



លេខ / N° 109 / CGCC  
/ ១១

## Co-Financing Guarantee Scheme – Tourism (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 – Tourism (CFGS-TR)** is a sub-credit guarantee scheme under the Co-Financing Guarantee Scheme (CFGS) offered by the CGCC to Participating Financial Institutions (PFIs) on the loans lent out under the Tourism Recovery Co-Financing Scheme (TRCS) of SME Bank of Cambodia.

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

### I. Scheme Features

CFGS-TR aims to support the recovery and survival of businesses in the tourism sector which was impacted by the Covid-19 pandemic. CFGS-TR is in line with the policies of the Royal Government of Cambodia to support the survival and economic recovery during and after the COVID-19 pandemic. CFGS-TR features are specified as follows:

Scheme Size of CFGS	USD 50 million <sup>1</sup>
Scheme Period	From 22 September 2021 until full utilization of scheme size
Type of Guarantee	Individual Loan Guarantee <sup>2</sup>
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>

<sup>1</sup> Under CFGS, CGCC will provide guarantees for a total loan of up to USD 50 million.

<sup>2</sup> PFI shall submit the Guarantee Application for each loan.



Guarantee Coverage <sup>3</sup>	80% of outstanding Guaranteed Loan
Guarantee Fee per annum <sup>4</sup>	1% of outstanding Guaranteed Amount
Guarantee Tenure	Maximum of 7 years
Loan Purpose	For targeted Tourism related business to improve and recover the tourism sector
Eligible Sectors	Tourism sector
Guaranteed Loan Interest Rate <sup>5</sup>	PFI's Prescribed Interest Rate under TRCS of SME Bank of Cambodia
Maximum Loan Amount (USD) <sup>6</sup>	USD 400,000

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

## II. Eligible Borrowers

To be eligible for CFGS-TR, 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.

## III. Process Flow of the Scheme

- To apply for a loan guarantee, PFIs first 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.
- The Guarantee Application shall be submitted to CGCC not more than 60 days from the approval date.
- 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.

<sup>3</sup> Under CFGS-TR, 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 and large firm across all CGCC's schemes are 500,000 USD and 1,000,000 USD equivalent respectively.



- iv. PFIs shall disburse the Guaranteed Loans to borrowers after the Letter of Guarantee is issued and the Tourism Recovery Co-financing loan drawdown is approved by the SME Bank of Cambodia. In case the Tourism Recovery 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.
- 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 detail the circumstances of the event of default.
- vii. If the loans are classified as "Loss", PFIs may submit a Claim Application Form to 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.

#### IV. Application Process for CFGS-TR

To apply for CFGS-TR, 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. 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

#### V. 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.