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Cambodia: Recent Economic Developments

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CAMBODIA

Recent Economic Developments

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Approved by the Asia and Pacific Department

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I. INTRODUCTION

1. The Cambodian economy was predominantly a centrally planned economy from the early 1980s until the signing of the 1991 Paris Peace Accord. Although attempts at reform started modestly in 1985, they gathered momentum after 1992, when reform was supported by the Fund, first under the Systemic Transformation Facility and later under the Enhanced Structural Adjustment Facility (ESAF). Progress has been made in moving toward a market economy, with state-owned enterprises now accounting for less than 10 percent of GDP. In 1997 the authorities adopted their first *Socio-Economic Development Plan for 1996-2000* with a view to consolidating the progress achieved and remedying persisting major socio-economic problems. However, with an estimated annual per capita income of about \$300 in 1996, Cambodia remains one of the poorest countries in the world.

2. This report briefly discusses major developments in 1997 and updates the statistical tables included in last year's report on recent economic developments.¹ During the first months of 1997, macroeconomic performance was broadly in line with the second-year ESAF program, but the situation deteriorated markedly in the aftermath of Second Prime Minister Hun Sen's seizure of power in July and the regional financial crisis. The effects of the political crisis seem to have been much stronger than those of the regional financial crisis as they undermined growth and investors' confidence. Cambodia's high degree of dollarization mitigated to a large extent the short-term impact of the unfolding regional crisis because the riel depreciated less than other currencies in the region and its limited use minimized the impact of the depreciation on the economy.

3. Chapter II discusses developments in the real sector and factors accounting for output growth, estimated at 2 percent in 1997, down from 6½ percent in 1996. The chapter also analyzes developments affecting inflation during the year. Chapter III deals with public finance and highlights the persistent problems with revenue collection which, together with overspending on the military budget, led to a squeeze in civilian nonwage expenditure. Chapter IV discusses monetary and financial sector developments and notes that, in Cambodia's highly dollarized economy, monetary policies of the central bank—the National Bank of Cambodia (NBC)—were confined to containing bank financing of the budget. The NBC's efforts to improve banking regulations and supervision are also discussed. Chapter V focuses on external sector developments that led to a decline in the current account deficit and a deterioration in the external payments position. Chapter VI discusses privatization, an area where only limited progress was achieved. Finally, Chapter VII deals with forestry management. Illegal logging and exports seem to have intensified following the July events.

¹IMF Staff Country Report 97/9 "Cambodia—Recent Economic Developments," March 1997.

II. REAL SECTOR

A. Growth and Sectoral Performance

4. Cambodia's real GDP grew at an annual average of about 5½ percent in real terms between 1993 and 1996 (Table 5).² Growth during this period was led by the manufacturing and service sectors, while agricultural output, on average, lagged behind population growth. Output growth in 1997 slowed sharply to 2 percent, mainly reflecting the adverse impact on private sector activity of the July events and the regional financial crisis.

5. Agriculture output, which accounts for about 43 percent of GDP, grew by 2 percent in 1997 (Table 6). The rice crop, the main agricultural produce and the country's staple food, remained at about 3½ million metric tons since 1995, when it had recovered from adverse weather conditions (Table 8). The total cultivated area increased from 1.8 million hectares in 1996 to 2.1 million hectares in 1997, as some previously land-mined fields were reclaimed. The average rice yield increased from 1.3 metric tons per hectare in 1992-94 to 1.8 metric tons in 1997, well below the average 2.7 metric tons of yield reached by Cambodia's neighbors. Exports of rice from border regions increased modestly in 1997.

6. Rubber production, one of Cambodia's main cash crops, stagnated mainly because of the aging of rubber trees (Table 8). Trees have been replanted since the early 1990s, but results have not yet been visible because of the long period required to produce gum. The 10 percent export tax on rubber was suspended in October 1997 to preserve the sector's competitiveness in the face of a 27 percent decline in world prices in U.S. dollar terms.³

7. Livestock grew strongly as diseases were less frequent in 1997 than usual. Growth in the fishery sector was affected by the deterioration in the environment. Deforestation-led soil erosion and flooding, as well as the destruction of marshland and forests, have changed the ecosystem in parts of the country, and several fish species have become extinct. The forestry sector represented less than 3 percent of GDP and was on a declining trend as reserves were being depleted and trees had to be cut deeper in the forest. The sector was also hit by falling world prices for tropical timber, in the wake of weakening demand for wood in the United States and Japan, the two main importers.

²Cambodia's national statistics continue to be very weak. In particular, the statistical coverage of wide-spread urban and rural informal sector activity remains nonexistent. The authorities are working on the preparation of a new set of historic national accounts data, based on the 1993 *System of National Accounts* methodology, with assistance from the Asian Development Bank (AsDB).

³The downward trend in rubber prices began in 1996 when world production started to exceed demand and was compounded during February-May 1997 when the United States sold 56,000 tons of natural rubber from their *National Defense Stockpile*.

8. Output of the industry sector, accounting for about 21 percent of GDP in 1997, grew by 3 percent. Following rapid growth during 1994-96, construction activity declined by 1 percent in 1997, mainly because the political uncertainty and the regional financial crisis adversely affected several hotel construction projects. Garment output, most of which was for exports, continued to grow rapidly (Table 1). Relatively low labor costs, the availability of unfulfilled quotas of exports to the European Union (EU), the Most Favored Nation (MFN) status in Europe and the General System of Preferences (GSP) status granted by the United States in 1997 were the main driving forces behind the sector's rapid development. The sector was only marginally affected by the July events.

Table 1. Cambodia: Garment Industry, 1994-98

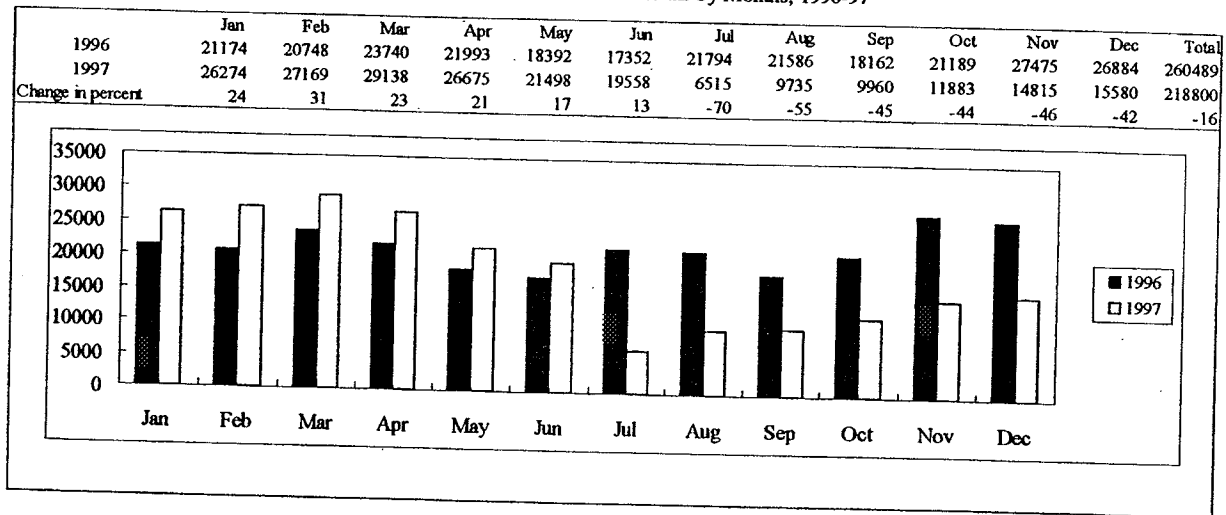
	Number of factories	Number of employees	Total exports (\$ mill.)
1994	9	2,270	3.4
1995	17	9,060	26.5
1996	39	17,704	76.1
1997	72	36,717	201.9
1998 (proj.)	89	54,000	250.0

Source: Ministry of Industry

9. The growth of the service sector, accounting for about 36 percent of GDP, slowed to about 1 percent in 1997. Activity in the transport and communication sector continued to be buoyant. However, growth in the tourism sector came to an abrupt halt in mid-1997 as a result of the deteriorating security situation.⁴ In July, the monthly tourist arrivals plummeted to about 6,000 from more than 29,000 in March. Tourist arrivals picked up somewhat during the remaining months of 1997, but did not reach the level achieved during the first half of the year (Table 2).

⁴The hotel and restaurant sector grew at double digit rates in 1994-96, fueled by substantial foreign direct investment. Tourist arrivals soared from 5,000 a month in 1993 to over 15,000 a month in 1995 and to about 22,000 a month in 1996.

Table 2. Cambodia: Tourist Arrivals by Months, 1996-97



Source: Cambodian Ministry of Tourism

B. Aggregate Demand and Inflation in 1997

10. In 1997, the share of private consumption in GDP remained at about 86 percent, while government consumption declined from 10 percent in 1996 to 9 percent mainly as a result of continued cuts in nonwage current expenditure in the face of revenue shortfalls (Table 9). Domestic investment in relation to GDP declined by 4 percentage points to 16½ percent, reflecting the suspension or postponement of many foreign-financed projects in the wake of the mid-year political conflict and the cutting back of government investment. The national saving rate remained fairly constant at 5½ percent of GDP. Thus, the external current account deficit (excluding official transfers) declined by 4 percentage points, but remained high at about 11 percent of GDP.

11. The inflation performance showed a stark contrast between the first and second semesters of 1997 (Tables 10 and 11). During the first half of the year, inflation measured by the consumer price index (CPI) was about 6 percent on a 12-month basis, reflecting the stable exchange rate, restrained financial policies, and the availability of agricultural produce. During the third quarter, inflation jumped to 12 percent on a 12-month basis, owing mainly to the depreciating exchange rate and the political instability, which temporarily led to shortages of some food and nonfood items. However, during the last quarter, consumer prices declined somewhat and year-end inflation was about 9 percent. The U.S. dollar-denominated CPI, which is derived by deflating the official CPI by the parallel market exchange rate of the riel

against the U.S. dollar, declined by 15 percent during 1997, suggesting that U.S. dollar-denominated prices of imports from Asian countries declined significantly.⁵

III. PUBLIC FINANCES

A. Introduction and Background

12. Fiscal policy made a major contribution to maintaining macroeconomic stability during the first years of Cambodia's transition to a market-based economy, by avoiding bank financing of the budget deficit. Nonetheless, several structural problems remain. One key problem has been the lack of dynamics in revenue generation. The revenue-to-GDP ratio has been hovering around 9 percent since 1993, without a marked tendency to increase. In addition, military and security expenditures have absorbed a large part of current expenditure and tended to exceed their budgetary limits year after year. As a result, there has been no room for salary increases for civil servants, and civilian nonwage spending has been compressed on several occasions, to the point of becoming unsustainable.

13. The 1997 budget aimed at addressing some of the sustainability issues by targeting an increase in total revenue from 9 percent of GDP in 1996 to 9 ½ percent (Table 12).⁶ The budget also envisaged a significant shift from defense and security outlays to social expenditure, while holding the expenditure-to-GDP ratio unchanged at 16 percent. The overall deficit was targeted at 6 ¼ percent of GDP, to be entirely foreign financed.

14. The execution of the budget met with severe difficulties in 1997, largely repeating the pattern of previous years. These difficulties were exacerbated by the aftermath of the July events. There were significant shortfalls in revenue collection, overspending on the military budget, and a compression of civilian nonwage expenditures. In addition, capital expenditure had to be squeezed in the second half of the year because aid inflows significantly declined. In the event, the government abstained from bank financing of the deficit and, thus, limited the impact of the poor budgetary performance on inflation. No significant steps were undertaken to improve the tax administration. Full implementation of the new Tax Law (adopted in February 1997), an important step in consolidating Cambodia's tax system and laying the foundations for a modern tax system, was delayed because of technical problems and a lack of consensus in the Council of Ministers.

⁵Most prices of goods and services included in the riel-based CPI are tallied in U.S. dollars and then converted into riels using the official exchange rate. The prices are then weighted in the index, which also includes products and services tallied directly in riels.

⁶The fiscal year coincides with the calendar year.

B. Revenue Performance in 1997

15. Three quarters of the planned one percentage point increase in revenue (as a ratio to GDP) was to be generated by the new Tax Law, and the 1997 budget envisaged total revenue to increase to 9¾ percent of GDP. In the end, revenue only reached 9¼ percent of GDP, with better-than-targeted domestic tax revenue and nontax revenue, offset by low trade tax revenue (Table 13). Without the impact of the depreciation of the riel on some tax and nontax categories and unexpected royalties from an oil exploration contract (yielding about ½ percent of GDP), revenue performance would have been worse.

16. Domestic tax revenue was better than originally budgeted. However, as indicated, this outcome was influenced mainly by the impact of the depreciation of the riel and not by policy actions planned at the beginning of the fiscal year. Several measures included in the new Tax Law (such as the excise tax on hotel services, income tax for employees of NGOs and final withholding tax of 15 percent on salaries of nonresidents) were not introduced (Box 1),⁷ and no major efforts were undertaken to collect tax arrears as planned.⁸ There was a significant shortfall in trade taxes (of about 1 percent of GDP), despite the depreciation of the riel. The main factors accounting for this shortfall were (i) continued granting of *ad hoc* exemptions to major importers (garments) and exporters (sawn timber and rubber), (ii) flawed import valuation procedures, and (iii) a temporary drop in imports immediately after the July events.

17. Nontax revenue performed better than planned because of the depreciation of the riel (affecting such categories as timber royalties, building leases, and overflight fees) and of the unexpected royalties from an oil exploration contract. Timber royalties, for the first time in years, exceeded the targets, but this was mainly the result of the riel's depreciation. Several other revenue categories fell short of their targets because of persistent problems such as ministries not collecting revenues (or arrears) or not transferring revenue to the MEF. No concrete steps were taken to address these problems, which are partly administrative in nature and partly political.

⁷ From the beginning, there was a consensus that the introduction of the value-added tax (VAT), the single highest revenue generating measure in the new law, would only take place in January 1998, because the technical preparations required time. Thus, the impact of VAT was not included in the 1997 budget. However, soon after the adoption of the Tax Law, VAT introduction was postponed until January 1999, mainly because of political reluctance.

⁸ During 1996, audits conducted by the Ministry of Economy and Finance (MEF) at the 136 largest enterprises had identified CR 23.6 billion in tax arrears. Of these, CR 10 billion was supposed to be collected during fiscal year 1997, but in the event nothing was collected.

**Box 1. Status of Implementation of 1997 Tax Law
(As of January 1998)**

Taxes on turnover/consumption

- Levy of turnover tax on (previously exempt) first sale after importation. **Implemented in 1997**
- Replacement of taxes on turnover and consumption for the 600 largest taxpayers with a value-added tax. **Postponed until January 1999**
- Harmonized taxation of estimated-regime taxpayers at a 2 percent tax rate (some up from 1 percent, some down from 4 percent). **Not yet implemented**

Excise taxes

- Introduction of excise tax on automobiles, hotel services, international air travel, and telecommunications. **Implemented, except for hotel services**

Tax on salaries

- Application of the tax to private and public sector enterprise employees as well as to government employees, elected officials, and employees of NGOs. **Not yet implemented**
- Introduction of tax on fringe benefits paid to salary earners. **Implemented in 1997**
- Final withholding tax of 15 percent on salary payments to non-residents. **Not yet implemented**
- Restructuring of the rates (raising the top tax rate and reducing the exemption threshold). **Not yet implemented**

Tax on profits

- Introduction of withholding taxes on interest, dividends, and other payments to foreign or domestic firms and individuals. **Not yet implemented**
- Strengthened application of the minimum tax on all enterprises, including loss-making enterprises. **Implemented in 1997**

C. Expenditure Performance in 1997

18. Total expenditure was about 2 percentage points lower than budgeted, mainly reflecting a squeeze in current expenditure in light of the shortfall in revenue and a drop in capital expenditure stemming from slow aid inflows.

