



វេទិកាសម្រាប់ការវិនិច្ឆ័យសង្គមស្តីពីកម្ពុជា
The NGO Forum on Cambodia

Working Together for Positive Change

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**Analysis of the Draft Law on Finance for 2010
Management (Draft Budget Law)**

(Brief for Parliamentarians)

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November 2009
Phnom Penh, Cambodia

**National Budget Project
Development Issues Programme**

Analysis of the Draft Law on Finance for 2010 Management **(Draft Budget Law)**

Purpose, Methodology and Limitations of the Budget Analysis

The NGO Forum on Cambodia started its budget work in 2006 with the intention to stimulate debate among everyone directly or indirectly involved in the National Budget, including government officials, members of parliament, media professionals, university lecturers and students, NGO staff, and the Cambodian public. In 2007 and 2008 the NGO Forum was given access to the draft Budget Laws by the National Assembly, in order to prepare a workshop where Parliamentarians could familiarize themselves with the views from Non-Governmental Organisations on the draft law and could freely exchange ideas on these issues.

This year, the NGO Forum received the draft Budget Law together with the Explanatory Note to the Draft Law on Finance for 2010 Management and subsequently updated the budget database in order to compare allocations in the 2010 draft Budget Law with allocations in the 2009 Law. The analysis of the data is limited by the lack of detailed budget lines in the draft law. In addition, the lack of a narrative attached to the Budget Law that explains the choices made in the allocation of public funds and its link to the Rectangular Strategy and the National Strategy allows analysts only to make very general comments on the content of the draft budget law and automatically leaves many questions in need of more information and clarification.

Despite these limitations, it is hoped that this analysis contributes to a constructive and evidence-based dialogue on the 2010 draft budget law that has been scheduled for 30 November 2009. For suggestions and comments on the content of this analysis, as well as requests for further information, please contact the address located on the back cover of this analysis.

The information and suggestions on sector budget allocation were also provided by key NGOs working in the sector of Health, Education and Decentralization & Deconcentration which include MEDiCAM, NEP and CCSP.

Summary and Suggestions

The 2010 Budget Law shows that the Royal Government of Cambodia (RGC) expects to receive nearly two billion US dollars during the course of the year. Spending this revenue collected from taxes, fees and fines paid by citizens and companies, as well as the grants and loans from development partners, is the RGCs most potent instrument to achieve the goals and objectives outlined in the second phase of the Rectangular Strategy and the National Strategic Development Plan.

The 2010 Budget Law has to respond to many challenges. While the food prices that started to rise in 2008 continue to be high, many families saw their income reduced as a result of job-losses and underemployment in the construction, garment, and tourism sectors. Recent research by the Cambodian Economic Association shows that recent gains in poverty reduction are being reversed as many rural households are facing food insecurity, reducing health expenses and taking loans to cover their health expenses, daily consumption, and the repayment of old debts. In turn, the increased indebtedness makes these families vulnerable in the near future as they have little opportunity to pay off these debts.

Positive developments in the 2010 Budget Law are:

A significant increase in allocations to agriculture and rural development, which raises hopes for further improvements in maintenance and expansion of rural infrastructure, such as roads, water supply and irrigation needed for better access to markets and higher yields.

An increase in the tax rate on luxury cars and the introduction of a 0.1 percent tax on properties will increase RGC revenues. The 0.1 property tax on land, houses, buildings and other construction projects is especially expected to promote productive investment by discouraging the holding of unused land for speculation.

Issues for discussion and clarification:

The allocations for the recurrent budgets of the Ministries of Education, Youth & Sports, as well as Labor and Vocational Training, are below average and should be higher given the need to improve the quality of education,

A similar concern is raised for the current allocation to the Ministry of Agriculture, Forestry and Fisheries as there is a real need to improve agriculture extension services and agricultural research & development,

According to the Rectangular Strategy phase II, the Priority Mission Groups (PMGs) and Merit Based Pay Initiative (MBPI) incentive schemes are important to deepen nationwide reforms. The suspension of the PMGs and the MBPI, announced in the Explanatory Note to the Draft Budget Law, may have a negative impact on the reform agenda of the Royal Government

Suggestions for the plenary session on the 2010 Draft Budget law

In addition to the findings summarized above, the analysis resulted in three suggestions that the NGO Forum would like to recommend that the Parliamentarians discuss during their plenary session on November 30th, 2009.

1. Are the increased total allocations of US\$ 21.9 million for the recurrent and capital budget of the Ministry of Social and Veteran Affairs and Rehabilitation meant for expansion of the Government's social safety net? If so, can the Royal Government elaborate on who the intended beneficiaries are?
2. The suspension of the Priority Mission Groups (PMGs) and the Merit Based Pay Initiative (MBPI) for civil servants, announced in the Explanatory Note to the Draft Budget Law, may have a negative impact on the reform agenda of the Royal Government as it contradicts with the

Rectangular Strategy which announced a continued expansion of the PMGs and MBPI in order to deepen nationwide sectoral reform programs. Given the often expressed importance of continued reforms, can the Royal Government please elaborate whether MBPI and PMG will be replaced by another incentive scheme or how it can ensure the continuation of the reforms?

