

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Cambodia	Project Title:	Policy-Based Loan for Subprogram 3 of the Third Financial Sector Program
Lending/Financing Modality:	SDP - Program loan	Department/Division:	Southeast Asia Department/Public Management, Financial Sector, & Trade Division, SERD

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General Intervention

#### A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The Third Financial Sector Program supports the continued efforts of the Government of Cambodia to improve the legal and regulatory framework and its application, strengthen institutional coordination among national regulatory agencies, promote confidence and growth in sector outreach, strengthen the application of supporting infrastructure and standards, develop new markets, and sustainably support capacity development. By promoting the development of a sound, market-based finance sector to enhance economic growth, and by creating employment, the third program will be pivotal to improving financial intermediation in Cambodia. A robust finance sector will protect the economy from exogenous shocks, which are becoming common in increasingly global financial markets and have serious implications for the poor.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues.

The third program will improve access to the formal finance system nationwide, directly and indirectly benefitting the general population. Subprogram 3 is the last subprogram of the third program cluster.

2. Beneficiaries.

Beneficiaries are expected to include the poor and borderline poor.

3. Impact channels

The improved access to finance will be indirect impact channels, especially in rural areas including the poor and vulnerable groups.

4. Other social and poverty issues.

Issues on credit behaviors have been conducted by CSOs in coordination with the microfinance industry.

5. Design features.

The policies supported by the third program will strengthen the finance sector by helping to maintain its stability, improve users confidence and financial intermediation, promote good governance, and enhance its efficiency. These factors will contribute to a more conducive environment for continued financial market development. Subprogram 3 of the third program is expected to maintain financial stability through legal and regulatory reforms and the coordinated efforts of national regulators; boost confidence among market participants; and, with improvements to the payments, clearance, and settlement system, expand financial intermediation and facilitate a wider offering of products and services in urban and rural areas. A sound, more efficient, and diversified finance sector will support higher investments and productivity in the private sector. Together with broader economic reforms, finance sector reforms will contribute to higher economic growth and poverty reduction.

### II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

Protection of consumers including the poor and vulnerable are itemized in DMF and policy matrix

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.  
not applicable

3. Explain how the project ensures adequate participation of civil society organizations in project implementation.  
public consultation including CSOs is a part of process of policy reforms

4. What forms of civil society organization participation is envisaged during project implementation?  
 L Information gathering and sharing  L Consultation  N Collaboration  N Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?  
 Yes.  No.

No adverse impacts are expected.

### III. GENDER AND DEVELOPMENT

Gender mainstreaming category:  
Some gender elements (SGE)

#### A. Key issues.

The third program cluster supports the government's long-term goal of promoting a sound, market-oriented finance sector to enhance the mobilization of financial resources. While the implementation of reforms has been gender neutral, improvements to the finance sector climate have encouraged banks and microfinance institutions to open branches in rural areas and introduce products and services that are more accessible to women. The National Bank of Cambodia, the executing agency, has commenced collecting sex-disaggregated data on access to financial services and employment in the finance sector. A proportion of female borrower from microfinance institutions reached at 82% in 2013. Females held 70% of all microfinance deposit accounts in 2013, and 30% of MFI employees were female. 43% of all employees in the banking sector were female in 2013. Further study on females' less control on usage of loan money, smaller amount of loan and limited access to long-term finance, may be needed in the future.

#### B. Key actions.

Gender action plan  Other actions or measures  No action or measure

Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process:

### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

#### A. Involuntary Resettlement

Safeguard Category  A  B  C  FI

##### 1. Key impacts.

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. None of the project activities will involve land acquisition or involuntary resettlement which justifies a category 'C' for IR.

##### 2. Strategy to address the impacts?

Not applicable

##### 3. Plan or other actions.

Resettlement plan

Combined resettlement and indigenous peoples plan

Resettlement framework

Combined resettlement framework and indigenous peoples planning framework

Environmental and social management system arrangement

Social impact matrix

No action

#### B. Indigenous Peoples

Safeguard Category  A  B  C  FI

##### 1. Key impacts. Yes No

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 a category 'C' for IP.

##### 2. Strategy to address the impacts.

Not applicable

3. Plan or other actions.

- |                                                                                 |                                                                                                    |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Indigenous peoples plan                                | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan                    |
| <input type="checkbox"/> Indigenous peoples planning framework                  | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary     |
| <input type="checkbox"/> Social impact matrix                                   |                                                                                                    |
| <input checked="" type="checkbox"/> No action                                   |                                                                                                    |

**V. ADDRESSING OTHER SOCIAL RISKS**

**A. Risks in the Labor Market**

1. Relevance of the project for the country's or region's or sector's labor market.  
 L unemployment  L underemployment  L retrenchment  L core labor standards  
The development of financial sector will have positive impacts on job creation.

2. Labor market impact.  
The program will facilitate employment in the financial sector.

**B. Affordability**

The program will increase the efficiency at financial sector and lead to reduce possible exclusion.

**C. Communicable Diseases and Other Social Risks**

1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):  
 NA Communicable diseases  NA Human trafficking  
 NA Others (please specify) None

2. Describe the related risks of the project on people in project area.  
Not applicable

**VI. MONITORING AND EVALUATION**

1. Targets and indicators:  
Improved access to finance with gender-segregated date has been included in the DMF

2. Required human resources:  
not applicable

3. Information in PAM:  
not applicable

4. Monitoring tools:  
The Borrower shall ensure that: (a) NBC undertakes periodic reviews to evaluate the scope, implementation arrangements, progress, achievements, and impacts of the Programmatic Approach and the PPPF; and (b) NBC is responsible for maintaining all monitoring data and evaluating benefits of the Program and the PPPF.