Community-based finance in Cambodia
A comparative study of savings and credit models for community development

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Food and Agriculture Organization of the United Nations

In collaboration with:

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Church World Service

Farmer and Nature Net

Oxfam

World Vision Cambodia

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Currency equivalents

Currency Unit = Cambodian Riel (KHR)
USD 1.00 = KHR 4,054.85 (30/06/2015)

AVERAGE EXCHANGE RATES

Date	30/06/2015	31/12/2014	31/12/2013	31/12/2012
USD 1.00 ► KHR	4,054.85	4,007.19	3,964.36	3,995.00
KHR 1.00 ► USD	0.00024	0.00024	0.00024	0.00025

N.B.: For consistency reasons, a conversion rate of 1:4000 has been used throughout the report.

List of acronyms

AC	Agricultural Cooperative
ASCA	Accumulating Savings and Credit Association
CBFI	Community-based Financial Institution
CBFO	Community-based Financial Organization
CBO	Community-based organization
CCSF	Cambodian Community Savings Federation
CMA	Cambodia Microfinance Association
CWS	Church World Service
FAO	Food and Agriculture Organization of the United Nations
FNN	Farmer and Nature Net
FO	Field Officer
GDP	Gross Domestic Product
GRF	Group Revolving Fund
ID Poor	Identification of Poor Household Programme, Ministry of Planning
IFAD	International Fund for Agricultural Development
IGRF	Improved Group Revolving Fund
IMA	Intermediating Association
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MAFF	Ministry of Agriculture Forestry and Fisheries
MBWin	Micro Banker System for Windows (banking software)
MEF	Ministry of Economy and Finance
MFA	Mobile Field Agent
MFI	Microfinance Institution
MIS	Management Information System
MSE	Micro and small enterprise
NBC	National Bank of Cambodia
NGO	Non-Governmental Organization
PADEE	Project for Agricultural Development and Economic Empowerment
PDA	Provincial Department of Agriculture
PSU	Project Support Unit
RaSCA	Rapidly accumulating Savings and Credit Association
ReSCA	Redistributive Savings and Credit Associations
RGC	Royal Government of Cambodia
RoSCA	Rotating Savings and Credit Association
RPRP	Rural Poverty Reduction Project in Prey Veng and Svay Rieng
SCG	Savings and Credit Group
SfC	Saving for Change
SHG	Self-Help Group
SILC	Savings and Internal Lending Community
SME	Small and medium enterprise
VA	Village Agent
VSLA	Village Savings and Loan Association
WVC	World Vision Cambodia

Abstract

This paper is the result of a peer review of different community-based finance schemes and institutions undertaken in April and May 2015. These comprise savings groups, groups with revolving loan funds and groups converting input grants into a credit fund. The key messages are:

1. There is no need to provide community groups with loan funds. The savings propensity in rural Cambodia is comparatively high, and the existing models are commensurate with existing value systems, governance models, poverty status and financial flows.
2. The existing savings group methodology can be significantly improved by helping groups to (1) gradually move to a capital formation process by substituting the existing total redistribution of savings at the end of a cycle by transferring a part or all savings to the next cycle, and (2) build more permanent social funds to support emergency cases, instead of distributing these funds at the end of a cycle.
3. Given the expansion of deposit taking by microfinance institutions and banks in Cambodia, groups should be encouraged over time to use deposit facilities for their excess liquidities. In selected cases, access to formal credit may be conceived for group members with investment potential beyond what groups can afford, and for temporary refinancing of groups to expand their internal lending.
4. The support of a nascent network of multi-purpose/agricultural cooperatives should: (1) build on the tested models of savings groups and create such groups among cooperative members to finance investments, without making savings mobilization for lending to individuals a part of the cooperative activities.

Executive Summary

Objective and methodology. This report assesses the performance and potential of community-based financial institutions (CBFIs) in Cambodia. In April and May 2015, seven institutions[1] jointly undertook this study of different models of savings and credit groups supported by these institutions. The study was conducted in the form of peer reviews, where each participating institution appointed one or two representatives at senior level to participate in the study, by leading the visitors from other models round one's own approaches, and to participate in visits of peers. Every representative thus acted as an external assessor of another model and provided feedback, criticism or praise, and facilitated the assessment of one's own model at the same time.

Financial sector. Cambodia is a highly interesting location for the study. While the depth of financial intermediation, defined as the ratio between loans outstanding by the financial sector over GDP, is one of the lowest in Asia (52%), the extent of outreach of the licensed microfinance sector is impressive, with 2.1 million borrowers and 2.7 million savers. This is significant in a country with a total population of 15.7 million. At the same time, the performance of the microfinance industry in terms of loan recovery is excellent, as measured by a portfolio at risk well below 1%. Even though the traditional microfinance market shows signs of gradual saturation, and even though the level of over-indebtedness in farming households is alarming (30%), several agencies have been promoting saving-led CBFIs since about 15 years, helping each year about 150,000 individuals to adopt the practice of group-based saving and internal lending. The model is simple and promoted with little variation in more than 70 countries globally[2]. 15-25 individuals create a savings and credit group, meet regularly to save, use their savings and earnings to grant loans to members against self-determined interest rates for short terms and without collateral, and for any reasonable purpose, be it productive or providential. A social fund complements this, offering some basic social protection in emergency cases. After one year or cycle[3], each saver gets back what s/he saved, plus a share of the income earned. Immediately after the end of one cycle, members may re-constitute the group and continue their operations.

Next to the CBFIs, numerous moneylenders and few informal rotating savings and credit associations (RoSCAs) also provide access to basic financial services: the moneylenders with success as they offer flexible and fast solutions without red tape at still affordable rates and for small amounts, the RoSCAs with little success in rural areas because they depend on organizing chairpersons (and not on committees and broad participation) who are the custodians of financial discipline and act as guarantors for defaulters, and because the model applied has remained static.

Differences in approaches. The sample of the study, groups engaged in financial intermediation, was quite varied: five organizations promoted saving-led CBFIs, of which three with a break of funds at the end of a cycle, and two with an accumulative model; one project funded by a multilateral agency (IFAD) provided the loan funds to the newly created groups and introduced saving at a later stage; and the MALIS project implemented by FAO supported formal and informal community-based organizations (CBO) with inputs, of which 40% was a grant and 60% a loan reimbursable by the member to her/his own CBO to create an internal loan fund for on-lending to members after the end of the project.

The study offers the following **insights**:

1. Saving activities are an indispensable element of group development, including cooperatives. Members invest in organizational deepening where they save, as they do not want to lose their assets, and do not do this where their own funds are not involved. The probability that groups that have been created on the expectation of external assistance (loan fund) will become sustainable appears to be low. This confirms a number of comparative studies on saving-led and credit-induced groups.
2. The standard saving-led CBFI model promoted is highly useful in the Cambodian context and beyond. It is very much appreciated by members, works mostly well, leads to good financial discipline and reasonable financial results in terms of value of savings generated, loans disbursed, repayment, and return on savings. While it creates debts, these are founded on prior savings, and hardly lead to over-indebtedness. Members

[1] CARE International, Church World Services, Farmer and Nature Net, FAO through the MALIS project, Oxfam, IFAD and Ministry of Agriculture and Fisheries (MAFF) through the PADEE project, and World Vision Cambodia

[2] Most of which in Africa

[3] Which may be shorter than a year

have clear views on how to spend loans, savings and shared interest income. Member participation is usually high. The subjective impression is that groups depend less on group leaders than elsewhere. Leadership positions appear to be less prestigious than in other forms of organization.

3. Four **weaknesses** of the standard model have been observed:
   (1) The standard breaking of the groups and the group funds after one year or one cycle undermines the ability of groups to help themselves. The reasons for this practice, lack of access to near-by deposit facilities and inadequate record keeping skills, do not seem to apply these days, at least they are not insurmountable obstacles. As the practice of two CBFI promoters has clearly shown, a change of this approach leads to stable groups, improved record keeping, improved investments, and higher interest of the community at large to join.
   (2) The approaches to record keeping do not appear to be adequate yet, and could be easily improved by introducing a simple system of balancing amounts to be brought forward.
   (3) The practice to break the social funds impedes the ability of groups to offer basic social protection immediately to members after the end of a cycle, and to develop more encompassing solutions over time. Social funds should therefore not be dissolved but built up over time. Nepal, Myanmar, Viet Nam and Thailand provide ample evidence that communities derive enormous benefits from more perpetual social protection funds.
   (4) While these three weaknesses can in principle be addressed, there does not seem to be a quick solution in sight for the fourth one, i.e. the low utilization rates of funds. While utilization rates of 50% appear as signs of inefficient use of idle funds, they are at the same time an expression of hesitation to use all available funds for loans, and to reduce the interest rate for loans, despite the demand and desire. Taking into consideration the risk aversion and time devoted by leaders to their groups, this practice should not be an issue of great and immediate concern.
4. **Impact**. In the past five years or so, a larger number of methodologically sound impact studies of microfinance around the globe have shown no significant and long-lasting impact of microcredit on asset creation, empowerment, living conditions, health and nutrition status, vulnerability, etc. Impacts found were mostly related to incomes and consumption. This picture differs from more optimistic and enthusiastic results of less rigorous studies conducted earlier[4]. Both older and more recent studies show comparatively high levels of satisfaction of clients and users of microfinance. Even though the more recent studies have some conceptual deficiencies[5], the broader question is whether village economies represent more a zero sum game[6], which microfinance would be structurally unable to change. Most villages in Cambodia are not very diversified in terms of economic activity, most groups are therefore not diversified in terms of members' business activities, and CBFI members structurally have the same demand for credit at the same time. With its small loan sizes, a preference to finance trade and consumption, the inability to satisfy credible demand at peak times, and the inability to finance investments, microcredit tends to keep things static and preserves existing business and investment patterns year after year, which may satisfy most users. Under such perspective, value addition would be more suitably promoted through a capital formation process rather than a redistribution mechanism of saving, unless safe access to credit would be assured for a majority of people.
5. The approach used under the MALIS project to encourage input use through input fairs and grants may lead to the creation of an internal fund for on-lending to members. In the absence of a regular saving practice, the endowment created is likely to be insignificant to satisfy member demand. The prospects of sustainability of such grants converted into a loan fund remain low. A similar perspective appears as regards the donation of revolving loan funds to newly created groups, which are unlikely to transform from credit group to a saving and credit group. As groups depend on the regular support of external service providers engaged through the project, which members find too expensive, the hope that such groups may survive long after the end of the project is low.

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[4] A main difference is that most of the studies conducted earlier were in locations with low access to finance but high demand for goods and services in markets, whereas most of the recent studies are conducted in countries with higher levels of access to finance and high market saturation.

[5] They are not able to measure the benefit of capital reserves, self-esteem, or business skills, and they mostly do not capture longer term results. In addition, they are unable to capture the impact of saving.

[6] A zero sum game is a situation in which each participant's (i.e. borrower's) gain (or loss) is mirrored by the losses (or gains) of other participants (or borrowers), and where, as a consequence, total gains of all participants minus total losses will add up to zero. This would presume that the 'cake' for distribution, i.e. the value created by a community, remains unchanged by the single activities facilitated by microcredit.

6. **Outreach to the poor**. Even though the CBFI model is not necessarily geared at a specific income bracket, or would exclude the poor, the actual coverage of poor people is low, apart from a few laudable exceptions. The cause seems to lie in the delivery model, where service providers are under pressure to reach numbers, which they are able to achieve only if focusing on the relatively better off.
7. The **costs of supporting one saver** in a saving-led CBFI for one cycle are in the range of USD 25-40. Even if costs for some post-support monitoring and coaching arrangements would be added, these are significantly lower than those produced under standard project arrangements. It would thus appear more efficient to use the saving-led CBFI model and the experience of existing service providers in creating self-reliant groups rather than doing so under a project setting and project management.

8. The **major recommendations** are:
   (1) Stop providing groups with loan funds, and instead teach them the saving-based CBFI model;
   (2) Assist CBFIs in their capital formation process, and teach them how to preserve and gradually build up their internal savings by refraining from fully redistributing savings and net income to members;
   (3) Obtain donor consent for supporting CBFIs beyond the one year cycle, perhaps for another 12-24 months, with a gradually declining level of intensity, but under continued monitoring and coaching;
   (4) Envisage external borrowing from reliable and committed partners in the financial sector where CBFIs and/or their members have demand for investments that cannot be satisfied from internal sources, where such linkages are desired by members, and where the economic, organizational, spatial, social and cultural conditions look advantageous;
   (5) Envisage closer linkages with deposit taking financial institutions, including through mobile banking and mobile money;
   (6) In view of the under-capitalization of agricultural cooperatives (ACs), and the capacity of saving-led CBFIs, link CBFI members with promising ACs, allowing them to purchase shares in the ACs from the proceeds of their saving activities, and by maintaining a strict separation of activities: CBFIs engaged in savings mobilization for on-lending to individual members for any purpose acceptable to members, and ACs engaged in higher aggregate business activities leading to value addition such as warehouses, input supply, produce aggregation, marketing arrangements, processing and other value addition, or export contracts; in principle, an alternative would be to assist ACs to learn about and adopt the CBFI approaches to capital formation, but this is not likely to be adopted broadly as members prefer to keep the bigger volumes of untied savings outside the cooperative and its records;
   (7) Facilitating external borrowing by ACs through the creation of multi-tier guarantee funds, if ACs become credible business-oriented organizations and have credible capacity for investment;
   (8) Facilitate the creation of groups stratified by income, including groups exclusively composed of low-income groups; this implies to stop mixing the poor with the rich;
   (9) Promote the continuity of social funds, and advise CBFIs not to dissolve them at the end of a cycle/year;
   (10) Assist groups with potential for value addition to capture more of the value created, where the opportunities arise; this may be through a different organizational platform (e.g. an AC), engagement in value chain operations, or by creating joint enterprises; this should be mindful of the negative connotations linked with the term cooperative, the comparative disadvantages of cooperatives over other forms of social organization, and the risks associated with businesses going beyond traditional management capabilities.

Conclusion. Assuming that commercial banks, non-bank financial institutions (NBFIs) and microfinance institutions are three recognized pillars of the financial sector, CBFIs have the potential to become the fourth pillar. Under the imperative of a financial inclusion agenda, it has become evident that the classical banking sector, apart from very few exceptions, has no capacity and interest to serve the un-banked or under-banked. The same applies even more so to NBFIs. In recent years, research has amply shown that even the MFI sector, once believed to cater for the poor, has difficulties in reaching out to poor people under a scenario of regulation and compliance with prudential regulations enforced by supervision. While CBFIs are principally capable to cater for the needs of the poor, this peer review shows that even CBFIs, operating under strict budget ceilings and controls, have difficulties to actually achieve that; they operate under the same ‘dictatorship of numbers’ as regulated MFIs. CBFIs may thus become another pillar of the financial sector if they would be publicly recognized for their impact and potential in terms of financial inclusion[7].

[7] Probably registered, but not subject to prudential regulation

1. Introduction

1.1 Study Background

During much of the 1990s, development assistance to Cambodia was more marked by humanitarian work and charitable purposes; they were mostly geared at helping the households to survive, securing basic human needs, and developing appropriate approaches and systems. Much of the assistance was given as donation to the respective 'beneficiaries'. A change towards more sustainable forms of assistance emerged in the early 2000s, with assistance gradually turning to institutions and systems built and geared at providing support services to Cambodians. As regards financial services, the 1990s were marked by donations for loan funds to non-governmental, charitable and community organizations, which were often passed on to borrowers or beneficiaries (fully or partly) as grant as well, and not as loan. When funds for lending started to dry out, and the opportunities to become a more sustainable microfinance institution (MFIs) emerged around the turn of the century, many of these organizations made efforts to become micro-credit institutions, and later microfinance institutions, in fact deposit-taking MFIs. In the community-based microfinance segment, the emphasis shifted from about the year 2000 gradually from providing loan funds to credit groups to helping people establish a group, in which members contribute their savings to extend loans to members.

Against this background, the International Fund for Agricultural Development (IFAD) had funded several projects in Cambodia, which followed the traditional model of endowing groups of farmers with a grant fund to enable groups to grant loans to members for those agricultural purposes that were promoted under these projects[8]. In more recent times, this was done under the Project for Agricultural Development and Economic Empowerment (PADEE)[9], which was designed during 2011-12 and started in 2012, and under which almost 1,000 groups were to receive an amount of USD 12,000 each. Several promoters of community-based finance criticized this approach arguing this would set a bad precedence for their own work, by giving some people grants for lending, whereas they were promoting saving as a habit to encourage investments through self-financed loans. Further to this a majority of the saving groups would continue many years, whereas the credit groups would tend to disintegrate shortly after the end of a project.

These points led to a wider discussion within the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Project Support Unit (PSU) of the PADEE. To what extent is saving an important or indispensable part of the groups of farmers that are needed in the development process? Does saving as a practice make groups more sustainable or viable? Do perceptions of members change if saving is brought in? What forms of saving are more promising, and which ones may not be so useful? And with the shift of emphasis of the Royal Government of Cambodia (RGC) towards agricultural cooperatives: would it be feasible to integrate saving into these or should their financial requirements be taken care of by external grants or loans from the financial sector?

As a result of these discussions, in late 2014, the PSU requested the Food and Agriculture Organization of the United Nations (FAO) to undertake a comparative study on the different forms of savings and credit groups in Cambodia. FAO was selected because it was already an implementing partner of the PADEE, and in charge of component 1 of the PADEE, which aims at enhancing access to financial services. FAO in turn requested two officers to undertake this study, Mr Vannak Vong Chhim, National Rural Finance Coordinator at the FAO Representation in Phnom Penh, and Mr Michael Marx, Senior Rural Finance Officer at the Investment Centre, Rome.

The **objectives of this study** are thus to compare the different models of community-based finance in Cambodia, and to indicate:

(1) Whether and to what extent saving practices and donor funding lead to viable and sustainable groups;
(2) What impacts could be generated for the individual member through such community finance models;

[8] This is referred to as conditional grant transfer in the respective documents.
[9] The project design report can be downloaded from: http://www.ifad.org/operations/projects/design/105/cambodia.pdf . Details on project implementation are available from: http://www.padee.org/ .

(3) What financial models, tools and approaches can be recommended to the promoters and financiers of community development in general and of such models in particular; and
(4) Whether and how agricultural cooperatives could benefit from these results.

These topics obviously border on a range of associated **questions and issues**. These include:

- Are community-based finance institutions (CBFIs) just part of the informal financial sector, or do they represent an institution sui generis, in its own right, which forms one pillar of the financial sector?
- Are the CBFIs a pre-cursor or transit station or operation for poor people to learn about basic financial transactions, and improve their financial literacy levels implicitly, and to move to formal financial institutions, such as MFIs and banks, or will members/users stay within the sector?
- Do CBFIs provide an operational platform for the graduation of poor people to new, additional or increasing entrepreneurial activities, which could be used more extensively for poverty reduction purposes, and to enhance rural economies?

Where possible, and where clear overlaps between the main objectives of the report and these corollary issues do emerge, these will be treated as well in this report, albeit less intensively.

1.2 Approaches and methodology

Several **approaches** were pursued to prepare this document. Right from the beginning, an invitation was extended to all major promoters and practitioners of community-based finance to participate in the study as partners. Several rounds of meetings were held to jointly discuss about the overall goals, agenda, points of interest and approaches, etc., and conclude jointly on all emerging issues. Second, it was initially decided to undertake the study in two parts, one comprising an analysis of the different models, and second to include an impact survey of clients of the different promoters to ease comparison. The latter however turned out to be quite ambitious and was deemed not to be feasible given the available human, time and financial resources. Third, the study of the different models was conducted in the form of peer reviews, where each participating institution would appoint one or two representatives at a senior level to participate in the study, by leading the visitors from other models round one's own approaches, and to participate in visits of peers. This implied that in principle, every representative acted as an external assessor of another model and provides feedback, criticism or praise on this, and facilitated the assessment of one's own model at the same time. Field visits usually took two days or a bit more and started with a presentation of the host institution. This was followed by field visits to groups; most of these covered 2-5 groups or cooperative societies.

After the **field visit**, the visiting team prepared its own assessment and presented it to representatives of the host institution. Host and reviewer teams were given a template for their respective reports, with some overlaps between them. Hosts were to describe the saving and credit model, monitoring and evaluation (M&E) approach, outreach, external linkages, qualitative and quantitative outcomes and impacts studied or measured, the vision on sustainability of the groups, cost of promotion and challenges and lessons learnt. Reviewers were to assess all the above domains, plus any innovative aspects, institutionalization, and efficiency aspects found[10]. Both host report to the visiting team, and the reviewer reports of the visiting team, of all seven assessments are included as Appendix 1 of this report.

The **partner organizations** and the project locations covered in this report are:

- CARE International in Koh Kong Province;
- Church World Services (CWS) in Kampong Thom Province;
- Farmer and Nature Net (FNN) in Takeo Province;
- Improving food security and market linkages for smallholders in Oddar Meanchey and Preah Vihear (MALIS project of FAO);
- Oxfam Saving for Change (SfC) Program in Kampot Province;
- Improved Group Revolving Loan Funds (IGRFs) in Svay Rieng Province supported by IFAD; and
- World Vision Cambdia (WVC) program in Kampong Thom.

[10] For details see the seven host and reviewer reports in Appendix 1.

Definitions. For convenience purposes, financial institutions are referred to as formal if they are formally established as corporate bodies and licensed by the authorities (central bank or equivalent), as semi-formal where they are legally established and operating under some legal framework, which is outside the one regulated and supervised by the central bank, and as informal, where they are neither incorporated nor licensed. Typical formal financial institutions are commercial and development banks, non-bank financial institutions, microfinance banks and deposit-taking micro-finance institutions. In many countries, credit unions and agricultural and other cooperatives offering financial services to their members, micro-credit institutions and smaller MFIs may be part of the semiformal sector, unless there are licensed by the respective central bank. Moneylenders, rotating and accumulative savings and credit associations, value chain operators, pawn shops, shops and input and equipment suppliers offering goods on credit, are the most common forms of informal finance. Some authors see financial service providers more on a continuum, with the formal and the informal sectors at the extreme sides, to characterize the transactions that do take place, and the many variations of financial services, rather than the legalistic criteria of incorporation and licensing.

Where associations of individuals are involved, the generic term used is often savings and credit group (SCG). Authors laying more emphasis on the fact that these are operating in a community and composed of individuals with close ties and relationships, often employ the term community-based finance institutions (CBFIs) or organizations (CBFOs). Where these two terms are used, it implies automatically that they have been promoted within a development context under a donor- or government-funded project, and implicitly also refer to their location, i.e. in rural areas. Where authors intend to mark the differences between groups created by and dependent on outside agents, where members are more interested to get something out rather than putting something into their group, as opposed to groups where all members make the same or similar contributions to avail of synergies, which are marked by reciprocity of services and mutualism, the term self-help group (SHG) is often applied. The term emerged in the mid 1980s to distinguish the many groups created under development projects from those which had emerged 'spontaneously' as part of the indigenous economy and culture. This term has also found wide application with the adoption of the term "linking banks and self-help groups" in India, the largest microfinance program on the globe. In some parts of the literature, the term SHG is used to refer to saving groups without external credit, and in Cambodia, the term is used to denote saving-led groups that do not redistribute their savings, but accumulate these. Some of the promoters of CBFIs organized under the SEEP network decided to use the term saving groups, to distinguish them from the credit-led groups, but this term is a bit misleading as the groups have do both, saving and credit activities.

Where the generic terms rotating savings and credit association (RoSCAs) or non-rotating or accumulative savings and credit association (ASCAs) are used, these refer in most cases to the approach of distribution or allotment of the savings collected from members; the terminology was developed first in the 1950s for the RoSCAs, and then adjusted in the 1980s. However, in one case, CARE International introduced its community-finance model as ASCA, hence the term is used both in its generic meaning and to refer to the SCGs supported by CARE.

Given the different and contradictory uses of some terms, this study applies the term CBFI to include all forms of community-based financial institutions and groups, be they saving-led or induced by grants, and whether they receive external loans or not. Where the sources of funds predominantly comprise internal savings, interest income and fines, these are referred to as saving-led CBFIs.

1.3 Outline of the report

This report follows a simple structure. Chapter 2 presents a brief overview of the financial sector, including its social and economic context, which is followed in Chapter 3 by the results of the comparative assessment of seven selected community-based finance models in Cambodia as emerging from the peer reviews. The final Chapter 4 then presents recommendations. The appendices contain the host and reviewer reports of all seven projects reviewed and a bibliography.

1.4 Acknowledgements

This report is the result of the fruitful and constructive collaboration of a large number of persons, in turn representing a good number of organizations. The two main authors have benefited first of all from the insights and guidance from the leaders of the participating organizations, then from the participants in the peer

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2. Community finance in the context of the financial sector

2.1 Social and economic context

Cambodia covers a total area of 181,035 sq kilometers, of which 176,515 sq. km is land and 4,520 sq. km is water. 22.09% of Cambodia's area is arable but only 0.86% is used for cultivating permanent crops. The country has a small total population of 15.14 million (2013) and an estimated population growth rate of 1.64% in 2014. The gender ratio of male to female is 0.94:1 and the ratio of female to male labor force participation rate is 89.5% (2012). 63.6% of the current population is in the age range of 15-64[11]. It means a major portion of their population is economically active and able to earn income. Among the least developing countries, Cambodia has comparatively higher literacy rate of 73.9%1 (2009). In 2014, 21% of people lived in urban areas[1]. The Gini coefficient[12], which measures inequality of a society or country, has been relatively low and stable for Cambodia, with a most recent value of 30.8 for 2012.

The Cambodian **economy** follows an open market system since the government decided to transform the economic system in 1995. In 2013, the Gross Domestic Product (GDP) of Cambodia was USD 15.25 billion and it has been increasing annually at a rate of over 7.5%. Their GDP per capita is USD 1007.57 (2013) growing at 5.5% annually. This rate is higher than in neighboring Thailand (1.4%) and Vietnam (4.3%). Agriculture contributes 34.8% to GDP, industry 24.5% and the services sector 40.7% (2013 estimates). Rice, rubber, corn, vegetables, cashews are the major agricultural products whereas garments, tourism, construction, rice milling, fishing etc. are the key industries. 77% of GDP is consumed by households, 7.3% by government, 18.4% by investment in fixed capital, 1.5% by investment in inventories, 60.8% by exports of goods and services and -65% by imports of goods and services (2014 estimates). Despite having only 0.2% unemployed people (2012), over 20% of the total population lives below the national poverty line. The average rate of unemployment is 1.31% from 1994-2012, which climbed up to 5.3% in 1998. The annual budget also experiences a deficit of 2.7% of GDP (2013). Over 50% of the national budget comes from multilateral and bilateral donors.

[11] World Bank: World Development Indicators

[12] A Gini value of 0 represents perfect equality, a value of 100 perfect inequality. See http://data.worldbank.org/indicator/SI.POV.GINI

Cambodia signed a Free Trade Agreement with the United States of America in 2006, which made the USA their largest trading partner. Overall, investment in Cambodia is developing every year; in 2013, foreign investments amounted to 23.5% of the GDP, compared with 17.3% in 2010 and 22% in 2011.

Cambodia has a total workforce of 7.9 million, which is almost half of its total population (2011). Among the young people (15-24 years), the rate of unemployment is 3.4%. It is understood that poor job prospects and high inequality in income is inhibiting the economic achievements and future possibilities of growth. Approximately 4 million people earn less than USD 1.25 daily, of which 92% live in rural areas. The level of poverty becomes more apparent when it is found that overall poverty decreased from 47% to 35% over the decade of 1993-2004 when the economy enjoyed an average annual growth of 8.2%. The annual inflation is projected at 1.3% in 2015, to increase to slightly above 3% in 2016.

2.2 Financial sector

Cambodia has a fairly developed financial sector, which has made enormous progress over the past two decades since the opening up of the country. By the end of 2014, the financial sector[13] comprised:

- The National Bank of Cambodia as the central bank in charge of regulation and supervision, with 21 provincial offices;
- 36 commercial banks, of which 13 are locally incorporated, 11 being foreign branches of commercial banks incorporated outside Cambodia, and 12 subsidiary banks;
- 11 specialized banks, including one state-owned (the Rural Development Bank) and ten privately owned;
- 7 representative offices of foreign banks;
- 6 leasing companies;
- 51 MFIs, of which 7 have deposit-taking license while the remaining do not, comprising one credit union network, the Cambodian Community Savings Federation (CCSF);
- 1775 money changers, of which 69 licensed and 1706 authorized;
- About 10,000-20,000 community-based finance institutions (CBFIs) as part of the informal sector, of which about 7,400 being currently under support and monitoring or a promoting institution, with about 158,705 individual members; this segment, which is the main object of this study, will be introduced below in chapter 2.5;
- An unknown number of actors in the informal sector, comprising two main types: the moneylenders and the rotating savings and credit associations (RoSCAs); these will be introduced below in chapter 2.4.

By the end of December 2014, total assets of the **banking sector** amounted to USD 16.51 billion, total loans to USD 9.32 billion, total deposits to USD 9.76 billion and total paid up capital to USD 1.36 billion. Assuming a GDP of USD 18.0 billion for 2014[14], total loans would be equivalent of 52% of GDP and total deposits to 54% of GDP.

Credit growth on year-to-year basis was about 30% in March 2015, about four times the growth rate of the economy then. Despite continuous rapid credit growth over the past decade, the volume of credit outstanding has remained at comparatively low rates of 52% of GDP, one of the lowest rates in Asia[15]. The level of non-performing loans (above 90 days) was 1.9% in the banking sector, and 19.8% in the specialized banks. This compares with a PAR, a more stringent measure, of 0.69% in the MFI sector.

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[13] This follows a narrow definition of the financial sector as it falls under the NBC, and thus excludes the insurance sector. In Cambodia, insurance regulation and supervision falls under the Financial Industry Department in the Ministry of Economic and Finance (MEF). In 2011, six insurance companies, one reinsurance company, one micro-insurance company, one broker and two insurance agents were operating in Cambodia. Insurance penetration as measured in terms of GDP, was only 0.25% in 2011, a very low value. Total premiums amounted to USD 25 million. The main market segments were fire with 25% and vehicles with 20%. See: Data Collection and Monitoring of Insurance Industry in Cambodia 2nd OECD-Asia Regional Seminar on Insurance Statistic Bangkok, Thailand, 26 -27 January 2012. By Than Seyla, Insurance Division, Financial Industry Department. http://www.oecd.org/daf/fin/49658129.pdf . Some financial service providers such as trusts, pension funds, pawn businesses and collective investment schemes are not reported publicly and thus excluded. The number of licensed pawn shops and companies was 73 following the new 2010 regulation; see Financial Sector Development Strategy 2011-2020. Some of these institutions are not regulated by NBC, but by the MEF.

[14] EIU: Country Report Cambodia. Generated on 4.8.15. London

[15] EIU 2015

Across all institutions, banks are able to finance their loans from the deposits held; the intermediation rate of 56% of total assets being in loans is satisfactory. The capitalization is at minimum levels, reaching on average 8% of total assets/liabilities and equity funds. The loans to deposit ratio has improved from 76% in 2009 to 96% in 2014. The financial sector remains extensively dollarized, with less than 5% of deposits being in Riel, and most of the balance in USD[16].

The average base lending rate of commercial banks has been 12.3% p.a. as at the end of 2014, and is projected to remain in the range of 11.9-12.3% p.a. during the period 2015-2019; the average deposit rate of deposit taking financial institutions has been around 1.3-1.4% p.a. in the past two years[17].

The **financial inclusion** data of the World Bank[18] reveals that overall access to financial services in Cambodia is still very limited: only 4% of the population aged 15 and above has an account at a formal financial institution; in the income group of the bottom 40%, this falls to 2%. In the past one year, only 1% of the population above 15 has saved at a financial institution, whereas 4% did so in a savings club. In the past one year, 19% of the population above 15 received a loan from a financial institution, against 39% who received a loan from friends and family members.

2.3 Microfinance

Microfinance in Cambodia is a success story. The first MFIs emerged during the mid 1990s, and in 2003, the Cambodia Microfinance Association (CMA) started its operations; membership in the CMA is compulsory for all licensed MFIs. In 2007, legislation was changed to allow qualified MFIs mobilize deposits, and thus become less dependent on external borrowing. This reduced their cost of funds, enabling the concerned MFIs to offer more attractive rates. This has led to a concentration of microfinance on these seven deposit-taking institutions, which account for 85% of total assets of MFIs. By the end of 2014, the 51 licensed MFIs had a loan portfolio of USD 2.03 billion, equivalent to 12% of GDP, and served almost 1.8 million clients, equivalent to 12% of the entire population. The inhibit to the left shows key performance parameters for the 2nd quarter of 2015[19]. In terms of number of loans, MFIs serve three to four times more clients than the banking sector, and have attracted almost two thirds of the number of depositors as the banks. As regards loan purposes, about 40% of the total MFI portfolio is geared to agriculture, 28% to trade, 13% to services, 10% to consumption and 9% to other production[20].

Figure 1: Latest data on microfinance in Cambodia (Source: CMA website)

LATEST DATA FOR CAMBODIAN MICROFINANCE

Monday, 27 Jul 2015 ***(Updated)***

N& MFIs	51 MFIs	57 MFIs
Loan	$2293.00m	$2435.91m
AvgPAR	0.63%	0.69 %
Borrower	1,789,283	1835429
AvgLoan	$1,281.52	1327.16
Deposits	$1006.47m	$1123.25m
Depositor	1200894	1269173
Staff	21155	22065
Figure	Q1/2015	Q2/2015

The sector excels in terms of **loan repayment**/recovery. Over the past decade, repayment rates have been excellent, which indicates a high financial discipline on the side of the borrowers, effective sanctions and a judiciary, products targeted at the need of clients and efficient and effective loan appraisal systems. A functioning credit bureau has also contributed to this result. The PAR >30 days for all 57 MFIs stood at 0.69% as at the end of June 2015, and very few MFIs have PAR rates above 2%. Another remarkable feature is their ability to keep administrative expenses comparatively low. At present, most of the larger and middle sized MFIs have administrative expenses in the range of 4-6% of total assets. An exception is AMRET, the market leader,

[16] EIU 2015
[17] EIU 2015
[18] http://datatopics.worldbank.org/financialinclusion/country/cambodia
[19] Excerpted from: https://www.cma-network.org/
[20] Molijn 2014

with 1.7% only, a highly competitive value. Some key performance parameters of MFIs for the year 2013 are presented in the table below.

