



Thinking out of the box: Blended finance solutions to promote WASH lending in Cambodia



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CHAMROEUN Microfinance Plc.



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Aqua for All

- International foundation (est. 2002)
- Funded by the Netherlands Ministry of Foreign Affairs (€40 million grant)
- Long-term expertise supporting local water & sanitation entrepreneurship and partnering with impact investors and local financial institutions.
- In-house expertise in water and sanitation experts as well as innovative finance.



- Impact investor (est. 1975)
- € 1,041.7 million of total development financing outstanding.
- 509 partners in total
- Experience working in financial inclusion, sustainable agriculture and renewable energy.



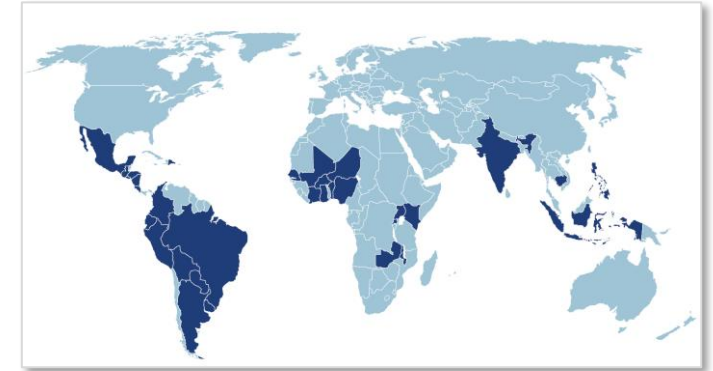
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Partner for Success

- Microfinance institution providing financing to low-income people in Cambodia.
- USD 37.5 million credit portfolio for WASH loans for end-clients
- Ambition: Scaling up its WASH lending to individual clients and to WASH SMEs (private water operators) serving communities with poor or without access to water and sanitation

Overview Oikocredit International

- **Investments** (debt & equity) in 33 countries
- 13 regional & country offices
- **Focus sectors:** Financial Inclusion, Agribusiness, Renewable Energy
- **Community-focused strategy:** working with partners to increase access to solutions for **Affordable Housing, Education, WASH**
- Typical tickets €500k – 10m



