

**Annex 10**  
**Commune Councils and Regulatory Framework**

**LAW ON**  
**ADMINISTRATION**  
**OF COMMUNES (KHUM-SANGKAT)**

Law adopted by NA on 12-01-2001,  
during the 5<sup>th</sup> Session, 2nd Legislature.

And by Senate, on 01-02-2001, during the 4th Session, 1st  
Legislature.

(UNOFFICIAL TRASLATION)

Revised by Kimpo/LAU, on 02-02-2001

\*\*\*\*\*

**KINGDOM OF CAMBODIA**  
**NATION\_RELIGION\_KING**  
\*\*\*\*\*

**LAW**  
**ON**  
**ADMINISTRATION OF**  
**COMMUNES (KHUM-SANGKAT)**

**CHAPTER I**

**GENERAL PROVISIONS**

- Article 1:** The purpose of this law is to determine the administration, according to a decentralization policy, of all the Communes (Khum-Sangkat) in the Kingdom of Cambodia.
- Article 2:** Communes (Khum-Sangkat) are legal entities.
- Article 3:** The local governance system shall be applied to Commune (Khum-Sangkat) level.
- Article 4:** The governing and managing powers of the Communes (Khum-Sangkat) derive from the elections through general, universal, just, free and fair, equal, direct and secret votes within the framework of each respective Commune (Khum-Sangkat).
- Article 5:** The Communes (Khum-Sangkat) shall govern the local affairs inside their territories based on the Constitution, laws, Royal-decrees (Reach-Kret), Sub-decrees (Anoukret), Ministerial Proclamations (Prakas) and relevant juridical norm and standard documents.
- Regulating (Annach Pahnat) and executing powers (Annach Pratibat) for the local governance shall be vested to the Communes (Khum-Sangkat) and these powers shall be exercised in conformity with the Constitution, laws, Royal-decrees (Reach-Kret), Sub-decrees (Anoukret), Ministerial Proclamations (Prakas) and other relevant juridical norm and standard documents.
- Article 6:** The establishment, disestablishment of any Commune, modification of boundary demarcation of a Commune (Khum-Sangkat), if it does not affect the boundaries of the concerned province or

municipality, and the change of name of any Commune (Khum-Sangkat), shall be determined by a Sub-decree (Anoukret) following a proposal of the Minister of Interior,.

In case if it affects the boundaries of the concerned province or municipality, the establishment, disestablishment of a Commune, modification of boundary demarcation of the commune and the change of name thereof, shall be determined by Royal-decree (Reach-Kret) upon the request of the Prime Minister and based on the proposal of the Minister of Interior.

**Article 7:**

When any consequence occurs after a Commune (Khum-Sangkat) is established, disestablished or modified, the Minister of Interior shall issue a Ministerial Proclamation (Prakas) for resolving such consequences in accordance with the law and provisions in force.

**Article 8:**

The Royal Government shall, after reported to the National Assembly, designate the Ministry of Interior to manage for administering of that Commune (Khum-Sangkat) for temporary, and the election of the Commune Council of that Commune shall be conducted after the situation in the Commune returns to normal.

## CHAPTER II

### COMMUNE COUNCIL

**Article 9:**

Each Commune (Khum-Sangkat) shall have a Council (herein after called a Commune Council).

The Commune Council is a body representing the citizens in its Commune (Khum-Sangkat) which has a mission to serve the general interests of its Commune (Khum-Sangkat).

**Article 10:**

The Commune Council shall be elected by the citizens of its commune (Khum-Sangkat) in conformity with the procedures as prescribed by the Law on Election of Commune Council.

**Article 11:**

The Commune Council shall have a 5-year mandate, which shall be expired when a new Council takes office.

During this transitional period, the expired Commune Council shall only have duty to facilitate the day-to-day works.

**Article 12:**

Each Commune Council shall consist of five (5) to eleven (11) members (councilors) according to the demographic and geographical situations of its own commune.

The actual number of members (councilors) of each commune (Khum-Sangkat) shall be determined by Sub-decree (Anukret), following the proposal of the Minister of Interior.

The number of Commune Council members (Councilors) already determined might be modified by Sub-decree (Anukret) following the proposal of the Minister of Interior, based on demographic and geographical changes.

The additional Commune Council members (Councilors) shall be elected according to the same procedures applied to other Commune Council members.

**Article 13:**

Each Commune Council shall consist of a President, herein after called President of the Commune Council.

The President of the Commune Council shall have duties to:

- preside over the meetings of his/her Commune Council;
- ensure that the meeting of the Commune Council be held at least once a month;
- ensure that the meetings of the Commune Council be conducted properly in accordance with the rules and orders as prescribed in the Internal Regulations of the Commune Council and with provisions of the article 23 of this law.
- maintain good order during the meetings.

**Article 14:**

Khmer citizens of both sexes, who are eligible to vote and who are willing to stand as candidates for the election of the Commune Councils, shall fulfill the main conditions required as hereunder:

- shall have Khmer nationality by birth;
- shall be able to read and write Khmer script;
- shall be registered in the list of voters in the commune (Khum-Sangkat) where he/she intends to stand as a candidate ;
- shall be at least 25 years of age to the date of the election of the Commune Councils;
- shall have sufficient qualifications according to the requirements as determined in the Law on Election of Commune Councils.

**Article 15:**

Commune Councils shall be elected according to the proportional system.

**Article 16:**

A Commune Council member shall lose his/her membership under anyone of the following cases:

- when upon the concerned person is deceased;
- the concerned person loses his/her professional ability, and there is certification from the competent Ministry or institution;
- the concerned person submits a written request for resignation from membership of Commune Council;
- the concerned person is a convict who was sentenced by the court to imprisonment for a felony or misdemeanor ;
- when upon a dismissal because of contravening the Internal Regulations of the Commune Council in terms of article 84 of this law;
- when upon the entire Commune Council is dissolved;
- the concerned person has lost membership from his/her political party.

When upon any Commune Council member (Councilor) lost membership, a candidate whose name is next in numerical order of the same candidate list shall be selected as his/her replacement without necessarily holding a by-election.

**Article 17:**

A by-election shall be held within 120 days to elect the Commune Council, in one of the following cases:

- when upon a commune (Khum-Sangkat) is newly established in term of article 6 of this law;
- when upon a Commune Council is dissolved in terms article 57 or article 58 of this law.

The by-election as prescribed above, shall be held in accordance with the formalities and procedures as stated under the Law on Election of Commune Councils.

The Commune Council, which is established by the above by-election, shall have equal mandate to that of the remaining mandate of the Commune Council.

The by-election shall not be permitted to hold, if the remaining mandate of the Commune Council is not over 180 days.

The Minister of Interior shall, during this period, appoint the composition and determine the competency and way for governing that Commune (Khum-Sangkat) until the elections of Commune Councils for the next mandate are held.

**Article 18:**

The modification of boundary demarcation may be done only if it does not cause any change of number of the elected members of Commune Council.

The creation of any new Commune (Khum-Sangkat) may be done only if such creation does not cause any change of number of members of Councils of the concerned communes (khum/sangkat).

If the Commune (Khum-Sangkat) which is newly established, disestablished or modified of boundary demarcation causes a change of number of members of the elected Commune Council, such establishment, disestablishment and modification of boundary demarcation of that commune (khum/sangkat) will take effect for the election of Commune Councils for the next mandate.

**Article 19:**

The first meeting of Commune Council shall be convened, within 14 days after the official proclamation of the election result, under the chairmanship of an official designated by the Minister of Interior to declare the validity of the members of the Commune Council and the names of the President of Commune Council, Commune Chief (Mékhum or Chau-sangkat), Deputy-chiefs of the Commune ( Chumtup and Chau-sangkat rong).

**Article 20:**

Each Commune Council shall, before commencing works, set up and approve an Internal Regulations to determine rules for its meetings and working processes.

The Minister of Interior shall issue guidelines of the basic principles for the preparation of the above Internal Regulations.

**Article 21:**

The Commune Council shall convene the meeting at least once a month.

The Commune Council shall hold the meetings in its Commune Office or in case of necessary, the chairman of the meeting may choose any other place in its Commune for meetings.

**Article 22:**

A meeting of the Commune Council may not be valid unless attended by over half of the total number of members of the Commune Council.

The Commune Council shall vote by an absolute majority of the whole members of the Commune Council to approve on the following matters:

- for approval on the Commune (Khum-Sangkat) development plan;
- for approval on the commune budget;
- for fixing the rates of local fiscal taxes, non-local fiscal taxes and other service charges;

- for passing of the Internal Regulations and Deika (order/decison) of the Commune ; and
- for any other matter as determine by the Minister of Interior.

If there is equal vote during any approval, the vote of a chairman of the meeting shall be preponderant.

**Article 23:**

The meetings of the Commune Council shall be public and according to democratic processes.

The Commune Council may conduct meetings in close door.

The Minister of Interior shall issue an instruction on procedures for the above meetings.

**Article 24:**

Every Commune Council member (Councilor) shall have freedom to express their opinions in the meetings of the Commune Council.

No member of the Commune Council shall be prosecuted, arrested, placed in custody or detained because of opinions expressed during the meetings of the Commune Council.

### CHAPTER III

#### ADMINISTRATIVE STRUCTURE OF THE COMMUNES (KHUM-SANGKAT)

**Article 25:**

The administration of the Communes (Khum-Sangkat) shall be governed and managed the Commune Councils.

Every Commune Council shall have a President of the Commune Council.

The President of the Commune Council is the Commune Chief (Mékhum-Chau-Sangkat).

**Article 26:**

A Commune Chief (Mékhum-Chau-sangkat) shall be assisted by:  
For the Commune Chief (Mékhum), he/she shall have two assistants:

- one first Deputy-chief of Commune (Chumtup ti-muoy);
- one second Deputy-chief of Commune (Chumtup ti-pee).

For the Commune Chief (Chau-sangkat), he/she shall have two assistants:

- One first Deputy- chief of Commune (Chau-Sangkat rong ti-muoy);
- A second Deputy- chief of Commune (Chau-Sangkat rong ti-pee) .

**Article 27:**

A Commune Chief (Mékhum or Chau-sangkat) may have right to appoint Committee(s) as necessary, to give advice and assist in the works .

The above Committee(s) may either select any member in the Commune Council (Commune Councilor) or any citizen of its Commune (Khum-Sangkat) who is eligible to vote and who is not member of the Commune Council to be as its/their President.

**Article 28:**

The Commune (Khum-Sangkat) shall have a personnel, within the administrative regular framework of the Ministry of Interior, as a Commune Clerk (Smean Khum-Sangkat):

The Commune Clerk who is appointed by the Ministry of Interior shall have duties to assist the Commune (Khum-Sangkat) and to ensure the continuity of administrative affairs in the Commune (Khum-Sangkat).

The Commune Clerk may be transferred if upon there is a requested by the Commune Chief (Mékhum or Chau Sangkat) following a decision of the Commune Council.

**Article 29:**

The Communes (Khum-Sangkat) may employ staff outside of the government regular framework to assist them, as necessary and according to the work requirement following the decision of Commune Council actually in mandate, who may continue their works upon the decision of Commune Council of the next mandate.

**Article 30:**

To increase the effectiveness in the administration of the Commune, each Commune Council shall proceed to recruit one Village Chief (Méphoum) for each respective village (Phum) subordinated to its Commune.

The Village Chief (Méphoum) shall manage to appoint one Village Deputy-chief (Anouk Prathien Phoum) and one member as assistants.

The Minister of Interior shall issue an Instructions on Formalities and Procedures for Selection of the Village Chiefs, the taking office, the changing of village Chiefs and appointment of assistants to Village Chiefs.

**Article 31:**

The Village Chief (Méphoum) shall have the following duties:

- to implement the duties as assigned to him/her by Commune Council or Commune Chief (Mékhum or Chau-Sangkat) to ensure public security and order , and economic and social development in the village (Phoum).
- to provide recommendations to the Commune Council on matters relating to the interests of his/her village.
- to raise recommendations to the Commune Council or Commune Chief (Mékhum or Chau-sangkat) to manage and coordinate works in his/her village (Phoum).

The Minister of Interior shall issue further instructions on working processes and duties of the villages to be performed properly.

**Article 32:**

The President of the Commune Council who is also Commune Chiefs (Mékhum or Chau-sangkat), shall be selected from among the candidates in the candidate list who received the most votes ranking the top in the list.

The President of the Council who is a Commune Chief (Mékhum or Chau-sangkat), shall have equal term of mandate with which of the members of Commune Council.

**Article 33:**

The first Deputy Chief of Commune (Chumtup ti-muoy or Chau-sangkat rong ti-muoy) shall be selected from among the candidates, the one whose position is high in numerical order in the candidate list, and who received more votes ranking the second in that list.

The Second Deputy-Chief of Commune (Chumtup ti-pee or Chau Sangkat rong ti-pee) shall be selected from among the candidates in the candidate list, the one who received more votes ranking the third in that list.

**Article 34:**

In case the official result of the election of any Commune Council has a majority votes in favor of only one single list of candidates to be qualified to receive all seats in the Council, the members of the Commune Council shall be selected from that single list of candidates to assume the positions as Commune Chief (Mékhum or Chau-sangkat), First and Second Deputy- Chiefs of Commune (Chumtup ti-muoy and ti-pee, and Chau-sangkat rong ti-muoy and ti-pee).

**Article 35:**

In case the official results of the election of any Commune Council has a majority in favor of two lists of candidates to be qualified to receive seats in the Council, shall select a Commune Council member (Councilor) who is a candidate that his/her name is next in numerical order below a candidate on the top of the list which is supported by the first highest majority votes to assume position as First Deputy-Chief of Commune (Chumtup ti-muoy or Chau-sangkat rong ti-muoy). And then shall select a Commune Council member (Councilor) who is a candidate that his/her name is at the top of the list who is supported by a second highest majority votes, to assume a position as Second Deputy- Chief of Commune (Chumtup ti-pee or Chau –sangkat rong ti-pee).

**Article 36:**

The position of President of the Commune Council who is the Commune Chief (Mékhum or Chau-sangkat) shall be lost, if the concerned person loses his/her membership in the Commune Council pursuant to conditions as stated in the Sub-paragraph 1, article 16 of this law.

**Article 37:**

If any among the positions of President of the Commune Council, Commune Chief (Mékhum or Chau-Sangkat) and Commune Council member (Councilor) is lost, the person shall also lose all the above positions at the same time.

In such a case, a member of the Commune Council shall be selected from the same list with which of the former Commune Council President who is also a Commune-Chief (Mékhum or Chau-Sangkat) who lost his/her position, any member whose name is next in numerical order to continue holding the latter's position. And then shall select another new Commune Council member to fill up this above vacant position according to conditions as stated in the para.2, article 16 of this law.

If the list of the candidates to hold the position of President of the Commune Council and who is also the Commune Chief (Mékhum or Chau-sangkat) ran out of Commune Council member, one member of the Commune Council shall then be selected from the same list of candidates pursuant to the conditions as stated in the Sub-paragraph 2, article 16 of this law. And that new Commune Council member (Councilor) shall assume the position as President of the Commune Council who is also a Commune Chief (Mékhum or Chau-sangkat), in place of the President of the Commune Council who is also Commune Chief who has lost the position.

Based on the above conditions, the lost from positions and the re-assuming the position of President of the Commune Council who is the Commune Chief (Mékhum or Chau-sangkat) shall be made by a Proclamation (Prakas) of the Minister of Interior within 14 days the latest.

**Article 38:**

The position of First Deputy-Chief of Commune (Chumtup ti-muoy or Chau-Sangkat Rong Ti-muoy ) or Second Deputy-Chief of Commune (Chutup ti-pee or Chau-Sangkat rong ti-pee) shall be lost, when the concerned person loses his/her membership from the Commune Council under the conditions as stated in the Sub-paragraph 1, article 16 of this law.

In case the position of First or Second Deputy-Chief of Commune is lost, the position of Commune Council member of the person shall also be lost at the same time.

In the above case, a Commune Council member (Councilor) shall be selected from the same list of candidates with that of the First or Second Deputy -Chief of Commune (Chumtup ti-muoy or ti-pee, or Chau-Sangkat rong ti-muoy or ti-pee) who has lost his/her position, a candidate whose name is next in numerical order in that list to continue holding the above position in place of the latter. And then shall also select another new Commune Council member to fill up this above vacant position according to the conditions as stated in the Sub-para. 2, article 16 of this law.

In case the list of candidates to hold the position of the First Deputy-Chief of Commune (Chumtup ti-muoy or Chau-Sangkat rong ti-muoy )or Second Deputy-Chief of Commune (Chumtup ti-pee or Chau-sangkat rong ti-pee) ran out in the Commune Council member. A candidate shall be selected from that candidate list to include as a new Commune Council member, according to conditions as in the Sub-paragraph 2, article 16 of this law. That new Commune Council member shall assume the position of First Deputy Chief of Commune or Second Deputy Chief of Commune in substitution of the First or Second Deputy-Chief of Commune Council who has lost the position.

Based on the conditions as stated above and which of the article 33 of this law, the lost of positions and assumption of position of First Deputy Chief of Commune or Second Deputy Chief of Commune, shall be done by a Proclamation (Prakas) of the Minister of Interior no later than 14 days.

**Article 39:**

A Commune Chief (Mékhum or Chau-Sangkat) shall perform the following roles and functions:

- to implement decisions of Commune Council;
- to implement regulations and principles which are received from Commune Council;
- to make reports regarding the work activities to his/her Commune Council at least once a month;
- to provide recommendations and assist the Commune Council in the preparation of financial planning and manage the implementation of duties,
- functions, powers of the Commune Council and other affairs as delegated by the Commune Council.

**Article 40:**

The Deputy-Chiefs of Commune (Chumtup or Chau-Sangkat rong) shall assist the Commune Chief (Mékhum or Chau-sangkat) in carrying out the duties assigned to them by the Commune Chief (Mékhum or Chau-Sangkat), and shall replace him/her according to the hierarchies of the Deputy-Chiefs of Commune, when the Communc Chief (Mékhum or Chau-Sangkat) is absent from duty.

The Deputy-Chiefs of Communc shall be divided the responsibilities as follows:

- The First Deputy-Chief (Chuuntup ti-muoy or ChauSangkat rong ti-muoy) shall undertake to assist the Commune Chief (Mékhum or Chau-Sangkat) on economic and financial affairs.

-The Second Deputy-Chief ((Chumtup ti-pee or Chau Sangkat rong ti-pe) shall undertake to assist the Commune Chief (Mékhum or Chau-Sangkat) on administrative and social affairs, in public services and public order.

The Commune Chief (Mékhum or Chau-Sangkat) may assign additional duties to the above to his/her Deputy-Chiefs ((Chumtup or Chau-Sangkat rong).

## CHAPTER IV

### ROLE, FUNCTIONS AND POWERS OF COMMUNE ADMINISTRATION

#### Article 41:

The commune administration has duties to promote and protect the good governance by managing the use of available resources with eternity in order to meet the basic needs of its Commune (Khum-Sangkat) for the common interests of the citizens and with respect the national interests, in conformity with the general policy of the State.

#### Article 42:

The commune administration has two types of roles which are:

- a role of serving local affairs for the interests of the Commune and citizens in its Commune (Khum-Sangkat).
- A role as an agency representing the State, under the assignment or delegation of authority by State authorities.

#### Article 43:

Concerning the role of serving local affairs of the Commune, the Commune administration shall have duties to:

- maintain public security and order;
- organize and manage the necessary public services and to oversee to ensure the good functioning of those services;
- encourage the enhancement of sanitation and welfare of the citizens;
- promote a socio-economic development and upgrade the living-standards of the citizens;
- protect and preserve the environment, natural resources, culture and national patrimonies;
- coordinate the citizens' views in order to promote tolerance and mutual understanding.
- perform general affairs in order to respond to the needs of citizens.

#### Article 44:

Concerning the role as an agent representing the State, the Commune administration shall have duties to comply with the laws, Royal-decrees, Sub-decrees, Proclamation (Prakas) and relevant juridical norms and standards.

In this case, the State authorities may delegate the authority to the Commune (Khum-Sangkat), together with the increase of capacity and provision of means, materials and equipments and budgets for the implementation.

The above delegation of authority, shall be only given to the collective of the Commune Council.

#### Article 45:

The Commune administration shall not have authority to decide on the following areas:

- forestry ;
- postal and telecommunications;
- national defence;

- national security;
- monetary;
- foreign policy;
- fiscal policy ; and
- other areas as stipulated in the laws and relevant juridical norm and standard documents.

**Article 46:**

The roles, functions and power of the Communes (Khum-Sangkat) as stated in articles 42, 43 and 44 of this law, may be applicable only within the territorial jurisdiction of their own Communes (Khum-Sangkat).

In case any problem arises related to the competencies of two or more Communes (Khum-Sangkat), the Minister of Interior shall manage to settle between the concerned administrations.

**Article 47:**

The roles, functions and powers of Commune administration as stated in articles 42, 43, 44 and 45 of this law, may be determined more precisely in detail by a Sub-decree, following the proposal of the Minister of Interior.

**Article 48:**

Communes (Khum-Sangkat) shall have regulating and executing powers.

The regulating power of the Communes (Khum-Sangkat) shall be exercised through Commune Deika (Orders/Decisions) for regulating all the affairs within the frameworks of their own roles, functions and powers.

The Commune Deika (Orders/Decisions) shall be made according to decisions the Commune Councils and signed by the Commune Chiefs (Mékhum or Chau-Sangkat).

The Commune administration shall disseminate/publicize publicly and urgently inside its Commune all the Deika (Orders/Decisions) which have been decided.

**Article 49:**

A Commune Deika (Order/Decision) shall have its effect only inside its own Commune territory.

A Commune Deika (Orders/Decision) shall not be contrary to the International Treaties and Conventions recognized by the Kingdom of Cambodia, spirit of the Constitution, laws, Royal-decrees (Reach-Kret), Sub-decrees (Anoukret), Proclamations (Prakas) and relevant juridical norm and standard documents.

Any Commune Deika (Order/Decision) issued by the Commune Council which is contrary to the International Treaties and Conventions recognized by the Kingdom of Cambodia, spirit of the Constitution, laws, Royal-decrees (Reach-Kret), Sub-decrees (Anoukret), Proclamations (Prakas) and relevant juridical norm and standard documents, shall be absolutely declared as null and void .

The Minister of Interior shall notify in writing of this nullification to the concerned Commune (Khum-Sangkat) and shall be disseminated publicly.

**Article 50:**

The Minister of Interior shall issue instructions on the formalities and procedures to enable the Communes (Khum-Sangkat) to prepare respectively their Deika (Orders/Decisions) in accordance with the actual situation in their own Communes (Khum-Sangkat).

**Article 51:**

Commune Councils may delegate their authority to the Commune Chiefs (Mékhum or Chau-Sangkat) according to the instructions of the Minister of Interior, except for the matters as follows:

- approval of commune budget plan;
- fixing of the rates of local fiscal taxes, local non-fiscal taxes and service charges;
- voting to approve on an Internal Regulations and Deika (Orders/Decisions) of the Communes (Khum- Sangkat);
- approval of a commune development plan;
- any other matter as determined by the Minister of Interior.

The Commune Chiefs (Mékhum or Chau-Sangkat) to whom power have been delegated by Commune Councils, may not delegate that power to any other person.

**Article 52:**

The Commune Councils who have delegated the power to Commune Chiefs (Mékhum or Chau-Sangkat), shall still be responsible for the works that they have delegated the power.

The revocation of such delegated power shall not affect the validity of the works which have already been completed.

## CHAPTER V

### MONITORING, CONTROL AND INTERVENTION

**Article 53:**

The Minister of Interior shall determine procedures for the monitoring and control of the general activities of the Communes (Khum-Sangkat), in order to:

- examine the legality of the work management, exercise of powers and performance of roles and duties of each Commune (Khum-Sangkat);
- examine the development of capacity of the Communes (Khum-Sangkat);
- assess the extent of the interventions and assistance to be provided to the Communes (Khum-Sangkat) in order to strengthen the capacity of work management, exercise of powers, and performance of roles and duties.

In monitoring, control and intervention of the Communes (Khum-Sangkat), the Minister of Interior may delegate the authority to officials representing the Royal Government at the respective level of provincial/municipal, district (Srok/Khan) territorial administration to assist him/her (the Minister) in accordance with work requirement.

**Article 54:**

Any Commune (Khum-Sangkat) which fails to fulfil any duty as required by law, the Minister of Interior shall intervene in order to that the duty as required by law be fulfilled immediately.

A duty required by law, is a duty that the Commune Council is obliged to fulfill according to conditions as stated in the law, Royal-decrees, Sub-decrees, Proclamations (Prakas) and relevant juridical norms and standards or in the Internal Regulations and Deika (Orders/Decisions) of the Commune (Khum-Sangkat).

**Article 55:**

The monitoring, control and intervention include:

- Investigation and evaluation;
- Issuing instructions in writing to the Commune Councils to fulfil the duties as required by law;

- Help in fulfilling the duties as required by law for the Communes, in the place of the Communes.

**Article 56:**

The interventions as stated in the Sub-para.1, article 54 of this law, shall be rational and proportional to the volume duties required by law that the Commune Council failed to fulfill; and by enclosing instructions and other necessary supports therewith, to enable the Commune Councils to fulfill the duty as required by law as usual.

The Minister of Interior may have right to enter into agreement in writing with any person or organization, or may issue written instructions to any official who represents the Royal Government at the provincial/municipal, district (Srok/khan) territorial administration levels to perform the works as necessary in order to intervene on his/her behalf on any matter.

**Article 57:**

If within 6 months, the intervention is unsuccessful in the fulfilment of any or a number duty(ies) as required by law, and moreover, if the Communes Council failed also to fulfil the duties, in general, as required by law, the Minister of Interior shall make a decision to dissolve that Commune Council and conduct a re-election according to the conditions as specified under this law and the Law on Elections of Commune Councils.

**Article 58:**

In case any Commune Council perform any activity contrary to the Constitution and Government policy, the Minister of Interior shall make a decision to dissolve such Commune Council immediately, and shall thereby holding a re-election of the Commune Council according to the conditions as specified under this law and the Law on Elections of Commune Councils.

**Article 59:**

An unit subordinated to the Ministry of Interior shall be set up as staff to deal with local administrative affairs.

The organization and functioning of this unit shall be determined by a Sub-decree following the proposal of the Minister of Interior.

## CHAPTER VI

### COMMUNE DEVELOPMENT PLAN

**Article 60:**

Commune Councils shall respectively prepare, approve and implement a commune development plan for the purpose of determining the scopes, programs and developments of their Communes (Khum-Sangkat).

**Article 61:**

A Commune development plan shall be consistent with the national economic and social development plan.

**Article 62:**

A Commune development plan shall be approved by the Commune Council in the first year of its mandate and shall be reviewed annually by its respective Commune Council to provide new data.

**Article 63:**

In the preparation of the Commune development plan, the Commune Council shall take the following steps to:

- evaluate the existing level of development and development activities in its Commune (Khum-Sangkat);
- assemble all needs of the Commune and prioritize all those needs based on available resources of the Commune (Khum-Sangkat) and other acquired resources;
- prepare programs which may respond to these needs through providing of services and development and all these programs must be included in the annual budget of the Commune (Khum-Sangkat);
- provide services and development in accordance with its available budget;
- control, monitor and evaluate the implementation results of development plan;
- use the results to evaluate the level of new development in its Commune (Khum-Sangkat);
- report the results of implementation of Commune development plan to citizens in its Commune (Khum-Sangkat).

A Commune Council shall conduct its works consistent with its commune development plan.

**Article 64:**

The Commune development plan shall be made in writing, with maps, statistics and other relevant documents attached therewith.