Table 1: Key performance parameters for 18 MFIs reporting to the Mix Market

MFI	Deposits	Number of depositors	Gross loan portfolio	Number of active borrowers	Av. loan balance per borrower	Loan loss rate	Loans per loan officer	Portfolio at risk >30 days	Admin. expense/ assets
ACLEDA	1,451,478,315	1,105,167	1,468,091,287	335,627	4,374	0.00%		0.61%	1.67%
AEON	0		10,899,813	18,484	590				
AMK	18,712,000		79,309,000	324,499	244	0.00%	464		5.10%
AMRET	94,247,369	90,627	203,527,893	285,828	712	-0.09%	274	0.07%	5.28%
CCSF	1,293,458	45,776	5,710,222	8,927	640	0.00%			5.39%
Chamroeun	866,424	76,437	6,299,925	52,419	120	0.05%	320	0.27%	10.43%
Farmer Finance	2,000	270	397,750	270	1,473				
First Finance	0		9,082,322	902		0.00%	63	2.18%	4.68%
HKL	82,473,575	132,021	145,667,482	83,416	1,746	0.00%	118	0.06%	4.67%
IPR	0		6,641,485	4,145	1,602	0.00%	111	0.59%	6.27%
KREDIT	16,217,004	9,019	73,930,181	70,695	1,046	0.00%	181	0.28%	3.69%
LH	0	0	12,429,765	3,214	3,867		40	0.00%	
Maxima	0		3,149,213	3,194	986	0.00%			5.14%
PRASAC	138,446,130	308,174	378,599,588	196,906	1,923	0.04%	171	0.18%	2.63%
SAMIC	8,750,000				514				72
Sathapana						3.80%	2,303		0.17%
TPC						3.88%	486		0.29%
VFC						6.16%	321		0.00%

N.B.: Including all 18 MFIs reporting to the Mix Market on 2013. Amounts in USD. Data as at 31.12.2013

Outreach. In terms of sheer outreach, the microfinance sector[21] is the most important financial sub-sector in Cambodia. By the end of March 2015, the National Bank of Cambodia (NBC) reported 2.1 million borrowers and almost 2.7 million depositors being served by all MFIs; these data are higher than the ones reported above by the CMA. MFIs apparently target the middle-income groups, with concentrations on the economically active households, those with interest in consumption loans and the ability to save.

Table 2: Outreach of the microfinance sector by 31.3.2015[22]

	Number of borrowers			Number of savers		
	Male	Female	Total	Male	Female	Total
31.3.2015	359,308	1,429,684	2,102,147	390,234[23]	810,660	2,670,474
31.12.2014	346,026	1,433,145	2,084,859	331,969	790,640	2,547,201
Change	13,282	-3,461	17,288	58,265	20,020	123,273

Under the imperative of profitability, the capacity of MFIs to reach out to the bottom poor is limited. Given the

[21] The largest MFI has been transformed into a licensed commercial bank. Under its banking status, Acleda Bank continues to grant microfinance loans as before, and also serves other client segments. The microfinance transactions of this bank are therefore included in this analysis, following the practice of the NBC. Data below are calculated on 40 MFIs, including the MF portfolio of Acleda, and 11 credit-only NGOs.
[22] Source: NBC
[23] One large MFI only reports the total number of depositors, without disaggregation by sex. The columns for male and female depositors are therefore not complete.

costs, few efforts are made by the sector to mobilize deposits from among poorer segments of society. Many MFIs however offer group loans, which could in principle attract poor persons, but take up of the poor is limited and outreach more concentrated on the economically active population with existing business activities.

Growth and growth potential. Growth of the MFI sector has been very rapid in the past decade. In 2014, the total assets of MFIs increased by 60%, accounting for 14% of total assets of the banking sector as a whole[24]. Assuming a total population of about 15.7 million, an average household size of 5, and only one user per household, the sector covers 87% of all households in terms of credit, and 69% of households in terms of savings[25]. With these rates, the past expansion rate of the sector is not likely to remain at such high levels, but to decline in the medium run, and then lead to a predatory competition. While there are significant niches, such as agricultural finance and SMEs, the market is slowly approaching saturation in terms of outreach. This is indirectly reinforced by a study on the over-indebtedness of people in MFIs, where 22% of borrowers in a sample of 1480 were found to be insolvent or over-indebted[26].

Impact of microfinance. The results of the MFI sector in terms of financial inclusion are tremendous, as from the above outreach data. Other positive macro effects are the contribution to capturing a portion of the cash in circulation and injecting this back into the formal financial sector. An impact study commissioned by the CMA[27] revealed that:

- 23% of client households in the sample were living below the poverty line;
- The net household income of borrowers was 21% higher than of non-borrowers, which borrowers attributed to their loan-funded activities;
- 78% of borrowers have more than one income-generating activity, compared with 66% among non-borrowers;
- Borrowers have more assets (bicycles, car, land, TV, radio and telephones) than non-borrowers;
- Female borrowers are more empowered at the household and community level than female non-borrowers.

With the exception of assets and female empowerment, none of the differences found are statistically significant. No significant difference at all was found between borrowing from MFIs and improved household welfare, employment, multiple borrowing, child education, and food security. A major difference was found as regards the cost of borrowing, where MFI clients paid only 44% of the interest paid by borrowers from other sources. These results are not impressive, are in line with many other similar impact studies published over the past four to five years[28], and remind all enthusiasts and promoters that it takes more than a couple of microfinance loans to bring people out of poverty and reduce significantly and sustainably their vulnerability.

In the past five years or so, a larger number of methodologically sound impact studies of microfinance around the globe have shown no evidence of significant and long-lasting impact attributable to microcredit on asset creation, empowerment, living conditions, health and nutrition status, child education, vulnerability, employment, etc. Impacts found were mostly related to incomes and consumption. This picture differs from

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[24] National Bank of Cambodia, Annual Report 2014

[25] It is obvious that these assumptions do not reflect reality. An unknown number of adults keeps accounts in different financial institutions, including MFIs, and in many households, more than one member keeps and account or borrows from a formal financial institution. Unfortunately, no data on penetration are available.

[26] Liv Dannet: Study on the drivers of over-indebtedness of Microfinance Borrowers in Cambodia: An in-depth Investigation of Saturated areas. Final Report. Phnom Penh, March 2013: Cambodia Institute of Development Study. Over-indebtedness or insolvency was assumed where the monthly installments on all business and household debt were higher than the monthly income from business and household minus expenses for business and household, excluding debt expenses. As one would expect, the probability of insolvency increased with the number of loans outstanding and the amount of debt. Borrowers engaged in agricultural activities were more affected, with eight percent points higher than average (30% against 22%). The survey used data from 8 MFIs which shared village-level data for the analysis, comprising their total number of borrowers, total outstanding gross portfolio value and PAR 30 by village as of December 2011.

[27] Chandararot Kang and Liv Dannet: Impact of Micro Finance Services in Cambodia. Phnom Penh, November 2011: Cambodia Institute of Development Study

[28] For example: Ban et al. 2015, who found no measurable impact on empowerment. Banerjee et al. 2015, who found a consistent pattern of modestly positive, but not transformative, effects in six impact studies covering six countries on four continents, in both urban and rural areas. See also Johnson 2014 and Kang and Dannet 2011.

more optimistic and enthusiastic results of less rigorous studies conducted earlier. Both older and more recent studies show comparatively high levels of satisfaction of clients and users of microfinance. Even though the more recent studies have some conceptual deficiencies[29], the broader question is whether village economies represent more a zero sum game[30], which microfinance would be structurally unable to change. Most villages in Cambodia are not very diversified in terms of economic activity, most groups are therefore not diversified in terms of members' business activities, and CBFI members structurally have the same demand for credit at the same time. With its small loan sizes, a preference to finance trade and consumption, the inability to satisfy credible demand at peak times, and the inability to finance investments, microcredit tends to keep things static and preserves existing business and investment patterns year after year. This may satisfy most users, but would not facilitate achieving a breakthrough in terms of income. Under such perspective, microcredit, whether in its organized form as MFI, or as informal CBFIs, would structurally not be capable to achieve major changes unless some parameters would be changed.

2.4 Informal finance

The two traditional informal instances of savings and credit in Cambodia are the moneylenders and the rotating savings and credit associations (RoSCAs). Their origins are not known presently. One may speculate whether money-lending was brought to Cambodia by the Indian traders who dominated trade from about 200 before the Christian era to the 15th century, or by the Chinese traders who dominated trade during much of the second half of the 19th and the first half of the 20th centuries[31], and whether the RoSCAs, known in Cambodia under the name "tontine"[32], were absorbed from or exported to neighboring Thailand or Viet Nam, or an indigenous invention. Informal financial services such as moneylenders and tontines remain prevalent and continue to account for an important, albeit small, segment of the rural finance sector[33].

Moneylenders seem to operate in many, but not most villages of rural Cambodia. There is not much data on the prevalence of moneylenders in Cambodia, their terms and conditions, and the lending volumes. In a non-representative baseline survey commissioned by Oxfam, 28% of 369 valid responses of 464 individuals interviewed stated that they had borrowed from moneylenders over the past 12 months[34].

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[29] They are not able to measure the benefit of capital reserves, self-esteem, or business skills, and they mostly do not capture longer term results.

[30] A zero sum game is a situation in which each participant's (i.e. borrower's) gain (or loss) is mirrored by the losses (or gains) of other participants (or borrowers), and where, as a consequence, total gains of all participants minus total losses will add up to zero. This would presume that the cake, i.e. the value created by a community, remains unchanged by the single activities facilitated by microcredit.

[31] World Facts Cambodia. http://countrystudies.us/cambodia/45.htm ; Elizabeth Becker: When the war was over. Public Affairs, NY, 1998.
https://books.google.it/books?id=mg9QLPuOZvgC&pg=PA39&lpg=PA39&dq=moneylenders+in+Cambodia&source=bl&ots=pvajnydz1L&sig=YTUOEar-DVW_xYPxZqwjAEsDOaM&hl=en&sa=X&ei=1N1iVamHBcz0UpWugZAC&ved=0CD8Q6AEwAzgU#v=onepage&q=moneylenders%20in%20Cambodia&f=false . K. S. Sanhu and A. Mani: Indian Communities in Southeast Asia. Singapore 1993: Institute of Southeast Asian Studies.
https://books.google.it/books?id=TeExjdWUmJYC&pg=PA33&lpg=PA33&dq=moneylenders+in+Cambodia&source=bl&ots=PWKQJuAkOa&sig=jm5DD1L6YuFKECBlsRtkdHI82QU&hl=en&sa=X&ei=Dt5iVZfGAsGBUfH2gvAK&ved=0CDIQ6AEwATge#v=onepage&q=moneylenders%20in%20Cambodia&f=false

[32] Spelt 'Tong-Ting'

[33] Oxfam Saving for Change's Research Study in Banteay Mean Chey and Kampot Provinces. Final Report – Evaluation and Baseline. Prepared by: Emerging Markets Consultants and Marc Wancer. Hong Kong and Phnom Penh, 2013

[34] Oxfam 2013

Table 3: Sources of borrowing in rural areas		
Source	**Frequency of source**	**In % of total**
Family and friends	121	33%
MFI	118	32%
Moneylender	105	28%
Bank	13	4%
Village bank	10	3%
Tontine [35]	1	0%
Other	1	0%
Total	**369**	**100%**

As elsewhere in the sub-region, the loans they grant are short term, often only for one month (renewable), and rarely for longer than three months, given without collateral, and at interest rates oscillating around 10% per month, at times as low as 5% p.m. It appears from reports that interest rates charged by moneylenders were much higher in the 1990s, often cited as high as 20% p.m. On the one hand, such rates would have reflected the absolute shortage of capital in those days, but on the other, such references also often served to justify microfinance operations and their relatively high rates. Where rates of moneylenders have fallen to current levels, much of this can be attributed to the enormous expansion of MFIs in the country, which has opened access to financial services to many people. Where people still use moneylenders, this may be linked with their own indebtedness within the formal sector, which prevents them from borrowing again, with an effort to avoid losing face by not being seen to be in need to borrow from outside, or convenience, especially when the amounts are small and the duration short. Many people from different walks of life in rural areas mentioned red tape and bureaucracy, and spatial distance, as major obstacles for their using the services of MFIs[36].

Tontines. The indigenous model, referred to mostly as tontines, is a simple rotating savings association (RoSA), not a rotating savings and credit association (RoSCA), as it does not provide any direct credit to members[37]. It is found more in urban than in rural areas. It operates in many markets (on a daily basis), and is prevalent among wage earners who meet monthly or fortnightly. The better off members of the community, primarily merchants who are situated closer to markets and central areas of the community, tend to "play" tontines[38]. The system was also used in the past by adolescents, who used their income from providing daily labor to build up capital. Many people in remote areas have neither been a member, nor ever seen it work. The Oxfam baseline survey also showed that in the sample selected, only 1% of SCG members joined a tontine in parallel, while 5% of non-members did so (2% for both groups). Assuming the sample size as being representative, this might indicate that membership in a SCGs would substitute the tontine practice.

[35] Tontines are mostly perceived as targeted savings, not as a form of credit. This may explain the low number of responses.
[36] See also: Cambodia's Informal Money Lending Is Competing With Banks And Microfinance Institutions. http://www.ibtimes.com/cambodias-informal-money-lending-competing-banks-microfinance-institutions-1332071
[37] There is of course a credit element in all RoSCAs: all persons except the last receiver obtain a gradually diminishing indirect credit exposure as their
[38] Oxfam 2013

Table 4: Saving methods of SfC group members and non-members[39]				
Description	**No. of members**	**Members in % of total**	**No. of non-members**	**Non-members in % of total**
SCGs (SfC)	34	34%	0	0%
Buy livestock	16	16%	5	9%
Safe place in house	14	14%	13	24%
Improve my business	13	13%	10	18%
Improve my house	6	6%	5	9%
Buy assets	3	3%	5	9%
Lockbox	2	2%	3	6%
Buy gold	2	2%	0	0%
Loan to others	2	2%	2	4%
Tontine	1	1%	3	5%
Other	6	6%	8	15%
Total	**99**	**100%**	**54**	**100%**

The basic RoSCA model is that people who wish to join meet on an agreed date, and agree at least on the membership, the amount of contribution per member per meeting day, the frequency of meetings and the method of allotment. The length of a contribution cycle is then determined by the number of members and the time between two contributions or meetings. The amount to be allotted is determined by the contribution per member and the number of members. One cycle ends if all members have received the total collection at one meeting/contribution day once. As long as no credit is involved, record keeping is very simple, and only needs to record the amounts a member or contributor has paid at a given day, and eventually fines for defaulting. The basis system does not necessarily need a complex set-up, essentially a chairperson to convene and a secretary or treasurer to receive and pay out funds.

In Cambodia, as in much of Southeast Asia, the system is mostly managed by a chairperson or organizer, who convenes the group, collects all amounts due, compensates for occasional defaulters, and collects the first round for her/him in return. A particularity is that members do not necessarily meet physically; in many cases, it is sufficient to send the contribution through someone else or hand it over to the organizer. At times, only persons bidding for the allotment need to join the meeting.

The **allotment** for the day is determined by bids. At times, all members with the exception of the organizer are obliged to bid for the second to the last round, and regulations usually specify a minimum amount. Bids are collected on a piece of paper by the chairperson, who then announces the results. The amount of the bid will then be deducted from the amount payable by all other members except the chairperson and the person receiving the total collected. In view of this bidding practice, contributors are said to 'play' the tontine, and are not seen first as members who joined a group. Meetings are often done on a monthly basis, at times weekly or fortnightly, and on markets among traders even on a daily basis. Multiple shareholdings are often allowed in order to maximize profits and reduce risks from needing to include unknown persons.

The table below shows the operations of a simple tontine comprised of five players, including the organizer. It is assumed that the basic amount to be contributed is 100 units and that contributions are to be made monthly. In the first month, total collections (shaded in green) are 400 units (excluding the amount to be contributed by the chairperson). In the second month, the highest bid is 20, leading to a total collection of 340, as three players contribute only 80, not 100. In the third and fourth month, the highest bids go for 12 and 7, with corresponding reductions to the contributions and pay outs. Calculating the net payments at the end plus the respective opportunity losses and gains of capital (assumed at 18% p.a.), the chairperson gets the highest return, followed by the last person to receive the allocation without making a bid. The player receiving the second round incurs the highest losses; the third person in the middle is in a break even situation. These results do only change much if higher or lower rates for opportunity cost of capital are assumed. Annualized rates of return on the investments are in the range of 10-14% for members 1, 4 and 5, -30% for member 2 and near

[39] Question: What do you usually do with your left over money? Oxfam 2013

zero for member 3, as shown in the table below. While these percentages obviously differ from tontine to tontine, the trends appear to be consistent.

Table 5: Net contributions in a tontine											
Member	Month					Total cash paid by member	Total cash received by member	Opportu-nity gain of capital	Opportu-nity loss of capital	Net result @ 18%	IRR
	1	2	3	4	5						
M1=Chair	0	100	100	100	100	400	400	24	0	24	14%
M2	100	0	100	100	100	400	340	15	6	-51	-30%
M3	100	80	0	100	100	380	376	11	11	-4	-2%
M4	100	80	88	0	100	368	393	6	16	15	10%
M5	100	80	88	93	0	361	400	0	22	17	12%
Total	400	340	376	393	400	1909	1909	56	55	2	
Bidding amount	0	20	12	7	0						

The system applied in Cambodia is highly dependent on the organizer. While the rewards are somewhat attractive, the organizer would have to spend substantial time to collect all contributions. The main risk is default of a person, for which the organizer is to dip into her/his own purse. Unlike in other countries, the organizer does not derive any immaterial benefits, such as public recognition, from the task. From the point of view of an organizer, financial rewards, time spent and risks incurred are increasingly seen as unfavorable, consequently it appears that fewer and fewer people are willing to organize tontines. For most players of the tontine, it seems to be unimaginable to run the tontine without the organizer and the associated responsibilities, apparently a critical reflection of the underlying financial discipline of co-players to make contributions as stipulated without external pressure.

The tontine is targeted, with clear financial objectives pursued by everybody. Members are not driven by the broader goal to set money aside without a clear purpose. As such, contributors stay in a tontine as long as they pursue a specific goal, and quit once they have achieved (or abandoned) their short term financial objectives. The tontine is thus often for business, property and provident use, and mostly targeted. The purpose seems to depend mostly on the status of the person: a trader uses it for business, an employee for consumption.

2.5 Community finance

Standard operating model of CBFIs. The basic model of operation of CBFIs[40] is very simple. Members join for a specified period, mostly one year. Members meet once every week, fortnight or month to make their savings contributions and a contribution to a health fund. Saving contributions must be between a minimum and maximum defined by each group, the contribution to the social fund is mandatory and the same for all members. Savings are used for lending to members, for both provident and productive purposes. The entire meeting of members decides whether an applicant is creditworthy, should be granted a loan, and how to proceed if the demand for loans exceeds the available capital. Loans may be granted during each meeting, but often are reserved to one meeting a month. Pure saving meetings are short, may be not longer than 20 minutes, while loan meetings may take an hour. Loans may have a duration of 1-4 months, rarely for longer periods. Loan amounts are comparatively small, often in the range of USD 50-150, and commensurate with the management and absorption capacity of the borrower. Interest rates are determined by the members as 'advised' by the group promoter, and are often 5-10% per month, at times lower. Savings, loan repayments, fines charged and interest received are kept separately, both the physical cash and the records. All loans are to be repaid at the end of a year (or a period specified). During the last meeting, members receive back their savings (often called 'shares'), and receive a portion of the net income realized by the group, either equally distributed among all members or in accordance with the amount of 'shares' contributed. The social fund is used as defined by the group, mostly to support members in the case of death of a household member, medical treatment, birth of a child, baptism or naming ceremony, or any other event that would imply a heavy

[40] For a more comprehensive documentation, see the CARE host report in Annex 1.

burden on an affected member. Any amount of the social fund which has not been used at the end of the year/cycle is paid out to members as well. Groups have an elected committee, often comprising a chairperson, a treasurer and a secretary, plus two or three persons taking care of the box and the padlock keys. The metal box is used to store all documents, utensils and any excess cash between two meetings. Loan utilization rates are often in the range of 50-70% of the available capital resources (savings or shares), and average annualized return on the savings around 20-25%.

Support of CBFIs. In the 1990s, the promoters of saving-led community finance undertook it themselves to create, support, coach and train the new groups. Nowadays, this the actual field work is done by non-governmental organizations (NGOs) or service providers retained under a contract, whereas the promoting institutions are engaged in mobilizing funding, screening and quality control of service providers, monitoring and evaluation, reporting and public relations.

A **typical cycle** of support takes 9-12 months, and is vested mostly with a full-time field agent trained specifically for the assignment/job. The process begins with the presentation of the merits, procedures and responsibilities to potential members, who form themselves into a group of 20-15 persons. This group is then systematically trained by the field agent until all members full understand what this is about, what are their roles and duties, and how to run and supervise activities. The external support is regular and intensive at the start, where the field agent is present at all meetings and helps in particular in the screening of borrowers. This intensity is gradually reduced as the members are able to run their group independently. Towards the end of the cycle, the agent only verifies the accuracy of records kept, and ultimately assists in the redistribution of savings, profits and the social fund during the last meeting, and guides members on how to start the next cycle. The table below presents the differences in CBFI creation and support by the main promoting agencies operating in Cambodia.

Table 6: Synopsis of approaches of the main promoters of saving-led CBFIs in Cambodia

Promoting agency	CARE	Oxfam	PACT	CWS	WVC
Name of program	Village savings and loan associations	Saving for Change	WORTH	Self Help Group (SHG)	Accumulating saving and credit association
Main components	• Saving-led microfinance in communities	• Saving-led microfinance in communities	• Saving-led microfinance in communities • Financial literacy • Micro-enterprise development	• Saving-led microfinance • Working capital to enhance lending at initial stage • Agriculture and small business development	• Saving-led microfinance
Other activities associated	• Health care • Livelihoods promotion	• Linkages with financial sector	• Rights of the individual • Health • Awareness raising	• Embedded as part of community development project which contribute to improving the livelihoods of the target groups	• Part of area development programs • Education, health, water, sanitation, disaster risk reductions, child protection etc.
Target groups	Poorest and poor households	Poor and medium households	Poor households with food shortages over extended periods in the year	The poor and poorest house- hold which need funds for farming, small businesses and emergencies	Poor and poorest households
Saving method	• Fixed minimum purchase of one share per meeting • Maximum is five shares per meeting	• Fixed minimum savings per meeting • Maximum is five times the minimum amount	• Small mandatory saving • Voluntary saving	• Fixed minimum compulsory monthly saving for all members	• Fixed minimum purchase of one share per meeting • Maximum is five shares per meeting

Table 6: Synopsis of approaches of the main promoters of saving-led CBFIs in Cambodia					
Promoting agency	**CARE**	**Oxfam**	**PACT**	**CWS**	**WVC**
					• Member can put more saving in initial balance
Record keeping	• Pass books for members; for each share, one stamp will be made in the pass book • Simple self-prepared ledgers	• Simple ledgers • No pass books	• Detailed, sophisticated record keeping system	• Manually recorded in ledger book and members passbook • Records on meetings, events, decisions and balances are kept in a note book	• One general book for recording of members saving, loan and repayments • Passbook for each member
Meeting frequency	• Weekly	• Weekly for saving • Monthly for credit	• Weekly	• Monthly	• Monthly
Committees	• Chairperson • Secretary • Treasurer • Two money counters	• President • Secretary • Treasurer • Bookkeeper • Key keeper(s)	• Management committee of 3 members, also holding the box keys	• Management committee of 3 members	• Chairperson • Note taker • Cash box holder • Cash counters • Key holders
Length of a cycle	• 8-12 months	• 8-12 months	• 6-12 months	• 1-10 years in an area	• 3-12 months
Redistribution approach at end of cycle	• Savings paid back fully to the saver • Dividend of net profits paid to each saver in proportion to her/his savings	• Savings paid back fully to the saver • Dividend of net profits paid to each saver in proportion to her/his savings	• Savings paid back fully to the saver • Net result not paid out as dividend but kept as retained earning	• Initially, savings and dividend paid back fully to the saver • Groups stop sharing out and begin accumulat-ing share capital	• Savings paid back fully to the saver • Dividend of net profits paid to each saver in proportion to her/his savings
Social protection	Optional social fund. Purposes include medical and hospital treatment, loss of members in the family and others, mostly for emergencies. Amounts separated from savings, loans and income earned.				

Origin of CBFIs in Cambodia. Community finance started in Cambodia as charitable approach in the 1990s, supported by donors with grant funds for on-lending to members. Since about a decade, it is largely saving-led or saving-funded, with a few exceptions where groups are endowed with loan funds under projects implemented by governmental agencies.

The model that is promoted today is based on a project experience made by CARE in Niger in the early 1990s. This model copied the informal sector practice tried and tested millions of times in Southwestern Nigeria and other parts of West Africa[41]. The system as now promoted by CARE, Oxfam and others is comprehensive and transparent, promotes accountability and is understood easily by most people, even those with lower financial literacy. While a few practices and approaches may differ occasionally between the different promoters, they are all based on the standard model designed the models practiced and share most features.

[41] The Yoruba in South-Western Nigeria practice RoSCA since about the 16th century. They practice the ASCA at least since the 1930, most likely much longer, the Igbos since the 1940s and the Tiv since the 1960s. At least since the early 1970s, ASCAs among the Yoruba, Tiv and Igbo in Nigeria used wooden or metal boxes to keep any excess liquidity between two meetings. The chairperson locks the box after the meeting and gives the key to one member not known to ordinary members, and keeps the box in his custody. The cash put into and found in the box is counted in the presence of all members at the end or beginning of the meeting respectively. This way nobody could dare to approach the chairperson or the one keeping the key to ask for a loan between meetings without the knowledge of all others. In terms of structure of the group, procedure during meetings, record keeping, products and services, and sharing out, the VSLA/SILC/SfC model resembles very much the informal sector practices in Southwestern and Southeastern Nigeria. See Seibel 2014 and

Many agencies promoting this CBFIs model report their outreach centrally through the http://www.vsla.net/ and http://savingsgroups.com/ , which regularly prepare and publishes aggregated data on the current implementation activities. By April 2015, the 24 promoters operating in more than one country supported the replication of the model in 73 countries, of which 18 in Asia and the Pacific, 15 in Latin America and 40 in Africa. Most CBFIs operate in Africa.

Table 7: Number of members in CBFIs supported globally as at April 2015

Area of replication	Number of members in CBFIs	Membership in % of total outreach
Asia	1,000,432	9%
Middle East	1,114	0%
Latin America	328,839	3%
South Pacific	4,147	0%
Africa	9,585,252	88%
Total	**10,919,784**	**100%**

The **monitoring and reporting system** is based on what the institutions currently implement directly or indirectly. The moment the one year support to a group would end, this group is no longer reported in the system. As a consequence, it is not possible to know the number of people who have ever been trained on how to practice a CBFI, or those that are currently practicing the model as taught.

More than two thirds of the current combined promotional activities are done by four institutions, comprising CARE accounting for 37%, CRS for 14%, Plan for 11% and Oxfam, FFH and Stromme Foundation for 6% of the almost 11 million members. At the same time, almost 160,000 persons were in the process of learning to save and invest in Cambodia, as shown in the table below.

Table 8: Members in CBFIs by promoting institution (April 2015)

CARE	CRS	PACT	Oxfam, FFH and Stromme Foundation	World Vision	Other	**Total**
1,500	103	4,162	100,000	41,940	11,000	**158,705**

Magnitude of operations of CBFIs. Assuming (very conservatively) that at least two times the current membership has been trained and coached in the past, of which 50% would remain active[42], CBFIs in Cambodia mobilize a total of USD 19.2 million in saving every year[43], disburse short-term loans of about USD 50-55 million[44] and generate a profit for their members of at least USD 4 million. As such, the CBFIs outnumber for example the credit union movement in Cambodia[45] by a factor of 7 as regards outreach, by a factor of 1.2 as regards savings and equity, and the number of borrowers by a factor of 10[46].

Main weakness of the system. Leaving apart operational aspects (which are not systemic) as discussed in the next chapter, the main weakness of the system is the lack of visibility, which leads to low public recognition of the system and its merits. As informal financial institutions, they are not part of the formal financial sector, and neither regulated nor supervised by the central bank, or otherwise recognized. They do not report any data to any authority or instance[47], which does not permit to assess their strength and contribution to the local economy, and their efficiency. This prevents a wider circulation of knowledge and insights into the system, and a discussion on the wider applicability beyond what is currently done by the CBFI promoters.

[42] Using the survival rates three years after the end of coaching and training.
[43] Using the average saving per member per year of USD 60.
[44] Using the average intermediation rate of savings into loans and average loan sizes during a one year cycle.
[45] See http://www.ccsf-cambodia.com/report/2014%20CCSF%20Annual%20Report.pdf
[46] The comparison of saving activities is methodologically not correct, as the CCSF credit unions report the balances of deposits at the end of the year, mobilized over many years, while the CBFIs report the amounts mobilized during a year. The former is thus an end of period figure, the latter a flow figure.
[47] Except to the SAVIX (http://savingsgroups.com/) through their promoting international NGO if that NGO decided to report to the SAVIX.

At the same time, this invisibility may also be seen as a strength, as it does not impose any restriction on the groups, does not oblige them to undertake any reporting or to comply with external regulations, does not make them subject to taxation or extraction policy, and does not expose them to any undue external influence.

3. Peer reviews of community finance models

The results of the peer review process of the models, approaches and systems, and their variation across different promoters and implementers, is presented below.

3.1 Validity of the basic savings and credit model

The **main ingredients** distilled across the different systems and approaches seem to be highly valid and relevant for grassroots saving and credit associations:

- Facilitating the creation of groups of people without being too directive;
- Emphasizing ties between members, and association along similar minds, objectives, wealth status, but allowing for variation;
- Helping members to establish their own rules and poor these into bylaws;
- Frequent and regular meetings;
- Saving as compulsory activity during each meeting;
- High emphasis on financial discipline and proper personal behavior at meetings;
- Insisting on prompt and full loan repayment as and when due;
- Lending without collateral, other than personal savings and guarantees of other members;
- Intermediation of savings into short term loans according to merits and needs of the applicants, for both provident and productive purposes;
- Negotiations and consensus among members on all important decisions, including the selection of borrowers;
- Emphasis on fixing interest rates in accordance with the scarcity of funds in the area, and not what middle income classes or economists would see as appropriate;
- Endowment of groups with a rudimentary initial set of assets needed to run the group;
- Assisting members to add a social fund to cater for those in need, through which a simple and rudimentary social protection can be provided;
- Training committee members on all leadership aspects, without forgetting the need for parallel education of ordinary members on all major elements and aspects of group functioning;
- Establishing a clear and transparent system of record keeping, addressing the minimum requirements rather than imposing complex systems and regulations;
- A well staged approach to the coaching and mentoring of the groups, with an intensive phase at the beginning and a slow phasing out with growing experience and confidence;
- A standard procedure for all meetings;
- The election of leaders through the members, without putting too much importance on the fact that a person serves her/his community on a voluntary basis;
- Some mild influencing of rotating leadership to avoid complacency and stagnancy;
- Closing of records and books after each meeting, and announcing the main figures to all members before the closure of the meeting;
- Transactions and decision making in the presence of all to ensure a maximum of transparency;
- Annual closure of accounts, with a statement on how much each member has saved and how much her/his share of the profits after meeting all expenses would be;
- Distribution of personal savings to each saver, and of a proportional share of the net profits to each member;
- Clear separation of functions in the committee;
- Committee size appropriate in view of the tasks to be accomplished, and the need for transparency, without over-burdening leaders;
- Keeping cash balances of savings/shares and social fund as low as possible;
- Record keeping commensurate with the level of complexity;
- Clear separation of savings or shares, income, and social fund in the records;

- Keeping physical cash of savings/shares plus income realized and social fund separate;
- Keeping liquid cash balances not used in a safe box, with different persons keeping the keys for the padlocks and the locked box itself;
- Announcing cash balances to members before closing the box, and counting the available cash again immediately after opening of the box in the next meeting, in the presence of all members and comparing the amounts with the records in the books;
- Flexible repayment rules, allowing borrowers to pay only the interest due when they are short of cash, but imposing full repayment at the end of the fixed loan period[48];

It would be tempting to dissociate these different ingredients by asking which ones do contribute more to the final results, and which ones would be less important. However, it appears that **five** highly **important pillars** can be isolated:

(1) Voluntary association;
(2) Regular saving at short intervals according to the ability of each member;
(3) Members deciding on their preferred equilibrium between economic and social considerations, business orientation and mutual assistance;
(4) A record keeping system that satisfies the information requirements of members and permits fair sharing of profits;
(5) Fast and efficient procedures at meetings, which reduce time spent on meetings to the minimum.

Where capital is scarce, and members want more and bigger loans, groups have a choice between making small saving contributions at short intervals (i.e. weekly) or larger contributions at longer intervals. Most of the groups have started with the latter, and opted to change to the former once they discovered that it is much easier to take out smaller amounts out of one's pocket so that the 'loss' is not felt so much. Many groups have found their rhythm by collecting savings on a weekly basis, but granting loans only once per month.

3.2 Accumulation, distribution and capital formation

Origin of the model. The great discovery CARE made when starting to promote the ASCAs in Niger was that existing indigenous groups did not build capital over periods of more than a year[49]. Instead, after about one year, they paid back to each saver the amount contributed, and paid out the net profit in the form of a dividend to members. This model was distinct from the standard cooperative or credit union model, where members build up their savings and shares over time and may withdraw from savings at will, and from membership after the closure of a financial year. Net profits of credit unions, derived from much lower interest rates, are partly put into general reserves, reserve funds, education funds and the like, and partly distributed to members by adding the respective value to the share capital. The practice in the informal sector made people feel much more comfortable than the cooperative practice, where one was never sure about what happened with ones' money. Another advantage is that cash at hand paid out creates confidence and enhances one's willingness to save even more in the next year. Two other functions have been often overlooked here: traditionally, capital formation in the many West African societies where the system was generated does not value much individual capital formation, but rather its redistribution, and does not value concentration of capital in one hand. Second, the capacity to keep proper records over periods of more than one or two years and correctly calculate each member's share of the profits did not exist in those days. These and similar insights led to the creation of the ASCA model. While groups are often generically referred to as accumulating savings and credit associations (ASCAs), the term is a bit misleading, as they only accumulate their funds for a limited period of time.