Current Expenditure

19. Current expenditure, at 8 $\frac{3}{4}$ percent of GDP, was nearly $\frac{3}{4}$ percentage point lower than budgeted, reflecting a slightly higher wage bill, more than offset by lower-than-budgeted civilian nonwage expenditures (Tables 14 and 15). Overspending (by CR 20 billion or about $\frac{1}{4}$ percent of GDP) on the wage bill was entirely attributable to military spending, reflecting the unanticipated integration of about 20,000 defecting Khmer Rouge soldiers in the Royal Army and the impact of higher rice prices.⁹

20. Early in the year, when signs of a revenue shortfall started to appear, the MEF began to control nonwage current expenditures in line with the monthly revenue resource envelop. As in the previous year, expenditures were affected by general cuts across the board, specific cuts in some ministries' budgets, and postponement of payments. In the event, expenditure for civilian operations and maintenance was cut by nearly 1 percent of GDP, while there was some overspending on the military budget. As a result, current expenditure on health and education was, for the second year in a row, lower than budgeted.

Capital Expenditure

21. Capital expenditure was squeezed by more than 1 percent of GDP, to nearly 5 $\frac{1}{2}$ percent of GDP (Table 16). The shortfall in revenue led to lower locally financed investment, while the slowdown in project loans and grants contributed to a decline in foreign-financed capital spending. In July, Germany and the United States suspended their nonhumanitarian aid programs for the remainder of the year, and there was also a slowdown in aid inflows from some other major bilateral donors such as France, Japan, and the EU. The World Bank and the AsDB, while continuing the financing of ongoing projects, delayed the start of new projects.

D. The Deficit and its Financing

22. Following a small deficit in 1996, the current balance was marginally positive (CR 3 billion), though below the target of CR 15 billion. The overall deficit, at 5 $\frac{1}{4}$ percent of GDP, was more than 1 percent of GDP smaller than planned and foreign funding and nonbank

⁹Part of the military's salaries is paid in the form of rice and rice prices were higher than originally budgeted.

financing allowed the government to build up deposits with the banking system. Nonbank financing largely took the form of a build-up of enterprise deposits with the Treasury.

IV. MONEY AND BANKING

A. Overview

23. Cambodia is among the most highly dollarized economies in the world and is still largely cash-based. The stock of foreign currency cash holdings is probably significantly larger than measured broad money (including foreign currency deposits). Dollarization is a legacy of the country's recent history. Money and banks were abolished under the Khmer Rouge regime. In 1980, a monobank system was introduced and the riel was brought back into circulation. However, confidence in the domestic currency remained low throughout the 1980s and early 1990s as a result of political and economic uncertainty. Dollarization was further facilitated by the inflow of foreign exchange, associated with UNCTAD operations and the return of expatriate Cambodians following the formation of a new coalition government in 1993. The main developments in the monetary and financial sector in 1997 were a significant withdrawal of foreign currency deposits, induced by political and economic uncertainty on the one hand and progress in the NBC's work on bank regulation and supervision on the other.

B. Institutional Changes in the Banking Sector

24. Cambodia's banking system consists of the NBC, with 20 provincial branches, 22 locally incorporated banks, 7 branches of foreign banks, 1 state-owned bank, and a decentralized system of NGOs engaging in rural financing (Table 18). The major changes in 1997 included the continued reduction of the state's direct involvement in the financial sector through (i) the conversion of three joint-venture banks (Cambodia Commercial Bank, Cambodia Public Bank, and Canadia Bank) into locally incorporated private banks, and (ii) the liquidation of the state-owned Municipality Bank; its remaining assets and liabilities were absorbed by the NBC. The only remaining state-owned commercial bank is the Foreign Trade Bank. Its privatization was scheduled for 1997, but a delay in the audit has postponed the process until 1998.

25. In early 1998, the government firmed up its plans to establish, with foreign financial assistance, a Rural Development Bank (RDB) as a "frontal institution" that will channel financial flows from bilateral and multilateral donors to grassroot institutions specializing in microfinance and will supervise these institutions. Presently, there are about 60 such grassroot institutions that are left unsupervised and perform financial and social services to the rural communities. So far their work is largely uncoordinated and their operations are not always run smoothly (sometimes funding from headquarters is cut off). The RDB would not be allowed to receive deposits from the public. It is the government's intention to privatize this financial institution at a later stage.

C. Monetary Aggregates

26. Developments in monetary aggregates in 1997 were characterized by a significant withdrawal of foreign currency deposits (10 percent in U.S. dollar terms), induced by waning confidence in the political and economic situation (Tables 19, 20, and 21). The withdrawal started soon after the first signs of political violence in March and accelerated after the July events. This development came to a halt in the last two months of the year when the political situation stabilized and security improved. As a result, the year-on-year growth rate of broad money dropped from 40 percent at end-1996 to 16 percent at end-1997. The share of foreign currency deposits in broad money remained stable at around 62-63 percent. Measured velocity (at 9.4) declined by 10 percent, compared with a decline of 23 percent the year before, indicating that the processes of monetization and intermediation slowed down in the wake of the political events.¹⁰ Part of the withdrawn foreign currency deposits appeared to have stayed in the system as foreign cash in circulation, but another part was most likely transferred to banks abroad.

27. The stock of private sector credit increased by 18 percent (expressed in U.S. dollar terms) during the first half of the year, reflecting buoyant economic growth. During the second half, political and economic uncertainty led to a standstill in credit activity. By December, the stock of private sector credit (in U.S. dollar terms) was 2 percent lower than the end-June stock. Banks also reported problems with customers who were unable to service their loans as business activity slackened significantly. By year-end, this situation started to improve somewhat.

D. Monetary Policy

28. Cambodia's high degree of dollarization severely limits the NBC's scope for monetary policy. Because the domestic currency share in the (unmeasurable) stock of total liquidity (including foreign currency cash in circulation) is so small, central bank actions are not effective. The most important central bank measure has been to limit central bank financing of the government deficit, the main source of domestic money creation in Cambodia under the present circumstances. Cooperation between the NBC and the MEF in the past few years has been effective in this regard. As such, domestic currency liquidity expansion has been contained, thereby minimizing pressure on the exchange rate and prices. During 1997, the government was able to build up its deposit base with the NBC by CR 74 billion. The resultant decrease in net claims on government partially offset the increase in the NBC's net foreign assets, containing the growth in reserve money to 21 percent (year-on-year), about half the growth rate recorded in 1996 (Table 22).

¹⁰Velocity is the ratio of nominal GDP to the average stock of broad money during any given year.

29. Interest rates still do not perform a meaningful role in resource allocation in Cambodia. Commercial bank interest rates remained broadly unchanged during 1997 (Table 23). Riel deposit rates remained in the range of 8-12 percent and U.S. dollar deposit rates in the 3-7 percent range. Lending rates ranged from 12 percent to 18 percent (U.S. dollar loans).

E. Exchange Rate Policy

30. In 1997 Cambodia continued its market-based exchange rate policy. The exchange rate of the riel against the U.S. dollar remained broadly stable around CR 2,750 during the first half of the year. However, during the last six months, the rate depreciated by about 27 percent and reached CR 3,450 at end-December. During the first five months, the NBC conducted 13 foreign exchange auctions for a total of \$6.4 million (the total amount sold in the 1996 auctions was \$33.6 million). The main purpose of such auctions, as in the past, was to smooth exchange rate fluctuations. During the second half of the year, no further auctions were conducted. Throughout the year, the spread between the official and the market rate was well below 2 percent, and most of the time it was less than 1 percent.¹¹ The NBC intends to reduce the spread further in the course of 1998.

F. Banking Supervision and Regulation

31. The Cambodian banking system expanded rapidly in 1991-94, putting significant strains on the NBC's regulatory and supervisory capacity. The moratorium on issuing new licenses (June 1994) was intended to give the NBC breathing space to develop its banking control skills. Since then, supported by technical assistance from the Fund and other multilateral organizations, a foundation has been laid to enhance the NBC's bank supervision capacities.¹² The banking supervision department was reorganized in 1995, new reporting forms designed, and a start was made with off-site inspections based on these reporting forms. On-site inspections started in 1996, through an international audit firm. In addition, to enhance transparency and avoid conflict of interest, the NBC began to divest its interests in the five joint-venture banks, a process that was completed in 1997.

32. Progress in bank supervision in 1997 was achieved on several fronts. First, international audit firms conducted on-site inspections in eight banks. These inspections revealed problems in only one bank. This bank has been given six months to formulate and implement a recovery plan. If this strategy fails, the NBC will advise to close this bank. Given the continued limited capacity of the NBC to conduct such inspections independently, it has been agreed that the entire sector will be inspected by international firms by the end of 1999.

¹¹The exchange rate regime is described in detail in the IMF Staff Country Report 97/9 "Cambodia—Recent Economic Developments," March 1997.

¹² In June 1996, the NBC resumed granting some new licenses.

Second, the NBC strengthened its reporting requirements by asking the commercial banks to submit, on a monthly basis, the list of loans exceeding \$100,000 (or CR 300 million), classified according to the loan classification criteria. By now, banks have to submit 14 reports on a monthly basis and a report on nonperforming loans on a quarterly basis. Third, the NBC raised the minimum capital requirement for new banks to \$15 million.

33. The new draft Commercial Bank Law, which is expected to provide a much needed transparent framework for banking operations in Cambodia and for bank supervision, has been with the National Assembly for more than a year, awaiting adoption.

34. Effective January 1, 1998, the NBC increased the reserve requirements from 5 percent to 8 percent and the capital guarantee deposit from 5 percent to 10 percent (Table 24).¹³ Both measures were introduced for prudential reasons, to ensure liquidity and solvency of the banking system.

V. EXTERNAL SECTOR

A. Overview

35. Cambodia's economy is open to international trade and financial relations, underpinned by a framework of liberalized exchange, foreign investment, and trade regimes. This outward-oriented policy has served the country well and has attracted foreign direct investment as well as foreign concessional financial assistance which contributed to strengthening the external payments position.

36. External sector developments in 1997 were marked by a sharp turning point in mid-1997. During the first half of the year, significant foreign concessional aid and foreign direct investment entered into the country, with an ensuing deterioration in the trade balance, as exports could not keep pace with rising aid- and investment-related imports. During this period, the overall balance remained positive as the capital account surplus more than offset the current account deficit. In contrast, during the second half, the current account improved mainly because imports declined in response to falling capital inflows, but the overall balance of payments, although in surplus, deteriorated.

37. The current account (excluding official transfers) declined from 15½ percent in 1996 to 11 percent in 1997, reflecting strong export performance in the garment industry and the reduction in aid-related project imports (Table 25). The capital account deteriorated as multilateral disbursements and foreign direct investment contracted sharply as a result of the political crisis in Cambodia and the financial crisis in Asia. Thus, the overall balance of payments recorded a surplus of \$29 million in 1997, compared with that of \$52 million in

¹³Banks have to hold reserves at the NBC, as capital guarantee deposits, against their paid-up capital.

1996. Official foreign reserves increased to a level equivalent to 2½ months of imports of goods and services.

B. Developments in 1997

38. Total exports increased by about 11 percent in 1997, supported by a strong growth in nontraditional exports, whereas traditional exports remained subdued (Table 26). The export share of forestry products declined from 43 percent in 1994 to 14 percent in 1997.¹⁴ Illegal cutting and exporting of logs continued on a large scale in spite of the official ban on such exports. The volume of forestry product exports declined in 1997 and stood at about one half of the 1995 level, when the government exported large quantities of illegally felled trees. In addition, the international price for timber fell in 1997, further reducing the value of timber exports. Natural rubber, the second most important traditional export item (representing about 5 percent of total exports in 1997), increased by 13 percent, despite the sharp drop in international prices.¹⁵ Cambodia has also steadily increased its rice and fish exports, but the total value of those exports remained marginal.

39. The most significant export development in 1997 was the more-than-doubling of nontraditional exports, representing about 35 percent of total exports. Nontraditional exports included textile and garment products, covered under the MFN and GSP statuses, as well as leather and furniture items. These exports were virtually nonexistent prior to 1995, but sizable foreign direct investment and a propitious international climate boosted them over the last three years.

40. Re-exports continue to represent an important feature of Cambodia's external trade, although their share in total exports receded from 53 percent in 1993 to 45 percent in 1997. Re-exports continued to stem from differences in tariffs on goods imported by Cambodia and its neighbors.¹⁶ These goods included cigarettes, motorcycles, beer, electronic equipment, and nonmonetary gold. Most of these consumer goods were re-exported to Vietnam, while gold went mainly to Thailand.

¹⁴Timber export data include estimates for illegal exports but remain subject to a large margin of error.

¹⁵Data include estimates for unrecorded exports.

¹⁶Tariffs levied in Cambodia on goods for re-exports were between 25 percent and 50 percent lower than those for retained imports until end-1996. In 1997, the authorities further reduced import taxes on these goods. To prevent domestic fraud, a cap is imposed on the share of imports of those products that can be declared as re-exports and the remainder is taxed at the normal rate.

41. The assessment of import performance is hampered by the large share of tariff-exempt imports for which there are no customs data. Such imports, which were estimated to represent 32 percent of total imports in 1997, included imports procured by government, imports financed by official foreign assistance and foreign direct investment, inputs for the garment industry, and imports for which *ad hoc* exemptions from inspection were granted. Retained imports, representing 68 percent of total imports, declined by 6 percent in U.S. dollar terms, reflecting the political turmoil and slack in foreign financial inflows (Table 27). In contrast, security-related government imports were estimated to have almost doubled, whereas aid-related imports decreased sharply.

42. The service account continued to be in deficit in 1997, representing about 17 percent of the current account deficit (excluding official transfers). The tourism sector remained the single most important foreign exchange earning service sector, despite a decline from \$84 million in 1996 to \$73 million in 1997. Both the cut in foreign aid and the departure of roughly half of the expatriate community after July were reflected in the continued decline of technical assistance. Interest payments on foreign debt remained modest given the high degree of concessionality of Cambodia's external debt.¹⁷ Official transfers, mainly in the form of project financing and technical assistance, plummeted to about \$171 million in 1997, half the peak level recorded in 1995. Foreign direct investment was almost halved in 1997 as a result of loss in business confidence and the regional financial crisis (Tables 28 and 29).

C. External Debt

43. Cambodia's external bilateral sovereign debt was rescheduled on *Naples terms* at the Paris Club on January 26, 1995 for all outstanding obligations prior to December 31, 1985.¹⁸ Since then, Cambodia signed bilateral rescheduling agreements with France, Germany, and Japan and has continued discussions, albeit at a very low pace, with the United States with a view to signing a similar agreement. Cambodia also has sizable external debt obligations vis-à-vis four former *Council of Mutual Economic Assistance* (CMEA) countries. Pending the signing of agreements with the United States and the CMEA countries, Cambodia suspended servicing their claims.

44. At end-1997, Cambodia's external debt (excluding short-term debt but including obligations to the IMF) amounted to an estimated \$2 billion or about 65 percent of GDP

¹⁷Nonetheless, there was an accumulation of \$0.3 million in debt service payments arrears to China in 1997.

