

## Commune/Sangkat Fund and Local Development Case of Cambodia

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### Abstract

The article is aimed to illustrate the commune/sangkat fund which was allocated to the local administration of Cambodia in term of local development as well as to clarify the characteristic of commune/sangkat's general situation, statistics and fund allocation. In particular, the result of the commune/sangkat fund allocation implementation will be able to show how the fund was used in the effective way. However, the weaknesses and challenges of commune/sangkat fund project implementation is also revealed when the ministry of interior and ministry of economy and finance have done its annually monitoring and evaluation. Accordingly, the article will be provided the recommendation to relevant persons or institutions which its projects and research correlate with the commune/sangkat fund project and local development.

**Keywords:** Commune/Sangkat, Fund, Allocation, Local Development.

### 1. Introduction

The Kingdom of Cambodia is a country which adopts the multi-party liberal democracy. The lead and management are taken through the direct and indirect election (Constitution, 1993). And the territorial administrative management and organization appear in division as capital, provinces, municipalities, districts, khans and commune/sangkat. Meanwhile, commune/sangkat administers the local tasks in his territory based on the constitution, law, royal decree, sub-decree, prakas and relevant legal regulations. Presently, the royal government pays attention on commune/sangkat by creating commune/sangkat fund aiming at local development and decentralization and de-concentration reform at the sub-national administrations, supported by Ministry of Interior and National Committee for Sub-National Democratic Development (NCDD & MOI, 2008). To cope with the local development barrier, the fund has to be used with transparency and accountability (sub-degree of the commune/sangkat fund, 2002).

So far, the commune/sangkat fund was used and implemented by the sub-national administration offices, monitoring and evaluating by the Ministry of Interior, Ministry of Economy and Finances, NCDD, and other relevant institutions (MOI, 2016). The result of the research addressed that the commune/sangkat fund is the useful tool to help the commune/sangkat administrative offices in term of development and poverty reduction. However, the weaknesses and challenges are raised as well (GDA, MOI, 2016). To cope with the weaknesses and challenges of commune/sangkat fund implementation, the recommendation in this article will be the helpful and useful material for the future strategy and policy to commune/sangkat fund implementation.

### 2. General Situation of Commune/Sangkat

Cambodia is officially known as the Kingdom of Cambodia. She is divided into one Capital (Phnom Penh Capital) and 24 provinces. The Capital is divided into Khans, and the Khan is divided into Sangkats. Whereas Province is divided into Municipalities and Districts. And the District is divided into Communes and Sangkats. The Commune/Sangkat shall be governed in accordance with the Law on Administrative Management of Commune/Sangkat, except for any matters that are provided in this law (Law on Administrative Management of the Capital, Provinces, Municipalities, Districts, and Khans, 2008).

A Commune/Sangkat is a legal entity [Article 2]. The system of Local Governance shall be implemented at Commune/Sangkat level [Article 3]. The power to govern and manage commune/Sangkats are derived for the general, universal, free and fair, equal, direct and secret elections within the framework of each commune/Sangkats [Article 4]. A commune/Sangkats governs local affairs of its territory in accordance with the Constitution, laws, Royal decrees, sub-decrees, proclamations (Prakas) and legal instruments concerned. Legislative power and Executive Power shall be vested to Communes/Sangakats and these Powers shall be implemented in consistence with the Constitution, laws, Royal Decrees, sub-decrees, proclamations and legal instruments concerned [Article 5]. Each commune/Sangkat shall have a council called the Commune/Sangkat Council. The Commune/Sangkat is a body representing citizens in its commune/Sangkat and have missions to serve the general interests of its commune/Sangkat. A Commune/Sangkat Council is elected by the citizens in its commune/Sangkat in accordance with the procedures prescribed in the law on the Elections of Commune/ Sangkat Councils (PREACH REACH KRAMNS / RKM/ 0301/05 March 19, 2001; Law on Commune/Sangkat Administrative Management).

### 3. Statistics of Commune/Sangkat

Since commune/sangkat is created, the number of commune/sangkat each year changes continuously depending on the political pattern, population growth and national economy (MOI, 2016). The document of Ministry of Economy and Finance and of Department of Administrative Affairs of the Municipalities, Districts and Commune/Sangkat of General Department of Administration, Ministry of Interior, show that in 2011, there were 1621 communes/sangkats nationwide. In 2016, there are 1633 communes/sangkats over the country. In the capital and each provinces, the division of the number of commune/sangkat depends on the size of the capital and provinces.