The Commune development plan must also determine the methods and means to provide possibilities for the participation by the citizens of its Commune (Khum-Sangkat) throughout the whole process.

**Article 65:**

In case any commune development plan does not comply with the requirements of this law, the Minister of Interior may instruct the Commune Council to make its plan complies within 45 days upon receipt of a copy of this plan.

The Commune Council shall modify its commune development plan properly in accordance with the instructions of the Minister of Interior.

**Article 66:**

The Commune Council shall monitor, control and evaluate the implementation of the plans, programs, projects and the delivery of services with transparency and high accountability.

**Article 67:**

The Commune Council remains still responsible for the follow-up, control and evaluation of the plans, programs and other projects, even though such works are implemented by whichever component chosen by it.

**Article 68:**

The Minister of Interior shall instruct the Commune Councils on the methods for implementing the plans, control and evaluate the uses of capital fund allocated for the commune development plan.

**Article 69:**

The Commune Council shall make an annual report of:

- the prioritized works and objectives of delivery of services and commune development plan for the past financial year;
- the results of the performance of prioritized works, objectives for delivery of services and all commune development plans;
- the measures taken to improve any area where performance was deficient;
- the prioritized works and objectives for delivery of services and commune development plan for the present financial year.

The Commune Council shall adopt this report within 45 days after the end of each financial year.

**Article 70:**

The annual report as stated in the article 70 of this law, after adopted by Commune Council shall:

- be copied to the Minister of Interior ;
- be deposited for the public ;
- have copies made and distributed to important Organizations, Associations and the public at cost price.

**Article 71:**

The Commune Council shall examine and consider on the comments that are made on the reports stated in the articles 69 and 70 of this law, and shall include the good comments into the commune development plan.

**Article 72:**

The Minister of Interior shall consult with relevant Ministries and institutions to issue instructions to Commune Councils the practical implementation of provisions set forth in Chapter 6 of this law.

## CHAPTER VII

### COMMUNE FINANCE

**Article 73:**

The Commune (Khum-Sangkat) shall have its own financial resources, budgets and assets.

**Article 74:**

The Commune (Khum-Sangkat) may have right to receive revenues directly from the incomes from fiscal taxes, non-fiscal taxes and service charges.

The above taxes include land tax, real estate tax and rental tax.

In case the Ministry of Economic and Finance collects directly the incomes of the Communes (Khum-Sangkat), such collection shall be done in the name of the Communes (Khum-Sangkat).

The types, rates and processes for the collection of the above incomes from the fiscal taxes, non-fiscal taxes and service charges shall be determined by law.

**Article 75:**

Each Commune (Khum-Sangkat) may have right to receive allocation resources from the national revenues for its own budget.

The allocation resources include:

- the total or partial transfer of specific incomes from the fiscal taxes and non-fiscal taxes of the State;
- Endowment, allocation resources, subsidies, or grants from national revenues.

The above allocation resources shall be provided to the Communes (Khum-Sangkat) through the Provincial/Municipal Treasury.

The organization and procedures of transfer of the above allocation budget shall be determined by a Sub-decree.

**Article 76:**

3/4/2003

Each commune shall be entitled to receive fees from the performance of its role as an agency representing the State as assigned to it by the Royal Government or any Ministry or institution of the Royal Government.

The above fees are supplemented to the incomes of the Commune (Khum-Sangkat) or other grants received from the State's revenues, by the Commune (Khum-Sangkat).

The Royal Government or any Ministry or Institution of the Royal Government shall provide appropriate fees to any Commune (Khum-Sangkat) that performs the role as an agency represent the State as stated above.

If the delegation of the State's authority and functions to the Commune (Khum-Sangkat) is for permanently, the Royal Government shall manage for the allocation of a long term financial resources to the Commune (Khum-Sangkat)

The organization of the above fees shall be determined by a Sub-decree.

**Article 77:**

The State shall create the Commune fund.

The Commune fund is created in an objective to transfer of national revenues and other revenues to the budget of the Communes (Khum-Sangkat).

The transfer of national revenues to the above Commune fund shall comply with a formula or specific rate, for a period of at least three (3) years and not over five (5) years as determined by a Sub-decree (Anukret).

The procedure for application of this article shall be determined by a Sub-decree (Anukret).

**Article 78:**

The commune fund is obtained from:

- the allocation of specific part of State's revenues from State's annual budget as determined by Sub-decree;
- the grants and loans from both domestic and foreign sources,

The allotment of annual resources to the Commune (Khum-Sangkat) through the Commune fund shall be made in accordance with a formula as determined by a Sub-decree.

The management process, rules for the uses and procedures of withdrawal of money for expenses from the Commune fund, shall be determined by a Sub-decree.

**Article 79:**

The Commune (Khum-Sangkat) shall prepare and adopt its budget every year.

The Commune budget shall be prepared according to a form and adopted within or before a date in conformity with the national budgetary system.

There must be a balance between the total revenues and total expenditures, in the Commune budget.

Each Commune (Khum-Sangkat) may increase expenditures, but shall be consistent with its own incomes.

The Commune budget shall reflect of priorities and needs for the Commune development plans and investment programs.

The procedures for preparation and adoption of the above budget shall be determined by a Sub-decree.

**Article 80:**

The Commune (Khum-Sangkat) shall not have right to raise any loan.  
The Commune may not give guarantee for any loan or any financial obligation.

**Article 81:**

The Commune is entitled to receive a transfer of any part of the State's assets into the assets of its Commune.

The Commune shall manage properly the assets which it acquired and the assets transferred to it by the State.

The Commune may use and exploit benefits from the assets which the State has transferred to its possession.

The Commune (Khum-Sangkat) must well maintain and protect all assets transferred to it by the State. The Commune may not have right to dispose of by selling, exchanging or transferring of ownership or the right of using of those properties without prior approval from the Minister of Economic and Finance, and upon there is consent of the Minister of Interior.

The procedures for management and use of the above assets shall be determined by a Sub-decree.

**Article 82:**

The Commune (Khum-Sangkat) shall establish a system for management, monitoring and control of its finance which includes:

- financial norms and standards and practical keeping of accounts;
- management of assets;
- requirements to proceed an audit;
- financial management with transparency, efficiency and accountability.

The system for management, monitoring and control of the Commune finance shall be determined by a Sub-decree.

**Article 83:**

The management of finance and assets of the Communes shall be subject to under the control of the Ministry of Economy and Finance, after having a discussion and agreement in principle with the Ministry of Interior.

## CHAPTER VIII

### PENALTY

**Article 84:**

Any Commune Council member (Councilor) who does not comply with the provisions of this law, shall be subject to the following disciplinary sanctions, without including yet any other criminal punishments.

The disciplinary sanctions include:

- Reprimand in the meeting of Commune Council with a taking of record precisely in a Minutes;
- In case of repeated offenses, a part or the whole allowance shall be deducted.

The disciplinary sanction which requires to deduct one part of or the whole allowance as above, may not be applicable unless upon there is an approval in advance from the Minister of Interior, at the proposal of the Commune Council.

This above deducted allowance shall be for the benefit of the Commune (Khum-Sangkat) budget.

If the concerned person still does not give up repeating the offense after applying the above two forms of disciplinary sanctions, the Commune Council may dismiss that person from the function of Commune Council member, by an absolute majority votes of the entire members of the Commune Council, and then shall select/elect a new member for substitution according to the conditions as stated in the para. 2, article 16 of this law.

If the President of the Commune Council who is also a Commune Chief (Mékhum or Chau-Sangkat) is to receive a disciplinary sanction, shall select any member of the Council (Councilor) or an official appointed by the Ministry of Interior to chair the meeting of Commune Council, in order to apply the above disciplinary sanction.

The official who is appointed by the Minister of Interior to chair the above meeting has no right to adopt anything.

## CHAPTER IX

### TRANSITIONAL PROVISIONS

#### Article 85:

In order to be as basis for organizing the elections of Commune Councils and administration of the Communes, the Minister of Interior shall, within a period of nine (9) months before the date of elections of Commune Councils for this first mandate, issue a Proclamation (Prakas) concerning the number, names and boundaries of Communes in the territory of the Kingdom of Cambodia.

#### Article 86:

After the elections of Commune Councils for this first mandate, each Commune Council shall respectively re-organize the Village Chiefs (Méphoum) subordinate to its Commune (Khum-Sangkat) according to the formality and procedure as set forth in the article 30 of this law.

#### Article 87:

In order to facilitate the administration of Communes (Khum-Sangkat) according to a decentralization system, an Inter-Ministerial Committee shall be created, herein after called the "National Committee for Supporting the Communes (Khum- Sangkat) ", headed by the Minister of Interior.

The National Committee for Supporting the Communes shall be created by a Royal- decree (Reach-Kret), following the proposal of the Prime Minister.

The National Committee for Supporting the Communes (Khum-sangkat) shall be created after this law takes effect, and shall terminate its mandate within nine (9) months prior to the date of elections of Commune Councils of the next mandate.

The National Committee for Supporting the Communes (Khum-Sangkat) may be divided into Sub-commissions as necessary.

The National Committee for Supporting the Communes (Khum-Sangkat) shall take the entity which is established under the article 59 of this law as its Secretariat.

**Article 88:**

The National Committee for Supporting the Communes (Khum-Sangkat), shall have competency to make recommendations to the Ministry of Interior and the Royal Government on the following matters:

- to research and re-determine the boundary demarcations of all Communes (Khum Sangkat) in the territory of the Kingdom of Cambodia;
- to divide functions, powers and duties between the Royal Government and the Communes (Khum-Sangkat) and to manage to have collaborations and coordination between two or more Communes (Khum-Sangkat);
- to develop the capacity of the Commune Councils;
- to manage the Commune revenues and fiscal taxes;
- to provide technical assistance to the communes;
- to seek for means to provide information and orientation of the public administration about the functioning of the commune administrative system according to democratic and decentralization processes;
- to provide recommendations to the Royal Government on the implementation of the decentralization policy under the effects of this law and on the reform of public administration;
- to draft juridical norm and standard documents for the application of this law;
- to share comments on the Sub-decree (Anoukret) relating to the works of the Commune level;
- to determine a transitional administrative procedure for those Communes which do not have sufficient qualifications for implementing the decentralization policy.

**Article 89:**

After the elections of Commune Councils for this first mandate, the Minister of Interior may, based on the recommendations of the National Committee for Supporting the Communes (Khum-Sangkat), request to establish, disestablish the Communes or modify the boundary demarcations or change the names of Communes (Khum-Sangkat) in accordance with conditions as provided for in the articles 6 and 18 of this law, in order to conduct the elections of Commune Councils for the second mandate.

## CHAPTER X

### FINAL PROVISIONS

**Article 90**

Any provision that is contrary to this law shall be hereby repealed./.

\*\*\*\*\*

**This law is adopted by the National Assembly**

12 January 2001,  
2nd Legislature.

of the Kingdom of Cambodia, on  
during the 5<sup>th</sup> Session of its

2001.

Phnom Penh, on 15 January

THE PRESIDENT OF THE NATIONAL ASSEMBLY

Signature of:

*Norodom Ranaridh*

**COMMUNESANGKAT  
PRASAS  
ON  
DEVELOPMENT PLANNING**

## **KINGDOM OF CAMBODIA**

Nation Religion King

\*\*\*\*\*

MOI and MOP  
No 98 PRK

### **Inter-Ministerial Prakas** **on** **Commune/Sangkat Development Planning** (unofficial translation)

#### **Co-Minister of Interior and Minister of Planning**

- Noting the Constitution of the Kingdom of Cambodia.
- Noting the Royal Decree No SN/RKT/1198/72 dated 30 November 1998 on Appointment of the Royal Government.
- Noting the Royal Decree No 02/SN dated 20 July 1994 promulgating the establishment and operation of the Council of Ministers.
- Noting the Royal Decree No SN/RKM/0196/08 dated 24 January 1996 promulgating the establishment of the Ministry of Interior.
- Noting the Royal Decree No SN/RKM/0196/11 dated 24 January 1996 promulgating the establishment of the Ministry of Planning.
- Noting the Royal Decree No SN/RKM/0301/05 dated 19 March 2001 promulgating the law on administration and management of Commune/Sangkat.
- Noting the Decree No SN/RKT/0501/175 dated 18 May 2001 on establishment of National Committee to Support Commune Sangkat.
- Noting the sub-decree No 16 ANKR.BK dated 20 December 1993 on establishment and operation of the Ministry of Interior.
- Noting the sub-decree No 55 ANKR.BK dated 20 September 1997 on establishment and operation of the Ministry of Planning.
- Pursuant to the agreement reached at NCSC meeting dated 28 December 2001.

### **IT IS HEREBY DECIDED**

#### **Chapter 1**

##### **General Provisions**

##### **Article 1.-**

This prakas is to assist the commune/sangkat councils to prepare, implement and monitor the commune/sangkat development plan. The purpose of preparing a commune/sangkat development plan is to help the commune/sangkat council to

mobilize resources – both internal and external – and decide on their use to solve local problems and to serve the general interest of the commune/sangkat residents.

**Article 2.-**

The commune/sangkat development plan shall be the strategic planning instrument to guide every decision on the development of the commune/sangkat, and shall be the basis for formulating the commune/sangkat investment programme and the annual budget.

**Article 3.-**

The commune/sangkat development plan shall be developed for a period of five years, and shall be reviewed every year to update the three-year rolling commune/sangkat investment programme and to prepare the annual budget of the commune/sangkat.

**Article 4.-**

Once adopted by the commune/sangkat council, the commune/sangkat development plan shall have the legal document and disseminate, as defined in art. 48 of the Law on the Administration and Management of Commune/Sangkat. Commune/Sangkat Council shall manage and coordinate with all concerned implementers.

**Chapter 2**  
**Institutional Arrangements**

**ARTICLE 5.-**

The commune/sangkat chief shall be responsible for:

- Coordinating the preparation of the commune/sangkat development plan, and its annual reviews and revisions through 3 year rolling investment programming.
- Submitting the draft commune/sangkat development plan and 3 years-rolling investment programme to the commune/sangkat council for approval.

**ARTICLE 6.-**

The commune/sangkat council shall be responsible for:

- Approval of the commune/sangkat development plan within the first year of its mandate.
- Approval of all amendments of the commune/sangkat development plan, as needed.
- Approval of 3 years rolling investment programme.
- Monitoring and evaluation of the results and impact of the implementation of the commune/sangkat development plan.

## ARTICLE 7.-

Under delegation power from Minister of Interior, the provincial/municipal governors shall be responsible for establishing a development planning and implementation support system, as part of the overall arrangements for support and supervision of the councils by the Royal Government. The system shall be composed of:

- The provincial/municipal governor, responsible for mobilizing and coordinating all provincial/municipal departments in the provision of support and supervision services to the commune/sangkat councils.
- The provincial/municipal Department of Planning, responsible for:
  - Technical review of the commune/sangkat development plans and 3 year rolling investment programme.
  - Methodological guidance to councils on all aspects of the planning process.
  - Guidance and technical oversight of all planning training programmes.
  - Training of planning trainers among provincial/municipal and district/khan administration staff, non-governmental organizations and other service providers.
  - Training of councillors, commune/sangkat clerks, other council officials and commune/sangkat resource persons.
- The provincial/municipal office of Local Administration, responsible for:
  - Providing a single interface to the councils for all their contacts with the provincial/municipal administration.
  - Instructing the councils on what they should do to comply with this prakas, as described in chapter 6 below.
  - Assisting the councils to prepare, implement, monitor and evaluate the commune/sangkat development plan.
- Other departments of the provincial/municipal administration designated by the provincial/municipal governor and responsible for providing technical assistance to the councils for formulation and implementation of their projects.

## ARTICLE 8.-

Every civil society organization may participate in the commune/sangkat development plan and investment programme preparation, and shall be responsible for:

- Representing the interests of localized communities and specific stakeholders groups like women, youth, the poor and ethnic group.
- Contributing knowledge and ideas to the preparation of the commune/sangkat development plan.

#### **ARTICLE 9.-**

Pursuant art. 48 of the Law on Administration and Management of Commune/Sangkat, Commune/Sangkat chief shall establish Commune/Sangkat Planning and Budgeting Committee, which shall be composed of:

- Commune/Sangkat chief as its chairperson;
- Three elected among all councillors and based on their capacity as member;
- Two village authority representative from each village selected by Commune/Sangkat Council as member;
- Two to four villagers, both sex, chosen by commune chief base on population number as member;
- Commune/Sangkat clerk as its secretary.

The commune/sangkat planning and budgeting committee shall assist the commune/sangkat chief to organize and conduct the commune/sangkat development planning process, and to draft the commune/sangkat development plan, the commune/sangkat investment programme and the annual budget.

Commune/Sangkat Planning and Budgeting committee shall process the formulation of commune/sangkat development plan, investment programme and annual budget using participatory approach with all concerned people.

#### **ARTICLE 10.-**

Annual district/khan integration workshops shall be organized by the concerned provincial/municipal Department of Planning to bring together the commune/sangkat councils of the district/khan, the provincial/municipal departments, the non governmental organizations and other national and international agencies, for the purpose of:

- Determining and agreeing on the potential financial and technical support of the above agencies to the formulation and implementation of the commune/sangkat development plan, and
- Aligning the commune/sangkat council and the provincial/municipal development plans and programmes.

### **Chapter 3**

#### **The Commune/Sangkat Development Planning Process**

#### **Article 11.-**

The commune/sangkat chief shall prepare a draft work-plan, which shall define the required time and resources to prepare the commune/sangkat development plan. The council shall approve the work-plan.

The provincial/municipal governor shall ensure the support of technical staff of the provincial/municipal departments to implement this work-plan effectively.

With the exception of the provisions of art. 12, all costs of preparation of the commune/ sangkat development plan shall be included in the commune/sangkat budget.

#### **Article 12.-**

All communes/sangkats shall undertake a process of preparation and approval of the commune/sangkat development plan which shall consist of the following five phases:

1. Analysis
2. Strategies
3. Projects
4. Programmes
5. Approval

Depending on their specific circumstances and on the human and technical resources available to them, the commune/sangkat councils may adopt different methods and techniques to comply with the requirements stipulated in this prakas, in the preparation of their commune/sangkat development plan.

#### **Article 13.-**

In the Analysis phase, the commune/sangkat shall execute the following steps:

Step 1: Assess the current level of development and access to basic public services, to identify the most pressing economic, environmental, institutional and social development issues for the entire commune/sangkat.

Step 2: Verify and complete the above assessment, by reviewing the situation of each village of the commune/sangkat. Produce a list of the prioritized needs of each village and identify how villages and civil society organizations are using, or may use, their own resources to address these needs.

Step 3: Select the priorities at the commune/sangkat and village level on which to focus the council's attention and efforts.

Workshops of the planning forum shall be organized to implement the steps (1) and (3). For step (2), workshops will take place in all villages.

#### **Article 14.-**

In the Strategy phase, the commune/sangkat shall execute the following step:

**Step 4:** Formulate a long-term development vision for the commune/sangkat, define immediate objectives to be reached within its five-year mandate for the identified priority issues, and define strategies and projects to achieve those objectives.

Workshops of the planning forum shall be organized to implement the above step.

#### **Article 15.-**

In the Projects phase, the commune/sangkat planning and budgeting committee shall execute the following steps:

**Step 5:** Prepare project study to determine its information, profile, and its feasibilities.

The committee shall seek the assistance of technical officers selected among the provincial/municipal administration departments and assigned by the provincial/municipal governor.

**Step 6:** Make an estimate of the resources, which will be available to it over a three-year period from own source revenue, national transfers and contractual arrangements with national/provincial/municipal agencies.

**Step 7:** Make a preliminary allocation of available resources to priority projects and finalize this allocation after negotiations with provincial/municipal administration and other agencies, at the district/khan integration workshop.

The planning forum in commune/sangkat shall be organized to implement the step.

**Step 8:** Participate in an annual district/khan integration workshop, and enter into provisional agreements with provincial/municipal departments, non-governmental organizations and other national and international agencies on the financial and technical support of the above agencies to the formulation and implementation of the commune/sangkat development plan.

At the district/khan integration workshop every commune/sangkat must be represented by its commune/sangkat chief and the two deputy chiefs. In case any of them cannot attend, the commune/sangkat chief shall designate the substitutes among other councillors. The commune/sangkat chief may also designate the commune clerk or another appointed official of the council to attend the district/khan integration workshop. The cost of travel and subsistence of these officials shall be paid for by the commune/sangkat.

#### **Article 16.-**

In the Programmes phase, the commune/sangkat shall execute the following steps:

Step 9: Consolidate the selected projects and other routine management and administration activities into integrated sectoral and multi-sectoral programmes of activities of the council.

Step 10: Prepare a draft commune/sangkat development plan and a draft commune/sangkat investment programme, for submission to the council.

#### **Article 17.-**

In the Approval phase, the commune/sangkat shall execute the following step:

Step 11: Request comments from the provincial/municipal administration and from the public on the draft commune/sangkat development plan and the commune/sangkat investment programme, and based on these comments discuss, amend and approve the development plan and the investment programme.

To improve quality of the plan approval as well as investment programme, public hearing shall be organized within commune/sangkat.

#### **Article 18.-**

The commune/sangkat council shall submit its draft commune/sangkat development plan and amendments for assessment to the provincial/municipal governor, through the provincial/municipal Department of Local Administration.

Based on delegation of power from Minister of Interior, the provincial/municipal governor shall request relevant provincial/municipal administration departments to assist the provincial/municipal Office of Local Administration to review the commune/sangkat development plan, and its amendments, and to give feedback to the Councils, within 45 days from the date of submission of the draft plan.

If, within 45 days from the submission of the draft commune/sangkat development plan, the provincial/municipal Office of Local Administration does not deliver to the council a written notice of objection, the plan shall be deemed as meeting all technical and legal requirements.

The review shall respect to:

- The compliance of the commune/sangkat development plan with national policies and with the legal requirements of the Law on the Administration and

Management of Commune/Sangkat, this prakas and other national legislation and regulations.

- Methodological aspects of the commune/sangkat development plan document.
- Feasibility and viability of the proposed projects and programmes.
- Decisions made with respect to the incorporation of commune/sangkat development plan proposals in provincial/municipal and national sector programmes and budgets.

#### **Article 19.-**

Copies of the approved commune/sangkat development plan shall be filed with the District/Khan office, the provincial/municipal Office of Local Administration and the provincial/municipal Department of Planning.

One copy of the plan shall be kept in the commune/sangkat office and made available to the public for consultation.

#### **Article 20.-**

Each year the commune/sangkat council must review its development plan, and formulate commune/sangkat investment programme, and complete this process not later than 31 August. This review and formulation shall follow the phases and steps outlined in art.12 to 17 of this prakas. This review shall be taken into account to update and amend the development plan and the investment programme.

Amendments of the development plan and investment programme must be approved by the absolute majority of the commune/sangkat council.

New elected council to replace dissolving council, shall have the option to adopt the commune/sangkat development plan of its predecessor or amend the old plan and programme, taking into consideration the existing planning documents and resources commitments.

### **Chapter 4**

#### **Implementation of the Commune/Sangkat Development Plan**

#### **Article 21.-**

The council shall set up appropriate mechanisms to facilitate the involvement of the direct beneficiaries in the detailed design and supervision of the implementation of all projects included in the commune/sangkat development plan.

#### **Article 22.-**

The commune/sangkat chief shall carry out all procurement of works, goods and services for projects implementation, following the rules and regulations on

procurement within Commune/Sangkat Financial Management System issued by the Ministry of Economy and Finance.

#### **Article 23.-**

Before the procurement of any works, goods and services to implement any of its projects, the commune/sangkat chief shall seek the technical clearance of the relevant provincial/ municipal departments through office of local administration.

If, within 15 days from the submission of the request such agency does not deliver to the council a written notice of objection, the project shall be deemed as technically cleared.

### **Chapter 5**

#### **Monitoring, Evaluation and Reporting**

#### **Article 24.-**

The commune/sangkat council shall monitor the progress of implementation of the commune/sangkat development plan. This includes activities undertaken in the territory of the commune/sangkat by government, non-government, international and private sector organisations.

Monitoring by the council shall not contradict the right of these organisations to monitor and evaluate activities relating to the projects that they are supporting in the commune/ sangkat.

The commune/sangkat council must ensure that swift action is taken to address problems or issues that arise during the implementation of commune/sangkat development plan

#### **Article 25.-**

A comprehensive evaluation of the results and impact of the implementation of the commune/sangkat development plan shall be carried out six months before the expiration of the council's mandate.

The Ministry of Planning and the Ministry of Interior shall jointly issue detailed instructions on the scope and format of this evaluation.

#### **Article 26.-**

At the end of each fiscal year, the commune/sangkat chief, with the assistance of the planning and budgeting committee, shall prepare and submit to the council an annual report. The annual report must cover at least the following:

- The priorities for the delivery of services and commune/sangkat development activities in the past year.
- The results and outcomes of the delivery of services and the implementation of commune/sangkat development activities.
- A description of the problems encountered, and recommendations for improvement in the delivery of services or the implementation of development activities.
- A summary of the financial revenues and expenditures of the commune/sangkat over the last year.
- The identified priorities for the delivery of services and commune/sangkat development activities in the next year.

#### **Article 27.-**

The commune/sangkat council must approve the annual report. The approved annual report must be submitted to the provincial/municipal governor, through the provincial/municipal Office of Local Administration, no later than 45 days after the end of the fiscal year.

One copy of the annual report shall be kept in the commune/sangkat office and in relevant agency as stated in a paragraph of art.19 above, and made available to the public for consultation.

### **Chapter 6**

#### **Transitional Arrangements**

#### **ARTICLE 28.-**

During the first mandate of the commune/sangkat the provincial/municipal governor, shall be authorized to:

- Determine how best each commune/sangkat capacity may comply with this parkas and availability to get support from provincial level.
- Temporarily waive some of the planning requirements of the planning process described in chapter 3 of this prakas,

#### **ARTICLE 29.-**

In commune/sangkat, where VDC existed, the composed of planning and budgeting committee set forth in art.9 of the parkas, shall include 2 VDC representative, one woman and one man, as its member.

**ARTICLE 30.-**

The Ministry of Interior and the Ministry of Planning shall jointly develop guidelines to assist all communes/sangkats to implement the planning process as described in this prakas.

Ministry of Planning (Department-General of Planning) shall responsible in collaboration with Ministry of Interior (Department of Local Administration) to provide training, and disseminate detailed guideline on planning process for commune/sangkat development plan and investment programme formulation following their procedures to strengthen capacity to all involved people.

**ARTICLE 31.-**

The Ministry of Interior and the Ministry of Planning shall jointly provide guidance to the provincial/municipal governor on how to determine the commune/sangkat capacity to comply with the detailed requirements under each step of the planning process described in chapter 3.

**Chapter 7**

**Final provision**

**Article 32.-**

This prakas is effective from the date of its signature.

Phnom Penh, ..... January 2002

Minister of Planning

Co-Minister of Interior

[*Signature and seal*]

[*Signature and seal*]

Chhay Than

You Hokry Sar Kheng

Receiving place:

- Ministry of the Royal Palace;
- Secretariat-general of the Senate;
- Secretariat-general of the Parliament;
- Council of Ministers;
- Cabinet of the Prime Minister;
- Member of the NCSC;
- Concerned Ministries;
- Provincial/Municipal, District/Khan and Commune/Sangkat Offices "for information"
- Documentation. "for action"

**GUIDELINE ON COMBINED ORGANIZATIONAL  
DEVELOPMENT PLANNING  
PROCESS**

The purpose of preparing a commune/sangkat development plan is to help the commune/sangkat council to mobilize resources – both internal and external – and decide on their use to solve local problems and to serve the general interest of the commune/sangkat residents.

