

Cambodia: Joint Bank-Fund Debt Sustainability Analysis¹

External debt - of which 60 percent is owed to the United States and the Russian Federation - constitutes 94 percent of Cambodia's public debt. At end-2004, Cambodia's total external public debt was \$3.2 billion (66 percent of GDP), while domestic debt amounted to 4.1 percent of GDP, denominated entirely in local currency. Cambodian authorities are making best efforts to reach a debt rescheduling agreement with the United States and the Russian Federation, since a restructuring is critical for Cambodia's debt sustainability.

This joint WB/IMF debt sustainability assessment comes to the conclusion that Cambodia's risk of debt distress is high. The analysis is based on the assumption that real GDP growth will be sustained at 6 percent and exports will grow at 9 percent a year. Foreign aid will remain broadly stable in nominal U.S. dollar terms. On the fiscal front, fiscal consolidation is expected to begin with the 2005 budget underpinned by improvements in the tax and customs administration. The primary balance will improve over the medium term since results of the fiscal reform are expected to materialize during and after the program period. New borrowing is projected to be highly concessional and external debt owed to United States and the Russian Federation is assumed to be restructured.

A. External Debt Sustainability

Cambodia's two largest creditors are the Russian Federation and the United States. Since Cambodia is not servicing its debt to either creditor and is making efforts to conclude agreements with both creditors under the framework of the Paris Club, the DSA assumes a debt restructuring agreement with the US and Russia for mid-2005. As a consequence, Cambodia's net present value (NPV) of external debt to GDP ratio would drop from 54.7 percent at end-2004 to 27.2 percent in 2005. A restructuring of US debt would take place on terms equivalent to what the Paris Club creditors agreed to provide to Cambodia in 1995 (i.e., flow rescheduling on Naples terms), assuming a 40-year maturity, 16-year grace period, and an interest rate of 3 percent. Debt owed to the Russian Federation is assumed to be restructured on similar terms after an initial upfront discount of 70 percent.

Cambodia ranks as a 'weak performer' in terms of its policies and institutions according to the latest World Bank's Country Policy and Institutional Assessment (CPIA). Indicative debt-burden thresholds for countries in this category are a NPV of debt-to-exports of 100 percent, to GDP of 30 percent and to revenues of 200 percent, and debt service ratios to exports and to revenues of 15 and 25 percent, respectively.

¹ This DSA has been prepared jointly with the World Bank staff based on a new framework considered by the Boards of the Fund and the Bank in April 2005.

With the exception of the NPV of debt to revenue ratio, Cambodia's external debt burden indicators remain below their indicative thresholds after 2004 under the baseline. The NPV of debt to revenue ratio drops from 417.4 percent in 2004 to 210.2 percent in 2005. It is projected to fall below its indicative threshold of 200 percent by 2008 and to continue to decline thereafter. The NPV of debt to GDP ratio remains only slightly below 30 percent in the medium term. The NPV of debt-to-export ratio, however, is about 40 percent in 2005, well below its indicative debt burden threshold of 100 percent. The debt service-to-exports ratio remains between 1.5 and 2.0 percent in the long term reflecting the fact that new borrowing is assumed to be highly concessional.

The NPV of external debt to GDP ratio would breach its indicative threshold in the event of an export shock, indicating that Cambodia's debt sustainability remains vulnerable to exogenous shocks. Lower export growth would also lead to a sharp increase in the NPV of debt-to-export ratio by 36 percentage point to 77 percent in 2007. However, the ratio would remain below its indicative debt burden threshold. Both debt service ratios would remain below their indicative thresholds throughout the entire projection period even under the most extreme stress test.

B. Public Debt Sustainability

The dynamics of the public debt burden indicators are not substantially different from the external debt dynamics, since the share of domestic debt in total public debt amounts to 6 percent as of end 2004 and is projected to decrease even further throughout the projection period. Under the baseline scenario, the stock of public debt amounts to 69.8 percent of GDP as of end 2004 and is projected to decline to 46.2 in 2005 or 30.5 percent in NPV terms. Given the assumption that the primary deficit improves gradually in the medium term and remains about 1.5 percent of GDP in the long run, the NPV of public sector debt to GDP ratio would drop to 11 percent by 2025.

