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CAMBODIA

Selected Issues and Statistical Appendix

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Approved by Asia and Pacific Department

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I. INTRODUCTION

1. The four chapters in this volume of Selected Issues provide background information to the staff report for the 2006 Article IV consultation. Each of the chapters deals with one of the four central topics of that consultation's policy discussions on Cambodia's medium-term prospects, namely: poverty and growth, private sector development, public financial management reform, and debt sustainability. The second chapter briefly summarizes recent results of a Poverty Assessment by the World Bank, showing a more pronounced and growth-driven decline in poverty over 1994–2004 than had previously been thought. Chapter 3 describes the current Cambodian regime of tax incentives for private investment, comparing it with the regimes of Cambodia's neighbors. The chapter also discusses the costs and limits of this regime. In Chapter 4, a summary assessment of Cambodia's Public Expenditure Management system is followed by a description of the broad outlines of its ambitious Public Financial Management Reform Program (PFMRP) adopted at the end of 2004. The chapter highlights the key reform priorities for the short and medium term. Chapter 5 provides historical background on Cambodia's external and domestic debt. Finally, this volume includes a statistical appendix, and a summary of Cambodia's tax system.

Poverty

2. A new perspective on trends in poverty in Cambodia, and its link to economic growth, has emerged from the new poverty estimates based on the 2004 Cambodia Socio-Economic Survey. Poverty remains high, with an estimated 35 percent of the population falling below a national poverty line. However, the evidence also suggests that there have been significant gains in the last 10 years, on par with economic growth. This is in sharp contrast to a previously-held view, that despite substantial economic growth and job creation in the 1990s, poverty had remained stubbornly high. The degree and nature of poverty reduction mirror economic developments: rapid growth in the urban economy—driven by garment and tourism—has allowed urban poverty to decline; in contrast, gains have been more modest in rural areas, still home to a majority of the population. Further poverty reduction thus requires growth to be more broadly based and public infrastructure and services to be geared to providing access by the poor to social services, as well as to strengthening the urban-rural linkages.

Investment Incentives

3. In Cambodia, investment incentives are provided under an investment law recently amended to simplify the qualifying criteria for incentives and improve its consistency with the tax code. In terms of duration of the tax holiday and terms of eligibility for direct and indirect tax exemptions, investment incentives in Cambodia appear to be broadly as generous as those provided in neighboring countries. However, tax holidays, in Cambodia as elsewhere, remain a policy of questionable cost effectiveness: the fiscal costs can be high (while often hidden, and poorly assessed) while the international evidence is not overwhelming about their effect on FDI. The chapter concludes by noting that

Cambodia's investment climate would more convincingly benefit from enhanced governance in the short run, and better infrastructure in the longer term.

Public financial management

4. Public Expenditure Management (PEM) is an important instrument of fiscal policy and must support overall economic policy goals, including maintaining overall fiscal discipline, achieving an allocation of resources consistent with policy priorities, ensuring prudent management of the government's financial resources. The authorities are acutely aware of the need to improve their PEM system. A comprehensive assessment conducted in December 2005, in the context of the Multilateral Debt Relief Initiative (MDRI), showed that Cambodia only met 5 out of 16 PEM benchmarks, compared with an average of 6–7 for the 26 Highly Indebted Poor Countries (HPIC) assessed in 2004. The authorities had formulated a comprehensive Public Financial Management Reform Program, formally adopted by the Government in December 2004. That 10-year program, drawing on lessons learned from prior technical assistance, aims at making the budget more credible in terms of timely and predictable delivery of funds, and improved financial accountability. The chapter concludes with a set of nine priority measures for short-term reform.

Debt

5. A detailed quantitative analysis of Cambodia external debt sustainability is given in a Debt Sustainability Analysis attached to the Staff Report for the 2006 Article IV consultation. This fourth chapter sheds lights on the historical context under which much of Cambodia's bilateral debt was contracted. The focus is on obligations to two of its largest creditors—the Russian Federation and the United States. The chapter concludes with a discussion of the agenda looking ahead.

II. Poverty in Cambodia[1]

6. **A new perspective on trends in poverty in Cambodia, and its link to economic growth, has emerged from the new poverty estimates based on the 2004 Cambodia Socio-Economic Survey.**[2] While poverty remains high, the evidence suggests that there have been significant gains in the last 10 years, on par with economic growth. This is in sharp contrast to a previously-held view, that despite substantial economic growth and job creation in the 1990s, poverty had appeared to be deeply entrenched and impervious to broader economic change. However, the observed patterns of past growth and poverty reduction—with gains disproportionately accruing to the urban areas—are also suggestive of the needed direction of policy for recent gains in poverty reduction to be sustained and further significant gains to be made. This chapter briefly reviews these findings, discussing the level, recent change and nature of poverty in Cambodia.

7. **In 2004, an estimated 35 percent of the population lived below the national poverty line**. The methodology uses a per capita consumption threshold to define the poor, and also reflects regional differences in the cost of achieving food and non-food consumption levels. For food in particular, the line is based on the cost of a food basket yielding about 2,100 calories, a basket that is more expensive in urban areas. The results give poverty line estimates, in 2004, ranging from about US$160 per capita in rural areas to a high of US$215 in Phnom Penh (this compares with a GDP per capita of about US$375 in 2004).[3] On this basis, an estimated 4¾ million people were poor in 2004, out of a total population of about 13½ million.

8. **The new estimates indicate a significant decline in poverty over the past 10 years, from an estimated 47 percent in 1994.** The poverty headcount only declined slightly, but with population having grown by more than a third, the proportion of the poor was cut sharply. The new estimates thus confirm that, midway into the 1993–2015 period set for reaching its Millennium Development Goals (MDG), Cambodia is on track to achieving the first MDG goal of halving the proportion of the poor. This is a significant result, as previous estimates of trends in poverty had found little change in the second half of the 1990s, despite rapid economic growth (per capita GDP growth exceeded 4 percent per year).

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[1] Prepared by Alain D'Hoore (APD).

[2] This chapter draws extensively from the Poverty Assessment report of the World Bank (see World Bank, 2006). See also Coe, Lee et al. 2006, especially Munoz, Chapter 2 therein, and Lee and Mitra, Chapter 7.

[3] That national poverty line is more demanding than the often-cited 1 PPP dollar a day metric. In PPP (purchasing power parity) terms, GDP per capita was in the order of US$2200 in 2004, more than 5 times current per capita GDP. To a first, rough approximation, the rural poverty line, at about half GDP per capita, is thus about US$1000 in PPP terms, about 2¾ dollars a day. Using the 1 dollar a day (1990 PPP) poverty line, an estimated 19 percent of the population was below the poverty line in 2004.

For example, poverty incidence was thought to have only marginally declined from 1994 to 1999, two survey dates, from 41 percent to 39 percent.

9. **The revisions reflect both the use of more recent data and a more rigorous treatment of the data in past surveys.** Part of the improvement in poverty is probably recent, reflecting developments since 1999.[4] At the same time, the new estimates also correct for data issues that had hampered a strict comparability among earlier surveys. In particular, an upward bias in the estimate of poverty incidence in *later* years arose from adding, in successive survey samples, households from (marginally poorer) regions previously excluded because of security problems. Almost half of rural villages were not accessible for survey in 1993; in contrast, all of them were included in the sampling frame for the 2004 survey. As security problems abated, and poorer-than-average villages and their households were added to survey samples, measured poverty appeared to show little or no decline. In contrast, with a treatment of this bias, as well as more recent data, the picture that emerges is one of significant gains in poverty reduction, albeit from a very high starting point.

10. **Improvements in poverty have taken place on a range of poverty indicators.** Not only has the proportion of the poor declined, but the favorable developments are confirmed by other measures of economic well-being and poverty. Real average consumption has increased markedly in all areas over the ten-year period of 1994–2004—with increases ranging from 24 percent in rural areas to 36 percent in Phnom Penh. The share of non-food items in consumption—a classical correlate of decline in poverty—has risen at all income levels. Non-income indicators of living standards—such as ownership of durable goods or access to electricity—have risen on average, including for the poorest income group. Finally, measures of the severity of poverty also indicate a decline.

11. **While poverty declined in all areas, the gains in urban areas were more significant than those in rural areas.** Differences across areas are striking. For example, the proportion of Phnom Penh's population below the poverty line is estimated to be below 5 percent—it had been about 10 percent in 1994. That proportion is higher in other urban areas (Siem Reap being a main example), but still well below the national average. This is not to say that urban poverty is of no concern: indeed one issue concerns the proper measurement of urban poverty, as household surveys can easily miss out on the urban homeless; moreover, looking forward, population and internal migration trends will intensify pressure on the urban economy and its social infrastructure. This said, a serious worsening of the situation would require a severe negative economic shock to the urban economy.

12. **Overall, therefore, poverty remains largely a rural phenomenon—more than 90 percent of the poor live in rural areas.** This reflects the combination of two factors.

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[4] Measures of poverty incidence in 1999 or other intermediate years on a basis comparable to that of the 1994 or the 2004 estimates are actually not available, preventing mid-point comparisons within that 10-year period.

First, poverty remains high in rural areas, an average of about 40 percent, but reaching close to 60 percent in some regions. Second, a large majority of the Cambodian population still lives in rural areas, close to 85 percent (a number that appears to have been fairly stable in recent years). Looking forward, achieving significant gains in reducing *overall* poverty will require a significant reduction in *rural* poverty.

13. **Inequality may have been rising.** By one measure (the consumption Gini coefficient), inequality increased from 1994 to 2004, even as the proportion of poor people declined, reflecting larger gains in consumption for the relatively well-to-do. At the national level, the Gini coefficient, ranging from 0 for perfectly equal to 1 for perfectly unequal, was estimated at about 0.42 in 2004—comparing unfavorably with Cambodia's immediate neighbors (Vietnam and Lao P.D.R., both 0.35 or Thailand, 0.40), but below other regional comparators (Philippines, 0.46, or Malaysia, 0.49). Internally, not only are there differences between rural and urban areas, but inequality also differs across regions, being smaller within rural areas, higher in Phnom Penh, and higher still in other urban areas.

14. **Both the overall change in incidence and changes in regional patterns of poverty largely mirror the broad features of economic growth over the period.** Sustained growth was largely urban-based, and, while job creation benefited the flow of rural migrants into cities, the larger gains accrued to urban inhabitants, while gains were smaller for the large majority in rural areas. In the urban areas, poverty reduction was helped by rapid growth in garment manufacturing and tourism-related services. Conversely, in rural areas, prospects were held back by weak growth in agricultural productivity. For example, average crop yields for most crops are estimated to have remained almost unchanged over 1994–2004. In turn, agricultural productivity growth was hampered by a range of structural impediments, including inadequate water or transport infrastructure, and uneven access to land. There are indications that the latter problems have worsened somewhat recently, as the proportion of landless rural households increased from 13 percent in 1997, to 20 percent in 2004.[5]

15. **Moreover, the spill-over of high urban growth into the rural economy appears to have been muted, reflecting weak rural-urban linkages.** For example, only a small fraction of rural households receive remittances from family members working in cities.[6] Physical linkages also appear weak: an observed correlation between poverty incidence and remoteness also suggest that the rural poor's lack of access to basic local infrastructure, to health facilities and, especially, to urban markets, play a significant role in explaining economic hardship. The absence of formal public safety nets only highlights the crucial role

[5] Though land grabbing and expropriation are a factor, a substantial share of the increase in the proportion of the landless can be accounted for by the rapid population growth, especially in rural areas, given a low rate of access to land for new households.

[6] Separately, remittances from abroad (estimated at less than 3½ percent of GDP) appear to play a limited role in aggregate income or its distribution.

of economic growth in alleviating poverty. In any event, sustained poverty reduction will require a deepening and broadening of economic growth to include the rural economy and strengthen urban-rural linkages (including through public spending). In this respect, the impressive growth in agriculture in 2005—about 17 percent—is a welcome development. These very high growth rates reflect substantial growth in a large range of crops including paddy, and should have resulted in higher rural incomes and, most likely, in a lower incidence and severity of poverty, if only for that one year.

16. **Vulnerability remains high for a significant number of the non-poor**—especially again in rural areas. The poverty line remains a somewhat arbitrary cut-off. To gauge the robustness of the estimate, one could ask what would happen to poverty if the line were revised upward by, say, 10 percent. The answer to this question is the same as that obtained by stress testing poverty rates for a 10 percent shock to all incomes. Under such a scenario, it is estimated that poverty incidence would increase from 35 to 42 percent, bringing about one million more people below the poverty line. While these would constitute shocks of sizeable magnitude, having a large effect on the incomes of a large number of households, they cannot be excluded: floods and droughts in the past have had effects of a comparable magnitude in terms of affected population.

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III. Investment Incentives in Cambodia: A Comparison With Neighboring Countries[7]

A. Introduction

17. **A recurring policy issue in Cambodia is whether its investment incentives are sufficient to compete with its larger neighboring countries in attracting investment.** Cambodia needs to ensure that a sufficient number of new jobs are created each year to absorb the large inflow of new job seekers into the labor market. This requires sufficient investment, including from FDI, which requires a sound investment climate especially because Cambodia's domestic market is small compared to its neighbors.[8] In addition to being magnets for investment due to their size and more developed economies, Vietnam and Thailand also offer investment incentives to firms. This chapter addresses the following issues:

- ***Are Cambodia's tax incentives presently attractive compared to those offered by its neighbors?***
- ***Are Cambodia's tax incentives sufficiently transparent and cost effective?***

B. Comparing the Generosity of Incentives

18. **Comparing investment incentives across countries is difficult because they are provided along many dimensions.** Incentives can consist of, for example, tax holidays, exemptions or reduced rates. In the end, however, what matters is the marginal effective tax rate on the investment's return, which is the outcome of all taxes and incentives combined. As such, the generosity of incentives should really be evaluated by comparing individual firms' after-tax profits with and without incentives over a prolonged period. It is also important to note that comparing tax and incentive policies across different countries should not form the basis of one-upping neighboring countries; such policies can only invite harmful tax competition and lead to significant fiscal costs with little beneficial impact on attracting investment.

19. **In terms of duration of the tax holiday and terms of eligibility for direct and indirect tax exemptions,** investment incentives in Cambodia appear to be broadly as generous as those provided in neighboring countries.[9] Table 1 compares the coverage,

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[7] Prepared by Dennis Botman (FAD), Robert Hagemann (EUR), and Sodeth Ly (APD).

[8] See chapter 5 in Coe and Lee (2006) for an overview of foreign direct investment to Cambodia.

[9] Investment incentives are provided under the Law on Investment (LoI) which was amended in 2003 to simplify the qualifying criteria for incentives and improve the consistency with the Law on Taxation (LoT). In general, the provision of tax incentives is not discretionary, but relatively clear and transparent eligibility criteria exist which should be enforced effectively and equitably.

duration of the holiday period, as well as the incentives provided in Cambodia to those provided in Lao P.D.R., Thailand, and Vietnam:

- ***Duration of the tax holiday period:*** comparing the duration of the tax holiday across countries is difficult because the start of the holiday is triggered by different factors. For example, in Lao P.D.R. and Thailand, the tax holiday starts after the project has commenced operations. In contrast, for Cambodia and Vietnam, a project's commencement period does not trigger the start of the holiday. Instead, for Cambodia, a necessary condition to start the holiday is that a project results in sales, whereas for Vietnam it is the realization of taxable income.[10] As a result, to compare the duration of the holiday period across these countries, one needs to look at different time profiles for the onset of sales and profit after the start of a project. In general, one can conclude that: (i) for projects generating profit soon after commencement, the average duration of the holiday period is similar in Cambodia, Lao P.D.R., and Thailand, and exceeds Vietnam's; (ii) the length of the holiday in Cambodia and Vietnam exceeds the one in Lao P.D.R. and Thailand, for larger lengths of time between commencement of operations and the project's first years of profits; and (iii) if profits are first posted 5 years or more after the first year of sales, Vietnam's average holiday period is longer than Cambodia's.

- ***Reduced corporate income tax (CIT) rate:*** Lao P.D.R., Thailand, and Vietnam continue to provide reduced corporate income tax rates for a number of years after the holiday has ended. In Cambodia, this practice was discontinued after the passage of the amended Law on Investment (LoI) and its implementing subdecree, in September 2005, although there remains a 5 year transitional arrangement for firms under the old LoI with a reduced CIT (9 percent instead of 20 percent).[11] From Table 1, it can also be observed that the standard corporate income tax rate (applicable once the period of incentives has ended) is lowest in Cambodia, an important fact in particular for projects with long-term operations.

- ***Coverage of direct and indirect tax exemptions:*** The coverage of sectors and firms qualifying for incentives in Cambodia is wider than in the neighboring countries, with the possible exception of Vietnam. Regarding indirect incentives, Cambodia provides complete exemption of import duties and VAT for qualifying investment projects whose output is essentially for export, but also to firms operating in industries

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[10] In Cambodia, the duration of the "trigger period" ends either on the final day of the tax year preceding the first year of profits or after three years of sales. After the trigger period, a flat three years of exemption are automatically granted followed by the "priority period" with an additional holiday between 0 and 3 years, specified in the Financial Management Law (budget law) and depending on the economic sector.

[11] In addition to the regular tax incentives applicable to all export industries, the garment industry has occasionally obtained special and ad hoc tax treatment, such as a 2-year extension of expiring tax holidays granted in June 2005 (the garment sector accounts for 15 percent of GDP in 2004).

supplying to the garment and footwear sectors. Lao P.D.R., Thailand, and Vietnam use exemptions more selectively and tend to rely more on reduced rates rather than exemptions.

20. **However, incentives related to profit taxes are less clear in Cambodia and made much less generous by the tax deferment provisions and withholding taxes.** Cambodia does not provide a withholding tax exemption. The rate of withholding tax on dividend distributions—additional profit tax—is 20 percent, which is relatively high by international standards. As a result, profits are effectively taxed at 20 percent in case they are distributed, even if the firm enjoys a profit tax holiday.[12] Furthermore, an additional 14 percent withholding tax applies if any resident taxpayer makes dividend payments to a non-resident taxpayer. Alternatively, if profits are reinvested, a firm pays either the withholding tax at a later year, or is eventually subject to the 20 percent profit tax once the holiday expires. This practice does create some uncertainty on the part of investors, with tax incentives appearing more generous than they really are. These provisions notwithstanding, firms qualifying for incentives generally prefer the profit tax exemption over the special depreciation allowance also provided as an option under the LoI.

21. **Cambodia has recently begun establishing Special Economic Zones (SEZ) and Export Processing Zones (EPZ) whose fiscal regime is governed by the same incentives as those stipulated in the LoI.** In this regard, Cambodia follows the international best practice of avoiding different tax incentives for firms located in SEZ/EPZ. Vietnam and Thailand, however, do not follow this practice, and provide some additional incentives in their promotion zones. As illustrated in Table 2, taking into account both the scope and duration of the holiday period offered in Cambodia's SEZ/EPZ is broadly in line with those in the special zones in Thailand and Vietnam. For example, the duration of the tax holiday in Vietnam's promotion zone is 2–4 years, except for high-tech zones for which it is 8 years. Thailand offers complete withholding tax exemption in its zones, while Vietnam provides for a reduced rate, essentially making the provision of direct incentives more favorable.

22. **Further complicating comparisons with the regimes of its neighbors, Cambodia's LoI also offers a choice of tax incentives between either a special depreciation allowance or a tax holiday.** In practice most firms prefer the latter, which could be an indication that most investment is not very capital intensive, or that the accelerated depreciation option implies additional costs, for example costs of interacting with tax authorities. Put differently, the advantage of tax holidays—as opposed to other forms of tax subsidies—is that they provide benefits up front, thereby allaying the potential concern on the part of investors that their promised tax subsidies might never materialize. However, this argument in itself suggests that one of the underlying problems is that investors have

[12] In Cambodia, firms qualifying for investment incentives under the LoI are exempt from the minimum tax, which is applied as 1 percent of the annual taxpayer's turnover and is due irrespective of the taxpayer's profit or loss position. Although this tax does not conform to optimal tax policy, it is seen as essential for safeguarding revenue in light of still weak tax administration.

little confidence in the government regarding tax matters, and this matter would be best addressed directly.

