

**Kingdom of Cambodia
Nation Religion King**

Dated 15th of January 1998

PREAH REACH KRAM

We

**Preahbath Samdech Preah Norodom Sihanouk Reach Harivong Uphatosucheat Visothipong
Akamohaborasratanak Nikarodom Thammikmohareacheathireach Boromaneat Boromabopit Preah
Chau Krong Kampuchea Thipdey**

- Referring to the 1993 Constitution of the Kingdom of Cambodia;
- Referring to Reach Kret of November 1, 1993 on the formation of the Royal Government of Cambodia;
- Referring to Reach Kram No. 02/NS/RKM/94 of July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Referring to Reach Kret No. NS/RKT/1094/90 of October 31, 1994 on the Reorganization of the Composition of the Royal Government of Cambodia;
- Referring to Reach Kret No. CS/RKT/0897/147 of August 7, 1997 on the Reorganization of the Composition of the Royal Government of Cambodia;
- Referring to Reach Kram No. NS/RKM/0196/18 of January 24, 1996, promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Pursuant to the proposal of the First Prime Minister and the Second Prime Minister and the Senior Minister in charge of Rehabilitation and Development and Minister of Economy and Finance.

HEREBY PROMULGATE

Law on Financial Management 1998 passed by the National Assembly on 31 December 1997 at the 8th session of the first term as follows:

CHAPTER I

**General Provisions on
Revenue and Expenditure of the General State Budget**

Article 1: It shall be authorized for the financial year 1998 to raise State budget revenue from taxes, contributions, custom duties, revenues and other incomes as well as to mobilize counterpart fund and loans as determined in Table "A" of this Law for a total amount of CR 1,445,000 millions allocated into:

- Regular revenue: CR 916,000 millions
- Capital revenue: CR 588,600 millions
- Domestic capital revenue: CR 33,000 millions
- Foreign capital revenue: CR 500,000 millions

Article 2: The maximum amount of credit expenditures of the State budget for financial year 1998 shall be limited to CR 1,445,000 million Riel categorized as:

- Regular expenditures: CR 985,000 million
- Capital expenditures: CR 550,000 million
- Regular expenditures: CR 33,000 million
- Capital expenditures: CR 500,000 million
- Investment expenditures:
 - domestic financing CR 135,000 million
 - funds from the Budget CR 35,000 million
 - foreign funds previously committed by donors CR 100,000 million
 - investment expenditures by foreign direct financing implemented outside the National Treasury CR 400,000 million
- Debt Servicing CR 15,000 million

Article 3: The maximum amount of credits for regular expenditures for financial year 1998 shall be projected at CR 895,000 million.

Credits shall be allocated to each ministry and institutions according to the Budget lines as set forth in Table "B" of this law.

Article 4: The amount of credits for state program for financial year 1998-2000 shall be projected at CR3,500,000 millions.

Credits shall be allocated to each ministry according to projects and years as set forth in Table "C" of this law.

Article 5: The maximum amount of credits for commitment and payment for capital expenditures in the State Budget for financial year 1998 shall be projected as follows:

- a) Public investment with external financing:
 - credits for commitment CR 600,000 million
 - credits for payment CR 400,000 million
- b) Public investment with internal financing:
 - credits for commitment CR 15,000 million
 - credits for payment CR 15,000 million

Credits shall be allocated to each ministry and institutions according to the budget line as set forth in table "D" of this law.

CHAPTER 2

Provisions on Conditions of Balance of the State Budget

Article 6: The balance of the State Budget shall be determined in a table of the state's financial cooperation as follows:

State's financial cooperation amount	Amount (000,000) of surplus or deficit 111.00
I. internal revenue	933,000.00
1. regular income	912,000.00
2. internal capital revenue (privatization)	21,000.00
II. Total budgetary expenditure (exclusive of loan interest)	1,430,000.00
1. regular expenditure	895,000.00
2. capital expenditure (exclusive of loan interest)	535,000.00
* internally financed public investment	135,000.00
* with budgetary fund	35,000.00
* investment project (construction, equipment)	15,000.00
* counterpart as part of foreign direct investment	20,000.00
* external fund with prior approval from donors	100,000.00
* foreign direct investment	400,000.00
Regular surplus of budget	+17,000
Total deficit of the General State Budget	-497,000
III- Deficit financing	
1. external financing	+500,000
- Budget-supporting assistance with prior approval from donors	+100,000
- project assistance	+400,000
2. Loan servicing (loan depreciation)	-15,000
3. Bank financing	-12,000

Chapter III

Provisions on Responsibility of Public Fund Controllers

Article 7: The director of an administration or an initial organizer or delegated organizer is prohibited from taking any action which increases liabilities or expenditures of the General State Budget which is not provided for in finance law or laws, sub-decrees, or orders made prior to commitment to the expenditure.

