



លេខ / N° 121/21 CGCC

## Co-Financing Guarantee Scheme (Updated Version 19 July 2022)

Credit Guarantee Corporation of Cambodia (CGCC) is a state-owned enterprise established by Sub-Decree No. 140 ANKR.BK dated 1 September 2020. CGCC is operated under the technical and financial guidance of the Ministry of Economy and Finance. 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.

The **Co-Financing Guarantee Scheme (CFGS)** is the credit guarantee scheme offered by the CGCC to Participating Financial Institutions (PFIs) on the loans lent out under the SME Co-Financing Scheme II of SME Bank of Cambodia.

The CFGS Guidelines are intended to be a practical guide for the PFIs to understand the specific features of the CFGS. These Guidelines must be read in conjunction with the Credit Guarantee Agreement between the CGCC and PFIs.

### I. Scheme Features

CFGS aims to support development of Small and Medium Enterprises (SMEs) to enhance their access to formal loans for both working capital and investment or business expansion. CFGS is in line with the policies of the Royal Government of Cambodia to support the survival and economic recovery during the COVID-19 pandemic. CFGS features are specified as follows:

Scheme Size	USD 50 million <sup>1</sup>
Scheme Period	From 22 September 2021 until the SME Co-Financing Scheme II is fully utilized
Type of Guarantee	Individual Loan Guarantee <sup>2</sup>

<sup>1</sup> Under CFGS, CGCC will provide guarantees for a total loan up to USD 50 million.  
<sup>2</sup> PFI shall submit the Guarantee Application for each loan.



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Eligible Loans	<ul style="list-style-type: none"> <li>• Term Loan ONLY</li> <li>• New loans ONLY, not for refinancing</li> <li>• Both secured and unsecured loans</li> <li>• Excludes loans in the Negative List (Annex 1)</li> </ul>		
Guarantee Coverage <sup>3</sup>	Priority Sectors	80% of outstanding Guaranteed Loan	
	Non-Priority Sector	70% of outstanding Guaranteed Loan	
	* Priority and non-priority sectors are determined by SME Bank of Cambodia under SCFS II		
Guarantee Fee per annum <sup>4</sup>	Priority Sector	1% of outstanding Guaranteed Amount	
	Non-Priority Sector	1.5% of outstanding Guaranteed Amount	
Guarantee Tenure	Maximum of 7 years		
Guaranteed Loan Interest Rate <sup>5</sup>	PFI's Prescribed Interest Rate under SME Co-Financing Scheme Phase II of SME Bank of Cambodia		
Maximum Loan Amount (USD) <sup>6</sup>	Loan Purposes	Working Capital	Capital Expenditure
		USD 300,000	USD 500,000
Other Conditions	Other conditions of the CFGS including loan restructuring, loan recovery, and claim procedure are specified in the Credit Guarantee Agreement		

CGCC reserves the right to change the features of CFGS and an adequate notice period will be given.

## II. Eligible Borrowers

To be eligible for CFGS, the Borrower must meet the following requirements:

- The Borrower must be a majority Cambodian-owned business, shareholding of more than fifty (50) percent.
- The Borrower must produce a business registration issued by appropriate government authorities under the laws and regulations of the Kingdom of Cambodia.
- The Borrower, who is a non-registered business, must proceed with the registration after the guarantee is approved. If the borrower remains a non-registered business, an additional Guarantee Fee of 0.5% per annum of the outstanding Guaranteed Amount will be imposed on every anniversary of the guarantee.
- All Borrowers must be financially viable.

Detailed representations and warranties of borrowers are specified in Section 8 of the Credit Guarantee Agreement between CGCC and PFIs.

<sup>3</sup> Under CFGS, Guarantee Coverage is specified for each sector. CGCC provides guarantees on the outstanding Guaranteed Amount only, excluding any interest payments and late payment charges.

<sup>4</sup> Guarantee Fee is subject to relevant tax according to Cambodia's Tax Law. There is no administrative or one-off fee.

<sup>5</sup> CGCC does not intervene in the interest rate.

<sup>6</sup> Single Borrower Guarantee Limit for SME across all CGCC's schemes is 500,000 USD equivalent.