If Cambodia's primary balance remains unchanged from 2004 onwards, its public debt burden indicators are likely to deteriorate. According to the sensitivity analysis (test A2), the NPV of public debt-to-GDP ratio will remain at 30 percent. An increase in debt-creating flows through, for example, an unexpected realization of contingent liabilities in 2006 (test B5) would raise the NPV of debt to GDP ratio by 9 percentage points and the NPV of debt to revenue ratio by 68 percentage points in 2006 relative to the baseline. The difference between this stress test and the baseline is projected to decrease only slowly over time.

D. Conclusion

Staffs come to the conclusion that Cambodia's risk of debt distress is high. The NPV of debt to revenue ratio is above 200 percent during the first three years of the projection period under the baseline, while the NPV of debt to GDP ratio is only slightly below its indicative debt burden threshold. Stress tests indicate that an export shock would substantially increase Cambodia's probability of debt distress in the medium term. Equally,

strengthening the revenue base, currently at 11.3 percent of GDP, in order to improve the primary balance is key for achieving fiscal sustainability.

Going forward, Cambodia's debt sustainability would need to be monitored closely as it remains subject to short-term uncertainties, especially related to the successful completion of the US and Russian debt restructuring. In the medium term an improvement of the primary balance, and a commensurate decrease in the debt/revenue ratios, could improve Cambodia's debt dynamics substantially, warranting a re-classification of its risk of debt distress..

Table 1a. Cambodia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2002-2025
(In percent of GDP, unless otherwise indicated)

