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Appendixes

Appendix 1	Interviewees.....	75
Appendix 2	RETA-5877 (Regional Study) Information	77
	1. Study Phases	77
	2. Phase I: Cambodian Case Study.....	77
	3. Phase II: Phnom Penh Workshop.....	78
	4. Phase III: Development of Reference Materials.....	79
	5. Phase IV : Formulation of Action Plan.....	79
Appendix 3	Regulatory and Legal Framework.....	80
	1. Introduction	80
	2. The Constitution of Cambodia	80
	3. Process of Law Making	81
	4. Law on Ratification of Credit Agreement Between Cambodia and ADB.....	82
	5. Law on Commercial Rules and Registration (1995 and 1999).....	82
	6. Sub-Decree on General Provisions of Public Accounting (1995).....	82
	7. Law on the Organization and Functions of Bank of Cambodia (1996)	83
	8. Law on Taxation (1997)	83
	9. Sub-Decree on Value Added Tax (1999)	83
	10. Law on Banking and Financial Institutions (1999) ...	83
	11. Law on Year 2000 Financial Management (1999).....	83
	12. Sub-Decree on the Organization and Functioning of the MEF (2000).....	84
	13. Law on Audit (2000).....	84
	14. Draft Cambodian Capital Market Law.....	84
Appendix 4	The Royal Government of Cambodia	86

	1. Introduction	86
	2. The Constitution of Cambodia	86
	3. Political Climate	88
	4. The Legislature	88
	5. The Executive	89
Appendix 5	The Private Sector	90
	1. Introduction	90
	2. Privatization	90
	3. Corporate Taxation	90
Appendix 6	Institutional	92
	1. Introduction	92
	2. Royal Government of Cambodia	92
	3. Provincial Authorities	93
	4. Organization – Ministry of Economy and Finance ...	93
Appendix 7	The National Bank of Cambodia	95
	1. Introduction	95
	2. Relationship between Bank of Cambodia and Banks	97
	3. Banking System Statistics	97
Appendix 8	Draft Law on Corporate Accounts, their Audit and the Accounting Profession	98
Appendix 9	Workshop Participants	102

Appendix 1 Interviewees

Our appreciation is acknowledged to the following people who gave their valuable time for discussions and interviews:

Sally Relph	Country Manager	PriceWaterhouseCoopers
Seneka Fernando	Resident Manger	Ernst & Young
Rany Chung	Country Manager	KPMG
Mam Nich	Inspector General	General Inspectorate, Ministry of Economy and Finance
Tep Yath	Deputy Inspector General	General Inspectorate, Ministry of Economy and Finance
Lonh Ponnara	Officer	General Inspectorate
Sim Eang	Deputy Director	Tax Department, Ministry of Economy and Finance
Chem Veasna	Deputy Head	Tax Policy Unit, Tax Department, Ministry of Economy and Finance
H.E. Ngy Tayi	Undersecretary of State	Ministry of Economy and Finance
Hak Ponnarin	Deputy Head Office	ADB Unit, Ministry of Economy and Finance
Net Mony	Vice Director	State Property Department
Hem Sivorn	Office Head	Inventory Office, State Property Department, Ministry of Economy and Finance
Men Sarun	Officer	Inventory Office, State Property Department, Ministry of Economy and Finance

FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN CAMBODIA

Mey Vann	Deputy Director	Financial Industry, Ministry of Economy and Finance
Michel Connen	Conseiller Economics and Commerce	French Embassy
Genevieve Javaloyes	Directrice	Agency of French Development
Pen Thirong	Chief	ADB Unit, Ministry of Economy and Finance
Urooj Malik	Resident Representative	Asian Development Bank, Cambodia Resident Mission
Piseth Long	Programs-Operations Analyst	Asian Development Bank, Cambodia Resident Mission
Peter Cordukes	Consultant	Asian Development Bank, Consultant
Nihal Fernandopulle	Consultant	Asian Development Bank, Consultant

Appendix 2 RETA-5877 (Regional Study) Information

1. Study Phases

The study had four broad phases as follows:

- Phase I – Cambodian Case Study on Accounting and Auditing Support and Structures
- Phase II – Phnom Penh Workshop (6 July 2000)
- Phase III – Development of Reference Materials
- Phase IV – Formulation of Action Plan

2. Phase I: Cambodian Case Study

This phase involved the examination of Cambodia's current accounting and auditing structure and systems. It also (i) analyzed Cambodia's political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these. A structured questionnaire, that covered the following areas, was used to collect descriptive information:

- (i) Legal and regulatory framework (public and private sector)
- (ii) Accounting infrastructure (professional bodies and accounting standards)
- (iii) Institutional issues (public and private sector)
- (iv) Government and administrative arrangements
- (v) Financial reporting (public and private sector)
- (vi) Accounting and computerization (public and private sector)
- (vii) Accountancy education and training
- (viii) Budgeting (public sector)
- (ix) External audit (public and private sector)
- (x) Previous studies and initiatives on financial management and governance.

Ted Godden conducted the study fieldwork, with the assistance of Savora Tia, from 10 June to 8 July 2000. Financial management and governance arrangements were discussed with representatives from: the Ministry of Economy and Finance, other government organizations, professional accounting and auditing bodies, private sector businesses, tertiary institutions, bilateral donors, and multilateral donors.

