



Credit Guarantee
Corporation of Cambodia

Newsletter

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www.cgcc.com.kh

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INTRODUCTION

MESSAGE FROM CHAIRMAN

H.E. ROS SEILAVA

Secretary of State
Ministry of Economy and Finance



Like in many countries in the world, in Cambodia, Micro, Small & Medium Enterprises (MSMEs) is the backbone of the economy, employing over 70% of total workforce. As such, it is the long-term commitment of the Royal Government of Cambodia to support the development of MSMEs to ensure the country's sustainable and inclusive economic growth. The Government has identified the structural challenges to the MSMEs development, one of which is the inadequate access to finance. We can see that this challenge has become more severe during the COVID-19 Pandemic.

Credit Guarantee Corporation of Cambodia (CGCC) was set up as a part of the Government's recovery plan under the Ministry of Economy and Finance with the technical supports from our Development Partners including ADB, UNCDF, and World Bank, to address this issue by providing credit guarantees on loans disbursed to businesses including the MSMEs. Despite being implemented widely in many countries, credit guarantee is a new financial service in Cambodia which requires constant efforts to raise the public awareness.

The main purpose of this Newsletter is to provide readers with the latest update of CGCC progress and activities, views from stakeholder on credit guarantee, article about understanding credit guarantee, as well as news and articles related to credit guarantee in the neighboring countries. I sincerely hope that our readers will find this Newsletter informative and helpful to understand more about CGCC.

I would like to extend my sincere appreciation to all stakeholders including relevant Government authorities, Development Partners, Participating Financial Institutions (PFIs) and the business communities for supporting CGCC establishment and business operation.

I wish all readers good health and success in all your endeavors. Thank you. ■

MESSAGE FROM CEO

MR. WONG KEET LOONG

Chief Executive Officer
Credit Guarantee Corporation of Cambodia



Credit Guarantee Corporation of Cambodia (CGCC) was set up to improve financial inclusion of Micro, Small and Medium Enterprises (MSMEs). It will bring socio-economic benefits to MSMEs who have no access to formal financial services. With the growth of MSMEs, more jobs will be created, and livelihoods will be improved, thus, reducing poverty levels.

CGCC is in line with the National Financial Inclusion Strategy to improve MSMEs access to financing.

I wish to acknowledge the importance of Financial Institutions that have partnered with CGCC in extending loans to MSMEs with the credit guarantee. The Financial Institutions play a key role in reaching out to MSMEs throughout the country. Together with the support from Financial Institutions, we look forward to achieving our objectives.

This Newsletter will bring updates and progress of CGCC. I hope you will have a better understanding of the credit guarantee from the articles shared in this Newsletter.

I would like to thank the CGCC team and all stakeholders who have contributed to the publishing of this Newsletter.

Thank you. ■

ABOUT CGCC



CGCC'S STORY

Credit Guarantee Corporation of Cambodia Plc. (CGCC) is a state-owned enterprise established by a Sub-Decree No. 140 ANKR.BK dated 01 September 2020. CGCC is operated under the technical and financial guidance of the Ministry of Economy and Finance (MEF).

CGCC was incorporated on 03 November 2020 and has been receiving technical support from ADB, World Bank, and UNCDF. CGCC launched the first guarantee scheme on 29 March 2021.

VISION

To be the preferred credit guarantee institution in Cambodia to improve financial inclusion and develop the growth of SMEs.

MISSION

CGCC's mission is to provide credit guarantees to lenders on loans made to businesses based on international standards to share the risk with lenders and to improve financial inclusion.

CGCC'S MILESTONES

03 August 2020
Approval from Samdech
Techo Prime Minister on
CGCC's conceptual framework



The Conceptual Framework on the establishment of CGCC which included rationalities, success factors, organizational structure, and business model was prepared by the Ministry of Economy and Finance and approved by Samdech Techo Prime Minister.

01 September 2020
Sub-decree on
establishment of CGCC



The Sub-decree was approved and signed by Samdech Techo Prime Minister to establish CGCC as a state-owned enterprise under the technical and financial guidance of the Ministry of Economy and Finance.

03 November 2020
CGCC's incorporation
(MOC Registration)



29 March 2021
Launch of BRGS



Business Recovery Guarantee Scheme (BRGS) aims to support businesses including SMEs and Large Firms to enhance their access to formal business loans. BRGS is in line with the policies of the Government to support the survival and economic recovery during the COVID-19 Pandemic.

29 March 2021
1st Batch PFIs



The 1st Batch PFIs consisted of 6 commercial banks and 1 Microfinance Deposit-taking Institution

23 April 2021
1st LG issuance



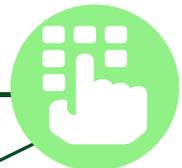
The first Letter of Guarantee (LG) was issued for a loan amount of USD 1 million to Asia-Pacific Development Bank.