The commune/sangkat development plan shall be developed for a period of five years, and shall be reviewed every year to update the three-year rolling commune/sangkat investment programme and to prepare the annual budget of the commune/sangkat.

Pursuant to Art. 27 of the Law on Administration and Management of Commune/Sangkat, Commune/Sangkat chief shall establish a Commune/Sangkat Planning and Budgeting Committee.

The Commune/Sangkat Planning and Budgeting Committee shall prepare the commune/sangkat development plan, the investment programme and the annual budget using participatory approaches with all concerned people.

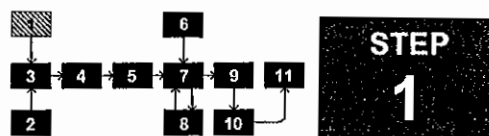
All communes/sangkats shall undertake a process of preparation and approval of the commune/sangkat development plan which shall consist of the following five phases:

1. Analysis
2. Strategies
3. Projects
4. Program
5. Approval

## Phase 1: Analysis

There are three steps in this phase:

**Step 1:** *Assess the current level of development and access to basic public services, to identify the most pressing economic, environmental, institutional<sup>1</sup> and social development issues for the entire commune/sangkat.*



**1.1 Objective:** The PBC members identify the Commune/Sangkat needs/issues based on the C/S profile from DOP, and their own experience as Commune/Sangkat residents.

**1.2 Outputs:** The following outputs are expected:

- ✓ Preliminary list of identified commune/sangkat issues/needs;
- ✓ Commune/sangkat maps; and
- ✓ Village representatives are able to facilitate the village meetings.

**1.3 Location:** Commune/Sangkat

**1.4 Duration:** 2-3 days.

**1.5 Process:** The preparation activities can be summarized in a table as follows:

<sup>1</sup> Refer to administrative work and public information service.

Activities	Description	Output	Materials needed	Participants	Facilitators
a) Review of C/S data against real situation.	<ul style="list-style-type: none"> <li>Preparation of village data for presentation and discussion.</li> <li>Brief presentation to the PBC on the meaning of the data items and how these data were collected, entered and verified.</li> </ul>	<ul style="list-style-type: none"> <li>Updated data sheet of the C/S (Table 1.1)</li> <li>Better understanding of PBC members on data items.</li> </ul>	<ul style="list-style-type: none"> <li>The C/S &amp; village data from DoP.</li> <li>C/S profiles.</li> <li>Village data book, blank.</li> <li>Existing C/S Profiles, if available</li> </ul>	- PBC	- DFT*
b) Update C/S maps	<ul style="list-style-type: none"> <li>Review of existing map with PBC members using the complete legend of symbols</li> <li>Checking of existing C/S data and updating of existing map accordingly, e.g. has the new school been included</li> <li>Updating of the commune boundaries.</li> </ul>	<ul style="list-style-type: none"> <li>Updated C/S maps according to type of information.</li> </ul>	<ul style="list-style-type: none"> <li>Map</li> <li>Standard legend from facilitators including list specified items to be mapped</li> <li>List of geographical feature.</li> </ul>		
c) Identify development needs/issues	<ul style="list-style-type: none"> <li>Review of the listed criteria &amp; types of services in table 1.2</li> <li>Addition of other items if the Planning and Budgeting Committee wishes so.</li> <li>Explanation on how the calculation is made for each criterion.</li> <li>Agreement on table 1.2, considering the defined criteria.</li> </ul>	List of needs/issues	- Table 1.2		

Activities	Description	Output	Materials needed	Participants	Facilitators
d) Strengthening the capacity of village representatives to review and validate data to identify and prioritize issues in the villages.	<ul style="list-style-type: none"> <li>• Procedures to ensure full and transparent participation of all villagers, local association, user group, village committees and others.</li> <li>• Approaches to prioritize identified problems.</li> <li>• Preparation of village meeting by the village representatives.</li> </ul>	- Better understanding by PBC members on how to facilitate in village meetings.	<ul style="list-style-type: none"> <li>- Village data</li> <li>- Guideline on how to stimulate full participation</li> </ul>	- Village rep and PBC	DFT

\* For those C/S without DFT, CC should choose facilitators themselves.

**Form 1.1**

**1.1 Data table from PDoP**

N°	Village	A	B	C	...	Total
1	Total number of families					
2	Total number of females					
3	Total number of males					
4	Girls 0 - 4 years old (under 5s)					
5	Boys 0 - 4 years old (under 5s)					
6	Girls 5 - 14 years old					
7	Boys 5 - 14 years old					
8	Females above 65 years					
9	Males above 65 years					
10	Girls attending school 5 - 14 years old					
11	Boys attending school 5 - 14 years old					
12	Female illiterates over 15 years old					
13	Male illiterates over 15 years old					
14	Number of female invalids					
15	Number of male invalids					
16	Number of female orphans below 15 years old					
17	Number of male orphans below 15 years old					
18	Number of Female Headed Households					
19	Number of families do farming as main income					
20	Number of farmers growing on own land					
	<b>Housing</b>					
21	Number of concrete house					
22	Number of wooden house					
23	Number of thatch houses					
24	Number of houses with 110-220V electricity					
	<b>Education</b>					
25	Number of primary school classrooms in the village					
26	Number of secondary school classrooms in the village					
27	Number of primary school teachers					
28	Number of secondary school teachers					
29	Number of literacy classes					
30	Number of kindergarten classrooms					
	<b>Health</b>					
31	Number of health workers in the village					
32	Number of Kru Khmer in the village					
33	Nr. of traditional birth attendants in the village					
34	Number of govt. trained midwives in the village					
35	Number of 0-5 deaths in last 12 months					
36	Number of maternal deaths within 28 days of childbirth in last 12 months					
	<b>WATSAN</b>					
37	Number of year-round functioning ring-wells					
38	Number of year-round functioning hand dug wells					
39	Number of year-round functioning pump wells					
40	Number of drinking water ponds					
41	Number of functioning latrines/toilets					
	<b>Transportation</b>					
42	Number of motorcycles					
43	Number of Tractors/Koyons/Cars					
44	Number of horse carts and ox carts					
45	Number of bicycles					
46	Number of row boats					
47	Number of boats with motor					
48	Distance in Km to nearest market					

CAMBODIA: Rural Investment for Local Governance Project  
 Project Implementation Manual  
 Annex Guideline on Commune/Sangkat Development Planning Process

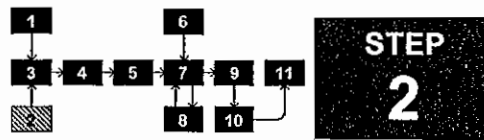
49	Distance in Km to nearest year-round road (4 wheel motor vehicles)					
50	Distance from village to the nearest secondary school					
51	Distant to nearest Commune Health Center (Km)					
<b>Agriculture</b>						
52	Area wet season rice land in Ha					
53	Area cropping Intensity wet season rice land in Ha					
54	Area of receding rice land in Ha					
55	Area of irrigated dry season rice land in Ha					
56	Area in Ha Chamka rice land					
57	Area in Ha other farmland					
58	Area in Ha mined land					
59	Number of irrigation wells					
<b>Production</b>						
60	Total rice yield in last 12 months (MT)					
61	Total corn yield in last 12 months (MT)					
<b>Animal Raising</b>						
62	Number of non-draught cattle and buffalo in village					
63	Number of draught cattle and buffalo in village					
64	Number of pigs in the village					
65	Number of active village vets					
<b>Rural Economy</b>						
66	Agricultural services					
67	Agriculture non staple food production					
68	Non agricultural production					
69	Services and local shops					
<b>Household property</b>						
70	Number of TVs					
<b>Migration</b>						
71	Females migrating to other areas for work					
72	Males migrating to other areas for work					
<b>Community Base Organization</b>						
73	Number of Cash Credit Groups					
74	Number of Animal Banks					
75	Number of Rice Banks					
76	Number of Potable Water User Groups					
77	Irrigation Water User Groups in the village					

**Form 1.2**

1.2 Assessment of service and its gaps in [commune name], 2002

Type of Services	Criteria	Calculation	Gaps
Health Center	1:10000	current population /10000	
Class rooms	1:45	# of school age children/45 = classroom needs - existing # of classrooms	
Distance to secondary school	> 20 km	comparison	
Female illiteracy rate	> 70% (National average)	comparison	
Overall literacy	> 50% (National average 36.3%)	comparison	
School attendance	> 50% (National average)	comparison	
Family size	> 6.5 (National average 5.8)	comparison	
Wells ring+pump wells	1:25 families	# of wells/25 - existing # of wells	
Distance to the district market	> 20 km	comparison	
Others			

**Step 2:** *Verify and complete the above assessment, by reviewing the situation of each village of the commune/sangkat. Produce a list of the prioritized needs of each village and identify how villages and civil society organizations are using, or may use, their own resources to address these needs.*



**2.1 Objective:** To identify and prioritize village needs and problems.

**2.2 Outputs:** The following outputs are expected:

- ✓ Updated list of village data
- ✓ List of prioritized village problems or needs.

**2.3 Location:** Each Village in the Commune/Sangkat

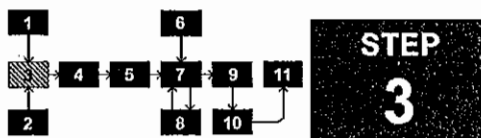
**2.4 Duration:** 1 week maximum

**2.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants
a) To review and validate village data from the commune/sangkat database	<ul style="list-style-type: none"> <li>• Presentation of the village data to villagers</li> <li>• Villagers provide inputs</li> <li>• Village representatives validate data</li> </ul>	<ul style="list-style-type: none"> <li>• Updated list of village data</li> </ul>	<ul style="list-style-type: none"> <li>- Print out of village data from commune database.</li> </ul>	At least 60-70% of respective village participants
b) Village meeting to identify and prioritize village needs, considering available resources	<ul style="list-style-type: none"> <li>• Identification of village needs/priorities by two groups (men and the women separately).</li> <li>• Consolidation of the men and women lists of needs/priorities into a single village list.</li> <li>• Identification of needed and available resources to respond to the needs.</li> </ul>	<ul style="list-style-type: none"> <li>• List of prioritized village needs and available resources (Table 2)</li> </ul>	<ul style="list-style-type: none"> <li>- Table 2</li> </ul>	



**Step 3:** *Select the priorities at the commune/sangkat and village level on which to focus the council's attention and efforts.*



**3.1 Objective:** To identify C/S priorities and update C/S data.

**3.2 Outputs:** The following outputs are expected:

- ✓ Updated list of commune/sangkat data; and
- ✓ Lists of commune/sangkat prioritized problems or needs.

**3.3 Location:** Commune/Sangkat

**3.4 Duration:** 1 day

**3.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
a) Produce an updated commune/sangkat data set.	<ul style="list-style-type: none"> <li>• Presentation of village data</li> <li>• Compilation of village data into commune/sangkat data.</li> <li>• Updating of commune/sangkat map based on village maps.</li> </ul>	<ul style="list-style-type: none"> <li>• Updated commune/sangkat data set.</li> </ul>	<ul style="list-style-type: none"> <li>- Data from village level.</li> <li>- Village maps</li> </ul>	PBC	- DFT*
b) Produce a commune/sangkat list of priority needs/issues	<ul style="list-style-type: none"> <li>• Presentation and compilation of the priority village issue/needs.</li> <li>• Consolidation of village and commune/sangkat priority issues/needs.</li> <li>• Analysis of the list to obtain a consensus on the C/S priority problems/needs.</li> <li>• If possible, use problem/objective tree for visual analysis.</li> </ul>	<ul style="list-style-type: none"> <li>• List of commune/sangkat needs/priorities</li> </ul>	<ul style="list-style-type: none"> <li>- Output from step 1 and step 2</li> <li>- Table 3</li> </ul>		

**Form 3**

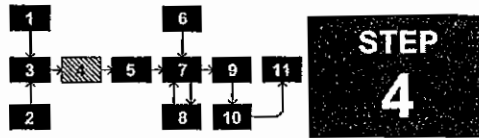
**3. Commune/Sangkat wide prioritized problems/preference in [name of C/S] in [year]**

Problems/Preference	From village priority list					C/S Wide*	Priority
	.....	.....	.....	.....	.....		
<b>Economic</b>							
<i>Agriculture</i>	✓	✓					
<i>Credit</i>							
<i>Infrastructure</i>							
<i>Others</i>							
<b>Social</b>							
<i>Health</i>			✓				
<i>Education</i>							
<i>Watsan</i>							
<i>Others</i>							
<b>Natural Resources and Environment</b>							
.....							
.....							
<i>Others</i>							
<b>Administration and security</b>							
.....							
<i>Others</i>							
<b>Gender</b>							
.....							
<i>Others</i>							

\* If  $\geq 50\%$  of villages identify a problem/preference, it will be considered a C/S wide priority.

## Phase 2: Strategies

**Step 4:** *Formulate a long-term development vision for the commune/sangkat, define immediate objectives to be reached within the five-year mandate of the Commune/Sangkat Council for the identified priority issues, and define strategies and projects to achieve those objectives.*



**4.1 Objective:** To formulate a Commune/Sangkat development vision, development objectives and strategies.

**4.2 Output:** The following outputs are expected:

- ✓ A Commune/Sangkat development vision, objectives and strategies; and
- ✓ A list of Commune/Sangkat priority needs/activities for five years.

**4.3 Location:** Commune/Sangkat

**4.4 Duration:** 2 days maximum.

**4.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
a) Discuss the commune/sangkat development vision, objectives and strategies.	<ul style="list-style-type: none"> <li>• Formulation of a commune/sangkat vision.</li> <li>• Formulation of objectives to achieve the vision.</li> <li>• Preparation of strategies to achieve the objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed vision, objectives, and strategies.</li> </ul>	<ul style="list-style-type: none"> <li>- Outputs from Step 3</li> <li>- Definition and examples of vision, objective and strategy</li> <li>- Table 4.</li> </ul>	PBC	DFT*
b) Discuss priority needs/activities in accordance with the identified strategies.	<ul style="list-style-type: none"> <li>• Selection of priority needs/activities to align them with the identified strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• List of priority needs/activities for 5 years.</li> </ul>	<ul style="list-style-type: none"> <li>- Outputs from Step 3</li> </ul>		

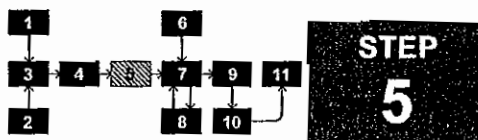
**Form 4**

Vision:.....

Development Objectives	Strategy
Economic	
Social	
Natural Mgt. & Environment	
Admin & Security	
Gender	

## Phase 3: Projects

**Step 5:** *Prepare project study to determine its information, profile, and its feasibilities.*



**5.1 Objective:** To formulate projects and to estimate their cost.

**5.2 Outputs:** The following outputs are expected:

- ✓ Project list and estimated cost.
- ✓ Environmental screening by TSS and PBC and if necessary a Limited Environmental Assessment (LEA) undertaken.
- ✓ A Land Acquisition Report prepared if required.

**5.3 Location:** Commune/Sangkat

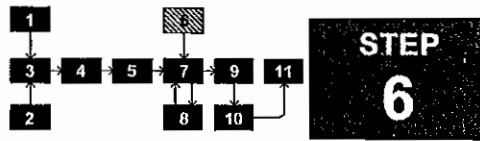
**5.4 Duration:** 2 days maximum.

**5.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
Define projects based on list of priority needs/activities	<ul style="list-style-type: none"> <li>● Review table 3 to define projects responding to strategies.</li> <li>● If possible, use problem tree to find strategic ideas of problem solving.</li> <li>● Use of key questions to get information on:                             <ul style="list-style-type: none"> <li>○ Project name?</li> <li>○ Type of project?</li> <li>○ Listed objective?</li> <li>○ Proposed output?</li> <li>○ Location? (Can it have an adverse environmental impact?)</li> <li>○ Type of beneficiaries, estimate (men, women)? Does it affect men and women differently?</li> <li>○ Approximate cost?</li> <li>○ Who will do the technical/environmental impact review?</li> <li>○ Is technical design/template needed?</li> </ul> </li> </ul>	5-year projects List	<ul style="list-style-type: none"> <li>- Commune/Sangkat priority list.</li> <li>- List of possible projects</li> </ul>	All PBC members	DFT and TSS*



**Step 6:** *Make an estimate of the resources, which will be available to the Commune/Sangkat over a three-year period from own source revenue, national transfers and contractual arrangements with national/provincial/municipal agencies.*



**6.1 Objective:** To forecast commune/sangkat resources for a 3 year period.

**6.2 Output:** The following outputs are expected:  
✓ Potential resources availability assessment.

**6.3 Location:** Commune/Sangkat

**6.4 Duration:** 1 day

**6.5 Process:** The preparation activities can be summarized in a table as follows:

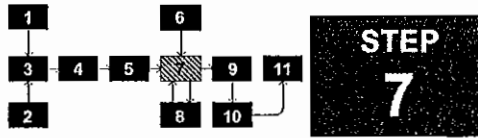
Activities	Description	Output	Materials needed	Participants	Facilitators
a) Review C/S Fund IPF (3 years)	<ul style="list-style-type: none"> <li>Dissemination of indicative C/S fund allocation.</li> </ul>	<ul style="list-style-type: none"> <li>Estimate of government resources</li> </ul>	<ul style="list-style-type: none"> <li>Communication by relevant authority.</li> </ul>	All PBC members	DFT*
b) Consider and estimate external resources	<ul style="list-style-type: none"> <li>Assessment of potential external resources other than C/S Fund, such as transfers from NGOs, OIs, private investors, generous people, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Estimate of non-government resources</li> </ul>	<ul style="list-style-type: none"> <li>Commitment or indication from agencies</li> </ul>		
c) Consider and estimate own resources	<ul style="list-style-type: none"> <li>Assessment of potential own C/S resources including local contribution, labor, local tax, material, fees etc.</li> </ul>	<ul style="list-style-type: none"> <li>Estimate of own C/S resources</li> </ul>	<ul style="list-style-type: none"> <li>C/S list of revenue income and opportunity</li> </ul>		
d) Review mandatory and administration cost.	<ul style="list-style-type: none"> <li>Estimate of existing C/S financial commitments such as salary, ongoing maintenance schemes, planning cost, other contractual commitments etc.</li> </ul>	<ul style="list-style-type: none"> <li>Estimate of C/S mandatory expenses</li> </ul>	<ul style="list-style-type: none"> <li>Communication by relevant authorities.</li> </ul>		

**Form 6. Estimate medium term revenue**

Expected Revenue	2002	2003	2004
C/S Fund Transfer - Development			
Local Contribution to Dev. Invest			
Other Capital Revenues			
Reserve Fund			
<b>Total</b>			
Expected Expenditure			
Administration Investment			
Local Development Investment			
Operational cost (max 20% of C/S Fund devt. budget)			
<b>Total</b>			

**Note:** - 2/3 of C/S Fund only use for Local Dev. Investment.  
 - The admin Investment should come from other sources.

**Step 7:** *Make a preliminary allocation of available resources to priority projects and finalize this allocation after negotiations with provincial/municipal administration and other agencies, at the district/khan integration workshop.*



**7.1 Objective:** Prioritization and resource allocation for commune projects for 3 year based on criteria and consensus.

**7.2 Output:** The following outputs are expected:

- ✓ List of prioritized projects to be presented at the district/khan integration workshop.

**7.3 Location:** Commune/Sangkat

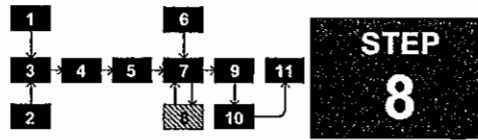
**7.4 Duration:** 1 day maximum

**7.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
a) Prepare 3-year project list for C/S resources	<ul style="list-style-type: none"> <li>• Preparation of draft C/SIP using the outputs from step 5 and step 6 for consideration of 3-year allocation</li> <li>• Submission of draft C/SIP to DoP for preparation of the District/Khan Integration Workshop.</li> <li>• Submission of draft project list to technical support staffs (TSS) for Workplan preparation and feasibility study to support C/S project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Draft 3-year CIP.</li> <li>• TSS feasibility study</li> </ul>	<ul style="list-style-type: none"> <li>- Table from step 5 and step 6</li> <li>- Table form for step 7</li> </ul>	<ul style="list-style-type: none"> <li>- PBC members</li> </ul>	DFT, PFT
b) Prepare C/SDP and C/SIP presentation for district/khan integration workshop	<ul style="list-style-type: none"> <li>• Selection of the C/S representative to present the draft C/SDP and draft C/SIP at the district/khan integration workshop.</li> <li>• Preparation of presentation materials: table, poster, flipchart, map, report of previous and ongoing projects etc. (all on flipcharts)</li> </ul>	<ul style="list-style-type: none"> <li>• Presentation material</li> </ul>	<ul style="list-style-type: none"> <li>- Paper, stationary.</li> </ul>		



**Step 8:** *Participate in an annual district/khan integration workshop, and enter into provisional agreements with provincial/municipal departments, non-governmental organizations and other national and international agencies on the financial and technical support of the above agencies to the formulation and implementation of the commune/sangkat development plan.*



**8.1 Objective:** Integration of C/S plan with agencies/sector departments and other donors.

**8.2 Output:** The following outputs are expected:

- ✓ Temporary Agreements between C/S council and partners.

**8.3 Location:** District/Khan

**8.4 Duration:** 2 days

**8.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
Present, negotiate, and agree on commune projects	<ul style="list-style-type: none"> <li>• Presentation of the 3-year projects; previous and ongoing projects, maps by the C/S representative</li> <li>• Presentation of departmental/agencies draft annual investment plans by their representatives.</li> <li>• Discussion for clarification and to give comments.</li> <li>• Negotiations between Communes/Sangkats and the agencies and sector departments for support.</li> <li>• Signing of the temporary agreements.</li> </ul>	<ul style="list-style-type: none"> <li>• Signed temporary agreements</li> </ul>	- C/S project list on the flipchart	2 Rep. from C/S, Depts., NGOs, Donors, private investors, and chaired by district governor,	Official from Department of Panning

**Kingdom of Cambodia  
 Nation Religion King**

Province/Municipality [.....]

..... Date: .....2002

**Temporary Agreement**

At district/khan integration workshop in 2002 held at ..... district/khan on [insert date.....], commune/sangkat council of [insert commune/sangkat name] with (1) ..... (2) ..... and (3) ..... [insert name of agencies] has entered into provisional agreement to cooperate in the implementation of commune projects as follows:

No.	C/S Projects	Size	Location	Agency		Local Contribution
				Sector	NGOs	

C/S Chief  
 [signature]

**Agency representatives**

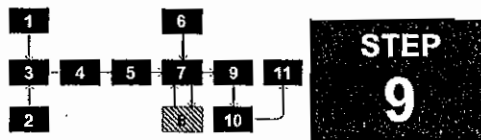
1. [name agency] ..... [signature] [name]
2. [name agency] ..... [signature] [name]
3. [name agency] ..... [signature] [name]

Witnessed by District/Khan Chief  
 [signature ]

Witnessed by PDoP  
 [signature]

## Phase 4: Programmes

**Step 9:** *Consolidate the selected projects and other routine management and administration activities into integrated sectoral and multi-sectoral programmes of activities of the council.*



**9.1 Objective:** To integrate the projects into annual programmes.

**9.2 Output:** The following outputs are expected:  
✓ Sector or Multi-sector programming.

**9.3 Location:** Commune/Sangkat

**9.4 Duration:** 1 day

**9.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitator?
a) Finalize project allocation base on output from district workshop	<ul style="list-style-type: none"> <li>Assessment of project priorities and C/S resources availability on the basis of the outcome of the district/khan integration workshop.</li> </ul>	<ul style="list-style-type: none"> <li>Final C/S allocation for specific projects</li> </ul>	<ul style="list-style-type: none"> <li>Table 6</li> <li>Table 7</li> <li>Table 8</li> </ul>	PBC	DFT*
b) Re-group project listed from district workshop into programs	<ul style="list-style-type: none"> <li>Identification of possible programs, and linking of projects supporting these programs</li> <li>Identification of administrative activities to support these programs.</li> <li>Assigning of a C/S focal person per programme</li> </ul>	<ul style="list-style-type: none"> <li>Sector/Multi-sector programmes</li> </ul>	<ul style="list-style-type: none"> <li>Table 7</li> <li>Table 8</li> <li>List of programme example</li> <li>Table 9</li> </ul>		

**Form 9**

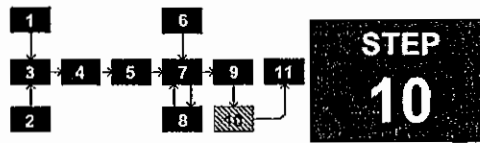
9. Integrated Programming (Example)	Programme	Projects	Support Activities	Responsible CC member(s)
1	Food security	Adult literacy Home gardening Soil improvement Animal/fish raising Composting Water resource management		Mr./Ms. A
2	Nutrition	Home gardening Mother/child care Child-care center Compost Adult literacy Breast feeding Animal raising Hygiene		Mr./Ms. B
3	Public Health awareness	Vaccination Breast feeding Birth spacing Family planning Latrine use Safe drinking water Kru Khmer		Mr./Ms. C
4	Improve gender equity	Domestic violence Women/child rights Birth spacing/family planning Female adult literacy		Mr./Ms. D
5	Income generation	Rice bank association Cattle bank Credit scheme Skill training Rice mill association Small business training		Mr./Ms. F

6	Accessibility	Roads	Mr./Ms. G
		Bridges	
		Toll/fees	
		Culverts	
		Water ways/canals	
		Ferry	
		Traffic	
		Oxcarts	
		Taxi	
		Primary/Secondary school	
7	Human resource development	Vocational training	Mr./Ms. H
		Adult literacy	
		Teacher training	
		Public awareness	
		Heights training	
8	Cultural promotion	Traditional music/ instruments	Mr./Ms. E
		Traditional clothing/costumes	
		Folktales, drama	
		Aa Yay	
		Kru Khmer	
		Tree planting	
		Nursery	
		Dumping area	
		Public awareness of cultivation methods	
		Reforestation	
9	Natural resource management	Soil improvement	Mr./Ms. F
		Resettlement	
		Land titling	
		Mine clearance	
		Nat's park/ protection	
10	Land use		

\* Examples of Programme Support Activities:

- Project Progress monitoring;
- Local contribution coordination;
- Present at various projects/programs step;
- Program presentation;
- Program reports (midterm and final);
- Programme promotion;
- Programme liaisons;

**Step 10:** *Prepare a draft commune/sangkat development plan and a draft commune/sangkat investment programme, for submission to the council.*



**10.1 Objective:** To draft C/S Development Plan (C/SDP) and C/S Investment Programme (C/SIP).

**10.2 Output:** The following outputs are expected:  
✓ Daft C/SDP;  
✓ Draft C/SIP.

**10.3 Location:** Commune/Sangkat

**10.4 Duration:** 1 day

**10.5 Process:** The preparation activities can be summarized in a table as follows:

Activities	Description	Output	Materials needed	Participants	Facilitators
<p>Collect all the discussed information and draft C/SDP and C/SIP</p>	<ul style="list-style-type: none"> <li>• Collection of documents relevant to C/SDP such as C/S profile, maps, development framework to consolidate these according to the recommended table of content.</li> <li>• Collection of information relevant to the C/SIP such as capital investment cost, project priority, impact on recurrent expenditure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• C/SDP and C/SIP (Table 10.1 and 10.2)</li> </ul>	<ul style="list-style-type: none"> <li>- All previous forms, tables and information.</li> <li>- Tables 10.1 &amp; 10.2.</li> <li>- C/SDP table of content</li> </ul>	PBC	DFT*

## **Table of Content**

### **5-year C/SDP for 2003-2007 and 3-yrs rolling C/SIP for 2003-2005**

**Foreword**

**Introduction**

**C/S Maps**

**Chapter 1: C/S Socio-Economic Profile**

- 1.1 C/S History
- 1.2 C/S Geography
- 1.3 C/S Profile
- 1.4 Challenges and potential
  - 1.4.1 Economic
  - 1.4.2 Social Sector
  - 1.4.3 Natural Resources and Environment
  - 1.4.4 Administration and Security
  - 1.4.5 Gender

**Chapter 2: Development framework**

- 2.1 Vision
- 2.2 Development Objective
- 2.3 Strategy
- 2.4 Priority activities

**Chapter 3: Three-year Investment Programme**

- 3.1 Budget for Investment Implementation
- 3.2 Budget summary by source of funding

**Annexes**

- . Annex 1: Commune/Sangkat wide prioritized problems/preference
- . Annex 2: Preparation of Project strategy
- . Annex 3: Estimate medium term revenue
- . Annex 4: C/S prioritized projects and activities for 3-year



**Table 10.2 Summary C/SIP Financing**

Code	Source of Funds	Year.....	Year.....	Year.....	Year.....	Total
<b>Ongoing projects</b>						
	Own Resources (incl. Community Contribution)					
	C/S Fund					
	Sub-Total External Agencies					
	Agency .....					
	Agency .....					
	Agency .....					
<b>New project (funded)</b>						
	Own Resources (incl. Community Contribution)					
	C/S Fund					
	Sub-Total External Agencies					
	Agency .....					
	Agency .....					
	Agency .....					
	<b>Total</b>					

<b>Total 3-years Commune/Sangkat Investment Program (C/SIP)</b>	100%
Own-Source Revenue Financing of C/SIP	
C/S Fund financing of C/SIP	
External Agencies Financing of C/SIP	

Activities	Description	Output	Materials needed [What is this?]	Participants	Facilitators
a) Sending the draft C/SDP and C/SIP to the governors	<ul style="list-style-type: none"> <li>Submission of the Documents to the Governor, through PoLA.</li> </ul>	<ul style="list-style-type: none"> <li>Comments and suggestion on the draft C/SDP / C/SIP</li> </ul>	<ul style="list-style-type: none"> <li>Deika [What is this?]</li> <li>C/SDP / C/SIP</li> </ul>	Governors and PoLA	PoLA
b) Present draft to all villagers	<ul style="list-style-type: none"> <li>Summary of C/SDP and C/SIP to be presented at village level.</li> <li>Organization of village meetings to review the drafts.</li> </ul>	<ul style="list-style-type: none"> <li>Draft C/SDP / C/SIP reviewed by villagers</li> </ul>	<ul style="list-style-type: none"> <li>Presentation materials</li> <li>Draft C/SDP / C/SIP</li> </ul>	Villagers	Vill. Rep.
c) Review and consolidate all inputs.	<ul style="list-style-type: none"> <li>Review of the draft C/SDP and C/SIP to adjust these based on the comments/recommendations received from the province/municipality and the public.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the draft C/SDP / C/SIP to address the appropriate comments.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes, official letter</li> </ul>	PBC	
b) C/S Council review and approve C/SDP / C/SIP	<ul style="list-style-type: none"> <li>Presentation of the C/SDP / C/SIP to the C/S Council</li> <li>Approval of the C/SDP and C/SIP by absolute majority vote.</li> </ul>	<ul style="list-style-type: none"> <li>Approved C/SDP / C/SIP</li> </ul>	<ul style="list-style-type: none"> <li>Minutes, official letter</li> <li>Draft C/SDP / C/SIP</li> </ul>	More than 50% of the total C/S Council members must be present	

## Major Narrative Recommended in Each Content

**Foreword:** It is a summary of inside themes of the plan to make the audience interested, which ends with the acknowledgments with signature of C/S Council chairperson and stamp to indicate the approval of the document. Date of the signature is the meeting date when commune council approved the plan.

