



**Opening Words of Mr Rafael Dochao Moreno
Chargé d'Affaires a.i., Delegation of the European Commission to Cambodia**

Microfinance Summit – Phnom Penh, 19 August 2009

Your Excellency Mr Chea Chanto, Governor of the National Bank of Cambodia;

Mr. Russell Muir, Acting Head of Advisory Services for East Asia and Pacific of the International Finance Corporation;

Distinguished Guests, Ladies and Gentlemen,

- I am very pleased to have been asked to open this conference
- As many of you know, the European Union has long been a supporter of micro-credit in Cambodia. We have contributed, together with several other donors, to help ensure that poor and low-income people in Cambodia have access to a wide range of financial services. These include not only credit but also insurance schemes, money transfer and payment systems, etc.
- Microfinance was a key component of our eight-year integrated rural development programme PRASAC. When PRASAC ended in 2003, we strongly supported the transformation of the microfinance component of the programme into a commercial microfinance institution that could sustain itself.
- It is a testimony to the good work done under PRASAC that PRASAC MFI has since grown into Cambodia's largest micro-finance institution in terms of loan portfolio (which stood at \$141 million in 2008), number of staff, office network, coverage area, etc.
- PRASAC has also pioneered a national programme that lends households the money to purchase a biodigester that converts animal and human waste into methane gas for use in household cooking and lighting, combining financial and environmental objectives
- This innovation not only saves Cambodia's forests, but provides rural households with much less polluting cooking fuel than wood or charcoal. It also provides better, cleaner lighting than kerosene, and improves health as well by disposing of human and animal waste.
- The European Commission strongly supported the continuation of PRASAC as an MFI because we know from our work here in Cambodia, and around the world, what a valuable role microfinance plays in helping poorer people to improve their livelihoods and their living standards.
- The poor need financial services (not only credit but also other products and services such as savings, insurance, money transfers, etc.) to help them take control of their lives.

- Access to financial services on a permanent basis can put power into the hands of poor households, allowing them to plan for their future, acquiring physical and financial assets and investing in better nutrition, improved living conditions and children health and education
- The European Commission has more recently, in close cooperation with IFC, supported the WING payment system by providing technical assistance in its initial stages.
- Also under our partnership with IFC, we are providing financing for capacity building and product development of MFIs like Angkor Microfinance Kampuchea (AMK)
- We are also contributing to the development of the regulatory environment with regard to credit information sharing, working towards the possible establishment of a private credit bureau
- Through our work with the NGOs Malteser International and the Cambodian Organisation for Assistance to Families and Widows (CAAFW), we contribute to the establishment and expansion of a micro-insurance scheme that provides access to finance for healthcare
- Poor people, just like everyone else, need to borrow, save and transfer money. But in developing countries, millions still lack access to affordable and reliable financial services – services which everyone in affluent countries takes for granted.
- In Cambodia, if low income people lack access to financial institutions, and they cannot borrow from family, they usually have no choice but high priced and unforgiving money lenders.
- For savings, they have no alternative but keeping cash, jewelry and other assets at home where they can be lost or stolen.
- To transfer money to another city or receive it from another country, poor people must use informal services which are expensive and risky.
- Evaluations from around the world show that poorer people benefit even more than the affluent from access to finance and financial services.
- Micro credit enables farmers and micro business owners to get the operating capital they need to run their enterprises, and with their greater earnings, micro borrowers can provide their families with better housing, better healthcare, better transportation and more years of schooling for their children.
- We find ourselves in especially challenging times today. As a result of the global financial crisis, tighter conditions on financial markets are making investors more risk averse and less willing to invest in developing economies.
- The discussions you will have today and tomorrow are critically important in helping to ensure that Cambodia's microfinance sector weathers the current global financial storm and emerges from this as even more effective and sustainable.

- The European Commission will continue to provide its support, in micro-finance as well as the other sectors where it is active, including education, rural development, private sector development, and governance
- In our work, we will continue to uphold European values of aid effectiveness (through country ownership and donor harmonisation) and good governance, because we believe that this is the most sustainable way forward for Cambodia: with the Royal Cambodian Government, the private sector, and Cambodia's development partners as effective Partners in Progress.