3. Phase II: Phnom Penh Workshop

Issues arising from the study were discussed and debated at a workshop held in Phnom Penh on 6 July 2000. His Excellency, Dr Aun Porn Moniroth, Secretary General, Ministry of Economy and Finance, chaired the workshop. Francis B. Narayan, Lead Financial Specialist, ADB, participated in the Workshop as a resource person and provided overall guidance with respect to the objectives of the Study. Ninety-four participants, representing the following organizations, attended the workshop:

- Asian Development Bank Resident Mission
- Australian Agency for International Development (AusAID)
- BSI / MOEYS
- Chamber of Commerce
- Department of Public Works and MPP
- DPWT/MPP
- EdC
- Faculty of Law and Economic Sciences
- Foreign Trade Bank of Cambodia
- Hotel Intercontinental
- MIME
- Ministry of Economy and Finance
- Ministry of Economy and Finance, Budgeting Department
- Ministry of Economy and Finance, Department of Public Procurement
- Ministry of Economy and Finance, Economics and Finance Institute
- Ministry of Economy and Finance, Financial Industry
- Ministry of Economy and Finance, Inspectorate
- Ministry of Economy and Finance, National Treasury
- Ministry of Economy and Finance, Personnel Department
- Ministry of Economy and Finance, State Property Department
- Ministry of Education, Youth and Sports
- Ministry of Health
- MPWT
- National Bank of Cambodia
- PMO/MRD, AFC
- PPWSA
- PriceWaterhouseCoopers
- SSCH
- Swedish Embassy
- TCO-EC
- The Asia Foundation
- World Health Organization (WHO)

4. Phase III: Development of Reference Materials

In phase III, reference materials on IAAS were developed. In developing these materials, consideration was given to; (i) alternative transition systems and associated benchmarks as well as underlying institutional prerequisites, and (ii) production of these materials in local languages.

5. Phase IV : Formulation of Action Plan

Phase IV assessed the roles that ADB and other funding agencies played in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment in principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a conference in Manila on 16-18 October 2000 and the developed action plan was finalized for implementation.

Appendix 3 Regulatory and Legal Framework

1. Introduction

Since the promulgation of the Constitution in 1993 the Royal Government of Cambodia (RGC) has enacted many laws and regulations which are necessary to underpin the constitutional objective of a free market economy. These laws have been mainly directed towards private ownership, the safeguarding of contracts, and the transparency and predictability of public administration.

The RGC has made considerable progress in promulgating laws relating to financial governance since 1993. The Law on Investment was passed in 1994 which gave incentives to private investors and removed barriers. The institutional structure was strengthened with the approval of the Sub-Decree on the Organization and Functioning of the Council for the Development of Cambodia (CDC). A Law on Accounting has been drafted and the RGC has stated its intention to review and update this Law.

The commercial laws and regulations of Cambodia are subject to frequent changes and with the impetus of an emerging economy, it is often the case that local practice may not necessarily be in strict accord with the law.

This appendix contains a brief examination of the Constitution, the process of law making, and laws and regulations which pertain to financial management and governance.

2. The Constitution of Cambodia

The Constitution was adopted by the Constitutional Assembly at its second Plenary Session held in Phnom Penh on 21 September 1993. The Constitution is divided into 14 parts as follows:

Chapter I	Sovereignty
Chapter II	The King
Chapter III	The Rights and Obligations of Khmer Citizens
Chapter IV	On Policy
Chapter V	Economy
Chapter VI	Education, Culture, Social Affairs
Chapter VII	The National Assembly
Chapter VIII	The Royal Government
Chapter IX	The Judiciary
Chapter X	The Constitutional Council

Chapter XI	The Administration
Chapter XII	The National Congress
Chapter XIII	Effects, Revisions and Amendments of the Constitution
Chapter XIV	Transitional Provisions

Individual Articles contained in the Constitution are covered in various parts of this report as they relate to each individual topic.

3. Process of Law Making

The legislative process leading to the promulgation of laws may be derived by the drafting of laws by the RGC followed by presentation to the National Assembly or by proposed laws from members of the National Assembly.

In the first case the ministry concerned drafts the proposed law. The draft law is studied by the Council of Jurists under the Council of Ministers to check conformity with the Constitution and with any existing legislation. The draft law is then examined and adopted by the Council of Ministers. The draft law is then submitted to the Permanent Committee of the National Assembly for approval accompanied by a “Statement of Purpose”. The draft law is then examined by a specialized commission before submission to the National Assembly. After approval by the National Assembly the law is then promulgated by the King through the issue of a Royal *Kram*, (decree). The law becomes effective 10 days after signing in Phnom Penh and 20 days after signing in the rest of the country. All promulgated laws are published in the Official Gazette.

The Prime Minister and the Members of Parliament also have the right to initiate new laws or amendments to existing laws. A “Statement of Purpose” also has to accompany the draft written law for presentation to the reviewing Commission. The reviewing Commission may request the National Assembly not to consider the law or to express an opinion first as to whether the law should be considered. The law is then submitted to the National Assembly for debate. The Constitutional Council is the only authority which has the right to annul a law if it considers that the adopted law contravenes the principles of preserving national independence or is unconstitutional.

