

CAMBODIA

SOCIAL INVESTMENT LANDSCAPE IN ASIA



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ABOUT THE REPORT

Now in its second edition, the Social Investment Landscape in Asia serves as a resource for funders and resource providers to assess the opportunities and challenges for social investment in 14 markets in North, South and Southeast Asia. It is designed to be a guide for new social investors and intermediaries looking to enter the Asian market and existing actors exploring partnerships as well as cross-border or cross-sector opportunities.

Each market report provides a holistic overview of the current and emerging trends in the social economy, including:

- Fact File: key demographic, economic and social investment indicators,
- Development Context: progress towards the Sustainable Development Goals and government initiatives to address development gaps,
- The Social Investment Landscape: key trends and notable actors,
- Social Economy Development: an assessment of the current landscape relative to the other 13 Asian markets, and
- Opportunities, challenges and recommendations for social investors and intermediaries.

An online decision-making tool and a detailed mapping of key actors are available at:
www.avpn.asia/si-landscape.

LIST OF ACRONYMS

| | | |
|----------|-------|---|
| A | ADB | Asian Development Bank |
| | ADMCF | ADM Capital Foundation |
| C | CAF | Charities Aid Foundation |
| | CSR | Corporate Social Responsibility |
| D | DFI | Development Finance Institution |
| E | ESG | Environmental, Social and Governance |
| G | GDP | Gross Domestic Product |
| I | ICT | Information and Communication Technology |
| M | MSME | Micro, Small and Medium Enterprise |
| N | NGO | Non-Governmental Organisation |
| P | PPP | Purchasing Power Parity |
| R | RISE | Regional Investment Support for Entrepreneurs |
| | RUPP | Royal University of Phnom Penh |
| S | SDG | Sustainable Development Goal |
| | SE | Social Enterprise |
| | SEAF | Small Enterprise Assistance Funds |
| | SHIFT | Shaping Inclusive Finance Transformations |
| | SIFEM | Swiss Investment Fund for Emerging Markets |
| | SME | Small and Medium Enterprise |
| U | SPO | Social Purpose Organisation |
| | UNCDF | United Nations Capital Development Fund |

CAMBODIA

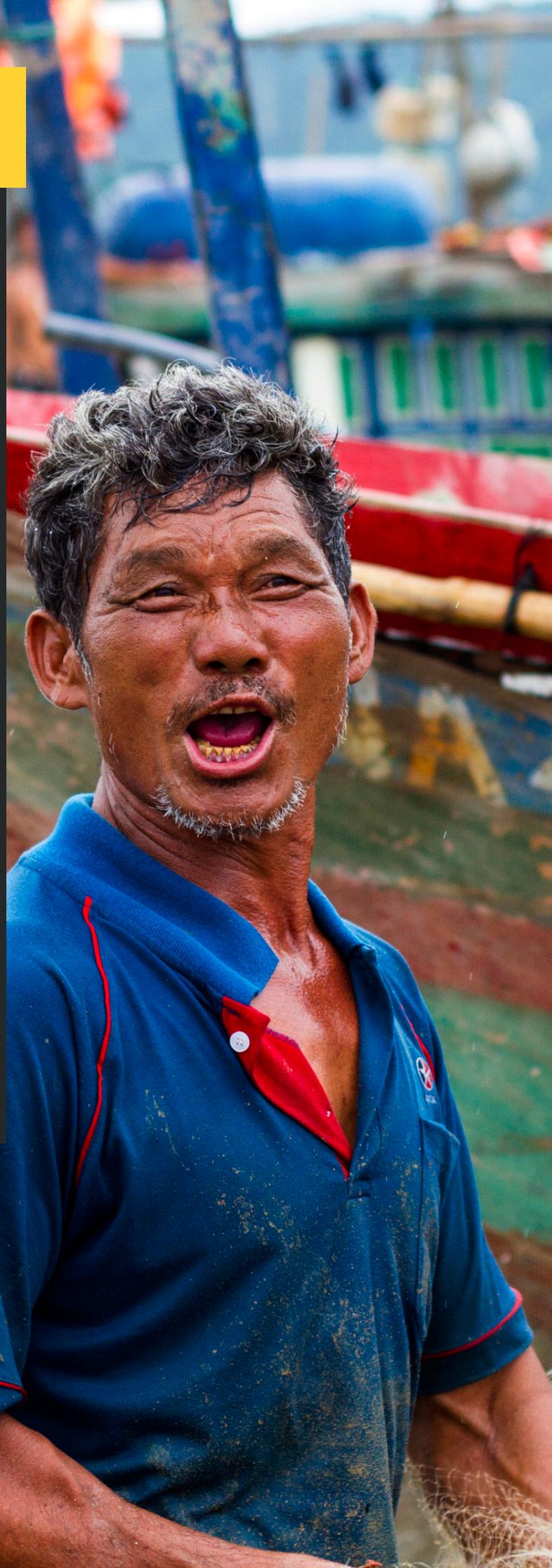
Cambodia sustained an impressive average GDP growth rate of 6.6% in the decade between 2007-2017.¹ Despite the relatively narrow base of the economy (driven primarily by garment exports, tourism and agriculture), Cambodia attained lower-middle-income status in 2015. Economic growth is projected to remain strong in 2018 and 2019, underpinned by tourism and fiscal expansion.² Economic diversification, good quality public governance, environmental sustainability and human capital development are key priorities for the country to sustain growth and achieve inclusive development.³

The social economy in Cambodia is still in its infancy but, with increasing interest from social investors and intermediaries, has significant growth potential. While institutional philanthropy is a recent phenomenon, partnerships between foundations and other stakeholders in the social economy are proliferating. Cambodia is also seeing a burgeoning impact investing scene, having attracted 45% of all private impact investment capital deployed in Southeast Asia between 2007-2017. Meanwhile, corporate impact venturing is gaining traction as large companies such as ANZ Royal Bank, Smart Axiata and Cellcard focus on fostering social entrepreneurship.

