



2018 Fiscal Achievements

Summary and analysis of Draft Budget Settlement Law 2018

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About the report

The report on 2018 Fiscal Achievements is prepared by the staff of the Senate of Cambodia. It is a training exercise aimed at providing timely information to parliamentary commissions on the implementation of the national budget. It uses the Draft Law on General Budget Settlement of the Financial Management of the State 2018 (henceforth Budget Settlement 2018) tabled by the Royal Government of Cambodia before Parliament and monthly data from the Ministry of Economy and Finance.

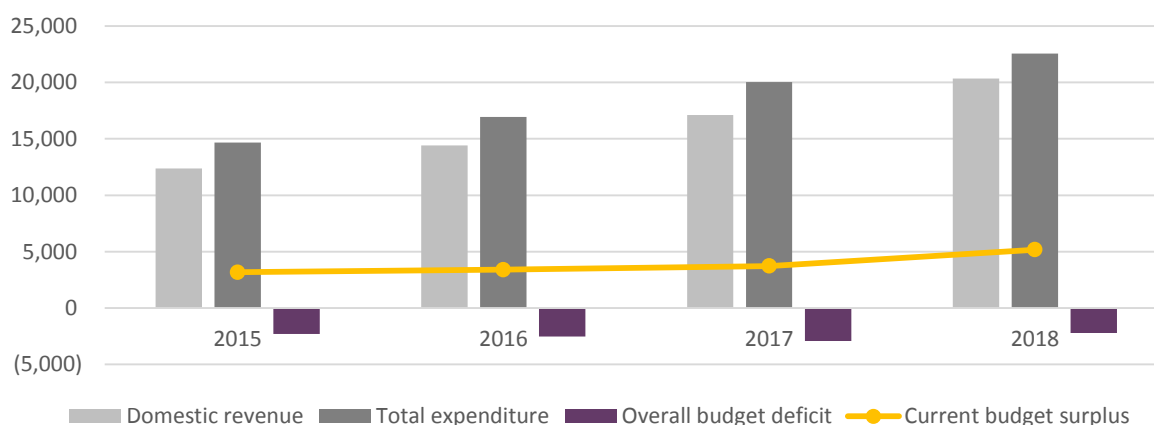
A comprehensive annual review of the budget's implementation by Parliament can promote the RGC's efforts to increase Cambodia's socioeconomic outcomes and encourage good governance.

The Senate has a small team of research staff and limited access to real-time economic and fiscal data and government decisions. Parliamentarians and other stakeholders should continue to rely on official government information for planning purposes. This report is intended only to serve as an overview of fiscal indicators so parliamentarians can identify any developments which require attention.

Highlights

- **Revenues exceeded budget plan.** According to Budget Settlement 2018, actual domestic revenues reached 20,341 billion riels in 2018, growing by 19% compared to 2017 and exceeding the draft budget plan by 15%. Tax revenues continued their strong performance over 2018, growing at 19%. The increase was driven by excise taxes and import taxes, reflecting strong consumer spending and revenue mobilization efforts.
- **Expenditure was held within plan.** Budget expenditure in 2018 was 22,551 billion riels, growing 13% compared to 2017 but falling short of the budget plan by 4%. Current expenditure and capital expenditure rose by 13% and 12%, respectively.
- **Current surpluses are rising.** Ignoring net capital investment, there was a current budget surplus of 5,174 billion riels—a 39% increase compared to last year and a gradual increase since 2015.
- **Overall deficit was in-line with recent history.** Including net capital investment, there was an overall budget deficit of 2,210 billion riels, down from a 2,907 billion riels deficit in 2017—a decrease of 24%.

Figure 1: Budget balance in line with recent history



Source: Budget Settlement 2015-2018[1].

Revenue performance

The RGC brought in total domestic revenues of 20,341 billion riels in 2018, up 19% from 2017 (Table 1).

Compared to 2017, current revenues rose to 20,147, an increase of 19%. Tax revenues rose by 19% (led by a 35% increase in excise taxes, while non-tax revenues increased by 17%).

Compared to Budget 2018, total domestic revenues were 15% higher than planned. This difference was due mainly to higher achievement in indirect tax revenues, which were 15% higher than the budgeted amount and excise taxes which were 25% higher.

Other domestic tax revenues, while a small proportion of total revenues, came in 71% higher than planned. These consisted of stamp taxes and tax fines and penalties.

