GREEN AND SUSTAINABLE FINANCIAL MARKET ANALYSIS: Financing Cambodia’s Future
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<thead>
<tr>
<th>Acronym</th>
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<tr>
<td>ABA</td>
<td>Advanced Bank of Asia Ltd</td>
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<td>ABC</td>
<td>Association of Banks in Cambodia</td>
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<td>ACMF</td>
<td>ASEAN Capital Markets Forum</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>CGCC</td>
<td>Credit Guarantee Corporation of Cambodia</td>
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<td>Cambodian Sustainable Finance Initiative</td>
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<td>Cambodia Securities Exchange</td>
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<td>Electricite du Cambodge</td>
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<td>Environmental, Social and Governance</td>
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<tr>
<td>INFF</td>
<td>Integrated National Financing Framework</td>
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<td>Initial Public Offering</td>
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<td>KHR</td>
<td>Cambodian riel</td>
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<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>Microfinance Institution</td>
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<td>MDI</td>
<td>Microfinance Deposit-Taking Institution</td>
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<td>MEF</td>
<td>Ministry of Economy and Finance</td>
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<td>National Bank of Cambodia</td>
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<td>Nationally Determined Contributions</td>
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<td>National Strategic Development Plan</td>
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<td>WWF</td>
<td>World Wildlife Fund</td>
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Executive Summary

In partnership with the National Bank of Cambodia (NBC), this study aims to build an understanding of the landscape concerning green and sustainable financial markets in Cambodia. The growing global momentum to better align finance with the Sustainable Development Goals has gained traction in Cambodia, which has started to develop pathways and policy signals to enable the financial sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with the SDGs. This paper will contribute to a comprehensive understanding of the policy and financing options to support Cambodia’s commitments toward this transition.

Green and sustainable finance represent a paradigm shift away from business as usual, seeking to mobilize capital to simultaneously promote economic growth, environmental protection, and sustainable development. As such, green and sustainable finance is increasingly a valuable tool to facilitate sustainable development and fund activities with environmental benefits in line with the SDGs. Although Cambodia has taken the initial steps on its path towards green and sustainable finance, it is a relative newcomer to this space. This study supports the development of NBC’s green and sustainable financing strategy by examining the state of Cambodia’s financial markets, identifying the barriers that constrain green and sustainable finance from realizing its potential in Cambodia, and assessing funding gaps. The study also draws on case studies in the Asia Pacific region to discuss the suitability and investor appetite for financial instruments, such as green bonds.

Globally, there has been exponential growth in green and sustainable finance. Cambodia has set the stage in motion for green and sustainable finance by establishing the Cambodian Sustainable Finance Initiative (CSFI) Sustainable Finance Principles and Implementation Guidelines with the support of
the government and the Association of Banks in Cambodia. However, it must act to ensure climate and environmental factors are fully integrated into mainstream financial decision-making processes and policies across all sectors and asset classes, as well as within the broader financial and banking system. Banks and financial markets will be crucial to take advantage of the opportunities presented by sustainable finance, such as new lending opportunities and better pricing – if they have access to effective tools. This study identified several critical issues, including institutional capacity and awareness compounded by the absence of clear policies and standards, as barriers to the development of green and sustainable finance in Cambodia. Importantly, sustainable finance policies must operate within established institutional processes and systems, including financial reporting and risk management systems and broader policy frameworks. If Cambodia is to limit the adverse environmental effects of future economic growth, mitigate potential climate risks, and positively contribute to improving the environment and meeting the SDGs, it needs to remove these barriers.

The study provides several recommendations including:

1. **Developing a national sustainable finance vision and roadmap**, to set a long-term policy framework that enables Cambodia’s national sustainable finance targets to align with the country’s 2030 SDGs and Nationally Determined Contributions (NDCs) under the Paris Agreement.

2. **Establish a Sustainable Finance Task Force** to enhance the coordination and cooperation of key stakeholders and ensure that the roles and responsibilities of stakeholders are clear, and ensure that emerging regulations on sustainable and green finance are harmonized and aligned.

3. **A phased approach** to reporting and disclosure of climate risks is recommended for banks, financial institutions and listed entities. The policy should adopt a progressive phased approach. Resources and training will need to be allocated to support this.

4. **The provision of additional technical support and capacity building** is critical to identify a robust investment pipeline suitable for sustainable financing. Various approaches can be considered, such as green budget tagging or the establishment of a green project preparation facility.

5. **Supporting further development of credit enhancement and risk management tools**, such as foreign exchange hedging to make products such as thematic bonds more viable.

6. **Fostering capacity building** including awareness-raising and capacity building of international best practices concerning all aspects of sustainable finance. There is a need to identify institutional and capacity gaps at the agency level, particularly in departments that are in the nascent phases of engagement with sustainable finance. Training and capacity-building programs should be tailored accordingly.

7. **Following the upcoming sovereign bond issuance**, capitalize on its success to support a similar future sovereign thematic bond issuance.

8. **Support a review of existing incentives** and refine or establish additional incentives where appropriate.

Capital that ignores environmental consequences and social inequity will be increasingly vulnerable to performance and reputational risk. Conversely, investors that pursue strategies that integrate the SDGs in their decision-making mitigate risk exposure and expand opportunities to generate positive financial, environmental, and social returns. Supporting the growth of green and sustainable finance is an opportunity for Cambodia to positively contribute to improving the environment and meet its SDGs. Setting up the conditions required for green and sustainable finance products and services to emerge will effectively channel capital towards the SDGs. Led by the government and collaborating closely with the private sector, financial markets in Cambodia have a critical role to play in helping to ensure a sustainable, resilient, and prosperous future in Cambodia.
Cambodia has undergone a significant transition over the past two decades, making substantial progress towards its Sustainable Development Goals (SDGs) and graduating to lower-middle-income status. While this has improved living standards for the general populace, such gains have often also come at a cost to the environment that could expose Cambodia to more risks in the future. Cambodia ranks in the top 10 out of 171 countries in being most exposed to climate risks which has the potential to lead to adverse financial outcomes and instability. Furthermore, the spread of COVID-19 has further impacted the fiscal space available to address these challenges as well as the financing needed to achieve the SDGs.

Climate mitigation and adaptation are critical priorities for Cambodia due to the negative impact of flooding and the dependence of many communities on agriculture and natural resources for their livelihoods. It is estimated that severe flooding and droughts due to climate change could reduce Cambodia’s GDP (Gross Domestic Product) by roughly 10 per cent by 2050. A significant loss of agricultural yield is also predicted due to the increasing incidence of extreme heat during the rice-growing season, particularly for poorer communities reliant upon rain-fed agriculture, exacerbating threats to the livelihoods of many vulnerable communities. Without meaningful action to address these issues, Cambodia’s hard-won economic gains could be eroded and pose systemic risks to the overall stability of the banking and financial system. The consequences of climate change and environmental degradation add to business losses and heighten the probability of loan defaults.

The sheer scale of funds needed to finance the SDGs and address climate change is unprecedented. In Asia and the Pacific, it has been estimated that an additional US$ 1.5 trillion per year is now needed to achieve the SDGs by 2030. Approximately 13 per cent of the additional spending is crucial for climate-resilient and low carbon investments. Governments cannot do this alone; a range of traditional and innovative financing instruments must be leveraged to mobilize public and private finance. In the Roadmap for Financing the 2030 Agenda for Sustainable Development, the United Nations Secretary-General António Guterres highlighted the need to advance varied solutions, including financial markets, to unlock the resources needed to promote sustainable development and address climate change.

Cambodia’s latest nationally determined contributions (NDCs) affirmed the country’s substantial financing needs as well as the urgency of providing funds for climate mitigation and adaptation. This assertion comes at a time when there is clear evidence that addressing climate change can help to create employment and economic growth. For example, it is estimated that...
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Top 10
Cambodia ranks in the top 10 out of 171 countries in being most exposed to climate risks.

Climate mitigation
Severe flooding and droughts due to climate change could reduce Cambodia’s GDP by roughly 10 per cent by 2050.

US$1.5 Trillion
In Asia and the Pacific, it has been estimated that an additional US$ 1.5 trillion per year is needed to achieve the SDGs by 2030.

90%
Approximately 90 per cent of Cambodia’s financial assets are located in the country’s banking system.
Green and sustainable financial markets have a crucial role to play in directing much-needed funding for critical activities to achieve the SDGs and reach the investment levels required to create low-carbon and climate-resilient communities and shape the work of every employee.

Investment in climate action would result in a global saving of approximately US$ 26 trillion by 2030.11 Like all countries facing these challenges, Cambodia must resolve how to best access finance for the SDGs and address climate change within a limited fiscal space.12 To deliver on these commitments and meet the expectations of its citizens today and into the future, Cambodia needs a financial system aligned with these commitments. Globally, momentum is building to better align finance with the SDGs. Together with other countries in the region and around the world, Cambodia is beginning to develop pathways and policy signals to enable the finance sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with these goals.