The Supreme Law of Cambodia is the Constitution and all other laws must be in strict conformity with the Constitution.

A further source of law is the recognition of international treaties in accordance with the conditions of Article 26 of the Constitution.

Laws that are passed by the National Assembly and refer to the creation of a state institution and its structures are referred to as the Organic Laws.

Royal Decrees are used by the King in the exercise of his constitutional powers. A Royal *Kram* is issued for the promulgation of laws and a *Reach Kret* is issued by the King for appointments following proposals by the Council of Ministers.

Decrees are signed by the King following adoption by the Council of Ministers.

Sub-decrees are signed by the Prime Minister and counter-signed by the minister responsible for their execution following adoption by the Council of Ministers.

4. Law on Ratification of Credit Agreement Between Cambodia and ADB

This Law which is dated March 3 1995 is administered by the MEF and ratifies the Credit Agreement No. 1345 CAM (SF) between ADB and Cambodia for an amount of SDR19,197,000 to fund the rehabilitation and development of the electricity sector.

5. Law on Commercial Rules and Registration (1995 and 1999)

This Law is administered by the Ministry of Commerce and outlines the rules and registration procedures for merchants and commercial companies. The Law covers such matters as declaration forms, new businesses, cessation of business, commercial register, Official Gazette notification, and penalties.

6. Sub-Decree on General Provisions of Public Accounting (1995)

This sub-decree is administered by the MEF and covers the responsibilities for authorizing expenditure, the roles of the public accountants, and broad principles governing the collection of public revenue and expenditure of public moneys.

7. Law on the Organization and Functions of Bank of Cambodia (1996)

This law is administered by the National Bank of Cambodia which is an autonomous public entity and recognized as the Cambodia's "Central Bank." The Law covers all central banking matters including functions and duties, autonomy, management, capital income allocation, budget, financial relations, exchange policy, relations with financial institutions, currency, accounts and audit and penalties.

8. Law on Taxation (1997)

This Law is administered by the MEF. The Law covers all matters relating to the administration of taxes including taxable profit, tax rates, deductions, withholding tax, taxpayers obligations, tax on salary, value added tax (VAT), tax rules and procedures, tax evasion penalties and criminal violations.

9. Sub-Decree on Value Added Tax (1999)

This sub-decree is administered by the MEF. The Law covers the procedures for the registration of taxable persons for VAT, registration of investment enterprises, cancellation of registration, credit for input tax, tax invoices, books, records, and information, supply of goods or services for consumers, supply by an agent and collection of VAT at importation.

10. Law on Banking and Financial Institutions (1999)

The National Bank of Cambodia administers this Law. The Law covers all general banking matters including banking and financial intermediation scope of the law, legal form, licensing, capital requirements, directors and managers, shareholders, partners, establishment abroad, regulatory powers, internal control, accounting obligations, external auditors duties, professional secrecy, money laundering and penalties, customer protection and organization of the profession.

11. Law on Year 2000 Financial Management (1999)

This Law is administered by the MEF. The Law covers the approval of the year 2000 Budget which is classified into Revenues, Expenditures,

and Capital Expenditures. This Law is explained in more detail in Chapter VI.

12. Sub-Decree on the Organization and Functioning of the MEF (2000)

This sub-decree is administered by the MEF and determines the organization and missions of the ministry, general secretariat, general inspectorate and other finance departments.

13. Law on Audit (2000)

This Law is administered by the MEF. The Law covers the establishment of an independent National Audit Authority that will be responsible for the external auditing function of the Government. This Law is explained in more detail in Chapter II.

14. Draft Cambodian Capital Market Law

The Capital Market Law for Cambodia was drafted in 1997 and has not yet been passed by the National Assembly.

The objectives of the law are to encourage public savings through investment in publicly issued securities, promote the effective regulation and orderly development of a capital market, protect the lawful rights of investors, encourage foreign investment, assist in privatization of business enterprises, and promote information on securities and capital market activities. Chapters are devoted to the following topics:

- General Provisions
- The Securities Commission of Cambodia
- Requirements for Public Companies
- Public Offer of Securities
- Ongoing Obligations of Public Companies
- Collective Investment Funds
- Issue of Company Bonds
- Listing and Trading of Securities on the Securities Exchange of Cambodia
- Licensing
- Conduct of Securities Business and Accounting
- Revocation of Licenses
- The Stock Exchange and Other Bodies (Establishment, Board of Management)

- Preventing Unfair Trading Practices
- Disclosure of Interest and Takeovers
- Compensation Schemes (Handling of Violations, Implementing Provisions)

Appendix 4 The Royal Government of Cambodia

1. Introduction

Cambodia has a two-tier system of Parliament consisting of the National Assembly and the Senate. The National Assembly holds primary legislative power and the senate acts as a “filter” for laws approved by the National Assembly.

The Royal Government of Cambodia holds the executive power, and consists of civil administration and the armed forces. The Royal Government has moved forward to adjust and reform the governance structure towards a liberal democracy and a market economy since 1993.