Non-tax revenue, accounting for 14% of overall revenues, also contributed to the increase, achieving 20% higher than the budget plan as the government has made progress in modernizing its non-tax revenue management system and inventory of state assets, promoting effective implementation and enforcement of relevant laws and regulations and strengthening officials' capacity and institutions.

Table 1: Composition of Tax Revenue of 2017 and 2018 (in billion riel)

	Change from year earlier (actual)			Performance versus Budget 2018		
	2017	2018	change	budget	actual	difference
I. Domestic revenues	17,109	20,341	+19%	17,640	20,341	+15%
1. Current revenues	16,967	20,147	+19%	17,640	20,147	+15%
a. Tax revenues	14,521	17,296	+19%	15,076	17,296	+15%
Domestic tax revenues	12,543	14,925	+19%	12,934	14,925	+15%
Direct taxes	3,798	4,059	+7%	3,899	4,059	+4%
Indirect taxes	4,936	5,729	+16%	4,962	5,729	+15%
Excise taxes	3,676	4,969	+35%	3,974	4,969	+25%
Other tax revenues	133	168	+26%	99	168	+71%
Taxes on trade	1,977	2,371	+20%	2,142	2,371	+11%
Taxes on imports	1,931	2,319	+20%	2,096	2,319	+11%
Taxes on exports	46	52	+13%	46	52	+14%
b. Non-tax revenues	2,446	2,851	+17%	2,384	2,851	+20%
2. Capital revenues (internal financing)	142	195	+37%	180	195	+8%

Source: Budget Settlement 2018[2, 3].

Expenditures

Total spending by the RGC increased by 13% to 22,551 billion riels in 2018, from 20,016 billion riels in 2017. The implemented amount was 3.9% lower than the planned expenditure limit.

Current expenditure reached 14,972 billion riels in 2018, up from 13,237 billion riels in 2017—an increase of 13%.

Budget expenditure by economic classification

Looking at expenditure growth by category of economic input across government (Table 2):

- Wage spending, which accounted for 53% of current spending, increased by 17% from 2017 and exceeded the planned budget by 1.1%. Wage spending for national defense and security increased by 19% while civil administration wages increased 16%.
- Non-wage spending, which accounted for 47% of current spending, grew slower by 9% compared to 2017 and achieved only 95% of the planned spending in 2018.
- Significantly, spending on social benefits, one of the subcomponents of non-wage expenditure, exceeded the budget plan by 34%. Parliamentarians may wish to seek further clarification to understand this high growth.
- Altogether, current expenditure was 98.2% of the planned 2018 budget.
- Capital expenditure increased from 6,779 billion riels in 2017 to 7,578 billion riels in 2018, an increase of 12%. Of capital expenditure, domestically financed public investment increased significantly by 27% compared to 2017, while externally assisted public investment increased only 2% over the same period. In total, actual capital expenditure was 92.3% of the 2018 plan.

Table 2: Budget expenditure by economic classification

	Change from year earlier (actual)			Performance vs budget (2018)		
	2017	2018	growth	budget	actual	over/under
II. Budget expenditure	20,017	22,551	13%	23,456	22,551	-4%
1. Current expenditure	13,238	14,973	13%	15,246	14,973	-2%
a. Wages	6,839	8,001	17%	7,915	8,001	1%
Civil administration	4,265	4,946	16%	4,925	4,946	0%
National defense and security	2,574	3,055	19%	2,990	3,055	2%
b. Non-wages	6,399	6,971	9%	7,331	6,971	-5%
Purchases	1,408	1,529	8%	1,550	1,529	-1%
Services	1,582	1,687	7%	1,743	1,687	-3%
Financial charges	342	387	13%	387	387	0%
Social benefits	1,086	1,336	23%	996	1,336	34%
Subsidies	1,382	1,350	-2%	1,502	1,350	-10%
Other non-wage	599	682	14%	1,153	682	-41%
2. Capital expenditure	6,779	7,579	12%	8,210	7,579	-8%
Domestic financing	2,560	3,257	27%	3,663	3,257	-11%
External assistance (project)	4,219	4,322	2%	4,547	4,322	-5%

Source: Budget Settlement 2017-2018[2, 3].

