

## **CHAPTER 2**

### **THE BANKING SYSTEM**

#### **2.1 General Overview**

The Bank of Cambodia is the supervisory for banking in Cambodia, and its principal mission is to formulate and monetary policy at price stability and successful development. main lesion are to (i) in the foreign market when deemed necessary stable exchange and ensure money stability 2007.

The last of 2011, there were 35 banks, the number in 2002. From very few banks ATMs have also started to and numbered more than 600 at the end of 2001. Bank have grow in with the grow up in banking real of institutions, with the total assets to cross domestic production from about 22% at the end of 2002 to about 27% in 2007, and then go on to 53% by the last of 2011. Total input to GDP follow a business, from 12% in 2000 to about 19% in 2007, and 34% at the last of 2011. GDP was 6% in 2000; it go to 12% in 2006, and 29% at the last of 2011.

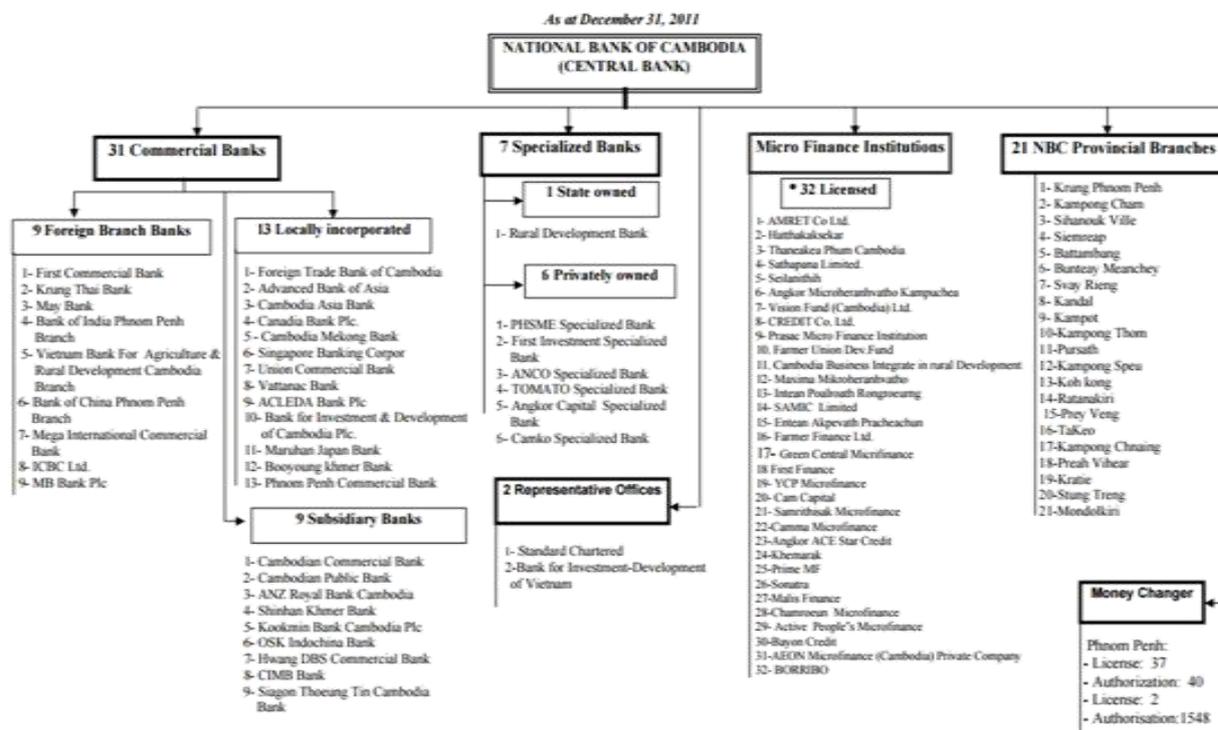
#### **2.2 History of Bank in Cambodia**

The National Bank of Cambodia was established in December 23, 1954 after the Indochina Printing Institution (French: Indochina impression Institution) was shut down when the country gained independence from the French. The National Bank of Cambodia printed its own national currency of Riel in order to completely terminate the monetary alliance with the Vietnamese and Laos currency. Meanwhile, there was the establishing of local banking system in which the state banks and private banks operated together in the territory of Cambodia.

In 1964, in order to follow the national building policy of the SangkumReastreNiyum, the banking system had been gradually reformed to meet the national economy's requirement by transforming the National Bank of Cambodia from the semi-autonomous institution to the state-owned bank under the form of the public entity with characteristics of industry and commerce, while the national and foreign private banks were closed, and the state established some state-owned banks such as Bank of Inadanajati, Development Bank, and the Rural Agricultural Bank.

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building was ruined, and the Riel banknotes were no longer used. Until October 10, 1979, the People's Bank of Cambodia called "Bank of Cambodia" was re-established as a Central Bank of the Country by sub-decree No 1211 dated October 10, 1979 of the Council of the Revolutionary People of Cambodia.



