

# Microfinance

## *Stories of Impact*

*This series provides examples of our impact, expertise and lessons learned working with clients and partners.*



## Expanding Access to Microfinance in Cambodia through a Strategic Partnership

### RESULTS & IMPACT

- IFC has invested over \$123 million in ACLEDA and its subsidiaries since 2000.
- ACLEDA is currently the largest commercial bank and microfinance provider in Cambodia with a portfolio of \$1.39 billion.
- ACLEDA reaches nearly 400,000 microfinance clients in Cambodia, Lao PDR, and Myanmar.
- ACLEDA operates 238 branches in Cambodia
- ACLEDA is the only bank with nationwide coverage.
- ACLEDA has set the standards in Cambodia and in the broader region for corporate governance, environmental and social practices, and risk management.

On the brink of the new millennium, Cambodia was a post-conflict country with a struggling economy and limited financial infrastructure. The opportunities for formal employment were limited, and many people – especially women - turned to self-employment through starting small businesses.

The country needed broader access to finance, as well as strong financial institutions that would make loans available to low-income people and micro entrepreneurs.

IFC has worked with ACLEDA, a local financial institution, for over 15 years. Through investment and advisory support, IFC helped ACLEDA grow into the largest commercial bank and microcredit provider in Cambodia, and expand its operations into Myanmar and Lao PDR.

*“IFC has supported our continued efforts to offer financing to small and medium enterprises that are the backbone of the Cambodian economy. Long-term partnership with IFC also enhanced our ability to mobilize additional funding from private investors.”*

— In Channy, CEO of ACLEDA Bank Plc

## The Opportunity

On the brink of the new millennium, Cambodia was a post-conflict country with a struggling economy and limited financial infrastructure. According to the Asian Development Bank, in the early 2000s less than 10 percent of Cambodian small enterprises had access to credit. Those affected the most by the lack financing were micro-entrepreneurs outside of Phnom Penh and other big cities.

In Cambodia the opportunities for formal employment are scarce and many people turn to self-employment through creating small businesses. Many of these self-employed entrepreneurs are women, who make a living with scarf weaving, noodle making, hairdressing, tailoring, and silk weaving. Informal credit could not provide adequate working capital for these small businesses, and the lack of financing often prevented them from growing and becoming sustainable.

In short, 15 years ago the demand for financial services across the country was high and growing, and the market needed strong financial institutions to pioneer inclusive financial models.

IFC saw the opportunity to contribute to strengthening Cambodian microfinance market when it began cooperation with ACLEDA, a local microfinance provider. From the onset, IFC and ACLEDA established a strategic partnership which helped the bank become the largest commercial bank in the country and an important regional player.



Local entrepreneur at her market stall (Photos: The World Bank)

## Our Approach

In 2000 IFC became a founding shareholder of ACLEDA Bank with an equity investment of \$490,000. Over the years IFC has invested over \$123 million in the bank and its subsidiaries through senior debt, rights issues, trade finance, and subordinated debt.

These investments were complemented with a range of advisory initiatives. Along with partner international organizations, IFC helped ACLEDA transform from an NGO to a commercial bank and establish a solid foundation for future growth. At the time of ACLEDA's transformation, IFC and partners had:

- Helped upgrade the bank's organizational structure and accounting practices in line with the international standards;
- Delegated an IFC representative to sit on ACLEDA's Board of Directors;
- Provided legal and operational support at all stages of ACLEDA's application for banking license;
- Trained ACLEDA management and staff, organized a study tour to Bolivia's Banco Sol;
- Incorporate consistent environmental and social and risk-management standards into the bank's operations.

More recently, IFC worked with ACLEDA to:

- Strengthen responsible lending across ACLEDA's operations in Cambodia and Myanmar through Responsible Finance diagnostics, training, and action plan;
- Enhance ACLEDA's risk management and portfolio monitoring practices.

IFC sees ACLEDA as a strategic partner in the region. In the last few years, IFC assisted the bank in its expansion to Lao PDR and Myanmar, where ACLEDA set up a greenfield microfinance institution to provide financing for the low-income population. In Myanmar, IFC is supporting ACLEDA through its Performance Based Grants Initiative (PBGI).

Today, ACLEDA is the largest commercial bank and microfinance provider in Cambodia, reaching over 350,000 clients through a network of 238 branches across the country. ACLEDA operates a portfolio of \$1.39 billion – one of the largest in the region. The bank's growing subsidiaries in Myanmar and Lao PDR have disbursed over 20,000 loans worth \$91 million.

More importantly, ACLEDA's success has had a positive effect on the entire Cambodian financial sector, making it more attractive for the international investors. ACLEDA set the market standards in corporate governance, environmental and social practices, and risk management in Cambodia and in the broader region.

*IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.*

REGION: EAST ASIA & THE PACIFIC | COUNTRY: CAMBODIA | STRATEGIC PRIORITY: ACCESS TO FINANCE | THEME: FRAGILE & POST CONFLICT COUNTRIES

### CONTACT

Hanh Nam Nguyen | Hong Kong  
[NNam@ifc.org](mailto:NNam@ifc.org) | +852 2509 8100  
[ifc.org/gfm](http://ifc.org/gfm)

March 2014



**IFC**

**International  
Finance Corporation**  
World Bank Group