



# Report and Recommendation of the President to the Board of Directors

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Project Number: 47914  
November 2013

## Proposed Senior Loan ACLEDA Bank Plc Promoting Financial Inclusion (Cambodia)

This is an abbreviated version of the document approved by ADB's Board of Directors that excludes information that is subject to exceptions to disclosure set forth in ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 31 October 2013)

Currency unit	–	riel/s (KR)
KR1.00	=	\$0.00025
\$1.00	=	KR4,044

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAR	–	capital adequacy ratio
CPS	–	country partnership strategy
GDP	–	gross domestic product
IFC	–	International Finance Corporation
IFI	–	international financial institution
MSMEs	–	micro, small, and medium-sized enterprises
NBC	–	National Bank of Cambodia
NGO	–	nongovernment organization
NPL	–	nonperforming loan

## NOTES

- (i) The fiscal year (FY) of ACLEDA Bank Plc ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

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In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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## PROJECT AT A GLANCE

<b>1. Project Name:</b> ACLEDA Bank Plc, Promoting Financial Inclusion <b>2. Project Number:</b> 47914																		
<b>3. Country:</b> Cambodia		<b>4. Department/Division:</b> Private Sector Operations Department Financial Institutions Division																
<b>5. Sector Classification:</b> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 40%;">Sectors</th> <th style="width: 20%;">Primary</th> <th style="width: 40%;">Subsectors</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td style="text-align: center;">X</td> <td>Banking systems Microfinance Small and medium-sized enterprise finance and leasing</td> </tr> </tbody> </table>				Sectors	Primary	Subsectors	Finance	X	Banking systems Microfinance Small and medium-sized enterprise finance and leasing									
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<b>13. Counterpart Financing:</b> Not applicable																		
<b>14. Aid Effectiveness:</b> Not applicable																		

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed senior loan of up to \$75,000,000 to ACLEDA Bank Plc for Promoting Financial Inclusion in Cambodia.<sup>1</sup>

## II. THE FINANCIAL INTERMEDIARY

### A. Investment Identification and Description

2. Micro, small, and medium-sized enterprises (MSMEs) are very important to Cambodia's economy. They account for 99% of the country's firms and for 73% of all employment.<sup>2</sup> Limited access to finance is one of the most critical challenges MSMEs face. According to the National Bank of Cambodia (NBC), the country's central bank, 84% of MSMEs are financed by the informal banking system, where interest rates can be as high as 10% per month. A 2010 International Finance Corporation (IFC) survey found that 57% of respondent enterprises did not have a bank account. Of these, 72% were microenterprises and 63% small enterprises.<sup>3</sup> Demand from MSMEs for financial services and for credit particularly is therefore extremely high.

3. Cambodia's level of financial services outreach is one of the lowest in Asia and the Pacific. The IFC study estimated that fewer than 8% of the country's people make use of formal financial services (footnote 3). Growth of the financial sector has been constrained by the absence of an interbank market and by underdeveloped capital markets, among other challenges. To improve financial inclusion in Cambodia and strengthen its financial sector, the Private Sector Operations Department of the Asian Development Bank (ADB) met with several banks in Cambodia to identify suitable candidates for long-term financing to support the country's MSMEs.

4. ACLEDA Bank Plc, which is the only bank in Cambodia participating in ADB's Trade Finance Program, has been discussing possible support for its broader lending program with ADB since early 2012. ACLEDA Bank Plc's history began in 1992 when a small group of Cambodians returned from a Thai refugee camp to work on a joint International Labour Organization and United Nations Development Programme business development, training, and credit project for demobilized soldiers and, later, also for widows, returned refugees, and others displaced by decades of war.<sup>4</sup> The International Labour Organization and United Nations Development Programme turned to this core group of people to manage a revolving credit fund, establishing the Association of Cambodian Local Economic Development Agencies (ACLEDA) as a nongovernment organization (NGO). By helping rebuild the country and providing low-income people access to finance, ACLEDA grew into the most successful microfinance institution in Cambodia and a model for similar NGOs throughout Asia. It became a specialized bank in 2000 and, in 2003, when it was renamed ACLEDA Bank Plc, it obtained a commercial banking license and was authorized to provide a full range of banking services.