29 June 2021
2nd Batch PFIs



The 2nd Batch PFIs consisted of 5 commercial banks, 1 Microfinance Deposit-taking Institution & 1 MFI. This made up a total of 15 CGCC's PFIs.

22 September 2021
Launch of CFGS



Co-Financing Guarantee Scheme (CFGS) is specifically designed for the loans disbursed under the SMEs Co-Financing Scheme Phase II (SCFS II) of the SME Bank of Cambodia. CFGS is an additional facility to the SCFS II for risk-sharing with the PFIs on loans disbursed under SCFS II.

22 September 2021
3rd Batch PFIs



The 3rd Batch PFIs consisted of 4 commercial banks, and 1 Microfinance Institution. This made up a total of 20 CGCC's PFIs.

05 November 2021
VAT exemption on Guarantee Fee



Since 5 November 2021, CGCC's guarantee fee is not subject to VAT.

10 December 2021
4th Batch PFIs



The 4th Batch PFIs consisted of 3 commercial banks. This made up a total of 23 CGCC's PFIs.

GUARANTEE PROGRESS

CREDIT GUARANTEE PROGRESS AT A GLANCE

Written by **Ms. Pin Manika**, *Manager of Marketing & Business Development*

Since the official launch of the first credit guarantee scheme, Business Recovery Guarantee Scheme (BRGS) on 29 March 2021, CGCC has approved and issued 191 guarantees for business loans with the amount equivalent to USD 21,492,680 as of 31 December 2021 through 23 Participating Financial Institutions (PFIs).

➤ SMEs – the Main Beneficiaries

Among 191 businesses receiving loans under CGCC’s guarantees, almost 95% are SMEs, which explains the focus of the Royal Government of Cambodia’s policies to support the survival and development of SMEs, and economic recovery during the COVID-19 Pandemic. It also reflects the significance of SMEs in Cambodia’s economy which accounts for 70% of local employment and 58% of Cambodia’s GDP, according to the [2018 Annual Report of the Ministry of Industry and Handicraft](#) (now known as Ministry of Industry, Science, Technology and Innovation).

As illustrated in Figure 1 on the right, SMEs are the major beneficiaries of CGCC’s guarantees both in terms of the total loans amount (USD 15,722,680) and total number of loans (181 LGs).

In response to that, CGCC strategic plan 2022 is continuing to extend the credit guarantee to SMEs to enhance their access to formal loans for both working capital, investment, and business expansion and to develop more credit guarantee products that will respond to the needs of Cambodia’s SMEs and market.

➤ Eligible Sectors

BRGS classifies eligible sectors into priority and non-priority sectors. Priority sectors, which include agriculture, industry, and services, are eligible for the highest guarantee coverage of 80% of the loan principal amount (except service sector) and the lowest annual guarantee fee of 1%.

Although more incentives are provided to priority sectors, most PFIs focus their lending on the non-priority sectors, evidenced by Figure 2 on the right where the non-priority sectors guaranteed loans portfolio represents more than 80% of the total guaranteed loans. CGCC will continue to work with the PFIs to increase the guaranteed loans to priority sectors in 2022.

Figure 1: Guaranteed Loans by SMEs &

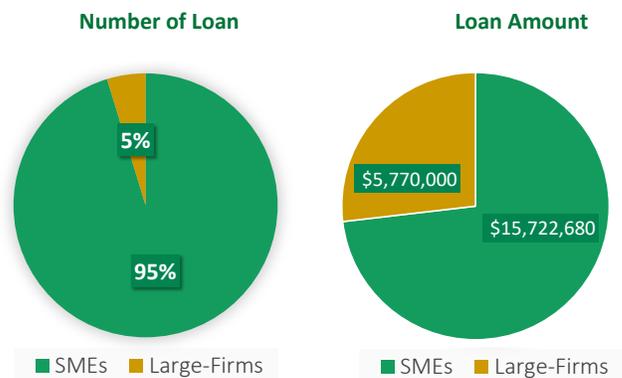
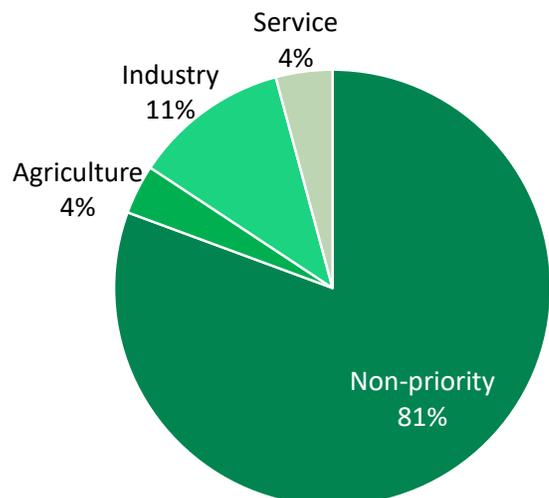


