

KINGDOM OF CAMBODIA
NATION RELIGION KING

LAW ON
PUBLIC FINANCE SYSTEM

CHAPTER 1

General Provisions

Article 1

The Law on Public Finance System aims at setting fundamental principles to manage overall financial system and to develop the Law on Finance, especially each step of budget preparation, adoption, and implementation, to review budget performance, identifications of roles and responsibilities, and consequences of wrongdoings in public financial management of ministries, institutions, similar public entities, public establishments, and sub-national administrations.

Article 2

The Law has its objective to manage public financial system by complying with the principles of integrity, authority, unity, associability, universality, consistency, accountability, transparency, stability, comprehensiveness, and achievements. The public financial management covers national public finance including relations and interactions between national and international public finance, national and international private finance ensuring compliance with budget principles, financial accountability, linkages between budget and policies, and accountability for achievements.

Article 3

This Law has its scope as a fundamental law served as basis and required compliance by national and sub-national public financial management in the Kingdom of Cambodia.

Article 4

In using in this Law, the following terms mean:

Financial Law refers to the Law that plans annual state revenues and expenditures, regulations pertaining to financial system and payments used to perform roles, and to undertake programs and responsibilities of ministries/institutions at the national and sub-national levels in compliance with the provisions of the Constitution and the Law on Public Financial System, and regulations on financial system determined by it.

Annual Financial Law plans and allows for each year state's resources and expenditures.

Amended Law refers to the Amended the Annual Financial Law.

Law on Budget Execution refers to the Law that reviews and assesses the performance of the implementation of the Annual Financial Law.

Ministries, institutions or similar public entities refer to ministries, institutions or entities that obtain full or partial financing from the national budget and/or that manage state assets and liabilities and/or accounting established by laws and manage, arrange any activities that would lead to the obligations or liabilities of the state.

Medium Term refers to a period not less than 3 years, but not exceeding 5 years.

Policy Agenda refers to the strategy to achieve the vision of the Royal Government reflected in the State's plan, including national policies, sector, and sub-sector policies.

Program refers to group of independent sub-programs and/or group of independent sets of activities with close linkages and developed to contribute to achieve a common policy objective, and that states activities to be implemented, annual performance, final results, and indicators, which are bases for review and assessment of the achieved results from programs implementation. Program can be divided into sub-programs.

Budget Comprehensiveness refers to the comprehensiveness of budget that reflects all sources of revenue and all expenditure items.

Transparency refers to all laws, regulations, principles, procedures, and their implementations broadly disseminated to ministries, institutions or public entities and the public.

Accountability refers to the responsibilities of ministries, institutions or similar public entities, sub-national administration, and individuals over roles and responsibilities assigned to undertake these through a reporting system.

Consistency refers to all ministries, institutions or similar public entities, and all sub-national administrations of the Kingdom of Cambodia that must use the same inter-linked principle.

Budget Universality refers to all types of revenues that can be used for expenditure items free of conditions.

Budget Associability refers to all types of revenues and all expenditure items that need to be paid and settled through a Treasury Single Account.

Integrity refers to the single system of public finance that is complete and comprehensive without controversial policy in both legal and institutional frameworks that cannot be abused.

National Administration refers to ministries, institutions, similar public entities and subordinated provincial technical departments.

Sub-national Administration refers to cities, provinces, municipalities, districts, khans, communes, Sangkats under the jurisdiction of each council.

Budget refers to the set of accounts described on annual basis all permanent assets of and liabilities to the state or to any institution or entity.

National or State Budget refers to the planned balance of all permanent assets of and liabilities to the state. National or state budget includes budgets at the national and sub-national levels. National budget is the budget of the national administration. Sub-national budgets are those of the sub-national administrations.

Financial Fixed Assets refer to investments on securities or securities obtained from capital participation with enterprises or companies. Financial Fixed Assets are financial assets that are fixed and non-current. Financial assets being financial fixed assets include all kinds of securities, certificates of deposit, insurance policies, commercial papers, payments by order, bill of exchange, and checks, etc.

Financial proceeds refer to all financial gains obtained by investing temporary cash surplus in tradable securities for a short period of time. Financial gains include interest rates on debts, profit obtained from overnight investment of foreign treasury bonds, benefits obtained from provision guarantees, and other fees obtained from financial transactions.

Article 5

Budget shall have eleven key principles that need to be absolutely implemented:

1. Authoritativeness
2. Twelve - month financial year
3. Comprehensiveness
4. Unity
5. Universality
6. Specialty
7. Balance
8. Accountability
9. Transparency
10. Stability
11. Achievability

Article 6

National administration, public establishment, sub-national administrations, individual public officials and operators in the whole public financial system shall firmly maintain the principles of integrity, associability, consistency, accountability, transparency, and comprehensiveness as well as scope in overall public financial management and the 11 key principles of the budget.