**Table1 Total Number of Communes/Sangkat 2016**

No.	Name of Capital and Provinces	Number of Communes/Sangkats
1	Phnom Penh	96
2	Banteay Meanchey	65
3	Battambang	102
4	Kampung Cham	109
5	Kampung Chhnang	69
6	Kampung Speu	87
7	Kampung Thom	81
8	Kompot	93
9	Kandal	127
10	Koh Kong	29
11	Kratei	46
12	Mondolkiri	21
13	Preah Vihea	51
14	Prey Veng	116
15	Pursat	46
16	Ratanakiri	50
17	Siem Reap	100
18	Preah Sihanuk	27
19	Steng Treng	34
20	Svay Rieng	80
21	Takeo	100
22	Oddar Meanchey	24
23	Kep	5
24	Pailin	8
25	Tbong Khmum	64
<b>Total</b>		<b>1633</b>

(Source: General Department of Administration, GDA, MOI, 2016)

### 4. Commune/Sangkat Fund

Commune/Sangkat Fund is a budget package that the royal government shall transfer to the commune/sangkat councils includes both tax revenue and development partner contributions to cover administration and local development. The transfer of revenue from the national level to the above fund based on the formula or the exact rate for at least 03 years and no later than 05 years determined by the sub-decree. This fund is divided into two main parts-administration and local development (CDRI, 2008).

In addition, Commune/Sangkat councils are entitled to collect local resources. However, as Commune/Sangkat councils do not have powers to collect taxes local resources cover only local contribution at present (RGC, 2009). In 2007, Cambodia's 1621 communes received an average USD8700 for development (usually spent on a single investment), and USD5000 for administration (Chou, 2007). The development distribution follows a formula of equal shares [40 percent], population [40 percent] and poverty index [20 percent] (CDRI, 2008).

- **Legal Framework**

The management of commune/sangkat fund is based on some legal principles and regulations such as Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans, Law on Financial Regime and Management of Assets of the Sub-National Administrations, Sub-Decree on Commune/Sangkat Financial Management System dated April 02, 2002, etc.

- **Sources of Commune/Sangkat Revenue**

Commune/Sangkat has sources of revenue such as local administrative revenue and the revenue from national source.

➤ **Local administrative revenue**

Each commune/sangkat can earn the revenue from:

- The revenue from local source including tax revenues and non-tax revenues.
- The revenue from development partners.
- The donations from internal and external source of the competence of each council.
- Other sources defined by law or legal regulations.

➤ **Revenue from national source**

- Shared revenue is the revenue which is shared between the national level and commune/sangkat level. Types of revenue and division proportion shall be determined by law or sub-decree.
- National transfers is a budget package that the national level transfers to the commune/sangkat administration (Conditional and Unconditional transferred fund).
- And agency fees for special services performed by the council on behalf of a government ministry or institution. (according to article 24 and 26 of the Law on Financial Regime and Management of Assets of the Sub-National Administrations).

• **Allocation of Funds from National level to Commune/Sangkat from 2002 to 2018**

Conforming to article 77 of the Law on Administrative Management of Commune/Sangkat, the limit of the transfer from recurrent state budget to the fund account is planned for at least 03 years and no later than 05 fiscal years:

- Fiscal year 2002, transfer of state budget to commune/sangkat fund is 20,000,000,000R (twenty thousand million riels, \*1\$≈4000R)
- Fiscal year 2003, not less than 2% (two percent) of recurrent budget
- Fiscal year 2004, not less than 2.5% (two point five percent) of recurrent budget
- Fiscal year 2005, not less than 2.54% of recurrent state budget
- Fiscal year 2006, not less than 2.54% of recurrent state budget
- Fiscal year 2007, not less than 2.54% of recurrent state budget
- Fiscal year 2012, not less than 0.8% of recurrent state budget approved in 2011
- Fiscal year 2013, not less than 0.8% of recurrent state budget approved in 2012
- Fiscal year 2014, not less than 2.8% of recurrent state budget approved in 2013
- Fiscal year 2015, not less than 2.8% of recurrent state budget approved in 2014
- Fiscal year 2016, not less than 2.8% of recurrent state budget approved in 2015
- Fiscal year 2017, not less than 2.8% of recurrent state budget approved in 2016
- Fiscal year 2018, not less than 2.8% of recurrent state budget approved in 2017 (Source: MEF, 2016)