### Registered Non Government Organizations

December 2011

No.	Name of Institution	No.	Name of Institution
1	Cambodia Rural Economic Development Organization	16	Ta Ong Soybean Development Association
2	Social Development in Rural	17	Cambodia Mutual
3	Khmer Rural Development Association	18	Association of Samnang Rural Development
4	Lutheran World Service, Cambodia Program	19	Cambodia Economic Network
5	Cambodia Credit to Abolish Poverty Organization	20	Community Support Improve Development
6	Aid Farmers Association	21	Peace and Development Institute
7	Kratie Women Welfare Association	22	Chan Soksan Organization
8	New Economic Workers Organization	23	SABORAS Organization
9	Ministry of Rural Development Credit Scheme	24	Farmer Livelihood Development Organization
10	Cambodian Community Savings Federation	25	Village Development Association
11	Association for Business Initiative	26	CKMFG (Cambodia)
12	Crop Supporting National Association	27	Lokrou Organization
13	Northwest Development Association	28	Khmer Farmers Association
14	Agriculture and Tourism Development Association	29	Development of Agricultural System for Poor Families Organization in Cambodia
15	CICM Cambodia		

The purpose of this chapter is to compile and organize information about the variable integral to this research. This includes references that link theory to practice the related operative definitions. In this regard, qualify concepts such as groupthink and turnover as well as the definition of the main operation in order to get better understanding.

## 2.1 Key words and Architecture

The term of used in this study and their definitions as follows:

- Than 24 hours and not more than one consecutive year for leisure or business.
- **Tertiary Industry** an industry that provides a service to people e.g. hotel, restaurant.
- **Standard of living** the wealth and services available to people e.g. hospitals, schools.
- **Sustainable development** allowing a country to improve the standard of living for their people at a speed that does not affect standard of life for people in the future.
- **Infrastructure** is the basic physical and organizational structures needed for the operation of a society or enterprise, or the services and facilities, e.g. roads, hospitals, schools.
- **Honeypot site** a particularly popular visitor attraction which attracts tourists in large numbers.
- **National Park** an area of natural beauty designed to protect natural heritage and provide a space for leisure. E.g. Lake District, SuanDusit
- **Accommodation** a place for tourists to stay whilst on their visit. E.g. campsite, hostel, hotel.
- **Entertainment** ways tourists keep themselves busy whilst on their trip. Could be playing or watching sport, visiting cultural events or sightseeing.

The term of architecture is both the process and the product of planning, Its works are often perceived as cultural symbols and as works of art. Architecture can mean:

- **A general term** to describe buildings and other physical structures
- **The art and science** of designing buildings and some non-building structures
- **The style of design and method** of construction of buildings and other physical structures
- **Knowledge** of art, science, technology and humanity

## 1. Types of Economic

The type of depends on the reason for travel. Travel can be to destinations that are domestic or international.

- **outdoor adventure**, e.g. e.g. skiing and walking in the European Alps or the Rocky Mountains of North America.
- **Cultural/Architectural/Historic**, e.g. people like to visit historic sites, art galleries, temples, museums in cities such as Siem Reap, Rome, and Paris. In cities like New York and London they can go shopping or see shows.

## 2.2 Geography of Provinces Where Famous Architectures Located

**Phnom Penh** is the capital and most populous city of Cambodia.

Located on the banks of the Tonle Sap and Mekong River, Phnom Penh

has been the national capital since French colonization of Cambodia

and has grown to become the nation's center of economic and

industrial activities, as well as the center of security, politics, cultural heritage, and diplomacy. The Phnom Penh metropolitan area is home to about 2 million of Cambodia's population of over 15 million.

### 2.3. Population of These Areas

As of January 1, 2016, the population of Cambodia was estimated to be 15 703 820 people by increasing 1.62% compared to population of 15 453 018 the year before. Population by provinces in 2015 as below:

- Phnom Penh Municipality population: 2,599,037
- Battambang population: 1,216,000
- Siem Reap population: 1,097,000

Total estimation in 2015 of these areas is about over 3 million people.

**Table 2.3: Land Area and Population of These Areas**

Name	Population	Area (km <sup>2</sup> )	Density
Phnom Penh	2,599,037	678.46	2,200
Battambang	1,216,000	11,702	104
Siem Reap	1,097,000	10,299	107

### 2.4 Demands and Supplies

The total number of persons who travel or wish to travel and use tourist facilities and services at places away from their places of work or residence. The demand for tourism is the development at a tourism destination is shaped by the demand for tourism in that country which is shaped by the tourism opportunities.

Tourism supply is the all assets, services, and goods enjoyed or bought by visitors and occasioned by the journeys of visitors. Tourism supply consists of an amalgamation or mix of attractions. Tourism supply shapes the demand for tourism in a country. In Cambodia there is the provision of there key elements of the tourism industry by the host government and destination leadership that improve the tourism resources for tourism supply range from natural to man-made as the following.