Budget expenditure by functional classification

The Royal Government of Cambodia also classifies spending into five functional categories (Table 3). In 2018, the largest share of current spending was on *social administration*, which grew by 19% from 2017, followed by *defense and security* which grew by 17%. The social sector remains the RGC's first priority, as it focuses on education, health, gender, labor and other social affairs, veterans and youth rehabilitation. Although relatively small, miscellaneous expenditure increased significantly by 21% compared to 2017 but fell considerably short of its overall budget (1,368 versus 1,536—a difference of 11%).

Table 3: Current expenditure by functional classification

	Share	Change from year earlier (actual)			Performance vs. Budget (2018)		
		2018	2017	2018	growth	Budget	Actual
I. General Administration	16.5%	2,536	2,471	-3%	2,534	2,471	-3%
II. Defense and Security	26.6%	3,405	3,989	17%	3,903	3,989	2%
III. Social Administration	38.4%	4,841	5,756	19%	5,871	5,756	-2%
IV. Economy Administration	9.3%	1,323	1,387	5%	1,402	1,387	-1%
V. Miscellaneous	9.1%	1,132	1,368	21%	1,536	1,368	-11%

Source: Budget Settlement 2018[2, 3]

Budget expenditure by ministry classification

Table 4 lists the top ten overspending and underspending ministries based on Budget Settlement 2018 versus the budget plan (full table in the appendix). The Ministry of Commerce spent 19% more than planned, followed by the Ministry of Interior at 12%. The State Secretariat of Civil Aviation and Ministry of Land Management, Urban Planning and Construction both spent 10% more than budgeted. In contrast, the Ministry of Mines and Energy was at the bottom of the list, underspending by 17% compared to its budget, followed by the Council for Development of Cambodia at 13%.

Table 4: Top-ten budget overspending and underspending departments in 2018

Budget expenditure by ministry classification	Change from year earlier (actual)			Performance versus budget 2018		
	2017	2018	growth	budget	actual	over / under
Ministry of Commerce	133	152	13.8	127	152	19.2%
Ministry of Interior- General Administration	140	182	-23.2	164	182	11.5%
State Secretariat of Civil Aviation	59	58	0.3	53	58	10.4%
Ministry of Land Management, Urban Planning and Construction	148	165	-10.6	150	165	10.0%
Ministry of Interior- Public Security	1,251	1,452	-13.9	1,399	1,452	3.8%
Anti-Corruption Unit	34	44	-22.6	43	44	3.7%
Constitutional Council	11	12	-10.7	12	12	1.9%
Ministry of Social Affairs, Veterans and Youth Rehabilitation	797	902	-11.6	889	902	1.4%
Senate	65	76	-13.8	75	76	1.3%
Ministry of Labor and Vocational Training	229	303	-24.5	300	303	1.3%
Ministry of Women Affairs	41	46	-11.1	48	46	-4.1%
Ministry of Posts and Telecommunications	87	79	10.1	83	79	-4.5%
Ministry of Agriculture, Forestry, and Fisheries	211	232	-9.1	245	232	-5.2%
National Audit Authority	11	13	-17.5	14	13	-5.5%
Ministry of Information	71	74	-3.9	78	74	-5.5%
Ministry of Industry and Handicraft	44	50	-11.5	53	50	-5.9%
Ministry of Justice	110	129	-14.6	138	129	-6.9%
National Election Committee	156	186	-16.2	213	186	-12.5%
Council for the Development of Cambodia (CDC)	13	13	-0.5	15	13	-12.6%
Ministry of Mines and Energy	49	42	18.2	50	42	-16.9%

Source: Budget Settlement 2018.

Budgetary balance

The RGC ran a smaller overall deficit in 2018 than it did in 2017, and a smaller overall deficit than was anticipated in budget 2018 (Table 5).

The current budgetary balance in 2018 was a surplus of 5,174 billion riel—an increase of 39% compared to that in 2017, and 133% of the plan for 2018.

Table 5: Budgetary balance

	Compared to one year earlier			Compared to budget	
	2017	2018	change (%)	actual	budget
Current deficit/surplus	3,730	5,174	+39%	5,174	2,214
Overall deficit/surplus	-2,907	-2,210	-24%	-2,210	-5,816

Source: Budget Settlement 2017- 2018[2, 3].

Financing

All of Cambodia's debt sustainability indicators remain below the risk thresholds of the RGC's Debt Sustainability Framework.