• **Principle of Division of Commune/Sangkat Fund**

Allocation of budget from national level to commune/sangkat administration is not equal (Sub-decree 465 ANKR.BK on Transfer of National Resources to Commune/Sangkat Fund, 2013). Some commune/sangkat received proper amount of allocated budget but some other commune/sangkat did not based on the following principles:

- Equal share as basis
- Number of people in each commune/sangkat (document of Ministry of Planning)
- Poverty index of each commune/sangkat (document of Ministry of Planning)
- Other index stated by the board of directors of commune/sangkat fund

From the first mandate to the present (2002-2016), the commune/sangkat councils have obtained the annual increased allocated budget from the royal government according to the national economic growth. In 2016, the commune/sangkat administration obtained the allocated budget from the royal government in amount of 308 410.00 million riels, among that, the amount of administrative budget is 160 177.00 million riels and the amount of local development budget is 148 233.00 million riels, among the total plan of 1 710 which are the infrastructure plans (MEF, 2016).

## 5. Development of Commune/Sangkat

• **Use of Commune/Sangkat Fund**

- Target administrative expense includes remuneration for council, personnel's salary and other expense for personnel, repair of administrative premises, purchase of furniture, office equipment, repair and maintenance of administrative equipment, electric, water, vehicle and other expense.
- Target local development expense includes 1/Service Plan (human resources development, income raising activities, provision of equipment, goods, species, management of community and/or small

construction, etc.) and 2/Infrastructure (Construction, plan design, repair and maintenance of road, market, health center, school, center, community, irrigation system construction, agricultural products warehouse, water and energy supply system and other economic and social infrastructure like road, bridge, sewage pipe, etc.).

From 2002 to 2016, there are 8,780 commune/sangkat fund plans in total, most of which focus on trails [48%], irrigation system [07%], rural hygiene [03%], clean water supply [01%] and other constructions [01%] (MEF & MOI, 2016).

• **Allocation of commune/sangkat fund in 2015 and 2016**

In 2015, the royal government allocated the total amount of budget of 27 1954.00 million riels for commune/sangkat, in which the administration amount is 105 280.60 million riels. Whereas in 2016, the royal government allocated the total amount of budget of 308,410.00 million riels for commune/sangkat, in which the administration amount is 160 177.00 million riels (MEF, 2016).

**Table2 Commune/Sangkat Fund Allocation 2015**

Commune/Sangkat Fund Allocation								
Capital and Provinces								
No.	Name of C/P	C/S	Num. of C/S Council	Village	C/SFA 2015 (Million Riel)			
					Administration	Development	Unplanned Exp.	Total
1	Banteay Meanchey	65	515	656	4 688.39	5 764.64	1 558.08	12 011.11
2	Battambang	102	814	799	6 631.20	8 795.97	2 151.84	17 579.01
3	Kampung Cham	109	817	916	7 115.00	9 124.63	2 325.60	18 565.23
4	Kampung Chhnang	69	419	560	4 081.66	5 350.52	1 325.76	10 757.94
5	Kampung Speu	87	609	1349	7 745.98	7 640.43	2 694.24	18 080.65
6	Kampung Thom	81	577	749	5 425.03	6 695.87	1 788.96	13 909.86
7	Kompot	93	561	488	4 522.00	6 715.70	1 398.24	12 635.94
8	Dandal	127	915	1010	7 938.43	10 046.85	2 582.88	20 568.16
9	Koh Kong	29	167	118	1 258.79	1 868.27	377.28	3 504.34
10	Kratei	46	282	253	2 286.16	3 480.89	709.44	6 476.49
11	Mundulkiri	21	107	90	878.85	1 326.46	263.44	2 468.35
12	Phnom Penh	96	810	909	6 942.34	8 831.19	2 034.00	18 077.53
13	Phreah Vihea	51	333	229	2 440.29	3 423.68	741.60	6 605.57
14	Prey Veng	116	892	1137	8 230.64	9 703.94	2 735.52	20 670.10
15	Pursat	49	343	507	3454.02	4 155.66	1 152.00	8 761.68
16	Ratanakiri	50	260	243	2 213.54	3 172.72	673.92	6 060.18
17	Siem Reap	100	668	876	6 364.07	8 353.94	2 087.04	16805.05
18	Preah Sihanuk	27	169	110	1 219.13	1 935.34	367.68	3 522.15
19	Steng Treng	34	176	128	1 371.04	2 202.83	403.68	3 977.55
20	Svay Rieng	80	518	690	4 982.16	5 978.44	1 634.40	12 595.00
21	Takeo	100	736	1119	7 473.21	8 430.77	2 517.12	18 421.10
22	Oddor Meanchey	24	152	286	1 710.56	2 061.00	575.52	4 347.08
23	Kep	5	31	18	216.61	365.30	64.32	646.23
24	Pailin	8	52	79	535.18	632.22	178.08	1 345.48
25	Tbong Khmum	64	536	865	5 556.32	6 101.74	1 904.16	13 562.22
<b>Total</b>		<b>1633</b>	<b>11 459</b>	<b>14184</b>	<b>105 280.60</b>	<b>132 159.00</b>	<b>34 514.40</b>	<b>271 954.00</b>

