

SOCIAL AFFAIRS BUDGET BRIEF 2021

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This publication was produced by the Project Management Unit of Supreme National Economic Council with financial support of the European Union and UNICEF. This paper represents the views of the author and does not necessarily reflect the views of the Supreme National Economic Council, the European Union and UNICEF.

Acknowledgement

This paper has been prepared by an individual national consultant, Mr. Sothath NGO. The consultant highly appreciates comments provided by UNICEF staff and technical clarification by officials of Ministry of Economy and Finance.

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Executive summary

Hard hit by COVID-19 crisis, Cambodia GDP decline by 3.1 per cent in 2021 followed by projected humble renounce at 2.4 per cent in 2021. State revenue is contracted by 8.1 per cent which give rise to fiscal austerity. The highest cut is for the general administration, while the social sector also sees its budget reduced more significantly than other sectors.

Guided by its Strategic Plan, MoSVY is mandated to cater social service for the poor and vulnerable people. Before the pandemic, the Strategic Plan was underfunded. The gap was as wide as 17 per cent in 2019, then narrowed to below 1 per cent in 2021. The resource are manifested in 3 major programmes; social welfare, social security, and institution strengthening. The resource concentrated on the social security services in Programme 2, while programe1 that provide welfare services for children in particular and other vulnerable groups was constantly underfunded and thus relies on fund from development partners. The introduction of cash transfer programme (CTP) for pregnant women and children under 2 in 2019 marked a major milestone in government attention to children welfare with budget support of KHR 300,000 million in 2020.

As it currently stands, the budget distribution across programmes and subprogrammes deviates significantly from the allocated shares that the Strategic Plan 2019–2023 aims to achieve. While the Strategic Plan allocates 13 per cent share to the social welfare service that programme received only 4 per cent of the total budget during 2016–2021. Therefore, it is important that the government considers further budget expansion to support the welfare of children.

1. Introduction

This budget brief provide the analysis of MoSVY's budget from 2016 to 2021. To address limitations in the available budget information (both publicly and internally available), the analysis focuses primarily on the allocated budgets. It is guided by the contemporary macroeconomic development, overall patterns and trends of national budget allocation, and MoSVY's Strategic Plan on Sectorial Development of Social Affairs, Veterans and Youth Rehabilitation 2019–2023. Specifically, the analysis takes into account the potential impact of the COVID-19 pandemic on shrinking fiscal space in 2020 and 2021.

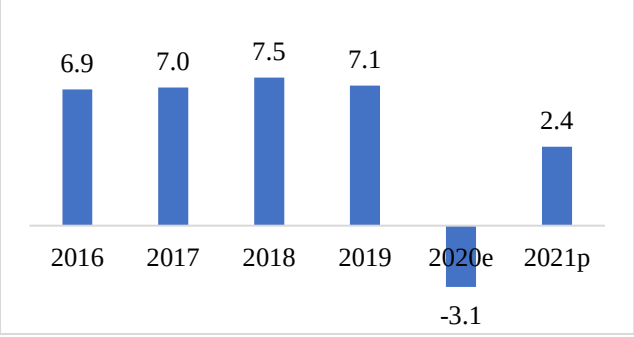
This MoSVY budget analysis relies purely on the secondary data, mainly available from the budget book and budget strategic plan shared by MEF and MoSVY. MoSVY's Strategic Plan 2019-2023 is also a key document that provides orientation regarding the policy priorities and programmes for the ministry's social affair services. On the trends of macroeconomic development and national budget allocation, the analysis tries to synthesize the latest data obtained from MEF and the Budget Law series. Furthermore, the analysis is also augmented by information collected from publicly available budget data, previously published Budget Law series and other sources, including the national population census, national surveys and administrative data.

2. Macroeconomic and fiscal outlook

Cambodia had generally maintained constant GDP growth before it was hit by the COVID-19 pandemic. The annual growth rate was around 7 per cent from 2016 to 2019, but turned negative (-3.1 per cent) in 2020. The contraction was mainly due to the severe effect of the COVID-19 pandemic on tourism. While the overall service sector contracted by 6.7 per cent, the contraction in hotel and restaurant services was 36 per cent. It is a sector that was hardest hit by the pandemic. The growth in the industrial sector was also negative (-1.2 per cent) as the garment industry alone plunged by 6.4 per cent. The agriculture sector achieved positive growth, but at the mere rate of 0.5 per cent.

With the positive outlook of the world's post-pandemic economic recovery, it is expected that Cambodia's economy will rebound in 2021. Projections indicate that all major industries will be able achieve positive growth and that Cambodia's overall economy may resume growth at a rate of 4 per cent.

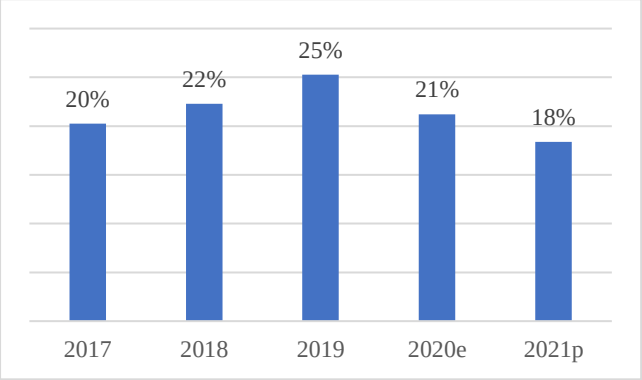
Figure 1: GDP growth, 2016–2021



Source: MEF, 2021

GDP performance is a key factor affecting the ability of a state to collect revenue. As presented in Figure 2, the proportion of national revenue collection increased from 20 per cent of the GDP in 2016 to 25 per cent in 2019 – a five-percentage-point increase in two years. The COVID-19 pandemic dragged down economic activity and therefore affected revenue collection, especially from taxes. The level of revenue mobilization has fallen to only 21 per cent of the GDP in 2020 and may reach as low as 18 per cent in 2021.

Figure 2: Revenue mobilization (per cent of GDP)

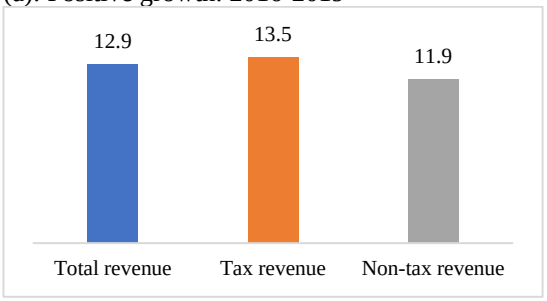


Source: Budget Laws and MEF, 2021

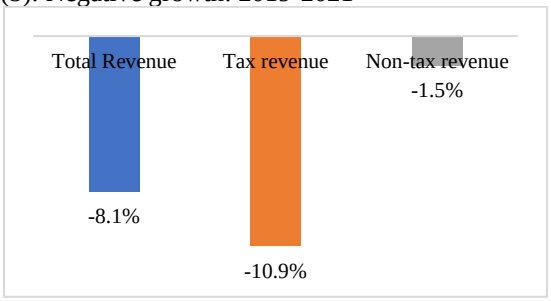
Figure 3 looks further into the performance of revenue mobilization through tax and non-tax sources in two consecutive periods: before and after the COVID-19 pandemic. As it shows, the annual growth rate of tax revenue collection was positive (13.5 per cent) before the pandemic (2016–2019), but negative in the post-pandemic period. Given the projection for 2021, tax revenue collection is expected to go down by 10.9 per cent per year from the level it was in 2019. The non-tax revenue is also affected, but much less than revenue from tax-related sources. Even so, the share of non-tax revenue is small.

Figure 3: Annual growth rate of revenue mobilization, 2016–2021

(a): Positive growth: 2016-2019



(b): Negative growth: 2019-2021



Source: MEF, 2021

3. Budget allocation

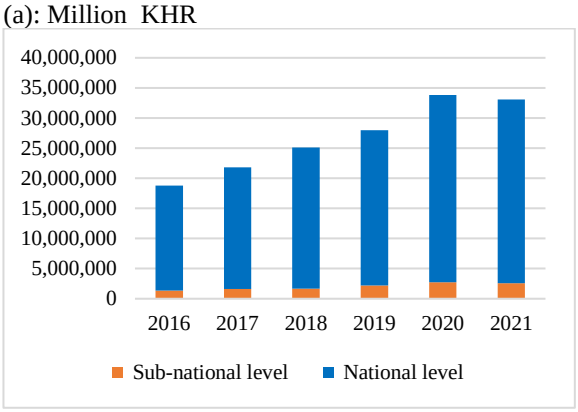
3.1 Budget allocation for national and subnational levels

Figure 4 presents the distribution of the national budget between the national and subnational levels, both in absolute and relative terms. Overall, the total amount of the national budget increased steadily from 18,000,000 million riels in 2016 to 33,000,000 million riels (KHR) in 2020, at an annual rate of 15.8 per cent. Proportionally, more of the resources were directed to the subnational level. Between 2016 and 2020, the subnational-level budget increased at an

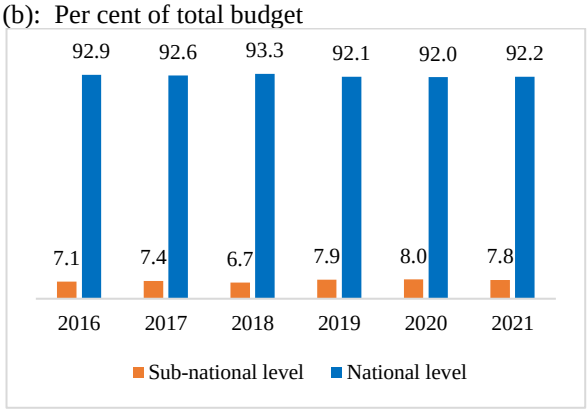
annual rate of 19.5 per cent . This rate of increase was higher than that of the total budget mainly due to its lower base, which was just KHR 1,300,000 million in 2016. Subnational allocations represented only 8 per cent of the total budget in 2020, with the other 92 per cent going to the national level.