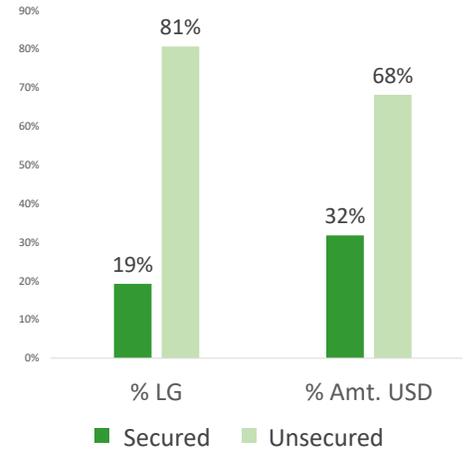
Figure 2: Guaranteed Loans by Sectors



Secured VS Unsecured Loans

The main purpose of credit guarantee is to assist financially viable businesses that lack collateral when applying for loans. As such, CGCC provides credit guarantee on both secured and unsecured loans by enabling PFIs either to lend 100% clean loans or to increase the Loan-to-Value (LTV) ratio for business loans without enough collaterals. More than 80% of CGCC’s guaranteed loans are unsecured, amounting to USD14,674,580, while only 36 loans (19%) are secured by some forms of collaterals. In 2022, CGCC expects to increase its unsecured loans ratio by increasing both the number and amount of unsecured loans.

Figure 3: Guaranteed Loans by Secured and Unsecured Loans

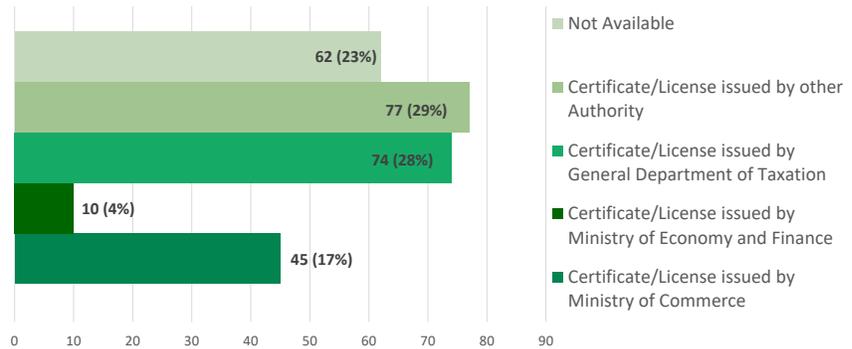


Formality of Businesses

Informality is also one of the main challenges for SME’s access to finance. To increase the chance of getting more loans, SMEs should be formalized by becoming registered, having proper business plan as well as practicing regular standardized financial records.

CGCC sees the importance of business registration that could allow SMEs to reap tax incentives and other supports from the Government as well as a higher chance of accessing finance. CGCC encourages SMEs to register within their first year of using credit guarantee, otherwise an additional 0.5% of guarantee fee will be imposed.

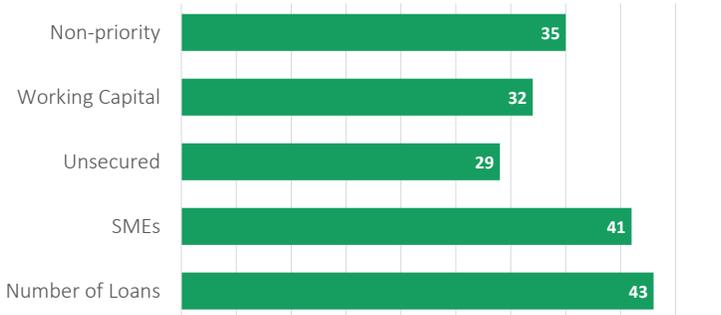
Figure 4: Guaranteed Loans by Business Registration



As the Figure 4 shows, 77% of all businesses getting guarantees from CGCC have at least one certificate or license from relevant ministries or authorities, while the rest 23% do not have any registration at all. CGCC expects to see some of those unregistered businesses registered in the second year of their guarantee tenure.

Women-owned Businesses

Figure 5: Guaranteed Loans by Women-Owned Businesses



According to the [National Bank of Cambodia \(NBC\) 2020 Annual Report](#), 2.27 million women in Cambodia borrowed from banks and MFIs in 2020, of which 49% borrowed for business purposes. Moreover, the latest data from [International Finance Corporation \(IFC\)](#) showed that 61% of all businesses in Cambodia are owned by women (IFC, 2019).

This emphasizes the importance of supporting women business owners in access to finance.

As illustrated in Figure 5 on the left, only 43 guaranteed loans are applied by female business owners, which is only 22.5% of total guaranteed loans. In addition, 41 of those loans are for SMEs, and 32 of them are for working capital.