#### 2.4.1 Attraction

**Phnom Penh** is a city full of attractions and memorable architectures to visit. The Royal Palace and Silver Pagoda are magnificent while the national museum of art's houses a priceless collection of artifacts and historical items in Cambodia where history was all but effaced, making them even more valuable as links to the past. There are also a wide variety of services including five star hotels and budget guest

houses, fine international dining, sidewalk noodle shops, shopping malls, neighborhood pubs, international discos, more and more.

**Battambang** is the main hub of the Northwest connecting the entire region with Phnom Penh and Thailand, and as such it is a vital link for Cambodia. Battambang city is a peaceful and pleasant place these days. The main parts of the city are situated closed to the Sangkae River, a tranquil, small body of water that winds its way through Battambang Province. It is a nice, picturesque setting. As with much of Cambodia, the French architecture is an attractive bonus of the city.

### 2.4.3 Intermediaries

The term intermediaries can be defined as any dealer who acts as a link in the chain of distribution between the company and its customers. In the tourism industry, travel agents, tour operators, tour services, etc. are considered the intermediaries (distributors). Their main task is to bring buyers and sellers in the field together and reduce transaction and supply costs between buyer and seller, instead of completely eliminating an intermediary.

It is common for airlines, bus, and shipping companies to have their own outlets in large cities where the public can purchase their travel products directly. Furthermore, call centers are becoming very popular amongst airlines to handle customer requests. Retailers such as travel agents sell individual components of a trip, transport tickets, accommodation, excursions, but they may also put their own brand of tours together. So, in order to supply national and international guest good services for their travel. Here below the table demonstrates number of each intermediary processing in Phnom Penh, Siem Reap and Battambang.

*Table 2.4.3 Intermediary Categories in these total 3 areas*

Detail	N.
Air Travel Ticket Agencies	1083
Ticket Agencies	189
Travel Agencies	1086
Tour Operators	1023
Visa Services	417
Guide Services	1034

### 2.4.4 Accommodations

The number and quality of hotels in these areas have escalated considerably especially Siem Reap and Phnom Penh in the last decades with several international hotel brands now joining small guesthouses and local hotels in the major tourist areas. Some established hotels are now completed by

international brands. Many local hotels have also upgraded themselves and expanded to meet the challenges and demands. A few of these local hotels are now offering five-star standards; some with decors and facilities to put their internationally branded cousins on their heels. Due to Cambodia's past connections with France, it is not surprising to find some colonial style hotels as well.

The Phnom Penh luxury hotel market has significantly benefited from the ASEAN summits, one in April and another in November 2012. These both brought in over a 1,000 delegates and international press arriving into Phnom Penh.

A recent report by the Bunna Realty Group shows that the hotel occupancy rates surveyed in Phnom Penh from January to November of year 2015, reached 68 per cent; while it was 66 per cent in Siem Reap, and 75 per cent in Battambang.

The Room rates have generally increased in the market, especially for suites and the more exclusive properties. This again can be attributed to ASEAN activities and the corresponding business activity. The Current REVPAR (Revenue per available Room) in the hotel's ranking compared price; two-star hotels offered rooms ranging from \$21 to \$60, whereas 3-star hotels cost from \$60 to \$200 for a room. 5-star hotels saw the greatest range of prices at \$150 to \$2000 per night, based on the room type, size and amenities included. With supply increasing and the market becoming more competitive it is expected that a number of established luxury hotels will undertake major refurbishment works in the near future.

With increased visitor arrivals and international summits such as ASEAN, Global Economic Forum in the next year, and more, the hotel market in Phnom Penh and Siem Reap have benefited. Hotels have experienced occupancy point gains with international arrivals into these areas increasing, accounting for a 57 per cent share of all arrivals into Cambodia. International arrivals from Europe and the United States have continued to increase, as have tourist numbers from other Asian countries. See following table demonstrates the number of hotels in these 3 areas.

**Table 2.4.4: Banks in Phnom Penh, Siem Reap, Battambang**

<b>Details</b>	<b>Bank N.</b>	<b>Staffs</b>
<b>Phnom Penh</b>	<b>10</b>	<b>15,0</b>
<b>Siem Reap</b>	<b>7</b>	<b>50</b>
<b>Battambang</b>	<b>8</b>	<b>70</b>
<b>Total</b>	<b>25</b>	<b>280</b>

A restaurant is a business which prepares and serves food and drinks to customers in exchange for money. Meals are generally served and eaten on the premises, but many restaurants also offer take-out and food delivery services.

The dining scene in these areas has matured and become much more sophisticated in recent years. There are now many excellent dining venues to satisfy all tastes and budgets. They range from Khmer and French restaurants, to American-style bar and grills to budget noodle shops, to contemporary delis and cafés. There are many restaurants featuring unique design themes and original décor. And yes, fast food is also here. Most types of western food are here, and many American, British, and Irish pubs and bars are also restaurants serving excellent food. Because Cambodia was a French colony, and because of the country's long exposure to French cuisine, it is not surprising that many of these areas' finest restaurants are French.