Article 7

In order to assure effective implementation of this Law and any other relevant rules and regulations, sub-decrees, decisions, instructions, and instructive circulars shall be issued by the Royal Government together with Prakas and other instructing circulars issued by the Minister of Economy and Finance.

Article 8

Any law that has the characteristics of a financial law shall include:

1. Law on Annual Finance
2. Amended Law
3. The Law on Budget Settlement

Article 9

Annual Financial Law plans and allows for each year assets and liabilities to be spent by the state to serve the policy agenda of the Royal Government for socio- economic developments by taking into account of maintaining macro-economic stability, financial and monetary equilibriums, especially through the assurance of budget balance.

Article 10

Besides what is stipulated in the Law, the financial regime and the management of state properties of the sub-national administration are subject to separate law(s).

Article 11

The budget fiscal year starts from 01 January and ends on 31 December.

CHAPTER 2 Structure of the Budget and the Authority

Section 1 Structure of the Budget

Article 12

Budget shall be prepared in line with administrative classifications based on administrative management structure, economic classifications by types of expenditure, functional classifications by objective and program classifications.

Article 13

Permanent resources of the state include current and capital revenues.

- Current revenue is divided into 2 groups and 3 categories, namely:
 - Group 1: Real revenue
 - Category 1: Fiscal revenue
 - Category 2: Non-fiscal revenue
 - Group 2: Revenue by order
 - Category 3: Revenue by order
- Capital revenue is divided into 2 groups and 3 categories, namely:
 - Group 1: Real revenue
 - Category 1: Revenue from own sources
 - Category 2: Revenue from external sources
 - Group 2: Revenue by order
 - Category 3: Revenue by order

Each type of revenue is classified by chapter, account, sub-account, an eventually can be in more detail by the Prakas issued by the Minister of economy and Finance.

Article 14

Budget account includes national budget, annexed budget, budget of public administration establishment, and special accounts of the National Treasury. Other budget accounts can be created under Financial Law.

Annexed budget shall be implemented by public entities with industrial and commercial characteristics which are non-legal person. Annexed budget shall be created or abrogated by Financial Law. The operations of annexed budget shall be conducted within the conditions and rules similar to those of the national budget.

Public administration establishments shall have autonomous budgets. The recurrent resources of the public administration establishments include direct revenue and eventual

balance subsidies financed by state budget. On the other hand, recurrent expenditure of the public administration establishments shall also comply with the rules of classification and management similar to that of the current expenditure under the state budget.

The organization and the functioning of annexed budget and the budget of the public administration establishments shall be determined by sub-decree of the Royal Government.

Article 15

Fiscal revenue includes the revenues obtained from domestic and international trade taxes and excises, and other fiscal revenues.

Non-fiscal revenue includes the revenues obtained from management, business operations and sales of state properties, proceeds from concessions, fees generated from public services, proceeds from penalties and fines, subsidies, financial donations, other proceeds and special proceeds, and other non-tax revenues.

Capital revenue includes revenues obtained from financial fixed assets, grant for investments, borrowings, and other capital revenues.

Article 16

Taxes, excises, and other fiscal revenues shall be determined by laws, collected and supervised by the Minister of Economy and Finance. The rates of taxes, excises, basis for taxation, tax exemption, and disputes related to the identification, collection, and control of taxes shall be determined in the framework and formalities stated in the law pertaining to the types of each tax and excise.

No regulations of any kind, no international conventions shall induce changes leading to losses of revenue. The above case can only happen unless implementation of the formalities of similar laws and orders after having the approval from the Minister of Economy and Finance.

The collection of non-fiscal revenue shall be under the supervision of the Minister of Economy and Finance.

Article 17

State properties consisting of state private and state public properties shall be properly managed and controlled according to provisions in existing laws and orders. The Ministry of Economy and Finance is the executive agency of the Royal Government supervising state properties in terms of selling, leasing, transferring, and other arrangements with regard to state properties, granting of various state concessions, and undertaking inventories. All contracts on the management of state properties and the granting of state concessions related to public finance shall be under review and approval of the Minister of Economy and Finance. Under the provisions of Article 19 of this Law, all revenues resulting from the operations and management of state properties shall be paid into the Treasury Single Account of the state budget at the National Treasury and this revenue cannot be withdrawn for offsetting directly with any expenses.

Article 18

State service fee is a charge on public services delivered by state public entities to private and third organizations. State service fees shall be under a price list determined by the Royal Government according to the request by Minister of Economy and Finance and suggestions by line ministries and institutions.

As for state service fees that are minimal such as fees generated from administrative authorization, formalities, tickets visiting resorts and museums, and receipts of fines shall be determined by a joint Prakas issued by Minister of Economy and Finance and the ministers of relevant line ministries or heads of relevant institutions.

Article 19

Revenues shall be fully recorded and shall not be used to directly offset expenses. Any increase by a revenue manager to an approved level of credit supplemented by basing on any special revenue sources shall be strictly prohibited.