3. Increased allocations to MoRD, MoWRM, and MAFF are a positive development but past experience shows that projects frequently face delays. Given the need for investment in the rural areas, it would be useful if the National Assembly's plenary session could discuss the support provided by external development partners to the MoRD, MoWRM, and MAFF and what actions need to be taken in order to efficiently implement these development projects in a timely manner.
4. As demands on public funds managed by the Royal Government are large due to the continued impact of the crisis and the aftermath of the recent border dispute, policy makers and Parliamentarians are facing tough choices. The negative impact of inflation on the poor witnessed in 2008 is a reminder that inflation is not without negative consequences on past gains made in poverty reduction. The NGO Forum would like to suggest to the plenary session to discuss how it will continue to mitigate the impact of the crisis, invest in development and use the available fiscal space responsibly and would like to suggest the favorable option to use part of the US\$ 100 million budgeted for precautionary expenses for this purpose.

Suggestions for future budget laws

When analyzing the allocations in the 2010 Budget Law there is a concern on the degree of alignment between the Budget Law and the Rectangular Strategy, which was also highlighted in the analyses of the 2008 and 2009 draft budget laws. Key points that could be improved in future editions of the draft budget law to allow better oversight by the National Assembly and civil society organisations are:

Include a clear narrative that explains the rationale behind the allocations presented in the draft budget law to parliamentarians, which allows for analysts to understand the policy objectives behind the figures presented in the budget.

Together with the narrative, the draft national budget law should explain the link between the allocations included in the National Strategic Development Plan. The National Strategic Development Plan Update (2009-2013) which is currently being prepared under the leadership of the Ministry of Planning has the potential to bring together the National Budget and the Rectangular Strategy phase II. The costing of the NSDP Update with the sectoral allocations, as announced in the Circular on the Preparation of the NSDP Update (May 2009) should feature in future draft budget laws as it allows Parliamentarians to make a better assessment of the alignment between the budget law, the National Strategic Development Plan Update, and the Rectangular Strategy phase II.

In addition, the budget law could be broken down in more detail, thereby allowing parliamentarians to have a more thorough debate that goes beyond the aggregate allocations for each line ministry.

Finally, separate consultative sessions between Parliamentarians, citizens, and civil society organisations could further improve the responsiveness of the National Budget to the needs of Cambodian citizens.

Introduction: the 2010 Budget Law needs to respond to many challenges

The National Budget Law is government most important instrument to achieve economic growth and poverty reduction. Both 2008 and 2009 have been especially difficult years for many people, in particular the poor and vulnerable communities.

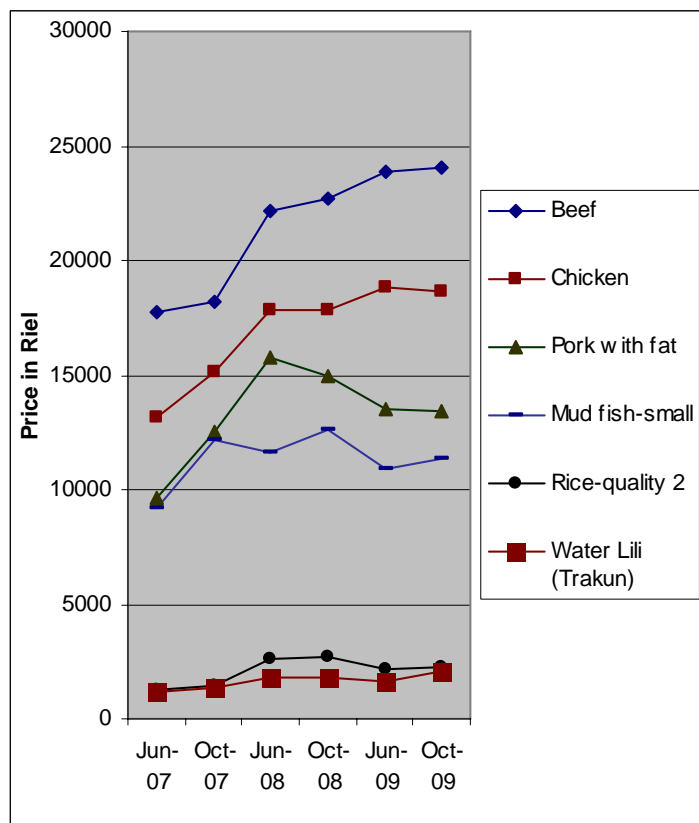
The food crisis that started in early 2008 had a negative effect on the gains made in poverty reduction and as can be seen in Figure 1, most prices continue to be high, making life especially difficult for the poor who spend 83 percent of their income on food and beverages.