Figure 4: Distribution of national budget: national level vs. subnational level

(a): Million KHR



(b): Per cent of total budget



Source: MEF and MoSVY

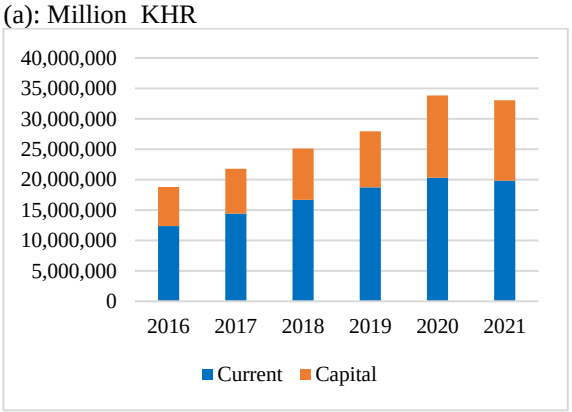
The impact of COVID-19 has reduced the revenue mobilization and therefore the overall resources available for spending, but the magnitude of effect is not so severe. The national budget in 2021 is reduced by only 2 per cent from its level in 2020 (KHR 33,000,000 million).

3.2 Budget allocation for current and capital expenditures

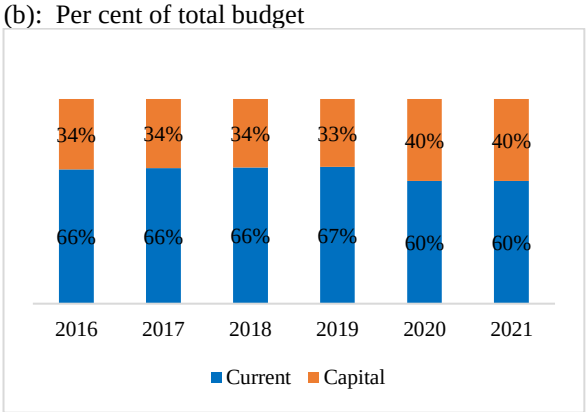
Figure 5 shows the distribution of the national budget between current and capital uses. Overall, the allocated share for current budget remained higher than the capital budget from 2016 to 2021. Proportionally more resources were made available for investment purposes in 2020 and 2021. The capital budgets in these two years took a 40 per cent share of the total. This was an increase from 33 per cent in 2019. Such a level of increase reflects the government's commitment to invest in public goods and services when the resources become more available. Of note, such commitment also holds despite the overall slight decline of the national budget in 2021.

Figure 5: Distribution of national budget: current vs. capital budgets

(a): Million KHR



(b): Per cent of total budget



Source: MEF and MoSVY

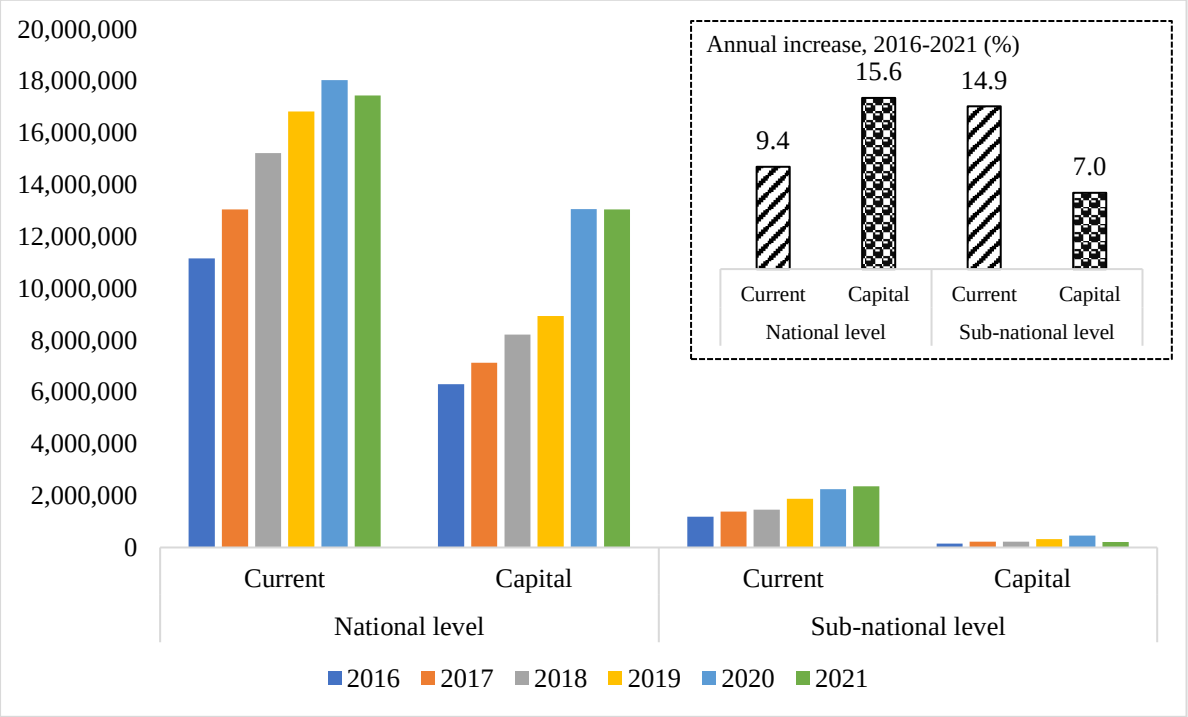
Despite its lower base, the government has made resources more available for public investment. Prior to a slight decrease in 2021, the capital budget increased from KHR

6,500,000 million in 2016 to KHR 13,500,000 million in 2020. This represents a 20.3 per cent increase annually, compared to a 13.2 per cent annual increase for the current budget over the same period.

Figure 6 breaks down the budget distribution at the national and subnational levels and traces their trends over the years. The figure reveals that the capital budget at the national level experienced the highest increase since 2016. On average, the budget grew at 15.6 per cent per annum. The increase was much more substantial in 2020, which saw growth of 46 per cent from nearly KHR 9,000,000 million in 2019.

At the subnational level, the current budget grew much faster than the capital budget, with the former expanding at a rate of 14.9 per cent per annum, over twice the rate of the latter.

Figure 6: Patterns and trends of current and capital budget at the national and subnational levels (million KHR)



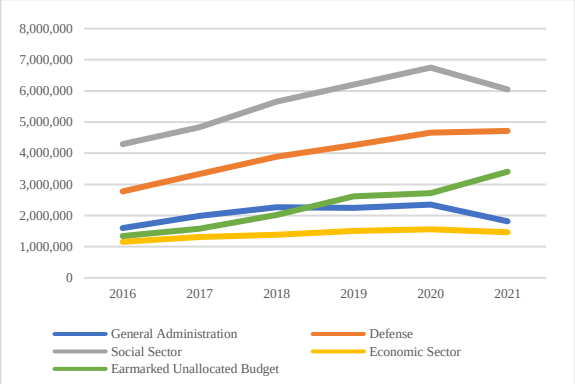
Source: MEF and MoSVY

3.3 Distribution of the national-level current budget

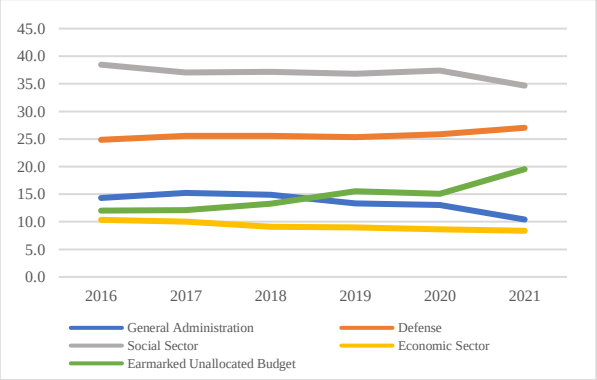
Figure 7 provides an overview of how the national-level current budget was distributed among major broad sectors. As it shows, the social sector was responsible for the largest share of the total, increasing constantly from 2016 to 2020 at an average pace of 12 per cent per annum. Then, the absolute budget for the social sector significantly declined from KHR 6,750,000 million in 2020 to KHR 6,000,000 million in 2021, a contraction of about 10 per cent.

Figure 7: Distribution of national-level current budget, 2016–2020

(a): Million KHR



(b): Per cent of national-level current budget



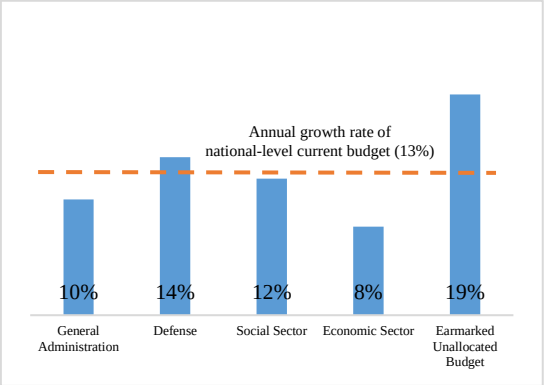
Source: MEF and MoSVY

It is interesting to note that, although all other major sectors saw downward trends in their allocated budgets, the resources for the earmarked unallocated budget kept increasing. There is no clear indication whether that growing amount will be utilized to address issues related to the crisis of COVID-19 pandemic. Nonetheless, the allocated amount for unexpected expenditure (a subcategory of the earmarked unallocated budget) for 2021 has reduced by 17 per cent from the level it was in 2020.