**Introduction:** It is a narrative of reason for planning preparation.

**C/S Maps:** Maps showing C/S location and important information.

### Chapter1: C/S Socio-Economic Profile

It is a chapter to describe the initial situation of the C/S during the plan preparation, which is detailed by sub-chapter as follow:

**1.1-C/S History:** major historical events relevant to establishment or changing in name.

**1.2-C/S Geography:** Geographical location and number of villages.

**1.3-C/S Profile:** It is narrative on interpretation of graphic, figures acquired from department of planning.

**1.4-Challenges and Potentials:** It is difficulties facing by C/S to find the solution during its term. Beside issues, there are resources potentially available for C/S. To be easy in preparation, five items should be divided as follow:

**1.4.1 Economic:** This section is relevant to economic situation of the C/S such as agriculture, infrastructure, transportation etc. including strength or potential of market, productions existing in C/S.

**1.4.2 Social:** This section is relevant to social issue such as education, health, religion etc. and what is a strength to accelerate C/S development.

**1.4.3 Natural Resources and Environment:** It is any changes or degradations or effects related to nature, lack, river, mountain, temple, forest, occur in C/S including water and air pollution, noisy sound being or to be effected citizen livelihood. There are also potentially strength expressed to develop in this sector.

**1.4.4 Administration and Security:** Administration services are referred to everyday tasks of the C/S such as birth certification, married certification, conflict resolutions etc. as defined in admin law. C/S should also raise the facing issues here related to team building, capacity in which section, coordination with NGOs, associations, sector department etc. It is also description on current security situation, public order with some concerned reasons of issue.

**1.4.5 Gender:** This section is referring to issues related to man and woman livelihood in society such as sharing of rights and roles. The issues raised in this section should be gender inequity in education, family, committee, decision, leading, benefit from project/programme etc. Generally, trained gender focal point at C/S level could understand and explain this section. Moreover, there should also be some strategic solutions responding to the needs for facilitating or alleviate gender inequity, described in this part.

## **Chapter 2: Development Framework**

- 2.1 Vision:** It is a most preference, which C/S wish to achieve in the future.
- 2.2 Development Objectives:** These are the preferences of the C/S to be achieved in their mandate, before accomplishing above vision.
- 2.3. Strategies:** It is the best ways that C/S considers to achieve vision and development objectives.
- 2.4 Priority projects:** These are all projects identified in alignment with strategies to be focused by C/S council to formulate annual investment programme.

## **Chapter 3: C/S Investment Programme**

To avoid two documents separately prepared, the first C/S investment programme should include into C/S Development Plan.

C/S Investment Programme is prepare for 3 year, but implemented one year rolling. The purpose of preparation 3 year rolling programme is show what going to be implemented next year which is likely to promote sustainable for each project in longer time. The C/S investment programme need to be updated annually and implemented through annual budget preparation. There are two tables in this section. Table (1) is a table on budget for 3-year programme implementation that is classified in three categories: "ongoing", "new project funded", and "new project pipeline". The project with timeframe more than 3-year period, the following year budget should also be estimated. To ensure sustainability of each project, C/S should consider budget use for recurrent expenditure after capital investment ended such as operation cost, maintenance cost, which is calculated amount per year. Table (2) is an actual budget summary by source of funding and by year. The Ministry of Planning would provide additional guideline on how to update the investment programme in the following year.

## **Annexes**

- . Annex 1 : Commune/Sangkat wide prioritized problems/preference
- . Annex 2 : Preparation of Project strategy
- . Annex 3 : Estimate medium term revenue
- . Annex 4 : C/S prioritized projects and activities for 3-year

It is needed to retain all importance information in order to review each year for updating in C/S 3-year rolling investment programme (see sample table).

**SUB DECREE ON  
ESTABLISHING THE  
COMMUNE/SANGKAT  
FUND**

## **NATIONAL COMMITTEE TO SUPPORT THE COMMUNES/SANGKATS**

### **Sub-decree on the Establishment of the “Communes/Sangkats Fund”**

**NCSC  
7 February 2002**

## **Chapter 1** **General Provisions**

### **Article 1**

The purpose of this Sub-Decree is to regulate the “Commune/Sangkat Fund” (The Fund) established by the Law on the Administration and Management of Communes/Sangkats.

### **Article 2**

The purposes of the Commune/Sangkat Fund are:

- To enable the Communes/Sangkats to assume their general responsibilities for local administration and promotion of local development in accordance with the provisions of Articles 42, 43, and 44 of the Law on the Administration and Management of Communes/Sangkats.
- To reduce differences in the relative potential of the Communes/Sangkats to mobilize their own revenue, because of different demographic, social and economic conditions
- To act as an incentive for building the capacity for good governance of the Communes/Sangkats Councils.

### **Article 3**

The Fund account shall be opened at the National Treasury. The Fund shall reflect:

(a) *Revenues:*

- Contributions from a share of the RGC recurrent domestic revenue
- Contributions from grants and loans made available by donors agencies and international financial institutions.
- Any other sources.

(b) *Expenditures:*

- Annual transfers to the budgets of Commune/Sangkat Councils.

Any monies not transferred to Communes/Sangkats in any given year shall be carried over to the subsequent year.

## **Chapter 2** **Management of the Commune/Sangkat Fund**

### **Article 4**

The “Commune / Sangkat Fund Board” (the Fund Board) is hereby established.

The Fund Board shall be responsible for:

- Recommending to the RGC the share of total current domestic revenue to be allocated to the Fund
- Monitoring the flow of resources into the Fund from external grants and loans, and establishing targets for mobilization of external resources by the RGC
- Adopting the formula for distribution of the resources of the Fund, and recommending to the RGC any change in the formula referred to in Art. 11 below.
- Adopting and annually revising a classification of Communes/Sangkats, for the purpose of allocating the components of the Fund, as described in Art. 12 and 13 below.
- Approving the annual plan of distribution of the resources of the Fund, based on the above classification and formula.
- Communicating to Communes/Sangkats their individual annual entitlement to resources of the Fund and the indicative forecast of such entitlement over a 3-years period.
- Monitoring the actual transfers of the resources of the Fund to the Communes/Sangkats, against the approved annual distribution plan
- Approving the annual financial statement of the Fund

Within one month from its creation the Board shall adopt internal regulations to guide its process of decisions making.

### **Article 5**

The Fund Board shall be composed of:

- A representative of the Minister of Economy and Finance (chair)
- A representative of the Minister of Interior
- A representative of the Minister of Planning.
- A representative of the Council for Development of Cambodia
- Three representatives of the elected Councils to be selected by the Minister of Interior from different development level areas.

Pending the establishment of a national association of the Cambodian Communes and Sangkats Councils, the Ministry of Interior shall be responsible for organizing the election of the Councils representatives in the Board.

#### **Article 6**

The Fund Board shall be supported by a permanent secretariat.

The secretariat shall be established within the Ministry of Economy and Finance and shall be responsible for:

- Facilitating and recording the discussions and deliberations of the Fund Board
- Preparing quarterly financial and activity reports on the operations of the Fund
- Providing all technical support to the Fund Board.

#### **Article 7**

The Minister of Interior shall be responsible for:

- Authorizing all transfers of resources from the Fund account to the individual Commune/Sangkat accounts, after verification that the beneficiary Communes/Sangkats have complied with the conditions of access stated in Art. 17 below
- Monitoring the performance of the Councils in the utilization of the Fund's resources.
- Providing the Fund Board with periodic detailed information on the transfer and utilization of the resources of the Fund

In performing the above tasks, the Minister of Interior shall act in accordance with all the deliberations of the Fund Board.

### **Article 8**

The Minister of Interior shall delegate to the Provincial Governors the powers to:

- (a) Monitor and certify the compliance of the Commune/Sangkat Councils with the conditions of access to the Fund specified in Art 17 below
- (b) Monitor the performance of the Communes/Sangkats Council in the use of Fund resources.

Detailed instructions shall be issued by the Minister of Interior in consultation with the Minister of Finance to guide the Provincial Governors in the performance of the above functions.

## **Chapter 3** **Financing, Allocation and Use of the Fund**

### **Article 9**

Pursuant to Art 77 of the Commune Law, the minimum level of contribution from the RGC domestic revenue to the Fund account shall be established in advance for at least 3 fiscal years.

For the fiscal year 2002 the level of contribution from the State Budget is specified in Art 20 of Chapter 5 (Transitional Provisions) of this Sub-Decree.

For the years 2003 and 2004 the level of contribution from the State Budget to the Fund account shall be as a percentage of the recurrent revenues:

- In fiscal year 2003: not less than 2.00% (two percent)
- In fiscal year 2004: not less than 2.50% (two point five percent)

The Royal Government of Cambodia shall consider an increase of these percentages upon request from the Fund Board.

### **Article 10**

The Fund Board shall set annual targets for mobilization of external contributions to the Fund.

A Deposit Account in foreign currency entitled "Commune Fund" shall be opened, in the name of the Ministry of Economy and Finance (MEF) with the National Bank of

Cambodia (NBC) to receive resources from grants and loans made available by donors' agencies and international financial institutions.

Revenue of the "Commune Fund" account in the NBC shall be transferred in Riel currency to the Fund's treasury account as and when required.

### **Article 11**

The share of the total Fund resources transferable to individual Commune/Sangkat Councils shall be determined by a formula. The formula shall be consistent with the purpose of the Fund as stated in Art. 2 above.

At the latest, by the 1<sup>st</sup> of October of the fiscal year preceding the one in which the transfers will be effected, the Fund Board shall adopt the formula and announce the amounts to which each Commune/Sangkat will be entitled.

### **Article 12**

The total resources of the Fund shall be divided into two components as follows:

- A General Administration Component. This component shall be not more than 1/3 of the total distributable resources of the Fund
- A Local Development Component. This component shall be not less than 2/3 of the total distributable resources of Fund.

The Fund Board shall determine the way in which the total Fund resources are divided between these two components, within the above limits.

### **Article 13**

The Fund Board shall establish a classification of the Commune/Sangkat in two categories.

Category 1 shall include all the Communes/Sangkats that the Board deems capable of making effective and efficient use of the Fund transfers earmarked for development spending.

Category 2 shall include all other Communes/Sangkats

The Fund Board shall prepare and approve a multi-year plan for the gradual inclusion of all Communes/Sangkats Councils in Category 1.

Based on the above plan and not later than the 1<sup>st</sup> of October of each year, the Fund Board shall determine the number of the Communes/Sangkats to be included in category 1 in the next fiscal year.

#### **Article 14**

Resources under the two components of the Fund shall be distributed and used according to the following provisions.

(a) Resources of General Administration Component:

- Shall be accessed by all Councils in categories 1 and 2
- Shall be shared in proportion to the number of elected Commune/Sangkat councilors.
- May be applied by the recipient Councils to any eligible administration or development expenditures as defined in art. 15 below

(b) Resources of Local Development Component:

- Shall be accessed only by Councils included in category 1
- Shall be distributed in three shares: an equal share, a share proportional to the population of the Commune/Sangkat and a share proportional to a poverty index, weighted by the population of the Commune/Sangkat.
- May be applied by the recipient Councils only to development expenditures as defined in art. 15 below

The Ministry of Planning shall, not later than the 1<sup>st</sup> of September of each year, provide the Fund Board with updated official estimates of:

- The total population of all Communes/Sangkats
- The poverty index of each Commune/Sangkat.

#### **Article 15**

Transfers from the Commune/Sangkat Fund may be used by Commune/Sangkat Council to cover, in full or in part, any recurrent and investment expenditure that is reflected in the Council's approved budget and does not violate the Commune Law or any other law and regulation issued by the RGC.

*“Administration expenditures”* are recurrent and investment expenditures incurred by the Councils in the performance of their general administrative duties. They may cover the cost of:

- Allowances to Councilors
- Salaries of local staff and other personnel expenses
- Purchase or rental of Council's premises,
- Furniture and office equipment for the Council's or administration's facilities
- Repair and maintenance of administrative facilities
- Utility charges
- Purchase or rental of vehicles
- Fuel, lubricants and vehicles maintenance
- Other consumables and miscellaneous

*“Development expenditures”* are recurrent and investment expenditures incurred by the Council for the development of local infrastructures (with the exception of administrative facilities) and the delivery of local economic and social (but not administrative) services. They may include:

- The survey, design, construction, repair and maintenance of roads, bridges, markets, educational and health care facilities, community centers, irrigation networks and structures, agricultural storage facilities, water and power supply and other economic and social infrastructure.
- Personnel and other recurrent costs associated with the operation of the local infrastructure and the delivery of related services.
- Support of community development programs managed by local NGOs and community-based organization, including local education and information campaigns for women and youth, environmental protection and natural resources management and other programs impacting on the welfare of local population.

Detailed instructions shall be issued by the Ministry of Finance, in conjunction with the regulation of the Commune/Sangkat budget to reconcile the “administration” and “development” categories with the classification of expenditures in the budget.

## **Chapter 4** **Transfers Procedures and Conditions of Access**

### **Article 16**

All Communes/Sangkats shall hold a deposit account at the Provincial Treasuries or in a commercial bank as authorized by the MEF.

Pursuant to the provision of Art.7, the National Treasury, at the request of the Minister of Interior, shall transfer the approved annual allocation to which the individual Communes/Sangkats are entitled, into the accounts held by the Communes/Sangkats in their respective provincial treasuries or commercial banks.

The annual transfers shall be made in three installments. The first transfer shall be 50% of the total and shall be made not later than the 1<sup>st</sup> of March. The second transfer shall be 30% of the total and shall be made before the 1<sup>st</sup> of June. The third transfer shall be 20% of the total and shall be made before the 1<sup>st</sup> of September.

### **Article 17**

To receive the transfers, the Councils shall demonstrate that they have:

- Followed a process of participatory planning, budgeting and implementation and
- Completed all financial reports on the execution of their budget and their development plan,
- Mobilized beneficiaries contributions and other local resources to complement the transfers from the Fund's Local Development Component.

Within 20 days from the receipt of the Councils applications for the Fund transfers, the Provincial Governors, on behalf of the Minister of Interior, shall:

- Verify the Council's compliance with the conditions of access to the Fund
- Recommend to the Ministry of Interior the finalization of the transfer.

In case of non-compliance by the Council, the Governor shall recommend the applicable corrective actions and provide the necessary technical assistance. The Governor may then request to the Ministry of Interior to withhold the transfer until the Council has taken the recommended actions and complied with all conditions of access to the Fund.

In case of conflict between the Council and the Provincial Governor, the concerned Commune/Sangkat Council should submit the case to the Fund Board, for review and decision. The decision of Fund Board shall be final.

## **Chapter 5** **Transitional Arrangements**

### **Article 18**

Pending the establishment of the Fund Board, the National Committee to Support the Communes (NCSC) shall ensure the execution of Article 4 above, with the assistance of the Finance Sub-Committee.

### **Article 19**

During the mandate of the National Committee to Support the Communes, the Fund Board shall report and make recommendations regularly to the NCSC on the operation of the Fund.

Any regulations or guidelines relative to the operation of the Fund shall be submitted to the NCSC for approval.

Within 6 month from its establishment the Fund Board shall prepare and submit to the NCSC a multi-year plan for the gradual inclusion of all Communes/Sangkats Councils in Category 1.

### **Article 20**

In 2002, the contribution of the RGC to the Fund shall be 20,000,000,000 (twenty billion) Cambodian Riels

### **Article 21**

In 2002, the Communes/Sangkats to be included in Category 1 shall be those having a development plan, capacity to effectively use development funds, and confirmed resources.

### **Article 22**

No conditions of access shall apply to the first and second installment of the transfer of Fund resources in FY 2002. The Ministry of Interior shall issue guidelines and reporting formats, applicable to the third installment, not later than the 1<sup>st</sup> of June 2002.

## **Chapter 6** **Final Provisions**

### **Article 23**

Any provisions that are in contrary to this Sub-Decree shall be null and void.

### **Article 24**

The Minister for the Council of Ministers, Ministers and Secretaries of State of all ministries, and relevant institutions as specified in Article 5 of this Sub-Decree, Governors of provinces and municipalities, Commune/Sangkat Councils, and Commune/Sangkat Chiefs shall be responsible for the implementation of this Sub-Decree.

**SUB DECREE ON  
ESTABLISHING THE  
COMMUNE/SANGKAT  
FUND**

**NATIONAL COMMITTEE TO SUPPORT THE  
COMMUNES/SANGKATS**

**Sub-decree on the Establishment of the  
“Communes/Sangkats Fund”**

**NCSC  
7 February 2002**

## **Chapter 1** **General Provisions**

### **Article 1**

The purpose of this Sub-Decree is to regulate the “Commune/Sangkat Fund” (The Fund) established by the Law on the Administration and Management of Communes/Sangkats.

### **Article 2**

The purposes of the Commune/Sangkat Fund are:

- To enable the Communes/Sangkats to assume their general responsibilities for local administration and promotion of local development in accordance with the provisions of Articles 42, 43, and 44 of the Law on the Administration and Management of Communes/Sangkats.
- To reduce differences in the relative potential of the Communes/Sangkats to mobilize their own revenue, because of different demographic, social and economic conditions
- To act as an incentive for building the capacity for good governance of the Communes/Sangkats Councils.

### **Article 3**

The Fund account shall be opened at the National Treasury. The Fund shall reflect:

*(a) Revenues:*

- Contributions from a share of the RGC recurrent domestic revenue
- Contributions from grants and loans made available by donors agencies and international financial institutions.
- Any other sources.

*(b) Expenditures:*

- Annual transfers to the budgets of Commune/Sangkat Councils.

Any monies not transferred to Communes/Sangkats in any given year shall be carried over to the subsequent year.

## **Chapter 2** **Management of the Commune/Sangkat Fund**

### **Article 4**

The “Commune / Sangkat Fund Board” (the Fund Board) is hereby established.

The Fund Board shall be responsible for:

- Recommending to the RGC the share of total current domestic revenue to be allocated to the Fund
- Monitoring the flow of resources into the Fund from external grants and loans, and establishing targets for mobilization of external resources by the RGC
- Adopting the formula for distribution of the resources of the Fund, and recommending to the RGC any change in the formula referred to in Art. 11 below.
- Adopting and annually revising a classification of Communes/Sangkats, for the purpose of allocating the components of the Fund, as described in Art. 12 and 13 below.
- Approving the annual plan of distribution of the resources of the Fund, based on the above classification and formula.
- Communicating to Communes/Sangkats their individual annual entitlement to resources of the Fund and the indicative forecast of such entitlement over a 3-years period.
- Monitoring the actual transfers of the resources of the Fund to the Communes/Sangkats, against the approved annual distribution plan
- Approving the annual financial statement of the Fund

Within one month from its creation the Board shall adopt internal regulations to guide its process of decisions making.

### **Article 5**

The Fund Board shall be composed of:

- A representative of the Minister of Economy and Finance (chair)
- A representative of the Minister of Interior
- A representative of the Minister of Planning.
- A representative of the Council for Development of Cambodia
- Three representatives of the elected Councils to be selected by the Minister of Interior from different development level areas.

Pending the establishment of a national association of the Cambodian Communes and Sangkats Councils, the Ministry of Interior shall be responsible for organizing the election of the Councils representatives in the Board.

#### **Article 6**

The Fund Board shall be supported by a permanent secretariat.

The secretariat shall be established within the Ministry of Economy and Finance and shall be responsible for:

- Facilitating and recording the discussions and deliberations of the Fund Board
- Preparing quarterly financial and activity reports on the operations of the Fund
- Providing all technical support to the Fund Board.

#### **Article 7**

The Minister of Interior shall be responsible for:

- Authorizing all transfers of resources from the Fund account to the individual Commune/Sangkat accounts, after verification that the beneficiary Communes/Sangkats have complied with the conditions of access stated in Art. 17 below
- Monitoring the performance of the Councils in the utilization of the Fund's resources.
- Providing the Fund Board with periodic detailed information on the transfer and utilization of the resources of the Fund

In performing the above tasks, the Minister of Interior shall act in accordance with all the deliberations of the Fund Board.

### **Article 8**

The Minister of Interior shall delegate to the Provincial Governors the powers to:

- (a) Monitor and certify the compliance of the Commune/Sangkat Councils with the conditions of access to the Fund specified in Art 17 below
- (b) Monitor the performance of the Communes/Sangkats Council in the use of Fund resources.

Detailed instructions shall be issued by the Minister of Interior in consultation with the Minister of Finance to guide the Provincial Governors in the performance of the above functions.

## **Chapter 3** **Financing, Allocation and Use of the Fund**

### **Article 9**

Pursuant to Art 77 of the Commune Law, the minimum level of contribution from the RGC domestic revenue to the Fund account shall be established in advance for at least 3 fiscal years.

For the fiscal year 2002 the level of contribution from the State Budget is specified in Art 20 of Chapter 5 (Transitional Provisions) of this Sub-Decree.

For the years 2003 and 2004 the level of contribution from the State Budget to the Fund account shall be as a percentage of the recurrent revenues:

- In fiscal year 2003: not less than 2.00% (two percent)
- In fiscal year 2004: not less than 2.50% (two point five percent)

The Royal Government of Cambodia shall consider an increase of these percentages upon request from the Fund Board.

### **Article 10**

The Fund Board shall set annual targets for mobilization of external contributions to the Fund.

A Deposit Account in foreign currency entitled "Commune Fund" shall be opened, in the name of the Ministry of Economy and Finance (MEF) with the National Bank of

Cambodia (NBC) to receive resources from grants and loans made available by donors' agencies and international financial institutions.

Revenue of the "Commune Fund" account in the NBC shall be transferred in Riel currency to the Fund's treasury account as and when required.

### **Article 11**

The share of the total Fund resources transferable to individual Commune/Sangkat Councils shall be determined by a formula. The formula shall be consistent with the purpose of the Fund as stated in Art. 2 above.

At the latest, by the 1<sup>st</sup> of October of the fiscal year preceding the one in which the transfers will be effected, the Fund Board shall adopt the formula and announce the amounts to which each Commune/Sangkat will be entitled.

### **Article 12**

The total resources of the Fund shall be divided into two components as follows:

- A General Administration Component. This component shall be not more than 1/3 of the total distributable resources of the Fund
- A Local Development Component. This component shall be not less than 2/3 of the total distributable resources of Fund.

The Fund Board shall determine the way in which the total Fund resources are divided between these two components, within the above limits.

### **Article 13**

The Fund Board shall establish a classification of the Commune/Sangkat in two categories.

Category 1 shall include all the Communes/Sangkats that the Board deems capable of making effective and efficient use of the Fund transfers earmarked for development spending.

Category 2 shall include all other Communes/Sangkats

The Fund Board shall prepare and approve a multi-year plan for the gradual inclusion of all Communes/Sangkats Councils in Category 1.

Cambodia (NBC) to receive resources from grants and loans made available by donors' agencies and international financial institutions.

Revenue of the "Commune Fund" account in the NBC shall be transferred in Riel currency to the Fund's treasury account as and when required.

### **Article 11**

The share of the total Fund resources transferable to individual Commune/Sangkat Councils shall be determined by a formula. The formula shall be consistent with the purpose of the Fund as stated in Art. 2 above.

At the latest, by the 1<sup>st</sup> of October of the fiscal year preceding the one in which the transfers will be effected, the Fund Board shall adopt the formula and announce the amounts to which each Commune/Sangkat will be entitled.

### **Article 12**

The total resources of the Fund shall be divided into two components as follows:

- A General Administration Component. This component shall be not more than 1/3 of the total distributable resources of the Fund
- A Local Development Component. This component shall be not less than 2/3 of the total distributable resources of Fund.

The Fund Board shall determine the way in which the total Fund resources are divided between these two components, within the above limits.

