



Cambodia: Third Financial Sector Program - Subprogram 3

Project Name	Third Financial Sector Program - Subprogram 3	
Project Number	42305-033	
Country	Cambodia	
Project Status	Closed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan 3185-CAM: Third Financial Sector Program - Subprogram 3	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 15.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions	
Sector / Subsector	Finance - Finance sector development	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>ADB has been the leading development partner of the finance sector in Cambodia since 1999. A comprehensive approach was required to rebuild the financial system in a devastated economy that had no finance sector. Responding to the government's needs, the approach has been broadly based so far. After successfully rebuilding the basic foundation of the banking industry under the first and second programs, the third program has begun to support the sector's expansion to cover the important subsectors of nonbanking services and capital markets, and to boost investors' and beneficiaries' confidence in the system with a stronger legal and regulatory framework, necessary infrastructure, and better quality of services, including consumer protection.</p> <p>The third program has focused on creating an enabling environment for all sector stakeholders, including the various regulators. The scope has shifted from the establishment of regulatory frameworks to their effective implementation and oversight, and more transparency. Proper financial infrastructure is required to meet rising market needs for more efficient and diverse financial services, as is further development of the legal foundations to ensure smooth transactions in the sector. These reforms require coordination within the government and careful sequencing, including dialogue with the private sector. The third program has been facilitating closer coordination.</p> <p>After completion of the third program, ADB will continue the policy dialogue with the government under the Post-Program Partnership Framework. Also, ADB's technical assistance (TA) for implementing subprogram 2 of the Third Financial Sector Program has been extended to June 2015 to deal with the remaining issues.⁶ However, for the next round of support, ADB should concentrate on its areas of comparative advantage, in consultation with other development partners and the government. A first dialogue with the government to this end has started in the process of formulating the CPS, sector assessment, and strategy and road map.</p> <p>The impact will be a sound, market-oriented finance sector that supports the mobilization of financial resources. The outcome will be a growing, resilient, and efficient financial system.</p>	

Project Rationale and Linkage to Country/Regional Strategy	<p>Cambodia's finance sector is highly dollarized and fragmented. Under the dollarized economy, the central bank has only limited measures to implement its monetary policies and manage inflation. It also has limited ability to provide liquidity as lender of last resort. The finance sector has been growing significantly, although from a small base. The banking industry still dominates the finance sector, accounting for more than 90% of assets in the sector. Moreover, banking itself is both concentrated and fragmented between urban and rural areas. The nonbanking segment and capital markets are at an early stage of development and do not yet have significant macroeconomic impact. Cambodia is now leaving the post-conflict era and faces the dual challenge of ensuring further development of the finance sector to support sustainable economic growth while striving for monetary policy independence.</p> <p>Past and ongoing efforts to build a more broad-based and resilient finance sector in Cambodia have yielded several lessons. First, as the scope of the sector expands, the need for consultation, coordination, and consensus building between government ministries and agencies, and with the private sector, increases. This will require time and strong leadership in planning and executing policy measures. Second, finance sector development should be based on a sequence of well-planned steps, where each step is supported by solid technical inputs. TA resources are essential in this regard and, given the limited availability of ADB funds, strong donor coordination is essential. The third program experienced some positive outcomes of close donor consultation, whereby completion of policy actions was made possible through timely technical inputs of other development partners. Also, some initiatives developed by ADB have now been implemented by other donor agencies. Third, a long-term engagement establishes understanding and trust, which is vital for any reform program to succeed but indispensable for the finance sector, where policy actions such as those relating to interest rates or foreign exchange may involve significant externalities. Implementation of the third program benefited from the strong relationship that ADB had built with government counterparts in over a decade of engagement in the sector, and the steps taken and progress made under subprogram 3 should be viewed as the building blocks that will need to be assessed in a long-term perspective including the Post-Program Partnership Framework.</p>
--	--

Impact	A sound, market-oriented finance sector to enhance the mobilization of financial resources
--------	--

Project Outcome

Description of Outcome	A growing, resilient, and efficient financial system
------------------------	--

Progress Toward Outcome	
-------------------------	--

Implementation Progress

Description of Project Outputs	<p>Improved financial infrastructure Improved legal, regulatory, and institutional framework Strengthened finance sector governance Enhanced finance sector efficiency</p>
--------------------------------	---

Status of Implementation Progress (Outputs, Activities, and Issues)	
---	--

Geographical Location	
-----------------------	--

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The program aims at financial sector reform focusing on policy and regulatory framework, supervisory capacity, operational and institutional capacity, and legal infrastructure, and has no and regulatory framework, supervisory capacity, operational and has no environmental threat.
-----------------------	--

Involuntary Resettlement	The program will not involve construction/civil works. Activities are limited to policy and regulatory framework, supervisory capacity, operational and institutional capacity, and legal infrastructure, and have no impacts on IRs. This justifies category C for IR. None of the project activities will involve land acquisition or involuntary resettlement which justifies a category C for IR.
--------------------------	---

Indigenous Peoples	The program will not involve construction/civil works. Activities are limited to policy and regulatory framework, supervisory capacity, operational and institutional capacity, and legal infrastructure, and have no impacts on IPs. This justifies category C for IP.
--------------------	---

Stakeholder Communication, Participation, and Consultation

During Project Design All reform measures have undergone substantive stakeholder consultations before implementation, and the government will continue to host biannual government-private sector forums at which the private sector can raise policy issues and the government can address them. Regular policy dialogue with stakeholders will take place during Asian Development Bank (ADB) review missions.

During Project Implementation

Responsible Staff

Responsible ADB Officer	Aoki, Hiroyuki
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
Executing Agencies	<i>National Bank of Cambodia P.O. Box 25 22-24 Norodom Blvd. Phnom Penh, Cambodia</i>

Timetable

Concept Clearance	16 Apr 2010
Fact Finding	03 Jun 2014 to 09 Jun 2014
MRM	13 Aug 2014
Approval	18 Nov 2014
Last Review Mission	-
Last PDS Update	20 Mar 2015

Loan 3185-CAM

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
18 Nov 2014	18 Dec 2014	27 Mar 2015	30 Jun 2015	31 Jul 2015	31 Jul 2015

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	15.00	Cumulative Contract Awards			
ADB	15.00	18 Nov 2014	13.80	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	18 Nov 2014	13.80	0.00	100%

Project Page	https://www.adb.org/projects/42305-033/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42305-033
Date Generated	06 July 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.