

Table 1. Cambodia: Policy Framework Paper Matrix, 1999-02

Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
<p><b>1. Fiscal Reform</b></p> <p><b>Generate additional revenue of 4 percent of GDP over four years to 2002.</b></p> <p>a. Broaden revenue base.</p> <p>b. Reduce tax and duty exemptions.</p> <p>c. Strengthen revenue administration and governance.</p> <p><b>Rationalize expenditure, toward social and basic services and reduce defense expenditure.</b></p> <p>a. Expenditure priorities.</p>	<p>Review mechanism for timber royalties, in the context of budget formulation.</p> <p>Improve VAT administration and extend VAT coverage.</p> <p>Reinstitute preshipment inspection (PSI).</p> <p>Adoption by Council of Ministers of implementing regulations (Subdecree 88) for Law on Investment in line with the Bank's Public Expenditure Review (PER).</p> <p>Revise Law on Investment to rationalize tax and duty exemptions for foreign direct investment.</p> <p>Grant no new ad hoc tax or import duty exemptions.</p> <p>Strengthen customs administration</p> <p>Fully transfer nontax revenue collection from line ministries to the Treasury.</p> <p>Reinforce procedures to collect tax and nontax arrears.</p> <p>Ensure incorporation of all taxation issues in the Law on Taxation.</p> <p>Ensure strict implementation of annual Public Investment Program (PIP) consistent with priorities, and link it more closely to recurrent expenditure.</p> <p>Provide adequate funding and meet budgetary targets for spending on basic health and education, and rural development, in line with Public Expenditure Review (PER).</p>	<p>1999-02</p> <p>1999-02</p> <p>April 2000</p> <p>June 1999</p> <p>December 2000</p> <p>1999-02</p> <p>1999-00</p> <p>1999-02</p> <p>1999-00</p> <p>1999-00</p> <p>1999-02</p> <p>1999-02</p>	<p>IMF</p> <p>World Bank</p>

Table 1. Cambodia: Policy Framework Paper Matrix, 1999-02 (continued)

Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
b. Civil service reform.	<p>Reduce number of civil servants through elimination of redundant workers, normal attrition, a strict limit on new hiring, and further downsizing.</p> <p>Fully operationalize the computerized management system for the payroll and establish control.</p> <p>Complete functional review of all ministries based on the role of the state.</p> <p>Complete civil service census.</p> <p>Adopt and implement an action program for civil service reform, including targets for downsizing.</p>	<p>1999-02</p> <p>March 2000</p> <p>June 2000</p> <p>March 2000</p> <p>2000-02</p>	<p></p> <p>World Bank</p> <p>World Bank</p>
c. Demobilization.	<p>Remove ghost soldiers and ghost dependents from the payroll of the Royal Cambodian Armed Forces (RCAF).</p> <p>Complete identification and registration of the RCAF.</p> <p>Implement demobilization and reintegration under the Cambodia Veterans Assistance Program (CVAP).</p>	<p>June-Dec. 1999</p> <p>October 1999</p> <p>January 2000 Onward</p>	
<p><b>Enhance the effectiveness of expenditure management.</b></p> <p><b>2. Public resource management and governance.</b></p> <p>a. Provide for an environmentally sustainable, socially responsible, and economically viable forestry policy.</p>	<p>Strengthen budgetary procedures to strictly limit spending decisions outside the budget framework.</p> <p>Establish responsibility for performance at the level of spending units in parallel with the strengthening of technical, financial and managerial capacities.</p> <p>Establish proper audit/accounting systems.</p> <p>Publish the list of log collection quotas that have been repealed.</p> <p>Establish and strengthen a forestry monitoring mechanism in consultation with the World Bank and bilateral donors.</p> <p>Submit quarterly reports by monitoring unit to Council of Ministers and release to the public.</p> <p>Submit subdecree on concession management to the Council of Ministers.</p>	<p>1999-02</p> <p>1999-02</p> <p>1999-02</p> <p>September 1999</p> <p>October 1999 onward</p> <p>October 1999 onward</p> <p>October 1999</p>	<p>World Bank/Others</p> <p>World Bank</p> <p>World Bank/AsDB</p> <p>World Bank/ UNDP/FAO/Other</p>

