

# Fiscal Space of the Sub National Administrations of Cambodia

A Quantitative Data Analysis



June 2023

The Joint Sustainable Development Goals (SDG) Fund is an innovative instrument to incentivize the transformative policy shifts and stimulate the strategic investments required to get the world back on track to meet the SDGs. The UN Secretary-General sees the Joint SDG Fund as a key part of the reform of the UN's development work by providing the "muscle" for a new generation of Resident Coordinators (RCs) and UN Country Teams (UNCTs) to really accelerate SDG implementation.

To date it has funded 101 joint programs focused on integrated social protection or SDG finance, it has stimulated over 1,000+ partnerships working together alongside the UN to support the SDGs and it has tested over 200 innovative solutions to accelerate the 2030 Agenda.

The Joint SDG Fund is a multi-partner trust fund. This means contributions it receives are not entity-specific, but aim to support broader UN system-level functions. In this way, it differs from restrictive earmarked funding which can fuel competition and hamper cooperation among UN entities. This type of pooled funding used by multi-partners trust funds, like the Joint SDG Fund is widely considered 'multilateralism-friendly' – and is much more suitable for the integrated support at scale essential for achieving the 2030 Agenda. Flexibility in reallocating funds has also proven critical for rapid responses to the COVID-19 pandemic.

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic non financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization

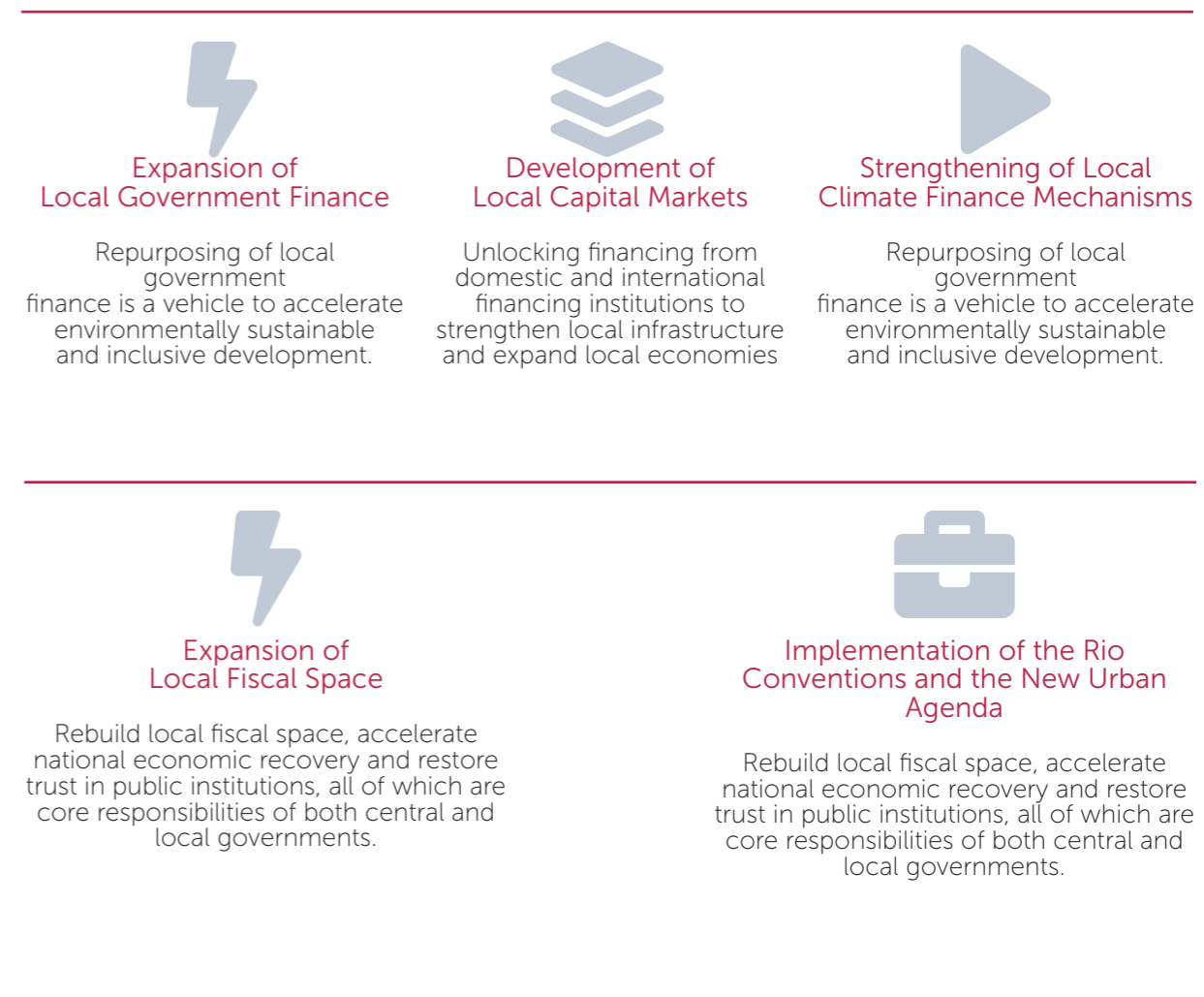
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The Local Transformative Finance team at UNCDF helps countries tackle the triple challenge of improving human well-being, maintaining environmental sustainability, and accommodating rapid urbanisation. They do this by acting as the UN Subnational Financing Hub and a hybrid development finance institution (DFI) that works with UN Agencies to address the sustainable development financing gaps faced by cities and local governments.

## Building blocks for a financial ecosystem that works for cities

Building on the policy agenda put forwards by the Malaga Coalition under the impulsion of UNCDF, UCLG and FMDV and further fleshed out in the UNCDF 2022 publication "*Local Government Finance is Development Finance*", the Local Transformative Finance team at UNCDF works on the building blocks of a financial ecosystem for local infrastructure finance.



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## Introduction

Fiscal resources are undoubtedly critical for local service delivery and the advancement of decentralisation reforms, especially in emerging economies.

In 2021, the Royal Government of Cambodia (RGC) adopted the National Program on Sub-National Democratic Development, Phase 2 (NP2), being built on to earlier efforts of de-concentration and decentralisation.

The initial phase of decentralisation process supported the establishment and operationalisation of local governments. The new programme provides for a strong emphasis towards fiscal decentralisation via administrative organisational development practices that foster the advancement of the provincial level of government as a budget holder for the SNAs. Previously, in 2019, the Ministry of Economy and Finance (MEF) also adopted the SNA-Budget System Reform Strategy (BSRS) (2019-2023) to decentralise more authority and strengthen the accountability of SNAs over budget management. The determination of SNA fiscal resources, especially of own-resource revenues, has received greater attention from the Government in recent years and months.

In line with the NP2 and the need to ensure effective implementation of the 55 localised service functions that were transferred to the District, Municipality and Khan (DKM) administrations in 2019.

The MEF in mid-2022 created a working group to examine the emerging questions concerning SNA revenues (both tax and non-tax), including the potentials for improvement in terms of management and its adequacy in response to local needs.

This generated data driven research adds to the existing knowledge base and provides further evidence for deeper policy dialogues and solutions to such challenges.

This in-depth quantitative data analysis on SNA fiscal space provides a starting point for the policy discussion in terms of the affordability and sustainability of functional transfers. However, it is noted that this is the first instance that such an analytical exercise has been undertaken using official Cambodia data due to the following reasons.

- **First**, the concept of fiscal space itself has not been clearly defined and applied, despite some previous attempts which focus on fiscal space at the national level.<sup>1</sup>
- **Second**, the few available studies on SNA fiscal issues so far have focused more on overall inter-government fiscal architecture in terms of its structure and process.<sup>2</sup>
- **Third**, the previous studies have been constrained by a lack of quantitative data officially made available from the Government

<sup>1</sup> 2021, UNDP

<sup>2</sup> 2022, World Bank

Objective

The objective of this study is to analyse newly available quantitative data to create new insights into fiscal space for SNA in Cambodia. Working directly with official data and close technical collaboration with the MEF, General Department of Sub-National Finance (GDSNAF), a larger and more detailed amount of quantitative data on SNA economic and budget performance has been made available for the study.

The leading question of the study is to ascertain if the local fiscal space is adequate to meet the financing demands for;

- functional transfers,
- capital investment needs and,
- recurrent needs.

Additionally the research will examine the distributions of fiscal space and its components to understand the underlying persuasive issues that are limiting tax and non tax revenue generation. The data generated observations will support the formulation of targeted policy in an endeavour to create the conditions for a more balanced and equitable development process applying a territorial approach,

Considering the limitations of the available data, detailed technical research developed by the World Bank related to fiscal space calculations has been adapted for the study. Although the conceptual framework for fiscal space calculations that include investment data has been considered, this research limits the amount of variables considered. In this sense the study provides a rudimentary framework related to the notion of fiscal space for SNAs in Cambodia.

The international literature on fiscal space analyses have been reviewed for this study. Two are worth mentioning here. One is the World Bank’s ‘A cross-country database of fiscal space’ paper (2017)<sup>1</sup>, and the other is the UNCDF study on fiscal space in Myanmar (2018).

**The study is limited to the National and Sub-National data sets at the provincial levels of government.**

<sup>1</sup> World Bank Group. (2023). A Cross-Country Database of Fiscal Space. In World Bank. <https://www.worldbank.org/en/research/brief/fiscal-space>

Research Questions

After reviewing both documents and looking at the available data sets it was agreed that the study should consider looking at fiscal space in ways that:

Help generate new and relevant insights to support the Government gain better understanding of the issues and questions being currently raised in terms of fiscal resources at the sub-national level, and to maximise the use of newly available data while mindful of its limitation. From the consultations held, this paper seeks to answer the following questions using the quantitative data made available by the MEF.

- What is the trend of the SNA overall budget as compared to the level of GDP of each province?
- What is the level of tax revenue at SNAs in terms of geographical distribution and composition?
- What is the level of non-tax revenue at SNAs in terms of geographical distribution and composition? and
- From the quantitative analysis, what are the new emerging questions that the Government need to further consider?