5. Although now the country's largest bank, it still serves the microfinance segment as a

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<sup>1</sup> The design and monitoring framework is in Appendix 1.

<sup>2</sup> National Institute of Statistics, Ministry of Planning. 2013. *Economic Census of Cambodia 2011, Analysis of the Census Results Report No. 4 Analysis on Large, Medium & Small, and Micro industry*. Phnom Penh.

<sup>3</sup> IFC. 2010. *Understanding Cambodian Small and Medium Enterprise Needs for Financial Services and Products*. Washington, DC.

<sup>4</sup> The origins and evolution of ACLEDA Bank Plc have been documented in Heather A. Clark. 2006. *When There Was No Money: Building ACLEDA Bank in Cambodia's Evolving Financial Sector*. Berlin, Heidelberg, and New York: Springer. Also see *The Economist*. 2012. The Bank that Likes to Say Less. 22 September. <http://www.economist.com/node/21563302>

universal bank. ACLEDA Bank Plc has most extensive outreach of any of the country's banks to the rural areas where about 90% of the country's poor live. Its network of 238 branches covers all Cambodia's provinces and towns, and it plans to expand it to other underserved areas.<sup>5</sup> About 46% of the bank's borrowers are in the agriculture sector, and 54% of its borrowing clients are women.<sup>6</sup> The bank has excellent asset quality, focuses strongly on the needs of its clients, and aims to promote more equitable and inclusive growth across the country. Since its inception as an NGO, its strong corporate culture has been based on employee ownership, team work, and high ethical standards. ACLEDA Bank Plc has a zero tolerance policy on corruption and prides and markets itself on its transparency. It believes this transparency contributes to its growth. Its high corporate governance standards reflect these principles.

6. ADB's country partnership strategy (CPS) for 2011–2013 makes finance an area of emphasis for private sector operations in Cambodia.<sup>7</sup> The CPS states that private sector companies must meet ADB's stringent criteria for nonsovereign investments to receive its financial assistance. These criteria include long-term financial viability, significant and positive development impact, sufficient project scale, good corporate governance, and compliance with ADB's safeguard policies. Based on these criteria, ACLEDA Bank Plc is the best candidate in the country's financial sector for ADB assistance. The loan will also allow ADB to deepen its relationship with a bank that has a presence in the Lao People's Democratic Republic and Myanmar and thereby strengthen the potential for ADB to help promote financial inclusion in these other challenging markets as well.<sup>8</sup>

## **B. Business Overview and Strategy**

7. ACLEDA Bank Plc accounts for 23% of the banking sector's loans and 21% of its deposits. It has leveraged its strong franchise and extensive branch network to build customer confidence and gain market share in recent years. In 2006, the bank ranked fifth in terms of deposits, with 9% market share. Its vision is to be Cambodia's leading commercial bank and to provide superior financial services to all segments of the community. Its stated mission is to provide micro, small, and medium-sized entrepreneurs with the wherewithal to manage their financial resources efficiently and, by doing so, to improve the quality of their lives. It is marketed as "the bank for the people." It has built a high level of trust with the public since its inception, and this has been a major part of its market strength.

8. ACLEDA Bank Plc plays a systemically important economic role as the country's principal financial intermediary, mobilizing its customers' deposits and relending the funds to enterprises and individuals in need of capital to establish and expand their businesses. It is also key to such important financial system functions as settlement and cash management, money transfers, payroll services, and trade finance. The bank helps create employment and income opportunities by providing lending for local private sector development that other commercial banks have been reluctant to offer. Its staff of 9,250—38% of whom are women—is more than five times the size of the second largest commercial bank's.

9. ACLEDA Bank Plc strategy is to grow across all loan segments by developing existing

<sup>5</sup> ACLEDA Bank Plc's network of 238 branches accounts for more than 50% of all bank branches in Cambodia. National Bank of Cambodia. 2013. *Annual Report 2012*. Phnom Penh.

<sup>6</sup> Loans in the agriculture sector are typically smaller than average, and exposure to the agriculture sector in terms of value is 18% of the total portfolio.

<sup>7</sup> ADB. 2011. *Country Partnership Strategy: Cambodia, 2011–2013*. Manila.

