	102,834.40	
Central Ministry	173,150.20	90.34	Central Ministry	85,817.30	83.45
Provincial Departments	18,517.00	9.66	Provincial Departments	17,017.10	16.55
Ministry of Planning	27,278.40		Ministry of Mines and Energy	30,557.00	
Central Ministry	13,738.40	50.36	Central Ministry	17,322.00	56.69
Provincial Departments	13,540.00	49.64	Provincial Departments	13,235.00	43.31
Ministry of Lang Management, Urban Planning and Construction	32,931.00		Ministry of Commerce	52,616.00	
Central Ministry	19,464.00	59.11	Central Ministry	38,376.00	72.94
Provincial Departments	13,467.00	40.89	Provincial Departments	14,240.00	27.06
Ministry of Public Service	22,856.00		Ministry of Agriculture Forestry and Fisk	98,918.10	
Central Ministry	8,856.00	38.75	Central Ministry	62,337.10	63.02
Provincial Departments	14,000.00	61.25	Provincial Departments	36,581.00	36.98
Ministry of Justice	91,760.00		Ministry of Rural Development	185,687.00	
Provincial Departments	46,269.00	50.42	Central Ministry	152,203.00	81.97
Ministry of Information	37,864.00		Provincial Departments	33,484.00	18.03
Central Ministry	23,709.00	62.62	Ministry of Post and Telecommunicatio	88,132.00	
Provincial Departments	14,155.00	37.38	Central Ministry	75,614.00	85.80
Ministry of Healths	169,470.00		Provincial Departments	12,518.00	14.20
Central Ministry	161,049.00	95.03	Ministry of Public Works and Transport	367,303.00	
Ministry of Education, Youth and Sport	326,312.90		Central Ministry	347,182.00	94.52
Provincial Departments	166,130.30	50.91	Provincial Departments	20,121.00	5.48
Ministry of Culture and Fine Art	29,724.40		Ministry of Tourism	36,029.00	
Central Ministry	15,482.40	52.09	Central Ministry	22,936.00	63.66
Provincial Departments	14,242.00	47.91	Provincial Departments	13,093.00	36.34
Ministry of Environment	34,534.00		Ministry of Water Resources and Meteo	135,830.00	
Central Ministry	19,775.00	57.26	Central Ministry	111,652.00	82.20
Provincial Departments	14,759.00	42.74	Provincial Departments	24,178.00	17.80
Ministry of Social Affairs, Veterans and Youtl	35,158.00		Ministry of Industry, Science, Technolo	34,580.00	
Central Ministry	15,698.00	44.65	Central Ministry	21,618.00	62.52
Provincial Departments	19,460.00	55.35	Provincial Departments	12,962.00	37.48

Source: Law on National Budget 2025

Budget for Compensation of Government Executives (6401):

Staff costs, under expenditure Chapter 64, decreased from USD 2,171.91 million in 2023 to USD 1,969.20 million in 2024. However, compensation for the executive branch (coded 6401) rose by 11%, raising concerns over the budget allocation for government executives. Following the amendment of Article 118 (NEW) of Cambodia's Constitution, secretaries of state are no longer cabinet members, altering their appointment procedures. Notably, the lack of regulations limiting the number of undersecretaries of state has resulted in their steady annual increase[33].

An analysis of budget allocation trends in 2023 and 2024 reveals a significant increase in compensation for the executive branch. Notably, the compensation for the Prime Minister and Deputy Prime Ministers (coded 64013) surged by 133% compared to 2023. Compensation for ministers, secretaries, and under-secretaries of state increased by 23%, while advisory and assistant compensations rose by 10%. In 2024, 71% of the executive branch compensation budget (6401) was allocated to these three categories: 30% for ministers, secretaries, and under-secretaries of state, 31% for advisors, and 10% for assistants.

Million Riel

Compensation of Government's Executives	2023		2024		Change in % (2023-2024)
	Amount	%	Amount	%	
	226,911.20		**252,018.80**		11%
Royal palace cabinet	20,400.00	8.99%	20,400.00	8.09%	0%
President, Vice President and members of supreme institutions	43,670.40	19.25%	43,648.40	17.32%	0%
Prime Minister and Deputy Priministers	216.00	0.10%	504.00	0.20%	133%
Ministers, Secretary of States and Under-secretary of States	62,154.60	27.39%	76,614.60	30.40%	23%
Ambassordors	5,320.00	2.34%	5,436.00	2.16%	2%
Advisors	71,790.90	31.64%	79,051.20	31.37%	10%
Assistants	23,359.30	10.29%	26,364.60	10.46%	13%

Source: National Revenue and Expenditure for Management for 2023 and 2024 by General Department of Budget

[33] Press release page 2 of Report on Assessment and Voters' Scorecard on the Third Year Fulfilment of Political Platform of the Fifth Mandate of Government, COMFREL, https://comfrel.org/%e1%9e%9a%e1%9e%94%e1%9e%b6%e1%9e%99%e1%9e%80%e1%9e%b6%e1%9e%9a%e1%9e%8e%e1%9f%8d-%e1%9e%93%e1%9e%b7%e1%9e%84%e2%80%8b%e1%9e%80%e1%9e%b6%e1%9e%9a%e2%80%8b%e1%9e%95%e1%9f%92%e1%9e%8f%e1%9e%9b%e1%9f%8b/,

Subnational Administrations Expenditure:

By 2024, budget allocation for sub-national governments increased significantly from 13% in 2023 to 19% in 2024, remaining steady in 2025. The sharp rise in 2024 reflects the rollout of education budget transfers to district administrations. Sub-national budgets now include expenditures for provinces, municipalities, districts, and communes, with district administration allocations growing from 1.65% of state expenditure in 2023 to 6% in 2024 and 2025. Despite this progress, sub-national allocations remain disproportionately low compared to central government spending, which accounts for 81%. This disparity challenges efforts to empower sub-national administrations through decentralization and deconcentration reforms.