1. World Bank, GDP growth (annual %) - Cambodia

2. World Bank, 2018, Cambodia - Overview

3. Royal Government of Cambodia, 2014, National Strategic Development Plan 2014-2018



FACT FILE

Population
2017

16 million

GDP (PPP, current USD)
2017

USD 64 billion

World Rank 102

World Giving Index Rank
2017

134/139

- % giving money: 29%
- % volunteering time: 6%
- % helping a stranger: 18%

World Giving Index Rank (2016) - 98/140

GDP Growth
2017

7.1%

GDP per capita (PPP, current USD)
2017

USD 4,009

World Rank 147

DEVELOPMENT CONTEXT

While Cambodia has made significant strides in poverty alleviation,⁴ around 4.5 million people remain economically vulnerable.⁵ The Southeast Asian country continues to grapple with multiple development challenges, especially in terms of nutrition, healthcare, access to water, sanitation, energy and climate change. 32% of children under 5 years old in Cambodia are stunted, significantly higher than Southeast Asia's average of 26%.⁶ Only 30% and 69% of the rural population have access to improved sanitation and water, respectively, compared to 90% and 80% of urban residents.⁷

In 2013, the Royal Government of Cambodia formulated the Rectangular Strategy – Phase III

as the primary blueprint supporting the country's vision to become an upper-middle-income country by 2030. Phase III focuses on 4 key policy objectives: (i) sustainable agricultural development, (ii) improved physical infrastructure, (iii) private sector development and productive employment, and (iv) high-quality human resource.⁸ The National Strategic Development Plan 2014-2018 lays out key performance indicators for Phase III until 2018 for areas including: poverty, agricultural productivity, improvement in health and nutrition, education access and completion, water, sanitation, roads, environmental sustainability and gender equity.⁹

SDG DASHBOARD



Source: sdgindex.org

Note: The "traffic light" color scheme (green, yellow, orange and red) illustrates how far a country is from achieving a particular goal.

4. Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN), 2018, SDG Index and Dashboards Report 2018 – Global Responsibilities

5. World Bank, 2018, Cambodia - Overview

6. World Health Organisation, Levels and Trends in Child Malnutrition

7. World Health Organization, Cambodia – Water, sanitation and hygiene

8. Royal Government of Cambodia, 2013, Rectangular Strategy-Phase III

9. Royal Government of Cambodia, 2014, National Strategic Development Plan 2014-2018

Global Competitiveness Rank

2017-2018

94/137

Global Competitiveness Rank (2016-2017) - 89/138

Ease of Doing Business Rank

2019

138/190

Ease of Doing Business Rank (2018) - 135/190

Poverty

(Percentage of the population living below the national poverty line)

2014

14%

Source: Asian Development Bank (ADB), Charities Aid Foundation (CAF), Credit Suisse, World Bank
Figures are accurate as of March 2019

GOVERNMENT INITIATIVES TO ADDRESS DEVELOPMENT GAPS

| IMPACT AREA | SDG GOALS | GAP | GOVERNMENT INITIATIVES |
|-----------------------------|---|---|--|
| Agriculture |    | <ul style="list-style-type: none"> Small farmers make up 48% of rural households and remain vulnerable to poverty.¹⁰ The prevalence of stunting is high: 32% of children under 5 years old in Cambodia are stunted. | <ul style="list-style-type: none"> The National Strategy on Food Security and Nutrition 2014-2018 outlines an action plan to improve food security and reduce child and maternal malnutrition through more productive and diversified agriculture production.¹¹ The Fifth Legislature of the National Assembly 2013-2018 aims to maintain the targeted agricultural growth of 5% per annum.¹² |
| Climate action |    | <ul style="list-style-type: none"> Cambodia has been ranked among the most vulnerable countries to climate change (12/172 countries in the 2018 World Risk Index).¹³ Its long coastline and central low-lying plains are highly prone to sea level rises, resulting in severe economic losses.¹⁴ | <ul style="list-style-type: none"> The National Strategic Plan on Green Development 2013-2030 aims to attract green investors in renewable energy and enhance sustainable management of natural resources.¹⁵ The Cambodia Climate Change Strategic Plan 2014-2023 emphasises promoting low-carbon technologies and enhancing climate resilience for key ecosystems including Tonle Sap and the Mekong River.¹⁶ |
| Education and employability |  | <ul style="list-style-type: none"> Cambodia's net enrolment in primary education dropped to 93% in 2016 from 97% in 2012.¹⁷ The country's lower secondary completion rate of 48% is significantly lower than the East Asia and Pacific average of 92%.¹⁸ | <ul style="list-style-type: none"> Cambodia's "Education for All" strategy aims to improve the quality and effectiveness of education services at all levels.¹⁹ The country also plans to enhance human resource capacity in science and technology, especially in priority sectors including agriculture, industry, energy, physical infrastructure, information and communication technology, health care and environment.²⁰ |
| Energy access |  | <ul style="list-style-type: none"> Only half the Cambodian population has access to electricity.²¹ The country's domestic electricity supply remains low compared to its Southeast Asian neighbours.²² | <ul style="list-style-type: none"> The Cambodian government plans to extend electricity to all villages by 2020 and to 70% of all households across the country by 2030.²³ |

10. World Bank, 2015, Cambodian Agriculture in Transition: Opportunities and Risks
11. Royal Government of Cambodia, 2014, National Strategy for Food Security and Nutrition 2014-2018
12. Royal Government of Cambodia, 2014, National Strategic Development Plan 2014-2018
13. United Nations University, 2018, World Risk Report 2018
14. Royal Government of Cambodia, 2013, Cambodia Climate Change Strategic Plan 2014-2023
15. Royal Government of Cambodia, 2013, National Strategic Plan of Green Growth 2013-2030
16. Royal Government of Cambodia, 2013, Cambodia Climate Change Strategic Plan 2014-2023

17. World Bank, School enrolment, primary (% net) - Cambodia
18. World Bank, Lower secondary completion rate, total - Cambodia
19. Royal Government of Cambodia, 2014, National Strategic Development Plan 2014-2018
20. Royal Government of Cambodia, 2014, National Strategic Development Plan 2014-2018
21. World Bank, Access to electricity - Cambodia
22. Mekong Strategic Partners, 2016, Switching On: Cambodia's Path to Sustainable Energy Security
23. Mekong Strategic Partners, 2016, Switching On: Cambodia's Path to Sustainable Energy Security

| IMPACT AREA | SDG GOALS | GAP | GOVERNMENT INITIATIVES |
|----------------------|---|--|--|
| MSME development |   | <ul style="list-style-type: none"> • Micro enterprises account for over 97% of all enterprises but provide only 30% of jobs. • Close to 99% of micro enterprises are informal and not officially registered.²⁴ | <ul style="list-style-type: none"> • The country's industrial development plan 2015-2025 outlines promoting enterprise registration, providing training and linking MSMEs to large enterprises and multinational corporations as key policy measures to foster MSME development.²⁵ |
| Water and sanitation |  | <ul style="list-style-type: none"> • Regional disparities in access to water and sanitation remain stark. Only 30% and 69% of the rural population have access to improved sanitation and water, respectively, compared to 90% and 80% of urban residents.²⁶ | <ul style="list-style-type: none"> • The National Strategy for Rural Water Supply and Sanitation 2011-2025 outlines plans to pilot new funding mechanisms such as community contributions to build and sustain water supply and sanitation facilities.²⁷ |