### **Article 13**

The Fund Board shall establish a classification of the Commune/Sangkat in two categories.

Category 1 shall include all the Communes/Sangkats that the Board deems capable of making effective and efficient use of the Fund transfers earmarked for development spending.

Category 2 shall include all other Communes/Sangkats

The Fund Board shall prepare and approve a multi-year plan for the gradual inclusion of all Communes/Sangkats Councils in Category 1.

Based on the above plan and not later than the 1<sup>st</sup> of October of each year, the Fund Board shall determine the number of the Communes/Sangkats to be included in category 1 in the next fiscal year.

#### **Article 14**

Resources under the two components of the Fund shall be distributed and used according to the following provisions.

(a) Resources of General Administration Component:

- Shall be accessed by all Councils in categories 1 and 2
- Shall be shared in proportion to the number of elected Commune/Sangkat councilors.
- May be applied by the recipient Councils to any eligible administration or development expenditures as defined in art. 15 below

(b) Resources of Local Development Component:

- Shall be accessed only by Councils included in category 1
- Shall be distributed in three shares: an equal share, a share proportional to the population of the Commune/Sangkat and a share proportional to a poverty index, weighted by the population of the Commune/Sangkat.
- May be applied by the recipient Councils only to development expenditures as defined in art. 15 below

The Ministry of Planning shall, not later than the 1<sup>st</sup> of September of each year, provide the Fund Board with updated official estimates of:

- The total population of all Communes/Sangkats
- The poverty index of each Commune/Sangkat.

#### **Article 15**

Transfers from the Commune/Sangkat Fund may be used by Commune/Sangkat Council to cover, in full or in part, any recurrent and investment expenditure that is reflected in the Council's approved budget and does not violate the Commune Law or any other law and regulation issued by the RGC.

*"Administration expenditures"* are recurrent and investment expenditures incurred by the Councils in the performance of their general administrative duties. They may cover the cost of:

- Allowances to Councilors
- Salaries of local staff and other personnel expenses
- Purchase or rental of Council's premises,
- Furniture and office equipment for the Council's or administration's facilities
- Repair and maintenance of administrative facilities
- Utility charges
- Purchase or rental of vehicles
- Fuel, lubricants and vehicles maintenance
- Other consumables and miscellaneous

*“Development expenditures”* are recurrent and investment expenditures incurred by the Council for the development of local infrastructures (with the exception of administrative facilities) and the delivery of local economic and social (but not administrative) services. They may include:

- The survey, design, construction, repair and maintenance of roads, bridges, markets, educational and health care facilities, community centers, irrigation networks and structures, agricultural storage facilities, water and power supply and other economic and social infrastructure.
- Personnel and other recurrent costs associated with the operation of the local infrastructure and the delivery of related services.
- Support of community development programs managed by local NGOs and community-based organization, including local education and information campaigns for women and youth, environmental protection and natural resources management and other programs impacting on the welfare of local population.

Detailed instructions shall be issued by the Ministry of Finance, in conjunction with the regulation of the Commune/Sangkat budget to reconcile the “administration” and “development” categories with the classification of expenditures in the budget.

## **Chapter 4**

### **Transfers Procedures and Conditions of Access**

#### **Article 16**

All Communes/Sangkats shall hold a deposit account at the Provincial Treasuries or in a commercial bank as authorized by the MEF.

Pursuant to the provision of Art.7, the National Treasury, at the request of the Minister of Interior, shall transfer the approved annual allocation to which the individual Communes/Sangkats are entitled, into the accounts held by the Communes/Sangkats in their respective provincial treasuries or commercial banks.

The annual transfers shall be made in three installments. The first transfer shall be 50% of the total and shall be made not later than the 1<sup>st</sup> of March. The second transfer shall be 30% of the total and shall be made before the 1<sup>st</sup> of June. The third transfer shall be 20% of the total and shall be made before the 1<sup>st</sup> of September.

#### **Article 17**

To receive the transfers, the Councils shall demonstrate that they have:

- Followed a process of participatory planning, budgeting and implementation and
- Completed all financial reports on the execution of their budget and their development plan,
- Mobilized beneficiaries contributions and other local resources to complement the transfers from the Fund's Local Development Component.

Within 20 days from the receipt of the Councils applications for the Fund transfers, the Provincial Governors, on behalf of the Minister of Interior, shall:

- Verify the Council's compliance with the conditions of access to the Fund
- Recommend to the Ministry of Interior the finalization of the transfer.

In case of non-compliance by the Council, the Governor shall recommend the applicable corrective actions and provide the necessary technical assistance. The Governor may then request to the Ministry of Interior to withhold the transfer until the Council has taken the recommended actions and complied with all conditions of access to the Fund.

In case of conflict between the Council and the Provincial Governor, the concerned Commune/Sangkat Council should submit the case to the Fund Board, for review and decision. The decision of Fund Board shall be final.

## **Chapter 5** **Transitional Arrangements**

### **Article 18**

Pending the establishment of the Fund Board, the National Committee to Support the Communes (NCSC) shall ensure the execution of Article 4 above, with the assistance of the Finance Sub-Committee.

### **Article 19**

During the mandate of the National Committee to Support the Communes, the Fund Board shall report and make recommendations regularly to the NCSC on the operation of the Fund.

Any regulations or guidelines relative to the operation of the Fund shall be submitted to the NCSC for approval.

Within 6 month from its establishment the Fund Board shall prepare and submit to the NCSC a multi-year plan for the gradual inclusion of all Communes/Sangkats Councils in Category 1.

### **Article 20**

In 2002, the contribution of the RGC to the Fund shall be 20,000,000,000 (twenty billion) Cambodian Riels

### **Article 21**

In 2002, the Communes/Sangkats to be included in Category 1 shall be those having a development plan, capacity to effectively use development funds, and confirmed resources.

### **Article 22**

No conditions of access shall apply to the first and second installment of the transfer of Fund resources in FY 2002. The Ministry of Interior shall issue guidelines and reporting formats, applicable to the third installment, not later than the 1<sup>st</sup> of June 2002.

**Chapter 6**  
**Final Provisions**

**Article 23**

Any provisions that are in contrary to this Sub-Decree shall be null and void.

**Article 24**

The Minister for the Council of Ministers, Ministers and Secretaries of State of all ministries, and relevant institutions as specified in Article 5 of this Sub-Decree, Governors of provinces and municipalities, Commune/Sangkat Councils, and Commune/Sangkat Chiefs shall be responsible for the implementation of this Sub-Decree.

**SUB DEGREE  
COMMUNITY AND  
FINANCIAL  
MANAGEMENT SYSTEM**

## **National Committee to Support the Communes**

### **Sub-Decree Commune/Sangkat Financial Management System**

Approved by  
National Committee to Support the Communes  
13/14 March 2002

**(Unofficial Translation)**

Phnom Penh  
20 March 2002

## **Sub-Decree Commune/Sangkat Financial Management System**

### **Chapter I General Provisions**

**Article 1 -** Pursuant to Articles 73, 79, 81, 82, and 83 of the Law on the Administration and Management of Commune/Sangkat, the purpose of the present Sub-decree is to regulate the commune/sangkat financial management system.

**Article 2-** In the context of this Sub-decree the financial management system consists of the rules and procedures relating to the following:

- 1) Commune/sangkat budget
- 2) Commune/sangkat payment and accounting system
- 3) Commune/sangkat expenditures management
- 4) Commune/sangkat durable assets
- 5) Commune/sangkat financial reporting and audit.

### **CHAPTER II**

#### **COMMUNE/SANGKAT BUDGET**

##### **Section 1 Commune/Sangkat Expenditures and Revenues**

**Article 3 -** The budget constitutes the legal act that appropriates and authorizes commune/sangkat revenues and expenditures on an annual basis.

The commune/sangkat fiscal year starts on January 1 and ends on December 31 of the same year.

The budget must include all commune/sangkat revenues and expenditures regardless of their origin or nature.

The commune/sangkat budget must reflect spending priorities emerging from the commune/sangkat development plan.

**Article 4 -** The commune/sangkat budget shall be formed of two sections:

- Section 1: Recurrent revenues and expenditures
- Section 2: Capital revenues and expenditures.

In each of the two sections, total expenditures must not exceed expected total revenues. Surplus in Section 1 must be used as revenue in Section 2.

Capital revenues shall not be used for financing recurrent expenditures unless otherwise permitted by specific regulations.

**Article 5 -** Recurrent expenditures are classified into seven (7) categories:

- Category 1 - Salary and Allowances
- Category 2 - Administration Costs
- Category 3 - Local Services Costs
- Category 4 - Agent Functions Costs
- Category 5 - Social Intervention
- Category 6 - Economic Intervention
- Category 7 - Contingency

**Article 6 -** Recurrent revenues are grouped into five (5) categories:

- Category 1 - Local Taxes Revenues
- Category 2 - Non-tax Revenues
- Category 3 - Commune/Sangkat Fund Transfer for General Administration

Category 4 - Agent Functions Revenues  
Category 5 - Other Recurrent Revenues

**Article 7 -** Capital expenditures include the following:  
Category 1 - Investment for administrative purpose  
Category 2 - Local Development Investment

**Article 8 -** Capital revenues are grouped into four (4) categories:  
Category 1 - Reserve Fund as defined in article 22 below  
Category 2 - Commune/Sangkat Fund Transfer for Local Development  
Category 3 - Contribution of Residents to Local Development Investment  
Category 4 - Other Capital Revenues.

**Article 9 -** The following expenditures shall be considered mandatory on the part of the commune/sangkat, and must be reflected, in priority, in the budget:

- 1) Salary and Allowances
- 2) Costs of filing and safeguarding official documents
- 3) Costs of maintaining the commune/sangkat office
- 4) Operation and maintenance costs of local infrastructure for which the commune/sangkat is responsible
- 5) Cost of the preparation of the commune/sangkat development plan
- 6) Continuation of ongoing investment projects, where necessary
- 7) Any other expenditures that may be imposed onto the commune/sangkat by national laws and regulations.

**Article 10 -** Commune/sangkat revenues shall be assessed and collected in accordance with specific regulations.

Commune/sangkat expenditures shall be committed, verified, ordered for payment, paid and accounted for in accordance with the rules and procedures defined in Chapters III, IV and V of this Sub-decree.

The cost of operating and maintaining local services infrastructure shall be covered by adequate users charges and, where applicable, from agent functions revenues.

## Section 2 Formulation and Approval of the Budget

**Article 11 -** The draft budget shall be prepared by the commune/sangkat chief, with the assistance of the Planning and Budgeting Committee, and submitted to the Commune/Sangkat council for adoption.

The commune/sangkat council shall adopt the draft budget during a public plenary meeting not later than 31 October. The council shall adopt the draft budget section by section.

**Article 12 -** The commune/sangkat chief must ensure wide public participation in the budget formulation process through the following measures:

- The draft budget must be disclosed to the public at least two (2) weeks before the meeting of the commune/sangkat council
- The Planning and Budgeting Committee meetings must be open to citizens that are interested in reviewing the draft budget
- Citizens must be given the opportunity to attend the commune/sangkat council deliberation on the draft budget.
- And any other mechanisms to be established by the commune/sangkat council to promote public participation in local affairs.

**Article 13 -** The commune/sangkat council chief shall submit, not later than November 5, the draft budget, as adopted by the commune/sangkat council, to the approval of the provincial/municipal governor.

The draft budget must be supported by the following documents:

- Brief report specifying the assumptions that served for establishing revenues and expenditures forecasts, as well as the degree of citizens participation in the budget formulation process
- Statement on the implementation of the ongoing budget
- Summary table of local development investments identified in the commune development plan when such plan exists.
- Minutes of the commune/sangkat council deliberations on the draft budget.

**Article 14 -** The provincial/municipal governor shall perform the following compliance controls, and decide on the draft budget, not later than November 30.

The performance of compliance controls shall relate to the following:

- 1) Format of the budget and the participation of citizens in the budget formulation process
- 2) Budget equilibrium, and use of capital revenues as defined in Article 4 above
- 3) Any conditions attached to the use of the Commune/Sangkat Fund transfers
- 4) Realistic budget appropriations for mandatory expenditures
- 5) Budgeted local development investments have been identified in the commune plan when such plan exists.

The provincial/municipal governor shall have no right to alter or oppose spending choices decided by the commune/sangkat council to the extent that the draft budget complies with conformity control requirements as specified above.

**Article 15 -** If the draft budget satisfies the required legality controls, as defined in Article 14 above, the provincial/municipal governor shall approve the draft budget and shall issue a written notification to the commune/sangkat chief. The notification shall be supported by a copy of the budget document bearing the official seal of the provincial/municipal administration and the initials of the provincial/municipal governor on each page of the budget document.

The provincial/municipal governor must send a copy of the notification and the approved budget to the provincial treasury, and the provincial department of economy and finance.

**Article 16 -** In case the provincial/municipal governor withholds his approval of the draft budget, he must immediately notify to the commune/sangkat chief, in written, the reasons why the draft budget could not be approved, and applicable corrective measures.

The commune/sangkat chief must revise the draft budget in accordance with the observations and recommendations made by the provincial/municipal governor, and present the revised version of the draft budget to the vote of the commune/sangkat council within 15 days after receiving the governor's notification.

After deliberation of the council, the commune/sangkat chief must submit the revised draft budget to the approval of the provincial/municipal governor.

If the commune/sangkat chief fails to submit the revised draft budget to the governor within one month after receiving the governor's notification, or if the revised draft budget still does not satisfy the compliance controls, then the governor shall have the right to make the necessary adjustments before approving the draft budget. The governor shall notify his decision to the commune/sangkat chief, the provincial treasury, and the provincial department of economy and finance, in the same manner as described in Article 15 above.

In case of conflict between the commune/sangkat council and the governor, the commune/sangkat chief shall submit the case to the minister of Interior. The decision of the minister of Interior shall be final.

**Article 17 -** If for whatsoever reason the governor has not approved the draft budget before January 1, the commune/sangkat chief shall be temporarily authorized to:

- Commit, each month, mandatory expenditures up to one-twelfth of their respective amounts as appropriated in the previous fiscal year
- Collect commune/sangkat revenues up to the amount appropriated in the previous fiscal year.

**Section 3**  
**Implementation of the Budget**

**Article 18 -** The commune/sangkat budget may be amended during the fiscal year to account for changes in the economic or financial conditions that affect the initial revenue and expenditures forecasts.

**Article 19 -** The draft of the amended budget shall be prepared, reviewed, adopted, and approved in accordance with the procedure defined in Articles 11, 12, 13, 14 and 15 above, subject to the provisions of this Article.

The pre-approval of the governor shall not be required if the purpose of amendment is the reallocation of resources within the same category of expenditure without altering the initial amount of that category or changing the type of investment projects included in the initial budget. In such case, the commune/sangkat chief must inform the governor, the provincial treasury and the provincial department of economy and finance of the change in the reallocation of resources, not later than 5 days after the deliberation of the commune/sangkat council.

**Article 20 -** Appropriation under category "Contingency" shall not exceed 3% of the total budget. Contingency budget line can be used for covering unforeseen expenditures that have not been appropriated in the budget, or for which budgeted appropriations proved to be insufficient.

The commune/sangkat chief shall seek the commune/sangkat council's approval before deciding on the utilization of the contingency appropriation.

**Article 21 -** At the end of the fiscal year, the commune/sangkat accountant at the provincial/municipal treasury shall prepare the closing financial statements.

The accountant shall submit the draft closing financial statements to the commune/sangkat chief for reconciliation with the budget accounts. The accountant and the commune/sangkat chief shall investigate and correct any discrepancy, and agree on the reconciled closing financial statements.

The closing financial statements show the actual implementation figures of the budget as well as the commune/sangkat end-of-year cash position and durable assets.

**Article 22 -** The commune/sangkat chief shall submit the draft closing financial statements to the review and adoption by the commune/sangkat council during the month of March following the ending fiscal year. After deliberation, the commune/sangkat council shall adopt by vote a "Resolution on Closing of the Budget".

The "Resolution on Closing of the Budget" shall:

- 1) State the actual expenditures and revenues achieved during the ending fiscal year
- 2) Cancel any unused budget appropriations
- 3) Authorize the transfer of the result of the fiscal year to the "Reserve Fund Account."

The commune/sangkat chief shall submit the "Resolution on Closing of the Budget" for the provincial/municipal governor approval, not later than seven (7) days after the commune/sangkat council deliberation. The following documents shall be attached to the Resolution:

- Copy of the closing financial statements
- Narrative activity report
- Minutes of the commune/sangkat council deliberations.

**Article 23 -** The Reserve Fund shall be used only for financing capital expenditures during the following fiscal years.

**Chapter III**  
**Commune/Sangkat Accounting and Payment System**

**Article 24 -** The accounting system shall serve the following purposes:

- 1) To record all financial transactions of the commune/sangkat

- 2) To produce timely, accurate financial reports which can be subject to control and verification
- 3) To provide the basis for monitoring commune/sangkat budget implementation.

The commune/sangkat accounting shall include:

*Financial Accounting:* To measure, register, and report on commune/sangkat financial transactions

*Budgetary Accounting:* To monitor and report on the implementation of the budget.

**Article 25 -** Commune/sangkat financial accounting shall be cash-based, following the double-entry recording method.

The chart of accounts shall be consistent with the commune/sangkat budget classification.

Communes/sangkats with limited financial resources or low management capacity may use the simplified chart of accounts and budget classification.

**Article 26 -** The provincial/municipal treasury shall be the commune/sangkat accountant, and shall carry out the following tasks:

- 1) To collect and/or acknowledge receipt of commune/sangkat revenues.
- 2) To execute payment orders issued by the commune/sangkat chief
- 3) To handle and release commune/sangkat funds
- 4) To record commune/sangkat financial transactions in accordance with the principles specified in Article 25 above
- 5) To prepare periodic financial reports
- 6) To file and safeguard all documents supporting commune/sangkat transactions and accounting records.

**Article 27 -** The commune/sangkat chief shall be the budget-authorizing officer. As such, the commune/sangkat chief shall have the power to authorize collection of revenues, commit expenditures, and order payments in accordance with the approved commune/sangkat budget.

The commune/sangkat chief may delegate, in written, his budget-authorizing power to any of his deputies. The delegate budget-authorizing officer shall act under the responsibility and control of the commune/sangkat chief.

The budget authorizing officer and his delegate must be accredited to the relevant provincial/municipal treasury accountant.

**Article 28 -** The duties of authorizing expenditures, and making payments shall not be assigned to the same person, except in the cases specified in Article 31 below.

**Article 29 -** Each commune/sangkat shall hold individual deposit account at the provincial/municipal treasury. The account shall be used for receiving revenues and making payments.

**Article 30 -** The minister of Economy and Finance may authorize the commune/sangkat to manage all or part of its cash transactions through an account opened at a duly licensed commercial bank.

**Article 31 -** The commune/sangkat shall make payments of expenditures below a certain amount through the "petty cash advance" procedure.

The commune/sangkat shall appoint a staff member of the commune/sangkat administration to be the petty cash advance manager.

The petty cash advance manager shall be accountable for the safety of funds and supporting documents, and keeping records of processed transactions. The petty cash advance manager shall perform his tasks under the joint control of the commune/sangkat chief and the commune/sangkat accountant.

**Article 32 -** Responsibility for collecting non-tax revenues can be assigned to a staff member of the commune/sangkat administration, to be referred to as "the Revenue Collection Officer".

The Revenue Collection Officer shall be appointed, and shall perform his duties in the same manner as the petty cash advance manager.

**Article 33 -** The commune/sangkat chief shall ensure that the budgetary accounting system is enforced.

The budgetary accounting system shall record expenditure commitments, and payment authorizations issued by the commune/sangkat chief, for the purpose of monitoring the budget implementation.

#### **Chapter IV Financial Reporting**

**Article 34 -** Financial reporting shall serve the following purposes:

- 1) To monitor the commune/sangkat operation by comparing actual transactions with budget forecasts;
- 2) To evaluate the commune/sangkat financial position by providing information about the sources and uses of financial resources;
- 3) To assist in fulfilling the commune/sangkat chief's duty to be accountable to the commune/sangkat council, as well as the council's obligation to be accountable to its constituency and to higher authorities.
- 4) To reflect that transactions are consistent with the adopted budget and with other finance-related legal requirements.

**Article 35 -** The commune/sangkat shall prepare the following reports:

- 1) Monthly Budget Implementation Report in the form of a "Revenues and Expenditures Statement" based on the budget classification system. The report shall compare actual achievements with budget forecasts, and show the commune/sangkat cash position.
- 2) Mid-year Budget Implementation Report in the same form as the monthly report
- 3) Annual Financial Statements, including:
  - Annual "Revenue and Expenditure Statement"
  - Reconciliation of the commune/sangkat treasury deposit account
  - Fixed Assets Statement.

The financial reports must accurately and fairly inform about the budget implementation conditions and the commune/sangkat end-of-year financial position.

**Article 36 -** The annual financial statements shall be supported by the narrative report on the commune/sangkat activity. The annual activity report shall describe and evaluate:

- Commune/sangkat performance in revenue collection and expenditures;
- Commune/sangkat achievements in respect of public services provision against the planned objectives;
- Socio-economic conditions in the commune/sangkat and the impact of the commune/sangkat operations on the welfare of the citizens.

The narrative activity report shall be prepared under the responsibility of the commune/sangkat chief.

The annual financial statements and the narrative activity report shall serve as basis for closing the commune/sangkat fiscal accounts of the related period.

**Article 37 -** Financial reports shall be prepared by the commune/sangkat accountant, and reconciled with the budgetary accounting records maintained by the commune/sangkat administration, not later than:

- 15 days into the subsequent month for monthly reports
- 21 July for the mid-year report
- 31 January of the following year for the annual report.

**Article 38 -** The commune/sangkat chief shall endorse financial reports prepared by the accountant, and shall ensure that these reports are submitted, together with the narrative report, to the commune/sangkat council for deliberation and approval, in due time.

Following the council deliberation, the commune/sangkat chief shall:

- 1) Send the reports to the provincial/municipal governor, and to the provincial Department of Economy and Finance.
- 2) Diselose the reports to the public.

**Chapter V**  
**Expenditure Management**  
**Section I**  
**Expenditure Cycle**

**Article 39 -** Expenditures must be appropriated in the commune/sangkat budget, and consistent with the laws and regulations of the Kingdom of Cambodia.

Commune/Sangkat spending process shall include the following stages:

- 1) Commitment
- 2) Verification
- 3) Payment Order
- 4) Payment.

**Article 40 -** Commitment shall consist of entering into contracts or agreement for immediate purchase or future delivery of goods and services. The commitment entails for the commune/sangkat an obligation to pay if the contractor or supplier has complied with the provisions of the contract.

Prior to any expenditure commitment, the commune/sangkat chief or his authorized delegate shall ensure that:

- 1) The expenditure is proposed under the correct category
- 2) Money has been appropriated for the purpose in the budget and sufficient funds remain available in the proposed category of expenditure
- 3) The proper procurement method is followed
- 4) Expenditure is recorded as specified in Article 33 of this Sub-Decree.

Expenditure commitments shall not be subjected to pre-audit by provincial authorities or the financial controllers.

**Article 41 -** For the purpose of verification, the commune/sangkat chief or his delegate shall ensure that:

- 1) Goods have been delivered or services rendered as certified in conformity with the contract or purchase order
- 2) Invoices submitted by contractors or suppliers are correct in respect of their amount and their relevance to the transaction.

**Article 42 -** After completing the verification controls, the Commune/Sangkat chief shall issue a Payment Certificate:

- (1) The commune/sangkat chief shall forward the payment certificate, together with the supporting documents, to the assigned accountant at the provincial treasury, and inform the beneficiary of payment accordingly.
- (2) If the payment is made through the petty cash fund, it shall be in accordance with the established rules.

**Article 43 -** The commune/sangkat accountant shall process the payment to the beneficiary designated in the payment certificate, or his/her duly authorized representative.

Prior to payment, the accountant shall have to check and confirm that:

- 1) Payment is requested by the qualified budget authorising officer
- 2) Where applicable, a competent person has certified that goods have been received or that services have been rendered as expected
- 3) The invoice and any other supporting documents are correct and suitable for payment
- 4) The creditor is correctly identified
- 5) Payment is requested under the correct expenditure category, and sufficient funds are available in that category

- 6) The position of the commune/sangkat deposit account covers the payment
- 7) The payment discharges the commune/sangkat from any further claim relating to the same debt.

If any of the above-mentioned conditions is not fulfilled, the accountant shall have the right to suspend the payment, and notify in written the commune/sangkat chief the reasons for suspending the payment and the proposed corrective measures.

**Article 44 -** In the event of payment issues, the commune/sangkat chief and the accountant shall discuss in good faith and agree on how to address any matter relating to the payment process in accordance with the established rules and procedures. If no agreement is reached, the commune/sangkat chief shall submit the matter to the provincial/municipal governor for arbitration. The decision of the governor shall be final, and binding on both parties. Copy of the decision shall be added to the documents supporting the payment.

## *Section 2* *Procurement Rules*

**Article 45 -** Procurement of works, goods and services shall be consistent with the general principles specified in the Anukret No 60-95 dated 31 July 1995.

**Article 46 -** The commune/sangkat chief shall establish a Procurement Committee in charge of the following tasks:

- 1) Evaluation of contractor or supplier bids
- 2) Recommending award of contracts.

The procurement committee shall ensure that:

- Procurement of goods, services and works is carried over in the most transparent, most economical way possible
- Suppliers and contractors are given adequate opportunity to participate in the supply of goods or services under the same conditions
- The result of the bidding is made public.

**Article 47 -** The Procurement Committee shall be composed of the following:

- The commune/sangkat chief or his authorized delegate: Chairperson
- Two (2) members of the commune/sangkat council: Members
- The Commune/Sangkat clerk: Secretary of the Committee

The chairperson of the Procurement Committee may invite other persons to serve as assistant or observer to the Committee.

During the deliberations of the procurement committee the assistant, the secretary and the observers shall not have the right to vote.

The committee shall decide by majority vote. In the event of equal votes, the Chairperson's vote shall prevail.

**Article 48 -** The final decision on awarding the contract shall be the responsibility of the commune/sangkat chief based on the procurement committee's recommendation.

## **Chapter VI** **Commune/sangkat Durable Assets**

**Article 49 -** Commune/sangkat durable assets shall include three types:

- 1) Assets assigned by the central government to the commune/sangkat
- 2) Assets acquired by the commune/sangkat
- 3) Assets donated to the commune/sangkat.

**Article 50 -** The commune/sangkat shall maintain separate registers of the three categories of assets mentioned in the previous Article, including, for each asset, at least the following information:

- 1) Code
- 2) Serial number where applicable
- 3) Date of acquisition by, or assignment to, the commune/sangkat
- 4) Quantity and value
- 5) Location where the asset is being kept or used.

The commune/sangkat chief shall ensure that Assets Registers are properly maintained.

**Article 51 -** Commune/sangkat movable assets must be marked by a numerical code so that each item can be identified, located, and traced back to the asset registers.

The commune/sangkat chief shall set up a committee to complete at least one annual physical count of the commune/sangkat durable assets in order to identify losses, correct any recording errors, and assess the physical condition of assets with respect to repairs, maintenance or replacement.

The result of physical inventory must be reconciled with the asset registers; any discrepancy must be investigated, and if necessary, the registers updated accordingly.

A summary of durable assets registers and the physical inventory report must be attached to the commune/sangkat annual financial statements.

**Article 52 -** Pursuant to Article 81 of the Commune/Sangkat Administration and Management Law, the commune/sangkat shall have no right to sell or transfer the ownership or the use of assets assigned by the central government without the prior approval of the minister of Economy and Finance, following the agreement of the minister of Interior.