While the main local cuisines are the Khmer fares which are widely available across the areas; at restaurants and even on the side of some streets in town, Asian and other European restaurants including Italian, Thai, German, Vietnamese, Iranian, Indian, Chinese, Korean, Japanese and others are also well presented in good tasted food with all tourists. Some restaurants offer also Khmer fusion and contemporary restaurants, which are unique to these areas.

The number of restaurants was 401 in 2008, and reach 496 in 2009. In 2013, the total number of restaurants reached 952 at the average growth rate of about 20% year over year (National Institute of Statistics, 2014). The exact number of restaurants and other types of eating establishments is unknown because many of them are informal and not listed in any formal directories. However, Yellow Pages Cambodia listed a total of 1762 restaurants in Phnom Penh, 720 restaurants in Siem Reap, and 94 restaurants in Battambang, in 2014.

## **2.5 Markets Banks**

These places are the most interesting areas where tourists really want to visit especially Siem Reap, the gate of famous world heritage. They may stay there at least three to six days for travel around and see wonderful architectures impressively. The both national and international tourists are important for Cambodia economy in several ways. Local people on the day excursions open up new areas to tourists, local and domestic, who follow. They are the ones who discover new destinations, such as ruin temples, pagodas, palaces, and modern buildings, and make foreign tourists accessible to travel.

The tourism plays a main important role in generating employment and reduces unemployment rates. It has a trickle-down effect on local economies, creating new business opportunities and thus improving the living conditions and reducing poverty levels amongst local residents. The number of visitors in these areas has increased rapidly. This below image verifies the number of tourist arrivals to these areas destinations.



The total number of arrival increased by 6.1% 3,693,248 visitors in 2015 compared to 2014

- International tourist arrivals in Siem Reap alone is 2,350,937 increased by 5.08% compared to last year.
- Of the top 10 visitors by country; Korea was the highest 14.8% followed by China (14.40%), Japan (6.42%), Vietnam (6.09%), Thailand (4.87%), America (3.84%), Russia (3.42%), UK (2.56%), France (2.42%), Laos (2.41%)
- These Top 10 countries account for 77.3% of total tourist arrivals, an increase 6.9% to 2,854,881 visitors.

The tourism sector in these three areas are becoming the most important destinations of Cambodia because Phnom Penh is a heart city which has built many attractive architectures since the ancient era via French colony until modern day, Siem Reap is a gateway to Angkor Wat, heritage of humanity and world wonder, and Battambang besides colony buildings along Sangkae River, it is seen 11<sup>th</sup> century Angkorian ruin temples and other modern pagodas. Therefore, these places are attracting international tourists to see Cambodia rapidly. Below figure shows top ten country people visit Cambodia in 2015.

*Source: Statistics and Tourism Information Department, MOT*

Every year, Cambodia welcomes international tourists to visit her architectural works such as royal palace, museum, modern temple, supermalls, and skylines in Phnom Penh, Angkor Wat, Cultural Village in Siem Reap and French colony buildings and modern pagoda in Battambang increasingly from 2004 to 2015 as below figure:

Based on the above figure can be seen that the increase of international arrivals to Cambodia still up every year even some years were a bit slowdown, Cambodia is still expected to be one of famous tourism destinations as recently data released by TTW ASIA stated that the European Council on Tourism and Trade (ECTT) named Cambodia as the World Best Tourism Destination for 2016. ECTT said in a press

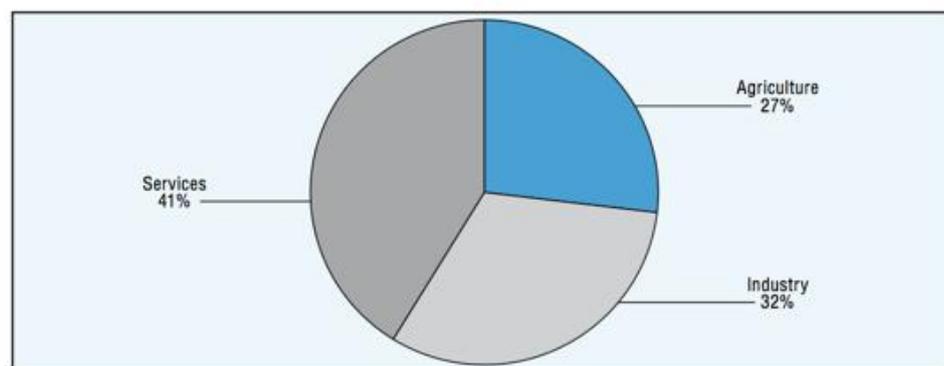
release issued on June 15 that Cambodia took the top spot due to its rich cultural and historical legacy and outstanding natural beauty.