	Actual			Estimate							Projections				
	2002	2003	2004	Historical Average 5/	Standard Deviation 5/	2005	2006	2007	2008	2009	2010	2010-10 Average	2015	2025	2011-25 Average
Public sector debt 1/															
o/w foreign-currency denominated	70.5	72.7	69.8			46.2	45.8	45.4	44.5	42.8	41.4	41.4	33.3	18.2	
Change in public sector debt	66.7	68.4	65.7			43.0	43.3	43.6	43.2	42.0	40.6	40.6	32.6	17.4	
Identified debt-creating flows	2.8	2.2	-2.9			-23.6	-0.5	-0.3	-1.0	-1.7	-1.4	-1.4	-1.7	-1.3	
Primary deficit	0.7	0.5	-3.7			-21.0	0.0	0.0	-0.5	-1.1	-1.5	-1.5	-1.0	0.1	
Revenue and grants	3.6	4.0	3.0	2.7	1.1	3.2	3.2	3.0	2.4	1.8	1.4	1.4	1.4	1.4	1.4
of which: grants	13.8	12.6	13.1			13.0	13.6	14.2	14.5	14.7	14.8	14.8	14.8	14.8	
Primary (noninterest) expenditure	2.8	2.4	1.8			1.7	1.6	1.5	1.4	1.3	1.1	1.1	0.7	0.3	
Automatic debt dynamics	17.5	16.6	16.1			16.2	16.8	17.2	16.9	16.5	16.2	16.2	16.2	16.2	
Contribution from interest rate/growth differential	-4.1	-4.4	-7.6			-5.9	-3.2	-3.0	-2.9	-2.9	-2.8	-2.8	-2.3	-1.3	
of which: contribution from average real interest rate	-4.3	-5.6	-6.4			-5.1	-2.8	-2.8	-2.7	-2.7	-2.6	-2.6	-2.2	-1.2	
of which: contribution from real GDP growth	-0.9	-0.9	-1.2			-1.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	
Contribution from real exchange rate depreciation	-3.4	-4.6	-5.2			-4.2	-2.6	-2.6	-2.5	-2.5	-2.4	-2.4	-2.0	-1.1	
Other identified debt-creating flows	0.2	1.2	-1.1			-0.8	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	...	...
Privatization receipts (negative)	1.1	1.0	0.9			-18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Debt relief (HIPC and other)	1.1	1.0	0.9			-18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes	2.2	1.7	0.8			-2.6	-0.5	-0.3	-0.5	-0.6	0.1	0.1	-0.7	-1.4	
NPV of public sector debt															
o/w foreign-currency denominated	60.7	61.8	58.8			30.5	30.1	30.4	29.6	28.4	27.3	27.3	21.0	11.0	
o/w external	57.0	57.4	54.7			27.2	27.7	28.5	28.3	27.5	26.6	26.6	20.3	10.2	
Gross financing need 2/	57.0	57.4	54.7			27.2	27.7	28.5	28.3	27.5	26.6	26.6	20.3	10.2	
NPV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...	...	...	...
o/w external	4.1	4.6	3.6			4.4	4.4	4.2	3.7	3.2	2.7	2.7	2.7	2.0	
NPV of public sector debt-to-revenue ratio (in percent) 3/	438.9	488.9	448.6			235.1	221.9	214.4	204.3	193.3	184.5	184.5	142.0	74.1	
o/w external	411.7	454.5	417.4			210.2	203.7	201.4	195.2	187.5	179.2	179.2	136.7	68.9	
Debt service-to-revenue ratio (in percent) 3/4/	3.6	4.6	4.4			9.4	8.6	8.6	9.0	9.1	8.9	8.9	8.6	4.5	
Primary deficit that stabilizes the debt-to-GDP ratio 6/	0.8	1.7	5.9			5.9	3.7	3.4	3.3	3.5	2.8	2.8	3.1	2.7	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.2	7.0	7.7	7.7	2.7	6.3	6.1	6.0	5.8	6.0	6.0	6.0	6.0	6.0	6.0
Average nominal interest rate on forex debt (in percent)	0.3	0.3	0.4	0.3	0.1	0.8	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.3
Average real interest rate on domestic currency debt (in percent)	...	...	...	...	...	0.3	0.2	1.0	0.9	0.3	1.8	0.7	2.9	2.9	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)	0.3	1.9	-1.8	1.9	3.9	-1.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.3	1.1	5.3	1.2	2.8	4.8	4.4	3.2	3.0	3.0	3.0	3.0	3.6	3.0	3.0
Growth of real primary spending (deflated by GDP deflator, in percent)	16.5	2.0	4.1	11.4	6.9	6.8	10.2	8.6	3.7	3.8	4.0	6.2	6.0	6.0	6.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	48.4	47.6	47.5	47.6	48.9	49.0	48.2	49.0	48.6	...

Sources: Country authorities; and Fund staff estimates and projections.

1/ General government gross debt is used.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues including grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 6 years, since the consistent balance of payments data are available since 1998.

6/ Debt rescheduling with the Russian Federation and the United States is assumed in 2005.

Table 2a. Cambodia: Sensitivity Analysis for Key Indicators of Public Debt 2005-2025