This traditional model of breaking the group and redistributing funds is promoted by three of the seven models reviewed, i.e. CARE, Oxfam and CWS. Against this, two promoting agencies, WVC and FNN, have modified their approach as regards redistribution. Among the groups supported by WVC, several of these have found out that the redistribution mechanism did not ultimately benefit them as much as anticipated, mainly because

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[48] This is a practice is highly responsive to the demand of MSEs, but very much abhorred and avoided by the standard microfinance and banking sector, and reserved only to large scale clients of banks granted overdraft facilities. Some MF-banks, including Grameen Bank, have offered this facility, the flexible general loan, since the mid 1990s and with extended loan duration in cases where clients were affected by floods.

[49] There are RoSCAs in West Africa (e.g. Nigeria and Cameroon) with more than 50 members. As these meet monthly, a full cycle takes more than four years.

members had very little available funds for lending in the periods following the end of the previous cycle. Some groups therefore, after deliberations and joint decision making before the start of a new cycle, did not redistribute the savings to members but kept the respective amounts and credited the respective values in the deposit or share account of the member[50]. In addition, some groups went a step further and did not pay out dividends but credited the respective share to each member's savings account. In cases where the dividend was not equivalent to a single share or the minimum contribution, members were asked to make up the amount for a full share from their pocket, in order to reduce the complexity of record keeping.

In the case of WVC, the field agents explain all this to members and ask them what system they want to adopt: gradual capital formation or annual redistribution and start again at zero, a linear progression mode versus a cyclical or up and down movement. In the case of FNN, the organization has no field agents and is built around savings and credit groups made up of farmers which all have gained their own experience with saving and credit. These are advised, through their district and provincial leaders, to move to the capital formation model, and build up their loanable funds, rather than redistributing savings. The standard argument is that the amounts received back from the group are not significant, and that a household could well do without, whereas the gradual capital formation would help members achieve more substantial investments at firm, household or group level. In other words: In view of the medium term opportunities, savers should waive the short term benefits.

The groups visited that practiced the capital formation approach were very satisfied with the results achieved. None of them reported major problems as regards record keeping; this may lead to the conclusion that the redistribution mechanism may no longer have to be adopted nowadays for reasons of inadequate record keeping skills. Every group capable to keep CBFI records would also be in a position to handle the capital formation process without lengthy training on accounting. Furthermore, none of the groups reported problems associated with drop in confidence and trust of members. This may be because confidence was already established with the results of the calculations done in a transparent manner. Finally, as members were informed in time, they were able to change their financing planning accordingly in cases where the amounts to be received from the group were fully budgeted for target expenses[51].

Terminology. Looking back at the terminology, the groups often referred to as "accumulative savings and credit associations" are not really accumulating capital, but in fact redistributing; they may therefore be better called ReSCAs – Redistributive Savings and Credit Associations. Against this, the groups gradually building up their capital might best be generically referred to as "Rapidly accumulating savings and credit associations" (RaSCAs).

3.3 Sources of the loan fund

Importance of saving as a process and as a habit. There are several ways to build a loan fund within a group of persons, and all these have been tried and tested thousands of times in the past 50 or so years, in the informal sector without the involvement of any outsider, within the context of development projects, or as an initiative of states to advance rural development. From these experiences, and from the results of the seven different approaches reviewed here, there can be no doubt that the constitution of an internal loan fund through member savings is the most sustainable and efficient way. Members thoroughly check with whom they associate where they have to make their own savings contributions, and are much less inclined to scrutinize co-members in circumstances where their own savings are not invested. People are hesitant to contribute their own scarce resources when unsure that all others would bind themselves to the highest standards of financial discipline. All potential members understand that the groups could only work if all will comply with their obligations as and when due, not later, and that excuses for not making a contribution would very soon lead to the collapse of the group and eventual losses of one's savings.

[50] In West Africa, many groups redistribute half of the savings to members, whereas the other half is used to buy new shares in the next cycle.

[51] From the discussions with members of some CBFIs with annual redistribution of savings and profits that they have detailed plans on the use of these funds, for investment, other businesses, school fees, housing improvement or other consumption. It appears that the longer this system has been practiced, the more members have been accustomed to plan the use for specific purposes, and the lower the probability that they may want to change.

Membership motives in credit groups. Such diligence and prudence is much less at work where no saving is required from members. Members do not put in their own money, and must not be afraid to lose anything but opportunities. The interest is right from the beginning more oriented towards getting something out from the association, rather than putting something into it. While it is true that all members want something from the association, otherwise they would not join it, the issue is what balance would be achieved between own efforts, time and resources contributed on the one hand, and what to expect and get out from it, on the other. It appears that the motives of association at the time of joining a group determines to a large extent the ultimate outcomes. In the case of savings groups, there seems to be more of a balance between inputs and outputs, and the expectation of a fair share of the benefits and opportunities, whereas in credit groups, this is more skewed towards maximizing extraction and minimizing inputs. From this angle, it is a priori not possible to create a self-help group, as self-help is a feature to be established empirically on the basis of the performance.

Experience further shows that it is not easy to change the motivation at entry point. The case of the IGRF groups supported under PADEE is exemplary. The project had introduced about two years ago a form of saving labeled "withdrawable shares", which were conceived as shares purchased from the group, on which the shareholder would earn a profit in the form of a dividend, in the same way as on other shares held. Shares could be redeemed only after giving notice to the committee at the end of a financial year. The share would be paid back to the 'saver' after the holding of the annual general assembly, during which the dividends are determined. The amounts mobilized so far have been rather modest; the total amount was equivalent to 1.2% of the total grants received as at 1/7/2014, and to 2.7% as at 1/6/2015.

Saving and sustainability. The predecessor project of the PADEE, Rural Poverty Reduction Project in Prey Veng and Svay Rieng (RPRP), had already supported Group Revolving Funds, although with smaller amounts per group and smaller sizes of groups (≈25). An assessment[52] carried out three years after the end of the project classified the groups found into three categories: GRFs in Category 1 were those which were active and with high likelihood of sustainability, in Category 2 those that were still active but unsustainable and in Category 3 those which were not functional[53]. The study found a clear relationship between savings mobilization, record keeping and sustainability: members who save want good records and reduce expenses[54], which in turn improves sustainability prospects:

> *"There is a positive relationship between savings and good operation of GRFs. Savings not only enables members and the group to increase their own capital but also motivate them to come to the meetings as they have to deposit their saving and also get the information of the group progress. Experiences in the country show that when people start saving with the group, they are likely to reduce expense on unnecessary things as they need to keep some money for saving. By saving, they have more capital to invest in a business, thus generating more earnings. Members' savings also increase income for the group which will be then able to provide more incentives for committee members. The study found a higher proportion of GRFs having savings among 1-A and 1-B compared to 1-C category. In* Svay Rieng*, 36% and 24% of 1-A and 1-B GRFs, respectively, and only 3.2% of 1-C GRFs have savings. In* Prey Veng*, the corresponding figure are 17% and 20% of 1-A GRFs and 1-B GRFs, respectively, and only 9% of 1-C GRFs. According to the preliminary assessment, most groups practiced voluntary savings rather than mandatory savings. Feedbacks from the stakeholder meeting confirmed that savings is good; it also pointed out that there is a need to develop a clear principle of how to use this fund and provide interest to saving members."*[55]

[52] Centre d'Etude et de Développement Agricole Cambodgien (CEDAC): Survey of Existing GRFs. RGC-FAO Unilateral Trust Fund's Support to Improved Financial Services (UTF/CMB/038/CMB) under the Project for Agriculture Development and Economic Empowerment (PADEE). Final Report. Phnom Penh December 2014

[53] 67% of groups were classified in category 1, 20% in category 2 and 13% in category 3.

[54] For those in category 1, sub-categories a, b and c were introduced to classify groups according to the depth and quality of records kept, defined as follows: Category 1-A: GRFs which maintained good quality records on a number of defined financial activities, including membership list, savings records, loan contracts, and loans outstanding; Category 1-B: GRFs which keep records, but their quality is not satisfactory; and Category 1-C: GRFs with poor or no records being kept. The distribution was 18%, 56% and 25% for categories A, B, and C respectively.

[55] CEDAC 2014, p. 33

This points at another link between saving as a process of capital formation, and saving of expenses to preserve more of the income produced for lending. With the introduction of saving, savers become more diligent and prudent in spending, and do not want to waste any of their own moneys, thus applying business or household financial management principles to the groups where they save.

The experience of CWS also clearly indicates that giving groups grants to create a group and a loan fund is well intended, but does not lead to sustainable results. Credit discipline is low, and difficult to establish, and members joining the groups are ultimately more interested in dissolving the group and sharing the proceeds rather than building up a loan fund to satisfy member demand. After ten years of implementing the grant approach, CWS stopped this entirely and moved to creating the habit of saving and adopted a savings and credit formula similar to the one promoted by CARE and Oxfam.

External borrowing. Apart from share capital, savings and grants, another important source of loan funds could be external loans. In many, but not all groups, the demand for loans remains high, even after several years of operations. This can be seen from the utilization ratios between the available loan fund and the outstanding loan balance, and the persistently high interest rates charged, an expression of the scarcity of funds. In order to provide group members with access to capital (larger amounts, longer terms) where desired, linkages with banks or other financial institutions could be an option. The groups would under normal circumstances be perceived as reasonably good potential clients, as they are based on saving, have established financial discipline, have managed their lending operations, and have records to show how they performed in the past. Such linkages between a bank and a CBFI are thought to be a solution in several countries, and are presently actively being pursued in Kenya, Ghana, Zambia, Tanzania and Uganda, among others[56], where more than 3100 groups have established their linkages with a commercial bank[57]. The model is based on the assumption that the groups are interested to increase their loanable funds and pass these on at their terms and conditions to members, rather than obliging the individual to seek a loan from a financial institution outside the group.

A slightly different approach has been taken in Tanzania, where Plan International has borrowed and adapted some credit union concepts by promoting apex bodies of savings groups called "Intermediating Associations" (IMAs). The point of departure is the observation that groups supported for some time will cease to continue at some point of time, and that some support in critical domains would extend their life span. Attempts made to use former field agents for this purpose on a voluntary or contractual basis have proved not to be sustainable. The IMAs therefore provide eventually for an institutionalization of the solution: they receive excess funds from the savings groups and use this to grant loans to groups with unsatisfied demand for loans. In addition, they provide oversight and technical assistance to the primary groups and catalyze other community-based social and economic activities such as group-based farming and assisting orphans and vulnerable children[58]. Former efforts to get the IMAs involved in agricultural input supply were not successful. The model looks very interesting from several angles: it provides (1) an exit strategy for donors and promoters, creating an institution that is hopefully able to provide key support services to the CBFIs, rather than leaving them alone; (2) a growth and deepening approach for well functioning CBFIs interested to move on further beyond the standard financial transactions in the group; and (3) an entry point for other service providers and promoters interested in the development of non-financial sectors that could be relevant to the groups, and that would require some level of financial management as a pre-condition. Unfortunately, no further details on their operations, depth and quality of services, approaches and methodology, degree of satisfaction of members and sustainability are publicly known.

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[56] See: http://www.careinternational.org.uk/sites/default/files/April%2021%20Charter%20Webinar%20Presentation%20Combined%20FINAL.pdf?utm_source=Linking+for+Change+newsletter&utm_campaign=6bb2d19267-Linking+for+Change+Newsletter+4&utm_medium=email&utm_term=0_1a9663b316-6bb2d19267-266226141

[57] As at the end of 2014. In more than half of these cases these were linked with Barclays Bank.

[58] Plan International reports that there are currently 180 functioning IMAs in Tanzania serving 1,175 savings groups with in turn more than 29,000 individual members. This indicates that IMAs are small organizations serving 6-7 groups on average in their immediate vicinity. Savings groups have the standard average size of 25. See also http://static.oxfamamerica.org.s3.amazonaws.com/downloads/SG2013%20Presentations/March%205th/Sector%20Programming%20Sessions/Savings%20Groups%20and%20Input%20Marketing%20Associations/Savings%20Groups%20&%20Input%20Marketing%20Associations%20VSL%20Associates.pdf and http://www.seepnetwork.org/savings-groups--intermediaries----community-action-in-tanzania-events-274.php

Another approach has been suggested for a new IFAD-funded project in Liberia, where the rural community-finance institutions, which are authorized by central bank regulation to accept deposits from the general public, will offer short-term refinance facilities to performing VSLAs promoted by CARE in their area operations to boost their liquidity during certain periods of the years, when most members are in need for additional liquidity for farming, trading before festive seasons and payment of school fees, which drain on financial reserves. The liquidity bridge would enable more members, especially women, to widen their economic activities than the VSLAs could achieve purely on their own resources. This approach attempts to enhance and deepen solidarity among members, rather than members seeing each other as opponents who are all fighting for a share of the same small 'cake'.

Conditions for bank linkages. The number of lessons that can be drawn from external borrowing of SHGs, savings and credit groups and credit unions is legion. It may suffice here to retain the most essential conditions for such linkages:

(1) Groups or their members must have a definite **demand for loans** for credible, feasible and viable member projects;
(2) Regular **saving** practiced in the group;
(3) Good **repayment** rates achieved from internal lending;
(4) Level of **record keeping** commensurate with the complexity of operations;
(5) Trusted and capable **leaders**;
(6) Willingness to assume the increased risks associated with indebtedness and risk of default of sub-borrowers;
(7) Prevailing secondary **virtues** such as honesty, belief in saving, peer pressure against deviant behavior, financial discipline and regularity of attendance at meetings.

A first critical issue is the amount of such refinance. The principle distilled from such linkage programs is that there should be no overdose of loans; the basic principle adopted by the CBFIs to grant 2-4 times the amount of savings and shares to an individual should be seen as valid rule of thumb. A second critical issue is transaction costs for both lender and borrower: only where these are within tolerable limits can such linkages be viable. For example, distances between the location of a group and the bank branch of 30 km and more are not conducive, pending digital forms of payments and withdrawals that could be used at low cost. Where spatial distance is big, the constraint of transaction costs could only be overcome through mobile money.

The **conclusion** here is that in the long run, only groups that mobilize savings from members survive. This result resembles what has happened in the formal financial sector, where only deposit-taking financial institutions survive in the long run; sooner or later, sources of funds for credit-only institutions run out, which makes the institution less and less responsive to client demand, and ultimately leads to credit rationing. This is not merely an issue of cost of funds[59], or access to refinance or credit lines, but a matter of prudent asset-liability management, and putting the interest of the depositors first, which only deposit-taking institutions will ultimately manage and achieve.

3.4 Outreach to women, youth and the poor

Outreach to women is one of the strengths of the CBFIs. Most promoting and implementing agencies involved in the study directly or indirectly favor the inclusion of women, in line with the current development agenda and priorities. The saving-led CBFI model is clearly designed to the needs and potential of women: frequent but short meetings in the vicinity of the homestead, small minimum contributions, no prior experience required, short term loans for both productive and providential purposes, and small loan amounts. It appears that men, if asked, would set the priorities slightly different: a lesser number of meetings, larger contributions, and larger loan amounts.

Outreach to the youth[60] is largely not covered by the MIS. However, it has been occasionally done, but was so far not the focus of attention. In the cases observed in the field, the number of youths in the groups reached

[59] Unlike 20 years ago, when cheap lines of credit were often available, lines of credit granted by IFIs are usually to be granted at least at market interest rates to the ultimate client, and cost of funds may be higher than the average cost of deposit liabilities.
[60] Defined as being between 18 and 35 years old

15-25% approximately, which seemed to be a reasonable mix in allowing adolescents and younger adults (almost all females) to learn to save, acquire some leadership training and exposure, and copy role models of other, successful women. Some organizations plan to focus their new programs on youths. One may conclude here that the models used are relevant and useful for women and the youth.

Table 9: Outreach of CBFIs to the poor with ID Poor 1 and 2 status

Promoting agency	Outreach to women	Outreach to youths	Outreach to the poor[61]
CARE International in Koh Kong Province	76%	m.v.	53%
Church World Services in Kampong Thom Province	60%	m.v.	m.v.
Farmer and Nature Net in Takeo Province	64%	m.v.	m.v.
MALIS project in Oddar Meanchey and Preah Vihear Provinces	70%	m.v.	m.v.
Oxfam Saving for Change Program in Kampot Province	83%	m.v.	2.0 - 15%[62]
IGRF groups under PADEE in Svay Rieng Province	63%	m.v.	m.v.[63]
World Vision program in Kampong Thom Province	80%	m.v.	20.4%

m.v.=missing value

Actual **outreach to the poor** is largely undocumented and estimated to be mostly at low levels[64], as shown in the table above. Most organizations express their intention to include the poor[65], and actually claim to achieve that. However, while this is publicly desired, it may not be achieved yet in reality[66].

There seems to be a general consensus that groups would ideally be mixed, comprising both the low and middle income groups in the villages. One of the reasons cited often is that the poor would learn better about good business if they associated with the better off, as they could not learn much in this regard from other poor persons. Second, it was often said that the poor could only save small amounts, and their groups would thus only accumulate small savings and social funds, and grant small loans. Where the dividends would be

61 Defined as those with ID Poor 1 or 2 status

62 Based on the program data base records as at 31/12/2014, 2.0% of members had the official ID Poor 1 or 2 status. Records on the number of poor persons with ID POOR 1 or 2 status were found on 638 out of 756 groups (missing values in the remaining groups). The total number of poor was 227, within a range from 0 to 12 poor persons per SfC group. 529 groups had no ID Poor card holder as member. – Data from the broader, long-term data base indicate that 15% of SfC group members have an ID Poor 1 or 2 status. -- A non-representative sample of 33 members and 34 non-members shows that 21% of members had an ID Poor 1 or 2, compared with 18% among non-members, a difference of 3.6 percent points.

63 Data from the PADEE baseline survey indicate that the IGRF group members, on average, are significantly less poor than a control group selected. The recent mid-term review also observed that many poor who were initially part of the group left when they were required to attend an extensive training program on agricultural production, irrespective of the fact that most of the poor did not have land to cultivate. Many of the poor could not afford to waive income from selling their labor and left.

64 The data on one case with a higher percentage of poor as members came from the MIS (considered trustworthy) and could not be verified in the field. The case seems, however, to be more of an exception than a rule. It may partly be explained by the fact that in the concerned districts, the CBFI model was promoted along with an integrated health program, which had many features that could be deemed to be very relevant and interesting to the poor. It appeared from the discussions with the staff of the concerned agency that less emphasis was placed in the initial extension phase on business matters, but on access to health, and the funding of health expenses through the savings/loan fund. In these groups, the loan utilization rate was also below average for the agency.

65 Usually expressed in the objectives to reach out to the poorest or the poor in the community.

66 One of the four main themes proposed for the forthcoming Savings Group Conference in Lusaka is “Expanding Savings Groups outreach to more vulnerable and diverse populations”, a confirmation of the validity of the above analysis.

small, they would feel frustrated and de-motivated[67]. In actual fact, it seems that the poor do not freely associate with the higher income groups, for whatever reasons. This seems to be mirrored by similar feelings of the relatively better-off, who do not have much trust in the financial discipline of the poor. It is also not evident that better-off persons in the village could serve per se as role models for persons with much less resources, or that the better-off would freely share their insights and skills about business with the poor.

This opens the question whether either the model or the approach of dissemination might not be suitable for the bottom income groups. In view of the substantial variation of the CBFI model across countries, and the flexible elements, the model is sufficiently adjustable to accommodate the potential, needs and constraints of poor people. Meeting frequency can be adjusted, convenient times for meetings can be selected, and minimum and maximum amounts of contributions per member and meeting day fixed at an appropriate level. While the rules on loan ceilings could be applied fully, loan duration and interest rates can be set autonomously by the group in accordance with preferences. The probability is therefore relatively high that the delivery system is a major contributor to the large exclusion of the poor: the sub-contracted agency, the sub-contracting institution and the financier are interested in efficiency, which naturally tends to drive the field agent more towards the middle-income groups. These are able to understand all issues much easier and quicker, can save more and grant more loans, agree on relatively high interest rates on loans to increase their dividends in the end, and have better prospects for investing in their businesses. Where groups would be composed of many poor persons, or many groups of the poor included, the implementation progress is likely to be slower, the transaction volumes and dividends lower, and the efficiency of service delivery lower. A great learning from the Grameen Bank in Bangladesh was that mixing the poor and the better off does not lead to satisfactory results for the poor, and that as a result, the poor should be better served by institutions specifically and only geared at addressing their needs. Trying out anew to reach out deeper into the low-income bracket, would thus require (1) the creation of CBFIs among more homogeneous segments in which the poor are a majority; (2) a higher operating budget; (3) more time for implementation; and (4) a new set of incentives and efficiency parameters for the promoting agencies and their field staff.

3.5 Validity of the support approaches

Much of the discussion about CBFIs is related to structure and set-up of the groups and their transactions, hence much of the results achieved depend on the quality and directions of the field agents visiting the groups regularly. The different promoters have found different approaches to help groups in their first year of operations. These approaches center on the following **key ingredients**, dos and don’ts:

- Coaching, mentoring and being restrained rather than doing things for the group;
- Helping members to understand issues, and develop their own rules and regulations, rather than directing on which rules to follow;
- Explaining the links between regulations and effectiveness and efficiency, rather than prescribing terms and conditions for loans;
- Acting as external auditor, not as record keeper once the treasurer has learnt how to keep the records;
- Leading with discipline, punctuality, objectivity and neutrality, with no bias against any person;
- Explaining the roles and responsibilities expected from leaders, and how to conduct elections, rather than pushing for the selection of specific persons;
- Respect for the autonomy of decision making by the groups in their internal affairs.

A few cases reported by the groups visited outline what should not be done. In one case, an enthusiastic field agent suggested that he could become an ordinary member himself, apparently in a situation where members had not saved significant amounts. This was meant to show that he trusted them, and would even entrust his money to them. However, as pointed out in the reviewer report, this approach would compromise over fundamental ethical issues, as the groups would hardly be in a position to deny him a loan, or exert pressure against him in case of default.

[67] It is not evident that such argument is valid. Loans in CBFIs depend on the amount of own savings, and the maximum credit limits of 3-4 times the savings apply everywhere. With small savings, the loan would be small, whether in a mixed group or a group composed of poor persons only. Second, dividends are based on actual amounts contributed, with the same result for a poor person whether a member of a mixed group or one only composed of poor persons.

3.6 Monitoring and MIS

There are basically three different models of record keeping, accounting and monitoring found in the seven host institutions, a first one developed initially by CARE in association with other promoters of the ASCA model[68], the second being the MBWin system of FAO[69] as operating in the PADEE project, and the third one being a standard project monitoring along project outputs, outcomes and impacts[70].

The ASCA approach is based on the simple single-entry record keeping system in the groups. The data are excerpted by the technical officer visiting the groups regularly and then entered into a data base, which consolidates data per geographical area, project, service provider, promoter or country, as required by the circumstances. The data are aggregated to produce figures for the main balance sheet items, such as cash at hand, bank deposits, loans outstanding, property/fixed assets and social fund balance under assets, and liabilities and equity funds (including net result for the year and the corresponding social fund balance), together with the respective percentages of the totals. The data produced show the total amounts per project/area etc., as well as the average amounts per group. Instead of presenting the total income and expenses, the records show the net profits to members and dividends paid out. The system further projects the annual savings per member and states the average loan amount per member. Key ratios calculated include return on savings and assets, the loan utilization rate, loans over total assets and proportion of members with a loan outstanding. Finally, the cost per member promoted is stated for the overall project as defined.

The standard record keeping system forces groups to close all balances, and record all balances carried forward in a separate sheet and in their internal record book. Most of the ones systems seen compare physical cash at hand left with the amount brought forward in the books, which need to be the same[71]. This approach also serves analytical purposes. At the end of the meeting, all balances are announced to members and the respective amounts inserted in the books[72], and the amount found in the box is compared with the amounts in the record books.

This monitoring system provides sufficient detail on most operations and transactions. It is a mix of balances as at a specific date and flow figures over a specific period of time, and ratios measuring certain efficiency parameters. The only 'system break' is the reporting of the social fund in the balance sheet, this might probably be better recorded and reported off-balance sheet. The only important missing element is an abridged income statement, through which some additional aspects could be analyzed. However, these parameters are recorded and available in the data base, and can thus be presented differently. The entire system is based on a common spreadsheet software, which is can be easily managed and understood by almost everybody who uses a computer. The system is tried and tested, and the respective overhead costs per member or group are marginal. The one and only important cost is the salary and transport cost of the field agent visiting a group.

Apart from a few cosmetic changes, the dependence on the field agent is the main weakness of the system. It tends to capture only those groups that are still under a project support, and leaves outside all other groups which have been supported in the past. This approach prevents a deeper, continuing and longitudinal analysis of the performance of the groups, through which the performance of the groups as financial intermediary could be assessed. It should be noted here that the introduction of an approach to monitor results in a longitudinal manner would be costly, as it could not be done error-proof through the groups, many of which are still battling with their records and accounts. The main weakness is that some, but not all operators use this systems, but deviate from it.

MBWin under PADEE. Groups supported under the PADEE apply a double entry accounting system, although with a limited number of sub-accounts to reduce complexity. Data are kept by the treasurer of the group, who also draws monthly or bimonthly balances. These are then verified by the respective MFA during on-site

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68 See Appendix 1, CARE International host report, Table 9
69 See Appendix 1, IGRF host report, tables under chapter 7: MIS and technology used
70 This approach will not be dealt with here, in particular as the system adopted under the MALIS project did not cover financial transactions in the farmer-based organizations supported.
71 This approach has been perfected in the informal ASCAs in Southern Nigeria since many decades.
72 Some groups have adopted a very effective approach by asking members to keep these data in their memory, and to charge a small fine for all those who do not recall the amounts in the next meeting.

inspections, and entered into a tablet-based data base linked via internet. Monthly summary sheets with income statement, balance sheet and loan collection data for each loan outstanding can be produced locally, if the location has access to the internet. If not, the reports need to be printed at the office and then delivered in hard copy by the MFA to the group. Most data management is done from Phnom Penh, the data base itself is located at the main servers, which are administered from Bangkok.

Strengths of MBWin. The system allows for detailed and aggregated data analysis on membership, outreach, fund transfers, major balance sheet items, income and expenditure/profitability, portfolio quality, and loan purposes, presented by group, district, province and year[73]. The basic software used is tried and tested, and used by many financial institutions (mostly) in Asia. While groups are requested to apply the double entry bookkeeping method, this is technically not indispensable as the complexity of operations is comparatively low at present.

Weaknesses of MBWin. There are two constraints associated with the system. The first relates to the standard of record keeping, where groups are expected to perform double entry record keeping, a level they are not likely to master even after years of practice without external assistance. This dependency may either lead to higher efforts to manage the system and pay for the cost of the external service provider, or relent and switch sooner or later to a single entry system members could manage without external support. The other main constraint is the cost of the system. At present, costs for the support services of the MFAs, including inspection of books, data entry into the data base, preparation of loan repayment schedules, income statements and balance sheets and their delivery to the group, plus some on-the-job coaching and training of the committee members, and part of the IT system and hardware costs amount to USD 284 per year per group, on the basis of almost 800 groups. These costs are not expected to decrease significantly once the full target of 984 groups will be reached, but may go up by about USD 30-40 if all costs currently absorbed by FAO under the partnership agreement would have to be absorbed. A reduction of the costs per group may be achieved through a range of measures[74], which would reduce the time per MFA visit and their overall efficiency[75]. In the absence of a solid analysis and projection, one may estimate that an average cost reduction of 30% could be achieved at medium terms, thus a final cost of USD 220 per group per year. As many group leaders complain that they need to spend a lot of time on group management, the option to drop loan projections and repayment schedules for each meeting may not be a valid option to reduce costs per group, as this would increase the time requirements for the committee. An alternative approach would be to simplify the accounting system to enable groups run their group with less technical inputs.

[73] Even though the system permits in depth analysis, no such analysis has been undertaken by either side so far.
[74] These measures include the relocation of meetings for all groups in one commune to one central place and holding of meetings on the same 'banking' day for all of them, reduction of the frequency of meetings from monthly to bi-monthly or quarterly, once the records are properly kept by the groups, mergers of the four groups per commune into one or two larger units, or into agricultural cooperatives, some simplification of the record keeping system (without losing effectiveness).
[75] There seems to be ample opportunities to increase the efficiency of operations of MFAs. The average number of groups served per MFA of 32 does not appear optimal yet. A lot of time is spent to deliver hard copies of the monthly report to groups, necessitating two visits per month.

Box 1: Monitoring system for the Bank-SHG Linkage program in India[76]

The new award-winning tablet based system developed for the bank-SHG linkage program in India would be another technical option. However, although the system has been tried and tested in the field, not much is known about the features, acceptance of SHGs, the cost per group and operator, cost of MIS adjustment to the needs of the operators, and stability of the system.

3.7 Efficiency and cost considerations

The organizations promoting CBFIs in this study employ different approaches as regards implementing the group formation and coaching process; while Oxfam only sub-contracts to qualified local organizations, CWS and CARE to both, self implementation and sub-contracting. Against this, WVC only implements the projects and does all field work itself. Under a sub-contacting model, it is easier to determine the costs of promotion. In the international discussion about CBFIs and savings-led microfinance, the standard efficiency indicator used is the cost per member of a CBFI. Included in this amount are the total costs of field work for group formation, coaching, training and monitoring, including the respective overhead charges for additional full time or part time personnel, office, transport etc.

Cost trends globally. The cost of promoting CBFIs has been declining very much over the past decade. In the original trial cases, these were quite substantial, as new systems were to be developed. Since about ten years, the cost of promoting one member of a CBFI over a one year cycle has declined from about USD 40-50 to about 20-25. While under very favorable conditions, they may even fall below USD 20[77], they may under very unfavorable conditions be still as high as USD 170[78].

Cost per member among participating institutions. In the case of Oxfam in Cambodia, this cost of direct support was USD 24.22. To this would have to be added overhead costs for screening, sub-contracting, monitoring and supervising of service providers and reporting of about USD 5, plus additional costs of USD 5 for research, publications and conferences. In the case of CARE, the amount was USD 38, with the provisions that (1) the ultimate cost may decrease marginally towards the end of the project, (2) the amount comprised support in the health sector, and (3) one area covered was much dispersed and thinly populated, thus leading to higher transport costs. In the case of CWS, the cost per member without grants/loans for the revolving fund topping up were in the range of USD 47-69, although for comparatively small projects involving 117 and 309 groups, with the lower costs achieved where the number of groups was higher. In the case of the IGRF groups

[76] See http://www.priyadarshini.mybachatgat.com/
[77] E.g. in Kenya and Tanzania
[78] E.g. in Liberia

under PADEE, the total amount allocated for the respective component was USD 15.443 million[79]. Adding to this the proportional share of project management costs, and assuming that all of the newly created groups will also have exactly 50 members[80], the cost of support per member funded under the project over a period of five years amounts to USD 362[81]. It should be added that a simple division of costs per member per year in the case of IGRF groups would methodologically not be correct; under the assumption that minimum duration of support is three years, total cost per person amount to approximately USD 300[82].

3.8 Sustainability

Sustainability of CBFIs is conventionally measured as the rate of survival or continuation of the CBFIs once project support has ended, which could be measured at different time intervals, i.e. at or shortly after the end of support, or some years later. A group could be defined as sustainable if (at least a majority of) (1) its members meet regularly as specified in its bylaws, and (2) financial transactions take place (saving, loans, social protection/insurance, etc.), which (3) are properly recorded and documented[83].

Sustainability of the CBFIs depends on a large number of economic, social and cultural factors. This would require among others that membership in and the services provided by the groups remains largely beneficial to the majority of members, that members trust their leaders, that funds will not be unaccounted for or lost, that dividends paid out or credited to one's account, that social relations remain intact, and economic benefits including social protection and exchange on innovations and business opportunities are still forthcoming.

Unfortunately, there is little comparative data available on the survival rates. The IGRF groups supported under the PADEE have been operating only for about two years. The MALIS project has ended shortly after the field visit was conducted; it is therefore too early to assess sustainability of either groups.

Some **first conclusions** can be drawn from the predecessor project of the PADEE, the RPRP, and its GRF groups, after which the IGRF groups have been molded. A survey conducted among 689 groups about three years after project completion found that 66.8% of groups were classified as operating[84], whereas the remaining 33.2% were found to be inactive. Among the active groups, 74.8% were found to have good or satisfactory record keeping in place, whereas the remaining 25.2% had either no or poor records. Assuming that groups with no or very poor records on capital, names of members, and status of individual loans would soon cease to exist or are already quasi-extinct, the total number of surviving and properly functioning groups would be equivalent to 50.0%.

The survey found the following results on the surviving GRF groups:

- Membership and female participation change only marginally at all in these groups; membership dropped by one member from 25 to 24, and female participation remained constant at almost 50% on average;
- The grant funds received under the project increased on average in value by 77%, most of which deriving from retained earnings, and much less from savings;
- Once leaders are in place and perform, elections are no longer seen to be important, and officers remain in their positions;

[79] This includes the grants, financial literacy training, group creation and external support through the MFAs on a gradually declining basis and IT solutions/support. The total amount allocated for grants to the loan fund amounts to USD 11.8 million, or USD 240/member. The amount excludes training on business management, agriculture and other project related initiatives.
[80] Thus a total number of 49,200 beneficiaries or members.
[81] This excludes the contributions made by the IGRF groups to the costs of the service provider/MFAs.
[82] This takes into consideration the time needed to create a group, and reduce the external support for the MFAs over a period of three full annual cycles. The respective costs of other components which aim at improving agricultural production and productivity, and other off- and on-farm support services, are not included in the above figure.
[83] This follows the definition of CEDAC December 2014. Groups reconstituting themselves cycle after cycle, as done in many RoSCAs, or those distributing their savings, share capital and net earnings to members and reconvening again, would be considered as sustainable, following this definition.
[84] Defined as meeting during the past six months and having recorded any financial transaction during the meeting. This is based on the internal regulations of the GRF groups, according to which groups were to meet every six months. CEDAC 2014

- Groups continue to struggle with record keeping, but basic records on lending activities (loan application, loan contract, loan disbursement, list of borrowers, repayment schedule) are mostly done and as instructed, but monthly summary reports are missing in almost all cases;
- Many groups that saved during the project period stopped doing so after the end of the project.