**Article 53 -** The commune/sangkat shall have the right to sell, or transfer the ownership or the use of assets previously acquired out of commune/sangkat revenues.

Sale, or transfer of the ownership or use of assets shall comply with the following procedure:

- 1) The commune/sangkat chief shall form an "ad hoc committee" to oversee the sale or transfer of the concerned asset. The committee, chaired by the commune/sangkat chief, shall include one councillor, and the commune/sangkat accountant. The commune/sangkat clerk shall be the committee secretary.
- 2) The sale or transfer process must be transparent, and open to competitive tenders.
- 3) The commune/sangkat council shall decide on the sale or transfer based on recommendation made by the ad hoc committee.
- 4) The sale or transfer proceeds must be deposited in the commune/sangkat account at the provincial treasury.

**Article 54 -** The sale or transfer of the ownership or the use of donated assets shall be in accordance with any conditions specified in the grant agreement between the Commune/Sangkat and the donor. In the absence of such conditions, the provision of Article 52 shall apply.

## Chapter VII Audit of Commune/Sangkat Accounts and Operations

**Article 55 -** The commune/sangkat chief shall ensure that the internal control mechanisms embodied in the management system are enforced, so that:

- Resources are used in accordance with the approved budget, within the limits of laws and regulations;
- Resources are safeguarded against waste, loss, and misuse; and
- Reliable financial data are produced, and fairly disclosed in reports.

**Article 56-** Commune/sangkat annual financial statements shall be subjected to audit by authorized institutions.

The purpose of audit is to ascertain the reliability and fairness of financial information, evaluate the commune/sangkat fiscal performance, and assess management systems and procedures. The audit report, including the commune/sangkat council comments, shall be disclosed to the public.

**Article 57 -** Commune/Sangkat accounts and operations may be audited by national institutions, or by independent non-government auditors as it may be required by external contributors to the commune/sangkat finances.

**Article 58 -** The provincial/municipal governor shall ensure that consultative audit is provided to commune/sangkat on a regular basis, in the form of technical assistance and capacity building in financial and operations management.

**Article 59 -** Citizens of the Commune/Sangkat shall have the right to monitor the performance of the commune/sangkat council and administration.

To this end, the commune/sangkat chief shall ensure that:

- 1) Information on the commune/sangkat activities and accounts are regularly disclosed to the public
- 2) Public hearings and consultations are held during the budgeting process,
- 3) Citizens are encouraged to attend commune/sangkat council meetings.

### **Chapter VIII Penalty Provisions**

**Article 60 -** The commune/ sangkat chief, in his quality as budget authorizing officer, the commune/sangkat accountant, and in general all persons involved in the budget implementation process shall be legally liable for the following acts:

- 1) Any undertaking that may result in committing expenditures in excess of authorised appropriations
- 2) Any act that increases the amount of the authorised appropriation through a specific resource that is not consistent with the laws and regulations.
- 3) Any act that proves to be detrimental to the commune/sangkat finances or property.

### **Chapter IX Final Provisions**

**Article 61 -** The minister of Economy and Finance, in consultation with the minister of Interior, shall issue guidelines on the implementation of the provisions of chapters II to VII of this sub-decree.

**Article 62-** Any provision, which is contrary to this Sub-Decree, shall be repealed.

**Article 63-** The Minister for the Council of Ministers, Ministers, Secretaries of State, concerned agencies, Governors, Commune/Sangkat Councils, and Commune/Sangkat chiefs shall implement this Sub-Decree upon signature.

**FRAS 331**  
**GUIDELINE ON THE**  
**PREPARATION AND I**  
**MPLEMENTATION OF THE**  
**CS BUDGET**

**Prakas # 331 MEF.PRK**

**APPROVED: 29<sup>th</sup> APRIL 2002**

**Guideline on Preparation and Implementation of C/S Budget  
Unofficial Translation**

Pursuance to Chapter 7 of Commune Administration Law issued by Royal Decree # NS/RKM/0301 dated 19<sup>th</sup> March 2001, Sub-Decree # 16 ANKR/BK dated 25<sup>th</sup> February 2001 on Commune/Sangkat Fund, Sub Decree # 26 ANKR/BK dated 2<sup>nd</sup> April 2002 on C/S Financial Management and Prakas # 329 MEF.PRK dated 25<sup>th</sup> April 2002 of Ministry of Economy and Finance on C/S budget classification, MEF would like to make instruction on the key principles of C/S budget preparation and implementation as follows:

**1. General Principles**

- 1.1 The budget is the legal act by which the commune/sangkat council:
- Has right to set revenue forecasts and expenditures appropriations
  - Authorizes the commune/sangkat chief to collect revenues and undertake expenditures in accordance with the budget appropriations.
- 1.2 The C/S budget must satisfy the following requirements:
- (1) The budget is formulated and adopted on an annual basis. The fiscal year starts on January 1 and ends on December 31.
  - (2) The budget must include all revenues and all expenditures regardless of their origin or their nature. No revenue or expenditure can be appropriated or implemented outside the budget.
  - (3) Revenues must be accounted for their gross amount: No expenditure can be offset from collected revenues.
  - (4) No revenue can be earmarked for the payment of a specific expenditure unless such earmarking is permitted by regulations or contractual arrangements to be agreed with institutions that contribute to the C/S resources.
  - (5) The budget must be balanced: Total planned expenditures must be fully covered by planned revenues.
  - (6) The budget must reflect spending priorities identified in the plan.
- 1.3 The budget is structured into two sections:
- Section One: Recurrent Budget: This section includes regular expenditures relating to the general administration of the commune/sangkat as well as corresponding revenues.
  - Section Two: Capital Budget: This section includes investment expenditures and capital revenues.
  - In each section, Total expenditures must not exceed total planned revenues. Surplus in section One must be used to finance capital expenditures in section Two. In section 2 total expenditures has to be equal to total revenue plus recurrent surplus from section 1 (if available).
  - In principle, capital revenues cannot be used for financing recurrent expenditures unless otherwise permitted by specific regulations or contractual arrangements with the contributors to C/S resources.
  - The format of the budget and budget classification shall follow the provisions of the Prakas issued by the Ministry of Economy and Finance.

1.4 Mandatory expenditures must be appropriated in priority in the budget. To this end, the C/S must, first, allocate available resources to cover mandatory expenditures; then, any remaining resources can be allocated for other expenditures. Mandatory expenditures include the following:

- 1) Operating costs of the commune/sangkat office premises, including repair and maintenance, utilities, and rental fees where applicable.
- 2) Costs of keeping and safeguarding official documents issued or received by the commune/sangkat administration, especially those relating to the birth certificate, marriage certificate as well. Actually cost of safeguarding official documents is to prevent from any damages destroy by any insect. Safeguarding material has such as other equipments.
- 3) Salary of C/S administration staff and Allowance of C/S counsellors
- 4) Costs relating to the operation and maintenance of local infrastructure for which the commune/sangkat is responsible. Local infrastructures referred to in this Paragraph are those owned and/or managed by the C/S. The cost of operating and maintaining local services infrastructure must be, to the most extent possible, covered by adequate users charges (and, where applicable, from agent functions revenues). However, in case the C/S contracts out operation of infrastructure to a private operator or a local community, operation and maintenance costs must be borne by the contracted operator.
- 5) Cost of preparation of the commune/sangkat development plan: These costs may include surveys and collection of socio-economic data, popular consultations, reproduction and dissemination of the plan document.
- 6) Continuation of ongoing investment projects: If by the end of the fiscal year, the C/S has not fully completed all ongoing projects, unspent allocations must be carried over to the next year budget to be used for meeting costs of completing related projects.
- 7) And, in general, any other expenditures that may be imposed onto the C/S by national laws and regulations.

## 2. Formulation of the Budget

2.1 The C/S chief is responsible for preparing the draft budget, with the assistance of his deputies, the Planning and Budgeting Committee.

2.2 The budget formulation process must start by early July in order to have the draft budget reviewed and adopted by the C/S council before 31 October as prescribed by the Sub-Decree on the C/S Financial Management System. The following information and documents shall serve as basis in the formulation of the draft budget:

- The current year budget
- Status of the first six months of the current year budget implementation
- Closing financial statements of the previous fiscal year
- General social and economic conditions in the C/S
- C/S development plan
- Any instructions issued by the Minister of Interior or the Minister of Economy and Finance in connection with the budget.

2.3 In setting budget forecasts the C/S chief must follow the rules hereafter:

- The process starts with the recurrent budget section and ends with the capital budget section.
- In each section the methodology consists of estimating in first place the revenues, then the expenditures targets, as per the budget accounts classification.

- Budget forecasts must be as realistic, and accurate as possible in order to ensure regular functioning of the C/S administration, and avoid un-necessary budget amendments.

**Recurrent Budget:**

2.4 *Recurrent resources* may come from the following sources:

- (1) Local Tax Revenues.
- (2) Non-Tax Revenues: These are revenues generated from local services and C/S property such as administrative fees, user charges, property incomes (rental and concessions fees).
- (3) C/S Fund Transfer for General Administration: The C/S Fund Board shall notify the amount of transfer to the C/S chief before the start of the budget formulation process
- (4) Agent Function Revenues: Specific regulations, and agreements signed between the C/S and involved agencies.
- (5) Any other occasional or miscellaneous revenues.

2.5 *Recurrent expenditures* include the following:

- (1) Salary and Allowances: These are salaries paid to the C/S staff (administration and local services delivery staff), and allowances to the C/S councillors in accordance with applicable regulations.
- (2) Administration Costs: Are grouped under this category all expenditures that relate to the functioning of the C/S administration and council such as rental fees, repair and maintenance of property, utilities, travel and transport, communication, office supplies, meetings and ceremonies costs, documentation and information costs and bank or treasury fee.
- (3) Local Services Costs: This category includes expenditures that relate to the operation of local infrastructure which are used by the C/S to provide public services to the community, such as potable water or irrigation systems, social and health services, market facility. These costs may include repair and maintenance, utilities, and any other charges necessary for the operation of the infrastructure. As stated above in Paragraph 1.4 these costs must be covered, to the most extent possible, by user charges.
- (4) Agent Functions Costs: These are costs incurred by the C/S in connection with executing tasks and functions on behalf of central government, provincial administration or any other agency. By rule, the mandating institution must pay adequate financial compensation to the C/S to fully cover the actual expenditures. The nature and extent of these expenditures are discussed and agreed upon in written between the C/S and the concerned mandating institution.
- (5) Social Intervention: Expenditures under this category relate to the assistance provided to poor or vulnerable families, and support of community development programs managed by local NGOs and community-based organizations, such as local education and information campaigns for women and youth, environmental protection and natural resources management and other programs impacting on the welfare of local population. Social intervention can be granted in kind or in cash as the C/S council may decide. The C/S council must adopt transparent, objective criteria for granting social assistance.
- (6) Economic Intervention: These costs relate to promoting economic development in the C/S such as support to establish local businesses, costs of organizing trade fairs and exhibitions to promote local production. The C/S council must adopt transparent, objective criteria for economic intervention.

(7) Contingency: Allocation for contingencies must not exceed 3% of the total budget. This budget line can be used for covering unforeseen expenditures that have not been appropriated in the budget, or for which budgeted appropriations proved to be insufficient.

2.6 For the purpose of setting recurrent expenditure appropriations, the C/S chief:

- Must not omit any mandatory expenditure; and mandatory expenditures must be given priority in resource allocation
- Must accurately evaluate expenditures, in the most economical manner, with the objective of obtaining the maximum surplus to be used for financing development expenditures.
- This surplus represents the effort made by the C/S to mobilize additional resources for local development investment.

### **Capital Budget:**

2.7 Capital revenues come from the following sources:

- (1) Recurrent Budget Surplus: As specified under Paragraph 2.6 above.
- (2) Reserve Fund: The Reserve Fund is made of accrued budget surpluses from previous years. C/S can use the Reserve Fund only for financing capital expenditures during following fiscal years.
- (3) C/S Fund Transfer for Local Development: C/S must use this transfer in accordance with the C/S Fund regulations. The C/S Fund Board shall notify the amount of transfer to the C/S chief before the start of the budget formulation process.
- (4) Contribution of Residents to Local Development Investment: This cash contribution is to be paid by C/S residents as participation to the costs of developing local infrastructure. Specific regulations will apply to the assessment and collection of this contribution.
- (5) Other Capital Revenues such as the proceeds of C/S property sales, or grants earmarked for local development investment.

2.8 Capital expenditures include the following:

- (1) Investment for administrative purpose: Costs of the acquisition or creation of durable assets that will serve for the functioning of the C/S administration such as office premises, equipment and furniture for the Council's or administration's facilities, transport means.
- (2) Local Development Investment: Costs of creation or upgrading of durable assets and infrastructure that will serve in providing public services to C/S residents such as: survey, design, construction, repair and maintenance of roads, bridges, markets, educational and health care facilities, community centres, irrigation networks and structures, agricultural storage facilities, water and power supply and other economic and infrastructure.

2.9 The C/S chief must prepare and attach to the draft budget document a Project Sheet for each budgeted investment project. The Project Sheet must include the following information:

- Expected benefits to the C/S and residents
- Estimate investment costs, schedule of implementation, and funding scheme of the project
- Estimate of operating costs and/or revenues that are associated with the operation of the infrastructure.

2.10 The C/S chief must ensure that citizens take part in the budget formulation process. To this end:

- Planning and Budgeting Committee meetings must be open to citizens that are interested in discussing the draft budget. Where feasible, the Committee must take into consideration observations and suggestions expressed by citizens.
- C/S chief must disclose the draft budget to the public at least two weeks before the meeting of the C/S council
- C/S council may establish any other participatory mechanisms to promote public participation in local affairs.

### 3. Vote on the Draft Budget

3.1 The C/S chief must ensure that the draft budget is prepared in due time so that the C/S council can meet and decide on the budget not later than 31 October. The C/S chief must prepare and submit the following documents to the council deliberation:

- (1) The draft budget
- (2) Budget presentation memorandum including (i) economic and financial assumptions on which the draft budget is based, (ii) linkage with the C/S development plan where such plan exists, and (iii) the extent of citizen participation in the budget formulation process
- (3) Statement on the implementation of the current year budget during the first semester
- (4) And any other information that the C/S Council deems necessary for the deliberation on the draft budget.

3.2 The C/S chief must ensure that the date of the Council's meeting is disclosed to the public well in advance, giving the opportunity to interested citizens to attend the Council deliberations on the draft budget. To the most extent possible, the Council must hold its meetings in a place that can accommodate as much as possible of people.

3.3 The C/S council must discuss and vote on the draft budget section by section. The Council must vote and adopt the draft budget not later than October 31.

### 4. Approval of the Budget

4.1 The C/S chief must submit, not later than November 5, the adopted draft budget, in 5 (five) originals, to the approval of the provincial/municipal governor. The draft budget must be supported by the following documents (one copy):

- Brief presentation memorandum specifying the assumptions that served for establishing revenues and expenditures forecasts, as well as the extent of citizens participation in the budget formulation process
- Statement on the implementation of the ongoing budget
- Summary table of local development investments identified in the commune development plan when such plan exists.
- Minutes of the C/S council deliberations on the draft budget.

4.2 The provincial office must acknowledge receipt of the draft budget and supporting documents by issuing an acknowledgment attestation to the C/S chief.

- 4.3 The Governor must review and approve the draft budget not later than November 30. To this end, the Governor shall check compliance of the draft budget with the following requirements:
- (1) The budget has been formulated and presented in accordance with the prescribed format and account classification
  - (2) The draft budget satisfies the conditions stated in Paragraph 1.2 above.
  - (3) C/S residents have been involved in the budget formulation process
  - (4) Compliance with any conditions attached to the use of the C/S Fund transfers
  - (5) C/S council has adopted realistic budget appropriations for mandatory expenditures
  - (6) Local development investments included in the budget are consistent with the priorities of the C/S plan when such plan exists.
- 4.4 The Governor shall not have the right to reshuffle or oppose spending choices decided by the C/S council to the extent that the draft budget complies with the requirements specified in Paragraph 4.3 above.
- 4.5 If the draft budget satisfies the required compliance controls, the Governor shall approve the draft budget, and shall issue a written notification to the C/S chief, accompanied by an original copy of the budget document bearing the official seal and initials on each page.
- 4.6 The Governor must send a copy of the notification together with original copy of approved budget document to:
- Provincial treasury
  - Provincial department of Economy and Finance
- 4.7 If the Governor establishes that the draft budget presented by the C/S does not satisfy one or more compliance controls, he shall have the right to withhold his approval of the draft budget. In such case, the Governor must immediately notify in written to the C/S chief:
- The reasons for withholding approval of the draft budget, and
  - Recommended corrective measures.
- 4.8 The C/S chief must revise the draft budget in accordance with the observations and recommendations made by the Governor. He must, then, present the revised version of the draft budget to the C/S council vote within 15 days after receiving the Governor's notification.
- 4.9 The C/S chief must submit in the same manner as the initial draft, the revised draft budget to the approval of the Governor. The revised draft must be supported by:
- Brief memorandum to explain changes made to the initial draft in order to comply with the Governor's recommendations
  - Minutes of the C/S council deliberations on the revised draft budget.
- 4.10 Upon receipt of the revised draft budget the Governor undertakes to review, approve and notify original copy of the approved budget to the C/S chief and the other recipients specified in Paragraph 4.6 above.
- 4.11 If the C/S chief fails to submit the revised draft budget to the Governor within one month after receiving the Governor's notification, or if the revised draft budget still does not satisfy the required compliance controls, then the governor shall:
- Undertake to make necessary adjustments, and approve the draft budget.

- Notify the C/S chief, the provincial treasury, the provincial department of economy and finance, in the same manner as stated in Paragraphs 4.5 and 4.6 above.
- 4.12 In the event of conflict between the C/S council and the governor, the C/S chief shall bring, in written, the case to the Minister of Interior for final decision. In support of his claim, the C/S chief must submit the following documents to the Minister of Interior:
- A memorandum explaining the matters on which the C/S council and the Governor could not agree, and the C/S council argumentation.
  - Copy of the draft budget and minutes of the C/S council deliberations
  - Copy of the Governor's notification.
  - And any other documents that the C/S council deems helpful in supporting the Council's position.
- The decision of Ministry of Interior is the final decision.
- 4.13 In case the draft budget has not been approved before January 1, whether this is attributable to the C/S council, to the provincial administration, or to any other reason, the Governor shall authorize temporarily, in written, the C/S chief to:
- Execute during each month, mandatory expenditures up to one-twelfth of their respective amounts as appropriated in the previous year budget.
  - Collect revenues up to the amount appropriated in the previous year budget.

## **5. Implementation of the Budget**

5.1 Implementation of the C/S budget involves the following processes:

- Amendment of the budget
- Assessment and collection of revenues
- Commitment and payment of expenditures
- Reporting on the budget implementation progress
- Closing the budget accounts at the end of the fiscal year.

### **Amendment of the Budget**

- 5.2 The C/S budget may be amended during the fiscal year to account for changes in the economic or financial conditions affecting initial revenue and expenditure forecasts. The draft amended budget shall be prepared, adopted, and approved in accordance with the procedure applying to the initial budget:
- The C/S chief prepares and proposes the amendment to the C/S council
  - The C/S council discusses and adopts the draft amended budget
  - The Governor reviews and approves the amended budget.
- 5.3 The approval of the Governor shall not be required if the purpose of amendment is the reallocation of resources among budget lines within the same category of expenditure provided that such reallocation does not change the type of investment projects included in the initial budget.
- 5.4 Where the approval of the Governor is not required as in the cases specified in Paragraph 5.3, the C/S chief must notify in written the Governor and the other recipients as in Paragraph 4.6 above, the change in the reallocation of resources, not later than 5 working days after the deliberation of the C/S council. The notification must be supported by the following:
- The amended budget document
  - A brief note highlighting the changes to the initial budget and their rationale
  - Minutes of the C/S council deliberations.
- 5.5 Appropriation under category "Contingency" can be used for meeting unforeseen expenditures that have not been appropriated in the budget, or for covering expenditures for which budgeted appropriations proved to be insufficient. C/S chief must seek the C/S council's endorsement before

deciding on the use of the contingency appropriation. Uses of budget in this category no need to amend budget.

#### Revenue Collection, Expenditure Commitment and Reporting on Budget

- 5.6 C/S shall assess and collect own-source revenues in accordance with specific laws and regulations pertaining to such revenues.
- 5.7 C/S shall execute budgeted expenditures through commitment, verification and issue payment order in accordance with the procedures specified in the C/S Expenditures and Procurement Guidelines.
- 5.8 C/S shall report on the budget implementation progress following the schedule and procedure specified in the C/S Accounting and Payment Guidelines.

#### Closing the Budget

- 5.9 At the end of the fiscal year, the C/S must close the budget in accordance with the procedure hereafter.
- 5.10 The C/S accountant at the provincial treasury shall prepare the Closing Financial Statements. The Statements include:
- Actual implementation figures of the budget -- revenues and expenditures- as they are reflected in the accounting system as per 31 December;
  - C/S end-of-year cash position as reconciled with the deposit accounts records at the provincial treasury
  - C/S fixed assets statement, as reflected in the Asset Registers, and after reconciliation with the result of the physical inventory.
- 5.11 The accountant shall submit the Closing Financial Statements to the C/S chief for reconciliation with the budget implementation records held by C/S administration. The accountant and the C/S chief shall jointly investigate and correct any discrepancy, before the C/S chief sets the reconciled Closing Financial Statements. The C/S chief shall ensure that the reconciled statements are produced not later than 15 February of the following year.
- 5.12 C/S chief shall submit the Closing Financial Statements to the review and adoption by the C/S council during the month of March following the ending fiscal year. After deliberation, the C/S council shall adopt by vote the "Budget Closing Resolution". The Resolution shall:
- 1) State the actual expenditures and revenues achieved during the ending fiscal year
  - 2) Cancel any unused budget appropriations
  - 3) Authorize the transfer of the result of the fiscal year to the "Reserve Fund Account".
- 5.13 The C/S chief shall submit the Budget Closing Resolution to the provincial/municipal governor approval, not later than seven one week after the C/S council deliberation. The following documents shall be attached to the Resolution:
- Copy of the closing financial statements
  - Narrative activity report
  - Minutes of the C/S council deliberations.
- 5.14 The Governor shall review and approve the Closing Financial Statements. He must notify in written his decision to the C/S chief not later than 20 (twenty) days after receiving the Closing Budget Resolution.
- 5.15 The C/S can use the Reserve Fund only for financing capital expenditures during following fiscal years.

CAMBODIA: Rural Investment for Local Governance Project  
 Project Implementation Manual  
 Commune/Sangkat Financial Management System  
 Budget Guidelines

5.16 The Budget calendar is summarized in the following table (for the fiscal year “n”):

	<b>Tasks</b>	<b>Who is in Charge</b>	<b>Time Frame</b>
1	Draft budget	C/S Chief	July – 15 October Year (n-1)
2	Draft Budget disclosed to the public	C/S Chief	Not later than 15 October (n-1)
3	Adoption of Draft Budget	C/S Council	Not later than 31 October (n-1)
4	Submission of Draft Budget to Governor	C/S Chief	5 November (n-1)
5	Approval of Draft Budget	Governor	Not later than 30 November (n-1)
6	Budget Implementation	C/S Chief (and Provincial Treasury)	January – December (n)
7	Budget Amendment (if any)	C/S Chief and C/S Council + Approval by Governor	June-July (n)
8	Budget Closing	C/S Chief and C/S Council + Approval by Governor	January-March (n+1)

This guideline summarizes key principles relate to technical task and procedures for preparation and implementation of C/S budget, so C/S shall study and implement as the first stage. Therefore, if any issue related not yet clear of this guideline can be referred to MEF for solution.

...../...../2002

Senior Minister  
 Minister of Economy and Finance  
 Keat Chhon



Table 2

<b>Commune-Sangkat Budget : Detailed Format (Revenues)</b>
--

Revenues			
Code	Budget Line	Amount	%
<b>70</b>	<b>Local Taxes</b>		
<b>71</b>	<b>Non-Tax Services and Property Revenues</b>		
71-01	Administrative Fees		
71-02	Local Services User Charges		
71-03	Property Revenues		
<b>72</b>	<b>C/S Fund Transfer - General Administration</b>		
<b>73</b>	<b>Agent Functions Revenues</b>		
73-01	From State		
73-02	From Line Ministries		
73-03	From Provincial Authorities		
73-09	Other		
<b>74</b>	<b>Other Recurrent Revenues</b>		
<b>Total Recurrent Revenues</b>			
	<b>Recurrent Surplus</b>		
<b>76</b>	<b>Reserve Fund</b>		
<b>77</b>	<b>C/S Fund Transfer - Local Development</b>		
<b>78</b>	<b>Local Contribution to local Development Investment</b>		
<b>79</b>	<b>Other Capital Revenues</b>		
79-01	Sales of property		
79-02	Grants		
79-09	Other		
<b>Total Capital Revenues</b>			
<b>Total Budget Revenues</b>			

Table 2

<b>Commune-Sangkat Budget : Detailed Format (Expenditures)</b>
--

Expenditures			
Code	Budget Line	Amount	%
<b>60</b>	<b>Salary and Allowances:</b>		
60-01	Staff Wages – Administration		
60-02	Staff wages – Local Services		
60-03	Councilors Allowances		
<b>61</b>	<b>Administration Costs:</b>		
61-01	Rental Fees		
61-01	Repair & Maintenance – Administration		
61-02	Utilities (water, electricity)		
61-03	Travel & Transport		
61-04	Communication		

61-05	Office supplies		
61-06	Meetings and ceremonies		
61-07	Documentation and Information		
61-09	Other costs		
<b>62</b>	<b>Local Services Costs</b>		
62-01	Repair and Maintenance		
62-02	Utilities		
62-09	Other Costs		
<b>63</b>	<b>Agent Function Costs</b>		
63-01	Mandated by the State		
63-02	From Line Ministries		
63-03	From Provincial Authorities		
63-09	Other Mandated Functions		
<b>64</b>	<b>Social Intervention</b>		
64-01	Assistance to Families		
64-02	Subsidies to Local Organizations		
<b>65</b>	<b>Economic Intervention</b>		
<b>66</b>	<b>Contingency</b>		
	Recurrent Surplus		
<b>Total Recurrent Expenditures</b>			

<b>67</b>	<b>Administration Investment</b>		
67-01	Property Purchase		
67-02	Constructions/Works		
67-03	Equipment		
67-09	Other		
<b>68</b>	<b>Local Development Investment</b>		
68-01	Materials		
68-02	Constructions/Works		
68-03	Equipment		
68-09	Other		
<b>Total Capital Expenditures</b>			

<b>Total Budget Expenditures</b>			
----------------------------------	--	--	--

Table 3:

<b>Commune Sangkat Budget Format (Summary)</b>
--

<b>Revenues</b>			
Code	Budget Line	Amount	%
70	Local Taxes		
71	Non-Tax Services and Property Revenues		
72	C/S Fund Transfer - General Administration		
73	Agent Functions Revenues		
74	Other Recurrent Revenues		
<b>Total Recurrent Revenues</b>			

	Recurrent Surplus		
76	Reserve Fund		
77	C/S Fund Transfer - Local Development		
78	Local Contribution to local Development Investment		
79	Other Capital Revenues		
<b>Total Capital Revenues</b>			

<b>Total Budget Revenues</b>			
------------------------------	--	--	--

<b>Expenditures</b>
---------------------

60	Salary and Allowances		
61	Administration Costs		
62	Local Services Costs		
63	Agent Functions Costs		
64	Social Intervention		
65	Economic Intervention		
66	Contingency		
	Recurrent Surplus		
<b>Total Recurrent Expenditures</b>			
67	Administration Investment		
68	Local Development Investment		
<b>Total Capital Expenditures</b>			

<b>Total Budget Expenditures</b>			
----------------------------------	--	--	--

**FRASAS  
ON  
COMMUNESANGKAT  
BUDGET CLASSIFICATION  
FORMAT**

## **Prakas No. 329/MEF**

**APPROVED: 25 APRIL 2002**

### **Commune/Sangkat Budget Classification and Format** **Unofficial Translation**

**The Minister of Economy and Finance**

#### **DECIDE**

##### **Article 1-**

The Commune/Sangkat Budget Classification and Format is established.