¹⁸The main provisions of the 1995 Paris Club rescheduling agreement involved the offering of terms along one of two options: (i) writing-off of 67 percent of debt service obligations and consolidation of the remaining part at market interest rates over 23 years including a grace period of 6 years; or (ii) consolidation of obligations at concessional interest rates so as to reduce payments due by 67 percent in net present value.

(Table 30). Bilateral debt accounted for 86 percent of total debt. The Russian Federation was Cambodia's main creditor with an estimated \$1.3 billion (65 percent of total debt), followed by the U.S.A. with \$0.4 billion (17 percent).¹⁹ However, the figures quoted for Russia and the U.S.A. are before rescheduling although the principle of such rescheduling has been accepted by both creditors (Box 2). Accordingly, if the most favorable rescheduling assumptions to Cambodia are applied to its external debt and interest payment arrears, the bilateral debt, after rescheduling, could be as low as \$0.7 billion and would represent only 46 percent of total debt.²⁰ The World Bank would then become Cambodia's principal creditor, while the IMF's share would be less than 8 percent.

D. Trade Regime Developments in 1997

45. Cambodia, surrounded by ASEAN member countries, has a long-term interest in freeing its trade and having unhindered access to ASEAN's 500 million consumer-strong market. Accordingly, during 1997 Cambodia signed bilateral trade agreements with China, Indonesia, Thailand, and Vietnam and completed the preparatory technical work for its admission to ASEAN. Import tariffs were reduced by about 15 percentage points for a number of consumption and equipment goods. As a result, the average tariff rate was reduced to 18 percent. In 1997, the maximum import tariff rate was 120 percent on luxury cars and the minimum rate was 0.3 percent on unwrought gold and silver. There were four primary tariff bands (7, 15, 35, and 50 percent) within these extremes. There were no state trade monopolies nor import quotas. In preparation for entry into ASEAN, about 100 nontariff barriers were identified; these will be gradually eliminated once Cambodia joins ASEAN. The authorities drew up the required "Inclusion, Temporary Exclusion, Sensitive Products, and General Exception Lists" and the corresponding timetables for the elimination of the first three of them. A new Customs Code is being drafted in order to meet ASEAN requirements, and the government submitted 16 draft pieces of legislation to the National Assembly for ratification during 1997 with a view to harmonizing Cambodian regulations with the obligations of membership in ASEAN. The authorities are also drafting their *Foreign Trade Regime of Cambodia* report, a prerequisite for joining the World Trade Organization.

46. Notwithstanding the above positive trade policy developments, the Cambodian authorities partially reversed previous progress by curtailing the coverage of the independent *Société Générale de Surveillance's* pre-shipment inspections.

¹⁹The Russian debt is valued at SUR 0.6 per U.S. dollar, although the exchange rate is subject to negotiations and the debt stock to a large up-front discount.

²⁰The most favorable rescheduling assumptions include that (i) a bilateral debt rescheduling agreement is signed by end-1998; (ii) Cambodia's total debt corresponds to SUR 796.6 million converted at SUR 0.6 per U.S. dollar and is eligible for an "up-front discount" of 70 percent; (iii) the new debt bears no interest; and (iv) Naples terms are applied to discounted debt, and post-cut-off date debt is rescheduled in line with the 1991 agreement.

Box 2. Cambodia: External Debt to the United States and CMEA Countries

Cambodia contracted three loans to purchase U.S. agricultural commodities, which remain outstanding since 1973-74. During the civil war, all debt-related documentation in Cambodia was destroyed. As a result, the Cambodian government never serviced these loans. According to the U.S. Department of Agriculture (USDA), the total amount of outstanding loans (including debt service in arrears) stood at \$338.5 million on September 30, 1997 (\$222.4 million for outstanding principal, \$81.1 million for unpaid principal, and \$35 million for late interest). The Cambodian authorities dispute the total amount of outstanding debt, estimating it at only \$184.7 million (compared with the U.S. claim of \$222.4 million), based on the fact, that because of the onset of the civil war, some late deliveries of commodities did not take place. Cambodia's *official development assistance* debt to the USDA is eligible for rescheduling under the 1995 Paris Club agreement.

The debt rescheduling Agreement between the Soviet Union's *Vneshekonombank* and Cambodia's *Foreign Trade Bank* of May 18, 1991 and its implementation accord consolidated 15 previous Soviet state credits to Cambodia into one new credit, denominated in rubles in an amount of SUR 796.6 million. The new credit was to be converted subsequently into U.S. dollars at a mutually agreeable conversion rate; it bore no interest; and the repayment schedule and modalities were to be agreed among the parties. Under the so-called *zero option*, the Russian Federation assumed the former Soviet Union's claims on Cambodia. Although the 1991 Agreement is considered valid by both countries, several of its operational aspects remain to be negotiated. Russia's participation as a creditor in the Paris Club since September 1997 paves the way for a bilateral rescheduling agreement between the two countries. In September 1997, Russia provided the Paris Club with a total claim on Cambodia of SUR 832.8 million. The Cambodian authorities dispute this amount and consider their debt to Russia to amount only to SUR 796.6 million, which was the consolidated amount in the 1991 Agreement. Pending the outcome of the various ongoing discussions, Cambodia has suspended the servicing of all debt to Russia.

Cambodia also contracted debts in rubles between 1983 and 1985 with three other CMEA countries, the Czech Republic, Poland, and the Slovak Republic. The total amount of these debts is SUR 11.1 million. There are currently no bilateral discussions with any of the three countries, and none of them has a creditor status at the Paris Club.

47. Cambodia maintains a liberal exchange system, with no restrictions on the making of international current payments and transactions, and there are no discriminatory current account arrangements or multiple currency practices. A new Foreign Exchange Law was adopted in 1997, formalizing the liberal exchange framework.

VI. PRIVATIZATION

48. Only limited progress was achieved in privatization in 1997 (Tables 31-36). First, the divestiture of the country's six major rubber plantations was mired in ongoing discussions within the administration on the legal statute of the future entity or entities in charge of rubber cultivation. Second, about 20 medium-size enterprises were divested during 1997. The corresponding deals involved mostly 50-70-year leases of existing facilities and only one effective sale. Third, with regard to the remaining small enterprises that were to be privatized over a three-year period, virtually no progress was achieved because the 18,000 employees of these enterprises require a \$1,000-\$3,000 per person severance package.

VII. FORESTRY SECTOR AND FORESTRY POLICY

A. Background

49. Tropical forest is among Cambodia's few developmentally significant natural resources. Proper forest management policies are therefore critical for the quality and sustainability of the country's economic development. In recent years, however, uncontrolled logging has led to rapid deforestation. If the current trend of deforestation is not reversed, the country's timber resources could be depleted within the next five years with dramatic environmental, social, and economic consequences. Current practices also lead to significant revenue losses for the government as it does not receive compensation for the economic value for its forests.

50. One of the main problems with respect to the forestry sector is that no coherent set of policies has been adopted to address forestry management and impose effective control. More importantly, political commitment to design such policies and implement them consistently has been lacking, an issue that has been compounded by the involvement of the military in illegal logging in major parts of the country. Government policy since 1992 has been going through cycles whereby bans on logging and exports of logs were followed by *ad hoc* exemptions granted to special interests to export timber. Such exemptions provided incentives for renewed and widespread illegal cutting. Faced with these illegal activities, the government's next step was to suspend the export ban to facilitate the exports of already felled logs, at which point the cycle resumed (i.e., with the imposition of a new export ban), quite often under international pressure (Table 3).

Table 3. Cambodia: Official Logging, Exports and Reforestation, 1993-97

	1993	1994	1995	1996	1997 Est.
Logging					
Round logs (m ³)	126,732	28,252	--	136,025	441,519
Fire wood (steer)	51,112	8,800	2,085	3,590	300
Small trees (tree)	--	3,700	54,830	21,580	1,200
Exports					
Round logs (m3)	80,835	457,991	459,085	161,673	--
Sawn wood (m3)	150,841	163,616	66,269	--	--
Processed wood (m3)	--	13,343	64,414	97,535	248,920
Reforestation (ha)	711	753	605	551	455

Source: Data provided by Department of Forestry

51. The government's current medium-term exploitation strategy is based on granting large-scale concessions. However, this strategy suffers from serious weaknesses which risk to accelerate the current pattern of deforestation, including the facts that (i) the economic viability of capital investment associated with the concessions rests on an unsustainable level of logging; (ii) timber royalties are only a fraction of the economic value of the timber; and (iii) the strategy does not contain any incentive to curtail illegal logging. In addition, this strategy has not been applied consistently because of the government's tendency to grant additional *ad hoc* logging permissions.

B. Developments in 1997

52. No significant improvements were made in forestry management in 1997, despite some government initiatives. These initiatives were piecemeal and did not address the issues at their roots. Major areas of concern remain the illegal felling and exporting of logs, the uncontrolled granting of concessions, and weak government revenue collection.

53. Illegal logging and exports remain the most important issue. According to several independent sources, there was some improvement in the first months of the year following the imposition of a new export ban on December 31, 1996, the diplomatic initiative to request cooperation from the Thai, Lao, and Vietnamese governments in controlling illegal exports

from Cambodia,²¹ and the issuance of a Joint Order by the Ministry of Agriculture, Forestry, and Fishery (MAFF) and the Ministry of Defense, requesting military commanders to cooperate with forestry officials.²² However, the situation deteriorated rapidly after the July events, with illegal cutting and exports intensifying. The government's estimate of illegal logging in 1997 is about 51,000 cubic meters, but the volume estimated by independent sources is significantly higher (as much as 50 times higher).

54. The government considers its concession policy, initiated in 1994, as a key element of its medium-term exploitation strategy.²³ As of November 1997, negotiations have been or are being conducted with 32 concessions (Box 3). Among these, for only six concessions all legal requirements have been completed, thus allowing normal exploitations.²⁴ For an additional five concessions, not all legal requirements have been completed but permission to collect logs has been granted. All other concessions remain inactive, and the government intends to withdraw some of the concessions from those companies that are not making any progress with respect to the legal requirements.

55. In addition to the general weaknesses inherent in the government's current concession policy, this policy was not applied consistently in 1997. The government tended to provide logging permissions even when not all legal requirements were fulfilled. More disturbingly, government officials continued to grant annual harvesting licenses without adequate planning or supervision and to give authorizations for collection of logs outside concession areas without due regard to environmental or economic factors.

56. Government revenue collection from timber remained far below what it potentially could be, thereby depriving the government year after year of major resources needed to

²¹In the wake of this initiative, illegal exports to the Lao P.D.R. seem to have diminished, but no significant changes have taken place on the borders with Thailand and Vietnam. To the contrary, several sources reported that illegal exports to Vietnam, for local use and transit to other Asian countries, intensified dramatically in the second half of 1997.

²²Some progress was made in seizing illegal logs and felling equipment, including 2,000 cubic meters of logs, some trucks, tractors, boats, chainsaws, as well as sawmills. However, lack of personnel and, more importantly, the absence of firm political support, hampered effective implementation of this policy.

²³For a more general overview of the government's concession policy, see IMF Staff Country Report 97/9 "Cambodia—Recent Economic Developments," March 1997.

²⁴These legal requirements include: having discussed and agreed with the government on an inventory and a master plan, having signed a declaration that their forestry management is in line with the environmental impact agreement, and having agreed that the logs will be shipped to production sites in the country.

**Box 3. Status of Current Forest Concessions
(As of November 1997)**

Company	Country	Area (hectares)
Concessions paying royalties and having normal exploitations		
Grand Atlantic Timber (GAT), SDN, BHD	Malaysia	215,720
Colexim	Cambodia/Japan	147,187
Mieng Ly Heng Investment	Cambodia	198,500
Long Day Machinery Industry	Taiwan	98,000
Casotim	Cambodia/Russia	131,380
Samling Corporation, SDN, BHD	Malaysia	467,484
Concessions collecting wood; legal procedures still on-going		
Everbright Cig Wood	China	136,376
Pheapimex Fuchan Cambodia	Taiwan	358,725
Cambodia Chernda Plywood Mfg.	Taiwan	103,300
Grand Atlantic Timber (GAT), SDN, BHD	Malaysia	149,780
Kingwood Industry PTE	Taiwan	63,100
Concessions with permission but not yet active		
Lang Song International	Taiwan	132,000
Sam Rong Wood Industries Pte.	Cambodia	200,050
Superwood Ipep	Malaysia	94,418
Double Ace Investment	Malaysia	177,500
Concession with on-going inventory (no exploitation permit)		
Geometric Holdings	Indonesia	245,700
Timas Resources	Singapore	161,450
Talam Resources, SND, BHD	Malaysia	111,500
Concessions with pending request, no on-going inventory		
Pt. Maharani Infiniti Resource	Indonesia	459,330
B.L.P. Import Export	Thailand	91,200
Cambodia Timber Product	Cambodia	35,884
Chung Shing Cambodia Co.	Taiwan	374,350
Samling Corporation SND, BHD	Malaysia	298,598
Pheapimex Fuchan-Vanachay	Taiwan	129,260
Kingwood Industry	Taiwan	144,100
Landworth Holding Pty	Cambodia	99,400
Macro Cambodia Forestry Industry	Indonesia	1,432,930
Thai Boon Roong	Cambodia	119,700
Thai Boon Roong	Cambodia	297,000
Lang Song International	Taiwan	119,300
Pacific Craft	France	24,537
Super Land	Malaysia	162,200
Forestry Concessions Total		6,979,959

promote social and economic development in the country. In 1997, the budget collected CR 37 billion from forestry activities. Of this amount, 78 percent were in the form of royalties, 5 percent were deposits from concession contracts, 5 percent reforestation fees, and 12 percent export service charge. These revenues were in line with the officially reported removals of 441,000 cubic meters at an average royalty of \$14 per cubic meter from concessions and \$40 per cubic meter from outside concessions.²⁵ However, since actual cutting was much higher, so was potential revenue.²⁶ In addition to the above revenue sources, there was a 5 percent export tax on logs and sawn timber. After the July 1997 events, the government granted *ad hoc* exemptions with respect to this tax to all sawn timber export companies (an estimated loss for the budget of about \$5 million).

57. No significant policy initiatives were taken in 1997 to address the problems at their roots and improve governance in forestry management. None of the three key measures relating to forestry, specified in February 1997 as prior actions for a possible third-year ESAF program, were implemented. First, the Prime Ministerial Order, requiring the Finance Minister's approval of, and financial control over, all contracts involving state assets went through several drafts, but has not yet been implemented due to a lack of political consensus. This Order is seen as a key element for establishing firm control over the management of public resources, of which forests are a main part. Second, a monitoring and control system for logging and log exports has not yet been established and is not expected until late 1998.

58. In November 1997, the Council of Ministers issued a ten-point program to support the government's forestry policies (Annex I). The program aimed at centralizing and strengthening decision-making regarding forestry management by granting more authority to the National Steering Committee at the Department of Forestry and by reinforcing earlier government declarations. However, no tangible results have been obtained thus far in terms of better control and management because, in practice, no follow-up has been given to most of the proposed measures.

59. Despite a growing awareness in government circles of the need for change in forest policy, much needs to be done to develop a coherent policy framework. Four studies, supported by the World Bank, are currently undertaken and look at key issues such as logging control and logging verification, the legal framework for granting concessions, reform of the forest policies and forest concession management. Based on the recommendations of each of these studies, expected by mid-1998, the government intends to formulate policies which would set the stage for a medium-term policy framework. To arrive at a sustainable level of logging and ensure adequate returns to the country, full political support at the highest levels will be needed.

²⁵The cutting quota for 1998 is 288,000 cubic meters, based on current concession contracts.