C/P: Capital/Province; C/S: Commune/Sangkat; C/SFA: Commune/Sangkat Fund Allocation

(Source: Ministry of Economy and Finance, 2016)

**Table3 Commune/Sangkat Fund Allocation 2016**

Commune/Sangkat Fund Allocation							
Capital and Provinces							
No.	Name of C/P	C/S	Num. of C/S Council	Village	C/SFA 2016 (Million Riel)		
					Administration	Development	Total
1	Banteay Meanchey	65	515	656	7 246.38	6 514.20	13 760.58
2	Battambang	102	814	799	10 136.96	9 822.19	19 959.15
3	Kampung Cham	109	817	916	10 833.76	10 150.71	20 984.47
4	Kampung Chhnang	69	419	560	6 175.43	5 986.16	12 161.59
5	Kampung Speu	87	609	1349	11 578.45	8 561.22	20 139.67
6	Kampung Thom	81	577	749	8 235.50	7 503.16	15 738.66
7	Kompot	93	561	488	6 919.72	7 526.21	14 445.93
8	Dandal	127	915	1010	12 097.14	11 318.72	23 415.86
9	Koh Kong	29	167	118	1 933.67	2 084.00	4 017.67
10	Kratei	46	282	253	3 524.49	3 924.38	7 448.87
11	Mundulkiri	21	107	90	1 342.66	1 499.11	2 841.77
12	Phnom Penh	96	810	909	10 589.86	10 021.32	20 611.18
13	Phreah Vihea	51	333	229	3 754.98	3 831.73	7 586.71
14	Prey Veng	116	892	1137	12 496.93	10 870.88	23 367.81
15	Pursat	49	343	507	5 224.04	4 617.26	9 841.30
16	Ratanakiri	50	260	243	3 375.28	3 581.19	6 956.47
17	Siem Reap	100	668	876	9 642.38	9 458.92	19 101.30
18	Preah Sihanuk	27	169	110	1 879.45	2 161.46	4 040.91
19	Steng Treng	34	176	128	2 098.99	2 444.03	4 543.02
20	Svay Rieng	80	518	690	7 548.47	6 723.22	14 271.69
21	Takeo	100	736	1119	11 296.89	9 438.68	20 735.57
22	Oddor Meanchey	24	152	286	2 721.33	2 319.00	5 040.33
23	Kep	5	31	18	334.46	406.41	740.87
24	Pailin	8	52	79	807.91	710.54	1 518.45
25	Tbong Khmum	64	536	865	8 381.87	6 758.30	15 140.17
<b>Total</b>		<b>1633</b>	<b>11459</b>	<b>14184</b>	<b>160 177.00</b>	<b>148 233.00</b>	<b>308 410.00</b>

(Source: Ministry of Economy and Finance, 2016)