Table 1. Cambodia: Policy Framework Paper Matrix, 1999-02 (continued)

Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
	Strengthen concession management and contract terms to improve transparency, monitoring, and enforcement.	October 1999 onward	AsDB/World Bank
	Cancel concession contracts that are in violation of contract terms or Cambodian Law.	January-June 2000	AsDB
	Submit to National Assembly a revised Forestry Law to provide a permanent framework for management of sustainable forestry management.	December 2000	AsDB
	Review the log export ban policy commensurate with improvements in monitoring capacity.	January 2001	
	Develop community forestry, initiating mechanisms for the award of long term tenure rights to local communities and indigenous peoples.	2000-02	AsDB
b. Ensure sound and transparent natural resource exploitation, and strengthen financial controls.	Conduct review of contracts on oil and natural gas by internationally reputable specialists before tendering the contract.	1999-02	
	Strictly comply with the December 1997 Prime Ministerial Order requiring explicit approval of and financial control by the MEF of all contracts involving state assets.	1999-02	
	Review and modify the above order to ensure coverage of all physical, financial and intangible assets.	September 1999	
<b>3. Private sector development and public enterprise reform.</b>			
a. Create enabling environment for private sector development.	Adopt comprehensive Commercial Code, and implementing regulations and required sub-decrees, including provisions for business organization, bankruptcy, product liability, contracts, and intellectual property rights.	1999-00	World Bank/AsDB
	Strengthen the rule of law and transparency, including modernizing the judiciary.	1999-02	World Bank/AsDB
	Corporatize the eleven utilities and infrastructure SOEs to remain in the public sector.	1999-00	
b. Streamline the public enterprise sector.	Implement restructuring plans for seven rubber plantations.	1999-02	World Bank/AsDB
	Privatize first rubber plant.	December 2001	

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Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
<p><b>4. Banking sector policies</b></p> <p>a. Central bank (NBC)</p> <p>b. Commercial banks</p> <p><b>5. External sector policies</b></p> <p><b>6. Sectoral policies</b></p> <p>a. <b>Agriculture and rural development</b></p> <p>Increase productivity, improve food security and raise rural incomes.</p>	<p>Avoid central bank financing of the budget</p> <p>Complete onsite inspection for all private banks.</p> <p>Improve supervision capacity, including by strengthening staff and setting supervision guidelines.</p> <p>Strengthen legal framework by adopting a new law on commercial banks and financial institutions.</p> <p>Re-license all existing commercial banks under the new financial institutions law and close those that do not comply with the law.</p> <p>Restructure and privatize the Foreign Trade Bank.</p> <p>Maintain a market-based exchange rate system.</p> <p>Reduce tariff rates and simplify the tariff structure.</p> <p>Reduce the maximum tariff rate to 40 percent and the number of tariff bands to four.</p> <p>Further reduce the maximum tariff rate to 30 percent.</p> <p>Strengthen the debt management unit, and refrain from commercial borrowing on nonconcessional terms.</p> <p>Renew discussions with external creditors with a view toward concluding bilateral rescheduling agreements.</p> <p>Increase public investment in rural infrastructure.</p> <p>Rehabilitate and modernize the rubber sector.</p> <p>Submit to National Assembly revised Land Law after appropriate national consultations.</p>	<p>1999-02</p> <p>December 1999</p> <p>1999-02</p> <p>October 1999</p> <p>2000-02</p> <p>Sept. 1999- Dec. 2001</p> <p>Ongoing</p> <p>2000-02</p> <p>January 2001</p> <p>January 2002</p> <p>1999-02</p> <p>September 1999</p> <p>1999-02</p> <p>1999-02</p> <p>December 1999</p>	<p>IMF</p> <p>IMF</p> <p>IMF</p> <p>AsDB</p> <p>IMF</p> <p>IMF</p> <p>AsDB</p>