C. The Cost Effectiveness of Investment Incentives

23. **Among tax incentives, tax holidays are generally regarded as a damaging form, posing significant dangers to the wider tax system:**[13]

- **Tax holidays are not cost effective** because profits are exempted regardless of their amount. The most profitable investments, which would have taken place in any event, benefit most.

- **Tax holidays have a tendency to matter most for footloose industries** that tend to exit the country at the end of the holiday period. These industries are likely to bring the smallest benefit to the overall economy. Instead, firms investing in long-lived assets whose revenues may not fully recover costs during the period of the holiday, benefit least from tax holidays.

- **Tax holidays are open to abuse and provide many opportunities for tax avoidance.** This is especially true for countries with weak revenue administrations. Thus, tax incentives present a risk to government revenue as their mere existence allows for potential abuse by investors not eligible to receive them.

24. **The experience in other countries indicates that tax incentives have small effects on long-term investment relative to their fiscal cost.** Recent empirical evidence suggests that the general level of corporate income taxation significantly affects the size and location of FDI in developed economies (see Gordon and Hines, 2002). In contrast, the evidence for the effect of tax incentives, especially tax holidays, at least for developing countries and emerging markets, has been more negative. For example, as noted in Guin-Siu (2004),

- ***Malaysia*** (Boadway, Chua and Flatters, 1995): tax holidays failed to promote investment in desirable activities or assist infant industries and disadvantaged economic and social groups. A similar conclusion was reached for ***Thailand*** (Halvorsen, 1995), where corporate tax holidays were found to be ineffective as an investment incentive. The various incentives granted in several projects were unjustified, since their rate of return was so high that the investments would have taken place in any event regardless of the incentives.

- ***Transition economies*** (OECD, 1995): on balance, tax incentives are unlikely to affect significantly the decision of investors to undertake FDI. Also, for ***Central Europe***

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[13] Much of the following material, including the international experience, is taken from Guin-Siu (2004). See also Zee, Stotsky, and Ley (2002).

(Mintz and Tsipoulos, 1995), tax allowances and credits were found to be probably more cost effective than tax holidays in attracting FDI, without revenue losses.

- Foreign investment decisions of ***Fortune 500 companies*** (Wunder, 2001): a survey of 75 such companies found that nontax factors were the main determinants of their location decisions.

- ***Brazil*** (Estache and Gaspar, 1995): tax incentives, rather than being a decisive factor in the decision to invest, have in fact tended to reduce revenue without stimulating investment, and have significantly distorted the tax system.

- ***Mexico, Pakistan, and Turkey*** (Bernstein and Shah, 1995): selective tax incentives, such as investment credits, investment allowances, and accelerated depreciation, are more cost effective in promoting investment than more general tax incentives, such as CIT rate reductions.

25. **Cambodia could attract investment more cost effectively if incentives were provided in a more direct and clear manner.** As a general principle, incentives that are directly conditioned on the undertaking of investments in targeted activities or locations are always more cost-effective than those that confer benefits on the outcome of such investments, such as holidays and reduced CIT rates. As a result, by changing the way incentives are provided towards investment allowances, tax credits, and accelerated depreciation, Cambodia could improve the effectiveness of incentives without expanding their scope. Tax credits in particular have the added advantage that they allow for a systematic analysis of the revenue impact of tax incentives. Indirect tax incentives, such as exemptions from import duties on goods used in the direct production of exports, are prone to abuse and their usage should be limited. Finally, the concept of a “priority period” in Cambodia is not fully transparent and creates unnecessary uncertainty for investors.

26. **FDI to Cambodia would also benefit from negotiating bilateral tax treaties.** First of all, tax treaties with countries that employ the world wide income approach (such as the United States) rather than the territorial approach, would allow Cambodia to tax corporate income without affecting the incentives to invest of their nationals. For example, corporate income taxes paid by a U.S. investor operating in Cambodia would be offset by a tax credit against its tax liability in the U.S. Second of all, Cambodia could benefit from entering “tax sparing” agreements with countries who entertain such agreements, such as Japan and to a lesser extent the U.K. Under tax-sparing agreements, even if a foreign investor does not pay profit tax in Cambodia because of a tax incentive (say a tax holiday), its home country ignores the incentive, calculates the Cambodian taxes that would have been paid in its absence, and grants a tax credit in that amount. Obviously, such an agreement is very attractive to both the developing country and to the investing firm, at the cost of the home country’s treasury. At the moment, Cambodia has no such "tax sparing" agreements.

27. **Cambodia’s investment climate would also benefit from enhanced governance in the short run, and better infrastructure in the longer term.** It is quite likely that the social

rate of return from public good provision exceeds that from relying on tax incentives in Cambodia, suggesting that Cambodia's investment climate could even be strengthened by higher revenue collection. A study comparing the cost for FDI in Asian nations finds that Cambodia's cost of electricity is about three times higher per kwh than that in Thailand, China, and Vietnam.[14] Lacking infrastructure is a major deterrent of both domestic and foreign investment. However, Cambodia's competitiveness could be improved considerably in the short term as well. For example, a recent study by the World Bank (2004), finds that the costs of starting a business (relative to per capita gross national income) is much higher in Cambodia than in its immediate neighbors, being 19 times larger than in Vietnam, 29 times than in Lao P.D.R., and 76 times than in Thailand. In a study of the cost of corruption, Wei (2000) finds that reducing the level of corruption from that of Mexico to that of Singapore would have approximately the same effect on FDI as a reduction in the CIT tax rate of 30 percentage points. Thus, better governance and higher government revenue allocated in an efficient manner to strengthen both physical as well as human capital accumulation are likely to have large and long lasting positive effects on attracting investment and creating a competitive Cambodian economy.

D. Conclusions

The conclusions of this analysis can be summarized as follows:

- **Cambodia's tax incentives appear broadly as generous as in Vietnam, Thailand, and Lao P.D.R.,** but withholding tax provisions make the profit tax holiday somewhat illusory and complex in reality.

- **Cambodia could attract investment more cost effectively if incentives were provided in a more direct and clear manner.** Rather than expanding the scope of incentives, Cambodia could simplify the manner in which they are provided, for example by more directly targeting investment incentives in ways that are more transparent to investors, for example by providing tax credits.

- **FDI to Cambodia would benefit from negotiating bilateral tax treaties.**

- **Cambodia's investment climate would also benefit from enhanced governance in the short-run, and better infrastructure in the longer term.**

[14] See International Development Center of Japan, KRI International Corporation (2003), "The study on regional development of the Phnom Penh – Sihanoukville growth corridor in the Kingdom of Cambodia.

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Table 1. Investment Incentives in Cambodia, Lao P.D.R., Thailand, and Vietnam

	Cambodia		Lao P.D.R.	Thailand	Vietnam
	1994 LoI	2003 LoI			
I. Profit Tax					
1. Standard CIT (for legal persons)	• 20%	• 20%	• 35%	• Generally 30%, but progressive rate for small businesses (with paid-up capital below 5 million baht) or company registered a Stock Exchange of Thailand from 20% to 25% to 30%.	• 28%
2. Other income taxes (personal income tax)		• Progressive rate from 0–20 percent depending on amount of taxable profits	• Progressive rate from 0—45 percent depending on amount of taxable profits	• Progressive rate from 0–37 percent depending on amount of taxable profits	• Progressive rate from 0–40 percent depending on amount of taxable profits
II. Tax Incentives					
1. Sectors, geographical areas, and labor qualified for incentives	Pioneer or high-tech, job creation, export, tourism, agro-and processing, infrastructure, energy, rural development, environment, and Special Economic Zones (SEZ).	Pioneer or high-tech, job creation, export, tourism, agro-and processing, infrastructure, energy, rural development, environment, and SEZ.	Regions 1, 2, and 3 (see below)	Technology, use domestic sources, job creation, basic and support industry; earn foreign exchange; growth outside BKK; infrastructure, energy conservation and environment protection.	Forestation, infrastructure construction, mass-transit, export production and trading, offshore fishing, agricultural processing, research and services of science and technology, plant variety production, and animal breeding.
2. Tax holidays	• Holiday not limited by *commencement of operations* • Holiday not limited by *sales* taking place • Up to 8 years from the last day of the tax year immediately preceding the tax year in which profits are first derived • 5-year loss carry forward	• Holiday not limited by *commencement of operations* • Either: 6 to 9 years starting in first year of *sales* • Or: 3–6 years from the last day of the tax year immediately preceding the tax year in which *profits* are first derived • 5-year loss carry forward	3 to 7-years from the *commencement of operations*: • 7 years in region 1: inaccessible areas; • 5 years in region 2: partly accessible; • 2 years in region 3: accessible areas; • Up to 3-year loss carry forward	• 3 to 8-years from the *commencement of operations* • 5-year loss carry forward	• Holiday not limited by *commencement of operations* • Holiday not limited by *sales* taking place • 2–4 years from the last day of the tax year immediately preceding the tax year in which *profits* are first derived • 5-year loss carry forward
3. Reduced CIT after tax holiday period or incentives provided instead of a tax holiday	After tax holiday: • 9%; and • 0% if profits reinvested Instead of tax holiday: • Immediate expansion of plant and equipment investment financed from reinvested profits as an alternative to the tax holiday	After tax holiday: • 9% (QIP) for five years (starting from the tax year occurring after 2003 LoI promulgation) and 20% thereafter Instead of tax holiday: • 40% special depreciation for QIP not using tax holiday period	• 10% (region 1) • 7.5% for 3 years and then 15% (region 2); • 10% for 2 years and then 20%: (region 3) • 0% if profit is reinvested	• 50% reduction for 5 years in Zone III provided that capital investment is at least 10 million baht	After tax holiday: • A 50% reduction in CIT for a maximum of 9 years following the 2–4 year exemption period Instead of tax holiday: reduced CIT (depending on sector/area): • 10% (for 15 yrs), 15% (for 12 yrs), or 20% (for 10 yrs) • 5-year loss carry forward;
4. Import duties and VAT exemptions	100% on inputs for qualified sectors under II.1.	• 100% on inputs for qualified sectors under II.1. • VAT exemption on both inputs and sales of supporting industries (their contractors receive only VAT exemption on sales) to export-oriented garment and footwear sectors	Duty and taxes on import of: • Tools, spare parts, vehicles directly used for production; • Raw materials unavailable or insufficient locally; • Semi-processing products for export; • Export (at least 70% of the total production).	Exemptions and reduced import duty and VAT rates on inputs on exports and in certain sectors	Import duty exemptions: • Commodities (except materials) imported for export proc. • Machineries, devices, and means of transportation of foreign contractors imported for ODA projects or exported upon completion • Import for export or vice-versa for exhibition • Goods imported to form fixed assets (equip, machineries, specialized means of transport, materials) • Imported raw materials, parts, accessories, and materials for exportation.

Sources:
1. KPMG Asia Pacific Taxation, 2003;
2. Fletcher 2002, Tax Incentives in Cambodia, Lao P.D.R., and Vietnam, IMF (unpublished);
3. Cambodia: Investment Law 1994 and its 2003 Amendment, and Law on Taxation;
4. Lao P.D.R.: Law on the Promotion of Foreign Investment and its draft subdecree, 10/22/2004;
5. Thailand: Board of Investment, Labor Law and Land Law;
6. Vietnam: Law on Foreign Investment, Labor Law and Land Law; and
7. Business Issues Bulletin Number 2, IFC/MPDF, 2004.

Table 2. Investment Incentives in Promotion Zones in Cambodia, Thailand, and Vietnam

	Cambodia (amended LoI)	Thai EPZ/IE (industrial estate)	Vietnam EPZ/IE 1/
1. Tax holidays	• Holiday not limited by *commencement of operations* • Either: 6–9 years after *first sales* • Or: 3–6 years from the last day of the tax year immediately preceding the tax year in which *profits* are first derived	3 to 8-years tax holiday from the *commencement of operations*: • 3 years in IE of Zone I • 3–5 years in Zone II (5 years in IE) • 8 years in Zone III	Holiday not limited by *commencement of operations* Holiday not limited by *sales* taking place 1–8 years from the last day of the tax year immediately preceding the tax year in which *profits* are first derived: • IZ providing services: 1 year • EPZ providing services: 2 years • IZ production enterprise: 2 years • IZ exporting 50 percent or more of products: 2 years • All zones—infrastructure construction/provision projects: 4 years • EPZ production enterprise: 4 years • OEZ (Chu Lai): 4 years • HTZ (high-tech zone): 8 years
2. Reduced CIT	• 9% (QIP) for five years (starting from the tax year occurring after 2003 LoI promulgation) • 20% thereafter • Special depreciation of 40% in the first year of operation as an alternative to the tax holiday	• 50% reduction (thus 15% tax) for 5 years after tax holiday in Zone III	• IZ providing services: 10% for 2 years • EPZ providing services: 7.5% for 3 years • IZ production enterprise: 7.5% for 3 years • IZ exporting 50% or more of products: 7.5 percent for 3 years • All zones—infrastructure construction/provision projects: 5% for 4 years • EPZ production enterprise: 5% for 4 years • OEZ (Chu Lai): 5% for 9 years • HTZ (high-tech zone): no reduction in CIT
3. Other taxes	• Exempt from 1% turnover tax for QIP • 5-year loss carry forward • VAT exemption for QIP • Duty exemption for QIP • VAT exemption on both inputs and sales of supporting industries (their contractors receive only VAT exemption on sales) to export-oriented garment and footwear sectors	• 0% withholding tax • 5-year loss carry forward • VAT exemption for EPZ • Duty exemption for EPZ	• Reduction of withholding tax to 3% (normal rate is 7%) • 5-year loss carry forward • VAT exemption for EPZ • Duty exemption for EPZ

Notes:
1/ Incentives provided prior to 2004, repealed under new CIT legislation in 2004, and intended to be restored in new draft CIT legislation.

Sources:
1. The Study on Regional Development of the Phnom-Penh—Sihanoukville Growth Corridor in the Kingdom of Cambodia, International Development Center of Japan, KRI International Cooperation;
2. Cambodia: Investment Law 1994 and its 2003 Amendment, and Law on Taxation;
3. Zee et al. Vietnam: An Assessment of the Major Taxes, August 2004.

IV. Reform of Public Expenditure Management in Cambodia[15]

A. Background

28. **Public Expenditure Management (PEM) is an important instrument of fiscal policy and must support overall economic policy goals.** The three key objectives of a good PEM system are: (i) maintaining overall fiscal discipline; (ii) achieving an allocation of resources consistent with policy priorities; and (iii) ensuring prudent management of the government's financial resources. These three objectives are complementary and interdependent, and therefore need to be pursued together. This note provides a broad assessment of Cambodia's PEM system, describes the broad outlines of its ambitious Public Financial Management Reform Program (PFMRP), and identifies key reform priorities for the short and medium term.

29. **The latest assessment of the PEM system was conducted in December 2005, as Cambodia became eligible for debt relief from the IMF under the Multilateral Debt Relief Initiative (MDRI).[16]** To obtain the relief, Cambodia needed to demonstrate that progress had been made towards a satisfactory PEM system. The assessment shows that Cambodia meets 5 out of 16 PEM benchmarks, compared with an average of 6–7 for the 26 Highly Indebted Poor Countries (HPIC) assessed in 2004. These results indicate a modest improvement on those reported in the World Bank's Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) in 2002–03, using HIPC AAP guidelines, under which Cambodia met only three benchmarks out of 15.

30. **Serious PEM weaknesses remain, across most of the areas covered by the MDRI assessment**:

Budget formulation does not provide an accurate record of public sector spending plans, in the aggregate and in terms of composition. In particular:

- The budget does not fully incorporate non-tax revenues collected and spent by line ministries, and includes only partial information on projects to be financed by external assistance.

- Budget outturns often deviate substantially from the budget plans presented to the National Assembly. This is consistently the case for non-tax revenues and for the composition of current spending, although aggregate current spending is generally in line with the budget.

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[15] Prepared by Pokar Khemani, Dennis Botman (both FAD), and Matt Davies (APD).

[16] See IMF (2005) for the full report of the assessment. This note summarizes its main findings. See chapter 6 in Coe and Lee (2006) for an overview of fiscal management and fiscal reforms in Cambodia since 1990.

- Mapping policy priorities, in particular poverty reduction, to specific spending items is only possible at too high a level of aggregation, due to an outdated budget classification.

Budget execution and reporting systems do not support the achievement of the spending priorities set out in the budget.

- Because of shortcomings in budget formulation combined with a fragmented cash management system—the government has over 1,500 bank accounts—resources are often not available, or not on a timely basis, to support budget allocations.

- In spite of that, as internal control is weak and reporting systems do not provide financial managers with adequate information, spending ministries can often continue to undertake spending commitments. In addition to causing deviations from the budget, this can result in a build-up of expenditure arrears. Moreover, it has led the authorities to create mechanisms, such as the Priority Action Programs, that, while aiming to channel resources to policy priorities, undermine further the mainstream budget execution system.

Procurement rules and practices remain problematic. The legal procurement framework is not comprehensive, and the regulations that do exist are weakly enforced (World Bank, 2004). In particular the widespread use of direct purchase or contracting, including for major public concessions, has led to an inefficient use of public resources.

B. The Authorities' PFM Reform Program

31. **The authorities are acutely aware of the need to improve their expenditure management system and have formulated a comprehensive Public Financial Management Reform Program (PFMRP).** The PFMRP, which was formally adopted by the Government and made public by the Prime Minister in December 2004, lays out the authorities' vision for improving the PFM system over a 10-year period.[17] Drawing on lessons learned from prior technical assistance, including the Technical Cooperation Action Plan (TCAP), the PFMRP is built upon four sequenced and prioritized platforms, aiming at making the budget more credible in terms of timely and predictable delivery of funds, and improved financial accountability.

32. **The reform program has already begun to address the weaknesses identified in the MDRI assessment.** In particular, under the first platform:

- **Budget Formulation:** Strengthening capacity to formulate and integrate the budget, including redesigning the budget and accounts classification system.

[17] See Royal Government of Cambodia, 2004.

- **Budget Execution Systems and Processes:** Supporting the modernization of the budget and treasury management systems and processes, including establishing an integrated financial management information system, widening the scope of payments through the banking system including payments of taxes and salary payments to civil servants, and building the Ministry of Economy and Finance's (MEF) capacity to carry out expenditure tracking surveys.

- **Revenue Management:** Improving revenue administration by developing a revenue mobilization policy for the national and sub-national levels, strengthening tax department capacity for registering, assessing, collecting, and auditing tax revenues, and providing taxpayers services, and developing and implementing a non-tax revenue collection and compliance enforcement policy, including considering direct payments to the treasury.

- **Procurement:** Enhancing the procurement system, by, inter alia, developing an enhanced legal and regulatory procurement framework, including the development of a new procurement law, and preparing and disseminating harmonized procurement procedures and documents.

- **Internal Audit:** Strengthening capacity to carry out internal audit, including establishing arrangements for setting internal audit standards and conducting reviews, and completing the establishment of internal audit departments within each ministry and public enterprise.

- **Institutional Strengthening:** Developing MEF's overall capacity, including providing in-house training, assessing and reorganizing its institutional structure, and strengthening its capacity to implement the PFMRP.

33. **The PFMRP is supported by the Fund and by a broad range of donors.** The World Bank is leading a multi-donor process, focusing on the areas of strengthening budget legislation, developing a Medium Term Expenditure Framework (MTEF), improving the process for post-budget supplementary expenditure, strengthening the procurement framework, and assisting with the initial design of IFMIS. Fund technical assistance has focused on the National Treasury (NT) as well as revenue administration.

34. **Monitoring mechanisms to support and track implementation of the PFMRP have been set up by both the authorities and donors.** The program is under the oversight, on the government side, of the PFM Reform Committee, chaired by the Minister of Finance, with a Secretariat in the MEF, and, on the donor side, the Development Partner Committee and its Secretariat. Implementation of the reform program needs to be monitored closely, given the size of the agenda, limited staff capacity, and the need to remain flexible in the implementation timetable of detailed measures.

