

Table 1. Cambodia: Key Policy Actions for the First Annual Program  
Under the ESAF Arrangement

Policy Action
<p>I. Prior Actions for Executive Board Approval of the ESAF Program.</p> <p>1. Budgetary measures</p> <ul style="list-style-type: none"> <li>• Rigorously implement timber royalties of \$54 per cubic meter.</li> <li>• Full and timely transfer to the budget of garment quota management fees and all revenue from quota auctions, and the use of this transfer to reduce the government's net debt to the NBC.</li> <li>• Meeting monthly targets for revenue and expenditure for June-August including for defense and priority spending, as agreed with the Fund staff.</li> <li>• Continue to strictly avoid ad hoc exemptions, unify customs duty on cigarette imports, and launch an open tender for PSI service provider.</li> <li>• Remove redundant workers from civilian payroll of at least 1,200 and ghost soldiers from defense (12,868) payrolls. Adopt a strict limit (920) on new hiring for the civil service.</li> <li>• Initiate dialogue with major creditors with a view to concluding rescheduling agreement.</li> </ul> <p>2. Forestry</p> <ul style="list-style-type: none"> <li>• Publish the list of log collection quotas that have been repealed.</li> <li>• Establish forestry crime monitoring unit, and submit the first quarterly report of the Unit to Council of Ministers and to the public.</li> <li>• Submit subdecree on concession management to Council of Ministers.</li> </ul> <p>3. Approval by National Assembly of the Financial Institutions Law.</p> <p>4. Commit to reduce the maximum tariff rate to 30 percent and the average tariff rate to 13-14 percent by 2002</p>

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Under the ESAF Arrangement (concluded)

Policy Action	Date
II. Structural Performance Criteria	
1. Complete census to ascertain the precise number and status of civil servants and military personnel.	End-March 2000
2. Complete review of concession contracts and cancel concessions in violation.	End-June 2000
III. Structural Benchmarks	
1. No ad hoc tax exemptions to be granted any time during the program period.	Continuous
2. Complete on-site inspections of the remaining commercial banks.	End-Dec. 1999
3. Following adoption of the Financial Institutions Law, subject all banks to relicensing and move to close insolvent or noncomplying banks accordingly.	End-June 2000
4. Submit two commercial laws (as part of a comprehensive commercial code) to the National Assembly for approval.	End-Dec. 1999
5. Formulate a medium-term strategy and reform program for the civil service entailing annual phasing for downsizing.	End-June 2000
IV. Conditions for Review	
1. Complete review of timber revenue mechanism, in consultation with the Bank and Fund.	First review
2. Initiate preshipment inspection (PSI) for imports based on FAD technical assistance recommendations.	First review First review
3. Initiate national consultations on a revised Forestry Law that provides a permanent framework for sustainable logging (in consultation with the World Bank).	First review
4. Formulate a medium-term strategy and reform program for the military, entailing annual phasing for downsizing.	First review
5. Review of forestry policy, tariff reform, and budget management, including implementation of the 2000 budget.	Second review
6. Review of forestry policy, budget management, civil service reform, and military demobilization.	

Table 2. Cambodia: Quantitative Performance Criteria and Benchmarks, Sep. 1999 - Dec. 2000

	Stock at end -Dec. (Actual) 1998	June (Actual) 1999	Sept. (Est.) 1999	Dec.	Mar.1/ 2000	June 2000	Sept. 1/ 2000	Dec.
	Maximum cumulative change from beginning of year							
Net domestic assets of the banking system 2/ 3/ 4/ (in billions of riel)	-498	-95	-75	-67	7	1	-2	21
Net credit to the government from the banking system 3/ 4/	179	-99	-79	-54	-19	-49	-85	-76
Net domestic financing of the budget 3/	...	-114	-89	-64	-19	-49	-85	-76
Publicly contracted or guaranteed nonconcessional foreign currency loans (in millions of US dollars) up to one-year maturity 5/	...	---	---	---	---	---	---	---
Medium - and long - term debt 6/ of which: 1-5 years' maturity	...	---	---	---	---	---	---	---
External payments arrears 7/	...	---	---	---	---	---	---	---
	Minimum cumulative change from beginning of year							
Net official international reserves 3/ (in millions of US dollars)	323	5	13	32	13	26	38	44
	Cumulative flows from beginning of year							
Memorandum item: Nonproject budget support (in millions of US dollars)	...	---	---	10	10	20	30	40

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

1/ Performance criteria.

2/ Net domestic assets are defined as broad money minus net foreign assets (NFA) of the banking system adjusted for the valuation changes arising from the difference between the program and the actual exchange rate.

3/ For purposes of verifying compliance with the program benchmarks, the actual levels of net domestic assets and net bank credit to finance the budget will be adjusted **upward (downward)**, while the net official foreign reserves will be adjusted **downward (upward)** by any **shortfall (excess)** in external nonproject budget support from the program estimates. Adjustments for shortfalls in budget support will not exceed US\$ 10 million. The quantitative performance criteria and benchmarks will be adjusted downward (upward) by any shortfall (excess) in the September 1999 outcome relative to the program estimate.

4/ The actual levels of net domestic assets and net bank credit to finance the budget will be adjusted **upward** by the full extent of any build-up in domestic arrears of the government.

5/ Ceiling applies to amount outstanding. Excludes normal import-related credit.

6/ Maturity based on original contract.

7/ Continuous performance criterion.