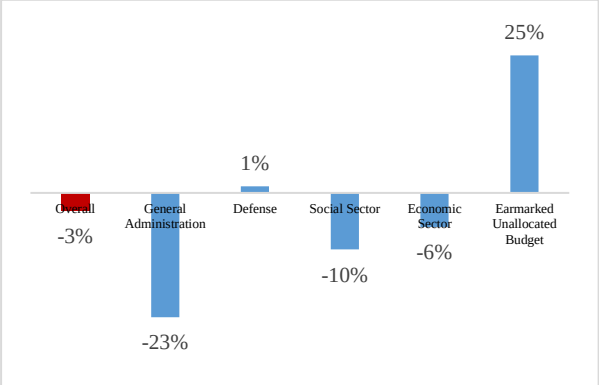
Between 2016 and 2020, all the major sectors saw annual budget growth, although the increases were not equally shared. As shown in Figure 8, the defense and earmarked unallocated budgets were the two categories that experienced an increase rate above the national average (13 per cent per annum). The annual increase for the earmarked allocated budget was highest (19 per cent), far exceeding all other major sectors.

Figure 8: Development of national-level current budget allocation by sector

(a): Annual increase rate, 2016–2020



(b): Budget change, 2020–2021



Source: MEF and MoSVY

As the COVID-19 pandemic has had a negative impact on revenue collection, the resources available for the national-level current budget in 2021 also declined. Overall, it has dropped by 3 per cent from its 2020 level. At the same time, the distribution of resources among major sectors is uneven. While the level of decline was deepest for the general administration (23 per cent), the highest increase (of 25 per cent) went to the earmarked unallocated budget. Furthermore, while the resources for both social and economic sectors were cut by 10 and 6 per cent respectively, the budget for defense still grew by 1 per cent.

4. Budget Allocation to MoSVY

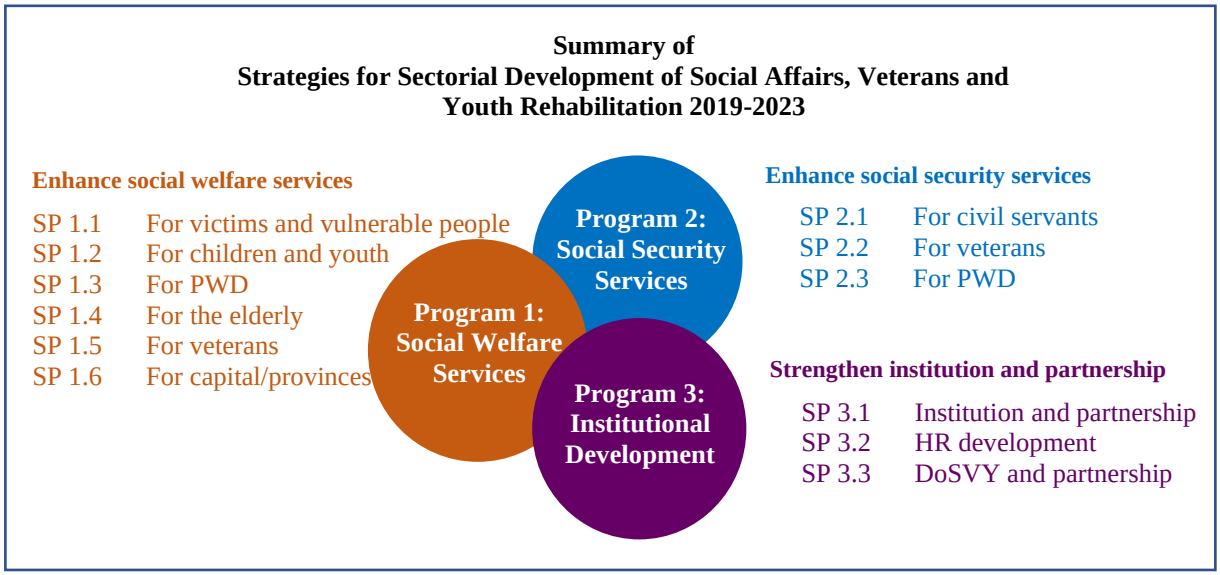
4.1 Distribution of the national-level current budget

Per its mandate, MoSVY sets a long-term vision to enhance the standard of living of the poor and vulnerable people in Cambodia. The national social protection system is a strategic means to protect the disadvantaged and vulnerable population from various socio-economic risks and to ensure that they can equally participate in society.

Under the guidance of the Rectangular Strategy for Growth, Employment, Equity, and Efficiency, MoSVY has developed a five-year Strategic Plan on Sectorial Development of Social Affairs, Veterans, and Youth Rehabilitation 2019–2023. As summarized in Figure 9, the Strategic Plan comprises three major programmes of intervention: 1) provision of social welfare services; 2) provision of social security services; and 3) development of institutional capacity and partnerships. Each programme is then further divided into subprogrammes that target specific social groups in Cambodia.

The support for children is reflected in two subprogrammes of Programme 1 (social welfare services). SP 1.2 is a dedicated intervention that specifically targets supporting children and youth. SP 1.1 is a specific social welfare service for victims and vulnerable people in general which also includes assistance for pregnant women and mothers, thus having an indirect impact on children. Therefore, this subprogramme is also regarded as an intervention that provides benefits for children.

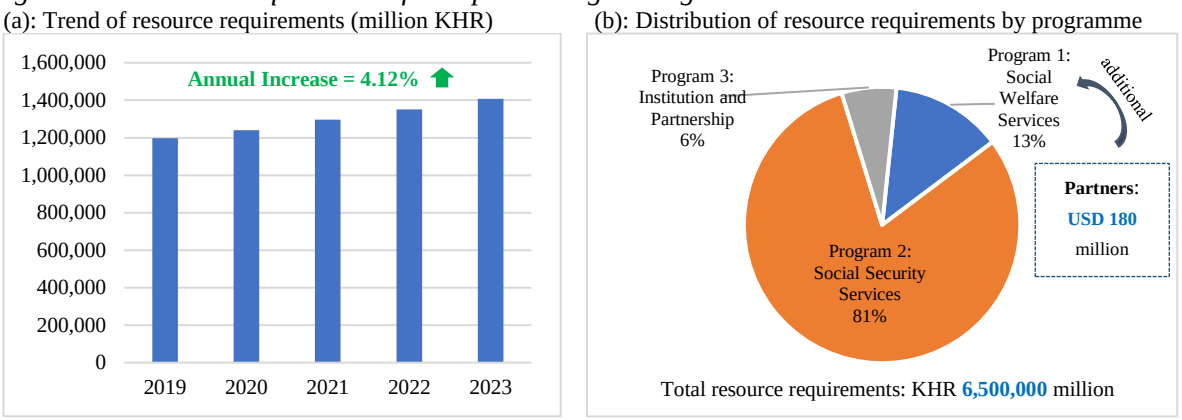
Figure 9: Summary of Strategic Plan on Sectorial Development of Social Affairs, Veterans and Youth Rehabilitation 2019–2023



Over the planning cycle of five years, the implementation of the Strategic Plan commands total resource requirements of KHR 6,500,000 million. The requirements were expected to increase from KHR 1,200,000 million for the first year (2019) to KHR 1,400,000 million for the fifth year (2023). These resource requirements represent a 4.12 per cent increase annually. This level of increase is low compared to the overall increase of national revenue collection as well as the

national budget allocation across various ministries. In addition to this total resource requirement that is expected from the national budget, it is estimated that USD 180 million could be mobilized from various partners over the five-year period. The resources from partners will mainly support Programme 1.

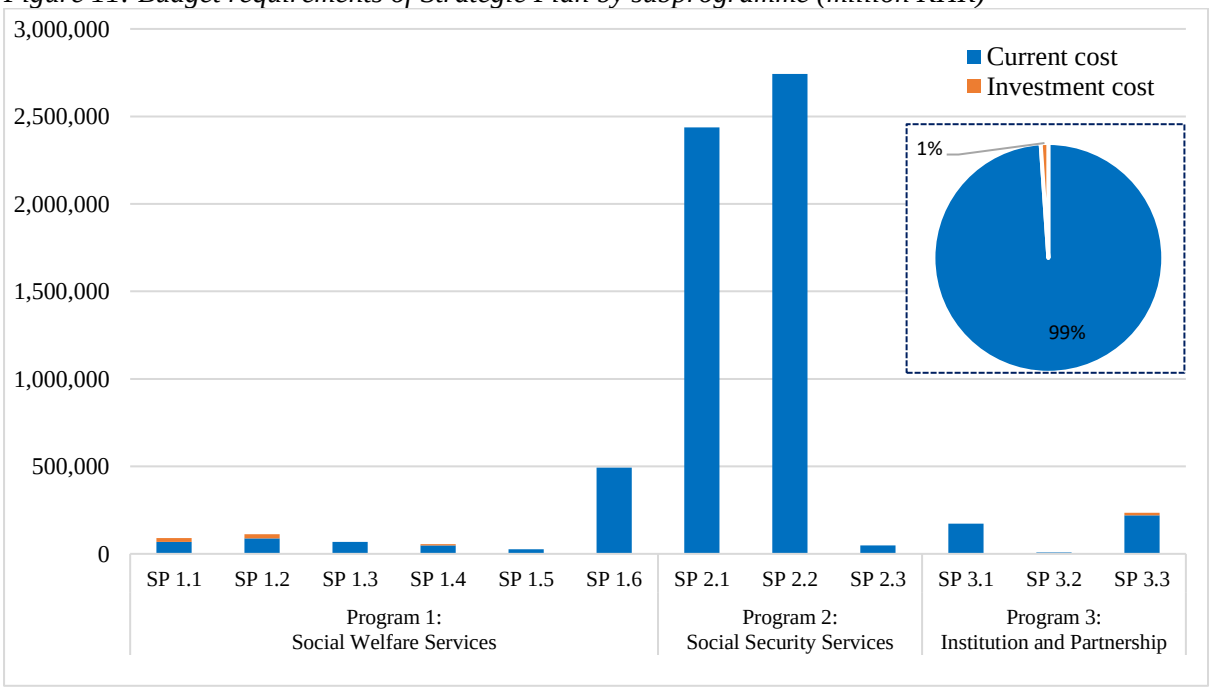
Figure 10: Resource requirements for implementing Strategic Plan



Source: MoSVY, 2018

Figure 10 presents the distribution of the resource requirements across the major programmes of the Strategic Plan. As it shows, the largest share goes to Programme 2 (social security services). This programme absorbs 81 per cent of the total resources. Programme 1 (social welfare services) receives a 13-per-cent share while the remaining 6 per cent is for Programme 3 (institutional development).