Data Sources

The data that underpins this study has been officially provided by the Royal Government of Cambodia (RGC) through the following institutions;

- General Department of Sub National Finance (GDSNAF)
- General Department of National Treasury (GDNT) and
- the National Institute of Statistics (NIS).

GDSNAF critically coordinated the access and provision of data.

The accuracy of the data is not examined. However, for the analysis that is undertaken through this study it is assumed that the levels of accuracy will be sufficient for the analysis.

Conversion from local currency to US\$ applies annual exchange rate averages provided by the National Bank of Cambodia (NBC).

Data Types	Geography	Time Series	Source(s)
GDP	National	2011-2021	NIS
GDP	Sub-National 23 provinces*	2011-2021	NIS
Aggregated Revenue	National	2011-2021	GDSNAF
Aggregated Revenue	Sub-National	2011-2021	GDSNAF
Revenues (planned)	Sub-National	2011-2021	GDNT
Revenues (executed)	Sub-National	2019	GDNT

Table 1 Data sources used

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## Composition of National GDP by Province

This section seeks to answer the first question of the paper.

**“What is the trend of SNA overall budget as compared to the level of GDP of each province ?”**

As the GDP data by provinces has not been widely known and used, the following comments on the datasets are provided.

- The GDP data by provinces has been prepared by the NIS (under the Ministry of Planning).
- For each province, it has GDP figures by base year (2011) and current price.
- GDP data also provides sector breakdowns (agriculture, manufacturing, services) and sub-sector breakdowns.

The GDP data provided covers only 23 provinces (from 2011 to 2021) excluding the Capital of Phnom Penh and the western province of Pailin.

For this analysis, we consider GDP as the basis for predicting the potential of the state revenue of a province.

The paper initially compares the GDP of individual provinces to the national GDP to identify their proportion and trends over time (2011 to 2021).

Next, for each province, it compares their GDP to the level of their overall budget, then tax and non-tax revenue.

The association between GDP and sub national revenue collections have been the subject of various published empirically studies.

Castaneda L. Pardinias J (2012) empirically illustrated that sub national tax collection is positively associated with GDP per capita<sup>1</sup>. Thornton J (2006)<sup>2</sup> revealed through a cross sectional study that when decentralisation policy restricts the autonomy that SNAs have over revenues its impact on growth is found not to be significant.

<sup>1</sup> Castaneda, Luis and Pardinias, Juan, *Sub-National Revenue Mobilization in Mexico* (November 2012). IDB Working Paper No. IDB-WP-354, Available at SSRN: <https://ssrn.com/abstract=2234313> or <http://dx.doi.org/10.2139/ssrn.2234313>

<sup>2</sup> Thornton, John Mr. "Fiscal Decentralization and Economic Growth Reconsidered." *Journal of Urban Economics*, vol. 61, no. 1, 2007, <https://doi.org/10.1016/j.jue.2006.06.001>.

## Distribution of National GDP by Province

The available data provides a rough ranking of the 23 provinces (except for Pailin). As mapped below the capital accounts for the largest share of GDP (11.4 percent). Kandal, which is the centre for garments manufacturing, has the largest provincial GDP, followed by Battambang and Seim Reap with the smallest being Kep.

The overall contributions of Siem Reap and Sihanoukville, despite their economic significance through tourism and logistics, do not provide the highest contributions. However, it is also noted that many provinces that have high natural resource endowments ie Koh Kong, Mondulkiri and Ratanakiri are among the smallest.

The data illustrates that the 23 provinces altogether account for about 90% of the total national GDP, thus, leaving only 10% to Phnom Penh and Pailin. This suggests that Phnom Penh only comes second after Kandal, which may not reflect the observed much higher economic activities in the Capital.

Mapping the distribution of GDP contribution suggests the formation of two agglomerations (green shaded provinces) one being the north west which is close proximity to Thailand. The other in the South East covering the capital and which borders to Vietnam.

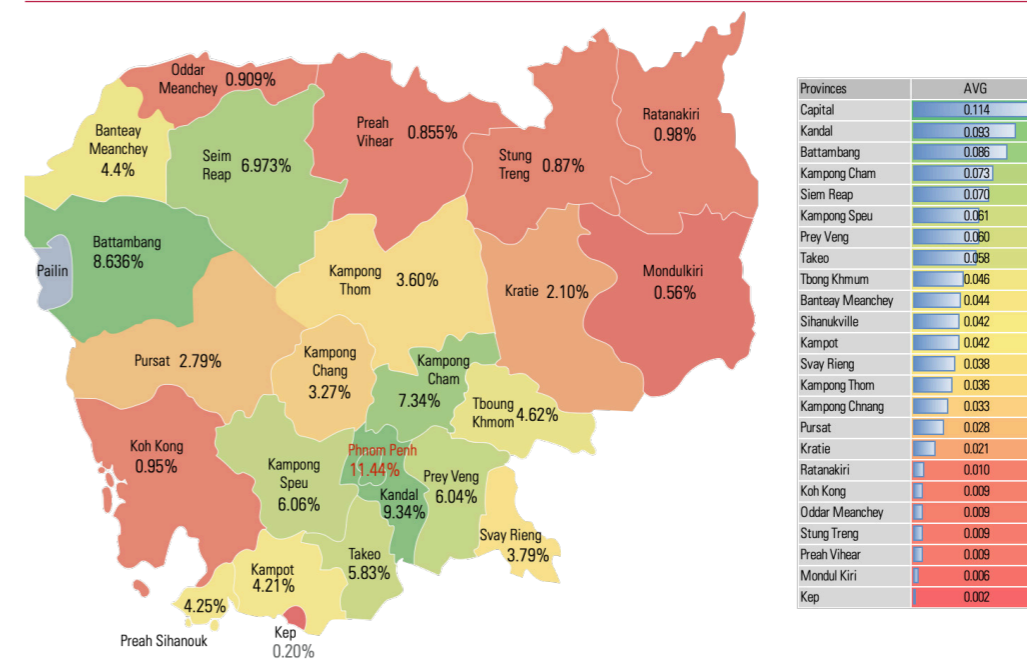


Figure 1: Composition of National GDP

When examining the distribution of GDP contributions by each province a stark picture is presented. Data highlights that the contribution of a majority of the provinces is in single digits, with only the capital having a double digit contribution. A three level categorisation of contributors illustrates the imbalance of provincial GDP across the country.

Contribution Level	No Provinces
Contribution 5% to 12%	8
Contribution 1% to 5%	9
Contribution less than 1%	7

Table 2: Distribution of Contributions to GDP

The kernel density distribution chart (Chart 1) illustrates this issue, with the kernel density plot being skewed.

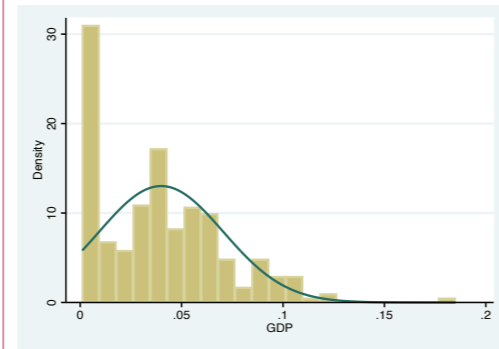


Chart 1 Distribution of Contributions to GDP

<sup>1</sup> Wikipedia contributors. (2023). Kernel density estimation. Wikipedia. [https://en.wikipedia.org/wiki/Kernel\\_density\\_estimation](https://en.wikipedia.org/wiki/Kernel_density_estimation)

