

# HKL | Cambodia

Supporting women-owned/led small and medium enterprises (WSMEs) in Cambodia

## Market Gaps

### COUNTRY CONTEXT

Although Cambodia has undergone a positive economic transition over the last two decades, enjoying sustained GDP growth averaging 7.8 percent between 1999 and 2019, GDP is expected to fall sharply in 2020 due to the COVID-19 global pandemic.

The pandemic has caused sharp decelerations in the first quarter of 2020 in most of Cambodia's main engines of growth, including tourism, construction and garment manufacturing sectors.

### ACCESS TO FINANCE

The COVID-19 induced recession has led banks to tighten their lending, just at a time when it is most needed by small and medium enterprises (SMEs), and in particular by WSMEs. SMEs' working capital cycles have lengthened, due to delays in sourcing and shipment, interruptions in supply chains, and reduced sales due to lockdowns. WSMEs are expected to be affected disproportionately. Access to short term liquidity is essential for enabling SMEs to continue operations during the pandemic.

## SMEs Face Barriers



**LIMITED  
MANAGEMENT  
AND FINANCIAL  
SKILLS**



**LIMITED  
FUNDING  
OPPORTUNITIES**



**WEAK DOMESTIC  
LINKAGES**

## Client

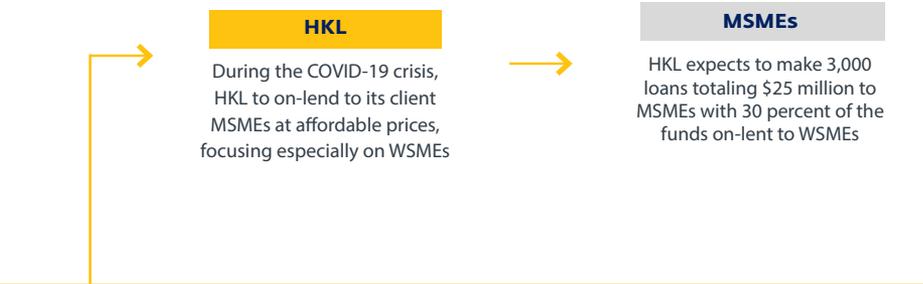
Hattha Kaksekar Limited (HKL) is the second largest microfinance deposit taking institution in Cambodia in terms of loan portfolio. Established in 1994 as a food security project by OCSO/OXFAM-Quebec, HKL registered as a non-governmental organization in 1996, and then gradually expanded to become a registered microfinance institution in 2001. It is now 100 percent owned by the Thailand-based Bank of Ayudhya (BAY), the fifth largest bank in Thailand, which is a 77 percent owned subsidiary of the Japanese banking conglomerate, Mitsubishi UFJ Financial Group (MUFG).

The Global SME Finance Facility, a blended-finance partnership funded by the UK Foreign, Commonwealth & Development Office (FCDO) and the Netherlands Ministry of Foreign Affairs, is focused on helping to close the financing gap faced by SMEs in emerging markets. Catalyzing access to finance for SMEs, the facility has a goal of generating one million new jobs in the SME sector.

## ABOUT THE PROJECT

IFC, with support from multiple Blended Finance donors, is providing a working capital loan to HKL, a Cambodian microfinance institution, for on-lending to its micro, small and medium enterprises (MSMEs) clients, many of whom have been adversely affected by the economic downturn from COVID-19. IFC can most effectively reach these MSMEs by providing financing to microfinance institutions such as HKL, the second largest (by loan portfolio) microfinance deposit-taking institution in Cambodia for its on-lending to their large client base. The Project is part of IFC's COVID-19 Working Capital Solutions program, which allows IFC to quickly extend short term loans to existing financial intermediary clients who are in good standing. GSMEF's Performance-Based Incentive will ensure that HKL targets its on-lending to MSMEs owned and/or led by women entrepreneurs.

## INVESTMENT SERVICES STRUCTURE



### TOTAL PROJECT

\$25 million

### IFC

\$25 million senior loan; one-year tenor, renewable once

### IDA PSW

Provides a first loss guarantee of 25 percent on IFC's exposure to HKL

### GSMEF SUPPORT

\$50,000 as a Performance Based Incentive, to encourage HKL to on-lend at least 30 percent of the loan's proceeds to WSMEs



International Finance Corporation  
WORLD BANK GROUP



European Investment Bank



Ministry of Foreign Affairs of the Netherlands