C. Short and medium-term priorities for the PFM Reform Program

35. **The short-term priority on public financial management reform is to reassert broad control over public finances.** The focus will be on:

- **Strengthening the management of non-tax revenue** including their collection, accounting, streamlining, and reporting. This activity is also an integral component of establishing the Treasury Single Account (TSA), as it will involve closing spending ministries' numerous bank accounts that remain outside the control of the NT. In addition, a transparent and competitive bidding process for awarding concession contracts and the regular auditing of the terms and conditions of existing contracts would aid fiscal transparency in the area of nontax revenues.

- **Identifying and tracking poverty-reducing expenditure.** There is a need to define and track more clearly spending on poverty reduction, rather than budgetary allocations to priority ministries, in a manner consistent with the NSDP. Progress in this area would complement the development of a program budgeting framework, starting with the Priority Action Programs (PAPs), with the support of the World Bank.

- **Addressing the payment arrears problems.** Cambodia has a significant stock of outstanding payment orders which the authorities intend to eliminate over a five-year period. However, at present the accounting system is not sufficiently well maintained to record, report, monitor and control payment arrears as they arise, requiring an upgrade of the current system of tracking outstanding payment orders. Also, transparent rules should be developed for, both, reducing old arrears and settling regular payment orders.

- **Improving the effectiveness of internal control and internal audit.** An effective system of control over expenditure commitments needs to be established, and internal control capacity needs to be developed in spending ministries.

- **Integrating cash management with budget releases, commitment controls, and payments.** There is a need to develop the capacity to manage short-term inflows and outflows from the TSA—establishing a full cash planning function remains a longer term objective. Developing financial instruments such as treasury bills could also mitigate intra-annual cash management problems.

- **Establishing a comprehensive reporting system for budget implementation** that should cover the approved budget, budget releases, commitments, payment vouchers submitted to the NT, and actual payments, as well as the tracking of identified NSDP expenditures. In undertaking this task, the NT should take advantage of plans to implement an integrated financial management information system (IFMIS), with World Bank support.

- **Completing the work on the new chart of accounts (COA) for implementation in the 2007 budget.** Considerable progress has been made in preparing a revised COA and budget classification system. Implementation for the 2007 budget will require completing an Accounting Manual and harmonizing the COA for various levels of government. The new COA will allow the derivation of data on an economic classification based on the GFSM 2001, with Fund assistance on improving GFS compilation procedures.

- **Streamlining budget execution procedures for various types of expenditures and advances, including expenditures financed by grants and transfers.** Procedures at each stage of the spending chain should be reexamined, with a focus on payment, accounting, and expenditure reporting, using the new budget nomenclature and COA. In the near term, applying regular budgetary procedures for the Priority Action Programs needs to be considered.

- **Rationalizing and consolidating government bank accounts,** following up on the recent completion of an inventory of all such accounts in commercial banks and NBC. The authorities should aim at establishing an operational TSA, which will require continued technical assistance.

REFERENCES

Coe, David, and Il Houng Lee, et al., 2006, *Cambodia: Rebuilding for a Challenging Future* (Washington: International Monetary Fund).

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Royal Government of Cambodia, 2004, *Public Financial Management Reform Program: Strengthening Governance through Enhanced Public Financial Management*, Ministry of Economy and Finance.

World Bank, 2003, *Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER),* (Washington: World Bank).

World Bank, 2004, *Country Procurement Assessment Review* (Washington: World Bank).

V. A Historical Analysis of Cambodian Debt[18]

A. Introduction

36. **In the half century since its independence, Cambodia has accumulated debt from many different sources.**[19] Multilateral borrowing has been an important source of development financing, especially since the early 1990s.[20] Bilateral debt mainly reflects the legacy of an even earlier era; most was contracted during a period of internal and external conflicts. As of end-2005, total public debt outstanding amounted to US$3.4 billion, of which US$3.2 billion was external. About 36 percent of total external debt was from multilateral sources, mainly the Asian Development Bank and the World Bank. Bilateral debt is mostly owed to the United States and the Russian Federation.

37. **Cambodia is currently classified by staffs of the World Bank and International Monetary Fund as having a high risk of debt distress.** The Debt Sustainability Analysis (DSA) presented in the accompanying Staff Report shows nominal public-debt-to-GDP ratio exceeding 50 percent at end-2005. This level of distress, however, is based on the currently high level of outstanding debt, pending reconciliation and restructuring of debt owed to the two largest bilateral creditors. Once restructuring is concluded, and provided macroeconomic assumptions in the baseline projections hold, this risk is expected to moderate sharply.

38. **Against this background, this paper provides a historical context to Cambodia's debt.**[21] Section B discusses historical trends and recent developments of Cambodia's multilateral debt. The paper then focuses on outstanding debt to the two main bilateral creditors, examining in Section C the circumstances and conditions under which the debt to the United States was incurred and describing steps undertaken in recent months to resolve the issue. Subsequently, Section D describes the Russian debt. Section E discusses other bilateral and domestic debt, while Section F describes the Fund's role in the context of a possible arrangement and Section G concludes.

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[18] Prepared by Bikas Joshi (PDR).

[19] Historical descriptions in this paper benefited greatly from the survey of Cambodian history by Chandler (2000).

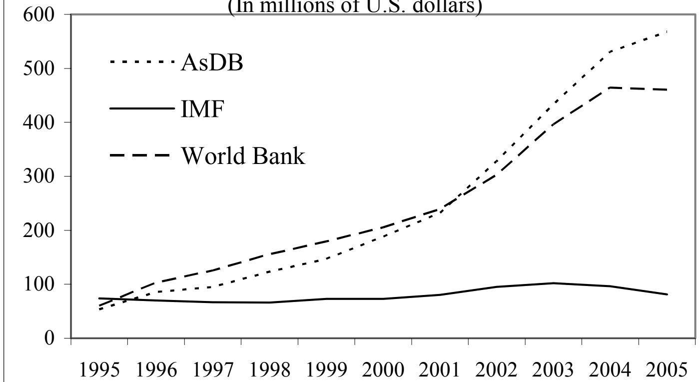
[20] After years of civil war, and after the Paris Conference of October 1991, the United Nations established a protectorate over Cambodia—United Nations Transitional Authority in Cambodia (UNTAC)—which managed to hold peaceful elections in 1993.

[21] This paper provides a follow-up, with historical context, to an earlier review, presented in Country Report No. 02/36 (March 1, 2002).

B. Multilateral Debt

39. **Since the early nineties, Cambodia has seen a rapid rise in debt contracted from multilateral sources.** Debt owed to the Asian Development Bank (AsDB), World Bank, and International Monetary Fund has fluctuated around 30 percent of total external debt, with a decline (as a share of the total) in the late nineties and a pick-up thereafter. In nominal dollar terms, however, there has been a secular increase (Figure 1). These loans, however, have been contracted on concessional terms, yielding lower corresponding amounts in net present value (NPV) terms.

Figure 1. Multilateral External Debt Outstanding, 1995–2005
(In millions of U.S. dollars)



40. **Outstanding debt obligations to the Fund remained relatively stable in nominal terms.** Disbursements came from three successive Fund-supported programs, with obligations reaching US$102 million in 2003 at the end of the third arrangement, a Poverty Reduction and Growth Facility.[22] However, as a proportion of total external debt, the share of debt owed to the Fund declined from 13 percent in 1995 to 2½ percent in 2005.

41. **The Multilateral Debt Relief Initiative (MDRI) of January 2006 erased the remaining obligations to the Fund.[23]** The relief, of about SDR57 million (approximately US$82 million at prevailing exchange rates), has reduced Cambodia's external-debt-to-GDP ratio by 1¼ percentage points in NPV terms. Cambodia was one of only two non-HIPC countries eligible for MDRI relief from the Fund; as such, its obligations to other multilateral organizations remain unaffected.

C. The U.S. Debt

42. **In the 1960s and 1970s, Cambodia was embroiled in political developments in the Southeast Asian region.** Increasing United States involvement in Vietnam coincided with unstable political dynamics in Cambodia. Prince Norodom Sihanouk's rule was instrumental in delaying Cambodia's involvements in the conflict next door, but he was ultimately ousted in 1970. While the Communist Party of Kampuchea (CPK) had started an armed struggle against his regime, Sihanouk was actually overthrown in March 1970 by his

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[22] See Country Report No. 04/324 (October 22, 2004) for an ex post review of previous Fund engagement in Cambodia.

[23] See Staff Assessment of Qualification under the Multilateral Debt Relief Initiative (December 8, 2005).

erstwhile conservative allies—his Prime Minister Lon Nol and his deputy (and Sihanouk's cousin) Sisowath Sirik Matak. With the ascent of Lon Nol, Cambodia was drawn heavily into the Vietnam War, with extensive bombing of its territories and suffering heavy casualties.

43. **The U.S. commodity aid was contracted during this period.**[24] Six agreements were signed on three dates between January 1972 and August 1974, with delivery of commodities between 1972 and 1975 (Table 1). According to the United States Department of Agriculture (USDA), US$277 million out of a contracted US$322 million was actually disbursed. Each loan was of a 40-year maturity with a 10-year grace period, and was associated with an initial interest rate of 2 percent for the first 10 years, raised to 3 percent thereafter.[25] All associated records, however, appear to have been destroyed on the Cambodian side as the Lon Nol regime collapsed. As described by Chandler (2000), Lon Nol fled the country in early March 1975, and the uniformed combatants of the Khmer Rouge—led by Pol Pot—entered the city in April.

Table 1. P.L. 480 Loan Agreements between Cambodia and the United States, 1972–74

Agreement number	Agreement date	Contracted amount	Disbursed amount
1 72CB1-1972	January 13, 1972	$1,404,341	$1,404,341
2 72CB1-1973	January 13, 1972	$47,633,035	$17,526,894
3 73CB1-1973	July 25, 1973	$52,451,033	$52,451,033
4 73CB1-1974	July 25, 1973	$131,191,635	$115,685,111
5 74CB1-1974	August 10, 1974	$55,335,509	$55,335,509
6 74CB1-1975	August 10, 1974	$34,213,259	$34,213,259
Total		$322,228,811	$276,616,147

Source: United States Department of Agriculture.

44. **In attempts to agree on amounts, repeated adjustments have been made in recent years** (Table 2). The USDA records show around US$18 million listed as undelivered, and a further US$2 million transferred to Title II, an emergency and development food assistance (grant) under P.L. 480.[26] In addition, due to the lack of documentation, some claims were further reduced. These latter adjustments have reduced the total obligation by US$28 million, bringing the principal owed down to US$228 million. Part of this total obligation was cleared by applying the Currency

Table 2. Calculation of Cambodia's Debt Obligations to the United States
(In millions of U.S. dollars)

Contracted amount	***322***
Disbursed amount	277
Adjustments 1/	21
Adjustments 2/	28
Principal after adjustments	228
Currency Unit Payments	66
Principal obligation (after CUP)	***162***

Source: USDA and Fund staff calculations.

1/ Adjustments due to undelivered cargo and transfer to Title II.
2/ Adjustment due to missing documents or other lack of information.

[24] These loans were incurred under Public Law 480 (more commonly known as P.L. 480), overseas food aid formalized in the Agricultural Trade Development and Assistance Act of 1954. See http://www.fas.usda.gov/excredits/FoodAid/pl480/pl480brief.html for further discussion of the program.

[25] The same interest rates were also used for late (penalty) interest rates.

[26] See the USAID webpage—http://www.usaid.gov/pubs/cp2000/pl480ffp.html—for a description of the motivation of P.L. 480 Title II and some recent aid programs.

Unit Payments (CUP) made by Cambodia in local currency, subtracting a further US$66 million and reducing Cambodia's total debt obligations to the United States to US$162 million.[27]

45. **These adjustments took place in the backdrop of the 1995 Paris Club meeting.** The participating creditors at the meeting—France, Germany, Italy, Japan, and the United States—finalized an agreed minute, which set the stage for subsequent bilateral agreements. While bilateral agreements have since been signed with France, Germany and Japan—and payments resumed—no agreement with the United States was signed.[28]

46. **Until recently, disagreements had revolved around obligations claimed.** The Cambodian authorities noted that the loans were made in a politically charged environment to a partisan government and expressed strong reservations over the lack of convincing evidence of actual delivery of commodities involved. The U.S. authorities, in turn, clarified their position on outstanding legal issues, noting that they were unable to waive charges for interest on late principal payments and stating that, once the commodities were loaded onto vessels, the shipments became legal responsibility of the recipient nation.

47. **The authorities of the two countries have since agreed on the total principal owed and on the procedure for finalizing debt rescheduling.** In principle, the two sides have agreed that the principal owed was US$162 million and that arrears would be rescheduled in the context of a new Paris Club meeting.[29] The United States is currently preparing a bilateral agreement, which will provide a basis to conclude discussions on the debt obligations under the parameters set by the 1995 Paris Club agreed minute. If the Cambodian authorities are prepared to agree on the principal amount and sign the bilateral agreement, the U.S. authorities have expressed their willingness to then return to the Paris Club for a new rescheduling of accumulated arrears not covered by the 1995 agreed minute, adding that the U.S. would support rescheduling on Naples terms, though the ultimate outcome would depend on the consent of other Paris Club creditors.

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[27] Local currency payments under P.L. 480 are normally used in the borrowing country to develop new markets for U.S. agricultural commodities on a mutually beneficial basis, to pay U.S. obligations, and support agricultural development or research. See http://www.fas.usda.gov/excredits/FoodAid/Title 1/pl480ofst.html.

[28] No bilateral agreement has yet been signed with respect to a small outstanding obligation to Italy. Efforts are being made to agree on a repayment schedule.

[29] The U.S. authorities have noted that more than $100 million would be in arrears and due immediately. This includes principal falling due since the 1995 Paris Club agreed minute was signed and the associated penalties. Such calculations are dependent on assumptions regarding the consolidation period, subject to further discussions between the two governments once a bilateral agreement is drafted.

D. The Russian Debt

48. **The Russian debt was incurred after the collapse of the Khmer Rouge regime and takeover by the Communist People's Revolutionary Party of Kampuchea (PRPK).**[30] By 1978, the Vietnamese Army had made major inroads into Cambodia; Phnom Penh itself finally fell on January 7, 1979—with Pol Pot fleeing just as Lon Nol had done half a decade before—and the Democratic Kampuchea (DK) was replaced by a People's Republic of Kampuchea (PRK). Cambodia, though ruled by PRPK, was under the occupation of Vietnam, which was in turn allied with the Soviet Union. Political alliances at the time led to most of the neighboring countries supporting the exiled DK regime, and U.N. development agencies prohibited from operating within Cambodia. The PRK, notes Chandler (2000) relied by 1982 on economic aid from "India, a few small anti-American states, and what remained of the Soviet bloc."

49. **The Russian debt was incurred in the context of the Council for Mutual Economic Assistance (CMEA) system.** While Cambodia was not officially a member of the CMEA, much of its external trade during this period took place with other CMEA countries.[31] Until 1987, all official foreign trade had to be conducted through the Kampuchea Export and Import Corporation (KAMPEXIM), which had been set up by the Ministry of Foreign and Local trade to handle exports, imports, and foreign aid (Shimomura, 1994). Contracts with trading partners were denominated in Transferable Rubles (TR) which acted as units of settlement, and transactions were governed by annual protocols with CMEA countries.[32] As with most Eastern European countries (Marrese, 1986), the Soviet Union ran surpluses in its trade with Cambodia, thus acquiring TR claims.

50. **The total amount of debt owed to the Soviet Union—now assumed by the Russian Federation—has never been in doubt.** Both governments agree that as of end-2005, total outstanding debt was at US$1.52 billion, obtained by using the agreed-upon exchange rate of TR0.6 per unit of US$ on total obligations of TR914.7 million.[33] Accompanying this conversion was a conventional upfront discount of 70 percent, bringing

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[30] Records indicate that one loan was booked in April 1963, when Norodom Sihanouk was the head of state, and one in February 1990.

[31] As described by Kornai (1992), the CMEA included, in 1990, the Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Cuba, Mongolia, and Vietnam, with Yugoslavia as a limited participant. The arrangement was dissolved in 1991.

[32] TRs were not convertible to any of the "hard" currencies as relative prices in CMEA trade sometimes differed considerably from world prices. Additionally, due to the desire to control trade relationships between countries, TRs were not transferable within the CMEA, preventing surpluses built in trade with one country to be used in trade with another country in the CMEA. See Kornai (1992, pages 355–59).

[33] For two credits denominated in Pounds Sterling, the exchange rate of US$1.4993 per Pound was used.

the total principal obligation to US$457 million. No interest payment or interest on late payments of this principal has been claimed by the Russian Federation.

51. **Differences, however, still remain on two issues:**

- Two credits, totaling US$40 million, relate to transactions that took place in 1980—before the cut-off date of December 31, 1985—but for which claims were recorded in 1987. The Russian Federation's position is that since they were short-term trade credits, they should be treated as post-cut-off; Cambodia, on the other hand, has stated that, as the credits were contracted before the cut-off date, they should be treated as pre-cut-off debt.

- Treatment of post cut-off debt.[34] The Russian Federation has argued that commercial terms should be applied to post-cut-off claims, while the Cambodian authorities have noted that since the original loans were incurred at zero interest rates, usual Paris Club terms may not be applicable.[35]

52. **Recent debt restructuring agreements involving the Russian Federation point to a possible resolution to the discussions** (Table 3). Recent agreements have covered a broad spectrum of concessionality, from a very high upfront discount as well as a high grant element offered to Nicaragua (a HIPC-eligible country) to a one-off payment offer accepted by Mongolia. In the Mekong delta region, Vietnam and Lao P.D.R. received have a differing mix of concessions, with the former receiving a slightly higher upfront discount but a lower grant element. Staff understands that current proposals being discussed between the Cambodian and Russian authorities are within this range, and involve varying levels of concessionality based on different grace periods and maturities being considered.

Table 3. Comparison with Other Recent Debt Restructuring Agreements

Country	Total Debt 1	Upfront Discount (%)	Nominal Restructured Debt 2	NPV of Restructured Debt 1/ 3	NPV / Restructured Debt 3/2 (%)	NPV / Total Debt 3/1 (%)	Grant Element
Mongolia	11,400	97.8	250	250	100	2.2	0.0%
Vietnam	11,507	85.0	1726	1346	78	11.7	22.0%
Nicaragua 2/	3,444	90.0	344	103	30	3.0	70.1%
Lao P.D.R.	1,293	70.0	388	237	61	18.4	38.8%

Source: Fund staff calculations.

1/ Calculated using CIRRs at time of rescheduling.
2/ Reflects level to which Russia had agreed to reduce Nicaragua debt. The debt was reduced to zero at HIPC completion point.

[34] There is no disagreement over the treatment of pre-cut-off date debt. In negotiations held in Phnom Penh in June 2002, both sides agreed on a payment profile, with an interest rate of 0.8129 percent and a maturity of 33 years (with no grace period).

[35] Paris Club discussions provide concessional restructuring terms of pre-cut-off date claims, but post-cut-off claims are handled on a bilateral basis with the creditor, usually on commercial terms.

E. Other Debt

53. **Other bilateral debt of Cambodia has remained minimal.** Given Cambodia's poverty, most of the assistance received from bilateral partners now is in the form of grants (or highly concessional loans). As of end-2005, other bilateral creditors (excluding the Russian Federation and the United States) constituted 5 percent of total external debt in NPV terms. Korea, Japan, and China each accounted for around 1 percent of total external obligations, about the same as the total for all Paris Club-rescheduled creditors.[36]

54. **Fund staff estimates indicate domestic debt to be low.** At end-2005, total domestic debt was estimated at US$210 million, or 3.4 percent of GDP. Of this, almost one-half is due to outstanding stock of payment orders, which has declined considerably in recent years (from 2.7 percent of GDP in 2003 to 1.5 percent at end-2005). Compensation payments to various enterprises affected by disturbances in the 2003 riots comprise less than a third of the total domestic debt. These claims, paid through offsetting tax liabilities of affected companies, are expected to decline further. The remainder are Treasury bills—which constitute barely 0.1 percent of GDP and which the authorities started buying back in 2005—and some central bank claims on the government, dating to the mid-1990s.