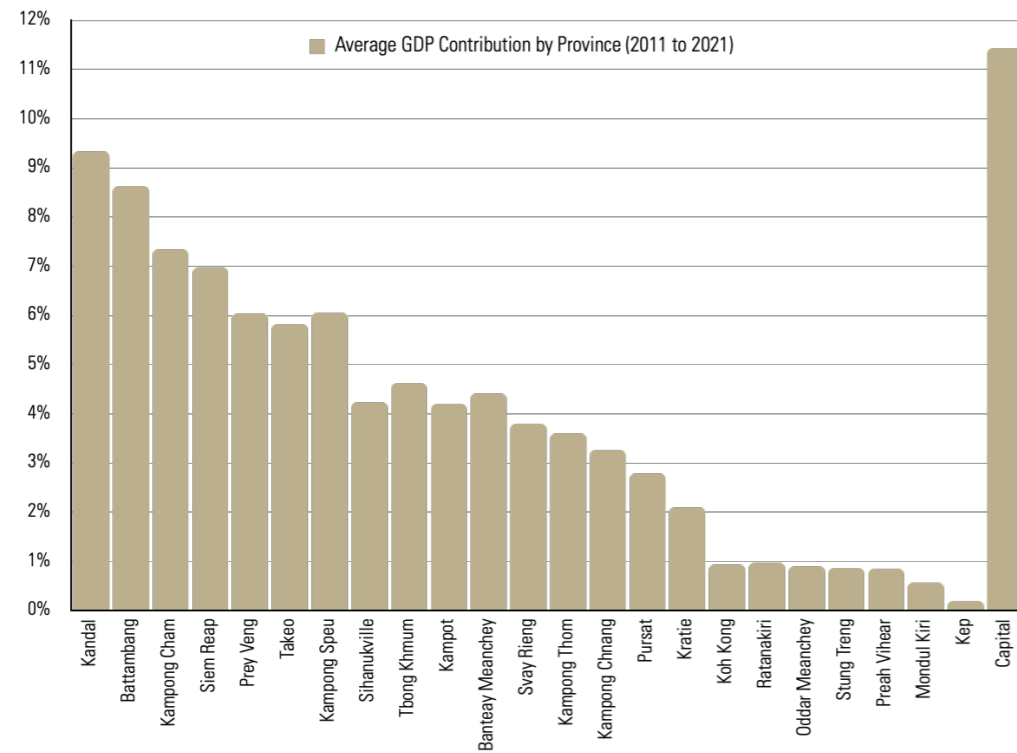


Chart 2: Provincial Contributions to National GDP

Province	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	AVG
National Level	100	100	100	100	100	100	100	100	100	100	100	
CAPITAL	10.9	10.2	10.2	10.7	10.4	11.7	12.6	12.5	13.8	9.10	9.0	10.951
Kandal	8.6	8.7	8.7	8.9	9.4	9.4	9.7	9.5	9.5	10.1	10.2	9.336
Battambang	8.7	8.9	8.9	8.8	8.8	8.6	8.4	8.2	8.1	8.8	8.8	8.636
Kampong Cham	7.7	7.8	7.8	7.7	7.6	7.4	7.2	7.1	6.9	6.9	6.6	7.336
Siem Reap	7.3	7.4	7.5	7.3	7.2	7.0	6.8	6.7	6.5	6.6	6.4	6.973
Prey Veng	6.2	6.1	6.1	6.0	5.9	5.8	5.7	6.1	5.9	6.3	6.3	6.036
Takeo	5.6	5.7	5.8	5.9	5.9	5.8	5.8	7.7	5.6	6.1	6.2	5.827
Sihanoukville*	3.5	3.5	3.6	3.7	3.9	4.0	4.1	4.8	4.9	5.2	5.5	4.25
Kampong Speu	6.3	6.4	6.3	6.1	6.1	6.0	6.0	5.8	5.8	5.9	5.9	6.005
Sihanoukville	3.5	3.5	3.6	3.7	3.9	4.0	4.1	4.8	4.9	5.2	5.5	4.245
Tbong Khmum	5.2	5.3	5.3	5.1	5.1	5.0	4.9	4.9	0.1	5.0	4.9	4.618
Kampot	4.0	4.0	4.1	4.1	4.1	4.1	4.1	4.2	4.3	4.6	4.7	4.209
Banteay Meanchey	4.6	4.6	4.4	4.5	4.5	4.4	4.3	4.3	4.2	4.4	4.3	4.409
Svay Rieng	3.8	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.8	4.0	3.791
Kampong Thom	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.4	3.2	3.5	3.5	3.600
Kampong Chhnang	3.3	3.4	3.3	3.3	3.3	3.2	3.2	3.2	3.1	3.3	3.4	3.273
Pursat	3.0	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.6	2.7	2.7	2.791
Kratie	2.1	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.1	2.1	2.100
Kho Kong	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.945
Ratanakiri	1.1	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	1.0	1.0	0.982
Oddar Meanchey	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.909
Stung Treng	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.9	0.873
Preah Vihear	0.8	0.8	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.9	0.855
Mondul Kiri	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.564
Kep	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.222

Source: MEF (2022) and NIS (2022), Data provided via MEF

Table 3: Provincial Percentile Contributions to National GDP (2011-2021)

## Composition of National GDP by Province (US\$ Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
National Level	12,891	14,188	15,351	15,351	18,129	20,124	22,233	24,775	26,997	25,973	26,861
CAPITAL	1,373	1,432	1,543	1,777	1,887	2,352	2,766	3,112	3,738	2,360	2,445
Kandal	1,106	1,229	1,339	1,477	1,702	1,901	2,147	2,363	2,567	2,632	2,735
Battambang	1,119	1,259	1,371	1,461	1,596	1,737	1,875	2,028	2,185	2,281	2,361
Kampong Cham	994	1,111	1,202	1,275	1,382	1,492	1,608	1,760	1,869	1,787	1,786
Siem Reap	946	1,056	1,144	1,213	1,308	1,410	1,519	1,649	1,755	1,719	1,715
Prey Veng	802	873	938	996	1,078	1,171	1,267	1,506	1,604	1,636	1,690
Takeo	728	805	893	970	1,073	1,176	1,289	1,412	1,500	1,574	1,656
Kampong Speu	813	903	965	1,017	1,102	1,205	1,326	1,448	1,565	1,536	1,597
Sihanoukville	451	497	553	625	707	805	912	1,189	1,323	1,351	1,477
Tbong Khmum	676	755	806	850	924	1,014	1,100	1,212	1,295	1,308	1,329
Kampot	514	569	628	677	741	823	915	1,037	1,149	1,197	1,250
Banteay Meanchey	592	647	682	744	808	881	966	1,068	1,124	1,141	1,143
Svay Rieng	495	552	598	627	684	749	826	908	975	986	1,064
Kampong Thom	500	543	584	619	666	717	769	834	870	914	947
Kampong Chhnang	431	476	507	551	595	645	714	787	842	863	909
Pursat	381	413	434	477	515	560	612	661	697	710	727
Kratie	277	316	339	357	385	420	452	507	537	545	551
Kho Kong	118	130	143	154	170	190	213	236	262	267	279
Ratanakiri	136	146	157	165	179	193	210	231	256	259	268
Oddar Meanchey	119	130	143	153	168	183	200	227	240	247	252
Stung Treng	116	125	136	145	161	172	187	204	219	225	232
Preah Vihear	108	119	132	143	157	173	187	204	217	223	231
Mondul Kiri	70	76	83	90	102	114	126	140	153	159	163
Kep	26	28	31	34	38	43	47	51	55	53	53

Source: MEF (2022) and NIS (2022), Data provided via MEF

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fx (annual avg)	4,039	3,995	3,995	4,075	4,050	4,037	4,037	4,018	4,075	4,075	4,144

Source: National Bank of Cambodia

Table 4 Provincial GDP - Share of National GDP (2011-2021) (US\$ millions)

## Composition of National GDP by Province (Riel Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
National Level	52,068,693	56,681,569	61,326,928	67,436,791	73,422,702	81,241,866	89,753,600	99,544,275	110,014,048	105,891,753	110,505,916
CAPITAL*	5,547,333	5,720,691	6,163,430	7,100,226	7,642,792	9,495,912	11,166,006	12,505,427	15,233,715	9,621,853	10,057,410
Kandal	4,465,692	4,909,201	5,350,118	6,019,833	6,894,363	7,676,225	8,669,434	9,494,795	10,459,784	10,729,517	11,252,655
Battambang	4,520,282	5,028,598	5,478,200	5,952,014	6,464,398	7,103,833	7,567,871	8,147,077	8,903,346	9,299,509	9,713,413
Kampong Cham	4,012,759	4,439,337	4,803,665	5,194,194	5,598,490	6,023,009	6,489,798	7,070,861	7,617,082	7,287,519	7,346,949
Siem Reap	3,822,834	4,218,532	4,570,633	4,944,127	5,299,012	5,691,508	6,133,247	6,626,554	7,150,077	7,009,400	7,053,607
Prey Veng	3,240,561	3,485,712	3,745,370	4,059,294	4,366,719	4,728,009	5,113,412	6,050,957	6,538,312	6,671,519	6,951,687
Takeo	2,940,317	3,214,240	3,569,454	3,952,013	4,346,373	4,745,926	5,204,118	5,673,310	6,113,312	6,417,959	6,812,681
Kampong Speu	3,282,238	3,606,190	3,885,397	4,145,930	4,462,580	4,862,755	5,352,227	5,818,167	6,377,135	6,261,788	6,569,309
Sihanoukville*	1,822,404	1,983,855	2,207,769	2,495,161	2,863,485	3,429,765	3,697,898	4,778,125	5,390,688	5,506,371	6,077,825
Tbong Khmum	2,731,674	3,105,246	3,220,547	3,463,119	3,742,467	4,092,638	4,442,684	4,871,083	5,278,358	5,331,039	5,466,006
Kampot	2,077,959	2,271,291	2,509,024	2,759,694	3,002,147	3,323,853	3,693,112	4,165,538	4,682,116	4,880,009	5,144,106
Banteay Meanchey	2,390,341	2,583,984	2,724,956	3,029,897	3,270,697	3,557,716	3,901,359	4,290,571	4,582,189	4,651,544	4,701,300
Svay Rieng	1,997,618	2,205,688	2,388,858	2,556,720	2,770,035	3,024,363	3,335,621	3,647,611	3,972,813	4,019,360	4,378,468
Kampong Thom	2,021,134	2,170,642	2,331,326	2,522,245	2,695,638	2,892,814	3,105,396	3,349,791	3,545,047	3,726,316	3,896,714
Kampong Chhnang	1,740,959	1,901,799	2,025,959	2,243,390	2,409,062	2,604,062	2,882,887	3,162,906	3,429,785	3,517,718	3,741,661
Pursat	1,540,159	1,649,665	1,732,491	1,942,190	2,085,883	2,259,074	2,469,330	2,656,820	2,838,632	2,895,023	2,991,545
Kratie	1,118,796	1,261,121	1,355,541	1,455,101	1,561,121	1,695,145	1,825,777	2,037,245	2,187,519	2,220,128	2,265,395
Koh Kong	475,428	518,011	570,170	626,184	688,544	765,544	858,624	946,633	1,069,270	1,088,328	1,149,853
Ratanakiri	548,487	584,748	627,457	670,437	724,223	777,181	849,357	929,378	1,041,974	1,057,748	1,101,185
Oddar Meanchey	481,503	520,129	570,698	622,460	678,978	740,236	808,173	910,263	979,919	1,006,993	1,038,320
Stung Treng	468,260	500,769	543,790	591,986	651,142	694,766	755,901	820,264	892,579	918,966	956,377
Preah Vihear	436,141	476,788	526,605	582,381	637,129	696,481	753,454	821,408	883,216	910,831	950,421
Mondul Kiri	281,633	301,624	329,648	367,787	411,117	458,462	507,822	563,964	623,821	646,529	670,497
Kep	104,151	113,708	125,822	140,408	155,473	172,679	188,074	205,527	223,359	215,786	218,532

Source: MEF (2022) and NIS (2022), Data provided via MEF

Table 5 Provincial GDP - Share of National GDP (2011-2021) (Riel millions)

## SNA Budget Profiles by Province

The public sector budget allocated to the SNAs has seen continuous increases over the last decade (Chart 2). The data reveals that the increase of SNA allocations was;

- 3.4 times for the Commune Sangkat (CS) between 2011 and 2021,
- 3.7 times for the District Municipality and Khan (DMK) between 2021 and 2013 and,
- 4.7 times for the Capital and Provincial (CP) level, at 4.7 times between 2011 and 2021.

These observations reflect the manner in which the sub national reform and decentralisation process has been implemented. From the historical data and policy perspective it can be assumed that;

- The role of the provincial level administration has been central to the de-concentration and decentralisation process
- Financial allocations have been gradually increased across all levels matching economic growth. Of note has been the higher increases at provincial level.
- The higher levels of allocations towards the provincial level governments reflects the implementation of the budget law and the reallocation of functions.
- Higher capacities for governance are held at the provincial level.

