



# Cambodian Sustainable Finance Initiatives (CSFI)

## Progress and Ongoing Priorities





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## 1. Background of Cambodian Sustainable Finance Initiatives (CSFI)

2016 was a very significant year for ABC Sustainable Finance when ABC’s Council agreed to embark on a new initiative named “**Cambodian Sustainable Finance Initiatives**” (**CSFI**). The objective is to develop and strengthen finance sector safeguards and risk management standards related to environmental and social impacts.

The CSFI has been progressing in line with the country’s policy priority and direction as outlined in the Government’s National Rectangular Strategy – Phase III, as well as the Cambodian National Strategic Development Plan, 2019-2023.

The CSFI has gained good traction thanks to the strong support from the National Bank of Cambodia (NBC), the Ministry of Environment (MoE), the National Council for Sustainable Development, and other partners.





# 1. Background of Cambodian Sustainable Finance Initiatives (CSFI)

## Cambodian Sustainable Finance Principles

### Protecting the Environment, our People and our cultural Heritage

Principle 1. Assessing and managing environmental risk

Principle 2. Assessing and managing social risk

Principle 3. Assessing and managing risk to protect cultural heritage

### Financing the Future of Cambodia

Principle 4. Raising financial literacy & customer protection

Principle 5. Expanding access to finance

Principles 6. Financing innovation with green finance

### Leading the Way

Principle 7. Building capacity and raising awareness

Principle 8. Managing our own footprints

Principle 9. Reporting annually on progress against commitments

## Icons for CSF Principles



Environment protection



Financial literacy



Financial innovation



Culture protection



Transparency & Accountability



Financial inclusion



People protection



Environmental & Social Footprints



Environmental & Social Standards

*With these principles, our aim is to create a level playing field and raise standards across the sector.*





## 2. CSFI Objectives, Key Partners and Stakeholders

### CSFI'S Key Objectives:

- Establish and execute proper ESG Risk Management.
- Develop and promote sustainable business opportunities.
- Help Integrate sustainability into member bank's business operations.
- Collaborate with a wide range of Stakeholders: government, regulators, other industries, investors, international partners, etc.
- Provide capacity building and knowledge sharing on sustainable finance to members.



### Key Partners and Stakeholders:

- National Bank of Cambodia(NBC)
- Ministry of Environment (MoE)
- The International Finance Corporation (IFC)
- Sustainable Banking Network (SBN)
- The United States Agency for International Development (USAID)
- Wildlife Conservation Society (WCS) and Mekong Strategic Partners (MSP)

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We join together for Sustainable Finance





### 3. CSFI Progress Highlights

- **Partnership and Cooperation:**

- ABC made Tri-party MOU with IFC and MBA (Mongolian Bankers Association)
- ABC established Sustainable Finance Committee in Sep 2017
- Chairman of Sustainable Finance joined the SBN Annual Meeting, Washington DC

- **Public Awareness:**

- Sustainable Finance Committee kicked-off
- Sustainable Working Group kicked-off the development of Sustainable Finance Principles
- ABC Council approved the Sustainable Finance Principles



- **Starting point of CSFI:**

- ABC joined Sustainable Banking Network (SBN)
- “Development of Sustainable Banking Practices in Cambodia - Statement of Intent” signed by ABC witnessed by MOE, NBC in September 2016

- **Public Awareness & Social Activities:**

- Official launch of CSF Principles, endorsed by NBC and MoE.
- Official launch of CSF Principles at SBN Global meeting in Washington D.C.
- Regional sharing of CSFPs at UNDP FI Roundtable Meeting in Shanghai, China
- Designed icons for CSF Principles supported by IFC
- MoU signing ceremony between MoE-NBC & ABC
- MoU signing ceremony between ABC & USAID

- **Public Awareness & Capacity Building:**

- Signing an MoU with AmCham
- Webinar Workshop on Carbon Footprint
- Webinar Workshop on Gender
- Webinar Workshop on Climate Change: Risk & Opportunities
- Bankers Cycling

- **Public Awareness & Capacity building:**

- Sustainable Finance Forum
- Joining the Cambodia Climate Change Summit 2021
- Joining the China -Singapore(Chongqing) connectivity initiative Financial Summit 2021.
- Holding 4 Virtual Forums on Sustainable Finance
- Tree Planting and Cleaning City





### 3. CSFI Progress Highlights

Member Banks have voluntarily adopted the Sustainable Finance Principles since 2019

## CAMBODIAN SUSTAINABLE FINANCE INITIATIVE (CSFI)





## 4. Current Status, Challenges and Opportunities

Progression Matrix presenting overall progress of SBN countries up to July-end 2021







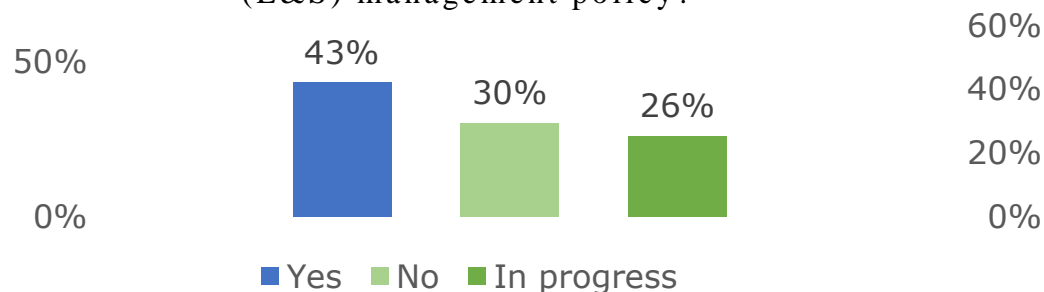
## 4. Current Status, Some Challenges and Opportunities

47 ABC members (including CMA) who voluntarily signed to adopt the 9 Cambodian Sustainable Finance principles (CSF Principles) since its official launch in September 2019.

