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WOMEN ENTREPRENEURS GUARANTEE SCHEME

I. INTRODUCTION

Micro, Small, and Medium Enterprise (MSME) is the backbone of the economy, which provides about 70% of the total employment and contributes to 58% of GDP (UNDESA, 2020)¹. According to the IFC, 61% of the businesses in Cambodia are owned by women. Most of these women-owned businesses are profitable to a certain extent and show good debt repayment track records. However, limited access to formal loans for women-owned businesses remains a challenge. The gap in credit financing is estimated at \$4.2 billion (IFC, 2019)². CGCC sees the potential of women-owned enterprises to support economic growth and wishes to support the women-owned businesses on access to formal loans by introducing the Women Entrepreneurs Guarantee Scheme (WEGS).

WEGS aims to:

- To support women and women-owned businesses access to formal credit through CGCC’s credit guarantees by giving a higher guaranteed coverage of 80% and lower guarantee fees of 1% per annum for ALL sectors
- To support CGCC’s participating financial institutions to increase women’s loan portfolio
- To extend guaranteed loans to women and women-owned businesses with favorable credit guarantee features

WEGS is in line with the “Strategic Framework and Programs for Economic Recovery in the Context of Living with COVID-19 in a New Normal 2021 – 2023” which lays out the direction to “encourage commercial banks and microfinance institutions to increase additional lending by relaxing the credit guarantee requirements of CGCC, by expanding the scope of guarantee coverage with favorable terms for priority sectors set by the Royal Government of Cambodia.”

II. SCHEME FEATURES

Scheme Size	30 million USD
Effective Date	1 April 2022
Type of Guarantee	Individual Loan Guarantee ³

¹ UNDESA (2020). *Supporting MSMEs to Achieve the Sustainable Development Goals in Cambodia through Streamlining Business Registration Policies*. <https://bit.ly/3lxisOI>

² IFC (2019). *Exploring the Opportunities for Women-owned SMEs in Cambodia*. <https://bit.ly/3M5hVl7>

³ PFI shall submit a guarantee application for each loan.

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) 		
Guarantee Coverage	80% of Outstanding Loan Principal ⁴		
Guarantee Fee for the first year	1% of Outstanding Guaranteed Loan (50% of this fee will be subsidized.)		
Guarantee Fee for the second year onward	1% of Outstanding Guaranteed Loan		
Guarantee Tenure	Maximum of 7 years		
First-year Interest Rate Ceiling (Inclusive of First-Year Guarantee Fee)	For Bank	KHR Loan	8%
		USD Loan	9%
	For MDI & MFI	KHR Loan	10%
		USD Loan	11%
Maximum Loan Amount (USD)	200,000 USD equivalent ⁵		
Other Conditions	Other conditions of the WEGS, including loan restructuring, loan recovery, and claim procedure, are specified in the Credit Guarantee Agreement.		

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

III. ELIGIBLE BORROWERS

1. The Borrower must be women or women-owned Micro, Small and Medium Enterprises (MSMEs), any MSMEs that meet at least two of the following criteria:
 - i. Woman owns the majority of shares
 - ii. Management or decision-maker is a woman
 - iii. Woman represents the company on any legal business registration
 - iv. Majority of the employees are women
2. The Borrower must be a majority Cambodian-owned business, holding more than fifty (50) percent of the company's shares
3. The Borrower must produce a business registration issued by appropriate government authorities under the laws and regulations of the Kingdom of Cambodia
4. 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 guaranteed amount will be imposed on every anniversary of the guarantee.
5. All Borrowers should be financially viable.

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

⁴ CGCC provides guarantees on the loan principal amount only, excluding any interest payments and late payment charges.

⁵ Single SME borrower guarantee limit across all CGCC's schemes is 500,000 USD equivalent.



IV. DEFINITION OF SME

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

V. ELIGIBLE SECTORS

Both Priority and Non-Priority Sectors are eligible for the WEGS. The Priority Sectors 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.

VI. APPLICATION PROCESS FOR WEGS

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

1. Borrower's Loan Application
2. PFI's Loan Appraisal Report
3. Borrower's CBC Report
4. Borrower's Shareholders/Directors' Official Identity Documents
5. Borrower's business registration and/or licenses
6. 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. Borrower's consent for the disclosure and usage of their information by CGCC
9. Evidence that the borrower is a woman or women-owned business

VII. FURTHER INFORMATION

For more information, please contact:

- 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.