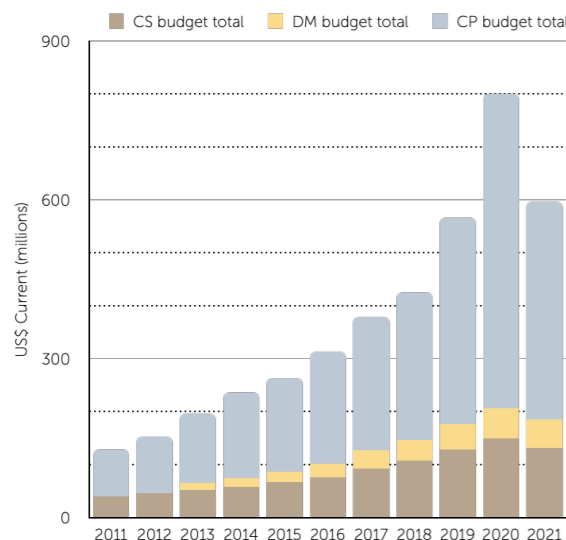


Chart 2: Contributions to National GDP

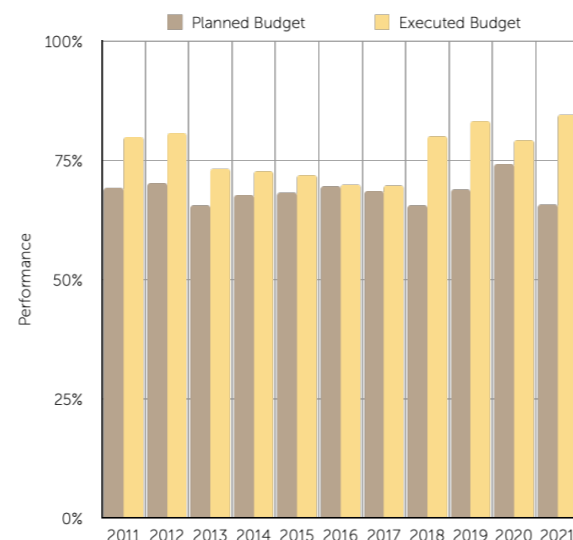


Chart 3: Budget Performance

The data illustrates the recurrent and operational costs that are covered and possibly can be referenced to highlight the level of local service provision.

Mapping of the SNA budget allocation to the provinces illustrates a spread ranging from 12 percent (Seim Reap) to 1 percent (Modnul Kiri). However, it is noted that the allocation for the capital is consistently higher than the combined allocation to the provinces. The data for 2022 suggests that the allocation for the capital equated to 42 percent, for the allocation (70% of SNA budget) 41 percent and for the provincial level Commune and Sangkat's 17 per cent.

As illustrated (Figure 2), the Capital Province budget accounts for the largest part of the total SNA budget. Between 2011 to 2021, it has been maintained at approximately 70% (planned budget). The share is even higher when executed budget is considered – roughly between 75% to over 80%, with 2021 being the highest (at 84.5%).

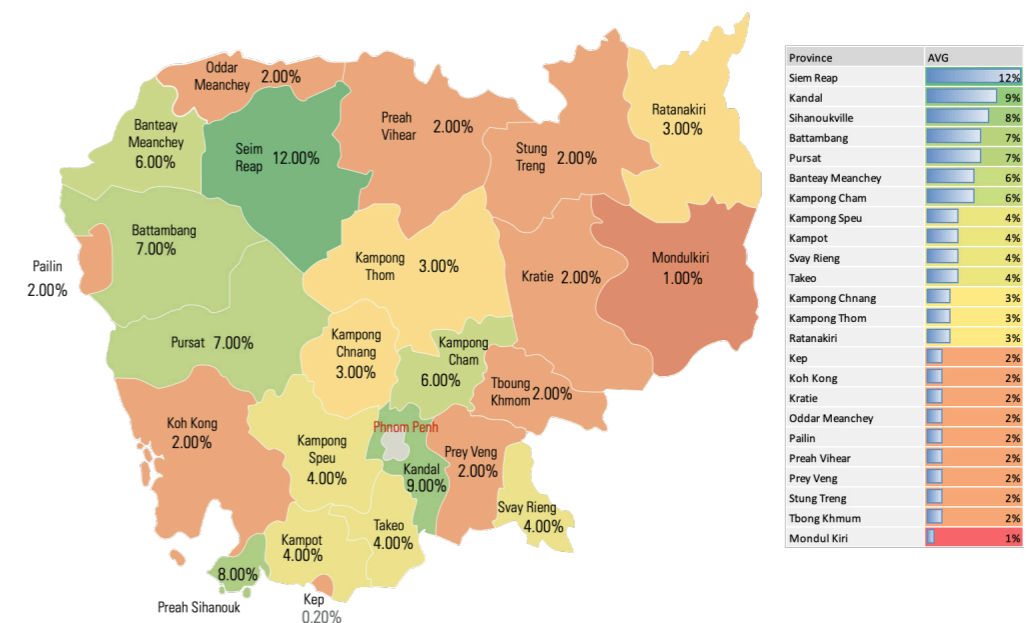


Figure 2: SNA Budget Allocation - 10 yr Average

## The Associations of SNA Budget & Revenue

The SNA budget as percentage of the national recurrent revenue has also increased over the same time series.

Recurrent revenue is herein defined as the sum of 1) customs and excises, 2) domestic tax revenue, and 3) non-tax revenue.

The data illustrated in Chart 4 from the MEF shows that, back in 2011, the SNA planned budget stood at 8.4%, increased to 15.2% in 2020 but fell back to 10.9% in 2021. In terms of the executed budget, the percentage has been even higher, with 2021 being the most noticeable – in that year, the share of SNA executed budget reached at 24.1% of total recurrent revenues.

At the aggregate level, the percentage of the SNA budget to the overall GDP has similarly increased. It was calculated at 1.0% in 2011, increased to 3.1% in 2020 but has since dropped to 2.0% in 2021. This drop can be attributed to the impacts of the pandemic on the economy and the public sector budget

Similar trends are also noted for the national recurrent revenue as percentage to the national GDP as illustrated (Chart 5).

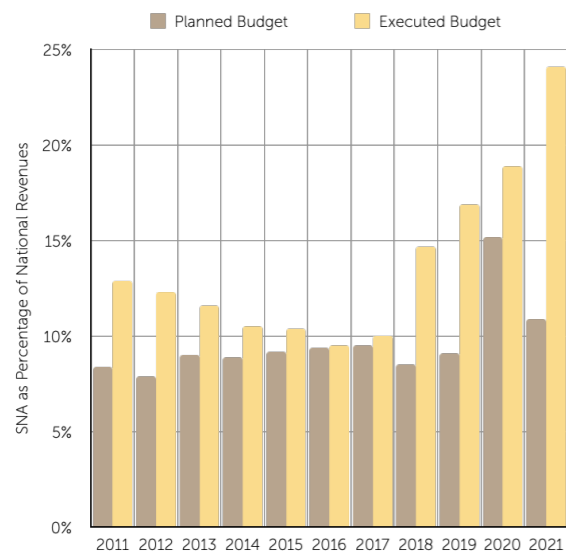


Chart 4: SNA Budget as percentage of recurrent revenues

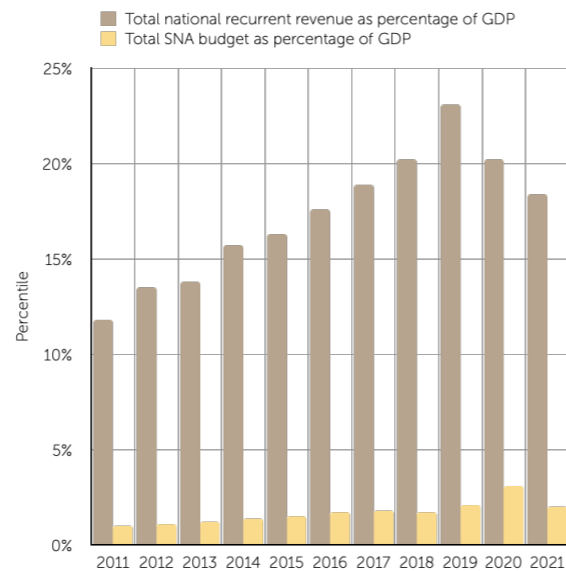


Chart 5: SNA Budget & Revenues as Percentage of GDP

## Horizontal Imbalances

The horizontal imbalances of the budget allocations between the Capital and the rest of the country is significant. Between 2011 and 2021, on average, the Capital of Phnom Penh's annual budget accounts for about 55% of total SNA budget. In 2011, it stood at about 45% and from there steadily increased to almost 60% in 2020 but dropped back to slightly above 50% (Chart 6).

Such allocation bias is due, in the main, to the associated higher concentration of government assets, civil servants and government contract employees within the capital, when compared to the provinces.

The percentage of SNA budget to their own respective provincial GDP has also been calculated in this study. The result shows that, in most cases, SNA budget is less than 1% as compared to their respective provincial GDP, with the exception of Phnom Penh and small provinces (Table 6)

However, there are two caveats about the data used to derive the by-province budget and GDP number, these being:

- **First**, the available budget data by provinces and by years is available only for CP. So, to get at the total SNA budget (meaning CP, DM, and CS altogether), the CP total budget is used and divided by 70% (i.e., the rough proportion of CP in the aggregate SNA budget). This is applied to all CP except for Phnom Penh where the Capital budget is taken as the same with SNA budget because it already covers Khans and Sangkat budget, and
- **Second**, for the GDP by province data, we make two assumptions: 1) the GDP of Pailin is the same at Kep, and 2) GDP of Phnom Penh is the remaining value after subtracting the GDP of all the 24 provinces from the total GDP (figures provided by MEF).

