FOR AGENDA

SM/07/249

July 12, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **Cambodia—Selected Issues and Statistical Appendix**

This paper provides background information to the staff report on the 2007 Article IV consultation discussions with Cambodia (SM/07/246, 7/11/07), which is tentatively scheduled for discussion on **Wednesday, July 25, 2007.** At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Cambodia indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Carter (ext. 38792) and Mr. Davies (ext. 35949) in APD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, July 20, 2007; and to the Asian Development Bank, the Food and Agriculture Organization, and the United Nations Development Programme, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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CAMBODIA

Selected Issues and Statistical Appendix

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Approved by Asia and Pacific Department

July 10, 2007

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I. Introduction

1. This volume of Selected Issues provides background information to the staff report for the 2007 Article IV consultation. Each of the following chapters deals with one of the central issues of the consultation's policy discussions on Cambodia's medium-term prospects: the potential impact of oil on economic growth and policy, the role of wage policy in broader civil service reforms, the risks to the banking sector from recent rapid increases in monetary growth, and tax system development.

Oil

2. Recent exploration suggests that Cambodia could have significant offshore oil and gas resources, including in, but not limited to, an overlapping claims area with Thailand. Oil production could significantly increase national income and provide vital financing for government development spending, as well as allowing saving for future generations. However, there is still considerable uncertainty over its scale and timing. The second chapter shows that a hypothetical moderately sized oil sector would have a significant, but not overwhelming, impact on macroeconomic prospects but that reaping the benefits while avoiding economic problems would depend, in particular, on sound fiscal policies.

Civil Service Reform

3. Public administration reform is vital for the government to make a greater contribution to poverty reduction in Cambodia. The third chapter looks at the role of wage and employment policies within the broader civil service reform agenda. It analyses wage bill developments since the 1990s and proposes steps to accelerate pay and civil service reforms. It concludes that there is a pressing need to develop a comprehensive civil service reform strategy that can be sustainably financed and that promotes efficiency.

Monetary Growth and Banking Sector Risk

4. The rapid growth in banking sector deposits and credit to the private sector is not, at present, causing inflationary pressures but the significant prudential risks have the potential to undermine macroeconomic prospects. The fourth chapter finds that the most significant risks stem from the banks' exposures to individual sectors and customers. Exposure to the booming land and real estate market is a particular concern. Vigilant and firm supervision from the National Bank of Cambodia can be instrumental in minimizing the potential impact.

Tax System

5. The fifth and final chapter updates the summary of the Cambodian tax system provided in the Selected Issues volume for the 2006 Article IV consultation. It also provides a brief overview of the key features and weaknesses of the tax system and compares its performance to other countries in the region.

II. The Potential Macroeconomic Impact of Oil Production in Cambodia[1]

1. **This chapter illustrates the potential impact of oil production and its implications for macroeconomic policy.** In order to do so it models the impact of a hypothetical moderately sized oil sector on the baseline long-term economic scenario utilized in the main staff report (section B). Policy challenges, particularly for fiscal management are outlined in section C and priorities for action proposed in section D. While the discussion focuses on the oil sector, the policy issues are relevant for other non-renewable resources that may be found—exploration has already begun for gems, precious metals and bauxite.

A. Background

2. **Offshore oil and gas resources are believed to exist in Cambodian territorial waters and in an overlapping claims area on the maritime border with Thailand.**[2] Although there had been previous exploration in Cambodia's territorial waters, the first indication of commercial reserves was Chevron's 2004 announcement of possibly substantial finds.[3] They have continued exploration drilling in 2006 while exploration licenses have been issued for 7 other blocks in Cambodian waters. No exploration drilling has taken place in the overlapping claims area—which is thought to have the largest oil and gas reserves—as ongoing negotiations on division of territory and resources have not yet been resolved.

3. **Considerable uncertainty still surrounds the scale and timing of oil production**. Chevron has yet to announce the results of its latest drilling. Initial indications were of substantial reserves—up to 700 million barrels. However, until Chevron indicates whether and when production will take place it is difficult to place a firm estimate on the likely size of the immediately recoverable reserves. Nevertheless, given that oil is already being produced either side of Cambodia's waters in the gulf of Thailand it is probable that production will occur in the medium term (Table 1).

B. An Illustrative Oil Scenario

4. **The scenario illustrates the impact of a moderately sized oil sector.** The scenario has been constructed to demonstrate the policy challenges of an oil sector, not as a forecast of the potential Cambodian oil sector. It does not make any assumption as to which of the many exploration licenses will eventually reach the production stage. Nevertheless, care has been taken to be as realistic as possible with respect to the likely size of investments, fiscal regime and macroeconomic environment. The basic assumptions are:

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[1] Prepared by Matt Davies, Joseph Ntamatungiro and Pipat Luengnaruemitchai.

[2] Initial indications of interest have also been received for onshore licenses.

[3] Chevron is the operator of a joint venture with Mitsui of Japan in offshore Block A.

- Recoverable reserves of 500 million barrels of oil, from 3 separate fields with the first field coming on-stream in 2011. With continued high world oil prices, the net present value of oil wealth would be around $15 billion—115 percent of 2011 GDP.

- The oil sector is assumed to be a truly offshore operation. Given its moderate size no related onshore investment, for instance in shipping facilities or refineries, is assumed. Exploration and production investment would be fully financed by foreign direct investment (FDI).

- The state's take is assumed to come from 3 sources: royalties (12½ percent of total production), the state's share in the profit oil in line with standard Production Sharing Agreements (PSA), and income tax of 30 percent (in line with the Law on Taxation).[4] The Cambodian government is not assumed to take an equity stake in the operations.

- Government oil revenue will increase gradually from about US$174 million in 2011 to a maximum of US$1.7 billion in 2021 (about 4 percent of GDP), before dropping rapidly thereafter (Table 2).

Table 1. Proven Oil Reserves, Daily Oil Production, and Share of Oil Exports of Selected Oil-Exporting Countries

	2006 Proven Oil Reserves (billion barrels)	2006 Oil Production (million barrels per day)	2005 GDP per capita, PPP (US$)	Average Share of Oil Export to Total Exports, 2004-2006
Cambodia (Illustrative)	0.5	n.a.	2,727	0.0
Brunei 1/	1.4	1.72	17,121	81.6
Malaysia	3.0	0.68	10,882	7.1
Indonesia	4.3	1.02	3,843	9.2
Thailand	0.3	0.20	8,677	0.0
Vietnam	0.6	0.34	3,071	19.6
Chad	1.5	0.16	1,427	82.0
Gabon	2.5	0.24	6,954	80.6
Mauritania	0.6	0.03	2,234	14.7
Nigeria	35.9	2.44	1,128	83.7
Azerbaijan	7-13	0.64	5,016	81.6
Kazakhstan	9-40	1.10	7,857	55.6
Russia	60.0	9.25	10,845	42.3
Venezuela	79.7	2.51	6,632	84.3

Sources: U.S. Department of Energy, World Development Indicators, World Economic Outlook.

1/ GDP at market exchange rates.

5. **The key macroeconomic policy assumption is how the government manages its share of oil production.** Dollarization and the immature banking system constrain monetary and exchange rate policy, leaving fiscal policies as the main method of influencing domestic demand. A rapid, oil-fueled, fiscal stimulus would be likely to fuel inflation which would be difficult to counter as the authorities have currently very few instruments available to sterilize increases in the money supply.

[4] These assumptions are illustrative and may not reflect the agreements already reached with petroleum companies or what will ultimately be legislated.

Table 2: Selected Fiscal Indicators

	2006	2015	2020	2025
	(Percent of total GDP)			
Total Revenue	11.5	16.3	16.5	15.6
Oil Revenue	0.0	4.8	4.3	2.0
	(Millions of 2006 dollars)			
Oil revenue	0	858	1,257	932
	(Percent of non-oil GDP)			
Non-oil revenue	11.5	12.5	13.1	14.1
Total expenditure	13.5	15.8	15.8	16.1
Non-oil primary balance	-1.9	-3.2	-2.6	-1.9
Non-oil current balance	1.8	2.1	2.7	3.2

Sources: Fund staff estimates and illustrative projections.

6. **The scenario assumes that spending of oil revenues will be gradual, take account of macroeconomic concerns, and be focused on productive investment.** Controlling increases in government consumption (current expenditure) will moderate the impact of oil wealth on inflation and the real exchange rate and ensure that oil wealth is transformed into benefits for current and future generations. While there are arguments that oil wealth should be spent up-front to break growth bottlenecks, this scenario assumes that the authorities take a cautious approach to minimize macroeconomic risks.[5] It does so by projecting that the non-oil primary deficit, which measures consumption of oil revenue, remains stable in real terms at sustainable levels from 2011 onward. While oil revenues are used to enhance public investment, their volume does not threaten macroeconomic sustainability and also allows the build-up of financial assets for future investment (around 10 percent of non-oil GDP in 2027).

7. **In this illustrative scenario, oil production has a significant but not overwhelming effect on macroeconomic variables** (Figure 1). Oil adds significantly to economic growth, by 2020 GDP is 30 percent higher than in the non-oil baseline and 17 percent higher in real terms (reflecting in part the growth enhancing effects of good quality investment in public infrastructure). Private investment in oil production initially increases the external current account deficit; by 2011 the deficit begins to narrow, reaching less than 1 percent of GDP in the early 2020s. Even with appropriate fiscal policies inflation will increase but remain moderate (below 7 percent). Continued dollarization and the enclave nature of the oil sector will limit movements in the nominal exchange rate.

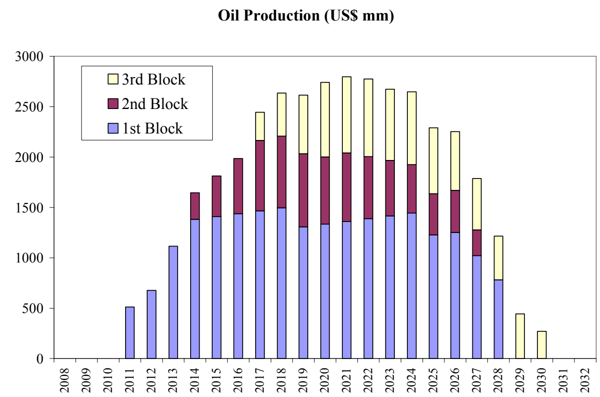
C. Risks and Policy Challenges

8. **There are however many potential pitfalls for newly oil-rich countries.** Experience in other resource-rich countries suggests that the promise of rapid poverty reduction through oil production depends on sound economic management and effective institutions (Box 1). Difficulties in absorbing relatively large increases in money and fiscal revenues are often loosely termed, the “oil curse.” Difficulties, which can be particularly acute in countries, like Cambodia, where capacity and institutions are weak, can be both

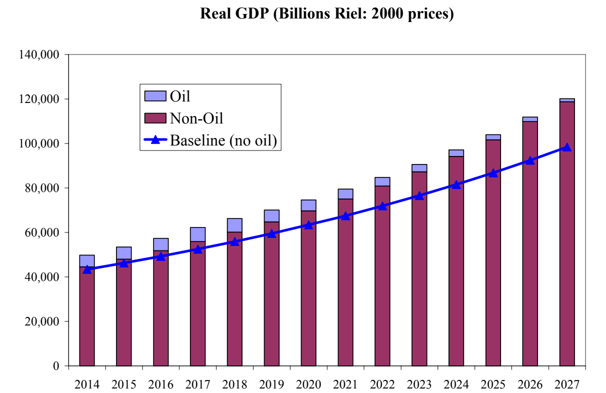
[5] Takizawa, Gardner and Ueda (2004).

Figure 1. An Illustration of the Macroeconomic Impact of Oil (2011-2027)

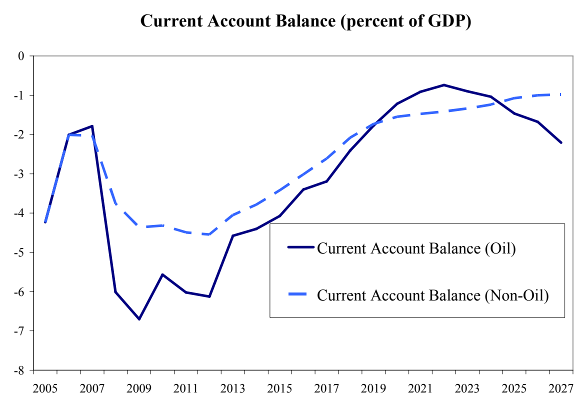
With oil production beginning in 2011 and peaking in 2022...



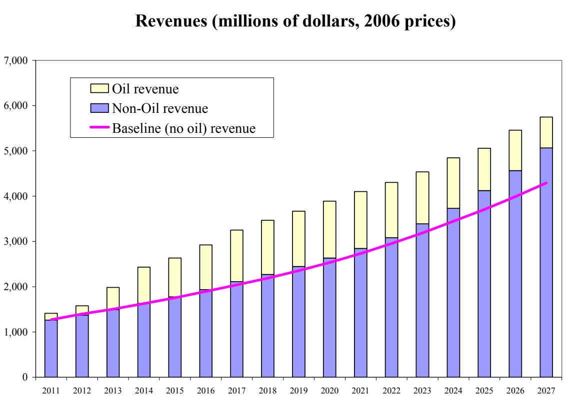
... growth would accelerate but oil would remain a small proportion of GDP.



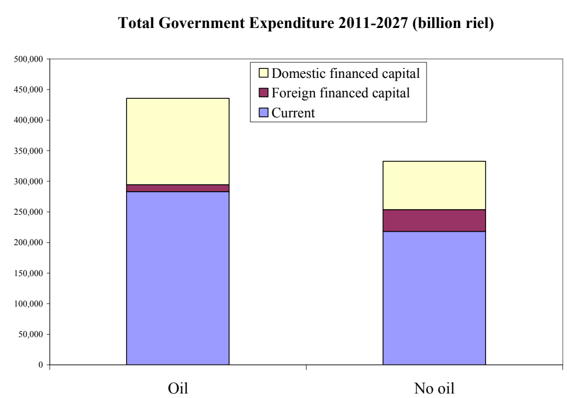
The external current account would initially widen due to investment-related imports before narrowing as oil production peaks.



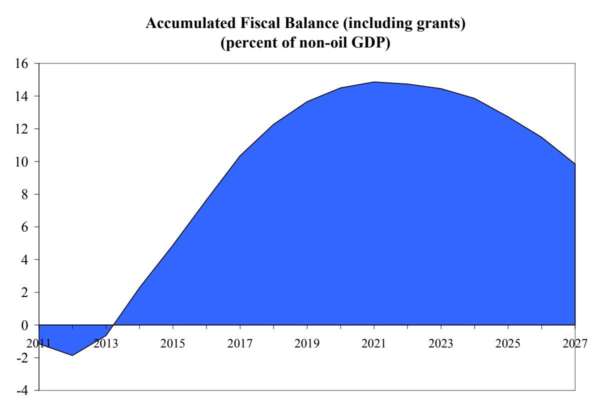
Fiscal revenues would be boosted beyond the direct impact of oil...



...allowing greater expenditure and less dependence on aid.



..while still allowing substantial savings.



Source: Fund staff estimates.

Box 1: Oil Sectors in Other Countries

Nigeria

While Nigeria is one of the 10 largest producers of crude oil in the world, its economic performance for many years was disappointing. Real per capita GDP is largely unchanged from the 1970s and the poverty rate stands at 54 percent in 2004. During the oil boom of the 70s, high and wasteful government expenditures not only absorbed the oil revenues but also led to the accumulation of significant debt that became unsustainable once oil prices fell. The manufacturing sector remained weak, and agricultural exports declined substantially as the real exchange rate appreciated. When oil prices collapsed in the early 1980s, real income fell sharply. Today, oil remains a dominant sector and the major source of government revenue although in recent years, oil revenues were managed more prudently. A conservative budget oil price rule constrained the fiscal envelope, and an ambitious structural reform agenda to enhance private-sector led growth was implemented. Aided by debt relief and high oil prices, economic growth and the fiscal and external position have improved significantly.

Azerbaijan

Azerbaijan is in an early stage of oil production boom, but the economy is showing signs of Dutch Disease. The oil boom has resulted in exceptionally high growth, and the government increased budgetary spending by about 30 percent in 2005 and over 80 percent in 2006. The oil inflows and the massive fiscal expansion has pushed up inflation to double digits and appreciated the currency. While the growth of the non-oil sectors was strong in 2006 (due to construction and services), the tradable sectors are showing sign of strain. Agricultural products, the largest source of non-oil exports, began to lose their competitiveness, despite significant subsidies.

Indonesia and Malaysia

Indonesia and Malaysia are examples of regional economies that are emerging from periods of sustained oil-based growth with strong (non-oil) economic fundamentals. Notwithstanding crises, they have achieved impressive economic gains from their abundance of resources. Both countries are now much less dependent on oil.

	Real per capita GDP Growth, 1980-2006	Average Inflation, 1980-2006
Azerbaijan 1/	20.5	8.2
Indonesia	3.1	10.6
Malaysia	3.5	3.1
Nigeria	0.1	21.7

1/ Average over 2004-2006
Source: *World Economic Outlook*

In the mid-1960s, Indonesia was one of the poorest countries in the world, with large government deficits and hyperinflation. Using resources from oil and gas, the government gave priority to economic growth emphasizing infrastructure, education, and, above all, the agriculture sector, which played a key role in the country's growth and poverty reduction. When oil prices fell in the early 1980s, the government launched several rounds of wide-ranging reforms, reduced expenditure, and devalued the currency. These were followed by a dramatic increase in the growth of manufacturing exports and a marked improvement in productivity. Growth has since been driven by non-oil-and-gas sectors, which now account for more than ¾ of Indonesia's total exports.

Malaysia is well-endowed with natural resources. Oil and gas industry took over from tin as a dominant sector in the early 1970s. In addition to its focus on infrastructure and education, the government successfully used oil income to promote economic diversification and export-oriented industrialization through public investment, which laid a foundation for rapid economic development in the 1990s. The economy is now based on manufacturing and electronic industries. Malaysia is expected to become a net oil importer within a few years.

economic and governance related.[6] Large-scale resource revenues have been shown to accentuate weaknesses in governance and are closely correlated with increases in corruption and instances of internal conflict. This chapter, however, focuses on economic policy challenges.

9. **Oil revenues complicate fiscal management.**[7] Challenges arise from their variable character and the exhaustibility of oil resource endowments:

- The first challenge is how to avoid pro-cyclical fiscal policy, by ensuring relatively stable spending out of oil revenue, so as to insulate the domestic economy from oil revenue fluctuations. When oil prices are high, governments face strong political pressures to raise expenditures, which, in the absence of adequate absorption capacity and institutions, may lead to waste and ignite inflationary pressures. Expenditure cuts may prove difficult when oil prices fall, which can lead to unsustainable debt accumulation.

- The second challenge stems from the need to formulate a consumption/saving strategy that ensures a sustainable fiscal position even after the depletion of oil wealth. Key indicators in this regard are the non-oil primary balance—the difference between non-interest public expenditure and non-oil revenue—and the non-oil current balance—the difference between current expenditure and non-oil revenue. These show the extent to which fiscal policy is sustainable once oil resources expire.