During a time when many of Cambodia's youth are entering the job-market, the financial crisis that followed in late 2008 caused many job losses, especially in construction and the garment industry,¹ and has led to a significant reduction in income for many families. In addition, farmers of rubber, cassava, soy bean, and maize were hard hit due high input prices during the planting season and a drop in the international price at harvest time.

As traditional coping mechanisms (selling labor, migration) are not available due to the crisis, recent research by the Cambodian Economic Association shows that gains made in poverty reduction are being reversed as many rural households are becoming food-insecure, reducing health expenses and taking loans to cover health expenses, daily consumption, and the repayment of old debts. This increased indebtedness makes these families vulnerable in the near future as they have little opportunity to pay off these new debts.

Through the National Budget, including development aid, the Royal Government has to prioritize the needs of the most vulnerable and support their efforts to recover from the crisis in 2010. Important elements for this recovery include the provision of social safety nets, affordable health services, keeping children and youth in school, investment in agriculture and rural developments, and continued government reforms. The analyses of the 2010 Budget Law figures below, and the suggestions made for the plenary session on the draft budget law on Monday, November 30th, are made with the difficulties faced by the poor and vulnerable communities in mind.

Figure 1: Selected goods 2007-2009, Riel per Kg, (NIS)

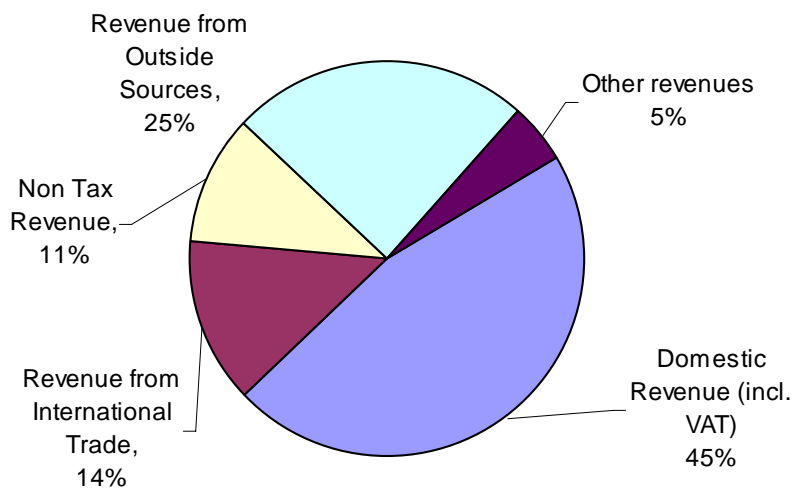


¹ According to UNCT, "The Global Economic Downturn: Opportunity or Crisis", (Nov.2009), 63,000 jobs were lost in the garment industry.

Revenues

The 2010 Budget Law is the Government's single most important tool to implement its vision outlined in the Rectangular Strategy Phase II and the National Strategic Development Plan. For the 2010 fiscal year, the Royal Government of Cambodia (RGC) expects to receive USD 1,976.8 Million during the course of the year which is a 12 percent increase compared to the expected revenues in the 2009 Budget Law.

The majority of the revenues of the 2010 National Budget are raised domestically, coming from the Value Added Tax (US\$ 432 million) and other taxes, fees, and fines paid by consumers, and companies. Revenues from outside sources that are included in the Budget Law account for 25 percent of the expected revenues and are mainly used to help finance the capital-side of the National Budget.



The Royal Government raises these revenues in order to provide public goods and services and to develop the country as laid out in the phase two of the Rectangular Strategy and the National Strategic Development Plan which is currently being updated.

Positive developments on the revenue side that were announced in the draft Law are:

1. an increase in the tax rate on luxury cars; and
2. the introduction of a 0.1 percent tax on properties which includes land, houses, buildings and other construction projects that cost 100 million riel (US\$ 24,000) or more. The property price will be based on market price evaluated by the Committee for Property Evaluation. NGO Forum welcomes the introduction of this tax, which is expected to promote investment in productive land and discourage holding unused land for speculation.

Recurrent Expenditures by Priority Ministries

The Budget Law is split into two parts with a recurrent budget that is financed by domestic resources and a capital side of the budget financed that relies heavily on funds from development partners. Allocations in the 2010 Budget Law for recurrent expenditure (such as wages, allowances, small maintenance and other operational costs) show a mixed picture for ministries working areas that have been labeled priority in the past.