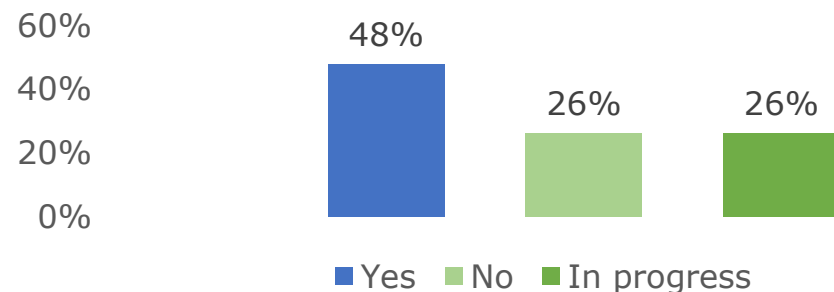
The intent of the CSFIs is to Design, Agree and Establish an Environmental and Social Risk Management framework that would be adopted by banks and guide them in their lending practices. The CSFIs aim at minimising or avoiding environmental and social risks created through private sector lending.

The ABC has been working with member banks to implement the CSF Principles, including working with USAID Green Invest Asia to deliver training to Cambodian banks on a one-on-one basis to help them implement the CSF Principles and establish their own environmental and social risk management systems.

Q5. Does your organization have a Sustainability/Environmental and Social (E&S) management policy?



Q6. Does your organization have E&S risk management procedures/guidelines?



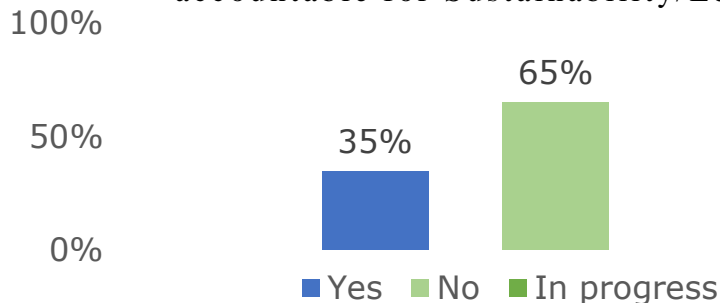


## 4. Current Status, Challenges and Opportunities

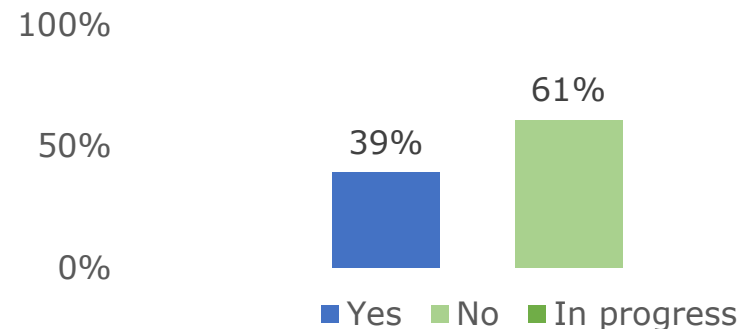
Existing financial market challenges present significant barriers to the growth of green financing and the current market approach is not suitable to support or enable green projects. Some of the barriers to green lending growth include:

- Banks remain risk-averse, typically requiring at least 100% tangible security (usually property) and strong pre-existing cash flow.
- Longest commercial loan tenor is typically 5 years – relatively short for certain green projects.
- Institutional & technical capacity – banks have limited experience in green financing and the required structures, such as project finance.

Q8. Does your organization have an appointed Senior Management/Board Position(s) accountable for Sustainability/E&S issues?



Q10. Does your organization have Sustainability/E&S reporting procedures in place?





## 4. Current Status, Challenges and Opportunities

The EU has developed a framework (called the EU Taxonomy) for determining what activities are “green”. The Framework is considered the most sophisticated initiative of its kind globally.

In November 2021, the ASEAN Taxonomy on Sustainable Finance was established by the ASEAN Taxonomy Board.

ABC SF Committee can leverage from those developed standards for the development of our CSFIs and the establishment of a common framework on Green Financing for our industry.

Cambodia is now at a status of “Developing” as per SBFN’s report and we’re working to move to “Advancing and Maturing” stage. This requires improvement in ESG Risk Management and enhancement in green financing in Cambodia.

Based on the global and local efforts to (1) transition Cambodia into Green Economy and to (2) adapt to the climate risk, there will be significant green financing opportunities in various sectors of the national economy.





## 5. Ongoing Activities and Priorities

ABC will accompany its members in the adoption and implementation of the CSF Principles with the objective to move from “Developing” into “Advancing and Maturing” stages.

On-going activities and priorities:

1. Enhancing capacity building in the agenda of member banks. In particular, capacity building in ESG risk management is essential to enable member banks to “organically” grow profitable green lending in Cambodia and access potential globally available credit lines for green lending.
2. Working collaboratively to have the common framework on green financing.
3. Raising awareness among member banks and in the community on the adoption and the implementation of the 9 Principles of Sustainable Finance.
4. Supporting member banks as they embed the ESG best practices into their business operations.

