

CONCLUSION

Financial sector development in Cambodia, under the current socioeconomic and legal environment, poses a daunting challenge to the Government as well as to the private sector, as it requires tremendous prerequisites and concerted efforts in related sectors. Financial sector development is also a time-consuming process that requires well-coordinated sequencing of development efforts that in turn calls for continuous strengthening of the capacity and governance of key institutions in both the public and private sectors. Moreover, this process is a resource-intensive undertaking in terms of technical and financial resources.

The Blueprint attempts to provide a coherent strategy to help sequence and coordinate the efforts of policy makers and all stakeholders based on the sector development vision. The Blueprint will serve as the planning tool for related Government ministries to determine their short- and medium-term policy actions, to identify requirements for capacity building and technical resources, and to coordinate in accomplishing the sector-specific and cross-sector goals. It will also be a coordination panel for aid agencies to plan their assistance to the financial sector and thus minimize duplication.

The Blueprint envisages the development of a sound, market-oriented financial system in 10 years. The system is characterized as

competitive, integrated, and efficient, which will facilitate domestic resource mobilization and growth-oriented investments. By 2010, Cambodia will have a banking sector, insurance sector, pension system, and nonbanking sector that together will provide a wide range of services at lower costs in both urban and rural areas. Cambodia will also develop interbank/money markets and the base for capital markets that offer various means of financial instruments to meet the demands of both savers and investors. To enable and achieve these goals, the basic legal infrastructure, a common accounting and auditing system based on international standards, a reliable financial information system, and capacity-building institutions in both the private and public sectors will be developed. Continuous improvement in financial infrastructure will nurture an enabling environment for further development of the financial sector.

Financial sector development, as seen in the vision, critically depends on full-scale governance reform in public administration, public finance, and the judiciary and legal systems. These reforms will strengthen the accountability of institutions in the public sector and will in turn enable Cambodia's access to a continuous flow of official development assistance. With successful governance reforms in progress, Cambodia is expected to achieve an average annual economic growth rate of 7 percent from 2005 to 2020, which implies that

its GDP will triple from about \$3 billion in 2000 to more than \$10 billion in 2010, and per capita income will more than double during the period.

To materialize its vision for the financial sector, the Blueprint includes long-term development strategies and sector development plans for seven critical areas. The sector development plans address necessary standards, laws, and regulations as well as the preparation of necessary human resources and the institutional capacity for implementation. These plans have been developed taking into consideration of the interrelation of (i) human and institutional capacity building, (ii) the development of related infrastructure, (iii) the establishment of legal and regulatory frameworks, (iv) the emergence of relevant financial markets, and (v) the availability of technology. Each sector development plan consists of a development goal, intermediate reform agenda, and illustrative policy measures in each phase. The development goal describes the sector strategy to achieve visions in each

sector over three phases: 2001-2004, 2005-2007, and 2008-2010. The intermediate reform agenda in a specific phase describes tactics to attain the set goals. And the illustrative and indicative policy measures are designed to accomplish the intermediate reform agenda.

Successful implementation of the Blueprint relies on strong leadership, firm commitment, and tremendous efforts of the Government, especially MEF, MOC, and NBC. It also calls for the support of the private sector and the timely assistance of international aid agencies, as the active participation of the private sector and international agencies is indispensable as a source of technical and financial resources for successful implementation of the Blueprint.

Continuous refinement and updating of the Blueprint based on the progress made and the changing socioeconomic environment will enable the Government to maintain momentum in its development efforts, as well as facilitating coordination of development efforts among international aid agencies.