Green and sustainable financial markets have a crucial role to play in directing much-needed funding for critical activities to achieve the SDGs and reach the investment levels required to create low-carbon and climate-resilient communities. The role of financial markets, including green and sustainable financial markets, is to ensure the efficient and effective mobilization of capital. However, financial markets rely crucially on timely and accurate information regarding risk exposure. Consequently, high-quality information and reporting are essential for making informed decisions and efficiently evaluating financial risks and opportunities, including those related to green and sustainable lending and investments.13 This is clearly illustrated by the increasing focus of central banks worldwide to establish clear green financial strategies and implement effective prudential controls to ensure financial institutions identify and manage risks to maintain the stability of the overall financial system. As Cambodia’s central bank Governor Chea Chanto noted, a vital function of the NBC ‘is to contribute to mitigating financial risks triggered by the impact of climate change on economic, social, and environmental conditions.'14

Although Cambodia has taken the initial steps to nurture green and sustainable finance, it is a relative newcomer to this space. This study supports the development of NBC’s green and sustainable financing strategy by examining the state of Cambodia’s financial markets, identifying the barriers that constrain green and sustainable finance from realizing its potential in Cambodia and assessing financing gaps. The study also draws on case studies in the Asia Pacific region to discuss the suitability and investor appetite for financial instruments, such as green bonds.
Background - Cambodia

The pursuit of sustainable development is a key government priority. Cambodia has committed to a national development strategy to reduce poverty and accelerate the transition to a climate-resilient, low-carbon economy. Nonetheless, Cambodian GDP per capita remains among the lowest in Asia, and Cambodia was hard hit by the pandemic despite the government’s implementation of a series of measures to support people and businesses heavily affected by COVID-19.15 In 2020, Cambodia recorded negative economic growth at a rate of -3.1 per cent after two decades of 7.7 per cent average annual growth.16 Critical sectors such as tourism, garments, textiles, and construction were significantly impacted. Moreover, the sharp reduction in economic growth resulted in a limitation on government fiscal space. The measures to confront the pandemic have collided with ongoing efforts to fund the SDGs and combat climate change.

Financial Sector

Cambodia is a bank-based economy with commercial banks as the primary source of funding, and approximately 90 per cent of Cambodia’s financial assets are located in the country’s banking system.17 Credit is concentrated in several key sectors: wholesale and retail; agriculture; construction; and residential real estate.18 In line with government policies, NBC measures to cushion the economic and social impacts of the pandemic helped maintain credit quality in the banking system and keep non-performing loans low, ensuring that the banking sector remained stable and resilient during the pandemic.19 However, the Asian Development Bank (ADB) has warned that the pandemic, real estate lending, and faster credit growth combined with Cambodia’s underdeveloped financial system has heightened financial stability risks.20 Like many ASEAN economies, Cambodia also remains highly dependent on fossil fuels that contribute to climate change, which further exposes Cambodia’s banks to financial risks. As recently observed by Prime Minister Hun Sen, Cambodia is increasingly impacted by rising global oil prices due to the war in Ukraine, as well as the ongoing effects of the pandemic.21

Pre-pandemic, the Cambodian financial market system developed in line with the robust economic growth, and several legal and institutional frameworks were developed, including the National Strategic Development Plan 2019–2023, the Royal Government of Cambodia’s National Rectangular Strategy - Phase III,22 and the establishment of the Securities and Exchange Regulator of Cambodia (SERC) and the Cambodia Securities Exchange (CSX). Furthermore, in alignment with the Association of Southeast Asian Nations (ASEAN), the government of Cambodia also updated the Financial Sector Development Strategy (2016–2025), recognizing Cambodia’s aim to financially integrate within
ASEAN, thus gaining access to financial services and increasing financial stability.\textsuperscript{23} The strategy also included developing the government securities market and the issuance of government bonds by the Government Debt Management Office of the National Treasury.

**Sustainable Finance Initiative**

Cambodia has taken preliminary steps to establish the enabling conditions for green and sustainable finance. Supported by the government – including the NBC, the Ministry of Environment, and the National Council for Sustainable Development – and international development partners, Cambodia has adopted a bottom-up approach to sustainable finance. Led by the Association of Banks in Cambodia (ABC), the Cambodian Sustainable Finance Initiative (CSFI) was established in 2016 and a memorandum of understanding (MOU) on ‘Cooperation of Sustainable Finance’ was signed between ABC and the Ministry of Environment and NBC in 2019, to strengthen and develop sustainable financial cooperation in the banking sector.

In 2019, the CSFI published the Cambodian Sustainable Finance Principles and Implementation Guidelines\textsuperscript{24} (see Box 1 – CSFI Sustainable Finance Principles). The aim of the principles according to the CSFI is to ‘consider environmental protection and the preservation of Cambodian culture in harmony with the sustainable livelihoods of Cambodians’ and to help banks and financial institutions identify, mitigate, and manage E&S risks associated with their businesses and limit their own environmental footprint.\textsuperscript{25} The development of the principles and guidelines is a positive step, and crucially, the principles embody ownership on the part of key local stakeholders and a distinctive Cambodian perspective on the issues. Furthermore, by committing to the principles, members have increased the potential impact of the framework. However, some stakeholders have expressed concern that the principles lack transparency and enforcement and may not be enough given their voluntary nature. Also, whether the principles will meet the needs of international and regional investors, who are generally more interested in harmonizing with international standards such as UNEP-FI Principles for Responsible Banking, will be considered and examined later in the report (See Section 8 – Recommendations). The UNEP-FI principles, for example, seek to embed six key principles (alignment, impact and target setting, clients and customers, stakeholders, governance and culture, transparency and accountability) across all business areas, at the strategic, portfolio, and transactional levels.\textsuperscript{26} Although the Cambodian Sustainable Finance Principles and Implementation Guidelines are a valuable start and touch on many of the UNEP-FI principles, further enhancement of the principles accompanied by sensitization and training on the application of these principles may be necessary.

Also, as part of the CSFI, the ABC has conducted several sustainable forums with development partners, ABC members, and international and regional leaders in sustainable finance with the aim to increase awareness of sustainable finance and advance the ABC sustainable finance principles towards action.\textsuperscript{27} At the latest forum in October 2021, for example, Moody’s ESG Solutions presented trends and standards in Sustainable Finance, including Sustainable Bonds in Asia, as well as the key features of Second Party Opinions (SPO) when issuing these bonds.\textsuperscript{28} Likewise, government stakeholders including the NBC and SERC have also conducted events to increase awareness of sustainable finance. However, as discussed later in the report (see Page 14 of 46 Section 7 - Key Findings), awareness of sustainable finance amongst key stakeholders and the community more generally is still limited.
Box 1 – CSFI Sustainable Finance Principles

I. Protecting the Environment, our People, and our Cultural Heritage

Principle 1 - Assess and manage environmental risks relating to climate change, pollution and waste management and the protection of our critical natural resources.

Principle 2 - Assess and manage risks that could potentially negatively impact our people, in particular local communities, workers, and indigenous/minority populations.

Principle 3 - Assess and manage risks that could potentially negatively impact aspects of our cultural heritage, including our language, culture, traditions and monuments.

II. Financing the Future of Cambodia

Principle 4 - Increase the financial awareness and literacy of the Cambodian people and improve our approach to customer/client protection.

Principle 5 - Expand our reach to those who previously had no or limited access to the formal banking sector, as well as providing more innovative solutions to improve banking access and service levels.

Principle 6 - Finance innovations that create efficiencies and improvements of existing, traditional sectors and business activities, as well as for developing new green economy activities.

III. Leading the Way

Principle 7 - Build capacity across the banks to deliver on our commitments as well as raise awareness of our customers and communities about sustainable, inclusive finance.

Principle 8 - Manage our own environmental and social (E&S) footprints and request similar standards from our suppliers.

Principle 9 - Annually report our individual and sector progress against these commitments to hold ourselves accountable and to share the story and outcomes of our journey and the value we believe can be created for Cambodia.
Green and sustainable finance are broad terms, and when used informally, the terms often overlap and the boundaries between the two are blurred. While the term ‘green finance’ and ‘sustainable finance’ are increasingly used globally, neither term has a universally agreed-upon definition, and both are continually evolving. Crucially, green and sustainable finance both seek to reconcile economic and financial performance with social and/or environmental impacts and to mobilize capital in a manner that promotes both economic growth and sustainable development. As such, green and sustainable finance are increasingly valuable tools to facilitate and promote sustainable development and fund projects with environmental, social, and economic benefits in line with the SDGs.

However, the two concepts have some important differences. Wherein green finance is a subset within the broader overarching sustainable finance categorization, sustainable finance is a comprehensive category concerning environmental, social, economic, and other SDGs aspects, supporting financial flows across a broad set of sectors required to support sustainable development (see Figure 1 – Sustainable Finance Classifications). Throughout this report, for clarity, the text will refer to sustainable finance unless expressly referencing green finance.

**Figure 1 – Sustainable Finance - Classifications**

Source: Adapted from UN Environment Inquiry 2016b
Green Finance

The G20 Green Finance Study Group describes green finance as “the financing of investments that provide environmental benefits in the broader context of environmentally sustainable development”.

Green finance includes financial products and services that support initiatives that transform the economy towards a low carbon environment and climate resilience. Products incorporate climate finance for mitigation and adaptation – such as renewable energy financing, energy efficiency, and sustainable agriculture and finance – and operate on the basis of a wider range of environmental objectives, including industrial resource efficiency and pollution control, water sanitation, and biodiversity protection.

Sustainable Finance

The concept of sustainable finance is a central component of this study. Yet a singular definition is problematic as sustainable finance can be considered at several levels, and as such, the definition is contingent on context as illustrated in Figure 2 - Sustainable Finance. In addition, there are different definitions at the level of financial instruments, such as within thematic bonds, as well as definitions used by international organizations (e.g., the Organization for Economic Cooperation and Development) or the nation-state that are often applied as a function of national circumstances.

Currently, the Cambodian Sustainable Finance Principles and Implementation Guidelines define sustainable finance as “the provision of financial products and services integrating environmental, social and governance (ESG) criteria into business or investment decisions aiming for long-term economic development that is not only economically viable but also environmentally responsible and socially relevant”.

**Figure 2 – Sustainable Finance - Definitions**

A financial system development that is stable and tackles long-term education, economic, social, environmental issues, including sustainable employment, retirement, financing technological innovation, infrastructure, construction and climate change mitigation.