The survey listed the following **factors of success**, where a strong correlation was found between a factor and the overall success of the group[85]:

- **Record keeping**: groups keeping good records have more trusted relations, and higher capital;
- **Leadership:** good leadership and management is a key to operate the group successfully; better performing groups were statistically those where members reported that their leaders were actively working for their groups;
- **Incentives for committee members**: The better performing groups paid higher amounts of financial rewards and recognition to their leaders;
- **By-law/regulation and common understanding:** the study found that where bylaws were understood and accepted by members, loan arrears were less;
- **Regular meetings:** there is a strong positive correlation between regular meetings and good operation/strengths of the groups; this is because meetings provide a forum for the members to share experiences/information related to farming/business, facilitate saving and payments, reporting the group's capital and settle problems, and meetings build trust and transparency through communication;
- **Savings and collective fund:** there is a positive relationship between savings and good operation of GRFs. "Savings enable members and the group to increase their own capital and motivate them to come to meetings. Experiences in the country show that when people start saving with the group, they are likely to reduce household expense on unnecessary things as they need to keep some money for saving. By saving, they have more capital to invest in a business, thus generating more earnings. Members' savings also increase income for the group which will be then able to provide more incentives for committee members." Most groups practiced voluntary savings rather than mandatory savings. Feedbacks from the stakeholder meeting confirmed that saving is good and that there is a need to develop clear principles on how to use savings and pay interest to savers.
- **Loan management:** Most groups continued to follow the project induced practice of meeting every six months and granting loans for six months to be repaid at the next meeting. Against this, groups which granted short loan terms (and thus met more frequently) achieved a higher level of capitalization than those with half-annual meetings.

Survival rates of CBFIs. Some of the above correlations and trends have been confirmed by a study on 99 CBFIS commissioned by Oxfam[86]. About 3.5-4 years after the end of support, 55% of the groups supported under Oxfam funding, 55% of groups under CARE funding, and 44% of groups under PACT funding were found to be operational, defined as actively collecting savings and granting loans. The study identified seven major causes for failure and dissolution of groups:

- **Lack of trust** among group members as well as committee members, leading to the withdrawal of members or making them stop saving;
- Poor **performance of committee members** in solving disputes or problems;
- **Insufficient funds**, caused by leaving/migrating members, leading to low loan turnover and low profits;
- Irregular **meeting attendance** which affects savings mobilization;
- **Default on loan** and interest payments, leading to depleting income and/or loan funds and frustration of honest members;
- **Lack of follow-up support** from implementing organization;
- **Disagreements** between group members, in most cases over access to loans.

Changes of parameters after support. The report also provides a list of rules that the groups changed after they were no longer supervised and controlled by their field agent. These changes provide good directions for

[85] CEDAC 2014

[86] Oxfam: Sustainability Study of Savings Group Programs in Cambodia. For CARE, Oxfam and Pact. Prepared by Emerging Markets Consulting for Oxfam. Phnom Penh, not dated

changes of program modalities already in implementation, and/or for preparing groups to stand on their own. The most significant change was to use the loan fund for loans to non-members if there was excess liquidity and the borrower was considered credible, and presumably at an interest rate slightly above the one for members. Overall, this was done by 58% of all groups, with the highest occurrence at 74% amongst Oxfam supported groups[87]. This seems to indicate that after an initial high demand for short term loans at high interest rates, members still have a continuous demand for loans, but are less prepared to pay the initial high interest rates. As this cannot be granted by the groups without conflict over the yields and dividends, the overall interest of members is turned from access to loans to investment income. It is only natural that in cases where the demand is satisfied within the groups, members look for other alternative investments and accept outsiders with credible demand. The underlying business model of groups thus slowly changes from savings and credit to savings, investment and credit, and CBFIs become true community-finance institutions in a broader sense.

The other changes active groups had introduced were (ranked by frequency):

- 39% of groups abolished the fines for non-attendance and late repayment of loans;
- 25% of groups changed the repayment period;
- 13% of groups changed the record keeping system;
- 9% introduced new fines;
- 4% introduced new contracts for loans;
- 4% of groups permitted both husband and wife to join[88].

Six out the seven cases studied in this survey placed great emphasis on helping groups to stand on their own. Capacity building efforts in various forms created the centre piece of most programs. In one case, the PADEE, design established a link with an external service provider for the monthly verification of records kept and the entry of data into an internet-based platform. For reasons of sustainability, the groups are requested to gradually increase their contributions to the costs of the service provider, until groups absorb these fully. Annual costs are presently USD 284, and may increase to about USD 320 if all costs are to be borne by the IGRF groups. In a survey of 71 IGRF groups conducted in 2014, 58% of the committees stated they were willing to pay for the services of the MFAs because it was a formal requirement of the project, and because they were not able to do the job themselves. Of the remaining 42%, 27% disagreed to make the required payments, and 15% were undecided[89]. These perceptions put at risk an approach where groups were made dependent on a sophisticated record keeping system (double entry accounting system), which they are hardly able to master themselves, and the preparation of automated payment schedules through the software, which the committee members are unable to do from their level of records. Under these circumstances, the probability that groups will ultimately pay for the external services are not very high, even though the PADEE mid-term review has suggested a range of measures to reduce costs. Under the assumption that groups would not be willing to pay for these services[90], the key question would be whether groups change their record keeping system independently or with the help of the MAFF, so that they could handle records on their own, and then continue to operate, or whether this would be an insurmountable hurdle or complication leading to pressure from some members to dissolve the groups and share the grants and profits realized.

The **conclusion** from the above is that continuation rates for grant-induced and saving-led CBFIs are similar. However, as the costs for grant-induced CBFIs are much higher than for saving-led groups, up to 15 times, the lost investment costs due to lack of sustainability of a group are much higher in the case of grant-based groups.

[87] Against only 27% of groups promoted by CARE. CARE field and supervisory staff apparently strongly discourage this practice.

[88] While the approach to ask about post-support changes is very laudable, the methods used may not be entirely convincing: the total number of responses was below 100%, while one would have expected multiple responses. Furthermore, the issue of lending to outsiders was treated in a different question. It is evident that this topic merits further studies.

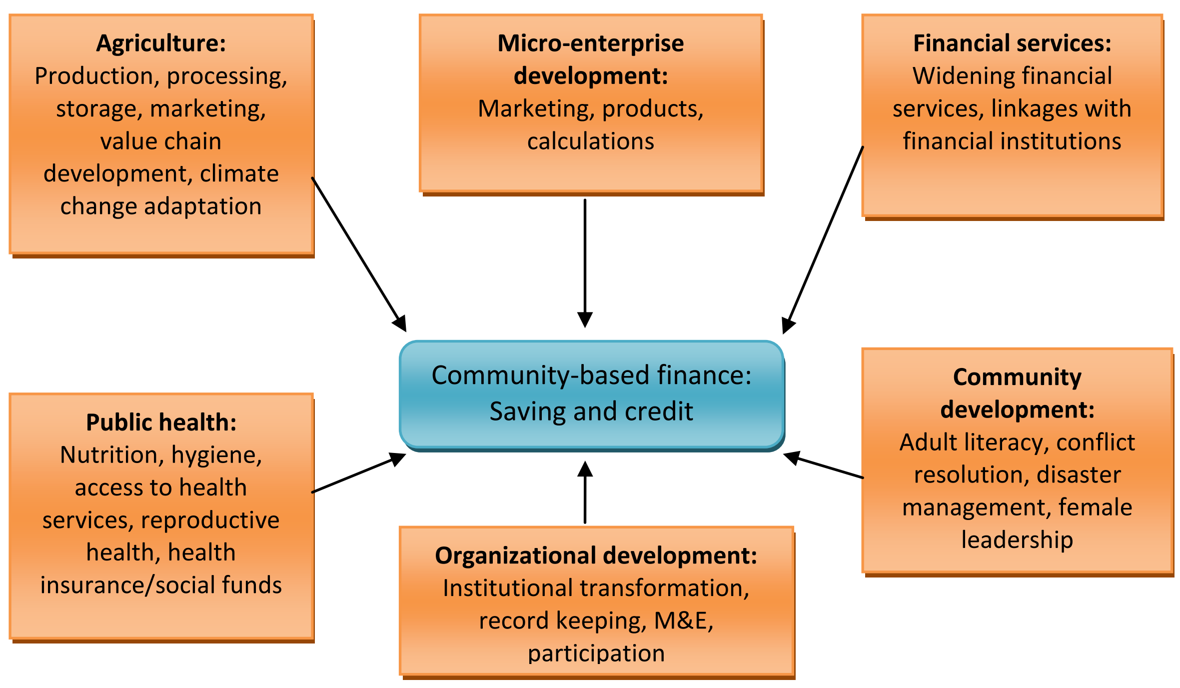
[89] FAO Representation in Cambodia: Mission Report on "Mobile Field Agents' Performance Assessment". Mission Date: August 22, 2014 to September 19, 2014. Prepared by: Vong Chhim Vannak, National Rural Finance Coordinator. Phnom Penh, November 6, 2014

[90] The discontinuation of services would also take place if the number of groups paying for the services as and when due would drop below a certain level, as it would then no longer be economically viable for the service provider. One may speculate that such level is around 80-90%.

3.9 Graduation and transformation process[91]

The more than 20 years of promotion of the basic SfC/VSLA/ASCA/SILC/WORTH model has shown that the groups may well remain as they are, without much need for reform, adjustment or fundamental change. However, there are efforts undertaken in a number of countries to establish and/or deepen the links between these CBFIs and the financial sector. These countries include Tanzania, Kenya, Ghana, Zambia, Ghana, Mozambique and others; the usefulness of such linkages, and the implications in terms of support are currently debated intensively. Furthermore, several promoting agencies have started to integrate other relevant development aspects or initiatives into the CBFI promotion, such as livelihoods development, health, nutrition, small business skills, entrepreneurship, youth self-esteem and more pronounced leadership development for women. These are conceived mostly as add-ons, in the sense that the basic model remains as it is, and that only additional elements will be hooked on to widen horizons, options and choices once the group has been established. The institutional development process is usually not part of these reflections or trials[92]. These additional elements can be added because the basic system works, and the groups are usually stable and to some extent self-resourced. The potential for of the groups to act as a platform for other development initiatives, public and private sector services needs to be further investigated as it seems smart additional elements could strengthen groups or increase members' livelihoods. The diagram below shows the apparent known additional elements that could be added to a CBFI program. This schematic approach does neither suggest which of the options should be pursued, as this will be determined by the interests of and demand from members and their existing potential, nor that all elements or ingredients are relevant or even relevant at the same time. An important issue is how much could be added to the CBFIs without over-burdening them in a situation where most committee members accept their responsibilities but complain that they would need to devote too much time on this.

Figure 2: Possible additions to CBFI promotion



Experience with financial linkages. At the international level, members of the SEEP network, comprising CARE, Oxfam, World Vision and others, and the MasterCard Foundation, are currently assessing the results of such

[91] This section has been inspired by Khalid El Harizi, Lead Technical Officer, Office of the Associate Vice-President, Programme Management Dept., IFAD, and his study on graduation models and approaches from an IFAD perspective.
[92] The creation of IMAs in Tanzania as described above in chapter 3.3. is an exception.

linkages across countries, and discussing through a series of webinars how best financial linkages could be established[93].

In Cambodia, the experience with financial linkages between MFIs or banks on the one hand and CBFIs on the other has been rather cautious so far. Much of this may have to do with the predominant perception among the promoting agencies, including MAFF under PADEE, that the financial sector charges exorbitant interest rates, has excessive documentation requirements, and insists on collateral which few rural clients would be able to safely provide. Furthermore, there seems to be a fraction of persons who insists on keeping the CBFIs separate from other forms and institutions delivering finance, so as to preserve their identity as saving-led microfinance that avoids the over-dominance of credit. There may in addition also be a desire of wanting to be recognized more officially as a pillar of the financial sector, adjacent to the microfinance sector.

Oxfam has recently started to look deeper into the options of financial linkages, and wishes to develop these first of all only on the basis of deposits: groups should have a safe place to deposit their excess liquidity, if cash at hand in the village becomes too much of a risk. This is a relatively safe approach, which would work well as it does not require much or arrangements, negotiations and contractual relations at a higher level, other than those related to the standard contract concluded between any depositor and a bank. The approach would work well where (1) the CBFI has excess liquidity[94] it would or could not use for lending; (2) the spatial distance to the bank would not lead to high transaction costs for the group; (3) the interest rate would be attractive or the risk of safekeeping of funds in the village would be too high; (4) no psychological barriers inhibiting such relationship would exist; and (5) the modalities for withdrawal would not be complicated.

FNN, one of the two participating institutions discouraging the redistribution of savings after the end of a year, thinks more of pooling internal resources and making excess liquidity available to other network members, an approach similar to a traditional practice of credit unions and the one applied by the IMAs in Tanzania. In the case of the IGRF groups promoted under PADEE, the provincial and district departments of agriculture appear to be more intrigued by the pooling/credit union model, but some provinces are out to test a new approach of linking groups with a bank or MFI. In addition to deposit taking, the project wishes to negotiate with a partner financial institution to grant loans to IGRF groups on the basis of a fixed deposit serving as collateral for the financial partner. At the beginning, the ratio between the fixed deposit and the loan could be 1:3, to be renegotiated on performance. Groups could use part of their loan funds for the linkage process, as well as for small internal lending and safekeeping by the financial partner[95].

It will be very interesting to see where the CBFIs will be between the extremes of "splendid isolation" and autonomy, on the one side, and the over-doses of credit as applied in the Linking Banks and Self-Help Groups" programs in some States of India, where the approach has degenerated into a political vehicle of massive lending to rural areas, farmers and women, at the expense of prudent banking and saving practices, and against conventional wisdom and common sense.

Experience with business and livelihoods development. CARE, Oxfam and PADEE, and CWS in the past, are among the promoters engaged in supporting the business skills of CBFI members. CARE supports members of VSLAs also through its livelihood projects "Local Economic Leadership for Margninalized Women", which focus on integrated farming system, post-harvest management technology, women empowerment, safe migration, marketing and value chains, etc. As these were implemented in districts other than the one visited, they have therefore not been assessed here. Oxfam has recently started incorporating the ILO system "C-BED" (Community-based entrepreneurial development) into its training of groups. In the case of PADEE, the main focus of the project is on supporting the income generating activities of farmers, and, to a lesser extent, of people engaged in rural off-farm activities. Support is provided in a multitude of areas, including the use of inputs, cultivation and harvesting methods, and marketing. The financial activities promoted through the grants

[93] This topic is also one of the four main themes at the forthcoming Conference on CBFIs in September 2015. For the most recent webinars, see: http://www.seepnetwork.org/webinar-3-innovative-strategies-for-facilitating-horizontal-linkages-with-very-poor-producers-events-53.php

[94] Excess liquidity increases substantially during the 2-3 months before share-out, and so does the risk of fraud and theft. Mobile money may eventually present a solution.

[95] This modality has been proposed by the recent mid-term evaluation of PADEE, and is expected to start towards the end of 2015.

are the vehicle conceptually expected to lead to the adoption of new practices among the target groups. However, these activities have started about two years ago, and it would be premature to measure outcomes and impacts at present.

In view of the potential of such additional support services, it would be highly desirable to undertake some more empirical research on the combination of business and financial support services, their success and failure, and the costs and returns of such investments.

Experience with institutional development. Under the classical CBFI model, many of the above listed areas are applied: record keeping, financial literacy, reporting, monitoring and supervision of activities, coaching and mentoring, participation in a MIS, popular participation and governance. Good results have been achieved already in these domains. Areas of lesser importance are internal and external audit, the institutional transformation process into another form or status, and the creation of apex bodies and/or federations. Most implementing agencies have concluded that the status as informal association of people, without any registration, reporting requirement or meeting conditions and ratios, suits people best. In any way, as the period of support is short allowing no ' luxuries', CBFI promoters concentrate on the essentials, i.e. what groups need to understand and practice to be able to stand on their own.

In some countries, attempts have been made in the past to make CBFIs engage the services of former field agents after the end of official support on a fee basis. This has started in Kenya, on the basis of a similar experience made with Financial Service Associations[96], and has been replicated in some other countries. However, it seems that the occasional support services without the monitoring from a higher instance tends to favor disintegration over time; the assumption is that unless there is an organization, be it a project, self-organized apex body, company or cooperative, or NGO watching over the quality of these services and external audit, and remaining customer-oriented and innovative, the services will sooner or later be abandoned by either side.

WVC and FNN have, for different reasons and motives, started to look deeper into the feasibility and options for creation of agricultural cooperatives. In the case of FNN, this follows the natural trend to slowly federate CBFIs into associations, and these associations then into agricultural cooperatives. This is done where members want it, not when the organization plans it to be done. FNN further has clear plans for federation at district, provincial and national levels. While much of these follow the structured, classical cooperative development model, there is sufficient space for informal groups at the grassroots level. Under this perspective, savings mobilization can be done under either an informal (CBFI) or a formal (cooperative) status, depending on member preferences and legal options. This model also goes hand in hand with a capital formation process; the full distribution of savings, shares and incomes to members at the end of a cycle or year is functionally considered as impediment, and therefore abandoned.

Under PADEE, the district and provincial departments of agriculture, which are in charge of much of the project implementation and oversight, have recently 'facilitated' the creation of provisional networks of IGRF groups. This was driven by the wish to facilitate the collection of contributions of groups to the costs of the MFAs, but may also serve as entrance door to the transformation of IGRF groups into agricultural cooperatives in the medium run. Apart from assisting the district groups to open a joint bank account for the payments, no further steps to qualify groups have yet been undertaken.

World Vision has gone one step further in some area programs. As WVC has interest and experience in the agricultural sector, and in livelihoods programs, it entered into a dialogue with the provincial department of agriculture in Kampong Thom about possible collaboration. Both sides agreed to collaborate on the creation of agricultural cooperatives, with WVC taking care of institutional development issues, savings and credit, while the PDA would take care of all aspects related to agricultural production, input use etc. This has led to a near total affiliation of the CBFIs with the newly created Agricultural Cooperatives (ACs). Members have used their savings shared out in the CBFI to purchase shares from the AC to help the AC meet minimum share capital requirements. The situation remains conceptually unclear for the moment as regards the merger, integration or separation of CBFIs with or into the AC, the existence of parallel saving schemes in both organizations, the

[96] Supported by IFAD over the past 20 years in West and East Africa, including Kenya, Tanzania, Benin, Mauritania and Sierra Leone.

continuation of the CBFIs where ACs gradually absorb their functions, and the rights of members in the different types of organizations as regards savings, shares and dividends. While it seems normal that there is a period during which these innovations are tested and sorted out, it would also be desirable to evaluate on a wider scale the results of such cooperation, assess the forms of synergy realized, and determine more clearly the most beneficial forms of collaboration.

3.10 Exporting the CBFI model

Effectiveness and efficiency of the CBFI model. The study shows clearly that the 'proto' model of the CBFIs works very well. It contains the ingredients to make people realize their potential, and see a clear path toward social and economic improvement. There are many in-built or implicit changes of perceptions and behavior associated with the membership: belief in oneself, and into one's own ability to save, benefits from free association and sharing with others, financial literacy and understanding about finance, financial discipline, business skills, organizational and management skills, among others. The system is geared at almost pure self-help: the only material support is what is needed for accounting purposes, and sometimes the metal deposit box. The system mobilizes savings among members, and does not require grants or external loans, certainly not at the beginning.

At the same time, the cost of establishing a group or helping an individual to help her-/himself are low, mostly in the range of USD 25-35 per person, excluding some overheads for monitoring and reporting. These costs have been brought down over the past 20-25 years as a result of the joint efforts to achieve higher efficiency levels of promoters and financiers. These costs are certainly much lower than what is achieved under government auspices or under a bi- or multilateral project scenario.

It therefore seems sound to export the CBFI model further and use it under circumstances where group action and initiative is needed, where investments by individuals are planned, or where access to finance for the low income groups is intended. The Farmer Field Schools developed by FAO, which have in some places been developed to Farmer Business Schools, would be well blended by the CBFI model. The MALIS project staff has, in the course of the visit by the reviewer team, understood that the concept of saving, and the organizational and operational model of the CBFI, would have helped them to achieve their development objectives faster and further.

In view of the substantial skills developed by the different promoting agencies, such as the five participating in the study, it would make sense to involve them in such projects in the entire project cycle, rather than attempting to replicate their services under a project framework, as has already been done in the past 15 years in many different countries[97]. Furthermore, in countries where the financial sector is unable or unwilling to provide its services to lower income groups supported by projects, it would sound reasonable to teach groups of farmers mobilized for improved farming, processing, soil conservation, marketing activities and small enterprise development the CBFI model right from the start to enable them finance their investment and working capital requirements through their CBFIs[98]. This would also engender greater aggregation of skill sets and data thereby leading to more robust and insightful projects.

4. Recommendations

The peer review has clearly shown a number of outstanding or good performances and some shortcomings in the different practices and models. The resultant analysis done in chapter 3 leads directly to the following recommendations, which are addressed at the RGC, MAFF, CBFI promoters and donors, as the case may be.

Recommendation 1: No more group revolving loan funds. The saving-led CBFI model is sound, solid, functional and practical, and has proved its adaptability to many different environments, across more than 70 countries around the globe. If members of saving-led CBFIs can be taught to save the equivalent of USD 60 per year, it does not seem to be logical and prudent to create credit-led CBFIs and give them the equivalent of four times

[97] IFAD and the WB have financed the expansion of the CBFI model in many countries in Asia and Africa.
[98] As proposed for example for the Tree Crop Expansion Project in Liberia.

that amount spread over three years, against a lot of conditionality. Given the results achieved by the saving-led CBFI promoters in terms of sustainability and survival, even the argument that the endowment is necessitated by the lack of time available under a project scenario would not hold: first, project duration should first of all be commensurate with what can be achieved reasonably, and second, the average amounts saved in Cambodia would anyhow permit to reach or even exceed the amount of the endowment. The first recommendation is thus to abandon attempts to induce people to create a group with loan funds, but to move to more sustainable and systemic solutions by teaching them the basic saving-led CBFI model and practice instead, and lead this with the other proposed innovations. This way, the saving-led CBFI model would become the default model for projects under which micro-entrepreneurs would need to finance their income generating activities, or under which empowerment and economic development would be pursued.

Recommendation 2: Redistribution vs. capital formation. The saving-led CBFI model distilled over 25 years works very well in so many different environments, and is near perfect. The peer review has shown that the promoting agencies are divided as regards the ultimate use of the saving process. One side favors the simple solution of total redistribution of funds to members, which does not require elaborate record keeping skills, does not require safekeeping of larger amounts in the village, does not require more complex forms of loan appraisal as loans tend to grow bigger, and permits the promoting agency a relatively quick exit. This option does not require elaborate follow-up strategies and support activities, and is thus less costly. The other option favors a gradual capital formation process, allowing groups to continue to finance member requests even immediately after the end of one cycle, to gradually satisfy the demand in terms of loan amount and loan duration, and move over time from loans to investing in business ventures. This option requires a longer time perspective, is more costly and requires a sound implementation and monitoring practice.

The recommendation here is not to favor either side and enter into a dogmatic dispute, but to request all promoting agencies to assess before and after starting the implementation process whether the members and their capabilities, the economy and the social and cultural environment tend to favor the redistribution or the capital formation process. Depending on whether the outcome of the analysis favors either option, it would be appropriate to make members aware of the two principal options; leaving the decision to them is nothing new here, members have to decide on a large number of issues, where the field officer provides guidance on the different options. In most cases, it would be natural to assist members to redistribute their savings and profits as mostly done, to make them aware of the consequences, and provide structural and managerial options on how to address this. There is some probability that many groups will find out that a hybrid solution would best suit them: distribute all profits and all savings/shares to members at the end of the cycle, with the obligation to put a certain amount (e.g. one quarter, one third or half of the shares) immediately into the new cycle.

The main point here is not to make a dogmatic decision, but allow members to understand the underlying issues and make informed decisions. This implies that where groups decide mostly to carry forward their funds without dissolving them, a bit more training on record keeping and monitoring should be offered to them. Linkages with the financial sector to deposit excess amounts in a saving account would then also seem indispensable.

Recommendation 3: Duration of support. Driven by economists and financiers, the costs per member supported have decreased drastically. Much of this has to do with the length of experience, the number of well-trained staff familiar with CBFIs and savings mobilization, the development of a complete system including manuals and monitoring concepts, and economies of scale. This significant reduction has increased the propensity of donors to fund the promotion, and thus enabled the global expansion. On the other hand, this has also reduced to an absolute minimum the support activities, in terms of number, depth and duration. It appears that some of the desired results, such as financial literacy, empowerment, enterprise development and asset formation, can only be achieved if the support goes beyond one year. This does not suggest that the intensity of support should remain constant, but that some of the add-ons shown above in Figure 2 would ideally not be compressed too much but delivered over a longer period of time. While the learning curves of rural people may be steep during the first three months after group formation as regards saving and credit practices, this may not be the same as regards business, negotiation and investment skills. While implementing agencies would certainly be in favor of such extension of time horizons with a well-planned schedule of activities commensurate with learning patterns, the core issue is whether funding agencies would be prepared to support such.

Recommendation 4: Linkages with the financial sector. The main recommendation here is not to base decisions on dogma or experience made elsewhere, but to be guided by the interest of CBFI members. In addition, as the number of cases of bank linkages are legion, it would be useful to assess critically whether the conditions for such linkages are fulfilled or not. Some of these broad conditions as regards CBFIs have been mentioned above in chapter 3.3. On the side of the banks or MFIs, the most important points would be whether the partner would be sincerely interested for business reasons and committed to test such forms of collaboration, and whether the products are commensurate with the demand and potential of such clients. On the side of the CBFIs, it is apparent that during some seasons, the funds at their disposal are insufficient, i.e. just after the new start of a cycle, before a new agricultural season, when all farmers need funds for labor and inputs, when school fees are due, and before festive seasons.

The current experience in the countries mentioned, plus the experience made since the late 1980s with the bank-SHG linkage programs in India, Indonesia, the Philippines, Nepal, Nigeria and many others provide ample guidance when it would be good to try it, when not to attempt to do it, and how to approach it. In this regard, it is evident that without a change in the redistribution approach towards a capital formation process, deposit-based linkages are not likely to happen, as groups would certainly prefer to use their funds for lending to themselves and earn high interest, rather than forfeiting such opportunities and be content with the lower interest rates paid on deposits. In addition, CBFIs distributing their funds at the end of the year have higher demand for short term working capital and are therefore more prone to credit linkages than CBFIs accumulating capital. The latter will however in the normal course of time, at the latest when they start investing, have to open a bank account for their transactions.

Where members have excess liquidity they cannot or do not want to use for lending, it would be useful to envisage establishing closer linkages with deposit taking financial institutions, including through mobile banking and mobile money. Countries with a functional mobile money system, where mobile phones can be used to transfer money, and where there are large numbers of agents outside the banks where funds can be deposited and withdrawn physically, may develop new systems that go beyond the more classical models outlined above. This is however not (yet) the case in Cambodia.

Recommendation 5: Footing agricultural cooperatives on the saving-led CBFI models. The RGC has decided to use ACs as a main pillar to achieve its rural and agricultural development agenda. Most ACs in developing countries are under-capitalized, which does not permit them to do what could be profitable for members, and which does not make them credible for financial institutions. The approach to capitalize the ACs by asking for a minimum capital requirement before registration[99] is highly unlikely to produce the desired result. On the legal side, ACs cannot be legally held to maintain such minimum equity capital, as would be the case for financial institutions, and the registering body, the Provincial Department of Agriculture, is not legally authorized to withdraw the certificate of incorporation (or an operating license) from a cooperative that would fall below the threshold. On the social or cultural side, people are not accustomed to a system where they would have to make regular contributions to keep their organization afloat, and insisting on this would likely lead to negative counter-reactions. Finally, there seems to be no approach in place through which an adequate capitalization of ACs could be achieved.

For reasons of principle, it is not advisable to allow ACs become engaged in the mobilization of savings to finance their operations. The experience in many countries with such multi-purpose cooperatives has been negative, as leaders of such cooperatives tend to regard member savings as something they could use for business purposes, without keeping in mind that a financial institution would need to be prepared to pay back savings on demand to its depositors at any time. The understanding of the differences between shares and savings does simply not exist, and is difficult to reinforce. Most countries have therefore either entirely prohibited such activities, or made it subject to a license from the central bank, with the concomitant tight supervision.

In this situation, it would be useful to borrow from the experiences made by WVC and the PDA in Kampong Thom and FNN and develop it systematically further. ACs can immensely benefit if their members are at the same time members of saving-led CBFIs, which have abandoned the full redistribution practice and moved to capital formation. Under such an approach, the CBFIs would operate as usual, and members would use a part

[99] Mainly by asking ACs to have equity of the equivalent of KHR 50,000 per member

of their savings at the end of a cycle to purchase shares in the AC. This would improve the capacity of the AC to provide profitable services to its members, such as bulk purchase of inputs or purchase of products from members under out-grower or marketing arrangements. Members would ideally obtain a dividend on their investments (i.e. the purchase of shares) as a reward of their investment, in addition to benefitting from the services as members. Such successful operations already exist as promoted by WVC and FNN.

There are some conditions of success for such model. First, it would be indispensable to keep the two forms of organization completely separate, even if the temptation to merge these is high under a simplistic view. The willingness to save and capitalize both the CBFI and the AC through the CBFIs depends on the profitability of both activities, i.e. lending to members and investing in the operations of an AC. This will be compromised sooner or later if the two levels would be merged. This implies different sets of record keeping and leadership, among others. Second, the decision to invest in an AC should depend only on the individual decision of members; any form of coercion or undue pressure is likely to lead to ineffectiveness of the system and ultimately to its gradual disappearance. Third, as practiced in the CBFIs, transactions and record keeping in the ACs must be transparent and accountable, as otherwise the necessary trust and confidence would not grow. ACs are not known to excel in record keeping, and already over-burdened committees would be even more over-burdened with record keeping of large numbers of savings and credit transactions in addition to real sector operations, if financial services would be offered under the roof of the AC. Fourth, dividends must offer an adequate remuneration of the capital invested, as otherwise, CBFIs would prefer to use their funds for on-lending or as fixed deposit. Finally, the model is likely to work best under a strict separation of businesses: the CBFI mobilizing savings from members for on-lending, and the AC mobilizing share capital from individual CBFI members for activities closely related to its mandate, such as warehouses, input supply, produce aggregation, marketing arrangements, value addition, or export contracts, with the clear exception of on-lending to members other than for inputs purchased in bulk.

This two-tier model has emerged as a practical solution to issues that the CBFIs were facing. It is thus an evolution of the CBFIs, which existed before the AC. The key issue for the MAFF as promoter of ACs is therefore how best the lessons from this could be integrated into the development of ACs that have already been created, and how to build future ACs on existing CBFIs. It appears that a close exchange and dialogue between MAFF and CBFI promoters on methods, approaches and support services of advancing financial strengths of ACs would be highly useful[100].

Facilitating borrowing through guarantees. Even under the assumption that the linkage of ACs with saving-led CBFIs could be a solution to the capitalization of ACs, there should be no doubt that the process could not lead to immediate results, or satisfy the credible demand for capital of ACs in the medium run. This demand can only be satisfied by the financial sector, more especially by larger institutions. In case the time for a gradual capitalization through the model outlined above would be considered too long, an alternative parallel initiative could be to create a guarantee fund for ACs. Building on the successes and failures of such specialized guarantee mechanisms for the agricultural sector, the contributors to such a guarantee fund would ideally comprise the RGC, the formal financial sector, the ACs and farmer organizations in general, and eventually also donors[101]. Furthermore, such guarantees should be dependent on a capital formation process in an AC, such as the one outlined above. Third, guarantees should be underwritten only on the basis of a solid due diligence process. Fourth, a guarantee should be extended against payment of a guarantee fee commensurate with the anticipated risks incurred under the agreement[102]. Ideally, a multi-tier guarantee scheme would be developed, with ACs using their assets and an internal guarantee fund pledged with their bank as tier one, and district or provincial guarantee funds as tier two, and a national guarantee fund supported by ACs, the RGC and

[100] ACs in Cambodia are still very fragile. A basic business model exists, but it contains too many activities over-burdening committees. They have insufficient funds to do business as desired. Their recordkeeping capacity is fragile. It does not appear that there are quick and fast solution. Support services outside finance comprise computers and accounting software, technical assistance for input purchase and selling to members, and marketing of produce. Many may not be able to provide professional services unless they hire professional staff, at least a manager and one ([part-time) accountant, which requires a business volume of at least KHR 0.5 billion.

[101] On request of Agence française de développement, Horus Development Finance has already elaborated a proposal for a guarantee fund: Horus Development Finance: Development of a Credit Mechanism dedicated to Farmer Organizations. Paris, July 2014

[102] For further details see: Rauno Zander, Calvin Miller and Nomathemba Mhlanga: Credit guarantee systems for agriculture and rural enterprise development. Rome 2013: FAO. http://www.fao.org/docrep/017/i3123e/i3123e00.pdf

eventually donors as tier three. It is highly likely that the ability of ACs to associate with such a scheme and be appraised as credible will depend on their ability to mobilize their own capital.

In view of the indebtedness of the rural society, and the over-indebtedness of agricultural households (see above chapter 2.3), it would be useful to link these activities with the credit bureau, where the loan amounts justify this. This should also be the case where the ACs would only be able to borrow for investments and working capital for agricultural activities, and exclude on-lending to individual members.

Recommendation 6: Reaching out to the poor and the youth. Current outreach to the poor and the youth is low. This has clearly to do with the delivery systems, not the model. It would be highly useful to deepen the current efforts to reach out to poorer segments of the society, and also involve more youths. In both cases, the most suitable approach seems to be a special targeting, and renounce temptations to mix the poor and the better off, adults and the youths. All arguments presented by the proponents of a mix appear to be more driven by own interests rather than the desire to assist those who mostly need it. It is evident that the processes will be slower than among the relatively better off, and will thus require more resources. The key issue here is whether donors are willing to fund such 'extravagancies' or insist on sticking to the lower average cost per member per cycle as practiced for the middle level part of society.