Figure 11: Budget requirements of Strategic Plan by subprogramme (million KHR)



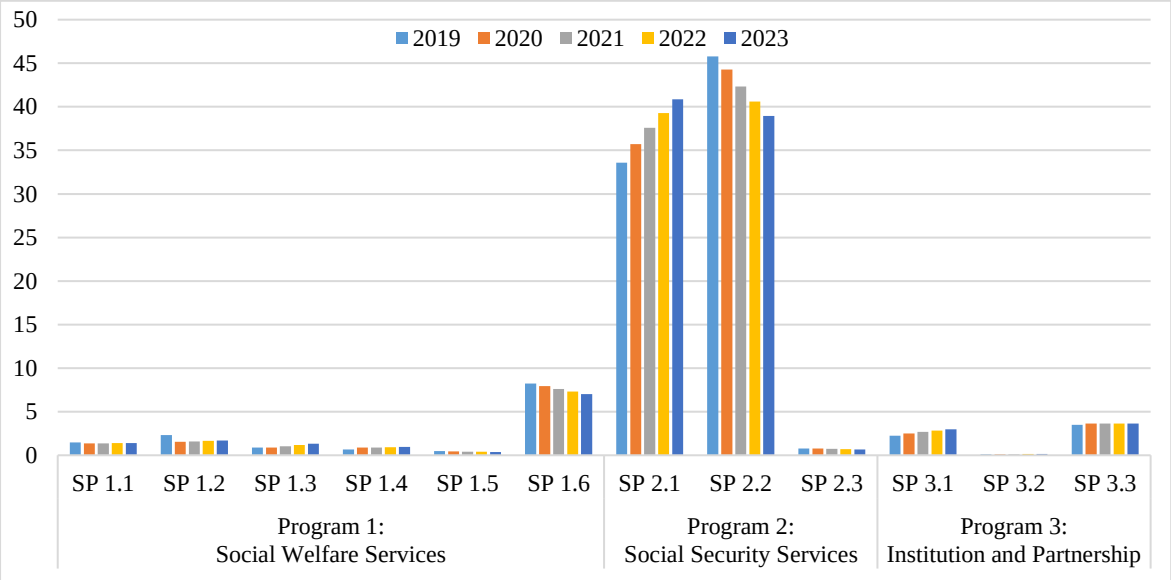
Source: MoSVY, 2018

Figure 11 further details the distribution of the resource requirements by subprogramme. As it shows, 99 per cent of the total is allocated for current costs. Investment costs account for only

1 per cent. This meager amount is thinly spread among four subprogrammes (SP 1.1, SP 1.2, SP 1.4, and SP 3.3).
The distribution of the current costs is highly concentrated on social security services for civil servants (SP 2.1) and for veterans and their families (SP 2.2). These two subprogrammes respectively absorb 38 per cent and 42 per cent of the total resource requirements.

Figure 12 illustrates the trends of resource distribution across subprogrammes of the Strategic Plan. As it reveals, the percentage share of resource allocation for SP 2.2 (social security services for veterans) has shown a decreasing trend from 46 per cent in 2019 to 39 per cent in 2023. That is a substantial reduction, but those resources were mainly redirected to SP 2.1 (social security services for civil servants), whose share increased from 34 per cent in 2019 to 41 per cent in 2023. This suggests that the Strategic Plan foresees a high increase in retired civil servants between 2019 and 2023.

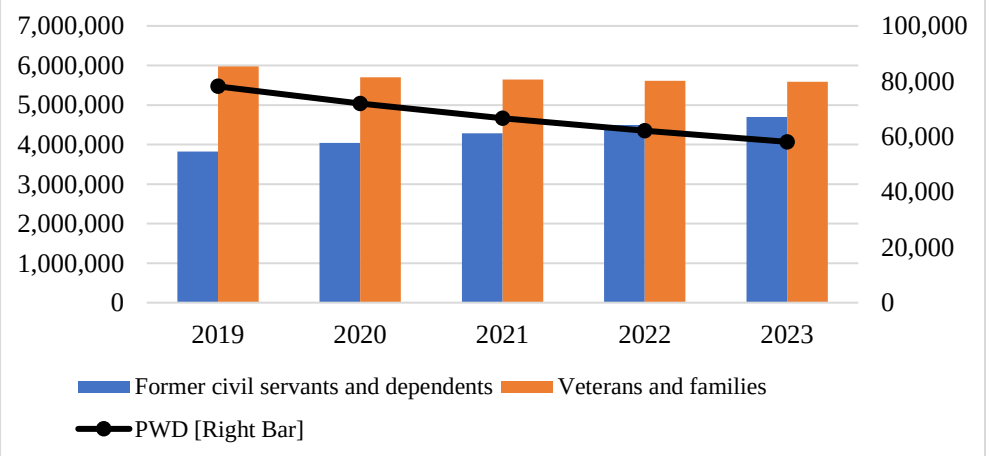
Figure 12: Trend of resource distribution by subprogramme (per cent of total)



Source: MoSVY, 2018

Figure 13 tries to measure the trends of resource allocation against the expected number of beneficiaries in the respective subprogrammes under Programme 2. As the figure shows, the per capita benefits of social security services for the former civil servants and their dependents is expected to increase during the Strategic Plan period. In contrast, the per capital benefits for veterans and persons with disabilities (PWD) will decrease during the same period.

Figure 13: Per capita resource allocation for social security services and PWD rehabilitation (KHR)



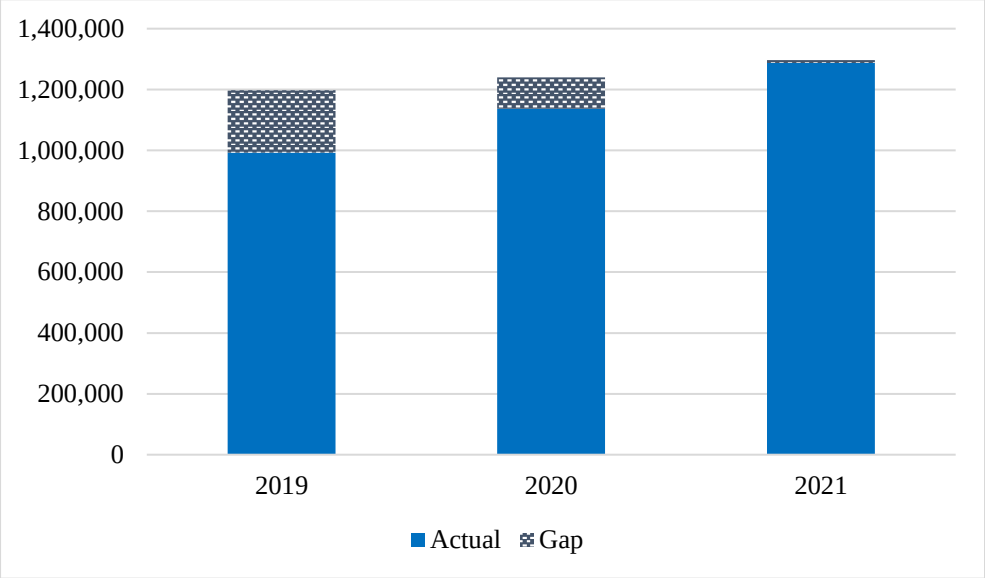
Source: MoSVY, 2018

4.2 Patterns and trends of MoSVY's budget allocations

Resource availability for MoSVY

Figure 14 shows the gap between the actual resource allocations for MoSVY against the resource requirements as costed in the ministry's Strategic Plan. Overall, the ministry was underfunded in 2019, but the gap is narrowing over time. The gap was as much as 17 per cent in 2019, then reduced to 8 per cent in 2020 and further reduced to less than 1 per cent in 2021. This trend is a good sign of support for the Strategic Plan.

