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Business Recovery Guarantee Scheme

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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 **Business Recovery Guarantee Scheme** is the credit guarantee scheme offered by the Credit Guarantee Corporation of Cambodia (CGCC). The BRGS Guidelines are intended to be a practical guide for Participating Financial Institutions (PFIs) to understand the specific features of the Scheme. These Guidelines must be read in conjunction with the Credit Guarantee Agreement between CGCC and PFIs.

I. Scheme Features

BRGS aims to support businesses, including Micro, Small, and Medium Enterprises (MSMEs) and Large Firms, to enhance their access to formal loans for both working capital and investment or business expansion. BRGS 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. BRGS features are specified as follows:

Scheme Size	200 million USD ¹
Scheme Period	Until full utilization
Type of Guarantee	Individual Loan Guarantee ²
Eligible Loans	<ul style="list-style-type: none">• All types of loan facilities (term loan, overdraft, trade facility, etc.)• New loans ONLY, not for refinancing• Both secured and unsecured loans• Excludes loans in the Negative List (Annex 1)

¹ Under BRGS, CGCC will provide guarantees for a total loan up to 200 million USD, of which 150 million USD is allocated for loans to MSMEs and 50 million USD is for loans to Large Firms.

² PFI shall submit the Guarantee Application for each loan.

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Guarantee Coverage ³	Agriculture Sector	80% of outstanding Guaranteed Loan	
	Industry Sector	80% of outstanding Guaranteed Loan	
	Service Sector & Non-Priority Sector	70% of outstanding Guaranteed Loan	
Guarantee Fee per annum ⁴	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 ⁵	PFI's Prescribed Interest Rate		
Maximum Loan Amount (USD) ⁶ equivalent	Loan Purposes	MSME	Large Firm
	Working capital	300,000	500,000
	Investment/ Business Expansion	500,000	700,000
Other Conditions	Other conditions of the BRGS, including loan restructuring, loan recovery, and claim procedure, are specified in the Credit Guarantee Agreement		

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

II. Eligible Borrowers

To be eligible for BRGS, 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. Additional fee on non-registered business is specified in CGCC internal guidelines on Business Registration for Guaranteed loans.
- 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.

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

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

⁵ CGCC does not intervene in the market interest rate.

⁶ Single Borrower Guarantee Limit for MSME and large firm across all CGCC's schemes are 500,000 USD and 1,000,000 USD equivalent, respectively.

III. Eligible Sectors

The **Priority Sectors** under BRGS are specified in the below table.

Agriculture	<ul style="list-style-type: none">• Growing and cultivation of crops• Livestock farming• Aquaculture
Industry	<ul style="list-style-type: none">• Agro-processing• Food manufacturing and processing• Manufacturing of local consumable goods• Waste recycling• Production of goods for the tourism sector• Manufacturing of finished products, spare parts, or assembling parts• Manufacturing of pharmaceutical products; medical equipment/products.
Service	<ul style="list-style-type: none">• Digital and ICT which include R&D or the supply of ICT-based services• Tourism (hotel, guesthouse, restaurant, and travel agent)• Transportation and logistics• Education (vocational training and soft skill training include digital)

The **Non-Priority Sectors** are those sectors besides the sectors listed above. Non-Priority Sectors are also eligible for the BRGS.

IV. Definition of MSMEs

Micro, Small and Medium Enterprises and Large Firms are defined as below:

Sector	Number of Employees			Annual Turnover (USD)			Total Assets (USD)	
	Small	Medium		Small	Medium		Small	Medium
Agriculture	5 to 49	50 to 199	And	62,250 to 250,000	250,001 to 1,000,000	Or	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

Micro enterprises are those below the thresholds of Small enterprise.

Large Firms are those above the thresholds of Medium enterprise.

V. Process Flow of the Scheme

- To apply for a loan guarantee, PFIs need to evaluate and approve the loans using their own appraisal method. After approving the loans, PFIs shall submit the Guarantee Application Form to CGCC for guarantees. The 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 date of loan approval by the PFIs.
- iii. CGCC shall review the loans and Guarantee Application to decide whether or not to approve the guarantee. In the case the guarantee is approved, CGCC shall issue a Letter of Guarantee and billing to the PFIs.
- iv. PFIs shall, in turn, disburse the Guaranteed Loans to borrowers after the Letter of Guarantee is issued.
- 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 within 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.

VI. Application Process for BRGS

To apply for BRGS, 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. 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

VII. Further Information

For more information, please contact CGCC:

- Email: 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.