Recommendation 7: Social Fund. This recommendation is based on a similar argument as the above recommendation 2. Most groups dissolve their social fund at the end of the cycle, along with the dissolution of the savings and profits. This does not appear to favor the continued provision of some basic social security to people, as it undermines the ability to offer social protection immediately after the end of the year. This approach also prevents CBFIs from providing more extensive social protection to members, and thus become more attractive and recognized. Members all understand that the contributions are equal, and understand that their contributions are forfeited and cannot be redeemed in case of withdrawal or dismissal from the group. They would therefore also easily understand that remaining funds would be transferred to the next cycle. CBFIs should therefore be taught to gradually build up their social protection reserve over time rather than dissolving the (comparatively) small amounts left over.

Recommendation 8: Adding other activities to CBFIs. There is at least a million of saving-led CBFIs around the globe, and their success in terms of financial discipline, saving capacity, facilitating investments into micro businesses, and loan recovery are striking. In such a situation, the temptation to 'use' CBFIs as vehicle for other development domains is high. Two approaches may be distinguished: in the first, additional elements, such as those in Figure 2, are added on to the CBFI, with saving and credit activities in forefront, while in the second, the main objective is in another domain, such as agricultural or micro-enterprise development or agricultural extension, and the saving and credit activities are one ingredient and implementation approach to ensure sustainable financing of the innovations. The recommendation is to analyze carefully the additional management capacity of the groups for activities other than finance, and not to assume that people are automatically ready for these. Unlike in many other countries, male leaders of community groups, including CBFIs and ACs, often prefer not to spend much more time on community affairs, but instead in their businesses, and female ones on their family and their businesses. To a very large extent, the success of community development initiatives depends on the quality of its leaders. It is therefore necessary to assess whether leaders are able and willing to commit additional time for additional activities.

Recommendation 9: Joint enterprises. There are efforts underway to test some new formula in deepening the social capital of CBFIs by developing these as participatory platforms for agricultural extension and encouraging ownership through joint investments. These are at times labeled 'shared interest savings groups'. This approach intends to overcome the historical burden of the term 'cooperative' by building on values such as community, collaboration and cooperation. The line drawn here conceptually is from a savings and credit group to learning about new production approaches to common interest in and funding of 'joint enterprises'. The peer review has shown that there can be some outstanding examples of such joint enterprises, if inspired leadership is encouraged to systematically think about value addition in the immediate vicinity, as for example in the case of FNN. Such positive development may however be more of an exception, rather than the rule. Assisting groups with potential for value addition to capture more of the value created, where the opportunities arise, may pass through a different organizational platform, engagement in value chain operations, or by creating joint enterprises. This should be mindful of the negative connotations linked with the term cooperative, the comparative disadvantages of cooperatives over other forms of social organization, and the risks associated with businesses going beyond traditional management capabilities. As a consequence, it would be appropriate to assess the conditions of success and failure of existing enterprises, and to anticipate whether the conditions for success might be applicable in a particular case. Prudent testing of new formula might be more appropriate here than large-scale replication.

Conclusion: CBFIs as a fourth pillar of the financial sector. Assuming that commercial banks, non-bank financial institutions (NBFIs) and microfinance institutions are three recognized pillars of the financial sector, CBFIs have the potential to become the fourth pillar. Under the imperative of a financial inclusion agenda, it has become evident that the classical banking sector, apart from few exceptions, has no capacity and interest to serve the un-banked or under-banked. The same applies even more so to NBFIs. In recent years, research has amply shown that even the MFI sector, once believed to cater for the poor, has difficulties in reaching out to poor people under a scenario of regulation and compliance with prudential regulations enforced by supervision. While CBFIs are principally capable to cater for the needs of the poor, this peer review shows that even CBFIs, operating under strict budget ceilings and controls, have difficulties to actually achieve that; they operate under the same 'dictatorship of numbers' as regulated MFIs. CBFIs may thus become another pillar of the financial sector if publicly recognized for their impact and potential in terms of financial inclusion.

Appendices

Appendix 1: Host and reviewer reports on community finance models

A 1.1 CARE International in Koh Kong Province

Host report

1. Introduction of the host institution

CARE is an international humanitarian organization fighting global poverty by empowering women and girls. CARE was originally established in 1945. Today, CARE works in 84 countries around the world.

CARE has started working in Cambodia since 1973; then re-establishing its presence again in 1993. In Cambodia, CARE works with the poorest and most marginalized communities to address the root causes of poverty and vulnerability. Despite the rapid development in Cambodia after emerging from war and internal conflict over the last decades, there are still some further efforts needed to overcome: rising inequality between the rich and the poor, limited opportunities for income generation for the poorest households, slowly decreasing the maternal mortality and insufficient education for rural and ethnic minority girls and women, under-representation of women in decision-making, limited access to services by ethnic minority population, affects of economic land concessions and land grabbing, and food insecurity.

CARE Cambodia's Program Strategy is explicitly oriented towards the empowerment of particularly marginalized and vulnerable women in Cambodia. CARE has begun transitioning to a long term program approach, orienting initiatives around impacts for specific groups of marginalized people. Extensive analysis, reflection and synthesis have been undertaken in framing these long-term programs.

CARE recognizes that the key to achieving equitable development outcomes lies in shifting deeply rooted, structural underlying causes of poverty and social and gender injustice which contribute to exclusion and vulnerability of particular groups in society. CARE Cambodia's long term programs focus on significant and lasting change for socially marginalized and ethnic minority women.

2. Village Savings and Loan Associations at a glance

The Village Savings and Loans Association (VSLA) is a community savings model developed by CARE in Niger in 1991 that has been implemented in 61 countries, with over 6 million active participants worldwide. This model is a form of community-led savings which is self-managed and self-capitalized with simple procedures.

The VSLA model gives members a simple, safe and transparent way to manage their finances, offering the services of savings, basic insurance through the social fund, loans, and a social network. This complements other CARE activities in the area; access to loans improves the options available to those who have received livelihoods training, while the regular meetings provide an opportunity for Village Health Support Group members to conduct health awareness raising sessions.

In CARE Cambodia, VSLAs are one of the key components of Partnering to Save Lives (PSL) program under AusAid funding, contributing to the removal of financial barriers as a means to ensure that communities have access to and can utilize health services as needed. These have been identified by CARE as a complementary mechanism to Ministry of Health approved social health schemes.

The VSLA pilot project has started in Koh Kong province in September 2012. It was expanded to Rattanak Kiri and Modul Kiri Province in March 2014 and January 2015, respectively. By March 2015, there were 208 groups with 3,238 saving members, (of which 76% were female) who have been assisted by the program.

3. Description of VSLA model

A VSLA is a group of 15-25 people who save together and take small loans from those savings. The activities of the VSLA run in ‘cycles’ of nine months, after which the accumulated savings and profits are shared out among the members according to amount each one has saved. The VSLA concept intends to build the capacity of community groups to mobilize savings and to use these savings to create a loan fund and to a social fund to assist members in emergency cases. Particularly, it aims to promote and motivate community people to save for their health care expense.

VSLA membership. Generally, the establishment of one VSLA group requires 15-25 members. The members are self-selected by the groups themselves. However, there are some basic conditions: (1) age from 15 years, with emphasis on women; (2) members should not live too far from where the meeting will be held; (3) they know each other well; (4) members should be honest and reliable; (5) members must be able to attend all meetings and on time; (6) members must abide to all rules; (7) they should have a cooperative personality; (8) they must be able to buy at least one share at each meeting; (9) they must be able to repay loans on time; and (10) only one member from the same household is permitted in one group.

The VSLA kit. Usually, the group uses only a standard VSLA kit to operate their saving meeting and store all money and group materials. The kit consists of one metal box with three padlocks and three keys, two plastic bowls, 25 passbooks, one ruler, one note book, two cloth bags that can be closed, one stamp, one ink pad, one small bottle of ink, two pens (blue and red), and one calculator. Kits were donated to VSLAs during the pilot project in Koh Kong, but new groups will be asked to pay back half of the kit value of USD 35-40 to the program.

VSLA management structure. Each group usually holds annual election to elect members for five management committee positions with clearly defined and decentralized roles and responsibilities. These positions include one chairperson, one record keeper, one box keeper, and two money counters. In addition, three key holders are elected who are not part of the management committee to hold the keys to the padlocks.

VSLAs apply a simple procedures and a simple system of records. Groups use a simple passbook to track the individual savings and loans, which is sufficient and appropriate for people with limited literacy and numeracy skills to understand what they do and create trust. For example, the closing balance is simply counted, announced, remembered by all members, and noted in the notebook at the end of each meeting before closing the box.

VSLAs are transparent, properly structured and democratic. The group meeting is well organized and clearly structured. A group constitution was developed and agreed upon by all members. All materials used and the cash are kept in a locked box, which is safeguarded by the group box-keeper between meetings. The box has three padlocks and the keys are held by three members of the group who are not members of the management committee. Meetings are held weekly, fortnightly or monthly, as determined by members.

VSLA services. There are four services offered in the saving groups: (1) **Saving**: Member savings are made through the purchase of

'shares'. Each member may buy 1-5 shares at a meeting. The price of share is set by the group at the beginning of the cycle and is fixed for the entire cycle by members with a view to permit even poor persons to join and save. Amounts may vary between KHR 2000-10,000. Members do not have to save the same amount as others, and they do not have to save the same amount at each meeting. By saving more frequently in very small amounts, the poor can build their savings more easily.

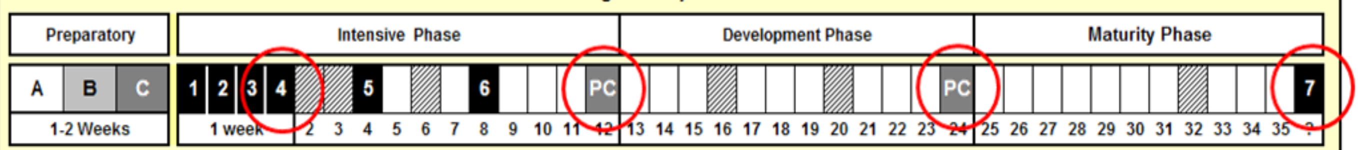
(2) **Loans**: All savings are kept in a loan fund without any external grant or loan in the first cycle. Members can borrow small amounts up to three times their individual share savings. Loans are disbursed and repaid once per month, often towards the month end. The maximum loan duration is three months. Loans may be repaid in flexible installments at a monthly service charge determined by the group; this usually ranges from 3-5% p.m. In subsequent cycles, the group may decide to link with a MFI if all members agree.

(3) **Social protection**: Members create a 'social fund' from their contributions which provides them with some basic form of insurance. It serves as a community safety net and may serve a number of purposes including emergency assistance and health care. The social fund contribution is determined and set up the group right from the beginning and fixed for entire cycle. Contributions to the social fund are made at every meeting and are the same for each member.

(4) **Social networking**: Through the regular saving meetings, the system builds mutual trust and a culture of helping each other and sharing with each other. At times, members assist in cases of domestic violence or gambling.

Saving group forming and training process. Usually, savings groups are formed by Field Officers (FOs) or trained Village Agents (VAs) over a period of at least 36 weeks according to the VSLA guidelines. The VSLA guidebook was translated into Khmer language and printed. The table below illustrates the steps of forming and training saving groups.

VSLA training and supervision schedule



Legend

A	Orientation of local leaders and government officials. **Attended by Supervisor**	(hatched)	Supervision meetings: no training module	4	Training: First savings meeting. **Attended by Supervisor**
B	Introduction of VSL methodology to the community	1	Training: Groups, leadership and elections	5	Training: First loan meeting
C	First meeting with potential and newly formed VSLAs	2	Training: Social fund, share-purchase and credit policies	6	Training: First loan repayment
PC	Phase change. **Attended by Supervisor**	3	Training: Development of group constitution	7	Training: Action audit/share-out and graduation. **Attended by Supervisor**

Preparatory phase. In this phase, the VSLA model is introduced to prospective members and to local authorities through some sensitization meetings. This helps in joint planning and getting better support. During this phase, general information and principles of VSLA model are explained to participants to enable them decide whether to enroll in a saving groups. The phase consists of three meetings:

- Meeting A is the sensitization meeting with local government officials and authorities level. It informs them and increases their understanding of the VSLA model. Their feedback and concerns are also discussed during this meeting. Finally, the project team seeks their supports for project implementation.

- Meeting B is a public community meeting to introduce VSL methodology to the community. The objective of this meeting is to generate interest of community people to attend the saving group.
- Meeting C is attended only by people interested to become a VSLA member, who have already gathered in a group of 15-25 people.

Intensive phase. The group will decide when they want to be trained to start saving, which generally is 2-3 days after the meeting C. FOs or VAs will develop a meeting, training and supervision schedule with them for the next 36 weeks. The intensive phase requires the trainer to visit the groups at least 10 times during the first 12 weeks. The frequency of the trainer's visit is based on the group's quality and capacity to move on to the next phase. In this phase, the trainer will conduct on-the-job training and coaching to the newly formed VSLAs with six modules on: (1) group management, leadership and elections; (2) social fund, saving and loan policies; (3) Development of the group constitution; (4) Running the first saving meeting; (5) Running the first loan meeting; and (6) running the loan repayment meeting.

Development phase. This phase covers the 12 weeks after the intensive phase. The first group quality assessment is conducted at the end of intensive phase. The group can move to the development phase if it passed the assessment. Otherwise, the trainer will have to improve performance and understanding and close any gaps. There is no training during this phase, only three supporting visits are made by the trainer.

Maturity phase. This phase covers the last 12 weeks of the group cycle. The second quality assessment is conducted at the end of the development phase. The group will move to the maturity phase if it passed the assessment, and, if not, the trainer will have to improve their understanding. During this phase, the group will get the training on Module 7 on sharing out and graduation in the 36th week, which is also the end of the cycle. The trainer will instruct the group to discuss the preparation of next cycle, covering topics such saving re-investment, assets purchase, group leadership, revision of group constitution, etc.

Integration of reproductive, maternal and newborn child health (RMNCH) activities into VSLAs. VSLAs are also involved as a means to remove financial barriers to access and utilize health services at health facilities. Increasing the awareness and understanding of saving members, especially women, on health care, approaching them and invest their savings in health care are an essential points here.

Integrating health messages into the group formation and training process. The standard VSLA model is not modified, but key health messages are integrated into the steps of saving group formation and training. The training then includes a module on "benefits of VSLAs to health care". During the training on modules 2 and 3, members are informed about the benefits of using the social fund for maternity health care, and give priority for of loans for those using the loan for maternity health care and family planning.

Health education. Village Health Support Groups (VHSGs), which are known as the community-based health network, create linkages with VSLAs on health education as well as a community referral mechanism. The monthly health education session focuses on topics such as antenatal care, delivery at health center, postnatal care, birth preparedness, family planning, etc.

Coordinating on collaboration transportation mechanism. This aims at linking VSLAs with the Village Emergency Referral System (VERS), which is known as the community health referral system. Through the coordination, VSLA members are able to use the contracted means of transportation to access a health center within 24 hours.

4. Approach to M&E

Group monitoring. The trainer visits the group at least 15 times over the 36 weeks of one cycle. At four instances, data are collected to measure the group's financial progress by using a standard VSLA data collection form. The technical issues are addressed regularly by the trainers. Health-related information, i.e. cases of using the social fund and the loan fund, the number of health education sessions and others are collected monthly.

Group evaluation. There are two group quality assessments done by the trainer to measure the quality of group operation. The first assessment is conducted during the first three months and second after another three months. The assessment uses the standard group evaluation form.

Management information system and technology used. CARE Cambodia has been using a global MIS to store and analyze the default collected data while the health-related data are stored in our internal M&E dataset.

5. Outreach

By March 2015, there were 3,238 saving members (of which 76% females) assisted under the program. The age of members was in the range from 15-60 years. They almost cover 30% of households in the target villages. Actual quantitative achievements in terms of saving and credit volumes (end of year and flow figures) are presented in the table below[103].

Table 10: CARE summary financial report by March 2015

	Assets, liabilities, equity		
Assets	**KHR 746,063,300**		**KHR 3,621,667**
Loan fund cash in box	362,397,800	48.6%	1,759,213
Bank balance	0		0
Value of loans outstanding	362,354,000	48.6%	1,759,000
Property now	0		0
Social fund balance	21,311,500	2.9%	103,454
Liabilities	**KHR 0**		**KHR 0**
External debts	0	100%	0
Equity	**KHR 746,063,300**		**KHR 3,621,667**
Value of savings this cycle	679,681,500	91.1%	3,299,425
Social fund balance	21,311,500	2.9%	103,454
Property at start of cycle	83,600	0.0%	406
Net profit	44,986,700	6.0%	218,382
	Financial performance		
Financial benefits to Members	**KHR 44,986,700**		**KHR 218,382**
Net profit	44,986,700		218,382
Dividends paid	0		0
Service utilization per Member			
Average annualized savings (per Member)			**KHR 1,027,429**
Avg. outstanding loan size (per Member)			**KHR 352,484**
Key ratios			
Return on savings		6.6%	
Return on assets		6.0%	
Weighted loan fund utilization rate		50.0%	
Loans outstanding as % of total assets		48.6%	
% Members with loans outstanding		32.3%	
	Operational efficiency		
% of groups formed by Village Agents		21%	
Cost per Member			**KHR 152,061.38**

6. Linkages with financial and other institutions, borrowing from external sources

None of the groups wanted to borrow from MFIs because they had their own loan fund to satisfy demand. About 50% of loan fund is usually unused and kept in the box, and not lent to members. While project staff encouraged them to deposit their unused loan fund in a bank or MFIs, so far, none of them did so because of the complicated procedures and processes required by financial institutions. Members seem to prefer keeping their excess liquidity in the box rather than in a bank account.

7. Actual quantitative and qualitative achievement, outcomes, and impact

Until now, CARE Cambodia has not conducted an impact assessment of the VSLAs in Cambodia yet. The achievements to date can be summarized as follows.

[103] In the table, column 2 shows the total amounts for all groups, column 3 the respective percentage values, and column 4 the average amounts per group/CBFI. Totals are in bold.

- **Economic outcomes**:
  - 41% of VSLA funds used by saving members for small business start-up or expansion. This consisted of farm business (invest in agricultural inputs-seed, fertilizer, pumping machine, hiring labor for planting/harvesting, chicken, piglet, fishing equipments), and non-farm business (invested for example in small groceries store, buying more stuff/goods).
  - As part of the complementary CARE livelihood project, some VSLA members were trained on livestock and crop production. In some cases, the VSLA funds were used to start livestock activities.
  - In the case of Koh Kong Province, through the life skill training project of CARE, the trained VSLA members had higher self confidence, self-esteem and independence to manage their household incomes. As they distinguished necessary from unnecessary expense, they used the saved expenses for savings.
- **Social outcomes:**
  - Increasing community mobilization for savings:
    - 208 groups with 3,238 saving members were formed;
    - 194 saving groups run weekly savings and 14 groups meet fortnightly savings;
  - Promoting women participation and leadership:
    - 76% of women members participated in saving groups;
    - 70% are poor members;
    - 208 management committee have been formed, of which 73% are females;
    - Women participating in saving groups seem to feel empowered, are trusted by their husbands to attend social events and jointly make decisions in the household;
  - Improving household consumption status (basic needs):
    - 39% of VSLA funds have been used by members for improving household basic needs including buying food and clothes, shelter renovation, asset purchase, etc.;
  - Contributing to improve children education:
    - 3% of VSLA fund was used by members for their children's education (e.g. school fees, learning materials, extra English classes);
  - Increasing health knowledge and self-financing afford to access health service:
    - 16% of VSLA funds were used for health services;
    - 5,135 people including saving member and non-saving members received health education.

8. Path towards sustainability

Generally, all VSLAs are self-managed groups after graduating from the first cycle. Members have full ownership of their group and are confident to operate their saving group in the next cycle without or with less support from outside. Some even have acquired the capacity to form and train new savings groups.

The project has recruited and selected Village Agents who are outstanding saving members to receive a comprehensive training of trainers on VSL methodology. After training, all of them have worked with the project staff as apprentices to support the VSLAs over a year. The VAs will be certified as qualified VSLA trainers once they pass the capacity assessment test. Qualified VAs are expected to play a role as the new community-based VSLA trainers to support the saving groups after the project phases out. In Koh Kong, 19 of the 27 VAs have already been certified as qualified trainers.

9. External of and cost of assistance provided, cost of promotion

No direct financial support is provided to the savings groups such as seed capital or external grants. The VSLA principle is to motivate members to mobilize their savings and use savings for loan. The project provides technical support in terms of training, capacity building, monitoring and the required materials. Even the cost of the VSLA kits are also partly paid back outside the Koh Kong pilot VSLA project, where the kits had been donated.

The current cost of promotion is about USD 38 (KHR 152,000) per member, which is relatively high in the country and region. Costs include the additional activities for the linkages to health activities. The cost of promotion will slightly decrease towards the end of project as less investment in assets and office equipment are to be made, as the number of individual members increases, and as 50% of the start-up kit cost will be reimbursed by groups. Final cost per member may be in the range of USD 30-35.

10. Challenges and lesson learnt

(1) The seasonal planting and harvesting has constrained the participation of people in the saving program. Therefore, the time and place of the meetings should be flexible during this period. A community seasonal calendar should be initially elaborated to permit better planning.
(2) The seasonal migration is also a challenge for community mobilization. As a consequence, the migration rate should be considered during planning to avoid the over-projection of savings.
(3) In the presence of microfinance institutions (MFIs) especially around towns or market places, it is difficult to form saving group since these can access the service from near-by MFIs.
(4) Big distances between households and villages make it hard to mobilize the community for saving.
(5) One of the main constraints is to find persons suitable for the group management committee who have the basic literacy and numeracy skills to perform their duties well. A strong management committee is one of the key factors contributing to the success and sustainability of a saving group.
(6) In the case of Rattanakiri province, there is limited women participation in the savings groups. Therefore, the gender awareness interventions from other project areas will be useful to promote women in saving groups.
(7) VSLA members who are extremely poor and have irregular income are likely to fail to make their savings and tend to drop out due to their frequent seasonal migration to get jobs.
(8) Some self-managed (independent) saving groups tend to modify some part of VSLA model that could lead to the failure. The program should keep an eye on this change and take action.
(9) Some of local authorities do not encourage people in the community to participate in the VSLAs as they do get benefits from MFIs, not from VSLAs. This requires the program to work with the existing local network i.e. VHSGs, self-help groups etc. to mobilize the community on VSL activities.

Reviewer report

1. Introduction

The field visit took place on 23 and 24 April, comprising the briefing session at the CARE offices in Sre Ambel, field visits to two VSLAs and a debriefing and presentation session again at the CARE offices.

2. Assessment of delivery models and approaches

The creation, training, coaching and monitoring of village savings and loan associations (VSLAs) passes mainly through field officers called Technical Officers (TOs), and to a lesser extent through Village Agents (VAs), which are group leaders and volunteers initially and then move on to become engaged progressively in the creation and coaching of new VSLAs. The entire system is well structured, with clearly marked responsibilities and duties, training for the respective position, and guidelines and hand books for conducting the work. A straight-forward system of data collection, reporting and analysis exists (see below).

3. Assessment of the M&E system

The monitoring system is simple and based on a spreadsheet program. Data are collected on a quarterly basis from groups and entered into a global system, which produces results on the outreach of all known and reporting ASCA systems worldwide. The monitoring system produces data on main relevant balance sheet items for all VSLAs in a country/province/district/project. Data capture total amounts for all groups and average per group, net profit, dividend paid, average annualized savings per member, average loan outstanding, return on assets and savings, loan utilization and percentage of members with loans outstanding. As needed, data can be further disaggregated, e.g. by gender and poverty status. Finally, the system calculates the average cost per member during the period of supervision (including the period after the end of the 36 weeks).

With its concentration on essentials, the system is very effective and efficient, and produces just what is needed. Its main weakness is the accessibility for analytical purposes, and the limited features to undertake a longitudinal analysis. In the absence of a data collection system after the end of the support, the number of persons engaged in the system and the volume of their savings and loan transactions are systematically understated.

No system of evaluation of group performance has been built into the project, presumably because of the high costs. However, CARE has done numerous impact studies worldwide, and could draw on the methodology for conducting a specific impact study of any project/location. The tendency is to conduct impact studies only after a minimum of five years of operations, as some impacts would hardly be visible before then.

4. Assessment of savings and credit models

The model fits well to the needs and abilities of the low income groups, of illiterate people, and to a certain extent of farmers. It allows persons to join even with small amounts. The definition of a minimum and a maximum weekly contribution permits the poor to join and prohibits the rich from absorbing the benefits. Record keeping is very simple. This limit of the number of shares purchased per meeting is set to protect the interest of the poor, even though from a pure business perspective, the poor could benefit from more access to capital. VSLAs are also strongly discouraged from lending to non-members, even if their groups have idle funds.

The system of collection of contributions in two bowls during the meetings, one for fines and the other for share savings, social fund and others, is easy to understand and practice. Transparency is assessed to be very good. Members are asked to memorize the respective balances between meetings, and they may be fined if they do not recall these. Loan fund including interest, shares, fines, income etc. and social fund are physically kept in two different bags, and their record keeping is separate.

Group meetings follow a simple routine, which is very functional and follows the logical and natural flow of activities during a meeting with financial transactions. Such routines are easy to practice and recall for all. Savings are collected at every meeting, but loans are disbursed and repaid only in the fourth one.

The model is clearly geared at saving, and capital formation, not predominantly at credit. It is saving-led microfinance, not micro credit, and not credit-led. As such, it attempts to build member confidence gradually. Groups report that in first cycle, they all saved only one share per meeting, but now, most members save five shares per meeting, and this at times even though the minimum share amount has been increased. This shows a substantial gain in trust and confidence of members into the system.

Most people have clear ideas about how to use the capital shared out, the loans and the dividends. For all these cases, there is no clear trend for the use of finance, and apparently, most members use the money they receive (savings, loans and dividends) for both income generating activities and social needs and consumption. The savings and loans are mostly used for some bigger expenses, for which members usually would not have sufficient money. These funds flowing into the households are clearly targeted. The system should therefore be understood more as an instrument easing household cash flows, not as a vehicle for enterprise development or income generation. It functions more like a social safeguard and risk management approach, and is not exclusively a business development tool[104], even though it partly works as such.

The VSLA system seems to work better in rural areas and villages, not the district towns. The presence and aggressive expansion of some MFIs is more seen as a threat, rather than a parallel type of service, or a step towards using formal financial services.

In the case of the VSLAs in Koh Kong, their support is linked with a health program, which has its specific purposes and objectives (See host report). The self-selection approach appears to tend to bring together members with a lower than average demand for loans. In some months, leaders asked members to borrow more to generate more income. Loan utilization is relatively low, and distinct to the high demand as seen in the

[104] "The [research] work we have been doing in Cambodia has caused us to conclude that the financial element of each of the groups is often ancillary and not the glue that holds them together." G. David Miller, College of Agriculture and Environmental Science, University of California. Email communication to researchers and practitioners of community finance dated 24.4.2015.

tontines and some ASCAs and all ACs. The aspiration here may be more to build capital for medium sized expenses, which cannot be afforded by short term cash flows, and for emergency cases. From this angle, the social fund fits very well into the social protection aspirations of the members.

5. Assessment of post-support sustainability of groups

As the project under which the support to the VSLAs is provided is just in full swing, and has not come to an end, it is not possible to determine the sustainability in the medium and long terms. All active groups which have gone through the 36 weeks of more intensive support and learning are still being monitored, and their current performance is still captured. In the process, of the 208 groups formed, 30 stopped functioning. However, CARE claims that some of the members have joined other VSLAs around, and that many groups have admitted new members, so that the total membership would be more or less the constant. An indication is that some groups already exceeded the maximum number of 25 members. The number of 'spontaneous' replications of the model was only one so far, as far as known by the CARE staff.

As described in the host report, CARE has build up a pool of potential replicators called VAs. About half of all 208 VSLAs have been formed and trained by VA, not TOs; this shows that the process may eventually continue, although the expectation for this should not be too high: the VAs do not have allowances for giving out the start-up kit, and have no financial incentive for actually doing so. One may also speculate that group creation has more recognition under institutional backing, rather than being a 'spontaneous replication'.

As regards the existing groups, the expectation should be high that these continue for quite some time after the end of the support by CARE: groups know exactly what to do, as do their leaders, which respect their given roles. Groups seem to be glad to repeat year after year what they learnt. VSLAs do not waste the scarce time of members, meetings are short and operations are precise. The time for pure savings collection meetings is about 20 minutes in the development phase, and 45 minutes for meetings with savings and credit transactions. Loan repayment is excellent and default is managed. Members derive clear benefits. The chances for continuation appear therefore high on condition that things remain as they are. The system might be enhanced by introducing a rotating leadership approach, whereby an elected chairperson only serves for one year, after which the elected vice-chairperson takes over the chair.

6. Assessment of innovativeness

Innovations, from the other angle seen as deviation from the standard model of VSLA, comprise of the increase of membership above 25, giving members badges with their sequential numbers to ease the roll call, drawing names of 'lucky' members to state the current status of cash in the box, failure of which the respective member would pay a small fine, and the change of frequency of meetings from monthly to weekly.

The introduction of the VSLAs, as well as other ASCA models, in Cambodia, comprised a number of innovations such as the social fund to help members in emergency cases with a grant, the emphasis on savings as a habit and culture, as opposed to seed capital grants, and clear and transparent modes of operations.

7. Assessment of governance and institutionalization

The governance system is appropriate for the complexity of operations, and rated as excellent. Roles are clear, and roles are respected. Elections take place as scheduled. Compliance with regulations, comprising both the own constitution as well as the informal behavioral patterns introduced by CARE staff, appears generally very high.

The level of institutionalization of the VSLAs is low. Initially, staff only provide information to local authorities for coordination and information purposes, but no further collaboration is sought[105], nor the registration of the groups[106]; so far, the system has worked without all this.

[105] This is done with a view to avoid external influence or dominance to the groups' decision making to ensure maximum ownership and self-reliance.
[106] This is not to say that more collaboration should be sought by the promoters or the groups. There may be good reasons for doing both.

The model as such does not need further institutionalization, and it would be very difficult to achieve this without longer project or external support, as substantial capacity building is likely required in the process.

8. Assessment of outreach

By March 2015, there were 3,238 saving members (of which 76% females) assisted under the program. As the number of households with double membership is small, total outreach may comprise about 3000 households. 70% of members are estimated to be poor, of which 53% of the total with an official status as poor (holding an ID Poor 1 or 2 card), and 17% (of the total) being considered as poor using wealth ranking, self assessment and other social assessment tools as yardsticks.

9. Assessment of quantitative achievements by communities at present

The approach to capital formation among the lower income brackets is assessed as very positive. Members build their reserves over time, but then share out and bring balances to near zero[107]. The social fund may not necessarily be distributed at the end of a cycle but amounts brought forward, although this seems to be an exception. Like the RoSCAs and ASCAs in the informal sector, the VSLAs build up capital up to a moment when it could grow too big for their members' comfort zone, and then prefer to share it among members before the risk could grow. The capital formation process is therefore only temporary, preferred over a more permanent access to savings and loans and social support in case of emergencies.

VSLAs tend to serve both social protection and income generation purposes. The use of dividends, shares and loans for both income earning and consumption (including expenses on health, school fees, buying food, renovation/repair of houses and roofs, etc.) are important contributions to economic and social well-being. This should not be considered purely from an economic point of view; for members, the combination of social safety net and income generation functions may be ideal, and they are hardly dissociated.

As instruments of cash flow management of the households, VSLAs smoothen consumption, avoid emergency selling of assets in cases of health and other crises, prevent disruption of education of schooling because school fees cannot be paid, etc. The qualitative effects are difficult to gauge and express in monetary terms.

From the economic angle, the system allows for capital formation through small contributions at frequent intervals, often weekly. The system allows for easy access to loans once per month, without collateral, and even without any documentation. Collateral is often the most disturbing condition asked for by MFIs. Impact dimensions that members mentioned include higher income earned, improved housing, easier payment of school fees, improved access to health services, and income earned from the dividends. As per the records of CARE, average return on assets and savings is around 6-7% p.a.

10. Assessment of qualitative achievements and impacts

The system is geared at maximizing the participation of all members. It starts with the sitting arrangements at meetings, which is in a circle format where everyone can see every other member. This is different from a class room setting, where the leader sits in front and faces all members, is at times seated a bit higher than other members or behind a table, and where members do not look at each other's face. The system allows for good female participation and promotion of female leadership. Under the assumption that it is better to integrate the poor in the village in existing financial institutions of the village, the principle opportunities of the poor to participate are also seen as positive.

It is often said that loans create dependency, whereas savings creates confidence. This was also verified in the case of the groups observed. Members are aware that they develop and utilize well their own resources, and do not depend on outside assistance. The ability to manage their own resources leads to high self-esteem. CARE also claims that women's participation in household decision making on resource allocation is gradually

[107] Many ASCAs appear to combine the last meeting of a cycle, during which savings are paid back and dividends shared, with the first meeting of a new cycle. Members use part of their shares from the old cycle to build up their savings in the new one.

increasing, and that husbands generally appreciate the additional household income and stability that is transmitted through the VSLA membership. While this seems highly plausible, this point awaits empirical validation[108].

There seems to be a general pattern of increasing confidence of members into the system. At the start of the first cycle, members tend to purchase only one share per week, thus the minimum, certainly with the intention to test the system. Over time, members tend to increase the number of shares purchased per meeting, reaching an average of just below the maximum at the end of a cycle. In addition to this confidence building, the social fund builds a feeling of solidarity of members. Members agree on the concept of the social fund, many have already received assistance when they were in need, and everybody makes the contribution as determined.

As members use their funds and loans for school fees, medical treatment, improvement of housing conditions etc., they obviously benefit from the investments made. In the particular case of the integrated health education services, members also benefit from improved health knowledge.

Finally, there seems to be a positive link between VSLA membership and financial literacy of members. Members fully understand all aspects of the (relatively simple) operations, an aspect which should not be under-estimated.

11. Assessment of institutional support arrangements

The team did not look deep enough into the institutional support arrangements. The system seems to be well structured, and field staff well prepared for their assignment. The VAs working on a voluntary basis first, and then gradually taking over the duties of the field officers, appears attractive at first sight. However, this approach may require a deeper analysis after some trials, as VAs do not have kits to donate, have no financial incentive, and lack institutional support.

12. Assessment of institutional depth achieved

Institutional depth achieved is low, but not intended in any way by the promoters. No efforts are made at present to register groups, or facilitate their networking or federation.