This definition provides an excellent starting point, and crucially it involves ownership by key stakeholders. Participation in decision-making processes is a cornerstone of environmental governance, and stakeholder participation in decision-making increases accountability, helping shape decisions in the public interest. Therefore, the participation of all key stakeholders in defining sustainable finance is fundamental. Hence, it is proposed that this definition of sustainable finance should be used to start discussions. Whether the Government of Cambodia should adopt this as the final definition to frame regulation will be examined later in the context of further stakeholder engagement and standards (see Section 8 – Recommendations).

Sustainable finance, therefore, implies that financial institutions and markets incorporate environmental, social, and governance (ESG) risks within their lending and investment criteria, making it easier for environmentally conscious firms to access finance and harder for environmentally damaging companies to do so, and helping to embed good ESG practices into the business environment. Financial markets have seen a substantial rise in ESG assets under management globally, including significant increases in sustainable financial instruments, particularly thematic bonds. It is estimated that the global ESG market will reach a third of all assets under management by 2050. Sustainable finance will be critical to closing the funding gap for the SDGs and climate targets. The next section will briefly examine the existing funding gap in Cambodia.
The momentum for sustainable finance stems in part from a gap between what is required for sustainable development and what is currently flowing. While the overall financial discrepancy in Cambodia is clearly sizable, calculating the exact amount of the sustainable funding shortfall is difficult. However, drawing on government data, it is clear that the finance gap is considerable. For example, according to Cambodia’s updated NDCs, the total funding requirement for climate mitigation is approximately US$ 5.8 billion, with the Forestry and Other Land Use (FOLU), waste, and energy sector actions requiring the most funding. In addition, the total funding required for adaptation actions is over US$ 2 billion, with infrastructure, water, and agriculture requiring the most funding.39

The need for adaptation support cannot be overstated, given the National Council for Sustainable Development estimates that without investment in adaptation, climate change could cost Cambodia 1 per cent of GDP every year by 2030, and all economic growth could be wiped out entirely due to climate change impacts by 2050.40 Currently, resource mobilization is limited to national and international funds and, where appropriate, market mechanisms in line with Article 6 of the Paris Agreement.41 In this context, the importance of sustainable finance cannot be overstated and represents a major opportunity that Cambodia cannot afford to miss.

Table 1 - Summary of Mitigation Finance Needs

<table>
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<th>Sector</th>
<th>Estimated finance necessary (million US$)</th>
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<td>Energy</td>
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<td>Forestry</td>
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<td>Industry</td>
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<td>Waste</td>
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<td>Transport</td>
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<tr>
<td>General</td>
<td>3.1</td>
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<tr>
<td>TOTAL</td>
<td>5,770.6</td>
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</table>

Source: Cambodia’s Updated Nationally Determined Contribution (NDC) 2020.
For both mitigation and adaptation, most activities are conditional on international support, and of the actions specifically outlined in the NDCs, only five specify that implementation is possible, at least partially, through existing budget allocations. Although Cambodia has received support from several climate funds, for example, over US$ 100 million from the Green Climate Fund (GCF), the amounts are almost inconsequential relative to the size of the funding gap. This highlights the need to leverage all available tools, including financial markets, and to involve multiple stakeholders to address climate change. Public sources such as multilateral lending institutions and governments have historically financed many such projects in Asia. Still, commercial sources such as pension funds, wealth management funds, banks, and others are beginning to come to the fore. Despite the gain in momentum, the deployment of private capital for sustainable finance in the region is still relatively limited. However, as Yulanda Chung, head of sustainability at DBS bank noted, ‘Asia cares no less than their peers in Europe and America about sustainable development, and they’re ready to put their money where their mouth is’ further noting that arguably the chief constraint to the growth of sustainable finance in the region ‘has been the limited supply of bankable sustainable projects, but this too is changing’. This limited supply of bankable projects has also been an issue reiterated by key sustainable finance stakeholders who were interviewed as part of this study; stakeholders noted that the lack of a clear investment pipeline is a hindrance to the flow of capital towards sustainable and green projects.

Building infrastructure for the energy sector is another crucial priority for Cambodia’s national economic development towards sustainability, as ongoing economic growth in Cambodia is matched by a corresponding growth in energy demand. Although renewable energy accounted for 65 per cent of Cambodia’s total energy consumption, much of this is from problematic sources such as wood for cooking. Moreover, Cambodia imports all the fossil fuels that it consumes, including coal and oil, although the country’s first 10 MW solar power plant came online in 2017. As a result, Cambodia remains heavily dependent on imported fossil fuels and imported electricity, and the domestic electricity price is one of the highest in ASEAN. Importantly, Cambodia’s NDC commits to a 16 per cent reduction in greenhouse gas emissions from the energy sector in a business-as-usual scenario by 2030. Additionally, the government commits to an additional 7 per cent reduction from energy efficiency and renewable energy initiatives in the manufacturing sector by 2030 and a 1 per cent reduction from the promotion of building energy efficiency and improved cookstoves, the use of biodigesters and water filters in waste management, and the use of renewable energy for irrigation and lighting such as solar lamps.

### Table 2 - Summary of Adaptation Finance Needs

<table>
<thead>
<tr>
<th>Sector</th>
<th>Estimated finance necessary (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>306.3</td>
</tr>
<tr>
<td>Coastal Zones</td>
<td>72</td>
</tr>
<tr>
<td>Enabling actions</td>
<td>21.05</td>
</tr>
<tr>
<td>Energy</td>
<td>0.32</td>
</tr>
<tr>
<td>Human health</td>
<td>0.47</td>
</tr>
<tr>
<td>Industry</td>
<td>Not reported</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>957.99</td>
</tr>
<tr>
<td>Livelihoods, poverty and biodiversity</td>
<td>211.13</td>
</tr>
<tr>
<td>Tourism</td>
<td>2.5 (as minimum)</td>
</tr>
<tr>
<td>Water resources</td>
<td>468.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,040.5</strong></td>
</tr>
</tbody>
</table>

*Source: Cambodia’s Updated Nationally Determined Contribution (NDC) 2020.*
The state-owned power utility Electricité du Cambodge (EDC) generates, transmits, and distributes electricity to the areas assigned to it by the government regulator. The ADB estimated that EDC’s financing gap for transmission and distribution infrastructure during 2016–2021 would be approximately US$ 600 million.\(^4^9\) To meet the gap, EDC can use its own financial resources, mobilize additional concessionary financing from development partners, request support from the national budget, or seek private sector investment. Given the constrained government fiscal space, and the increasing demand for renewable energy investment opportunities, the energy sector presents an excellent source of sustainable finance investment opportunities to be examined for possible inclusion in the investment pipeline.

Like the energy sector, the transport sector also suffers from a financial shortfall and is a major contributor to GHG emissions. In addition, this sector is exposed to risks from climate change. The annual national budget for transport infrastructure in 2018 was US$ 158.07 million.\(^5^0\) Through the National Strategic Development Plan (NSDP), 2014–2018, the government and development partners planned a sector expenditure program of US$ 910.40 million to improve the economy through better cleaner transport infrastructure.\(^5^1\) Other key sectors that similarly require upscaled funding include garment production, construction, and infrastructure. The investment needs and gap analysis below further underscore the significant sustainable financing gap in key sectors of the economy to meet the SDGs.

Scaling up sustainable finance to close the funding gap in Cambodia will require unprecedented collaboration among all stakeholders – including government ministries and financial regulators, alongside the private sector and development institutions – to identify how best to channel capital towards these gaps and to develop the right systems, polices and processes to manage the risks.

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*Figure 3– Total Investment Needs by Sector in billion US$ per year until the 2030s*

Globally, there has been exponential growth in the number of financial regulations that embed sustainability considerations within policy instruments.\textsuperscript{52} Sustainable finance policies can be classified in several ways, but broad categories generally include (i) taxonomies and standards, (ii) policy incentives, (iii) disclosure and reporting, and (iv) products, tools, and capacity-building.\textsuperscript{53} However, it is important to note that sustainable finance policies do not exist in a vacuum, instead they operate within a network of established institutional processes and systems, including financial reporting and risk management systems, as well as within broader policy frameworks such as public finance and financial markets regulatory frameworks.

There are numerous risks that need to be considered when managing financial assets and systems, including credit and operational risks that have to take into account, including climate and environment. When a bank makes a loan, it must assess the risks that will impact the borrower’s ability to repay the loan and manage and price it accordingly within its wider portfolio and balance sheet. From a broader perspective, financial market efficiency relies on timely and accurate information regarding risk exposures. Consequently, high-quality information and reporting are essential for making informed decisions and the efficient pricing of financial risks, including those related to climate change.\textsuperscript{54} Given the role that banks play as risk managers, they are well placed to manage climate-related liabilities and take advantage of emerging opportunities, such as increased lending prospects and better pricing. Access to effective tools including clear standards, disclosure reporting and risk management systems will further equip banks to maximize potential gains from climate-related lending.