Article 20

The entire revenue shall be allocated to all expenditure items. However, some revenues can be allocated only for actual expenditure items under forms and conditions specified by law.

Article 21

Permanent obligations of the state consist of recurrent and capital expenditures. These obligations are divided into groups and categories.

Article 22

The current expenditure is divided into 2 groups and 6 categories:

- Group 1: Real Expenditure
 - Category 1: Services
 - Category 2: Financial obligations
 - Category 3: Public interventions
 - Category 4: Other expenses
- Group 2: Expenditure by order and unexpected expenses
 - Category 5: Expenditure by order
 - Category 6: unexpected expenditure

Each category of expenditure shall be classified by chapter, account, sub-account, and eventually can be classified in more detail by Prakas issued by Minister of Economy and Finance.

Article 23

Capital expenditure of budget is used for implementing programs, executing investment projects, contributing as counterpart contribution, and debt payments.

Capital expenditure is divided into 2 groups and 3 categories, namely:

- Group 1: Real Expenditure
 - Category 1: Settlement of loans and similar debts
 - Category 2: Immobilization

- Group 2: Expenditure by order
 - Category 3: Expenditure by orders

Each category of the expenditure shall be classified by chapter, account, sub-account, and eventually can be classified in more detail by Prakas issued by Minister of Economy and Finance.

Externally financed investment credits are estimated credits which shall not be the subject of legalization to any other expense categories.

Article 24

Annual Financial Law allocates credits to ministries, institutions, and similar public entities and reflects also annexed budget and the budgets of public administration establishments by categories of current and capital expenditure. These ministries, institutions, or similar public entities shall mobilize all credits to undertake their respective tasks at the national level of administration.

Annual Finance Law shall allocate credits as package to administration of sub-national level.

Article 25

Budget credit approved by the Annual Financial Law is allocated in detail internally within each category in line with its characteristics and objectives. These credits can be subject for preparing program budgets and mobilizing by sector as well. Program budgets shall be determined by a Prakas issued by Minister of Economy and Finance.

Current expenditure of category 2 “financial obligations” and category 6 “unexpected expenditure” shall not be allocated to ministries, institutions, or similar public entities. These credits are kept for payments of interests on loans and other obligations including as reserves for unexpected expenditures. Reserved credit shall be allowed to cover any expense whose allocation cannot be accurately specified when credit is approved. The allocation of these reserved credits by ministries, institutions and similar public entities shall be made by sub-decree pursuing to the request made by the Minister of economy and Finance.

Category 1 of capital expenditure is to cover loans domestically and externally borrowed and to cover similar debts. The Minister of Economy and Finance is the spending manager responsible for paying interests on borrowings and other expenses, debt repayments, and refunds including payments for domestic and external borrowings as well as payments of similar debts.

Article 26

There are two categories of budget credit -- ceiling and estimated credits. Ceiling credit is granted as commitment with a highest level of authorization where this type of spending is pre-determined. Spending under this credit type can only be increased by an amendment to the Annual Financial Law. Estimated credit, not sufficiently planned, is allowed for necessary expenses, after the approval of the budget. This category of spending can be used in excess of the planned budget in relevant budget chapter. Estimated credit occurs on public debts, salaries, staff allowances, membership fees for international or inter-governmental organizations as well as for other expenses that shall be specified in Annual Financial Law.

Article 27

Current expenditure credit is divided into credit for approved work activities and the credit for new measures.

Credit for approved work activities includes the one specified in the previous year's current expenditure *minus* endowment and credit for work activities that will not recur in the budget planning year *plus* credit adjustment for actual situations.

Credit for approved work activities shall be within the necessary minimum level needed for operating work activities in previous year's conditions.

Adjustments for actual situation shall take into account impact occurred last year and the evolution of other potential public obligations as a result of the measures taken last year.

New measures are those related to any decisions causing additional financial impact on budget.

Article 28

Capital expenditure credit is the investment credit divided into committed (pledged) credit and mandated (disbursed) credit. Investment credits are set by programs or projects initiated by the state during the year with a calculation of the need for total spending. Investment credit plans committed (pledged) fund for the entire project operation without additional investment required for its completion. Nevertheless, investment credit allows the Royal Government to only commit within the committed credit approved in the Annual Financial Law.

Committed credit shall be placed under spending manager for necessary spending in the implementation of investment determined by the Annual Financial Law. Mandated credit shall be used for issuing payment orders which are obligations of the state within the limit of the committed credit.

Article 29

Committed credit can be indefinitely valid. This credit can be carried forward from one year to another until its eventual disappearance. Mandated credit that has not been used by (year-end) financial management closing shall be forfeited and a new credit can be allowed for next year.