13. Assessment of female participation

Female participation was 76%, a result that must be appreciated, moreover that the leadership positions are also held mostly by women, and not by the few men.

14. Assessment of efficiency of operations

The cost of support per member stood at USD 38 at the time of the visit. This amount may be slightly decreasing over time, as overhead and investment costs will decrease during the remaining project period. It should be noted that these costs, which are above those of some other ASCA promoters, are somewhat higher due to the link with the health component, and because a part of the operations is carried out in the North-East of the country, where operating costs are higher and numeracy and financial literacy levels among the ethnic groups served are lower than average.

15. Assessment of visions of and plans for future development

At present, CARE is internally discussing some changes of their mode of operation. These comprise: (1) options to build up capital by not sharing the savings and dividends at the end of a cycle; (2) options to add more livelihoods components, in addition to the savings and credit and health components; and (3) options to increase impact by moving from smaller groups to bigger ones. The main concern for CARE here is that any

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[108] CARE Cambodia considers the best time to do the impact study on VSLAs about five years after the end of the direct support. At present, groups in the area visited have operated less than three years.

proposed changes would not affect the nature of the saving groups, their sustainability as community-led saving model, and the living conditions of members.

The reviewer team is convinced that the CARE staff has a good understanding of what happens, makes constant appraisals of the current system and its weaknesses, reflects on improving cost efficiency, and without losing focus on the poor and women. CARE staff mentioned that at present, when the VSLAs are still new to them, they are happy with what they have. While they were presently satisfied, in the future, the project may want to modify some approaches by allowing people to learn about other approaches, subject to the above conditions.

16. Other points deemed relevant by the reviewers

The system of minimum and maximum share savings has a lot of advantages. Where groups are composed of the poor and the middle income groups, the approach to allow for buying of up to five shares per meeting is good, as it permits some flexibility. The income gaps between the more ambitious relatively better-off and the ultra poor are however bigger than the current system bridges. Groups with members with ID Poor 1 status allow for saving in smaller minimum share values, i.e. KHR 2000. This is however not in the interest of the relatively better-off groups, who are keen to move the amounts up to KHR 5000, and even KHR 10,000 per week. The space available in the pass books however only allows them to record five shares per meeting. A simple solution would be to print the next generation of pass books with more space for up to ten shares per meeting, or to facilitate grouping more by income status, rather than the other existing criteria (such as neighborhood, affinity, etc.).

17. Main lessons and new things learnt

1. The approach taken by CARE leads to high compliance with rules, and high standards of financial discipline.
2. A big advantage of the VSLAs is the strong emphasis on regular saving at short intervals. Members have seen that the chances to get high saving volumes increase very much if meetings are held weekly, not monthly.
3. Standardization has an enormous potential to achieve outreach, growth and impact. The VSLA approach combines these advantages under its standardized operations. On the other hand, one size does not fit all, and some groups have apparently seen the need for some changes, and may slowly want to deviate from the parent model. This should be seen as a success, not a threat, a living proof that a graduation process is taking place. It would be useful and even necessary to provide coaching to such groups. While recognizing the value of standardization and coherence, one should also be mindful of the merits of variation without losing identity.
4. The groups have a very positive culture of participation, routine and high discipline of the groups, and members are peers at the same level without much hierarchy.
5. The VSLAS are able to bring together young adults and older people in the same group.
6. Female participation is high, which is not surprising in a society where women are mostly the managers and custodians of household finance.
7. Solidarity and mutual respect is essential in the groups, and well practiced.
8. Many groups are comfortable with what they have, do not want to change, and for good reasons. When talking about changes, and changes within their reach, they do not fully understand what we mean, so they are naturally a bit conservative. This should not be seen as a lack of intention to change. Members see clearly the obstacles of proposals made by outsiders, and lack tools and instruments to cope with or manage such obstacles and risks. While there is no clear vision for the future yet, and members prefer to routinely continue with what they have and know, it does not mean they would not want to introduce changes. A system to introduce changes is simply not in place, and would require more human and financial resources, and a slight change of attitude and focus of the field staff.
9. The simple recording of 'shares' purchased in the passbook by using arrow symbol printed with a stamp (one arrow equals one share) allows illiterate people to understand, follow and monitor the process. It also looks neat and clean in the books.
10. The loan duration is three months which is too short for some income generation activities, if the profits to be made are to be used to pay off the loan. It may be more effective to expand the loan period to six months.

11. Both groups visited had substantial unused cash in the box (about 50% on average). In areas and groups dominated by farming, the demand for loans increases with the start of the planting season, and decreases after harvest. The project team as well as the groups should ideally find ways to decrease idle funds, e.g. by extending loan periods in accordance with cash flows, and making disbursements twice per month rather than only once. The key determinant would be however whether there is a credible demand for more loans in each VSLA, a question that the reviewer team was unable to validate. Borrowers in the groups visited were not too keen to get more loans, even though they were under pressure by the committee to borrow more.
12. The VSLA model is attractive to the low income groups, women of all ages, persons with relatively low entrepreneurial spirit, low administrative skills and little accounting experience. It presumably also works best if there is a minimum level of homogeneity and coherence among group members, and where members want more of social protection than business development. Where members are above this level, and prefer more business orientation, the model may have to be adjusted accordingly.
13. Key to success of the groups is dedicated and competent leadership.
14. In the project visited, the VSLAs are linked with a health program, which has its specific purpose and objectives. The combination of health and finance makes for a specific self-selection process, in which the demand for loans and the capacity to invest may not be as high as in other areas without linkages to the health sector. The loan utilization rate is comparatively low, and below optimum. In such cases and circumstances, building up social capital in small steps is necessary for their medium term demand. The fact that the short term demand is relatively low should not be seen as a deterrent, but as a necessary investment into their future.

A 1.2 Church World Services (CWS) in Kampong Thom Province

Host report

1. Introduction of the host institution

CWS was established in 1946 after Second World War, when it started an internationally recognized immigration and refugee program, emergency response and international relief. CWS has been working in Cambodia since 1979 as one of the first five humanitarian organizations[109] permitted to work in the country after the fall of the Khmer Rouge regime. CWS has been formally registered with the Ministry of Foreign Affairs and International Cooperation as an international non-governmental and not-for-profit organization. From 1979-1992, CWS had been involved in humanitarian assistance with focus on emergency food and medical relief through the government. Throughout the 1980s, CWS primarily worked on the technical assistance for food security through the Department of Agriculture on hydrology, agronomy and animal health. From 1993, CWS has shifted from supporting specific sector projects to work in a broader, integrated and holistic manner. Currently CWS Cambodia operates in the remote rural areas of Battambang, Kampong Thom and Preah Vihear provinces.

Origins of work of CWS in Cambodia and elsewhere and evolution in Cambodia. CWS Cambodia initially focused on emergency food and medical relief, but began in the 1980's to work with and through the government structures in the agricultural sector, with special focus on food security. The peace accords in 1991 effectively allowed NGOs to reach a greater number of people in Cambodia, which led CWS to establish community development projects in the five provinces of Battambang, Banteay Meanchey, Kandal, Kampong Thom and Svay Rieng. Currently, CWS Cambodia operates in the remote rural areas of Battambang, Kampong Thom and Preah Vihear focusing on food security, education, health, water, sanitation and hygiene (WASH) and capacity building to target community partners and beneficiaries. Food security activities are mainly focused on agriculture production and income generation activities including community finance.

[109] American Friends Service Committee, Church World Service, CIDSE, OXFAM and World Vision

Underlying assumptions, approaches, assumptions and justification. The strategy of CWS Cambodia is to work directly with the communities and through project partners, such a local government and other government structures and NGOs. For ownership and sustainability purposes, CWS Cambodia has built capacity of key project partners related to organizational management and development including technical knowledge related to program development. For the target beneficiaries, CWS Cambodia has provided technical capacity and physical inputs both in cash and in kind.

2. Support provided to community finance

CWS Cambodia started with community finance by using the self help group model from 1997 to 2007, which was stopped gradually in late 2005 when phasing out from the areas supported by then and preparing for new target areas. In mid 2007, after starting to work in new target villages in Kampong Thom and Preah Vihear provinces, CWS changed its approach and stopped providing capital to self help groups (SHGs) as done before. This was on account of the difficulties encountered when the groups were not interested in participating in the activities. Having implemented the SHG model from 1997-2005, CWS Cambodia provided the following support:

(1) Raising awareness among all group members on the importance and benefit of working as a group;
(2) Assisting groups, especially group committees, to develop by-laws or internal regulations;
(3) Assisting groups, especially group committees, to develop proper loan repayment schedules;
(4) Providing necessary stationary and other supplies to facilitate group formation and action; the kit included one metal box, three journals (one minute book for bylaws, one cash book, one loan and saving book), one set of keys, one calculator, one ruler, two pens and member pass books);
(5) Building capacity of the group committees on group organizing and financial management including simple record keeping;
(6) Explaining all group members the value of compulsory saving;
(7) Providing an interest free loan to the group after the completion of the six months group formation process (Working Capital Assistance), up to a maximum of three times of the group savings;
(8) Providing advice to committees and groups on problem solving in cases of default on loan repayment;
(9) Regular group visits provided by the SHG Animator, field staff and the Credit Advisor to monitor and support group financial management (record keeping, loan and saving, group meeting and attendance of group members and minute of the group meeting).

3. Description of the savings and credit model

CWS Cambodia started the support to SHGs in 1997 based on a model learnt from MYRADA in 1997 and Padek[110] in 1998. In late 1997, after an exposure of CWS staff to MYRADA in India, the SHG program started immediately in Kandal Province, which was one of CWS's target provinces. In 1998, CWS replicated the model in Kampong Thom Province, where the field staff had learnt from PADEK and the CWS project in Kandal Province. As the two target projects have been well implemented, another replication took place to Svay Rieng Province.

The following elements constitute the SHG model that CWS introduced to the communities:

a) Saving and credit activities;
b) Voluntary membership;
c) Accurate bookkeeping;
d) Regular group meetings;
e) Solid leadership and decision making;
f) Internal rules and regulation determined by the group;
g) Provision of working capital assistance by CWS;
h) Group audit;
i) Withdrawal of CWS from the group after some time.

These features are introduced through a process of the following phases:

[110] At this time Padek worked with a village banking model that included allocation of capital to each of the banks. Later evaluations found that the approach was inefficient and that in particular, the capital was being under-utilized. Padek since moved to the Savings-for-Change model and is now one of the leading implementers in the country.

a) **Preparatory phase**: Introducing the concept to villagers/people in the target villages (approximately 1-4 months);
b) **Group initiation**: Helping villagers to form their group including regular meeting and saving (months 4-8);
c) **Group stabilization**: Helping groups to manage credit by using their saving (months 8-12);
d) **Group consolidation**: Provide working capital assistance and strengthening to the group trough training and coaching (12-36 months);
e) **Withdrawal**: Preparing the group members to function on their own (12-24 months).

4. Achievements from 1997-2005

The following achievements have been recorded so far:

1. The total number of SHGs established was 591, consisting of 10,660 members (of which 6,382 women); of these groups,
    a. 165 groups consisting of 2,319 member (1,268 women) are in Kampong Thom Province;
    b. 309 groups consisting of 6,543 members (4,151 women) are in Kandal Province;
    c. 117 group consisting of 1,798 member (963 women) are in Svay Rieng Province;
2. Total working capital provided by CWS amounted to KHR 1,226,106,000;
3. Total group savings amount to KHR 739,442,300, or KHR 69,366 (USD 17 per member);
4. The breakdown of loan purposes was: (i) 21,219 loans for agriculture, (ii) 11,078 loans for animal husbandry, (iii) 3,736 loans for micro-business/income generation activities, (iv) 1,449 loans for assets/property acquisition, (v) 2,596 loans for various health purposes, and (vi) 8,168 loans for other consumptive purposes.

5. Approaches to M&E

Monitoring and evaluation pass through the following instances:

a. Weekly group visit by the Commune Animator;
b. Monthly group visit by CWS field staff (checking records against actual cash on hand) and direct coaching on record keeping, if needed;
c. Quarterly group visit by the CWS Credit Advisor (checking records against actual cash in hand) and direct coaching on record keeping, if needed;
d. Checks of data in the CWS database, checking group payments and advice/coach staff on any technical aspect if needed;
e. Monitoring the proper functioning of credit and saving activities.

6. Management Information Systems and technology used

CWS Cambodia has developed and used a database system (Microsoft Access) to monitor the progress of SHGs including group formation, capital assistance provided by CWS, group savings, interest earned by group, group lending, loan purposes, etc.

7. Outreach (by gender, age etc.) and regional coverage

CWS offers equal opportunity to both men and women who from 18-55 years old. However, based on our experience, there are more women involved in this program, with approximately 60%.

8. Linkages with financial and other institutions

Not applicable

9. Quantitative and qualitative achievements, outcomes and impacts

The following impacts have been observed by CWS:

- **Economic impact**: Some members are able to have their own property such as home plot and rice fields. Some of them can borrow capital to invest in agriculture production and other income generation activities.
- **Social impact**: Empowerment, gender balance, financial literacy and group organization. CWS offers equal opportunity to both men and women to get involved in the program, but women are more attracted than men (40% of members are men and 60% are women). Due to the capacity building in group organization and financial management, some committee members became District Councilors or Commune Councilors. In addition, one can observe a sense of solidarity, harmony and socialization evolving within the groups and villages.
- **Financial literacy**: Groups understand the concept of saving and credit better, and know about terms and conditions of loans. The group committee members consist of three members, and about two members of each group understand how to keep financial records. Most group members understand their group rules and regulations.

10. Path towards sustainability

We need to learn more about this because after phase out from the old target villages, only a few SHGs functioned and the others are dissolved with many factors or reasons such as: (i) group members did not trust each other especially the group committees; (ii) some group committee members ran away with the group fund; (iii) some animators embezzled the group fund; (iv) some group members died or migrated.

The cost of staff and commune animators, cost of supplies and capital assistance provided by CWS by province was as follows:

- USD 1,854 per group in Kampong Thom Province, or USD 132 per member (this included the interest free loans);
- USD 989 per group in Kandal Province, or USD 47 per member (this did not include interest free loans);
- USD 1,067 per group in Svay Rieng Province or USD 69 per member (this did not include interest free loans).

Reviewer report

1. Introduction

The visit took place on 27 and 28 April 2015 comprising the briefing session at the CWS offices, field visits to two self-help groups (SHGs) and a debriefing and presentation again at the CWS office.

2. Assessment of delivery models and approaches

CWS has learnt about the Self Help Group concept during an exposure visit to an NGO named MYRADA in India and the Cambodian NGO named PADEK. Both organizations have almost the same of methodologies, with the exception that MYRADA participates in the SHG-Bank Linkage Program in India, especially to help groups deposit their excess funds with a bank.

The program was started in 1997 and then phased out for the first time in 2005 after CWS considered the groups were strong enough to run on their own. In 2008, CWS started to form SHGs in Kampong Thom Province by using the same model but without Working Capital Assistance. This is also one of challenges of CWS because people had known about the financial support with zero interest loans from CWS. The perception of staff that used to implement the old model with capital assistance turned out to be a challenging legacy as they too needed to internalize the change.

3. Assessment of the M&E system

At field level, there had been regular visits by the SHG animators in the past, but this approach was abandoned by CWS. Field staff in the replication monitored SHGs on a monthly basis and assisted in solving problems of loan default. Occasionally, the Credit Advisors conducted surprise checks and supported groups in their record keeping, mostly on a quarterly basis.

At the office level, one office or administrative assistant was assigned one province to manage the (offline) SHG database. The credit advisor is responsible to consolidate and analyze data from all provinces. This has been progressively changed, with the data base now being under the management of the program support team.

CWS stopped using animators after the first project ended in 2005. Currently, it employs only Community Facilitators, which are not CWS staff.

4. Assessment of savings and credit models

The model is good for the poor with the manageable member size from 12-25. The model promotes the culture of helping each other in the village. Most of the members have a similar back ground. The objective of the SHGs is to build solidarity in the community and improve livelihoods and self-confidence of poor people through the community fund. The fund is meant to rotate among the neediest members on monthly basis. The number of loans per member is not limited; it is only based on their needs, credit history and ability to repay. All members are requested to attend meetings once per month to deposit their savings, repay loans and borrow from the group fund.

The saving process is simple and easy for member to remember the amount of saving because it is the same for all members. The record keeping process is simple and transparent. The process of distributing dividends and dissolving the group after one cycle is not complex, as all members have the same savings balance.

The cost of an animator is USD 30 per month, and about eight months are needed by field staff to support the group formation phase.

5. Assessment of post-support sustainability of groups

The sustainability of the groups appears to depend on the high participation by all members, accurate record keeping and respect of internal rules. The level of sustainability appears to be relatively high, arguably even if a group was dissolved 5-10 years after project implementation, members should be able to recall the system and establish a group without external support. The key question here would be whether former members would actually do that and replicate the approach without support.

The approach to grant working capital loans may have been appropriate at the beginning to encourage members to save and to get the lending activities started, but later on it destroyed the monthly saving discipline because the main objective of members was apparently to get zero interest loans from CWS.

6. Assessment of innovativeness

Some innovations have emerged from the approach:

- Some groups opted not to dissolve the group after one cycle and accumulated the member saving and profits from interest earned;
- Loan term is principally unlimited and members can increase their loan amount if fund are available and their ability to pay back is high;
- Groups have introduced a simple mechanism to allow members withdraw their saving if they decided to leave the group for ever;
- Groups introduce a penalty scheme for higher loan amounts to encourage participation from members.

7. Assessment of governance and institutionalization

In principle, there are clear roles and responsibilities for the committee. However, the approach to train only two members on record keeping may turn out to be risky if one or two of these would resign; a more substantial back-up strategy would be needed to avoid a group collapse. In all aspects, CWS sought the active involvement of the local authorities, especially the village chief.

8. Assessment of outreach

During for the period from 1997-2005, the total number of SHG established with capital injection was 591 groups consisting of 10,660 members with 6,382 women; of these, 95% were dissolved after some time. During the second phase from 2008-2011, five groups were formed, of which four dissolved. There are no data showing the amount of capital they have accumulated so far.

From 1997-2011, CWS formed 596 groups in three provinces. CWS worked in total with 12 different local NGO partners to replicate the model, but CWS does not have any concrete data about how many groups these local NGOs have formed over time.

9. Assessment of quantitative and qualitative achievements by communities at present

Members have easy access to loans on a monthly basis. Members build their capital in the group through monthly saving and non-withdrawal of profit earned. Most borrowers use their loans to invest in agriculture, expand small businesses and improve their homes. No emergency fund has been initiated in the groups. The approach contributes to building confidence among members. Borrowers do not need to provide any collateral for a loan, and a thump print is enough to finalize the agreement. The number of female leaders is below their proportion in total membership. The system contributes to improving member living standards through a lower rate of interest on loans from the groups (2% per month).

10. Assessment of institutional support arrangements

CWS supported the SHGs only during the group formation phase. No more support is provided by CWS since they phased out in 2005. However, the groups are able to run the groups by themselves. However, CWS does not collect data post project support.

11. Assessment of female participation

Women account for approximately 60% of all members, but the proportion of women in the committees was below this percentage.

12. Assessment of efficiency of operations

The investment from CWS over the entire period was around USD 1,000.00 per group and USD 0.5 million in total. This includes staff wages, donated materials to the groups and USD 30 per month for one animator per commune.

The volume of savings generated through the system was comparatively low:

- Total amount of group saving was KHR 739 million (USD 184,900), or USD 17 per member;
- Average savings per member were USD 13 in Kampong Thom Province, USD 21 in Kandal Province and USD 8 in Svay Rieng Province;
- Working capital loans granted by CWS were 1.7 times higher than the member savings.

13. Assessment of visions of and plans for future development

In a number of groups, members did not want to accept new members in their SHG during a cycle. This was caused by the limited capacity of committees to calculate the respective share of profits earned on lending activities, where the amounts were not equal for all members. Before admitting a new member, a group would thus need to dissolve and re-create the group. This deficiency made it difficult for new members to join, especially for the poor and the poorest.

Groups decided to increase the value of saving from KHR 5,000 per month to KHR 10,000 KHR. As groups increased the loan ceiling to KHR 4 million, monthly interest due became KHR 80,000, which proved to be difficult for some borrowers to maintain their saving levels.

14. Other points deemed relevant by the reviewers

The approach to have a uniform amount of saving has significantly reduced the complexity of record keeping. At the end of a cycle, all members receive the same amount of savings back, and the same amount of profits earned. The only variation is the loan amount for members, which groups do not find difficult to manage.

15. Main lessons and new things learnt

- The level of confidence is assumed to be high even though the level of transparency is limited.
- It is easy for members to recognize their saving and loan amounts because the size of the group is small.
- All committees work on a voluntary basis.
- Member participation appears high.
- When groups dissolved so far, this was because of the low participation from members, especially the better off which stated they did not have enough time to participate in the group meetings.
- Good record keeping, transparency, high discipline of members to save regularly and pay back their loans are key to the sustainability of the groups.
- The residual cash balance after the meeting was low because groups allowed their members to keep their loans longer based on their capacity.
- The low costs and expertise levels required permit the replication of groups elsewhere and without external support.
- Where groups do not dissolve, they do not close their accounts but keep updating records on savings, loan and income until the groups is finally dissolved.
- There are advantages and disadvantages of unlimited loan duration and accumulation of loans. This approach becomes risky when the repayment capacity is limited.
- The groups do not have any regulation on the maximum loan size.

A 1.3 Farmer and Nature Net (FNN) in Takeo Province

Host report

1. Introduction of the host institution

Since 1997, there were many self-help groups (SHGs) assisted and formed by the Cambodian Center for Study and Development in Agriculture (CEDAC). One of the core activities of SHGs was saving and credit. In order to secure the sustainability after the project phase out, CEDAC together with those SHGs decided to establish the Farmer and Nature Net (FNN) in December 2003 through a national General Assembly in Siem Reap Province. FNN was officially registered under the Ministry of Interior on March 10th, 2006. The main goal of FNN is to contribute to the reinforcement of the national confederation of Cambodian farmers at national, provincial and local levels to enable them to represent and protect Cambodian farmers doing family agriculture and running agricultural cooperatives.

Underlying assumptions, approaches, assumptions and justification. The underlying reasons to establish FNN were based on the following challenges:

- Limitation of farmers to sell their agriculture products;
- Farmers lack cooperation and solidarity between farmers within and outside their villages;
- They lack cooperation and solidarity amongst farmer associations; and between farmer associations and other organizations;

- They do not have legal representatives who act as the key partners to relevant organizations and other institutions as well as local authority for community development;
- Farmers have limited access to finance at low interest rates to invest in agriculture;
- Many farmers have been trapped in debt with money lenders, MFIs and banks;
- To create a culture of saving and credit among the members, FNN aims to mobilize and utilize resources in their communities in order to minimize the outflow of resources from communities.

Origins and evolution of work in Cambodia. The concept of SHGs as saving and credit groups was initiated by Dr. Yang Saing Koma, CEDAC's president in the late 1990s. He was influenced by the evolution of cooperatives in Germany and he also learned from other countries in the world through his exchange visits. The first saving process was started during 1999 in Trapaing Raing village, Makak commune, Ang Snuol district, Kandal province, where only six people started saving with 500 riel per share. In the following years, thousands of SHGs have been established and supported throughout the country with support from CEDAC.

2. Description of the savings and credit model

FNN has further structured the SHGs into saving and credit associations for more effective management and better information flows. The saving process evolved in several stages as follows:

- **First stage: Limited saving and credit model**: From the beginning, all SHGs applied the same rules. Each group determines a monthly saving amount for either poor or better-off members in the community. With regard to credit, each group determines their own terms and conditions and interest rates (mostly 2-3% per month). In general, it was easy for saving group committee members to manage the groups. Saving credit procedures are very simple and allow for easy access by members. Some groups share out the savings every year, others every third year. In stage one the group democratically elects the group committee including one chairperson, one vice-chairperson, one treasurer, one cashier and one secretary. The committee members work on a voluntary basis without incentive or allowance. Unfortunately, the limited saving model could not mobilize enough resources for giving sufficient loans and credits to group members. Learning by doing, most of SHGs started changing their internal rule from limited to unlimited saving and credit model to maximize saving resources in order to enable members to better access loans within the communities and for future sustainability.
- **Second stage: Unlimited saving and credit model.** This has been introduced and applied by the majority of SHGs. The unlimited saving and credit model enables SHGs to maximize resource mobilization in their communities. The revised model enabled members to be better access to credit loans and even the interest rates have been lowered to be more competitive (from 2.5-3% p.m. to 1.8%-2.5% p.m.). Under the model, some groups started moving very fast and mobilized more resources for granting loans to members. To ensure a sustainability, SHGs no longer share-out savings, but build up capital. This stage has been marked by higher involvement of local authorities in approving and documenting loans, as the higher loans require some form of collateral. In stage two, the groups elect a group committee as under the old model, with the addition of a new committee member in charge of internal audit. Some groups started recording profit from the interest earned and built a collective/institutional fund. For example, from the 2.5% p.m. interest received, they deduct 0.5 percent points for the collective fund and 2.0 percent points as interest paid to the saving member. The collective fund is used for allowances of the committee members, a social fund, a reserve fund, and an administrative fund to cover administrative costs. This means that all committee members are given an allowance for their work and responsibility. Furthermore, some groups also donated a portion of their profits to local community development. Occasionally, groups grant loans to non-members in the villages, but at higher interest rates (3-5% p.m.). Because of fast growth of SHGs, FNN started forming SHGs and saving and credit groups into saving and credit associations. In 2012, FNN formed another level of saving known as "Saving Community for Prosperity" (SOSOR) which integrated several saving and credit associations under each district network. The more advanced associations tend not to dissolve at the end of a cycle and continue building their capital, but do have their different redistributive mechanisms concerning profits.
- **Third stage: Unlimited saving and credit model with business orientation.** Since 2012, SOSOR plays a role to support and strengthen the weak district networks of FNN, where the FNN national secretariat is not able to support them regularly. SOSOR also helps to distribute saving capital from groups with excess liquidity to those with shortage capital to improve earnings under a mutual guarantee. This model of course continues with the democratic election of committee leaders.

In this stage, some saving and credit associations have categorized saving members into: (1) saving members, (2) depositors, and (3) shareholders. Savers are those who contribute monthly to build up the capital of the group, and are rewarded at 2.0% p.m.; depositors are those who make one single big fixed deposit for an agreed period of time, for which they are rewarded at 1.5% p.m.; and shareholders are those who have contributed to the share capital, for which they receive a dividend, not a fixed interest.

There is a process going on to transform some saving and credit associations into agricultural cooperatives. In these, the saving and credit amounts are even bigger than in stages stage two, and these are even more business oriented. Since the 2014, FNN and CEDAC have been developing a concept of a national saving federation, where interested saving associations or ACs can become founding shareholders.

3. Approaches to M&E

Monthly meetings and closing of books are key monitoring tools of each SHG and saving and credit association to track developments. FNN organizes monthly district and provincial network meetings, where all saving associations' leaders and committee members participate to share developments and experiences and plan for the following months. FNN also organizes quarterly meeting of the national FNN board, where all provincial network leaders participate. So far, no formal evaluation has been conducted.

4. Management Information Systems and technology used

To date, some saving and credit associations and ACs start using basic bookkeeping software or use Word and Excel programs. However, the majority of groups undertake manual bookkeeping.

5. Outreach (by gender, age etc.) and regional coverage

To date, FNN covers 16 provinces with 59 districts, 208 communes, 715 villages, 771 saving associations, and 1,136 self-help groups. Total individual members of FNN are 41,550 (of which 26,792 or 64% are female). No data are available on the number of poor in the groups.

6. Linkages with financial and other institutions

Total saving capital is around USD 22 million, and collective funds amount to another USD 0.5 million. On average, each SHG has USD 19,366 of savings, and each saving association USD 28,534.

7. Linkages with financial and other institutions, borrowing from external sources

Besides CEDAC, the saving and credit groups do not have linkages with financial and other institutions, and are not borrowing from external sources. Most of resources and capital derive from members, which is at times funded from remittances from their children. Recently, one of saving cooperative in Takeo province has started to explore cooperation with government and other partners to access a lower interest loan, but the agreement has not been negotiated yet.

8. Quantitative economic and social achievements, outcomes and impacts

Saving schemes help saving associations and agricultural cooperatives to create a new culture of saving and managing and economizing their basic family incomes. By joining a saving group, every member can generate her/his own income from interest on savings, deposits and shares. Either as individual or as group member, one is able to accumulate bigger capital, through which groups grant loans to members within the communities. Some villages/communities are now running small and medium enterprises, funded from own resources without outside borrowings. Some associations own assets and have acquired community land and built a community hall. Furthermore, some saving associations and cooperatives invested into agro-processing, such as an organic rice-mill to generate income through value addition. Examples are: (1) a warehouse and organic rice-mill cooperative in Prey Kabas district, Takeo province, in Sithor Kandal district, Prey Veng province and in Kamchay Mear district, Prey Veng province. There is also a warehouse and organic rice-mill cooperative in Phnom Penh. Investment capital for a warehouse and rice-mills at district level amounts to USD 80,000-100,000. Meanwhile, the investment cost of the national rice-mill cooperative of FNN/CEDAC in Phnom Penh was around USD one million.

9. Qualitative economic and social achievements, outcomes and impacts

A visible impact is the increase in strong solidarity and capability of members in resources mobilization for developing business cooperatives. The farmers need to be heard by government and development partners. FNN undertakes lobbying and advocacy pushing the government and development partners to take into account the interests of small scale-farmers regarding food security and nutrition. Strong solidarity of small farmers through the establishment and development of farmer networks is a key here. To date, FNN members have known each other across groups, districts and provinces throughout the country. They have learnt and exchanged experiences and knowledge with each other, particularly with regard to development, challenges, and solutions.

Impact on financial literacy. In collaboration with CEDAC, FNN has organized capacity building workshops on financial literacy to enable committee leaders and members to lead and manage their groups properly and effectively. FNN started a pilot project with promising saving associations to use accounting software for record keeping.

10. Path towards sustainability

The creation of a collective fund in each SHG and saving and credit association has been essential to build sustainable and self-reliant institutions. This enabled the SHGs and associations to pay membership fees to FNN for supporting the services to members at district and provincial levels. Since then, FNN collected more membership fees. Members are willing to pay the membership fee because they realized the advantages of using the fees for self-supporting services. District and provincial network leaders have clearly been explained about the use. FNN emphasizes high accountability levels by keeping the collected fees in a bank account clearly identifiable. To ensure future sustainability, FNN and members focus on business investments funded from the saving and credit operations.

11. Other points deemed relevant by the respective host institution

In order to reach the broader goals, FNN has developed a strategic vision, pursued with clear activities. Strong commitment of each member is a key to accomplish it. Building good cooperation with government authorities and development partners is another important step to make the saving process a success. Learning from others and synthesize this with the CEDAC/FNN model remains necessary to improve the model and accomplish good results for members.

Reviewer report

1. Introduction

The visit to Farmer and Nature Net (FNN) in Takeo Province took place on 21 and 22 April 2015. FNN linked the reviewer team to two groups, one below average, the other one being excellent, to maximize understanding of the variation and potential of the groups.

2. Assessment of delivery models and approaches

The visiting team did not have sufficient time to take a deeper look at the delivery model. As in other networks, the available funds dictate how much can be done to address the many existing needs.

Historically, the model was initiated by CEDAC. CEDAC mainly explained the SHG model and provided training on how financial transactions should take place. FNN has since then developed its own approaches from their experience and by learning from others, without much external assistance. This was facilitated through a charismatic and keen leadership. External support has always been minimal, leading to a very lean system. Since 2011-13, FNN only had funds to support the villages before thinning out support gradually and asking members and groups to fully take their responsibility.

The FNN national secretariat does not have own funds and depends on donors. The main activity is training of board members on their relevant functions in the 60 operational districts at the regular quarterly meetings. District leaders are not paid, and only get a share from the amounts collected from groups. The strong emphasis on self reliance, savings and investment, and networking is assessed as positive.

3. Assessment of the M&E system

The management of FNN is very lean, and FNN does not have sufficient funds to establish an elaborate M&E system. Groups are made to understand that they are on their own, and responsible to implement their activities in a responsible manner, not FNN. Some minimum data are captured and processed in a data base.

4. Assessment of savings and credit models

The two groups visited are very different, in almost all dimensions.

The first group experienced a shortage of funds right from the beginning, but was unable to make members realize that the solution would be to increase the amount and/or frequency of savings. Members and committee could never agree on this, one side fearing that their savings were not well utilized; the other that members might resign if an increase in the amount would be decided against the will of many. The group was also unable to monitor all activities, recover loans on time and keep adequate records. One could either conclude that the relatively thin support from FNN or other outside agencies was insufficient or inadequate to empower the group run its affairs or that management was not composed of the right persons with vision and leadership capability.

Compared to this, the performance of the second group, an AC, was outstanding. The little training received by the committee was compensated by efforts to find out how best to do things, and how to develop the groups and the villages further. The AC was composed of three different layers: ten SHGs at the basis, two savings associations (one per village) and the AC on top. The SHG at the bottom has 15-50 members, with groups aligned along profession/interest, age or gender. The saving association had a bigger membership of 50-200 members. The composition of the committees is seen as relevant, in particular with the introduction of the position of an internal auditor. The different performance of the two groups confirms again that it is leadership that makes the difference, not the structure. Groups allow members to withdraw their savings in case of need, and encourage them to build their own reserves again. This helps to avoid losing good members.

The saving association offered loans for a duration of up to 12 months, with an average of seven months and a minimum of three. Total loan disbursements per year amount to about KHR 1.7 billion (USD 0.43 million). Borrowers are said to achieve an annual rate of return of about 30% after interest payments from their pig raising and chicken trading activities.

The system is built on the premise that the smaller SHGs are able to deliver certain services that are not too complex and do not require too much capital, whereas the larger units are able to raise substantial capital for more sizeable investments. FNN thinks that the SHGs may eventually dissolve over time, although this is not seen as automatic or compulsory.

For FNN, the importance of savings is very high, it is the basis and foundation for all other activities. Saving promotion was the first activity undertaken by FNN. Creating the habit for saving contributions was the only way to organize people properly and have regular monthly meetings. This is seen as a way to unite, share ideas, learning, and see the profit from savings and credit. This inspires members. Saving also leads implicitly to good governance. The leaders are all elected democratically, not appointed. The saving process brings transparency, responsiveness of leaders, accountability and accurate record keeping.

