

**Speech – Russell Muir, Acting Head of Advisory Services,
East Asia and Pacific Region
International Finance Corporation
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Excellency, Chea Chanto, Governor of the National Bank of Cambodia; H.E. Rafael Dochao Moreno, Chargé d'Affaires a.i. of the Delegation of the European Commission to the Kingdom of Cambodia; Distinguished Guests, Ladies and Gentlemen.

On behalf of IFC, I would like to congratulate you on holding this important conference to discuss microfinance industry challenges caused by the global financial and economic crisis.

Over the past ten years, IFC has been a strong supporter of microfinance in Cambodia because of your success in transforming from donor-dependent to sustainable institutions and your commitment to our shared objective of extending financial services to the millions of poorer Cambodians who would otherwise have no access to financial services.

As His Excellency, H.E. Rafael Dochao Moreno just said in his speech, poor people just like everyone else need affordable, transparent and effectively managed financial services in order to borrow needed operating capital for their businesses, save money, earn on their savings, insure themselves, and their property, and transfer money in a reliable manner.

Cambodia's MFIs have been innovators and become world leaders in microfinance by cutting free from NGO and donor funding to operate as commercially-sustainable institutions. As a result of that decision, you have been able to extend financial services to hundreds of thousands more Cambodians in a very short time, and with an exceptionally low non repayment rate of less than 1% up to 2008. Even non-performing loans are less than 4%. You have also achieved your successes in an ethical and transparent manner as evidenced by the transparency awards the industry regularly receives, and have stayed true to your social mission of helping poorer people to improve their livelihoods and living standards.

For microfinance to succeed in reaching the millions who need it in Cambodia and other emerging economies, MFIs have to operate in a financially sustainable manner. As research and practice tracked by the Consultative Group to Assist the Poorest, CGAP, show, limiting interest rates to below the actual cost of lending or subsidizing microfinance with government, NGO or donor funds does not work. Research shows that beneficiaries are often not the people who need it. They are the relatives and friends of the microfinance providers.

We in IFC are proud to have made a contribution to your success. Starting in 1999, as advisors to ACLEDA, and later as ACLEDA investors and lenders, we, along with others, have helped ACLEDA transform to into a commercial bank that continues to serve poorer, rural people.

We also helped to launch and initially finance the Cambodian Microfinance Association and since then have been working on regulatory problems to help the industry. These include advising the National Bank of Cambodia – NBC – on the Trust Law that will make it possible for NGO-owned MFIs to set up as independent trusts who the government requires NGOs to divest themselves of any businesses they own. We are also working with the Ministry of Economy and Finance on regulations to allow MFIs to sell micro-insurance because poor people, like everyone else, need to ensure themselves against risks that could wipe out family finances. And we are working with NBC to improve credit information sharing so that MFIs will know when would-borrowers have a bad credit

history or are deeply in debt. And of course we have helped to sponsor this summit and one two years ago.

Our latest assistance to microfinance, as you will hear in more detail later, from an IFC colleague, is a \$500 million fund, jointly financed by IFC and the German government development bank, KfW, to help MFIs get the international financing they need, if traditional international lenders reduce their financing. And we are continuing to advise individual MFIs such as AMK on how to improve operations, and develop savings and other new products.

As we see the impact of the crisis reach Cambodia, IFC's stands-by to assist. This forum presents an opportunity first and foremost to review where the industry standards today, how the crisis has affect you so far, and may affect you going forward. Given the rising levels of non-performing loans the industry has recently witnessed, the second day will focus on collection practices and responsible lending. This should kick-off our work with you on managing risks and working out distressed assets.

To conclude, I wish you all the best of luck with your discussions today and tomorrow and also with continuing to achieve your mission of providing poorer people in Cambodia with fairly priced and ethically-managed, financial services and products.