Article 30

No regulatory measures, orders, or administrative instructions can be approved, accepted or decided if the need for the would-be payments of new obligations has not been assessed, forecasted, and authorized prior to planning and determining budget. Creating or changing jobs as well as recruiting by exams can only occur from the job list determined by the Government or entity and planned in budget. Promotion, granting of new bonuses or increase of remunerations cannot be made if those measures have not been supplemented by sufficient credit in advance in the state budget.

Article 31

Special account of the National Treasury is an account opened in the National Treasury's record in order to:

1. Record separate revenue booking for specific financing to public service transactions, known as specially arranged account.
2. Show temporary spending of the state, known as advance account.
3. Record all transactions with industrial or commercial characteristics which are secondary undertaken by the state, known as commercial account.

The special account of the National Treasury shall be created or eliminated by the Law on Finance under the conditions set forth in the provisions of this Law.

Article 32

All revenue and expenditure of the special account of the National Treasury shall be planned and authorized in the same manner similar to the general transactions of the state budget.

Article 33

Spending transactions that can be recorded in the special account of the National Treasury shall be processed similar to the state budget under the separate conditions as follows:

1. Total committed spending or mandated spending issued to the special account of the National Treasury shall not exceed the total resource of the account itself.
2. During a managerial period, if the revenue of the National Treasury's special account is larger than the estimated planned spending, then the credit of this account can be increased by Prakas issued by the Minister of Economy and Finance within the exceeding amount of the revenue.
3. Credit balance of the National Treasury's special account can be carried forward from one year to another unless otherwise specified in the Law on Finance.
4. Any spending such as salaries or allowances that does not belong to special account of the National Treasury i.e. contrary to the account's objectives is not allowed to be recorded in this account.

Section 2 Authority and Responsibilities

Article 34

The Minister of Economy and Finance shall have the responsibilities to manage revenue, expenditure, borrowing, lending, and guarantees of the state as authorized by laws.

Article 35

The Minister of Economy and Finance is the executer of the Royal Government in the preparation, implementation, monitoring, and management of the medium and long-term macro-economic framework and public financial policies of the Kingdom of Cambodia.

Article 36

The Minister of Economy and Finance shall report to the National Assembly and the Senate the macro-economic and public financial policies of the Royal Government and the current economic and public financial situation and medium term forecasts.

Article 37

The Minister of Economy and Finance shall take the lead in maintaining public finance discipline, drafting the Law on Finance, prepare medium term expenditure framework, complying with the Law on Finance, and ensure constant oversight over budget management.

The Minister of Economy and Finance shall take the responsibility to provide reports on macro-economic and public financial situations to the National Assembly and the Senate twice a year, i.e. when discussing the approval of the Draft Law on Annual Finance and in middle of the year.

Article 38

National and sub-national administration shall have the responsibilities to develop budget strategic plan, budget management, and review of its budget implementation, especially shall ensure accountability for determination and the performance of policy implementation in its own sector in line with the policy of the Royal Government.

CHAPTER III Budget Preparation

Section 1 Budgeting Framework

Article 39

The Minister of Economy and Finance shall draft the Annual Financial Law based on the following calendar:

1. The Preparation of Budget Strategic Planning (March to May)

During the first week of March, the Minister of Economy and Finance shall prepare medium term macro-economic framework and public financial policy consistent with national policy for developments and submit them to the Royal Government for review and approval.

During the first week of April, the Minister of Economy and Finance shall issue instructive circular on the preparation of Budget Strategic Plan based on medium term-macro-economic framework and public financial policy determined by the Royal Government.

Ministers of all ministries, Heads of all institutions, Heads of similar public entities, and governors of sub-national administration shall prepare Budget Strategic Plan for ministries, institutions, similar public entities, and sub-national administration based on the instructive circular on the preparation of Budget Strategic Plan, visions, purposes, targets of program and priority action plans of ministries, institutions, similar public entities, and sub-national administration serving priority policy by sector and national policy for developments.

These Budget Strategic Plans shall be sent to the Minister of Economy and Finance not later than the 15th of May.

2. Preparation of Budget Package (June to September)

During the first week of June, the Minister of Economy and Finance shall prepare draft instructive circular on budget preparation techniques by specifying the formality and procedures of budgeting attached with explanatory note and relevant documents to be submitted to the Royal Government for review and approval and then send to ministries, institutions, similar public entities, and sub-national administrations to prepare their detailed budget revenues and expenditures.

Ministers of all ministries, Heads of institutions, Heads of similar public entities shall prepare their detailed revenue and expenditure budget for national and sub-national administrations based on the instructive circular on the budget preparation techniques and their policy priorities. These budget plans shall be sent to the Minister of Economy and Finance on the 15th of July at the latest.

The Ministry of Economy and Finance shall combine and sum up the revenue and expenditure plans submitted by the ministries, institutions, similar public entities, provinces and cities.