FNN brought the economics of savings. People did not like this before, and only wanted credit. From the savings, they understand that it is good to make more contributions, which is an important learning.

In the entire sub-region, there is tendency of the poor to get indebted, not to save. People never have enough money, and do not think they can save. After starting saving, members start economizing their spending, avoid waste, and think twice before spending money. They learn to prioritize. This is an important insight: now we have this capital and reserves after one year of saving in small amounts.

The saving and credit model in the reformed stages 2 and 3 is seen very positive by the reviewer team. The process is built on regular meetings, share savings initially, and lending out all amounts to members at a rate of 2-3% p.m. Groups are able to recover 100% of all loans, allowing them to pay interest to savers every month at a rate of 2% p.m. This makes savers see the benefit directly and immediately. The interest paid is four times the interest the saver could get from a fixed deposit. The remaining profit is used to cover administrative costs, pay allowances to the committee and create a reserve fund. The profit is also used to pay FNN membership fees.

The interest paid to members appears to be on the high side, and may over time be reduced to 1.5% p.m. However, this is a very sensitive issue and difficult to address. Committees think more about generating more income from other sources to be able to invest in better record keeping.

5. Assessment of post-support sustainability of groups

All groups are part of the FNN network. As such, they do not have the same problems as ASCAs created by a promoting institution, they continue to receive benefits from the FNN as long as they remain members. This federation or association approach provides for higher probability of continuity. But it also comes at a cost: payment of annual fees and attending meetings.

FNN thinks about building more institutional capacity. In the long run, there is an interest in establishing a national farmer saving and credit institution, although this has not been operationalized, apart from a request to all associations to deposit USD 250 as reserve fund into a dedicated account. An important element of the path to sustainability is a standardized accounting or banking software to monitor transactions and financial flows. There are also plans to offer liquidity bail out to groups which experience an unforeseen outflow of deposits, and pooling of excess liquidity to lend to associations with high investment potential.

Out of 50 SHGs created initially by CEDAC, only 5 survived. FNN and CEDAC studied these five SHGs and the reasons for success and failure. The two main reasons for failure were considered to be poor leadership and insufficient funds for lending. On this basis, FNN tried to create five new SHGs along the modified principle, which all survived. FNN wants to put excess funds in a district basket and lend these to SHGs to increase their lending capacity. Now, all the ten SHGs work well.

The first group visited lacked funds to attract members more. FNN, like the reviewers, are convinced that lending to them would not create good results, it might even kill the remaining spirit of savings.

6. Assessment of innovativeness

The SHG model has some innovative and interesting features over the ASCAs and VSLAs:

1. The SHG does not dissolve the capital at the end of the cycle.
2. SHGs also pay interest on the share savings on a monthly basis, which certainly enhances the felt impact on every saver, probably more than the annual sharing of interest.
3. SHGs tend to merge into associations, and associations may transfer into ACs. This provides the basis of a reasonable institutional development model.
4. Like ASCAs, SHGs allow to share the dividend and pay it out, or to leave it with the group as individual savings.
5. SHGs are created by affinity: the youth, women, rice producers, etc. This provides for coherence and similar views and ideas, and a better understanding among members.

7. Assessment of governance and institutionalization

Governance in the first group was poor, and excellent in the second. The system followed is the same, but understanding of leaders made the difference. In the first group, leaders have given up, as they could not find a formula to attract more savings, whereas members and leaders have been constantly looking for improvements.

8. Assessment of outreach

Outreach of the FNN with 41,550 individuals is impressive, not only when taking into consideration the limited funding. Outreach to women is also positive, with 64% of members being female. In the second group visited, the SHGs, association and AC have a penetration rate of 75% of households, which is excellent.

The outreach to the poor is unknown to FNN. In the case of the second group visited, none of the members has an ID Poor 1 status, and about 5% have an ID Poor 2 status.

SHGs are open to all, including to poor. Where the amount per share is low enough, the poor may join, but will stay outside if the amounts are not affordable. The standard KHR 10,000 per month in many SHGs is likely to be too high for the poor, as SHGs and associations are dominated by achievement oriented middle income groups. The assumption is that the poor are not much part of the approach.

9. Assessment of quantitative achievements by communities at present

In the first group visited, the limited savings and loan amounts are insufficient to make any impact. Unless a new committee would be elected, chances for improvements appear to be low.

In the case of the second group, the savings of members are impressive, with a total balance of KHR 2030 million or USD 0.51 million. The average savings balance per member stood at USD 1143, built over 5-6 years. Considering the village based savings activities only, the balance stood at KHR 902 million or USD 225000, with an average balance per member of USD 2147.

10. Assessment of qualitative achievements and impacts

There may not be many qualitative achievements in the first group. In the second, achievements observed include:

- The ability to approve loans;
- The ability to invest more funds into business ventures;
- The ability to assess risks of clients;
- Stronger solidarity in the village, and around;
- Higher trust into one’s ability: none of the initial members expected to be able to manage even KHR 20 million, and by now, the association manages above 2 billion;
- Improved coordination among peers, better contacts and collaboration with local authorities through exchange visits at different levels, including at national level.

Members of the second group were strongly convinced that those who rely on outside assistance, are weak and will remain weak. They advised going for regular saving, and avoid becoming a beggar. They had an experience some years ago with the NGO Samaritan Purse, which wanted to help with the creation of groups and gave the poor some chicken stocks and paid some allowances. Probably as a result of the approach, the members in these groups wanted to get something out from the group, without intention to put something into the group; they expected loans without saving. The leaders of the association suggested that the poor should learn from the rich, and should not remain separate. Their question was how best to make the poor overcome their mind sets: “If you would make them stay with the poor only, they would learn from the poor only”. The chicken case is illustrative: the poor ate the chicken, instead of raising them and earning money. Their conclusion was not exclude them, but to let them learn from the better off.

11. Assessment of institutional support arrangements

These are weak, as it is done through a network. This has the advantages of being cost efficient. It may be quite effective as some peers learn from peers and are more convinced of what they are doing, but the approach may be not be the most effective one, at least technically. In any way, this is not freely determined by members or leaders, but dictated by shortage of funds.

12. Assessment of institutional depth achieved

Institutional depth achieved was rated very poor in the first group, and outstanding in the second.

13. Assessment of visions of and plans for future development

Excellent vision of the future was visible in the 2nd group, but absent in the first one.

14. Other points deemed relevant by the reviewers

The second group had good capacity of record keeping. It is a single entry system, but produces balance sheets and income statements every end of the month manually. This group was the only one which created a comprehensive monthly summary of all major income and expenditure items.

15. Main lessons and new things learnt

- Importance of accurate record keeping;
- Importance of a vision, and how are you prepared to implement step by step;
- All groups allow withdrawing money when the member is in need, but do not encourage this. This retains them as members, and prevents them to withdraw from membership just to get the needed cash.
- Strong committees are essential;
- Incentive schemes to committees are not so important in the beginning, but become so over time, and in the future. The principle underlying in the FNN network is that if group makes more profits, then the income for committees will increase. In the one case observed, a committee member receives USD 100 per month, which is good;
- Weak groups may also make very small contribution into the social fund;
- Village and commune leaders in the second commune were also supported by the AC, receiving USD 10-12 per month as allowance, plus USD 8 for mobile phone communication. This buys in their support, and may be seen as good risk management strategy;
- There should be no overdose in terms of help: DSAs, chicken, loans, and grants may not help in the end, and distract from self help and saving, to think of what you can do on your own, in your own village, and without looking for outside help.

A 1.4 Improving food security and market linkages for smallholders (MALIS project)

Host report

1. Introduction of the host institution

The project "Improving food security and market linkages for smallholders in Oddar Meanchey and Preah Vihear", referred to as MALIS project, was implemented from January 2014 to June 2015. The project target groups were approximately 7,500 vulnerable rural households in the target districts of Oddar Meanchey and Preah Vihear Provinces. The population is approximately 50/50 male and female, although the project sought out families with female headed households, targeted females for enterprise development and provided nutrition education for mothers and caregivers of young children. The project worked through Community Based Organizations (CBOs) to reach beneficiary families (approximately 50 CBOs of varying sizes).

The project conducted analyses and participatory actions to identify and engage target communities in farmer field schools, farmer business schools, nutrition education sessions, strengthening of farmer groups, and disaster risk reduction activities. These activities were aimed at increasing productivity of smallholder farming, diversification of farming activities, risk reduction, nutrition education, promoting gender equity, improving market linkages and livelihoods to ensure and food and nutrition security. The activities were overlaid on target areas according to the needs and priorities of communities and channeled through existing farmer groups. There was a strong emphasis on capacity building (training of trainers, farmer field schools, business schools, nutrition education and group strengthening) and on enterprise development. Agricultural inputs and cooking equipment were provided through input credit and trade fairs, with repayments collected by the farmer groups for re-investment.

The most innovative aspect of the project has been the operation of an input credit mechanism, whereby 60% of the value of inputs was to be recovered by the farmer organizations and retained for their re-investment. Each farmer group was required to maintain financial records, secure cash assets and produce a written plan for re-investment. This credit scheme was combined with a round of input trade fairs whereby 3,700 households participated in fairs, accessing over USD 535,000 for inputs and making repayments after harvest, with a 99.3%. The farmer groups showed remarkable commitment in recovering credit for re-investment. The farmer business schools were the foundation for trialing the credit scheme and the main basis for improving the management of groups. Farmers were able to choose from a wide range of inputs and kitchen equipment at the fairs to meet their individual needs.

2. Support provided to community finance

There has been no explicit effort to establish a community finance scheme right from the beginning. During the course of the project, the concept of transfer of assets to groups as a result of the input fairs emerged and was successfully implemented. The emphasis was on the creation of assets, in the form of a loan fund, within the partner groups, which the groups could use for further on-lending to members. All this was embedded in a vast number of support activities in the agricultural sector, including input supply, production and preservation methods, business skills, organizational development of CBOs, machinery services, vaccination services and kitchen equipment, improving postharvest systems through the supply of agricultural machinery for harvest, threshing, drying, cleaning, and storage of rice, soybeans and cassava.

All in all, MALIS supported 49 CBOs in total, including 23 ACs.

3. Description of the savings and credit model

The farmers received input credit for the fairs of an average of USD 142 per household and a total volume of USD 535,080 traded. The fairs were successful in terms of the feedback given by farmers and traders and also in the repayment success for the 60 percent required to be repaid to the CBOs after harvest. On average, there were 12 input suppliers at each fair, a range of over 100 items available. Over 7,200 persons attended the fairs in total, with attendance of beneficiary households varying from 250 to 660 at each fair.

In total, USD 652,867 has been lent to farmers as input credit during 2014, mostly through the fairs but also as credit for selected items provided outside the fairs. The farmers were expected to repay 60 percent of the total credit (USD 391,720) back to the AC/CBOs and some of the CBOs also levied interest charges to provide an incentive for repayment. The total amounts of credit repaid exceeded 99% at the time of the visit, with one single farmer being late with repayment. This reflects the farmers' commitment, the close supervision by CBO management committees and NGOs and the assistance of government in supporting the mechanism.

4. Approaches to M&E

The project used standard M&E approaches to collect data on activities and outputs as per the logical framework, but, in view of the short implementation period, not on outcomes and impacts.

5. Outreach (by gender, age etc.) and regional coverage

About 4,600 members of CBOs received the input credit, of which 40% was a grant and 60% was repayable to their CBO.

6. Linkages with financial and other institutions

Not attempted. A large number of partnerships and linkages with local and provincial bodies in the fields of agricultural development, nutrition, capacity building and marketing has however been established.

7. Quantitative and qualitative achievements, outcomes and impacts

The main achievements included: (1) more homogeneous CBOs; (2) all CBOs elaborated their business plans for post-project activities, including use of funds for on-lending; (3) improved technological practices as regards rice, cassava and soybeans production and preservation. Outcomes and impacts have not been measured.

8. Path towards sustainability

The sustainability of project results was expected to emerge as a result of four factors:

- Investment in the health and capacity of human resources (at individual, organizational and community level and the mainstreaming of gender equity);
- Technology to support the sustainability of farming systems;
- Enterprise development and generation of profits for smallholder families; and
- Community preparedness and responses to natural disasters.

The core units for sustainability are the farm households and the farmer groups that have been the focus of support. Project management rated the sustainability of project results as greatly boosted by the success of the input credit and voucher systems and the repayment of 60 percent of the credit to the farmer groups. This resulted in a large pool of funds in the CBO and AC accounts available for re-investment. Much of the work of the FBS and the CBO strengthening activities has been aimed at ensuring repayments occurred, monies were securely held and plans for re-investment were developed and put in place. The outcome was limited in the main part to the completion of a single cycle of credit (although some groups actually completed three rounds of credit), the creation and dissemination of re-investment plans and the management capacity to support the plan, and then the potential for ongoing investment. The intention had never been to create a micro-credit scheme on a sustainable basis nor to sustain the FBOs themselves, but to leave farmer groups in a position of strength that offers them the best prospects for sustainability, in the face of the many challenges that exist due to weakness of the institutions and the relative novelty of market-oriented farmer cooperatives in Cambodia.

9. Lessons learnt

A number of lessons were learnt as regards the situation of ACs. They fall into three types: (1) those interested in investment, with a high demand for capital, but where management is too exhausted to do more; (2) those who have sufficient funds now to meet their needs but who will most likely exhaust that capital due to a lack of vision and investment capability; and (3) those with a high demand for capital, the motivation and the capacity to proceed. It is this latter group that can benefit most from continuing external assistance. Coaching and training would be a relatively low cost support system for such groups. Implementing savings schemes and business planning would be useful in the medium term to encourage on-going development. Book keeping is a challenge for all groups, which mostly has to do with the lack of knowledge on how to keep records and use these for decision making.

Some lessons can be drawn as regards the management of ACs:

- The management committees are typically run by too few active members who shoulder many responsibilities for the community.
- Separate sub-committees should be created to tackle specific functions for the cooperative, under the guidance and supervision by the board.
- There should be monthly reporting, improved record keeping and routine monitoring of performance.
- The expenditure by members of the management committees should be reimbursed more often than once in six months.
- The remuneration paid to committee members is generally insufficient recompense for the time spent on work for the group. The management committee should go to a general meeting and negotiate increases commensurate with time spent.

- Each group should start a savings program if they do not currently have one.

The following recommendations emerged as regards the design of similar cash transfer mechanisms and projects:

- Prepare the groups for the post project period, right from the beginning;
- Start savings activities inside the life of the project;
- Ensure there is institutionalization of change by creating clear structures, responsibilities and roles (as MALIS has done for the credit schemes);
- Clear communications with the constituency and perception management to encourage an internal locus of control;
- Minimize project hierarchies and remain client-focused;
- Discuss post-project scenarios during implementation, and do only those things that will become normal business after the project.

Reviewer report

1. Introduction

The team visited the 'Improving food security and market linkages for smallholders in Oddar Meanchey and Preah Vihear' (MALIS) project from 8 to 10 April 2015. During the visit, a total of five agricultural cooperatives were met in Samrong and Banteay Ampil Districts in of Oddar Meanchey Province. The visit started with a short briefing on the operations in the afternoon of 8 April, and was followed by a one day visit to the above locations. On the last day, the team prepared a draft peer reviewer summary, which it presented to the MALIS team in the late morning of April 10. This was followed by an intensive discussion about the future options to pursue rural and economic development through different forms of organization, and savings activities embedded in such community organizations.

MALIS worked with both informal community-based organizations and registered agricultural cooperatives (ACs). The team only visited ACs, the following assessment therefore only covers insights on ACs.

2. Assessment of delivery models and approaches

In none of the ACs supported did the project support a savings or capital formation process. When screening ACs initially for participation, the existence of a functional savings and credit scheme was a condition. In the course of the project, management did not attempt to further develop or to start any savings schemes. Ability to mobilize funds from members under the current set-up and perceptions is limited. Much of the capital of ACs has came from outside, from different sources, including promotional agencies and government and donor funded projects.

3. Assessment of the M&E system

The project has a good M&E system geared at capturing the inputs, outputs and outcomes. As the credit operations resulting from the grant transfer only happened shortly before the end of the project, the only records that were kept are those related to the reimbursement of the inputs by the borrower to her/his society. These are well captured and documented. Post-project aspects are obviously not captured.

4. Assessment of savings and credit models

The system was based on the assumption that CBOs and ACs would be better capitalized if the recipients of the inputs through the voucher system would pay back the value of these inputs to their respective society, thus capitalizing the society and enabling it to grant new loans from this revolving fund. As long as the societies would have a good repayment rate, the revolving fund would be maintained and the society could use it to grant new loans to members. In the negotiation process, it was finally agreed that the recipients would pay back 60% of the voucher value consumed.

The first part of the model worked well. The fairs were well organized, the members used the vouchers to purchase inputs, the vouchers were accepted by the traders, and the total turnover of the 3,777 households involved was USD 535,080, thus an average of USD 142 per household. The repayment rate for the 60% jointly agreed upon was 99.3% over the amount due as at the end of January 2015, a rate which is likely to increase a bit further as the outstanding balances are recovered by the management committees. The approach has led to the endowment of USD 318,800 of 49 CBOs and ACs, and to an average in kind transfer of USD 57 to each of the 3,777 households[111].

The ACs visited were keen to continue using the amounts received for new loans in kind to members. They were not able to assess the demand of members for input loans, and to what extent the recent transfer from MALIS would be sufficient to satisfy their members' demand.

5. Assessment of post-support sustainability of groups

No assessment can be made as regards the post-project sustainability of the ACs. One the one hand, the ACs visited were mostly able to grant loans in cash and in kind and recover these, as long as the amounts remained small and as long as the repayment period remained short. On the other hand, like most projects, the MALIS has concentrated efforts more on achieving the relatively short term project objectives, and did not focus much on the post project period, and what should be done to help groups continue on their own. Second, no savings process has been established within the groups, which will ultimately lead to the lack of funds of ACs to adequately support their members. Training on credit administration was also more done with a view to achieve the first round of repayment, and not to help societies run a credit program over a longer period.

As regards the future of these ACs, it appears to be clear that an internal savings process would very much enhance their sustainability over time. However, it appears that there are three important parameters to be checked in the Cambodian case, which influence sustainability of the groups. These are: (1) demand for credit by members, (2) capacity of committees to run a savings schemes, and (3) willingness of committees do devote even more time to this activity.

The cooperatives visited fall into three types: those interested in investment, with a high demand for capital, but where their management is too busy to do more; those who have sufficient funds now to meet their needs, but which will most likely exhaust that capital due to increasing demand for investments; and those with a high demand for capital, the motivation and the capacity to proceed. It is this latter group that would benefit most from continuing external assistance. Coaching and training is relatively easy and low cost for such groups. Implementing savings schemes should be paralleled by business planning for the medium term and some improvements of bookkeeping. This is a challenge for all groups, which mostly has to do with the lack of knowledge on how to keep records and use these for decision making. One may assume that groups which received a capital grant from an outside agency, which will satisfy immediate credit demand by 7 members, the need for savings will arise in about 2-3 years.

6. Assessment of innovativeness

Compared with classical subsidy schemes for agricultural inputs, the organization of fairs, the involvement of traders in these, the support to the CBOs, and the explicit obligation for voucher recipients to pay back 60% of the voucher value received and traded against inputs to their group/cooperative are certainly positive innovations.

Compared to the support provided to groups to create internal savings and credit schemes, such as the ASCAs, the amount transferred to the groups (≈USD 216,000) would have been largely sufficient to fund an external service provider to help all 49 groups with their almost 4,000 members to start their savings and credit operations, including a post-project support period. From this angle, the approach was not very innovative. This assessment should bear in mind that MALIS aimed to supply farmers with inputs to a certain value. The voucher scheme has put an additional sum of money back in the hands of the farmers collectively by

[111] It should be noted that at least one AC asked members to repay 100% of the voucher value to the AC, thus no transfer to the households. It was not possible to clarify whether there had been a misunderstanding about the percentage rate, or whether the committee, supported by the district agricultural staff, was more pursuing a goal to capitalize the AC.

persuading them that they should pay the 60% of the total value of credits back to their group. This money was not assigned for a credit scheme, but for input purchases.

7. Assessment of governance and institutionalization

The MALIS project staff took informal CBOs and formal ACs as they existed, and did not attempt to create new organizations for the project purpose. They also did not attempt to force CBOs transform into ACs, but helped those who wanted this to accomplish this, to a certain extent.

Pressure by members to avoid expenses for administrative purposes is very strong. Even if they have a budget line, as approved by the general assembly, committee members at times spend their own money. This system may not work for long, there is a need to compensate committee members for actual expenses.

8. Assessment of outreach

The project achieved a direct outreach to slightly less than 4,000 households receiving vouchers, of which about 70% were women.

9. Assessment of qualitative achievements and impacts

Participating CBOs and ACs marginally improved their record keeping and planning skills. Improvements on the agricultural production side (especially for rice) were not assessed by the team, as this fell outside their mandate, but appear highly plausible. Awareness in the selection of good inputs, the way these inputs were to be used, and what results could be expected from improved planting techniques, is likely to have increased.

The ACs used the funds received from MALIS so far in a responsible manner. More could be said only after 2-3 years.

10. Assessment of institutional support arrangements

Project duration was relatively short, 42 months only. Support to CBOs and ACs gradually increased over time, but ultimately remained shallow. It should be noted that this was not the objective of the project.

11. Assessment of efficiency of operations

The project had aspects of action research. Not all directions and goals to be achieved were visible at the beginning. The project management team and the participating district and province departments of agriculture tried out a few things. As such, standard ratios to assess the outcomes over the investments are not entirely applicable here. The costs of organizing the fairs were reasonable, but these investments will be lost as there is no organization to take up the organization of fairs (which are highly useful for farmers and the support industry). The investments into the CBOs and ACs cannot be separated from other operational and administrative costs. Using internal rates of return as a standard measurement, the results will likely not be encouraging.

12. Assessment of visions of and plans for future development

Taking financial services as yardstick, the cooperatives fall into three types: those interested in investment, with a high demand for capital where management is not willing to engage more; those who have sufficient funds now to meet their needs but who will most likely exhaust that capital sooner or later; and those with a high demand for capital, the motivation and the capacity of management to proceed. It is this latter group that would benefit most from continuing external assistance. Coaching and training, a relatively low cost support system for such groups, could help implement savings schemes and business planning for the medium term. As book keeping is a challenge for all groups visited, which mostly has to do with the lack of knowledge on how to keep records and use these for decision making, further investments are seen to be useful by MALIS management.

13. Main lessons and new things learnt

On the MALIS support:

1. It is essential to prepare the groups for the post project period, not just for the time when support is still provided. Post project scenarios should be discussed during the implementation process. To the extent possible, only those things should be done during the project that will become normal business after the project that can be replicated.
2. Savings activities should have been started at the early life of the project.
3. To ensure there is an institutionalization of change, clear structures, responsibilities and roles (as MALIS has done for the credit schemes, but not for the CBOs) should be created.

On agricultural cooperatives:

a) Capitalization and saving activities:

- When discussing the need for additional capital, members and committees still first think about asking a donor, rather than making savings. This may turn out to be a big mental blockade.
- All ACs offered loans in cash and in kind to their members, this was the major activity in all ACs visited. This appears to be the biggest demand for the time being.
- Grants substitute the need for savings. Scarcity of money is a good driver, giving them what you think they need may not be the best form of assistance.
- Selling shares only once per year is not an adequate approach to capitalize ACs. The lump sum approach of KHR 50,000 per member as seen in all 5 ACs makes it very difficult for members to pay the amount. This should be turned into a regular activity.
- Saving is indispensable to avoid or reduce indebtedness.
- Many ACs have sub-groups, some of which are already doing savings, some are even ASCAs, but these are not linked with the ACs in any way.
- Very few people in villages 'play' a tontine.
- As long as the demand for capital is very high, ASCAs should be taught that they have the option for breaking the share capital and/or the profits. Ideally, only dividends should be shared, and the capital amounts carried forward to the next cycle for all who want to stay and continue. People understand the system of shares.
- In some ASCAs, members use an amount of KHR four million of their share capital to buy shares in the AC, but continue as before as ASCA.

b) Creation and business model:

- ACs are still far from being well established, functional and sustainable.
- A key issue for the ACs is how they should be created, on the basis of existing and functional organizations, or from scratch. Experience clearly tells that the former may be the more viable approach, especially of these pre-existing groups had an internal savings activity. As ACs are larger entities, certainly bigger than SCs and ASCAs, the question is whether these are sub-groups maintaining their own identity and (financial activity), or are totally absorbed by the ACs. There may eventually be two (or more) models. The first one would establish or build on the ASCA model, and these would run their savings and credit activities as usual. The 'share savings' could be split into two parts (not necessarily being equal): one controlled and managed at the sub-group level, the other being managed at the AC. Under the second option, members could get their loans from the ASCA or sub-group as before, and also buy shares from the AC, helping the AC to increase its options for serving members. In the smaller ASCA/sub-groups, members would determine autonomously what to do with their surplus, and whether or not to share the dividends. This would avoid over-concentration of risks at the AC level, create a perception of independence of the sub-groups, avoid apprehensions that funds would be taken away from members, and avoid over-burdening of the AC board. ASCAs would do lending in cash for whatever purpose, while the ACs would do lending in kind for inputs. This way, ACs would do where they are good at, where a critical mass is needed. ACs may still raise additional capital from members through special events or sales for specific purposes. The model would reduce the AC's involvement in individual credit, but monitor or audit the ASCAs existing within. Members with need for bigger amounts may still borrow from the AC.

- None of the ACs had a business plan yet, although they had prepared simple plans for the investment of the funds received from MALIS. It would be useful if they would plan for the future and determine what capital is needed. If it was not enough, then members should be invited to reflect on how to get it. This would be a good entry point. One out of five ACs met would know how to do it, in their own way, not scientifically, the rest would need some training and/or coaching. For this, an external service provider would have to be engaged.
- The model of the ACs is still very much incomplete. Main missing elements are:
  a. Business planning;
  b. Savings as a process, and savings products;
  c. Record keeping system: single entry only, without losing accuracy;
  d. Rewarding leaders;
  e. Profit centre approach and calculating the net result for each business activity;
  f. Human resources inside the AC, capacity building;
  g. Keeping savings and investment activities apart from each other;
  h. Approaches to increase the confidence of members into the system.
- Some ACs with grants are not ready to do business yet. The mental dependence on external support is quite high. They are not able to run the AC on their own. There was too much support from outside, especially capital grants, which made the groups weaker in the end.
- To assist the ACs, there is a need to provide model business and operational guidelines for credit in cash and credit in kind for fertilizer and inputs.

c) Accountability and record keeping

- ACs will certainly benefit from using the pillars of transparency and accountability built into the ASCAs, including the box for cash and documents, as they need to build confidence among members into them.
- Few ACs seem to prepare monthly totals on transactions and announce these to members. The amounts should be recorded in monthly summary of the records, in systematic manner, not just every few months or for the 6 months loan cycle.

d) Leadership and governance

- The management committees are typically run by too few active members who shoulder many responsibilities for the community. Separate sub-committees should be created to tackle specific functions for the cooperative, under the guidance and supervision by the board. There should be monthly reporting by such sub-committees, improved record keeping and routine monitoring of performance.
- The expenditure by members of the management committees should be reimbursed more often than once in six months, as happened in some ACs.
- The remuneration paid to committee members is generally insufficient compensate them for the time spent on work for the group. There seems also to be a lack of appreciation, and insufficient informal rewards to committees. Where management committees are not satisfied, they should negotiate increases commensurate with time spent at the general assembly.
- Community organizations are usually based on the willingness of capable leaders to provide their time, energy, financial resources and skills for the running of the organizations. In all ACs visited, committees were principally willing to work for the community, but with great difficulties at times. There is a big conflict of time use: for business, for the family, or the community. The growing costs of labor show that you can still earn income from selling your labor. Everybody is thinking about income, and few people can afford to dedicate their time and incur opportunity losses when working for their community. The validity of the underlying model may eventually have to be questioned, if the trend would exist nationwide and persist.
- Sharing of responsibilities over committee members and engaging sub-committees is an issue. Some ACs think this is prohibited by the law, may be because they were told so. Few people seem to know the law.
- Committees are service and member oriented, but it is not clear to them on how best to do it.

A 1.5 Oxfam Saving for Change Program in Kampot Province

Host report

1. Introduction of the host institution

Oxfam is an international confederation of 17 organizations networking together in 94 countries. As part of a global movement for change, we are working together to end world poverty and injustice. We work with thousands of partners in countries around the world, and employ staff in a wide variety of posts. We work directly with communities and we seek to influence the powerful to ensure that poor people can improve their lives and livelihoods and have a say in decisions that affect them.

Oxfam has been contributing to the development of Cambodia for 35 years. Oxfam in Cambodia aspires to "Cambodians, especially women and youth being empowered to hold government and others with power accountable so that they can realize their right to build a resilient society free from poverty and injustice". To make this vision a reality, Oxfam will focus on working with others to find lasting solutions to the injustice of poverty. Oxfam believes this goal can only be achieved by working with Civil Society, communities, the State, private sector, media, and all the other stakeholders driving change. For the period of 2015 to 2020, Oxfam in Cambodia focuses on three programs: Voices for Change, Natural Resource Governance, and Resilience (of which Saving for Change [SfC] is part). In all its programs Oxfam in Cambodia keeps gender justice at the center as this is considered crucial to achieve its desired impact.

2. Underlying assumptions, approaches, assumptions and justification

The SfC model suits many people, but Oxfam chose to work for the benefit of people living with less than USD 2 per day, because these people are those normally unserved and unreached by formal financial services. In Cambodia, the total number of this group is about three million. In each country where the SfC is operating, SfC was refined based on the country's social, economic and cultural context.

3. Origins and evolution of work in Cambodia

Saving for Change was introduced in Cambodia in June 2005 with one partner, CEDAC. Up to date, SfC has reached 138,675 rural community members (of whom 100,272 or 72% are women) in 20 provinces of Cambodia. Collectively, SfC group members save an amount of USD 8.3 million per year, of which about 75% is used by the groups as loans to members. Of total loans disbursed, 80% are used for productive activities, 12% for health care, and 8% for consumption.

4. Support provided to community finance

Oxfam works through partners who are local NGOs to support the establishment of the saving groups and to provide capacity building to the established groups in the target areas. To ensure that partners have strong capacity and skillfully deliver the methodology in their respective areas, Oxfam also offers capacity building to partners through training (basic and refresher), field coaching, monitoring and feedback in an appropriate way and a timely manner. Oxfam's role is basically to ensure that partners implement the SfC model in accordance with its principles and guidelines.

5. Description of the savings and credit model

Saving for Change is a group-based self-help model that brings safe, rewarding financial services to the poor. SfC is known as a low cost and mass-scale community-based and savings-led microfinance model. Cost of promoting one member in Cambodia is between USD 23-30, compared to USD 16 in some East African countries. A SfC group is a group of people who live in the same village and know each other very well, who form themselves into a group that saves, lends and pays dividends to its members. Members elect their own leaders, set their internal rules and decide collectively on how to achieve individual and group goals. The group normally meets every week at the time and place they decided jointly. During each meeting, the group follows a certain routine if activities: recite the group's internal regulations, collect contributions to the social fund, collect fines, collect member savings, collect loan repayments, approve loans, disburse new loans, discuss other outstanding issues and topics relevant to members, and eventually receive training.

Groups share out every year (or at the end of a self-defined cycle) all the fund they have collected and earned, including the savings and the dividends to each member based on value of each member's saving contributions). The following are the advantages of the fund distribution at the end of each cycle:

- Transparency – quote: "*my money is there! I even earn some amount on my savings.*"
- Simple transactions and no complications as the amounts handled are not too big: "*I easily remember the amount I saved! It's easy for us to count and calculate the sums without calculator.*"
- It is a good opportunity to re-elect the management committee: – "*I would wish to have better-performing leaders.*"
- This is the best time for dropping unwilling/bad members, and to enroll new members – "*Five neighbors of mine are interested in my saving group, but they would only decide to join when they have seen my group growing well and if there would be a return on our savings.*"

The basic SfC principles are:

- Members are self-selected, based on trust;
- The group is autonomous and self-regulated;
- There are seven weekly training sessions at the start;
- Weekly saving, flexible cash deposits (with a maximum of five times the minimum saving amount);
- A rolling saving cycle, usually of 8-12 months;
- Complete fund redistribution to members at the end of saving cycle;
- No grant, nor matching fund, and no loans to the group.

6. Approaches to M&E

Building on the existing monitoring tools focused on group performance and quality, the SfC model is in the process of expanding the scope of M&E to more holistically assess all areas of changes at individual, household, group, community and policy levels.

SfC uses data set from the Oxfam Management Information System (MIS), Group Performance Appraisal (GPA)[112], group observation forms, and is making them more sensitive to inclusion/participation of the poor, women and youth. Additional ICT-based tools will be developed further to make sure that SfC gets real time and trustable data. In the existing SfC areas, the Longitudinal Study Round 3 and the existing monitoring data will serve as baseline information. In the new areas of expansion, the baseline data will be collected in collaboration with new partners.

Oxfam and the partners/allies jointly use MIS data to reflect on the current program strategies and approaches, and adapt future actions accordingly. Every year, the program conducts an Annual Impact Reflection Workshop, with the participation of SfC implementers and 'change agents' participating in the program, to reflect on the strategy and outcomes (areas of change) achievement. The findings from the workshops are used for management purposes and to support external evaluations.

Besides, quarterly meetings and periodic savings-led microfinance practitioners coalition meetings will be convened by the program in order to understand the partners' or the coalition's progress and performance on specific areas of change, as well as to reflect on the quality of coordination among actors. The findings from these quarterly meetings will provide more immediate feedback to the program implementation. External evaluations are commissioned at regular intervals to ensure robust understanding of program outcomes and impacts.

[112] The group performance appraisal (GPA) is a framework for assessing whether a group is ready to operate independently of support from the implementing agencies. Please see the attachment below.