2. The Constitution of Cambodia

For the purpose of this Section the main Chapters and Articles of the Constitution are as follows:

Chapter II: The King

- The King is the Head of State and will reign but not govern (Article 7).
- On the King's death, the new monarch will be chosen by the Royal Council of the throne (Article 13).
- The King will sign the law promulgating the Constitution, laws adopted by the National Assembly, and sign decrees presented by the Council of Ministers (Article 28).
- In the absence of the King, the President of the National Assembly will act as Head of State (Article 30).

Chapter VII: The National Assembly

- The National Assembly consists of at least 120 members and the deputies (members) are elected by a free, universal, equal, direct, and secret ballot (Article 76).
- The term of the National Assembly is five years and terminates on the day when the new Assembly convenes (Article 78).
- The deputies enjoy parliamentary immunity (Article 80).
- Before taking office, the National Assembly votes to choose a Chairman, Vice-Chairmen and members of each Commission by a two-thirds majority vote (Article 82).

- The National Assembly holds two ordinary sessions per year and each session should last for at least three months (Article 83).
- The Standing Committee manages the work of the National Assembly between meetings. The Standing Committee consists of the Chairman of the National Assembly, the Vice-Chairmen, and the Chairmen of National Assembly Commissions (Article 84).
- All laws approved by the National Assembly and signed by the King for promulgation are published in the Official Gazette and are available throughout the country (Article 93).

Chapter VIII: The Royal Government

- The Council of Ministers is the Royal Government of Cambodia. The Council of Ministers is led by one Prime Minister assisted by two Deputy Prime Ministers and by Senior Ministers, Ministers, and Secretaries of State as members (Article 99).
- Members of the Royal Government are collectively responsible to the National Assembly for the overall policy of the Royal Government (Article 102).

Chapter X: The Constitutional Council

- The Constitutional Council has the duty to safeguard respect for the Constitution and the laws passed by the National Assembly (Article 117).
- The Constitutional Council consists of nine members with a nine-year mandate. One third of the members are replaced every three years. Three members are appointed by the King, three by the National Assembly and three by the Supreme Council of the Magistracy. The Chairman is elected by the members of the Council (Article 118).
- Members of the Constitutional Council should hold a higher-education degree in law, administration, diplomacy or economics, and have considerable work experience (Article 119).
- The Constitutional Council is responsible for the examination of draft bills and various organizational laws placed before it, prior to their promulgation. (Article 121).

Chapter XI: The Administration

- Cambodia is divided into provinces and municipalities. Provinces are divided into districts (*srok*) and districts into communes (*khum*). Municipalities are divided into *khan* and *khan* into *sangkat* (Article 127).

3. Political Climate

Since independence in 1953 Cambodia has experienced frequent political and economic instability. The establishment of Democratic Kampuchea (1975-79) by the Khmer Rouge brought massive destruction not only of previous political and economic systems, but also physical, human, social and institutional resources of the country. This, and the subsequent international isolation of Cambodia during the 1980s, had a devastating impact on Cambodia's reconstruction and development.

The promulgation of a new Constitution in 1993 laid the foundation for the development of Cambodia's new governance system. The Constitution declared liberal democracy and a multi-party system as the basis of the political regime of Cambodia. The Constitution defined a market economy as the foundation of Cambodia's economic system.

The Royal Government of Cambodia has moved forward to adjust and reform the governance structure towards a liberal democracy and a market economy since 1993. Several new laws have been enacted, and a large number of administrative orders have been issued to implement these laws. New institutions and organizations have been created to carry out important responsibilities in the public sector.

4. The Legislature

The National Assembly holds primary legislative power. The Constitution was amended in March 1999 to effect a political compromise between Cambodia's two main political parties after the 1998 elections. This led to the creation of a second legislative body, the Senate. The main role of the senate is to review draft laws approved by the National Assembly. The Senate has the authority to review legislation and may compel reconsideration by the Assembly before its promulgation.

5. The Executive

The Royal Government of Cambodia (RGC) holds the executive power, and consists of civil administration and the armed forces. The Council of Ministers is the Royal Government of Cambodia. In 1999 the total number of civil servants reached 163,000. This figure has since been reduced by 2,000 personnel. There are also some 21,000 employees classified as “special status” – such as commune personnel and village chiefs on the payroll of the RGC. The Ministry of Education is the largest ministry in terms of staff, accounting for nearly 50 percent of total civil servants in the country. Nearly 50 percent of the Government funded budget has been spent on the military and security in recent years. Military reforms in the context of demobilization are currently being pursued.

The RGC has undertaken several key reforms of public finance and public administration since 1993. The RGC launched a major public finance reform through an Organic Budget Law (1993) to fight inflation and bring macroeconomic stability in the economy. The Law, which imposed stringent fiscal discipline, proved effective in fighting inflation. Its effectiveness also contained inflation after mid-1997 when twin shocks hit Cambodia’s economy: the July events in 1997 and the Asian financial crisis. The RGC also implemented a Law on Taxation (1997) to improve the weak revenue-raising capacity of the Government. Following the launch of a new RGC in the late 1998, these reform initiatives regained momentum in 1999.

Appendix 5 The Private Sector

1. Introduction

The Government has promoted the transition to a market economy and the development of a private sector framework since 1993. A series of important laws regulating the private sector were enacted. These included a Law on Investment (1994); Law on Organization and Functioning of the Council for Development in Cambodia and Cambodia Investment Board (1995); and a Law on Taxation (1997). New institutions were created to enforce these laws. For example, the Cambodia Investment Board under the Council for Development in Cambodia has authority to grant tax incentives contained in the Law on Investment for investment projects carried out by the private sector.