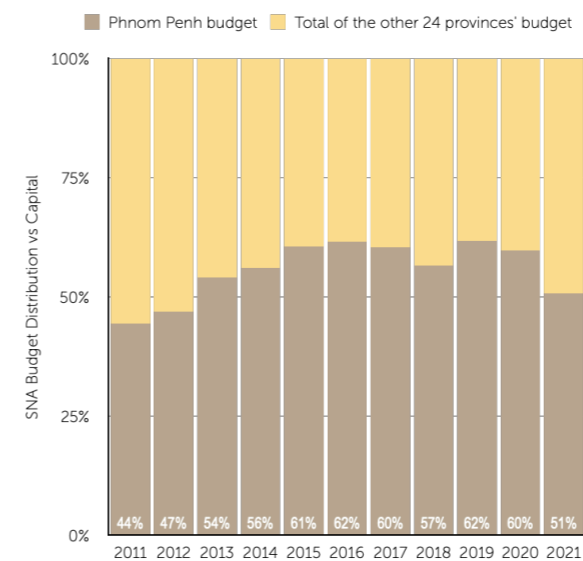


Chart 6: SNA Budget Horizontal Imbalance

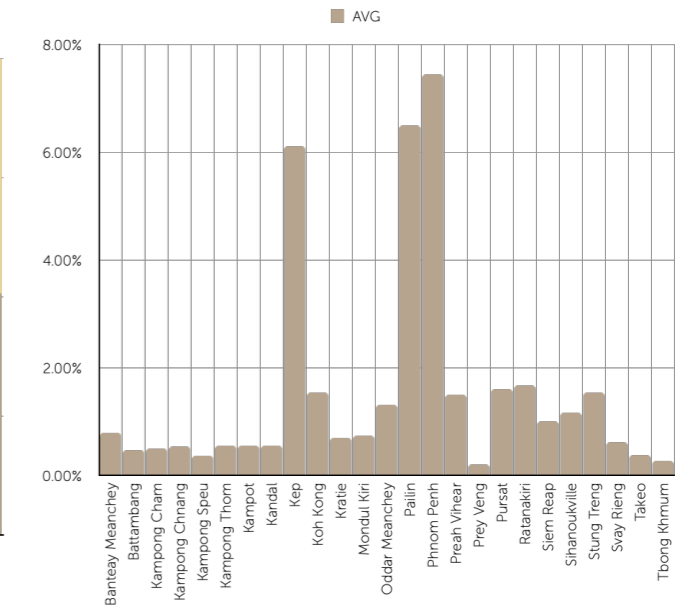


Chart 7: SNA Budget by Province (% of Total SNA Budget)

## SNA Budget by Provincial Allocations (Riel Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Banteay Meanchey	15,416	17,640	17,749	19,119	20,549	22,089	26,634	30,740	44,709	72,371	42,097
Battambang	17,874	20,633	21,024	27,531	28,789	33,201	38,963	41,329	45,039	59,110	37,614
Kampong Cham	19,559	22,477	24,050	30,000	19,667	24,873	29,194	33,654	34,951	44,976	34,893
Kampong Chhnang	13,154	14,103	12,399	10,443	8,270	9,281	11,886	14,463	16,489	22,270	21,141
Kampong Speu	10,913	12,127	11,030	14,734	13,323	15,644	18,706	21,339	25,961	38,722	28,760
Kampong Thom	11,631	12,539	11,539	12,060	9,686	10,634	13,529	21,010	24,020	31,047	22,649
Kampot	10,076	10,886	10,153	11,781	11,029	16,776	20,840	24,383	27,300	48,899	31,330
Kandal	19,237	19,676	20,779	28,943	26,827	35,160	43,529	57,961	81,666	111,975	67,301
Kep	6,623	8,959	7,627	9,200	6,664	8,007	10,194	11,344	11,337	17,688	15,433
Koh Kong	8,631	9,066	8,554	9,703	7,684	8,623	9,366	10,201	13,199	25,902	25,879
Kratie	8,631	9,066	8,554	9,703	7,684	8,623	9,366	10,201	13,199	25,902	25,879
Mondul Kiri	1,560	1,750	2,326	2,754	2,897	2,990	3,267	3,751	5,050	8,107	4,477
Oddar Meanchey	8,171	11,611	9,571	7,271	7,286	7,416	8,286	8,000	11,429	12,286	12,343
Pailin	8,984	9,277	9,716	9,600	8,291	6,317	7,463	8,470	16,410	14,689	19,497
<b>Phnom Penh</b>	<b>205,768</b>	<b>265,570</b>	<b>347,121</b>	<b>458,840</b>	<b>532,364</b>	<b>650,669</b>	<b>738,562</b>	<b>719,788</b>	<b>1,097,640</b>	<b>1,664,061</b>	<b>924,975</b>
Preah Vihear	8,250	8,783	7,511	9,784	7,743	7,801	8,461	9,344	13,583	17,439	16,064
Prey Veng	6,349	6,989	6,384	9,313	6,226	6,711	8,324	9,476	10,956	15,026	24,760
Pursat	17,954	17,386	18,887	23,840	21,739	24,676	22,814	20,993	21,567	83,906	167,811
Ratanakiri	8,891	12,607	11,460	10,119	10,666	11,311	12,930	13,096	17,709	21,195	18,404
Siem Reap	17,026	25,493	28,951	40,524	45,643	57,686	69,760	73,764	94,627	144,282	76,763
Sihanoukville	7,193	8,266	9,221	24,151	24,156	31,554	41,341	51,676	68,790	192,887	103,394
Stung Treng	6,369	10,661	9,450	9,649	6,420	6,967	10,777	11,649	15,154	17,739	16,031
Svay Rieng	15,330	15,713	14,117	15,543	13,471	16,359	19,269	21,214	21,614	31,701	25,114
Takeo	8,669	12,176	11,151	12,869	14,393	17,407	20,236	22,411	23,273	29,586	30,947
Tbong Khmum	0	0	0	0	15,230	14,919	14,919	19,913	22,760	28,929	25,679
<b>Total</b>	<b>464,270</b>	<b>565,463</b>	<b>641,338</b>	<b>819,488</b>	<b>878,710</b>	<b>1,057,711</b>	<b>1,222,885</b>	<b>1,272,189</b>	<b>1,780,449</b>	<b>2,782,714</b>	<b>1,821,257</b>

Table 6: SNA Provincial Budget Allocations (Riel millions)

Source: GDSNAF (2022)

## SNA Budget by Province (% of Provincial GDP)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	AVG
Banteay Meanchey	0.6	0.7	0.7	0.6	0.6	0.6	0.7	0.7	1.0	1.6	0.9	0.79
Battambang	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.4	0.46
Kampong Cham	0.5	0.5	0.5	0.6	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.49
Kampong Chhnang	0.8	0.7	0.6	0.5	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.54
Kampong Speu	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.6	0.4	0.36
Kampong Thom	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.6	0.7	0.8	0.6	0.55
Kampot	0.56	0.5	0.4	0.4	0.4	0.5	0.6	0.6	0.6	1.0	0.6	0.55
Kandal	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.6	0.8	1.0	0.6	0.55
Kep	6.4	7.9	6.1	6.6	4.3	4.6	5.4	5.5	5.1	8.2	7.1	6.11
Koh Kong	1.8	1.8	1.5	1.5	1.1	1.1	1.1	1.1	1.2	2.4	2.3	1.54
Kratie	0.8	0.7	0.6	0.7	0.5	0.5	0.5	0.5	0.6	1.2	1.1	0.70
Mondul Kiri	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.8	1.3	0.7	0.74
Oddar Meanchey	1.7	2.2	1.7	1.2	1.1	1.0	1.0	0.9	1.2	1.2	1.2	1.31
Pailin	8.6	8.2	7.7	6.8	5.3	3.7	4.0	4.1	7.3	6.8	8.9	6.49
Phnom Penh	3.8	4.7	5.8	6.6	7.1	7.0	6.7	5.8	7.3	17.7	9.4	7.45
Preah Vihear	1.9	1.8	1.4	1.7	1.2	1.1	1.1	1.1	1.5	1.9	1.7	1.49
Prey Veng	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.4	0.20
Pursat	1.2	1.1	1.1	1.2	1.0	1.1	0.9	0.8	0.8	2.9	5.6	1.61
Ratanakiri	1.6	2.2	1.8	1.5	1.5	1.5	1.5	1.4	1.7	2.0	1.7	1.67
Siem Reap	0.4	0.6	0.6	0.8	0.9	1.0	1.1	1.1	1.3	2.1	1.1	1.00
Sihanoukville	0.4	0.4	0.4	1.0	0.9	1.0	1.1	1.1	1.3	3.5	1.7	1.16
Stung Treng	1.4	2.1	1.7	1.6	1.0	1.0	1.4	1.4	1.7	1.9	1.7	1.54
Svay Rieng	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.8	0.6	0.62
Takeo	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.38
Tbong Khmum	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.27
<b>AVG</b>	<b>1.44</b>	<b>1.59</b>	<b>1.44</b>	<b>1.48</b>	<b>1.24</b>	<b>1.21</b>	<b>1.27</b>	<b>1.26</b>	<b>1.53</b>	<b>2.48</b>	<b>2.30</b>	

Table 7: Provincial Budgets as Percentage of Provincial GDP

Source: GDSNAF (2022)

## SNA Budget Not Captured in the Budget Law

It is important to note that the SNA budget data as indicated in the budget law does not capture all the budget allocations that have been channelled to SNA. Although the current PFM reform initiative will place focus on the SNAs and the application of a country wide FMIS, the inaccuracy of current budget data is to be expected.

Analysing such possible inaccuracy additional information provided by GDSNF highlights the concerns of the central government (*Tables 8 and 9*), with the following anomalies are noted:

For the CP level, the conditional transfer from MOH to CP and 'other grants' might not have been integrated under the CP budget as far as the national budget law is concerned, and

For the DMK level, budget items that might have not been included in the budget law under DMK administration include 1) the shared revenue from the provincial tax revenue (4%), 2) the environmental budget (for waste collection), 3) budget transfer after the transfer of the 55 functions (mostly for personnel), 4) the SNIF, and 5) Other grants.