Figure 14: Resource availability versus resource requirements (million KHR)



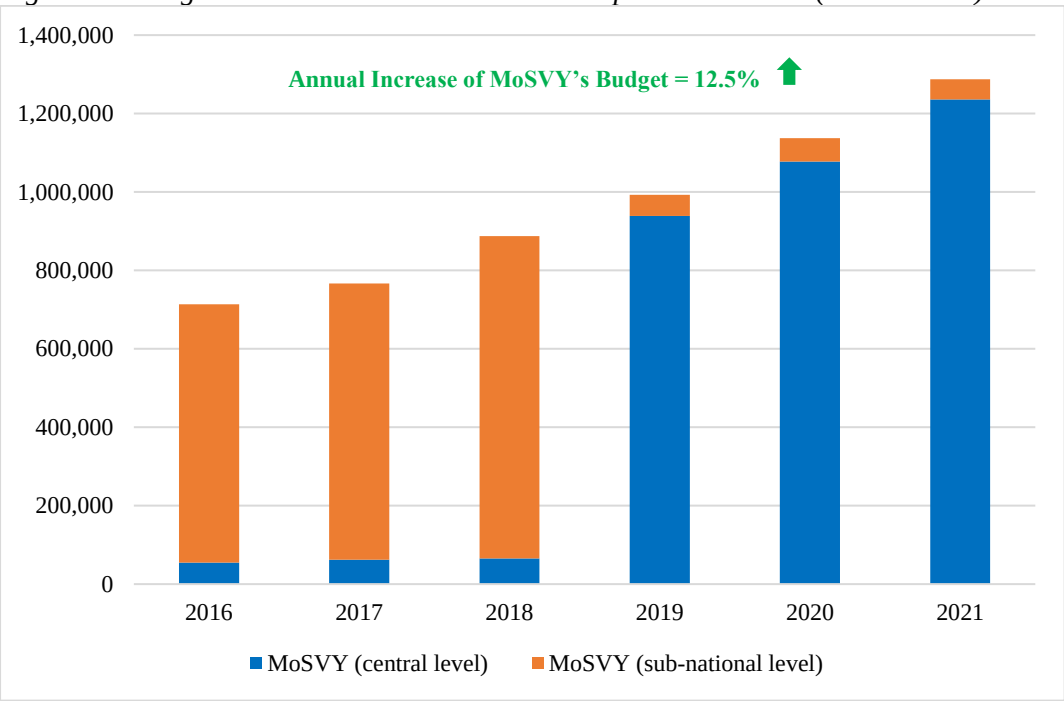
Source: MoSVY (2018) and MEF

MoSVY's budget distribution between national and subnational levels

As shown in Figure 15, the overall resource allocation to MoSVY has increased constantly from KHR 714,000 million in 2016 to KHR 1,288,000 million in 2021. This increase represents a 12.5 per cent growth per annum, which is slightly above the average national rate of 12 per cent per annum over the same period. In 2021, the national budget dropped approximately 3 per cent. Nevertheless, MoSVY's budget still increased by 13.2 per cent amid a reduction of 10 per cent for the whole social sector.

Figure 15 also breaks down the distribution of MoSVY's budget between the central and subnational levels. The figure simply illustrates a reversal in distribution between the two levels in 2019. During 2016–2018, more than 90 per cent of the total MoSVY budget was allocated to the subnational level. This share then plummeted to just around 5 per cent in 2019 and 2020, and dropped further to 4 per cent in 2021. This flip in the the shares of the central and subnational levels reflects the fact that the management of the pension fund was transferred from the subnational level to the central level in 2019.

Figure 15: Budget distribution between central and provincial levels (million KHR)

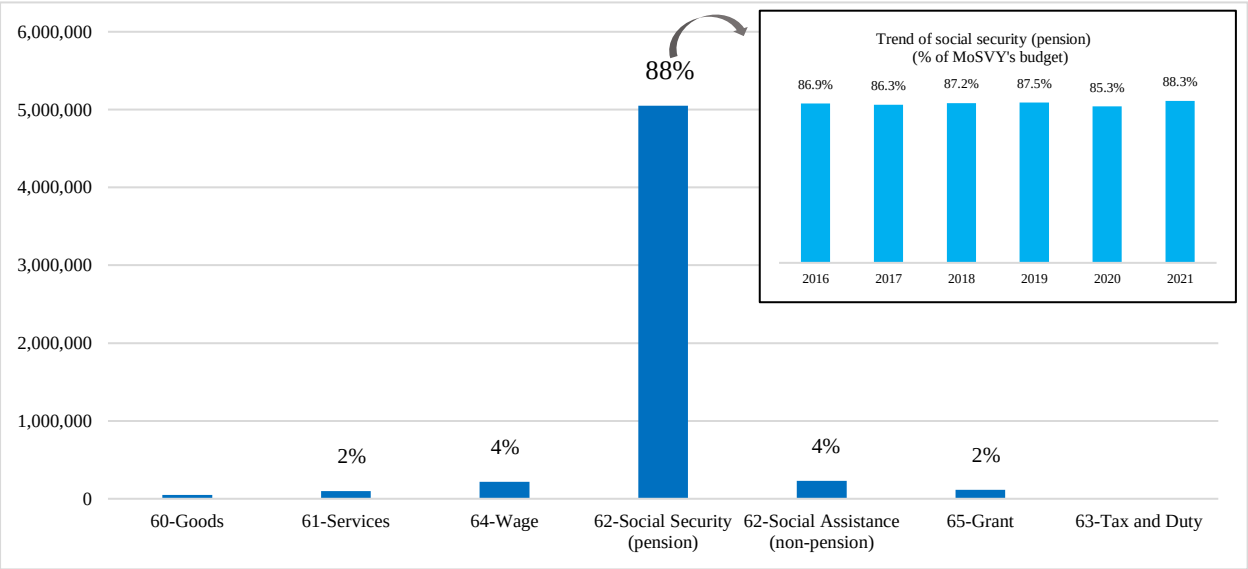


Source: MEF and MoSVY

MoSVY's budget distribution by expenditure function

Figure 16 explains the distribution of the ministry's budget by expenditure function – both in absolute and relative terms – from 2016 to 2021. As it reveals, the budget distribution was highly concentrated within the social security services (pension), which absorbed 88 per cent (about KHR 5,000,000 million) of the total resources for 2016–2021. Over the years, the allocated share for that function kept rising, although slowly (except in 2020).

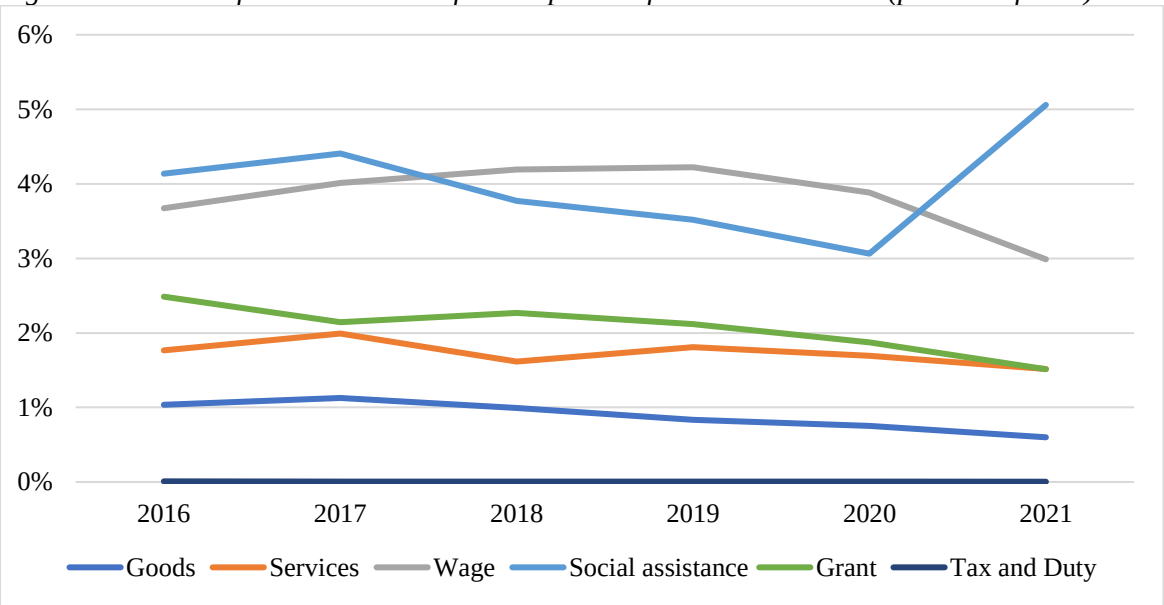
Figure 16: Distribution of MoSVY's budget by expenditure function, 2016–2021 (million KHR)



Source: MEF and MoSVY

Figure 17 illustrates the trends of the share of MoSVY's budget allocated for functions other than social security (pension). Representing 12 per cent of the total, this portion is shared among six functions: goods, services, wages, social assistance, grants, and tax and duty. Overall, the allocated shares for all of these functions have been decreasing since 2016. The only exception is the allocated share for social assistance, which rose to 5 per cent in 2021 after declining from 4 per cent in 2016 to 3 per cent in 2020.