- A third challenge is dealing with the inherent uncertainty surrounding oil investments**.** Fiscal planning is complicated by the volatility of oil prices, as revenues can fall by proportionately more than declines in oil prices. Pre-spending, or borrowing against, uncertain future oil revenues should therefore be approached with extreme caution due to the risks it poses for fiscal and debt sustainability.

10. **More durable industries can be harmed by an enclave oil sector.** Although an enclave operation has, by definition, little direct impact on the domestic economy, a direct injection of state revenues, even if relatively modest by international standards, would still cause a substantial shock to the still small and immature Cambodian economy. The most likely avenue is through inflation and a consequent real exchange rate appreciation which would make domestically produced tradable goods, including manufacturing and agricultural goods, less competitive. A rapid pass through of oil receipts into the domestic economy would increase demand for non-tradable goods, increasing pressure on prices and wages. As

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[6] See Rosser (2006) for a literature survey on the resource curse and Sala-i-Martin and Subramanian (2003) for analysis of the importance of institutional capacity.

[7] See Davis, Ossowski and Fedelino (2003) for background on fiscal policy and Ishi, Takeda and Thomas (2007) for issues relating to macroeconomic management.

resources are reallocated away from the tradable sectors and costs increase, existing and prospective export industries that will be needed to underpin non-oil growth would decline.

11. **More positive scenarios are also possible.** Larger reserve discoveries than envisaged in the moderate sector discussed above are quite possible—particularly if agreement is reached rapidly with regard to the overlapping claims area with Thailand. In this situation, it would be possible to envisage more favorable impacts on growth and fiscal revenues—albeit with concomitant increases in policy challenges.

D. Priorities in Oil-Sector Management

12. **The immediate priority is to normalize the revenue regime for the oil sector.** Considerable uncertainty still exists as to the taxation regime for the oil sector. Provisions, which are in places contradictory, exist in the 1991 petroleum law, the 1997 law on taxation, PSAs signed with oil operators, and in various supporting regulations. For discoveries to be brought to the production stage, oil companies will require assurances on a fiscal regime that provides an adequate rate of return and has adequate guarantees of stability. The government, that also wants to set a regime that promotes early production, is concerned to ensure that it receives a fair share of the financial proceeds from the nation's oil wealth. Current provisions—under all possible variants—are broadly in line with regimes in other countries. Priorities are now to set a clear revenue framework that (i) provides a level playing field for all developers, (ii) is set within the broader Law on Taxation, (iii) is progressive (gives the government a larger share of larger profits), and (iv) encourages production in both marginal and major oil fields.[8] Revenue policy discussions should be led by the Ministry of Economy and Finance, but close co-ordination with the Cambodian National Petroleum Authority (CNPA) is essential to ensure that the implications of taxation policy for the oil industry are fully understood by policy makers.

13. **Looking forward, addressing macroeconomic policy challenges will require defining fiscal policy parameters and strengthening supporting institutions.**

- **Oil funds and fiscal rules can help implementation but they are not substitutes for sound fiscal policy.** Rules can be circumvented, and may become irrelevant if they are disconnected from overall development policies. Box 2 discusses the international experience with such mechanisms.

- **A consolidated framework for revenues and expenditures will improve the likelihood of oil revenues being spent in line with national priorities.** Earmarking oil revenue to

[8] The IMF has provided technical assistance that explains the pros and cons of various revenue policy options.

Box 2: A Note on Oil Funds and Fiscal Rules

Oil funds can play stabilization and saving roles. Stabilization funds aim at insulating the budget and the economy from oil revenue volatility, by smoothing revenues flowing into the budget. Saving funds seek to save part of oil revenue, to constitute financial wealth for future generations and sustain some revenue stream after the depletion of oil reserves. A number of oil funds play both roles.

Their relationship with the budget varies. Some funds are fully integrated within the budget framework (Norway, Timor Leste, São Tomé and Príncipe, Mauritania, Russian Federation). In these countries, the oil fund is a government account. Other funds are not fully integrated in the budget (Libya, Kuwait, Qatar), with financing operations outside the budget process. In Qatar, the Stabilization Fund is an independent government entity. In Chad, the government earmarks part of the oil revenue to specific uses, which has led to the fragmentation of the budget.

Some savings funds operate under specific accumulation rules. In some countries, a predetermined ratio of oil revenue is deposited in the oil fund (Chad, Kuwait, Sudan). Such mechanisms have the potential of transmitting oil revenue volatility into the domestic economy. Moreover, since saving decisions are made outside the budget, there is risk that the government borrow while accumulating resources in the oil fund.

Oil funds are neither a panacea nor a guarantee for sustainable resource management; they cannot substitute for sound fiscal policy. A poorly designed fund will do more harm than good, but a well-designed fund could help the government achieve its policy objectives. In the absence of liquidity constraints, governments can bypass oil funds' rules (including by borrowing). Moreover, some oil funds can carry out investment spending or lending operations outside the budget process (Iran, Kazakhstan until 2005).

The non-oil deficit has become a key indicator for fiscal policy sustainability in oil-producing countries. Targeting the non-oil deficit has the advantage of decoupling fiscal policy from the vagaries of oil revenue and to limit deficits to levels that can be financed.

Newly established oil funds (Timor Leste, São Tomé, Mauritania) have been inspired by Norway's experience in the management of petroleum resources. They are financing funds integrated in the budget and are part of government's financial assets and liabilities; they collect all oil revenue and finance the non-oil deficit that is set in the context of a medium-term fiscal framework, consistent with long-term development policy objectives.

The Norwegian Fund was designed to manage accumulated budgetary surpluses; it does not have specific rules for accumulation or withdrawal of resources, making its operation flexible. The Fund is a government account fully integrated in the budget; it receives all net oil revenues from the budget and, in turn, finances the non-oil deficit of the budget through a reverse transfer. In practice, the Norwegian Fund effectively finances the overall budget balance. Overall budget surpluses are transferred to the Fund; budget deficits are financed by the Fund.

particular uses through extrabudgetary funds leads to budget fragmentation, complicates budget management and reduces efficiency in the allocation of resources. The authorities' PFM reform program will facilitate the objective of all oil revenues being collected and spent through the national budget, set within a fully-fledged, medium-term fiscal framework that links annual budget plans to longer-term national priorities and policies. These should be consistent with the National Strategic Plan (NSDP) and long-term macroeconomic and fiscal sustainability objectives.

- **Particular attention to fiscal transparency is needed in the context of major oil revenues.** Fiscal transparency is a key aspect of a governance environment that promotes macroeconomic stability and high-quality growth.[9] The issues connected with transparency are more complex and important in oil producing countries, calling for enhanced measures to promote transparency and strengthen accountability. The Extractive Industries Transparency Initiative and the IMF's Guide on Resource Revenue Transparency (IMF 2007) are examples of international efforts to support countries to avoid the governance problems so often associated with natural resource industries.[10] Endorsing these initiatives and adopting their principles will send a valuable signal of the authorities' strong commitment to using oil resources, when they occur, wisely.

- **Strong institutions are required to regulate the oil industry.** The CNPA needs to be strengthened in order to be able to adequately control and monitor an oil sector controlled by large, sophisticated multinational companies. If the government decides to take out equity interests in oil ventures, these decisions need to be taken with great care as they can introduce risks to government revenue without yielding significant developmental benefits to Cambodia.

[9] IMF (2001).

[10] IMF (2005).

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III. Civil Service and Public Wages in Cambodia[1]

A. Introduction

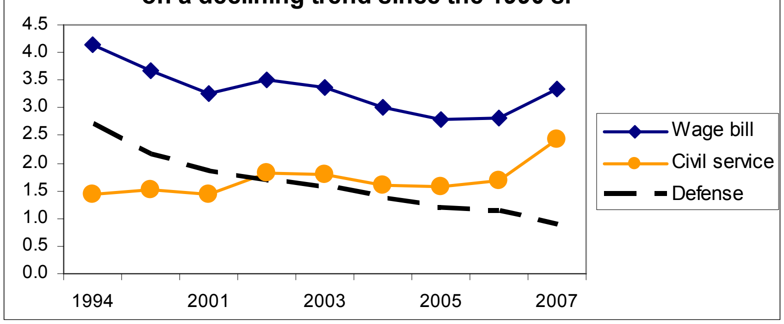
1. **This chapter analyzes wage bill developments in Cambodia and suggests steps to move forward wage and civil service reforms.** The wage bill since the early 1990s has been influenced by socio-economic developments in the country, including the privatization of public enterprises in the late 1980s, the wage adjustments linked to hyperinflation of the early 1990s, the acceleration of the demobilization program in late 2001, and the economic adjustment programs under the ESAF in 1994 and the PRGF in 1999.[2] In 2002, the government adopted the National Program for Administrative Reform (NPAR), aimed at raising remunerations, improving incentives, and strengthening human resource management. After describing wage bill and employment developments since the 1990s, the chapter evaluates Cambodia's wage bill, using internationally accepted standards, and provides an update of progress under the NPAR, before suggesting steps for moving forward the reforms.

B. Main Issues

2. **In assessing the appropriateness of the public administration in Cambodia,** the key issues to be considered are overall size, quality of staff, pay structure, and functional distribution, both in absolute terms and in comparison with other countries.

3. **The cost to the economy of the public sector wage bill is small.** The ratio of the wage bill to GDP was on a declining trend from the mid-1990s, dropping from over 4 percent in 1994 to about 3 percent in 2001. This decline reflected both the effect of the demobilization process and civil service reform actions conducted under Fund-supported programs. In 2001, the government completed a census of the civil service, fingerprinting and registering civil servants in all provinces (the census identified about 9,000 ghost workers). Since 2002, the authorities' policy has been to raise the level of remunerations, while keeping staff levels in

Figure 1: The wage bill (in percent of GDP) has been on a declining trend since the 1990's.



[1] Prepared by Joseph Ntamatungiro.

[2] For details on past civil service and wage policy reforms in Cambodia, see SM/93/88 and SM/03/45.

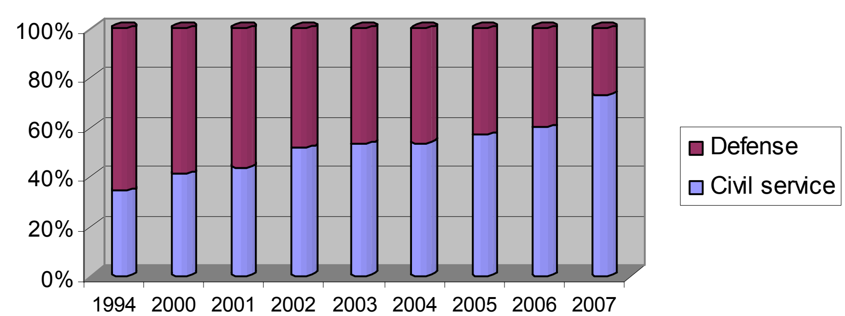
check. The weight of the wage bill in government finances has declined substantially, to 21 and 29 percent of total expenditure and revenue, respectively (Table 1).

Table 1. Cambodia: Assessment of the Wage Bill, 1994-2007

	1994	2000	2001	2002	2003	2004	2005	2006 Est.	2007 Proj.
Wage bill, in percent of GDP	4.1	3.7	3.3	3.5	3.4	3.0	2.8	2.8	3.3
Civil service	1.4	1.5	1.4	1.8	1.8	1.6	1.6	1.7	2.4
Defense1/	2.7	2.2	1.8	1.7	1.6	1.4	1.2	1.1	0.9
Wage bill, in percent of total expenditure	29.1	24.7	21.4	20.8	21.4	20.0	20.3	20.0	21.1
Civil service	10.0	10.2	9.4	10.8	11.4	10.7	11.5	12.0	15.4
Defense1/	19.0	14.5	12.0	10.0	10.0	9.2	8.7	8.0	5.7
Wage bill, in percent of total revenue	49.8	35.9	32.6	33.3	34.6	29.0	26.8	24.0	29.3
Civil service	17.2	14.8	14.3	17.3	18.4	15.6	15.3	14.5	21.4
Defense1/	32.6	21.1	18.3	16.0	16.2	13.4	11.5	9.6	7.9

Sources: Cambodian authorities; and staff estimates.
1/ Including National defense and Security

Figure 2: The weight of defense and security in the wage bill has declined, in favor of civil service



4. **Peace has enabled the government to lower the cost of the military.** The wage bill for defense and security was reduced from the equivalent of 2.7 percent of GDP in 1994 to less than 1 percent in 2007. The share of defense and security in the wage bill declined from 66 percent to less than 30 percent during this period—the shift being noticeable from 2001, following the acceleration of the soldier demobilization program. Moreover, in 2006, police officers and prison staff were also integrated in the civil service.

5. **Civil service staff are concentrated in the social sectors.** Over recent years, about 60 percent of the civil service wage bill has been allocated to the ministries of education and public health. Since the majority of employees in the social sectors, particularly teachers, work in the provinces (over 85 percent of wage bill in these sectors), the civil service wage bill managed by provinces represents about two-thirds of the total civil service wage bill. Similarly, the two ministries employ about two-thirds of total civil service, estimated at

194,105 in 2007.[3] Notwithstanding the government's stated policy of stabilizing civil service employment, the numbers of reported permanent civil servants increased from 164 thousand in 2002 to 175 thousand in 2007, with most of the increase in the ministries of education and health.

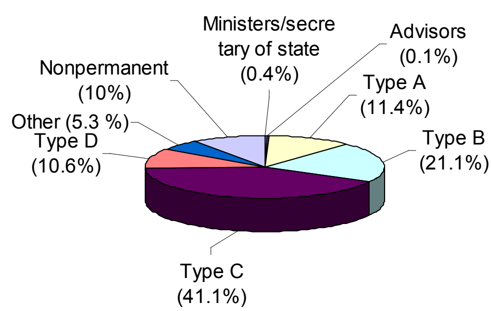
Table 2: Cambodia: Wage Bill for Health and Education, 2005-2007 1/
(In billions of Riels)

	2005	2006	2007
Total wage bill	622.3	822.0	1074.7
Of which: Civil administration	405.0	494.6	785.3
Central administration	147.8	176.2	277.2
Provinces	257.1	318.4	508.2
12. Public Health	27.7	36.5	51.4
Central administration	6.4	8.9	13.1
Provinces	21.3	27.6	38.3
16. Education, Youth and Sport	206.8	257.8	401.9
Central administration	6.7	9.6	79.7
Provinces	200.0	248.2	322.2
Share of Health and Education	57.9	59.5	57.7
Memorandum items:			
Total civil service	178,485	187,788	194,105
Share of health and education (%)	66	67	67

1/ Wage bill data up to 2006 follow the old budget nomenclature.

6. **Low education is a major constraint to civil service performance.**[4] Government employees in categories C and D (high school and below) represent over 50 percent of the total.[5] Civil servants that have completed college education (Category A) represent only 11 percent of the total; the other 21 percent (Category B) have some post-secondary vocational training. Out-of-category positions (ministers, secretary of state and under-secretary of state) and advisors are concentrated in sovereign institutions (National Assembly, Senate and Council of Ministers). The Ministry of Education employs a disproportionately high share of employees in categories C and B (secondary education and post-secondary vocational training).

Figure 3: Civil Service by Category, 2007



[3] About 10 percent of the total number includes nonpermanent staff (contractual and casual labor) managed by the Ministry of Economy and Finance (MEF).

[4] Categories are determined by the level of education at entry: A for bachelor degree and up; B for high school plus 2 years; C for high school; and D for other.

[5] Information on government employees was provided by the MEF. Staff did not obtain data from the computerized civil service database (HRMIS) managed by CAR.

Table 3: Distribution of civil servants per category, 2007 (in percent)

Institution	Min./Sec.	Advisors	Cat. A	Cat. B	Cat. C	Cat. D	Other	Nonperm.
National Assembly	17	47	2	0	0	2	0	1
Senate	9	25	1	0	0	0	0	1
Council of Ministers	35	1	7	0	0	1	2	1
Education	2	2	56	61	82	2	56	21
Health	2	4	23	6	7	28	17	19
Agriculture	1	0	14	4	2	16	1	3
Sub-total	65	78	103	72	91	49	76	46

Source: Cambodian authorities.

7. **Despite the authorities' efforts to raise remuneration over recent years, average wages in Cambodia's public sector remain very low by international and regional standards**.[6] The ratio of average civil service wage relative to GDP per capita is lower than elsewhere in Asia and in most regions of the world. The civil service does not appear bloated —the ratios of civil service relative to the population and total employment are lower than in neighboring countries. As a result, the relative budgetary cost of the wage bill, as measured by the ratios of the wage bill to total spending and total revenue, is low. Indications also are that the structure of public wages is not attractive for highly skilled staff: (i) the compression ratio is 5.5, well below the benchmark of 12 used internationally;[7] and (ii) average public sector wages are reported not to be competitive relative to the market (donors, NGOs, and private sector), particularly in the health sector.[8]

8. **A skilled and motivated staff is required to sustain the increasingly sophisticated economy**. Although increased revenue collections and the prospective coming on stream of oil production and revenue could provide space for raising public wages, salary increases need to be considered in the context of a comprehensive civil service reform that contains the wage bill within a sustainable macroeconomic framework, rationalizes civil service employment, and improves efficiency in service delivery.

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[6] Comparing the wage bill across countries is not an easy task in particular because of: (i) lack of information on non-monetary fringe benefits; (ii) lack of data comparability (central versus general government); and (iii) classification of some wage elements under other expenditure categories. For example, in Cambodia, civil servants receive "supplements" from foreign-financed projects, outside the wage bill. For details, see Schiavo-Campo, 1998.

[7] See Lindauer and Nunberg, 1994.

[8] The 2004 NPRS Progress Report refers to the "demotivation" of doctors and medical workers in the public sector and to the brain drain to the private sector (EBD/04/96).

Table 4: Key Wage Indicators and International Comparisons 1/

	Cambodia 2007	Asia	Eastern Europe and central Asia	Latin America and the Caribbean	Middle East and North Africa	Sub-Saharan Africa	OECD	Vietnam 2/ 2005
Average civil service wage bill								
In thousands of local currency	4,046							15,750
In US$	968							996
Ratio to per capita GDP	1.8	3	1.3	2.5	3.4	5.7	1.6	1.6
Ratio to private sector wages		0.8	0.7	0.9	1.3	1	0.9	
Civil service wage bill								
In percent of total expenditure 3/	17.0	20	12.6	25	30.4	28.3	14.1	24.4
In percent of total revenue	21.5							29.9
In percent of GDP	2.4	5.3	3.9	5.6	9.1	8.4	4.5	7.8
Civil service (central government)								
In percent of population	1.4	2.6	6.9	3	3.9	2	7.7	2.0
In percent of total employment	2.5	17.2	42.3	20.4	50.3	28.4	21	3.9
In percent of nonagricultural employment	6.0							9.1

1/ Regional data used for comparison refer mainly to the 1990s.
2/ The wage bill as estimated by Fund staff.
3/ Including off-budget expenditure

C. The National Program for Administrative Reform (NPAR)

9. In October 2001, the Government launched a medium-term (2002-06) civil service reform program articulated around four strategic pillars: (i) improve the delivery of public services; (ii) enhance pay and employment; (iii) develop capacity; and (iv) promote the use of ICT. Donors have supported elements of the NPAR, focusing on pay and employment.[9] The World Bank's support was in the form of a grant provided to the CAR Secretariat in 2003.[10] To lay the analytical foundation for reforms, the World Bank and the Government agreed to complete, by September 2003, five analytical studies: (i) labor market pay comparator analysis; (ii) pay and employment fiscal sustainability analysis; (iii) reallocation and retrenchment analysis; (iv) development of a functional analysis methodology and its application to select ministries; and (v) preparation of an establishment register for select ministries. These studies were to underpin sustainable remuneration policy and a strategy to strengthen capacity and human resource management.