CGCC realizes the potential of women-owned businesses since in 2018, 90% of the SMEs run by women were to a certain extent profitable (IFC, 2019). Therefore, CGCC is planning to collaborate with the financial institutions to support women business owners. ■

COMMUNICATION AND VISIBILITY

In this 4th quarter of 2021, CGCC’s social media channels have been more active and recognized by more audiences. CGCC’s website also receives noticeable visits, generated by our genuinely and constantly updated contents regarding the credit guarantee progress, activities and events, and other resourceful information related to credit guarantee.

CGCC’s Social Media & Website Progress in the 4th Quarter of 2021



2000+ Likes



2000+ Visitors



300+ Followers



150+ Subscribers



SME OUTREACH



PARTNERSHIP WITH PFIs BATCH 3

CGCC Extends Credit Guarantee to more Financial Institutions for easier Access to Finance

With mission to provide credit guarantees on loans disbursed by PFIs to assist financially viable businesses that lack collateral, in this 4th quarter of 2021, CGCC has expanded partnership with potential financial institutions including Chamroeun Microfinance, ABA Bank, Wing Bank, and Maybank. The signing on Credit Guarantee Agreement enables CGCC and PFIs to collaborate on disbursing guaranteed loans to businesses in Cambodia.

The increased number of PFIs will provide borrowers with a more diverse choice of financial institutions across the country to seek financing under the CGCC's guarantee schemes.

CGCC supports PFIs on loan disbursement to borrowers who are deemed able to repay them but lack collateral, by providing 70% to 80% guarantee of the loan principal.



Signing Ceremony with Chamroeun Microfinance

22 October 2021

This partnership aims to support businesses including Agri-SMEs in mostly rural area: Read more: <https://bit.ly/32nsOfP>



Signing Ceremony with ABA Bank

11 November 2021

This partnership will assist business entities who are financially viable but lack of collateral when requesting loans by using guarantees from CGCC. Read more: <https://bit.ly/32nsOfP>



Signing Ceremony with Wing Bank

15 November 2021

This partnership will collaborate on disbursing loans to businesses in Cambodia who may face difficulty obtaining loans due to lack of sufficient collaterals. Read more: <https://bit.ly/32nsOfP>



Signing Ceremony with Maybank

26 November 2021

This partnership will support SMEs on long-term competitive advantages. Read more: <https://bit.ly/32nsOfP>

SME OUTREACH



NETWORKING EVENTS

Business Forum

“Supporting SME Businesses in Cambodia”

Credit Guarantee Corporation of Cambodia (CGCC) and Maybank (Cambodia) co-organized “Supporting SME Businesses in Cambodia” Business Forum on 26 November 2021, supported by the Ministry of Economic and Finance (MEF) and National Bank of Cambodia (NBC), to discuss about “SMEs in the Next Normal & Financial Institution’s roles in building the country’s economic backbone”.

A panel discussion in the Forum was moderated by the Under Secretary of State of the Ministry of Information, H.E. Ouk Kimseng, and attended by 4 panelists including Mr. Ney Sakal, Deputy Director General of Trust Regulator of Non-bank Financial Services Authority, Mr. Heng Bomakara, Deputy Director General of Banking Supervision of the National Bank of Cambodia, Mr. Wong Keet Loong, CEO of CGCC, and Mr. Rath Sophoan, Deputy CEO of Maybank (Cambodia).

Responding to the discussion on “SMEs in the Next Normal & Financial Institution’s roles in building the country’s economic backbone”, Mr. Wong Keet Loong, who has been involved in banking industry for more than 20 years, shared his observations on the common capital



needs for SME businesses including the building assets and agility to transform, and addressed the different types of SMEs having different types of challenges in term of financial needs. One of the main challenges in access to finance for the working capital and expansion is “Collaterals”, because while thinking of growing their businesses, SMEs also need to grow their assets to pledge to the bank.

He also added that the key strategy that SMEs should adapt while their businesses are affected by the COVID-19 Pandemic is to manage their costs to be able to sustain, and the revenue for businesses development. With this digital era, he believed that the digital transformation in cash-flow including payment infrastructure would support revenue growing, and reduce the cost of operations.

Regarding the Maybank product & services for SMEs-linked to campaign unsecured loans, Mr. Wong expressed his enthusiastic perspective on how CGCC and Maybank plan to help SMEs have greater access to financing despite the collateral issues. Mr. Wong also stressed that CGCC looks forward to working closely with Maybank to support SME's capacity building and long-term growth through Maybank's humanizing financial services. ■

Key Reflection on COVID-19 Responses and Future Perspectives to Accelerate the Economic Recovery

CGCC’s CEO, Mr. Wong Keet Loong, on 26 November 2021, attended the Annual Microfinance Conference 2021 via online, under the topic “Microfinance Sector Resilience and Economic Recovery amid the COVID-19 Pandemic: Challenges and Opportunities” and participated as a panelist in a panel discussion on “Key Reflection of COVID-19 response and future perspective to accelerate the economic recovery”.

This event was organized by Cambodia Microfinance Association (CMA) with participation from related stakeholders such as government institutions, development agencies, especially the financial institutions including banks and Microfinance institutions.