F. Debt and Program Modalities

55. **Outstanding debt issues currently prevent consideration of a Fund-supported program by the Executive Board.** Fund policy precludes financing to a member when arrears to official bilateral creditors exist. However, there are two circumstances in which arrears may be deemed not to have arisen for Fund program purposes: (i) when the Fund accepts a member's representation of a dispute as to the validity or amount of the underlying debt obligation; and (ii) when a member is judged to have made best efforts to conclude a rescheduling agreement following a Paris Club agreed minute (where the deadline for concluding bilateral implementing agreements under the Paris Club agreed minute has passed). Judgments on "best efforts" are made on a case-by-case basis. Earlier Fund-supported programs for Cambodia were approved on the basis that Cambodia's arrears were being addressed within the Paris Club framework.

56. **Steps required in the near future to resolve the outstanding issues are clearly identified.** With respect to the United States, once a bilateral agreement has been signed, further discussions would be held in the context of the Paris Club. Once understandings are reached with the Russian Federation, the Paris Club could be approached for financing assurances, which would allow a PRGF-supported program to be discussed at the Board.[37] A

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[36] In 2006, China made a further pledge to assist Cambodia—through grants and loans—by about US$600 million.

[37] The U.S. has indicated its willingness to grant financing assurances in the context of the Paris Club for a new Fund-supported program.

subsequent meeting of the Paris Club would then involve the participating creditor countries—including the Russian Federation—discussing rescheduling of Cambodia's debt.

G. Conclusions

57. **Risk of debt distress faced by Cambodia depends crucially on resolution of outstanding debt issues with the Russian Federation and the United States.** As discussed above, other bilateral and domestic obligations are minimal, and obligations to multilateral organizations remain manageable. Debt restructuring with the two largest creditors would reduce relevant ratios to below the indicative thresholds.

58. **In the context of the 1995 Paris Club meeting, Cambodia had accepted the inheritance of debt obligations from previous regimes.** Despite historical significance of incurred debt, normalization of debt relationships with two of its biggest creditors would enable Cambodia to fruitfully engage in economic relations with these counterparts. Even with the small increase in debt service payments in the medium term, resumption of debt servicing would also reduce the vulnerabilities the country faces.

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Cambodia: Basic Data, 2000–05

	2000	2001	2002	2003	2004	2005
Population						
Total population (mid-year)	12.7	12.9	13.1	13.3	13.5	13.8
Population growth rate (annual percentage change)	1.4	1.6	1.7	2.0	2.0	2.0
Gross domestic product (GDP; at current prices)						
(in billions of riels)	14,089	15,579	16,768	18,250	21,141	25,350
(in millions of U.S. dollars)	3,655	3,970	4,280	4,585	5,260	6,287
(in U.S. dollars; per capita)	288	307	325	342	386	454
	(Annual percentage change)					
Real GDP, *of which:*	9.2	7.7	6.2	8.6	10.0	13.4
Agriculture, fisheries, and forestry	-3.9	4.5	-2.2	12.1	1.2	16.6
Industry	32.0	11.4	17.3	12.1	16.4	12.1
Services	13.8	8.7	6.3	4.4	11.7	12.1
	(In percent of GDP)					
Saving-investment balance						
Gross national saving	14.1	17.4	17.3	17.8	15.2	15.4
Government	1.3	1.0	1.1	0.4	1.3	1.6
Nongovernment	12.8	16.4	16.2	17.4	14.0	13.8
Gross investment	16.9	18.5	19.7	21.5	17.5	19.7
Government	6.4	6.3	7.5	6.6	6.1	5.6
Non-budgetary grant-financed investment 1/	5.6	5.3	4.6	4.9	4.3	3.0
Nongovernment	4.9	7.0	7.6	10.1	7.1	11.1
	(Annual percentage change)					
Inflation						
Period average	-0.8	0.2	3.3	1.2	3.9	5.8
End of period	-0.8	0.7	3.7	0.5	5.6	6.7
GDP deflator	-3.1	2.7	1.4	0.2	5.3	5.7
	(In percent of GDP)					
General government budget						
Total revenue, *of which:*	10.2	10.0	10.5	9.7	10.4	10.5
Tax revenue	7.5	7.2	7.4	6.7	7.8	7.7
Nontax revenue	2.5	2.7	3.0	2.9	2.6	2.3
Total expenditure, *of which:*	15.0	15.2	16.8	15.7	15.2	13.9
Current expenditure	8.7	8.9	9.4	10.1	9.0	8.2
Capital expenditure	6.4	6.3	7.5	6.6	6.1	5.6
Overall fiscal balance (including grants)	-2.1	-2.6	-3.6	-3.7	-3.0	-1.3
	(Annual percentage change)					
Money and credit						
Broad money, *of which:*	26.6	20.4	31.1	15.0	30.4	16.1
Riel in circulation 2/	0.3	4.5	8.5	4.9	6.2	3.9
Foreign currency deposits 2/	25.3	16.0	21.0	10.4	23.4	11.8
Credit to the economy 2/	1.9	-2.0	3.4	9.2	12.0	7.4
Of which: credit to government (net) 2/	-6.9	-4.3	-2.0	-0.3	-2.4	-4.9
	(In percent; end of period)					
Interest rates						
Riel savings deposits	5.9	2.0	1.9	1.9	1.9	2.0
Foreign currency loans	17.4	15.0	18.6	18.2	17.3	17.3
	(In percent of GDP)					
Balance of payments						
Current account balance (excluding official transfers)	-11.5	-8.8	-9.5	-10.8	-8.4	-9.5
Current account balance (including official transfers)	-2.8	-1.2	-2.4	-3.7	-2.3	-4.3
Exports of goods 3/	35.0	36.8	38.8	43.0	46.7	44.1
Imports of goods 3/	54.1	54.4	57.1	60.4	64.7	65.5
	(In millions of U.S. dollars; unless otherwise indicated)					
Foreign exchange reserves						
Gross official reserves 4/	484	548	663	737	806	915
(in months of imports of goods and services)	2.6	2.7	2.9	2.8	2.6	2.4
Net international reserves 4/	411	468	568	634	710	834
External debt						
Outstanding debt (in percent of GDP) 5/	59.1	57.0	58.2	59.8	56.6	50.6
Debt service (in millions of U.S. dollars)	134	60	62	66	68	69
(in percent of exports of goods and services)	7.9	3.0	2.7	2.6	2.1	1.8
	(In millions of SDRs)					
Fund quota	87.5	87.5	87.5	87.5	87.5	87.5
	(In riels per U.S. dollar)					
Exchange rate						
Period average	3,855	3,924	3,918	3,980	4,019	4,032
End of period	3,910	3,900	3,935	3,980	4,031	4,116

Sources: Data provided by the Cambodian authorities; and Fund staff estimates.

1/ Prior to 1999, non-budgetary grant-financed investment is included in nongovernment investment.
2/ As a percent of beginning broad money stock. Represents contributions to 12-month changes of broad money.
3/ Excluding re-exports.
4/ Including gold holdings.
5/ Starting in 1997, includes $1,346 million owed to countries of the former *Council of Mutual Economic Assistance.* This amount is indicative and subject to negotiations and rescheduling.

Table 1. Cambodia: Gross Domestic Product by Sector at Current Prices, 2000–05

	2000	2001	2002	2003	2004	2005
	(In billions of riels; at current prices)					
Agriculture	5,065	5,423	5,402	5,950	6,538	8,208
Crops	2,328	2,364	2,277	2,879	3,356	4,537
Of which: Paddy rice	1,266	1,229	1,119	1,389	1,389	2,115
Livestock and poultry	757	822	858	880	940	1,192
Fisheries	1,516	1,747	1,782	1,722	1,754	1,892
Forestry and logging	464	490	485	468	488	586
Industry	3,078	3,497	4,096	4,665	5,536	6,412
Mining	34	40	48	58	74	95
Manufacturing	2,255	2,638	2,978	3,397	4,054	4,583
Food, beverages, and tobacco	449	476	475	507	550	657
Textile, wearing apparel, and footwear	1,297	1,681	1,973	2,294	2,847	3,158
Wood, paper, and publishing	132	103	112	105	119	144
Rubber manufacturing	69	62	74	111	119	126
Other manufacturing	307	316	344	381	418	498
Electricity, gas, and water	58	70	85	104	120	129
Construction	732	750	985	1,106	1,288	1,605
Services	5,231	5,876	6,381	6,737	7,920	9,385
Trade	1,512	1,590	1,618	1,685	1,920	2,259
Hotels and restaurants	521	686	857	720	893	1,072
Transport and communications	930	999	1,086	1,143	1,364	1,690
Finance	175	153	170	184	232	294
Public administration	377	359	390	406	419	464
Real estate and business	855	967	999	1,191	1,327	1,459
Other services	861	1,122	1,261	1,409	1,765	2,147
Taxes on products less subsidies	870	921	1,040	1,065	1,352	1,598
Less: imputed bank charges	155	139	151	167	206	253
Gross domestic product (GDP)	14,089	15,579	16,768	18,250	21,141	25,350
	(Shares, in percent of GDP)					
Agriculture	35.9	34.8	32.2	32.6	30.9	32.4
Crops	16.5	15.2	13.6	15.8	15.9	17.9
Of which : Paddy rice	25.0	22.7	20.7	23.3	21.2	25.8
Livestock and poultry	5.4	5.3	5.1	4.8	4.4	4.7
Fisheries	10.8	11.2	10.6	9.4	8.3	7.5
Forestry and logging	3.3	3.1	2.9	2.6	2.3	2.3
Industry	21.8	22.5	24.4	25.6	26.2	25.3
Mining	0.2	0.3	0.3	0.3	0.3	0.4
Manufacturing	16.0	16.9	17.8	18.6	19.2	18.1
Food, beverages, and tobacco	3.2	3.1	2.8	2.8	2.6	2.6
Textile, wearing apparel, and footwear	0.1	10.8	11.8	12.6	13.5	12.5
Wood, paper, and publishing	0.9	0.7	0.7	0.6	0.6	0.6
Rubber manufacturing	0.5	0.4	0.4	0.6	0.6	0.5
Other manufacturing	2.2	2.0	2.0	2.1	2.0	2.0
Electricity, gas, and water	0.4	0.4	0.5	0.6	0.6	0.5
Construction	5.2	4.8	5.9	6.1	6.1	6.3
Services	37.1	37.7	38.1	36.9	37.5	37.0
Trade	10.7	10.2	9.6	9.2	9.1	8.9
Hotels and restaurants	3.7	4.4	5.1	3.9	4.2	4.2
Transport and communications	6.6	6.4	6.5	6.3	6.5	6.7
Finance	1.2	1.0	1.0	1.0	1.1	1.2
Public administration	2.7	2.3	2.3	2.2	2.0	1.8
Real estate and business	6.1	6.2	6.0	6.5	6.3	5.8
Other services	6.1	7.2	7.5	7.7	8.3	8.5
Taxes on products less subsidies	6.2	5.9	6.2	5.8	6.4	6.3
Less: imputed bank charges	1.1	0.9	0.9	0.9	1.0	1.0

Source: Data provided by the Ministry of Planning, National Institute of Statistics (NIS).

Table 2. Cambodia: Gross Domestic Product by Sector at Constant Prices, 2000–05

	2000	2001	2002	2003	2004	2005
	(In billions of riels; at constant 2000 prices)					
Agriculture	5,065	5,294	5,180	5,809	5,880	6,854
Crops	2,328	2,379	2,275	2,830	2,878	3,684
Of which: Paddy rice	1,266	1,275	1,176	1,437	1,262	1,811
Livestock and poultry	757	847	843	898	939	993
Fisheries	1,516	1,605	1,615	1,642	1,614	1,705
Forestry and logging	464	462	447	439	448	473
Industry	3,078	3,430	4,025	4,512	5,252	5,888
Mining	34	37	47	55	69	86
Manufacturing	2,255	2,613	2,994	3,359	3,949	4,333
Food, beverages, and tobacco	449	470	466	488	484	522
Textile, wearing apparel, and footwear	1,297	1,666	2,021	2,360	2,947	3,250
Wood, paper, and publishing	132	93	94	80	84	90
Rubber manufacturing	69	70	69	62	55	50
Other manufacturing	307	315	343	368	379	421
Electricity, gas, and water	58	61	71	83	86	90
Construction	732	718	913	1,014	1,148	1,379
Services	5,231	5,687	6,045	6,310	7,050	7,906
Trade	1,512	1,544	1,565	1,596	1,685	1,826
Hotels and restaurants	521	639	759	632	779	915
Transport and communications	930	996	1,078	1,092	1,174	1,328
Finance	175	148	164	177	213	254
Public administration	377	353	357	343	321	340
Real estate and business	855	961	975	1,192	1,343	1,436
Other services	861	1,047	1,147	1,278	1,535	1,806
Taxes on products less subsidies	870	892	1,004	1,022	1,241	1,383
Less: imputed bank charges	155	135	146	160	189	219
Gross domestic product (GDP)	14,089	15,169	16,108	17,493	19,234	21,812
	(Annual percent change)					
Agriculture	-1.2	4.5	-2.2	12.1	1.2	16.6
Crops	0.6	2.2	-4.4	24.4	1.7	28.0
Of which: Paddy rice	-3.8	0.7	-7.8	22.2	-12.2	43.5
Livestock and poultry	-9.1	11.9	-0.5	6.6	4.5	5.8
Fisheries	5.0	5.9	0.6	1.7	-1.7	5.6
Forestry and logging	-13.2	-0.4	-3.3	-1.9	2.2	5.4
Industry	31.2	11.4	17.3	12.1	16.4	12.1
Mining	26.0	11.5	25.6	18.1	24.2	24.5
Manufacturing	30.3	15.9	14.6	12.2	17.6	9.7
Food, beverages, and tobacco	-3.9	4.5	-0.7	4.7	-1.0	8.0
Textile, wearing apparel, and footwear	68.2	28.4	21.4	16.8	24.9	10.3
Wood, paper, and publishing	-9.7	-29.7	0.7	-14.2	4.4	6.6
Rubber manufacturing	10.0	0.8	-0.7	-9.8	-11.5	-8.9
Other manufacturing	8.6	2.8	8.9	7.0	3.2	11.0
Electricity, gas, and water	6.9	5.1	16.7	15.9	4.6	4.4
Construction	36.8	-1.8	27.1	11.1	13.2	20.1
Services	8.9	8.7	6.3	4.4	11.7	12.1
Trade	4.5	2.1	1.4	2.0	5.5	8.4
Hotels and restaurants	19.0	22.6	18.8	-16.8	23.4	17.3
Transport and communications	6.1	7.1	8.3	1.3	7.5	13.1
Finance	36.3	-15.6	10.9	7.9	20.7	19.3
Public administration	-0.8	-6.1	1.1	-3.9	-6.4	5.9
Real estate and business	7.3	12.3	1.5	22.2	12.6	6.9
Other services	16.7	21.6	9.5	11.4	20.1	17.7
Taxes on products less subsidies	4.5	2.5	12.6	1.8	21.4	11.4
Less: imputed bank charges	36.5	-12.9	8.2	10.0	18.0	15.6
Gross domestic product (GDP)	8.4	7.7	6.2	8.6	10.0	13.4
(Excluding garment)	4.7	5.6	4.3	7.4	7.6	14.0
(Excluding garment and agriculture)	8.9	6.2	8.5	4.7	11.6	12.5
(Excluding garment and tourism)	4.5	5.4	4.0	7.9	7.6	14.0

Source: Ministry of Planning, National Institute of Statistics (NIS).

Table 3. Cambodia: Aggregate Demand at Current Prices, 2000–05

	2000	2001	2002	2003	2004	2005
	(In billions of riels; at current prices)					
Consumption 1/	13,391	14,046	14,886	16,186	19,001	22,565
Private 1/	12,654	13,218	13,972	15,211	18,040	21,517
Government	737	828	913	975	961	1,048
Gross Investment	2,377	2,887	3,300	3,920	3,704	4,989
Gross fixed capital formation	2,579	2,481	3,146	3,336	3,729	4,454
Changes in inventories	-202	406	154	585	-25	535
Domestic demand	15,620	16,964	18,292	20,206	22,676	27,515
Foreign balance (net)	-1,687	-1,356	-1,418	-1,855	-1,571	-2,204
Exports of goods and services 2/	7,037	8,224	9,300	10,491	13,636	16,242
Imports of goods and services 2/	8,724	9,580	10,719	12,346	15,207	18,446
Gross domestic product (GDP)	14,089	15,579	16,768	18,250	21,141	25,350
Income from abroad (net) 2/	-487	-553	-739	-732	-904	-1,037
Gross national income (GNI) 2/ 3/	13,602	15,025	16,030	17,518	20,237	24,314
Current transfers (net) 2/	1,776	1,729	1,751	1,909	1,984	2,158
Gross national disposable income (GNDI) 2/	15,378	16,755	17,781	19,427	22,220	26,472
	(Shares, In percent of GDP)					
Memoranda items:						
Domestic demand 1/	111.9	108.7	108.5	110.2	107.4	108.7
Consumption 1/	95.0	90.2	88.8	88.7	89.9	89.0
Private 1/	89.8	84.8	83.3	83.3	85.3	84.9
Government	5.2	5.3	5.4	5.3	4.5	4.1
Gross Investment	16.9	18.5	19.7	21.5	17.5	19.7
Foreign balance (net)	-12.0	-8.7	-8.5	-10.2	-7.4	-8.7
Current account balance (including official transfers)	-2.8	-1.2	-2.4	-3.7	-2.3	-4.3
Gross domestic savings 4/	6.0	9.6	10.6	10.8	10.3	11.1
Gross national savings 5/	14.1	17.4	17.3	17.8	15.2	15.4

Source: Ministry of Planning, National Institute of Statistics (NIS).

1/ Including statistical discrepancy.
2/ Fund staff estimates based on latest balance of payments estimates.
3/ Gross national income under the 1997 System of National Accounts (SNA) corresponds to the former Gross national product (GNP) aggregate.
4/ Defined as GDP net of final consumption.
5/ Defined as GNDI net of final consumption. Includes net income and transfers from abroad.

Table 4. Cambodia: Gross Domestic Product by Expenditure at Constant Prices, 2000–05 1/

	2000	2001	2002	2003	2004	2005
	(In billions of riels; at constant 2000 prices)					
Consumption	13,243	13,591	14,426	15,584	17,363	19,419
Private	12,507	12,789	13,545	14,648	16,480	18,512
Government	737	802	881	936	883	907
Gross Investment	2,377	2,894	3,249	3,921	3,507	4,525
Gross fixed capital formation	2,579	2,477	3,097	3,243	3,535	4,081
Changes in inventories	-202	417	152	678	-28	444
Domestic demand	15,620	16,485	17,675	19,505	20,870	23,943
Foreign balance (net)	-1,678	-1,338	-1,654	-2,082	-1,609	-2,079
Exports of goods and services	7,020	8,191	9,261	10,327	13,260	15,475
Imports of goods and services	8,698	9,529	10,916	12,409	14,870	17,554
Statistical discrepancy	147	22	88	69	-26	-52
Gross domestic product (GDP)	14,089	15,169	16,108	17,493	19,234	21,812
	(Shares, in percent of GDP)					
Consumption 1/	95.0	89.7	90.1	89.5	90.1	88.8
Private 1/	89.8	84.5	84.6	84.1	85.5	84.6
Government	5.2	5.3	5.5	5.4	4.6	4.2
Gross Investment	16.9	19.1	20.2	22.4	18.2	20.7
Gross fixed capital formation	18.3	16.3	19.2	18.5	18.4	18.7
Changes in inventories	-1.4	2.8	0.9	3.9	-0.1	2.0
Domestic demand 1/	111.9	108.8	110.3	111.9	108.4	109.5
Foreign balance (net)	-11.9	-8.8	-10.3	-11.9	-8.4	-9.5
Exports of goods and services	49.8	54.0	57.5	59.0	68.9	70.9
Imports of goods and services	61.7	62.8	67.8	70.9	77.3	80.5
Gross domestic product (GDP)	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage change)					
Consumption 1/	8.7	1.7	6.6	7.9	10.8	11.7
Private 1/	8.5	1.2	6.4	8.0	11.8	12.2
Government	12.4	8.9	9.9	6.2	-5.7	2.7
Gross Investment	8.2	21.8	12.3	20.7	-10.6	29.0
Gross fixed capital formation	27.3	-4.0	25.1	4.7	9.0	15.4
Domestic demand 1/	8.6	4.7	7.6	10.2	6.5	14.6
Foreign balance (net)	4.0	-20.3	23.6	25.9	-22.7	29.2
Gross domestic product (GDP)	9.2	7.7	6.2	8.6	10.0	13.4

Source: Ministry of Planning, National Institute of Statistics (NIS).