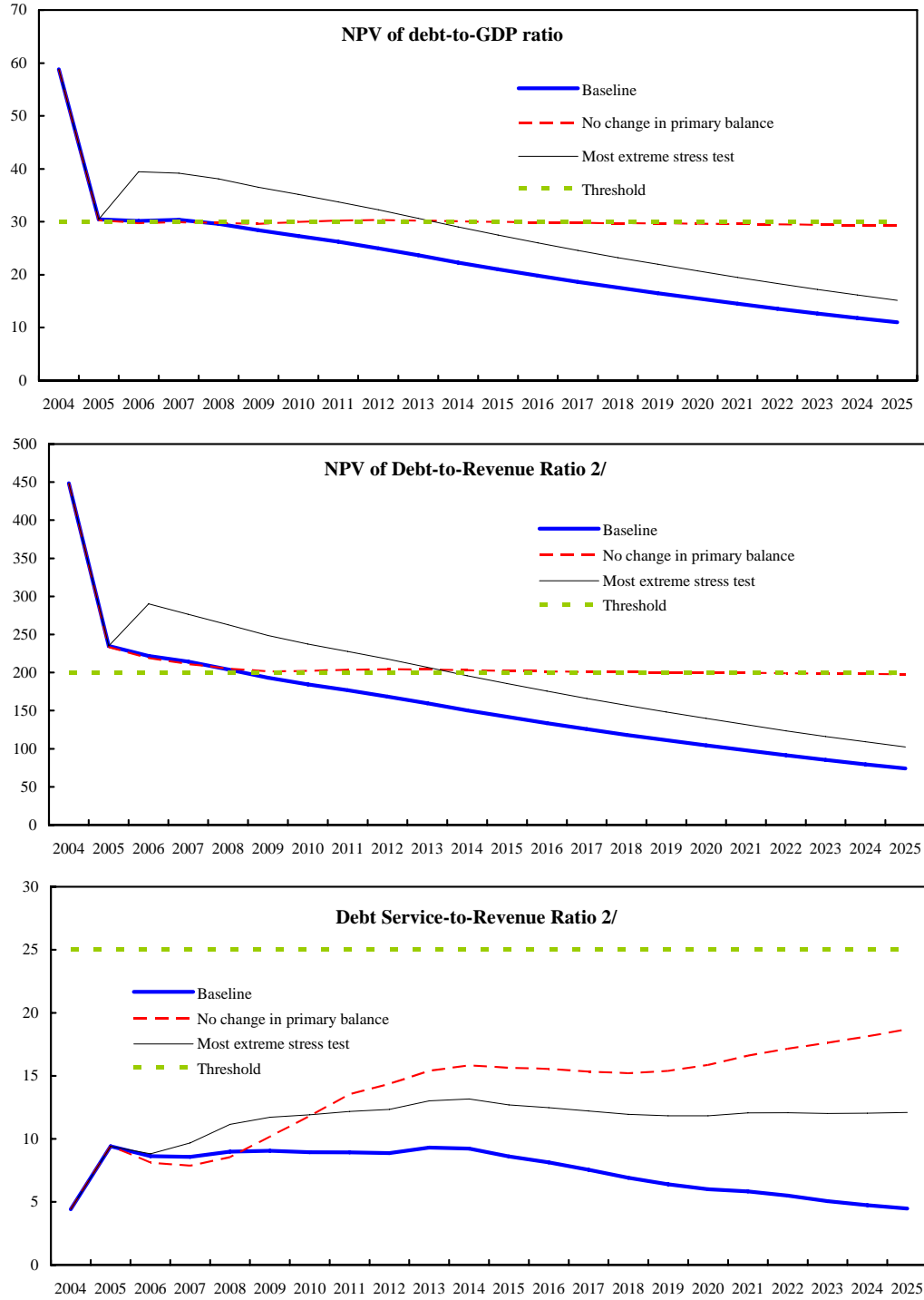
	Estimate		Projections					
	2005	2006	2007	2008	2009	2010	2015	2025
NPV of Debt-to-GDP Ratio								
Baseline	30	30	30	30	28	27	21	11
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	29	29	28	27	27	26	24
A2. Primary balance is unchanged from 2004	30	30	30	30	30	30	30	29
A3. Permanently lower GDP growth 1/	30	30	31	31	30	29	26	25
B. Bound tests								
B1. Real GDP growth is at baseline minus one standard deviations in 2006-2007	30	31	33	33	32	31	27	21
B2. Primary balance is at baseline minus one standard deviations in 2006-2007	30	31	32	31	30	29	22	12
B3. Combination of B1-B2 using one half standard deviation shocks	30	31	32	31	30	29	22	11
B4. One-time 30 percent real depreciation in 2006	30	41	40	39	37	35	26	14
B5. 10 percent of GDP increase in other debt-creating flows in 2006	30	39	39	38	37	35	28	15
NPV of Debt-to-Revenue Ratio 2/								
Baseline	235	222	214	204	193	184	142	74
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	235	216	204	194	187	185	175	165
A2. Primary balance is unchanged from 2004	234	219	211	205	202	202	202	198
A3. Permanently lower GDP growth 1/	235	223	218	210	202	196	174	171
B. Bound tests								
B1. Real GDP growth is at baseline minus one standard deviations in 2006-2007	235	229	231	224	217	211	184	141