Figure 17: Trends of allocated shares for non-pension functions in MoSVY (per cent of total)



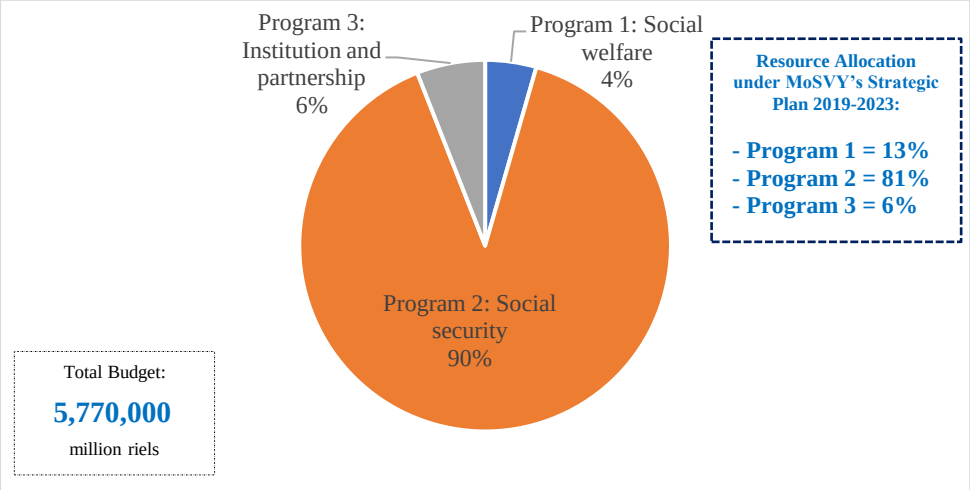
Source: MEF and MoSVY

MoSVY's budget distribution by program

Figure 18 presents the distribution of MoSVY's budget from 2016 to 2021 by the three major programmes formulated under the ministry's Strategic Plan. During this period, the ministry received a total resource allocation of KHR 5,770,000 million. A large majority of these resources were directed to social security and assistance under Programme 2. It reveals that Programme 2 received 90 per cent of the total, which is 9 percentage points more than the share allocated under the Strategic Plan (81 per cent).

This higher share for Programme 2 means less resources were available for other programmes. As shown, the gains for Programme 2 (social security services) came from losses for Programme 1 (social welfare services). Based on the Strategic Plan, Programme 1 should receive a 13 per cent share of the overall resources available for MoSVY. It was allocated only 4 per cent of the actual budget, however, during 2016–2021, a share more than three times lower than the level it should be.

Figure 18: MoSVY's budget distribution by program, 2016–2021 (per cent of total)



Source: MEF and MoSVY

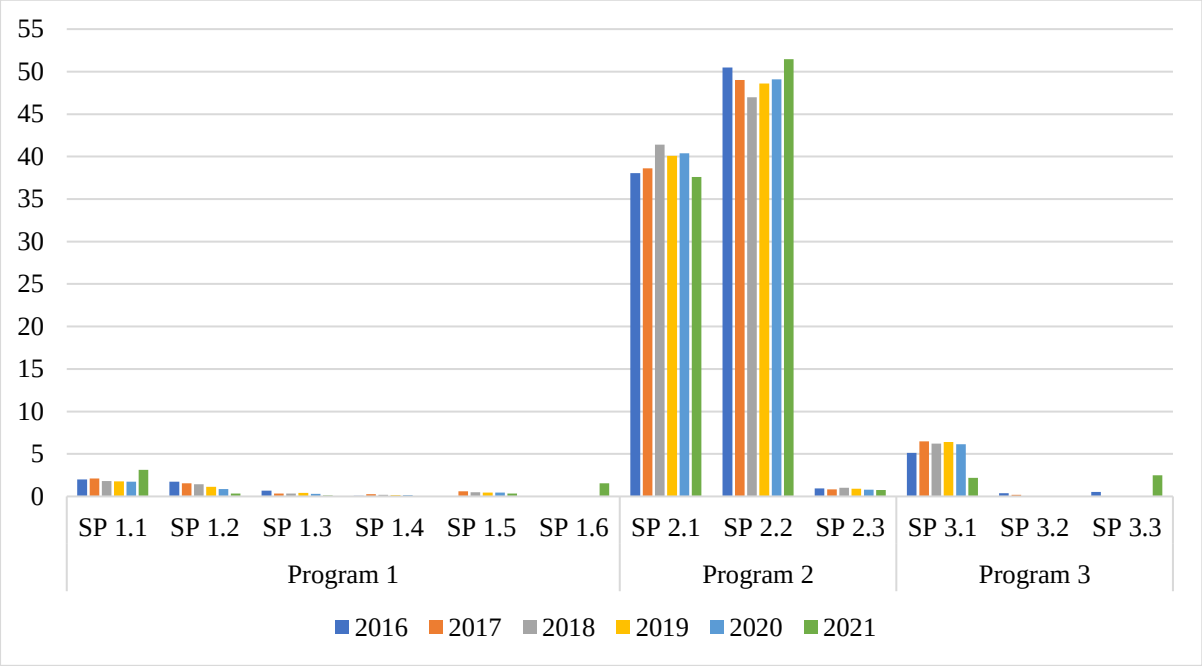
Figure 19 further elaborates the distribution of MoSVY's budget across subprogrammes between 2016 and 2021. Against the backdrop of MoSVY's Strategic Plan, Figure 19 reveals a few key findings:

- While the Strategic Plan intends to reduce the share of resources for SP 2.2 (social security for veterans) from about 45 per cent in 2019 to less than 40 per cent by 2023, the actual resource allocation for the subprogramme has increased to more than 50 per cent of the total budget in 2021, up from 47 per cent in 2018. This clearly suggests that the trend of actual budget allocation is going in the opposite direction of the Strategic Plan.

- The subnational level does not receive the share to which they are entitled. As per the Strategic Plan, subprogrammes serving the subnational level are expected to get a significant share of resources: 7.5 per cent for SP 1.6 (for enhancing the social welfare services at the capital/provincial level) and 4 per cent for SP 3.3 (for strengthening the capacity of DoSVY and partnerships at the capital/provincial level). As shown in Figure 19, these two subprogrammes receive almost nothing in actual allocations.

- The share of budget allocation for the child-specific SP 1.2 has constantly reduced since 2016. The Strategic Plan promises about 1.5 per cent of the total costing for child protection under that particular subprogramme. The commitment, however, does not hold; the subprogramme started to receive less and less over years since 2016. Its share accounts for 1.7 per cent in 2016, then declines to only 1.2 per cent in 2019. It then goes down to 0.9 per cent in 2020 and was merely 0.3 per cent in 2021.

Figure 19: MoSVY's budget distribution by subprogramme (per cent of total)



Source: MEF and MoSVY

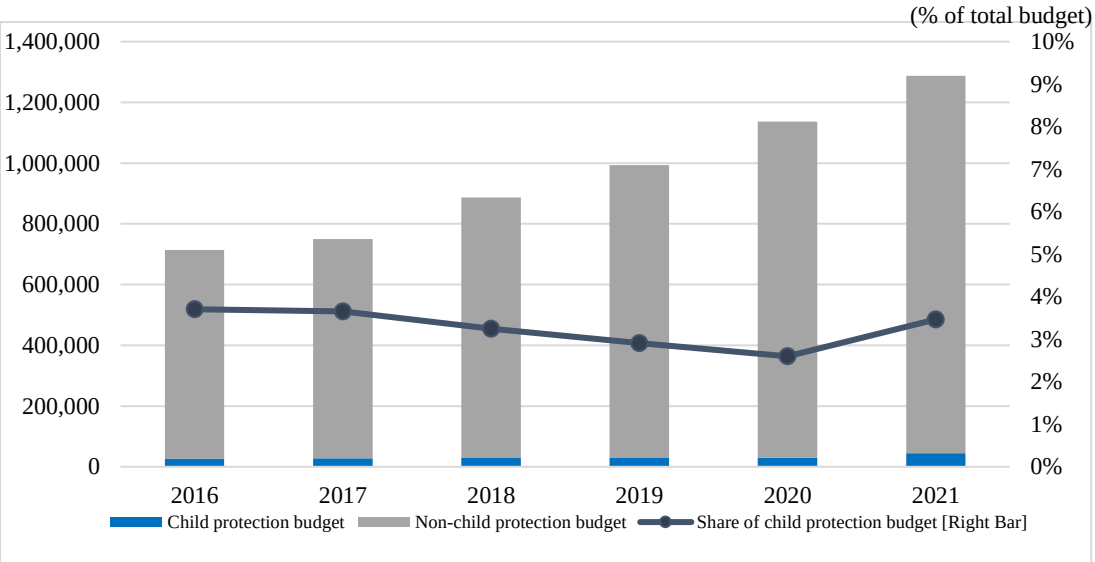
MoSVY's budget for child protection

MoSVY treats children as a particular social group that is vulnerable to various risks and threats. In response, the ministry features its commitment to child protection in its Strategic Plan by formulating a dedicated subprogramme (SP 1.2) that seeks to improve child welfare together with youth rehabilitation. Nonetheless, as a cross-cutting theme, chid protection services are also embedded in other subprogrammes. Specifically, welfare services for children can be expected under SP 1.1, which seeks to provide assistance to victims and vulnerable people in general.

For simplification, this analysis tries to reflect MoSVY's attention towards child protection on two levels: the dedicated child protection that is specifically featured in SP 1.1 (child welfare and youth rehabilitation); and the relevant child protection that combines SP 1.1 and SP 1.2 (welfare services for victims and vulnerable people).

The priority of child protection is significantly evident in 2021. Leaving aside all other subprogramme budgets, Figure 20 combines the budgets of SP 1.1 and SP 1.2 to represent the relevant child protection budget. In absolute terms, the increase of the relevant child protection budget only became significant in 2021. For example, the allocated budget increased from KHR 26,453 million in 2016 to KHR 29,548 million in 2020, or roughly 2.8 per cent per year; then, in 2021, the budget increased by 50 per cent. A slow increase of the allocated budget amount had made the relative share of the child protection budget decline constantly from nearly 4 per cent in 2016 to 2.5 per cent in 2020 before significantly rebounding to 3.5 per cent in 2021.