Source: AVPN analysis

THE SOCIAL INVESTMENT LANDSCAPE

NEW DEVELOPMENTS IN 2017-2018

- Cambodia attracted 45% of all private impact investment capital deployed in Southeast Asia between 2007-2017, the bulk of which was channelled into the microfinance sector.²⁸ However, the country lags behind others in the region, including Indonesia, Philippines, Thailand, Vietnam and Myanmar in terms of impact investing activities by development finance institutions (DFIs).²⁹
- Smart Axiata, a subsidiary of the Malaysian telecommunications conglomerate Axiata Group Berhad, established a USD 5 million Smart Axiata Digital Innovation Fund to invest in Cambodian social start-ups in 2017.³⁰
- The Regional Investment Support for Entrepreneurs (RISE) programme was launched in 2018 by Swiss Foundation for Technical Cooperation (Swisscontact) in partnership with Uberis Capital and funded by USAID.³¹ RISE offers technical assistance to selected small and medium enterprises (SMEs) that address at least one SDG.

Declined international aid gives rise to social enterprises

Cambodia witnessed a boom in the number of international non-governmental organisations (NGOs) entering the country after the signing of the Paris Peace Accords in 1991 that marked the end of more than 50 years of political turbulence.³² This dramatic rise in international NGO activity was fuelled in part by foreign aid, and was followed by the proliferation of local NGOs that served as implementation partners for international NGOs.³³ Today, there are about 5,000 NGOs in the country³⁴ including around 200 international NGOs.³⁵

As the country graduated into the lower-middle-income group in 2017³⁶ and partly due to democracy concerns,³⁷ aid flows have been declining, prompting many NGOs to adopt the social enterprise (SE) model both to diversify their revenue streams and to pursue alternative ways of achieving their social objectives.³⁸

As of 2018, Social Enterprise Cambodia has mapped 127 SEs across the country. These are defined as organisations that use revenue-generating strategies to create social value.³⁹ Most SEs in Cambodia are operated by NGOs or registered as associations with the Cambodia's Interior Ministry.⁴⁰ In addition, there are at least 260 revenue-generating non-profit organisations in Cambodia, many of which aspire to

24. Royal Government of Cambodia, 2015, Cambodia Industrial Development Policy 2015-2025

25. Royal Government of Cambodia, 2015, Cambodia Industrial Development Policy 2015-2025

26. World Health Organization, Cambodia - Water, sanitation and hygiene

27. Royal Government of Cambodia, 2011, National Strategy for Rural Water Supply and Sanitation 2011-2025

28. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

29. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

30. The Cambodia Daily, 2017, Smart Axiata Supports Startups with \$5M Investment Fund

31. Swisscontact, Regional Investment Support for Entrepreneurs (RISE)

32. The Diplomat, 2013, NGOs in Cambodia: It's Complicated

33. The Diplomat, 2013, NGOs in Cambodia: It's Complicated

34. Jakarta Post, 2015, Cambodian parliament passes controversial NGO law

35. Council for the Development of Cambodia, General NGO Information

36. East Asia Forum, 2017, Adjusting to economic success in Cambodia

37. Cambodia Daily, 2016, Foreign Aid Drops in Latest OECD Update

38. Lyne et al., 2015, Social Enterprise in Cambodia: An Overview

39. Social Enterprise Cambodia, About

40. Lyne et al., 2015, Social Enterprise in Cambodia: An Overview

become SEs.⁴¹ Besides microfinance, Cambodian SEs are active in vocational training businesses (hospitality, information and communication technology (ICT) services), agriculture and rural development, energy, environment, health care and water and sanitation.⁴² The majority of SEs are in the early stages and small in size.⁴³

Institutional philanthropy is a recent phenomenon driven by foreign foundations

Institutional giving is a recent phenomenon in Cambodia, driven primarily by foreign foundations using strategic philanthropy approaches. Notable amongst them are ADM Capital Foundation (ADMCF) and Swiss Foundation for Technical Cooperation (Swisscontact). The key impact areas these foundations focus on include health care, child protection, microfinance, and rural livelihoods.

A big part of ADMCF's commitment in Cambodia involves capacity building in the areas of human resources, fundraising, and accounting for its non-profit partners. For example, ADMCF provided small grants to Angkor Hospital, a children's hospital in Cambodia, which allowed it to gain insight into the hospital's processes and systems. In addition, ADMCF has been providing strategic advice to help the hospital attain its goal of becoming an autonomous and sustainable organisation. The foundation is also currently supporting the hospital's day-to-day operations, fundraising and other concerns.⁴⁴

Established in Cambodia in 2016, Swisscontact is running programmes aimed at sustainable poverty alleviation through sustainable agriculture and tourism.⁴⁵ In addition to implementing its own programmes, Swisscontact also focuses on bridging the local skills gap by connecting SMEs to experts and partnering with local institutes to conduct vocation training in tourism and hospitality.⁴⁶



Cambodia's first technical assistance facility for SMEs addressing SDGs

Implemented by Swisscontact in partnership with Uberis Capital and funded by USAID, the RISE programme began operations in 2018. RISE provides technical assistance to business models that address at least one SDG.⁴⁷ RISE covers a wide range of areas that help selected SMEs become more investment ready including: business plan and strategy development, financial management and record keeping.⁴⁸ The programme also connects entrepreneurs to business experts and serves as a platform through which funders can channel funds to support these entrepreneurs and impact investors. Priority sectors include agriculture, energy, water and sanitation. RISE incorporates a delayed repayment mechanism whereby enterprises pay 10% of the cost upfront and the remaining 90% if they attract investments of more than USD 100,000 within 2 years.⁴⁹

