



## JOINT STATEMENT

### Progress Update: NBC-UN Convening Multi-Stakeholder Consultation on Microfinance in Cambodia

23 January 2025

On 23 January 2025, the second high-level multi-stakeholder dialogue, co-convened by the National Bank of Cambodia (NBC) and the United Nations (UN) in Cambodia, was held to review the progress of 22 priority actions adopted during the inaugural high-level multi-stakeholder meeting on 12 July 2024, under the NBC-UN Convening Multi-stakeholder Consultation Process on Microfinance.

In light of growing concerns regarding the rapid expansion of Cambodia's microfinance sector and its potential connections to issues such as over-indebtedness, this initiative, which commenced in November 2023, aims to facilitate constructive engagement among stakeholders, build a shared understanding of the issues, and identify actionable steps and commitments to support all stakeholders in navigating challenges and seizing opportunities to strengthen the banking and financial sector. A comprehensive series of consultations has been conducted, including individual stakeholder group dialogues and technical multi-stakeholder meetings, engaging representatives from over 100 groups and institutions across government, regulatory bodies, banking and financial institutions and associations, investors, civil society and non-government organizations, think tanks, development partners, UN agencies, and international financial institutions.

**Progress to date:** Of the 22 priority actions, 4 have been completed, 15 are in progress, and 3 are being initiated. Key milestones include:

- **Strengthening Responsible Lending Practices:** Significant progress has been made in enhancing responsible lending standards. This includes enforcing the implementation of the Code of Conduct and adopting the Consumer Protection Harmonization Assessment Tool, with 30 banking and financial institutions (BFIs) set to participate in upcoming third-party assessments. Lending guidelines have been reinforced, with the prohibition of using Indigenous Communal Land Titles (ICLTs) as collateral and the prevention of forced sales of such titles. BFIs now have online access to information on registered hard titles of ICLTs and state-owned lands, which are legally restricted from being used as collateral.
- **Alignment of BFIs' Incentives:** Key performance indicators for BFIs are being reviewed and revised to align with the principles outlined in the Code of Conduct, Responsible Lending Guidelines, and the overarching principle of "Do No Harm".
- **Legal Safeguards:** A Joint Statement to enforce existing regulations against the misuse of identification documents such as equity card, national ID card, and family book as collateral in any form of lending practices has been prepared.
- **Consumer Protection and Complaint Mechanisms:** Initiatives to strengthen consumer protection and enhance complaint resolution mechanisms are underway. These include the establishment of a Financial Consumer Centre under the Association of Banks in Cambodia (ABC) and the Cambodia Microfinance Association (CMA), as well as the exploration of independent debt counseling and mediation mechanisms to complement existing frameworks. Expanded financial literacy and customer empowerment programs are being introduced to better inform borrowers, particularly those facing debt stress.
- **Data Ecosystem and Loan Restructuring:** Efforts to analyse and establish a data-sharing and reporting ecosystem for banking, financial services, and non-bank financial services are being examined. Loan restructuring measures have been implemented, prioritizing borrowers experiencing financial difficulties, including vulnerable and indigenous groups. CMA and ABC have proposed a definition of microfinance operation for banking and financial sector, which will be submitted to NBC for review and to gather inputs from stakeholders.



- **Innovations in Insurance:** A pilot climate risk and crop insurance program under a Modern Agricultural Cooperative has been launched, with the support of the private sector. Further exploration is required to identify the optimal insurance model for scaling up this initiative. Enhanced coordination and funding support are needed to empower Modern Agricultural Cooperatives in providing market access and credit opportunities for indigenous communities with ICLTs.

Progress on the priority actions will be continuously monitored, with the next high-level multi-stakeholder dialogue scheduled for August 2025. Stakeholders are committed to fostering a fair and transparent banking and financial ecosystem through responsible and inclusive practices that empower individuals, particularly the most vulnerable, while contributing to Cambodia's sustainable development and economic stability.

The stakeholder representatives reaffirm their joint commitment to achieving these objectives and addressing emerging challenges in collaboration with all relevant stakeholders.

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