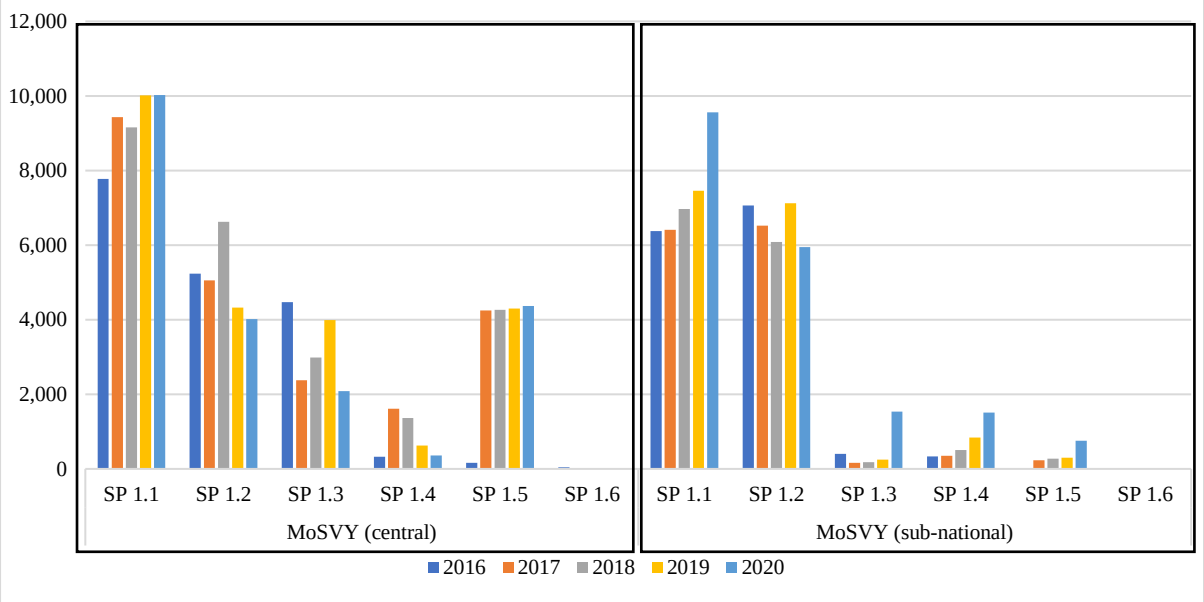
Figure 20: MoSVY's budget allocation for child protection (million KHR)



Source: MEF and MoSVY

Figure 21 further illustrates the commitments to child protection via the patterns and trends of budget allocation at both central and subnational levels. As is reflected, the welfare services for children draw higher allocations in relation to other subprogrammes under Programme 1 (social welfare services) at the central level. The budget for SP 1.1 increased from KHR 7,780 million in 2016 to KHR 10,029 million in 2020, a rise of about 6.5 per cent per year. At the subnational level, it increased from KHR 6,374 million in 2016 to KHR 9,558 million in 2020, a rise of about 10.5 per cent per year.

Figure 21: Distribution of MoSVY's budget under Programme 1 (million KHR)



Source: MEF and MoSVY

Child protection has gained further attention from the government in recent years. The Royal Government of Cambodia has introduced and implemented the cash transfer programme (CTP) for

pregnant women and children under 2, which aims to improve the health and well-being of mothers, infants and children. The CTP was implemented in 2019 under the Ministry of Health with a budget of about KHR 20,000 million. Later, it was transferred to MoSVY and incorporated into SP 1.1. The allocated budget for the CTP was then increased to about KHR 30,000 million (of which KHR 1,100 million was for operation costs) in 2020 and about KHR 30,300 million (of which KHR 1,300 million was for operation costs) in 2021.

The dedicated welfare service for children and youth remains reliant on support from development partners. The government's budget allocation for dedicated support to children and youth through SP 1.2 is limited and has been reduced over the past five years. For instance, the allocated amount for SP 1.2 at the national level has decreased from about KHR 5,200 million in 2016 to KHR 4,000 million in 2020. Following a similar trend, the allocated amount for the subnational level has gone down from about KHR 7,000 million in 2016 to about KHR 5,950 million in 2020. Nonetheless, this specific service for child welfare has been additionally supported by UNICEF as well as other partners for many years through their close cooperation with MoSVY's Department of Child Welfare.

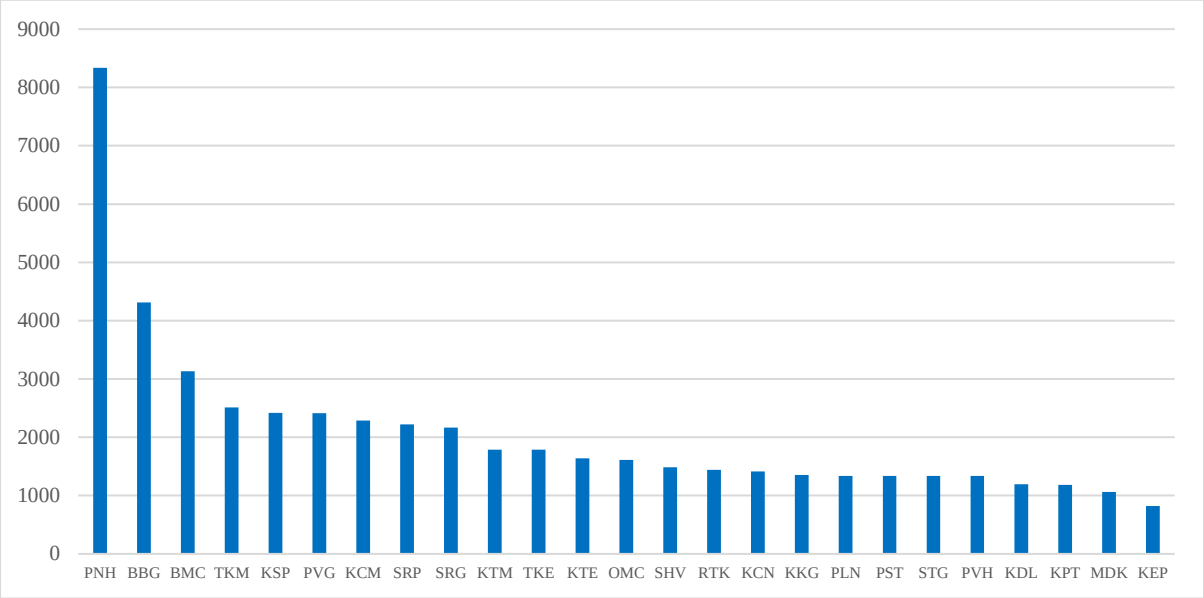
4.3 Patterns and trends of budget allocation across capital and provinces

Figure 22 compares the distribution of subnational budgets across the 25 capital and provinces for 2021. Phnom Penh represents the largest share of the subnational-level budget, receiving KHR 8,300 million or 16 per cent of the total. But that does not necessarily reflect the fact that Phnom Penh has the largest population (2.28 million in 2019). It is important to note that Phnom Penh hosts two important centers for social affairs services: the Drug Addicted Rehabilitation Centre (Orkas Knhom), with about 2,000 victims; and the Phnom Penh Social Welfare Centre (Prey Speu), with about 550 homeless people. The large budget package goes to support these two centres. As the province with the least population (42,000 in 2019), Kep represents the smallest budget share, receiving KHR 821 million or 1.6 per cent of the total. This does not, however, suggest in any way that the budgets for capital and provinces are distributed based on the population size. The per capita distribution may provide a lens into equity consideration.

As revealed in Figure 23, the distribution of budgets per capita does not appear even across capital and provinces. The level of per capita budget in some provinces is much higher than in others. For example, Kep enjoys a per capita budget of KHR 19,000; that amount is 19 times higher than the per capita budget for Kandal province, which is only KHR 1,000. This clearly suggests that per capita measure is not at all a key factor responsible for the budget distribution across capital and provinces.

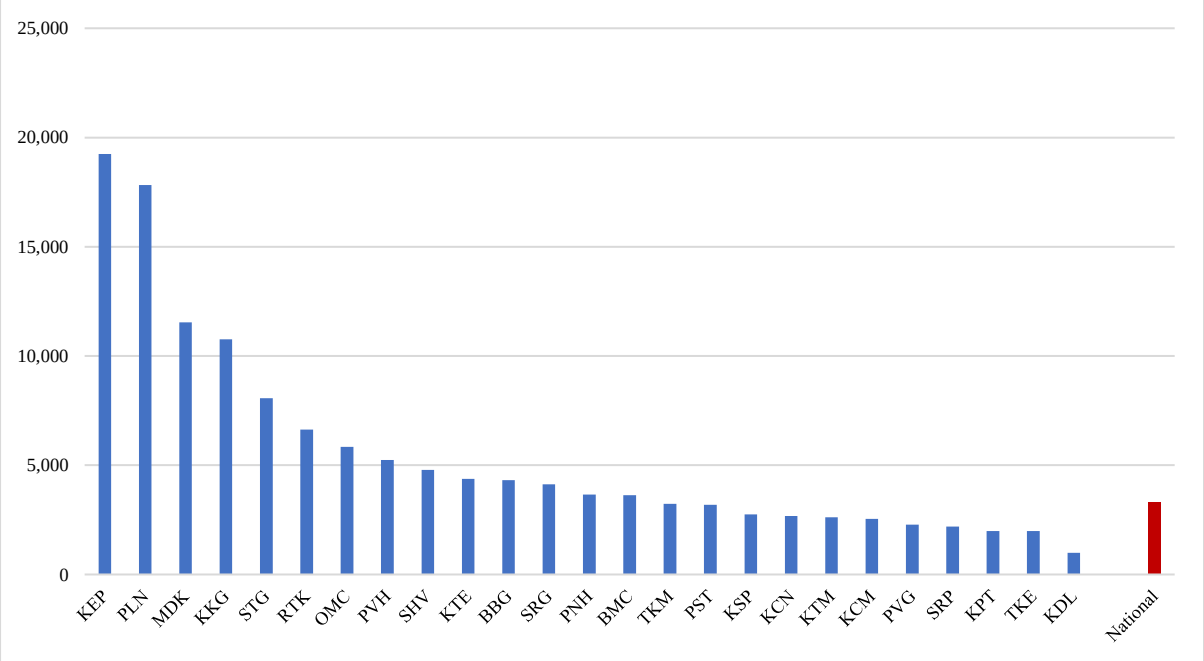
As the overall budget for capital and provinces decreased by 13 per cent in 2021, the question arises of how such a deficit is shared. Figure 24 discloses that the burdens were not equally shared across capital and provinces. For example, Kandal province – with the least per capita share – had its budget reduced the most, plunging 34 per cent. Furthermore, while most of the provinces received much less budget in 2021, the allocated amount for Tboung Khmum province rose by 14 per cent, on top of the previous year's increase of 50 per cent (the highest increase that year).