41. ChangeFusion Institute, 2015, Financing the Long-tail: Catalysing ASEAN debt-based social investment

42. Lyne et al., 2015, Social Enterprise in Cambodia: An Overview

43. Lyne et al., 2015, Social Enterprise in Cambodia: An Overview

44. John et al., 2013, Innovation in Asian Philanthropy

45. Swisscontact, Projects and Countries

46. Swisscontact, Cambodia - Projects

47. Swisscontact, Regional Investment Support for Entrepreneurs (RISE)

48. Swisscontact, Expert Support for Social Impact Businesses

49. Swisscontact, Expert Support for Social Impact Businesses

Impact investment concentrates on microfinance

Cambodia is seeing a burgeoning impact investing scene, having attracted 45% of all private impact investment capital deployed in Southeast Asia between 2007-2017, partly as a result of its open, dollarised economy.⁵⁰ The bulk of this capital was channelled into the microfinance sector.⁵¹ However, the country lags behind other countries in the region, including Indonesia, Philippines, Thailand, Vietnam and Myanmar in terms of impact investing activities by development finance institutions (DFIs).⁵² Debt investments remain more prevalent as investors perceive higher risks in investing in the country.⁵³

Many international impact funds are active in Cambodia, including:

- ARUN LLC,
- Incofin,
- Insitor,
- Uberis Capital,
- Oikocredit,
- Nexus for Development,
- Phitrust Asia,
- responsAbility,
- Swiss Investment Fund for Emerging Markets (SIFEM) (Cambodia-Laos-Myanmar Development Fund II),
- Small Enterprise Assistance Funds (SEAF) (SEAF Blue Waters Growth Fund).

In addition to funding, they provide hands-on strategic technical support, access to networks and mentorship to investees to help them become sustainable and scale up. Apart from microfinance, they are active in agriculture, energy, environment, water and sanitation and ICT.

The investment focus of these funds is relatively diverse. ARUN LLC, Insitor, Uberis Capital, Phitrust, Nexus for Development invest in early-stage to growth-stage social ventures. SIFEM and SEAF support SMEs with impact potential. Incofin focuses on

microfinance institutions, producer organisations and SMEs in the agricultural sector.⁵⁴ Similarly, Oikocredit and responsAbility primarily invest in microfinance institutions and agricultural SMEs with an increasing focus on climate financing to promote energy efficiency and renewable energy.⁵⁵

Multinational corporations lead in strategic corporate social responsibility

While corporate social responsibility (CSR) is still largely associated with charitable donations,⁵⁶ multilateral organisations, DFIs and multinational corporations are leading in strategic CSR in Cambodia. Since its launch in 2008, the Clean Business Initiative has grown to become the country's largest CSR programme. Led by PACT Cambodia and supported by USAID, the initiative focuses on promoting fair competition and combating corruption.⁵⁷ Other examples include the Green Business Committee, a platform hosted by Eurocham Cambodia to promote environmentally friendly business practices,⁵⁸ and the CSR award for Korean companies organised by Korea Trade-Investment Promotion Agency.⁵⁹

Support for social entrepreneurship has become a CSR focus among large local enterprises. Starting in 2015, Cellcard, one of Cambodia's leading telecommunications companies, collaborates with Impact Hub Phnom Penh to provide training and mentorship to young social entrepreneurs in 5 cities.⁶⁰ Corporate impact venturing, defined as corporates' investments into early-stage social innovations, has also started to emerge, with pioneers including ANZ Royal Bank and Smart Axiata.

50. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

51. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

52. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

53. Global Impact Investing Network (GIIN), 2018, The Landscape of Impact Investing in Southeast Asia

54. Impact Assets, Incofin Investment Management

55. Oikocredit, Renewable Energy Asia Fund II; responsAbility, 2018, Strong Growth for Climate Financing: 2017 Sees Funding Commitments Increase By 48%

56. The Phnom Penh Post, 2017, Much more to CSR than meets the eye

57. Chhabara, 2008, Increasing Cambodia's Competitiveness through Corporate Social Responsibility

58. Eurocham Cambodia, Green Business Committee

59. Council for Development of Cambodia, CSR Award for Korean companies in Cambodia

60. The Phnom Penh Post, 2015, Cellcard goes through brand refresh, focusing on customer value and the community



ANZ Royal Bank and Smart Axiata pioneer corporate impact venturing approach

ANZ Royal Bank, a joint venture between the ANZ banking group and the Royal Group of Companies, one of Cambodia's largest conglomerates, launched Wing, a mobile platform that provides electronic remittance, payroll and deposit services to the country's unbanked population. ANZ subsequently sold Wing to Inter Logistics in 2011.⁶¹ In 2014, the National Bank of Cambodia granted Wing a specialised banking licence, allowing it to fully operate as a bank.⁶² To date, Wing has about 3 million customers and 1 million account holders.⁶³

In 2017, Smart Axiata, a subsidiary of the Malaysian telecommunications conglomerate Axiata Group Berhad, established the Smart Axiata Digital Innovation Fund, a venture capital fund of USD 5 million that invests in Cambodian digital social start-ups primarily in education and health care.⁶⁴ In addition to making investments of USD 25,000 - USD 500,000, the company provides investees with mentorship, marketing support and access to its more than 8 million subscribers. Smart Axiata also runs a 9-month incubation programme that offers access to funding and mentorship for students with innovative digital ideas.⁶⁵

Crowdfunding fosters digital activism

Crowdfunding is a very recent phenomenon in Cambodia, with the country's first crowdfunding platform, TosFund, launched in 2015.⁶⁶ TosFund aims to facilitate fundraising for development projects and social causes in Cambodia through offline and online donations and rewards. TosFund has raised more than USD 17,000 from more than 1,100 donors since inception, and contributed to 20 different social purpose organisations (SPOs).⁶⁷

Given that less than 4% of Cambodians have access to an international credit card, international crowdfunding platforms have not been able to operate effectively in Cambodia. Recognising this, TosFund has developed a local payment system through a partnership with local ACLEDA Bank to allow Cambodians to support local causes.⁶⁸ As they reach out to large online audiences, crowdfunding platforms have the potential to foster campaigning capacities for

development initiatives in addition to fundraising for social causes.