The panel discussion on “Key Reflection of COVID-19 response and future perspective to accelerate the economic recovery” was also attended by H.E. Dr. Huot Pum, Under Secretary of State of Ministry of Economy and Finance, Mr. Heng Bomakara, Deputy Director General of Banking Supervision of National Bank of Cambodia, Mr. Dos Dinn, CEO of Amret MFI, and



Cambodia Microfinance Representative, and Mr. Lim Aun, CEO of SME bank of Cambodia.

Mr. Wong Keet Loong shared the CGCC’s roles in response to the COVID-19 Pandemic by supporting businesses including MSMEs and large firms that are lack of collaterals when applying loans from financial institutions for their working capitals and business expansions. With CGCC’s credit guarantee schemes, mainly the Business Recovery Guarantee Scheme (BRGS), Mr. Wong emphasized that the scheme covers up to 80% of the loan principals; this is the government’s initiative timely responded to the COVID-19 Pandemic. ■

Raising Awareness on How to Apply for Loan with Credit Guarantee for Businesses



On 06 December 2021, Mr. No Lida, Deputy CEO of CGCC, was a panelist in a virtual workshop on “Access to Finance for SMEs and Women Entrepreneurs Challenges and Solutions” organized by the Association of Banks in Cambodia (ABC), the Cambodia Microfinance Association (CMA), and PACT Cambodia. The workshop aimed to engage and build the bridge between

stakeholders (banking and financial institutions, SMEs, women entrepreneurs, government and development partners) to address the challenges of SMEs and women entrepreneurs in accessing to finance and to discuss the solutions for this issue.

Mr. Lida shared his view on the overall economic performance, particularly, the resilient banking sector evidenced by strong public confidence, low rate of non-performing loan, and stable credit growth. He also shared the CGCC’s mission to support businesses during the Pandemic and how financial institutions and business owners can benefit from CGCC’s guarantee schemes. The readiness to disburse guaranteed loans and guaranteed loan products from one CGCC’s Participating Financial Institution (PFI) to another are different; therefore, the business owners need to understand the PFI’s policy when requesting for guaranteed loans. ■

CGCC hosted the Virtual Seminar on “Credit Guarantee – Benefits and opportunities to Support SME Development”



Credit Guarantee Corporation of Cambodia (CGCC) organized its first virtual seminar on “Credit Guarantee – Benefits & Opportunities to Support Small and Medium Enterprises (SME) Development” on 16 December 2021, with support from the Ministry of Economy and Finance, Asian Development Bank (ADB), and the United Nations Capital Development Fund (UNCDF). The seminar brought together relevant stakeholders including the Government, Development Partners, Financial Institutions, and business representatives to discuss the benefits and opportunities of using credit guarantees to support business survival and expansion.

Prominent speakers in this seminar included the President of Federation of Associations of SMEs of Cambodia (FASMEC),

Vice President of Cambodia Women Entrepreneurs Association (CWEA), President of Young Entrepreneurs Association of Cambodia (YEAC), Chairman of Cambodia Microfinance Association & CEO of AMK Microfinance, CEO of Canadia Bank, Deputy Director General of General Department of Policy of Ministry of Economy and Finance, and Senior Financial Sector Specialist from the ADB, and Senior Regional Technical Advisor from UNCDF, and CGCC’s management.

This seminar attracted more than 300 participants from various institutions – Government, development partners, financial institutions, and business communities.

Read press release: <https://bit.ly/3GP2IXu> ■





ENGAGEMENT WITH STAKEHOLDERS

3rd Board Risk Management Committee Meeting

On 01 December 2021, CGCC's Board Risk Management Committee conducted the 3rd meeting virtually under the chairmanship of H.E. Mey Vann, Secretary of State of Ministry of Economy and Finance and Chairman of CGCC's Board Risk Management Committee, to discuss about the following agendas: (1) Selection of 4th Batch PFIs, (2) Risk Management Framework, (3) Risk Appetite Framework, and (4) Risk Management Report.

Board Risk Management Committee assists the Board of Directors to deliberate the risk management practices, to ensure the effectiveness of identifying, measuring, monitoring and controlling the risks, as well as complying with the applicable laws, regulations and guidelines for good corporate governance.



BRMC convinces the meeting at least once every quarter to review, endorse, and approve any risk related issues to ensure that CGCC is operated in a sustainable and efficient manners. ■

7th Board of Directors Meeting

On 10 December 2021, the 7th Board of Directors Meeting of Credit Guarantee Corporation of Cambodia (CGCC) was organized virtually, with the presence of H.E. Ros Seilava, Secretary of State of the Ministry of Economy and Finance, and the chairman of the CGCC's Board of Directors, along with other 6 members of the Board.

