

PROGRAM PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The program preparatory technical assistance (PPTA) will help the government implement the Financial Sector Development Strategy (FSDS), 2011–2020 to reflect progress to 2013 and identify gaps and/or challenges within the financial sector that need to be addressed during 2011–2020.

B. Major Outputs and Activities

2. The key outputs of the TA will be (i) the detailed implementation assessment of the FSDS, 2011–2020 to date; and (ii) a report of the sector diagnostic review with a medium-term program of reforms for the Fourth Financial Sector Program (FSP IV).

3. The major outputs and activities are summarized in Table A4.1.

Table A4.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
Sector Diagnostic Assessment	January 2014	Report of findings	February 2014
Consultative Workshops	April 2014	Draft implementation assessment of FSDS, 2011–2020	June 2014
Draft FSP IV Program	July 2014	Draft final report and program	September 2014
Final Report of Assessment	October 2014	Final report	November 2014

FSDS = Financial Sector Development Strategy, FSP IV = Fourth Financial Sector Program.

Source: Asian Development Bank estimates.

C. Cost Estimate and Proposed Financing Arrangement

4. The TA is estimated to cost \$880,000 equivalent, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund-V (TASF-V). The government will provide counterpart support in the form of counterpart staff, secretarial assistance, domestic transportation, provision of office space, and other in-kind contributions. The detailed cost estimate is presented in Table A4.2.

Table A4.2: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (23 person-months)	500.0
ii. National consultants (25 person-months)	50.0
b. International and local travel	100.0
c. Reports and communications	10.0
2. Equipment (computer, printer, etc.)	0.0
3. Workshops, training, seminars, and conferences ^b	
a. Facilitators	20.0
b. Training program	0.0
c. Venue	20.0
4. Vehicle	0.0
5. Surveys	0.0

Item	Total Cost
6. Miscellaneous administration and support costs ^c	20.0
7. Representative for contract negotiations	5.0
8. Contingencies	75.0
Total	800.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-IV).

^b Workshops, training, seminars, and conferences.

^c Translation and publication

Purpose	Venue
Stakeholders' Consultation Workshop for initial findings	Hotel in Phnom Penh
Stakeholders' Consultation Workshop for draft final report	Hotel in Phnom Penh

Source: Asian Development Bank staff estimates.

D. Consulting Services

5. The TA will be implemented over 1 year from the fielding of the consultants. Consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). One firm will be engaged by using the quality- and cost-based selection process with a technical-financial ratio of 90:10. The National Bank of Cambodia (NBC) will be responsible for the implementation. The TA is expected to provide 23 person-months of international and 25 person-months of national consulting services. The summary of consultancy services requirement is provided in Table A4.3, and is indicative (to be finalized after the PPTA inception mission).

Table A4.3: Summary of Consulting Services Requirement

Positions	Person-Months Required
1. International	
Banking expert (team leader)	6
Microfinance expert	2
Insurance and pension fund expert	2
Leasing expert	2
Commercial law expert	3
Capital market expert	2
Money and interbank market expert	2
Accounting expert	2
AML/CFT expert	2
Subtotal	23
2. National	
Financial sector expert	10
Insurance expert	4
Capital market expert	3
Legal expert	5
AML/CFT Expert	3
Subtotal	25
Total	48

AML/CFT = anti-money laundering/combating financing of terrorism

Source: Asian Development Bank.

6. The outline terms of reference for the PPTA consultants are described in paras. 7–16.

1. International Consulting Firm

7. **Banking expert and team leader** (6 person-months, international) should have a

postgraduate degree or equivalent in finance and at least 8 years professional experience. The expert will prepare a draft inception report together with an implementation plan outlining the activities to be undertaken by the team of consultants, the objectives of those activities, expected outputs, and time lines for delivering those outputs; organize and lead consultations with key players in the financial sector; and analyze progress to date and identify gaps of the FSDS, 2011–2020 to be organized into a series of reform activities.

8. **Microfinance expert** (2 person-months, international) should have a postgraduate degree or equivalent in rural finance and at least 5 years professional experience. The expert will prepare a report that will include the background to the rural and microfinance industry and regulatory regime; an evaluation of the impact of the FSDS, 2011–2020 on microfinance development; proposed changes or improvements to be organized into a series of reform activities, including ways to improve outreach of microfinance services; the rationale for the proposed changes; and ways to expedite those changes.