According to the above source, Cambodia tourism markets for five years ago shows that Vietnam is a largest market source among others' such as Korea, China, Japan, USA, UK and followed by others. Exactly, there has been an increase in Vietnamese tourists arriving in Cambodia though, but their benefit is not as great as other foreign tourists. Based on tourism agency and private tourism company said that Vietnamese tourists spend very little money for their travelling service and they stay only three to four days and they don't spend money to buy the tourism products which sell in the tourism markets.

## 2.6 Economic Growth

Expansion in industry and services sustained solid economic growth in Cambodia in 2015. Inflation slowed to its lowest rate since 2009 but picked up at the end of the year. The outlook is for further robust growth led by garment and footwear manufacturing, construction, and services, and for moderate inflation. Rapid growth in credit and a real estate boom have heightened risks in the financial sector. Another challenge is to improve the quality of employment. Cambodia continues to enjoy robust growth, albeit at a slightly slower pace. Real growth in 2015 is estimated to have reached 7 percent, compared to 7.1 percent in 2014. The garment sector, together with construction and services, are the main drivers of the economy. Growth is expected to remain strong in 2016, as recovering internal demand and dynamic garment exports offset stagnation in agriculture and softer growth in tourism.

*Figure 2.6A: Sectors contributing to Cambodia Economic Growth 2015*



Source: Government of Cambodia.

StatLink  <http://dx.doi.org/10.1787/888932937776>

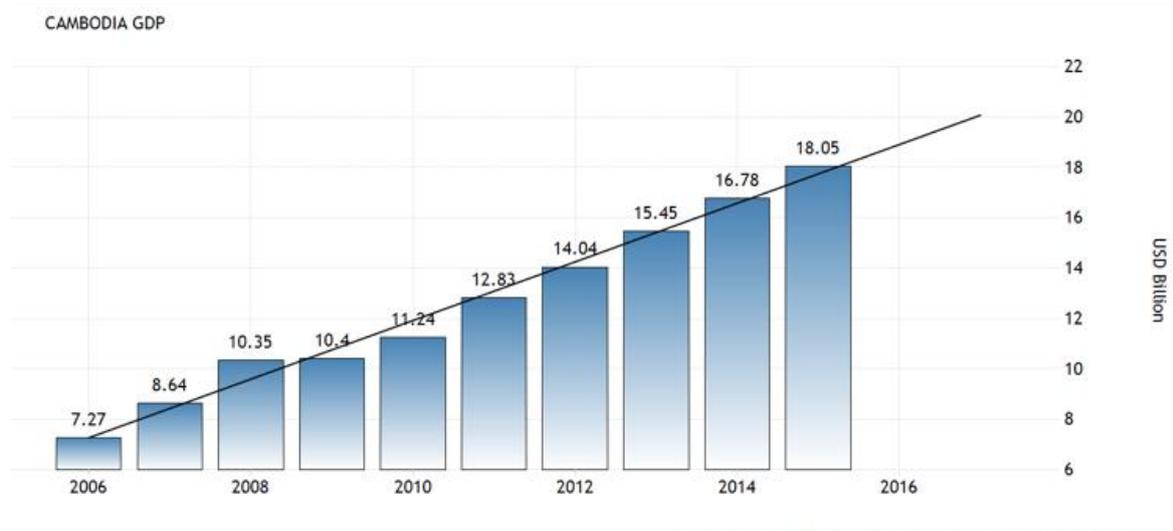
The average length of stay also increased to 6.80 days up from 6.5 and average hotel occupancy rates in 2015 rose to 70.2 per cent up from 68.49 per cent the previous year. Meanwhile, however, Phnom Penh continues to lag behind the jewel in Cambodia’s tourism crown, Siem Reap, home to Angkor Wat, in terms of international arrivals. Therefore, tourism sector contributes budget increase up to USD 3,012 million from USD 2,736 million, last year.

Increased private consumption, fueled by higher household incomes, contributed much of the GDP growth from the demand side. Investment also made a substantial contribution. Domestic investment remained solid, especially in small and medium-sized businesses.

## 2.7. GDP Annual Growth Rate

The Gross Domestic Product (GDP) in Cambodia was worth 18.05 Billion US dollars in 2015. The GDP value of Cambodia represents 0.03 percent of the world economy. GDP in Cambodia averaged 4.93 USD billion from 1960 to 2015, reaching an all time high of 18.05 USD billion in 2015 and a record low of 0.51 USD billion in 1972. GDP in Cambodia is reported by the World Bank Group. (see figure 2.7.B)

**Figure 2.7.B: Cambodia GDP from 2006 to 2015**



The Cambodian economy grew a robust 7.0% in 2015 on the back of strong contributions from the real estate and garment manufacturing sectors. The IMF praised Cambodia’s rapid growth and integration into the world economy in its Article IV conclusions, published on 18 July. However, it also warned against financial instability should credit growth continue unchecked: private sector credit growth has averaged almost 30% over the last three years and is increasingly concentrated in the real estate sector. The Fund also recommended further diversification efforts to move the economy away from garment manufacturing. Meanwhile, Malaysia and Cambodia signed a trade and investment deal in August.