33 focus countries



3 focus sectors

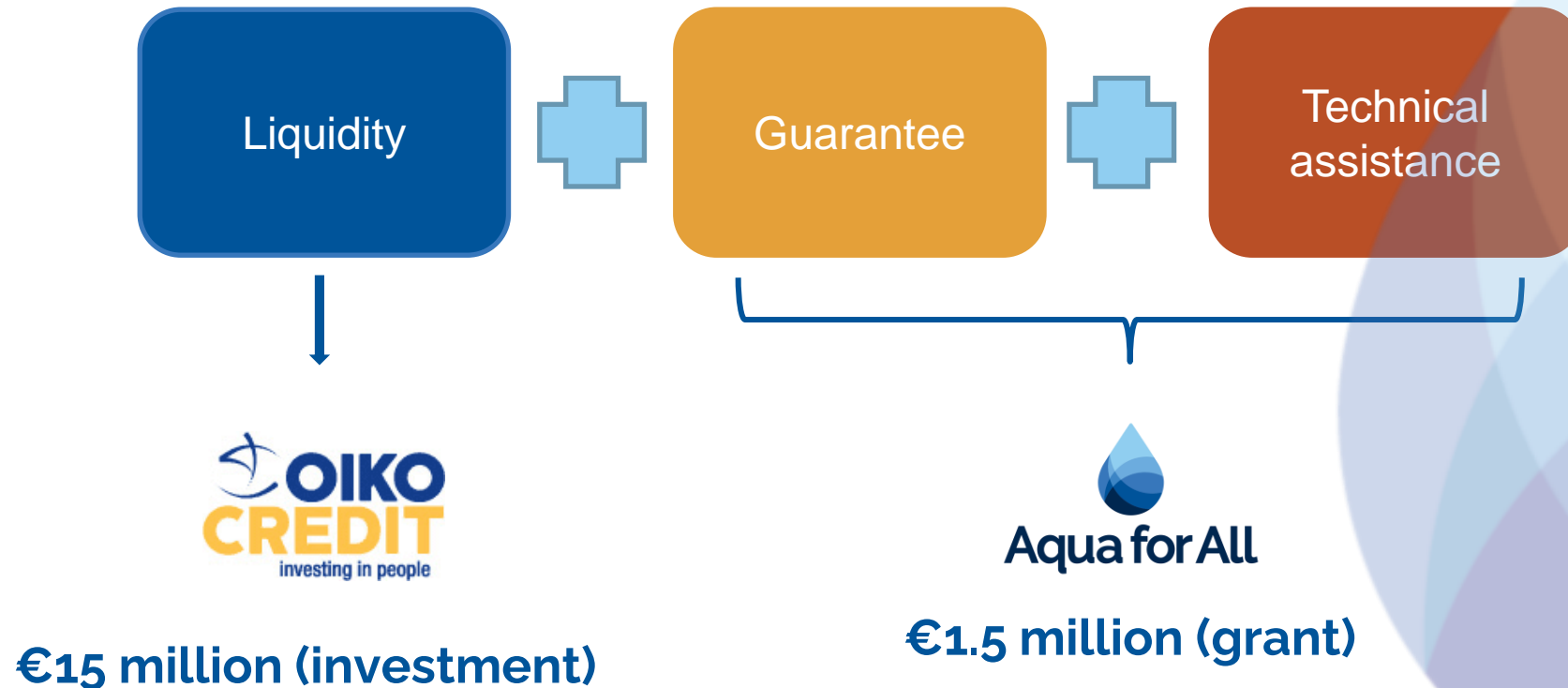
Our partnership



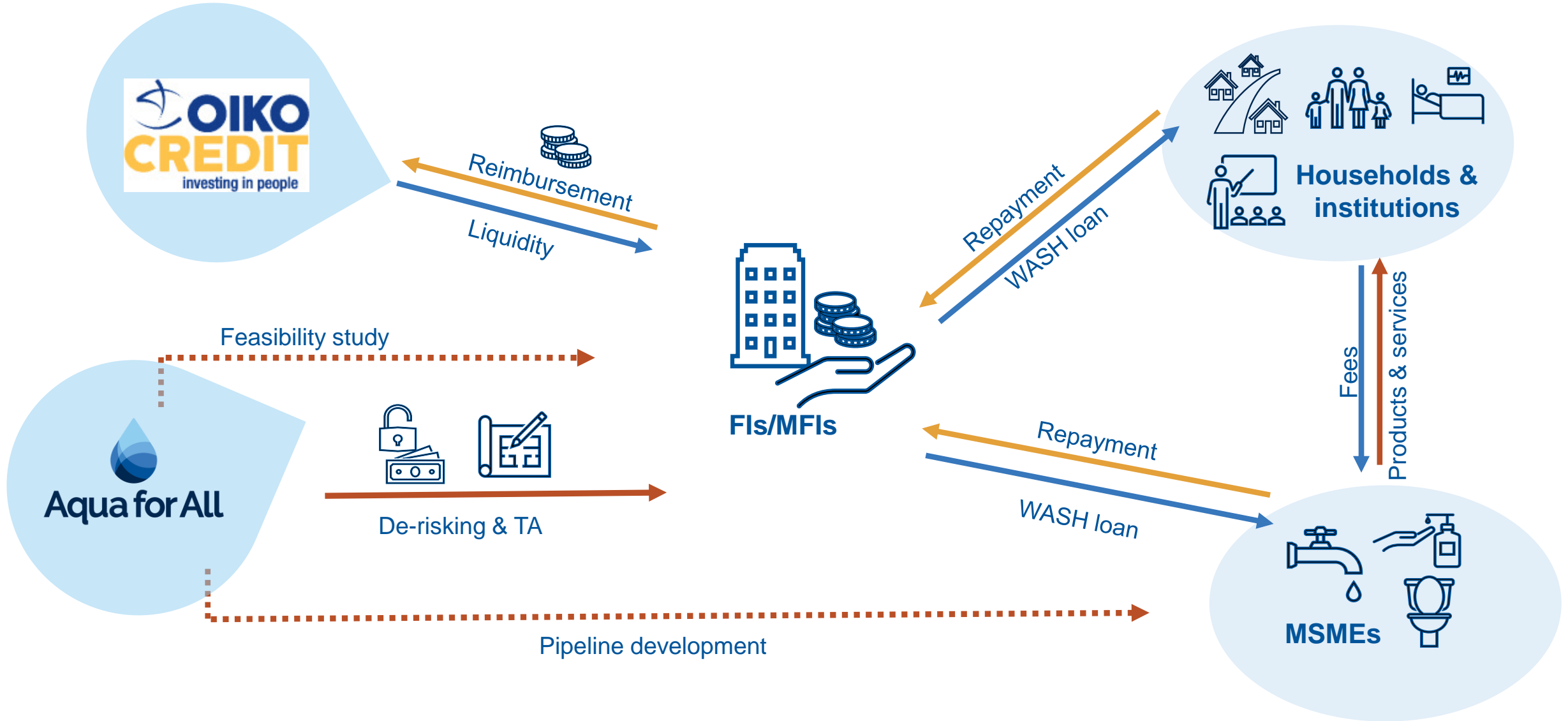
■ Partnership's objectives

- 💧 **Aqua for All:** Mobilising private investments in water and sanitation.
- 💧 **Oikocredit:** Exploring new investment opportunities within its community-focused strategy