The agenda of this 7th Board of Directors Meeting included: (1) CGCC progress report, (2) 4th Batch PFI applications, (3) Investment plan, (4) Risk management framework and risk appetite framework, (5) Amendment of credit guarantee system implementation agreement, (6) Procurement plan for 2022 of CGCC, and (7) other matters.



CGCC's Board of Directors Meeting is regularly organized to review, endorse, and approve CGCC's activities and progress, especially the credit guarantee schemes, to ensure transparency and efficiency. ■



HEAR FROM OUR PFIs



Mr. Kea Borann

Chief Executive Officer of AMK Microfinance

“SMEs play an important role in supporting economic growth, increasing employment and contributing to poverty reduction. Having CGCC to provide credit guarantee has helped many SMEs to access finance to expand their business in order to compete in both local and international markets.”

Mr. Raymond Sia

Chief Executive Officer of Canadia Bank

“Canadia Bank’s participation in the CGCC’s first scheme is another testament of our institution’s support for customers and the wider community. Canadia Bank is honoured to be the first bank to sign and formalize the partnership with CGCC to improve and increase financial access in our local business community, leveraging on the Business Recovery Guarantee Scheme (BRGS). This reflects our commitment to grow and support the business community in Cambodia.”



Mr. Honn Sorachna

Chief Executive Officer of Prince Bank

“The current economic instability due to the pandemic has had a profound impact on local businesses, rendering them more dependent on external sources of funding. In this partnership with CGCC, we aim to support businesses including micro, small and medium enterprises, as well as large firms, to enhance their access to formal loans from Prince Bank for working capital investment and business expansion. In addition, it is also our commitment to support the government’s initiatives for business survival and economic recovery during the Covid-19 pandemic.”



Mr. Wong Kee Poh

Chief Executive Officer / Executive Director of RHB Bank Cambodia

“One of the key challenges for SMEs is limited access to funding and support to grow their business. Hence with this partnership between RHB Bank (Cambodia) Plc. and CGCC, it allows us to reach out and support more SMEs as well as our customers’ business recovery during the Covid-19 pandemic. We envisage the response of BRGS to be encouraging with increasing customer take up rate.”



UNDERSTANDING CREDIT GUARANTEE



Give Non-Collateral Loan a Chance!

Written by **Mr. No Lida**, Deputy CEO of CGCC

Lack of collateral is the main challenge for businesses in Cambodia to get loans. The Royal Government of Cambodia established the Credit Guarantee Corporation of Cambodia (CGCC) to address this challenge. With credit guarantees, borrowing without collateral is no longer impossible. For CGCC to yield the benefits requires a good understanding from relevant stakeholders about how it works.

Simply put, CGCC provides credit guarantees to share the credit risk with the banks on loans made to businesses. In other words, the banks can claim from CGCC if the guaranteed loan defaults. There are two main types of credit guarantee – individual guarantee whereby the guarantee covers individual loans and portfolio guarantee whereby the guarantee covers a portfolio consisting of multiple loans. Since CGCC itself is not a lending institution, it currently collaborates with banks and micro-finance institutions (MFIs) that are the participating financial institutions (PFIs) to provide guaranteed loans to businesses. As a government-backed institution with adequate capital in its account, CGCC is set to provide a wide range of guarantees on loans disbursed to Cambodian-owned businesses across the country.

Why should the lender need the credit guarantee?

When lending, banks normally protect themselves by requiring collateral from the borrowers. When the borrower cannot repay the loan, the banks liquidate the collaterals to cover the loss. If the required collateral is not sufficient, the bank is unlikely to lend. The collateral requirement becomes more stringent, especially during times of uncertainty such as the COVID-19 Pandemic, because businesses are perceived to be riskier, and

banks become more risk-averse. Now with CGCC, the banks can protect themselves with the credit guarantee instead of the collaterals. Currently, CGCC provides credit guarantees up to 80% of the outstanding loan principal which means that the bank bears the remaining 20% of the loss if the loan defaults. The credit guarantee empowers banks to remain competitive in the market and to lend out more to underserved borrowers who lack collaterals, what is referred to as “credit additionality.”

Why should the borrower need the credit guarantee?

Credit guarantees increase the borrowing capacity. CGCC provides guarantees that act as collateral on the borrower’s behalf. Needless to say, CGCC cannot be beneficial for every business. By all means, if the business has sufficient collateral and the ability to repay the loan, the chance is that such a business does not need a credit guarantee, and the bank would also be happy to lend even without CGCC’s guarantee. However, it is common that a potential business with the ability to repay the loan is unable to borrow because of insufficient collateral. Businesses simply cannot pledge the collateral on every loan they wish to borrow. The collateral is limited. This is a huge loss to the business and the economy as a whole. With the required loan, the business could have generated more income, employed more workers, and produced goods or services that contribute to the economic growth of the country. When CGCC provides guarantees to the banks, the borrowers now have easier access to loans from the banks because the banks are willing to lend more with less collateral requirement.