It is therefore essential to not only mobilize capital for sustainable projects, but also to ensure that factors such as climate and the environment are fully integrated into mainstream financial systems, processes, and policy, across all sectors and asset classes and within the broader financial and banking system. This requires the development of tools, such as ESG risk management systems, clear standards and taxonomies, as well as risk reporting and disclosure frameworks. Financial products and services, such as green loans to encourage banking customers to move towards sustainable business models, should also be adopted. This could include, for example, products that incentivize bank clients to improve their energy efficiency (e.g. discounted loans for solar energy in buildings).
a. Disclosure and Reporting

Climate risks and ESG themes are playing a progressively more prominent role in the decisions of asset managers, banks, insurance companies, and financial regulators. Therefore, banks and financial institutions increasingly need to respond to how climate and ESG risks affect their current and future performance. The International Monetary Fund (IMF) has warned of the significant impacts financial institutions will face if they do not start to mitigate their climate risks. A 2-degree Celsius temperature rise may translate up to an estimated US$ 20 trillion of stranded assets globally across the energy, industry, and building sectors by 2050.55 Furthermore, research by global reinsurance company Swiss Re estimates that the world could lose up to 10 per cent of total economic value by 2050 if climate change stays on the current trajectory and the Paris Agreement and 2050 net-zero emissions targets are not met.56 Hence it is crucial that investments that lock in high-carbon emission pathways and lead to stranded assets, such as fossil fuel power generation, are disclosed so that investors and markets can accurately factor in these risks. In addition, some stakeholders remain hesitant to invest in ESG products due to fear of greenwashing, or unsubstantiated claims of ESG compliance, as these can damage their reputation.57 To address the problems of climate risks and greenwashing, climate risk disclosures should be of high quality, timely, and consistent to enable stakeholders to understand both the potential upside opportunities and the downside risks and allow capital to be better allocated to fund sustainable climate solutions. For this purpose, it is important to have a common disclosure framework and standards to avoid confusion and uncertainty.58
**Case Study – Singapore Introduces Phased Approach to Climate Disclosure**

In August 2021, the Singapore Exchange (SGX) proposed to phase in climate risk disclosures over a three-year period. Publicly traded companies in Singapore would be required to disclose their climate risk in line with the Taskforce on Climate-Related Financial Disclosures (TCFD) internationally recommended guidelines, starting in 2022.

<table>
<thead>
<tr>
<th>For Financial year Commencing</th>
<th>Baseline Reporting Practice</th>
<th>Calendar Year in which Report Published</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2022</td>
<td>For all issuers: Climate reporting on a “comply or explain” basis</td>
<td>2023</td>
</tr>
<tr>
<td>1 January 2023</td>
<td>For some sectors of issuers: Climate reporting on a mandatory basis.</td>
<td>2024</td>
</tr>
<tr>
<td></td>
<td>For other issuers: Climate reporting on a “comply or explain” basis.</td>
<td></td>
</tr>
<tr>
<td>1 January 2024</td>
<td>For more sectors of issuers: Climate reporting on a mandatory basis.</td>
<td>2025</td>
</tr>
<tr>
<td></td>
<td>For other issuers: Climate reporting on a “comply or explain” basis.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Singapore Exchange Consultation Paper on Climate and Diversity: The Way Forward, 26 August 2021

As part of the phased approach, the SGX is conducting workshops to help listed companies prepare for their climate-reporting requirements. The workshops, which focus on the TCFD recommendations, will assist companies in identifying climate-related risks, opportunities, and processes to implement climate reporting.59

**Case Study – ASEAN Taxonomy**

The recently released ASEAN Taxonomy for Sustainable Finance is a critical milestone in the evolution of sustainable finance in the region. It contributes to the alignment of underlying principles and serves to inform policymakers, stakeholders in financial markets, and international investors. It also has established a common language for sustainable finance across ASEAN member states to communicate and coordinate the labelling of economic activity and financial instruments. ASEAN adopted a principles-based approach to encourage all member states to engage with the proposed taxonomy and to work towards higher standards in the future. The taxonomy is structured into two tiers; (1) Foundation Framework and (2) Plus Standards and uses a traffic light system (green, amber, red) based on an activity’s contribution to four key objectives (climate mitigation, climate adaptation, protection of ecosystems, promotion of resource resilience) to classify activities. This approach is therefore a way of taking different national circumstances into account and encouraging ASEAN members to scale up in time.60
b. Taxonomies and Standards

In the context of sustainable finance, a taxonomy is a classification system identifying activities, assets, and/or project categories that deliver key climate, green, social, or sustainable objectives based on identified thresholds and/or targets. Taxonomies provide companies, investors, and policymakers with the definitions required to guide economic choices. Classifications also create security for investors, protect private investors from greenwashing, assist companies become more climate-friendly, mitigate market fragmentation, and help shift investments to where they are most needed. Recognized global standards for thematic bonds issuances include the International Capital Markets Association (ICMA) Bond Principles including the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG), and the Sustainability-Linked Bond Principles (SLBP). The ICMA bond principles aim to promote greater transparency and integrity in thematic bond markets. The established standards not only outline acceptable uses of the proceeds from bond issuances but also provide guidelines for reporting and verification. Moreover, taxonomies can complement standards, helping financial actors and other stakeholders determine which products and services can be labelled green or sustainable in their jurisdictions.

c. ESG Risk Management

Although banks and financial institutions have their own direct ESG risks, for example, energy use, their principal exposure arises indirectly by lending to their clients. The effects of ESG risks on banks can manifest in a variety of ways. For example, natural disasters linked to climate change can destroy property and lead to unpaid loans. As previously noted, Cambodia is extremely vulnerable to climate change that is likely to adversely impact many businesses due to flooding, drought, and seawater intrusion, among other risks. In some situations, indirect risks can also have major consequences. For example, a business could face significant increases in production costs if it needs to invest in new plant and equipment to meet new standards required by environmental regulations in its export markets such as those emerging the European Union (EU). Which specific risks are inherent in a transaction will depend on a multitude of factors, such as the geographic and regulatory context. But the growing prospect of large-scale climate events overall increasingly exposes the banking system to greater systemic hazards, particularly if it is not regulated at the national level. Banks and financial institutions that take such risks into account and successfully incorporate ESG risk management systems into their business practices are better positioned to seize new market opportunities by lending to emerging industries offering solutions to environmental and social challenges while mitigating lending risks.

It is essential to not only mobilize capital for sustainable projects, but also to ensure that factors such as climate and the environment are fully integrated into mainstream financial systems, processes, and policy, across all sectors and asset classes and within the broader financial and banking system.
d. Products and Services

It is also critical that financial institutions develop sustainable finance products and services to implement the country’s sustainable development agenda. Examples could include expanding green loan products to retail and corporate clients to encourage banking customers to move towards sustainable business models to finance energy efficiency, green buildings, green urban infrastructure, water efficiency, and climate-smart agriculture. Such financial products could extend beyond loans to include green deposit products and insurance as well as thematic bonds, which are discussed in more detail in the next section. Currently there are some nascent sustainable finance products and services in Cambodia that have made headway, such as small green loans offered by microfinance institution PRASAC since 2016. Likewise, LOLC Cambodia also offers green loans and recently signed a Credit Guarantee Agreement with the government-owned Credit Guarantee Corporation of Cambodia (CGCC) to increase the provision of loans.63

However, Cambodia lacks a standardized approach to green lending and greater discernment is required to establish what qualifies as green lending. The prevailing absence of a uniform definition makes it difficult for banks to understand and structure green loans in Cambodia. If Cambodian banks and financial institutions are to grasp emerging opportunities and contribute to reducing the impact of climate change with innovative products, such as green loans in climate-smart agriculture and renewable energy, these products need to be expanded and integrated into mainstream financial systems. Clear and stringent processes and policies, including clear targets and budgets such as green lending targets as a percentage of the total lending market as well as robust ESG risk management systems and disclosure reporting, are fundamental. Importantly, these new products and services require specific guidelines from the regulator to guide and encourage their development, as well as policy frameworks to promote their use, possibly also including reserve requirements and risk weighting.

Sustainable Finance Policies in Cambodia

To date, the government has not introduced any guidelines for sustainable finance. However, the government is currently working with development partners to align spending and priorities with the SDGs through the development of the Integrated National Financing Framework (INFF). There is also a MOU between ABC and the Ministry of Environment and NBC to strengthen and develop sustainable financial cooperation in the banking sector and, as discussed previously, the ABC has launched the Cambodia Sustainable Finance Principles, a voluntary framework that aims to help banks consider sustainability options in their lending operations.

In addition, while Cambodia has not introduced any policy requiring sustainability disclosure and reporting from companies, SERC is working with development partners to prepare a regulatory framework for ESG disclosure and reporting. SERC also plans to release a guideline on the offering of green, social, and sustainable bonds to provide clear instruction to issuers. Furthermore, the Ministry of Economy and Finance is in the process of drafting its Comprehensive Policy Framework on Development of Government Securities 2023 – 2028, which contains a chapter on the issuance of thematic bonds. With the upcoming issuance of various ground rules and protocol for green, social, and sustainable thematic bonds, it is recommended that SERC, MEF and other policy makers ensure that policy guidance is consistent and aligned prior to release, to ensure policies issued provide clarity to the market.

Additionally, while Cambodia does not have an established taxonomy defining sustainable economic activities, the newly developed ASEAN taxonomy could offer a model that Cambodia could potentially adopt and adapt accordingly.
6. Bond Markets

Local Bonds Markets

Since the introduction of regulations in 2017 allowing the issuance of corporate bonds, bonds have become an emerging financing option in Cambodia, where companies previously had to rely on bank loans and shareholder equity. Corporate bonds were launched in Cambodia in 2018, when Hattha Bank Plc issued Cambodia’s first-ever corporate bond. Although the bond market in Cambodia remains at the early stages of development, the government has taken significant steps to develop the market by establishing critical legislation to ensure that the regulatory framework governing the issuance of bonds is effective. For example, the Sub-decree on Tax Incentives in the Securities Sector (2022) offers bond issuers a 50-per cent tax reduction on profits and favourable tax conditions for three years to encourage participation in capital market development subject to several conditions. The issuance of government bonds is regulated by the MEF; non-government securities, including corporate bonds, are regulated by the SERC. The SERC also promulgates regulations for the trading, clearing, and settlement of debt securities in the Cambodian market, including revisions to CSX rules. In addition, the NBC has issued its own Prakas to allow banks and financial institutions under its supervision to issue both equity and debt securities.