- 💧 **Aqua for All & Oikocredit:** Partnership to bridge the finance gaps of the water and sanitation sector in Africa and Asia, especially in Uganda, Senegal and Cambodia.

■ Structure of the blended finance offering – Leverage 1:10

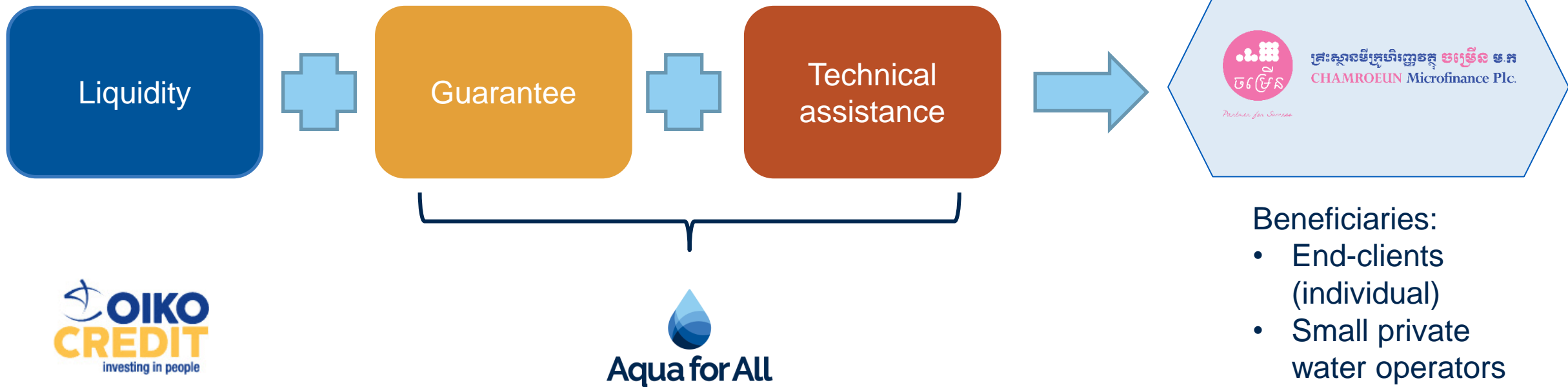


Offering to financial institutions



Financing structure with Chamroeun

■ Financing structure



■ Financing structure in two phases

Part 1: Q4 2021

Instruments and entity:

- Technical assistance by Aqua for All for market exploration and preparation

Indicative terms:

- Technical assistance → \$20,000



Part 2: Q4 2022

Instruments and entity:

- De-risking on WASH SME portfolio by Aqua for All
- Liquidity earmarked for WASH by Oikocredit

Indicative terms:

- De-risking → up to \$210,000
- Liquidity → \$1 million

Chamroeun's progress, insights and outlook



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Cambodia's water market

- 💧 Cambodian population: 17 million
- 💧 Just over 40% of Cambodian households connected to piped water, with a significant discrepancy between rural and urban areas
- 💧 70% of the population lives in rural areas
- 💧 400+ Private Water Operators (PWOs) licensed by the government
- 💧 50% of piped water connection provided by PWOs
- 💧 Over USD 150 million in financing needed to connect all households
- 💧 No dedicated commercial borrowing available to the water sector



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Framework

Household lending for WASH

- Products: water filters through bundling, latrines, water pumps, piped water connections, etc.
- 1.5 million outstanding for 3,200+ clients
- Partnership with Water.org since 2012 (closed this year but Chamroeun will continue). Total loans disbursed: 36,173; for USD 11.3 million mobilised

SME lending

- Addresses systemic issues facing our primary market (low-income households)
- Diversification into mission-compliant & niche markets in a competitive environment
- Initial discussions held a few years back with Water.org and Oikocredit on exploring the WASH SME sector

Research funded by Aqua for All to determine feasibility & demand drivers



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Key research findings

Barriers to financing

- Collateral requirements
- Loan terms

Funding needs

- Purpose: pipe extension, upgrading of treatment facilities, improving energy for pumping, HR costs, technology (fee management, accounting), marketing and promotion costs
- Amounts vary depending on size, sophistication, PWO's license area: from USD 20,000 to over USD 1 million

Risks

- Main risk identified by PWOs: damage to pipe networks from road works;
- Technical capacity to engineer expansion



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Value proposition

Eligibility

- Small – Medium sized PWOs needing growth capital – max up to 3,000 households already connected (represents 85% of PWOs)
- Active license and operating for two years

Non-financial products

- Support to PWOs: Specialised external firm provide support for underwriting, technical business plan development, oversight of construction, etc.

Loan products

- PWOL: up to USD 250,000; 84 months (max loan term) monthly payment of principal; initial moratorium considered for investments
- PWO Emergency Loan: up to 10% of loan or USD 10,000 (whichever is smaller), pre-approved in case of damage to pipe network, disbursed in 1 business day



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Current progress

- Research completed
- Underwriting tools are 90 % completed – i.e. loan application has been tailored specifically for PWOs, as far as cashflow, risk, asset structure, prudential ratios, etc.
- Products finalised and ready for the market
- Negotiations initiated with technical service provider
- Pilot program designed for a USD 2 million investment over 2 years
- Finalisation of guarantee agreement with Aqua for All
- Financing agreement with Oikocredit



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Insights

- Most users do not drink the water from piped water operators, private or public.
- Accordingly, there is an important effort required to create behavioral change. Also regarding the quality of the services

- Regulation on quality control has strong frameworks in place, but there is still room for improvements in implementation.
- As part of the loan proceeds, Chamroeun is considering requiring the purchasing of testing equipment if PWOs do not yet have them. The investment size is estimated between USD 3,000 to USD10,000

Ideas being explored:

- Loans to connect households integrated into fee payments
- Sales (with financing if needed) of water filters to PWO clients (with payments integrated into fee payments).

■ Many thanks for joining us!