Table 1 below shows that allocations to the ministries of health, justice, and rural development are increasing *above average* (marked grey). This is commendable and in line with the recognized need to:

- (i) ***Improve delivery of health services***, especially it is recommended by MEDiCAM that packages for maternal and newborn child services are provided for free, including emergency obstetric care services, facility deliveries by skilled birth attendants, neo-natal infection care, and nutrition for mother and child. Without these packages, Cambodia will not be able to achieve the Millennium Development Goals number four and five.
- (ii) ***Improve the functioning of the judiciary***
- (iii) ***Maintain and expand rural infrastructure, including rural roads, rural water supply and irrigation*** needed for better access to markets and the production of higher yields. Both the MoRD and the MoWRM have an important mandate in this area and contribute to public investments in the rural areas with its expected positive impact for small scale farmers.

Table 1: Recurrent expenditure per category and selected line ministries, in US\$ million

	2009 B.L	2010 Draft B.L	Increase
TOTAL CURRENT EXPENDITURE	1,064	1,227	15%
A. General administration	149	169	14%
o.w. National Assembly	24.7	27.7	12%
o.w. Ministry of Justice	7	9	30%
o.w. National Audit Authority	1.6	1.6	-1%
B. Defense and Security	219	281	28%
C. Social Sector	390	446	14%
o.w. Ministry of Health	123	146	19%
o.w. Ministry of Education, Youth & Sports	181	201	11%
o.w. Ministry of Women Affairs	6	7	9%
o.w. Ministry of Labor and Vocational Training	13	14	13%
D. Economic Sector	88	102	16%
o.w. Ministry of Agriculture, Forestry and Fisheries	19	21	14%
o.w. Ministry of Rural Development	16	20	30%
o.w. Ministry of Land, Urbanization and Construction	6	7	12%
o.w. Ministry of Water Resources and Meteorology	8	9	17%
99. Unallocated (current) expenditures	218	228	5%
Supplementation to cities-provinces/communes-sangkat	42	62	47%
Reserved Budgets/Precautionary Expenses	145	100	-31%

Table 1 also shows a number of ministries that have been labeled priority in the past are receiving a less-than-average increase for their recurrent budgets: Education, Youth & Sports; Women Affairs; Labor and Vocational Training; Agriculture, Forestry and Fisheries budgets have increased less than average.

There is a concern that the relative low increase for education will affect the improvement of quality education. This is seen as the biggest challenge in the sector at the moment which requires qualified teachers and appropriate teaching materials, both financed from the recurrent budget.

In addition the increase for the Ministry of Agriculture, Forestry and Fisheries is lower than expected, given for instance the need for investment in agriculture extension services.

Supplements to the Provinces, Defense & Security, Social Safety nets, MBPI & PMGs

The increasing **supplement to the cities-provinces/communes-sangkat** shows progress in the decentralization process. Compared to the 2009 Budget Law, the supplementation to cities-provinces / communes-sangkat will increase 47 percent to US\$ 62 million, which should contribute to fund

projects at the commune / sangkhat level that respond to local needs. According to a statement by H.E. Keat Chuon in the Phnom Penh Post on 7 October, each commune will receive around US\$ 22,300.

As already mentioned by the IMF², increased recurrent spending on **defense & security** (from US\$ 219 million in 2009 to US\$ 281 million in 2010) will effect spending on priority areas. During the meeting of the Technical Working Group on Public Financial Management in September, a senior representative from the MEF stressed that the increase in defense expenditure was due to a revision in the allowance system of the military which brings it in-line with the civil service. He added that this is justified in a time that the Kingdom needs to be protected. Although these funds have a positive stimulating effect on the economy, they are also recurrent in nature and are therefore not necessarily part of a temporary stimulus package. However, the announcement in the Explanatory Note to the National Budget that function allowances of the military personnel to be revised may change this.

The Explanatory Note to the Draft Law also announces the suspension of the Priority Mission Groups (PMGs) and the Merit Based Pay Initiative (MBPI) for civil servants which receives significant donor-support. This contradicts the Rectangular Strategy (para 25) which states that *“In the fourth legislature, the Royal Government will continue to expand the coverage of the PMGs and MBPI to a number of priority ministries and agencies, in order to deepen nationwide sectoral reform programs.”* The need to balance the budget and review expenditures is necessary and needs to be carefully assessed against the risk of slowing down the urgently needed reforms, for which Cambodia *“has no other choice than continuing with firm and conscientious implementation of all needed reforms”*³. It is evident that the need to balance the budget needs to be met, while reforms need to be continued at the same time. This is a challenge that policy makers should solve in the interest of the millions of Cambodians benefiting from these reforms.

Many discussions have been held on expanding **social safety nets** in Cambodia with both Government and development partners making commitments to this. The 2010 Budget Law does show an increase for the Ministry of Social Work, Veteran Affairs and Youth Rehabilitation (MoSWVAR) from an allocation of US\$ 44.3 million in 2009 to US\$ 52.6 million in the 2010 Budget Law. In addition, donor-financed capital allocations to the (MoSWVAR) increase by US\$ 13.6 million to US\$ 18.4 million. The NGO Forum would like to clarify whether these funds are being allocated to social safety net expenditures and who the intended beneficiaries for this increased expenditure are.