Other bonds issued and listed on the CSX include: LOLC Cambodia and Advanced Bank of Asia Ltd in 2019; Phnom Penh Commercial Bank, RMA Cambodia, and PRASAC Microfinance in 2020; and Telcotech in 2021. As of March 2022, nine corporate bonds with a total amount valued to date at approximately US$ 160 million, were listed on the CSX, with all but two being a financial institution. In addition, there has also been some private placement of bonds issued by unlisted corporations. RMA Cambodia was the first non-financial institution to issue a corporate bond and the first bond to be guaranteed by the Credit Guarantee and Investment Facility, enabling the bond to be priced in Cambodian riel but enabling the issuer and investors to conduct transactions in US dollars. A foreign currency swap enabled offshore investors to hedge their foreign exchange risk. However, the cost of the swap (3.5 per cent) was an additional expense for the issuer. A foreign currency swap is an agreement between the parties to swap principal and interest payments made in one currency for principal and interest payments of an equal value in another currency at an agreed rate. The cost of these swaps is high in Cambodia due to the lack of hedging tools apart from spot FX markets. Despite efforts by the NBC, Cambodia remains a highly dollarized economy, creating a currency mismatch between issuers and investors that has constrained the development of the local bond market and
limits financing that could contribute toward the SDGs. Cambodian authorities are currently implementing a gradual approach to promoting de-dollarization. For example, the NBC has introduced regulations that banking and financial institutions must have at least 10 per cent of their loan portfolio in riel. The development of riel-denominated bond markets could play an important role in the path towards de-dollarization in Cambodia. However it is also important to note that a mix of securities is particularly important in underdeveloped capital markets such as Cambodia, in order to develop a solid yield curve and ensure market confidence.

Thematic Bonds in Cambodia and ASEAN

Thematic bonds are akin to common fixed-income bonds, offering predictable returns for investors in the form of a fixed coupon in exchange for medium to long-term funding. The main difference is that thematic bonds are primarily for funding projects that generate environmental and social benefits. Globally, the issuance of all types of thematic bonds, including green, social, sustainability, and sustainability-linked bonds will surpass US$ 1.5 trillion in 2022. Green bonds, which emerged in 2007, are increasing in prominence as an instrument for sustainable finance, with the market expanding rapidly and recently reaching the milestone of US$ 1 trillion issued globally. Green bonds are also expected to see record issuance volumes in 2022, maintaining their position as the dominant thematic bond. In the past decade, sustainable finance initiatives in the ASEAN region have become quite widespread with the launch of thematic bonds to finance numerous projects across the region. Cumulatively, Indonesia is the largest green bond issuer in the region with the issuance of approximately US$ 5bn, followed by the Philippines and Singapore at US$ 2.9bn and US$ 2.3bn, respectively. Countries in the region are also increasingly aware of how these instruments can help contribute to the SDGs. In alignment with the ASEAN Vision 2025, several initiatives have been developed, including the ASEAN Capital Markets Forum (ACMF)’s Roadmap for Sustainable Capital Markets and ACMF Action Plan 2021-2025.

In the past, the definition of different thematic bonds was subjective and open to interpretation. However, more recently, we have seen the development of policies and frameworks for various thematic bonds. The choice of an appropriate framework for a particular bond issue is essential for its successful issuance. It signals to the market what the bond issuer is trying to achieve, allows investors to identify the type of bonds being offered, and alleviates investor anxieties about greenwashing. In the context of sustainable finance, greenwashing is where firms engage in environmental rhetoric to gain reputational leverage with investors without the borrowed funds achieving the level of positive, sustainable impact claimed.

Thematic bond markets are taking shape in the region, channelling investor funds to green, social, and sustainable activities. However, to date, Cambodia is yet to see a sovereign bond issuance, let alone a thematic issuance. The SERC recently approved the ASEAN Green Bond Standards to provide investors and issuers with guidance on investment in compliance with an ESG mandate. SERC will soon release the complementary guideline on “The Offering of Green, Social and Sustainable Bond” to guide the issuer on procedures, regulations and standard or principles for compliance when issuing green, social or sustainable bond in Cambodia.
**Box 2 – Types of Thematic Bonds**

**Green bonds** – Fund projects with environmental benefits including renewable energy, green buildings, and sustainable agriculture.

**Social bonds** – Fund projects that address or mitigate a specific social issue and/or seek to achieve positive social outcomes, such as improving food security and access to education, health care, and financing, especially but not exclusively for target populations.

**Sustainability bonds** – Fund projects with both environmental and social benefits.

**Sustainability/SDG-linked bonds** – Fund projects based on the achievement of predetermined, externally verified sustainability objectives through Key Performance Indicators and Sustainability Performance Targets.

Although there have been no sustainability or social-labelled issuances from Cambodia, social and sustainability bonds issued in the thematic bond market in Singapore have helped channel capital towards catalyzing the broader adoption of sustainability practices in Cambodia. For example, the SSB Women’s Livelihood Bonds issued by the Impact Investment Exchange (IIX), an impact asset manager based in Singapore included loans to AMRU Rice (Cambodia) Co. Ltd. and LOLC Cambodia Plc. The following Thai Sustainability Bond case study demonstrates how feasible it is for a country in the region to raise capital towards both green and social projects in local markets. It also reflects the growing level of interest from investors for sovereign bonds from the region. This is a successful example that Cambodia can look to emulate as it moves forward towards its future issuances.
Case Study – Kingdom of Thailand Sovereign Sustainability Bond

The Kingdom of Thailand Sovereign Sustainability Bond was the first of its kind by a sovereign in Southeast Asia. Lead by its Public Debt Management Office, the bond now totals more than THB 157bn. The proceeds have contributed to fund both green infrastructure, the Mass Rapid Transit Orange Line (East) Project, and social impact projects to assist with COVID-19 recovery, including public health measures, job creation programs and local public infrastructure development. The bond framework is aligned with international and ASEAN capital markets standards. Key lessons learned include:

Bond issuance

- Strong commitment from the issuer is needed to gain investor’s confidence
- Ensure continuity and adequate size in order to promote liquidity
- Reach out to a diverse group of investors both onshore and offshore

Coordination between agencies

- Establish a formal committee to ensure coordination among various public sector agencies with different functions and expertise.

Source: Kingdom of Thailand’s Sovereign Sustainability Bond Issuance, Paroche Hutachareon, Public Debt Management Office, Ministry of Finance, Thailand UNWomen and UN ESCAP Presentation, 2022
Transparency

- Ensure that the entire process from evaluation, selection monitoring and reporting is in line with established guidelines. Engage with a second-party opinion provider as well as an external reviewer to support this process.

Promote awareness

- Engage with all stakeholders regularly to promote awareness and encourage future ESG issuance.
7. Key Findings

The findings of this section have been divided into two categories: findings in regard to the general sustainable finance ecosystem; and findings applicable to bond markets. These findings are based on key informant interviews with a range of both domestic and international sustainable finance stakeholders, as well as based on government consultations, documentation and desk review.

It should be noted that the Financial Sector Development Strategy 2016–2025 outlined several challenges that needed to be addressed to develop the securities market including providing (i) liquidity and depth in the market, (ii) flexibility and simplicity, (iii) the lowering of market access costs, (iv) the preparation of appropriate regulations and enforcement, (v) investor education, and (vi) system efficiencies and standards to support new developments. In addition, the strategy noted that Cambodia would benefit from plans and standards developed by working groups within the ASEAN framework. Since the government adopted the strategy, significant progress has been made but many of the issues identified remain and need further work to support the establishment of sustainable financial markets in Cambodia.

Sustainable Finance Ecosystem

a. Institutional Capacity and Awareness

Many key stakeholders have limited technical and institutional capacity to engage fully with sustainable finance. In addition, there are limited support services in the market, including legal, accounting, information services, and coordination that could bolster institutional capacity within the government and amongst financial institutions. Despite efforts by government actors – including the NBC, MEF and SERC, the ABC – and other stakeholders and development partners, the lack of institutional capacity and awareness to support the growth of sustainable finance remains a significant impediment. Responses from interviewees supporting early studies reaffirmed the finding that progress is still needed in both training and capacity building for sustainable finance together with customized programs to raise awareness.

During interviews, stakeholders acknowledged that sustainable finance is new to Cambodia. The lack of awareness about sustainable finance and the absence of a common understanding of sustainable finance, combined with weak institutional capacity, limits the implementation of sustainable projects. Almost all local stakeholders interviewed indicated
that their organizations were still at the incipient stages of engaging with sustainable finance and have limited knowledge on the topic. However, many institutions are in the process of developing action plans and reporting. Interviewees acknowledged that the majority of actors likely need greater incentives to encourage further action and that without clear financial signals from either government or the market, the private sector is unlikely to act.

b. Investment Pipeline

The lack of institutional capacity and awareness of sustainable finance is prevalent in both government and the private sector, including banks and financial institutions. It also intensifies the challenge of identifying suitable projects to build the investment pipeline and developing appropriate products and processes to manage the risks and opportunities presented by sustainable finance in Cambodia. Despite the demand for sustainable finance, as outlined earlier in Cambodia’s financing gap analysis, a clear investment pipeline was not readily available.