To finance the deficit (incurred primarily for capital investment), the government received grants and loans. The present value of external debt declined slightly from 22.8% of GDP in 2017 to 21.5% in 2018 (Table 6). Total public debt at the end of 2018 was also 21.5% of GDP, as the government of Cambodia relies almost exclusively on external debt to finance its deficit.

Table 6: Debt sustainability indicators for 2017 to 2018

Indicator	2017	2018	Threshold
PV of Public Debt to GDP	22.8%	21.5%	55%
PV of Public External Debt to GDP	22.8%	21.5%	40%
PV of Public External Debt to Exports	30.8%	28.4%	180%
Public External Debt Service to Exports	1.3%	1.4%	15%
Public External Debt Service to Revenue	18%	4.9%	18%

Source: General Department of International Cooperation and Debt Management[4].

For consideration of Parliamentarians

Parliamentarians may wish to devote further attention or seek further information on the following issues raised by the settlement results of 2018 while considering Budget 2020.

- As laid out in Rectangular Strategy IV of the sixth legislative term, one of the government's top priorities is the Kingdom's electricity supply. As the Ministry of Mines and Energy bears the duty of improving electricity, Parliamentarians may wish to inquire why the Ministry underspent its budget by 17% compared to plan.
- Little public information is available on the highest overspending departments. Were these the result of one-off or structural factors? Does Budget 2020 allocate more funding to these departments? If not, should future funding be adjusted?

Appendix

Appendix Table 1: Complete settlement results by ministry

Budget expenditure by ministry classification	Change from year earlier (actual)			Performance versus budget 2018		
	2017	2018	growth	budget	actual	over / under
Ministry of Commerce	133	152	13.8	127	152	19.2%
Ministry of Interior- General Administration	140	182	-23.2	164	182	11.5%
State Secretariat of Civil Aviation	59	58	0.3	53	58	10.4%
Ministry of Land Management, Urban Planning and Construction	148	165	-10.6	150	165	10.0%
Ministry of Interior- Public Security	1,251	1,452	-13.9	1,399	1,452	3.8%
Anti-Corruption Unit	34	44	-22.6	43	44	3.7%
Constitutional Council	11	12	-10.7	12	12	1.9%
Ministry of Social Affairs, Veterans and Youth Rehabilitation	797	902	-11.6	889	902	1.4%
Senate	65	76	-13.8	75	76	1.3%
Ministry of Labor and Vocational Training	229	303	-24.5	300	303	1.3%
Ministry of National Defense	1,904	2,226	-14.5	2,203	2,226	1.1%
Ministry of Water Resources and Meteorology	116	131	-11.7	131	131	0.4%
National Assembly	156	181	-13.7	181	181	0.1%
Ministry of Civil Service	43	51	-15.9	51	51	0.0%
Ministry of Environment	68	87	-21.9	87	87	-0.3%
Ministry of Foreign Affairs and International Cooperation	118	126	-5.8	126	126	-0.6%
Ministry of Rural Development	155	168	-7.5	169	168	-0.9%
Royal Palace	100	96	3.8	98	96	-1.3%
Ministry of Culture and Fine Arts	142	227	-37.6	233	227	-2.5%
Ministry of National Assembly-Senate Relations and Inspection	34	38	-10.7	39	38	-2.6%
Ministry of Tourism	82	89	-8.3	92	89	-2.7%
Ministry of Economy and Finance	921	806	14.3	828	806	-2.7%
Ministry of Health	1,177	1,379	-14.6	1,419	1,379	-2.8%
Ministry of Education, Youth, and Sport	2,261	2,675	-15.5	2,753	2,675	-2.8%
Ministry of Cult and Religion	54	63	-14.0	65	63	-3.0%
Ministry of Public Works and Transport	387	386	0.3	399	386	-3.4%
Ministry of Planning	66	77	-14.8	80	77	-3.7%
Office of Council of Ministers	661	587	12.6	610	587	-3.7%
Ministry of Women Affairs	41	46	-11.1	48	46	-4.1%
Ministry of Posts and Telecommunications	87	79	10.1	83	79	-4.5%
Ministry of Agriculture, Forestry, and Fisheries	211	232	-9.1	245	232	-5.2%
National Audit Authority	11	13	-17.5	14	13	-5.5%
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Source: Budget Settlement Law 2018

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