B2. Primary balance is at baseline minus one standard deviations in 2006-2007	235	229	228	217	205	196	151	80
B3. Combination of B1-B2 using one half standard deviation shocks	235	228	225	214	202	193	147	74
B4. One-time 30 percent real depreciation in 2006	235	302	284	266	249	235	174	93
B5. 10 percent of GDP increase in other debt-creating flows in 2006	235	290	277	263	249	237	186	102
Debt Service-to-Revenue Ratio 2/								
Baseline	9.4	8.6	8.6	9.0	9.1	8.9	8.6	4.5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9.4	8.5	7.3	7.7	9.1	10.6	13.8	15.9
A2. Primary balance is unchanged from 2004	9.4	8.1	7.9	8.6	10.2	11.8	15.6	18.7
A3. Permanently lower GDP growth 1/	9.4	8.7	8.8	9.5	9.9	10.1	12.0	15.1
B. Bound tests								
B1. Real GDP growth is at baseline minus one standard deviations in 2006-2007	9.4	8.8	9.7	11.2	11.7	11.9	12.7	12.1
B2. Primary balance is at baseline minus one standard deviations in 2006-2007	9.4	8.6	11.0	12.3	10.5	9.8	9.2	5.4
B3. Combination of B1-B2 using one half standard deviation shocks	9.4	8.7	9.9	10.6	9.7	9.3	8.8	4.5
B4. One-time 30 percent real depreciation in 2006	9.4	9.6	10.7	11.5	11.6	11.5	11.0	6.9
B5. 10 percent of GDP increase in other debt-creating flows in 2006	9.4	8.6	31.3	17.8	13.9	12.5	11.1	8.9