10. **The implementation of the NPAR has been extremely slow and has generally followed a piece-meal approach.** Although the government has achieved its target of raising the average monthly wage from US$28 in 2002 to US$51½ in 2006 (the minimum wage in the garment industry) through 10-15 percent annual increases—the average salary was US$52½ in 2006—civil service wages remain extremely low relative to the market. The economy has grown considerably, and public wages have fallen far behind those in the private sector (such as the garment and tourism industries), undermining the motivation of

[9] World Bank assistance in this area was based on the joint World Bank-AsDB Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) of 2003, which identified serious problems afflicting the civil service: low and compressed pay, low skills, and low capacity. It pointed out that low wages in the public sector encouraged corruption practices. For example, to make a living, teachers charge informal fees.

[10] The (US$310,000 grant) was rated as unsatisfactory; it closed at end-March 2007.

qualified staff. Overall, progress over recent years with regard to the reforms has been slower than envisaged and most of the achievements were realized before 2004.[11]

11. **Progress in introducing performance-based pay has been limited**. The Priority Mission Groups (PMGs) provide an inadequate incentive tool: (i) they cover only slightly over a thousand staff in 20 ministries; and (ii) the monthly remuneration provided under PMGs (US$50 to US$150) is very compressed and low relative to market wages. In this connection, the Merit-Based Pay Initiative (MBPI) was launched in September 2005 on a pilot basis, with the assistance of the World Bank and other donors. The MBPI aimed at providing substantial increases in remuneration (with more decompression) for a small group of officials selected based on merit, with the longer-term aim of providing a framework for introducing the principles and practices of meritocracy into Cambodia's civil service.[12] The MBPI is currently operational only in the MEF. It covers staff in charge of the implementation of the Public Financial Management Reform Program (PFMRP). The extension of the initiative to other ministries, notably the Ministry of Public Health, has been difficult, because of the lack of agreement on the staff to be covered and on donor/government contributions.

12. **In the absence of a full-fledged strategy to improve pay and employment conditions, the MBPI cannot address the fundamental motivation problems in Cambodia's civil service**. The 2007 report of the External Advisory Panel that assessed Cambodia's PFMRP pointed out a number of policy and administrative issues. The funding of the initiative does not provide a sustainable foundation for a broad-based civil service reform,[13] especially given that donors' participation is to decline over time. The selection of departments covered by the initiative is also problematic, as it left out the Tax and Customs departments, the main source of government revenue. Moreover, the report found that the MBPI may lead to distortions in the incentive system,[14] and includes a compression of wage levels between the bottom and top professional scales. The report also noted the lack of

[11] Achievements included the census, a Human Resources Management Information System managed by CAR (HRMIS), a new employee classification system and salary grid, and the design of Priority Mission Groups (PMGs), an incentive mechanism for staff in priority sectors. For details, see SM/03/45.

[12] The MBPI was established by Sub-Decree 98 of August 5, 2005. MEF has selected 264 staff (out of a possible 300 maximum under stage 1), with monthly remunerations ranging from US$126 to US$679. The MBPI is funded out of a multi-donor trust fund administered by the World Bank, with a total of disbursed resources of US$1 million). The World Bank's PRGO aims at raising the MBPI coverage to 1,500 civil servants in 5 priority ministries by 2009.

[13] The MBPI in the MEF is essentially financed by donors, with an initial government participation of 11 percent. The latter is to increase progressively over time, to 35 percent by 2011.

[14] The EAP report notes that it is financially more attractive to remain in a lower MBPI position than to be promoted to more senior non-MBPI position.

sanctions for non-performance. It stressed the need to improve the efficiency and equity of the MBPI.[15]

13. **Progress with regard to the World Bank-financed studies was below expectation.** The first study (the labor market survey) was completed in 2005. Three additional studies (employment policy analysis, pay and employment policy, and the operational review) were completed only in early 2007. The last study on establishment control is being conducted by the MEF under the PFMRP. According to the World Bank, the completed studies were not satisfactory, as they did not address all the issues in the terms of reference.

D. Steps for Moving Forward Civil Service Reform

14. **Improvements in civil service pay are essential to attract and retain skilled staff, increase efficiency, and reduce corrupt practices**. It is critical that the adopted remuneration policy be financed on a sustainable basis, promotes efficiency, and is not detrimental to Cambodia's competitiveness. With the coming on stream of oil production, pressures for "adequate" remuneration would increase. Therefore, there is an urgent need to develop a suitable remuneration strategy, that does not hinder the development of the non-oil sector and that can be sustained even after the exhaustion of oil resources. Such a strategy can be effective only in the context of a comprehensive civil service reform, which could be guided by the following steps: [16]

- **A policy-oriented analysis of the recommendations of the studies should be carried out.** In spite their shortcomings, these studies could provide helpful guidance to the reform process. Where necessary, these studies could be completed, on the basis of the information available at CAR. In particular, it is critical to have a good diagnosis of the size and composition of public sector employment, and the pay structure per various skills and functions. Such a diagnosis will provide indications of the adequacy of staffing and incentives, which is essential for redeployment, downsizing and hiring decisions. The labor market survey should provide wage comparators with the market, that will help develop benchmarks for public sector remuneration and skill retention.[17]

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[15] A detailed external performance audit of the MBPI scheme is planned for late 2007.

[16] CAR is developing a set of six policies to deepen and widen the reform over the next five years. One component is to raise monthly basic wages to US$100 by 2013 by annual increases of 20 percent.

[17] In comparing public/private pay in Indonesia, Lindauer (2001) finds that the use of average pay was misleading, given that less-educated government employees earned more than in the private sector, which was not the case for high-education staff.

- **Remuneration and personnel policies should be carried out in the context of a medium-term fiscal framework**. This will ensure that wage and personnel policies are consistent with development priorities stated in the NSDP and long-term fiscal sustainability.

- **Lessons from the MBPI pilot should be drawn to guide a general incentive policy**. The findings of the external performance audit of the MBPI pilot should help in applying the MBPI principles to the entire civil service. Delays in completing the pilot run the risk of affecting staff morale.[18] Issues to be addressed relate to: (i) the sustainability of the MBPI scheme; (ii) management and control; and (iii) its future full integration with PMGs.

- **Transparency and accountability are essential for civil service management**. A unified MEF/CAR employee database should be set up and hiring decisions should be in line with budgeted positions. The practice of wage supplements should be discontinued, and all wage spending should be recorded under the wage bill (chapter 64 of the new chart of accounts).

- **Human resource management should be strengthened**. In view of the scarcity of Cambodia's skilled personnel, efforts should focus on human resource development, including improved recruitment, career development, training, appropriate evaluation and sanction systems. The government should also apply strictly the ethics code for civil service.

[18] The 2007 EAP's survey suggests that non-MBPI staff in MEF had a positive view on the MBPI scheme because they expected to receive MBPI benefits in the future.

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IV. MONETARY GROWTH AND BANKING SECTOR RISK[1]

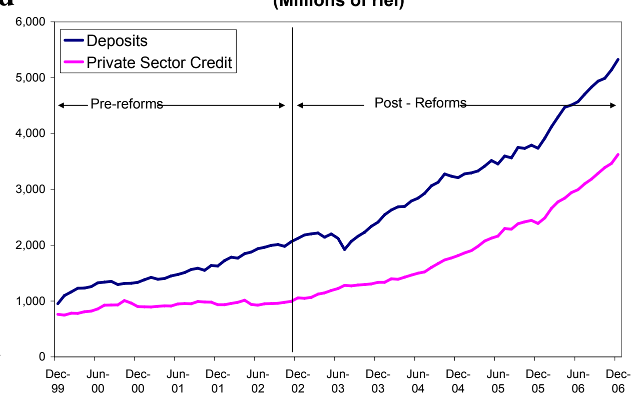
1. **The recent rapid monetary growth in Cambodia is not currently a macro-economic policy concern.** Rapid increases in broad money and credit to the private sector are not only to be expected at this stage in Cambodia's development but are essential for the modernization of the economy. There is no readily available international benchmark for acceptable rates of growth for either macroeconomic or prudential reasons; the nature of the growth and the soundness of the institutions that are facilitating the growth have to be assessed on a case-by-case basis. In Cambodia, the growth does not yet appear to be inducing inflationary pressures and the rate of increase in the share of GDP of monetary aggregates is not out of line with episodes of sustainable credit growth in other countries.[2]

2. **There are, however, significant risks on the prudential side, which have the potential to undermine macroeconomic prospects**. These concerns are the focus of this chapter. The main data source is the National Bank of Cambodia (NBC)'s annual bank supervision report which provides detailed data derived from the off-site monitoring system, developed with IMF technical assistance.[3] Section A sets the context by providing an overview of the banking system; section B analyses the determinants of the deposit growth that is providing the funding for rapid increases in lending, the characteristics of which are analyzed in section C. Section D brings the analysis together by identifying the key balance sheet risks to commercial banks and identifies policy and supervisory priorities for NBC.

A. The Cambodian Banking System

3. **Commercial banking was established in the early 1990s but growth was slow until reforms in the early 2000s.**[4] Following the abolition of money and banking by the Khmer Rouge in the late 1970s, banking remerged in the 1980s under a Soviet-style monobank (the NBC). In 1989, commercial bank functions were separated from NBC and private commercial bank licenses began to be granted in 1991. By 1994, there were 30 banks operating, many in

Figure 1: Banking Sector Deposits and Credit 1999-2006
(Millions of riel)



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[1] Prepared by Matt Davies.

[2] See, for example, Enoch and Ötker-Robe (2007) for analysis of rapid credit growth in Central and Eastern Europe in the early 2000s.

[3] Available at: http://www.nbc.org.kh/sup-reports.asp

[4] See IMF (2003) for a more detailed description of the development of the banking system.

joint ventures with NBC. In 1996 a modern central banking law was established and the NBC began divesting its interest in commercial banks except the Foreign Trade Bank (FTB). It then embarked on a reform process, with IMF support, which resulted in the closure of 15 banks and a tightening of prudential regulations. At the end of 2006, the system consisted of 15 fully licensed commercial banks, of which 5 were majority Cambodian owned, 5 specialized banks and 16 microfinance institutions.[5] With the sale of FTB to a consortium led by the market-leading Canadia Bank in late-2005, only one state owned bank remains—the Rural Development Bank. Two more, foreign-owned, banks are expected to begin operation in the second half of 2007.

The banking sector remains small, concentrated and highly dollarized

- Although deposits and credit have grown rapidly, they remain small in proportion to GDP. The growth in deposits reflects a growth in the formal sector, balance of payment flows and dollar cash savings being brought into the banking system.[6] The growth may also reflect to a certain extent increases in private sector credit—although as lending remains well below deposits, money creation is minimal.

Figure 2: Credit and Deposits as a share of GDP

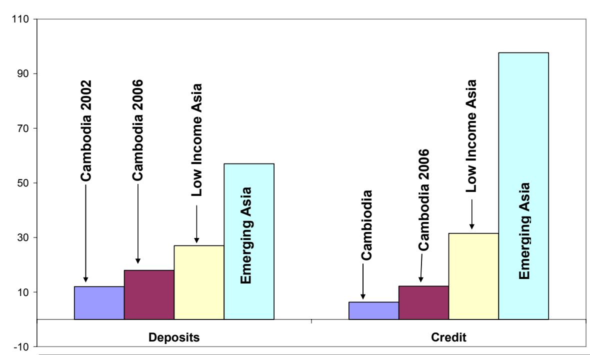
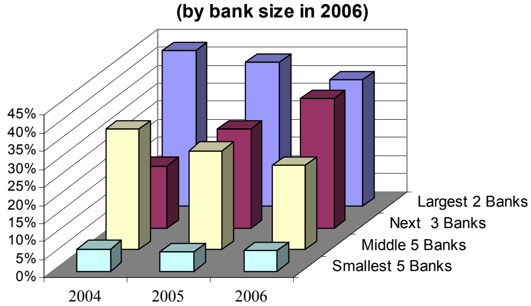


Figure 3: Concentration of Commercial Bank Deposits (by bank size in 2006)



Source: NBC 2006 Banking Supervision Annual Report

- Deposits and loans are almost entirely (over 95 percent) in U.S. dollars, with riel deposits concentrated in FTB.

- The broader economy remains cash based, with transactions in local currency occurring almost completely outside the formal banking system, including through money changers that are licensed but not supervised by NBC.

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[5] See Table 13 of the Statistical Appendix for details.

[6] There is little information on the amount of dollars held outside the banking system. De Zamaroczy and Sa (2004) estimated that $2.9 billion were in circulation in 2001 – this reflected the effects of UNTAC, international aid flows, return of Cambodians abroad and large scale investment in the garment industry.

- Until recently the banking market was dominated by two Cambodian banks, Canadia and FTB, which held almost half of all deposits.[7] Other banks were small and generally associated with specific sectors or nationalities. With the entrance to the market of ANZ Royal (in late-2005), competitive pressure began to build as more modern banking services became available. The concentration of deposits in Canadia and FTB—now with the same owner—decreased markedly, as the rapid growth in deposits flowed disproportionately to ANZ Royal, ACLEDA—the bank with the largest rural presence—and Cambodian Public Bank, a subsidiary of a major Malaysian bank.

4. **On the surface, banks appear adequately capitalized, profitable and highly liquid (Table 1).** Profitability is to be expected in a rapidly growing credit market, where staff costs are low and interest spreads are very high—the difference between lending and deposit rates was around 14 percent at the end of 2006.

Table 1: Comparative Financial Soundness Indicators

	2002	2003	2004	2005	2006
NPL Ratio					
Camboida	14.8	13.9	10.3	7.8	9.9
Low Income Asia	10.3	9.2	8.1	7.1	6.3
Return on assets					
Camboida	1.1	0.9	1.2	1.8	2.8
Low Income Asia	2.5	3.0	2.8	3.1	3.0
Return on equity					
Camboida	3.9	3.8	5.7	7.9	14.2
Low Income Asia	14.5	23.5	22.9	32.0	29.5
Capital adequacy ratio					
Camboida	49.0	41.0	34.0	32.0	26.5
Low Income Asia	19.4	20.3	20.2	19.1	18.3

Sources: IMF internal databases; and National Bank of Cambodia.

5. **However, consistent lack of compliance with technical and prudential regulations gives rise to doubts over the underlying health of the banking system.** On-site inspections have discovered major balance sheet problems in a number of banks that had previously been unreported. While NBC has enforced some prudential regulations firmly, others have been honored only in the breach and banks do not feel that enforcement is always even-handed. Adherence to large exposure and related party lending regulations has been a particular problem, indicating that there may be considerable underlying concentration of risk in the banking sector.

B. Liabilities

6. **Although the number of depositors has grown rapidly, the growth in total deposits is mainly due to an increase in the size of very large deposits.** The number of depositors grew by above 35 percent in 2005 and 2006, while the increases in total value of 16 percent in 2005 and 40 percent in 2006 were mostly attributable to increases in the

[7] FTB was sold to a consortium led by Canadia Bank in late-2005.

number and value of deposits above US$20,000. These deposits make up only 5 percent of total accounts and account for 80 percent of total deposits in the banking system. Individual and businesses account for around two thirds of total deposits. Given data limitations, however, it is hard to accurately distinguish between commercial and private accounts within this broad category.

Table 2: Contribution to Growth by Account Size (US$)

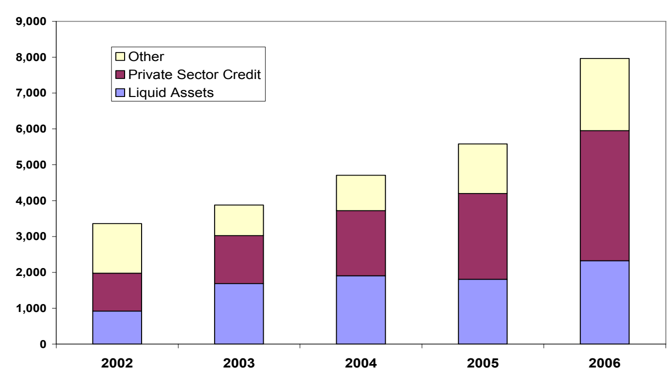
	>$20,000	$10-20,000	$1-10,000	<$1,000	Total
Growth in number of deposit accounts					
2005	0.7	0.5	3.4	33.5	38.1
2006	1.1	0.8	4.4	32.1	38.4
Growth in value of deposit accounts					
2005	12.3	1.3	2.3	0.3	16.3
2006	38.1	2.4	3.4	0.5	44.5

7. **Deposits are mostly short term and interest rates are low.** Although the maturity structure varies by bank, most deposits are in current or short term savings accounts that attract low rates of interest. In 6 large banks, the average maturity of deposits is less than 4 months, with over two-thirds of deposits having a maturity of one month or less.[8] Deposit interest rates are low—reported system wide average rates were 1.9 percent in 2006. The average effective interest rate for the 15 commercial banks was 2.1 percent, with individual banks' rates ranging from 6¾ to ¼ percent.[9]

8. **Other non-equity liabilities are negligible.** Borrowed funds account for only 4 percent of non-equity liabilities, mainly reflecting equity stakes taken by bilateral donors and international organizations in 3 banks. Banks' funding costs are therefore quite low, although their relatively undeveloped systems and the low level of banking sector infrastructure means that transactions costs can be high.

C. Assets

Figure 4: Commercial Bank Assets (billion riels)



9. **Loans to customers represent only around half of commercial banks' assets.** The growth in credit to the private sector in 2006 accounted for 50 percent of total asset growth. Banks, however, remain highly liquid—liquid asset ratios average 30 percent with ratios for some banks exceeding 50 percent. This is due to the difficulty in

[8] Data taken from the 2005 and 2006 annual reports of Canadia, ANZ, Cambodia Public, ACELDA, Union Commercial and Cambodian Commercial banks.

[9] Effective interest rates are calculated by dividing interest expenses/income by the average stock of deposits/loans.

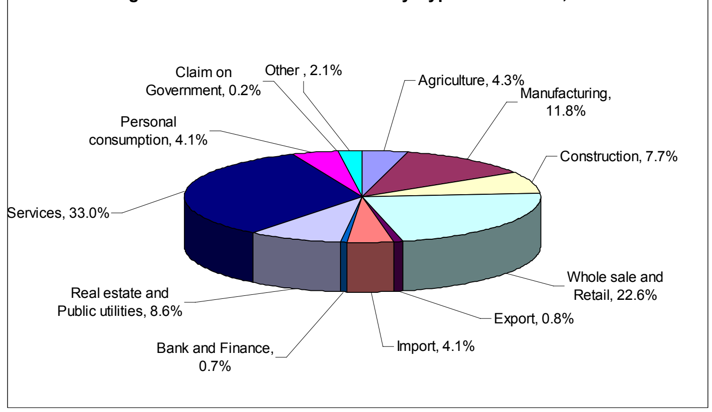
identifying sufficient lending opportunities and the lack of other investment opportunities. Banks are therefore forced to keep excess liquidity either in cash or in NBC (remunerated well below Singapore overnight rates). Although deposits taken in Cambodia are not meant to be taken offshore, substantial balances are held in foreign bank accounts, apparently to clear transactions made between residents and non-residents. A significant fee (0.15 percent) is levied by NBC on all funds entering or exiting Cambodia.