During the whole month of August, the Ministry of Economy and Finance invites ministers of all ministries, institutions, and heads of similar public entities together with the governors of all provinces and cities to discuss and defend their budget proposals in order to reconcile all revenue and expenditure plans in according with provisions stipulated in the instructive circular reducing unnecessary spending and to appropriately increase revenue.

During the whole month of September, the Ministry of Economy and Finance sums up all revenues and expenditures to balance the budget again and then prepare a draft financial law as well as an explanatory note of the law.

3. Budget Approval (October to December)

During the first week of October, the Ministry of Economy and Finance sends this draft law to the Council of Ministers for review and approval, and then submit it to the National Assembly in the first week of November for review and approval. The draft then is submitted to the Senate in the first week of December, so that this draft law is finally approved prior to 25th December.

Section 2 Budget Preparation Process

Article 40

The budget preparation shall comply with the provisions stipulated in Articles 1, 2 and 6 of this Law.

Article 41

Planning of current revenue shall be based on the sources of fiscal and non-fiscal revenues.

1. The Minister of Economy and Finance shall directly plan fiscal and non-fiscal revenues which are subject to collection under his authority and also plans fiscal and non-fiscal revenue from public enterprises.
2. Ministers of all ministries, heads of institutions and similar public entities, and provincial/municipal governors involve in revenue management under their jurisdiction shall submit to MEF lists of all revenues and estimated revenues in order to completely and properly record in planned budget revenue. These revenues are integral part of the state's total budget.

Article 42

The Minister of MEF shall plan capital budget based on the resources generated from:

1. Revenue from financial fixed assets;
2. Debt repayments and repayment of advances, by public enterprises, that shall be appropriately recorded in the amortization tables;
3. All sources of revenue from domestic borrowings approved by the Royal Government that the Minister of Economy and Finance shall evaluate and analyze economic situation, and characteristics of the borrowing in collaboration with the Governor of the National Bank of Cambodia.
4. External financing in forms of grant for investment or borrowing that shall be recorded in the planned revenue in compliance with the conditions stated in the agreements. Resources for budget support and for projects shall be evaluated based on the flows of funds and progresses of project implementation. Counterpart fund in forms of goods shall be planned as state budget revenue with expected amounts according to their scheduled imports.
5. Other capital revenues.

Article 43

Planned recurrent and capital expenditures shall be made by national and sub-national administrations to manage all services and activities.

Article 44

Planning of budget requirements shall be thoroughly and clearly based on legal principles and policy objectives, programs, activities, and expected results. The Minister of Economy and Finance shall establish norms and measurements for all different types of work related activities as well as for properties and services in collaboration with ministries, institutions, similar public entities, and sub-national administrations.

Article 45

Capital expenditure shall be based on separate programs or projects that have prior approvals and shall be prepared for achieving the objectives defined in the policy agenda of the Royal Government. Those programs or projects are the foundations for evaluating the total capital expenditure of programs and projects, and for determining the terms of commitments and the payments for each phase in the year.

Article 46

To comply with the calendar of Article 39 of this Law in drafting Annual Financial Law, Minister of Economy and Finance has the right to plan, based on the result of the current year implementation, revenues and expenditures of national and sub-national administrations that have not planned their revenues and expenditures within the period allowed.

Article 47

The Annual Financial Law submitted to the National Assemble and the Senate shall be enclosed with:

1. Report analyzing trends and overall evolution of the current economic and financial situations, and an analysis of the characteristics of the new (proposed) budget as well as explanation on maintaining macro-economic stability, financial and monetary equilibriums, especially balanced budget.
2. Reports related to trends of current expenditures by analyzing and showing the credit situation in relation to last year's approval against demand, and new measures necessary for new management.
3. Set of programs and projects of capital expenditure that reflects investment credits, committed credits, and mandated credits for in-year programs and projects, planning for reserved credits with similar categories necessary for continuing these programs and projects, and analysis of new programs and projects together with credit needs for these new programs and projects defined according to a planned utilization calendar.
4. Other relevant and necessary documents for information and oversight by the National Assembly and the Senate.

Article 48

The draft of Annual Financial Law consists of two parts:

In part I, the draft law allows all public resources be collected and determined in a total amount. The draft law shall define directions and means for implementation of capital expenditure. The draft law specified credit ceiling that is beneficial to state budget and special account of the National Treasury. Draft law includes all provisions related to fiscal, non-fiscal, capital revenues, and all other financial regulations.

Part II includes tables broken down by group, categories, chapter, account, and sub-account relating the revenue of the state budget. This draft law consists of the planned current expenditure of the state budget allocated to ministries, institutions, and similar public entities by types of expenditures that need to be approved. The draft law consists of planned capital expenditure allocated to ministries, institutions, and similar public entities by chapter broken down by committed and mandated credits. The draft law shall specify records of special accounts of the National Treasury with administrative nature and specify each special account with an amount of revenue and expenditure.

Article 49

The Annual Finance Law shall be adopted by the National Assembly and reviewed by the Senate and declared effective by Royal Decree and published to be implemented as a Law of the Kingdom of Cambodia.