### III. Definition of SMEs

Sector	Number of Employees		And	Annual Turnover (USD)		Or	Total Assets (USD)	
	Small	Medium		Small	Medium		Small	Medium
Agriculture	5 to 49	50 to 199		62,250 to 250,000	250,001 to 1,000,000		50,000 to 250,000	250,001 to 500,000
Industry	5 to 49	50 to 199		62,500 to 400,000	400,001 to 2,000,000		50,000 to 500,000	500,001 to 1,000,000
Service and Trade	5 to 49	50 to 99		62,500 to 250,000	250,001 to 1,500,000		50,000 to 250,000	250,001 to 500,000

### IV. Process Flow of the Scheme

- i. To apply for a loan guarantee, PFIs need to evaluate and approve the loan using their own appraisal method. After approving the loan, PFIs shall submit the Guarantee Application Form to CGCC for guarantees. Guarantee Application Form and required documents are specified by CGCC.
- ii. The Guarantee Application shall be submitted to CGCC not more than 60 days from the approval date.
- iii. CGCC shall review the loans and Guarantee Application to decide whether to approve the guarantee or not. In the case the guarantee is approved, CGCC shall issue a Letter of Guarantee and billing to the PFIs.
- iv. PFIs shall disburse the Guaranteed Loans to borrowers after the Letter of Guarantee is issued and the co-financing loan drawdown is approved by the SME Bank of Cambodia. In case the co-financing loan drawdown is rejected by the SME Bank of Cambodia, the Letter of Guarantee issued by CGCC will become invalid.
- v. Throughout the Guarantee Tenure, PFIs shall submit a monthly report on the status of the guaranteed loans to CGCC. The monthly report template is specified by CGCC.
- vi. If the loans are classified as Non-Performing, PFIs shall send to the CGCC a copy of all notices to the borrower, copies of all loan-related documentation, and further provide CGCC written notice describing in reasonable details the circumstances of the event of default.
- vii. If the loans are classified as "Loss", PFIs may submit a Claim Application Form to CGCC. Claim Application Form is specified by CGCC. If all pre-determined terms and conditions are satisfied, CGCC shall pay 50% of the outstanding Guaranteed Amount to PFIs. The remaining 50% shall be paid to the PFIs at the maximum period of 2 years after the first payment.
- viii. If any loan recovery is received by the PFIs, the recovered amount shall be shared with CGCC in proportion to its guarantee.
- ix. PFIs shall continue to report annually to CGCC on the legal proceedings until the case is closed.

### V. Application Process for CFGS

To apply for CFGS, all PFIs shall submit to CGCC a Guarantee Application Form along with the following required document:

1. Copy of Borrower's Loan Application
2. Copy of PFI's Loan Appraisal Report
3. Copy of Borrower's CBC Report
4. Copy of Borrower's Shareholders/Directors' Official Identity Documents
5. Copy of Borrower's business registration and/or licenses
6. Copy of Security's Evidence (hard title, soft title, ownership certificate, etc.)
7. Copy of PFI's Loan Letter of Offer (including Terms and Conditions of the Loan)
8. Copy of Borrower's consent for the disclosure and usage of their information by CGCC
9. Copy of Evidence of SME Bank of Cambodia's approval on the loan drawdown

## VI. Further Information

For more information, please contact CGCC:

- Email: [info@cgcc.com.kh](mailto:info@cgcc.com.kh)
- Telephone: 023 722 123



## ANNEX 1: Negative List

Businesses and/or loan purposes listed below are ineligible for guarantee:

1. Any business with the purpose of using the loan for Passive Real Estate Ownership, or any combination thereof, within Cambodia; provided that a business purpose specifically acquiring or holding passive investments including purchase of non-business related real estate and the purchase of securities.
2. Any loan used to refinance any of the Borrower's existing obligation(s) to the Lender.
3. Any loan used for the following purposes:
  - repay delinquent income taxes unless the Borrower has a payment plan in place with the General Department of Taxation,
  - reimburse funds owed to any owner, including any equity injection or injection of capital for the continuance of the Borrower's business, or
  - purchase any portion of the ownership interest of any owner of the Borrower's business, or
  - pay any dividend to any owner.
4. Any business activity which is deemed illegal under Cambodia's laws or regulations or international conventions, treaties or agreements, or which involves products or services that are subject to international bans.
5. Any business engaged in production or trade in:
  - weapons or munitions;
  - radioactive materials (excluding medical equipment or quality control equipment);
  - wood or other forestry products (other than from sustainably managed forests);
  - un-bonded asbestos fibers.
6. Any business engaged in:
  - commercial logging operations in the primary tropical moist forest;
  - marine drift net fishing using nets in excess of 2.5 km in length; or
  - activities involving harmful or exploitative forms of forced labor or child labor.
7. Any business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade such as dealing in foreign currency or commodities futures, unless such activities are incidental to the regular activities of the business and can be demonstrated to serve as part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business.
8. Any business that earns more than half of its annual net revenue from lending activities.
9. Any business engaged in the pyramid or multilevel marketing sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants.
10. Any business engaged in activities that are prohibited by Cambodian law where the business is located or conducted including, but not limited to, a business engaged in the production, servicing, or distribution of otherwise legal products that are used in connection with illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits prostitution or illegal manufacturing of drugs.
11. Any business engaged in gambling enterprises, except a business that earns less than thirty-three percent (33.0%) of its annual net revenue from lottery sales, which shall not be deemed to be a gambling enterprise.