<sup>8</sup> ACLEDA Lao began operations in 2008. A feasibility study for ACLEDA Myanmar was completed in 2012, and a microfinance license was granted in December 2012. ACLEDA Myanmar is a wholly owned subsidiary and was established with \$10 million in capital.

and new products to meet customers' needs, and to gain higher market share by improving and expanding the delivery system for these products and services. It is exploring electronic banking initiatives and has developed an integrated mobile phone banking platform. The latter has allowed it to make greater inroads and strengthen its existing competitive advantage in the underserved rural areas of Cambodia where infrastructure is often lacking.<sup>9</sup> The bank is upgrading information systems in key areas to serve its customers more efficiently and support future growth. This has included the introduction of an Oracle database to improve processing capacity.

10. The ACLEDA Training Center, a self-sustaining subsidiary of ACLEDA Bank Plc, builds the capacity of the bank's staff to make its operations in Cambodia, the Lao People's Democratic Republic, and Myanmar successful. It also offers six fee-based training programs to the public and to participants from other local and foreign organizations. The center has trained more than 2,950 participants from organizations in Cambodia and 26 other countries.

### C. Ownership, Management, and Governance

11. **Ownership.** ACLEDA Bank Plc's current shareholders are the ACLEDA Staff Association (26.0%), ACLEDA NGO (25.0%), Compagnie Financière de la BRED (12.25%), the IFC (12.25%), JSH Asian Holdings (12.25%), and Triodos Group (12.25%).

12. **Management.** The president and group chief executive officer of ACLEDA Bank Plc is In Channy, who commenced working with ACLEDA NGO in 1993. He is a highly respected member of the Cambodian financial services industry and business community. ACLEDA Bank Plc's organizational structure is appropriately decentralized, with the CEO supported by an executive management team of six members who have all been with the organization since 1993. The team is responsible for overall strategic planning, running the day-to-day business, and implementation and execution of the business plan. The bank strives to develop a disciplined, controlled environment in which all employees understand their roles and responsibilities. It has developed a culture under which all employees acknowledge that they are accountable for managing risk in the functions and business areas at their levels.

13. **Governance structure.** ACLEDA Bank Plc recognizes the importance of sound corporate governance to sustainable growth and securing the trust of stakeholders, including customers, staff, and shareholders. The bank's board supports the implementation of the bank's corporate governance policy and its code of conduct and business ethics.<sup>10</sup>

14. The board of directors has eight members and includes representatives from all the major shareholders. The chairperson is Chea Sok, a Cambodian national with more than 20 years of financial services experience. The board is responsible for determining the bank's strategy and for conducting or supervising the conduct of its business. This includes responsibility for corporate governance. The board is required to establish committees to oversee audit and compliance, credit and risk, assets and liabilities, and remuneration. All committee members must be approved by the board.

15. The compliance department manages reporting of any suspicious transactions. ACLEDA Bank Plc identifies suspicious transactions through scanning information by highlighted items that include transaction type, transaction frequency, amount, geographical origin and destination

<sup>9</sup> ACLEDA Bank received the award presented by *The Asian Banker* for best mobile banking project in 2012. The award was for its ACLEDA Unity product, which allows customers to access the bank's services via mobile phones.

<sup>10</sup> ACLEDA Bank. 2013. *Annual Report 2012*. Phnom Penh.

and changes in signatories. ACLEDA Bank Plc has established “know your customer” principles, and has adopted policies on anti-money laundering and combating the financing of terrorism. It reports findings to the Financial Intelligence Unit of the NBC.

### III. THE PROPOSED ADB ASSISTANCE

#### A. The Assistance

16. ADB proposes to extend a senior unsecured loan of up to \$75 million to ACLEDA Bank Plc, with a tenor of up to 5 years. The loan’s size is based on the significant unmet demand for MSME financing in Cambodia and on the bank’s historical and expected loan growth.<sup>11</sup> ACLEDA Bank Plc projects a lending program of \$300 million for 2014 and, as the only bank operating in much of the country, is uniquely positioned to deliver the unmet demand for financial services, particularly in rural areas. The bank’s successful new mobile banking platform addresses the needs of underserved areas and is expected to generate even greater levels of demand for the bank’s services in future years.

