



NATIONAL BANK OF CAMBODIA

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Remarks

By

**H.E. Chea Chanto, Governor of the National Bank of Cambodia
And Vice Chairman, the Economic and Financial Policy Committee on the
occasion of the Official Launch of “Financial Sector Development Strategy
2011-2020”**

Raffles Hotel Le Royal, Phnom Penh, 6 July 2012

- **H.E. Keat Chhon, Deputy Prime Minister, Minister of Ministry of Economy and Finance, the Highest Representative of Samdech Akka Moha Sena Padei Decho Hun Sen, Prime Minister of the Kingdom of Cambodia**
- **H.E. Kunio Senga, Director General, the South East Asia Department, Asian Development Bank**
- **Mr. Putu Kamayana, Country Director, Asian Development Bank to Cambodia**
- **Excellencies, Ladies and Gentlemen,**

Today, I have the great honor and pleasure to participate in the official launch of the Royal Government’s Financial Sector Development Strategy 2011-2020, under the highest presidency of His Excellency Keat Chhon, Deputy Prime Minister, Minister of Ministry of Economy and Finance and the highest representative of **Samdech Akka Moha Sena Padei Decho Hun Sen, Prime Minister of the Kingdom of Cambodia**. His Excellency Deputy Prime Minister, your highest presence honors us and marks our event much more solemn, delighted and meaningful.

Taking this opportunity, on behalf of the Economic and Financial Policy Committee and as the Chairman of the Steering Committee for the Financial Sector Development Strategy, I would like to express my profound gratitude to the management of the Asian Development Bank, H.E. Kunio Senga, Mr. Putu Kamayana, Mr. Samiule Tukuafu and colleagues for your continuous supports in developing financial sector in Cambodia. I would also like to thank all of the Inter-ministerial Technical Working Groups of the Royal Government of Cambodia for your active participations and contributions in updating this strategy successfully.

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**His Excellency Deputy Prime Minister
Excellencies, Ladies and Gentlemen,**

I would like to take this opportunity to brief you about the background, importance, and achievements of the financial sector development strategy implementation as follows:

1. Background of Updated Blueprint

Financial sector is now regarded as a necessary component in contributing to social and economic development. In fact, when the financial sector is sound and smoothly functioning, it would ensure the sustainability of financial intermediation—by mobilizing unutilized financial resources to finance the demand of production and to support sustainable economic growth.

By seeing above-said importance and technical assistance funded by the Asian Development Bank, in 2001, the Royal Government enacted the “Vision and Financial Sector Development Plan for 2001-2010” as a long-term strategic plan in order to determine the sequences, policy guidelines, and action plans in order to support a sound and safe financial sector development in Cambodia. The achievement made in phase I could be highlighted through significant progress in banking and insurance sectors, as well as the macroeconomic stability and sustainable economic growth.

Thence, in phase II in order to further strengthen and deepen the financial sector development, in 2006, the Royal Government updated the “Vision and Financial Sector Development Plan for 2001-2010” to the “Financial Sector Development Strategy 2006-2015” as a rolling plan to be more comprehensively covered, prioritized, well targeted, sequenced, and interconnected between other sectors and the financial sector. The achievements of this phase could be indicated through remarkable progress of the banking, microfinance and insurance sectors, stable exchange rate, sustainable macroeconomic performance, and strong economic growth.

Now, we are in phase III, by recognizing the importance of this strategy and prioritized sectors of the Royal Government in economic diversification and modernization in order to improve people’s living standards and to reduce poverty in Cambodia, in 2011, the Economic and Financial Policy Committee cooperated with the Asian Development Bank to update the “Financial Sector Development Strategy 2006-2015” to the “Financial Sector Development Strategy 2011-2020”, in line with the action plans of the “Royal Government’s Rectangular Strategy, Phase II” and the “National Strategic Development Plan Update 2009-2013” to continue developing a sound and market-based financial system, which helps mobilize and allocate financial resources to support sustainable economic growth.