##### **Article 2-**

C/S Commune/Sangkat budget shall be structured into two sections:

- Recurrent Budget (Section 1) includes revenues and expenditures that are associated with the regular operation of the commune administration and the commune council, and the provision of local public services.
- Capital Budget (Section 2) includes revenues and expenditures that relate to the acquisition and creation of durable assets.

##### **Article 3-**

Recurrent revenues classification shall be as follows:

<b>CODE</b>	<b>Account Title</b>
<b>70</b>	<b>Local Taxes</b>
<b>71</b>	<b>Non-Tax Services and Property Revenues</b>
71-01	Administrative Fees
71-02	Local Services User Charges
71-03	Commune/Sangkat Property Revenues
<b>72</b>	<b>Commune/Sangkat Fund Transfer - General Administration</b>
<b>73</b>	<b>Agent Function Revenues</b>
73-01	From State
73-02	From Line Ministries
73-03	From Provincial Authorities
73-09	Other
<b>74</b>	<b>Other Recurrent Revenues</b>

Article 4-

**Recurrent expenditures classification shall be as follows:**

Code	Account Title
<b>60</b>	<b>Salary and Allowances:</b>
60-01	Staff Wages – Administration
60-02	Staff wages – Local Services
60-03	Councilors Allowances
<b>61</b>	<b>Administration Costs:</b>
61-01	Rental fees
61-02	Repair & Maintenance – Administration
61-03	Utilities (water, electricity)
61-04	Travel & Transport
61-05	Communication
61-06	Office supplies
61-07	Meetings and ceremonies
61-08	Documentation and Information
61-09	Other costs
<b>62</b>	<b>Local Services Costs</b>
62-01	Repair and Maintenance
62-02	Utilities
62-09	Other Costs
<b>63</b>	<b>Agent Functions Costs</b>
63-01	Functions Mandated by the State
63-02	Functions Mandated by Line Ministries
63-03	Functions Mandated by Provincial Authorities
63-09	Other Mandated Functions
<b>64</b>	<b>Social Intervention</b>
64-01	Assistance to Families
64-02	Subsidies to Local Organizations
<b>65</b>	<b>Economic Intervention</b>
<b>66</b>	<b>Contingency</b>

Article 4-

**Capital revenues classification shall be as follows:**

Code	Account Title
<b>10</b>	<b>Reserve Fund</b>
<b>77</b>	<b>Commune/Sangkat Transfer for Local Development</b>
<b>78</b>	<b>Local Contribution to Local Development Investment</b>
<b>79</b>	<b>Other Capital Revenues</b>
79-01	Sales of property
79-02	Grants
79-09	Other

Article 6-

**Capital expenditures classification shall be as follows:**

Code	Account Title
<b>67</b>	<b>Administration Investment</b>
67-01	Property Purchase
67-02	Constructions/Works
67-03	Equipment
67-09	Other
<b>68</b>	<b>Local Development Investment</b>
68-01	Materials
68-02	Constructions/Works
68-03	Equipment
68-09	Other

Article 7-

Each investment project included in the budget shall be supported by a "Project Sheet" as per the format shown in Table 1 annexed to this Prakas. Project sheets must be attached to the budget document.

Article 8-

C/S budget shall be prepared, adopted, and approved following the format shown in Tables 2 annexed to this Prakas.

Article 9-

In the fiscal year 2002 Commune/Sangkats shall prepare their budget following the summary format shown in Table 3 annexed to this Prakas. After 2002, Communes/Sangkats shall progressively adopt the budget format shown in table 2 annexed to this Prakas, in line with the increase of their financial resources and the development of their management capacity.

Article 10-

Any Prakas that contradicts this Prakas shall be voided.

Article 11-

The General Secretariat, the Cabinet office, Directors of Department and other involved agencies shall implement this Prakas from the date of signature.

Senior Minister  
Minster of Economy and Finance  
Keat Chhon

**PERATURAN  
DARI  
KOMITE SANGKAT FUND  
PAYMENT AND ACCOUNTING  
SYSTEM GUIDELINES**

**Prakas # 938 MEF**

**APPROVED: 31 DECEMBER 2002**

**Payment and Accounting System  
Guidelines**

**Unofficial Translation**

**1. General Principles**

- 1.1 These Guidelines provide instructions for the operation of the Commune/Sangkat system of payment and accounting as established by the Sub-Decree No 26 dated 02 April 2002, on "The Commune/Sangkat Financial Management System." These Guidelines are integral part of the legal framework of the C/S financial management system.
- 1.2 The C/S chief is the Budget-Authorizing Officer. He shall have full power to:
  - Authorize collection of revenues in accordance with the approved budget
  - Execute expenditures within spending limits set in the budget
  - Order payment of expenditures.
- 1.3 The C/S chief may delegate, at his discretion and in written, power to any of his deputies. The delegate budget-authorizing officer shall act under the responsibility and control of the C/S chief.
- 1.4 The C/S chief and delegate budget authorizing officer(s) shall furnish the following information to the Chief of the Provincial Treasury: (i) name (ii) address, and (iii) specimen of signature.
- 1.5 The C/S chief, the delegate budget authorizing officer(s), and in general C/S staff members shall not handle funds or make cash disbursements except in the cases of petty cash payments, or collection of non tax-revenues.
- 1.6 The provincial/municipal treasury shall perform as the C/S accountant, to carry out the following tasks:
  - To collect and/or acknowledge receipt of C/S revenues.
  - To check and execute payment orders issued by the C/S chief
  - To implement C/S financial accounting system in accordance with the principles and rules specified in the present guidelines.
  - To prepare CS periodic financial reports, and end-year financial statements
  - To file and safeguard all documents supporting transactions and accounting records for a period of not less than ten (10) years.
  - Manage and release of Fund in accordance with procedures and regulation of National Treasury.
- 1.7 The C/S shall hold a deposit account at the provincial/municipal treasury. The account is operated according to the following rules:
  - (1) All C/S revenues must be deposited into the account
  - (2) Payment of expenditures must be made through the deposit account, except in the case of petty cash advance transactions.
- 1.8 The C/S cannot hold a deposit bank account unless the Minister of Economy and Finance has duly authorized it. The authorization to be issued by the Minister of Economy and Finance shall specify the purpose of the account and its operation modalities.

- 1.9 The C/S accounting system shall serve the following purposes:
- To keep track of all financial transactions undertaken by the commune/sangkat
  - To produce timely, accurate financial reports that inform on the C/S activity progress and cash position, and can serve as basis for auditing C/S financial performance
  - To monitor the budget implementation process.
- 1.10 The commune/sangkat accounting system shall include the following mechanisms:
- (1) Financial Accounting: To register, and report on commune/sangkat financial transactions
  - (2) Budgetary Accounting: To monitor the implementation of C/S budget.
- 1.11 Each C/S shall have the right to hold and manage a **Petty Cash advance** in accordance with the following rules:
- (1) The ceiling-amount of the Petty Cash advance shall equal to 1/4 of (Total recurrent expenditure – Allowance of CC).
  - (2) Any single payment out of the petty cash advance must not exceed 200,000 Riels.
  - (3) The Petty Cash Advance shall be used only for the payment of non-salary recurrent expenditures and for administrative capital expenditures.
  - (4) The C/S chief shall appoint a staff member from the C/S administration to be the petty cash advance manager. The C/S chief must notify the name of the petty cash advance manager to the C/S accountant at the provincial treasury.
  - (5) The petty cash advance manager is accountable for the safety of funds and supporting documents, and keeping records of processed payments.
  - (6) Payments from the petty cash advance must be pre-authorized by the C/S chief or his delegate, and based on Payment Vouchers (Form K-04)
  - (7) The petty cash manager shall perform his tasks under the joint control of the C/S chief and the C/S accountant at the provincial treasury.
  - (8) The petty cash advance manager must record all payment and replenishment transactions in the Petty Cash Book (Form K-02).
  - (9) When the balance of petty cash fund reaches half or less than of the authorized ceiling, the C/S chief may request the replenishment of the fund. The replenishment request is submitted to the accountant at the provincial/municipal treasury, and must be supported by appropriate documentation – to be prepared by the petty cash advance manager, and certified by the C/S chief – including:
    - Payment Order
    - Petty cash advance reconciliation sheet (Form K-05)
    - Summary of payments, sorted by budget line
    - Original paid invoices and bills.
  - (10) At the end of the fiscal year, the petty cash advance manager must return unused funds to the C/S accountant at the provincial treasury.

## 2. EXPENDITURE CYCLE

- 2.1 Commune/Sangkat expenditures must fulfil the two following conditions:

- The expenditure must be appropriated in the C/S approved budget
- The expenditure must be consistent with the laws and regulations of the Kingdom of Cambodia.

2.2 C/S expenditure process includes the following steps:

- 1) Commitment
- 2) Verification
- 3) Payment order
- 4) Payment.

The C/S chief is responsible for the commitment, verification and payment order steps while the C/S accountant shall execute payment of expenditures.

### Expenditure Commitment

2.3 Commitment is the act by which the commune/sangkat enters into contracts or any other forms of agreement (such as verbal or written purchase order) for the procurement of works, goods and services, whether the works, goods and services are immediately received, or for future delivery in accordance with the contractual arrangements agreed between the C/S and the supplier or contractor. The commitment entails for the commune/sangkat an obligation to pay the contractor or supplier provided that the latter has complied with the provisions of the contract or the purchase order.

2.4 Only the C/S chief or his duly authorized delegate can undertake expenditure. Prior to any expenditure decision, the C/S chief or his delegate must check and confirm that:

- 1) The expenditure is proposed under the correct budget category and does not violate any law or regulations
- 2) There is sufficient funds available under the budget line associated with that expenditure
- 3) The expenditure is executed in accordance with the established procurement rules.

2.5 The governor, the provincial department of economy and finance, and financial controllers shall not have the right to exercise any control over expenditure decisions made by the C/S chief or his authorized delegate.

### Expenditure Verification

2.6 The verification of expenditures takes place after the goods or services have been received or rendered by the contractor or supplier. The purpose of verification is:

- To ascertain the validity of the obligation for payment: To check whether the supplier or contractor has the right to claim the payment, and whether the works, goods have been delivered, or services rendered in conformity with the contract or purchase order, as certified by a qualified officer. The qualified officer shall be either a staff member from the C/S administration (for goods and services) or an external technical supervisor hired by the C/S or assigned by the Governor (for works contracts).
- To confirm the exact amount of expenditure: To verify that invoices submitted by contractors or suppliers are correct in respect of their amount and their relevance to the transaction. Invoices and bills submitted by suppliers or contractors must mention the date and the claimed amount, the name, signature and address of the supplier or contractor. Where applicable, original of the delivery report must be attached to the invoices and bills.

### Payment Order

- 2.7 Based on the result of verification, the C/S chief shall establish and sign the Payment Order (**Form K-01**). The C/S chief must forward the payment order, accompanied with the invoice or bill and other supporting documents, to the accountant at the provincial treasury. The accountant shall acknowledge in written receipt of the Payment Order.
- 2.8 The C/S chief shall notify the reference of the Payment Order (number, amount, and date) to the concerned supplier or contractor.

### Payment of Expenditure

- 2.9 The C/S accountant is responsible for the review and processing of payment orders issued by the C/S chief. To this end, the accountant must check and confirm that:
- 1) The qualified budget-authorising officer (the C/S chief or his delegate) has authorized the payment by signing the order
  - 2) A qualified officer (a staff member from the C/S administration for goods and services or an external technical supervisor for works) has certified that works or goods have been received or that services have been rendered as agreed.
  - 3) The invoice and its supporting documents are correct, and they relate to the concerned expenditure for the amount agreed in the contract or purchase order.
  - 4) The beneficiary of payment is correctly identified on the invoice and the payment order
  - 5) Payment is requested under the correct expenditure category, and sufficient funds are available in that category
  - 6) The position of the commune/sangkat deposit account permits the payment
  - 7) The payment discharges the commune/sangkat from any further claim relating to the same transaction.
- 2.10 In the event any of the above-mentioned conditions is not fulfilled, the accountant shall have the right to withhold the payment. The accountant must, then, notify in written to the C/S chief the reasons for withholding the payment and the proposed corrective measures.
- 2.11 The C/S chief must take necessary action to address the reservations raised by the accountant. He must reconfirm the payment order to the accountant by means of a written note stating the actions taken in respect of the accountant's reservations and/or any additional supporting documents.
- 2.12 In the event of disagreement, the following procedure shall apply:
- The C/S chief and the accountant shall discuss in good faith in order to agree on how to address any issue relating to the payment process, in accordance with the established rules.
  - If no agreement is reached within 5 (five) days, the C/S chief can submit the matter for arbitration to the governor. The decision of the governor shall be final and binding on the C/S chief and the accountant. Copy of the governor's decision must be attached to the documents supporting the payment.
- 2.13 The C/S chief may submit payment orders to the provincial treasury until December 31. The accountant shall not process any order issued after this date. The C/S chief shall ensure that all

pending invoices and bills are certified in due time, and related payment orders sent to the provincial treasury not later than December 31.

- 2.14 The C/S accountant shall make the payment available to the beneficiary designated in the payment order or to his/her duly mandated representative, in accordance with the internal rules of the provincial treasury.
- 2.15 On a monthly basis, the accountant must notify to the C/S chief the list of payments executed during the ending month. The C/S chief must use the information to update Expenditure Control Sheets.
- 2.16 With respect to payments of Contracts awarded through the competitive bidding process, the CS accountant shall undertake to monitor payments executed against contracts by using the Contract Monitoring Sheet (Form R-09). The CS accountant shall ensure that:
  - (1) Each contract has a code that is made of eight (10) digits:
    - CS code: 6 digits
    - Fiscal Year: 2 digits
    - Contract number: 2 digits
  - (2) Payments orders are checked against the corresponding Contract Monitoring Sheet
  - (3) All processed payments are posted to the relevant Contract Monitoring Sheet immediately after effecting the payment to the contractor.

### 3. Financial Accounting

3.1 C/S financial accounting system shall be in accordance with the following principles:

- (1) It is a cash-based system:
  - Revenues are recorded in accounts only when corresponding cash is effectively received
  - Expenditures are entered in the accounting system only when they are paid
  - Accordingly, outstanding obligations (debts) or rights (receivable revenues) are not reflected in the accounting records until their realization.
- (2) Transactions are recorded following the double-entry method – that is:
  - Each single transaction must be reflected in at least two different accounts
  - The amount recorded in “Debit” side(s) must equal the amount recorded in “Credit” side(s) for each transaction.
- (3) The system requires two mandatory accounting books:
  - The General Journal shall record all financial transactions, in chronological order. The General Journal shall be in the form of a numbered bound book.
  - Individual Transaction Accounts: A separate account is assigned to each transaction category. The set of individual accounts is called the Ledger.
- (4) The chart of account shall be consistent with the general principles of the Cambodian accounting plan, and the C/S budget classification.

3.2 The chart of accounts includes the following classes of accounts:

- Reserve Accounts (code 1)
- Third Party Accounts (code 4)
- Cash Accounts (code 5)
- Expenditure Accounts (code 6)
- Revenue Accounts (code 7)

3.3 Revenue accounts (code 7), and expenditure accounts (code 6) must be closed at the end of the fiscal year once all end-of-year accounting controls and recapitulations have been properly completed.

Revenue and expenditure accounts must be reset to zero and re-opened in the beginning of the following year. The other accounts are reopened for their closing balance.

- 3.4 C/S that have opted for the simplified budget classification can use the simplified chart of accounts. The simplified chart consists of the accounts that are identified by a two-digit code.
- 3.5 For each accounting record, the following information shall be mentioned in the General Journal (Form R-02):
- Entry order
  - Entry date
  - Code and Name of concerned transaction accounts
  - Brief description of the transaction.
  - Amounts to be debited or credited to accounts.
- 3.6 Accounting entries into the General Journal must be posted to corresponding individual accounts (Forms R-03, R-07, and R-08). At least the following information must be posted to ledger accounts:
- Entry date
  - Entry order as per the General Journal
  - Amount to be debited or credited
  - Brief description of the transaction.
- 3.7 In respect of bookkeeping, the C/S accountant shall carry out the following tasks:

On a daily basis:

- Enter transactions into the accounting books
- File supporting documents.

On a monthly basis:

- Prepare the Trial Balance of Accounts (Form R-04) in order to (i) identify and correct potential recording errors, and (ii) generate the C/S monthly financial report.
- Determine the C/S cash position based on the Treasury deposit account statement as reconciled with the accounting records.

At the end of the fiscal year:

- Prepare the end-of-year Trial Balance
- Reconcile the accounting records with the Treasury deposit account statement
- Correct any recording errors
- Reconcile accounting records with the budget implementation records as maintained by the C/S chief
- Prepare C/S annual financial statements and submit to C/S Chief.

#### 4. Budgetary Accounting

- 4.1 The C/S chief shall be responsible for monitoring the budget implementation, with the aim to:
- Control execution of expenditures within the approved budget limits
  - Control collection of revenues in accordance with the approved budget
  - Report on the budget implementation to the C/S council and provincial authorities.

The CS Chief may appoint a staff member to carry out the budgetary accounting tasks.

- 4.2 Monitoring of expenditure commitments shall be in accordance with the following rules:

- (1) Transactions relating to each budget line shall be posted to a separate Expenditure Control Sheet (**Form K-06**).
  - (2) The Expenditure Control Sheet must show the following information:
    - Authorized budget allocation
    - Actual expenditures certified for payment (for which a payment order has been sent to the C/S accountant at the provincial treasury).
    - Balance of unspent allocations.
  - (3) Expenditure must be posted to the Control Sheet immediately after issuing the payment order. Expenditures paid through the petty cash advance fund must be posted to the Control Sheet at the time the petty cash advance fund is replenished.
  - (4) Balance of unspent allocations must be computed after each new entry in the Control Sheet.
- 4.3 Monitoring of revenue collection shall be as follows:
- (1) Revenues collected or received must be posted to Revenue Control Sheets (**Form K-07**) as per the revenue categories in the approved budget.
  - (2) The Revenue Control Sheet must show the following information:
    - Amount to be collected or received as reflected in the approved budget
    - Collected funds
    - Balance of uncollected revenues.
- 4.4 At the end of the month, the C/S chief must ensure that information shown in the Expenditure and Revenue control sheets are reconciled with C/S accountant records, and that any discrepancy is investigated and corrected

## 5. Financial Reports

### 5.1 Financial reports shall serve the following purposes:

- To enable the C/S chief monitor the budget implementation process by comparing actual achievements (in terms of revenues and expenditures) with approved budget.
- To help in evaluating the C/S financial position: Informing about the level and origin of C/S resources and how they are used for achieving C/S objectives.
- To enable the C/S council assess the performance of the communal administration (accountability of the C/S chief towards the C/S council);
- To inform citizens and provincial/national authorities on the C/S activities; and enable them to evaluate C/S achievements (accountability of the C/S council to its constituency and to higher authorities).
- To facilitate audit of C/S accounts and operations with regard to compliance with approved budgets, and any other legal or contractual obligations.

### 5.2 The C/S shall prepare and present the following reports:

- Monthly Budget Implementation Report
- Mid-year Budget Implementation Report
- Annual Financial Statements.

### 5.3 The monthly budget implementation report consists of the C/S Revenues and Expenditures Statement (**Form R-05**):

- The statement is structured following the budget account classification.
  - It compares actual achievements with budget forecasts,
  - It shows the C/S cash position.
- 5.4 The mid-year budget implementation report includes:
- Statement of C/S revenues and expenditures for 6 months (**Form R-06**)
  - Brief evaluation of the C/S performance in respect of the budget objectives.
- 5.5 The annual financial statements must inform, with accuracy and fairness, about the budget implementation conditions and the C/S end-of-year financial position. They include the following:
- Revenue and Expenditure Statement for the entire fiscal year (**Form R-06**)
  - Trial balance of C/S accounts
  - Reconciliation of the treasury deposit account
  - Durable assets statement.
- 5.6 The annual financial statements must be supported by the narrative activity report, to be prepared under the C/S chief responsibility. The activity report describes and evaluates:
- C/S performance in respect of the budget implementation
  - C/S achievements in respect of public services provision against the planned objectives;
  - Social and economic conditions in the C/S, and impact of the C/S operations on citizens' welfare.
- 5.7 The annual financial statements and the narrative activity report are the supporting documents for closing the C/S budget of the related period.
- 5.8 The C/S accountant is responsible for preparing the following documents:
- Periodic revenues and expenditures statements
  - End-year trial balance of accounts
  - Reconciliation of the treasury account,
  - Durable assets statement.
- The C/S accountant shall submit the above-mentioned statements to the C/S chief for reconciliation with the budget control sheets, and physical count of assets maintained by the C/S administration.
- 5.9 The C/S chief shall endorse the reconciled financial statement, and prepare narrative activity reports, not later than:
- 7 days into the subsequent month for monthly reporting
  - 15 July for the mid-year report
  - 31 January of the following year for annual reporting.
- 5.10 The C/S chief shall present financial and narrative reports to the C/S council for deliberation. The C/S council shall approve the reports not later than:
- 15 days into the subsequent month for monthly reports
  - 21 July for the mid-year report
  - 28 February of the following year for the annual reporting.
- 5.11 Following the council deliberation, the C/S chief shall:
- Send the reports to the provincial/municipal governor, the provincial Department of Economy and Finance.
  - Disclose the reports to the public.

## **6. Financial Forms**

- 6.1 Forms to be used by Communes and Sangkats are the following:

K-01:	Payment Order
K-02:	Petty Cash Book
K-03:	Cash Receipt Voucher
K-04:	Cash Payment Voucher
K-05:	Petty Cash Reconciliation
K-06:	Expenditure Control Sheet
K-07:	Revenue Control Sheet
K-08:	Revenue Collection Book
K-09:	Revenue Deposit Slip (to deposit collected revenue into CS account at provincial treasury).

6.2 Forms to be used by the CS accountant at the provincial treasury are:

R-01:	Entry Slip
R-02:	General Journal
R-03:	Transaction Account (Ledger)
R-04:	Trial Balance
R-05:	Monthly Revenue and Expenditure Statement
R-06:	Mid-year/Annual Revenue and Expenditure Statement
R-07:	Expenditure Control Sheet
R-08:	Revenue Control Sheet
R-09:	Deposit Account Reconciliation
R-10:	Contract Monitoring Sheet

This Prakas does not fully cover all activities implemented by C/S, in practise if there is any encountered issue please contact provincial/municipal treasury officer for taking appropriate actions.

Phnom Penh Date: 31 December 2002  
Senior Minister  
Minster of Economy and Finance

Singed

Keat Chhun

**Payment Order**

K-01

FY: 200X No:

C/S Code:  
C/S Name:

Budget Line	Amount	Purpose of payment
-------------	--------	--------------------

--	--	--

Name & Address of Beneficiary	Payment: In Cash Transfer to Account No Bank/Treasury Name & Address:
-------------------------------	---

Amount in words

C/S Chief: Name - Signature - Date - Stamp

C/S Code	Payment Order No:	Date:
----------	-------------------	-------

--	--

Amount (figures):	Purpose of payment
-------------------	--------------------

Amount in words

Name & Address of Beneficiary	Payment: In Cash Transfer to Account No Bank/Treasury Name & Address:
-------------------------------	---

Beneficiary: Name - Signature - Date	Treasury Accountant Name - Signature - Date
---	--



Province:	
Commune:	
<b>Cash Payment Voucher</b>	
K-03	

Date:	
Payee:	
Amount:	
Purpose:	
Supporting Documents:	
Petty Cash Manager (date and signature)	
C/S Chief:	
Payee:	

<b>Cash Receipt Voucher</b>	
K-04	
Date:	
Received from:	
Amount:	
Purpose:	
Supporting Documents:	
Petty Cash Manager (date and signature)	
C/S Chief:	
Payee:	

<b>PETTY CASH RECONCILIATION</b>	
K-05	

1. Initial Cash Deposit (Petty Fund):	
2. Amount in the safe (physical count):	
3. Total paid Expenditures (as per supporting Documents):	
4. Total Cash Deposit accounted for: (2+3)	
5. Explanation of any discrepancy between totals in lines (1) and (4):	
.....	

Petty Cash Manager: (date and signature)
C/S Chief for Control:
C/S Accountant for Posting to Accounting Books:







Province:  
Commune:

**Revenue Deposit Slip**

K-09

Order	Revenue Type	Code	Amount	Remarks
1				
2				
3				
4				
5				
6				
7				

Commune Chief: Signature: Date	Provincial Treasury Signature Date:
--------------------------------------	---

Province:  
District:  
Commune:  
No.:

**PC Withdrawal Slip**

Date:.....

K-10

I would like to request Mr./Ms.....Director of Provincial Treasury to  
withdraw cash from our commune/sangkat deposit account #452.....at.....  
.....Provincial Treasury and pay to Mr./Ms.....has function as.....  
.....and ID # or Authourisation letter #..... dated.....  
issued by.....in amount of.....in  
words.....

Correctly Reviewed

Seen and Approved to pay:	Balance of Account # 425.....
Amount.....	Amount.....
In word.....	In Word.....
Date.....	Date.....

**Director of Provincial Treasury   Chief Accountant   Accountant   C/S Chief**

Province:  
Commune:

**Entry Slip**

R-01

Voucher		Description	Debit		Credit	
Order	Date		A/C	Amount	A/C	Amount

Date:..... Date:.....  
Chief Accountant:..... Prepared by:.....