Cambodia’s garment sector has remained a linchpin of the nation’s economy. Over the years, the industry has faced intense internal pressures, including the global economic crisis, increase competition,

and a trend of young Cambodians choosing to work abroad over factory jobs. Yet the sector continues to thrive and drive the nation's economy. Today, the industry employs over 700,000 workers and accounts for \$5 billions, or roughly 80 percent, of Cambodia's total export revenue.

Agriculture contributed 27 percent to the GDP and employed about 67 percent of the workforce in 2015. Most Cambodian farmers are smallholders with less than two hectares per household. The country's agricultural resources consist primarily of 3.7 million hectares of cultivated land, of which 75 percent is devoted to rice, primary commodity and source of income for the majority of farmers and 25 percent to other food and industrial crops, primarily rubber. Freshwater and marine fisheries and aquatic resources provide employment to over three million people. Fish is also a major source of protein in the domestic diet. Rice production has registered significant productivity improvements in terms of both labor and land. Paddy is also a key commodity for exports: in 2015, Cambodia exported a record level of 1.2 million tons of rice, accounting for more than 3 percent of the total worldwide rice exports. The success of Cambodian agriculture helped four million people out of poverty. The poverty headcount dropped from 50% in 2007 to 12% in 2015.

The 'induced' contribution measures the GD. This point aims primarily to examine likely binding constraints on Cambodia's growth by using the growth diagnostic approach developed. Cambodia's economy will grow by an average of 7 percent in each of the next five years, the World Bank said yesterday in a report on the country's economic outlook. In its periodic update on economies in the region, the World Bank predicted gross domestic product would grow 6.6 percent this year, a slight dip from the 7.1 percent growth recorded in 2011. The decline in economic growth this year, the report said, is due to a slowdown in demand for garments from markets in the U.S and Europe.

## **2.8. Government's Development Policies**

To be able to enhance sustainable tourism, urbanization, resource efficiency, biodiversity and environmental protection. Here below Cambodia Tourism Policy is detail described on October 14 to 16, 2014 in the following mentions:

- Culture and nature-based tourism
- Green Gold contributes to the development of green economy
- To be developed in sustainable and responsible manner
- Diversify destination, reduce poverty, improve livelihood people

### *Developing Policy*

- Manage visitors flow to ensure carrying capacity
- Adapt transportation address vehicle and non-vehicle route
- Promote visitor orientations and behavior communicate values to promote code of conduct
- Develop visitor services improve basic facilities
- Foster guides' training strengthen existing efforts
- Promote public-private consultation: Engage and promote mutual understanding collaboration

- Success depends on collaboration: A Tourism Industry Consultative Group appointed by RGC, Chair by Ministry of Tourism
- International and national monitoring: UNESCO, ICC, expert, for support APSARA National Authority

Tourism activity, community owned and operated and managed or coordinated at the community level, which contributes to the well-being of communities through supporting sustainable livelihoods and protecting valued socio-cultural traditions and natural and cultural heritage resources.

- Creative awareness of tourism benefits and environmental and cultural conservation (conduct awareness program)
- Developing pro-poor tourism product and small-scale tourism infrastructure (such as community lodges, walking trails...)
- Capacity building for tourism-related local micro-enterprises and communities through training in languages, financial management and planning
- Supporting gender development
- Ensuring ethnic minority participation
- Diversify products and develop a variety of new tourist destinations along the Mekong River in Stung Treng and Kratie provinces
- Great biodiversity and habitat of rare freshwater dolphins
- Natural beauty and architectural heritage
- Diversify rural incomes through tourism micro ventures
- Support capacity building programs able to target women, youth and disadvantage minorities
- Encourage and support the protection, preservation and conservation of cultural, natural and environmental heritage through tourism
- Promote private sector investment in responsible tourism development
- Build capacity of stakeholders (central and provincial level tourism authorities and local communities)
- Provide technical assistance in small-scale infrastructure development
- Facilitate greater participation of the poor and disadvantaged in the tourism economy
- Support the design and implementation of marketing and promotional campaign of the Trail
- Green Tourism: travel and resource use which serves tourism development with responsibility, notably ensures the minimization of negative impact on cultural resources in tourism

## **2.9 Related Research**

According to the press and information unit of royal Embassy of Cambodia (2015) said that Cambodia offers potential investment opportunities in tourism Infrastructure and resorts for any partners who would like to invest in Cambodia the tourism sector. In 2007, an international team of researchers concluded

that Angkor Thom had been the largest pre-industrial city in the world with a Population of up one million people; the temple; an extraordinary figure at the Time but about half the number currently living in Cambodia's very modern Capital city Phnom Penh –another “must visit” destination on the tourist trail Phnom Penh set on the banks of the Mekong River and known as “the pearl of Asia “The capital's sightseeing attractions include the stunning Royal Palace where visitors can see The Throne Hall where coronation and official ceremonies take place; the temple of the Emerald Buddha; and the Chan Chhaya pavilion, a French-style building which was a gift from Napoleon III, by Dr. Norngvannak is the minister of Cambodia's tourism ministry tourism of Cambodia, p53, 2013).