	2018 (ex)	2019 (ex)	2020 (ex)	2021 (ex)	2021 (p)
Total	1,890,506.4	2,589,581.0	2,211,146.3	2,943,857.5	2,859,652.0
Tax Revenues	1,586,513.4	2,113,743.0	1,942,789.3	1,790,551.0	1,584,127.0
Non Tax Revenues	41,667.4	48,802.0	213,289.7	257,094.0	247,743.0
Subsidy - National Gov	262,325.6	427,036.0	55,067.3	17,259.7	13,304.0
MoH Conditional Grants				645,948.6	745,819.0
Other Grants				233,004.2	268,659.0

Table 8: Total CP Budgets including non Captured Flows in the Budget Law (Riel Millions)

	2018 (ex)	2019 (ex)	2020 (ex)	2021 (ex)	2021 (p)
Total	187,405.0	240,091.5	272,963.4	383,098.1	367,730.7
Non Tax Revenues	16,246.9	22,000.7	10,691.7	9,994.1	11,802.3
Subsidy - National Gov*	154,994.9	191,916.8	234,971.9	218,974.9	211,590.4
Shared Revenues (Province)**	6,986.2	9,173.1	11,656.0	9,829.0	9,833.0
Environmental Budget (Waste)***	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0
Function Reassignment Transfers	0.0	0.0	1,168.8	126,504.4	126,505.0
SNIF - Infrastructure Grants	890.9	8,928.7	6,419.0	9,795.7	Not avail
Other	286.0	72.2	55.9	0	0

Table 9: Total DMK Budgets including non Captured Flows in the Budget Law (Riel Millions)



## SNA Tax Revenues

At the national level, tax revenues have seen rapid and significant growth. In 2011, it accounted for only 32% of the total recurrent revenue. However, since then, it has steadily increased to over 45% (2021).

For the sub-national governance structures, only the CP level is able to raise tax revenues. Therefore, when reference is made to SNA tax revenue, it is actually the CP tax revenue.

Data analysis illustrates that the share of SNA tax revenue (*CP tax revenue*) in the total national tax revenue has remained static between 10% and 15%. It peaked at almost 22% in 2020 but dropped sharply back to just above 11% in 2021. This drop is due to the pandemic, (*Chart 8*).

The 2020 peak can be referenced to the Public Financial Reform Initiative and the RGCs policy to expand its tax review collection base

Tax revenue constitutes a large proportion of SNA budget as an overall and CP budget in particular.

In 2011, it covered 52% of total SNA budget (i.e., CP, DMK, and CS altogether) and has since then increased to above 75% in 2020 before dropping to 58% in 2021. However, this percentage can be slightly misleading given the fact that the tax revenue has been mainly used to finance the CP budget, while the DMK and CS have heavily relied on national transfer.

If only CP budget is considered, the data shows that the proportion of tax revenue started at 67% in 2011, increased to over 86% in 2020, but slides back to 72% in 2021 (*Chart 9*). Tables 10 and 11 provide more detailed data on SNA tax revenue as compared to the national level.

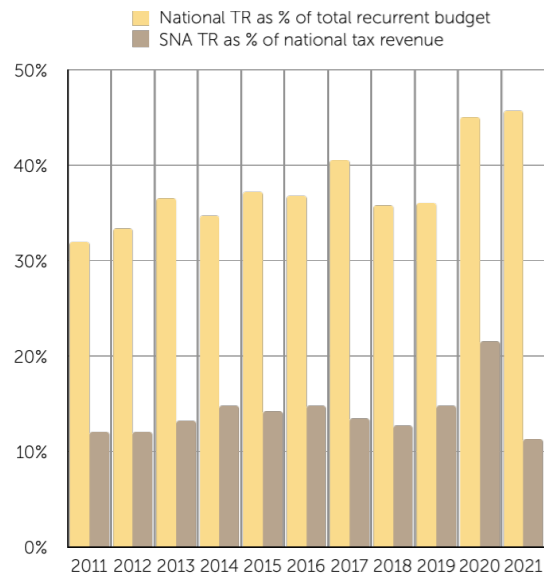


Chart 8: SNA Tax Revenues vs National Tax Revenues

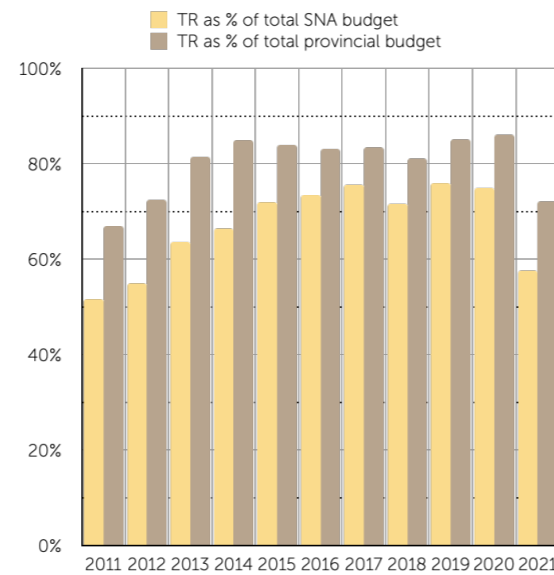


Chart 9: SNA Tax Revenues as Percentage of SNA Budgets

## SNA Tax Revenues - Key Metrics

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
National Level	GDP (current)	52,068,693	56,681,569	61,326,928	67,436,791	73,422,702	81,241,866	89,753,600	99,544,275	110,014,048	105,891,753	110,505,916
	Recurrent Revenue	6,170,051	7,680,235	8,476,062	10,589,990	11,947,481	14,277,623	16,966,686	20,114,726	25,395,022	21,420,989	20,325,991
	Domestic Tax Revenue	1,973,223	2,568,859	3,103,809	3,672,566	4,446,632	5,250,886	6,886,196	7,193,840	9,155,527	9,657,286	9,292,152
	Non Tax Revenue	1,065,187	1,449,428	1,416,666	1,493,189	1,405,791	2,079,875	2,446,005	2,818,655	3,342,088	2,091,483	1,893,229
Sub National	SNA Budget (Plan)	464,270	565,463	641,338	819,488	878,710	1,057,711	1,222,885	1,272,189	1,780,449	2,782,714	1,821,257
	CP Budget (Plan)	357,583	427,830	502,205	640,838	753,940	935,246	1,110,605	1,120,985	1,589,021	2,419,761	1,454,65
	Provincial Tax Revenue (Plan)	239,561	310,189	408,727	543,860	632,300	777,504	926,300	910,443	1,351,617	2,086,308	1,050,323
	Provincial Non Tax Revenue (Plan)	22,346	21,965	23,208	26,708	28,399	31,390	30,229	30,976	32,958	136,673	214,527

Source: Data provided by GDSNAF (MEF) (2022)

Table 10: SNA Revenues Key Metrics (Riel - Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tax Revenue as % GDP	3.8	4.5	5.1	5.4	6.1	6.5	7.7	7.2	8.3	9.1	8.4
Non-Tax Revenue as % GDP	2.0	2.6	2.3	2.2	1.69	2.6	2.7	2.8	3.0	2.0	1.7
Tax Revenue as % of Recurrent Budget	32.0	33.4	36.6	34.7	37.2	36.8	40.6	35.8	36.1	45.1	45.7
SNA Tax Revenue as % SNA Budget	12.1	12.1	13.2	14.8	14.2	14.8	13.5	12.7	14.8	21.6	
Tax Revenue as % of SNA Budget	51.6	54.9	63.7	66.4	72.0	73.5	75.7	71.6	75.9	75	57.7
Tax Revenue as % of CP Budget	67.0	72.5	81.4	84.9	83.9	83.1	83.4	81.2	85.1	86.2	72.2

Source: Data provided by GDSNAF (MEF) (2022)

Table 11: SNA Revenues Key Metrics (Percentiles)

SNA Tax Revenues by Province

Phnom Penh accounts for almost 80% of all the SNA tax revenue (Chart10). In 2011, it was recorded at 81% and the proportion remained in the range of 75% to 80% until 2021. The abrupt decrease in 2021 is solely due to the governments COVID 19 socio-economic response policies and related tax concessions to help maintain the economy during the pandemic.

Phnom Penh is also the province whose budget (as planned in the budget law) depends almost entirely on its tax revenue. The provinces that rely heavily on their own tax revenue are Sihanoukville, Siem Reap, Banteay Meanchey, and Kandal, which provides an indication of high economic activities in those areas.

Tax enforcement and collection are correlated to revenue collection returns. The limited tax revenues in a majority of the provinces provides an indicator of low economic activity that is coupled with limited tax collection architectures (Chart 11). Only 8 provinces including the capital fund 50 per cent of their budget through revenues. More importantly 17 of the provinces rely on inter-government fiscal transfers to make up in excess of 50 per cent of their annual budget plans. For more detailed data on the proportion of tax revenue in total CP budget, please see Table 12.

The data illustrates all provinces run annual deficits and require intergovernmental transfers for service provision