**Commune-Sangkat Accounting System**  
**Accounting Forms**  
**Monthly Revenues and Expenditures Statement ( By Each Commune)**

R-05

Date: \_\_\_\_\_

Code	Account	Budget	Actual		Unspent Balance	Others
			Previous	This Period		
		To date				
<b>A - Revenues:</b>						
70	Local taxes					
71	Non-Tax Services and Property Revenues					
72	C/S Fund Transfer - Admin.					
73	Agent Functions Revenues					
74	Other Recurrent Revenues					
76	Reserve Fund Transfer					
77	C/S Fund Transfer - Develop					
78	Local Contribution to Invest Costs					
79	Other Capital Revenues					
<b>Total Revenues</b>						
<b>B - Expenditures:</b>						
60	Salary and Allowances					
61	General Administration Costs					
62	Local Services Costs					
63	Agent Functions Costs					
64	Social intervention					
65	Economic intervention					
66	Contingency					
67	Administration Investment					
68	Local Development Investment ( Total for the Commune)					
68.01	Property Purchase					
68.02	Construction/Works					
68.02.01	Contract #x - Contract Name					
68.02.02	Contract #y - Contract Name					
68.02.03	Contract #z - Contract Name					
68.02.04	Contract #d - Contract Name					
68.02.05	Contract #e - Contract Name etc.					
68.03	Equipment					
68.09	Other					
<b>Total Expenditures</b>						
<b>C - Cash Position</b>						
Opening Cash Balance						
Revenues - Expenditures						
Closing Cash Balance						
Treasury Deposit Account						
Petty Cash						

**Commune-Sangkat Accounting System  
Accounting Forms**

**Mid Year/Annual Revenues and Expenditures Statement ( for the Commune)**

Date:

R-06

Code	Account Name	Budget	Actual	Unspent Balance	Other
<b>A - Revenues:</b>					
70	Local Taxes				
71	Non-tax Services and Property Revenues				
72	C/S Fund Transfer - Admin.				
73	Agent Functions Revenues				
74	Other Recurrent Revenues				
76	Reserve Fund Transfer				
77	C/S Fund Transfer - Develop				
78	Local Contribution to invst Costs				
79	Other Capital Revenues				
<b>Total Revenues</b>					

<b>B - Expenditures:</b>					
60	Salary and Allowances				
61	General Administration Costs				
62	Local Services Costs				
63	Agent Functions Costs				
64	Social Intervention				
65	Economic Intervention				
66	Contingency				
67	Administration Investment				
68	Local Development Investment				
68.01	Property Purchase				
68.02	Construction/Works				
68.02.01	Contract #x - Contract Name				
68.02.02	Contract #y - Contract Name				
68.02.03	Contract #z - Contract Name				
68.02.04	Contract #d - Contract Name				
68.02.05	Contract #e - Contract Name				
	etc.				
68.03	Equipment				
68.09	Other				
<b>Total Expenditures</b>					

<b>C - Cash Position</b>					
	Opening Cash Balance				
	Revenues - Expenditures				
	Closing Cash Balance				
	Treasury Deposit Account				
	Petty Cash				





Provincial Treasury:  
Commune Name:  
Deposit Account Number:

**Deposit Account Reconciliation**

R-09

Date:

**C/S Accounting Records**

1	Opening Balance	
2	Receipts	
3	Sub-Total: (1) + (2)	
4	Payments	
5	Closing Balance: (3) - (4)	

**Treasury Statement**

6	Closing Balance	
---	-----------------	--

**Justification of Discrepancy between Line 5 and Line 6**

	.....	
	.....	
	.....	

**Commune/Sangkat Contract Monitoring Form**

Commune: \_\_\_\_\_

Province Name: \_\_\_\_\_

R-10

BASIC CONTRACT DATA										PAYMENTS					
Sub Project Name Description Start and end dates	Contractor ID	Contractor Name and Address	Contract Code	Date Contract Signed	Original Contract Value	Revision to Value	Revised Contract Value	Payment Type	Payment No.	Date Paid	Contractor Invoice No.	Payment Order No.	Amount Paid	To Date Payment	Balance
								Advance Payments Progress Payment 1 Progress Payment 2 Progress Payment 3 Completion Payment Retention Interest - Late Payment							
								Advance Payments Progress Payment 1 Progress Payment 2 Progress Payment 3 Completion Payment Retention Interest - Late Payment							

**PRAKAS 937  
GUIDELINES ON  
COMMUNE SANGKAT  
PROCUREMENT**

Note this Prakas has a pending amendment

## **Ministry of Economy and Finance**

### **Prakas No 937/MEF**

**APPROVED: 31 December 2002**

## **Guidelines on Commune/Sangkat Procurement**

Unofficial translation

These Guidelines provide instructions for the implementation of procurement rules as established by the Sub-Decree No 26 dated 02 April 2002 on “The Commune/Sangkat Financial Management System”. These Guidelines are integral part of the legal framework of the C/S financial management system.

### **1. Policy Objective**

- 1.1 To achieve regularity and uniformity in complying with the requirements and procedures for carrying procurement activities on the part of all public agencies.
- 1.2 To ensure that procurement of goods and services and contracting of civil works are done in the most transparent, most efficient and most economical way possible.
- 1.3 To give adequate opportunity to suppliers and contractors to participate in the supply of goods or services and works under conditions of fairness and equity.
- 1.4 To obviate or at least minimize undesirable acts and practices that may accompany procurement process.

### **2. Guiding Principles**

Economy and efficiency are the basic principles that must be considered in carrying out procurement. Economy means that the goods, services or works should be contracted at the lowest possible price while efficiency implies that the delivery of the goods or services or the execution of works is undertaken in a manner that will satisfy the requirements of time, quality and serviceability.

### **3. Definition of Terms**

- 3.1 Procurement – the acquiring of goods and services or the hiring of contractors for civil works through any of the methods described in the public procurement.
- 3.2 Public Procurement – procurement that is carried out by any public agency, national or local, or by any state-owned or controlled institution.

- 3.3 Goods – any object in solid, liquid, or gaseous form that has an economic utility or value such as machinery, equipment, materials, supplies, commodities, products, including electricity.
- 3.4 Civil Works – any activity involving construction, repair, renovation, installation, erection, excavation, dredging and other similar activities which make use of a combination of labour, machinery, equipment and technology.
- 3.5 Services – any activity involving the use of manpower, equipment or technology that is rendered for the benefit of a public agency, but not including civil works or professional consulting services.
- 3.6 Buyer – the public agency that will acquire the goods to be procured.
- 3.7 Employer – the public agency that enters into the contract with the contractor for the execution of civil works or the rendering of services.
- 3.8 Supplier – an individual or firm who contracts to provide the goods to be procured.
- 3.9 Contractor – an individual or firm who contracts to execute the civil works or to render services.
- 3.10 Agency – any instrumentality of the government performing public functions, including ministries, provincial or city administrations and state-own or controlled institutions.
- 3.11 Bidding – the process of competing for the supply or services or the contracting of civil works.
- 3.12 Bid – an offer to supply goods or services or to contract civil works made in accordance with the terms and conditions set by the buyer or employer.
- 3.13 Post qualification – the act of reviewing the technical and financial qualification of the bidders to ascertain whether or not they are capable of executing the contract.
- 3.14 Contract – An agreement entered into between the Buyer and the Supplier for the supply of goods or between the Employer and the Contractor for the execution of civil works or rendering of services with terms and conditions that are acceptable to the parties.
- 3.15 Technical Supervisor – The person who is assigned by Commune/Sangkat Council chief to certify the quantity, quality of civil works, goods and services.

#### 4. General Principles

- 4.1 Communes/Sangkats shall carry out procurement of works, goods and services in accordance with the general principles of the Sub-Decree n.60-95 of 31 July 1995 on public procurement and with the provisions of the Sub-Decree regulating the Commune/Sangkat Financial Management System. The following guidelines provide additional guidance for the application of the general principles of the above-mentioned regulations.
- 4.2 The Commune/Sangkat Chief shall be responsible for procurement of all works, goods, and services.
- 4.3 Expenditures for local development (works, services and goods) must be awarded against a written contract following the format attached to these Guidelines.
- 4.4 Pursuant to the provisions of Sub-Decree on Communes/Sangkats Financial Management System, the C/S chief shall establish a “*Procurement Committee*”. The Procurement Committee shall be responsible for reviewing contractors’ and suppliers’ proposals and recommending to the Commune/Sangkat Chief, the appropriate procurement action. In performing its tasks the Committee shall ensure that:
- Procurement of works, goods, and services is carried over in the most transparent, most economical way possible
  - Suppliers and contractors are given adequate opportunity to participate in the bidding process under conditions of fairness and equality
  - The result of the bidding is made public.
- 4.5 The Procurement Committee shall apply open competitive bidding method to awarding of contracts for works, services and goods purchase orders as follows:
- Local Development Expenditures
  - Other Activities: All contracts over 2 M CR per contract.
- 4.6 The Procurement Committee shall be composed of three (3) permanent members:
- a) Commune/Sangkat Chief or his delegate: Chairperson
  - b) Two (2) members of the C/S Council to be selected by the Council.
  - c) The Commune/Sangkat Clerk shall be the Committee Secretary.
- In addition to the above, the C/S chief shall invite:
- A technical assistant (to be designated by the Governor) to serve as assistant to the procurement committee, and
  - Any other persons as observer.

The C/S Clerk, the Technical Assistant, and invited observers shall not have the right to vote. The committee shall make decision by the majority, and in accordance with the bids evaluation and procurement rules.

- 4.7 The Technical Assistant shall be selected from a relevant provincial administration department, including the provincial procurement unit, and assigned by the Governor. He shall provide, at no cost for the C/S, technical and management assistance on the overall administration of the bidding process and execution of contracts.
- 4.8 Deliberations on the Procurement Committee shall be open to the public. The Committee shall make decisions by majority vote. In the event of equal votes, the Chairperson's vote shall prevail.
- 4.9 The C/S Chief must set up the date and place of the procurement committee meetings in coordination with the provincial office of local administration (POLA).
- 4.10 For the sake of effectiveness, the C/S must, to the most extent possible, hold a single annual bidding session to award all contracts for local development investments included in the approved budget.
- 4.11 The C/S must not make advance payments of any kind to contractors or suppliers. Payments must be made after the goods or works have been delivered or the services rendered in accordance with the specifications and conditions of the contract or purchase order.

## **5. Procurement Method**

Generally, the procurement will be carried out in either two ways: (1) through open competitive bidding, or (2) through other methods, without open competitive bidding.

### **5.1 Open Competitive Bidding Method**

Competitive bidding is used where there is a sufficient number of suppliers or contractors (at least 3) who are capable of providing the goods, services or works desired and where it would be to the interest of the Commune/Sangkat if competition is carried out among suppliers and contractors for the purpose of selecting the most economical and efficient bid.

Competitive bidding would not be advantageous for small value contracts because of the time, effort and cost involved. Only a few bidders may be interested in participating and the price differentials may not be that significant to provide savings in costs.

The Open Competitive Bidding referred to as Domestic Competitive Bidding: Commune/Sangkat shall use Domestic Competitive Bidding method for Local

Development, and other activities when the value of the contract is equal to 2 Million Riel and above, and where there are a sufficient number of potential bidders that provide a broad opportunity to select the best bid. The value may be reviewed from time to time if necessary. It is important however that in Domestic Competitive Bidding, there is reliable evidence of adequate local capability.

## 5.2 Other Methods of Procurement (without Open Competitive Bidding)

The other methods of procurement that do not involve open competitive bidding are

- Domestic canvassing
- Direct purchase or direct contracting

### ▪ *Domestic Canvassing*

Domestic Canvassing requires obtaining a minimum of three (3) quotations from domestic suppliers. This method is allowed in supply contracts when buying off-the-shelf items, materials or supplies, spare parts, or small machinery that are available from domestic suppliers or through local representatives, dealers or authorized agents of foreign suppliers; it can be used also for works contracts which have small value. Domestic Canvassing may be used for activities other than Local Development that have value from 400,000 Riel to less than 2 Million Riel.

### ▪ *Direct Purchase or Direct Contracting*

Direct Purchase or Direct Contracting is the method that implies dealing or negotiating directly with a single supplier or contractor and is used in any of the following circumstances:

- The cost of goods or services, civil work and repair does not exceed 400,000 Riel (activities other than Local Development).
- The item to be purchased is required for expansion or repair of an existing equipment
- The equipment is obtainable from only one supplier.
- The goods, services or works are urgently needed to meet an emergency situation
- It is a repeat order of an item previously procured through competitive bidding and it is unlikely that lower prices will be obtained through another bidding
- Competitive bidding has failed at least two consecutive times due to lack of bidders or unresponsive bids
- The purchase is to be made from another Government agency or that works will be done through force account.

In special cases, the use of procurement methods for contract values deviating from those mentioned in this paragraph of this section shall be subject to the Governor decision, on a case-by-case.

## 6. Procurement Procedures

## **Procurement of Works**

6.1 All works shall be contracted out to independent contractors. All contractors engaged by the Communes/Sangkats shall hold a certificate of registration with the office of the provincial Governor or Central Administration. The Governor shall set up a technical committee to register and periodically update a provincial roster of categorized and registered contractors.

6.2 All works contracts shall be awarded through the domestic competitive bidding (DCB) procedure as outlined below.

(a) **Preparation of Bidding Documents:**

- The C/S Chief shall prepare the bidding documents with the assistance of the Technical assistant and/or the Engineer.
- Bidding documents must contain all the information required for the prospective bidders to decide on their participation in the bidding and to prepare complete and responsive bids.

(b) **Publicity of the Invitation to Bid:**

- At least two weeks in advance of the date of submission of bids, the invitation to bid should be advertised, by posting it on the Official Bulletin Boards of both the Commune Council and the Provincial Administration.
- The C/S Council may decide to adopt additional measures to publicize the invitation.

(c) **Issue of Bidding Documents:**

- The bidding documents shall be available to all interested contractors in the Office of the C/S and at a price covering the same cost of their reproduction, on the date of the advertisement of the invitation to bid. The C/S Council may decide, in addition, to make the bidding documents available at the offices of the Provincial Administration.
- The Procurement Committee's Chairman or his delegate shall organize a pre-bidding conference. This shall include a technical orientation and, where necessary, inspection of the project site. In the event that any information has been provided to individual bidders, additional to the information in the bidding documents, this information shall be repeated for the benefit of all bidders at the pre-bidding conference.

(d) **Submission and Receipt of Bids**

- Bids shall be submitted in sealed envelopes delivered to the C/S administration on or before the bidding deadline.
- No bids shall be accepted, and no alteration of received bids shall be allowed, after the bids have been submitted.

(e) Opening of Bids

- Bids received must be open publicly at the stipulated date, time and place, in the presence of the Procurement Committee (PC) and representatives of the bidders.
- The bids opening shall be postponed and a new date, time and place set, if any of the PC permanent members of the PC (the Chairperson, and the two councillors) is absent.
- To be valid the second bids opening must be attended by at least two (2) permanent members of the PC, one of them being the Chairperson.
- Procurement Committee shall make record of the bid opening, containing, the names of the bidders, the bid prices and any other relevant observations, shall be prepared by the C/S Clerk and signed by the attending members of the PC and bidders representatives.

(f) Evaluation of Bids and Contract Awarding:

- The PC shall evaluate the bids without disclosing any information until an award is made. The bids evaluation shall be postponed if any of the PC permanent members is absent.
- To be valid the second bids evaluation must be attended by at least two (2) members of the PC, one of them being the Chairperson.
- The evaluation shall first determine the responsiveness of the bids and eliminate those that (i) do not comply with the tendering instructions, (ii) have quoted unrealistic prices or (iii) are obviously not responsive to the technical specifications of the contract. Specific and verifiable reasons must be given in writing to justify the elimination of any bid at this stage.
- Then the evaluation shall proceed to the comparison of the prices proposed in the responsive bids, and recommend the award of the contract to the lowest bidder.
- In the event there are two or more tied equal lowest prices, the PC shall use the equal lowest price as a reference for re-bidding; only bidders with tied lowest prices can submit new bids in sealed envelop to the procurement committed. The procurement committee shall open new bids immediately to determine the winner of the bidding with the lowest price.

- PC shall submit a record of bid opening and evaluation report to award contract to C/S chief for review and approval. The decision of contract awarding by the C/S chief shall be made public and posted in the CC Official Bulletin Board. The C/S chief shall submit a copy of the decision of contract awarding accompanied with a record of bid opening and evaluation report, to POLA.
  - Any bidder who feels that he was unfairly treated during the bidding process have the right to bring the matter in written before the Governor not later than two days after the results of the bids evaluation have been made public. The bidder must provide sound evidence to support his claim. The claiming bidder must ensure that copy of the protest filed with the Governor is sent to the C/S chief for his information.
  - The Governor shall decide on the bidder's claim within five (5) days from receiving the protest. The governor decision shall be final and binding on all parties.
- (g)
- If the Governor has not opposed in written, within seven (7) days after receiving the bids evaluation report, the award of the contract to the bidder recommended in the report, the C/S chief shall finalize contract documents with the assistance of the Technical Advisor and shall award a contract to the successful bidder recommended in the PC report.
  - Copy of the contract and the bids evaluation report shall be attached to the first request for payment addressed to the C/S Accountant in connection with the contract.
- 6.3 The Technical Assistant shall assist the C/S in setting the estimated bidding price. Bids that are 10% lower than the estimate-bidding price shall be regarded as non-responsive. Contracts shall always be awarded to the appropriate lowest responsive bidder.
- 6.4 Where this is deemed suitable to allow maximum of contractors to take part in the bidding process, the C/S Chief may decide to conduct the tasks of (i) technical orientation (ii) bids submission, (iii) bids opening, and (iv) bids evaluation together, during a single half-day session.
- 6.5 The administration of all works contracts shall require that the technical supervision of the works be carried out by an independent "*Technical Supervisor*", who shall be responsible for:
- The on-site supervision of the execution of the contract, and the issuance of related instructions to the Contractor.

- The certification of the quantities and quality of the work performed by the Contractor.
- The verification of bills submitted by the Contractor under the contract.

### **Procurement of Engineering and other Consultant Services**

- 6.6 The C/S Chief may, subject to authorization by the C/S council, appoint a qualified professional from the private or non-profit sector to be the Technical Supervisors. Technical Supervisors engaged by the C/S shall hold a certificate of registration with the office of the provincial Governor.
- 6.7 The selection by the C/S of independent Technical Supervisors shall be public and transparent. Requests for technical services shall be posted in the Official Bulletin Boards of both the provincial administration and the CC at least 2 weeks in advance of the selection date. All proposals for services shall be submitted in standard formats, to allow a comparative evaluation of professional qualifications, experience and fees. All proposals shall be reviewed by the Procurement Committee, which shall recommend the selected Engineer to the C/S Chief for contracting.
- 6.8 Claims in respect of appointing the independent Engineers shall be settled in the same manner as the award of works contracts.
- 6.9 All payments due to independent Engineers shall be budgeted and accounted for by the C/S as part of the total cost of the investment to which the contract relates.
- 6.10 The contracting of all other professional services required in the implementation of local development investment shall be made in the same manner as the Technical Supervisors.

### **Procurement of Goods**

- 6.11 Purchase of goods shall be made through Open Competitive Bidding, Domestic Canvassing (DC) and Direct Purchase procedures in accordance with the value as defined in 5.2.

*Open Competitive-Bidding* will follow the same procedure as Open Competitive Bidding for Civil Works.

*Domestic Canvassing:* will follow the same procedure as Open Competitive Bidding for Civil Works but without open public as outline below:

- (a) Preparation and issue of Invitation for quotations

- The C/S Chief or his delegate shall prepare and issue invitation for at least three (3) suppliers to fill quotation price, specifying the nature and delivery conditions of the required goods.

(b) Evaluation of quotations

- If the amount of the proposed purchase is equal to or greater than 2 Million CR, the Procurement Committee shall evaluate the quotations received. Evaluation of quotations shall be conducted following the same procedure as the evaluation of open competitive bidding.
- If the amount of the proposed purchase is less than 2 Million CR, the C/S Chief or his delegate shall be responsible for the evaluation with the assistance of the Technical assistant.
- In both cases the evaluation shall take into account the conformity of the proposed goods with the invitation for quotation as well as prices and delivery conditions. The quotations received and minutes of the evaluation shall be attached to any request for payment addressed, upon delivery of the goods, to the C/S Accountant.

(c) Issue of purchase order

- The C/S Chief or his delegate shall issue all purchase orders to the suppliers retained through the quotations evaluation process.

6.12 An exception to the competitive canvassing procedure specified in the previous Paragraph (6.11) may be made for occasional and unrelated purchase orders with a total value of less than 400,000 CR. In such cases the C/S Chief or his/her delegate shall use direct purchase procedure as outlined below:

Preparation and issue of Invitation for quotations

- The C/S Chief or his delegate, with assistance from the Technical Assistant shall prepare an invitation for quotation, specifying the nature and delivery conditions of the required goods.

Evaluation of quotations and negotiation of price

- If the price proposal reflects the specifications and delivery terms and conditions of the invitation for quotation, the price is negotiated with the supplier to bring it in line with the C/S administration estimate.
- If the negotiation is not successful, the same process may be repeated with another supplier.

Issue of purchase order

- The C/S Chief or his delegate shall issue all purchase orders.

6.13 The C/S Chief may solicit in written the Governor authorization to waive the competitive procurement requirements and use instead the direct purchase or contracting procedure, as described in Paragraph 6.12 above in the following cases (regardless of the transaction amount):

- For the procurement of supplies, services and works for which, after completing the standard competitive procedures, no suitable supplier or contractor has been identified.
- For the procurement of supplies, services and works that, for demonstrated technical reasons, can be obtained only from a specific contractor or supplier.
- For the procurement of supplies, services and works that, because of the extreme urgency generated by unforeseen circumstances, cannot be subjected to the normal delay imposed by the standard competitive procedures

The CS Chief shall explicitly mention in the Waiver Request the one or several of the reasons listed in this Paragraph that justify the use of the direct purchase or contracting method.

These Guidelines summarize the key principles and methodology and procedures governing the procurement process of C/S budget expenditures countrywide. Any issues relating to the implementation of these Guidelines can be referred to the Ministry of Economy and Finance for solution.

31 December 2002

Senior Minister  
Minster of Economy and Finance  
**Keat Chhon**

**COMMUNE SANGKAT FINANCIAL  
MANAGEMENT SYSTEM  
CHART OF ACCOUNTS**

**Prakas# 250/MEF**  
**Date 10<sup>th</sup> April 2002**

**Commune/Sangkat Chart of Accounts**

**The Minister of Economy and Finance:**

- Pursuant to the Law on the Commune/Sangkat Administration
- Pursuant to the Anukret on the Commune/Sangkat Financial Management System
- After consultation with the Minister of Interior
- .....
- .....

**DECIDE**

**Article 1-** To establish and allow to use the general chart of accounts for keeping record of Commune/Sangkat budget. The account number, account name, table of classes of accounts and general procedures in operation of accounts have been prepared as attached in annex 1, Annex 2 and Annex 3 of this Prakas.

**Article 2-** The accounting records of Commune/Sangkat budget shall be handled by commune/sangkat accountant at provincial/municipal treasury.

**Article 3-** General Secretary, Director of Office Cabinet, Director of National Treasury and other units involved shall comply with this Prakas which is effective upon signature.

**Senior Minister**  
**Minister of Economy and Finance**

**Keat Chhun**

Annex: C/S Chart of Accounts

Code	Account Name	SIGN*	Explanation
<b>Permanent Accounts</b>			
10	Reserve Fund	C	Accumulated surpluses from previous years. Credited by debit of Result Account (12)
12	Result of FY (200X)	C	Actual Surplus as per Closing Financial Statement.
40	Accounts Payable	C	Amounts owed by C/S to creditors (where applicable).
41	Accounts Receivable	D	Amounts not yet collected from debtors (where applicable).
42	Surety-Bond Received	C	Surety deposit received from contractors (where applicable)
51	Treasury Deposit Account	D	C/S account at the provincial treasury
53	Petty Cash	D	Cash on hand for petty payments
<b>Expenditure Accounts</b>			
60	Salary and Allowances	D	As per budget classification
60.01	Administration Staff		
60.02	Local Services Staff		
60.03	Councilors Allowance		
61	Administration Costs	D	As per budget classification
61.01	Rental fees		
61.02	Administration Repair & Maintenance		
61.03	Utilities (water, electricity)		
61.04	Travel & Transport		
61.05	Communication		
61.06	Office supplies		
61.07	Meetings and ceremonies		
61.08	Documentation and Information		
61.09	Other costs		
62	Local Services Costs	D	As per budget classification
62-01	Repair and Maintenance		
62-02	Utilities		
62-09	Other Costs		
63	Agent Functions Costs	D	As per budget classification
63-01	Agent of the State		
63-02	Agent of Provincial Authorities		
63-03	Agent of Line Ministries		
63-09	Other Agent Functions Costs		
64	Social Intervention	D	As per budget classification
64-01	Assistance to Families		
64-02	Subsidies to Local Organizations		

CAMBODIA: Rural Investment for Local Governance Project  
 Project Implementation Manual  
 Commune/Sangkat Financial Management System  
 Chart of Accounts

65	<b>Economic Intervention</b>	D	As per budget classification
66	<b>Contingency Expenditures</b>	D	As per budget classification
67	<b>Administration Investment</b>	D	As per budget classification
67-01	Property Purchase		
67-02	Constructions/Works		
67-03	Equipment		
67-09	Other		
68	<b>Local Development Investment</b>	D	As per budget classification
68-01	Property Purchase		
68-02	Constructions/Works		
68-03	Equipment		
68-09	Other		
<b>Revenue Accounts</b>			
70	<b>Local Taxes</b>	C	As per budget classification
71	<b>Non-Tax Services and Property Revenues</b>	C	As per budget classification
71-01	Administrative Fees		
71-02	Local Services User Charges		
71-03	Commune/Sangkat Property Revenues		
72	<b>C/S Fund Transfer for General Administration</b>	C	As per budget classification
73	<b>Agent Function Revenues</b>	C	As per budget classification
73-01	From State		
73-02	From Provincial Authorities		
73-03	From Line Ministries		
73-09	Other		
74	<b>Other Recurrent Revenues</b>	C	As per budget classification
76	<b>Reserve Fund Transfer</b>	C	As per budget classification
77	<b>C/S Transfer for Local Development</b>	C	As per budget classification
78	<b>Local Contribution to Local Development Investment</b>	C	As per budget classification
79	<b>Other Capital Revenues</b>	C	As per budget classification
79-01	Sales of property		
79-02	Grants		
79-09	Other		
*Account natural sign: D: Debit C: Credit			

**COMMUNESANCIJAT FINANCIAL  
MANAGEMENT SYSTEM  
CHART OF ACCOUNTS**

**Prakas# 250/MEF**  
**Date 10<sup>th</sup> April 2002**

**Commune/Sangkat Chart of Accounts**

**The Minister of Economy and Finance:**

- Pursuant to the Law on the Commune/Sangkat Administration
- Pursuant to the Anukret on the Commune/Sangkat Financial Management System
- After consultation with the Minister of Interior

**DECIDE**

**Article 1-** To establish and allow to use the general chart of accounts for keeping record of Commune/Sangkat budget. The account number, account name, table of classes of accounts and general procedures in operation of accounts have been prepared as attached in annex 1, Annex 2 and Annex 3 of this Prakas.

**Article 2-** The accounting records of Commune/Sangkat budget shall be handled by commune/sangkat accountant at provincial/municipal treasury.

**Article 3-** General Secretary, Director of Office Cabinet, Director of National Treasury and other units involved shall comply with this Prakas which is effective upon signature.

**Senior Minister**  
**Minister of Economy and Finance**

**Keat Chhun**

### Account Group of General Accounting for CS Budget

No.	Account #	Account Name	Balance
		<b>1-Balance Accounts</b>	
1	10	Reserve Fund	Credit
2	12	Result Account	Credit
3	40	Account Payable	Credit
4	41	Account Receivable	Debit
5	42	Surety-Bound Received	Credit
6	51	Treasury Deposit Account	Debit
7	52	Bank Deposit Account	Debit
8	53	Petty Cash	Debit
		<b>2-Managerial Accounts</b>	
		<b>a-Expenditure Accounts</b>	
		<b>Recurrent Expenditure</b>	
9	60	Salary and Allowances	Debit
10	61	Administration Costs	Debit
11	62	Local Services Costs	Debit
12	63	Agent Functions Costs	Debit
13	64	Social Intervention	Debit
14	65	Economic Intervention	Debit
15	66	Contingency	Debit
		<b>Capital Expenditure</b>	
16	67	Administration Investment	Debit
17	68	Local Development Investment	Debit
		<b>b-Revenue Accounts</b>	
		<b>Recurrent Revenue</b>	
18	70	Local Taxes	
19	71	Non-Tax Services and Property Revenues	Credit
20	72	C/S Fund Transfer - General Administration	Credit
21	73	Agent Functions Revenues	Credit
22	74	Other Recurrent Revenues	Credit
		<b>Capital Revenue</b>	
23	76	Reserve Fund	Credit
24	77	C/S Fund Transfer - Local Development	Credit
25	78	Local Contribution to local Development Investment	Credit
26	79	Other Capital Revenues	Credit