9. **Insurance and pension fund expert** (2 person-months, international) should have a postgraduate degree or equivalent in insurance or pension and at least 5 years professional experience. The expert will prepare a report that will include the background to the insurance industry (including microinsurance) and pension and retirement fund, and the associated regulatory regime; an evaluation of the impact of the FSDS, 2011–2020 on insurance market development; proposed changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

10. **Leasing expert** (2 person-months, international) should have a postgraduate degree or equivalent in leasing and at least 5 years professional experience. The expert will prepare a report that will include the background on the leasing industry and regulatory regime; an evaluation of the impact of the FSDS, 2011–2020 on leasing development, regulations, and supervision; proposed changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

11. **Commercial law expert** (3 person-months, international) must have a law degree (master's or equivalent) and a legal background in finance and commerce, with extensive work experience in developing or evaluating legal and regulatory reforms in the financial sector and at least 5 years professional experience. The expert will prepare a report (including an evaluation of the impact of the FSDS, 2011–2020) on the current legal and regulatory framework; judicial and dispute resolution processes for commercial transactions; required changes or improvements, organized into a series of reform activities; the rationale for the proposed changes, and ways to expedite the proposed changes.

12. **Capital market expert** (2 person-months, international) should have a postgraduate degree or equivalent in capital markets and at least 5 years professional experience. The expert will prepare a report that will include the background to the capital market development and associated regulatory regime; an evaluation of the impact of the FSDS, 2011–2020 on capital market development, regulations, and supervisory arrangements; proposed changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

13. **Money and interbank market expert** (2 person-months, international) should have a postgraduate degree or equivalent in banking and at least 5 years professional experience. The expert will prepare a report that will include the background to the money and interbank market, and associated regulatory regime; an evaluation of the impact of the FSDS, 2011–2020 on the

money and interbank markets development, regulations, and supervision; proposed changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

14. **Accounting expert** (2 person-months, international) should have a postgraduate degree or equivalent in accounting and at least 5 years professional experience. The expert will prepare a detailed report on the findings, which will include an evaluation of the impact of the FSDS, 2011–2020 on accounting and auditing development, background, and required changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

15. **Anti money laundering and combating financing terrorism (AML and CFT) expert** (2 person-months, international) should have a postgraduate degree or equivalent in a relevant area and at least 5 years professional experience. The expert will prepare a detailed report on the findings, which will include an evaluation of the impact of the FSDS, 2011–2020 on AML and CFT development, background, required changes or improvements, organized into a series of reform activities; the rationale for the proposed changes; and ways to expedite those changes.

2. National Consulting Firm

16. **Financial sector expert** (10 person-months, national), **insurance expert** (4 person-months, national), **capital market expert** (3 person-months, national), **legal expert** (5 person-months, national), and **AML and CFT expert** (3 person-months, national) will serve as assistants to the team leader and the international experts. The national experts will be required to have a background in finance and some working knowledge of relevant areas and (i) assist the respective international experts in all aspects of their tasks within the terms of reference, including project coordination and logistics; (ii) under the guidance of the international experts, gather and analyze the required information and data, and ensure that reports are available in English; and (iii) conduct research on specific topics as required by the international experts.

E. Implementation Arrangements

17. The NBC will be the executing agency for the TA. The Ministry of Economy and Finance (MEF), Securities and Exchange Commission of Cambodia (SECC), and Ministry of Commerce (MOC) will be the implementing agencies. The four agencies will coordinate closely with other stakeholders involved in the TA implementation. Disbursements under the TA will be in accordance with ADB's *Technical Assistance Disbursements Handbook* (2010, amended from time to time). The government was advised that approval of the TA does not commit ADB to finance any ensuing loan or grant.

18. The proposed TA processing and implementation schedule is in Table A4.4.

Table A4.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Staff review meeting	September 2013
Concept paper clearance/PPTA approval	October 2013
TA effectiveness	November 2013
TA commencement	January 2014
TA physical completion	December 2014
TA financial closure	March 2015

PPTA = program preparatory technical assistance, TA = technical assistance.
Source: Asian Development Bank.