Article 50

If the draft Annual Finance Law is not adopted prior to January, 1st of the financial year, previous year's budget will officially continue under the following conditions:

1. Fiscal, non-fiscal, and all kinds of other revenues shall be permitted and continued to be collected with the conditions and formalities stipulated in the previous Law on Finance and within the existing legal framework and orders.
2. Current expenditure, apart from public debt obligations, shall be implemented based on previous year's budget using temporary method of 1/12 for each month until the approval of the new budget.
3. Capital budget expenditure, besides public debts amortization, shall continue to be implemented following the previous year's framework where credit is available within or exceeding the mandate but not over committed credit approved in last year's budget.
4. All spending in forms of obligations with regard to Cambodia's membership within international institutions and inter-governments, and the obligations relating to public debts including amortizing principle, payments of interests, service fees and/or eventual fines shall have their continuations ensured following effective agreements.

Section 3 Authority and Responsibilities

Article 51

The Law on Finance shall be adopted under conditions similar to other laws, with special exceptions as follows:

- Planned revenue shall be approved as package for both current and capital revenues
- Planned expenditure shall be approved in total for both current and capital expenditures based on the documents of ministries, institutions, or similar public entities.
- Special accounts of the National Treasury shall be approved as a total package based on the record of all available accounts.
- All provisions of the Law on Finance are subject to final approval.

Article 52

No any amendment on the draft Law on Finance is permitted if such amendment has impact on the balance of a proposed budget. This type of amendment can only be made in the following conditions:

- Newly proposed expenditure shall be compensated by elimination or reduction of any other spending in order to maintain balanced budget;
- Newly proposed expenditure shall be made with accompanied proposed savings on any types of an already proposed spending in order to maintain balanced budget;
- Newly proposed expenditure shall be made with accompanied proposal to create new item of revenue or increase revenue to maintain balanced budget.

Any amendment in contrary to the provisions of this above Article shall be rejected and considered as null and void.

Article 53

Breaking down of credit into chapters shall be made by sub-decree. This sub-decree shall not lead to any alterations of credit that is determined by law.

Article 54

The division of credit detailed in chapters, accounts, and sub-accounts shall be made by Prakas issued by Minister of Economy and Finance.

CHAPTER 4 Budget Implementation

Section 1 Budget Implementation Framework

Article 55

A transfer of credit from one ministry, institution, or similar public entity to another shall be determined by the Law on Finance. However, any necessary transfer of credit from one ministry, institution, or similar public entity to another in order to strengthen the structure or the administration of the Royal Government can be made by sub-decree in case that such transfer would not change items of expenditure and allocation of credit by each chapter.

Article 56

Any transfer of credit from one chapter to another within the budget of a ministry, institution, or similar public entity shall be made by sub-decree given that this will not change capital expenditure credit for investment to current expenditure credit for operations.

Article 57

Transfer of credit from one account or sub-account to another within the same chapter shall be made by Prakas issued by the Minister of Economy and Finance.

Article 58

A sub-decree issued following a request by MEF can allocate budget credit recorded under unexpected expenditures in forms of additional credit beneficial to various chapters of ministries, institutions, or similar public entities.

Article 59

Credit that is no longer used in implementing budget year can be eliminated by Prakas of the Minister of Economy and Finance after having received information from national or sub-national level of administration.

Article 60

When there is any revenue and expenditure evolution contributing to budget imbalances, the Minister of Economy and Finance may issue a Prakas to partially or entirely

freeze certain types of credit approved in the Law on Finance. In case of severe imbalances, the Royal Government can establish regulations via a sub-decree pursuant to a request of the Minister of Economy and Finance to eliminate partly or entirely certain types of credit adopted in the Law on Annual Finance.

Article 61

In case of natural disasters or any emergent necessity beneficial to the nation, based on a report of the Minister of Economy and Finance, the Royal Government may issue a sub-decree to increase credit for utilization. This credit shall be adopted by the amended law on the Law of Annual Finance and the Government shall seek immediate approval from the National Assembly and the Senate when these special circumstances end.

Contradicting to the above paragraph of this Law, if the amended law of the Law on Finance cannot be done in the fourth quarter of a fiscal year of the Law on Annual Finance for each year's management, these credits are subject to regularization in the Law on Finance in the following year.

Article 62

Any other changes to the Law on Annual Finance can be made during the period of budget year via the amended law of the Law on Annual Finance which shall be submitted to the National Assembly and the Senate for approval similar to the adoption of the Annual Financial laws.

Section 2 Budget Implementation Process

Article 63

The execution of the state's financial operations and the special accounts of the National Treasury are the tasks of managers and public accountants. Roles of managers and public accountants are incompatible with one another.

Ministers, heads of institutions, and heads of similar public entities are principal managers of their budget both at the national and sub-national levels of administration along the vertical line of subordination. The principal managers are the ones who order budget revenue and budget expenditure under their respective parts.