The development of the private sector framework has been enhanced since the formation of a coalition government in November 1998. A series of draft laws related to the private sector were submitted to the National Assembly and the Senate in the second half of 1999. The economy also started to recover, and its growth rate was estimated around 4 percent in 1999.

2. Privatization

The Royal Government of Cambodia has stated its commitment to privatization of its business enterprises and, in 1994, the Council of Ministers adopted a privatization strategy which included a reduction program in the number of remaining State-owned enterprises. In 1995 a Sub-Decree on the Procedures for Privatization of State-owned Enterprises was passed and the implementing regulations were also passed in the same year (Implementing Circular on the Privatization of State-owned Enterprises).

3. Corporate Taxation

Corporate tax rates on profits vary depending on the type of activity of the enterprise:

Investment Enterprise	0% or 9%
Insurance	5%
Natural Resources	30%
General	20%

The Council for the Development of Cambodia (CDC) may approve certain investment projects for exemption from corporate tax on profits for up to eight years or at a reduced rate of 8 percent.

In the case of a service providing company with a turnover in excess of KR250 million (US\$66,000) or a trading company with a turnover in excess of KR500 million (US\$132,000), these organizations are required to submit audited annual accounts for taxation purposes. The accounts are compiled using IASs. Companies earning less than the stated turnovers are not required to submit audited accounts and their corporate tax liability is calculated on 10 percent of the turnover.

Insurance companies are taxed at 5 percent on gross premiums received in Cambodia.

Companies involved in oil or natural gas production or the exploitation of natural resources e.g., mining of ore, gold and precious stones are taxed at the rate of 30 percent on realized corporate profits.

Tax losses may be carried forward and used to offset profits for a maximum of five years.

The corporate tax return must be lodged annually within three months of the end of the financial year, i.e., 31 December. Supporting accounting records must be kept for a minimum of 10 years.

Value Added Tax (VAT) was promulgated in the 1997 Law on Taxation and introduced on the 1 January 1999 to replace the turnover tax. A 10 percent rate is applied on all goods and services in Cambodia, except exports. Exempt goods and services include postal, medical, public transport, insurance and financial services, personal articles and certain nonprofit activities.

Cambodia has not negotiated any double taxation arrangement with any other country.

Appendix 6 Institutional

1. Introduction

The public sector of Cambodia consists of the central Government, 20 provincial governments and four municipalities.

2. Royal Government of Cambodia

The Royal Government of Cambodia (RGC) consists of the Council of Ministers, led by a Prime Minister, assisted by deputy Prime Ministers and by Senior Ministers, Ministers, and State Secretaries as members. Collectively, members of the Royal Government are responsible to the National Assembly for the overall policy of the Royal Government. There are 24 ministries as follows:

- Education, Youth and Sports
- Culture and Fine Arts
- Public Works and Transport
- Justice
- Industry, Mines and Energy
- Health
- National Defense
- Interior
- Foreign Affairs and International Cooperation
- Planning
- Rural Development
- Agriculture, Forestry and Fisheries
- Information
- Tourism
- Commerce
- Social Affairs, Labor, Vocational Training, and Youth Rehabilitation
- Economy and Finance
- Religions and Cults
- Post and Telecommunications
- Environment
- Women Affairs and Veterans
- Parliamentary Affairs and Inspection
- Territorial Organization, Urbanization and Construction
- Water Resources and Meteorology

There are also State Secretariats established for: Civil Aviation, and Public Service.

3. Provincial Authorities

Article 126, Chapter XI of the Constitution divides the territory of Cambodia into provinces and municipalities. Provinces are further divided into districts and districts into communes. There are 20 provinces and four municipalities in Cambodia and these are governed in accordance with the Law on the Establishment of The Ministry of The Interior (1996). Article 2 states “The Ministry of the Interior shall have the mandate to guide and control all levels of provincial administrative authorities, supervise the national police, protect social order and security, and provide safety to the people of Cambodia.”

Each provincial and municipal administration is governed by a governor and three deputies.

The City Hall is the administrative center and has the following organizational structure:

- Cabinet
- General Secretariat
- Finance Unit
- Inspection Unit

4. Organization – Ministry of Economy and Finance

The Minister heads the MEF and the Secretary of State and Undersecretary manage the operations of the Ministry. Its structure is as follows:

- Central Level
 - General Secretariat
 - Cabinet of Minister
 - General Inspectorate
 - Tax Department
 - Customs House and Excise
 - National Treasury
 - Department of Budgeting and Finance
 - Department of Public Procurement
 - Department of Public Property
 - Department of Economic Analysis and Forecasting
 - Department of Investment and Cooperation
 - Department of Economic Integration and ASEAN
 - Department of Financial Industry
 - Department of Personnel

- Department of Administration and Finance
 - Department of Legislation; and
 - Economics and Finance Institute
- Provincial/Municipal Level
 - Economic and Finance Office
 - Treasury
 - Tax Office
 - Customs and Tax Office
 - Customs and Tax Office at Border Gates
 - Finance Control Team

Appendix 7 The National Bank of Cambodia

1. Introduction

The National Bank of Cambodia is the “Central Bank” which is an autonomous public entity.