1/ Including statistical discrepancy.

Table 5. Cambodia: Gross Value Added of Agriculture, Fisheries, and Forestry at Constant Prices, 2000–05

	2000	2001	2002	2003	2004	2005
	(In billions of riels; at constant 2000 prices)					
Total	5,065	5,294	5,180	5,809	5,880	6,854
Agricultural Crops	2,328	2,379	2,275	2,830	2,878	3,684
Paddy	1,266	1,275	1,176	1,437	1,262	1,811
Maize	75	89	72	151	123	119
Cassava	80	121	127	223	352	464
Soya Beans	27	24	38	62	108	175
Vegetables	263	261	256	253	250	255
Tobacco	48	29	16	48	17	89
Rubber	197	198	197	187	183	167
Other Cash Crops	113	122	151	211	320	336
Other Crops	258	260	243	259	263	268
Livestock and poultry	757	847	843	898	939	993
Fisheries	1,516	1,605	1,615	1,642	1,614	1,705
Forestry and logging	464	462	447	439	448	473
	(In percent of total production)					
Total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural Crops	46.0	44.9	43.9	48.7	48.9	53.7
Paddy	25.0	24.1	22.7	24.7	21.5	26.4
Other crops	21.0	20.9	21.2	24.0	27.5	27.3
Livestock and poultry	14.9	16.0	16.3	15.5	16.0	14.5
Fisheries	29.9	30.3	31.2	28.3	27.5	24.9
Forestry and logging	9.2	8.7	8.6	7.6	7.6	6.9
	(Annual percentage change)					
Total	-1.2	4.5	-2.2	12.1	1.2	16.6
Agricultural Crops	0.6	2.2	-4.4	24.4	1.7	28.0
Paddy	-1.5	0.7	-7.8	22.2	-12.2	43.5
Other crops	1.9	5.4	-1.0	26.7	18.5	15.1
Livestock and poultry	-9.1	11.9	-0.5	6.6	4.5	5.8
Fisheries	5.0	5.9	0.6	1.7	-1.7	5.6
Forestry and logging	-13.2	-0.4	-3.3	-1.9	2.2	5.4

Source: Ministry of Planning, National Institute of Statistics (NIS).

Table 6. Cambodia: Agriculture, Livestock, and Fishery Production, 2000–05

	Unit ('000)	2000	2001	2002	2003	2004	2005
Agriculture 1/							
Rice	Tons	4,026	4,099	3,823	4,711	4,170	5,986
Maize	Tons	157	186	149	315	257	248
Cassava	Tons	148	142	122	331	362	536
Sweet potato	Tons	28	26	32	35	35	39
Vegetables	Tons	196	185	163	140	179	172
Mungbean	Tons	15	17	24	32	45	45
Peanut	Tons	7	9	10	18	22	23
Soybean	Tons	28	25	39	63	110	179
Sesame	Tons	10	9	10	22	55	57
Sugar cane	Tons	164	169	209	173	130	118
Tobacco	Tons	8	5	3	8	2	14
Jute	Tons	0	0	1	1	1	1
Rubber	Tons	42	38	32	34	31	23
Livestock							
Cows	Heads	3,490	3,495	3,550	3,546	3,691	3,861
Buffalos	Heads	694	626	626	660	651	677
Pigs	Heads	1,838	2,114	2,105	2,304	2,429	2,689
Poultry	Heads	15,250	15,248	16,678	16,014	13,991	15,086
Fisheries							
Fresh fish and shrimp	Tons	296	445	425	364	319	428
Crocodiles	Heads	26	36	51	78	75	120

Source: Data provided by the Ministry of Agriculture, Fisheries, and Forestry (MAFF).

1/ Harvest year for crops; tons are metric tons.

Table 7. Cambodia: Visitor Arrivals and Tourism, 2000–05

	2000	2001	2002	2003	2004	2005
Total visitor arrivals	466,365	604,919	786,524	701,014	1,055,202	1,421,615
Arrivals by mode of transportation						
Arrivals by airplane	351,661	408,377	522,978	455,972	626,121	856,521
Phnom Penh airport	264,649	274,689	320,187	269,674	316,748	416,396
Siem Reap airport	87,012	133,688	202,791	186,298	309,373	440,125
Other types of arrivals 3/	114,704	196,542	263,546	245,042	429,081	565,094
Arrivals to Phnom Penh airport by country of residence 2/						
Total visitors	264,649	274,689	320,187	269,674	316,748	416,396
Asian and Pacific	155,350	163,098	174,345	167,714	185,631	220,239
Europe	65,657	66,088	79,246	60,846	73,065	108,658
North, South, and Central America	42,156	43,905	64,415	39,763	55,546	73,700
Africa and Middle East	1,486	1,598	2,181	1,351	2,506	13,799
			(In percent of total)			
Arrivals by mode of transportation	100.0	100.0	100.0	100.0	100.0	100.0
Arrivals by airplane	75.4	67.5	66.5	65.0	59.3	60.2
Phnom Penh airport	56.7	45.4	40.7	38.5	30.0	29.3
Siem Reap airport	18.7	22.1	25.8	26.6	29.3	31.0
Other types of arrivals 3/	24.6	32.5	33.5	35.0	40.7	39.8
Arrivals to Phnom Penh airport by country of residence 2/						
Total visitors	100.0	100.0	100.0	100.0	100.0	100.0
Asian and Pacific	58.7	59.4	54.5	62.2	58.6	52.9
Europe	24.8	24.1	24.7	22.6	23.1	26.1
North, South, and Central America	15.9	16.0	20.1	14.7	17.5	17.7
Africa and Middle East	0.6	0.6	0.7	0.5	0.8	3.3
Memoranda items:						
Total visitor arrivals by air						
Annual percentage changes 1/	33.8	16.1	28.1	-12.8	37.3	36.8
Asia and Pacific 2/	13.3	5.0	6.9	-3.8	10.7	18.6
Europe 2/	9.4	0.7	19.9	-23.2	20.1	48.7
Americas 2/	16.3	4.1	46.7	-38.3	39.7	32.7
Tourism receipts 4/ 5/						
In millions US dollars	304	380	454	389	603	840
Annual percentage changes	43.1	25.2	19.2	-14.2	55.1	39.1
Average receipt per tourist (U.S. dollars)	652	629	577	555	572	603
In percent of GDP	8.3	9.6	10.6	8.5	11.5	13.4

Source: Data provided by the Ministry of Tourism.

1/ Arrivals at Pochentong (Phnom Penh) and Siem Reap airports.
2/ Arrivals at Pochentong (Phnom Penh) airport only.
3/ Arrivals by land and boat.
4/ Including business and other purposes.
5/ As recorded in the balance of payments.

Table 8. Cambodia: Consumer Price Index, 2000–05 1/

	Overall Consumer Price Index Index	Change	Food, Beverages and Tobacco	Clothing and Footwear	Housing and Utilities	House Furnishings and Household Operations	Medical Care	Transport and Communic.	Recreation and Education	Personal Care and Effects
Weights (in percent)	100		42.7	2.2	33.3	0.7	4.0	8.7	6.2	2.2
	(July-Dec. 2000) =100				(Annual average and 12-month percentage changes)					
2000 December	100.0	-0.8	-3.7	12.0	2.8	-1.1	0.8	4.8	-0.7	1.4
Average	100.1	-0.8	-3.4	-2.7	2.7	2.1	-3.4	6.6	-5.2	0.8
2001 December	100.7	0.7	-2.3	-8.1	4.0	-2.6	6.1	-6.5	12.1	3.4
Average	100.3	0.2	-2.5	-7.0	3.4	-0.5	4.7	-4.2	7.4	1.7
2002 December	104.4	3.7	3.5	-4.7	6.8	-1.4	-1.3	3.9	-3.3	-0.3
Average	103.6	3.2	-0.1	-0.9	0.9	-0.3	0.5	0.0	0.8	0.2
2003 December	104.9	0.5	0.3	-0.8	0.7	-0.2	-2.2	5.7	0.6	-0.2
Average	104.8	1.1	2.2	-2.4	2.8	-0.5	-1.0	3.8	-1.7	0.1
2004 December	110.8	5.6	8.6	0.1	2.2	-1.0	-0.1	14.7	0.6	2.5
Average	108.9	3.9	6.4	-0.9	1.2	-0.7	-0.9	9.7	0.6	1.4
2005 December	118.1	6.7	11.1	5.0	2.5	1.1	0.0	9.1	1.1	6.0
Average	115.2	5.8	8.6	3.7	2.9	-0.6	0.0	11.4	0.8	3.0
						(12-month percentage changes)				
2004 January	105.2	0.6	0.4	-0.4	0.3	0.0	-1.9	4.7	0.7	1.0
February	105.4	0.8	0.5	-0.5	0.3	-0.2	-1.5	5.2	0.7	0.9
March	105.9	0.9	0.9	-0.5	0.3	-0.1	-1.1	4.5	0.5	0.9
April	106.6	1.6	2.5	-2.1	0.3	-0.3	-0.8	5.0	0.5	1.1
May	106.9	2.1	3.1	-2.0	0.4	-0.1	-0.7	8.4	0.5	1.4
June	107.7	3.0	4.7	-1.6	0.5	0.0	-0.9	11.0	0.8	1.4
July	111.1	6.0	10.9	-1.8	1.9	-1.3	-0.9	10.5	0.7	1.3
August	112.0	6.7	12.2	-1.7	2.0	-1.4	-0.8	11.7	0.7	1.3
September	112.8	7.4	13.5	-0.6	2.1	-1.7	-0.5	12.1	0.5	1.7
October	111.4	6.0	9.7	0.3	2.1	-1.7	-0.4	14.6	0.5	2.0
November	111.0	5.8	9.1	0.4	2.2	-1.0	-0.6	14.1	0.5	1.8
December	110.8	5.6	8.6	0.1	2.2	-1.0	-0.1	14.7	0.6	2.5
2005 January	111.2	5.8	8.6	1.4	2.9	-1.7	-0.1	13.1	0.5	1.6
February	111.3	5.6	7.8	1.7	3.6	-1.7	0.0	12.3	0.5	1.8
March	111.5	5.4	7.3	1.8	3.5	-1.9	-0.1	11.6	0.6	2.3
April	113.0	5.9	8.4	3.6	3.5	-1.6	-0.3	12.2	0.6	2.2
May	113.7	6.3	9.6	3.8	3.6	-1.8	-0.2	10.5	0.6	2.4
June	115.3	7.0	11.2	3.7	3.5	-1.7	-0.1	10.6	0.7	2.4
July	115.7	4.1	5.2	3.9	2.1	0.1	-0.4	11.9	0.9	2.6
August	117.1	4.5	6.0	4.8	2.3	0.0	0.3	11.0	0.9	3.0
September	118.5	5.0	6.7	5.2	2.3	0.6	0.5	12.9	1.1	2.8
October	118.5	6.4	10.0	4.8	2.6	0.7	-0.1	11.4	1.1	3.0
November	118.4	6.7	10.8	4.6	2.6	1.0	0.1	10.0	1.1	5.9
December	118.1	6.7	11.1	5.0	2.5	1.1	0.0	9.1	1.1	6.0

Source: Ministry of Planning, National Institute of Statistics (NIS).

1/ As measured by the consumer price index for Phnom Penh (Jul.-Dec. 2000=100).

Table 9. Cambodia: Central Government Operations, 2000–06 1/

(In billions of riels)

	2000	2001	2002	2003	2004	2005	2006 Budget
Total revenue	1,441	1,561	1,762	1,776	2,209	2,653	2,873
Tax revenue	1,055	1,128	1,245	1,219	1,645	1,948	2,176
Direct taxes	136	140	132	150	158	222	205
Indirect taxes, *of which:*	484	558	640	607	884	1,057	1,206
Excise taxes (incl. on imports)	113	155	210	198	304	380	419
Domestic	19	20	29	33	49	60	69
Import	94	135	181	164	255	320	351
VAT (incl. on imports)	371	403	429	410	579	677	772
Domestic	73	85	103	134	186	257	237
Import	313	327	347	316	404	462	567
Refund (-)	14	9	20	40	11	42	32
Trade taxes	390	376	424	395	513	573	692
Nontax revenue, *of which:*	356	424	501	525	544	578	625
Timber royalties	41	29	15	7	2	0	33
Enterprises and immobile leases	27	28	27	28	26	28	38
Civil aviation	25	38	34	22	27	30	50
Tourism income	6	14	19	20	29	44	75
Casino royalties	12	22	32	30	37	44	50
Post and telecommunications (PTT)	92	122	123	120	94	123	120
Passports and visa	20	36	40	41	62	85	103
NBC profit	13	15	16	5	3	0	0
Quota Auction/export promotion fee	22	32	71	75	62	75	35
Garment licenses	43	39	35	71	60	0	0
Others	98	88	124	179	203	148	121
Capital revenue	31	9	16	31	19	127	72
Total expenditure 2/	2,119	2,366	2,818	2,868	3,205	3,521	3,778
Current expenditure	1,223	1,391	1,579	1,843	1,901	2,073	2,475
Wages	512	488	587	615	640	711	863
Civil administration	211	214	304	327	343	405	515
Defense and security	301	274	282	287	296	306	348
Nonwage	677	866	969	1,143	1,152	1,232	1,519
Operating expenditure	497	602	690	736	717	783	690
Civil administration	365	489	579	626	606	654	539
Defense and security	132	113	111	110	111	129	151
Economic transfers	31	30	51	60	60	85	26
Social transfers	104	109	136	165	141	152	168
Civil administration	90	97	123	151	126	135	150
Defense and security	14	12	13	14	15	16	17
Interest	21	22	28	34	49	55	50
Other nonwage	11	103	64	114	174	140	388
Reserve funds	13	0	0	35	11	17	198
Provincial expenditure (net subsidy)	33	37	23	85	110	130	93
Capital expenditure	896	974	1,253	1,196	1,282	1,412	1,304
Locally financed	301	262	338	333	296	315	446
Externally financed	594	712	915	863	986	1,097	858
Cash adjustments			15	172	-22	-36	0
Net lending	0	0	0	-28	0	0	0
Current balance	186	161	181	73	266	417	327
Overall balance	-678	-805	-1,056	-1,092	-997	-869	-905
Overall balance (incl. grants)	-294	-408	-604	-680	-635	-317	-381
Financing	678	805	1,056	1,092	997	869	905
Foreign financing (net)	708	763	1,122	1,002	1,008	1,217	905
Of which : Project aid	594	713	922	922	1,011	1,135	858
Budget support	113	54	178	139	45	120	144
Domestic financing	-30	41	-66	90	-12	-348	0
Of which: Bank financing	-100	-78	-44	-9	-81	-212	0
Other	70	119	-22	98	69	-136	0
Memoranda items:							
Defense and security outlays	446	400	407	411	423	451	516
Total revenue (excl. garment quotas)	1,398	1,522	1,727	1,705	2,148	2,653	2,873
Health, Education, Agr., Rural dev.	299	365	512	529	573	645	770
Customs department revenue	797	838	952	875	1,173	1,354	1,610
GDP	14,089	15,579	16,768	18,250	21,141	25,350	24,211

Sources: Data provided by the Ministry of Economy and Finance, and Fund staff estimates.

1/ Excludes provincial revenue and expenditure data.
2/ Current expenditure is based on cash basis, while capital expenditure is based on accrual basis.

Table 10. Cambodia: Central Government Operations, 2000–05 1/

(In percent of GDP)

	2000	2001	2002	2003	2004	2005
Total revenue	10.2	10.0	10.5	9.7	10.4	10.5
Tax revenue	7.5	7.2	7.4	6.7	7.8	7.7
Direct taxes	1.0	0.9	0.8	0.8	0.7	0.9
Indirect taxes, *of which:*	3.4	3.6	3.8	3.3	4.2	4.2
Excise taxes (incl. on imports)	0.8	1.0	1.3	1.1	1.4	1.5
Domestic	0.1	0.1	0.2	0.2	0.2	0.2
Import	0.7	0.9	1.1	0.9	1.2	1.3
VAT (incl. on imports)	2.6	2.6	2.6	2.2	2.7	2.7
Domestic	0.5	0.5	0.6	0.7	0.9	1.0
Import	2.2	2.1	2.1	1.7	1.9	1.8
Refund (-)	0.1	0.1	0.1	0.2	0.1	0.2
Trade taxes	2.8	2.4	2.5	2.2	2.4	2.3
Nontax revenue, *of which:*	2.5	2.7	3.0	2.9	2.6	2.3
Timber royalties	0.3	0.2	0.1	0.0	0.0	0.0
Enterprises and immobile leases	0.2	0.2	0.2	0.2	0.1	0.1
Civil aviation	0.2	0.2	0.2	0.1	0.1	0.1
Tourism income	0.0	0.1	0.1	0.1	0.1	0.2
Casino royalties	0.1	0.1	0.2	0.2	0.2	0.2
Post and telecommunications (PTT)	0.7	0.8	0.7	0.7	0.4	0.5
Passports and visa	0.1	0.2	0.2	0.2	0.3	0.3
NBC profit	0.1	0.1	0.1	0.0	0.0	0.0
Quota Auction/export promotion fee	0.2	0.2	0.4	0.4	0.3	0.3
Garment licenses	0.3	0.3	0.2	0.4	0.3	0.0
Others	0.7	0.6	0.7	1.0	1.0	0.6
Capital revenue	0.2	0.1	0.1	0.2	0.1	0.5
Total expenditure 2/	15.0	15.2	16.8	15.7	15.2	13.9
Current expenditure	8.7	8.9	9.4	10.1	9.0	8.2
Wages	3.6	3.1	3.5	3.4	3.0	2.8
Civil administration	1.5	1.4	1.8	1.8	1.6	1.6
Defense and security	2.1	1.8	1.7	1.6	1.4	1.2
Nonwage	4.8	5.6	5.8	6.3	5.4	4.9
Operating expenditure	3.5	3.9	4.1	4.0	3.4	3.1
Civil administration	2.6	3.1	3.5	3.4	2.9	2.6
Defense and security	0.9	0.7	0.7	0.6	0.5	0.5
Economic transfers	0.2	0.2	0.3	0.3	0.3	0.3
Social transfers	0.7	0.7	0.8	0.9	0.7	0.6
Civil administration	0.6	0.6	0.7	0.8	0.6	0.5
Defense and security	0.1	0.1	0.1	0.1	0.1	0.1
Interest	0.1	0.1	0.2	0.2	0.2	0.2
Other nonwage	0.1	0.7	0.4	0.6	0.8	0.6
Reserve funds	0.1	0.0	0.0	0.2	0.1	0.1
Provincial expenditure (net subsidy)	0.2	0.2	0.1	0.5	0.5	0.5
Capital expenditure	6.4	6.3	7.5	6.6	6.1	5.6
Locally financed	2.1	1.7	2.0	1.8	1.4	1.2
Externally financed	4.2	4.6	5.5	4.7	4.7	4.3
Cash adjustments	0.0	0.0	0.1	0.9	-0.1	-0.1
Net lending	0.0	0.0	0.0	-0.2	0.0	0.0
Current balance	1.3	1.0	1.1	0.4	1.3	1.6
Overall balance	-4.8	-5.2	-6.3	-6.0	-4.7	-3.4
Overall balance (incl. grants)	-2.1	-2.6	-3.6	-3.7	-3.0	-1.3
Financing	4.8	5.2	6.3	6.0	4.7	3.4
Foreign financing (net)	5.0	4.9	6.7	5.5	4.8	4.8
Of which : Project aid	4.2	4.6	5.5	5.1	4.8	4.5
Budget support	0.8	0.3	1.1	0.8	0.2	0.5
	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-0.2	0.3	-0.4	0.5	-0.1	-1.4
Of which: Bank financing	-0.7	-0.5	-0.3	0.0	-0.4	-0.8
Other	0.5	0.8	-0.1	0.5	0.3	-0.5
Memoranda items:						
Defense and security outlays	3.2	2.6	2.4	2.3	2.0	1.8
Total revenue (excl. garment quotas)	9.9	9.8	10.3	9.3	10.2	10.5
Health, Education, Agr., Rural dev.	2.1	2.3	3.1	2.9	2.7	2.5
Customs department revenue	5.7	5.4	5.7	4.8	5.5	5.3

Sources: Data provided by the Ministry of Economy and Finance, and Fund staff estimates.