²⁶The World Bank estimated in 1996 the potential annual revenue at \$100 million, based on better control of illegal activities and a significant increase in the average royalty (at the time of publication of the World Bank's report, the world average was about \$75 per cubic meter).

Table 4. Cambodia: Gross Domestic Product by Sector, 1993-97

	1993	1994	1995	1996	1997 Est.
(In billions of riels at current prices)					
Agriculture	2,742	3,140	3,753	4,185	4,718
Crops and rubber	1,724	1,853	2,374	2,628	2,940
Rice	1,017	961	1,354	1,478	1,597
Rubber and other crops	707	891	1,020	1,150	1,343
Livestock	678	803	922	1,065	1,208
Fishery	140	158	197	220	237
Forestry	200	326	260	272	334
Industry	743	853	999	1,262	1,420
Mining and quarrying	16	18	22	28	31
Manufacturing	286	325	367	440	531
Electricity and water	39	44	50	63	77
Construction	403	467	560	730	780
Services	1,929	2,138	2,448	2,804	3,114
Transport and communication	173	195	248	292	349
Wholesale and retail trade	788	878	1,007	1,154	1,267
Hotels and restaurants	24	31	35	46	51
Government services	216	232	269	266	293
Home ownership	312	336	384	432	477
Other services	416	466	505	614	676
Gross domestic product	5,414	6,131	7,200	8,251	9,251
(Percent change from previous period)					
Agriculture	128.8	14.5	19.5	11.5	12.7
Crops and rubber	139.2	7.5	28.1	10.7	11.8
Rice	139.2	-5.5	40.8	9.2	8.0
Rubber and other crops	139.2	26.1	14.5	12.7	16.8
Livestock	123.5	18.5	14.8	15.5	13.4
Fishery	53.1	12.5	24.7	11.9	7.7
Forestry	141.5	63.1	-20.2	4.5	22.8
Industry	125.3	14.8	17.1	26.3	12.5
Mining and quarrying	90.0	8.5	27.9	26.7	10.5
Manufacturing	125.0	13.8	12.9	20.0	20.7
Electricity and water	136.3	13.0	14.3	27.4	21.8
Construction	126.2	15.9	19.9	30.3	6.8
Services	96.8	10.9	14.5	14.5	11.0
Transport and communication	101.0	12.9	26.8	17.9	19.5
Wholesale and retail trade	99.9	11.5	14.6	14.7	9.8
Hotels and restaurants	90.5	25.7	15.5	30.4	10.7
Government services	99.2	7.5	16.0	-1.1	10.2
Home ownership	81.0	7.8	14.2	12.6	10.5
Other services	101.6	12.0	8.5	21.4	10.1
Gross domestic product	115.9	13.2	17.4	14.6	12.1

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

Table 5. Cambodia: Real Gross Domestic Product by Sector, 1993-97

	1993	1994	1995	1996	1997 Est.
(In billions of riels at 1989 prices)					
Agriculture	137.1	137.1	145.9	149.4	152.6
Crops and rubber	77.2	70.9	82.2	83.4	84.5
Rice	48.2	38.6	47.9	48.0	48.0
Rubber and other crops	29.0	32.4	34.3	35.4	36.5
Livestock	38.0	39.5	41.1	44.2	46.4
Fishery	12.0	11.8	12.2	12.1	11.9
Forestry	9.9	14.9	10.4	9.7	9.8
Industry	51.7	55.7	61.1	72.2	74.3
Mining and quarrying	3.4	3.7	4.0	4.8	4.9
Manufacturing	20.5	22.1	24.3	27.4	29.8
Electricity and water	0.7	0.7	0.8	0.9	1.1
Construction	27.1	29.1	32.0	39.0	38.6
Services	103.3	111.0	119.7	128.1	129.8
Transport and communication	8.9	9.7	10.7	11.8	12.4
Wholesale and retail trade	42.3	44.8	48.8	53.3	53.2
Hotels and restaurants	1.4	1.7	1.8	2.2	2.1
Government services	11.5	12.5	12.9	12.7	12.7
Home ownership	18.8	20.3	21.8	23.1	23.6
Other services	20.4	22.1	23.7	25.1	25.7
Gross domestic product	292.1	303.7	326.8	349.7	356.6
(Percent change from previous period)					
Agriculture	-1.0	0.0	6.5	2.4	2.1
Crops and rubber	-2.3	-8.1	15.9	1.5	1.3
Rice	3.2	-20.0	24.2	0.2	0.0
Rubber and other crops	-10.3	11.6	6.0	3.3	3.0
Livestock	3.0	4.0	4.0	7.5	5.0
Fishery	-5.5	-2.0	4.0	-0.9	-2.0
Forestry	0.0	50.0	-30.0	-6.6	1.1
Industry	13.0	7.7	9.8	18.0	3.0
Mining and quarrying	8.0	9.0	8.0	18.5	2.3
Manufacturing	8.0	7.9	10.0	12.8	8.5
Electricity and water	6.0	7.0	8.0	21.3	14.9
Construction	18.1	7.4	10.0	21.9	-1.1
Services	7.2	7.4	7.9	7.0	1.3
Transport and communication	10.0	9.5	10.0	10.3	5.3
Wholesale and retail trade	6.0	5.9	9.0	9.2	-0.1
Hotels and restaurants	8.0	20.0	10.0	19.3	-2.5
Government services	5.0	8.0	3.5	-1.8	0.0
Home ownership	8.0	7.8	7.5	5.8	2.3
Other services	9.0	8.2	7.2	5.7	2.6
Gross domestic product	4.1	4.0	7.6	7.0	2.0

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

Table 6. Cambodia: Sectoral Contribution to GDP at Constant 1989 Prices, 1993-97

(In percent)

	1993	1994	1995	1996	1997 Est.
Agriculture	46.9	45.1	44.7	42.7	42.8
Crops and rubber	26.4	23.4	25.2	23.9	23.7
Rice	16.5	12.7	14.7	13.7	13.5
Rubber and other crops	9.9	10.7	10.5	10.1	10.2
Livestock	13.0	13.0	12.6	12.6	13.0
Fishery	4.1	3.9	3.7	3.5	3.3
Forestry	3.4	4.9	3.2	2.8	2.8
Industry	17.7	18.3	18.7	20.6	20.8
Mining and quarrying	1.2	1.2	1.2	1.4	1.4
Manufacturing	7.0	7.3	7.4	7.8	8.3
Electricity and water	0.2	0.2	0.2	0.3	0.3
Construction	9.3	9.6	9.8	11.2	10.8
Services	35.4	36.5	36.6	36.6	36.4
Transport and communication	3.0	3.2	3.3	3.4	3.5
Wholesale and retail trade	14.5	14.7	14.9	15.2	14.9
Hotels and restaurants	0.5	0.6	0.6	0.6	0.6
Government services	3.9	4.1	3.9	3.6	3.5
Home ownership	6.4	6.7	6.7	6.6	6.6
Other services	7.0	7.3	7.3	7.2	7.2
Gross domestic product	100.0	100.0	100.0	100.0	100.0

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

Table 7. Cambodia: Deflators for Gross Domestic Product by Sector, 1993-97

(Percent change over previous period)

	1993	1994	1995	1996	1997 Est.
Agriculture	131.1	14.5	12.3	8.9	10.4
Crops and rubber	144.8	17.0	10.6	9.1	10.4
Rice	131.7	18.1	13.4	9.0	8.0
Rubber and other crops	166.7	13.0	8.0	9.1	13.4
Livestock	116.9	13.9	10.4	7.4	8.0
Fishery	62.0	14.8	19.9	12.9	9.9
Forestry	141.5	8.7	14.0	11.9	21.5
Industry	99.3	6.6	6.6	7.0	9.2
Mining and quarrying	75.9	-0.4	18.4	6.9	8.0
Manufacturing	108.3	5.5	2.6	6.4	11.2
Electricity and water	123.0	5.6	5.8	5.0	6.0
Construction	91.5	7.9	9.0	6.9	8.0
Services	83.6	3.2	6.2	7.1	9.6
Transport and communication	82.7	3.1	15.3	6.9	13.5
Wholesale and retail trade	88.6	5.3	5.2	5.0	9.9
Hotels and restaurants	76.4	4.8	5.0	9.3	13.5
Government services	89.7	-0.5	12.1	0.7	10.2
Home ownership	67.6	0.0	6.2	6.4	8.0
Other services	84.9	3.5	1.2	14.8	7.3
Gross domestic product	107.4	8.9	9.2	7.1	9.9

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

Table 8. Cambodia: Agriculture, Livestock, and Fishery
Production, 1993-97

	Unit ('000)	1993	1994	1995	1996	1997 Est.
Agriculture 1/						
Rice	Tons	2,383	2,223	3,448	3,458	3,438
Corn	Tons	45	45	55	64	67
Cassava	Tons	66	65	82	68	...
Sweet potato	Tons	55	36	39	37	...
Vegetables	Tons	227	197	193	250	250
Mung bean	Tons	11	17	20	14	15
Groundnut	Tons	5	5	7	6	6
Soybean	Tons	13	23	17	28	34
Sesame	Tons	5	4	4	5	7
Sugar cane	Tons	140	219	202	178	...
Tobacco	Tons	10	12	11	5	...
Jute	Tons	2	2	1	0	...
Rubber	Tons	21	31	34	46	43
Livestock						
Cows	Heads	2,527	2,622	2,778	2,762	2,872
Buffalos	Heads	824	814	765	744	766
Pigs	Heads	1,992	2,002	2,039	2,151	2,237
Poultry	Heads	9,464	10,094	10,067	11,412	11,982
Fishery						
Fresh fish and shrimp	Tons	109	103	113	104	108
Crocodiles	Heads	5	6	15	20	17

Source: Data provided by the Cambodian authorities.

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

Table 9. Cambodia: Aggregate Demand, 1993-97

	1993	1994	1995	1996	1997
(In billions of riels at current prices)					
Aggregate expenditure	6,385	7,769	9,365	10,816	12,061
Consumption	5,170	5,886	6,884	7,894	8,801
Private	4,797	5,212	6,194	7,081	7,991
Public	373	674	690	813	810
Investment	763	1,134	1,526	1,683	1,526
Private	528	798	1,015	1,153	1,026
Public	235	336	511	530	501
Exports of GNFS (retained)	452	749	955	1,238	1,733
Aggregate resources	6,385	7,769	9,365	10,816	12,061
Gross domestic product	5,414	6,131	7,200	8,251	9,251
Imports of GNFS (retained)	971	1,638	2,165	2,564	2,809
Memorandum items:					
(In percent of GDP)					
Consumption	95.5	94.6	95.6	95.7	95.1
Private	88.6	85.0	86.0	85.8	86.4
Public	6.9	11.0	9.6	9.9	8.8
Exports of GNFS (retained)	8.3	12.2	13.3	15.0	18.7
Imports of GNFS (retained)	-17.9	-26.7	-30.1	-31.1	-30.4
Domestic investment	14.1	18.5	21.2	20.4	16.5
Private investment	9.8	13.0	14.1	14.0	11.1
Government investment	4.3	5.5	7.1	6.4	5.4
National saving	4.7	4.8	5.1	5.0	5.5
Government saving	-1.4	-1.4	-0.6	-0.8	0.3
Private saving	6.1	6.2	5.7	5.8	5.2
Current account					
Including official transfers	-2.0	-3.9	-4.4	-5.9	-5.6
Excluding official transfers	-9.4	-13.7	-16.1	-15.5	-11.0

Sources: Unofficial estimates provided by the Cambodian Authorities and Fund staff estimates.

Table 10. Cambodia: Consumer Price Index, 1990-97 1/

	National Bank		National Institute of Statistics		U.S. dollar-based CPI				
	Index (Mar. 1998=100)	Quarterly Change in Percent	Index (Sep. 1994=100)	Quarterly Change in Percent	Parallel Market Exchange Rate 2/	National Bank		National Institute of Statistics	
						Index 3/ (Mar. 1990=100)	Quarterly Change in Percent	Index 3/ (Sep. 1994=100)	Quarterly Change in Percent
1990									
March	293	22.4	...	...	380	100	...	...	...
June	379	29.1	...	...	480	102	2.2	...	...
September	559	47.6	...	...	675	107	5	...	...
December	605	8.2	...	...	613	128	19.1	...	...
1991									
March	952	57.5	...	...	691	179	39.7	...	...
June	1,137	19.5	...	...	905	163	-8.8	...	...
September	1,768	55.4	...	...	1,125	204	25	...	...
December	1,136	-35.8	...	...	550	268	31.4	...	...
1992									
March	1,361	19.8	...	...	935	189	-29.5	...	...
June	1,971	44.9	...	...	1,275	200	6.2	...	...
September	3,224	63.6	...	...	2,142	195	-2.6	...	...
December	3,143	-2.5	...	...	2,310	176	-9.6	...	...
1993									
March	6,004	91	...	...	4,200	185	5.1	...	...
June	5,651	-5.9	...	...	2,950	248	34	...	...
September	4,832	-14.5	...	...	2,700	232	-6.6	...	...
December	4,117	-14.8	...	...	2,470	216	-6.9	...	...
1994									
March	4,299	4.4	...	...	2,527	220	2.1	...	...
June	4,588	6.7	...	...	2,542	234	6.1	...	...
September	5,064	10.4	100.0	...	2,626	250	6.8	100.0	...
December	5,192	2.5	104.2	4.2	2,601	259	3.5	105.2	5.2
1995									
March	4,794	-7.7	100.3	-3.7	2,392	260	0.4	110.1	4.7
June	5,030	4.9	101.1	0.8	2,371	275	5.9	112.0	1.7
September	5,463	8.6	107.0	5.8	2,526	280	1.9	111.2	-0.7
December	5,197	-4.9	105.3	-1.6	2,560	263	-6.1	108.0	-2.9
1996									
March	...	...	105.7	0.4	2,591	...	...	107.1	-0.8
June	...	...	107.7	1.9	2,667	...	...	106.0	-1.0
September	...	...	113.3	5.2	2,697	...	...	110.3	4.0
December	...	...	115.9	2.3	2,731	...	...	111.4	1.0
1997									
March	...	...	111.7	-3.6	2,745	...	...	106.9	-4.1
June	...	...	115.6	3.5	2,773	...	...	109.5	2.4
September	...	...	126.6	9.5	3,343	...	...	99.4	-9.2
December	...	...	126.6	0.0	3,523	...	...	94.4	-5.1

Sources: Based on data provided by the Cambodian authorities; and Fund staff estimates.

1/ In January 1996, the National Institute of Statistics' CPI became the official price index in lieu of that of the National Bank of Cambodia.

2/ Riel per U.S. dollar, end-period buying rate.

3/ Riel-based consumer price indices divided by the parallel market exchange rate.

Table 11. Cambodia: National Institute of Statistics
Consumer Price Index, 1995-98 1/

(Base: July-September 1994=100)

	1995	1996	1997	1998
January	101.1	105.1	111.9	128.9
February	101.7	107.3	112.3	129.8
March	100.3	105.7	112.1	
April	98.8	107.3	114.1	
May	99	107.8	114.9	
June	101	107.7	115.6	
July	104.2	112.1	123.5	
August	105.3	112.7	122.4	
September	107	113.3	126.6	
October	108.5	117.5	127.9	
November	107.4	116.7	127.5	
December	105.3	115.9	126.6	
Average for 12-month period	103.3	110.8	119.6	
Memorandum items:				
Rate of inflation				
(Final quarter basis)	2.9	9.0	9.1	
Rate of inflation				
(End-period)	1.1	10.1	9.2	

Source: Data provided by the Cambodian authorities.