Local ecosystem builders focus on building the pipeline

In recent years, local universities have emerged as major ecosystem catalysts, with a focus on fostering social entrepreneurship among youths. In 2014, the Royal University of Phnom Penh (RUPP) launched a social business hub in partnership with Friends-International, Social Enterprise Cambodia and 1001 Fontaine with funding support from Danone Communities. In 2018, the National University of Management established its Social Innovation Lab as part of the European Union-funded South East Asian Social Innovation Network, supported by Smart Axiata.⁶⁹

Another active ecosystem builder is Impact Hub Phnom Penh, a co-working space and social incubator.

61. The Australian Financial Review, 2011, ANZ sells Cambodia Wing

62. The Phnom Penh Post, 2014, Wing enters the Kingdom's crowded banking sector

63. The Phnom Penh Post, 2018, Refining, expanding existing suite of products and services on Wing's plan for next year

64. The Cambodia Daily, 2017, Smart Axiata Supports Startups with \$5M Investment Fund

65. The Phnom Penh Post, 2017, Thinking responsibly, acting sustainably: highlights of Smart Axiata's CSR initiatives

66. Khmer Times, 2015, TosFund: Cambodia's First Crowdfunding Platform

67. USAID, 2016, Crowdfunding Platform Boosts Shrinking Budgets for Civic Projects. SPOs is the umbrella term for NGOs, non-profit organisations, SEs and impact businesses.

68. USAID, 2016, Crowdfunding Platform Boosts Shrinking Budgets for Civic Projects

69. South East Asian Social Innovation Network, NUM Social Innovation Lab

It has run numerous incubation programmes in partnership with UNDP and companies including Smart Axiata, Toyota Cambodia and Cellcard. They offer workshops, mentorship, facilities and access to Impact Hub's local and global networks. Another initiative by Impact Hub Phnom Penh is Social Enterprise Cambodia, which focuses on mapping and raising awareness about SEs and social entrepreneurship in the country.

Development finance institutions create impact through private sector development

In line with the shift away from aid, DFIs operating in the country strive to tackle social and environmental challenges through fostering private sector development. For example, IFC has financed many banks and microfinance institutions to lend to SMEs, especially women-owned enterprises.⁷⁰

United Nations Capital Development Fund (UNCDF) is another DFI that is very active in the country. It implements various financing mechanisms to unlock public and private funding into business models that create social impact.⁷¹ Its Shaping Inclusive Finance Transformations (SHIFT) programme invests in innovative business models that increase women's economic participation. UNCDF also works to promote financial inclusion among rural populations, micro and small businesses and youth. The CleanStart programme provides risk capital and technical support to financial service providers and energy enterprises, thereby contributing to Cambodia's green development efforts.⁷²

Social economy policies focus on supply of investment

Social economy policies in Cambodia have focused on mobilising social investment, with the Cambodian government taking the crucial first step to promote the integration of environmental, social and governance (ESG) factors into investment decisions.

The National Bank of Cambodia is one of the earliest regulators of microfinance in the world,⁷³ having

issued the first licences to microfinance institutions in 2003.⁷⁴ The country's microfinance regulations have focused on building an enabling environment for microfinance institutions and have allowed non-deposit-taking microfinance institutions to grow into some of the largest banks in the country while providing access to finance for low-income households.⁷⁵ For international impact investors, the Law on Investment and Incentive Schemes lays out multiple incentives including 100% ownership and land lease for up to 50 years.⁷⁶

In a more recent example, the Cambodian Sustainable Finance Initiative was launched in 2016 as a partnership between the Association of Banks in Cambodia, the National Bank of Cambodia and the Ministry of Environment. The initiative focuses on developing national environmental and social standards and facilitates the integration of these standards into banks' lending decisions with support from IFC and the Sustainable Banking Network.⁷⁷

However, the government does not provide any tangible support to SPOs. SEs are still not legally recognised in the country and operate with no concrete government support. In 2015, the parliament passed the controversial Law on Associations and Non-Governmental Organisations that gives the government the right to disband NGOs that are deemed to "jeopardise peace, stability and public order or harm the national security, national unity, culture, and traditions of Cambodian society."⁷⁸

70. IFC in Cambodia

71. UNCDF, Where we work - Cambodia

72. UNCDF, CleanStart in Cambodia

73. Chang, 2017, The macro behind microfinance: Cambodia's financial inclusion success story

74. Roviay, 2017, Microfinance in Cambodia

75. Alliance for Financial Inclusion, 2015, National Bank of Cambodia joins Alliance for Financial Inclusion

76. Southeast Asia Globe, 2018, Everything you need to know about investing in Cambodia

77. Association of Banks in Cambodia, 2016, Cambodian Banks Commit to Developing Sustainable Financing Principles

78. Jakarta Post, 2015, Cambodian parliament passes controversial NGO law

SOCIAL ECONOMY DEVELOPMENT

Cambodia has an early-stage social economy with significant growth potential given increasing interest from social investors and intermediaries

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------------------------|--|---|---|
| SPOs | Presence, size and maturity |  | <ul style="list-style-type: none"> • There are about 5,000 non-profit organisations (including about 260 revenue-generating ones) and 127 SEs in Cambodia. • The majority of SEs are still in the early stage and small in size. • Digital Divide Data, Hagar International, Friends-International, Sonas World and Mekong Quilts are examples of SEs that are scaling in terms of revenue and reach.⁷⁹ |
| | SEs' sectoral presence |  | <ul style="list-style-type: none"> • Besides microfinance, Cambodian SEs are active in vocational training businesses (hospitality, information and communication technology (ICT) services), agriculture and rural development, energy, environment, health care and water and sanitation.⁸⁰ |
| Investors | Philanthropic contributions |  | <ul style="list-style-type: none"> • Institutional giving is a recent phenomenon, driven primarily by foreign foundations following informed, strategic philanthropic approaches. |
| | Managed funds |  | <ul style="list-style-type: none"> • Cambodia is seeing a burgeoning impact investing scene with the presence of many international investors such as: ARUN LLC, Insitor, Uberis Capital, Oikocredit, Nexus for Development, Phitrust Asia, responsAbility, SEAF, SIFEM. |
| | Corporate sector |  | <ul style="list-style-type: none"> • While CSR is still largely associated with charitable donations, corporate impact venturing is gaining traction in the country with pioneers including ANZ Royal Bank and Smart Axiata. |
| Enablers and Intermediaries | Policy environment |  | <ul style="list-style-type: none"> • Social economy policies have focused on mobilising investment and promoting sustainable finance. • However, SEs are currently not legally recognised. The Law on Associations and Non-Governmental Organizations restricts SPOs' freedom to operate. |
| | Incubators, accelerators and capacity builders |  | <ul style="list-style-type: none"> • Impact Hub Phnom Penh provides co-working space and runs multiple incubation and capacity building programmes for SEs. • Swisscontact and Uberis Capital implement a USAID-funded technical assistance facility to enhance investment readiness among SEs and SMEs that address SDGs. • Sevea Consulting provides strategic and operational support for SEs.⁸¹ |
| | Networks and platforms |  | <ul style="list-style-type: none"> • AVPN, Impact Investment Exchange (IIX), Nexus for Development are notable networks of social investors present in Cambodia. • Social Enterprise Cambodia provides a platform for social entrepreneurs to share resources and ideas. |
| | Knowledge and research |  | <ul style="list-style-type: none"> • The Royal University of Phnom Penh (RUPP) and the National Management University set up social innovation hubs. • However, research activities remain sparse. |
| | Partnerships |  | <ul style="list-style-type: none"> • Collaborations among social investors are proliferating. Examples include: USAID, Swisscontact and Uberis Capital; Nexus for Development and Phitrust (Pioneer Facility); Cellcard, Smart Axiata, Toyota Cambodia and Impact Hub Phnom Penh; Danone Communities and the RUPP. • The Cambodia Sustainable Finance Initiative is an example of multi-sectoral partnerships between the government, local banks and DFIs. |
| | | | |