1/ Excludes provincial revenue and expenditure data.
2/ Current expenditure is based on cash basis, while capital expenditure is based on accrual basis.

Table 11. Cambodia: Budgetary Expenditure by Ministry, 2000–05 1/

Ministry	2000			2001			2002			2003			2004				2005			
	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Capital	Total current	Salaries	Other Current	Capital
	(In billions of riels)																			
Total	1,225	517	708	1,364	509	854	1,556	590	965	1,802	615	1,187	1,802	640	1,162	296	1,984	709	1,275	315
Royal Palace	20	7	13	19	8	11	23	8	15	23	8	16	22	7	15	0	36	12	25	0
National Assembly	21	10	10	32	12	20	33	13	20	34	15	19	42	17	25	2	40	25	15	10
Senate	10	5	6	14	5	9	17	6	11	18	7	11	18	7	11	0	19	8	11	0
Constitutional Council	2	1	1	3	1	2	3	1	2	3	1	2	3	1	2	0	3	1	2	0
Council of Ministers	85	5	80	101	6	95	82	9	73	95	10	86	92	10	82	23	107	15	92	7
Foreign Affairs	36	14	23	41	14	28	52	15	37	54	16	38	50	15	34	5	57	18	39	2
National Defense	309	206	102	277	198	79	265	195	70	270	197	72	272	205	67	0	289	215	75	7
Interior	142	97	45	140	88	52	174	91	83	171	93	77	168	95	73	15	182	97	86	1
National Assembly Relations and Inspection	1	0	1	1	0	1	2	1	1	2	1	2	2	1	1	0	4	1	3	0
Economy and Finance	96	3	92	19	3	16	40	6	34	111	6	105	36	6	29	20	40	8	33	43
Information	9	2	7	8	2	7	9	3	6	12	3	9	13	3	10	0	13	4	9	0
Public Works and Transport	20	4	16	21	4	17	16	10	6	14	7	7	13	7	5	99	13	8	5	107
Agriculture, Forestry and Fisheries	23	7	16	30	6	25	40	10	29	39	10	30	39	9	29	6	47	11	36	7
Justice	6	2	4	6	1	5	7	2	5	11	6	5	10	6	4	0	12	6	5	0
Education, Youth and Sport	166	121	45	209	129	80	290	162	127	300	176	125	326	185	141	9	351	207	144	8
Commerce	6	2	5	12	1	10	13	3	10	16	3	13	12	3	9	1	15	3	11	1
Industry, Mines and Energy	5	1	4	6	1	5	7	3	4	7	3	4	6	3	4	6	7	3	4	13
Planning	3	1	2	4	1	3	5	2	3	5	2	3	5	2	3	0	6	3	3	0
Health	102	14	88	130	13	116	164	23	141	173	22	151	192	24	168	4	225	28	197	6
Tourism	6	1	6	9	1	8	10	1	8	15	1	14	13	2	11	0	14	2	12	0
Public Worship and Religion	2	1	1	2	1	1	3	1	2	4	2	2	3	2	2	0	4	3	1	0
Post and Telecommunication	29	2	27	41	4	37	36	5	31	35	4	30	25	5	20	7	31	5	26	3
Culture and Fine Arts	7	3	4	8	3	5	12	5	8	14	5	9	12	5	8	1	14	5	9	2
Social Affairs, Labor and Voc. Training	26	2	25	28	0	28	33	2	31	33	3	31	33	3	30	1	95	3	92	0
Environment	4	1	3	5	1	3	7	2	5	8	2	5	7	2	5	2	8	3	5	2
Rural Development	8	1	6	12	1	11	18	2	16	17	3	14	17	3	14	65	22	4	19	49
Woman Affairs and Veteran	53	1	52	59	0	59	65	2	63	72	2	70	86	2	84	11	10	2	8	0
Urbanization and Constitution	4	2	3	5	2	3	6	3	3	7	3	4	7	3	4	1	8	4	4	3
Water Resources and Metrology	6	1	5	9	1	7	12	2	10	14	2	12	14	2	12	18	14	3	11	41
National Election Committee	2	1	2	24	1	23	7	1	6	27	1	26	6	1	5	0	6	2	4	1
National Audit Authority	...	...	...	...	...	...	3	1	2	4	2	2	3	2	1	1	4	2	2	0
Other 3/	15	0	15	88	...	88	102	…	102	194	…	194	254	…	254	0	287	…	287	3
	(In percent of total budgetary expenditure)																			
Memoranda items:																				
National Defense	25	40	24	20	39	16	17	33	13	15	32	12	15	32	12	0	15	30	12	2
Interior	12	19	10	10	17	10	11	15	16	9	15	13	9	15	13	5	9	14	14	0
Economy and Finance	8	1	34	1	1	3	3	1	7	6	1	18	2	1	5	7	2	1	5	14
Public Works	2	1	6	2	1	5	1	2	1	1	1	1	1	1	1	34	1	1	1	34
Agriculture	2	1	4	2	1	6	3	2	6	2	2	5	2	1	5	2	2	2	6	2
Education	14	23	11	15	25	19	19	28	28	17	29	21	18	29	24	3	18	29	22	2
Industry	0	0	1	0	0	1	0	0	1	0	0	1	0	0	1	2	0	0	1	4
Health	8	3	20	10	3	27	11	4	29	10	4	25	11	4	29	1	11	4	31	2
Total capital expenditure (In bln. riels) 4/	301			262			338			333			296				315			

Source: Data provided by the Ministry of Economy and Finance.

1/ Commitment basis. Total current expenditure different from fiscal tables due to VAT refunds.
2/ Excludes externally financed capital expenditure. Before 2004, capital expenditure reported in total only.
3/ Includes unclassified items.
4/ From 2000-03 no information is available about the ministerial breakdown of capital spending.

Table 12. Cambodia: Official External Assistance to the Budget, 2000–05

(In billions of riels)

	2000	2001	2002	2003	2004	2005
Total official external financing	708	763	1122	1002	1008	1217
Budget support	113.2	54.3	178.2	139.0	44.5	119.7
Grants	23.8	36.2	91.5	52.2	1.2	8.5
Loans	89.4	18.0	86.7	86.8	43.3	111.2
World Bank	36.9	18.0	8.9	64.5	19.5	0.9
Asian Development Bank	52.5	0.0	77.8	22.4	23.7	110.4
Project Aid	594.4	713.3	922.4	922.4	1010.7	1134.6
Grants 1/	360.0	360.0	360.0	360.0	360.0	542.8
Loans	234.4	353.3	562.4	562.4	650.7	591.7
World Bank	97.8	141.8	160.8	200.4	177.6	160.2
Asian Development Bank	134.7	190.4	245.1	255.8	243.2	245.7
Pending	1.9	21.1	29.2	25.8	-22.1	32.7
Amortization	0.0	-4.3	-7.5	-59.3	-24.8	-37.6

Source: Data provided by the Ministry of Economy and Finance.

1/ Grants from 2005 onwards based on information provided by the CDC for the CG meeting.

Table 13. Cambodia: Profile of the Commercial Bank System

(As of March 2006)

Exchange Rate: USD1 = KHR 4095

Name of Bank	Number of Branches	Authorized Capital (000 US$)	Date of Operation	Majority Shareholder
Branches of Foreign Banks (3)				
Krung Thai Bank Public Co. Ltd.		13,000	Sep. 25, 1992	Thai
May Bank		13,400	Dec. 28, 1993	Malaysian
First Commercial Bank		13,000	Sep. 23, 1998	Taiwan POC
Representative Offices (2)				
Standard Chartered Bank			May 17, 2002	British
Vietnam Bank for Agriculture and Rural Development			Jul. 11, 2005	Vietnamese
Other Private Banks (12)				
Cambodia Commercial Bank*	2	13,000	Jul. 1, 1991	Thai (Siam City Bank)
Canadia Bank Ltd.	11	26,000	Nov. 11, 1991	Cambodian/Canadian
Cambodia Public Bank*	3	20,000	May 25, 1992	Malaysian (Public Bank)
Cambodia Asia Bank		13,000	Feb. 23, 1993	Malaysian
Singapore Banking Corp.		13,000	Oct. 27, 1993	Singaporean
Union Commercial Bank	3	13,000	Apr. 20, 1994	Hong Kong
Cambodia Mekong Bank	4	15,000	Jun. 4, 1994	Cambodia
Advanced Bank of Asia Ltd.		13,000	Oct. 25, 1996	Korean
Vattanac Bank	1	13,000	Jun. 7, 2002	Cambodian
ACLEDA Bank	18	13,000	Dec. 1, 2003	Cambodian
ANZ Royal (Cambodia)	4	22,000	Jul. 28, 2005	Australian & Cambodian
Foreign Trade Bank ***		12,210	Oct. 10, 1979	Cambodian
Specialized Banks (4)				
State-owned (1)				
Rural Development Bank		6,920	Jun. 22, 1998	State-owned
Privately owned (3)				
Peng Heng SME Bank		3,500	Mar. 20, 2001	Cambodian/Canadian
Cambodia Agriculture Industrial Specialized Bank		3,000	Mar. 19, 2002	Cambodian/Japanese
First Investment Specialized Bank		3,800	Oct. 22, 2005	Cambodian
Closed Banks (17)			Closed Date	
Bangkok Bank Public Co. Ltd.			Dec. 8, 2000	Thai bank branch
Thai Farmers Bank Public Co. Ltd.			Mar. 30,2001	Thai bank branch
Agricultural and Commercial Bank of Cambodia**			Dec. 8, 2000	Thai
Angkor Bank			Jul. 31, 2000	Cambodian
Cambodia International Bank			Jul. 31, 2000	Singaporean
Cambodia Farmers Bank**			Jul. 31, 2000	Thai
Chansavanwong Bank			Jul. 31, 2000	Thai
Global Commercial Bank			Dec. 8, 2000	Thai
Great International Bank			Dec. 8, 2000	Australian
Pacific Commercial Bank**			Dec. 8, 2000	Cambodian
Phnom Penh City Bank			Dec. 8, 2000	Thai
Rich Nation Bank **			Dec. 8, 2000	Hong Kong
Singapore Commercial Bank			Mar. 19, 2002	Singaporean
First Overseas Bank**			Mar. 19, 2002	Malaysian
Emperor International Bank			Apr. 4, 2002	Hong Kong
Crédit Agricole Indosuez			Sep. 18, 2002	French
Standard Chartered Bank (downgraded to representative office)			May 1, 2002	British

* Subsidiary of foreign banks.

** Insolvent banks.

*** Registered Capital in Riel

Table 14. Cambodia: Monetary Survey, 2000–05

(In billions of riels; unless otherwise indicated)

	2000	2001	2002	2003				2004				2005			
	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	2,588	3,081	3,738	3,723	3,594	3,624	4,027	4,265	4,409	4,524	4,797	4,883	5,084	5,391	5,475
National Bank	2,102	2,429	3,220	3,170	3,108	3,071	3,494	3,721	3,881	3,895	4,114	4,192	4,237	4,356	4,434
Assets	2,389	2,740	3,598	3,583	3,523	3,481	3,906	4,116	4,268	4,268	4,506	4,557	4,590	4,705	4,768
Liabilities	286	311	378	413	415	410	413	395	386	373	392	364	353	349	334
Deposit money banks	486	651	517	553	486	553	533	544	528	628	682	691	846	1,035	1,041
Assets	659	847	681	725	760	884	835	857	884	944	975	981	1,150	1,336	1,374
Liabilities	173	196	164	172	274	332	302	313	356	315	293	290	304	301	333
Net domestic assets	-758	-877	-849	-718	-641	-617	-706	-606	-524	-354	-467	-382	-455	-397	-450
Net domestic credit	904	868	942	1,053	1,205	1,305	1,209	1,256	1,370	1,577	1,608	1,730	1,823	1,983	1,929
Government (net)	3	-75	-119	-72	-19	18	-128	-133	-132	-96	-209	-252	-343	-404	-421
National Bank	4	-75	-160	-114	-91	-73	-219	-222	-218	-187	-256	-290	-378	-429	-407
Deposit Money Banks	0	0	41	41	72	91	91	88	87	91	47	38	35	25	-14
Public enterprises	3	7	2	1	0	0	0	0	0	0	0	0	0	0	0
Private sector	898	936	1,059	1,125	1,224	1,287	1,337	1,389	1,501	1,673	1,817	1,983	2,166	2,386	2,350
Other items (net)	-1,662	-1,744	-1,791	-1,772	-1,846	-1,922	-1,915	-1,861	-1,893	-1,931	-2,075	-2,112	-2,278	-2,380	-2,379
Capital and reserves	-1,541	-1,694	-1,400	-1,403	-1,410	-1,421	-1,476	-1,479	-1,485	-1,503	-1,506	-1,515	-1,530	-1,619	-1,627
Other	-121	-50	-391	-369	-436	-501	-438	-383	-408	-428	-569	-597	-748	-761	-752
Broad money	1,831	2,204	2,888	3,004	2,953	3,007	3,321	3,659	3,885	4,169	4,329	4,501	4,629	4,994	5,025
Narrow money	540	610	813	829	871	886	938	1,007	1,081	1,078	1,153	1,201	1,215	1,279	1,323
Currency in circulation	495	578	766	785	831	849	908	973	1,038	1,038	1,115	1,167	1,167	1,235	1,282
Demand deposits	45	32	47	44	40	38	29	34	43	40	38	34	48	44	41
Quasi-money	1,291	1,594	2,075	2,175	2,082	2,121	2,383	2,652	2,804	3,091	3,176	3,300	3,414	3,715	3,702
Time deposits	46	56	74	75	78	77	82	88	98	102	97	109	119	118	113
Foreign currency deposits	1,245	1,539	2,001	2,101	2,004	2,043	2,301	2,564	2,706	2,989	3,079	3,191	3,295	3,596	3,589
Memoranda items:															
Net foreign assets (in millions of dollars)	662	790	950	944	901	905	1,012	1,069	1,097	1,119	1,190	1,211	1,238	1,291	1,298
Deposit money banks	124	167	131	140	122	138	134	136	131	155	169	171	206	248	247
National Bank	538	623	818	804	779	767	878	932	966	963	1,021	1,040	1,032	1,043	1,051
Gross assets	611	703	914	908	883	869	981	1,031	1,062	1,056	1,118	1,130	1,118	1,127	1,130
Gross liabilities	73	80	96	105	104	102	104	99	96	92	97	90	86	84	79
Foreign currency deposits															
(in millions of U.S. dollars)	318	395	508	532	502	510	578	643	673	739	764	792	802	861	851
Credit to private sector															
(in millions of U.S. dollars)	230	240	269	285	307	321	336	348	373	414	451	492	527	572	557
Velocity 1/	7.8	7.2	6.1	5.9	5.8	5.8	5.7	5.6	5.5	5.2	5.0	4.9	4.9	4.8	5.3

Source: Data provided by the National Bank of Cambodia.

1/ Ratio of nominal GDP to average stock of broad money.

Table 15. Cambodia: Reserve Money, 2000–05

(In billions of riels; unless otherwise indicated)

	2000	2001	2002	2003				2004				2005			
	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Reserve money	1,161	1,360	1,903	2,029	1,966	1,893	2,150	2,420	2,512	2,457	2,665	2,716	2,582	2,591	2,637
Currency outside banks	495	578	729	785	831	849	908	973	1,038	1,038	1,115	1,167	1,167	1,235	1,282
Currency in banks	34	36	36	74	74	69	60	96	28	-28	26	21	38	25	27
Bank deposits	633	746	1,138	1,170	1,061	975	1,182	1,351	1,441	1,441	1,519	1,522	1,371	1,323	1,322
Required reserves	109	132	163	171	174	176	193	206	232	232	244	257	268	292	302
Other 1/	524	614	975	999	887	799	989	1,145	1,209	1,209	1,275	1,265	1,103	1,030	1,020
Net foreign assets	2,102	2,429	3,114	3,170	3,108	3,071	3,494	3,721	3,881	3,895	4,114	4,192	4,237	4,356	4,434
Foreign assets	2,389	2,740	3,483	3,583	3,523	3,481	3,906	4,116	4,268	4,268	4,506	4,557	4,590	4,705	4,768
Gold	427	432	501	526	551	614	662	671	681	681	706	688	718	790	846
Bank accounts	740	873	763	866	1,026	1,191	1,589	1,526	1,851	1,851	1,867	1,912	2,033	2,348	2,331
Foreign exchange	18	93	159	111	54	103	105	136	96	96	106	139	98	82	113
SDR holdings	1	2	3	14	2	13	1	10	1	2	0	7	1	8	1
IMF Reserve Position	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other 2/	1,202	1,340	2,057	2,066	1,890	1,559	1,549	1,773	1,638	1,638	1,827	1,810	1,740	1,478	1,476
Foreign liabilities	286	311	369	413	415	410	413	395	386	373	392	364	353	349	334
IMF	286	311	369	413	415	410	413	395	386	373	392	364	353	349	334
Net Domestic Assets	-941	-1,070	-1,212	-1,141	-1,142	-1,178	-1,344	-1,301	-1,370	-1,439	-1,450	-1,477	-1,656	-1,765	-1,797
Net Credit to Government	4	-75	-164	-114	-91	-73	-219	-222	-218	-187	-256	-290	-378	-429	-407
Net claims	4	-75	-164	-114	-91	-73	-219	-222	-218	-187	-256	-290	-378	-429	-407
Claims	272	271	269	269	269	270	269	269	270	270	270	270	270	271	270
Deposits	268	346	433	383	361	342	488	491	488	457	526	560	649	700	677
Net claims on banks	-69	-85	-79	-78	-77	-86	-90	-77	-85	-85	-84	-84	-108	-82	-101
Claims on banks	16	53	13	13	14	14	17	17	17	17	17	17	19	22	11
Restricted deposits	84	98	93	91	91	100	107	94	101	101	101	101	127	104	112
Loans from deposit money banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items (net)	-877	-910	-968	-950	-973	-1,019	-1,035	-1,002	-1,067	-1,167	-1,110	-1,102	-1,170	-1,255	-1,289
Assets	124	126	185	221	223	242	245	291	228	215	217	223	236	263	284
Liabilities	1,000	1,035	1,153	1,171	1,196	1,262	1,279	1,293	1,295	1,382	1,327	1,326	1,405	1,517	1,573

Source: Data provided by the National Bank of Cambodia.

1/ Effective May 1994, deposits required of new commercial banks prior to their commencing operations.
2/ Consists mainly of holdings of short-term securities issued by foreign governments.