10. **Lending is mostly short-term and secured against real estate.** Credit mainly takes the form of loans, with around a third in the form of overdrafts; the average credit maturity for large banks is around 8 months.[10] Some lenders are beginning to offer longer maturities, including mortgages, but this type of credit remains a very small part of the overall portfolio. Around 90 percent of loans are secured, almost entirely against real estate although the pattern differs by banks with some having most loans unsecured. Banks state that collateral levels are cautious (collateral is generally capped at less than 50 percent of market value). However, they acknowledge that accessing collateral could be problematic in the current Cambodian legal environment.

11. **Interest rates for credit are very high but with new banks entering the market there are pressures for some moderation.** Lending rates have declined, from 18 percent in 2004 to 16 percent at the end of 2006. If non-performing loans are excluded from the credit stock, the effective interest rate in 2006 would be 18 percent. Effective lending rates in individual banks vary between 5½ and 25½ percent reflecting the fact that some banks, including one large bank, engage in microfinance-type lending, which is generally at higher interest rates. Lending in the informal sector is reported to be at even higher rates.

12. **Individual banks tend to concentrate lending in specific sectors.** In aggregate, credit is mainly directed to the services and retail sectors—accounting for over 50 percent of outstanding credit in 2006. Many banks are heavily exposed to a particular sector, with 12 of the 15 commercial banks having over 30 percent of their credit in one sector and 4 with more than 80 percent.

Figure 5: Total Credits Classified by Type of Business, 2006



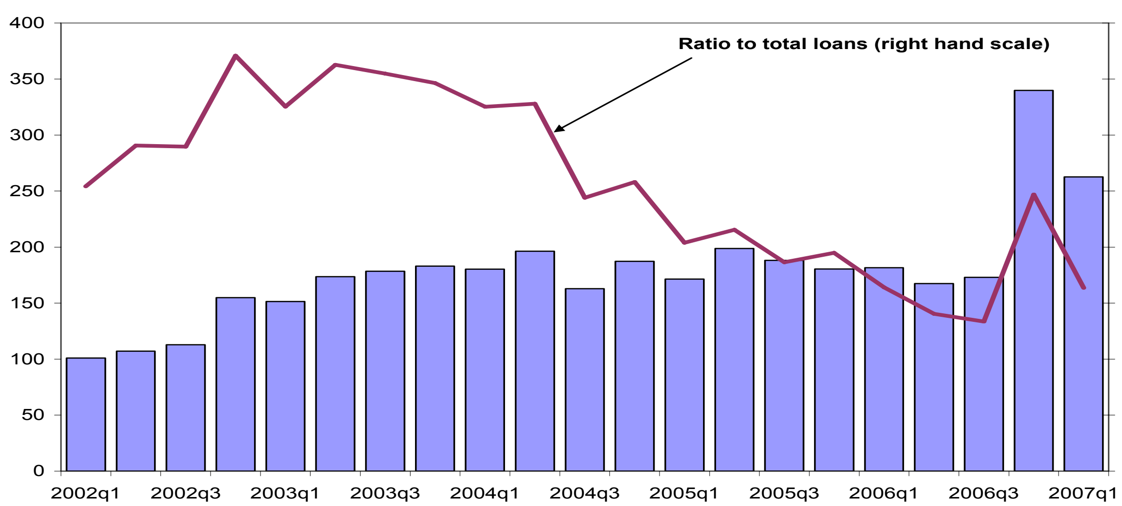
[10] Staff calculations based on lending maturities data taken from the 2005 and 2006 annual reports of Canadia, ANZ, Cambodia Public, ACELDA, Union Commercial and Cambodian Commercial banks.

13. **It is likely that a considerable portion of credit is directed towards investment in construction and real estate.** Information is not available on the precise uses being made of credit but discussions with banks and the private sector suggest that the primary uses of credit are financing real estate purchase and construction and also working capital. With construction growing at over 20 percent in real terms in each of the last two years and focused on manufacturing and service industries, it is reasonable to assume that around 40-60 percent of credit could be related to real estate or construction.

14. **Credit is also concentrated in a relatively small number of large customers.** Large exposures, defined as credit to a single customer exceeding the prudential norm of 20 percent of the net worth of the lending institution, grew rapidly until 2005, peaking at 90 percent of the banking sector's net worth and around one-quarter of total credit. During 2006, NBC discontinued granting exemptions to the prudential regulation, mainly based on assurances from international banks' parent companies. The value of large exposures then steadied, leading to a decline in their ratio to net worth to less than 50 percent. Loans to related parties were also substantial (15-20 percent of net worth) until 2006, when they were reduced substantially to around 1 percent, following supervisory actions by NBC.

15. **Loan quality, while ostensibly reasonable, is hard to assess due to doubts over the quality of classification by banks.** System-wide non-performing loans (NPLs) stood at less than 10 percent at end-2006. The steady decline in the ratio in recent years represents the impact of rapid increases in new lending—the stock of reported non-performing loans barely increased between mid-2003 and mid-2006. The ratio rose sharply at the end of 2006, after a reclassification of loans in a large bank following an NBC on-site inspection—an indication of broader reporting problems. NPL ratios vary widely by bank, with 40 percent of banks reporting zero non-performing loans and one bank with a ratio in excess of 60 percent. Provisions are generally not made to cover non-performing loans but general provisions are made by a number of banks, but these covered only 12 percent of NPLs at the end of 2006.

Figure 6: Non Performing Loans (billion riel)



Source: NBC.

D. Banking System Risks and Policy Priorities

16. **The banking sector performs reasonably well in terms of some conventional financial soundness indicators.** The extraordinarily high level of dollarization means that there is little problem of currency mismatches in the overall banking system or in most banks—although FTB, which holds most riel deposits, is exposed somewhat to abrupt movements in the exchange rate. Maturity mismatches are also well within acceptable levels. Levels of non-performing loans are not out of line with similar economies (see Table 1), but doubts over classification continue to cloud the picture.

17. **However, significant vulnerabilities remain, particularly through the concentration of both deposits and credit.** The concentration of the banking sector reflects the narrow base of economic growth and small formal sector, it also reflects an immature banking sector, where banks fiercely protect their customer bases and do not cooperate in sharing risk. Similarly, the weak institutional and governance environment is reflected in, and is a source of potential risk for, the banking system. While the banking sector is not likely to be a barrier to continued rapid economic growth, it is vulnerable to, and could intensify, an economic downturn. The main risks are:

- **Individual banks are heavily exposed to individual sectors and customers.** Information is not available on the exposure of banks to individual depositors, although the dominance of large value accounts suggests that the withdrawal of a few large depositors could significantly undermine the deposit base. Greater risk exists on the credit side. Approaching half of all credit being extended to individual customers exceeds 10 percent of the lending bank's net worth and with banks tending to concentrate in specific sectors, they are heavily exposed to changes in the fortunes of a particular industry.

- **Adverse developments in the real estate market could rapidly affect the banking system.** There are indications that recent rapid increases in land prices, particularly in Phnom Penh where real estate prices have risen rapidly recently, are not sustainable. Rental prices are relatively low compared to asset values and occupancy rates in some sectors are softening. It appears likely that up to half of banks' lending portfolios depend on the continued profitability of the real estate and construction sectors. Should there be a bursting of the possible land price bubble there could be a rapid downturn in asset performance, with consequent implications for profitability. This is particularly troubling given the difficulties in accessing collateral in the difficult legal and judicial environment.

- **The profitability of the more inefficient banks is likely to become increasingly threatened as competition drives down interest spreads.** If these banks cannot attract deposits they may turn to borrowing to finance their lending activities. Experience in other emerging economies suggests that credit growth financed by borrowing from overseas, which is much more expensive and would be more exposed to currency movements, creates much larger prudential risks (Enoch and,Ötker-Robe, 2007).

- **Confidence in the banking system, while gaining momentum, is still fragile.** Despite recent rapid growth in monetization, Cambodia remains mainly unbanked, with much of the population still hesitant to entrust their savings to the banking sector. A high-profile bank failure or a downturn in economic prospects could rapidly erode recent gains in confidence, leading to reversals in growth and a rapid decline in credit opportunities.

- **Liquidity injections would be reliant on NBC's international reserves.** In the event of a banking crisis sparked by any of the above events, NBC would have to draw on its international reserves to provide liquidity to the almost completely dollarized banking system. At present, reserves are equivalent to around 90 percent of uncovered dollar deposits in the banking system. There is no clear benchmark for what constitutes adequate reserve cover for monetary aggregates. While current coverage percent appears adequate, reserves are growing much slower than deposits and are at least in part reliant on banks' dollar deposits (through the required reserves ratio).

18. **Preventing macroeconomic risks emanating from the banking sector requires NBC to improve adherence to prudential regulations.** The culture of non-compliance with certain regulations that has developed is unhealthy for the banking system and undermines NBC's credibility as a regulator. Continuing recent stronger enforcement, in particular of the systemically important banks, will be important in signaling that regulations are no longer negotiable. While the current set of regulations is broadly appropriate for the Cambodian banking system, it is not sacrosanct. [11] Future strategy should combine tailoring of regulations to reflect better current risks and market constraints with rigorous even-handed enforcement.

- Where NBC considers regulations to be inappropriate to the current Cambodian context it should phase in or amend the regulation rather than granting ad hoc exemptions and waivers. An example of this approach was the recent (November 2006) amendment to the large exposure regulation. Until mid-2006 NBC regularly granted exemptions, in the presence of informal guarantees, believing that the regulation unduly constrained credit to the still small formal sector. Acknowledging this practice's detrimental reputational effect, NBC amended the regulation so that exposure limits reflected the financial strength of both lender and borrower and to be more stringent on the guarantees that would be acceptable from parent banks. The

[11] See Table 17 in the Statistical Appendix for details on current prudential regulations.

result has been some loosening of the formal exposure limits, but with a reduction in prudential risk and an increase in compliance.

- Where the regulation is considered fundamental, for instance capital adequacy, strong sanctions for those banks that transgress are essential. In order to provide explicit high-level backing to the banking supervision department, sanctions could be imposed on their recommendation by a high level committee in NBC.

19. **Rigorous on-site supervision is needed for all banks.** Although, given the limited resources of the banking supervision department, the frequency will have to vary according to banks' size and importance. While data obtained through off-site supervision forms an excellent basis for monitoring banking sector risks, the quality of reporting needs much improvement. For instance, there are clear problems in NPL classification that can only be properly addressed by substantive on-site inspections by NBC teams. Inspections could also be used to develop a better picture of what uses are being made of banks' credit, in particular gathering information on the levels of exposure to land price speculation and construction.

20. **Banking sector risk should decline with the development of more modern infrastructure.** The authorities' financial sector blueprint—prepared with the support of the Asian Development Bank, is an ambitious strategy that contains a number of important initiatives that will assist in the addressing the risks apparent in the banking sector. These include the development of a credit information system and developing securities markets. Interbank mechanisms that allow participants to both compete and collaborate in credit markets will be crucial in spreading risks more evenly through the system. The presence of international banks will also tend to create pressure to modernize—as the entry of ANZ in 2005 showed. NBC should welcome the interest being shown in the Cambodian market by other international banks and not resist the consolidating pressures that they may bring. There is still a large number of banks relative to the size of the Cambodian market.

21. **The informal market is likely to continue to be a major part of the financial sector in the short term.** The money changers appear to play an important role in the financial sector, primarily in foreign exchange trading but also acting as intermediaries for private sector tax payments and for transferring money within the country. However, information on the scale of their operations and the extent to which they also take on the role of financial intermediation is scarce. Documenting the size and scope of the informal sector would enable NBC to develop a more comprehensive financial sector strategy.

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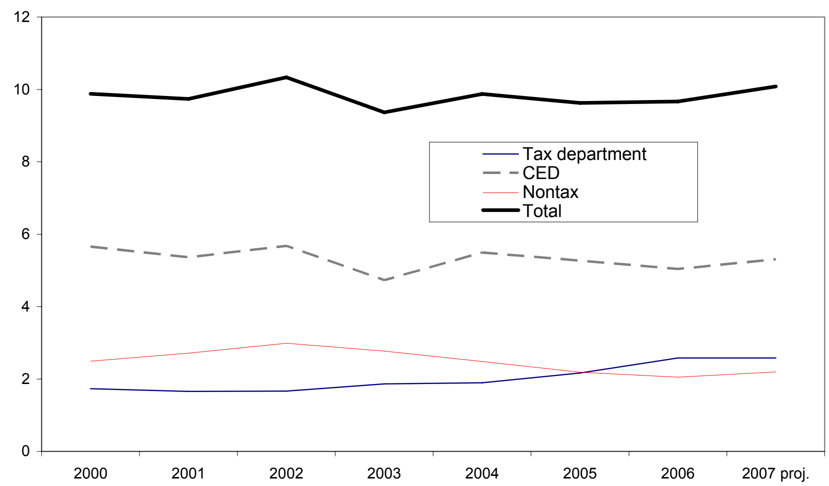
V. Cambodia: A Note on the Tax System[1]

1. **This chapter presents the key features of Cambodia's tax system** (see details in the Summary of the Cambodian Tax System) and assesses its performance in a regional context. There is also a description of the main changes to the tax system in 2007.

Figure 1. Cambodia: Central Government Revenue Collection (in percent of GDP; excluding capital revenue)



2. **Cambodia's tax revenue is collected by the Tax Department (TD) and the Customs and Excise Department (CED).** CED currently collects more than 60 percent of tax revenue. Given Cambodia's opening to trade and its obligations under WTO and ASEAN membership, the dependence on trade taxes is a source of fiscal vulnerability.

3. **The tax structure is broadly comparable to those of countries in the region (see table).** Direct taxes consist of the profit tax (at a standard rate of 10 percent) and the tax on salaries (0-20 percent). The main indirect tax is the value added tax (VAT), at a rate of 10 percent. Cambodia's tax system also includes a turnover tax applicable to taxpayers for which the turnover is below the VAT threshold. Excises are collected on locally produced and imported products, such as beer, soft drinks and cigarettes. Local taxes are marginal, in the absence of a property tax.

Table 1. Tax System versus Countries in the Region (tax rate and revenue, in percent)

	CIT rate Standard	PIT rate	VAT rate Standard	Tax revenue to GDP 1/
Cambodia	20	0 - 20	10	8
China	30	5 - 45	17	16.6
Thailand	30	0 - 37	7	16
Vietnam	28	0 - 40	10	14
Taiwan, Prov. China	15 - 25	6 - 40	5	...
Singapore	18	0 - 21	5	13
Philipines	35	5 - 32	12	13
Korea	13 - 25	8 - 35	10	16
Indonesia	10 - 30	5 - 35	10	12

Sources: FAD database; and various staff reports.
1/ Non-oil revenue for Vietnam and Indonesia.

[1] Prepared by Joseph Ntamatungiro.

4. **A recent staff study (SM/06/210) also found that Cambodia's tax incentives appeared broadly as generous as those provided by countries in the region.** Yet revenue collection is disappointing.

5. **At 8 percent of GDP, the tax ratio is very low by regional standards**. It is above 16 percent in China, Korea and Thailand. Cambodia's low tax ratio is due to weak tax and customs administrations and extensive untaxed activities:

- Human capacity remains low, while very low public sector wages encourage corrupt practices (see chapter 1).
- The long unmanned border provides smuggling opportunities, especially on petroleum products (by sea), cars, cigarettes and beer. Petroleum taxation rates are higher than in either neighboring Thailand or Vietnam.
- The application of the tax system is inequitable (some activities are or are not taxed depending on the owner).
- Cooperation between the TD, CED and the Ministry of Commerce (in charge of company registration) is not strong, which limits cross-checks by the TD.
- A large share of the formal economy is not fully covered by the tax system. For example, garment activities, which recorded a five-fold increase between 1999 and 2006, benefit from generous incentives (tax holidays, reduced CIT tax, exemption of import duties and VAT), and incomes distributed by the sector are not properly taxed.
- Wealth taxation is minimal. A recently introduced capital gains tax is not yet operational and efforts to set up effective property taxations were rejected in recent years by the National Assembly.
- The buoyancy of taxes is also constrained by administrative interventions. For example, the base for the excise on gasoline and diesel is set administratively at a low level (currently US$309 and US$267 a ton, respectively), and is adjusted infrequently.
- Not all taxes collected by line ministries flow to the national treasury, due to deficient control and sanction mechanisms.

6. **The government's medium-term revenue strategy is to reduce progressively the reliance on customs revenue, by strengthening the domestic tax revenue base**. At the same time, they have undertaken to modernize the CED, including a reform of import

valuation,[2] and the fight against smuggling. CED revenue gains are predicated on a new regulatory framework that will be facilitated by the imminent passage of the customs law.

7. **Over the coming years, the authorities are contemplating measures to strengthen revenue mobilization, while improving the efficiency and equity of the tax system**. Among new tax initiatives, they plan to broaden the VAT base and to enhance property taxation:

- The VAT coverage could be extended to the consumption of electricity and water (above a certain threshold).
- The introduction of a property tax would help bring into the tax net the wealth created over recent years of high GDP growth and which is being directed into construction activities and land speculation.

Taxation of petroleum products based on the transaction value could also be helpful.

8. **The following changes have taken place since 2006** (relative to SM/06/210):

- **Profits and income**. A capital gain tax on physical persons was introduced in the context of the 2007 budget. Implementation regulations are still being prepared.
- **VAT**. An exemption was introduced on the imports of seeds, breeding animals, and planting/fertilizing/harvesting/post-harvesting machineries, including combines and two-wheeled tractors.
- **Excises**. The tax base on locally produced goods is now 65 percent of the retail price (a proxy for the ex-refinery price).
- **Hotel accommodation tax**. The implementation started in 2007.
- **Export tax**. The export of sand, gravel and granite is now taxed.

[2] Import duties for automobiles, petroleum products, steel, cigarettes, and chemical fertilizers are determined on the basis of values set administratively by the Minister of Finance (reference prices).

Summary of the Cambodian Tax System
May 2007

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. 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).	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). 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 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. For non-corporations, 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 (v) 20 percent for income greater than CR 150,000,000.

Tax	Nature of Tax	Exemptions and deductions	Rates
	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 earnings, 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) 0 percent of retained earnings, if an enterprise is distributing profits that were subject to 20 percent profit rate.
•	**Withholding tax:** Any resident taxpayer carrying out 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.
	Capital gain tax on physical persons (Financial Act 2007). Implementation regulations are being prepared.		
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.	None	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;

Tax	Nature of Tax	Exemptions and deductions	Rates
			(v) CR 12,000,001–15,000,000 = 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.
3. Taxes on domestic goods or services			
• **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, and (ix) the imports of seeds, breeding animals, and planting/fertilizing/harvesting/post-harvesting machineries, including combines and two-wheeled tractors. 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**	This tax is applied to persons subject to the estimated regime system. It is imposed on supply of both goods and services in the Kingdom of Cambodia. This tax is monthly payable.	The incomes from the sale of agricultural products that are habitual agricultural work of farmers (not those sold by traders).	Uniform rate of 2 percent.