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

2/ Revenues are defined inclusive of grants.

Figure 1a. Cambodia: Indicators of Public Debt Under Alternative Scenarios, 2004-2025 1/



Source: Staff projections and simulations.

1/ Most extreme stress test is test that yields highest ratio in 2015.

2/ Revenue including grants.

Table 2a. Cambodia: External Debt Sustainability Framework, Baseline Scenario, 2002-2025 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Estimate			Projections						2011-25		
	2002	2003	2004	Historical Average 6/	Standard Deviation 6/	2005	2006	2007	2008	2009	2010	2005-10 Average	2015	2025	Average
External debt (nominal) 1/	66.7	68.4	65.7	65.7		43.0	43.3	43.6	43.2	42.0	40.6	40.6	32.6	17.4	
o/w public and publicly guaranteed (PPG)	66.7	68.4	65.7	65.7		43.0	43.3	43.6	43.2	42.0	40.6	40.6	32.6	17.4	
Change in external debt	0.9	1.7	-2.6	-2.6		-22.7	0.3	0.3	-0.4	-1.2	-1.3	-1.3	-1.7	-1.3	
Identified net debt-creating flows	-7.0	-2.6	-6.6	-6.6		-2.1	-1.0	-1.4	-2.4	-3.3	-4.2	-4.2	-4.6	-4.2	
Non-interest current account deficit	0.7	2.8	3.0	2.4	1.5	4.3	3.9	3.6	2.7	2.3	1.8	1.8	1.2	1.1	1.2
Deficit in balance of goods and services	8.1	9.1	8.6	8.6		10.2	9.6	8.9	7.7	6.7	5.9	5.9	2.8	-0.3	
Exports	57.8	58.7	66.4	66.4		68.4	69.4	70.2	70.5	70.7	70.7	71.4	71.4	78.2	
Imports	65.9	67.8	75.0	75.0		78.6	79.0	79.1	78.1	77.5	76.6	76.6	74.3	77.8	
Net current transfers (negative = inflow)	-11.3	-10.9	-10.2	-11.2	0.8	-9.7	-9.3	-8.9	-8.4	-8.0	-7.5	-7.5	-5.0	-2.1	-4.1
Other current account flows (negative = net inflow)	3.9	4.5	4.6	4.6		3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.5	
Net FDI (negative = inflow)	-3.4	-1.7	-2.5	-3.6	1.6	-3.1	-3.1	-3.2	-3.4	-3.7	-4.3	-4.3	-4.3	-4.5	-4.4
Endogenous debt dynamics 2/	-4.4	-3.7	-7.1	-7.1		-3.2	-1.8	-1.8	-1.7	-1.8	-1.8	-1.8	-1.5	-0.8	
Contribution from nominal interest rate	0.4	0.4	0.4	0.4		0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.2	
Contribution from real GDP growth	-3.2	-4.4	-4.7	-4.7		-3.8	-2.4	-2.4	-2.3	-2.4	-2.3	-2.3	-1.9	-1.0	
Contribution from price and exchange rate changes	-1.6	0.3	-2.8	-2.8		...	...	...	...	...	...	...	...	...
Residual (3-4) 3/	7.9	4.3	4.0	4.0		-20.6	1.3	1.7	1.9	2.1	2.9	2.9	2.9	2.9	
o/w exceptional financing 8/	1.1	1.0	0.9	0.9		-18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
NPV of external debt 4/	57.0	57.4	54.7	54.7		27.2	27.7	28.5	28.3	27.5	26.6	26.6	20.3	10.2	
In percent of exports	98.6	97.9	82.4	82.4		39.8	39.9	40.6	40.2	38.9	37.6	37.6	28.3	13.1	
NPV of PPG external debt	57.0	57.4	54.7	54.7		27.2	27.7	28.5	28.3	27.5	26.6	26.6	20.3	10.2	
In percent of exports	98.6	97.9	82.4	82.4		39.8	39.9	40.6	40.2	38.9	37.6	37.6	28.3	13.1	
Debt service-to-exports ratio (in percent) 7/	0.9	1.0	0.9	0.9		1.6	1.5	1.6	1.8	1.8	1.8	1.8	1.7	0.8	
Debt debt service-to-exports ratio (in percent) 7/	0.9	1.0	0.9	0.9		1.6	1.5	1.6	1.8	1.8	1.8	1.8	1.7	0.8	
Total gross financing need (billions of U.S. dollars)	0.0	0.1	0.1	0.1		0.1	0.1	0.1	0.0	0.0	-0.1	-0.1	-0.2	-0.8	
Non-interest current account deficit that stabilizes debt ratio 9/	-0.2	1.1	5.6	5.6		6.4	3.6	3.3	3.2	3.5	3.2	3.2	2.9	2.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.2	7.0	7.7	7.7	2.7	6.3	6.1	6.0	5.8	6.0	6.0	6.0	6.0	6.0	6.0
GDP deflator in US dollar terms (change in percent)	2.4	-0.5	4.3	0.2	3.0	3.7	3.4	2.3	2.5	2.5	2.5	2.8	2.5	2.5	2.5
Effective interest rate (percent) 5/	0.7	0.7	0.7	0.7	0.0	0.9	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.2	1.3
Growth of exports of G&S (US dollar terms, in percent)	12.6	8.2	27.0	22.7	13.8	13.7	11.3	9.6	8.9	8.9	8.6	10.2	9.2	10.0	9.4
Growth of imports of G&S (US dollar terms, in percent)	10.3	9.6	24.1	18.0	10.9	15.6	10.2	8.6	7.1	7.6	7.5	9.4	8.5	9.7	8.8
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	48	48	48	48	49	49	48	49	49	49
<i>Memorandum item:</i>															
Nominal GDP (billions of US dollars)	4.1	4.3	4.9	4.9		5.4	5.9	6.4	6.9	7.5	8.2	8.2	12.5	28.7	
Source: Staff simulations.															