The Central Bank is a legal entity with full jurisdiction and has the capacity to lend, borrow and enter into all other contracts; institute legal proceedings and be subject to such proceedings; and, for the purpose of its business, acquire, hold, and dispose of property.

The principal mission of the Central Bank is to determine and direct the monetary policy aimed at maintaining price stability in order to facilitate economic development within the framework of Cambodia’s economic and financial policy. The Central Bank has the following functions and duties:

- To determine monetary policy objectives, in consultation with the Royal Government and consideration of the frame work of the economic and financial policy of Cambodia;
- To formulate, implement and monitor monetary and exchange policies aimed at the determined objectives;
- To conduct regular economic and monetary analysis, make public the results, and submit proposals and measures to the Royal Government;
- To license, de-license, regulate and supervise banks and financial institutions and other relevant establishments;
- To oversee payments systems in Cambodia, and to enhance interbank payments;
- To act as the sole issuer of national currency of Cambodia;
- To undertake and perform, in the name of Cambodia, transactions resulting from the participation of Cambodia in public international institutions in the banking, credit, and monetary spheres;
- To establish the balance of payments;
- To participate in the management of external debt and claims;
- To participate in the formation and supervision of the money and financial markets.
- To license, de-license, regulate and supervise all those institutions operating in the securities and foreign exchange markets, and the market for precious stones and precious metals.

The Central Bank may open accounts in its books on behalf of state agencies and instrumentalities of the central Government notably the National Treasury; banks and financial institutions licensed by the Central Bank; foreign central banks, and public international financial institutions.

The Central Bank may not open accounts for enterprises, including those owned by the State.

The Board of the Bank consists of the Governor, Deputy Governor and five other directors. The Board is responsible for:

- Establishing the policies for operation of the Central Bank;
- Issuing decisions, regulations, circulars, and other directives to govern the business of the Central Bank;
- Establishing internal rules and regulations;
- Establishing staff rules;
- Establishing departments of the Central Bank;
- Establishing an audit committee; and
- Establishing a staff training committee.

The Bank determines the net income of the Central Bank for each financial year after allowing for the operations expenses and after providing for:

- Risk, depreciation, and amortization of assets;
- A contribution to a pension fund, the amount of which to be fixed by the Board;
- A General Reserve equal to 20 percent of net profit after deduction of the amounts in 1, and 2, above;
- The redemption of Government securities held by the Central Bank; and
- Investment of a collective fund for the Central Bank to be determined by the Board.

Any balance of net income is then transferred to the National Budget after deduction of: 5 percent for the personnel, excluding the Board; and 0.5 percent for the board members.

All proposed expenditure of the Central Bank is reported in an annual budget approved by the Board of the Central Bank and submitted for information to the Royal Government and the National Assembly.

The Central Bank, in consultation with the Royal Government and in consideration of the framework of the economic and financial policy of Cambodia, determines and implements Cambodia's exchange

arrangements and policy. The Central Bank maintains the foreign currency reserve.

The Central Bank is required to:

- Keep books of account and other books and records in which is recorded all its financial transactions, that reflect accurately its financial condition in accordance with generally accepted accounting principles applicable to central banks.
- Prepare and publish a monthly summary statement of its activities.
- Within six months after the close of each financial year, submit to the Government and the National Assembly a copy of its annual accounts together with a report on its operations and on monetary and economic conditions during the year.

2. Relationship between Bank of Cambodia and Banks

The Central bank is exclusively responsible for the licensing, de-licensing and supervision of banks and financial institutes subject to the banking law.

The Central Bank may open accounts for and accept deposits from banks and financial institutions doing business in Cambodia under terms and conditions, including the payment of interest and the establishment of charges, as it may determine.

The Central Bank may prescribe the maintenance of required reserves.

The Central Bank may grant to commercial banks advances on their current account that are secured by Government securities or Government guaranteed securities.

3. Banking System Statistics

As of 1 January 1999 there were two State-owned banks under the control of the National Bank of Cambodia: the Foreign Trade Bank and the Rural Bank for Development. There were seven branches and one representative office of foreign banks and 22 locally incorporated banks. The National Bank of Cambodia had 20 provincial branch offices.

Appendix 8 Draft Law on Corporate Accounts, their Audit and the Accounting Profession

Article 1 – Any enterprise, either a natural or legal person, required to keep their books and accounts pursuant to the laws in force, shall prepare them and have them audited in accordance with the terms and conditions provided for under this law.

As far as their keeping of accounts and their audit are concerned, State-owned enterprises or enterprises belonging to the local authorities are subjected to the specific laws governing them when they depart from this law.

Part 1 – Accounting System

Chapter One – General Provisions

Article 2 – Enterprises shall prepare on a yearly basis financial statements that are in compliance with the conceptual framework and with the accounting standards, the principles of which are set forth by *Anuk Kret* (decree) of the royal government.

Article 3 – Enterprises shall keep their accounts in accounting books as defined by *Anuk Kret* of the royal government. Accounts keeping is based upon vouchers.