1/ Adopted by the authorities as the official consumer price index from January 1996.

Table 12. Cambodia: General Government Operations, 1994-97

	1994		1995		1996		1997		Estimated outcome Percent of GDP	
	Actual		Actual		Actual		Budget			
	In billions of riels	Percent of GDP	In billions of riels	Percent of GDP	In billions of riels	Percent of GDP	In billions of riels	Percent of GDP		
Total revenue	590.4	9.6	643.0	8.9	749.1	9.1	896.4	9.7	846.5	9.2
1. Tax revenue	364.6	5.9	445.5	6.2	534.3	6.5	673.3	7.3	597.4	6.5
Direct taxes	8.6	0.1	20.9	0.3	26.5	0.3	40.3	0.4	43.6	0.5
Indirect taxes	75.0	1.2	103.8	1.4	163.7	2.0	195.2	2.1	206.5	2.2
o.w. Excise taxes	2.9	0.0	9.0	0.1	56.6	0.7	65.0	0.7	74.1	0.8
Trade taxes	280.9	4.6	320.8	4.5	344.1	4.2	437.8	4.7	347.3	3.8
2. Nontax revenue	224.6	3.7	189.8	2.6	175.6	2.1	211.7	2.3	236.8	2.6
3. Capital revenue	1.2	0.0	7.7	0.1	39.2	0.5	11.4	0.1	12.3	0.1
Total expenditure (Cash)	1009.1	16.5	1200.6	16.7	1342.8	16.3	1480.8	16.0	1310.3	14.2
1. Current expenditure	673.8	11.0	689.6	9.6	812.9	9.9	870.0	9.4	809.7	8.8
Wages	293.4	4.8	325.7	4.5	350.8	4.3	364.7	3.9	384.3	4.2
Civil administration	101.4	1.7	110.9	1.5	120.2	1.6	132.2	1.4	132.9	1.4
Defense and security	192.1	3.1	214.8	3.0	220.6	2.7	232.5	2.5	251.4	2.7
Non-wage	380.3	6.2	363.8	5.1	462.1	5.6	505.3	5.5	416.0	4.5
Operating expenditures	324.3	5.3	284.4	4.0	344.9	4.2	362.2	3.9	321.8	3.5
Civil administration	121.9	2.0	105.2	1.5	172.2	2.1	211.2	2.3	161.9	1.8
Defense and security	202.3	3.3	179.2	2.5	172.7	2.1	151.0	1.6	159.9	1.7
Economic transfers	4.7	0.1	14.5	0.2	16.1	0.2	10.2	0.1	6.3	0.1
Social transfers	41.3	0.7	44.8	0.6	63.9	0.8	80.7	0.9	67.7	0.7
Civil administration	37.5	0.6	40.6	0.6	57.3	0.7	73.4	0.8	60.5	0.7
Defense and security	3.8	0.1	4.2	0.1	6.6	0.1	7.3	0.1	7.2	0.1
Interest	0.8	0.0	1.9	0.0	12.8	0.2	22.6	0.2	9.4	0.1
Contingency	--	--	--	--	--	--	5.2	0.1	0.0	0.0
Other current expenditure	9.3	0.2	18.3	0.3	24.3	0.3	24.4	0.3	20.2	0.2
2. Capital expenditure 1/	335.3	5.5	511.1	7.1	529.9	6.4	610.8	6.6	500.6	5.4
Locally financed	78.5	1.3	56.9	0.8	61.6	0.7	122.8	1.3	90.6	1.0
of which:										
Local currency counterpart	0.7	0.0	6.4	0.1	...	...	48.0	0.5	21.2	0.2
Externally financed	256.8	4.2	454.2	6.3	468.3	5.7	488.0	5.3	410.0	4.4
CURRENT DEFICIT (Cash)	-83.4	-1.4	-46.5	-0.6	-63.8	-0.8	26.4	0.3	24.5	0.3
OVERALL DEFICIT (Cash)	-418.7	-6.8	-557.7	-7.7	-593.7	-7.2	-584.4	-6.3	-463.8	-5.0
FINANCING	418.7	6.8	557.7	7.7	-593.7	-7.2	584.4	6.3	463.8	5.0
1. Foreign financing (net)	432.1	7.0	559.3	7.8	575.6	7.0	597.5	6.5	510.0	5.5
of which:										
Project aid	267.1	4.4	450.7	6.3	467.1	5.7	488.0	5.3	410.0	4.4
Budget support	121.7	2.0	81.8	1.1	149.9	1.8	111.4	1.2	98.1	1.1
Nonconcessional loans	43.2	0.7	39.4	0.5	--	--	--	--	--	--
Amortization	--	--	-41.5	-0.6	-41.5	-0.5	-1.9	0.0	-1.9	0.0
2. Domestic financing	-13.4	-0.2	-1.6	0.0	18.1	0.2	-13.1	-0.1	-46.2	-0.5
Bank financing	-26.6	-0.4	5.5	0.1	-17.0	-0.2	0.7	0.0	-73.1	-0.8
Nonbank	13.2	0.2	-7.1	-0.1	35.2	0.4	-13.8	-0.1	26.9	0.3
Memorandum items:										
Defense and security outlays	398.2	6.5	398.2	5.5	399.9	4.8	390.8	4.2	418.5	4.5
Revenue from forestry	106.7	1.7	71.4	1.0	33.2	0.4	32.3	0.3	32.3	0.3
GDP	6,131		7,200		8,251		9,251		9,251	

Source: Data provided by Cambodian Authorities.

Table 13. Cambodia: Structure of Revenue, 1995-97

(In billions of riels)

	1995	1996	1997 Est.
Total revenue	642.9	749.1	846.5
Tax revenue	445.5	534.3	597.4
Direct taxes	20.9	26.5	43.6
Wage tax	1.1	2.7	5.7
Profit tax	17.8	21.6	35.0
Public enterprises	5.8	3.0	6.4
Private enterprises	12.0	18.6	28.6
Property tax	1.2	2.1	2.6
Tax on agricultural activity	0.1	0.0	0.0
Tax on unutilized land	0.0	0.0	0.3
Other income taxes	0.7	0.0	0.0
Indirect taxes	103.8	163.7	206.5
Turnover tax	17.1	27.4	46.5
Public enterprises	2.2	3.0	3.0
Private enterprises	14.9	34.7	43.5
Consumption tax	60.0	70.4	75.2
Business licence tax	1.3	1.7	1.9
Excise taxes	9.0	56.6	74.1
Slaughter tax	0.3	0.5	0.3
Vehicle licence tax	4.8	3.3	3.7
Holiday tax	0.2	0.0	0.0
Inheritance tax	1.8	1.6	0.0
Stamp tax	0.1	1.0	1.0
Penalties	0.6	1.0	1.0
Tax on illegally imported cars	8.3	0.3	0.1
Airport tax	0.0	0.0	0.0
Other indirect taxes	0.1	0.0	0.0
Taxes on international trade	320.8	344.1	347.3
Taxes and duties on imports	300.8	334.8	335.8
Import tariffs (non-petroleum)	218.8	245.6	209.8
Fees on petroleum products	1.7	1.8	1.8
Import fees	0.0	5.0	6.1
Import tariffs on petroleum	80.3	99.7	117.8
Other	0.1	0.1	0.3
Taxes on exports	17.3	8.1	9.9
Penalties	2.7	1.2	1.7

Table 13. Cambodia: Structure of Revenue, 1995-97 (concluded)

(In billions of riels)

	1995	1996	1997 Est.
Nontax revenue	197.5	175.6	236.8
Receipts on public property	120.5	91.6	134.1
Fisheries	9.1	7.1	7.4
Forests	52.8	27.5	37.4
Receipts from public enterprises	26.7	37.9	36.4
Factory leases	5.9	10.1	8.4
Amortization payments	0.5	3.9	4.0
Surplus on working capital	1.2	0.0	0.0
Operating surpluses of public enterprises	1.4	0.0	0.0
Civil aviation	10.8	17.1	17.1
Tourism receipts	0.1	3.6	1.0
Sale of material	0.6	2.7	0.2
Transportation fees	0.3	0.5	0.2
Receipts from commercial activity	3.4	0.0	0.0
Sales of electricity to provinces	0.0	0.5	0.1
Receipts from water supply	0.0	6.3	0.8
Other	2.5	0.3	4.4
Royalties and concessions	17.0	5.1	33.1
Petroleum concessions	0.7	0.6	31.6
Mining concessions	0.2	0.0	0.4
Others	16.1	4.5	1.1
User fees	6.5	6.9	6.6
Building leases	6.2	3.0	12.6
Other	2.0	2.1	0.5
Other nontax revenue	77.0	84.0	102.6
Posts and telecommunication	54.4	63.6	83.0
Advertising fees	0.0	0.4	0.0
Public services	10.5	16.3	11.5
Of which:			
Visa fees	5.0	8.0	4.2
Timber export licence fee	1.3	0.0	0.0
Customs documentation fees	1.3	0.8	1.3
Interest	0.8	0.0	0.0
Nontax revenue of provinces	1.6	3.0	0.1
Other nontax revenue	9.8	1.1	8.0

Source: Data provided by the Cambodian authorities.

Table 14. Cambodia: Budgetary Expenditure by Economic Classification, 1995-97 1/

	1995	1996	1997 Est.
(In billions of riel)			
Salaries	325.7	350.8	384.3
Operating costs	284.4	344.9	321.8
Social transfers	44.8	63.9	67.7
Economic transfers	14.5	16.1	6.3
Capital expenditure	511.1	529.9	500.6
Other 2/	20.2	35.6	29.6
Total	1,200.6	1,342.8	1,310.3
(In percent of total expenditure)			
Salaries	27.1	24.3	29.3
Operating costs	23.7	23.6	24.6
Social transfers	3.7	4.2	5.2
Economic transfers	1.3	1.1	0.5
Capital expenditure	42.5	44.3	38.2
Other 2/	1.7	2.5	2.2
Total	100.0	100.0	100.0
(In percent of GDP)			
Salaries	4.5	4.3	4.2
Operating costs	3.9	4.2	3.5
Social transfers	0.6	0.7	0.7
Economic transfers	0.2	0.2	0.1
Capital expenditure	7.1	6.4	5.4
Other 2/	0.3	0.4	0.2
Total	16.7	16.3	14.2

Source: Data provided by the Cambodian authorities.

1/ Budget presentation (payment-order basis).

2/ Includes interest payments and subsidies to provinces.

Table 15. Cambodia: Budgetary Expenditure by Ministry, 1995-1997

(In billions of riels)

Ministry	1995 1/				1996				1997				
	Total	Salaries	Operating Costs	Capital	Total	Salaries	Operating Costs	Capital	Total	Salaries	Operating Costs	Capital	
Total	1,200.6	325.7	284.4	511.1	1,342.8	350.8	344.9	117.2	1,310.3	384.3	321.8	103.6	500.6
Royal Palace	14.1	5.9	2.1	1.2	16.0	7.2	2.8	6.0	15.6	5.1	3.9	6.6	0.0
National Assembly	9.8	6.4	2.8	0.4	10.4	7.3	2.9	0.3	10.8	7.8	2.9	0.1	0.0
Council of Ministers	38.1	3.4	19.4	10.1	34.9	3.2	20.4	6.6	46.1	3.3	24.1	3.7	11.2
Foreign Affairs	19.9	6.0	12.8	0.1	24.7	5.0	18.0	1.7	20.5	8.5	11.3	0.7	0.0
National Defense	301.7	181.2	116.7	3.8	298.0	206.6	85.2	6.3	304.7	202.5	95.6	6.6	0.0
Interior	191.7	33.6	61.2	15.4	130.0	47.0	67.1	15.9	141.2	54.5	86.5	0.6	0.1
Economy and Finance	28.8	2.6	4.3	3.8	374.2	2.6	4.7	24.0	334.3	2.6	10.6	6.5	314.6
Information	8.4	1.3	3.2	0.1	5.7	1.4	4.2	0.1	4.6	1.3	3.3	0.0	0.0
Public Works	217.6	3.6	1.6	2.8	9.0	4.0	1.9	3.1	19.8	5.8	1.3	0.0	12.7
Agriculture	36.8	5.8	5.8	1.5	63.4	5.0	11.3	1.6	23.8	6.5	7.2	1.1	8.0
Justice	2.8	0.5	1.9	0.0	3.0	0.8	2.1	0.1	2.5	0.8	1.7	0.0	0.0
Education	99.0	59.1	13.3	1.4	171.8	62.8	20.6	2.0	155.5	64.6	17.1	2.3	71.4
Commerce	5.9	0.9	1.6	3.1	4.3	1.0	2.0	1.3	5.6	1.0	1.0	1.0	2.6
Industry	99.5	1.2	0.7	2.8	9.2	1.4	1.3	6.5	3.7	1.3	0.8	1.0	0.6
Planning	1.9	0.8	0.8	0.0	1.8	1.0	0.9	0.0	1.7	0.9	0.8	0.0	0.0
Health	47.8	8.6	16.7	0.8	122.1	12.0	45.7	2.8	94.2	10.2	34.2	1.0	48.8
Tourism	3.5	0.3	0.8	0.0	3.0	0.5	1.4	1.1	1.8	0.4	1.3	0.0	0.1
Religious Affairs	0.9	0.4	0.4	0.0	1.1	0.5	0.6	0.0	1.3	0.5	0.5	0.1	0.2
Posts and Telecommunication	19.8	1.4	9.3	0.0	28.6	1.5	26.9	0.3	52.9	1.4	25.2	0.2	26.1
Culture and Fine Arts	4.2	2.0	2.0	0.1	4.2	2.2	1.9	0.1	3.5	2.1	1.1	0.3	0.0
Social Affairs	34.9	1.1	1.6	0.1	45.4	1.2	1.8	42.4	50.6	1.2	1.4	46.2	1.8
Environment	2.3	0.3	1.4	0.0	2.7	0.6	2.0	0.1	1.6	0.5	0.9	0.1	0.1
Rural Development	9.7	0.7	1.5	0.0	2.8	1.1	1.7	0.1	3.4	1.0	1.1	0.0	1.3
Women's Welfare	0.8	0.1	0.5	0.1	1.0	0.3	0.6	0.1	1.0	0.3	0.5	0.1	0.1
Memorandum items:													
National Defense	25.1	55.6	41.0	0.0	21.7	54.9	26.0	5.1	23.2	52.7	29.7	6.4	0.0
Interior	15.9	10.9	21.5	15.9	9.5	12.5	20.5	13.0	10.7	14.2	26.9	0.6	0.0
Economy and Finance	2.4	0.8	1.4	3.6	27.3	0.7	1.4	19.6	25.5	0.7	3.3	6.3	62.8
Public Works	18.1	1.0	0.5	41.0	0.7	1.1	0.6	2.5	1.5	1.5	0.4	0.0	2.5
Agriculture	3.1	1.8	2.0	4.6	4.6	1.3	3.4	1.3	1.8	1.7	2.2	1.1	1.8
Education	8.1	18.1	4.7	4.9	12.5	16.7	6.3	1.6	11.9	16.8	5.3	2.2	14.3
Industry	8.1	0.3	0.2	18.5	0.7	0.4	0.4	5.3	0.3	0.3	0.2	0.9	0.1
Health	4.0	2.5	5.5	4.2	8.9	3.2	13.9	2.3	7.2	2.6	10.6	0.9	9.7

Source: Data provided by the Cambodian authorities.

1/ Payment order basis.