17. The ADB loan, equivalent to about 25% of the bank’s 2014 funding and business plan, will make a meaningful contribution to its growth and support of MSMEs. The proceeds of the loan will be used exclusively to support MSMEs.<sup>12</sup> The assistance will enhance MSME access to longer-term finance, which is in turn critical to support poverty alleviation through income and employment generation in the rural areas where about 90% of Cambodia’s poor live. A portion of the risk on ADB’s loan may be transferred to counterparties that are eligible under ADB’s policies.<sup>13</sup>

#### B. Implementation Arrangements

18. ACLEDA Bank Plc will be required to provide annual audited financial statements. The bank will also provide quarterly financial statements and compliance certificates for agreed covenants. Reporting requirements will include updates on governance, safeguards, social protection compliance, and on ACLEDA Bank Plc’s business performance and use of the ADB loan. ADB will field review missions at least annually to review and discuss progress with the bank’s management.

#### C. Value Added by ADB Assistance

19. ADB’s support for ACLEDA Bank Plc will add value in several ways:

- (i) ADB will provide stable, long-term financing that currently cannot be raised from the local market and is needed to help the bank address the maturity mismatch on its balance sheet. Cambodia’s capital markets are nascent. Public confidence in the financial sector is relatively weak. No interbank market exists for commercial bank funding, and the bank has no access to debt capital markets. ADB engagement is also greatly needed because IFIs that provide funding to the country’s financial sector have already reached country, sector, and single investment and borrower exposure limits.

<sup>11</sup> ACLEDA’s loan portfolio grew by \$270 million in each of 2011 and 2012.

<sup>12</sup> The government and this report classify these enterprises by total assets and number of employees as (i) micro, if they have total assets of less than \$50,000 and fewer than 10 employees; (ii) small, if they have total assets of \$50,000–\$250,000 and 11–50 employees; (iii) medium, if they have total assets of \$250,000–\$500,000 and 51–100 employees; and (iv) large, if they have total assets of more than \$500,000 and greater than 100 employees.

<sup>13</sup> The terms of the risk transfer arrangements, if any, will be approved by the ADB Investment Committee.



- (ii) The ADB loan will help ACLEDA Bank Plc diversify its lending base and fulfill plans to open an additional 50 branches by the end of 2017. This will broaden the availability of banking services and critically needed financing for MSMEs in parts of the country that are now underserved.
- (iii) The loan will be an important step in supporting private sector growth in Cambodia. ADB has been the lead development partner in Cambodia's financial sector since 2001, and, as its first long-term, nonsovereign financing intervention with a Cambodian bank, the loan will complement ADB's ongoing work in the sector.
- (iv) Apart from increasing the number of women borrowers overall, the ADB loan will promote greater financial inclusion for women entrepreneurs through the implementation of the measures in the gender action plan.

## D. Risks

20. **Challenging operational environment.** Cambodia has a small, narrow, and underdeveloped economy, and its dependence on agriculture, garment exports and tourism makes economic growth volatile. Although no run on deposits occurred during the 2008–2009 global financial crisis, consumer confidence in the banking system has historically been low. To mitigate these risks, ACLEDA Bank Plc prudently manages its capital and liquidity positions, and maintains a diversified loan portfolio.

21. **Rapid growth of credit.** Continued rapid credit growth could jeopardize macroeconomic and financial stability in Cambodia. Although it was from a small and narrow base, credit growth spiked in 2011 and 2012 and continues to be robust, rising by 15% in the first 6 months of 2013. However, the country still has one of the lowest rates of financial intermediation in Asia when measured by banking sector credit to gross domestic product (GDP). The NBC has stated that it will adopt a stronger, risk-based, forward-looking approach to bank supervision. It also increased the reserve rate requirement by 50 basis points in 2012 to 12.5%. The NBC continues to monitor credit growth to maintain sound asset quality across the sector.

## IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

### A. Development Impacts, Outcome, and Output

22. **Impacts.** The impacts will be (i) growth of Cambodia's financial sector; (ii) increased financial inclusion in Cambodia; and (iii) improved access to commercial bank credit by MSMEs. This will be indicated by an increase in bank deposits and loans, as well as an increase in the ratio of banking sector credit to GDP and higher levels of credit in rural areas.