Article 4 – Small enterprises shall be allowed to keep their accounts and prepare financial statements pursuant to the specific provisions as set out by *Anuk Kret* of the royal government and defined by the accounting standards.

Article 5 – A National Accounting Council shall be formed which is a consultative body under the aegis of the Ministry of Economy and Finance.

Article 6 – The Khmer National Accounting Council shall have responsibility to:

- review and give its opinion on all draft laws and regulations including accounting provisions whatever the status of the enterprises concerned or their sector of activity;
- develop the conceptual framework and the accounting standards referred to in article 2;
- come up with proposals aimed at improving accounting; and
- represent Cambodia in the international organizations and meetings dealing with accounting.

The composition and operation of the National Accounting Council shall be set forth by *Anuk Kret* of the royal government.

Chapter Two – Financial Statements

Article 7 – The accounting records referred to in article 11 shall be prepared in the Khmer language and are expressed in Riels. The enterprises making transactions with foreign countries or which are subsidiaries of foreign companies may be authorized by the Minister for Finance, in accordance with the requirements set by law, to prepare accounting records in a language other than the Khmer language and/or in a currency other than the Riel. Nevertheless the financial statements referred to in article 2 are prepared in the Khmer language and are expressed in Riels.

Article 8 – The financial statements shall include the balance sheet, the income statement, the cash flow statement and explanatory notes. They shall make a inseparable whole.

Article 9 – The duration of the financial year shall be 12 months, beginning with the first day of January and ending on 31 December of the same year. The accounting standards referred to in article 2 may set another date for specific industries.

Article 10 – The financial statements shall be prepared at the latest within the three months following year-end closure. In the event when an enterprise is not in a position to comply with this deadline, it shall request authorization from the Minister for the Economy and Finance to prepare them as on another date.

Chapter Three – Miscellaneous Provisions

Article 11 – The financial statements relating to a financial year as well as the ledgers and corresponding vouchers shall be kept for 10 years at least. Such ledgers include a general journal, a ledger and an annual accounts ledger.

Article 12 – The financial statements and the accounting ledgers provided for in article 11 of this law may be taken as evidence in justice, provided that they are in compliance with the provisions of this law.

Part 2 – Audit of Companies and Accounting Profession

Chapter One – General Conditions

Article 13 – An Institute of Khmer Certified Public Auditors and Accountants is formed among professional accountants of the Khmer nationality and operating under the aegis of the Ministry of Economy and Finance.

The Institute is created in particular with a view to:

- provide the country with a national professional body having responsibility in representing its members, promoting and defending the status and the interests of the profession;
- participate in the work of the National Accounting Council;
- prepare the rules and duties of the profession and make abide by them; and
- organize the education of nationals wishing to have access to the profession of Certified Public Auditors and Accountants.

Regulations relating to the composition, operation and duties of the Institute shall be set out by decree. The same shall hold true for the regulation of the profession of Certified Public Auditors and Accountants inscribed on two separate lists respectively.

Chapter Two – Company Auditing

Article 14 – Undertakings incorporated as companies shall submit their accounts to an independent audit as soon as their turnover, balance sheet total and number of employees are above the limits set by law of the Ministry of Economy and Finance. The audit is carried out by a natural or a physical person inscribed on the list of statutory auditors referred to article 13 of this law and appointed for a period of three financial periods.

State-owned enterprises or enterprises belonging to the local authorities shall be subjected to the same conditions as the enterprises incorporated, except when the laws governing them shall specifically provide for that they be exempted.

Chapter Three – Accounting Profession

Article 15 – The practice as a professional accountant shall be carried out by a natural or a legal person inscribed on the list of Khmer professional accountants as referred to in article 13 of this law.

Section 3 – Final Provisions

Article 16 – The accounting law promulgated by decree number 90 of 27 August 1992 shall no longer be applicable to the periods beginning on or after 1 January 2001.

Article 17 – The natural persons and heads of corporations contravening to this law shall be liable to imprisonment for a term between six months and two years and to a fine between KR8 million to KR40 million or to either one of such penalties.

Section 4 – Transitional Provisions

Article 18 – The Khmer National Accounting Council and the Institute of Khmer Certified Public Auditors and Accountants shall be formed on

30 September 2000 at the latest. The provisions referred to in Section 1 of this law shall be applicable to the keeping of accounts relating to periods beginning on or after 1 January 2001. Also the provisions relating to the audit of enterprises and to the accounting profession shall be applicable from 1 January 2001.

Article 19 – The founding members of the Institute of Khmer Certified Public Auditors and Accountants shall be appointed for a five-year period by *Anuk Kret* of the royal government as soon as this law is promulgated.

Article 20 – Any provisions contrary to this law are deemed null and void. This law is a matter of urgency.

Appendix 9 Workshop Participants

The Workshop was held at the Economics and Finance Institute (Ministry of Economy and Finance) on 6 July 2000.