According to the ministry of Cambodia tourism department, these three destination sites got the number of Tourism arrivals is 3,693,248 visitors in 2015 increased 6.1% if we compare with the number of tourist arrivals in 2014, 3,467,960 Mr. Thong Khun, the minister of ministry of tourism, said.

In order to promote the tourism in Cambodia, the government of Cambodia leaves some Concepts as:.

#### **2.10.4. French Colonial Architecture in Cambodia**

Battambang is home to some of Indochina's best preserved colonial era architecture. It can be easily explored on foot or bicycle over a few hours from downtown. The eastern bank of the Sangkar River that runs through Battambang town center has some of Cambodia's best French colonial, mainly shophouse style, architecture. Some of the buildings have been spruced up but most are in various states of decline. The former colonial Governor's residence is perhaps the most famous but there are many others around town. The bank buildings on the riverfront close by the central market have been carefully renovated. They're all easily visited by bicycle, tuk-tuk, or on foot.

Now the step of this chapter will be described the important points of designed course and/or instruction which are more effective and impressive on the success way to the architectural tourism development in Cambodia. The case study research method was chosen as the most appropriate approach to collect primary data for this chapter.

## Money in Cambodia using

Cambodian currency - the riel - appeared in 1955, when it replaced the formerly used Indochinese piastres. During the government of Pol Pot in 1975-1979 the monetary circulation and the banking system were dismissed; all that restored by 1979. 1 riel equals 100 cents.

Click the image to enlarge it.

Cambodia Kingdom (1956-1970):



Denomination	Face	Back
100,000 Riels		
Note Size: 170mm x 75mm Issued on 30th April 2013		
100,000 Riels		
Note Size: 156mm x 67mm Issued on 25th March 1995		

## **2.6.1 Application of Laws and Regulations**

In strengthening the legal framework, the Cambodian Financial Intelligence Unit (CAFIU) has cooperated with relevant ministries/agencies, especially the in preparing follow the decision of the United Nations Security Council. This Sub Decree was declared by the Royal Government to be officially effective on March 10, 201

## **2.6.2 Supervision**

Based on the electronic reporting system, the CAFIU obtained suspicious transaction reports and cash transaction reports from banks and financial institutions, which were used as part of a preliminary analysis. These reports For supervision, the CAFIU made on-site supervision visits to five banks to review the implementation of measures against recommend adjustments to those banks. were analyzed in detail to find.

With this supervision, authorized by the Royal Government, the CAFIU is cooperating with relevant ministries/agencies in implementing national risk evaluation This evaluation is also implemented in the banking sector. On August 13, 2014, the CAFIU issued guidelines to banks and financial institutions on detailed principles and procedures for this risk evaluation and obliged these institutions to implement it by the end of January 2015.

## **2.7 Cooperation**

### **2.3.1 Domestic Cooperation**

In order to increase the effectiveness of the legal application, the CAFIU proposed to the Ministry of Interior and the General Department of Customs and Excise of the Ministry of Economy and Finance, specific guidelines to legal executing agencies to pay attention to the investigation of money laundering crimes and financing of terrorism. After obtaining this proposal, these agencies issued the guidelines.

At the same time, to push the implementation of the MoU on Financial Information Exchange on October 10, 2014, the CAFIU and the General Commissariat of the National Police of the Ministry of Interior agreed to establish a Review Panel Group on Financial Information Exchange lead by two Co-Directors with members from these two agencies. The main role of this panel group is to investigate money laundering and financing of terrorism cases.

### **2.3.2 International Cooperation**

The CAFIU obtained the proposal from the Financial Investigation Unit partners on financial information and have already responded to this proposal.

Moreover, the CAFIU has cooperated with the Technical Assistance Office of the U.S.

Treasury for the preparation of an analytical report technology system to strengthen the effective finding of money laundering and financing of terrorism activities. Under the technical assistance from the ADB, the CAFIU also developed a national risk evaluation.

The CAFIU organized a direct meeting between Supervisory Group of the Financial Action Task Force (FATF) with countries being supervised on international cooperation from 11 countries. This meeting focused mainly on strengthening the legal framework, legal executing mechanisms, and international cooperation on anti-money laundering and financing of terrorism. At the same time, the CAFIU also welcomed the study visit of Indonesia and the Democratic People's Republic of Korea as proposed by on Money Laundering (APG) in Phnom Penh and Siem Reap. This visit aims to understand Cambodia's experience of developing the law, regulations, and implementation of measures relating to the freezing of terrorist's assets following the decision of the United Nation Security Council. In general, this visit also strengthened bilateral ties.

