

KINGDOM OF CAMBODIA

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NATIONAL BANK OF CAMBODIA

Unofficial Translation

PRESS RELEASE

Regional Conference on Microfinance

at Kampong Cham, December 8, 2006

"A Year of Celebration of the Achievements of Microfinance in Cambodia"

Following the declaration of Samdech Hun Sen, the Prime Minister of the Royal Government of Cambodia on 11 January 2006 at the National Conference of Micro finance, The National Bank of Cambodia is honored to inform the general public that the National Bank of Cambodia will organize the third Regional Conference on Microfinance which will be held on December 8, 2006 at Kampong Cham province and presided over by H.E Chea Chanto, the governor of the National Bank of Cambodia and about 500 participants were invited from 6 provinces namely Kampong Cham, Kampong Thom, Svay Rieng, Prey Veng, Stoeung Treng, and Kratie. The participants are the representatives from provincial governor level to chief commune level, from microfinance operators and institutions, and microfinance clients.

The National Bank of Cambodia is the supervisory authority of banks and financial institutions. During the past ten years microfinance institutions experienced a considerable growth. Currently, there are 16 licensed and 24 registered microfinance institutions covering around 440,000 clients with more than 316 billion Riels of loans outstanding. To contribute to the Royal Government policy on poverty alleviation, the National Bank of Cambodia has dedicated significance efforts to the development of microfinance institutions. The commitment of the National Bank of Cambodia is to ensure a safe and sound microfinance environment through extensive and exhaustive supervision, microfinance institutions have flourished and increasingly gained the public confidence.

The Conference has objectives on one hand of promoting the awareness of the general public and other local government authorities on the development of microfinance institutions and their role in poverty alleviation and attracting governmental, non-governmental, and international organizations to participate and contribute to this development through their technical expertise and finance, and on the other hand of ensuring the Prime Minister's recommendation during the National Summit on Microfinance are translated into action. This event will also provide opportunities for local authorities, microfinance institutions, and micro clients to present their experiences, challenges and successes in their business activities.

With these objectives the subjects for discussions included:

1- The role of the National Bank of Cambodia in rural finance: This will discuss the role of the National Bank of Cambodia in the supervision of microfinance institutions and its commitment to maintaining a safe and sound microfinance environment, and the effort it has contributed in the development of microfinance. It will focus also on the necessity of National Bank of Cambodia's role in an

establishment of a conducive environment to enable the microfinance sector to further expand its outreach countrywide and to diversify microfinance services.

2-The role of microfinance in economic development: The purpose is to acknowledge and celebrate MFIs achievements as private initiatives participating in poverty reduction and allow a better understanding of the challenges and the significance of the Microfinance and the important role of financial sector in the economic development process.

3-Microfinance: experiences and issues: The purpose is to allow MFIs, MFIs' clients and local authorities to present their experiences, challenges, and common difficulties including regulation compliance, loan administration and application, and find solution.

4-Savings mobilization and loans products : This topic provides an opportunity for MFIs to present the importance of savings and loans: why do poor need savings and loans services?, Why do MFIs provide savings services? It also discusses to find ways and means to facilitate and increase the rural poor's access to microfinance services, including credit and deposit facilities and to find any measure to protect risk of savings. The issues of interest rates are brought in for discussion in order for raising public awareness of funding costs and sustainability.

5-Interest rate on micro loans: Interest rate is an interesting topic among public. In the past we were criticized that interest rates charged on micro loans were too high. This is true, microfinance institutions operating business in the rural areas facing risks and high operation cost and therefore led to the higher interest charged by MFIs than that charged by commercial banks. In addition, the major sources of fund from oversea or local sources also have their value: Interest to be paid and another value is inflation. The objective of the Government is to undertake market interest rate policy, however, even though the interest rate is gradually decreased, all stakeholders of micro finance sector, especially international communities who lend money to MFIs should find ways to further decrease interest rate in order to help our poor borrowers.

6-Finance for small and medium enterprises : The purpose is to promote SMEs awareness of the possibility of using microfinance as source of funds and encourage SMEs to develop in order to create job opportunity for the poor people

The National Bank of Cambodia would like to express sincere thanks to local authorities at all levels, banks and financial institutions, and all participants for their active contributions and cooperation in bringing success to this Regional Conference.

November 30, 2006