Table 16. Cambodia: Consolidated Balance Sheet of Deposit Money Banks, 2000–05

	2000	2001	2002	2003				2004				2005			
	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
	(In billions of riels)														
Net foreign assets	486	651	517	553	486	553	533	544	528	628	682	691	846	1,035	1,041
Foreign assets	659	847	681	725	760	884	835	857	884	944	975	981	1,150	1,336	1,374
Foreign liabilities	173	196	164	172	274	332	302	313	356	315	293	290	304	301	333
Net domestic assets	184	193	390	423	501	561	638	695	790	1,029	983	1,092	1,201	1,368	1,346
Net claims on government	0	0	41	41	72	91	91	88	87	91	47	38	35	25	-14
Net claims	0	0	41	41	72	91	91	88	87	91	47	38	35	25	-14
Claims	0	0	41	41	73	91	91	91	91	91	90	91	78	69	56
Deposits	1	0	0	0	0	0	0	2	4	0	43	53	42	44	71
Claims on public enterprises	3	7	2	1	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector 1/	898	936	1,059	1,125	1,224	1,287	1,337	1,389	1,499	1,670	1,814	1,980	2,163	2,384	2,348
Net claims on National Bank	8	3	1	-32	-37	-53	-58	-98	-67	8	8	8	8	9	8
Claims	14	11	10	10	10	10	9	8	8	8	8	8	8	9	8
Liabilities	6	8	9	42	47	63	67	106	75	0	0	0	0	0	0
Other assets (net)	-725	-753	-713	-712	-759	-763	-732	-684	-728	-740	-887	-934	-1,006	-1,050	-995
Assets	277	347	351	354	329	340	348	395	364	390	274	278	258	349	444
Fixed assets	101	115	109	125	126	155	149	140	142	120	137	134	142	162	389
Interbank claims	76	18	44	25	24	25	36	52	51	64	53	57	48	58	48
Other assets	101	214	197	204	179	159	163	203	171	205	84	86	69	129	7
Liabilities	1,003	1,100	1,063	1,066	1,088	1,103	1,080	1,079	1,092	1,130	1,161	1,212	1,265	1,398	1,439
Capital	791	924	809	811	830	836	840	858	869	909	923	968	1,000	1,120	1,132
Restricted deposits	2	1	1	1	1	1	1	1	2	3	1	0	0	11	11
Interbank liabilities	45	14	31	16	21	21	22	35	34	24	35	39	24	22	30
Other	164	161	222	238	236	244	217	185	187	193	202	205	240	245	265
Reserves	666	782	1,215	1,244	1,135	1,044	1,242	1,447	1,524	1,469	1,545	1,547	1,409	1,347	1,349
Cash	34	36	33	74	74	69	60	96	83	28	26	24	38	25	27
Deposits at National Bank	633	746	1,182	1,170	1,061	975	1,182	1,351	1,441	1,441	1,519	1,522	1,371	1,323	1,322
Other credits to National Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits	1,336	1,626	2,122	2,219	2,122	2,158	2,412	2,687	2,842	3,126	3,210	3,329	3,456	3,751	3,737
Demand deposits	45	32	47	44	40	38	29	34	38	35	33	29	42	36	34
Time and savings deposits	46	56	74	75	78	77	82	88	98	102	97	109	119	118	113
Foreign currency deposits	1,245	1,539	2,001	2,101	2,004	2,043	2,301	2,564	2,706	2,989	3,079	3,191	3,295	3,596	3,589
Memoranda items:	(Percent per annum)														
Deposit rates															
Riel savings deposits	5.9	2.0	1.9 2	2.2	2.0	1.9	1.9	1.8	1.8	1.7	1.9	1.9	1.9	1.9	2
Foreign currency savings deposits	2.3	1.6	1.5	1.5	1.5	1.3	1.3	1.1	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Foreign currency term deposits	3.7	2.7	2.8	2.9	2.9	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4
Lending rates 2/															
Foreign currency loans: rates charged to private enterprises	17.4	15.0	18.6	18.6	18.6	18.2	18.2	18.2	17.3	17.3	17.3	17.3	17.3	17.4	17.3

Sources: Data provided by the Cambodian authorities.

1/ Predominantly in foreign currency.

2/ Virtually all loans to the private sector in Cambodia are denominated in foreign currencies.

Table 17. Cambodia: Prudential Regulations (As of end-April 2006)

Subject	Main Features	Date of Regulation
Large exposure	Banks are not allowed to grant credit to and individual customer exceeding 20 percent of their net worth.	Dec.29,1997 Feb. 17,2000
Licensing	All entities that conduct banking activities must be licensed by the NBC. The NBC determines the conditions for licensing. Registration and licenses of Microfinance	Oct. 25,1996 Feb. 25,2002
Liquidity	Banks must at all times have a liquidity ratio of at least 100 percent. Amendment must at all times have a liquidity ratio of at least 80 percent Amendment must at all times have a liquidity ratio of at least 50 percent Liquidity ratio Microfinance of at least 80%	Feb. 9,2000 Sep.13,2002 Dec.29,2004 Feb. 25,2002
Loan/deposit ratio for banks and financial institutions	The total amount of domestic deposits must be greater than or equal to the sum of domestic loans, deposits with other local banks and the NBC, and vault cash.	Aug. 28,1998
Loan to related parties	Related party loans will in no case be superior to 10% of the bank's net worth. Amendment placement with head office under two conditions: Head office is a bank and its rating equal or superior to A^- Loan Classification & Provisioning Applicable to Specialized banks & Microfinance Institutions	Oct. 15,2001 Jun. 07, 2001 Sep. 13, 2002
Maintenance of required reserves against deposits and other borrowing	Reserve requirements of 8 percent are levied on deposits in both foreign and domestic currency. Reserve are defined as cash-in-vault or unremunerated deposits at the NBC, are calculated on the basis of average daily deposit liabilities over successive 28 day periods, and must be met on and average basis over the period. Penalties for noncompliance are imposed by charging 1/10 of the latest refinancing rate per day on the deficiency. Reserve requirement of 5% for Microfinance	Dec. 30, 1993 Jan. 01, 1998 Feb. 25, 2002
Minimum capital	Locally incorporated banks and foreign bank branches must have paid up minimum capital equal to at least CR 50 billion. In addition, each bank must maintain 10 percent of authorized capital in a special capital account at the NBC as a form of security. Deposits in USD dollars will bear interest at the annual rate of 3/8 six-month period SIBOR	Jan. 1, 1994 Jan. 1, 1998 Feb. 9, 2000 Oct. 15, 2001
Monitoring banks open foreign exchange positions	Banks are required to observe a limit on the long or short position in each currency not exceeding 5 percent of the net worth, and a limit on the aggregate short position not exceeding 15 percent of the net worth.	Jan. 16, 1995
Provisions for bad and doubtful debts	Banks are required to classify their assets and off-balance sheet commitments into the four classifications (standard, substandard, doubtful, and lost) , and the specific provisioning shall be recorded depending on the classifications in the account and charged to the profit and loss account in the month identified. Amendment to the classification and provision Sub-standard 10%, Doubtful 30%, and loss 100%(only part of loan uncovered will be provisioning with NBC approval)	Dec. 31, 1994 Feb. 17, 2000 Jun. 07, 2002
Solvency ratio (capital adequacy)	Banks must maintain solvency ratio (net worth divided by the aggregate of assets and off balance sheet commitments) at the minimum level of 20 percent. Amendment banks must maintain solvency ratio at minimum 15%	May. 22, 1995 Feb. 16, 2000 Dec. 29, 2004
Fixed assets	The total amount of fixed assets must not exceed 30 percent of net worth. Banks are not allowed to acquire fixed assets except for operating purposes.	Dec. 29, 1997 Nov. 8, 2001
Other operational regulations for banks and financial institutions (FIs)	Banks must maintain their net worth at least equal to their paid-up capital. Banks are not allowed to grant credit to their own shareholders, members of board of directors, managers, individuals or legal entities who participate in their establishments. Banks are not allowed to use demand deposits to grant long-term credit *Transfer of shares of banks:* banks must request for authorization from the NBC for any transfer of shareholder or group of shareholders. *Reporting requirement for registered NGOs and Licensed Microfinance*: Registered and licensed micro-finance institutions shall submit regular reports to the NBC *Calculation of interest rate on Micro-finance loans*: Interest charged on loans must be calculated taking into account the repayments of principal made. *Standardized Supervision Procedures and Report* *Standardized Procedure for Prompt Corrective Action for BFIs*: The Prakas is a	Dec. 29,1997 Nov. 8, 2001 Feb. 25, 2002 Aug. 14, 2001 Oct. 17, 2002 Oct. 17, 2002

	prescribed set of disciplinary sanctions and limitations applicable to financial in accordance to the Banking Law. *Amendment on Standardized Procedure for Prompt Corrective Action for BFIs*: The banks and financial institutions will be categorized based on their solvency ratio, as previously defined in the amendment of Prakas on Solvency Ratio of Banks.	 Nov. 29, 2005
Money Laundering	*Standardized Procedure for Identification of Money Laundering at the BFIs:* All financial institutions must develop, administer, and maintain a policy that ensures and monitors an effective action against money laundering. *Suspicious Transaction and Know your customer Policies:* All financial institutions should pay attention to customers who provide minimal, false or misleading information. Sound KYC policies are essential for protecting the safety and the soundness of banks and integrity of banking system.	Oct. 21, 2002 Oct. 04, 2003
Accounting	*Adoption and Implementation of Chart of Accounts for BFIs:* All licensed banks and financial institutions shall adopt Chart of Accounts and Disclosure Requirement. *International Transactions Reporting System* (for compiling balance of payment) *Communication and Copies of Documents during on-site inspections:* Banks are compelled to furnish to the NBC's examiners all information and data requested during an on-site inspection. *Daily Accruals and Amortizations for Commercial and Specialized Banks:* Banks shall calculate and post accrued interest and amortization of assets on a daily basis. *Payments of Dividends in Advance:* Annual profit is absolutely certain, once annual accounts have been approved by external auditors. Banks cannot pay dividends before this approval. *Requirement in Compliance with Fact and Substance:* The information presented in the financial statement must reflect the economic substance of events and transaction and not merely the legal form. *Prepaid Prepayments on Rental and Leases*: Leased properties must be directly related to bank activities and prepaid rental or lease cannot exceed one year. *Non-performing loans provision an interest account:* NPL must be classified in three categories according to the late payments and interest on NPL must always be recorded as interest in suspense and not as interest income. *Publication of Annual audit of financial statements of BFIs:* Banks and financial institutions must produce their annual audited financial reports and publish no later than June 30 of each calendar year. *Licensing fee for BFIs*: Banks and FI, and the Representative Offices of foreign banks shall pay annual license fees to the NBC. *Installment loans classification and provision:* This circular gives guidance on when an installment loan should be classified as a non-performing loan. *Requirement for BFIs to have a system of checks and balances:* Banks and FIs should have a system of checks and balances in its accounting system so that the accuracy of accounting record can be enhanced and errors promptly highlighted and corrected. *Multi-currency accounting following implementation of uniform chart of accounts:* This circular gives guidance on the recommended approach for bank and financial institutions in adopting multi-currency accounting for transactions involving foreign currencies. *Loans policies, procedures and lending authority:* Every bank or FI shall conform to sound and prudent credit policies, practices and procedures in the granting of credit which shall be duly approved and reviewed by management and/or BODs. *The selection of independent auditors by BFIs:* Banks and FIs must select an independent auditor authorized by the NBC to audit their annual financial reports and must change their independent auditors every three years.	Dec. 25, 2002 Jan. 16, 2003 Jul. 15, 2003 Oct. 01, 2003 Jan. 14, 2004 Mar. 09, 2004 Mar. 09, 2004 Nov. 08, 2004 Dec. 29, 2004 Dec. 29, 2004 Jan. 21, 2005 Jan. 25, 2005 Feb. 10, 2005 Mar. 10, 2005 Jun. 15, 2005

Table 18. Cambodia: Balance of Payments, 2000–05

(In millions of U.S. dollars; unless otherwise indicated)

	2000	2001	2002	2003	2004	2005
Current account excluding official transfers	-421	-349	-406	-497	-440	-594
Current account including official transfers	-103	-46	-104	-170	-122	-268
Trade balance	-539	-523	-591	-581	-681	-1,018
Exports	1,397	1,571	1,770	2,087	2,589	2,910
Domestic exports 1/	1,279	1,462	1,659	1,970	2,454	2,773
Imports, f.o.b.	-1,936	-2,094	-2,361	-2,668	-3,269	-3,928
Of which: retained imports, f.o.b.	-1,845	-2,010	-2,275	-2,579	-3,166	-3,822
Services and income (net)	-25	36	40	-69	65	214
Receipts	496	582	655	593	853	1,186
Of which: tourism	304	380	454	389	603	840
Payments	-521	-546	-615	-661	-788	-972
Of which: interest	-14	-14	-16	-18	-20	-21
Private transfers	144	137	145	153	176	209
Official transfers	317	303	302	326	318	326
Capital and financial account	51	93	137	176	153	315
Medium- and long-term loans	-23	64	134	127	144	125
Disbursements	90	98	167	162	182	165
Amortization	-114	-34	-34	-36	-38	-40
Foreign direct investment	142	142	139	74	121	381
Short-term flows and errors and omissions	-68	-113	-136	-25	-112	-191
Overall balance	-53	47	33	6	31	47
Financing	53	-47	-33	-6	-31	-47
Change in gross official reserves 2/	-69	-64	-86	-45	-61	-79
Debt rescheduling	0	-16	0	0	0	0
Change in arrears (- = reduction)	118	24	44	40	41	41
Use of Fund credit	4	9	9	-2	-10	-9
Purchases/disbursements	11	21	22	12	0	0
Repurchases/repayments	7	12	12	13	10	9
Memorandum items:						
Current account balance						
Excluding official transfers (in percent of GDP)	-12	-9	-9	-11	-8	-9
Including official transfers (in percent of GDP)	-3	-1	-2	-4	-2	-4
Gross official reserves	484	548	663	737	806	915
In months of imports of goods and services	3	3	3	3	3	2
Net international reserves	411	468	568	634	710	834
External debt 3/ (in percent of GDP)	59	57	58	60	57	51

Sources: Data provided by the Cambodian authorities; and Fund staff estimates.

1/ Includes estimates for unrecorded exports.
2/ Excludes unrestricted foreign currency deposits at NBC and valuation changes.
3/ Includes debts owed to the Russian Federation and the United States.

Table 19. Cambodia: Merchandise Exports, 2000–05 1/

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005
Total exports	1,397	1,571	1,770	2,087	2,589	2,910
Domestic exports	1,279	1,462	1,659	1,970	2,454	2,773
GSP (incl. Garment)	1,013	1,188	1,392	1,628	2,079	2,261
Logs and sawn timber	100	68	38	20	16	16
Fish	44	42	73	76	69	76
Rubber	60	52	63	98	115	119
Rice	15	57	28	94	114	177
Others	47	54	66	54	62	124
Re-exports	118	109	111	117	134	137

Sources: Data provided by the authorities.

1/ Includes estimates for unrecorded exports.

Table 20. Cambodia: Merchandise Imports, 2000–05 1/

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005
Total imports, f.o.b. 2/	1,936	2,094	2,361	2,668	3,269	3,928
Total imports, c.i.f.	2,096	2,270	2,554	2,888	3,538	4,254
Freight & insurance on imports	165	181	204	230	281	340
Taxable imports	741	711	729	751	856	994
Cigarettes	70	70	68	69	81	80
Motorcycles	31	21	28	30	45	55
Beer	3	2	2	1	1	6
VCRs	2	2	1	1	1	1
TV sets	6	5	5	4	4	4
Audio cassettes	3	3	2	1	1	0
Gold	35	12	10	13	25	5
Vehicles	23	26	38	36	65	90
Construction materials	13	14	13	12	12	28
Clothing	46	36	39	37	38	45
Cloth	3	3	5	6	6	9
Petroleum products	156	175	150	180	172	164
Sugar	10	25	26	4	6	8
Cement	27	31	37	37	40	44
Steel	21	18	23	16	19	21
Other	294	268	282	304	341	433

Sources: Data provided by the Cambodian authorities.

1/ Includes imports for re-exports.
2/ Includes goods procured by resident carriers.

Table 21. Cambodia: Investment Approvals by Sector, 2000–05

(Total fixed assets approved; in millions of US dollars)

	2000	2001	2002	2003	2004	2005
Total	270	235	255	318	340	1,162
Agriculture	0	5	12	0	9	20
Industries	155	105	62	133	176	931
Building Material	7	0	0	0	0	0
Cement	0	0	0	0	0	181
Energy	33	50	5	3	26	289
Food Processing	6	3	0	41	1	19
Garment	87	32	44	65	135	200
Mining	0	0	0	0	0	181
Paper	1	1	1	1	3	2
Petroleum	1	0	4	0	1	0
Pharmaceutical industry	1	0	1	7	0	7
Plastic	1	2	1	0	1	10
Shoes	6	7	0	1	1	2
Tobacco	1	4	0	3	5	8
Wood Processing	0	1	3	2	1	1
Others	10	5	3	11	4	31
Services						
Construction	0	8	0	12	0	30
Education	0	0	0	0	0	0
Infrastructure	31	22	68	15	40	58
Telecommunication	0	0	64	10	0	13
Transportation	0	0	0	0	0	0
Others	4	15	2	0	0	3
Tourism						
Hotel	70	69	47	135	38	107
Tourism Centre	9	11	0	13	75	0
Others	0	0	0	0	0	0

Source: Council for the Development of Cambodia.

Table 22. Cambodia: Investment Approvals by Investor Country of Origin, 2000–05

(Total fixed assets approved; in millions of US dollars)

	2000	2001	2002	2003	2004	2005
Total	270	235	255	318	340	1,162
Cambodia	61	62	94	201	140	384
Foreign						
America						
Argentina	0	0	0	0	0	1
Canada	1	0	5	0	3	7
United States	10	6	3	4	4	5
Asia and Pacific						
Australia	3	0	5	1	0	51
China	35	8	24	45	89	448
Hong Kong	13	5	2	7	22	3
Indonesia	15	0	0	0	0	2
Japan	0	0	2	0	2	0
Korea	21	3	82	3	8	61
Macau	0	0	0	0	0	0
Malaysia	10	66	1	8	39	37
Philippines	0	1	0	0	0	0
Singapore	13	0	2	6	5	42
Taiwan	38	67	10	23	12	47
Thailand	26	15	0	12	1	50
Vietnam	0	0	24	0	0	0
Europe						
Belgium	1	0	0	0	0	0
France	5	0	0	8	0	8
Netherlands	0	0	1	1	0	2
Portugal	0	0	0	0	0	0
Russia	0	0	0	0	2	0
United Kingdom	17	2	1	1	13	13

Source: Council for the Development of Cambodia.

Table 23. Cambodia: Foreign Debt, 2000–05

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005
Total external debt outstanding 1/	2,161	2,261	2,492	2,740	2,976	3,180
Multilateral	468	557	740	955	1,124	1,149
World Bank	205	240	303	396	464	461
AsDB	188	232	328	434	530	568
IMF	73	80	95	102	97	81
Bilateral	1,693	1,705	1,751	1,785	1,852	2,031
New debt	16	21	53	75	132	174
Rescheduled debt	26	25	28	32	34	29
Nonrescheduled debt	1,651	1,659	1,670	1,678	1,686	1,828
Total disbursements	101	120	189	174	182	165
Multilateral	100	113	157	153	131	121
World Bank	37	40	47	62	48	32
AsDB	50	49	79	73	74	80
IMF	11	21	22	12	0	0
Other	2	3	9	7	10	9
Bilateral	2	6	32	21	51	44
Total amortization	120	46	46	49	49	48
Multilateral	7	12	12	15	13	14
World Bank	0	0	0	0	1	2
AsDB	0	0	0	1	1	2
IMF	7	12	12	13	10	9
Other	0	0	0	0	0	0
Bilateral	114	34	34	34	35	35
New debt	0	0	0	0	0	0
Rescheduled debt	0	0	0	0	1	1
Nonrescheduled debt	114	34	34	34	34	33
Total interest	13	13	14	16	18	19
Multilateral	5	5	6	8	9	10
World Bank	2	2	2	3	3	3
AsDB	2	2	3	4	5	6
IMF	2	1	1	1	1	1
Other	0	0	0	0	0	0
Bilateral	8	8	8	8	8	8
New debt	0	0	0	0	1	1
Rescheduled debt	1	1	1	1	1	1
Nonrescheduled debt	7	7	7	6	6	6

Sources: Data provided by the Cambodian authorities; and Fund staff estimates.

1/ Includes debts owed to the Russian Federation and the United States.