79. ChangeFusion Institute, 2015, Financing the Long-tail: Catalysing ASEAN debt-based social investment
80. Lyne et al., 2015, Social Enterprise in Cambodia: An Overview

81. Sevea Consulting

OPPORTUNITIES

- With a young population of a median age of 24 years, Cambodia's demographic dividend offers valuable human capital to augment economic and social investment growth.
- The Cambodian economy is relatively open with very few restrictions on foreign investment. The current narrowly based economic activity presents opportunities for international investors to enter the country.
- The number of SEs in Cambodia rose from 92 to 127 between 2017 and 2018. There are at least 260 revenue-generating non-profit organisations, many of which aspire to become SEs. This signifies an increasing interest in social entrepreneurship and growing opportunities for social investment.
- The establishment of social innovation hubs in large universities will likely result in a larger pool of high-quality human capital for the social investment sector.

- Given the emergence of corporate impact venturing in Cambodia, large companies have become potential partners to provide business expertise, mentorship and access to networks to enhance investment readiness among SEs and allow them to scale.
- Collaborations among social investors and between investors and ecosystem catalysts for supporting SEs set precedents for future partnerships that can maximise impact at the ecosystem level.

CHALLENGES

- The Cambodian government has yet to embrace the potential of SEs and social investment as a force for sustainable economic development.
- Quality human capital remains a major challenge for the Cambodian economy in general as well as in the social investment sector.
- The majority of SEs are still small and need a lot



of technical assistance to become investment ready. Like MSMEs, SEs often struggle to obtain adequate external finance. While microfinance in Cambodia is well-developed, MSMEs usually require larger amounts of capital than that offered by microfinance institutions.

- While corporate impact venturing has emerged and interest in social entrepreneurship is rising in the country, the potential of informed institutional philanthropy and strategic CSR in creating impact remains largely untapped.
- Impact investment capital deployed in Cambodia has been distributed unevenly across different impact areas with the majority going into microfinance.

RECOMMENDATIONS

● Development gaps:

- There are significant opportunities to maximise impact in the areas of nutrition, maternal and infant health, skill development, energy access, climate change and environmental conservation.

● Social investment:

- Cambodia has few established SEs and a sizeable MSME sector that lacks access to finance and technical assistance. Providing seed stage investment and hands-on non-financial support could go a long way in building a strong pipeline of SEs and impact-driven SMEs and enabling them to scale up.
- Foreign foundations could consider partnering with local foundations and philanthropists to cultivate strategic philanthropy approaches and gain a deeper understanding of local needs.
- Impact investors should explore collaborating with foundations and corporates to offer technical support for early-stage SEs. DFIs could co-finance such efforts.
- Impact investors should diversify from microfinance to focus on other needs.
- Cambodian companies can maximise social

impact by providing business expertise, mentorship and access to networks to social entrepreneurs.

- DFIs could consider providing risk capital to impact funds to encourage impact investment in early-stage SEs or SMEs that tackle underfunded areas.

● Ecosystem support:

- Universities could partner with foundations, impact investors, corporates and other ecosystem builders to provide business training to social entrepreneurs. They could also run incubation programmes to build the pipeline of high potential SEs.
- More technical support could be provided to revenue-generating NGOs and NGOs that plan to transition into SEs, especially grassroots NGOs that address local needs.
- Tapping into the angel investment community such as the Cambodia Investor Club Association and the Cambodian entrepreneur diaspora could be an effective way of providing seed funding and mentorship for early-stage SEs.

RECOMMENDED READING

- ChangeFusion Institute, 2015, Financing the long-tail: Catalysing ASEAN debt-based social investment
- GIIN, 2018, The Landscape of Impact Investing in Southeast Asia
- Lyne et al, 2015, Social enterprise in Cambodia

Appendix: Legislative Framework for SPOs in Cambodia

SEs are currently not legally recognised in Cambodia and therefore must be registered as a for-profit or a non-profit entity. An NGO may undertake commercial activities without being taxed so long as these activities are directly linked to its mission.⁸² The Law on Associations and Non-Governmental Organisations, passed in July 2015, sets forth the definitions of non-profit structures including associations and NGOs.⁸³

Foreign associations and NGOs wishing to conduct activities in Cambodia are required to submit

applications and if approved, sign an Memorandum of Understanding (MOU) with the Ministry of Foreign Affairs and International Cooperation.⁸⁴ The Ministry typically responds to applications within 45 working days at the latest. An MOU is valid for a maximum of 3 years.

