



AFD and the Financial sector in Cambodia

€**51** million
committed since 1993

5
partnerships with major
players in the financial sector

4
projects in progress

Cambodia's financial sector has developed recently, particularly through microfinance institutions. Many banks have also opened in the country in recent years, which is a proof of its economic strength. AFD works with private and public institutions in this sector and supports development projects.

#WorldInCommon

1

Support sustainable development through microfinance

The microfinance network is extremely active and well-established in Cambodia. In 2018, the Cambodia Microfinance Association (CMA) had 93 members, including 66 microfinance institutions, eight leasing companies and 19 rural credit operators. The total amount of loans granted added up to nearly US\$4 billion for 1.7 million borrowers and the deposits reached US\$2 billion.

Microfinance has very wide geographical coverage in Cambodia, offering remarkable opportunities to support sustainable development, especially in rural areas. AFD has been supporting this network since the 1990s. The Agency set up a programme in 2014, which gave access for households to solar energy through microfinance, with the aims of:

- Supporting solar investment through microfinance;
- Promote quality and sustainable offers, to increase access to basic electricity services in rural areas.

About 25,000 rural households in the areas not served by Cambodia's national electricity network benefited from these services.

2

Support development with lines of credit

In 2013, AFD granted a loan of US\$15 million with a guarantee-sharing mechanism to the Foreign Trade Bank. This local Cambodian bank finances small water and electricity operators in rural and semi-urban areas. The project also receives a €3 million grant from the European Union's Asian Investment Facility.

The provision of a concessional credit line, associated with a guarantee-sharing mechanism from the Foreign Trade Bank, will benefit the project in several ways. It will develop a finance offer tailored to the operators' needs. It will also reduce the interest rate, decrease the required collateral level and extend loan terms and deferrals.

Such operators were previously hampered by several factors, e.g. limited access to credit from local banks and a lack of management skills and technical expertise. This credit line has enabled them to develop their businesses.

This project has a second phase of credit, which is expected to start in 2019. It will involve Proparco, AFD's subsidiary, and focus on renewable energy development in Cambodia, especially solar energy.

3

Structure the financial sector

AFD supports the public and private sector in improving its governance and defining a regulatory framework for the establishment of a sustainable and responsible financial system in Cambodia:

- The CMA has been supported in building its capacity, aiming to contribute to the stability and promotion of responsible finance principles. It also enables sustainable growth of microfinance in Cambodia.
- AFD also supports the banking sector in taking environmental issues into account in their development projects and in defining environmental, social and governance criteria in their commercial or investment decisions. The aim is to promote the interest of their clients and society as a whole in the long term.
- Finally, AFD uses its FEXTE tool to support Cambodia. The Agency helps to define the legal and regulatory framework for public finances and to standardise national accounting.