Credit guarantees are used by many countries as a policy tool to improve access to finance and financial inclusion. However, never before has a credit guarantee corporation been incorporated in Cambodia. According to the World Bank, [*“Public credit guarantee schemes \(CGSs\) are a common form of government intervention to unlock finance for small and medium enterprises \(SMEs\). More than half of all countries in the world have a CGS for SMEs and the number is growing.”*](#) While many credit guarantee schemes have proved successful in supporting the SMEs, many have also failed.

It is still early to assess how far and how fast CGCC can support the businesses. CGCC must continue to strengthen credibility, efficiency, and transparency and adhere to the best practices including the World Bank’s principles for public credit guarantee schemes for SMEs to gain trust and support from all relevant stakeholders. What is also important at this stage is that all the players understand and start to utilize the credit guarantees for the right purposes. ■

CREDIT GUARANTEE AROUND THE WORLD

Credit Guarantee Corporation Malaysia Berhad (CGC)

Credit Guarantee Corporation Malaysia Berhad (CGC) was established on 5 July 1972. It is 78.65% owned by Bank Negara Malaysia and 21.35% by the commercial banks in Malaysia. CGC aims to assist Micro, Small and Medium-Sized Enterprises (MSMEs) with inadequate or without collateral and track record to obtain credit facilities from financial institutions by providing guarantee cover on such facilities. CGC has availed 490,000 guarantees and financing to MSMEs valued over RM82 billion (approximately USD 20 billion) since its establishment.

In February 2018, riding on the digital wave, CGC introduced imSME, Malaysia's first SME online financing/loan referral platform. imSME aims to ensure that MSMEs are able to search and apply for financing by significantly reducing the time taken and hassle. There are currently 26 Participating Financial Institutions (PFIs) offering more than 60 financial products, 10 Peer-to-Peer financing platforms, 3 Equity Crowdfunding platforms, 3 Alternative Funding agencies and 3 Capacity Building agencies on board imSME.

As of 31 March 2021, imSME received 2.07 million visitors since its launch on 9 February 2018, clinching over 37,990 registrations. More than 3,640 applications have been approved amounting to RM369 million.

As a holistic approach to financial inclusion agenda, the CGC Developmental Program was launched in 2016. The program is geared to assist MSMEs by providing Financial Access and Market Access to these entrepreneurs. MSMEs are also assisted by Financial Advisory (FA) team. These unsuccessful applicants who have tried to secure financing/loan from financial institutions are guided accordingly by the FA team so that they can obtain business financing in future by improving their eligibility criteria. Most of these MSMEs came through imSME and MyKNP, a service formalized by Bank Negara Malaysia in collaboration with Agensi Kaunseling and Pengurusan Kredit (AKPK) and CGC in August 2019.

CGC manages 27 guarantee and financing schemes including 3 government-backed schemes. Currently, fourteen (14) Commercial Banks, fourteen (14) Islamic Banks, and six (6) Development Financial Institutions (DFIs) are participating in CGC's guarantee schemes in providing financing to customers nationwide.

CGC has evolved from a traditional guarantee provider into a full-fledged partner of MSMEs, supporting and promoting their growth through its products and services. In offering financial accessibility, CGC has developed customized products, idea and knowledge for the underserved and unbanked MSME sector. ■

Summary of one of the CGC Guarantee Schemes

Bizjamin Scheme	
Eligibility Criteria	<ul style="list-style-type: none"> • A company registered in Malaysia, Malaysian-controlled and Malaysian-owned with at least 51% shareholding. • Meet the SME Corporation Malaysia's definition of an SME.
Maximum Loan Limit	Loan of up to RM15.0 million (approximately USD 3.6 million)
Credit Facilities Covered	Various types of loan facilities
Interest Rate	<ul style="list-style-type: none"> • The annual interest rate is up to 2% above the Base Lending Rate (BLR) of the financial institutions. • Financial institutions are free to quote the interest rate if the guarantee cover is 50% or less.
Guarantee Coverage	Between 30% and 90% subject to the following: <ul style="list-style-type: none"> • Unsecured Portion – Up to 80% (a maximum cover of RM5.0 million) • Secured Portion – Up to 90% (no capping imposed on secured portion)
Guarantee Fee	<ul style="list-style-type: none"> • Unsecured Portion – 0.75% to 4.00% per annum • Secured Portion – 0.50% to 3.20% per annum • Risk-based pricing

All the information comes from Credit Guarantee Corporation Malaysia Berhad (<https://www.cgc.com.my/>).

News on Credit Guarantee



TCG set to provide loan guarantees to non-banks

Bangkok Post: 24 September 2021

Thai Credit Guarantee Corporation (TCG) stands ready to provide guarantees for loans offered by non-bank institutions. Providing loan guarantees to non-banks will help TCG expand into new markets and retail borrowers gain better access to loans, avoiding loan sharks. On the other hand, providing loan guarantees to non-bank institutions could also encourage them to offer lower interest rates to borrowers.