Tax	Nature of Tax	Exemptions and deductions	Rates
• **Minimum tax**	The Minimum Tax is imposed at the rate of one percent of the annual turnover inclusive of all taxes, except Value Added Tax, and is payable at the time of the annual liquidation of the tax on profit. The minimum tax may be reduced by the annual tax on profit.	An exemption has been provided to those taxpayers that have been granted the status of Qualified Investment Project under the Law on Investment.	1 percent of annual turnover.
• **Excise tax**	A tax levied on select products, both locally produced and imported.	Exemptions apply to 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.	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) – 10 percent, and soft drinks - 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. Tax base: For certain merchandise of goods produced locally, the tax base is 65 percent of supply value excluding VAT that is recorded on invoice to customers.
• **Stamp tax**	Stamps taxes are affixed on some documents such as proposal letter, status of companies, registration card of motor vehicles (motorcycles, cars, boats, ships, and others), driver license, billboards, and trademarks.	None.	The rates are applied as follows. (i) Physical person's document must be affixed stamp tax from the value ranging from CR 100 – CR 3,000; (ii) Legal person's document must be affixed stamp tax from the value ranging from CR 100 – CR 3,000; (iii) Stamp tax on billboards is based on their square meters.
4. Slaughter tax	Tax levied on slaughterhouses based on the value of the livestock that is slaughtered such as cows, buffalos and pigs.	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.

Tax	Nature of Tax	Exemptions and deductions	Rates
5. Property transfer tax	Tax levied on the transfer of rights of immovable properties in forms of sale, exchange, donation, and shareholding such as land and buildings Tax levied on the transfer of rights of movable properties such as motorcycles, cars, trucks, and ships. Documents acknowledging the transfers of rights related to company creation, merger closure, and supply contract for good and services to public organizations are taxed.	Transfers of property ordered by the State are exempted, as are government transfers, public utilities, and charitable organizations. The purchases of motor vehicles in terms of goods for businesses which paid patent and profit tax	- 4 percent of selling values paid by purchaser on movable and immovable property; - CR 100,000 or more on the documents.
6. Tax on Unused Land	Tax levied on land that is not used and has no building. Continue preparing regulations to implement it.	Financial Act 2007 abolished an exemption on land area of 1,200 square meters.	2 percent of land value determined by land committee.
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.
• 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.
	Ad valorem tax levied on sand, gravel, and granite	None.	10 percent

Tax	Nature of Tax	Exemptions and deductions	Rates
8. Other tax • **Means of transportation 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 - 0–3 tons: CR 150,000 - 3 – 10 tons: CR 250,000; - 10 – 20 tons: CR 450,000; and - Over 20 tons: CR 750,000; (ii) Buses: from CR 150,000 to CR 250,000; (iii) Passenger cars: -12–17 horsepower: CR 250,000 (less than 5 years) or CR 180,000 (more than 5 years); - 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; (iv) Motorcars over 12 horsepower: CR 87,500 -125,000 (v) Tractors 35–83 horsepower: CR 30,000 - 50,000; (vi) Motorcycles 50–125 $cm^{3:}$ CR 3,000 - 7,500; (vii) Ships: CR 10,000 - 500,000; (viii) Fishing boats: CR 20,000 - 1,200,000.
• **Public Lighting Tax**	Tax levied on purchase of wine and cigarettes.	None.	3 percent on the selling value.
• **Tax on Accommodation (Financial Act 2005)**	This tax levies on hotels, hotel apartments, suite hotels, resort hotels, motels, lodges, bungalows, guesthouses, tourist camping's, and others.	Rental apartment for short and long term	2 percent on the rental price excluding VAT per room

Cambodia: Basic Data, 2001–06

	2001	2002	2003	2004	2005	2006
Population						
Total population (mid-year)	12.9	13.1	13.3	13.5	13.8	14.2
Population growth rate (annual percentage change)	1.6	1.7	1.7	1.7	2.1	2.4
Gross domestic product (GDP; at current prices)						
(in billions of riels)	15,617	16,756	18,508	21,343	25,693	29,809
(in millions of U.S. dollars)	3,980	4,277	4,650	5,308	6,271	7,254
(in U.S. dollars; per capita)	309	326	349	392	454	512
	(Annual percentage change)					
Real GDP, *of which:*	8.0	6.5	8.5	10.0	13.5	10.8
Agriculture, fisheries, and forestry	3.6	-2.5	10.5	-0.9	15.7	5.5
Industry	11.2	17.1	12.0	16.6	12.7	18.3
Services	10.8	7.6	5.9	13.3	12.7	10.3
	(In percent of GDP)					
Saving-investment balance						
Gross national saving	17.5	17.4	18.4	15.6	15.8	19.5
Government	1.0	1.1	-0.5	1.4	1.8	2.3
Nongovernment	16.5	16.3	18.9	14.2	14.1	17.2
Gross investment	18.7	19.8	22.0	17.7	20.1	21.5
Government	6.2	7.5	6.5	6.0	5.6	5.5
Non-budgetary grant-financed investment	5.3	4.6	4.8	4.3	3.1	2.7
Nongovernment	7.1	7.8	10.7	7.4	11.4	13.3
	(Annual percentage change)					
Inflation						
Period average	0.2	3.3	1.2	3.8	5.9	4.7
End of period	0.7	3.7	0.5	5.6	6.7	2.8
GDP deflator	2.6	0.7	1.8	4.8	6.1	4.7
	(In percent of GDP)					
General government budget						
Total revenue, *of which:*	10.0	10.5	9.6	10.3	10.3	11.5
Tax revenue	7.2	7.4	6.6	7.7	7.6	8.0
Nontax revenue	2.7	3.0	2.8	2.6	2.2	2.3
Total expenditure, *of which:*	15.1	16.9	16.3	14.9	13.7	13.5
Current expenditure	8.9	9.4	10.0	8.9	8.1	8.0
Capital expenditure	6.2	7.5	6.5	6.0	5.6	5.5
Overall fiscal balance (including grants)	-2.6	-3.6	-4.4	-2.9	-1.2	0.6
	(Annual percentage change)					
Money and credit						
Broad money, *of which:*	20.4	31.1	15.0	30.4	16.1	38.2
Riel in circulation 1/	4.5	8.5	4.9	6.2	3.9	6.3
Foreign currency deposits 1/	16.0	21.0	10.4	23.4	11.8	32.0
Credit to the economy 1/	-2.0	3.4	9.2	12.0	8.4	14.0
Of which: credit to government (net) 1/	-4.3	-2.0	-0.3	-2.4	-4.9	-10.6
	(In percent; end of period)					
Interest rates						
Riel savings deposits	2.0	1.9	1.9	1.9	2.0	1.9
Foreign currency loans	15.0	18.6	18.2	17.3	17.3	16.2
	(In percent of GDP)					
Balance of payments						
Current account balance (excluding official transfers)	-8.8	-9.5	-10.6	-8.2	-9.4	-7.2
Current account balance (including official transfers)	-1.2	-2.4	-3.6	-2.2	-4.2	-2.0
Exports of goods 2/	36.7	38.8	42.4	46.2	44.2	48.8
Imports of goods 2/	54.3	57.1	59.6	64.1	65.6	68.8
	(In millions of U.S. dollars; unless otherwise indicated)					
Foreign exchange reserves						
Gross official reserves 3/	548	663	737	809	915	1097
(in months of imports of goods and services)	2.4	2.6	2.3	2.1	2.0	2.0
Net international reserves 3/	468	568	634	713	834	1097
External debt						
Outstanding debt (in percent of GDP) 4/	33.4	36.4	38.9	38.5	33.9	31.0
Debt service (in millions of U.S. dollars)	60	62	66	68	69	69
(in percent of exports of goods and services)	3.0	2.7	2.6	1.5	1.3	1.1
	(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	3,924	3,918	3,980	4,021	4,097	4,109
End of period	3,900	3,935	3,980	4,031	4,116	4,046

Sources: Cambodian authorities; and Fund staff estimates.

1/ As a percent of beginning broad money stock. Represents contributions to 12-month changes of broad money.
2/ Excluding re-exports.
3/ Including gold holdings.
4/ Russian Federation debt is valued at 0.6 USSR roubles per US$ with the standard 70 percent discount.

Table 1. Cambodia: Gross Domestic Product by Sector at Current Prices, 2001–06

	2001	2002	2003	2004	2005	2006
	(In billions of riels; at current prices)					
Agriculture	5,365	5,224	5,926	6,301	7,909	8,972
Crops	2,261	2,142	2,689	2,910	4,034	4,518
Of which: Paddy rice	1,229	1,119	1,389	1,389	2,239	2,303
Livestock and poultry	845	876	891	947	1,198	1,379
Fisheries	1,747	1,704	1,721	1,754	1,892	2,160
Forestry and logging	512	502	625	691	784	915
Industry	3,484	4,070	4,631	5,498	6,437	7,815
Mining	40	48	58	74	97	115
Manufacturing	2,622	2,955	3,374	4,027	4,585	5,541
Food, beverages, and tobacco	467	457	488	505	608	664
Textile, wearing apparel, and footwear	1,681	1,973	2,294	2,847	3,158	3,868
Wood, paper, and publishing	104	112	105	119	148	171
Rubber manufacturing	62	74	111	122	126	181
Other manufacturing	308	339	377	433	545	657
Electricity, gas, and water	73	82	93	110	124	164
Construction	750	985	1,106	1,288	1,631	1,995
Services	5,986	6,572	7,053	8,398	10,002	11,517
Trade	1,609	1,658	1,761	2,009	2,364	2,661
Hotels and restaurants	686	857	720	893	1,117	1,301
Transport and communications	1,089	1,165	1,246	1,528	1,899	2,157
Finance	153	170	184	232	294	378
Public administration	359	390	406	419	464	515
Real estate and business	967	1,071	1,289	1,535	1,701	1,947
Other services	1,122	1,261	1,447	1,782	2,163	2,559
Taxes on products less subsidies	921	1,040	1,065	1,352	1,598	1,795
Less: imputed bank charges	139	151	167	206	253	290
Gross domestic product (GDP)	15,617	16,756	18,508	21,343	25,693	29,809
	(Shares, in percent of GDP)					
Agriculture	34.4	31.2	32.0	29.5	30.8	30.1
Crops	14.5	12.8	14.5	13.6	15.7	15.2
Of which: Paddy rice	7.9	6.7	7.5	6.5	8.7	7.7
Livestock and poultry	5.4	5.2	4.8	4.4	4.7	4.6
Fisheries	11.2	10.2	9.3	8.2	7.4	7.2
Forestry and logging	3.3	3.0	3.4	3.2	3.1	3.1
Industry	22.3	24.3	25.0	25.8	25.1	26.2
Mining	0.3	0.3	0.3	0.3	0.4	0.4
Manufacturing	16.8	17.6	18.2	18.9	17.8	18.6
Food, beverages, and tobacco	3.0	2.7	2.6	2.4	2.4	2.2
Textile, wearing apparel, and footwear	10.8	11.8	12.4	13.3	12.3	13.0
Wood, paper, and publishing	0.7	0.7	0.6	0.6	0.6	0.6
Rubber manufacturing	0.4	0.4	0.6	0.6	0.5	0.6
Other manufacturing	2.0	2.0	2.0	2.0	2.1	2.2
Electricity, gas, and water	0.5	0.5	0.5	0.5	0.5	0.6
Construction	4.8	5.9	6.0	6.0	6.3	6.7
Services	38.3	39.2	38.1	39.3	38.9	38.6
Trade	10.3	9.9	9.5	9.4	9.2	8.9
Hotels and restaurants	4.4	5.1	3.9	4.2	4.3	4.4
Transport and communications	7.0	7.0	6.7	7.2	7.4	7.2
Finance	1.0	1.0	1.0	1.1	1.1	1.3
Public administration	2.3	2.3	2.2	2.0	1.8	1.7
Real estate and business	6.2	6.4	7.0	7.2	6.6	6.5
Other services	7.2	7.5	7.8	8.3	8.4	8.6
Taxes on products less subsidies	5.9	6.2	5.8	6.3	6.2	6.0
Less: imputed bank charges	0.9	0.9	0.9	1.0	1.0	1.0

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

Table 2. Cambodia: Gross Domestic Product by Sector at Constant Prices, 2001–06

	2001	2002	2003	2004	2005	2006
			(In billions of riels; at constant 2000 prices)			
Agriculture	5,238	5,108	5,645	5,596	6,476	6,830
Crops	2,277	2,168	2,643	2,582	3,295	3,470
Of which: Paddy rice	1,275	1,176	1,437	1,262	1,813	1,891
Livestock and poultry	870	861	910	945	998	1,080
Fisheries	1,605	1,615	1,642	1,614	1,705	1,770
Forestry and logging	485	464	450	454	477	511
Industry	3,423	4,007	4,490	5,235	5,900	6,977
Mining	37	47	55	69	87	101
Manufacturing	2,597	2,972	3,337	3,927	4,308	5,059
Food, beverages, and tobacco	461	449	470	445	485	502
Textile, wearing apparel, and footwear	1,666	2,021	2,360	2,947	3,217	3,872
Wood, paper, and publishing	94	94	80	84	92	100
Rubber manufacturing	70	69	62	57	52	54
Other manufacturing	308	338	364	394	462	532
Electricity, gas, and water	70	76	83	92	103	136
Construction	718	913	1,014	1,148	1,401	1,681
Services	5,796	6,236	6,603	7,483	8,430	9,297
Trade	1,563	1,606	1,666	1,764	1,913	2,048
Hotels and restaurants	639	759	632	779	953	1,079
Transport and communications	1,086	1,157	1,190	1,312	1,486	1,550
Finance	148	164	175	210	251	312
Public administration	353	357	341	318	337	333
Real estate and business	961	1,046	1,291	1,553	1,673	1,856
Other services	1,047	1,146	1,309	1,546	1,815	2,118
Taxes on products less subsidies	892	1,004	1,010	1,224	1,367	1,470
Less: imputed bank charges	135	146	158	187	216	240
Gross domestic product (GDP)	15,215	16,210	17,589	19,351	21,956	24,334
			(Annual percent change)			
Agriculture	3.6	-2.5	10.5	-0.9	15.7	5.5
Crops	0.6	-4.8	21.9	-2.3	27.6	5.3
Of which : Paddy rice	0.7	-7.8	22.2	-12.2	43.7	4.4
Livestock and poultry	10.8	-1.1	5.7	3.9	5.6	8.2
Fisheries	5.9	0.6	1.7	-1.7	5.6	3.8
Forestry and logging	-1.5	-4.3	-3.0	0.8	5.1	7.0
Industry	11.2	17.1	12.0	16.6	12.7	18.3
Mining	11.5	25.6	18.1	24.2	26.3	15.9
Manufacturing	15.2	14.4	12.3	17.7	9.7	17.4
Food, beverages, and tobacco	2.5	-2.5	4.7	-5.2	9.0	3.3
Textile, wearing apparel, and footwear	28.4	21.4	16.8	24.9	9.2	20.4
Wood, paper, and publishing	-29.3	0.2	-14.3	4.2	10.0	8.4
Rubber manufacturing	0.8	-0.7	-9.8	-8.6	-9.0	3.3
Other manufacturing	0.4	9.9	7.7	8.1	17.3	15.0
Electricity, gas, and water	19.7	8.8	9.1	11.1	12.5	31.3
Construction	-1.8	27.1	11.1	13.2	22.1	20.0
Services	10.8	7.6	5.9	13.3	12.7	10.3
Trade	3.4	2.8	3.7	5.9	8.5	7.1
Hotels and restaurants	22.6	18.8	-16.8	23.4	22.3	13.2
Transport and communications	16.8	6.6	2.8	10.3	13.3	4.3
Finance	-15.6	10.9	6.6	20.5	19.6	24.0
Public administration	-6.1	1.1	-4.5	-6.7	5.9	-1.2
Real estate and business	12.3	8.9	23.3	20.3	7.8	10.9
Other services	21.6	9.5	14.2	18.1	17.4	16.7
Taxes on products less subsidies	2.5	12.6	0.6	21.2	11.7	7.6
Less: imputed bank charges	-12.9	8.2	8.7	17.7	15.9	10.9
Gross domestic product (GDP)	8.0	6.5	8.5	10.0	13.5	10.8
(Excluding garments and agriculture)	7.5	9.3	5.5	12.8	13.5	11.2

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

Table 3. Cambodia: Aggregate Demand at Current Prices, 2001–06

	2001	2002	2003	2004	2005	2006
			(In billions of riels; at current prices)			
Consumption 1/	14,054	14,848	16,303	19,120	22,765	25,493
Private 1/	13,226	13,935	15,328	18,159	21,716	24,460
Government	828	913	975	961	1,048	1,033
Gross Investment	2,917	3,325	4,066	3,787	5,159	6,405
Gross fixed capital formation	2,475	3,193	3,461	3,932	4,936	5,820
Changes in inventories	443	132	605	-144	223	585
Domestic demand	16,528	18,042	19,764	23,052	27,701	31,313
Foreign balance (net)	-1,354	-1,418	-1,861	-1,565	-2,231	-2,089
Exports of goods and services 2/	8,214	9,300	10,476	13,636	16,505	20,505
Imports of goods and services 2/	9,568	10,718	12,337	15,201	18,736	22,594
Gross domestic product (GDP)	15,617	16,756	18,508	21,343	25,693	29,809
Income from abroad (net) 2/	-553	-739	-714	-889	-1,041	-1,191
Gross national income (GNI) 2/ 3/	15,063	16,017	17,794	20,454	24,652	28,618
Current transfers (net) 2/	1729	1750	1908	1996	2192	2853
Gross national disposable income (GNDI) 2/	16,793	17,767	19,702	22,449	26,844	31,471
			(Shares, In percent of GDP)			
Memoranda items:						
Domestic demand 1/	105.8	107.7	106.8	108.0	107.8	105.0
Consumption 1/	90.0	88.6	88.1	89.6	88.6	85.5
Private 1/	84.7	83.2	82.8	85.1	84.5	82.1
Government	5.3	5.5	5.3	4.5	4.1	3.5
Gross Investment	18.7	19.8	22.0	17.7	20.1	21.5
Foreign balance (net)	-8.7	-8.5	-10.1	-7.3	-8.7	-7.0
Current account balance (including official transfers)	-1.2	-2.4	-3.6	-2.2	-4.2	-2.0
Gross domestic savings 4/	18.7	19.8	22.0	17.7	20.1	21.5
Gross national savings 5/	17.5	17.4	18.4	15.6	15.8	19.5