Table 1. Cambodia: Policy Framework Paper Matrix, 1999-02 (continued)

Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
<p><b>b. Power, transport, and water supply and sanitation</b></p> <p>Create an efficient power sector.</p> <p>Build key transport infrastructure.</p> <p>Improve water supply and sanitation.</p> <p><b>c. Human resource development</b></p> <p>Improve health and education for the poor.</p>	<p>Submit Electricity Act to the National Assembly.</p>	<p>September 1999</p>	<p>World Bank</p>
	<p>Establish a regulatory body for electricity.</p>	<p>December 1999</p>	
	<p>Commercialize EDC through a performance-based contract.</p>	<p>December 2000</p>	
	<p>Formulate and implement strategy for rural electrification and pilot projects.</p>	<p>1999-02</p>	<p>World Bank</p>
	<p>Repair and maintain national roads and bridges and strengthen institutional capacity.</p>	<p>1999-02</p>	<p>World Bank/AsDB</p>
	<p>Develop and implement a comprehensive transport sector policy with the input of key constituencies.</p>	<p>1999-02</p>	
	<p>Develop financing mechanisms that leverage private and community investments.</p>	<p>1999-02</p>	<p>World Bank/AsDB</p>
	<p>Develop regulatory framework that encourages outsourcing of utility operations to the private sector.</p>	<p>1999-02</p>	<p>World Bank</p>
	<p>Expand the network of health centers and referral hospitals.</p>	<p>1999-02</p>	<p>World Bank/AsDB</p>
	<p>Provide a minimum package of services (focussing on maternal and child health and national disease control), and expand these services to rural areas.</p>	<p>1999-02</p>	
	<p>Implement and review pilot programs for cost recovery to develop mechanisms for sustainable health financing.</p>	<p>1999-02</p>	
	<p>Increase public spending (especially nonwage) on basic and lower secondary education, while encouraging private sector involvement in upper secondary and tertiary education.</p>	<p>1999-02</p>	
	<p>Regularize the current informal cost recovery program, especially in higher education.</p>	<p>1999-02</p>	
	<p>Increase net enrollment rates in basic education and close gender gaps at the primary and lower secondary level.</p>	<p>1999-02</p>	

Table 1. Cambodia: Policy Framework Paper Matrix, 1999-02 (concluded)

Policy Objectives and Targets	Strategies and Measures	Implementation	TA Requirements
<p><b>7. Other areas</b></p> <p>a. Poverty monitoring</p> <p>b. Environment</p> <p>c. Statistics</p>	<p>Maintain regular poverty monitoring based on continued national multi-purpose household surveys.</p> <p>Build institutional capacity to better link poverty analysis to policy formulation.</p> <p>Implement the action plans outlined in the National Environment Action Plan (NEAP), in particular biodiversity and protected areas management.</p> <p>Mobilize financial and technical resources to implement the NEAP.</p> <p>Implement recommendations made by technical assistance advisors, to improve the coverage, quality, and timeliness of economic data.</p> <p>Improve coverage of <i>Government Finance Statistics</i>, especially to incorporate donor financed expenditure into the budget.</p>	<p>1999-02</p> <p>1999-02</p> <p>1999-02</p> <p>1999-02</p> <p>1999-02</p> <p>2000-01</p>	<p>World Bank/UNDP</p> <p>World Bank/UNDP</p> <p>World Bank</p> <p>World Bank/IMF/AsDB</p> <p>IMF</p>