TCG's by-laws authorize it to provide loan guarantees to non-banks, but it still must wait for the Finance Ministry to issue regulations to determine the related rules, including the qualifications of non-banks to which TCG can provide the loan guarantee service. TCG's loan guarantees for SMEs is expected to exceed 200 billion baht by the end of this year, of which around 100 billion are loans provided under the Bank of Thailand's soft loan scheme.

Wichit, C. (2021, Sep 24). *TCG set to provide loan guarantees to non-banks.*

Bangkok Post. <https://www.bangkokpost.com/business/2186815/tcg-set-to-provide-loan-guarantees-to-non-banks> ■



CGC and OCBC Bank cross RM2bil mark in wholesale guarantees

The Star: 11 October 2021

Credit Guarantee Corporation Malaysia (CGC) and OCBC Malaysia have crossed the RM2bil mark in wholesale guarantees (WG) for unsecured small and medium enterprise (SME) financing.

A wholesale guarantee (WG) aims to encourage the participation of a financial institution by providing capital relief. At the same time, it allows them to obtain additional security for their unsecured or partially secured SME financing loans. WG provides a new edge for the banking industry by reducing risk on their books and free up their capital which allows increased capacity for more SME financing/loans.

CGC president and CEO Datuk Mohd Zamree Mohd Ishak said that OCBC and CGC's achievement in unsecured wholesale guarantees reaffirms their joint commitment in promoting greater access to financing for SMEs. Over the span of seven years, CGC and OCBC have provided an average of RM300mil in unsecured financing yearly. In addition to the WG, OCBC Malaysia is also collaborating with CGC on a portfolio guarantee (PG) which sees CGC providing a 70% guarantee cover. The PG is designed to enable worthy businesses to have better access to short to medium-term financing.

The Star. (2021, Oct 11). *CGC and OCBC Bank cross RM2bil mark in wholesale guarantees.*

<https://www.thestar.com.my/business/business-news/2021/10/11/cgc-and-ocbc-bank-cross-rm2bil-mark-in-wholesale-guarantees> ■



Credit guarantees to MSME during pandemic hit P42B

BusinessMirror: 20 December 2021

STATE-RUN Philippine Guarantee Corporation (PhilGuarantee) approved a total of P41.66 billion in micro, small, and medium (MSME) credit guarantees to 47 banks or financial institutions since the pandemic hit the country in March last year. In a statement, PhilGuarantee said it has so far issued combined total credit guarantees for MSMEs, housing, and agriculture sectors amounting to P195 billion. This has benefitted more than a quarter of a million program beneficiaries—micro, small and medium entrepreneurs, low-cost/socialized homebuyers, and farmers and fisher-folks.

The MSME Credit Guarantee Program (MCGP) grants a 50-percent guarantee for working capital loans and a guarantee of up to 80 percent of the amount for term loans of up to seven years for capital expenditures. As of November 30 this year, a total of P5.76-billion guarantee lines have been approved with 49 partner-lending institutions, with guaranteed loans amounting to P5.10 billion for the agriculture sector. Serving as an economic tool, credit guarantees provide the means to encourage private banks to continue lending to priority sectors and essential industries while improving capital adequacy ratio, reduce intermediation costs, and achieve broader outcomes for socio-economic impact while ensuring effective risk management.

Bernadette, N. (2021, Dec 20). *Credit guarantees to MSME during pandemic hit Pts42B.*

BusinessMirror. <https://businessmirror.com.ph/2021/12/20/credit-guarantees-to-msme-during-pandemic-hit-%E2%82%A742b/> ■

OUR PARTNERS

How to become our PFIs?

Only CGCC's Participating Financial Institutions (PFIs) can apply for guarantees under CGCC's guarantee schemes. Borrowers can obtain CGCC's guaranteed loans through CGCC's PFIs. To become CGCC's PFIs, Banks and Micro-Finance Institutions (MFIs) shall submit PFI application to CGCC. Details on PFI application can be provided per request through the CGCC's contact information.

CGCC will review the PFI application and submit it to the Board of Directors for approval. After the Board's approval, Credit Guarantee Agreement shall be signed by CGCC and the selected PFIs.

How to apply for credit guarantee?

CGCC provides credit guarantees up to 80% of the total loan amount borrowed by businesses from the Participating Financial Institutions (PFIs), thus reducing the physical collateral required from the borrowers.

Cambodian-owned MSMEs, and large firm (>50% ownership) may approach CGCC or our PFIs via our website: www.cgcc.com.kh

Contact our PFIs



Tel: 023 225 333
Email: info@ababank.com
Web: www.ababank.com



Tel: 023 999 033
Email: info@amret.com.kh
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“ Improve Financial Inclusion
and Develop SMEs in Cambodia ”

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Credit Guarantee Corporation
of Cambodia

 Credit Guarantee Corporation
of Cambodia Plc. (CGCC)

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