The incorporation of a company is governed by the 1995 Law on Commercial Rules and Commercial Register, the 1999 Law on the Amendment of the Law on Commercial Rules and Commercial Register, and the 2005 Law on Commercial Enterprises.⁸⁵

| NON-PROFIT LEGAL STRUCTURES | |
|--|--|
| Association | An association is a membership organisation representing and protecting the interests of its members without generating or sharing profits. A domestic association should be established by a minimum of 3 members. |
| Non-Governmental Organisation (NGO) | An NGO is a non-membership organisation, including foundations, aiming to provide funds and services in one or several sectors for the public interest without generating or sharing profits. A domestic NGO should be established by a minimum of 3 members of Khmer nationality. |
| FOR-PROFIT LEGAL STRUCTURES | |
| General Partnership | Each partner shares in the profits and losses of the partnership (Article 23) and all partners are jointly and severally liable for obligations. |
| Limited Partnership | A limited partnership is a contract of partnership between one or more general partners who are the sole persons authorised to administer and bind the partnership, and one or more limited partners, who are bound to contribute to the capital of the partnership. |
| Private Limited Company | A private limited company may have between 2-30 shareholders. The shareholder's liability to the company is limited to the price of the shareholder's subscription (Article 147). |

82. Social Enterprise Cambodia

83. OHCHR Cambodia, 2015, Law on Association and Non-Governmental Organizations

84. OHCHR Cambodia, 2015, Draft Law on Associations and Non-Governmental Organizations

85. DFDL, 2017, Investment Guide Cambodia: Company Law and Commercial Registration

METHODOLOGY

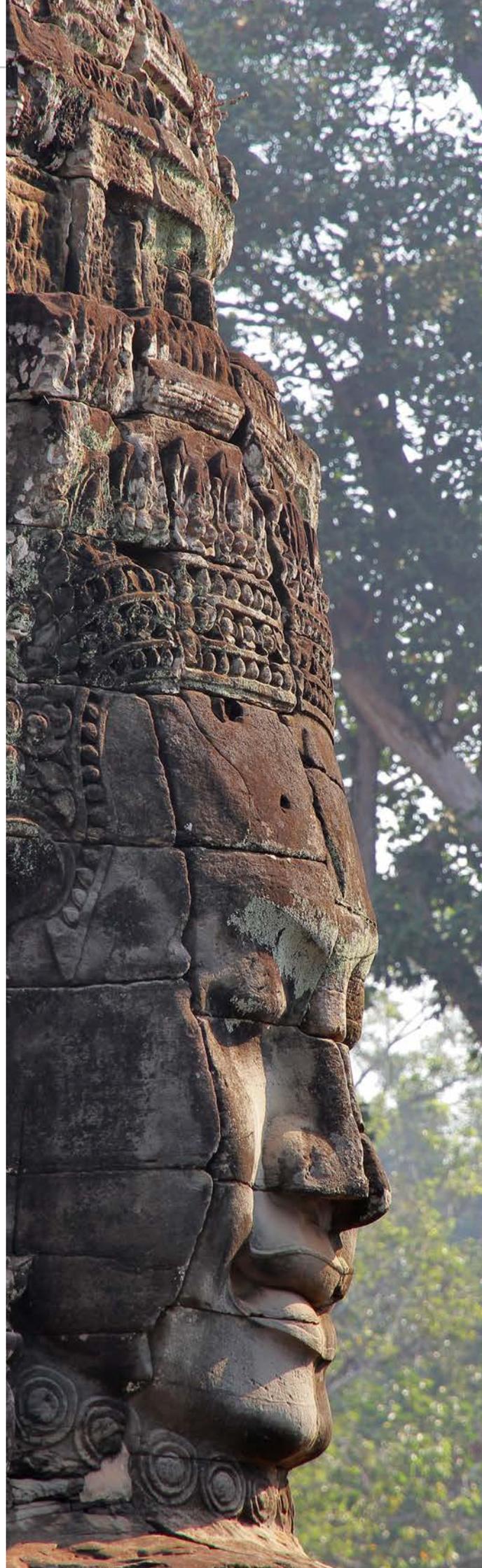
The methodologies used in this report were jointly developed by Sattva Consulting and AVPN, with the support from Robert Bosch Stiftung, one of Europe's leading foundations.

HOW WE CURATE INSIGHTS IN THIS REPORT

The research team used a combination of primary and secondary research methods and a particular process to curate information into useful insights:

- We sketched the landscape by compiling relevant standard indicators, indices and rankings from secondary sources.
- We plotted the trends and actors from secondary literature and AVPN's various member engagement activities.
- We expanded on this understanding by interviewing key actors, ranging from foundations to impact investors, intermediaries, and social entrepreneurs, to understand their investment/implementation philosophies, challenges and barriers they face, and key recommendations they have for anyone looking to invest in or support the social economy or specific causes therein.
- We corroborated the information we received from the interviews with secondary data to discern common patterns, contexts and evolutions which have led to certain trends.
- We computed the ratings for the social economy based on secondary data and insights from interviews.
- Once we had completed the landscape, we revisited the social economy ratings to perform a relative regional comparison and adjust the ratings accordingly.
- We also vetted the completed landscape with experts as listed in the acknowledgement.
- Overall, we aimed to bring the data and analysis together to provide practical recommendations for social investors and intermediaries across the spectrum.

Throughout the profile, we have attempted to map out recent developments, interesting partnerships and key actors that could form a basis for future collaborations. We have also provided detailed citations with embedded links to original sources and a list of recommended readings for further reference.



Definitions

While there might be different interpretations of the following key terms across Asia, our working definitions are as follows:

| Supply of social investment | |
|---|---|
| Corporate | A company that invests directly in social impact through CSR or through establishing a corporate foundation |
| Development finance institution | A financial institution that provides development aid and/or capital towards private sector development in developing countries |
| Family office | A wealth management advisory or establishment for high net worth and ultra high net worth individuals |
| Foundation/Trust | A not-for-profit organisation that funds social and/or environmental causes |
| Impact fund | A fund that invests with the intention to generate positive, measurable social and environmental impact alongside a financial return |
| Demand for social investment | |
| Impact business | A company that focus on creating positive outcomes for specific stakeholders of the business including employees, communities, customers, and the environment |
| Non-profit organisation | An entity dedicated to furthering a particular social or environmental cause (also referred to as non-governmental organisations) |
| Social enterprise | A company with a social mission that is aspiring to or able to generate revenues out of its products and services |
| Social purpose organisation | An umbrella term for non-profit organisations, social enterprises and impact businesses |
| Intermediaries | |
| Incubators, accelerators and capacity builders | Organisations that provide facilities, expertise and other forms of non-monetary support to entrepreneurs |
| Networks and platforms | Online and offline locations that convene stakeholders |
| Research and knowledge | Academic institutions and organisations that publish on the social economy |

Mapping and Rating Methodologies

Government initiatives to address development gaps

For this section, we referenced Tonic’s SDG Impact Theme Framework to map government initiatives to the different impact areas and relevant SDGs. The goal of the framework is to allow social investors to align their investments with the SDGs and thereby find greater alignment and synergy with the government and other key stakeholders.