Table 16. Cambodia: Official External Assistance to the Budget, 1995-97

(In billions of riels)

	1995	1996	1997 Est.
Total official external financing	532.5	617.0	508.1
Budget support	81.8	150.0	98.1
Grants	42.1	50.0	48.2
Loans	39.7	100.0	49.9
World Bank	39.7	62.5	7.2
AsDB	0.0	37.5	42.7
Project aid	450.7	467.0	410.0
Grants	345.7	406.7	300.0
Loans	105.0	160.3	110.0
World Bank	20.5	51.3	91.0
AsDB	84.5	109.0	19.0

Source: Data provided by the Cambodian authorities.

Table 17. Cambodia: Civil Servants by Ministry

(As of December 31, 1997)

	Total		Central Government		Provincial Government		Average monthly salary in riels
	Number	Percent	Number	Percent	Number	Percent	
Education, Youth and Sports	75,573	51.5	2,769	9.3	72,804	62.3	71,416
Health	16,461	11.2	3,756	12.6	12,705	10.9	52,138
Agriculture	11,124	7.6	4,643	15.5	6,481	5.5	48,866
Interior	7,709	5.2	381	1.3	7,328	6.3	61,164
Transport and Communication	5,863	4.0	2,103	7.0	3,760	3.2	54,864
Economy and Finance	5,230	3.6	4,100	13.7	1,130	1.0	42,336
Culture and Fine Arts	3,580	2.4	1,621	5.4	1,959	1.7	51,234
Industry	2,506	1.7	836	2.8	1,670	1.4	43,894
Information	2,476	1.7	1,413	4.7	1,063	0.9	45,167
Social and Veterans Affairs	2,190	1.5	622	2.1	1,568	1.3	43,303
Royal Palace	332	0.2	332	1.1	0	0.0	88,488
Relations with National Assembly	446	0.3	446	1.5	0	0.0	65,795
Rural Development	1,906	1.3	469	1.6	1,437	1.2	41,579
Commerce	1,998	1.4	917	3.1	1,081	0.9	40,457
Post and Telecommunication	2,021	1.4	1,281	4.3	740	0.6	61,809
Planning	1,578	1.1	494	1.7	1,084	0.9	47,792
Religious Affairs	694	0.5	215	0.7	479	0.5	65,442
Tourism	821	0.6	468	1.6	353	0.3	46,488
Justice	1,085	0.7	508	1.7	577	0.6	59,216
Environment	725	0.5	361	1.2	364	0.3	62,069
Foreign Service	515	0.3	515	1.7	0	0.0	53,511
Women's Affairs	440	0.3	149	0.5	291	0.2	53,598
Civil Aviation	427	0.3	427	1.4	0	0.0	51,168
Council of Ministers	1,044	0.7	1,044	3.5	0	0.0	66,768
Total	146,744	100.0	29,870	100.0	116,874	100.0	63,480

Source: Data provided by the Cambodian authorities.

Table 18. Cambodia: Profile of the Commercial Bank System, December 1997

Name of Banks	No. of Branches	Authorized Capital (000 \$)	Date of Operation	Majority Shareholder
State-owned bank (1)				
Foreign Trade Bank				
Foreign bank branches (7)				
Krung Thai Bank		5,000	9/25/92	Thai
Bangkok Bank		5,000	9/26/92	Thai
Thai Farmers Bank		5,000	8/21/92	Thai
Siam City Bank		5,000	11/30/92	Thai
Credit Agricole Indosuez		5,000	3/1/93	French
May Bank		5,000	12/28/93	Malaysian
P.T. Lippo Bank		5,000	10/16/96	Indonesian
Private banks (22)				
Agricultural and Commercial Bank		5,000	7/9/92	Thai
Cambodia Commercial Bank	3	10,000	7/1/91	Thai
Cambodia Farmers Bank	1	5,000	4/5/92	Thai
Cambodia Asia Bank 1/		10,000	2/23/93	Malaysian
Cambodia Public Bank		10,000	5/25/92	Malaysian
Canadia Bank	4	5,000	11/11/91	Canadian
Chansavangwonk Banking Corp.		5,000	5/19/93	Thai
Phnom Penh City Bank 1/		5,000	9/15/93	Thai
Singapore Banking Corp. 1/		16,000	10/27/93	Singaporean
Singapore Commercial Bank		5,000	12/25/93	Singaporean
Rich Nation Bank		5,000	1/25/94	Hong Kong
Union Commercial Bank		5,000	4/20/94	Hong Kong
Global Commercial Bank		5,000	4/26/94	Thai
Pacific Commercial Bank	8	5,000	5/28/94	Khmer
First Overseas Bank	2	5,000	5/30/94	Malaysian
Great International Bank		5,000	5/30/94	Australian
Cambodia Mekong Bank		10,000	5/31/94	Khmer
Emperor International Bank 1/		10,000	6/4/94	Hong Kong
Agricultural, Industrial and Merchandise Bank		5,000	6/29/96	Japanese
Cambodia International Bank		5,000	6/30/94	Singaporean
Advanced Asia Bank		5,000	10/25/96	Korean
Thaneakear Khmer 1/		10 billion riels	10/28/96	Khmer

Source: Data provided by the Cambodian authorities.

1/ In operation without renewal of license.

Table 19. Cambodia: Monetary Survey, 1995-97

(In billions of riels)

	1995	1996				1997			
	Dec. New Accts 1/	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	550	669	724	797	881	961	891	934	1,177
National Bank	304	361	388	438	535	572	596	704	814
Assets	485	542	570	624	723	755	781	914	1,039
Liabilities	-181	-180	-182	-187	-188	-183	-185	-210	-225
Deposit money banks (DMBs)	246	308	336	360	346	388	295	230	363
Assets	412	456	492	542	507	547	487	434	563
Liabilities	-166	-148	-156	-182	-161	-159	-192	-204	-200
Net domestic assets	99	72	55	27	31	18	11	-31	-115
Net domestic credit	446	453	469	499	567	546	574	623	697
Government (net)	148	133	129	107	128	50	51	35	54
Public enterprises	5	5	5	5	5	5	5	5	6
Private sector	293	315	335	387	434	490	518	582	637
Other items (net)	-347	-381	-414	-473	-536	-528	-564	-653	-811
Capital	-472	-505	-525	-572	-656	-688	-719	-885	-996
National Bank	-116	-140	-147	-165	-201	-214	-225	-312	-392
DMBs	-356	-366	-378	-407	-455	-474	-494	-564	-603
Other	125	124	111	99	120	160	155	231	185
Broad money	649	741	779	824	912	979	902	902	1,063
Narrow money	279	310	311	315	329	333	331	349	385
Currency in circulation	251	277	279	285	300	304	304	318	356
Demand deposits	28	33	32	31	29	29	27	31	29
Quasi money	371	431	468	509	583	646	571	553	678
Time deposits	5	6	7	7	8	9	11	10	13
Foreign currency deposits	366	425	461	501	575	637	560	543	665
Memorandum items:									
Net foreign assets									
(in millions of U.S. dollars)	218	262	277	297	325	351	323	293	346
Deposit money banks	98	120	128	134	127	142	107	72	107
National Bank	120	141	148	163	197	209	216	221	239
Gross assets	192	212	218	232	267	276	283	286	305
Gross liabilities	-72	-71	-70	-69	-69	-67	-67	-66	-66
(in millions of SDRs)	-48	-48	-48	-48	-48	-49	-49	-48	-49
Foreign currency deposits									
(in millions of U.S. dollars)	145	166	176	187	212	233	203	170	195
Credit to private sector									
(in millions of U.S. dollars)	116	123	128	144	160	179	188	182	187
Nominal GDP (billions of riel)	7,200	...	...	...	8,251	...	...	...	9,251
Average stock of liquidity	527	...	...	...	781	...	...	...	984
Velocity	13.7	...	...	...	10.5	...	...	...	9.4
Change in net credit to government									
as percent of beginning period									
money stock	1	...	...	...	-3.1	...	...	...	-7.9
Exchange rates (riels/U.S. dollar)									
(end of period)	2,526	2,558	2,619	2,687	2,713	2,735	2,761	3,192	3,450

Source: Data provided by the Cambodian authorities.

1/ Reflects reclassification of accounts related to the shift to the new plan of accounts by the National Bank and the adoption of the new reporting form by the Foreign Trade Bank from December 1995.

Table 20. Cambodia: Sources of Broad Money Growth, 1995-97

	1995		1996				1997			
	First half	Second half	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Broad money	13.0	28.3	14.1	5.2	5.8	10.6	7.3	-7.8	0.1	17.8
	(Percent increase)									
	(Increase as percent for previous period broad money)									
Contributions:										
Net foreign assets	6.9	22.7	18.3	7.5	9.4	10.1	8.8	-7.1	4.6	27.1
Net credit to government	-4.3	4.3	-2.2	-0.6	-2.8	2.5	-8.5	0.1	-1.8	2.1
Credit to public enterprises	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Credit to private sector	3.5	8.1	3.3	2.7	6.7	5.8	6.1	2.8	7.1	6.1
Other items (net)	7.3	-6.9	-5.2	-4.4	-7.5	-7.7	1.0	-3.7	-10.0	-17.5

Source: Data provided by the Cambodian authorities.

Table 21. Cambodia: Deposit Money Banks' Balance Sheet, 1995-97

(In billions of riels)

	1995	1996				1997			
	December 1/ New Acct.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
Net foreign assets	246	308	336	360	345	388	295	230	364
Foreign assets	412	456	492	542	507	547	487	434	564
Foreign liabilities	166	148	156	182	159	162	192	204	200
Net domestic assets	63	76	74	84	86	123	120	174	144
Net claims on Government	-7	-6	-7	-4	-4	-4	-5	-4	-4
Claims	0	0	0	0	0	0	0	0	0
Deposits	7	6	7	4	4	4	5	4	4
Claims on public enterprises	5	5	5	5	5	5	5	6	6
Claims on private sector 2/	293	315	335	387	434	490	518	582	637
Net claims on National Bank	45	47	48	24	20	11	10	11	14
Claims	50	51	52	27	24	23	21	21	21
Liabilities	5	4	4	4	4	12	11	10	7
Other assets, net	-274	-285	-307	-328	-369	-379	-408	-421	-509
Assets	162	176	163	169	191	226	192	264	229
Fixed assets	79	86	87	96	96	97	99	123	109
Interbank claims	54	60	44	39	59	80	40	40	32
Other assets	29	30	33	33	36	49	53	101	88
Liabilities	435	460	470	497	560	605	600	685	738
Capital	356	366	378	407	455	474	494	564	603
Restricted deposits	4	4	4	5	11	5	5	4	4
Interbank liabilities	37	46	44	32	37	56	33	31	26
Other	38	45	44	53	57	70	68	86	105
Reserves	88	81	90	96	178	162	182	181	200
Cash	5	6	7	6	7	12	12	10	10
Deposits at National Bank	83	74	83	90	171	150	170	171	190
Deposits	398	464	500	539	612	675	598	584	707
Demand deposits	27	33	32	31	29	29	26	31	29
Time and savings deposits	5	6	7	7	8	9	11	10	13
Foreign currency deposits	366	425	461	501	575	637	561	543	665

Source: Data provided by the Cambodian authorities.

1/ Reflect reclassification of accounts related to the adoption of the new reporting form by the Foreign Trade Bank as of December 1995.

2/ Almost all in foreign currency.

Table 22. Cambodia: Reserve Money, 1995-97

(In billions of riels)

	1995	1996				1997			
	December 1/ New Acct.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
Reserve money	315	334	345	380	449	440	460	482	544
Currency outside banks	251	277	279	285	299	304	304	318	356
Currency in banks	5	6	7	6	8	12	12	10	10
Bank deposits	58	51	60	89	142	124	144	154	178
Required	26	27	27	29	31	35	40	42	44
Other	32	25	33	61	111	89	104	113	134
(acct 063) 2/	26	17	24	44	89	79	91	97	126
Other deposits	0	0	0	0	0	0	0	0	0
Net foreign assets	304	361	388	438	535	572	596	704	814
Foreign assets	485	542	570	624	723	755	781	914	1039
Gold	0	0	0	0	0	0	0	0	0
Bank accounts	219	225	276	317	202	238	268	314	658
Foreign exchange	41	37	10	16	25	18	10	17	25
SDR holdings	38	38	38	39	39	38	39	44	47
IMF reserve position	0	0	0	0	0	0	0	0	0
Other 3/	187	241	246	252	457	461	464	539	309
Foreign liabilities	181	180	182	187	188	183	185	210	225
IMF	181	180	182	187	188	183	185	210	225
Other	0	0	0	0	0	0	0	0	0
Net domestic assets	11	-27	-43	-57	-78	-127	-133	-222	-271
Net credit to Government	155	139	136	111	131	54	56	39	58
Claims	217	217	218	217	213	210	209	211	211
Deposits	62	78	82	106	82	156	153	172	153
Net claims on banks	-65	-67	-68	-43	-83	-38	-35	-46	-56
Claims on banks	10	9	9	9	3	10	12	13	1
Restricted deposits	25	26	26	28	71	31	31	44	43
Loans from DMBs	25	26	26	24	21	17	16	15	14
Due to FTBC 4/	25	25	25	0	0	0	0	0	0
Claims on public enterprises	0	0	0	0	0	0	0	0	0
Claims on private sector	0	0	0	0	0	0	0	0	0
Other items (net)	-79	-99	-111	-126	-126	-143	-154	-215	-273
Assets	39	42	39	42	75	71	71	106	120
IMF net	7	6	1	5	6	0	0	29	44
Intra-central bank account	9	12	7	9	8	8	7	10	9
Fixed and other assets	20	21	25	22	54	56	56	55	53
Contested claims	0	1	1	1	1	2	1	1	1
Capitalized expense	3	3	5	6	6	5	7	11	13
Liabilities	118	142	149	168	201	214	225	321	393
Capital	116	140	147	165	201	214	225	321	393
Capital and reserves	39	59	61	72	117	123	129	210	272
Provisions	12	15	16	16	17	17	17	20	21
SDRs allocation	58	58	58	60	60	58	59	67	72
Income & expense account	8	8	12	18	7	15	20	21	28
Valuation adjustment	0	0	0	0	0	0	0	0	0
Government lending funds	0	0	0	0	0	0	0	0	0
Interoffice accounts and others	2	2	3	3	0	0	0	0	0

Source: Data provided by the Cambodian authorities.

1/ Revisions reflecting reclassification of accounts related to the shift to the new plan of accounts by the National Bank as of December 1995.

2/ Effective May 1994, deposits required of new commercial banks prior to their commencing operations.

3/ Consists mainly of holdings of short-term securities issued by foreign governments.

4/ Related to an old loan from the Foreign Trade Bank of Cambodia (FTBC) to the National Bank for printing expenses.

Table 23. Cambodia: Interest Rates, 1995-97 1/

(Percent per annum)

	1995			1996			1997					
	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
Deposit rates												
Riel savings deposits	8.9	8.9	8.9	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.9	8.9
Riel term deposits 2/	32.9	21	22.4	23.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Foreign currency savings deposits	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Foreign currency term deposits	3.9	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Lending rates 3/												
Foreign currency loans: rates charged to private enterprises	18.8	18.9	19.1	18.9	18.8	18.7	18.8	18.8	18.8	18.8	18.8	18.8

Source: Data provided by the Cambodian authorities.

1/ Simple averages of rates reported by the ten commercial banks with the largest deposits. These data represent a new series not available for earlier periods.

2/ The average rate shown is that reported for three-month riel deposits. The rates offered by all banks vary considerably, recently ranging between 2 and 15 percent per annum. The volume of total riel deposits continues to be small.