Million Riel

Descrition	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
State expenditure	27,164,996.00		33,339,660.00		32,009,742.00		34,708,630.00	
National expenditure (minus: 1)supporting budget for capital, provinces, municipalities, districts and communes, 2)transferring budget for health and eduction functions.)	24,965,360.00	91.90	30,010,397.00	90.01	28,606,805.00	89.37	30,433,568.00	87.68
Sub-national expenditure	2,199,636.00	8.10	3,329,263.00	9.99	3,402,937.00	10.63	4,275,062.00	12.32
Provincial/capital expenditure including municipalities	1,476,946.00	5.44	2,278,691.00	6.83	2,203,579.00	6.88	2,859,652.00	8.24
City/district expenditure	198,890.00	0.73	247,228.00	0.74	489,810.00	1.53	568,053.00	1.64
Commune/Sangkat expenditure	523,800.00	1.93	803,317.00	2.41	709,548.00	2.22	847,357.00	2.44

Descrition	2023		2024		2025		Change in 2024-2025	
	Amount	%	Amount	%	Amount	%	Amount	%
State expenditure	39,206,205.00		37,110,403.60		37,950,385.00		839,981.40	
National expenditure (minus: 1)supporting budget for capital, provinces, municipalities, districts and communes, 2)transferring budget for health and eduction functions.)	34,147,892.60	87.10	30,141,245.30	81.22	30,756,721.10	81.04	615,475.80	-0.18
Sub-national expenditure	5,058,312.40	12.90	6,969,158.30	18.78	7,193,663.90	18.96	224,505.60	0.18
Provincial/capital expenditure including municipalities	3,436,250.00	8.76	3,563,474.80	9.60	3,554,502.00	9.37	-8972.8	-0.24
City/district expenditure	647,139.40	1.65	2,255,284.50	6.08	2,341,519.90	6.17	86,235.40	0.09
Commune/Sangkat expenditure	974,923.00	2.49	1,150,399.00	3.10	1,297,642.00	3.42	147,243.00	0.32

Resource: Law on National Budget 2019-2025

In 2025, 1,652 commune/Sangkat administrations receive 3.4% of state expenditure, 204 district offices 6%, and 25 provincial/capital offices 10%. The Asian Development Bank (ADB) recommends reducing central government expenditure to 27%–32% of total government spending while prioritizing decentralization. Budgets for districts and municipalities should increase to 30%–35% of total state expenditure, while provincial budgets should decrease from 5.5% to 3%[34]. ADB advises allocating at least one-third of the total state expenditure to sub-national governments to ensure effective decentralization.

Recommendations:

- The Royal Government should increase the budget share for sub-national administrations to 30% of total government expenditure annually. This should include 10% for cities, districts, and khans, and another 10% for communes/Sangkats, enabling these entities to effectively manage mandatory tasks, address operational expenditure gaps, and implement new functions.
- The Royal Government should effectively monitor and evaluate the enforcement of Sub-Decrees 152 and 153, which mandate commune and district administrations to allocate budgets for social affairs, natural resources, environment, and climate change adaptation. Additionally, the government should promptly establish guidelines for accounting procedures related to these expenditures.

[34] Tariq H. Niazi, Deconcentration and Decentralization Reforms in Cambodia Recommendations for an Institutional Framework, Page 71, 2011, Asian Development Bank

- The government should increase budget allocations for sub-national offices while enhancing their capacity to effectively manage and execute budgets. Tailored capacity-building programs should be implemented, focusing on the budget management cycle, monitoring, evaluation, learning (MEL), and internal auditing.
- The Royal Government should establish an internal control and audit system for sub-national administrations while ensuring the effective oversight role of sub-national administrative councils in monitoring budget execution progress.
- The Royal Government should actively encourage citizen participation and transparency in the budget formulation and monitoring processes, fostering public ownership of local development plans.

Structure of the Budget Documents:

Once the Annual Budget Law is approved by the legislature and endorsed by the King, the execution branch is responsible for implementing the budget and reporting the outcomes to parliament. At the end of each fiscal year, the government must present a budget implementation report mirroring the structure of the approved budget to facilitate thorough review and verification by parliament and stakeholders. Timely access to detailed information from the eight budget documents—draft law on the annual budget, pre-budget statement, executive's proposal, enacted budget, in-year reports, mid-year review, year-end report, audit report, and citizen's budget—is essential for meaningful review. However, discrepancies in structure, currency scales, and presentation between the Annual Budget Law and Budget Settlement Law hinder verification and comparability, complicating effective analysis.

Recommendation:

The Royal Government, particularly the Ministry of Economy and Finance, should improve public understanding and enhance transparency in budget execution by adopting a standardized framework and format for the Annual Budget Law and Budget Settlement Law, ensuring consistency and facilitating verification and review.

The public service should be better based on the increasing of % commune/Sangkat budget

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