Table 2. Cambodia: Macroeconomic Framework, 1996-2002

	1996	1997	1998	1999	2000	2001	2002
			Est.	Proj.	Program		
(Percent change; unless otherwise indicated)							
Real GDP	7.0	1.0	1.0	4.0	5.5	6.0	6.0
GDP deflator	7.1	9.2	17.1	6.7	3.6	4.0	4.0
Consumer prices (final quarter-basis)	9.0	9.1	12.6	5.0	5.0	4.0	4.0
<b>Money and credit</b>							
Broad money (incl. foreign currency deposit)	40.5	16.6	15.7	16.9	16.2	13.2	13.2
Net credit to Government 1/	-3.1	-8.1	11.7	-4.4	-5.3	-3.4	-5.0
Velocity of money 2/	10.6	9.7	9.7	8.9	8.4	8.0	7.8
(In percent of GDP)							
<b>Government budget</b>							
Revenue (incl. capital revenue)	9.1	9.7	8.7	11.2	11.3	11.9	12.9
of which: tax revenue	6.5	6.6	6.3	8.0	8.4	8.8	9.5
non-tax revenue	2.1	3.0	2.1	3.0	2.7	2.9	3.2
Expenditure	17.5	13.9	14.5	14.5	15.7	17.0	18.0
Current expenditure (cash basis)	9.9	9.0	8.7	9.5	9.7	10.3	10.8
Capital expenditure	7.6	5.0	5.8	5.0	5.9	6.7	7.2
Current budget balance (cash basis)	-1.2	0.6	-0.3	1.6	1.3	1.4	1.9
Overall budget balance (cash basis)	-8.4	-4.3	-5.8	-3.3	-4.4	-5.1	-5.1
Foreign financing	8.2	4.9	4.7	3.9	5.0	5.5	5.7
Domestic financing	0.2	-0.7	1.1	-0.5	-0.6	-0.4	-0.6
<b>Domestic investment</b>	25.9	19.0	15.1	18.9	19.7	20.5	21.0
Of which: Government investment 3/	7.6	5.0	5.8	5.0	5.9	6.7	7.2
<b>National saving</b>	10.2	10.8	6.0	6.6	6.6	7.5	8.7
Of which: Government saving	-1.2	0.6	-0.3	1.6	1.3	1.4	1.9
(In millions of U.S. dollars; unless otherwise indicated)							
<b>Balance of payments</b>							
Exports 4/	295	534	579	548	608	665	728
Imports 4/	-771	-799	-802	-898	-1,005	-1,103	-1,184
Current account (excl. off. transfers)	-493	-254	-261	-386	-448	-490	-509
(In percent of GDP)	-15.7	-8.2	-9.1	-12.3	-13.1	-13.0	-12.3
Capital account	123	-46	-38	77	95	230	249
Overall balance	-70	-90	-105	-102	-136	-36	-29
Gross official reserves	234	262	390	426	486	556	626
(In months of imports of g & s)	2.1	2.4	3.6	3.5	3.5	3.7	3.9
(In percent of broad money)	69.5	85.1	119.9	112.5	110.5	111.7	111.0
Net official reserves	164	197	323	355	399	456	516
Debt service 5/	145	132	124	132	45	54	56
(In percent of dom. exports of g&s)	29.5	17.8	16.5	17.7	5.3	5.9	5.6
<b>Memorandum items:</b>							
Nominal GDP (in billions of riels)	8,251	9,100	10,750	11,900	13,000	14,331	15,799
(in millions of U.S. dollars)	3,144	3,097	2,867	3,140	3,421	3,771	4,158
Exchange rates (riel per dollar, end-of-period)	2,713	3,460	3,780	3,800	...	...	...
Terms of trade (percent change)	-5.1	0.0	3.1	0.4	-4.1	0.5	0.1

Source: Data provided by the Cambodian authorities, and Fund staff estimates and projections.

1/ Change as a percent of beginning period broad money.

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

3/ Includes externally financed technical assistance for implementation of capital projects.

4/ Excludes re-exports.

5/ In percent of domestic exports of goods and services (after assumed debt relief).