Ministers, heads of institutions, and heads of similar public entities who are principal managers of their budget may delegate their rights to administrative governors at the sub-national level to serve as delegated managers for financial operations of budget under their jurisdiction of authority. Ministers, heads of institutions, and heads of similar public entities who are principal managers of their budget can delegate their rights to subordinates being the heads of entities, heads of provincial and municipal technical departments to serve as delegated managers for financial operations of budget with prior approval from the Minister of Economy and Finance.

In case the principal or delegated managers are absent or busy, they can designate government officials for the delegation of rights or to replace them based on the regulations of public accounting. The delegation of rights or signing shall be made by Prakas following prior approval of the Minister of Economy and Finance.

Article 64

Spending of state budget and on special accounts of the National Treasury is subject to visa approval from financial controller of MEF assigned by the Minister of Economy and Finance. The objectives of and actual reasons for any inspection together with operations techniques shall be determined by sub-decree pursuant to the request made by the Minister of Economy and Finance.

Article 65

Spending state budget including national and sub-national budgets and the budget of public administration establishments and the special accounts of the National Treasury for purchasing, repairing, constructing, and renting services shall be made in compliance with methods and procedures of public procurement defined by the Law and Regulations on Public Procurement.

Section 3 Authority and Responsibilities

Article 66

Ministers, heads of institutions, and heads of similar public entities including governors at the sub-national administration level shall be responsible for executing their budgets. Revenue collection and spending shall comply with their jurisdiction of authority which is defined by laws.

Article 67

Under the limits defined by the Law on Finance and under the authority of the Prime Minister, only the Minister of Economy and Finance has the rights to borrow, issue state securities, receive grants, invest on financial fixed assets, guarantees, and other financial commitments, and to lend money domestically and externally. No other ministers, heads of institutions, heads of similar public entities, heads of public enterprises, governors at sub-national level administrations or any public officers have the rights to borrow or lend money, or issue letter of guarantee, or undertake any other actions directly or indirectly that can lead to the occurrence of debts or other financial obligations to the Kingdom of Cambodia.

Article 68

Under the limits defined by the Law on Finance and under the authority of the Prime Minister, only the Minister of Economy and Finance has the rights to prepare debt repayment schedules for either debt liable to and from others. The preparation of debt schedule shall be defined by the Law on Finance.

Article 69

Financial conditions and sizes of borrowed or lent loans, issuance amounts of state securities, guarantee, and other financial commitments shall be defined by the Law on Finance.

Article 70

The Minister of Economy and Finance has the duties to manage public procurement and provide instructions to implement it. Ministries, institutions, similar public entities, institutions at the sub-national level, public establishments, and public enterprises shall comply with law, sub-decrees, prakas, and instructions on public procurement.

CHAPTER 5

Accounting and Performance Review

Section 1

Accounting Framework and Budget Execution

Article 71

In compliance with the principle of accountability, ministers, heads of institutions, heads of similar public entities, and governors of the sub-national level administration shall have the duties to prepare for and provide to the Minister of Economy and Finance a report on budget execution, a report on the implementation of projects pertaining to borrowings, issuance of state securities, guarantees and financial commitments, acceptance of financial grants and report related to revenue from investments on financial fixed assets, and other necessary information as required by the Minister of Economy and Finance.

The Minister of Economy and Finance, as defined in the above paragraph of this article, has the obligation to set submission date for and to provide sample reports to ministers of all ministries, heads of all institutions, heads of all similar public entities and governors of sub-national administrations to implement.

Article 72

Ministers of all ministries, heads of all institutions, heads of all similar public entities, heads of public enterprises, and governor of sub-national administrations shall have the responsibilities for developing a framework and for managing operations of their internal audits to ensure accuracy and to comply with standards, provisions, and instructions of the Royal Government.

The Minister of Economy and Finance, however, shall have the responsibilities for providing instructions on the preparation of the framework for internal audit operations in ministries, institutions, similar public entities, public enterprises, and administrations at the sub-national levels, and shall also have the duties to conduct financial inspections at ministries, institutions, similar public entities, public enterprises, and administrations at sub-national levels.

Article 73

Financial operations and public accounting at both the national and sub-national levels of administration shall be centralized at the National Treasury and undertaken by public accountants.

Article 74

Public accounting system shall be consistent with international accounting standards generally accepted, and the Minister of Economy and Finance shall issue a Prakas to determine this accounting system.

Article 75

General rules of public accounting shall identify all conditions enabling accounting and financial operations to be recorded and analyzed, and allowing for accountable, effective and efficient management of the implementation of the Law on Finance.

Article 76

Budget execution is subject to laws.

Article 77

The draft law on budget execution reviews and records final amount of revenue paid to the single account of the National Treasury and payment orders paid over the period of budget fiscal year. This draft law nullifies unused credit and reflects real financial performance of the year by recording into "income statement" of the National Treasury.