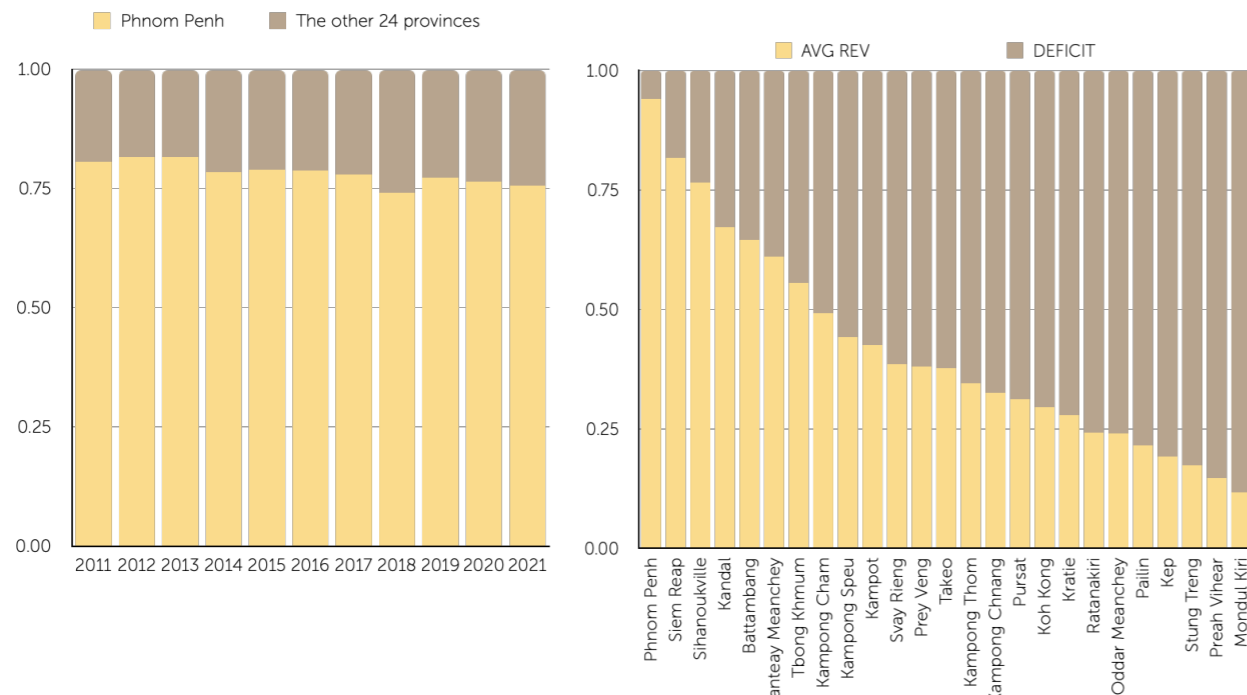


Chart 10: SNA Tax Revenues - Capital vs All SNAs

Chart 11: SNA Tax Revenues as Percentage of SNA Budgets

As illustrated higher levels of revenue collection defined through the metric - tax revenues as a percentage of budget by province is witnessed in Phnom Penh and Seim Reap. The latter, with its heavy reliance on the tourist sector generates tourist driven tax through hotels, entertainment and visitors to the Angkor Wat world heritage site.

Of note are the provinces that benefit from border trade and transit. Battambang, Banteay Meanchey, Preah Sihanouk and Tboung Khmon. Within these provinces are located, customs, logistics and cross border production infrastructures that generate revenues.

However Koh Kong, a province that borders with Thailand illustrates a lower revenue collection than other border crossing provinces.

Kandal is synonymous with the garment sector, hence tax collection (commercial) is the key driver. Likewise spillovers can be seen in neighbouring provinces of Kampong Speu and Kampong Cham.

Were revenues fall to less than 30 per cent of the budget plan, these provinces are in the main agricultural based local economies

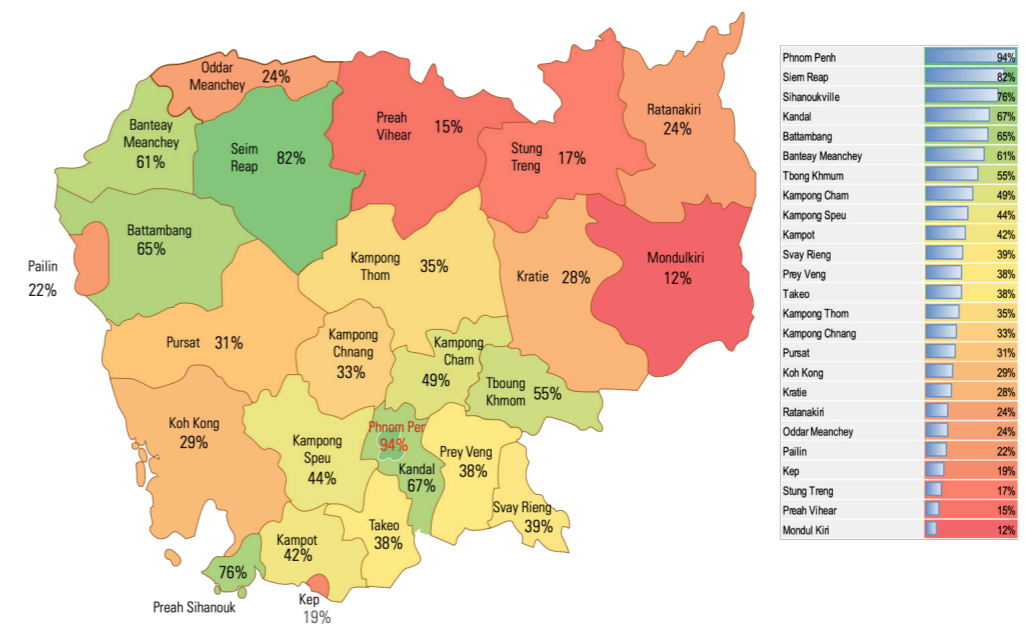


Figure 3: SNA Tax Revenues as a % of Budget Plan

Proportion of Tax Revenues as % of CP Budget Plans

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	AVG
Phnom Penh	93.9	95.4	96.2	93.0	93.7	94.2	97.8	93.7	95.3	95.9	85.9	0.94
Sihanoukville	46.6	52.3	63.4	86.2	82.5	85.3	86.1	87.4	88.7	89.4	73.4	0.82
Siem Reap	73.1	67.6	77.1	83.6	86.7	89.5	88.3	86.7	89.0	84.5	72.7	0.76
Banteay Meanchey	23.8	29.7	43.2	58.0	63.3	74.1	73.8	72.6	78.2	81.6	73.6	0.67
Kandal	52.7	47.9	58.5	60.3	73.1	74.5	71.0	75.2	81.0	77.4	67.1	0.65
Battambang	41.2	45.2	54.8	65.3	74.5	77.2	76.7	74.0	72.6	67.5	61.4	0.61
Svay Rieng	18.8	18.0	22.9	27.4	41.5	41.3	43.5	46.6	62.6	59.1	42.6	0.55
Kampot	23.9	25.6	33.9	42.5	53.3	41.2	43.8	44.6	51.8	58.4	48.2	0.49
Takeo	18.0	21.2	27.9	37.8	39.8	39.5	43.4	47.2	50.9	56.5	33.3	0.44
Tbong Khmum	na	na	na	na	58.9	54.6	59.9	58.1	58.1	55.9	42.7	0.42
Kampong Cham	36.9	39.2	50.1	60.0	56.6	49.3	51.9	50.7	54.1	50.2	42.3	0.39
Kampong Speu	22.2	25.4	30.9	38.9	47.4	54.0	57.2	59.1	60.4	49.0	42.0	0.38
Prey Veng	18.5	19.1	25.8	33.1	43.2	47.6	49.4	48.5	50.0	47.0	36.2	0.38
Kep	4.0	3.6	6.3	9.0	15.0	15.4	25.6	26.9	34.3	46.8	24.2	0.35
Kampong Chhnang	10.6	12.3	17.9	25.9	39.7	43.3	44.0	44.3	45.3	46.3	28.3	0.33
Kampong Thom	15.8	17.3	26.3	29.8	40.6	43.0	44.9	37.7	40.0	44.7	40.3	0.31
Pursat	12.6	11.5	17.3	22.1	32.0	31.5	42.8	42.9	42.6	43.8	43.5	0.29
Oddar Meanchey	7.5	10.3	18.6	16.7	29.7	32.7	34.0	31.9	31.6	37.1	13.5	0.28
Ratanakiri	6.6	6.1	14.2	24.2	27.3	30.0	32.1	34.9	32.8	33.9	23.8	0.24
Pailin	5.9	7.1	11.5	14.8	20.1	34.0	37.7	36.7	20.6	33.6	14.6	0.24
Koh Kong	18.1	19.3	27.2	28.4	37.7	34.7	34.9	36.8	38.3	31.3	17.3	0.22
Kratie	13.8	16.0	24.6	29.5	35.3	34.1	33.9	30.9	35.3	29.9	22.8	0.19
Stung Treng	7.2	6.3	11.9	15.6	26.1	27.5	21.8	21.5	19.4	19.5	13.8	0.17
Preah Vihear	3.7	4.3	7.9	10.6	15.4	17.2	21.1	25.2	21.5	19.1	15.1	0.15
Mondul Kiri	4.5	3.6	7.0	10.2	16.3	14.6	12.8	12.8	13.6	17.7	16.5	0.12

Source: Data provided by GDSNAF (MEF) (2022)

Table 12: Proportion of Tax Revenue as Percentage of CP Budget Plan

SNA Non Tax Revenue Composition

In the current inter-government fiscal arrangement, only the CP and DMK are given a form of authority over 'non-tax revenue.' According to the recently adopted law on Non-Tax Revenue Management, there are five types of non-tax revenue, but the SNAs have been assigned only three of them, namely:

- service fees,
- revenue from state asset management,
- revenue from penalty and fines.

The other two non-tax revenue items (i.e., SOE dividend, and others) are not relevant to SNA in the current setting

Non-tax revenue has been less significant at both the national and SNA level. At the national level, the non-tax revenue has increased in its absolute amount but drops to almost half between 2011 and 2021 in terms of its share in the total recurrent revenue, from 1 percent in 2011 to only 9 percent in 2021. (Chart 12).

Out of the total non-tax revenue nationwide, SNA non-tax revenue accounted for around 2 percent in from 2017 to 2019 but jumped sharply from 2020 (Figure 11). It is learned that the jump was due to the delegation of large administrative service fees from line departments to One Window Service Unit (OWSU) at CP in 2020.