1/ Includes both public and private sector external debt.
2/ Derived as $r - g - p(1+g)/(1+g-p+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and p = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that NPV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 6 years, since the consistent balance of payments data are available since 1998.
7/ Debt services are cash basis until 2004.
8/ Debt rescheduling with the Russian Federation and the United States is assumed.
9/ Debt forgiveness of the Russian Federation and the United States is excluded.

Table 2b. Cambodia: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2005-25
(In percent)

	Estimate		Projections					
	2005	2006	2007	2008	2009	2010	2015	2025
NPV of debt-to-GDP ratio								
Baseline	27	28	29	28	28	27	20	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2006-25 1/	27	27	27	27	27	26	25	23
A2. New public sector loans on less favorable terms in 2006-25 2/	27	29	31	31	31	30	25	15
B. Bound Tests								
B1. Real GDP growth at baseline minus one standard deviation in 2006-07	27	28	30	30	29	28	21	11
B2. Export value growth at baseline minus one standard deviation in 2006-07 3/	27	32	41	41	39	38	29	13
B3. US dollar GDP deflator at baseline minus one standard deviation in 2006-07	27	28	30	30	29	28	21	11
B4. Net non-debt creating flows at baseline minus one standard deviation in 2006-07 4/	27	29	31	31	30	29	22	11
B5. Combination of B1-B4 using one-half standard deviation shocks	27	31	38	37	36	35	27	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2006 5/	27	39	40	40	39	37	29	14
NPV of debt-to-exports ratio								
Baseline	40	40	41	40	39	38	28	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2006-25 1/	40	39	39	38	38	37	35	30
A2. New public sector loans on less favorable terms in 2006-25 2/	40	41	43	44	44	43	35	19
B. Bound Tests								
B1. Real GDP growth at baseline minus one standard deviation in 2006-07	40	40	41	40	39	38	28	13
B2. Export value growth at baseline minus one standard deviation in 2006-07 3/	40	53	77	75	72	70	53	22
B3. US dollar GDP deflator at baseline minus one standard deviation in 2006-07	40	40	41	40	39	38	28	13
B4. Net non-debt creating flows at baseline minus one standard deviation in 2006-07 4/	40	42	44	43	42	41	31	14
B5. Combination of B1-B4 using one-half standard deviation shocks	40	46	58	57	55	53	40	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2006 5/	40	40	41	40	39	38	28	13
Debt service ratio								
Baseline	1.6	1.5	1.6	1.8	1.8	1.8	1.7	0.8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2006-25 1/	1.6	1.5	1.6	1.7	1.7	1.7	1.5	1.6
A2. New public sector loans on less favorable terms in 2006-25 2/	1.6	1.5	1.6	1.9	2.0	2.0	1.8	1.4
B. Bound Tests								
B1. Real GDP growth at baseline minus one standard deviation in 2006-07	1.6	1.5	1.6	1.7	1.7	1.7	1.4	1.0
B2. Export value growth at baseline minus one standard deviation in 2006-07 3/	1.6	1.7	2.2	2.6	2.6	2.6	2.4	1.8
B3. US dollar GDP deflator at baseline minus one standard deviation in 2006-07	1.6	1.5	1.6	1.7	1.7	1.7	1.4	1.0
B4. Net non-debt creating flows at baseline minus one standard deviation in 2006-07 4/	1.6	1.5	1.6	1.7	1.8	1.8	1.5	1.1
B5. Combination of B1-B4 using one-half standard deviation shocks	1.6	1.6	1.8	2.1	2.1	2.1	1.9	1.4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2006 5/	1.6	1.5	1.6	1.7	1.7	1.7	1.4	1.0
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	48	48	48	48	48	48	48	48