Precautionary expenditure

As per article 25 of the Law on Public Financial System, these funds are allocated to ministries, institutions and similar public entities by sub-decree pursuing to the request made by the Minister of Economy and Finance and beyond the oversight of the National Assembly.

In the 2010 draft budget law, the allocation for precautionary expenses has been reduced by US\$ 44 million to US\$ 100 million. There are many good reasons for Cambodia to budget a significant amount for unforeseen expenditures, which may include: lower than expected donor funds; floods, droughts and other natural disasters; ensuring national security and protecting Cambodian boundaries. However as can be seen in the separate briefing on analysis of government use of precautionary expenditure from 2005 to 2009, the sub-decrees authorizing actual expenditure seem to provide some level of explanation on the use of these funds. The results of the analysis show that these funds have not only been used to pay for “unexpected events” such as floods, droughts, lower than expected donor

² Press Release: Statement at the Conclusion of an IMF Staff Mission to Cambodia, September 24, 2009

³ Rectangular Strategy Phase II (para 4)

funds, but also to finance additional needs from ministries that could have been foreseen, such as the payment of interest and principals, rice supply to private companies since 2003 and serving elections.

For this year’s precautionary expenses, which represents eight percent of total recurrent expenditure, we request the plenary session of the National Assembly to debate whether this is an appropriate amount for this budget-line or whether funds can be reallocated to priority sectors mentioned earlier.

Capital expenditure

Table C on capital expenditure in the draft Budget Law shows that total capital expenditure in 2010 is expected to amount to US\$ 761.3 million, an increase of 13 percent compared to the 2009 Budget Law. Table 2 below provides an overview of the line ministries that together account for 94 percent of all capital expenditure in the 2010 Budget Law.

Table 2 shows significant increases for capital expenditure in the ministries involved in agriculture and rural development. The combined capital budgets for the Ministries of Rural Development; Agriculture, Forestry and Fisheries; and Water Resources and Meteorology will increase by US\$ 38 million which should have a positive impact on the rural areas where 90 percent of the poor Cambodians live.

As shown in previous analysis of the implementation of the budget law (see analysis of the 2008 and 2009 budget law), translating these allocated funds into actual expenditures has proven to be a challenge. This point is illustrated again by the fact that 52 projects from MAFF, 25 projects from MoWRM and 23 projects from MoRD that are featured in the 2009 Budget Law seem not to have been implemented and were moved to the 2010 Budget Law. The difficulties faced in the implementation of agricultural projects is also illustrated in Box 1 below which describes the challenges faced by the Ministry of Water Resources and Meteorology in its implementation of the North-West Irrigation project, financed with a US\$ 20 million concessional loan from the Asian Development Bank and a US\$ 4 million grant from the French Development Agency.

The NGO Forum would like to seek clarification from the plenary session of the National Assembly on the quality of support provided by external development partners to the MoRD, MoWRM, and MAFF and what actions need to be taken in order to efficiently implement these development projects in a timely manner.

Table 2, Capital Expenditure in the 2010 Budget, selected line ministries (US\$ million)

	2009	2010	Increase / Decrease 2010/2009
Total capital expenditure	673.8	761.3	13%
Ministry of Social Work, Veterans and Youth Rehabilitation	4.8	18.4	285%
Ministry of Interior	10.7	22.3	109%
Ministry of Post and Telecommunication	8.2	13.8	67%
Ministry of Water Resources and Meteorology	43.9	67.4	54%
Ministry of Rural Development	13.9	21.0	51%
Ministry of Public Work and Transport	195.5	254.1	30%
Ministry of Agriculture, Forestry and Fisheries	51.2	58.5	14%
Ministry of Industry, Mine, and Energy	42.6	43.9	3%
Ministry of Health	126.0	122.6	-3%
Ministry of Economy and Finance	38.7	33.0	-15%
Phnom Penh Municipality	13.0	10.5	-19%
Ministry of Education, Youth and Sports	63.1	49.2	-22%

Box 1: A summary of the Case Study⁴: “Implementation of the NW Irrigation Project”

A US\$ 20 million concessional loan from the ADB was approved for the “Norwest Irrigation Sector Project” in November 2003 which was supplemented by a US\$ 4 million grant from AFD. However, the project implementation did not commence until 2007 and to date the bulk of the fund is still unspent. It experienced a few years’ delay, raising curious interest in understanding the reasons why as Cambodia badly needs a large amount of investment in improving irrigation. Explanations provided by both the Government and ADB officials for the slow implementation included the: (i) the nature of the project, (ii) the project procurement process, and (iii) the human factors (reliance on external consultants and the change of responsible staff within the Ministry of Water Resources and Meteorology).