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

Table 24. Cambodia: Prudential Regulations
As of January 1998

Regulation	Main features	Date of issue
Maintenance of required reserves against deposits and other borrowing	Reserve requirements of 8 percent are levied on deposits in both foreign and domestic currency. Reserves are defined as cash-in-vault or unremunerated deposits at the National Bank, are calculated on the basis of average daily deposit liabilities over successive 28 day periods, and must be met on an average basis over the period. Penalties for non-compliance is imposed by charging 1/10 of the latest refinancing rate per day on the deficiency.	December 30, 1993 Rate adjusted January 1, 1998
Minimum capital	New banks must pay the entire amount of their authorized capital into a special account at the National Bank before they start operations; the paid-up capital can be withdrawn later for operational expenses. In addition, each bank must maintain 10 percent of authorized capital in a special capital account at the National Bank, as a form of security. The first 5 percent are unremunerated. The second 5 percent are remunerated at a rate that follows SIBOR.	January 1, 1994 Rate adjusted January 1, 1998
Provisions for bad and doubtful debts	Classification and provisioning for bad and doubtful loans .	December 31, 1994
Monitoring banks' open foreign exchange positions	Calculations of limits on foreign exchange exposure of commercial banks and other financial institutions.	January 16, 1995
Late submission of the commercial banks' reports	Banks are required to submit monthly reports on their balance sheet and selected activities within two weeks of the end of the month. Penalties are imposed on banks which report late.	March 30, 1995
Risk cover ratio (capital adequacy)	Banks must maintain capital adequacy ratio at the minimum level of 5 percent.	May 22, 1995

Source: Data provided by the Cambodian authorities.

Table 25. Cambodia: Balance of Payments, 1993-97

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

	1993	1994	1995	1996	1997 Est.
Current account excluding official transfers	-189.0	-329.4	-473.6	-485.0	-346.1
Current account including official transfers	-40.0	-94.4	-128.0	-185.7	-175.4
Trade balance	-203.0	-274.6	-404.6	-451.3	-303.4
Exports	219.0	462.4	808.6	658.8	733.8
Domestic exports	102.0	234.4	268.6	297.6	403.6
Re-exports	117.0	228.0	540.0	361.2	330.2
Imports, f.o.b.	-422.0	-737.0	-1,213.2	-1,110.2	-1,037.1
Of which: retained imports, f.o.b.	-305.0	-509.0	-673.3	-749.0	-706.9
Services (net)	10.0	-74.8	-89.0	-56.6	-62.7
Receipts	66.0	60.0	121.1	171.7	186.2
Of which: tourism	...	...	53.0	84.1	72.7
Payments	-56.0	-134.8	-210.1	-228.3	-249.0
Of which: interest	-1.0	-9.8	-6.1	-6.9	-4.8
Private transfers	4.0	20.0	20.0	23.0	20.0
Official transfers	149.0	235.0	345.5	299.3	170.7
Of which: budget support	43.0	34.0	20.9	13.8	5.4
Of which: project aid	106.0	201.0	153.6	155.7	106.4
Capital account	74.8	135.8	167.6	238.1	204.7
Medium- and long-term loans	4.8	53.8	71.4	59.0	37.3
Disbursements	4.8	60.8	75.3	75.2	37.7
Amortization	0.0	-7.0	-3.9	-16.2	-0.4
Foreign direct investment	0.0	80.0	150.7	239.9	135.0
Short-term flows and errors and omissions	70.0	2.0	-54.5	-60.8	32.3
Overall balance	34.8	41.4	39.5	52.4	29.3
Financing	-35.0	-41.4	-39.5	-52.4	-29.3
Change in gross official reserves	-41.0	-72.4	-82.0	-52.4	-29.6
Debt rescheduling	0.0	0.0	239.0	0.0	0.0
Change in arrears (- = reduction)	0.0	10.0	-239.0	0.0	0.3
IMF	6.0	21.0	42.5	0.0	0.0
Purchases/disbursements	6.0	21.0	42.5	0.0	0.0
Repurchases/repayments	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Current account excluding					
official transfers (in percent of GDP)	-9.4	-13.7	-16.1	-15.5	-11.0
Current account including official					
transfers (in percent of GDP)	-2.0	-3.9	-4.4	-5.9	-5.6
Gross official reserves	71.0	100.0	181.6	234.0	263.6
In months of imports of goods and services	1.8	1.4	1.5	2.1	2.5
Net international reserves	...	70.0	109.9	164.6	198.5
External debt 1/	410.2	487.0	613.3	674.3	2,048.9

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

1/ In 1997 includes \$1,346 million owed to four countries of the former *Council of Mutual Economic Assistance*. This amount is indicative and subject to negotiations and rescheduling.

Table 26. Cambodia: Merchandise Exports, 1993-97

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

	Unit	1993	1994	1995	1996	1997 Est.
Exports		219.0	462.0	808.6	658.8	733.8
Rubber 1/		11.2	30.0	41.2	31.9	36.2
Quantity	('000 MT)	21.0	30.8	40.2	33.4	47.0
Unit value	(\$/MT)	534.2	975.0	1,025.9	955.3	770.9
Logs 1/		50.4	124.0	111.6	52.5	37.8
Quantity	('000 m ³)	562.4	1,160.0	697.6	350.1	312.1
Unit value	(\$/m ³)	89.7	106.9	160.0	150.0	121.0
Sawn timber		34.1	73.0	72.9	96.0	65.4
Quantity	('000 m ³)	151.0	360.0	304.2	357.0	381.8
Unit value	(\$/m ³)	225.7	202.8	239.8	269.0	171.3
Fishery products		...	...	...	3.5	5.1
Quantity	(MT)	...	...	1.0	1.8	3.0
Unit value	(\$/MT)	...	...	...	1,962	1,686
Rice		...	...	...	1.1	1.5
Quantity	('000 MT)	...	...	...	4.0	6.0
Unit value	(\$/MT)	...	...	...	271.0	242.5
Other traditional exports		13.6	12.2	...	...	...
Nontraditional exports		...	...	42.9	112.6	257.7
Re-exports		117.0	228.0	540.0	361.2	330.2

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

1/ Volume includes estimates for illegal exports.

Table 27. Cambodia: Customs Imports, 1993-97

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997 Est.
Total imports	361.2	553.2	930.0	721.7	768.4
Cigarettes	60.0	95.9	192.5	220.4	183.4
Petrol	17.7	29.0	58.3	47.0	43.2
Motorcycles	13.3	29.0	36.0	19.4	13.5
Diesel oil	18.4	30.4	51.0	69.5	66.7
Vehicles	18.5	12.0	22.0	26.0	26.0
Beer	10.0	14.7	14.7	14.4	5.3
VCR	15.8	23.1	14.9	6.4	0.8
TV	10.3	21.2	17.3	14.0	5.7
Construction material	24.2	20.8	19.2	20.6	17.8
Fuel oil	2.7	3.2	6.4	4.3	3.0
Fabric	69.5	36.2	12.6	10.6	5.0
Food products	2.7	11.6	17.8	26.1	19.9
Radio cassettes	4.7	4.3	4.0	2.7	1.6
Vehicle parts	4.3	3.2	6.8	6.9	8.0
Nonalcoholic drinks	3.8	5.9	4.3	5.5	5.1
Clothing	20.7	11.9	17.2	22.4	16.8
Alcohol	0.7	7.7	6.9	7.5	4.7
Refrigerators	1.1	1.3	1.8	2.2	2.1
Generators	4.1	2.6	2.5	1.5	1.4
Gold	28.0	78.4	305.0	43.0	132.1
Sugar	0.0	13.8	6.4	14.1	15.0
Cement	0.0	12.3	12.3	15.9	15.6
Lubricants	0.0	3.0	4.5	4.3	3.9
Monosodium	0.0	6.1	9.6	13.2	12.3
Steel	0.0	7.8	4.3	5.2	0.6
Household oil	0.0	0.5	1.7	4.4	4.3
Silver	0.0	0.8	1.1	0.9	0.3
Other	30.8	66.4	78.8	178.5	208.5

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

Table 28. Cambodia: Sectoral Distribution of Foreign Investment Approvals, August 1994–December 1997 1/

Sector	Total approvals (millions of US\$)	No. of projects	Approval share (in percent)
Total	4,536	589	100.0
Tourism and hotels	480	37	10.6
Construction and building materials	788	35	17.4
Agriculture, livestock, and food processing	322	116	7.1
Textile, including garments	127	192	2.8
Energy	123	7	2.7
Telecommunication and transportation	247	18	5.4
Electronics, engineering, and mechanical assembly	15	15	0.3
Mining	32	9	0.7
Wood Processing	293	25	6.5
Others	809	134	17.8
Ariston project 2/	1,300	1	28.7

Source: Data provided by the Cambodian authorities.

1/ The effective implementation rate of approved foreign investment projects is not known but is much lower than the amounts indicated.

2/ This refers to a large project by the Malaysian Company Ariston that includes investments in infrastructure, tourism, and utilities. A breakdown of the total committed investment amount among different sectors is not available.

Table 29. Cambodia: Investment Approvals by Investor Country of Origin,
August 1994–December 1997

(Including joint ventures)

Country	Total approvals (millions of US\$)	Approval share (percent)
Total	4,536	100.0
Cambodia	1,028	22.7
Foreign	3,508	77.3
America		
Canada	53	1.2
United States	393	8.7
Europe		
Belgium	2	0.0
France	191	4.2
Netherlands	13	0.3
Portugal	2	0.0
Sweden	12	0.3
Switzerland	6	0.1
United Kingdom	72	1.6
Asia		
Indonesia	41	0.9
Malaysia	1,720	37.9
Singapore	197	4.3
Thailand	124	2.7
Other Asia/Pacific		
Australia	32	0.7
China	106	2.3
Hong Kong SAR	109	2.4
Japan	12	0.3
Korea	196	4.3
Taiwan	223	4.9
Other countries	3	0.0

Source: Data provided by the Cambodian authorities.

Table 30. Cambodia: External Debt, 1995-97 1/

(In millions of U.S. dollars)

	1995	1996	1997 Est.
Total external debt outstanding	568.3	674.3	2,048.9
Multilateral	179.4	308.9	278.9
World Bank	59.8	103.0	125.7
AsDB	46.4	85.3	94.8
IMF	73.2	120.6	58.3
Bilateral	388.9	365.4	1,770.1
New debt	41.6	31.5	36.6
Rescheduled debt	347.3	333.9	1,733.5
Total disbursements	123.9	75.2	37.7
Multilateral	101.9	75.2	32.2
World Bank	25.6	43.2	22.7
AsDB	34.3	32.0	9.5
IMF	42.0	0.0	0.0
Bilateral new debt	22.0	0.0	5.5
Total amortization	3.9	16.2	0.4
Multilateral	0.0	0.0	0.0
World Bank	0.0	0.0	0.0
AsDB	0.0	0.0	0.0
IMF	0.0	0.0	0.0
Bilateral	3.9	16.2	0.4
New debt	3.9	0.7	0.4
Rescheduled debt	0.0	15.5	0.0
Total interest	7.9	6.9	4.8
Multilateral	1.3	1.8	2.8
World Bank	0.4	0.6	0.9
AsDB	0.3	0.4	0.9
IMF	0.6	0.8	1.0
Bilateral	6.7	5.1	2.0
New debt	0.4	0.6	0.7
Rescheduled debt	6.3	4.5	1.3

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

1/ Until 1997 excludes debt incurred to four former *Council of Mutual Economic Assistance* countries amounting to some \$1,346 million; this amount is included in 1997. This amount is indicative and subject to negotiations and rescheduling.

Table 31. Cambodia: Status of State-Owned Enterprises
(End-1997)

Controlling Ministry	Enterprises to be Retained			Enterprises to be Privatized			Enterprises Already Privatized			Total			
	Fully active	Reduced activity	Idle	Total	Fully active	Reduced activity	Idle	Total	Leased enterprises		Joint venture	Sold to private sector	Enterprises closed
Agriculture	0	0	0	0	12	1	0	13	22	2	0	0	24
Commerce	0	0	0	0	0	6	0	6	20	0	1	0	21
Culture	0	1	0	1	0	0	0	0	4	0	2	0	6
Health	0	0	1	1	0	0	0	0	1	0	0	0	1
Industry	1	0	0	1	1	2	0	3	52	0	19	0	71
Public works and transport	7	1	0	8	1	4	5	10	15	1	0	1	17
Post and telecommunications	0	0	0	0	0	0	0	0	2	0	0	0	2
Council of Ministers	1	0	0	1	0	0	0	0	0	1	0	0	1
Total	9	2	1	12	14	13	5	32	116	4	22	1	143

Source: Data provided by the Cambodian authorities.

Table 32. Cambodia: Previously State-Owned Enterprises Sold to the Private Sector

(End-1997)

Business	Ministry	Buyer's nationality	Date of sale	Sale price (US\$)
Total				18,203,800
Flour Factory	Industry	...	7/24/91	450,000
Soap Factory	Industry	Cambodia	10/25/91	85,800
Mechanical Factory #2	Industry	...	11/14/91	360,000
Mechanical Factory #4	Industry	Cambodia	11/14/91	225,000
Battery Shop	Industry	...	11/14/91	156,000
Battery Manufacturer	Industry	...	11/14/96	80,000
Tire Shop	Industry	Cambodia	11/14/91	40,000
Mechanical Factory #3	Industry	...	11/15/91	440,000
Mechanical Factory #9	Industry	...	11/15/91	420,000
Mechanical Factory #7	Industry	...	11/29/91	155,000
KM 6 Store	Industry	Cambodia	7/30/92	56,000
Rubber Warehouse	Industry	Cambodia	7/30/92	25,000
Bata Shoe Factory	Industry	...	8/24/92	140,000
Soap Factory	Industry	Cambodia	8/24/92	72,000
Kbal Thnal Store	Industry	Cambodia	12/8/92	170,000
Print Shop	Culture	Cambodia	6/15/93	...
Agriculture Material Manufacturer	Industry	Cambodia	6/17/94	...
Print Shop	Culture	Cambodia	6/17/95	...
Tobacco Manufacturer	Industry	Cambodia	1/26/96	3,400,000
CKC	Commerce	Cambodia	3/11/96	10,680,000
SOKLAIT (Warehouse and plant)	Industry	Cambodia	10/21/96	1,250,000

Source: Data provided by the Cambodian authorities.

Table 33. Cambodia: State-Owned Enterprises Leased to the Private Sector by Type of Activity
(End-1997)

Type of asset (No. of leases)	Duration of lease (years)			Total	Payment in 1998 (US\$)		
	1-14 yrs.	15 or 20 yrs.	>20 yrs.		Average	Minimum	Maximum
Total (116)	11	52	53	4,509,316	45,718	1,000	510,000
Beverage companies (3)	0	3	0	598,020	199,340	180,420	217,600
Brick, ceramics, stone manufacturers (6)	0	1	5	77,400	15,480	6,000	41,200
Car repair, ship repair (4)	1	0	3	104,700	26,175	2,600	54,500
Chemical plants (4)	...	3	1	150,500	37,625	17,000	55,500
Garages, gas stations (11)	0	8	3	135,050	12,277	1,250	36,000
Land, buildings (20)	8	4	8	662,208	36,789	1,000	200,000
Leather, textiles manufacturers (16)	0	10	6	742,615	49,508	12,000	100,000
Mechanical plants (4)	0	3	1	140,000	36,250	12,000	60,000
Miscellaneous manufacturing (12)	1	5	6	329,900	29,991	8,400	60,000
Restaurants, guest house (4)	1	2	1	79,800	19,950	4,800	45,000
Sawmills (10)	0	7	3	351,657	39,073	7,000	128,000
Shops, offices (2)	0	0	2	33,000	33,000	33,000	33,000
Tire factories (5)	0	4	1	232,218	46,444	15,000	91,000
Warehouses (15)	0	2	13	872,248	58,150	6,000	510,000

Source: Data provided by the Cambodian authorities.