Name	Title	Organization
Sam Ghanty	Advisor	Economics and Finance Institute, Ministry of Economy and Finance
Thao Sok Muny	Chief of WB Division	Ministry of Economy and Finance
Ung Silan	First Deputy Director	Inspection, Ministry of Economy and Finance
Net Mony	Deputy Director	State Property Department, Ministry of Economy and Finance
Hem Moeun		State Property Department, Ministry of Economy and Finance
Kuy Savuth	Deputy Director	Personnel Department, Ministry of Economy and Finance
Yong Pich	Chief Financial Controller	Ministry of Economy and Finance
Yi Sopheap	Chief Financial Controller	Ministry of Economy and Finance
Hauv Dara	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Lonh Ponnara	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Keo Chea	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Tou Chhorn	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Chay Vuth	Director	Ministry of Economy and Finance
Kun Nhem	Deputy Director	Ministry of Economy and Finance
Touch Norun		Ministry of Economy and Finance

APPENDIXES

Name	Title	Organization
Nhem Sothy	Deputy of Financial Controller	Ministry of Economy and Finance
Mam Ponn	Deputy Director	Budgeting Department, Ministry of Economy and Finance
Mey Vann	Deputy Director	Financial Industry, Ministry of Economy and Finance
Sam Soeun	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Khieu Moly Sang	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Neang Sopheavy	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Yi Naky	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Ly Hach	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Leang Eam	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Sam Sam Nang	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Ham Narith	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Khim Sophea	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Nin Sovann	Financial Controller	Budgeting Department, Ministry of Economy and Finance

FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN CAMBODIA

Name	Title	Organization
Pen Vutha	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Ly Sam Ol	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Heng Eak Veng	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Kuoch Peou	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Chan Hoeun	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Dary Chetana	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Prak Samon	Secretary	Budgeting Department, Ministry of Economy and Finance
Sann Saror		Ministry of Economy and Finance
Seng Bunkheang		Department of Public Procurement, Ministry of Economy and Finance
Kong Samphos	Technical Evaluator 1	Department of Public Procurement, Ministry of Economy and Finance
Seng Kong	Technical Evaluator 2	Department of Public Procurement, Ministry of Economy and Finance
Sam Sokhon		Ministry of Economy and Finance
Thanu Darasas		Ministry of Economy and Finance
Hor Lep	Bureau Chief	National Treasury, Ministry of Economy and Finance

APPENDIXES

Name	Title	Organization
Hou Hem Sithoeun		National Treasury, Ministry of Economy and Finance
Khieu Khemarakcheat	Staff	National Treasury, Ministry of Economy and Finance
Keo Kim Hong		National Treasury, Ministry of Economy and Finance
Ou Yek Lang		National Treasury, Ministry of Economy and Finance
Kol Livouth		National Treasury, Ministry of Economy and Finance
Var Run		National Treasury, Ministry of Economy and Finance
Hor Bunvoath		National Treasury, Ministry of Economy and Finance
Heang Song Houth		National Treasury, Ministry of Economy and Finance
Chhieng Hieng Chum Kosal Mony		
Tim Bophal	Deputy Director	Foreign Trade Bank of Cambodia
Sok Phearak	Official	National Bank of Cambodia
Sao Sithay		National Bank of Cambodia
Heng Sokny		National Bank of Cambodia
Sok Sopros		National Bank of Cambodia
Ros Narin		National Bank of Cambodia
Chea Tean		National Bank of Cambodia
Chen Sahatu		National Bank of Cambodia
Neak Sarin	Deputy Director	National Bank of Cambodia
So Maly	Section Deputy Head	National Bank of Cambodia

FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN CAMBODIA

Name	Title	Organization
Moeung Sophan	Deputy Project Manager	DPWT/MPP
Ean Narin	Project Manager	DPWT/MPP
Phy Sophart	Deputy Project Director	MPWT
Sin Chansery Vutha	Director	SSCH
Meng Phoumarith	PMU	Department of Public Works and MPP
Samreth Sovithia	Manager, PMV	PPWSA
Ros Kim Leang	Chief	PPWSA
Yim Seng Kry	TN.	
Hou Hean	TN.	PPWSA
Char Meng Chuor	PCU Manager	Ministry of Health
Ly Sokheng		MIME
Chan Sovath	Deputy Director	EDC
Chan Kamach	Project Accountant	BSI/MOEYS
Kea Nay Leang	Director General	Ministry of Education, Youth and Sports
Nou Vaddhanak	Office Manager	MPWT
Nguon Dara		PMO/MRD, AFC
Nget Sokhan	Deputy Manager of Finance	EdC
Yuok Ngoy	Rector	Faculty of Law and Economic Sciences
Ouk Sarun	Accounting Tutor	Faculty of Law and Economic Sciences
Anders	Secretary	Swedish Embassy
Sylvine Devaux	Assistant	TCO-EC
Jon Summers	Representative	The Asia Foundation
Gerard Verhoeven	General Manager	Hotel Inter-Continental
Sally Relph	Resident Manager	PriceWaterhouseCoopers
Sorn Sokna		Chamber of Commerce
Abudy Tam Nam		Chamber of Commerce
Blair Exell	First Secretary	Australian Embassy- AusAID
Mike Curtis		WHO

APPENDIXES

Name	Title	Organization
Urooj Malik	Resident Representative	ADB, Cambodia Resident Mission
Nida Ouk	Programs Officer	ADB, Cambodia Resident Mission
Piseth Long Vu	Assistant/ Program Analyst	ADB, Cambodia Resident Mission
Kristine Greene	Intern Researcher	ADB, Cambodia Resident Mission