The delay in project implementation resulted in postponement of the anticipated benefits: higher yields, more income to thousands of farmers and poverty reduction. Interviews learned that, six years after the proposed starting date, there are now strong commitments by all the stakeholders to speed up the implementation of the remaining 10 irrigation projects. Having learned the lessons in the past few years, the Government is committed and confident that the project will be completed by the end of 2010.

The Budget Deficit – and Fiscal Stimulus

The figures in Annex 3 below show that Cambodia’s budget deficit is increasing from US\$ 22 million in 2009 to US\$ 47.6 million in 2010. As indicated in the Budget Law, the increased deficit will be financed by Government reserves in the National Bank which will lead to some inflationary pressure on the Riel in 2010.

The challenges Cambodia faced in 2008 and 2009, as described in the introduction, fully justify increased public expenditure that seeks to mitigate the impact of the crises of the poor, secures employment, provides training to recently unemployed, etc. However, the experience in 2008 showed the negative impact of inflation on the poor and therefore it is important that future budget laws are working towards a more balanced budget, while avoiding inflation (as highlighted in the second phase of the Rectangular Strategy), and continues to fight poverty as its main priority.

⁴ Forthcoming , NGO Forum

ANNEX 1: Overview of Recurrent Expenditures in 2009 and (Draft) 2010 Budget Law

TOTAL CURRENT EXPENDITURE (in US\$ Million)	2009	2010	Increase / Decrease
	1,064	1,227	15%
A. General administration	148.8	169.4	14%
01. Royal Palace	11.6	12.1	4%
02. National Assembly	24.7	27.7	12%
03. Senate	7.5	8.0	6%
04. Constitutional council	1.5	1.7	13%
5.1. Office of CoM	39.5	46.5	18%
5.2. Public Functions	0.8	0.7	-13%
5.4. CDC	1.4	1.3	-7%
07. Ministry of Interior - General administration	8.6	12.5	47%
08. Ministry of National Assembly and Senate Relation	3.0	3.7	23%
09. Ministry of Foreign Affairs	17.8	17.0	-4%
10. MEF	18.2	20.4	12%
14. Ministry of Planning	4.0	5.6	38%
26 Ministry of Justice	6.6	8.5	30%
30. National Election Committee	2.1	2.1	3%
31. National Audit Authority	1.6	1.6	-1%
B. Defense and Security	218.5	280.6	28%
06. Ministry of Defense	137.9	171.3	24%
07.1. Ministry of Interior - Public Security	80.6	109.3	36%
C. Social Sector	390.1	446.2	14%
11. Ministry of Information	8.5	10.0	17%
12. Ministry of Health	122.9	146.4	19%
16. Ministry of Education, Youth & Sports	181.1	201.2	11%
18. Ministry of Culture and Fine Arts	6.4	6.4	1%
19. Ministry of Environment	4.8	4.8	0%
21. Ministry of Social and Veteran Affairs and Rehabilitation	44.3	52.6	19%
23 Ministry of Cults and Religion	3.2	3.7	15%
24. Ministry of Women Affairs	6.2	6.8	9%
32. Ministry of Labor and Vocational Training	12.7	14.3	13%
D. Economic Sector	88.0	102.2	16%
05.3 State Secretariat of Civil Aviation	2.9	3.0	4%
13. Ministry of Industry, Mines and Energy	3.9	4.2	10%
15. Ministry of Commerce	9.3	12.9	39%
17. Ministry of Agriculture, Forestry and Fisheries	18.8	21.3	14%
20. Ministry of Rural Development	15.6	20.3	30%
22. Ministry of Posts and Telecommunications	9.5	9.7	2%
25. Ministry of Public Works and Transport	7.7	7.8	1%
27. Ministry of Tourism	7.0	7.4	6%
28. Ministry of Land, Urbanization and Construction	5.9	6.6	12%
29. Ministry of Water Resources and Meteorology	7.6	9.0	17%
99. Unallocated (current) expenditures	218.2	228.2	5%
- Current counterpart fund (for project implementation)	7.3	36.8	403%
- Financial charges (chapter 66)	24.4	29.3	20%
Supplementation to cities-provinces/communes-sangkat	42.0	61.8	47%
- Supplementation to provinces/cities (chapter 65)	15.9		
- Supplementation to Communes/Sangkats (chapter 65)	26.1		
Reserved Budgets/Precautionary Expenses	144.5	100.2	-31%
- Earmark expenses (Expenses on targets)(chapter 09)	132.3		N.A
- Other expenses (chapter 09)	12.2		N.A
Total Capital Expenditure:	707.0	712.4	1%
- Settlement of borrowings (chapter 16)	34.1	36.6	7%
- Investment projects	109.4	40.2	-63%
- Domestic counterpart (in foreign direct investments)	45.1	48.3	7%
- Investment by budget support	103.7	99.5	-4%
- Public investments by foreign financing	414.6	487.8	18%