Robust investment pipelines are not top-down exercises. They are identified and developed by banking and investment staff working with clients and project developers. In so doing, they recognize the trajectory of investable projects that require finance. However, the lack of awareness of sustainable finance and trained staff contributes to the scarcity of investment-ready projects that could meet established investment criteria. Hence, the required funds cannot flow to help meet the financing gap. Several stakeholders noted that Cambodia’s green and social goals are closely intertwined — and suggested that it would be beneficial to combine green and social projects to create a more robust pipeline of projects, as successfully executed by the government of Thailand in the case study above.

c. Policies and Standards

As discussed earlier, sustainable finance in Cambodia has been for the most part led by the ABC on a voluntary basis with support from the government. Although there is broad support for sustainable finance among many stakeholders, and some Cambodian banks have international stakeholders that are increasingly embracing sustainable finance and ESG frameworks, Cambodian banks are often a small part of international parent bank’s overall operation and hence not material for ESG risk management or reporting at the group level. However, this may change in time through the development of Environment and Social Risk Management (ESRM) of the existing portfolio. For example, Canadia Bank Plc Director of Finance, Ou Sophannarith has noted his bank supports the growth of the sustainable banking sector and securing environment protection. Although mandatory regulations may not be required in the short term, policy clarity is essential to develop sustainable finance products and financial markets in Cambodia.

The sustainable finance ecosystem needs to be complemented by robust institutions and policies, as well as clear standards to ensure compliance. The lack of clear standards increases pipeline development costs for investors looking to invest. Without clarity on what is and what is not sustainable, investors will struggle to allocate capital towards sustainable assets. The lack of clarity also creates a stumbling block to the measurement of environment-related hazards, making risk management more challenging.

The objective is to create a robust policy environment to facilitate sustainable finance and support innovation and collaboration among stakeholders. By setting a clear direction for the financial services sector, standard settings and regulatory guidance and supervision have
an essential role to play. While there has been meaningful progress, more consistency and harmonization of policies and standards would enhance the market’s ability to align with and support sustainable finance. Further, Cambodia’s financial system and sustainable financial markets are part of an interconnected regional and global financial system and will need to establish relevant standards to access the wider international financial system.

**Bond Market**

**a. Liquidity and Pricing**

Several issues were identified regarding bond pricing in Cambodia. Firstly, there are few alternatives for investing excess funds, as the interest rate in the banking system for deposit products is generally highly competitive. Hence the pricing on bond issuance can be less attractive for corporates and financial institutions than other sources of funds, such as raising deposits or issuing equities. Secondly, the Cambodian bond market is relatively small, with few bonds issued. The market also has limited market-making functions to ensure liquidity in the secondary market; as a result, there is a lack of liquidity in the market, and most investors are institutional investors that hold bonds until maturity.83

To date there is no sovereign bond issuance in Cambodia. However, several of the private financial institution issuers have credit ratings from well-known credit rating agencies. For example, Advanced Bank of Asia Ltd (ABA), a subsidiary of the National Bank of Canada, was given a long-term issuer rating of B+ by S&P.84 Although it is understood that the government is expected to list a sovereign bond in late 2022, in the absence of a well-defined benchmark and an accurate yield curve as a reliable reference for pricing potential issuances, market growth will remain limited. As noted earlier, UNCDF market analysis supports a mix of securities in different denominations and the use of transboundary products so as to develop solid yield curves and bolster market confidence in private debt issuance.

**b. Costs of Issuance**

In addition, underwriting fees in Cambodia are high relative to comparable markets. According to UNCDF, underwriting fees in Cambodia are approximately 2.5 per cent for a domestic bond. The fee structure is higher than comparable Asian US$ high yield bonds and the 1 per cent for bond underwriting fees for Thailand’s big corporations. In addition, the cost of credit enhancement in the form of a guarantee (1.5 per cent) and foreign exchange hedging (3.5 per cent) adds to the costs of potential issuances. The underwriting fee in Cambodia is closer to the fee structure in Viet Nam and the high fees will likely discourage issuers from listing at CSX.

Furthermore, the cost of external reviews for example fees for Second Party Opinions must be assessed for the issuance of a thematic bond. These external reviews are usually conducted by independent reviewers who ascertain the green or sustainable credentials of the bond against the agreed standard, for example, the ICMA green bond principles. Reviewers verify the use of proceeds of the bonds against the standard. These additional fees, coupled with high underwriting costs in Cambodia, reduce the attractiveness of thematic bond issuances in Cambodia. The enhanced issuance process and subsequent monitoring also require extra costs and time, and some stakeholders have expressed concerns about these requirements compared to traditional fixed-income bonds.85 The issuance of thematic bonds still retains advantages over traditional fixed-income bonds in terms of
meeting sustainability commitments, reputation, public perception, and attracting investors with sustainability mandates and preferences. But the Cambodian banking sector is very competitive, and although financial institutions are increasingly mindful of reputational risks, they are unlikely to move forward without clear financial benefits.

c. Market Appetite

Interviews with investors and intermediaries suggest that investors would be interested in additional bond issuances from the private sector, particularly financial institutions such as existing issuers Acleda Bank and ABA Bank. For example, Prudential (Cambodia) Life Assurance PLC has invested in corporate bonds issued in Cambodia. Local investors, such as insurance companies and financial institutions, have few alternative KHR investment instruments and would welcome new bond issuances. As noted in the Financial Sector Development Strategy 2016–2025, insurance companies and pension funds operating in Cambodia have limited options for investing their capital and reserves locally and the situation is becoming more challenging as these entities continue to grow and accumulate funds that need to be directed towards longer-term investments. Despite the critical role of diversification in funds management, pension funds in Cambodia can still only invest in bank deposits. This highlights the crucial role that a robust and diverse bond market could play in Cambodia to provide the appropriate investment options for insurance companies and pension funds seeking to diversify their investment portfolios.

Likewise, the development of a robust health and pension fund sector in Cambodia is also linked to the growth of well-functioning and liquid capital markets. For example, currently there are reportedly millions of dollars from the workers’ compensation scheme deposited in the banking system, potentially exposing the scheme to additional systemic risk. As the fund grows with new members, longer-term investment options will be increasingly needed, and thematic bonds could be one feasible solution.

d. Financial Incentives

The issue of financial and tax incentives was raised by several stakeholders during consultations. The government provides various incentives to encourage local companies to list bonds on the CSX. However, the current tax incentives may not be as effective as desired. Although stakeholders were supportive of the incentives, some also expressed concern that they were not clear enough with competing tax regimes at play between the SEZs and the CSX. UNCDF argues that this is limiting the uptake of initial public offerings (IPOs) and private sector listings – the main source of thematic and green bonds issuance. Under the “Tax Incentive in Securities Sector” Anukret 54 issued in 2015, which has been recently replaced by the “Tax Incentive in Securities Sector” Anukret 42 issued in 2022, all Cambodian Registered Companies are eligible for a 50 per cent reduction on corporate tax (currently the corporate tax rate is 20 per cent) for three years after listing. The issuer will be waived all corporate tax liabilities for 10 years if verified by external auditors. Importantly, tax incentives must balance the competing demands of market participants and the government finances.

The following additional conditions were announced in February 2022. To qualify for the tax incentives, the bond issuer must issue bonds with a tenor of at least seven years and at a size that is greater than 20 per cent of total assets. For an issuer of equal or fewer than 20 per cent of total voting shares or 20 per cent of total assets, the issuer will be granted a pro-rated and declining tax incentive. Several stakeholders, including the UNCDF, contend that the seven-year maturity is too long for corporate bonds from a country with a long-term credit rating of B, and hence the existing incentives may not be as effective as desired.
e. Thematic Bonds Standards

Thematic bond markets are complemented by a broad range of actors such as SPO providers and ratings agencies as well as standards such as ICMA and ASEAN’s green bond principles. As such, regulation of these products and markets is decentralized and driven to a significant extent by market standards and principles rather than government regulations. Recognized global standards for thematic bonds issuances include the ICMA Bond Principles outlined earlier. ASEAN has also developed regional standards for green, social, and sustainability bonds. In 2017, the ASEAN Green Bond Standards were launched and were followed by the ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards, which together comprise a suite of standards for thematic bonds in ASEAN. The ASEAN Green Bond Standards build on the ICMA GBP’s and are relevant to green bond issuers with a geographical or economic connection to the ASEAN region. Local issuers are increasingly choosing to follow the ASEAN standards when issuing thematic bonds, as illustrated in Figure 5. However, the choice of the standard depends on several factors including likely investors, disclosure and reporting requirements as well as pricing. For example, the ASEAN standards encourage issuers to report more frequently than recommended by the GBP, and under the ASEAN Green Bond Standards the appointment of an external reviewer is voluntary.

The critical issue that the government must address is whether the proceeds raised by these instruments result in positive environmental or social impacts and avoidance of possible greenwashing as discussed earlier. For the market to survive, the legitimacy of the bonds is paramount. Issuers need to be able to sell thematic bonds, and investors require confidence in their economic value and desired impact. Without adherence to these established regional and international standards, the implementation of thematic bonds in Cambodia will likely struggle to succeed.

Figure 5 – Standards used for Thematic Bonds in ASEAN

Source: ASEAN Capital Markets Forum Roadmap for ASEAN Sustainable Capital Markets.
The shortage of clear policy guidance, coupled with the lack of awareness and institutional capacity amongst key stakeholders, creates a substantial barrier to the development of sustainable finance, particularly in the thematic bond market in Cambodia.

The aim of the recommendations is not only to support the mobilization of capital from a range of investors in pursuit of the SDGs by reducing the barriers to sustainable finance but also to foster the development of policies, processes, and systems needed to ensure ESG factors are fully integrated into mainstream financial decision-making across financial markets in Cambodia. Several core recommendations have been identified to help overcome the barriers to scaling up sustainable finance and the recommendations are subsequently broken into different elements. Key stakeholders and partners needed to drive the process forward have been identified, and actions mapped out in terms of priorities and sequencing. The focus has been on the establishment of a shared understanding and clarifying roles and responsibilities so as to entrench a long-term approach and build a robust sustainable financial market in Cambodia.