23. The loan will contribute to improving financial inclusion by providing additional financing for MSMEs, primarily in rural areas. MSMEs dominate the economy, in terms of the number of firms (99%) and employment (73%) (footnote 2). They play an important role in (i) job creation; (ii) generating income for low-income people and vulnerable populations; and (iii) fostering economic growth, social stability, and contributing to growth of a dynamic private sector. MSMEs are poorly served by the banking system, and ACLEDA Bank Plc is the only commercial bank to have developed a national branch network and specialized lending practices to reach these underserved customers.

24. **Outcome.** The outcome will be the growth and sustainability of ACLEDA Bank Plc's services to MSMEs. ACLEDA Bank Plc is expected to set an example for other banks by continuing to expand its outreach to rural areas by adding to its branch network, while

maintaining good asset quality and funding private economic activity in underserved areas. A large number of new MSME customers are expected to be women.

25. **Output.** The output will be ACLEDA's Bank Plc's expanded financial capacity to service MSMEs, primarily in rural areas, while ensuring that adequate investment is made in human resources, processes, and branch infrastructure as it expands its network in remote locations.

## **B. Alignment with ADB Strategy and Operations**

26. **Consistency with Strategy 2020 and country strategy.** Strategy 2020's mission of poverty reduction, its inclusive economic growth agenda, its emphasis on private sector development as a driver of change, and its focus on the need to expand the outreach of financial systems will be supported through ACLEDA Bank Plc's emphasis on funding underserved segments of the population, where productivity is low and potential for increases in employment and income generation are high.<sup>14</sup> The CPS cites limited access to finance as a key constraint to private sector development in Cambodia, makes the financial sector one of five priority sectors, and identifies MSME finance as a priority subsector. A new CPS now being prepared will continue to make support for the financial sector and for expanding MSME access to finance a priority for ADB's nonsovereign operations.

27. **Consistency with sector strategy and relevant ADB operations.** The loan will complement ADB's ongoing initiatives in the financial sector, as well as the government's 10-year rolling financial sector development strategy for 2011–2020.<sup>15</sup> The government strategy's main goal is to develop a sound financial sector that can contribute to poverty reduction by supporting economic growth and giving lower-income people greater access to finance. ADB has been supporting government reform efforts since approving its first financial sector program for the country in 2001.<sup>16</sup> ADB's contributions have been in such areas as (i) modernizing the national payment, clearance, and settlement system; (ii) strengthening regulation and supervision of banks and microfinance institutions; (iii) introducing higher standards of accounting, auditing, and financial reporting; (iv) establishing a registry to record assets that banks accept as security for loans; (v) drafting and successfully supporting the passage of a securities law; and (vi) launching the credit information bureau. While progress has been achieved, formal finance remains unavailable in a large part of the country, and access to finance to support the growing economy has remained well below potential.

## **V. POLICY COMPLIANCE**

### **A. Safeguards and Social Dimensions**

28. The loan is classified as category FI for impacts on the environment, involuntary resettlement, and indigenous peoples. Subprojects classified as category A for impacts on the environment, involuntary resettlement, and indigenous peoples will not be financed under ADB's senior loan. The risks associated with ACLEDA Bank Plc's existing and likely future portfolio have been assessed, as have its commitment and capacity for environmental and social management. ACLEDA Bank Plc will apply ADB's prohibited investment activities list, ensure that loans extended using ADB funds abide by applicable national laws and regulations, comply

<sup>14</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

<sup>15</sup> ADB supported the completion of the updated strategy. ADB. 2010. *Technical Assistance to the Kingdom of Cambodia for Preparing the Third Financial Sector Program Cluster*. Manila.