Table 24. Cambodia: Previously State-Owned Enterprises Sold to the Private Sector

(As of May 2006)

Business	Ministry	Buyer's Nationality	Date of Sale	Sale price (US$)
Total				57,553,738
Bran Oil Factory	Industry	Cambodia	04/12/1997	1,020,000
Zeam Conte Garage1	Planning	Cambodia	24/10/1997	200,000
Zeam Conte Garage2	Commerce	Cambodia	27/01/1997	200,000
Gas Station in Seam Reap Province	Finance	Cambodia	08/10/1997	40,000
Taprum Hotel	Finance	Cambodia	13/03/1997	70,000
Peace Hotel	Finance	Cambodia	30/07/1998	40,000
Phnom Kamchay Hotel	Interior	Cambodia	15/06/1998	155,516
Vacant Land in Kampong speu Province	Interior	Cambodia	30/04/1998	71,160
Pailin Hotel in Batambang Province	Commerce	Cambodia	18/02/1998	45,666
Warehouse in Posat Province	Commerce	Cambodia	02/04/1998	21,980
C.K.C.	Commerce	Cambodia	1997	10,680,331
Focker Air Plane	Council of Ministers	Cambodia	11/1998	663,970
Warehouse in the Crop Company	Commerce	Cambodia	1998	63,600
Vacant Land near the Cigarette Factory	Industry	Cambodia	1997	132,000
Beng trabek Garage	Industry	Cambodia	26/01/1998	1,185,000
Beverage Factory (B.G.I.No1)	Industry	Cambodia	20/07/1998	630,000
Acid Water Warehouse	Public Work	Cambodia	21/07/1998	352,000
Vacant Land behind Council of Ministers	Council of Ministers	Cambodia	1998	800,000
KAMTRANSHIP	Public Work	Cambodia	18/05/1998	543,000
Driving School Department	Public Work	Cambodia	05/12/1999	250,000
Vacant land in PP health Department	PP Municipality	Cambodia	18/04/2000	41,198
Youth Club	PP Municipality	U.S. gov't	26/09/2000	5,839,000
Goods Transport Company	Public Work	Cambodia	22/12/2000	1,189,878
Warehouse in Construction Company	Commerce	Cambodia	29/06/2001	377,355
Second Cotton Warehouse in Kampexim	Commerce	Cambodia	21/06/2001	135,462
Prek Phnov Oil Stock Warehouse	Defense	Cambodia	29/04/2003	400,000
Printing Fabric	Industry	Cambodia	27/02/2004	79,590
Vacant Land (Front Of BKC)	PP Municipality	Cambodia	12/4/2004	1,308,300
Printing Fabric in Phnom Penh	Culture	Cambodia	3/1/2005	480,199
FTB	MEF&NBC	Cambodia	4/1/2005	20,700,000
ClaimingLand on River Side	City Hall	Cambodia	5/1/2005	2,916,680
ClaimingLand on River Side	City Hall	Cambodia	6/1/2005	3,862,560
Office of the First Mechanical Factory	Industry	Cambodia	10/1/2005	2,004,098
Sawmills Factory	Industry	Cambodia	10/1/2005	735,195
Chroy Changva Soup Factory	Industry	Cambodia	10/1/2005	320,000

Source: Data provided by Cambodian authorities (State Property Department of MEF).

Table 25. Cambodia: Employment by Sector of Activity, 2000–05

	2000 1/	2001 2/	2002 3/	2003 3/	2004 4/	2005 5/	2000 1/	2001 2/	2002 3/	2003 3/	2004 4/	2005 5/
	(In thousands)						(In percent of total)					
Total employment	5,275	6,243	6,571	6,965	7,496	7,878	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, and fisheries	3,889	4,384	4,426	4,471	4,520	4,655	73.7	70.2	67.4	64.2	60.3	59.1
Industry	444	640	741	835	947	1,059	8.4	10.2	11.3	12.0	12.6	13.4
Services	942	1,219	1,404	1,659	2,028	2,163	17.9	19.5	21.4	23.8	27.1	27.5
Agriculture, forestry, and fisheries	3,889	4,384	4,426	4,471	4,520	4,655	72.7	69.3	67.4	64.2	60.3	59.1
Agriculture	3,688	4,068	4,080	4,091	4,103	4,197	69.9	65.2	62.1	58.7	54.7	53.3
Forestry	54	55	56	56	57	58	1.0	0.9	0.8	0.8	0.8	0.7
Fisheries	147	261	291	323	360	400	2.8	4.2	4.4	4.6	4.8	5.1
Industry	444	640	741	835	947	1,059	8.4	10.2	11.3	12.0	12.6	13.4
Mining and quarrying	3	4	15	16	17	19	0.1	0.1	0.2	0.2	0.2	0.2
Manufacturing	367	549	601	656	720	789	7.0	8.8	9.1	9.4	9.6	10.0
Utilities	4	4	6	10	16	17	0.1	0.1	0.1	0.1	0.2	0.2
Construction	70	84	120	153	195	234	1.3	1.3	1.8	2.2	2.6	3.0
Services	942	1,219	1,404	1,659	2,028	2,163	17.9	19.5	21.4	23.8	27.1	27.5
Trade	436	644	756	888	1,042	1,104	8.3	10.3	11.5	12.7	13.9	14.0
Hotels and restaurants	19	10	24	27	30	43	0.4	0.2	0.4	0.4	0.4	0.5
Transport and communications	120	167	178	187	196	206	2.3	2.7	2.7	2.7	2.6	2.6
Financial intermediation	8	6	9	12	16	23	0.2	0.1	0.1	0.2	0.2	0.3
Real estate, renting	8	4	16	15	15	16	0.2	0.1	0.2	0.2	0.2	0.2
Public administration and defense	147	149	159	169	180	185	2.8	2.4	2.4	2.4	2.4	2.4
Education	87	88	94	100	106	113	1.7	1.4	1.4	1.4	1.4	1.4
Health and social work	30	25	28	33	37	43	0.6	0.4	0.4	0.5	0.5	0.5
Other social services	40	52	59	68	78	89	0.8	0.8	0.9	1.0	1.0	1.1
Other	46	72	81	161	327	341	0.9	1.2	1.2	2.3	4.4	4.3

Source: Data provided by the National Institute of Statistics (NIS).

1/ Based on the results of the Labor Force Survey of Phnom Penh.
2/ Based on the results of the Labor Force Survey of Cambodia (LFS 2001).
3/ Based on the results of (LFS 2001, CSES 2004, extrapolation/interpolation).
4/ Based on the results of the Cambodian Socio-Economic Survey (CSES 2004).
3/ Based on the results of (CSES 2004, extrapolation).

Summary of the Cambodian Tax System
May 2006

Tax	Nature of Tax	Exemptions and deductions	Rates
1. Tax on income, profits, and capital gains			
• **Tax on Salary**	A monthly tax imposed on salary that has been received within the framework of fulfilling employment activities. A physical person resident in the Kingdom of Cambodia is liable to the tax on salary for Cambodian source salary and foreign source salary. A non-resident physical person is liable to the tax on salary for Cambodian source salary.	Exempted from tax on salary are: (i) Salaries of officers and employees of a diplomatic and consular mission; foreign representative, officials and employees of international organizations and agencies of technical cooperation of other governments; (ii) members of the Parliament and Senate. (iii) Real refunds on professional expenses; (iv) indemnity for the layoff; (v) additional remuneration with social characteristics provided under the Labor Law; (vi) supply gains or below acquisition cost of special uniforms or professional equipment; and (vii) a flat allowance for mission and travel expenses. Deductions of CR 75,000 from the tax base per month for each minor dependent child and spouse without occupation.	Progressive tax rates applied to monthly income as follows: (i) 0 percent for CR 0 to 500,000; (ii) 5 percent for CR 500,001 to 1,250,000; (iii) 10 percent for CR 1,250,001 to 8,500,000; (iv) 15 percent for CR 8,500,001 to 12,500,000; (v) 20 percent for over CR 12,000,000. For a non-resident taxpayer, 20 percent are withheld by the employer.
	A monthly tax on fringe benefits withheld at source. Fringe benefits are valued at fair market value.	Officers and employees of a diplomatic and consular mission; foreign representative, officials and employees of international organizations and agencies of technical cooperation of other governments; and member of the Parliament and Senate.	20 percent of the total values of fringe benefits are withheld by the employer.
• **Tax on property rental**	A tax on receipts from rents on land, buildings, and certain equipment paid by the owner.	Property owners whose monthly income from rent is below CR 500,000 under the estimate regime are exempted.	10 percent of income from rent.
• **Tax on profits**	An annual tax on the profits of businesses, including capital gains from the sale of assets during the operation or at the close of the business, as well as income from financial of investments, interest, rental, and royalties income.	Exemptions under the Law on Taxation include: (i) the income of the Royal Government and institutions of the Royal Government; (ii) the income of any organizations for religious, charitable, scientific, literary, or education purposes; (iii) the income of labor organizations and any chamber of commerce, industry, or agriculture; and (iv) the profit from the sale of agricultural produce. In addition, under the Law on Investment, exemptions can be granted by the Council for the Development of Cambodia (CDC).	For corporations, the tax rates are as follows: (i) 0 percent for a Qualified Investment Project (QIP) during the period of tax exemption and 9 percent for 5 years of transitional period; (ii) 30 percent for enterprises engaged in production or exploitation of oil, gas and natural resources including timber, ore, gold, and precious stones; (iii) 20 percent for profits realized by legal persons; and (iv) 5 percent of gross premiums for insurance companies.
	The assessment of the tax on profit shall be made according to the real regime (accounts-based profits), simplified regime, or estimated system of taxation (a proxy profit tax based on estimated turnover).	Deductions allowed from the tax on profits are: (i) interest expenses that the taxpayer has paid or incurred during the tax year to carry on business; (ii) depreciation of tangible, and intangible property, and natural resources, and (iii) charitable contributions. Carry forward of losses is also allowed.	For noncorporations, progressive rates applied to annual profits are as follows: (i) 0 percent for 0 to CR 6,000,000; (ii) 5 percent for CR 600,0001 to 15,000,000; (iii) 10 percent for CR 15,000,001 to 102,000,000; (iv) 15 percent for CR 102,000,001 to 150,000,000; and 20 percent for income greater than CR 150,000,000.

Tax	Nature of Tax	Exemptions and deductions	Rates
Tax on Profits cont'd	**Dividend:** Additional tax on dividend distribution of retained earnings or annual profits.	This additional profit tax shall not apply on the distribution of retained earning or annual profit after tax, if an enterprise has already paid profit tax at the normal rate of 20 percent for a legal person, or the rate of 30 percent for an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold, and precious stones.	(i) 20 percent of retained earning, if an enterprise is distributing profits that were subject to 0 percent profit rate. (ii) 11/91 of retained earnings, if an enterprise is distributing profits that were subject to 9 percent profit rate. (iii) Additional profit tax shall not be paid on annual profit, if annual profit were subject to the normal rate of 20 percent.
	Withholding tax: Any resident taxpayer carrying a business and who makes any payment in cash or in kind to a resident taxpayer and non-resident taxpayer shall withhold.	Exemptions apply to: (i) interest paid to a domestic bank or saving institution; (ii) the payment of tax exempt income to government institutions; any religious, charitable, science, literary, or educational organization; labor organization or any chamber of commerce, industry, or agriculture; and (iii) profit from sale of small agricultural producer.	The following amounts are to be withheld by resident taxpayers making a payment to a resident taxpayer: (i) 15 percent on income received by a non-real regime taxpayer from performance of services including management, consulting, and similar services, as well as royalties for intangibles; (ii) 10 percent on the income from the rental of movable and immovable property; (iii) 6 percent on interest paid by domestic banks to resident taxpayers having a fixed term deposit account; and (iv) 4 percent on interest paid by a domestic bank to a resident taxpayer having a non-fixed savings account. The following amounts are to be withheld by resident taxpayers making a payment to a non-resident taxpayer: (i) 14 percent on interest, royalties, rent, and income connected with use of property, management or technical service, and dividends.
2. Patent Tax	An annual registration or license fee levied on all businesses, industries, and services. The base is the previous year's turnover, or estimated turnover. New businesses are taxed on the basis of a provisional estimate.	Farmers are not subject to the tax.	For business and industries, the patent is levied according to annual turnover as follows: (i) CR 0–7,500,000 = CR 15,000; (ii) CR 7,500,001–12,500,000 = CR 21,000; (iii) CR 12,500,001–25,000,000 = CR 27,000; (iv) CR 25,000,001–30,000,000 = CR 40,000; (v) CR 30,000,001–37,500,000 =CR 60,000; (vi) CR 37,500,001–50,000,000 = CR 90,000; (vii) CR 50,000,001–62,000,000 = CR 140,000; (viii) CR 62,000,001–75,000,000 = CR 180,000; (ix) CR 75,000,001–1 million = CR 240,000, (x) CR 100,000,001–1 billion (max.) = 0.1 percent of turnover. For services, the patent is levied according to annual turnover as follows: (i) CR 0–3,000,000 = CR 15,000; (ii) CR 3,000,001–5,000,000 = CR 21,000; (iii) CR 5,000,001–10,000,000 = CR 27,000; (iv) CR 10,000,001–12,000,000 = CR 40,000; (v) CR 12,000,001–15,500,000 = CR 60,000; (vi) CR 15,000,001–20,000,000 = CR 90,000; (vii) CR 20,000,001–24,800,000 = CR 140,000; (viii) CR 24,800,001–30,000,000 = CR 180,000; (ix) CR 30,000,001–40,000,000 = CR 240,000, (x) CR 40,000,001–400,000,000 (max.) = 0.25 percent of turnover.

Tax	Nature of Tax	Exemptions and deductions	Rates
3. Taxes on domestic goods or service			
• **VAT**	Value-added tax, applied to any person subject to the Real Regime system. It covers both goods and services, extending through all stages of importation, production and distribution.	Exempted from the VAT are: (i) public postal service, (ii) hospitals, clinics, medical and dental services, and the sale of medical and dental goods, (iii) public transportation services, (iv) insurance services, (v) primary financial services, (vi) the import of goods for personal use exempted from customs duties, (vii) nonprofit activities in the public interest, (viii) the import of goods for or by foreign diplomats and consular missions, international organizations and agencies of technical cooperation of other governments for use in the exercise of their official function. An ad-hoc exemption provided to supporting industries or contractors (which is not a QIP) which supply products or services for export-oriented garment industries. The calculation of tax payable in a tax period, a credit is allowed to the taxable person for the tax payable in respect of: (i) all taxable supplies made to that person during the tax period, (ii) all imports of goods by that person during the tax period. The credit is only allowed if the supply or import is for use for taxable supplies of the taxable person. Shall not be allowed input tax credit for any tax paid on: (i) purchases or imports of automobiles, unless the taxable person is in the business of dealing in, or hiring such automobiles, (ii) entertainment, amusement and recreation expenses, unless the taxable person is in the business of providing entertainment, amusement, and recreation, (iii) purchases of petroleum products for use as road fuel, unless the taxable person is in the business of supplying petroleum products.	Uniform rate of 10 percent.
• **Turnover tax**	A monthly tax on business turnover, applied to any person subject to non-real regime. Turnover tax payable each month may be fixed in advance for periods of 3, 6, or 12 months. It also covers the first sale of imported products (to be phased out with full introduction of VAT).	Agricultural products sold by primary producers (not those sold by traders. Exemptions apply imports of 200 cigarettes; 2 liters of wine; petroleum products in your tank or machine up to 30 liters per car and 5 liters of oil per car.	Uniform rate of 2 percent.
• **Minimum tax**	The Minimum Tax is applied as a percentage of the annual taxpayer's turnover. It is due irrespective of the taxpayer's profit or loss position.	An exemption has been provided to those taxpayers that have been granted the status of Qualified Investment Project under the Law on Investment on profits under the Qualified Investment Project.	1 percent of the taxpayer's annual turnover.

Tax	Nature of Tax	Exemptions and deductions	Rates
• **Excise tax**	A tax levied on select products, both locally produced and imported.		Rates are as follows: (i) airline tickets – 10 percent; (ii) telecommunication services – 3 percent; (iii) motor vehicles – 15 percent for cylinder capacity less than 1000 cc, and 45 percent for other cylinder capacity; (iv) spare parts for motor vehicles – 25 percent, and for used spare part vehicle 10 percent; (v) motorcycles and spare parts – 10 percent, and 5 percent; (vi) cigarettes – 10 percent; (vii) cigars – 25 percent; (viii) beer – 20 percent; (ix) other alcoholic products (spirits and wine) – 33.33 percent, and softdrink 10 percent; (x) gasoline – 33.33 percent; (xi) diesel 4.35 percent; (xii) kerosene and lamp kerosene – 10 percent; (xiii) lubricating oil – 25 percent; (xiv) white spirit and solvent – 5 percent, and base oil, carbon, black feedstock oil, hydraulics oil and lubricating grease – 10 percent; (xv) air conditioners, cosmetics, telephones, video and camera equipment – 10 percent.
• **Fiscal Stamp tax**	A tax payable in the form of stamps affixed to some documents, panos/posters (advertising), and trade marks.	None.	Specific small amounts depending on the type of document ranging from CR 100 for school registration to CR 2,000 for investment authorizations.
4. Slaughter tax	Tax levied on slaughterhouses based on the value of the livestock that is slaughtered.	Exempted from slaughter tax are livestock (i) slaughtered for celebrating national tradition, (ii) slaughtered for research uses, and (iii) killed in accident.	Uniform rate of 3 percent of the set price for each animal.
5. Registration Tax (Tax on property transfer)	Tax levied on the transfer of land, buildings, motor vehicles, motorcycles, and ships.	Transfers of property ordered by the State are exempted, as are government transfers, public utilities, and charitable organizations. The sale of motor vehicles is also exempted if the seller is subject to the turnover tax or the profits tax.	Tax is paid by purchaser at 4 percent of presumptive values.
6. Tax on Unused Land	Tax levied on land without any construction, or with construction that is not in use.	Unused land less than 1,200 square meters.	2 percent.
7. Taxes on international trade • **Import duties**	Effective January 2004 a general tariff (based on the Harmonized System classification) has been levied on all imports. All rates are ad valorem and duties are levied on c.i.f. basis, except for a number of products including automobiles, petroleum products, steel, cigarette, and chemical fertilizers. For these products, values for duty purposes are fixed by the Minister of Economy and Finance.	Exempted from import duties are: (i) imports for projects and investments approved by the CDC, on approval at the time of import; (ii) insecticides, pesticides, and agricultural machinery (excluding tractors); and (iii) imports of embassies, international organizations providing humanitarian aid, and projects financed through bilateral grants and aid.	There are essentially four rate categories: (i) 0 percent for essential goods, seed and basic raw materials; (ii) 7 percent for intermediate goods and others; (iii) 15 percent for machinery and equipment; and (iv) 35 percent for luxury goods including automobiles. Petroleum products: (i) Gasoline: 35 percent of the prescribed value of $309 per ton. (ii) Diesel: 15 percent of the prescribed value of $267 per ton.

Tax	Nature of Tax	Exemptions and deductions	Rates
• **Additional tax**	Levied on selected imported products.	None.	(i) Gasoline: 2 cents per liter; (ii) Diesel: 4 cents per liter.
• **Export Taxes**			
Tax on timber	Ad valorem tax levied on the value of processed woods at export. Exports of woods are limited to those cut on government-agreed concessions. An export ban on all logs was introduced on December 31, 1996.	None.	10 percent.
Tax on rubber	Ad valorem tax levied on rubber.	None.	2, 5, or 10 percent.
Other products	Ad valorem tax levied on livestock and fishery products.	None.	10 percent.
8. Other tax			
• **Motor Vehicle Tax**	Annual levy on automobiles and boats.	Exempted vehicles: ambulance and fire truck; vehicles of the Royal Cambodia Force, military police, national police; vehicles owned by diplomatic missions and international organizations.	(i) Trucks from 2–3 tons: from CR 150,000 to 750,000; (ii) Trucks from 10–20 tons: from CR 250,000 to 750,000; (iii) Buses: from CR 150,000 to 250,000; (iv) all tourism cars: - from 12–17 horsepower: CR 250,000 (less than 5 years), or CR 180,000 (more than 5 years); - from 17–24 horsepower: CR 800,000 (less than 5 years), or CR 600,000 CR (more than 5 years); - over 24 horsepower: CR 1,000,000; (v) Motorcars over 12 horsepower: from CR 87,500 to 125,000 (vi) Tractors 35–83 horsepower: from CR 30,000 to 50,000; (vii) Motorcycles from 50–125 cm^3: from CR 3,000 to 7,500; (viii) Ships: from CR 10,000 to 500,000; (ix) Fishing boats: from CR 20,000 to 1,200,000.
• **Public Lighting Tax**	Tax levied on purchase of wines and cigarettes.	None.	3 percent on the production price.
• **Tax on Accommodation (Financial Act 2005)**	Introduce Tax on Accommodation for provincial-city budget. Base on monthly payments from hotels and guesthouses. (Delayed until 31 December 2006)	None.	2 percent on the rental price per room of hotels & guesthouses.