Table 34. Cambodia: State-Owned Enterprises Leased to the Private Sector by Ministry

(End-1997)

Ministry	Number of leases	Earliest lease	Latest lease	Duration of lease			Unknown duration	Payment in 1998 (US\$)		
				1-14 yrs.	15 or 20 yrs	>20 yrs.		Total	Minimum	Maximum
Total	116	June 1989	Sept. 1997	8	52	54	2	4,509,316	1,000	510,000
Agriculture	22	November 1991	June 1997	1	11	9	1	690,900	2,600	200,000
Commerce	20	August 1991	Sept. 1997	3	4	13	0	919,549	1,000	510,000
Culture	4	July 1992	July 1996	2	0	2	0	102,800	10,800	50,000
Health	1	November 1992	Sept. 1997	0	0	1	0	3,600	3,600	3,600
Industry	52	June 1989	May 1997	0	30	21	1	2,390,698	6,000	217,600
Public works	15	July 1991	Jan. 1996	1	6	8	0	365,769	4,800	100,000
Post and Telecommunications	2	May 1996	June 1997	1	1	0	0	36,000	6,000	30,000

Source: Data provided by the Cambodian authorities.

Table 35. Cambodia: Proposed Privatization Decisions
(End-1997)

Type of Enterprise	Total Number of Enterprises	Status 1/			Number of Employees
		Active	Reduced Activity	Idle	
Total	44	L P R 1 14 10	L P R 1 3 1	L P R 5 0 1	21,176
Chemical industry	1	...	...	R	164
Construction	6	RLPL	...	LL	610
Fishery	4	LLL	L	...	158
Goods transport	6	LPPRL	...	L	...
Manufacturing	...	...	...	...	...
Mining	...	...	...	...	...
Port activities	6	RRRRRR	...	...	2,069
Passenger transport	1	...	...	L	108
Printing, video	3	R	RP	...	179
Rubber plantations	6	PPPPPP	...	...	15,657
Service industries	6	LPPRPL	...	...	676
Trade, import, export	3	P	P	L	349
Utilities, mail, telecommunications	2	P	P	...	1,206

Source: Data provided by Cambodian authorities.

1/ Each letter in a column represents an enterprise:

L: enterprise to be liquidated;

P: enterprise to be privatized; and

R: enterprise to be retained.

Table 36. Cambodia: Joint Ventures Entered into by the State
(End-1997)

Company	Business	Ministry	Share Retained by the State in Percent	Private Interest	
				Nationality	Share in Percent
CASOTIM	Wood Processing	Agriculture	20	Russia	80
COLEXIM	Wood Processing	Agriculture	60	Japan	40
RAC (Royal Air Cambodge)	Airline	Council of Ministers	60	Malaysia	40
Cambodia Smart Communication	Telecommunications	Post & Telecommunications	30	Thailand	70
Cambodia Shinawatra Co.	...	Post & Telecommunications	30	...	...
CAMTEL	Telecommunications	Post & Telecommunications	30	...	...
SOCITEL	Telecommunications	Post & Telecommunications	30	...	...
Telstra International Ltd.	Telecommunications	Post & Telecommunications	40	Australia	60
Tricelula Communication Cambodia	Telecommunications	Post & Telecommunications	30	...	...
Kampuchea Transport Shipping Co.	Goods Transport	Public Works & Transport	33	Cambodia	67
CAMINTEL	Telecommunications	Post & Telecommunications	51	Indonesia	49

Source: Data provided by the Cambodian authorities.

Communiqué of November 11, 1997 Regarding Forestry Policies

Reference the Anoukret Nr.33 of 3/7/96, establishing the National Steering Committee of Forest Policy Reform and the importance of the four forestry studies, the National Steering Committee decides:

First decision

That the Ministry of Agriculture, Forestry and Fisheries (MAFF) is the only institution having custody over the National Production-forest Resources; within this framework the MAFF delegates authority to the Department of Forestry and Wildlife (DFW) to assume its full responsibilities for all forestry-related matters including:

- Providing technical clearance dealing with forestry matters (legislation, regulations, taxation), concession and investment agreements for forest exploitation, wood collection, wood transformation, and/or commercialization of wood products;
- Providing service to the Royal Government of Cambodia (RGC) by ensuring that forest inventories are carried out, by specifying exploitation zones, issuing guidelines for forestry management plans and their approval, determine annual allowable cut, elaboration of forestry development projects, determination of reforestation areas and community forestry zones;
- Strengthening the control of forest exploitation, wood transformation and commercialization, transportation and export of wood products, anytime and everywhere. The DFW will work immediately and urgently with the four Technical Studies to develop and bring in best result for the forest policy reform process.

Second decision

That the four consulting firms, which are now conducting the Forest Policy Studies (Associates in Rural Development, Development Alternatives, Inc., FORTECH, and White & Case), should proceed with their work in direct collaboration with all departments and agencies of the RGC; therefore full authorization is granted to the DFW and the four consulting firms to access any person, public or private, as well as obtain documents that might be of use for their studies.

Third decision

That every request for forestry investment has to be considered and commented upon by the Secretariat of the National Committee and DFW before the contracts are signed. The Secretariat should establish and maintain a publicly accessible record for all official forestry

related documents, including concession contracts, collection permits, legislation, decrees orders and other rules and regulations.

Fourth decision

That the Committee reinforce the validity of the Declaration Nr 37 and Order No. 02 of 26 December 1996 which imposes an export ban for raw logs and crudely sawn timber and the other concrete measures taken since last year to curb illegal activities.

Fifth decision

That the secretariat should review with White & Case the draft forest law to give comments to the commission on economy, planning, agriculture, investment, rural development, and environment of the National Assembly before the full assembly discussion.

Sixth decision

That the secretariat should investigate innovative mechanisms for collecting forest revenues, including fees based on volume harvested, annual rents based on concession areas, performance bonds and other mechanisms.

Seventh decision

That the Secretariat should establish a formal mechanism for discussion of matters concerning the industry with representatives of concessionaires and other appropriate stakeholders in the forest sector; every problem or request has to be submitted through the National Steering Committee to the RGC for final decision, the Executive Secretary should inform the members of the Steering Committee of the composition and planned program of the Advisory Group not later than February 1998.

Eighth decision

Amendment on Article 2 of Anoukret No. 33 dated July 3, 1996 that the members of the Steering Committee should be the Minister or the head of institutions.

Ninth decision

The MEF should allow the MAFF to keep reforestation fee paid by concessionaires for reforestation activities.

Tenth decision

That the National Steering Committee will meet at the end of each of the four studies to discuss the results and the recommendations and to take immediate action in 1998.

Summary of the Cambodian Tax System
(As of December 1997)

Tax	Nature of tax	Exemptions and deductions	Rates										
<p>1. Taxes on income, profits, and capital gains</p> <ul style="list-style-type: none"> • Tax on wages and salaries • Tax on rental income • Tax on enterprise profits 	<p>A monthly tax on income from wages and salaries and on fringe benefits, withheld at source. The tax applies to all wages received in Cambodia and to wages received abroad by Cambodian nationals if the employer is a Cambodian resident.</p> <p>A tax on receipts from rents on land and buildings. The tax is paid by the owner.</p> <p>A monthly tax on the profits of businesses, including interest received and capital gains. Incorporated businesses, manufacturing and commercial enterprises whose annual turnover is more than 200,000,000 riel, service enterprises whose annual turnover is more than 100,000,000 riel, importers and exporters, enterprises that have signed a contract with the State, enterprises covered by the Law on Investment, and hotels and restaurants are required to keep accounts and pay accounts-based profit taxes.</p>	<p>There are no exemptions. Deductions from the tax base are applied according to the number of children under age 18, as follows: (i) 0-1 children, 0 percent; (ii) 2-3 children, 10 percent; (iii) 4-5 children, 20 percent; and (iv) 6 or more children, 30 percent.</p> <p>Property owners whose monthly income from rent is below 500,000 riel are exempt, as are enterprises who are taxed on an actual account basis.</p> <p>There are no exemptions under the tax law. However, under the Law on Investment, exemptions can be granted by the Council for the Development of Cambodia (CDC) to investing enterprises for up to 8 years, commencing the year the investment project first becomes profitable.</p>	<p>Progressive rates applied to monthly income as follows: (i) Less than 750,000 riel, 0 percent; (ii) 750,000-1,000,000 riel, 5 percent; (iii) 1,000,000-10,000,000 riel, 10 percent; (iv) 10,000,000-20,000,000 riel, 15 percent; and (v) 20,000,000 riel and over, 20 percent.</p> <p>10 percent</p> <p>20 percent for incorporated businesses. A progressive rate structure applies to annual profits as follows: (i) less than 1,000,000 riel, 10 percent; (ii) 1,000,000-10,000,000 riel, 15 percent; (iii) 10,000,000-20,000,000 riel, 20 percent; and (iv) 20,000,000 and higher, 30 percent. The tax rate is 9 percent for projects approved by the CDC under the Law on Investment.</p>										
<p>2. Taxes on use of goods or permission to perform activities (<i>the patente</i>)</p>	<p>An annual registration or license fee levied on all businesses, industries, and professionals. The base is the previous year's turnover, or estimated turnover. New businesses are taxed on the basis of a provisional estimate.</p>	<p>Farmers are not subject to the tax.</p>	<p>The <i>patente</i> is levied as a percentage of total turnover at the following rates:</p> <table border="0"> <tr> <td>Manufacturing and handicrafts</td> <td>0.5 percent</td> </tr> <tr> <td>Fisheries, construction, transport, small services, restaurants and trade</td> <td>0.8 percent</td> </tr> <tr> <td>Other services</td> <td>1.0 percent</td> </tr> </table>	Manufacturing and handicrafts	0.5 percent	Fisheries, construction, transport, small services, restaurants and trade	0.8 percent	Other services	1.0 percent				
Manufacturing and handicrafts	0.5 percent												
Fisheries, construction, transport, small services, restaurants and trade	0.8 percent												
Other services	1.0 percent												
<p>3. Taxes on domestic goods and services</p> <ul style="list-style-type: none"> • Turnover tax • Excise tax • Stamp tax 	<p>A monthly tax on business turnover payable both by those subject to the profits tax on the basis of their accounts, and those subject to the presumptive tax regime. In the latter case, turnover tax payable each month may be fixed in advance for periods of 3, 6 or 12 months. Also covers first sale of imported products.</p> <p>A tax levied on select products, both locally produced and imported. These include: cigarettes, tobacco, alcoholic and non-alcoholic drinks, ice cream, lotus seeds and gasoline, cars, international air travel and telecommunications.</p> <p>Tax payable in the form of stamps affixed to some documents.</p>	<p>Agricultural products sold by primary producers (but not sold by traders); and mobile traders and small permanent establishments, as determined by the Minister of Economy and Finance. Enterprises operating under the Law on Investment are not exempted from the turnover tax.</p> <p>None.</p> <p>None.</p>	<table border="0"> <tr> <td>Industrial, handicraft and mining businesses</td> <td>1 percent</td> </tr> <tr> <td>Traders, services and other businesses</td> <td>4 percent</td> </tr> <tr> <td>Hotels (on turnover other than room charges), restaurants, bars, massage parlors, and other establishments</td> <td>10 percent</td> </tr> <tr> <td>Gasoline</td> <td>20 percent</td> </tr> <tr> <td>Other taxable products</td> <td>10 percent</td> </tr> </table> <p>Specific small amounts depending on the type of document, ranging from 10 riel for school registration to 1,000 riel for investment authorizations.</p>	Industrial, handicraft and mining businesses	1 percent	Traders, services and other businesses	4 percent	Hotels (on turnover other than room charges), restaurants, bars, massage parlors, and other establishments	10 percent	Gasoline	20 percent	Other taxable products	10 percent
Industrial, handicraft and mining businesses	1 percent												
Traders, services and other businesses	4 percent												
Hotels (on turnover other than room charges), restaurants, bars, massage parlors, and other establishments	10 percent												
Gasoline	20 percent												
Other taxable products	10 percent												
<p>4. Slaughter tax</p>	<p>Tax levied on slaughterhouses based on the value of the livestock that is slaughtered.</p>	<p>None.</p>	<p>Tax is equal to 3 percent of the set price for each animal. The set values range from 50,000 riel for pigs to 100,000 riel for cattle and buffalo.</p>										

Summary of the Cambodian Tax System (concluded)
(As of December 1997)

Tax	Nature of tax	Exemptions and deductions	Rates
5. Taxes on property	Tax levied on the transfer of land, buildings, motor vehicles, and motorcycles.	Transfers of property ordered by the State are exempted, as are government transfers, public utilities, and charitable organizations. The sale of motor vehicles is also exempted if the seller is subject to the turnover tax or the profits tax.	Tax is paid by purchaser on presumptive values, fixed as follows: (i) individual cars, 375,000 riel; (ii) trucks, vans, etc., 300,000 riel; (iii) motorcycles, 100,000 riel; (iv) land, from 5,000-30,000 riel per square meter depending on zone; (v) buildings, from 50,000-125,000 riel per square meter depending on zone.
6. Taxes on international trade • Taxes on imports - Import duties - Consumption tax • Export taxes - Tax on timber - Tax on rubber - Other products	Effective September 16, 1993, 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 eight major revenue-producing items for which values for duty purposes are fixed in US dollar terms by the Minister of Economy and Finance. Ad valorem tax levied on f.o.b. values of a limited number of imports. Ad valorem tax levied on the value of logs and sawn timber at export. In principle, exports of logs are limited to those cut on Government-agreed concessions. An export ban on all logs was reinstated on December 31, 1996. Ad valorem tax levied on rubber. Ad valorem tax levied on selected livestock products and precious stones.	Exempted from import duties are: (i) imports for projects and investments approved by the CDC, on approval at the time of import; (ii) fuel for Royal Air Cambodia, up to a ceiling of 2,000 tons of aviation fuel; (iii) insecticides, pesticides, and agricultural machinery (excluding tractors); and (iv) imports of embassies, international organizations providing humanitarian aid, and projects financed through bilateral grants and aid. Imports exempt from duty are also exempted from the consumption tax. None. None. None.	There are essentially four rate categories: (i) 7 percent for essential goods and basic raw materials; (ii) 15 percent for intermediate goods and machinery and equipment; (iii) 35 percent for most consumer goods and building materials; and (iv) 50 percent for luxury goods. Reduced rates are applied to certain goods in rough proportion to the extent to which they are assumed to be re-exported. Gold and silver coins are subject to the lowest rate, 0.3 percent. Automobiles are subject to tariffs ranging from 30 to 120 percent. Petroleum products: (i) Gasoline: 50 percent of the prescribed value of \$320 per ton. (ii) Diesel: 50 percent of the prescribed value of \$275 per ton. 4 percent 10 percent 10 percent 5-10 percent
7. Other taxes and fees • Motor vehicle fees	Annual levy automobiles and boats.	None.	Lorry: 160,000 riel Motor car: up to 9 horsepower 37,500 & 50,000 riel 9-12 horsepower 50,000 & 75,000 riel over 12 horsepower 87,500 & 125,000 riel Motorcycles 3,000-7,500 riel Small power boat 5,000 riel Cargo ship (over 2,000 tons) 1,200,000 riel Sea-going fishing boat (over 500 horsepower) 300,000 riel