Table 3. Cambodia: External Financing Requirements and Sources, 1999-2002  
(In millions of U.S. dollars; unless otherwise indicated)

	1999 Proj.	2000 Proj.	2001 Proj.	2002 Proj.	1999-2002 Total
<b>Financing requirements</b>	1,629	637	612	631	3,508
Current account deficit (excl. official transfers)	386	448	490	509	1,833
Amortization 1/	124	128	52	52	356
Changes in arrears (-:increase)	1,083	0	0	0	1,083
Changes in gross reserves (+:increase)	36	60	70	70	236
Disbursements from existing commitments	206	150	54	37	446
Grants	155	109	0	0	264
Medium- and long-term loans					
Bilateral creditors	2	5	12	4	23
Multilateral creditors	48	36	42	33	159
Disbursements from new commitments	61	154	298	333	846
Grants	52	109	224	231	615
Medium- and long-term loans					
Bilateral creditors	0	7	20	33	60
Multilateral creditors	10	38	55	69	171
Foreign direct investment	120	130	140	150	540
Short-term flows and errors & omissions	18	0	0	0	18
<b>Initial financing gap</b>	1,224	203	119	112	1,659
Debt relief (Non-Paris Club creditors)	1,190	117	36	36	1,378
IMF disbursements	11	23	23	23	80
<b>Residual financing gap</b>	23	64	60	53	200
<b>Memorandum items:</b>					
Current acct. excl. official transfers (In percent of GDP)	12.3	13.1	13.0	12.3	...
Gross official reserves	426	486	556	626	...
(In months of imports of goods and services)	3.5	3.5	3.7	3.9	...
Net official reserves (US\$ million)	355	399	456	516	...
(In months of imports of goods and services)	2.9	2.9	3.0	3.2	...

Sources: Data provided by the Cambodian authorities, donors, and staff estimates and projections.

1/ Includes debt service to the IMF and on rescheduling.



Table 4. Cambodia: Income and Social Indicators

	Unit of Measure	Latest Single Year		
		1970-75	1980-85	1990-98
<b>Population</b>				
Population (mid-year)	millions	7.1	7.6	11.3
Population growth rate	annual percent	0.5	3.4	2.7
Total fertility rate	births per woman	5.5	5.1	4.6
<b>Poverty</b>				
National poverty line 1/	Riels per day	..	..	..
Phnom Penh	"	..	..	1819
Other urban	"	..	..	1407
Rural	"	..	..	1210
National Headcount Index 1/	percent of population	..	..	36.1
Phnom Penh	"	..	..	11.1
Other urban	"	..	..	29.2
Rural	"	..	..	40.1
<b>Income</b>				
GNP per capita	U.S. dollars	..	..	280
Consumer price index	Sep. 1994 = 100	..	..	143
<b>Income/Consumption distribution</b>				
Share of income or consumption 1/				
Lowest quintile	percent	..	..	8.6
Highest quintile	"	..	..	46.3
<b>Social Indicators</b>				
Public expenditure on basic social services	percent share of GDP	..	..	2.3
Health	"	..	..	0.5
Education	"	..	..	1.0
Social security, welfare & others	"	..	..	0.7
Gross primary enrollment rate	percent of school age	42	..	47
Male	"	48	..	48
Female	"	35	..	46
Access to safe water	percent of population	45	..	13
Urban	"	97	..	20
Rural	"	38	..	12
Immunization rate				
Measles	percent under 12 months	..	..	68
DPT	"	..	..	70
Under-five malnutrition rate	percent age group	..	20	38
Life expectancy at birth	years	40	45	54
Male	"	39	44	53
Female	"	42	47	55
Infant mortality rate	per 1,000 live births	181	160	103
Under-five mortality rate	"	244	330	147
Adult (15-59) mortality rate	per 1,000 persons	458	414	326
Maternal mortality ratio	per 100,000 live births	..	500	..

Source: Social Indicator of Development.

1/ Poverty Assessment and Strategy (World Bank), forthcoming.