For government initiatives, we analysed the latest national plans, policies and programmes to determine

national priorities for sustainable and inclusive development. We also examined SDG sub-indicators in order to pick out the worst-performing indicators, gaps in these areas and initiatives that have put in place to solve the problem.

Social economy development

To overcome the issue of limited data availability, we adopt the Harvey ball methodology to assess the stages of development for key factors constituting a social economy including SPOs (demand for social investment), investors (supply of social investment), intermediaries (organisations that support investors

and/or SPOs) and enablers, including the policy environment and partnerships. A simple 1- 4 scoring method is used to uniformly quantify the status of each factor so that relative comparisons can be made.

Asian context. The framework has been adapted from BCG’s SE maturity framework,⁸⁶ Monitor Institute’s definitions,⁸⁷ Acumen’s early-stage impact investing,⁸⁸ Tonic’s framework,⁸⁹ and AVPN’s analysis.⁹⁰

Each factor has a total of 4 scenarios depicted by the 4 Harvey balls equivalent to ratings from 1 to 4. These scenarios have been delineated based on the typical progression of the different factors in the

| CATEGORY | FACTOR | RATING |
|-----------|-----------------------------|---|
| SPOs | Presence, size and maturity |  Low presence of non-profits organisations and SEs (relative to the other 13 Asian markets). The majority are in early stages. |
| | |  Average presence of non-profit organisations and SEs (relative to the other 13 Asian markets). The majority are relatively established and creating discernible social impact. |
| | |  High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many are financially sustainable, with evidence of raising equity investments. |
| | |  High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many have reached regional or national scale, with a relatively high number of equity investments made. |
| | SEs’ sectoral presence |  The majority of SEs focus on job creation and basic social services such as education and health care |
| | |  The above plus presence of SEs in proven models such as microfinance and energy |
| | |  Diverse SE operations in an array social and environmental issues |
| | |  A holistic range of products and services targeting both the bottom of the pyramid and the environment in urban and rural areas |
| Investors | Philanthropic contributions |  Evidence of philanthropic contributions and/or religious giving |
| | |  Evidence of sustained, well-managed institutional philanthropy |
| | |  Evidence of informed and collaborative philanthropy to multiple causes with diverse tools |
| | |  Informed and collaborative philanthropy with diverse tools and innovative approaches |

86. BCG, 2015, The Art of Sustainable Giving
 87. Monitor, 2009, Investing for Social and Environmental Impact
 88. Acumen, 2015, Early-Stage Impact Investing

89. Tonic, 2017, Impact Theme Framework
 90. AVPN, 2016, A Guide To Effective Impact Assessment

| CATEGORY | FACTOR | RATING |
|-----------------------------|--|---|
| Investors | Managed funds |  Presence of social investment with no clear classification of investors |
| | |  Presence of managed funds with evidence of investments |
| | |  Presence of international and local funds with diverse financing instruments |
| | |  Presence of international and local funds with diverse financing instruments, co-investment and/or innovative approaches |
| | Corporate sector |  Corporate donations, volunteerism, compliance-based CSR and few examples of strategic CSR |
| | |  Evidence of strategic and sustained CSR across multiple causes |
| | |  Evidence of strategic and sustained CSR, support for SEs, sustainability reporting |
| | |  Evidence of shared value, support for SEs, sustainability reporting with innovative approaches/partnerships |
| Intermediaries and Enablers | Policy environment |  Neutral policy environment with no recognition or targeted support for the social economy |
| | |  Friendly policy environment with basic recognition and support for the social economy |
| | |  Enabling policy environment with multiple incentives to develop the social economy |
| | |  Strong policy support to build an effective social economy in the form of legislation, incentives, incubation and acceleration |
| | Incubators, accelerators and capacity builders |  Presence of social incubators, accelerators and capacity builders for SPOs offering co-working spaces and basic coaching |
| | |  Presence of social incubators, accelerators and capacity builders for SPOs offering access to expertise |
| | |  High presence of social accelerators and capacity builders for SPOs with sustained access to expertise, networks and seed funding |
| | |  The above plus ecosystem support through partnerships with other stakeholders |

| CATEGORY | FACTOR | RATING |
|------------------------------------|------------------------|---|
| Intermediaries and Enablers | Networks and platforms |  Evidence of convenings of social economy stakeholders |
| | |  Presence of formal networks and/or platforms dedicated to social economy stakeholders |
| | |  The above plus presence of cross-sectoral platforms |
| | |  High presence of formal networks and platforms that convene multiple sectors plus a variety of events to raise public awareness of the social economy |
| | Knowledge and research |  Availability of landscape mapping |
| | |  Regular landscape mapping with some quantitative data |
| | |  The above plus social economy research across a variety of topics and availability of courses on social entrepreneurship |
| | |  Regular landscape mapping, social economy research across a variety of topics and availability of formal social entrepreneurship programmes |
| | Partnerships |  Evidence of partnerships between two entities |
| | |  Presence of multi-stakeholder partnerships and collaborations between the government and social economy actors |
| | |  The above plus presence of a pooled fund and/or co-investment |
| | |  The above plus presence of innovative partnerships such as collective impact and impact bonds |



ABOUT AVPN

AVPN is a unique funders' network based in Singapore committed to building a vibrant and high impact social investment community across Asia. As an advocate, capacity builder, and platform that cuts across private, public and social sectors, AVPN embraces all types of engagement to improve the effectiveness of members across the Asia Pacific region.

OUR MISSION

The core mission of AVPN is to increase the flow of financial, human and intellectual capital to the social sector by connecting and empowering key stakeholders from funders to the social purpose organizations they support.

With over 500 members across 32 countries, AVPN is catalysing the movement towards a more strategic, collaborative and outcome focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

Visit us at: www.avpn.asia
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AVPN is a unique Pan-Asian funders' network catalysing the movement toward a more strategic and collaborative approach to social investment to address key social challenges facing Asia today and in the future.

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