## **2.8 Capacity Development**

For capacity development, the CAFIU has trained its own staff regularly through two domestic workshops and seven international workshops based on the legal and regulatory framework and actual application of anti-money laundering and combating the financing of terrorism.

### **2.9.2 International Corruption**

-banking system. Third visit (28 May to 4 June) focused on the economic review and -macroeconomic policy discussion. Fourth visit (8-19 September) intended to: (1) improve the quality of the balance of payments and international investment position, (2) follow up on the progress in implementing the previous recommendation, (3) evaluate the data collection framework on Foreign Direct Investments, and (4) facilitate external sector statistic in accordance with BPM65 .

### **2.9.3 World Bank (WB)**

The team visited twice for the first project in order to strengthen the current regulatory framework of the Law on the Organization and Conduct of the National Bank of Cambodia and the Law on Banking and Financial Institutions through issuing Prakas and regulations to supplement the two existing laws. In the second project, the team conducted two technical seminars on simulation procedure of crisis management mechanism, with participants from the NBC, MEF, a result, team made presentations on simulation analysis of crisis management mechanisms including; the fire drill criteria on issues they faced during the simulation process, the objective of the simulation, and the team's recommendation. For the third project, the team visited once aimed at supporting capacity building on implementing the International Financial Reporting Standards (IFRS). Moreover, the WB mission visited the NBC under the Reserve Advisory and Management Program (RAMP) in order to equip NBC staff with effective and international standard on reserve management skills.

## **2.9.4 (ADB)**

The ADB is an important partner of development of the country through provision of consecutive financing. The ADB has ongoing discussions on loan disbursement and fulfillment of policy triggers of the NBC, MEF, MOC, and SECC under implementation of the third Financial Sector Program Loan (FSPL III).

The ADB office in Cambodia in order to prepare a document Cambodia Partnership Strategy (CPS) 2014-2018, in accordance with recommendations and results from the ADB Medium Term Review Strategy for 2020, the Royal Government of Cambodia's "Rectangular Strategy Phase III" and the National Strategic Development Plan for 2014-2018, as well as the review of loans and technical assistances for 2014-2018.

Furthermore, the ADB had a meeting with the relevant ministries to propose technical assistance to enhance regional capacity in assessing financial sector vulnerability. The technical assistance focuses on (1) management of bank account and macro data by using the latest technology and new implementation, (2) preparing financial sector evaluation based on the common view of the financial sector in Cambodia, (3) improving skills in data usage and banking supervision in order to manage the entire financial system. This technical assistance will start next year with participation from the NBC and the MEF.

## **2.9.9 ASEAN +3 Cooperation Frameworks**

Under the ASEAN+3's financial cooperation framework, member countries have put great effort to strengthen the regional financial safety net through:

- Chiang Mai Initiative Multilateralization (CMIM);
- ASEAN+3 Macroeconomic Research Office (AMRO); and
- Asian Bond Market Initiative (ABMI) The member countries of ASEAN+3 have achieved significant progress. The amendment of CMIM agreement became effective on 17 July of 2014 with the fund increasing from USD120 billion to USD240 billion. In order to review the effectiveness and the lack of documents, borrowing/lending procedures, and CMIM financing operations, the ASEAN+3 member countries have successfully tested the CMIM three times.

On 10 October of 2014, ASEAN+3 Finance Ministers signed the amendment of the AMRO agreement in Washington, DC and it is expected to become effective next year after being ratified by all the member countries. This year, and conducted a research study on de-dollarization in Cambodia to advise on promoting the use of the riel.

The Asian Bond Market Initiative (ABMI) has noticeably grown in both market size and the number of bond issuers, to which ABMI team has actively contributed. Credit Guarantee and Investment Facility (CGIF) has been strengthened and expanded, both risk management and

internal management, to respond to the need of ABMI development through providing credit guaranteed service to local currency-denominated-bond issuers of the ASEAN+3 countries. Since the establishment of CGIF in 2010, it has provided loan guarantees to three companies. It has also been provided to four other companies in the ASEAN+3 countries.

### **2.9.10 NBC**

The role (which is a two year-period) was successfully completed. The NBC continues to be an executive member of this association, as well as strengthening, and expanding good cooperation with other member countries of this association. Moreover, the NBC in collaboration with the APRACA secretariat organized the following:

- A meeting on “Information Communication Technology” aimed at promoting the accessibility of the rural population and farmers to official financial services, which was held on 5-9 May 2014, in Phnom Penh, with 15 participants including Prasak, Sathapana, and the Rural Development Bank (RDB).
- The NBC organized a regional forum on “Microfinance for Agriculture” which was held on 28-30 October 2014 in Siem Reap, with 60 participants from Cambodia, Myanmar, Nepal, Bangladesh, Philippines, Vietnam, Thailand, Pakistan, and Sri Lanka.
- The NBC participated in the APRACA’s executive committee meeting, held on 1-3 December 2014 in Colombo, Sri Lanka. The NBC staff also participated in APRACA’s organized seminars and meetings.