<sup>16</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Program Loan to the Kingdom of Cambodia for the Financial Sector Program Cluster*. Manila.

with ADB's Safeguard Policy Statement (2009), and establish and maintain an appropriate environmental and social management system satisfactory to ADB before disbursement. The system will include arrangements to comply with national labor laws and ADB's Social Protection Strategy to ensure adherence to internationally recognized core labor standards, including provisions prohibiting any discrimination against women in hiring and providing equal pay for equal work for men and women.<sup>17</sup>

29. Women comprise 38% of ACLEDA Bank Plc's staff and the bank's human resource policies are based on providing equal opportunities. ACLEDA Bank Plc had more than 178,000 female borrowers as of 31 August 2013, representing 54% of total borrowers. Based on an assessment of the capacity and commitment of ACLEDA Bank Plc to promote gender equity, gender inclusiveness has been incorporated as an integral feature of this project, which is classified as effective gender mainstreaming.<sup>18</sup>

## **B. Anticorruption Policy**

30. ACLEDA Bank Plc was advised of ADB's Anticorruption Policy (1998, as amended to date), and policy relating to the Combating of Money Laundering, and the Financing of Terrorism (2003). Consistent with its commitment to good governance, ADB will require ACLEDA Bank Plc to institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption and money laundering activities and the financing of terrorism, and to covenant with ADB to refrain from engaging in such activities.

## **C. Investment Limitations**

31. The proposed senior loan is within the medium-term country, industry, group, and single investment exposure limits for nonsovereign investments.

## **D. Assurances**

32. Consistent with the Agreement Establishing the Asian Development Bank,<sup>19</sup> the Government of Cambodia's no objection to the proposed assistance to ACLEDA Bank Plc will be obtained. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the Board of Directors.

## **VI. RECOMMENDATION**

33. I am satisfied that the proposed senior loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the senior loan of up to \$75,000,000 to ACLEDA Bank Plc for Promoting Financial Inclusion in Cambodia, from ADB's ordinary capital resources, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Takehiko Nakao  
President

18 November 2013

<sup>17</sup> ADB. 2001. *Social Protection Strategy*. Manila.

<sup>18</sup> ADB. 2012. *Guidelines for Gender Mainstreaming Categories of ADB Projects*. Manila.

<sup>19</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

**DESIGN AND MONITORING FRAMEWORK**

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impacts</b> Growth of Cambodia's banking sector</p> <p>Increased financial inclusion in Cambodia</p> <p>Improved access to commercial bank credit by MSMEs</p>		<p>World Bank World Development Indicators</p> <p>National Bank of Cambodia annual reports</p> <p>National Bank of Cambodia annual reports</p> <p>National Bank of Cambodia annual reports</p>	<p><b>Assumption</b> National Bank of Cambodia gradually enhances risk-based supervision</p> <p><b>Risks</b> Slow growth of capital markets in Cambodia</p> <p>Political instability affects banking sector growth</p> <p>Economic volatility constrains banking sector and/or MSME development.</p>
<p><b>Outcome</b> Growth and sustainability of ACLEDA Bank Plc's services to MSMEs</p>		<p>ACLEDA Bank Plc reports</p> <p>Audited financial statements</p> <p>Development effectiveness monitoring reports</p> <p>Sex disaggregated data collection</p>	<p><b>Assumption</b> ACLEDA Bank Plc is supervised well by its board of directors and ensures good governance</p> <p>ACLEDA Bank Plc maintains high standards for the banking sector</p> <p>Continuing profitability of ACLEDA Bank Plc</p> <p><b>Risks</b> Political instability affects consumer confidence</p> <p>Economic volatility constrains MSME portfolio expansion</p>

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Output</b> ACLEDA Bank Plc's financial capacity to service MSMEs is expanded		ACLEDA Bank Plc reports  Audited financial statements  Development effectiveness monitoring reports	<b>Assumption</b> Management carries out investment in human resources, business processes and branch expansion as planned  <b>Risks</b> Business cycle risk  Lower than expected loan demand
<b>Activities with Milestones</b> 1. ADB provides senior loan to ACLEDA Bank Plc of up to \$75 million (by end of 2014) 2. ADB executes loan facility agreement with ACLEDA Bank Plc (in first half of 2014) 3. ACLEDA provides funding using the ADB loan to MSMEs (2014 onward) 4. ADB conducts monitoring and annual review missions			<b>Inputs</b>  ADB: Senior loan of up to \$75 million

ADB = Asian Development Bank; GDP = gross domestic product; MSMEs = micro, small, and medium-sized enterprises

<sup>a</sup> As a proxy, credit extended to the agriculture, forestry, and fishing industries may be monitored.

Source: Asian Development Bank.