Recommendation 1: National Sustainable Finance Vision and Roadmap

The first recommendation is the development of a national sustainable finance vision and roadmap – a long-term policy framework to ensure that Cambodia’s national sustainable finance targets are aligned with the country’s 2030 SDGs and NDCs under the Paris Agreement. This policy roadmap needs to be complemented by the development of intermediate targets to be revisited on a biennial basis to ensure it remains on track and to help provide ongoing policy coherence among key stakeholders. The objective of the roadmap is to agree on an integrated, multi-stakeholder, strategic approach to accelerate the development of a sustainable financial system harmonized with the national sustainable development and climate targets with a clear plan to aggregate finance needs, gaps, sources, and options. The roadmap should also outline a potential pipeline of projects suitable for financing. Key areas of action to be included in the roadmap include policy direction, incentives to help encourage greater participation from the private sector, and ongoing capacity building. Development of the roadmap should start with standardizing the definition of sustainable finance, as discussed earlier. It must include clear SMART (Specific, Measurable, Attainable, Relevant, and Time-Bound) key performance indicators (KPIs).
Once agreed, the roadmap must be fully budgeted and funded to ensure that it will be implemented. It is essential that the roadmap is aligned with other regional frameworks, such as that of ASEAN, to promote sustainable finance among and between the member states, as well as national strategies and frameworks such as the INFF. This will help ensure the comprehensive development of sustainable finance in the region and unified efforts across banking and insurance, capital market, and ancillary services.

**Recommendation 2: Establish a Sustainable Finance Task Force**

The second recommendation is to develop a sustainable finance task force to enhance coordination and cooperation of key stakeholders and ensure that the roles and responsibilities of stakeholders are clear. The task force should include key actors from the government and the private sector, including senior representatives from NBC, the Ministry of Economy and Finance, SERC, the National Council for Sustainable Development and the Ministry of Environment, as well as representatives from the CSX and ABC, service providers, and development institutions. The task force steering committee will be responsible for supporting the roadmap and its implementation. Once the roadmap is agreed upon, it should be implemented in a coordinated manner by members to enhance cooperation between the public and private sector, build links between financial markets and key actors in the real economy, and create an enabling environment that looks at sustainable finance as the new business-as-usual.

**Recommendation 3: Adopt a Phased Approach to Disclosure Reporting**

It is recommended that the NBC consider mandating banks to report and disclose climate risks. Resources and training will need to be allocated to support this, and the policy should adopt a progressive approach initially requiring only banks to report, while MFIs and MDIs reporting remain voluntary, with the latter possibly phased into required reporting in the future, as needed. To ensure the alignment of all actors, an incentives framework including training and capacity building should be developed as a first step to encourage change and support early adopters, with clear policy guidance, and only later should consideration be given to any mandatory regulation like the Singapore disclosure case study discussed earlier. Similarly, CSX can also consider a similar approach for listed entities on the exchange.

Notably, open dialogue and information sharing should be initiated with all key stakeholders, including representatives from banks and financial institutions, and with the CSX as a key stakeholder whose buy-in will be crucial. As outlined in the Singapore case study, all issuers on the SGX are now required to either comply or explain why they cannot provide climate disclosure reports for the reporting period 2023. Data collection is a crucial element of disclosure reporting. Without access to relevant data, the information in the reports will be of limited value. The role of regulators is to agree on what needs to be reported. Banks, financial institutions, and other stakeholders will need to establish data collection systems to ensure they can subsequently report what is required. Banks and financial institutions will need time to develop these systems and to work with clients to ensure they have access to the underlying data. Establishing these systems will also assist banks and financial institutions to develop in-house ESG risk management systems critical for mainstreaming sustainable finance. The NBC will also need to build its own systems to monitor and supervise the implementation of the proposed reporting approach. Such a system will support data and information gathering on financial sector stability and climate-related risks.
**Recommendation 4: Cultivate and Finance the Investment Pipeline**

The provision of additional technical support and capacity building is critical to identify a robust investment pipeline suitable for sustainable financing. To do so, it is recommended that several options be considered: firstly, introduce budget tagging as outlined in Figure 6 - The Steps for Green Tagging; secondly, establish a Green Project Preparation Facility to identify and develop green infrastructure. The facility can also be used to build capacity amongst the government and the private sector. The facility would provide support with pre-feasibility studies, impact assessments, and technical assistance and advisory services to identify bankable and investment-ready projects. Thirdly, the facility would examine possible initiatives and instruments to aggregate assets and structure risks. An example is the use of securitization to aggregate small-scale projects to make them suitable for sustainable financing via thematic bonds. Fourthly, it is necessary to develop innovative approaches by advocating and encouraging business innovations that can support reporting, analysis, and skills building on sustainable finance issues to assist businesses in cultivating sustainable investment projects.

*Figure 6 - Steps for Green Tagging*

1. **Define What is “Green”**
   - Consider emerging public and multilateral definitions and identify scope:
     - Existing international definitions
     - National green objectives
2. **Decide What Budget Measure to Tag**
   - Take decisions in relation to what will be tagged:
     - Sectors
     - Type of budget items
     - Administrative level
3. **Develop a Classifications System**
   - Linked to the definition of "green"
   - Clear definitions of each category
   - Accompanying guidance
4. **Identify Information Needs**
   - Develop a weighting system (i.e. binary versus scaled approach)

Recommendation 5: Credit Enhancement and Risk Management Tools

Credit enhancement instruments and risk management tools, such as foreign exchange hedging, need to be further developed to make products such as thematic bonds more viable to move beyond business as usual and further unlock sustainable finance. Blended finance can include credit guarantees and subordinated debt that can reduce the risks for senior lenders by lowering the number of senior claims on assets. Blended finance is critical to unlocking and scaling up sustainable finance in Cambodia while accelerating development efforts.

Recommendation 6: Capacity Building

A multi-phased approach to capacity building is recommended, including awareness-raising and capacity building of international best practices concerning all aspects of sustainable finance. In addition, there is a need to identify institutional and capacity gaps at the agency level, particularly in departments that are only starting to engage with sustainable finance, and tailor training and capacity-building programs accordingly. Knowledge-sharing sessions for different stakeholders to exchange experiences will also be fundamental at the incipient stage. ESCAP and development partners can provide capacity building to support local stakeholders to acquire the skills needed for these new activities. For example, ESCAP, GRI, UNEP-FI and WWF have developed the Finance Flows’ Sustainable Banking Academy, which offers training to Southeast Asian Bankers on the adoption and implementation of the Principles for Responsible Banking. Similarly, ESCAP and UN Women have recently launched a video training series on thematic bond issuance, among other training and capacity-building support offerings. Such workshops are critical to raising awareness and knowledge among key stakeholders. Capacity building amongst stakeholders should be co-designed, to ensure the diverse needs of different stakeholders and industry sectors are covered. In particular, creating staff capacity in both government and the private sector to understand thematic bonds as a distinct segment of the market, and to increase awareness of this emerging asset class, is key. Cambodia can also build capacity through regional cooperation in various forums, such as ASEAN, that promote south-south cooperation on challenges and opportunities in the region in support of the 2030 Agenda for Sustainable Development.

Recommendation 7: Sovereign Thematic Bond Issuance

Following the planned sovereign bond issuance by the Cambodian government later in 2022 and assuming its success, the government could subsequently consider issuing a sovereign thematic bond with support from development partners to streamline the issuance and reporting processes. The success of thematic sovereign bonds in Indonesia, Thailand, and Malaysia is evidence of the increasing demand from investors for bonds from the ASEAN region and growing interest in a diversified pool of ASEAN bonds. Cambodia can build on this regional success to unlock the investment potential of thematic bonds. By issuing a thematic bond as part of its sovereign bond issuance program, the government can increase liquidity, improve pricing, promote market growth, and act as an example for the market and issuers considering thematic bonds.
Recommendation 8: Additional Incentives

The final recommendation is to introduce additional incentives to offset the added costs of issuing thematic bonds for issuers. An example could be the reimbursement of listing fees, credit rating costs, SPOs, legal support, or other expenses. This approach, which has worked successfully in Malaysia, Singapore, and Thailand to incentivize issuers to issue thematic bonds, will increase the likelihood of participation by commercially focused issuers which may not otherwise participate in sustainability financing. In addition, it could be useful to review the existing tax incentives to understand, for example, whether the tenor of the corporate bonds achieves the desired effect of encouraging more issuers. ESCAP supports the UNCDF recommendation to adjust the minimum maturity of bond issuance to receive tax incentives to three-year bonds to attract more issuers. Grant-funded technical assistance could also be utilized to motivate and fund bond issuance design and structuring, cover early-stage costs of projects funded by issue proceeds, or strengthen the commercial viability and developmental impact of the same projects.

