ADB ASIAN DEVELOPMENT BANK

Cambodia: Implementation of Subprogram 4 of the Financial Sector Program II

Project Name	Implementation of Subprogram 4 of the Financial Sector Program II
Project Number	34389-042
Country	Cambodia
Project Status	Closed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	**TA 7472-CAM: Implementation of Subprogram 4 of the Financial Sector Program II** Japan Special Fund — US$ 750,000.00
Strategic Agendas	Inclusive economic growth
Drivers of Change	Private sector development
Sector / Subsector	**Finance** - Banking systems and nonbank financial institutions - Finance sector development - Inclusive finance - Insurance and contractual savings
Gender Equity and Mainstreaming	
Description	
Project Rationale and Linkage to Country/Regional Strategy	The development framework for Cambodia's financial sector is based on the 2001-2010 Financial Sector Blueprint that was updated as the Financial Sector Development Strategy 2006-2015 and adopted by the Government in February 2007. Implementation of the Blueprint since 2001, has yielded some notable achievements as well as lessons to be learned (from international and domestic experience). Those experiences coupled with the new challenges to the financial sector, prompted the Government to request continuing ADB support to the sector to ensure the durability of its reform program. This led to the design and approval of the second financial sector cluster program (FSP II) in 2007. FSP II comprises a series of four single-tranched subprograms to be implemented from September 2006-December 2010. Subprograms are linked by policy triggers and milestones. A program of TAs was also programmed to help implement subprogram triggers and milestones. In preparation for subprogram 4, the proposed TA will help the executing agency (NBC) and the implementing agencies - Ministry of Economy and Finance and Ministry of Commerce implement the associated triggers and milestones.
Impact	A sound, marketbased financial system that enhances resource mobilization and sustainable economic growth

Project Outcome	
Description of Outcome	A growing, resilient, and efficient financial system
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Improved capacity for onsite supervision of banks Improved regulations and capacity to supervise MFIs Improved regulations and capacity to supervise the insurance industry Complete the installation of and training of staff on the new integrated accounting system for NBC An operational commercial arbitration center A commercial contract law adopted Upgraded payment, clearance, and settlement system (PCSS) Credit information bureau

Status of Implementation Progress (Outputs, Activities, and Issues)	1. The international bank on-site supervision expert commenced his 4 months assignment on 16 August 2010. The assignment included; training of the on-site supervision staff, formulation of an "user-guide" for problem banks administration and resolution, follow-up and provide advise on issues identified during the previous field inspection, and assisting staff to advance towards full compliance with Basel 1 core principles for bank supervision. The closing date for contract was extended to 30 June 2011. Final Report was reviewed by NBC and finalized by Mission Leader in August 2011. 2. The international MFI supervision expert commenced his 3 months contract on 12 July 2010. The assignment included; updating prudential regulations for MFIs, guidance and on-the-job advise to staff of NBC during on-site field inspection of selected MFIs, assisting NBC staff to formulate action plans to address issues identified during recent off and on-site reviews. Assignment completed on schedule. 3. The international insurance expert commenced his 4 months contract on 2 July 2010. The assignment included; assistance to MEF in updating the insurance law and implementing regulations, updating of the prudential regulations for insurance, training of the staff on tools for off and on-site inspection of the insurance firms. The consultant is in the field for his final mission that will conclude at the end of July 2011. Final Report submitted and reviewed by MEF before it was endorsed by Mission Leader on 15 August 2011. 4. The international IT expert commenced his 3 months contract on 12 July 2010. The assignment included; guidance and support to the NBC to complete the installation of the integrated accounting system including the branch roll-over, help to establish the governance framework and processes for the operation of the new system, ensuring the support services both within the NBC and from the external contractors is operational, and ensuring that effective resources and capabilities are in place to support the new system. The assignment successfully completed. 5. The international arbitration expert commenced his first field visit on 7 February 2012 following the announcement of the results of the qualifying examinations for the arbitrators in late 2011. The international expert will assist the Ministry of Commerce in the preparation for establishment of the national arbitration center. His Inception Report has been jointly reviewed and approved by the MOC and ADB in March 2012. The expert will help MOC develop the rules and procedures for the Center, the three year business plan and budget, code of conduct, etc. 6. The international commercial lawyer commenced his 2 months contract on 14 July 2010. The assignment included the hand-on support to the Ministry of Commerce in responding the Council of Ministers during the discussion of the draft commercial contract law. His draft final report has been jointly reviewed and endorsed by the MOC and ADB in March 2012. 7. The international payments expert commenced his 10 months contract on 25 August 2010. The assignment continued the support for; updating the national payment roadmap for upgrading the payments system, improving the payment instruments to reduce dependence on cash, procurement of the hardware and software for a full solution for clearance and settlement of checks, upgrading of systems for check and electronic payments, clearance and settlement, training of the PPU staff, and support the development of the legal and regulatory framework to support the above changes. Support from the international and national consultants are on-going towards launching the full clearance system for checks in December 2012. 8. The establishment of the credit bureau did not require support through the TA resources. NBC worked closely with the international service provider to establish the credit bureau. The credit bureau, fully owned by private sector owners, commenced operation in March 2012. TA completion date has been extended to 31 December 2012. Awaiting for 1 remaining Certificate of Full Payment before TA is financially closed.
Geographical Location	National

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	Wide stakeholder consultation completed during the designing phase.
During Project Implementation	On-going consultation with the executing and implementing agencies during implementation.

Business Opportunities	
Consulting Services	ADB, in coordination with the Government, will engage consultants on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time). The CDTA international consultants will provide expertise in the following: (i) on-site supervision of banks and training (4 person months), (ii) supervision of MFIs (4 person-months), (iii) insurance regulations and supervision (4 person-months), (iv) information technology sytem (3 person-months), (v) commercila dispute resolution (3 person-months), (vi) commercial contract law (2 person-months), (vii) payments, clearance, and settlement system (10 person-months), and (viii) credit information system (3 person-months). One national consultant will be engaged, an IT expert (15 person-months), to assist the international credit information and the integrated accounting IT experts.

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Timetable	
Concept Clearance	16 Mar 2009
Fact Finding	22 Apr 2009 to 28 Apr 2009
MRM	-
Approval	18 Dec 2009
Last Review Mission	-
PDS Creation Date	09 Jun 2009
Last PDS Update	22 Mar 2013

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Milestones					
Approval	**Signing Date**	**Effectivity Date**	**Closing**		
			Original	**Revised**	**Actual**
18 Dec 2009	05 Feb 2010	05 Feb 2010	31 Dec 2011	31 Dec 2012	-

Financing Plan/TA Utilization							**Cumulative Disbursements**	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
750,000.00	0.00	150,000.00	0.00	0.00	0.00	900,000.00	18 Dec 2009	996,546.13

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