ANNEX 2: Overview of Capital Expenditure in 2009 and (Draft) 2010 Budget Law

	In US\$ Million	2009	2010	Increase / Decrease
No.	Total Capital Expenditure	673.8	761.3	13%
1	Ministry of Health	126.0	122.6	-3%
2	Ministry of Education, Youth and Sports	63.1	49.2	-22%
3	Ministry of Agriculture, Forestry and Fisheries	51.2	58.5	14%
4	Cambodian Authority on Mine Action and Mine Victim Rescue	0.9	-	-100%
5	Ministry of Land Management, Urbanization, and Construction	10.0	9.6	-4%
6	Ministry of Water Resources and Meteorology	43.9	67.4	54%
7	Ministry of Rural Development	13.9	21.0	51%
8	Council for Development of Cambodia	-	-	
9	Ministry of Economy and Finance	38.7	33.0	-15%
10	Ministry of Commerce	5.4	5.8	7%
11	Ministry of Industry, Mine, and Energy	42.6	43.9	3%
12	Ministry of Public Work and Transport	195.5	254.1	30%
13	State Secretariat of Civil Aviation	4.5	2.8	-38%
14	Ministry of Information	2.0	3.4	69%
15	Ministry of Post and Telecommunication	8.2	13.8	67%
16	Ministry of Culture and Fine Arts	3.5	3.1	-11%
17	Ministry of Cult and Religion Affairs	0.9	0.9	0%
18	Ministry of Interior	10.7	22.3	109%
19	Ministry of Planning	1.0	1.6	63%
20	Ministry of Justice	1.0	2.0	100%
21	State Secretariat of Public Function	-	-	
22	Ministry of Social Work, Veterans and Youth Rehabilitation	4.8	18.4	285%
23	Ministry of Labor and Vocational Training	1.2	1.5	24%
24	Ministry of Senate and National Assembly Relation & Inspection	0.1	0.7	629%
25	Ministry of Environment	2.9	2.5	-13%
26	Ministry of Tourism	6.2	4.1	-35%
27	Ministry of Women's Affairs	12.7	1.3	-90%
28	Office of the council of Ministers	10.0	7.5	-25%
29	Phnom Penh Municipality	13.0	10.5	-19%

ANNEX 3: Table on State Financial Operation 2007– 2010

	2007	2008	2009	2010 Draft
State Financial Operation (in Million US\$)	Amount	Amount	Amount	Amount
GDP Current Price				
1. Domestic Revenue	800.5	972.4	1,252.3	1,400.2
1.1 Current Revenue	793.7	948.0	1,240.6	1,388.5
1.2 Capital Revenue	7.3	24.4	11.7	11.7
2. Total Budget Expenditure	1103.0	1,354.5	1,736.5	1,987.7
2.1 Current Expenditure	692.0	839.5	1,063.7	1,226.5
2.2 Capital Expenditure (Excl. debt settlement)	411.0	515.0	672.8	761.2
Public Investment with domestic financing	140.3	173.5	258.2	273.4
Budget Fund	84.1	119.5	154.5	173.9
Direct Investment projects	53.7	84.2	109.4	125.6
Counterpart	30.5	35.4	45.1	48.3
Investment by Budget Support Financed by DPs	56.1	54.0	103.7	99.5
Public Investment with External (Foreign) Financing	270.7	341.5	414.6	487.8
Current Budget Surplus (1.1 - 2.1)	101.2	108.5	177.0	162.0
Total Budget Deficit (I-2)	-302.5	-382.1	-484.1	-587.6
3. Financing the Deficit	302.5	382.1	484.1	587.6
3.1 External Financing	302.5	366.2	462.2	540.0
Budget Support Financed by Development Partners	56.1	54.0	81.7	88.8
Public Investment Fund by External Financing	270.7	341.5	414.6	487.8
Debt Settlement	-24.4	-29.3	-34.1	-36.6
3.2 Domestic Financing	0.0	15.9	22.0	47.6
Government Deposit (in 2007: NBC Financing)	0.0	15.9	22.0	47.6

