

ANNEX: LIST OF RECOMMENDED AND ADOPTED PRIORITY ACTIONS

TIME FRAME	PERIOD
Short Term	< 1 year
Medium Term	> 1 year but < 3 years
Long Term	>3 years

PRIORITY ACTIONS RECOMMENDED AND ADOPTED	TIMEFRAME
1. REGULATIONS, SUPERVISION & ENFORCEMENT	
a. Mandatory Regulation and Enforcement	
<ul style="list-style-type: none"> • Action 1.a.1: Enforce the implementation of the Code of Conduct and Lending Guidelines for all members of the Cambodia Microfinance Association (CMA) and the Association of Banks in Cambodia (ABC). • Action 1.a.2: Issue a joint statement to halt the use of ID Poor card as collateral. • Action 1.a.3: Enhance cooperation and coordination among different regulatory bodies. 	<p style="text-align: center;">Short Term</p> <p style="text-align: center;">Short Term</p> <p style="text-align: center;">Short Term</p>
b. Effective Self-Regulation	
<ul style="list-style-type: none"> • Action 1.b.1: Create a Client Protection Fund by the Financial Sector that can be used to undertake various activities related to consumer protection, including assessments, capacity building, financial literacy and consumer empowerment projects, and lending guidelines update. • Action 1.b.2: Review Incentive Schemes (Key Performance Indicators) to ensure that Banking and Financial Institutions (BFIs) incorporated the Code of Conduct and Responsible Lending Guidelines, and to align with the principle of “Do No Harm”. • Action 1.b.3: Require all BFIs to assess themselves by independent qualified 3rd parties¹ on the Code of Conduct implementation. 	<p style="text-align: center;">Long Term</p> <p style="text-align: center;">Medium Term</p> <p style="text-align: center;">Medium Term</p>
c. Explore Alternatives to Interest Rate Caps (i.e.: responsible pricing)	
<ul style="list-style-type: none"> • Action 1.c.1: Reinforce NBC’s Prakas No B7-011-243 on transparency of granting credit facilities to enhance a client’s understanding of the effective interest rate and provide guidance following the cost structure of each BFI whether their fees charged on top of the interest rate cap of 18% is deemed reasonable. 	<p style="text-align: center;">Short Term</p>

¹ Independent Qualified 3rd Party Criteria should include but not limited to:

1. Experience: Familiar with Cambodia’s Banking & Financial Institutions Code of Conduct guidelines is preferred.
2. Independence: The assessor should be free from any conflicts of interest that could compromise their objectivity in evaluating the implementation of the code of conduct.
3. Qualifications: The third party should have relevant qualifications: certifications in compliance, ethics, audit processes and financial regulations, to ensure they have the necessary knowledge and skills to assess the code of conduct effectively.

<ul style="list-style-type: none"> • Action 1.c.2: Study responsible pricing options. 	Medium Term
2. COMPLAINT MECHANISM, FINANCIAL PROFICIENCY, DEBT COUNSELLING/MEDIATION	
<p>a. Complaint Mechanism</p> <ul style="list-style-type: none"> • Action 2.a.1: Strengthen and improve current mechanisms to serve the needs of the borrowers. There are multiple grievance mechanisms existing (NBC, ABC, CMA, individual BFI, and Consumer Protection Competition and Fraud Repression Directorate-General (CCF) of MoC) that do not appear to be serving the needs of the borrowers based on anecdotal evidence. 	Medium Term
<p>b. Debt Counselling & Mediation</p> <ul style="list-style-type: none"> • Action 2.b.1: Create a working group to establish an independent centralized mechanism which co-exists with existing mechanisms to facilitate trust in the system and better outcomes for borrowers. • Action 2.b.2: Strengthen responsible lending and review the loans related to Indigenous Communal Land Titles (ICLT), determining possible loan restructuring or other forms of debt relief without the forced sale of those land titles. 	<p>Medium Term</p> <p>Short Term</p>
<p>c. Financial Literacy</p> <ul style="list-style-type: none"> • Action 2.c.1: Develop financial literacy guidelines for BFIs to implement which include debt counselling/mediation tools to identify, inform and assist overindebted clients who need support. 	Medium Term
3. DATA, LOAN RESTRUCTURING/REFINANCING AND DEFINITION OF MICROLOANS	
<p>a. Data</p> <ul style="list-style-type: none"> • Action 3.a.1: Establish a working group to develop an approach to piloting a credit reporting system which includes data from banking and financial services and non-bank financial services. • Action 3.a.2: Mandate independent sample surveys to determine the correlation between microloan over-indebtedness with the rise in informal lending, and all other financial services directly and indirectly, sale of livelihood land (and other social impacts), especially for vulnerable groups. 	<p>Medium Term</p> <p>Medium Term</p>
<p>b. Loan Restructuring/Refinancing</p> <ul style="list-style-type: none"> • Action 3.b.1: Develop new and targeted regulations on loan restructuring/refinancing: Improve regulations on loan restructuring for vulnerable and indigenous groups to enable their ability to pay. 	Medium Term

<p>c. Definition of Microloans</p> <ul style="list-style-type: none"> • Action 3.c.1: Standardize the definition for all financial institutions to apply and modify risks to have a more targeted effort to serve microloan borrowers or customers. 	<p>Medium Term</p>
<p>4. INFORMAL LENDING AND ROLE OF LOCAL AUTHORITIES</p>	
<p>a. Informal Lending</p> <ul style="list-style-type: none"> • Action 4.a.1: Ensure effective law enforcement following the issuance of the joint statement from Mol and NBC to crack down on illegal lending practices by money lenders, including online lending and the use of the ID Poor card, national ID card, family book or other identification documents as collaterals. 	<p>Short Term</p>
<p>b. Role of Local Authorities</p> <ul style="list-style-type: none"> • Action 4.b.1: Issue a Prakas to stop local authorities from using and certifying Indigenous Communal Land Titles (ICLT) and/or those in all protected zones and other state-owned land as collateral for loans. • Action 4.b.2: Recommend Ministry of Land Management, Urban Planning and Construction (MLMUPC) to make a Map of Indigenous Communal Land Titles (ICLT) and CMA and ABC to issue announcement on this Map. • Action 4.b.3: Issue a new Prakas/ Notification on “Dos and Don’ts” by local authorities related to their involvement in financial services, specifically any lending agreement certification and collection. 	<p>Medium Term</p> <p>Medium Term</p> <p>Short Term</p>
<p>5. INSURANCE, SOCIAL SAFETY NET/PROTECTION</p>	
<p>a. Insurance for Agricultural Risks due to Climate Change</p> <ul style="list-style-type: none"> • Action 5.a.1: Recommend Modern Agricultural Cooperatives (ACs) under the Ministry of Agriculture, Forestry and Fisheries (MAFF) to pilot climate risk/crop insurance, incorporating lessons learned from a pilot program of the Insurance Association of Cambodia (IAC)/Forte Insurance with support from ADB. 	<p>Medium Term</p>
<p>b. Modern Agricultural Cooperatives (ACs) as a potential fit for Indigenous People Communities</p> <ul style="list-style-type: none"> • Action 5.b.1: Set up a Working Group to assess the potential for ACs to provide market access to agricultural products and alternative access to credit for indigenous people communities with Indigenous Communal Land Titles (ICLT). 	<p>Medium Term</p>