



microfinance: a donor perspective

Cambodia microfinance amid the global financial crisis

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EC rationale for involvement



- direct poverty alleviating impact
- “to mobilise private savings flows (both domestic and foreign) to finance investments that are essential for a thriving business sector ”
- MDG Goal 8 target 12: further development of "an open, rule-based, non-discriminatory trading and financial system“ - foremost aimed at international level, but development at the national level also included

EC approach to microfinance



- 1. Focus on providing funding for piloting and capacity building**
- 2. Team up with specialised partners for provision of credit**

credit lines



Following Commission decision in March 2004, the EC no longer directly finances credit lines with its grant funding

Subsidised credit lines often distort the financial system and do not provide long term solutions for access to financial services for the poor

and

The EC does not have the required in-house expertise and instruments to adequately monitor such credit lines

1. capacity building



- **microfinance institutions**: training of MFI staff; technical assistance to improve MIS and internal control systems; product development; recurrent expenditures (generally in a start-up phase only);
- **financial industry infrastructure**: technical assistance to strengthen local service providers (e.g. training centres, auditors), support networks to build members' capacities; design and setting up of credit bureaus;
- **regulatory and supervisory level**: provide training for regulators and supervisors; technical assistance for development of regulatory aspects; research on regulatory frameworks.

2. specialised agencies



- specialised development banks and IFIs (EIB, EBRD, IFC, etc.)
- specialised NGOs

EC support



- appr. €180 million in ongoing projects
- over 50% spent in 29 ACP countries; 80 million in 23 countries in sub-Saharan Africa
- average per project €1.2 million
- mostly implemented by NGOs with significant presence on the ground in the poorest areas

EC support in Cambodia



MFIs directly

- EU PRASAC
- also through ECOSORN
- AMK (with IFC)

regulatory

- Credit information bureau

payment system

- WING (through IFC)

micro health insurance

- CBHI (through Malteser, CAAFV)

challenges – donor side



- aid effectiveness for IFIs as well as NGOs (limits)
- risk of market distortions
- line between poor and nearly poor
- sustainability
- need for capacity building

challenges - framework



- governance
- regulatory framework
- crisis; possible erosion of confidence in market-based approaches
- need for capacity building

thank you



Questions?

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