Article 8: In conformity with provisions of article 18 of the Law on Financial Systems promulgated by Royal Kram No. 01 NS. 93 dated 28 December 1993, the following shall be considered management offenses committed against the State:

All offenses against provisions as set forth at chapter 4 of this law;

- all acts of spending in the commitment expenditure in excess of the credits in the Budget adopted by the National Assembly, except for credits projected for salary payments and social allowances, debt servicing, and loan settlements approved by the National Assembly, as well as contributions to international organizations.
- all acts of spending which are subject to an increase in budgetary credits approved by the National Assembly with special sources, except as specified by the laws and orders in force and international conventions adopted by the National Assembly.
- all serious offenses leaving a burden on the public finances.
- all management activities in defiance of the laws, sub-decrees, and orders implemented in relation to revenues and expenditures of the State.

Article 9: The director of an administration, initial organizer, and delegated organizer, as well as government officials and state agents, shall be directly responsible for offenses against provisions set forth in this chapter.

CHAPTER 4

Provisions on Loans and Guarantee of the Government

Article 10: The maximum amount the Minister of Economy and Finance can allow to be borrowed is 200,000,000 S.D.R (Special Drawing Right) from 1998.

Under this condition, the Minister of Economy and Finance shall be the only person with a legal right, delegated in writing by the two Prime Ministers of the Royal Government, to sign for taking out loans for the benefit of the General State Budget or for state security.

The contracted loans in the above level shall be concessional loans to be settled with preferred (soft) interest. However, the Minister of Economy and Finance, in cooperation with the National Bank of Cambodia, may issue treasury bonds worth CR25,000 million to fund a budgetary deficit or to deal with urgent financial needs. The condition of issuing treasury bonds shall be determined by a standard legal document.

All loans and security by the state under commercial conditions for 1998 budgetary management shall be prohibited.

Article 11: It shall be prohibited for any ministry or state-mixed public institution to sign a form issuing long, medium, or short-term bonds or to provide security for contracts signed by public or private institutions or to enter into a contract in forms where debts are to be settled within a time limit not allowed by finance law and the conditions set out by the law.

Conditions of each cooperation shall be determined by sub-decree with reference to reports of the Ministry of Economy and Finance.

The Minister of Economy and Finance shall prepare reports on the implementation of provisions of this chapter to the National Assembly every 6 months.

Article 12: With special conditions in mind, and in contravention to provisions of articles 10 and 11 of this law, it was agreed that the Royal Government provide a guarantee to the agreement to purchase electricity from BEACON HILL COMPANY.

CHAPTER 5

Provisions on Taxation

Article 12 [Sic -13]:

The Law on Taxation promulgated by the Royal Kram No. NS. RKM. 0297 dated 24 February 1997 was amended as follows:

- Article 55 shall be amended to contain the following clause: "on 1 Jan. 1999, VAT shall be established on taxable supply for the benefit of the state budget."
- "1 Jan. 1998" in paragraph 5 of article 86 shall be changed to "1 Jan. 1999".

Article 14: The Tax on Means of Transport and Vehicles prescribed in article 53 of the 1994 Finance Act, promulgated by Royal Kram No. 02 NS dated 28 Dec. 1993, shall be rewritten as stated in the attached list "E".

CHAPTER 6

Provisions on Account for Privatization of Public Enterprises

Article 15: Article 85 of the Law on Financial Management 1995 promulgated by Royal Kram No. 11NS94 dated 31 December 1994, shall be abolished and replaced by the following provisions:

Article 85 (new):

Resources of the account for privatization of public enterprises shall be employed for:

- the benefit of public enterprises for:
 - i. financing the goods of enterprises aimed at privatization.
 - ii. financing programs for a reduction in the number of redundant staff of public enterprises. capital allowances for the benefit of enterprises maintained in the public sector.
- financing counterpart public investment of public investment with direct external financing as well as other state's capital expenditure.

CHAPTER 7

Final Provisions

Article 16: Any provision contrary to this law shall be abrogated.

Article 17: The law is promulgated as a matter of urgency.

Phnom Penh 9th of January 1998
On the royal behalf and under the royal order
Acting Head of State
Signature

CHEA SIM

Informed for the King's signature

First Prime Minister
Signature

Second Prime Minister
Signature

UNG HUOT

HUN SEN

Informed the First and Second Prime Ministers
Senior Minister for Rehabilitation and Development
Minister of Economy and Finance
Signature

KEAT CHHOUN

No. 11 CL
for copy

Phnom Penh 15th of January 1998
General Secretary of the Royal Government
Signature and Seal

NADY TAN