The following table provides a summary of the key barriers to green and sustainable finance in Cambodia, together with the recommendations and proposed stakeholder actions.
### Table 3 – Barrier, Recommendations and Actions

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Recommendation</th>
<th>Stakeholder Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of clear vision and roadmap</td>
<td>• Establish a National Sustainable Finance Roadmap and Vision</td>
<td>• Establish taskforce</td>
</tr>
<tr>
<td></td>
<td>• Define KPIs</td>
<td>• Establish an inter-governmental working committee</td>
</tr>
<tr>
<td>Lack of clear definitions and regulatory framework</td>
<td>• Agree on definition of sustainable finance</td>
<td>• Taskforce conducts stakeholder consultation</td>
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<td></td>
<td>• Development of National Sustainable Finance Roadmap</td>
<td>• Taskforce develops a draft framework</td>
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<td></td>
<td>• Review roadmap with best practices in mind</td>
<td>• Agree on a roadmap with key stakeholders</td>
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<td></td>
<td>• Adopt a suitable taxonomy</td>
<td></td>
</tr>
<tr>
<td>Lack of reliable information</td>
<td>• Clear definitions</td>
<td>• Taskforce conducts stakeholder consultation and information sharing</td>
</tr>
<tr>
<td></td>
<td>• Phased approach to Disclosure Reporting</td>
<td>• Support provided development partners and international and regional leaders in best practices</td>
</tr>
<tr>
<td></td>
<td>• Harmonization with international standards</td>
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<tr>
<td></td>
<td>• Knowledge sharing</td>
<td></td>
</tr>
<tr>
<td>Lack of available pipeline</td>
<td>• Engage with managers to stay abreast of investments to market</td>
<td>• Policy makers ensure enabling regulatory environment that allows for viable investment projects. For example, professionally managed project tenders, targeting NDCs and social investments</td>
</tr>
<tr>
<td></td>
<td>• Budget tagging</td>
<td>• Grant-funded technical assistance facilities</td>
</tr>
<tr>
<td></td>
<td>• Establish Green Project Preparation Facility</td>
<td></td>
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<tr>
<td></td>
<td>• Initiatives specifically target project development with the goal of fuelling pipeline generation, e.g., InfraCo Asia</td>
<td></td>
</tr>
<tr>
<td>Real or perceived risks of investments and returns</td>
<td>• Subordinated capital, including first-loss equity, junior debt and others</td>
<td>• Concessional Blended finance provided by development partners</td>
</tr>
<tr>
<td></td>
<td>• Credit guarantees</td>
<td>• Grant-funded technical assistance facilities</td>
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<tr>
<td></td>
<td>• Hedging instruments, e.g., FX hedging</td>
<td>• Development partners provide direct capacity-building support</td>
</tr>
<tr>
<td>Lack of awareness and Institutional Capacity</td>
<td>• Grant-funded technical assistance facilities</td>
<td>• Grant-funded technical assistance facilities</td>
</tr>
<tr>
<td></td>
<td>• Strengthening the capacity of local managers by development agencies.</td>
<td>• Development partners provide direct capacity-building support</td>
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<tr>
<td></td>
<td>• Partnership models</td>
<td></td>
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<tr>
<td>Bond Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of liquidity</td>
<td>• Sovereign Issue to create a deeper primary and secondary markets; increase investor confidence in sufficient access and liquidity</td>
<td>• Coordinated approach by government and development partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Government consultation and knowledge sharing</td>
</tr>
<tr>
<td>High Costs of Issuance</td>
<td>• Assistance with SPO costs</td>
<td>• Coordinated approach by government and development partners</td>
</tr>
<tr>
<td></td>
<td>• Financial or tax incentives for reimbursement of listing fees, credit rating costs, SPOs, legal support, or other expenses</td>
<td>• Development provider funding to reduce fees</td>
</tr>
<tr>
<td></td>
<td>• Support for more competition amongst service providers should reduce fees</td>
<td></td>
</tr>
</tbody>
</table>
Conclusion

The importance of sustainable finance is increasingly gaining momentum worldwide, with clear signs that it is no longer a niche offering. Progress to align financial markets with the SDGs has been made at the G20, the European Union and ASEAN. Capital that ignores environmental consequences and social inequity will be increasingly vulnerable to performance and reputational risk. Conversely, investors that pursue strategies that integrate the SDGs in their decision-making mitigate risk exposure and expand opportunities to generate positive financial, environmental and social returns. As such, financial markets are increasingly responding to these issues. A diverse range of actors are integrating elements of sustainable finance into their decision-making, including institutional investors, commercial banks and insurance companies, credit rating agencies, and stock exchanges. Sustainable financial markets can assist Cambodia in limiting the negative environmental and social impacts of future economic growth, mitigate potential risks, and positively contribute to improving the environment and meeting the SDGs. However, Cambodia must act to ensure climate and environmental factors are fully integrated into mainstream financial decision-making across all asset classes. As the study recommends, developing a clear vision for sustainable finance and a roadmap led by governments collaborating closely with all stakeholders is a crucial first step. Sustainable financial markets have an essential role to play in helping to ensure a sustainable, resilient, and prosperous future.
Annex A – Methodology

The study adopted a pragmatic and empirical approach to research so as to balance competing perspectives and better understand possible barriers that could stymie green and sustainable finance solutions so as to better enrich the proposed policy recommendations. The methodology included four stages. The first stage was the desk research and review. This provided background analysis of the context of the issues through policy documents and related position papers, and a review of current literature. Mapping key stakeholders and issues regarding green and sustainable finance in Cambodia – and the rationales underpinning the existing market and approach – facilitated the evaluation. The main topics examined in the desk research included: the state of the sustainable finance markets; Cambodia’s banking and financial markets, including legal and regulatory frameworks; and the existing financial infrastructure and ecosystem. Current and emerging sustainable finance taxonomies and standards were also examined.

The second stage included a series of semi-structured interviews conducted primarily via MS Teams due to travel restrictions. At this stage, case studies were also used to draw out lessons learnt from experiences in the region and internationally. The third stage included distilling the findings from the desk research, the interviews and the case studies, and drawing conclusions and making recommendations based on the research and consultations. The preliminary draft report was reviewed by NBC and later drafts were shared with key stakeholders and institutions involved in sustainable finance for refinement. The final phase consisted of further consultations to incorporate feedback and gain stakeholder buy-in before finalizing the report with NBC.

The interviews were conducted with a range of stakeholders both in-country and within the region including key government stakeholders such as the Ministry of Economy and Finance, the National Council for Sustainable Development and the Ministry of Environment. Interviews were also conducted with private sector actors, including banks and financial institutions and relevant service providers, including second-party opinion providers, and multilateral financial institutions, as they are crucial participants in sustainable finance markets, particularly thematic bond markets. (see Annex B - List of Interviews).

Key informant interview selection was prioritized to include a range of key stakeholders and ministries which are fundamental for creating an enabling environment for sustainable and green finance. Importantly, the focus centered on data richness rather than the number of participants. Consequently, interviewees were selected based on their involvement in the relevant area and on the recommendations of other interviewees. The interviews were the primary tool for obtaining on-the-ground information and gleaning perceptions of sustainable finance and how the Cambodian market is responding to green and sustainable finance. The interviews included questions to gain insight into the practices and challenges of sustainable financial markets and the consequences for different stakeholders, as well as the perceived obstacles to sustainable finance. The interview responses were analyzed, and the main themes identified and grouped for analysis. By grouping responses, critical themes came to light — for example, the institutional capacity and regulatory barriers that prevent stakeholders from engaging with sustainable finance policies and markets.
The questions were refined and developed during the interview process. Rather than only using standardized questions, semi-structured interviews were conducted to allow interviewees to express their views in their own words. Open-ended questions were followed by more focused questions, which enabled interviewees to speak and expand freely on critical topics. The study also used case studies to explore different aspects of green and sustainable finance practices in similar markets. These case studies illustrate the opportunities and challenges that diverse stakeholders face during the successful implementation of sustainable finance strategies and highlight the potential in the Cambodian context.
## Annex B – Interview List

<table>
<thead>
<tr>
<th>Type</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Local Financial Institution</td>
<td>Acleda</td>
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<tr>
<td>Local Financial Institution</td>
<td>ABA Bank</td>
</tr>
<tr>
<td>Local Financial Institution</td>
<td>Phnom Penh Commercial Bank (PPCBank)</td>
</tr>
<tr>
<td>Local Financial Institution</td>
<td>PRASAC</td>
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<tr>
<td>Local Financial Institution</td>
<td>Chamroeun Microfinance PLC</td>
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<tr>
<td>Capital Markets Association</td>
<td>International Capital Market Association (ICMA)</td>
</tr>
<tr>
<td>Government of Cambodia</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>Government of Cambodia</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td>Government of Thailand</td>
<td>Public Debt Management Office</td>
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<tr>
<td>International NGO</td>
<td>Climate Bonds Initiative</td>
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<tr>
<td>Multilateral Development Institution</td>
<td>Global Green Growth Institute (GGGI)</td>
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<td>Multilateral Development Institution</td>
<td>IFC</td>
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<td>Multilateral Development Institution</td>
<td>UNDP</td>
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<td>Regulator</td>
<td>National Bank of Cambodia</td>
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<tr>
<td>Regulator</td>
<td>Securities and Exchange Regulator of Cambodia</td>
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<td>Verifier</td>
<td>Sustainalytics</td>
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<tr>
<td>Verifier</td>
<td>Moody’s ESG</td>
</tr>
</tbody>
</table>


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12 https://inff.org/country/cambodia
16 Ibid.
17 https://www.abc.org.kh/banking-environment
18 Ibid.
26 Ibid.
27 Principles for Responsible Banking: https://www.unepfi.org/banking/bankingprinciples/more-about-the-principles/
29 Ibid
31 Ibid
38 Thematic bonds are akin to conventional fixed-income bonds, the main difference being that thematic bonds fund projects that generate environmental and social benefits. These include green, social bonds, sustainability bonds, and SDG-aligned bonds.


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63 The CGCC is a state-owned enterprise operated under the guidance of the Ministry of Economy and Finance (MEF) and launched its first guarantee scheme in March 2021.


66 A Prakas is a regulation issued by either a minister or the governor of the NBC.


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