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

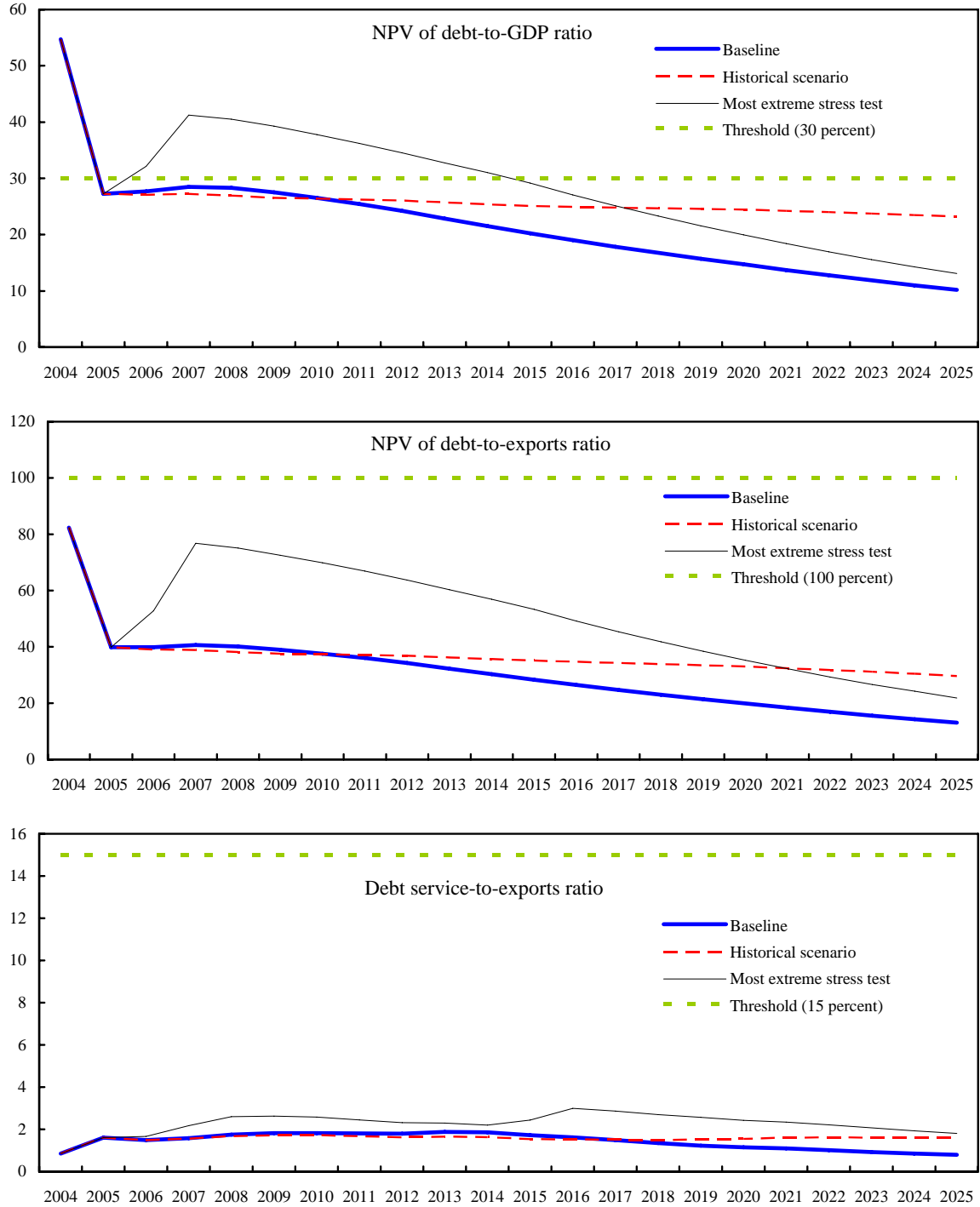
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Figure A2. Cambodia: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2004-2025
(In percent)



Source: Staff projections and simulations.

1/ Debt rescheduling with the Russian Federation and the United States is assumed in 2005.

2/ Most extreme stress test is test that yields highest ratio in 2015.