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, 2001–06 1/

	2001	2002	2003	2004	2005	2006
	(In billions of riels; at constant 2000 prices)					
Consumption	13,592	14,426	15,565	17,331	19,386	20,649
Private	12,499	13,194	14,232	16,019	17,981	19,211
Government	802	881	924	862	887	844
Gross Investment	2,925	3,278	3,978	3,597	4,700	5,677
Gross fixed capital formation	2,470	3,148	3,378	3,749	4,544	5,264
Changes in inventories	455	129	600	-152	156	413
Domestic demand	16,517	17,704	19,543	20,928	24,085	26,326
Foreign balance (net)	-1,338	-1,646	-2,100	-1,649	-2,084	-1,814
Exports of goods and services	8,191	9,270	10,304	13,215	15,355	18,320
Imports of goods and services	9,529	10,916	12,405	14,864	17,438	20,135
Statistical discrepancy	35	152	146	72	-46	-177
Gross domestic product (GDP)	15,215	16,210	17,589	19,351	21,956	24,334
	(Shares, in percent of GDP)					
Consumption 1/	87.7	87.8	87.0	87.6	85.7	81.7
Private 1/	82.4	82.3	81.7	83.2	81.7	78.2
Government	5.3	5.4	5.3	4.5	4.0	3.5
Gross Investment	19.2	20.2	22.6	18.6	21.4	23.3
Gross fixed capital formation	16.2	19.4	19.2	19.4	20.7	21.6
Changes in inventories	3.0	0.8	3.4	-0.8	0.7	1.7
Domestic demand 1/	106.9	108.0	109.6	106.2	107.1	105.0
Foreign balance (net)	-8.8	-10.2	-11.9	-8.5	-9.5	-7.5
Exports of goods and services	53.8	57.2	58.6	68.3	69.9	75.3
Imports of goods and services	62.6	67.3	70.5	76.8	79.4	82.7
Gross domestic product (GDP)	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage change)					
Consumption 1/	2.6	6.7	7.6	10.8	11.0	5.6
Private 1/	2.2	6.5	7.7	11.9	11.5	6.1
Government	8.9	9.9	4.8	-6.7	2.9	-4.9
Gross Investment	18.5	12.1	21.4	-9.6	30.7	20.8
Gross fixed capital formation	-4.2	27.5	7.3	11.0	21.2	15.9
Domestic demand 1/	5.0	7.9	10.3	6.7	14.5	8.8
Foreign balance (net)	-20.3	23.1	27.6	-21.5	26.3	-12.9
Gross domestic product (GDP)	8.0	6.5	8.5	10.0	13.5	10.8

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, 2001–06

	2001	2002	2003	2004	2005	2006
	(In billions of riels; at constant 2000 prices)					
Total	5,238	5,108	5,645	5,596	6,476	6,830
Agricultural Crops	2,277	2,168	2,643	2,582	3,295	3,470
Paddy	1,275	1,176	1,437	1,262	1,813	1,891
Maize	89	72	151	123	119	181
Cassava	19	20	35	56	74	187
Soya Beans	24	38	62	108	175	96
Vegetables	261	256	253	250	255	273
Tobacco	29	16	48	17	89	89
Rubber	198	197	187	183	167	176
Other Cash Crops	122	151	211	320	336	304
Other Crops	260	243	259	263	268	272
Livestock and poultry	870	861	910	945	998	1,080
Fisheries	1,605	1,615	1,642	1,614	1,705	1,770
Forestry and logging	485	464	450	454	477	511
	(In percent of total production)					
Total	100.0	101.0	102.0	103.0	104.0	105.0
Agricultural Crops	43.5	42.4	46.8	46.1	50.9	50.8
Paddy	24.3	23.0	25.5	22.5	28.0	27.7
Other crops	19.1	19.4	21.4	23.6	22.9	23.1
Livestock and poultry	16.6	16.8	16.1	16.9	15.4	15.8
Fisheries	30.6	31.6	29.1	28.8	26.3	25.9
Forestry and logging	9.3	9.1	8.0	8.1	7.4	7.5
	(Annual percentage change)					
Total	3.6	-2.5	10.5	-0.9	15.7	5.5
Agricultural Crops	0.6	-4.8	21.9	-2.3	27.6	5.3
Paddy	0.7	-7.8	22.2	-12.2	43.7	4.4
Other crops	0.5	-1.0	21.5	9.5	12.2	6.5
Livestock and poultry	10.8	-1.1	5.7	3.9	5.6	8.2
Fisheries	5.9	0.6	1.7	-1.7	5.6	3.8
Forestry and logging	-1.5	-4.3	-3.0	0.8	5.1	7.0

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

Table 6. Cambodia: Agriculture, Livestock, and Fishery Production, 2001–06

	Unit ('000)	2001	2002	2003	2004	2005	2006
Agriculture 1/							
Rice	Tons	4,099	3,823	4,711	4,170	5,986	6,264
Maize	Tons	186	149	315	257	248	377
Cassava	Tons	142	122	331	362	536	2,214
Sweet potato	Tons	26	32	35	35	39	46
Vegetables	Tons	185	163	140	179	172	223
Mungbean	Tons	17	24	32	45	45	60
Peanut	Tons	9	10	18	22	23	24
Soybean	Tons	25	39	63	110	179	98
Sesame	Tons	9	10	22	55	57	25
Sugar cane	Tons	169	209	173	130	118	142
Tobacco	Tons	5	3	8	2	14	14
Jute	Tons	0	1	1	1	1	1
Rubber	Tons	38	32	34	31	23	24
Livestock							
Cows	Heads	3,495	3,550	3,546	3,691	3,861	3,345
Buffalos	Heads	626	626	660	651	677	724
Pigs	Heads	2,114	2,105	2,304	2,429	2,689	2,760
Poultry	Heads	15,248	16,678	16,014	13,991	15,086	15,694
Fisheries							
Fresh fish and shrimp	Tons	445	425	394	330	428	524
Crocodiles	Heads	36	51	78	75	120	138

Source: Ministry of Agriculture, Fisheries, and Forestry (MAFF).

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

Table 7. Cambodia: Visitor Arrivals and Tourism, 2001–06

	2001	2002	2003	2004	2005	2006
Total visitor arrivals	604,919	786,524	701,014	1,055,202	1,421,615	1,700,041
Arrivals by mode of transportation						
Arrivals by airplane	408,377	522,978	455,972	626,121	856,521	1,027,064
Phnom Penh airport	274,689	320,187	269,674	316,748	416,396	427,389
Siem Reap airport	133,688	202,791	186,298	309,373	440,125	599,675
Other types of arrivals 1/	196,542	263,546	245,042	429,081	565,094	672,977
Arrivals to Phnom Penh airport by country of residence 2/						
Total visitors	274,689	320,187	269,674	316,748	416,396	427,389
Asian and Pacific	163,098	174,345	167,714	185,631	220,239	263,662
Europe	66,088	79,246	60,846	73,065	108,658	90,747
North, South, and Central America	43,905	64,415	39,763	55,546	73,700	71,365
Africa and Middle East	1,598	2,181	1,351	2,506	13,799	1,615
			(In percent of total)			
Arrivals by mode of transportation	100.0	100.0	100.0	100.0	100.0	100.0
Arrivals by airplane	67.5	66.5	65.0	59.3	60.2	60.4
Phnom Penh airport	45.4	40.7	38.5	30.0	29.3	25.1
Siem Reap airport	22.1	25.8	26.6	29.3	31.0	35.3
Other types of arrivals 1/	32.5	33.5	35.0	40.7	39.8	39.6
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	59.4	54.5	62.2	58.6	52.9	61.7
Europe	24.1	24.7	22.6	23.1	26.1	21.2
North, South, and Central America	16.0	20.1	14.7	17.5	17.7	16.7
Africa and Middle East	0.6	0.7	0.5	0.8	3.3	0.4
Memoranda items:						
Total visitor arrivals by air						
Annual percentage changes 3/	33.8	16.1	28.1	-12.8	37.3	36.8
Asia and Pacific 2/	5.0	6.9	-3.8	10.7	18.6	19.7
Europe 2/	0.7	19.9	-23.2	20.1	48.7	-16.5
Americas 2/	4.1	46.7	-38.3	39.7	32.7	-3.2
Tourism receipts 4/ 5/						
In millions US dollars	380	454	389	603	840	963
Annual percentage changes	25.0	19.4	-14.2	55.1	39.1	14.7
Average receipt per tourist (U.S. dollars)	628	577	555	572	591	566
In percent of GDP	9.6	10.6	8.5	11.5	13.4	13.3

Source: Ministry of Tourism.

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

Table 8. Cambodia: Consumer Price Index, 2001–07 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 Communist.	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)					
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	3.3	-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	1.2	2.2	-2.4	2.8	-0.5	-1.0	3.8	-1.7	0.1
2004 December	110.8	5.6	0.1	2.2	-1.0	-0.1	14.7	0.6	2.5	3.6
Average	108.8	3.8	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	5.9	8.6	3.7	2.9	-0.6	0.0	11.4	0.8	3.0
2006 December	121.5	2.8	2.0	2.6	3.1	1.9	2.3	7.4	0.8	1.5
Average	120.6	4.7	6.5	3.9	2.4	2.1	1.3	9.1	1.1	5.0
					(12-month percentage changes)					
2004 January	105.2	0.6	-0.4	0.3	0.0	-1.9	4.7	0.7	1.0	0.8
February	105.4	0.8	-0.5	0.3	-0.2	-1.5	5.2	0.7	0.9	0.9
March	105.9	0.9	-0.5	0.3	-0.1	-1.1	4.5	0.5	0.9	0.8
April	106.6	1.6	-2.1	0.3	-0.3	-0.8	5.0	0.5	1.1	0.9
May	105.9	1.1	-2.0	0.4	-0.1	-0.7	8.4	0.5	1.4	-0.2
June	107.7	3.0	-1.6	0.5	0.0	-0.9	11.0	0.8	1.4	1.8
July	111.1	6.0	-1.8	1.9	-1.3	-0.9	10.5	0.7	1.3	2.6
August	112.0	6.7	-1.7	2.0	-1.4	-0.8	11.7	0.7	1.3	2.9
September	112.8	7.4	-0.6	2.1	-1.7	-0.5	12.1	0.5	1.7	3.0
October	111.4	6.0	0.3	2.1	-1.7	-0.4	14.6	0.5	2.0	3.4
November	111.0	5.8	0.4	2.2	-1.0	-0.6	14.1	0.5	1.8	3.4
December	110.8	5.6	0.1	2.2	-1.0	-0.1	14.7	0.6	2.5	3.6
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	7.3	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
2006 January	118.3	6.3	10.8	3.6	1.6	1.7	0.0	10.2	1.2	6.2
February	118.2	6.2	10.7	3.2	1.4	1.5	0.0	9.9	1.2	6.0
March	118.1	5.9	10.2	3.6	1.6	2.1	0.1	8.9	1.2	6.0
April	118.4	4.8	7.4	4.0	1.6	1.9	0.0	9.5	1.2	5.8
May	119.3	4.9	7.2	4.2	1.8	2.2	0.0	10.5	1.2	5.8
June	119.7	3.8	4.3	4.3	2.1	2.1	2.2	10.1	0.9	5.9
July	121.6	5.1	6.3	4.5	3.0	2.3	2.5	11.2	0.8	5.7
August	123.1	5.1	6.1	4.0	3.4	3.2	2.0	10.5	0.8	5.3
September	123.8	4.4	5.0	3.9	3.4	2.6	1.5	8.6	1.5	4.8
October	123.4	4.1	4.9	4.1	3.2	2.3	2.0	6.2	1.5	4.7
November	122.3	3.2	2.9	4.2	3.1	2.0	2.3	6.7	1.5	1.8
December	121.5	2.8	2.0	2.6	3.1	1.9	2.3	7.4	0.8	1.5
2007 January	121.3	2.5	2.1	2.5	3.1	1.9	2.4	4.3	0.7	1.5
February	121.6	2.9	2.8	4.2	2.7	2.2	2.4	5.4	0.7	1.7
March	122.2	3.5	4.3	3.8	2.5	2.0	2.4	5.8	0.6	1.2
April	123.2	4.0	5.5	3.4	2.7	2.6	2.5	5.1	0.6	1.5
May	124.1	4.1	5.5	3.4	2.7	2.6	2.5	5.1	0.6	1.5

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: General Government Operations, 2001–07 1/

(In billions of riels)

	2001	2002	2003	2004	2005	2006	2007 Budget
Total revenue	1,561	1,762	1,776	2,209	2,653	3,431	3,261
Tax revenue	1,128	1,245	1,219	1,645	1,948	2,372	2,602
Direct taxes	140	132	150	158	222	331	340
Indirect taxes, *of which:*	572	654	635	895	1,075	1,276	1,397
Excise taxes (incl. on imports)	155	210	198	304	380	418	475
Domestic	20	29	33	49	60	86	96
Import	327	347	316	404	462	527	379
VAT (incl. on imports)	403	429	410	579	677	836	907
Domestic	85	103	134	186	257	329	340
Import	327	347	316	404	462	527	623
Refund (-)	9	20	40	11	42	19	55
Trade taxes	376	424	395	513	573	644	769
Nontax revenue, *of which:*	424	501	525	544	578	681	613
Timber royalties	29	15	7	2	3	2	20
Enterprises and immobile leases	28	27	28	26	28	35	28
Civil aviation	38	34	22	27	30	30	50
Tourism income	14	19	20	29	44	59	84
Casino royalties	0	0	0	0	44	77	62
Post and telecommunications (PTT)	122	123	120	94	123	83	92
Passports and visa	36	40	41	62	85	95	106
NBC profit	15	16	5	3	0	16	22
Quota Auction/export promotion fee	32	71	75	62	75	88	55
Garment licenses	39	35	71	60	0	0	0
Others	85	137	142	182	129	141	62
Capital revenue	9	16	31	19	127	377	45
Total expenditure 2/	2,366	2,833	3,011	3,183	3,514	4,016	4,546
Current expenditure	1,391	1,579	1,843	1,901	2,073	2,378	2,861
Wages 3/	602	698	749	755	835	975	1,075
Civil administration	306	405	451	446	516	635	785
Defense and security	297	293	299	309	319	341	289
Nonwage (central government)	752	858	1,009	1,036	1,108	1,391	1,667
Operating expenditure	602	690	736	717	783	974	663
Civil administration	489	0	626	606	654	798	471
Defense and security	113	0	110	111	129	176	193
Economic transfers	30	51	60	60	85	137	530
Social transfers 3/	21	25	30	26	28	34	306
Civil administration	18	22	27	23	25	31	290
Defense and security	2	2	3	3	3	3	15
Interest	22	28	34	49	55	50	50
Other nonwage	77	64	149	185	157	196	118
Reserve funds	...	...	35	11	17	18	118
Provincial expenditure (net subsidy)	37	23	85	110	130	11	118
Capital expenditure	974	1,253	1,196	1,282	1,441	1,639	1,685
Locally financed	262	338	333	296	315	381	526
Externally financed	712	915	863	985	1,126	1,258	1,110
Net lending	0	0	-28	0	0	0	0
Current balance	161	181	-99	289	453	676	355
Overall balance	-805	-1,056	-1,235	-974	-862	-585	-1,285
Overall balance (incl. grants)	-408	-604	-823	-613	-310	176	-693
Financing	805	1,056	1,235	974	862	585	1,285
Foreign financing (net)	763	1,122	1,002	1,008	1,246	1,340	1,240
Of which : Project aid	713	922	922	1,010	1,164	1,258	1,110
Budget support	54	178	139	45	120	138	230
Domestic financing	41	-66	233	-34	-384	-755	45
Of which: Bank financing	-78	-44	-9	-81	-212	-532	45
Other	120	-22	242	47	-172	-223	0
Memoranda items:							
Defense and security outlays	400	407	411	423	451	520	507
Health, Education, Agr., Rural dev.	0	545	563	606	740	846	1,128
Customs department revenue	838	952	875	1,173	1,354	1,503	1,771
GDP	15,617	16,756	18,508	21,343	25,693	29,809	31,137

Sources: 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.
3/ Adjusted to reflect expenditure classification according to the new chart of accounts implemented since 2007.

Table 10. Cambodia: General Government Operations, 2001–07 1/

(In percent of GDP)

	2001	2002	2003	2004	2005	2006	2007 Budget
Total revenue	10.0	10.5	9.6	10.3	10.3	11.5	10.5
Tax revenue	7.2	7.4	6.6	7.7	7.6	8.0	8.4
Direct taxes	0.9	0.8	0.8	0.7	0.9	1.1	1.1
Indirect taxes, *of which:*	3.7	3.9	3.4	4.2	4.2	4.3	4.5
Excise taxes (incl. on imports)	1.0	1.3	1.1	1.4	1.5	1.4	1.5
Domestic	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Import	2.1	2.1	1.7	1.9	1.8	1.8	1.2
VAT (incl. on imports)	2.6	2.6	2.2	2.7	2.6	2.8	2.9
Domestic	0.5	0.6	0.7	0.9	1.0	1.1	1.1
Import	2.1	2.1	1.7	1.9	1.8	1.8	2.0
Refund (-)	0.1	0.1	0.2	0.1	0.2	0.1	0.2
Trade taxes	2.4	2.5	2.1	2.4	2.2	2.2	2.5
Nontax revenue, *of which:*	2.7	3.0	2.8	2.6	2.2	2.3	2.0
Timber royalties	0.2	0.1	0.0	0.0	0.0	0.0	0.1
Enterprises and immobile leases	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Civil aviation	0.2	0.2	0.1	0.1	0.1	0.1	0.2
Tourism income	0.1	0.1	0.1	0.1	0.2	0.2	0.3
Casino royalties	0.0	0.0	0.0	0.0	0.2	0.3	0.2
Post and telecommunications (PTT)	0.8	0.7	0.6	0.4	0.5	0.3	0.3
Passports and visa	0.2	0.2	0.2	0.3	0.3	0.3	0.3
NBC profit	0.1	0.1	0.0	0.0	0.0	0.1	0.1
Quota Auction/export promotion fee	0.2	0.4	0.4	0.3	0.3	0.3	0.2
Garment licenses	0.3	0.2	0.4	0.3	0.0	0.0	0.0
Others	0.5	0.8	0.8	0.9	0.5	0.5	0.2
Capital revenue	0.1	0.1	0.2	0.1	0.5	1.3	0.1
Total expenditure 2/	15.1	16.9	16.3	14.9	13.7	13.5	14.6
Current expenditure	8.9	9.4	10.0	8.9	8.1	8.0	9.2
Wages 3/	3.9	4.2	4.0	3.5	3.3	3.3	3.5
Civil administration	2.0	2.4	2.4	2.1	2.0	2.1	2.5
Defense and security	1.9	1.7	1.6	1.4	1.2	1.1	0.9
Nonwage	4.8	5.1	5.4	4.9	4.3	4.7	5.4
Operating expenditure	3.9	4.1	4.0	3.4	3.0	3.3	2.1
Civil administration	3.1	0.0	3.4	2.8	2.5	2.7	1.5
Defense and security	0.7	0.0	0.6	0.5	0.5	0.6	0.6
Economic transfers	0.2	0.3	0.3	0.3	0.3	0.5	1.7
Social transfers 3/	0.1	0.1	0.2	0.1	0.1	0.1	1.0
Civil administration	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Defense and security	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other nonwage	0.5	0.4	0.8	0.9	0.6	0.7	0.4
Reserve funds	...	...	0.2	0.1	0.1	0.1	0.4
Provincial expenditure (net subsidy)	0.2	0.1	0.5	0.5	0.5	0.0	0.4
Capital expenditure	6.2	7.5	6.5	6.0	5.6	5.5	5.4
Locally financed	1.7	2.0	1.8	1.4	1.2	1.3	1.7
Externally financed	4.6	5.5	4.7	4.6	4.4	4.2	3.6
Net lending	0.0	0.0	-0.2	0.0	0.0	0.0	0.0
Current balance	1.0	1.1	-0.5	1.4	1.8	2.3	1.1
Overall balance	-5.2	-6.3	-6.7	-4.6	-3.4	-2.0	-4.1
Overall balance (incl. grants)	-2.6	-3.6	-4.4	-2.9	-1.2	0.6	-2.2
Financing	5.2	6.3	6.7	4.6	3.4	2.0	4.1
Foreign financing (net)	4.9	6.7	5.4	4.7	4.8	4.5	4.0
Of which : Project aid	4.6	5.5	5.0	4.7	4.5	4.2	3.6
Budget support	0.3	1.1	0.8	0.2	0.5	0.5	0.7
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	0.3	-0.4	1.3	-0.2	-1.5	-2.5	0.1
Of which: Bank financing	-0.5	-0.3	0.0	-0.4	-0.8	-1.8	0.1
Other	0.8	-0.1	1.3	0.2	-0.7	-0.7	0.0
Memoranda items:							
Defense and security outlays	2.6	2.4	2.2	2.0	1.8	1.7	1.6
Total revenue (excl. garment quotas)	9.7	9.1	9.2	10.1	10.0	11.2	10.7
Health, Education, Agr., Rural dev.	0.0	3.3	3.0	2.8	2.9	2.8	3.6
Customs department revenue	5.4	5.7	4.7	5.5	5.3	5.0	5.7

Sources: 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.
3/ Adjusted to reflect expenditure classification according to the new chart of accounts implemented since 2007.

