

### **Summary of Investment: AMK Microfinance – Promoting Pro-Poor Rural Development through Microfinance - Cambodia**

<b>Project Name</b>	AMK Microfinance – Promoting Pro-Poor Rural Development through Microfinance
<b>Country</b>	Cambodia
<b>Region</b>	ASIA AND THE PACIFIC DIVISION (APR)
<b>Status</b>	Pending Approval
<b>Environmental &amp; Social Category</b>	Moderate
<b>Sector</b>	Agriculture
<b>Industry</b>	Micro finance institution
<b>Date of Disclosure</b>	XX August 2022
<b>Projected to be presented at the Board</b>	XX September 2022

### **Project Description and expected development results**

Cambodian rural communities are facing increasing levels of poverty and food insecurity, compounded by the effects of climate change, the negative effects of the COVID outbreak and a more recently inflationary pressures caused by the Russo-Ukrainian war, while continuing to experience little or no access to appropriate financial services. As a response, IFAD proposed a US\$ 5 million subordinated debt instrument, to be used entirely to expand and scale-up AMK Microfinance Institution Plc. (AMK)'s microfinance activities. Specifically, the proceeds of IFAD's loans will be on-lent exclusively in Pro-poor Value Chains (VCs) towards agricultural micro-, small-, middle-sized enterprises (Agri-MSMEs) and agricultural cooperatives (ACs) working and catering to the needs of small producers, to improve their livelihood and resilience. Given its subordinated nature, the loan will also allow AMK to expand its lending in rural areas where it currently has 95% of its portfolio. Key expected results include an increase in AMK agriculture lending as well as lending to the poor living below poverty line.

The project will also promote climate insurance and the expansion of AMK digital products to improve the productivity of SPs.

The Project will have countrywide coverage in rural areas. The target groups include Agri-MSMEs; ACs; SPs notably women and poor. The selected transformational pro-poor VCs are Vegetables, Cashew, Cassava and Rice. The project will complement IFAD's interventions in Cambodia through its sovereign portfolio. The project will support AMK to expand its outreach to a further 45,000 rural people, where 27,000 of these clients will be women (60%).

### **Borrower**

AMK is a socially committed leading microfinance deposit-taking institution (MDI) in Cambodia, which in 2021 operated in 92 per cent of Cambodian villages in all 25 Provinces through branches (150 offices and 3,526 staff), a wide agent network (6,658) and 73 ATMs/CDMs. AMK served a total of over one million client accounts through loans, deposit and micro-insurance products and processed more than 6.9 million money transfers and payments transactions in 2021.

AMK aims to be a one-stop shop for the most vulnerable rural populations in Cambodia offering adapted financial services to their needs. Approximately 95 per cent of AMK's borrowers live in rural areas and women represent 80 per cent of total borrowers.

### **Additionality**

IFAD's strong financial additionality stems from offering to AMK a subordinated debt with a long maturity which is not readily available in the wholesale lending markets. This subordinated loan will strengthen AMK's capital structure enabling its sustainable growth and greater lending to undeserved groups of priority to IFAD. IFAD's project also expects to have a catalytic effect, leveraging senior financing from development partners and commercial institutions.

IFAD's non-financial additionality includes support to AMK to adopt more rigorous Environmental, Social and Governance (ESG) practices to comply with IFAD's SECAP standards as well as the establishment of a Climate Risk Insurance pilot thanks to support from the INSURED program managed by IFAD and funded by the Swedish International Development Cooperation Agency (SIDA).

**Contact**

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