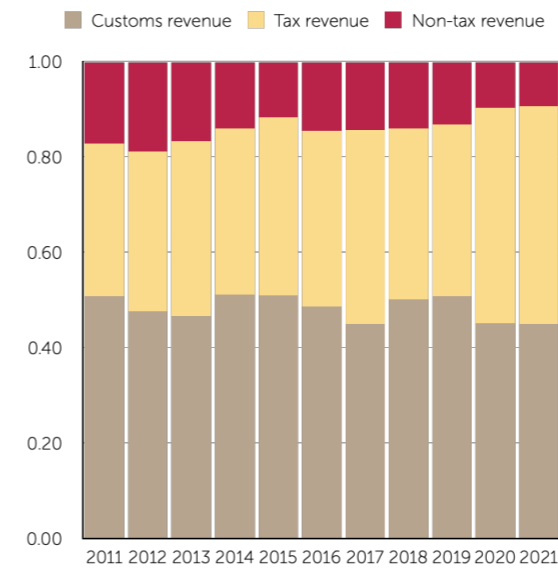


Chart 12: Non Tax Revenue - National Level

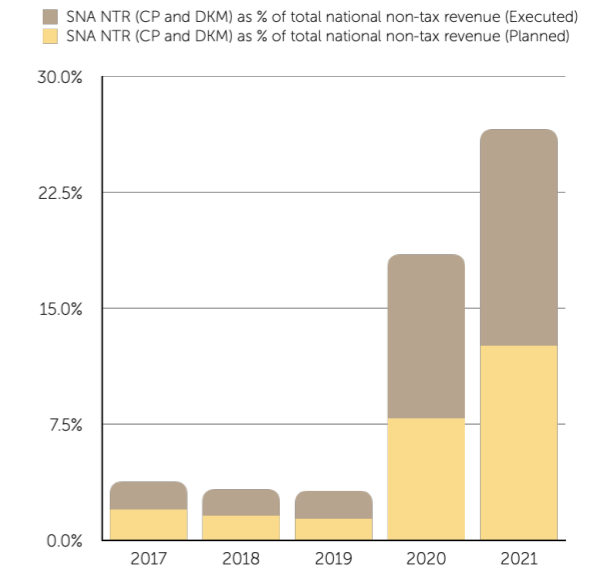


Chart 13: SNA non Tax Revenues as Percentage of Executed and Planned (performance)

SNA Non Tax Revenues - Key Metrics

While more delegation of resource to SNA is a progress for decentralisation, it has made the imbalance between CP and DMK even more pronounced. From 2017 to 2019, as the data shows (Table 13), DMK's non-tax revenue accounted for around 30 percent of total SNA non-tax revenue. However, since 2020, its share reduced drastically to only about 10 percent. Although this can be attributed to the pandemic that witnessed and increase of expenditures combined with a reduction of NTRs.

The data that combines CP and DMK NTRs (Table 14) highlights a positive year on year increase, even countering for the pandemic. Since 2017 a 8-fold increase of CP and DMK NTR as a percentage of National NTR is seen.

The data reveals that whilst an overall improvement in terms of NTRs being collected is seen - specific targeting of NTR levels need be set to bring into alignment all provinces. Deeper analysis in terms of identifying empirically the associations between NTRs, populations and GDP p[er capita needs to be undertaken.

	2017	2018	2019	2020	2021
National non-tax revenue (including SNA)	2,446,005	2,818,655	3,342,088	2,091,483	1,893,229
SNA total budget (equal provincial revenue/70%)	1,222,885	1,272,189	1,780,449	2,782,714	1,821,257
CP non-tax revenue (Planned)	30,229	30,976	32,958	144,448	213,928
DMK non-tax revenue (Planned)	18,632	13,490	15,393	20,794	24,705
CP Non-tax revenue total (Executed)	33,963	33,355	39,675	204,093	247,557
DMK non-tax revenue total (Executed)	11,067	14,577	18,977	18,377	18,263

Source: Data provided by GDSNAF (MEF) (2022)

Table 13: Key Metrics on SNA Non Tax Revenues (Riel Millions)

	2017	2018	2019	2020	2021
SNA non-tax revenue (CP and DMK) as % of total SNA budget	4.0	3.5	2.7	5.9	13.1
SNA non-tax revenue (CP and DKM) as % of total national non-tax revenue (Planned)	2.0	1.6	1.4	7.9	12.6
SNA non-tax revenue (CP and DKM) as % of total national non-tax revenue (Executed)	1.8	1.7	1.8	10.6	14.0
DMK non-tax revenue as % of total SNA non-tax revenue (Planned)	38.1	30.3	31.8	12.6	10.4
DMK non-tax revenue as % of total SNA non-tax revenue (Executed)	24.6	30.4	32.4	8.3	6.9

Source: Data provided by GDSNAF (MEF) (2022)

Table 14: Key Metrics on SNA Non Tax Revenues (Per Cent)

SNA Non Tax Revenues - Provincial Collections

When examining the level of non tax revenue as a percentage of provincial budgets only the Phnom Penh collects a significant level of non-tax revenues. Out of 24 provinces only 15 appear to collect non-tax revenues contributing to the budget in a range between 1 % to 7 %. There are 9 provinces that are able to only collect non tax revenues equating to less than 1% of their budgets.

Although most provinces are limited in terms of non tax revenues by population size and economic activity (in the case of permits and rents)

It may be considered that there is a potential to raise additional non-tax revenues, especially in key provinces that have higher economic activity (Figure 4).

For example, NTR collected in Seim Reap accounts for only 2.21 % of its budget, however GDP contribution is 7%. In comparison the GDP contribution of Banteay Meanchey amounts to 4.4% 62 % of Seim Reap's contribution) but its level of NTR as a percentage of its budget plan is higher at 2.23%.

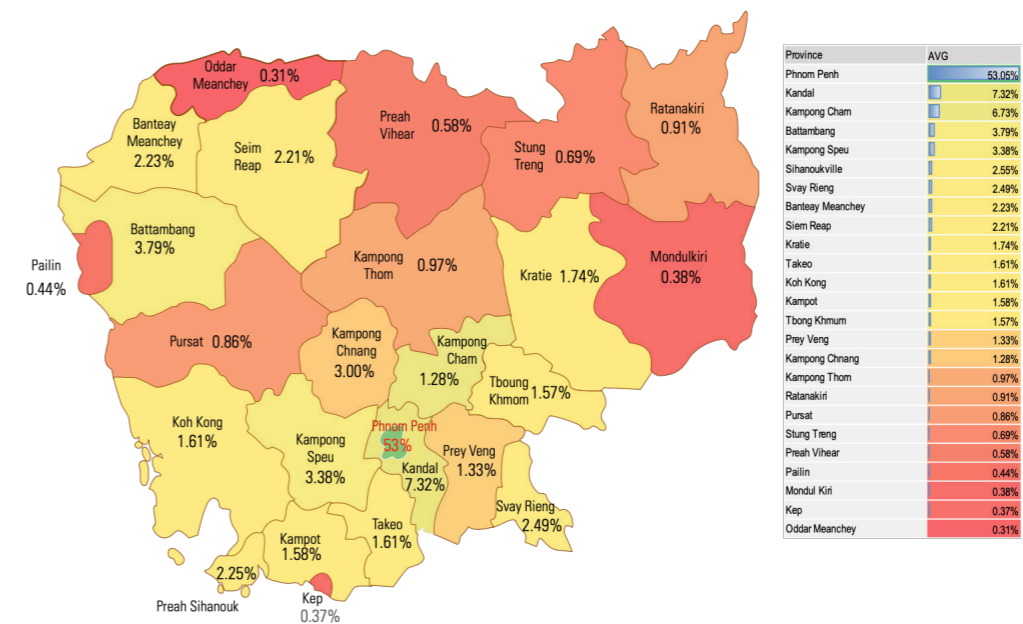


Figure 4: SNA Non Tax Revenues as a % of Budget Plan

## SNA Non Tax Revenues - Key Metrics

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SNA Country-wide	22,346	21,965	23,208	26,708	28,399	31,390	30,229	30,976	32,958	136,673	214,527
Phnom Penh	12,568	12,170	13,221	16,688	15,217	17,273	15,970	14,695	15,097	58,734	117,468
Kandal	1,146	954	943	950	1,252	2,264	3,827	4,158	4,165	10,601	11,543
Sihanoukville	520	379	395	331	361	341	422	473	453	9,194	16,496
Siem Reap	408	433	336	357	459	339	326	461	484	8,190	10,779
Kampong Speu	434	459	486	757	1,001	1,141	1,009	1,104	1,505	7,532	8,675
Battambang	944	867	849	892	945	994	952	1,209	1,848	6,141	6,262
Kampong Cham	2,066	2,228	2,350	2,353	2,169	1,834	1,736	1,766	1,521	4,469	6,305
Svay Rieng	728	666	722	702	717	727	722	668	665	3,285	3,448
Banteay Meanchey	419	470	354	195	1,680	303	290	900	1021	3036	4699
Kampot	426	365	347	393	402	502	400	457	511	2,835	2,990
Takeo	324	409	425	402	424	472	423	478	502	2,712	3,547
Tbong Khmum	0	0	0	0	879	1,237	717	741	780	2,438	2,917
Prey Veng	240	253	301	327	366	438	342	423	566	2,421	2,512
Kratie	465	448	458	348	481	559	560	596	643	2,153	2,189
Kampong Chhnang	144	206	228	218	288	382	557	637	619	2,078	2,411
Koh Kong	400	253	360	333	351	893	469	515	704	1,957	2,361
Kampong Thom	266	303	252	223	230	246	222	267	285	1,719	1,764
Pursat	202	238	214	222	200	226	229	254	309	1,290	1,774
Ratanakiri	94	163	186	282	327	350	349	365	332	1,208	1,181
Pailin	75	103	119	125	139	219	52	55	125	933	1,029
Oddar Meanchey	58	70	69	50	65	60	47	49	144	811	1,228
Stung Treng	139	264	319	318	122	134	102	170	148	794	812
Kep	29	35	33	43	64	140	200	204	216	786	569
Preah Vihear	159	123	140	123	187	221	176	192	168	770	943
Mondul Kiri	92	106	101	76	73	95	130	139	148	586	625

Source: Data provided by GDSNAF (MEF) (2022)

Table 15: SNA Non Tax Revenues by Province

## Emerging Research Questions

Having presented the quantitative data analysis, a few specific questions/areas are recommended for the next steps.

**First**, in terms of additional quantitative data, more attention should be given to

- The composition of both tax and non-taxes (i.e., by specific types of revenue items)
- The differences between planned and executed budget, including tax, non-tax revenue, and transfer
- Geographical differences for DMK budget's especially for non-tax revenues. The data from 2013 should be requested from MEF for each DMK,
- The data on GDP for Phnom Penh (as that has not made available).

**Second**, in terms of qualitative data, there has been very limited existing documentation on how both tax and non-tax revenue items are actually forecast, managed, and assessed. This question is critical given the anecdotes showing high discrepancy between planned and executed revenues, especially for economically active areas such as Phnom Penh, Sihanoukville, and others.

**Third**, further analysis to identify the associations between NTRs, population and GDP per-capita need to be developed using the current data set.

The analysis should be able to set out realistic performance targets for the SNAs in the context of improving NTR collection by the provincial administrations.

Further a definitive framework for the use of permissible NTRs by the SNAs need be legalised as an extension of the new budget law.



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