I can say that our latest blueprint has been updated in accordance with three important contexts: 1) Recent progress of Cambodian economy under a favorable environment of political stability, peace, security and social order over a decade, 2) the changes of international financial architecture after the recent global financial crisis, and 3) demand for recent development norms to sustain a robust growth and inter-linkage of financial sector with other sectors in the economy which financial sector now plays a crucial role.

2) The Content of updated Blueprint

By seeing the necessity and importance of our strategy, the Royal Government has established a steering committee and technical working groups authorizing to conduct updating the Financial Sector Development Strategy 2011-2020. This committee and working groups comprise of inter-ministerial members from the Ministry of Economy and Finance; the National Bank of Cambodia; the Ministry of Commerce; the Ministry of Social Affairs, Veteran and Youth Rehabilitation; the Ministry of Labor and Vocational Training; the Ministry of Justice; the Council for the Development of Cambodia; and Securities and Exchange Commission of Cambodia, in collaboration with Asian Development Bank.

Our works of updating this strategy focused on the overview, objectives, targets, key priorities and sequence of necessary reform activities. The structure of this strategic document is as follows:

- Chapter 1: Background: reflects overview and key issues in financial sector;
- Chapter 2: Banking sector: includes banking system, anti-money laundering and combating the financing of terrorism, microfinance and leasing;
- Chapter 3: Non-banking sectors: includes insurance sector, pensions and capital market;
- Chapter 4: Governance and market infrastructure: includes legal and regulatory framework, accounting and auditing, payment system, collateral system and credit bureau;
- Chapter 5: Capacity building in financial system; and
- Chapter 6: Three-stage development action plan 2011-2020.

Overall, this strategic document is a rolling plan and highlight the development in markets, service network and new financial products in the system, as well as is a roadmap for financial system development to be more sound, safe and integrated in Cambodia to support the sustainable economic development in alignment with policies of the Royal Government.

- **Your Excellency Deputy Prime Minister**
- **Excellencies, Ladies and Gentlemen,**

The updating process of this strategy aims at reflecting the interconnectedness between banking sector, non-banking sector, and infrastructure supporting financial sector development. Currently, banking and microfinance sectors have been developed at most in the financial sector in providing financial intermediation to all sectors, including credits to small and medium enterprises and the rural poor. The development of domestic money and capital markets would provide: (1) new additional source of funds; (2) long-term investment financing in manufacturing, industrial sector, and infrastructure; and (3) source of funds for large enterprises. Likewise, the development of non-banking financial sector is another source of funds which would expand and make the financial intermediation more efficient. In the long term, the initiative to build infrastructure to support financial sector development and capacity building would foster the development of both banking and non-banking financial sectors.

In order to implement this strategy smoothly and successfully, we have prepared step-by-step action plans, divided into three phases accommodating with our priorities as follows:

First phase: Short term (2011-2014) mainly focuses on strengthening the implementation of institution's policies, such as legal framework reform, legal enforcement, capacity building of officers, regulators and supervisors, establishment of necessary working groups at the institution level, establishment of infrastructure, improvement of working efficiency and establishment of coordination and cooperation mechanism to address the challenges.

Second phase: Medium term (2014-2017) mainly focuses on pursuing short-term policy implementation which would yet be completed, especially policies related to inter-ministerial work and cooperation such as the establishment of the national committee for crisis management, legal enforcement, and consolidated supervision.

Third phase: Long term (2017-2020) focuses on strengthening the implementation of policies continuing from medium term, and introducing financial safety net and several supportive policies to maintain long-term financial stability and prevent crisis in financial sector.

To synthesize the above components, we have organized several consultative meetings between technical working groups and the Asian Development Bank. Notably, on 19 July 2011, we organized a national workshop presided over by His Excellency Keat Chhon, Deputy Prime Minister,