**Table4 Allocation Fund 2015 & 2016**

C/P	C/S	Allocation Fund 2015				Allocation Fund 2016			
		Admin.	Development	Unplanned Expenditures	Total	Admin.	Development	Unplanned Expenditures	Total
<b>25</b>	<b>1633</b>	<b>105280.60</b>	<b>132159.00</b>	<b>34514.40</b>	<b>271954.00</b>	<b>160177.00</b>	<b>148233.00</b>	<b>N/A</b>	<b>308410.00</b>

(Source: Ministry Economy and Finance, 2016)

**a) General Administration**

- Equal share as basis by 30% is divided equally for each commune/sangkat administration
- 60% for members of council is divided in proportion to the number of council members of each commune/sangkat administration.
- 10% for poverty index is divided in proportion to the poverty index based on the data of Ministry of Planning.

**b) Development**

- Equal share as basis by 30% is divided equally for each commune/sangkat administration.
- 30% for people is divided in proportion to the number of people of each commune/sangkat administration based on the official data of Ministry of Planning.
- 30% for poverty index is divided in proportion to the poverty index based on the data of Ministry of Planning.
- 10% for village is divided in proportion to the number of villages of each commune/sangkat administration based on the data of Ministry of Interior.

[Sources a) & b): Sub-decree 465 ANKR.BK on Transfer of National Resources to Commune/Sangkat Fund, 2013].

**6. Conclusion**

The document of reflection seminar on budget implementation and commune/sangkat plan in July 2016 illustrates the budget implementation in commune/sangkat is now better than in municipality-district, though the procedure has some change or the document is more complicated (GDA, MOI, 2016). Moreover, there are also some

weaknesses, challenges and recommendation as follows:

- **Weaknesses:**

- 1/ commune/sangkat budget plan has no some attached documents like report on the limit of participation of people in budget arrangement process, report on budget implementation of processing year.

- 2/ prepare and clear the budget list of commune/sangkat is slow (up to June 2016, the clearance of the commune/sangkat budget is not yet officially recognized).

- 3/ registration with accounting technique is the problem for commune/sangkat administration.

- 4/ advance settlement in each round of some commune/sangkat is slow and some commune/sangkat withdraw the advances only 2 or 3 rounds in 2015.

- 5/ no report on monthly budget implementation of all months (lack of 3-6 months).

- 6/ some commune/sangkat administrations do not publicize the budget plan.

- **Challenges:**

- 1/ some finance offices have no enough ability in providing technical support for the commune/sangkat because this task is supported by the investment and planning office and provincial advisor in finance over the past.

- 2/ the specialized department and provincial treasury have no high responsibility in providing technical support for the commune/sangkat.

- 3/ some instructions and circulars of Ministry of Economy and Finance to the sub-national administration did not discuss with Ministry of Interior or NCDD which illegalize some content conforming to the law, sub-decree or affect the work performance of commune/sangkat administration.

- 4/ limited human resources at commune/sangkat level.

- 5/ corruption during the bid.

- **Recommendation:**

- 1/ train the commune/sangkat administrative officials more related to the financial and budget techniques.

- 2/ should strengthen the specialized institutions that are capable of supporting and providing techniques to the commune/sangkat in performing the role and responsibility responsibly.

- 3/ examination and grant the conformity shall be based on the principle and shall not be modified or objected to the choice of expense decided by the council.

- 4/ the specialized department and provincial treasury should well-cooperate with the provincial administration in technical support for the commune/sangkat.

- 5/ some instructions and circulars of Ministry of Economy and Finance to the sub-national administration have prior discussion with Ministry of Interior or NCDD to legalize the content conforming to the law, sub-decree or make it easy in work performance of commune/sangkat administration.

- 6/ should arrange an inter-institutional meeting which compose of those participants from Ministry of Interior, Ministry of Economy and Finance, General Department of National Treasury, General Department of Procurement and other relevant people in order to discuss and seek for solution of some common problems.

To sum up, local development is an obligation of the national and sub-national level. However, the commune/sangkat development is the root of decentralization and de-concentration reform focusing on the improvement of people living standard and poverty reduction. Having granted the commune/sangkat fund by the royal government, the sub-national administrations (commune/sangkat administrative offices) should pay much attention to the real situation happened at the local area by using the fund in the effective way. More importantly, the capital and provincial department of economy and finance and the department of treasury should provide the useful material, document or training regarding to commune/sangkat fun project implementation and procurement.

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