Figure 22: Distribution of subnational-level budgets by capital and provinces, 2021 (million KHR)



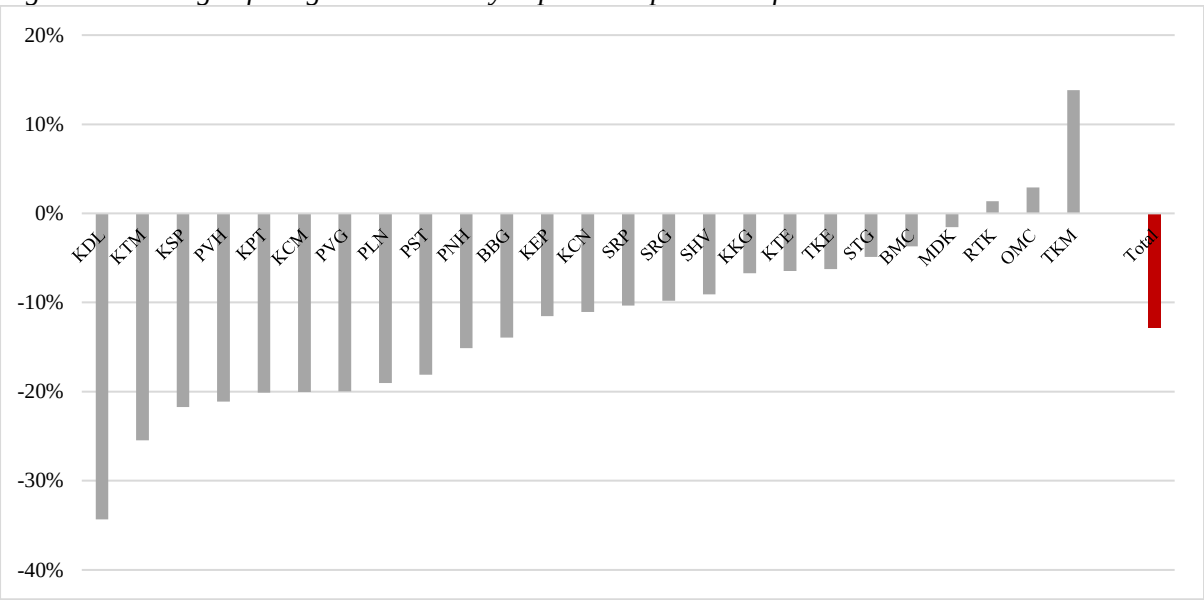
Source: MEF and MoSVY

Figure 23: Distribution of per capita budgets by capital and provinces, 2021 (KHR)



Source: MEF and MoSVY

Figure 24: Change of budget allocation by capital and provinces from 2020 to 2021



Source: MEF and MoSVY

5. Conclusion and recommendations

Overall, the fiscal space is shrinking on the revenue side due to the impact of the COVID-19 pandemic that had caused the GDP to contract significantly in 2020. Although economic recovery is expected to rebound to 4 per cent growth in 2021, it remerges from a lower base. Furthermore, the level of revenue mobilization will continue to be low as it still relies significantly on economic activities in 2020. As such, the prospect for national revenue collection for 2021 is projected to be around 18 per cent of GDP, down from 25 per cent for 2019 and 21 per cent for 2020.

Despite the unfavourable economic situation, the government manages to maintain the budget expenditure at a reasonable level. The overall budget for 2021 is KHR 33,000,000 million, a 3 per cent reduction from 2020. The burden from this reduction, however, is not proportionally shared among various sectors. The highest cut is for the general administration, while the social sector also sees its budget reduced more significantly than other sectors. The budget allocation for the social sector in 2021 was reduced by 10 per cent, while defense maintained a 1-per-cent increase and the earmarked unallocated budget rose 45 per cent.

MoSVY's Strategic Plan is an important instrument for providing social services to poor and vulnerable people. Nonetheless, the costing for the five-year period appears very conservative. The Strategic Plan anticipates resource requirements to grow only 4.12 per cent per year. In times of normalcy, this level of expectation is quite low. As experience shows, the actual budget allocation for MoSVY has increased 12.5 per cent per year from 2016 to 2021. Similarly, the national-level current budget has increased 13 per cent per year from 2016 to 2020.

Amid conservative costing, the Strategic Plan was underfunded. The actual resource allocation is improving, however, and gets close to plan in 2021. The gap was as much 17 per cent in 2019, then reduced to 8 per cent in 2020 and further reduced to just below 1 per cent in 2021. The trend suggests a good sign of support for the Strategic Plan.

The resource allocation under the Strategic Plan is very much concentrated on the social security services in Programme 2, which is the core programme of the social affairs services, especially in the form of pensions for former civil servants (SP 1.1) and for veterans (SP 1.2). In total, Programme 2 accounts for 81 per cent of the Strategic Plan's total resource requirements. That high proportion reflects two important features: an increasing number of pension recipients (i.e., former civil servants and veterans) and an increase in minimum pension from KHR 360,000 per month in 2016 to KHR 680,000 per month in 2021.

The social welfare service under Programme 1 is under-resourced. The programme received only 4 per cent of the actual budget allocation during 2016–2021, which is three times lower than the 13 per cent share envisaged in the Strategic Plan. The underfunding threatens to directly compromise the welfare services for children in particular and other target groups in general. On the other hand, while the Strategic Plan suggests an 81 per cent allocation share for Programme 2, the actual budget allocation directs 90 per cent of the resources during 2016–2021 to funding Program 2. As indicated earlier, this higher share reflects the increases in both the number of pension recipients and the level of minimum pension.

On a broader term, the child protection budget embraces both SP 1.1 and SP 1.2. By this measure, the relevance of budget allocation in absolute terms for child protection started to significantly increase in 2021, after a much slower growth in the preceding years

Child protection has gained further attention from the government in recent years. The Royal Government of Cambodia has introduced and implemented the cash transfer programme (CTP) for pregnant women and children under 2, which aims to improve the health and well-being of mothers, infants and children.

The dedicated welfare services for children and youth remains reliant on support from development partners such as UNICEF as the government's own resource to the SP 1.2 both national and sub-national level. While The Strategic Plan promises about 1.5 per cent of the total costing for child protection under SP 1.2, the actual allocation on the contrary decline from 1.7 per cent in 2016to a mere 0.3 per cent in 2021. Cooperation with development partners such as UNICEF and other NGOs has been a key strategy to mobilize additional resources and support for the subprogramme.

Recommendations:

As per the experiences of the Strategic Plan development and actual budget allocation over the past years, the below recommendations seek to suggest further improvements in the following areas:

(1) **Strengthening the costing of the Strategic Plan in the future.** As reflected in the Strategic Plan 2019–2023, MoSVY took a very conservative costing for its strategic priorities and action plans. While the government expected to increase the national revenue at 13 per cent per annum in normal times of economic growth, MoSVY only anticipated a 4 per cent increase for its Strategic Plan. Despite such low anticipation, the actual budget allocation for MoSVY has increased 12.5 per cent per year during 2016–2021. This means MoSVY has still received fairly good treatment from the actual resource distribution. Nonetheless, it is important that MoSVY makes its future

costing more ambitious and realistic to balance itself against the peer ministries and overall macroeconomic prospects.

(2) **Improving the alignment of the actual budget allocation with the Strategic Plan.** As it currently stands, the budget distribution across programmes and subprogrammes deviates significantly from the allocated shares that the Strategic Plan 2019–2023 aims to achieve. While the Strategic Plan allocates 13 per cent share to the social welfare service (Programme 1), that programme received only 4 per cent of the total budget during 2016–2021. In contrast, Programme 2 received up to 90 per cent, instead of the 80 per cent targeted in the Strategic Plan.

(3) **Promoting budget equity across capital and provinces.** From the findings, it appears that there are no definite formulas or criteria for distributing the annual budget at the subnational level. The imbalance becomes apparent when certain provinces receive an exceptional increase within the context of an overall budget cut. The absence of predefined criteria would leave the process of resource allocation subject to influences from individuals' negotiation skills and political or personal relationships. Therefore, developing a set of criteria for resource allocation should help promote equity among the capital and provinces.

(4) **Enhancing the budget for child protection.** As reflected in SP 1.1 and SP 1.2 (welfare service for victims and vulnerable people, and child welfare and youth rehabilitation), child protection only experienced a substantial increase in 2021 after slow growth since 2016. Therefore, it is important that the government considers further budget expansion to support the welfare of children.

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