

Messrs. ADB,

August 7, 2006

Concise Comments on Financial Sector Blueprint Update

1. Background

Since 2004, NRI has served as a consultant to the ASEAN Secretariat for technical assistances on bond market development in Cambodia, which is part of Japan-ASEAN Financial Technical Assistance (JAFTA) scheme under ASEAN+3 Bond Markets Initiative. Scope of works for the past two phases have been mostly on government securities (as a product of bond market) and life insurance (as an important investor in the future). Therefore comments shall focus these two topics.

By the way, for your information, the next phase of the technical assistance will start from September or October 2006. Thereafter we will visit and stay Phnom Penh several times and will be pleasantly prepared to exchange information with ADB and other donors.

2. Comment on Insurance

The Blueprint covers all insurance related matters including micro-insurance and life insurance, but putting more priority on micro-insurance between the two sub-sectors. While we totally agree that regulating and supervising micro-insurance is indeed urgently necessary in Cambodia, developing legal environment for life insurance is necessary as well.

The report mentions that "life insurance business would expand further with the introduction of pension or retirement savings," but in fact when there are no such system still many employees need long-term saving and protection scheme in order to protect their family. Observation of experiences in present Vietnam and former Japan tells that people purchase life insurance as their core savings in order to provide necessary education to their children, as well as protection.

Besides "confident" on financial tools can be developed only when relevant financial tools are available. Thus, we consider establishment of legal environment as "immediate priorities".

3. Comment on Government Securities

While we appreciate your current draft mentioning about government securities, we believe one of most important tasks in PFM for the government of Cambodia is cash management rather than debt management at this stage. As you may know there are so many accounts of the government at NBC

and commercial banks by ministries, by projects and by donors, and hence cashes are spread over numerous accounts and under no single control. Treasury single account does exist, but accounts for minor proportion amongst cash position of the government. The insufficient cash management will impede debt management, government securities, and hence interbank or money market. If ADB can attach much importance in your Blueprint Update onto cash management amongst number of issues of PFM, it will be highly appreciated.

Thank you very much.

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