Article 78

The draft Law on Budget Execution shall be prepared by the Minister of Economy and Finance in line with each budget nomenclature based on revenue expenditure data reported by public accountants after having correctly checked with relevant budget managers.

Article 79

The framework and the functioning of external audit shall be implemented in compliance with the Law on Audit of the Kingdom of Cambodia.

Article 80

Operations shown in the draft Law on Budget Execution shall reflect public accounting rules as follows:

1. Revenue: planning at the beginning period along with changes and actual revenues by group, category, chapter, account, and sub-account.
2. Expenditure: planning at the beginning period, new authorization and actual spending at ministries, institutions, or similar public entities and administrations at sub-national level in line with the budget nomenclature.
3. Comparison of total amount of the planned revenue and expenditure and changes made, if any, with final results of the budgets of each public administration.

Operations shown in the draft Law on Budget Settlements under both state budget and special accounts of the National Treasury shall be presented in detail the credit amounts approved at the beginning of the year and credit amended in line with budget nomenclature.

Article 81

The draft Law on Budget Execution submitted to the National Assembly for enactment and the Senate for review shall be accompanied by:

1. Analytical report of the results of revenue collection and the situation of budget expenditure execution;
2. Report of overall economic and financial situations in the implementing year, and the situation of achievement of macro-economic balance.
3. Balance sheet of the Royal Government

After having been promulgated, the Law on Budget Execution shall be published similar to the publication of the Law on Annual Finance.

Section 2

Authority and Responsibilities

Article 82

Public accountants are in charge of revenue collection, spending execution, keeping securities funds, products, and materials that belong to public institutions. Only public accountants have the authority to execute all operations and address other funding issues related to revenues and expenditures.

Under this authority, public accountants bear personal and monetary responsibilities.

Article 83

Public accountants shall be designated by the Minister of Economy and Finance. Public accountants have their special authority. Prior to holding their positions, public accountant shall take official oath based on appropriate procedures in front of competent authorities. Principal and delegated managers and other public accountants shall recognize the public accountants who have been designated by the Minister of Economy and Finance.

Article 84

All execution of state revenues and expenditures shall comply with the regulations and instructions of the Minister of Economy and Finance. All records on revenues and expenditures of national and sub-national administrations shall comply with the chart of accounts and budget nomenclature and all accounting and financial reports must be transparent and publicly disclosed.

For all financial operations, the Minister of MEF shall have the rights to assign subordinates to inspect public financial management at ministries, institutions, or similar public entities and a national and sub-national administration executing state budget in order to ensure accurate information and data for preparing annual budget execution.

CHAPTER 6

Penalties

Article 85

All public officials at all positions who are found non-compliant with the provisions of this Law in undertaking their roles and duties offered by the state shall subject to punishment under effective legal discipline and existing legal formalities, not yet taking into account criminal acts and other civil responsibilities. In case of causing money losses or damaging

public assets, the value of the loss or damage including interest on the loss value or damage shall become liabilities to those public officials who must cover and pay back into the state budget.

Article 86

Public officials specified in Article 85 of this Law cover those who are currently in service and who had previously been in public services.

CHAPTER 7 Transitional Provisions

Article 87

Other relevant regulations based on the Law on Financial System promulgated by the Royal Decree # 01 NS dated December 28, 1993 and sub-decrees, decisions, orders, instruction circulars of the Royal Government and Prakas, other instructing circulars of the Minister of Economy and Finance constituting legal documents to support the implementation of the said Law on Financial System are effective and implemented until new regulations, sub-decrees, decisions, orders, instruction circulars of the Royal Government, Prakas and other instructing circulars of the Minister of Economy and Finance come to replace them consistent with the substance of this Law.

CHAPTER 8 Final Provisions

Article 88

This Law shall prevail if there are provisions of other laws contradicting to the provisions of this Law.

Article 89

This Law on Public Financial System shall replace the Law on Financial System which was promulgated by the Royal Decree # 01 NS dated December 28, 1993, and provisions arising from its amendments.

Article 90

Any provisions that are contrary to this law shall deem null and void.

Article 91

This Law shall be declared with urgency.

Done at the Royal Palace, Phnom Penh, May 13, 2008

**Royal Signature and Royal Seal
Norodom Sihamoni**

PRL.0805.533

Submitted report to his majesty
for signature

**Prime Minister
Signature**

Samdech Akka Moha Sena Padei Techo HUN SEN

**Having informed Samdech Akka Moha Sena Padei Techo HUN SEN
Prime Minister of Kingdom of Cambodia
Senior Minister, Minister of Economy and Finance
Signature
KEAT CHHON**

**Number 494 Ch. L.
For copy and circulate
Phnom Penh, May 20, 2008
Deputy Secretary General of RGC
Signed and sealed
KHUN Chinken**