Table 11. Cambodia: Budgetary Expenditure by Ministry, 2001–06 1/

Ministry	2001			2002			2003			2004				2005				2006			
	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Total current	Salaries	Other Current	Capital 2/	Total current	Salaries	Other Current	Capital 2/	Total current	Salaries	Other Current	Capital 2/
	(In billions of riels)																				
Total	1,364	509	854	1,576	590	985	1,798	615	1,183	1,802	640	1,162	296	1,985	711	1,275	315	2,386	822	1,564	381
Royal Palace	19	8	11	23	8	15	23	8	16	22	7	15	0	36	12	25	0	39	14	25	2
National Assembly	32	12	20	33	13	20	34	15	19	42	17	25	2	40	25	15	10	50	28	22	18
Senate	14	5	9	17	6	11	18	7	11	18	7	11	0	19	8	11	0	21	9	12	2
Constitutional Council	3	1	2	3	1	2	3	1	2	3	1	2	0	3	1	2	0	3	1	2	1
Council of Ministers	101	6	95	82	9	73	95	10	86	92	10	82	23	107	15	92	7	124	18	107	10
Foreign Affairs	41	14	28	52	15	37	54	16	38	50	15	34	5	57	18	39	2	60	19	41	0
National Defense	277	198	79	265	195	70	270	197	72	272	205	67	0	289	215	75	7	328	229	100	4
Interior	140	88	52	174	91	83	171	93	77	168	95	73	15	182	97	86	1	230	105	125	4
National Assembly Relations and Inspection	1	0	1	2	1	1	2	1	2	2	1	1	0	4	1	3	0	6	2	4	1
Economy and Finance	19	3	16	40	6	34	111	6	105	36	6	29	20	40	8	33	43	61	10	51	44
Information	8	2	7	9	3	6	12	3	9	13	3	10	0	13	4	9	0	17	5	12	2
Public Works and Transport	21	4	17	16	10	6	14	7	7	13	7	5	99	13	8	5	107	17	3	14	107
Agriculture, Forestry and Fisheries	30	6	25	40	10	29	39	10	30	39	9	29	6	47	11	36	7	56	12	44	3
Justice	6	1	5	7	2	5	11	6	5	10	6	4	0	12	6	5	0	13	7	6	0
Education, Youth and Sport	209	129	80	290	162	127	300	176	125	326	185	141	9	351	207	144	8	446	258	188	9
Commerce	12	1	10	13	3	10	16	3	13	12	3	9	1	15	3	11	1	17	4	13	4
Industry, Mines and Energy	6	1	5	7	3	4	7	3	4	6	3	4	6	7	3	4	13	31	4	27	8
Planning	4	1	3	5	2	3	5	2	3	5	2	3	0	6	3	3	0	8	4	4	1
Health	130	13	116	164	23	141	173	22	151	192	24	168	4	225	28	197	6	261	37	224	3
Tourism	9	1	8	10	1	8	15	1	14	13	2	11	0	14	2	12	0	17	3	14	1
Public Worship and Religion	2	1	1	3	1	2	4	2	2	3	2	2	0	4	3	1	0	5	3	3	0
Post and Telecommunication	41	4	37	36	5	31	35	4	30	25	5	20	7	31	5	26	3	32	3	29	3
Culture and Fine Arts	8	3	5	12	5	8	14	5	9	12	5	8	1	14	5	9	2	15	6	9	3
Social Affairs, Labor and Voc. Training	28	0	28	33	2	31	33	3	31	33	3	30	1	95	3	92	0	108	4	104	0
Environment	5	1	3	7	2	5	8	2	5	7	2	5	2	8	3	5	2	10	4	6	2
Rural Development	12	1	11	18	2	16	17	3	14	17	3	14	65	22	4	19	49	30	4	26	55
Woman Affairs and Veteran	59	0	59	65	2	63	72	2	70	86	2	84	11	10	2	8	0	13	3	10	4
Urbanization and Constitution	5	2	3	6	3	3	7	3	4	7	3	4	1	8	4	4	3	13	5	8	2
Water Resources and Metrology	9	1	7	12	2	10	14	2	12	14	2	12	18	14	3	11	41	19	3	16	79
National Election Committee	24	1	23	7	1	6	27	1	26	6	1	5	0	6	2	4	1	6	2	4	6
National Audit Authority	...	...	...	3	1	2	4	2	2	3	2	1	1	4	2	2	0	5	3	2	2
Labor and vocational training	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	20	4	16	0
Other 3/	88	...	88	122	…	122	190	…	190	254	…	254	0	289	2	287	3	304	6	298	0
	(In percent of total budgetary expenditure)																				
Memoranda items:																					
National Defense	20	39	16	17	33	13	15	32	12	15	32	12	0	15	30	12	2	14	28	13	1
Interior	10	17	10	11	15	16	9	15	13	9	15	13	5	9	14	14	0	10	13	16	1
Economy and Finance	1	1	3	3	1	7	6	1	18	2	1	5	7	2	1	5	14	3	1	7	12
Public Works	2	1	5	1	2	1	1	1	1	1	1	1	34	1	1	1	34	1	0	2	28
Agriculture	2	1	6	3	2	6	2	2	5	2	1	5	2	2	2	6	2	2	1	6	1
Education	15	25	19	18	28	27	17	29	21	18	29	24	3	18	29	22	2	19	31	24	2
Industry	0	0	1	0	0	1	0	0	1	0	0	1	2	0	0	1	4	1	0	3	2
Health	10	3	27	10	4	28	10	4	25	11	4	29	1	11	4	31	2	11	4	29	1
Total capital expenditure (billion riels) 4/	283			338			333			296				315				381			

Source: Ministry of Economy and Finance.

1/ Commitment basis. Total current expenditure different from table 9 due to VAT refunds.
2/ Excludes externally financed capital expenditure. Before 2004, capital expenditure reported in total only.
3/ Includes unclassified items and VAT refunds.
4/ For 2001-03 no information is available about the ministerial breakdown of capital spending.

Table 12. Cambodia: Official External Assistance to the Budget, 2001–06

(In billions of riels)

	2001	2002	2003	2004	2005	2006
Total official external financing	763	1,122	1,002	1,030	1,246	1,340
Budget support	54	178	139	45	120	138
Grants	36	91	52	1	8	29
Loans	18	87	87	43	111	109
World Bank	18	9	64	9	1	0
Asian Development Bank	0	78	22	24	110	109
Project Aid	713	951	922	1,010	1,164	1,258
Grants	360	360	360	360	543	732
Loans	353	591	562	650	621	525
World Bank	138	184	184	192	121	91
Asian Development Bank	193	231	267	214	252	163
Bilateral	23	206	111	244	247	271
Amortization	-4	-8	-59	-25	-38	-55

Source: Staff estimates based on discussions with donors and data provided by Ministry of Economy and Finance. Estimates may differ from the authorities' data due to differences in timing and coverage.

Table 13. Cambodia: Profile of the Commercial Bank System

(As of May 2007)

Exchange Rate: US$1 = KHR 4,046

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.	1	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*	3	13,000	Jul. 1, 1991	Thai (Siam City Bank)
Canadia Bank Ltd.	11	40,545	Nov. 11, 1991	Cambodian/Canadian
Cambodia Public Bank*	5	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	14,150	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	30	30,000	Dec. 1, 2003	Cambodian
ANZ Royal (Cambodia)	7	27,000	Jul. 28, 2005	Australian & Cambodian
Foreign Trade Bank ***		13,000	Oct. 10, 1979	Cambodian
Specialized Banks (5)				
State-owned (1)				
Rural Development Bank		6,933	Jun. 22, 1998	State-owned
Privately owned (4)				
Peng Heng SME Bank		3,500	Mar. 20, 2001	Cambodian/Canadian
Cambodia Agriculture Industrial Specialized Bank	1	3,000	Mar. 19, 2002	Cambodian/Japanese
First Investment Specialized Bank		3,800	Oct. 22, 2005	Cambodian
ANCO Specialized Bank		2,600	May 31, 2006	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, 2001–06

(In billions of riels; unless otherwise indicated)

	2001	2002	2003	2004				2005				2006			
	Dec.	Dec.	Dec.	Mar.	Dec.	Sep.	Dec.	Dec.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	3,081	3,738	4,027	4,265	4,338	4,524	4,797	4,883	5,084	5,391	5,475	6,410	6,682	6,958	7,224
National Bank	2,429	3,220	3,494	3,721	3,810	3,895	4,114	4,192	4,237	4,356	4,434	5,092	5,193	5,476	5,729
Assets	2,740	3,598	3,906	4,116	4,196	4,268	4,506	4,557	4,590	4,705	4,768	5,092	5,193	5,476	5,729
Liabilities	311	378	413	395	386	373	392	364	353	349	334	0	0	0	0
Deposit money banks	651	517	533	544	528	628	682	691	846	1,035	1,041	1,319	1,489	1,483	1,496
Assets	847	681	835	857	884	944	975	981	1,150	1,336	1,374	1,685	1,817	1,874	1,921
Liabilities	196	164	302	313	356	315	293	290	304	301	333	367	328	391	426
Net domestic assets	-877	-849	-706	-606	-494	-354	-467	-385	-455	-397	-450	-699	-637	-497	-282
Net domestic credit	868	942	1,209	1,256	1,369	1,577	1,608	1,730	1,823	1,983	1,972	2,022	2,166	2,399	2,676
Government (net)	-75	-119	-128	-133	-130	-96	-209	-252	-343	-404	-421	-756	-831	-892	-953
National Bank	-75	-160	-219	-222	-216	-187	-256	-290	-378	-429	-407	-689	-749	-758	-807
Deposit Money Banks	0	41	91	88	87	91	47	38	35	25	-14	-68	-82	-134	-146
Public enterprises	7	2	0	0	0	0	0	0	0	0	0	0	0	2	2
Private sector	936	1,059	1,337	1,389	1,499	1,673	1,817	1,983	2,166	2,386	2,394	2,778	2,997	3,288	3,628
Other items (net)	-1,744	-1,791	-1,915	-1,861	-1,863	-1,931	-2,075	-2,115	-2,278	-2,380	-2,423	-2,721	-2,803	-2,896	-2,959
Capital and reserves	-1,694	-1,400	-1,476	-1,479	-1,485	-1,503	-1,506	-1,515	-1,530	-1,619	-1,981	-1,675	-1,766	-1,791	-1,844
Other	-50	-391	-438	-383	-378	-428	-569	-601	-748	-761	-441	-1,046	-1,037	-1,105	-1,115
Broad money	2,204	2,888	3,321	3,659	3,844	4,169	4,329	4,498	4,629	4,994	5,025	5,711	6,044	6,461	6,942
Narrow money	610	813	938	1,007	1,040	1,078	1,153	1,198	1,215	1,279	1,323	1,449	1,512	1,563	1,658
Currency in circulation	578	766	908	973	1,002	1,038	1,115	1,164	1,167	1,235	1,282	1,403	1,459	1,512	1,600
Demand deposits	32	47	29	34	38	40	38	34	48	44	41	45	52	51	58
Quasi-money	1,594	2,075	2,383	2,652	2,804	3,091	3,176	3,300	3,414	3,715	3,702	4,262	4,533	4,898	5,285
Time deposits	56	74	82	88	98	102	97	109	119	118	113	116	113	93	89
Foreign currency deposits	1,539	2,001	2,301	2,564	2,706	2,989	3,079	3,191	3,295	3,596	3,589	4,146	4,420	4,805	5,196
Memoranda items:															
Net foreign assets (in millions of dollars)	790	950	1,012	1,069	1,079	1,119	1,190	1,211	1,238	1,291	1,330	1,564	1,624	1,673	1,786
Deposit money banks	167	131	134	136	131	155	169	171	206	248	253	322	362	357	370
National Bank	623	818	878	932	948	963	1,021	1,040	1,032	1,043	1,077	1,242	1,262	1,317	1,416
Gross assets	703	914	981	1,031	1,044	1,056	1,118	1,130	1,118	1,127	1,158	1,242	1,262	1,317	1,416
Gross liabilities	80	96	104	99	96	92	97	90	86	84	81	0	0	0	0
Foreign currency deposits															
(in millions of U.S. dollars)	395	508	578	643	673	739	774	792	802	861	872	1,012	1,074	1,156	1,284
Credit to private sector															
(in millions of U.S. dollars)	240	269	336	348	373	414	451	492	527	572	582	678	729	791	897
Velocity 1/	7.7	6.4	6.2	6.1	5.9	5.8	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.1	4.9

Source: National Bank of Cambodia.

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

Table 15. Cambodia: Reserve Money, 2001–06

(In billions of riels; unless otherwise indicated)

	2001	2002	2003	2004				2005				2006			
	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Reserve money	1,360	1,903	2,150	2,420	2,505	2,512	2,665	2,716	2,582	2,591	2,637	2,892	2,919	3,165	3,383
Currency outside banks	578	729	908	973	1,002	1,038	1,115	1,167	1,167	1,235	1,282	1,403	1,459	1,512	1,600
Currency in banks	36	36	60	96	83	28	26	21	38	25	27	29	34	32	30
Bank deposits	746	1,138	1,182	1,351	1,421	1,441	1,519	1,522	1,371	1,323	1,322	1,447	1,409	1,607	1,736
Required reserves	132	163	193	206	216	232	244	257	268	292	302	327	374	391	428
Other 1/	614	975	989	1,145	1,205	1,209	1,275	1,265	1,103	1,030	1,020	1,120	1,035	1,216	1,308
Other deposits	0	0	0	0	0	5	5	5	5	8	6	12	15	13	17
Net foreign assets	2,429	3,114	3,494	3,721	3,810	3,895	4,114	4,192	4,237	4,356	4,434	5,092	5,193	5,476	5,729
Foreign assets	2,740	3,483	3,906	4,116	4,196	4,268	4,506	4,557	4,590	4,705	4,768	5,092	5,193	5,476	5,729
Gold	432	501	662	671	632	681	706	688	718	790	846	963	989	976	1,029
Bank accounts	873	763	1,589	1,526	1,696	1,851	1,867	1,912	2,033	2,348	2,331	2,362	2,408	2,730	3,010
Foreign exchange	93	159	105	136	79	96	106	139	98	82	113	111	115	152	89
SDR holdings	2	3	1	10	1	2	0	7	1	8	1	0	0	0	1
IMF Reserve Position	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other 2/	1,340	2,057	1,549	1,773	1,787	1,638	1,827	1,810	1,740	1,478	1,476	1,656	1,681	1,617	1,600
Foreign liabilities	311	369	413	395	386	373	392	364	353	349	334	0	0	0	0
IMF	311	369	413	395	386	373	392	364	353	349	334	0	0	0	0
Net Domestic Assets	-1,070	-1,212	-1,344	-1,301	-1,305	-1,383	-1,450	-1,477	-1,656	-1,765	-1,797	-2,200	-2,274	-2,311	-2,346
Net Credit to Government	-75	-164	-219	-222	-216	-187	-256	-290	-378	-429	-407	-689	-749	-758	-807
Net claims	-75	-164	-219	-222	-216	-187	-256	-290	-378	-429	-407	-689	-749	-758	-807
Claims	271	269	269	269	270	270	270	270	270	271	270	270	270	270	286
Deposits	346	433	488	491	486	457	526	560	649	700	677	959	1,020	1,028	1,093
Net claims on banks	-85	-79	-90	-77	-83	-85	-84	-84	-108	-82	-101	-113	-77	-111	-92
Claims on banks	53	13	17	17	17	17	17	17	19	22	11	21	31	29	44
Restricted deposits	98	93	107	94	100	101	101	101	127	104	112	133	108	140	136
Loans from deposit money banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items (net)	-910	-968	-1,035	-1,002	-1,006	-1,167	-1,110	-1,102	-1,170	-1,255	-1,289	-1,401	-1,450	-1,444	-1,449
Assets	126	185	245	291	260	215	217	223	236	263	284	290	327	369	422
Liabilities	1,035	1,153	1,279	1,293	1,266	1,382	1,327	1,326	1,405	1,517	1,573	1,691	1,777	1,813	1,871