Source: Budget Law 2007-2009, Draft Budget Law 2010

ANNEX 4: Percentage of Total Recurrent Expenditure 2007-2010 by Ministry

	2007	2008	2009	2010 Draft
TOTAL EXPENDITURE (In Million USD)	1239.8	1443.0	1737.4	1987.8
TOTAL CAPITAL EXPENDITURE	547.8	603.5	673.8	761.3
TOTAL CURRENT EXPENDITURE	692.0	839.5	1,063.7	1,226.5
A. General administration	14.2%	14.1%	14.0%	13.8%
01. Royal Palace	1.5%	1.3%	1.1%	1.0%
02. National Assembly	2.4%	2.5%	2.3%	2.3%
03. Senate	0.8%	0.8%	0.7%	0.6%
04. Constitutional council	0.1%	0.1%	0.1%	0.1%
05. Council of Ministers	3.2%	3.4%	3.9%	4.0%
5.1. Office of CoM	3.0%	3.2%	3.7%	3.8%
5.2. Public Functions	0.1%	0.1%	0.1%	0.1%
5.4. CDC	0.2%	0.1%	0.1%	0.1%
07. Ministry of Interior - General administration	0.9%	0.9%	0.8%	1.0%
08. Ministry of National Assembly and Senate Relation	0.3%	0.3%	0.3%	0.3%
09. Ministry of Foreign Affairs	2.1%	1.9%	1.7%	1.4%
10. MEF	1.6%	1.6%	1.7%	1.7%
14. Ministry of Planning	0.3%	0.4%	0.4%	0.5%
26 Ministry of Justice	0.7%	0.7%	0.6%	0.7%
30. National Election Committee	0.1%	0.2%	0.2%	0.2%
31. National Audit Authority	0.2%	0.2%	0.1%	0.1%
B. Defense and Security	17.9%	15.9%	20.5%	22.9%
06. Ministry of Defense	11.3%	9.7%	13.0%	14.0%
07.1. Ministry of Interior - Public Security	6.6%	6.1%	7.6%	8.9%
C. Social Sector	39.0%	37.9%	36.7%	36.4%
11. Ministry of Information	0.7%	0.7%	0.8%	0.8%
12. Ministry of Health	11.9%	11.8%	11.6%	11.9%
16. Ministry of Education, Youth & Sports	19.2%	18.1%	17.0%	16.4%
18. Ministry of Culture and Fine Arts	0.7%	0.7%	0.6%	0.5%
19. Ministry of Environment	0.4%	0.5%	0.4%	0.4%
21. Ministry of Social and Veteran Affairs and Rehabilitation	4.2%	4.3%	4.2%	4.3%
23 Ministry of Cults and Religion	0.3%	0.3%	0.3%	0.3%
24. Ministry of Women Affairs	0.6%	0.6%	0.6%	0.6%
32. Ministry of Labor and Vocational Training	1.0%	1.1%	1.2%	1.2%
D. Economic Sector	8.9%	8.7%	8.3%	8.3%
05.3 State Secretariat of Civil Aviation	0.4%	0.3%	0.3%	0.2%
13. Ministry of Industry, Mines and Energy	0.4%	0.4%	0.4%	0.3%
15. Ministry of Commerce	0.8%	0.9%	0.9%	1.1%
17. Ministry of Agriculture, Forestry and Fisheries	2.1%	1.9%	1.8%	1.7%
20. Ministry of Rural Development	1.3%	1.4%	1.5%	1.7%
22. Ministry of Posts and Telecommunications	1.1%	1.0%	0.9%	0.8%
25. Ministry of Public Works and Transport	0.7%	0.7%	0.7%	0.6%
27. Ministry of Tourism	0.7%	0.7%	0.7%	0.6%
28. Ministry of Land, Urbanization and Construction	0.6%	0.6%	0.6%	0.5%
29. Ministry of Water Resources and Meteorology	0.8%	0.7%	0.7%	0.7%
99. Unallocated (current) expenditures	20.1%	23.4%	20.5%	18.6%
- Current counterpart fund (for project implementation)	0.0%	0.0%	0.7%	3.0%
- Financial charges (chapter 66)	1.8%	2.2%	2.3%	2.4%
Supplementation to cities-provinces/communes-sangkat	4.8%	4.2%	3.9%	5.0%
- Supplementation to provinces/cities (chapter 65)	1.8%	1.6%	1.5%	N.A
- Supplementation to Communes/Sangkats (chapter 65)	3.1%	2.6%	2.5%	N.A
Reserved Budgets/Precautionary Expenses	13.5%	17.0%	13.6%	8.2%
- Earmarket expenses (Expenses on targets)(chapter 09)	12.3%	15.8%	12.4%	N.A
- Other expenses (chapter 09)	1.1%	1.2%	1.1%	N.A

Total Capital Expenditure (In Million USD)	435.4	544.3	707.0	712.4
- Settlement of borrowings (chapter 16)	5.6%	5.4%	4.8%	5.1%
- Investment projects	12.3%	15.5%	15.5%	5.6%
- Domestic counterpart in foreign direct investments	7.0%	6.5%	6.4%	6.8%
- Investment by budget support	12.9%	9.9%	14.7%	14.0%
- Public investments by foreign direct financing	62.2%	62.7%	58.7%	68.5%

For comments, suggestions, or requests for more information on this analysis, please contact:

The NGO Forum on Cambodia

Mr. Chhith Sam Ath

Executive Director

Tel: 023-214 429

Email: ngoforum@ngoforum.org.kh

Address: #9-11, street. 476, Sangkat Toul Tompoung 1, Khan Chamkarmorn,
Phnom Penh. PO Box: 2295.