Source: 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, 2001–06

	2001	2002	2003	2004				2005				2006			
	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
	(In billions of riels)														
Net foreign assets	651	517	533	544	528	628	682	691	846	1,035	1,041	1,319	1,489	1,483	1,496
Foreign assets	847	681	835	857	884	944	975	981	1,150	1,336	1,374	1,685	1,817	1,874	1,921
Foreign liabilities	196	164	302	313	356	315	293	290	304	301	333	367	328	391	426
Net domestic assets	193	390	638	695	790	1,029	983	1,092	1,201	1,368	1,346	1,501	1,637	1,813	2,064
Net claims on government	0	41	91	88	87	91	47	38	35	25	-14	-68	-82	-134	-146
Net claims	0	41	91	88	87	91	47	38	35	25	-14	-68	-82	-134	-146
Claims	0	41	91	91	91	91	90	91	78	69	56	7	3	0	0
Deposits	0	0	0	2	4	0	43	53	42	44	71	75	85	134	147
Claims on public enterprises	7	2	0	0	0	0	0	0	0	0	0	0	0	2	2
Claims on private sector 1/	936	1,059	1,337	1,389	1,499	1,670	1,814	1,980	2,163	2,384	2,348	2,776	2,995	3,286	3,626
Net claims on National Bank	3	1	-58	-98	-67	8	8	8	8	9	8	8	8	9	8
Claims	11	10	9	8	8	8	8	8	8	9	8	8	8	9	8
Liabilities	8	9	67	106	75	0	0	0	0	0	0	0	0	0	0
Other assets (net)	-753	-713	-732	-684	-728	-740	-887	-934	-1,006	-1,050	-995	-1,216	-1,285	-1,349	-1,426
Assets	347	351	348	395	364	390	274	278	258	349	444	541	536	596	640
Fixed assets	115	109	149	140	142	120	137	134	142	162	389	289	316	344	354
Interbank claims	18	44	36	52	51	64	53	57	48	58	48	62	44	45	45
Other assets	214	197	163	203	171	205	84	86	69	129	7	191	177	207	241
Liabilities	1,100	1,063	1,080	1,079	1,092	1,130	1,161	1,212	1,265	1,398	1,439	1,757	1,821	1,945	2,065
Capital	924	809	840	858	869	909	923	968	1,000	1,120	1,132	1,216	1,273	1,369	1,449
Restricted deposits	1	1	1	1	2	3	1	0	0	11	11	10	11	18	19
Interbank liabilities	14	31	22	35	34	24	35	39	24	22	30	42	44	40	63
Other	161	222	217	185	187	193	202	205	240	245	265	488	493	518	534
Reserves	782	1,215	1,242	1,447	1,524	1,469	1,545	1,547	1,409	1,347	1,349	1,476	1,444	1,640	1,766
Cash	36	33	60	96	83	28	26	24	38	25	27	29	34	32	30
Deposits at National Bank	746	1,182	1,182	1,351	1,441	1,441	1,519	1,522	1,371	1,323	1,322	1,447	1,409	1,607	1,736
Other credits to National Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits	1,626	2,122	2,412	2,687	2,842	3,126	3,210	3,329	3,456	3,751	3,737	4,295	4,570	4,936	5,325
Demand deposits	32	47	29	34	38	35	33	29	42	36	34	33	37	38	41
Time and savings deposits	56	74	82	88	98	102	97	109	119	118	113	116	113	93	89
Foreign currency deposits	1,539	2,001	2,301	2,564	2,706	2,989	3,079	3,191	3,295	3,596	3,589	4,146	4,420	4,805	5,196
Memoranda items:	(Percent per annum)														
Deposit rates															
Riel savings deposits	2.0	1.9	1.9	1.8	1.8	1.7	1.9	1.9	1.9	1.9	2	1.8	1.8	1.9	1.9
Foreign currency savings deposits	1.6	1.5	1.3	1.1	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Foreign currency term deposits	2.7	2.8	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.6	2.8	3.3	3.3
Lending rates 2/															
Foreign currency loans: rates charged to private enterprises	15.0	18.6	18.2	18.2	17.3	17.3	17.3	17.3	17.3	17.4	17.3	16.8	16.2	16.2	16.2

Source: 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 2007)

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. Amendment to the regulation, that (a) defines a large exposure for reporting purposes as credit to an individual customer exceeding 10 percent of the lending institution's net worth; (b) increases maximum allowable exposure to 35 percent if lender's condition is satisfactory and the borrower is strong; and (c) allows the weighting of the exposure to be reduced by half with a formal guarantee from another bank.	Dec.29,1997 Feb. 17,2000 Nov., 2006
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 100%	Feb. 9,2000 Sep.13,2002 Dec.29,2004 Feb. 25,2002
Loan/deposit ratio	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
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

Table 17. Cambodia: Prudential Regulations (cont'd)

(As of end-April 2007)

Subject	Main Features	Date of Regulation
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 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.	Dec. 29,1997 Nov. 8, 2001 Feb. 25, 2002 Aug. 14, 2001 Oct. 17, 2002 Oct. 17, 2002 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

Table 17. Cambodia: Prudential Regulations (concluded)

(As of end-April 2007)

Subject	Main Features	Date of Regulation
Accounting	*Adoption and Implementation of Chart of Accounts for BFIs:* All licensed banks and financial institutions shall adopt Chart of Accounts and Disclosure Requirement.	Dec. 25, 2002
	International Transactions Reporting System (for compiling balance of payment)	Jan. 16, 2003
	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.	Jul. 15, 2003
	Daily Accruals and Amortizations for Commercial and Specialized Banks: Banks shall calculate and post accrued interest and amortization of assets on a daily basis.	Oct. 01, 2003
	Payments of Dividends in Advance: Banks cannot pay dividends on annual profit before annual accounts have been approved by external auditors.	Jan. 14, 2004
	Requirement in Compliance with Fact and Substance: Financial statements must reflect the economic substance of events and transaction and not merely the legal form.	Mar. 09, 2004
	Prepaid Prepayments on Rental and Leases: Leased properties must be directly related to bank activities and prepaid rental or lease cannot exceed one year.	Mar. 09, 2004
	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.	Nov. 08, 2004
	Publication of Annual audit of financial statements of BFIs: Banks and financial institutions must produce their annual audited financial reports no later than 31 March of each calendar year and published reports and accounts shall be readily available to the public no later than June 30 of each calendar year.	Dec. 29, 2004
	Licensing fee for BFIs: Banks and FI, and the Representative Offices of foreign banks shall pay annual license fees to the NBC.	Dec. 29, 2004
	Installment loans classification and provision: This circular gives guidance on when an installment loan should be classified as a non-performing loan.	Jan. 21, 2005
	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.	Jan. 25, 2005
	Multi-currency accounting following implementation of uniform chart of accounts: This circular provides the recommended approach for bank and financial institutions in adopting multi-currency accounting for transactions involving foreign currencies.	Feb. 10, 2005
	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.	Mar. 10, 2005
	The selection of independent auditors by BFIs: BFIs must select an independent auditor authorized by the NBC and must change auditors every three years.	Jun. 15, 2005

Table 18. Cambodia: Balance of Payments, 2001–06

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

	2001	2002	2003	2004	2005	2006
Current account excluding official transfers	-349	-406	-492	-436	-591	-525
Current account including official transfers	-46	-104	-166	-116	-266	-146
Trade balance	-523	-591	-581	-681	-1,018	-1,057
Exports	1,571	1,770	2,087	2,589	2,910	3,693
Domestic exports 1/	1,462	1,659	1,970	2,454	2,773	3,537
Imports, f.o.b.	-2,094	-2,361	-2,668	-3,269	-3,928	-4,749
Of which: retained imports, f.o.b.	-2,010	-2,275	-2,579	-3,166	-3,822	-4,630
Services and income (net)	36	40	-64	69	217	217
Receipts	582	655	593	853	1,186	1,386
Of which: tourism	380	454	389	603	840	963
Payments	-546	-615	-657	-784	-969	-1,170
Of which: interest	-14	-16	-18	-20	-21	-25
Private transfers	137	145	153	176	209	315
Official transfers	303	302	326	321	326	379
Capital and financial account	112	156	193	165	330	339
Medium- and long-term loans	64	134	126	163	151	121
Disbursements	98	167	162	182	172	148
Amortization	-34	-34	-36	-19	-21	-27
Foreign direct investment	142	139	74	121	375	475
Short-term flows and errors and omissions	-94	-117	-7	-119	-196	-333
Overall balance	66	52	27	49	65	193
Financing	-66	-52	-27	-49	-65	-193
Change in gross official reserves 2/	-64	-86	-47	-60	-77	-138
Debt rescheduling	-16	0	0	0	0	6
Change in arrears (- = reduction)	5	25	21	21	22	21
Use of Fund credit	9	9	-2	-10	-9	-82
Purchases/disbursements	21	22	12	0	0	0
Repurchases/repayments	12	12	13	10	9	82
Memorandum items:						
Current account balance						
Excluding official transfers (in percent of GDP)	-8.8	-9.5	-10.6	-8.2	-9.4	-7.2
Including official transfers (in percent of GDP)	-1.2	-2.4	-3.6	-2.2	-4.2	-2.0
Gross official reserves	548	663	737	809	915	1,097
In months of imports of goods and services	2.4	2.6	2.3	2.1	2.0	2.0
Net international reserves	468	568	634	713	834	1,097
External debt 3/ (in percent of GDP)	33	36	39	38	34	31

Sources: 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. The debt to the Russian Federation is valued at SUR0.6/US$ with the standard 70% upfront discount applied.

Table 19. Cambodia: Merchandise Exports, 2001–06 1/

(In millions of U.S. dollars)

	2001	2002	2003	2004	2005	2006
Total exports	1,571	1,770	2,087	2,589	2,910	3,693
Domestic exports	1,462	1,659	1,970	2,454	2,773	3,537
GSP (incl. Garment)	1,188	1,392	1,628	2,079	2,261	2,727
Logs and sawn timber	68	38	20	16	16	18
Fish	-42	-73	-76	-69	-76	-90
Rubber	52	63	98	115	119	175
Rice	57	28	94	114	177	332
Others	54	66	54	62	124	196
Re-exports	109	111	117	134	137	155

Source: Cambodian authorities.

1/ Includes estimates for unrecorded exports.

Table 20. Cambodia: Merchandise Imports, 2001–06 1/

(In millions of U.S. dollars)

	2001	2002	2003	2004	2005	2006
Total imports, f.o.b. 2/	2,094	2,361	2,668	3,269	3,928	4,749
Total imports, c.i.f.	2,270	2,554	2,888	3,538	4,254	5,145
Freight & insurance on imports	181	204	230	281	340	411
Taxable imports	711	729	751	856	994	1,179
Cigarettes	70	68	69	81	80	103
Motorcycles	21	28	30	45	55	93
Beer	2	2	1	1	6	4
VCRs	2	1	1	1	1	1
TV sets	5	5	4	4	4	3
Audio cassettes	3	2	1	1	0	0
Gold	12	10	13	25	5	2
Vehicles	26	38	36	65	90	105
Construction materials	14	13	12	12	28	28
Clothing	36	39	37	38	45	47
Cloth	3	5	6	6	9	7
Petroleum products	175	150	180	172	164	212
Sugar	25	26	4	6	8	14
Cement	31	37	37	40	44	53
Steel	18	23	16	19	21	33
Other	268	282	304	341	433	474

Source: Cambodian authorities.

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

Table 21. Cambodia: Investment Approvals by Sector, 2001–06

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

	2001	2002	2003	2004	2005	2006
Total	235	255	318	340	1,162	2,633
Agriculture	5	12	0	9	20	506
Industries	105	62	133	176	931	1,055
Building Material	0	0	0	0	0	2
Cement	0	0	0	0	181	132
Energy	50	5	3	26	289	197
Food Processing	3	0	41	1	19	32
Garment	32	44	65	135	200	211
Mining	0	0	0	0	181	403
Paper	1	1	1	3	2	1
Petroleum	0	4	0	1	0	5
Pharmaceutical industry	0	1	7	0	7	0
Plastic	2	1	0	1	10	1
Shoes	7	0	1	1	2	23
Tobacco	4	0	3	5	8	4
Wood Processing	1	3	2	1	1	0
Others	5	3	11	4	31	45
Services						
Construction	8	0	12	0	30	908
Education	0	0	0	0	0	0
Infrastructure	22	68	15	40	58	45
Telecommunication	0	64	10	0	13	0
Transportation	0	0	0	0	0	2
Others	15	2	0	0	3	25
Tourism						
Hotel	69	47	135	38	107	77
Tourism Centre	11	0	13	75	0	15
Others	0	0	0	0	0	0

Source: Council for the Development of Cambodia.

Table 22. Cambodia: Investment Approvals by Investor Country of Origin, 2001–06

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

	2000	2001	2002	2003	2004	2005	2006
Total	270	235	255	318	340	1,162	2,633
Cambodia	61	62	94	201	140	384	1,145
Foreign							
America							
Argentina	0	0	0	0	0	1	0
Canada	1	0	5	0	3	7	0
United States	10	6	3	4	4	5	62
Asia and Pacific							
Australia	3	0	5	1	0	51	0
China	35	8	24	45	89	448	763
Hong Kong	13	5	2	7	22	3	17
Indonesia	15	0	0	0	0	2	0
Japan	0	0	2	0	2	0	3
Korea	21	3	82	3	8	61	79
Macau	0	0	0	0	0	0	0
Malaysia	10	66	1	8	39	37	34
Philippines	0	1	0	0	0	0	0
Singapore	13	0	2	6	5	42	14
Taiwan	38	67	10	23	12	47	45
Thailand	26	15	0	12	1	50	102
Vietnam	0	0	24	0	0	0	53
Europe							
Belgium	1	0	0	0	0	0	33
France	5	0	0	8	0	8	0
Netherlands	0	0	1	1	0	2	0
Portugal	0	0	0	0	0	0	0
Russia	0	0	0	0	2	0	278
United Kingdom	17	2	1	1	13	13	5

Source: Council for the Development of Cambodia.

Table 23. Cambodia: Foreign Debt, 2001–06

(In millions of U.S. dollars)

	2001	2002	2003	2004	2005	2006
Total external debt outstanding 1/	1,331	1,559	1,808	2,043	2,123	2,248
Multilateral	557	740	955	1,124	1,148	1,201
World Bank	240	303	396	464	460	501
AsDB	232	328	434	530	568	656
IMF	80	95	102	97	81	0
Bilateral	774	818	853	919	975	1,047
New debt	21	53	75	132	185	250
Rescheduled debt	25	28	33	35	30	27
Nonrescheduled debt	728	737	745	753	761	769
Total disbursements	120	189	174	182	172	148
Multilateral	113	157	153	131	118	87
World Bank	40	47	62	48	30	22
AsDB	49	79	73	74	80	60
IMF	21	22	12	0	0	0
Other	3	9	7	9	9	5
Bilateral	6	32	21	51	54	61
Total amortization	46	46	49	30	30	27
Multilateral	12	12	15	13	15	8
World Bank	0	0	0	1	2	4
AsDB	0	0	1	1	2	4
IMF	12	12	13	10	9	0
Other	0	0	0	0	1	1
Bilateral	34	34	34	16	15	19
New debt	0	0	0	0	0	0
Rescheduled debt	0	0	0	1	1	5
Nonrescheduled debt	34	34	34	15	14	14
Total interest	13	14	16	18	19	23
Multilateral	5	6	8	9	10	11
World Bank	2	2	3	3	3	4
AsDB	2	3	4	5	6	6
IMF	1	1	1	1	1	1
Other	0	0	0	0	0	1
Bilateral	8	8	8	8	8	12
New debt	0	0	0	1	1	1
Rescheduled debt	1	1	1	1	1	1
Nonrescheduled debt	7	7	6	6	6	9

Sources: Cambodian authorities; and Fund staff estimates.

1/ Includes debts owed to the Russian Federation and the United States. The Russian debt is valued at 0.6 USSR Roubles per US$ with the standard 70 percent discount.

Table 24. Cambodia: Financial Operations of State-Owned Enterprises, 2005-06 1/

	2005	2006 Prel.
		(In billions of Riels)
Total revenue and grants	790	1,130
Total revenue	790	1,130
Current revenue	787	1,127
Capital revenue	4	3
Transfers from the government 2/	0	0
Foreign grants	0	0
Total expenditure	911	1,142
Current expenditure	800	1,009
Of which : wage and salaries		
Investment expenditure	111	133
Current operational balance	-13	118
Overall balance	-120	-12
Transfer to government (dividends, etc.)	9	26
		(In percent of GDP)
Total revenue and grants	3.1	3.8
Total revenue	3.1	3.8
Of which : transfers from the government 2/	0.0	0.0
Foreign grants	0.0	0.0
Total expenditure	3.5	3.8
Current expenditure	3.1	3.4
Investment expenditure	0.4	0.4
Current operational balance	-0.1	0.4
Overall balance	-0.5	0.0
Transfer to government (dividends, etc.)	0.0	0.1
		(In billions of Riels)
Memorandum items:		
Total assets	5,947	6,631
Debt outstanding	291	339
Foreign debt	0	0
Domestic debt	291	339

Source: Ministry of Economy and Finance.

1/ The 20 enterprises include: Electricité du Cambodge (EdC), Sihanoukville Port, Caminco, Green Trade, Cambodia Telecom, Agricultural Supplies, Construction Public Works, Rural Development Bank, Publication Establishment, Royal Railway, Phnom Penh Water Supply, Phnom Penh Port, Cambodian Shipping Agency (CAMSAP), and 7 rubber plantations. For the list of state-owned enterprises sold to the private sector as of May 2006, see Table 24 of SM/06/210.
2/ Including direct payments by government on behalf of state-owned enterprises.

Table 25. Cambodia: Employment by Sector of Activity, 2001–06

	2001 1/	2002 2/	2003 2/	2004 3/	2005 4/	2006 4/	2001 1/	2002 2/	2003 2/	2004 3/	2005 4/	2006 4/
			(In thousands)						(In percent of total)			
Total employment	6,243	6,571	6,965	7,496	7,878	8,053	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, and fisheries	4,384	4,426	4,471	4,520	4,655	4,619	70.2	67.4	64.2	60.3	59.1	57.4
Industry	640	741	835	947	1,059	1,169	10.2	11.3	12.0	12.6	13.4	14.5
Services	1,219	1,404	1,659	2,028	2,163	2,265	19.5	21.4	23.8	27.1	27.5	28.1
Agriculture, forestry, and fisheries	4,384	4,426	4,471	4,520	4,655	4,619	69.3	67.4	64.2	60.3	59.1	57.4
Agriculture	4,068	4,080	4,091	4,103	4,197	4,183	65.2	62.1	58.7	54.7	53.3	51.9
Forestry	55	56	56	57	58	60	0.9	0.8	0.8	0.8	0.7	0.7
Fisheries	261	291	323	360	400	376	4.2	4.4	4.6	4.8	5.1	4.7
Industry	640	741	835	947	1,059	1,169	10.2	11.3	12.0	12.6	13.4	14.5
Mining and quarrying	4	15	16	17	19	20	0.1	0.2	0.2	0.2	0.2	0.3
Manufacturing	549	601	656	720	789	870	8.8	9.1	9.4	9.6	10.0	10.8
Utilities	4	6	10	16	17	19	0.1	0.1	0.1	0.2	0.2	0.2
Construction	84	120	153	195	234	260	1.3	1.8	2.2	2.6	3.0	3.2
Services	1,219	1,404	1,659	2,028	2,163	2,265	19.5	21.4	23.8	27.1	27.5	28.1
Trade	644	756	888	1,042	1,104	1,140	10.3	11.5	12.7	13.9	14.0	14.2
Hotels and restaurants	10	24	27	30	43	61	0.2	0.4	0.4	0.4	0.5	0.8
Transport and communications	167	178	187	196	206	217	2.7	2.7	2.7	2.6	2.6	2.7
Financial intermediation	6	9	12	16	23	32	0.1	0.1	0.2	0.2	0.3	0.4
Real estate, renting	4	16	15	15	16	184	0.1	0.2	0.2	0.2	0.2	2.3
Public administration and defense	149	159	169	180	185	18	2.4	2.4	2.4	2.4	2.4	0.2
Education	88	94	100	106	113	120	1.4	1.4	1.4	1.4	1.4	1.5
Health and social work	25	28	33	37	43	49	0.4	0.4	0.5	0.5	0.5	0.6
Other social services	52	59	68	78	89	108	0.8	0.9	1.0	1.0	1.1	1.3
Other	72	81	161	327	341	336	1.2	1.2	2.3	4.4	4.3	4.2

Source: National Institute of Statistics (NIS).

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