7. Management Information Systems and technology used

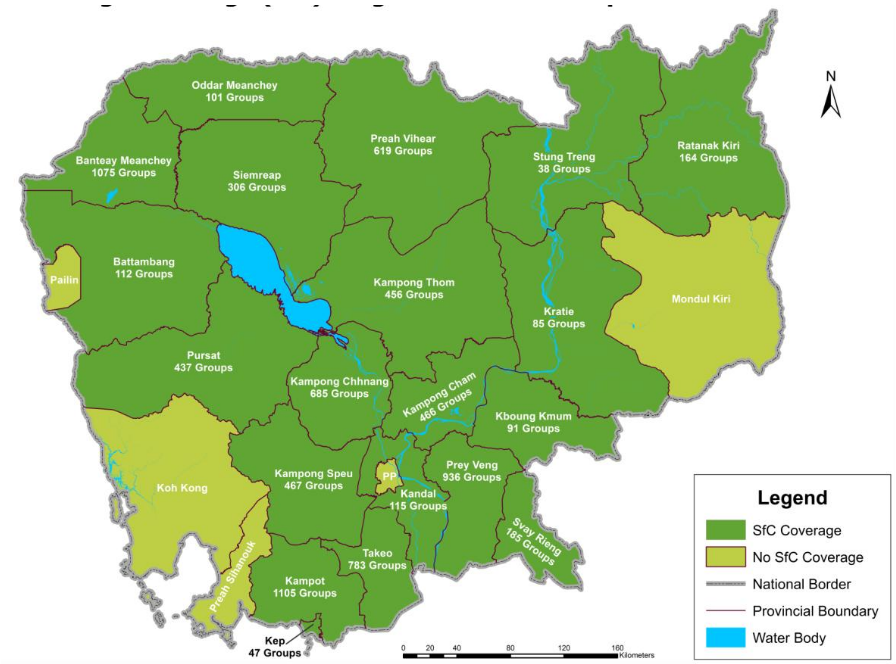
Oxfam's partners use an excel-based MIS as monitoring tool to track the overall project performance on the ground. They specifically look at quality and financial performance of the groups and the field agents' work performance. The MIS data also permits the program team to quantify loan purposes. Collectively this enables donors to monitor the program performance, and Oxfam to monitor the performance of implementing partners. Data are shared through a hub with other development agencies, especially those involved in implementing saving groups, to improve project design. Oxfam is now encouraging partners to use a web-based MIS through which real time data is accessible to everyone around the world.

8. Outreach (by gender, age etc.) and regional coverage

Currently, nine local partners are actively supporting and building capacity to 438 SfC groups with 6,242 members (5,024 or 80% of whom are women) in 8 provinces: Kampong Thom, Oddor Meanchey, Banteay Meanchy, Kampong Speu, Takeo, Kampot, Kep, Kandal. 25 local and international organizations have been trained on the SfC methodology and know how to implement the SfC approach. 30 savings group promoters/practitioners are part of a joint learning and sharing platform facilitated by Oxfam. Based on Oxfam's data collection, 15% of group members are from poor and poorest family (ID Poor 1 and 2).

The map below shows the coverage of SfC groups in the Kingdom. At present, only four provinces do not have SfC groups.

Figure 3: Saving for Change coverage by province



9. Linkages with financial and other institutions

Linkage with financial institutions is a new approach for SfC groups. Oxfam is developing a private sector model for SfC groups intending to connect groups to formal financial institutions. Oxfam is now collaborating with AMK to develop/customize the saving and remittance products that would fit and is beneficial to for SfC groups and individual members. This connection model is being tested with SfC garment-worker groups in the Phnom Penh area.

10. Quantitative economic and social achievements, outcomes and impacts

It is quite difficult to measure the quantitative economic outcomes of SfC, given the nature of the SfC model that SfC contributes to livelihood improvement and increased income by smoothing income generation through the loans given to members, changing the community's behavior towards financial management (especially expenditures) and building entrepreneurship. To measure the quantitative economic outcomes or impacts would require a tracer study on the return on investment, which is complex. So far, this has not yet been accomplished.

With an investment of USD 35 into one member (including all operating cost, partner grant plus Oxfam support cost), the SfC member saves up to USD 60/year.

11. Qualitative economic and social achievements, outcomes and impacts

- SfC is a relevant financial product in rural communities. The SfC program fills a gap in the rural communities in Cambodia as a mechanism to capture savings of households and provide an additional source of finance at relatively low interest rates.
- SfC functions as an informal social protection mechanism. Beyond savings and loans, savings groups empower group members through a safety net for times of crisis.
- SfC promotes positive behavioral change and encourages long-term planning. The SfC program is seen as a mechanism that promotes behavioral change, such as shifting from short- to long-term planning, which could subsequently reduce poverty. Where, for example, members feel less vulnerable to shocks and more confident because of the group support, an individual may start making longer term invest plans.
- SfC members have developed a culture of saving when they previously thought themselves to be too poor to save. They are also able to collect interest or borrow from the group in times of opportunity and need. These relatively low-interest loans allow members to increase income through small-scale businesses, to cover short-term deficiencies in food supply, and to meet unexpected health expenses. The traditional harvest-related income and expenditure cycles are supplemented by additional income streams, and members say they are building resilience to shocks. Members also perceive a substantial impact in terms of individual and gender empowerment; however, this may in part also be due to societal changes and not a direct impact attributed to SfC.

12. Impact on financial literacy

According to the longitudinal study[113], knowledge of and access to savings and loans is commonly cited as the most significant change brought about by the program. Members' ability to save and borrow at a low interest rate has affected most other elements of their lives, incomes, management of expenses, health, and education. Through the program, members report that they have built new skills in managing household finances and are now better able to deal with planned expenses, for example, through daily saving practices, SfC members have very clear understanding unnecessary expenses, so they avoid unnecessary debt, they are able to prioritize their expenses: on what they should spend their money.

13. Path towards sustainability

The design of the methodology including concept building, group trainings and monitoring and support planning is geared at the sustainability of the groups. The SfC program:

- Builds a strong dynamic, self-reliance, trust and transparency between members;
- Helps members to have a good understanding of the progress of the groups;
- Includes the poor in large numbers;
- Starts with what villagers value very much: a safe and convenient place to save, and easily access loans for business, family emergencies and basic needs (food, health care, education, and housing);

[113] Study on Savings-led Community-based Microfinance Program in Cambodia for Oxfam America Round III. Prepared by Emerging Markets Consulting for Oxfam, Phnom Penh, not dated

- Builds on, and effectively modernizes village traditions of saving and mutual assistance by adding some elements: charging interest on loans, by-laws, elected officers, improved record keeping, goal setting, problem solving, and the acquisition of knowledge;
- Serves as a "virtual insurance" policy as members strengthen their commitment to help each other in times of illness or crisis;
- Is effectively carried out by local NGOs already providing health, literacy or agricultural extension services in these villages;
- Requires only one and half hours at seven weekly training sessions run by field staff, which is followed by 12 monitoring visits of decreasing frequency, allowing groups to operate on their own after about one year;
- Has been adapted to regions with very low literacy; an innovative oral record keeping system and a "pictographic manual" guide for group training of illiterate women proved to be highly effective;
- Builds organized savings groups that are often used by other governmental and non-governmental agencies to provide literacy or health services, further leveraging the initial investment;
- Can be easily disseminated further by members.

14. Lessons learnt by the host institution

- The poor can and do save if given an opportunity;
- Group members are increasingly helping to form new groups without Oxfam's assistance;
- Project officers and trainers must be dedicated, their assignment is not a part time role;
- Groups typically save about USD 60 during the first year/cycle;
- Confidence and social cohesion in group is remarkable;
- Some women are aspiring be become commune councilors at the next elections;
- If groups are not properly assisted right from the start, they may not be able to run on their own for long;
- People changed their saving behavior and improved their financial practices;
- Sharing out is an effective use of collective cash;
- The SfC builds confidence, trust and self-reliance;
- The SfC build a sustainable and safe community financial system;
- The groups build village capital financial assets;
- They build social assets through cooperation, mutual assistance and solidarity;
- They increase women leadership in the community;
- They empower women in decision-making within the family and community;
- They create an effective platform for other development agenda when groups are strong and mature;
- Factors found to positively influence sustainability:
  - Engaging in activities beyond saving and lending (e.g. small shops, selling agricultural inputs);
  - Understanding the importance of saving;
  - Having a strong management committee, and having strong group dynamics (specifically, trust between members);
- Factors found to negatively influence sustainability:
  - Out-migration;
  - Improper and insufficient training and support.

Reviewer report

1. Introduction

The visit took place on 27 and 28 April, 2015, in Kampot Province. Two Saving-for-Change (SfC) savings and credit groups were visited in Chuk and Angkor Chey Districts.

2. Assessment of delivery models and approaches

Oxfam is not itself directly involved in the implementation of the SfC program, but all this is sub-contracted to local NGOs and service providers. The team saw two groups, both in their fourth cycle. This means that they operated without the assistance of a technical support staff for more than two years. The initial delivery approaches and models of Oxfam seem to be well thought through, effective and properly dosed and structured. In the short time of the visit, no deeper assessment has been possible.

Both groups had originally been created with Oxfam support, and after the end of support, both groups decided to affiliate with FNN.

3. Assessment of the M&E system

At the start, data are collected every month up to one full cycle. In the 2nd cycle, frequency will be changed to quarterly visits and quarterly data collection. As long as the implementing partner remains in the area, they will continue to collect.

The system employed produces Excel-based reports such as the two ones below on the program visited.

Table 11: Consolidated program performance results (Oxfam)			
Profile of groups	**Aggregate**	**%**	**Average**
Total number of current members	13,248		
Total number of men	2,324	17.5%	
Total number of women	10,924	82.5%	
Total number of supervised groups	756		
Average group membership			17.5
Membership growth rate		21.8%	
Attendance rate		90.4%	
Retention rate		98.9%	
Total number of people assisted by the program	13,248		
% of members with loans outstanding		60.2%	
Financial performance of groups			
Assets	883,354	100.0%	1168.5
Loan fund cash on hand and at bank	233,829	26.5%	309.3
Total cash in other funds	1,665	0.2%	2.2
Value of loans outstanding	647,861	73.3%	857.0
Property		0.0%	0.0
Liabilities and member equity	883,354	100.0%	1168.5
Liabilities		0.0%	0.0
Debts		0.0%	0.0
Member equity	883,354	100.0%	1168.5
Cash in other funds	1,665	0.2%	2.2
Savings	805,730	91.2%	1065.8
Retained earnings	75,960	8.6%	100.5
Cumulative value of savings this cycle	805,730		
Average member savings to date			60.8
Retained earnings	75,960	9.4%	100.5
Average member equity			66.7
No. of loans outstanding	7,974		10.5
Value of loans outstanding	647,861		857.0
Average outstanding loan size			81.2
Average loans outstanding per group			857.0
Value of loans past due			0.0
Write-offs this cycle		0.0%	0.0
Loan fund utilization rate		73.5%	
Average profit per member to date			5.7
Annualized return on assets		13.0%	
Return on assets		8.6%	
Return on savings		9.4%	

The system also produces data and ratios on the efficiency of the implementing organization (including staffing efficiency, differentiated by location, responsibility and area of support), caseload of field staff, financial efficiency and cost per member assisted.

4. Assessment of savings and credit models

The basic model of weekly saving was found to be very good. A few weaknesses were observed by the team:

1. Members are satisfied with the interest charged, which is 2.5% p.m. and 2.0% p.m.
2. All members want loans. The loan utilization rate is very high, with an overall rate of 75-80%, often even higher.
3. Groups allowed some borrower to get a new loan before the old one has been repaid; this may be quite risky.

4. Group members want to know the final balances at the end of a meeting. In one case seen, the chairperson did not have the habit to reveal the amounts to members, although it had been practiced before. Some members complained about this. In the absence of any external supervision, this may create problems in the future, if the leader would not become more responsive.
5. In one group visited, the meeting was not well structured, collections were mixed up, payments were made for other absent members, final amounts were not announced publicly, bowls were no longer used to differentiate the social fund from other funds, and recording was not done not in the order or transactions done. Bags were also not used to separate the social fund from the rest before closing the box.
6. Groups also dissolved the social fund at the end of each a cycle.
7. The two groups had abandoned the Oxfam record keeping system and applied the new system introduced by FNN. However, there was nobody monitoring and guiding them. As a result, one efficient system had been replaced by another one with less transparency.
8. Both groups were dissolving savings and profits, and both realized the shortage of funds in the weeks after the start of a new cycle. Most members seemed to have definite purposes in mind for spending the amount received back, and could not imagine to change their approach. It may be an idea to distribute only a certain portion of savings and/or profits, say 70-80%, and keep the rest in the group to build capital. However, there are no field agents to engage in such dialogue with members.
9. Groups are aware of the lack of cash available for lending in the first rounds after ending one and starting a new cycle. Some members do put all the money they have saved back into their savings in the next cycle, but most members do not. Those who do not often spend much of the monies received back on planned purposes.

The groups visited did not only dissolve the net income earned and the savings, but also the social fund. This approach does not seem to favor group development, as there would be an amount available for emergencies during the weeks after the fresh start. In addition, the amounts received back are marginal, often less than the equivalent of two dollars. It would be more appropriate to use this instrument and build up reserve funds over a longer period of time, as many other CBFI operators propagate. To operationalize this, it would be useful to appoint one member to take care of the management and record keeping of the social fund, and to remove all records from the data sheets for group funds. This person should announce the final balances to all members before closure of the box, which is to be verified again at the beginning of the new meeting. The perception is anyway that the amount belongs to the village, not the members.

5. Assessment of post-support sustainability of groups

The rate of survival after the end of support as stated in the EMC report is 55% after 3 years. Factors that enhance sustainability include:

1. Solid training on record keeping, procedures, announcing results, fast meetings, well structured meetings;
2. Quality of training and supervision of field facilitators;
3. Relatively small size of groups;
4. Business orientation of members;
5. Changing leaders after a definite period of time, probably best through rotation;
6. Training several persons in record keeping, not just one, as relying on one person could be dangerous;
7. Emphasis on mutual support, coherence, solidarity, neighborhood, and similar views;
8. Discussing loan applications in public, with an open debate, may sound a bit simplistic, but it works. Loan appraisal is rudimentary, and may need to be improved if loan amounts are getting bigger; the SfC does not provide elaborate training on loan appraisal, the current system is more process oriented, not checking conditions.

6. Assessment of innovativeness

Groups met weekly to transact saving and loan operations. This is different from many other groups which meet weekly to collect savings, but disburse loans only once per month. Members like this.

7. Assessment of governance and institutionalization

Principally, governance in one group was good, all functions properly executed. In the other group, the leader dominated in every point, leaving little space for participation. Some committee members, including the chairperson, had been absent at times, with no delegation of functions during their absence. The level of transparency in this group was not convincing.

As regards institutionalization, one group remained a standard informal SfC group, without registration, federation or affiliation, the other had joined the FNN and drew membership benefits from there.

8. Assessment of outreach

Total outreach of all SfC groups was 13,248 at the time of the visit. Of these, 224 or 1.7% had ID Poor 1 or 2 status.

One of the groups visited had an exceptionally high number of persons with ID Poor 1 or 2 status: ten over 46, equivalent to 22% of members.

9. Assessment of quantitative achievements by communities at present

The following achievements can be observed:

1. Diversification of enterprises and income generating activities (IGAs), where members start new things they did not do before; among the activities tried out are rubbish collection, and swap from harvesting coconuts to cleaning of motorbikes with a new machine, when the health status did not permit the person to continue with the former job;
2. Bigger number of animals raised, purchased and sold;
3. More motorbikes financed from the income realized, not from a loan;
4. Increased multiple borrowing from MFIs and the SfC group without any repayment problem, as the amounts were still small and commensurate with the investment/absorption capacity;
5. Improved yields in rice farming as a result of using better seeds and fertilizer, and employing better cultivation techniques.

10. Assessment of qualitative achievements and impacts

The following qualitative achievements have been observed:

1. High participation of females;
2. Self-confidence to run businesses or IGAs as a result of encouragement from peers and Oxfam field facilitators;
3. Learning about leadership and how to perform as leader, learning about some new role models.

11. Assessment of institutional support arrangements

Not assessed

12. Assessment of institutional depth achieved

Low, not intended

13. Assessment of female participation

High, with 83% of members being women.

14. Assessment of efficiency of operations

The contract with the NGO under which the groups had been founded had started in 02/10 and ended 12/2013, for a period of almost four years and in different locations. A total number of 756 groups has been created with 13,248 members, of which 83% are women. The total amount sub-contracted was USD 320,874, or USD 24.22 per member. This amount is close to the maximum amount of USD 25 that Oxfam was prepared to accept. Oxfam overhead costs are in the range of another USD 5, plus costs for research etc. of another USD 5.

15. Assessment of visions of and plans for future development

1. No such plans exist at group level.
2. Oxfam wishes to add more livelihoods aspects, especially microenterprise capacity development.
3. The youth shall also be added as new target group.
4. The basic SfC model will not be changed in the near future. However, Oxfam wishes to add some features: linkages with MFIs to get access to bigger amounts for some members and to safe deposit facilities. Discussions with AMK are underway, with a start planned with garment workers near Phnom Penh.
5. Financial linkages may start with savings and access to remittances via mobile phones or mobile agents. No concrete plans for borrowing exist yet, this may come in the future, after better rates have been negotiated Oxfam's our partner(s).
6. After the first 6-12 months of operations, the SfC may be used as platform for other activities, such as health education, financial literacy training, natural resource management, climate change adaptation. All this would require solid and functional training.
7. Oxfam plans to run a pilot on a vertical savings group network in the villages in July 2015 for about one year. While several rough models exist, no vision for a model for such network does exist yet. Oxfam wants initiate the process through a meeting with other NGOs to get their inputs and share their knowledge about federation, and then develop a pilot model. This should then be evaluated.

16. Other points deemed relevant by the reviewers

Nil

17. Main lessons and new things learnt

These include:

1. Weekly access to loans;
2. The relatively poor can save and do actually save, but the real poor stay mostly outside. It is not sure whether they are not attracted by the model, or whether people in the village prefer not to associate with them under the SfC framework.
3. Groups show a high level of solidarity. That is within the same income bracket, and does not necessarily extend to the poor. The middle income do not trust the poor much in financial matters. Their questions are: How can we give them a loan? And: Will they pay back? The poor need something special before they can come in. This has led to lots of discussions among the different agents and partners. The conclusion was that it would be better to mix the poor with the middle income classes, the main reasons being that with their little savings, a group of only poor persons could not grow much, which would lead to their dissatisfaction and frustration. The poor would ultimately feel more motivated if they were mixed with the better-off. However, it is difficult to get the poor in one group, not only because they live scattered in the village, which makes it difficult to join meetings all the time.

Attachment 1: Group Performance Assessment

Name of Field Facilitator: ____________________ ______________Group Start Date: _____________
Date of Assessment: _______________________________________Location of Group: ___________________________
Name of Group: ____Group No: _________________________________

(*Please put a checkmark ✓ in the column next to the appropriate phase:*)

Group is able to run on its own:	**Yes**		**No**	

Indicator	Points Y = 1 N = 0	Points Y = 1 N = 0	Problems and/or progress	Source of Information
Expected by End of Phase 1				
1. Group sits in a circle or in a way that people can see and interact with each other easily.				OBSERVATION at the meeting
2. All scheduled meetings held within last 3 months.				OBSERVATION based on: Attendance Record
3. Group uses Cash box with lock, which are held by separate people*.				OBSERVATION at the meeting
4. 75% of scheduled learning sessions held.* a. No. of learning sessions held_______ b. No. of scheduled learning sessions _____________ c. % of scheduled learning sessions held (a/b) _____________				CALCULATION based on: Monthly Activity Plan and Group Report
5. At least 80% of members attending this meeting.* a. No. of members present __________ b. No. of members _____________ c. % attendance (a/b) _____________				CALCULATION based on: Attendance Record, or Observation at the meeting
6. 90% of members save at this meeting.* a. No. of savings ___________ b. No. of members _____________ c. % of savers (a/b) _____________				CALCULATION based on: Mandatory Savings Record and Attendance Record
7. The majority of members are able to tell outsiders about their group internal regulation.				OBSERVATION based on: observation at the meeting, and querying group members
8. Group operates their activities following their set internal rule. (group respect their rules)*				
9. Financial transactions are made orderly following the standard procedure.				OBSERVATION at the meeting
10. Record is accurately kept.*				OBSERVATION based on: Group record
11. End balance in the Cash Book agrees with the total amount of cash on hand.*				OBSERVATION based on: Cash Book Form and Count of cash at end of meeting

12. At least 25% of members have outstanding loans. a. No. of outstanding loans __________ b. No. of members _____________ c. % of members with outstanding loans (a/b) _____________				CALCULATION based on: Loan Management Forms and Attendance Record
13. More than 60% of the group fund is on loan. a. Amount of outstanding loans ______ b. Group fund _____________ c. % of group fund on loan (a/b) ______				CALCULATION based on: Loan Management Forms and Cash Book Form
14. Amount of loan principal one month or more overdue is less than 10% of the outstanding loans.* a. Amount of principal one months or more overdue ____________ b. Amount of outstanding loans ___________ c. % of outstanding loans more than one months overdue (a/b) ____________				CALCULATION based on: Loan Management Forms
15. Management committee fulfills their roles effectively and follows standard procedure, without assistance from animator.				OBSERVATION at the meeting
16. 80% of attending members engage in all activities of the meeting.				OBSERVATION at the meeting
17. The group members are able to close saving cycle without assistance.*				Query the group, esp. the management committee
18. At least one-third of members share new learning with someone outside the group.				OBSERVATION based on: Querying the group for a show of hands
19. Key member organizes and trains another group.				OBSERVATION based on: Querying the group
20. Group applies social fund				OBSERVATION based on: Querying the group and record
21. Group engaged in community development activities.				OBSERVATION based on: Querying the group
TOTAL POINTS				CALCULATION

* The major (core) indicators of group performance in operation

- Group still needs more support from animator: Score less than 9 of major indicators in the table 1
- Group is able to run on their own without support: Score 9 and higher

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A 1.6 Improved Group Revolving Loan Funds in Svay Rieng Province under PADEE

Host report

1. Introduction of the host institution

The Project for Agricultural Development and Economic Empowerment (PADEE) is implemented by the Ministry the of Agriculture, Forestry and Fisheries MAFF (MAFF), the Ministry of Women Affairs, the National Committee for Sub-National Democratic Development (NCDD,) provincial and district admirations, commune councils and grassroots organization referred to as Improved Group Revolving Loan Funds (IGRFs). The project is financed by the International Fund for Agriculture Development (IFAD) through the Ministry of Economy and Finance (MEF) with counterpart contributions from the Royal Government of Cambodia. Three project implementation partners, viz. the United Nations Food and Agriculture Organization (FAO), the Netherland's Development Organization (SNV) and International Development Enterprises (iDE) are both implementing partners and make contributions to project costs from their own resources. PADEE is implemented at national level and in the five provinces of Prey Veng, Kampot, Kandal, Svay Rieng and Takeo. The implementation period for PADEE is six years, beginning in 2012 and ending in 2017.

The project goal of PADEE[114] is "improved livelihoods for poor people in the targeted communes in the project area of Kampot, Kandal, Prey Veng, Svay Rieng and Takeo", the development objective is "improved agricultural productivity and diversification of income sources for rural households in the target provinces". PADEE has three components: (1) Improved access to financial services; (2) Improved access to technology and markets; and (3) Project coordination and management. Under the financial services component, the project plans to endow almost 1,000 groups with a loan fund of KHR 48 million (USD 12,000) where these meet a number of conditions. Households are expected to gain access to credit for investments and working capital for activities that improve their livelihoods. Other important activities under this component comprise financial literacy training of the IGRF groups, geared mainly at the membership and operations of the IGRFs, household financial planning and interactions with MFIs and banks. Under the second component, the project aims at enhanced use of improved production technologies, establishing market linkages and diversifying income sources. Training packages concentrate on agricultural technologies for rice production, and also comprise off-farm activities targeting particularly women and youth.

2. Underlying assumptions, approaches, assumptions and justification

Under component 1, the main underlying assumption was that people have investment opportunities that can and will be promoted through training, but lack sufficient funds to make such investments. As a result, the project would need to provide such funds to enable target groups enhance their livelihoods. The validity of these options and the existence of other feasible, more sustainable or less costly alternative approaches to achieve the objectives have either not been assessed or not been found valid.

The approach built on a predecessor project, where groups of 25 members had received grant funds for on-lending to members for agricultural purposes. In the case of the PADEE, the group size was increased to 50 to achieve some cost reduction and economies of scale, and the amount per person increased to about USD 240. Fund transfer from the project is envisaged to pass on three equal tranches of KHR 16 million. The conditions for a "conditional" grant transfer included functional and dysfunctional ones, including participation in training sessions, proper functioning of the group, accurate record keeping (double entry system), good repayment performance of loans granted, and gradually increasing payments towards the costs of a service provider supporting the groups. Some conditions initially envisaged, such as requiring all members to open their individual savings account with a bank or MFI, have been dropped in the process.

[114] The Project Design Report of the PADEE can be downloaded from: http://www.ifad.org/operations/projects/design/105/cambodia.pdf . Further details are accessible under: http://www.padee.org/ .

3. Origins and evolution of work in Cambodia

IFAD started operating again in Cambodia in 1996. Since then, it has invested about USD 100 million in seven projects in Cambodia, with overall investments of more than USD 200 million. These IFAD loans generally supported rural and agricultural development and improvement of the livestock subsector. Reducing rural poverty by improving rural livelihoods is the objective of the organization's efforts to empower Cambodia's poor people to raise their incomes and standards of living[115].

4. Support provided to community finance

Support to communities selected for participation included a range of support services, comprising the group formation process as such, training on record keeping and other issues related to group management, fund endowment and monitoring. Monitoring includes a facility under which 'mobile field agents' (MFAs) recruited under an arrangement with a service provider pass by each group, check the records and correct these where necessary, enter the data into a data base which can be accessed through the internet, and occasionally audit the groups' records. The system permits district, provincial and national MAFF staff, project staff, funders and support/evaluation missions to access and analyze the performance of the groups along key performance indicators. The cost of this service is presently USD 284 per year and group. The current arrangement stipulates that the costs are borne under the project for the first year, and that these are then shared at a ratio of 1:2 in year 2 between group and project, and at 2:1 in year three, before groups fully absorb these costs in year 4.

5. Description of the savings and credit model

The model is based on the conditional endowment with a 'group revolving fund'. The table below summarizes the conditions for the Group Conditional Transfers before the group received USD 4,000 USD per year over the period of 3 years to each group.

[115] http://operations.ifad.org/web/ifad/operations/country/home/tags/cambodia

Table 12: Conditions for grant transfer to groups under PADEE	
Year	Conditions
1st Transfer: KHR 320,000 per member or KHR 16 million per group	(1) The group must have opened an account with an MFI of their choice (in Khmer Riel currency). (2) Group Committee members must have completed the initial financial literacy training. (3) At least 80% of member must have completed the Basis Training package on Farmer Field Schools. (4) All members must have attended and successfully completed gender training. Changing the participants will not be allowed.
2nd Transfer: KHR 320,000 per member or KHR 16 million per group	(1) The Group shall demonstrate an excellent repayment rate of loans already made, assessed as the "30 Day Portfolio At Risk" (30 Day PAR) being less than 3% at the time of the transfer. (2) The group treasurer must have managed the group's petty cash and MFI/bank passbook properly, with balances matching the external service provider's reports (3) All members must have followed classes on the full financial literacy training, (covering the topics (i) household finance and budgeting (ii) dealings with MFIs (iii) interpretation of financial reports of the service provider) and taken the examination on financial literacy and the group average score must be 60% or higher. Re-exam will be available after 3 months for the member who gets a score below 60%. (4) The Group shall have paid to the service provider 33.3% of the service costs of the MFA in advance for the remaining months of the year after the date of the planned 2nd transfer.
3rd Transfer: KHR 320,000 per member or KHR 16 million per group	(1) The Group shall demonstrate an excellent repayment rate of loans already made, assessed as the "30 Day Portfolio At Risk" (30 Day PAR) being less than 3% at the time of the transfer. (2) The group treasurer must have managed the group's petty cash and MFI/bank passbook properly, with balances matching the external service provider's reports (3) All members must have followed classes on the refresher financial literacy training and taken the exam on refresher financial literacy and the group average score must be 60% or higher. Re-exam will be available after 3 months for the members who got a score below 60%. (4) The Group shall have paid to the service provider at the start of the calendar year before the 3rd disbursement 67% of the service costs of the MFA for the following 12 months.

The groups will use the fund to grant revolving loans to their members in compliance with the written group statutes and internal regulations. In each commune selected for participation, four groups have been established. Whereas the project design stipulated an amount of KHR 320,000 per member per tranche for not more than 50 individuals, all existing 774 groups had exactly 50 members at the time of creation, and none of them has changed the number of members since then.

As permitted by PADEE regulations, groups pay (equal) dividends to members on the perceived share of each member of the donated funds, not only to the savers, who benefit from their withdrawable shares, despite the fact that this share capital was donated from PADEE resources and not contributed by members.

Groups tend to emerge around the donation of the revolving loan fund, whereas other savings and credit groups build savings and credit models around a group. Groups are also referred to as "Funds", not as groups, and their legal establishment was of no concern to project design and implementation.

In addition to MFAs, commune extension workers (CEWs), district offices of agriculture and provincial department of agriculture staff also play an important role in the functioning of the IGRFs.

6. Approaches to M&E

The PADEE project uses the "Microbanker for Windows"[116] software to monitor transactions of the IGRF groups. This package is a professional banking software providing a comprehensive MIS for all sorts of standard banking transactions. FAO signed an agreement with an external services provider (ESP) to deploy their MFAs to visit the groups on monthly basis, which is called "banking day", to record all the group's financial transaction in the MBwin system and print the report to the groups for verification to what they have recorded in their cash books. Where there is access to the internet at the location of groups, reports can be printed on the spot; where not, the reports are printed in the office and then sent in hard copy to the respective group.

The work of the MFAs is supported as and when needed by two staff operating in the MAFF head quarters in Phnom Penh and the FAO MicroBanker database administrator team in Bangkok.

7. Management Information Systems and technology used

The PADEE project operates its own MIS system managed by the Project Support Unit (PSU) of Ministry of Agriculture. There are some of linkages between this project-oriented MIS and the MBwin system regarding the Banking Day and list of members. The MBwin system produces a wide range of reports, including on:

- Outreach:

PADEE
Outreach Indicators (Amounts in 1,000 Riel)

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Province / District / Commune / Group	Number of Group Members	Number of Active Borrowers	Disbursed Amount	Outstanding Loan Balance	Withdrawable Shares	Non Withdrawable Shares	Cash and Bank
⊞ Kampot	5,735	3,325	2,609,859	2,593,118	68,819	2,687,591	581,048
⊞ Kandal	5,700	4,111	2,245,360	2,240,252	77,894	2,256,000	493,987
⊞ Prey Veng	14,600	9,846	5,826,395	5,822,989	114,002	5,888,000	1,141,609
⊞ Svay Rieng	4,801	2,799	2,181,394	2,159,024	83,992	2,096,000	335,562
⊞ Takeo	8,600	6,170	3,455,242	3,450,947	31,270	3,872,000	1,052,381
Grand Total:	**39,436**	**26,251**	**16,318,250**	**16,266,329**	**375,977**	**16,799,591**	**3,604,586**

- Female participation and portfolio statistics

PADEE
Portfolio Statistics (Amount in 1,000 Riel)

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Province / District / Commune / Group	% of Women Members	% of Women Borrowers	Number of Loans <= 400,000 Riel	Number of Loans > 400,000 Riel	Average Loan Amount Apporved	Average Weighted Interest Rate
⊞ Kampot	74.8	75.8	1,175	2,396	730	26.00
⊞ Kandal	65.3	65.8	2,772	1,673	505	24.39
⊞ Prey Veng	60.8	62.9	5,390	5,062	556	24.38
⊞ Svay Rieng	52.1	54.7	1,121	2,000	699	24.25
⊞ Takeo	63.3	63.1	3,365	2,936	543	24.12
Grand Total	**63.0**	**64.1**	**13,823**	**14,067**	**607**	**24.63**

[116] Referred to as MBwin and developed jointly by FAO and GIZ.

- Portfolio quality:

PADEE
Portfolio Quality (Amounts in 1,000 Riel)

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Province / District / Commune / Group	Total Outstanding	1 - 30 Days Late	31 - 60 Days Late	61 - 90 Days Late	Above 90 Days Late	Required Provision	PAR (>30 Days)%
⊞ Kampot	2,590,041	1,000	0	0	0	0	0.0
⊞ Kandal	2,241,532	0	17,720	0	0	1,772	0.8
⊞ Prey Veng	5,806,929	5,080	0	400	2,166	2,285	0.0
⊞ Svay Rieng	2,160,604	1,000	3,352	0	0	335	0.2
⊞ Takeo	3,419,027	320	0	61	1,304	1,322	0.0
Grand Total:	**16,218,132**	**7,400**	**21,072**	**461**	**3,470**	**5,715**	**0.2**

- Loan purpose:

PADEE
Loans by Purpose (Amounts in 1,000,000 Riel)

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Province / Unknown / District / Commune / Group		Chicken	Ducks	Fish	Pig	Cow	Rice	Maize	Peanuts	Mung bean	Soybean	Chili	Egg Plant	Other Veg.	Fruit Tree	Inv-Lrri	Other	Total
⊞ Kampot	4	524	7	2	1,505	224	241	5	1	1	0	0	0	3	0	0	74	2,590
⊞ Kandal	177	550	1	7	34	0	1,427	1	0	1	3	1	0	0	0	0	40	2,242
⊞ Prey Veng	65	1,280	55	109	478	42	3,574	26	1	0	3	2	0	7	1	0	165	5,807
⊞ Svay Rieng	8	188	1	8	1,567	3	156	0	0	0	0	0	0	52	59	0	117	2,161
⊞ Takeo	44	1,208	118	49	431	10	1,518	0	0	0	1	3	0	6	0	0	32	3,419
Grand Total:	**298**	**3,751**	**181**	**175**	**4,015**	**279**	**6,915**	**32**	**2**	**2**	**6**	**6**	**0**	**67**	**60**	**0**	**429**	**16,218**

- Main balance sheet items:

PADEE
Abbreviated Trial Balance (Amounts in Riel)

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Province / District / Commune / Group	Total Assets	Total Liabilities	Total Equity	Income	Expenses	Error and Suspense
⊞ Kampot	3,185,193,330	18,223,900	2,953,559,100	218,478,300	41,545,970	0
⊞ Kandal	2,742,648,083	9,505,260	2,533,242,752	208,102,376	30,555,565	744,400
⊞ Prey Veng	6,988,748,882	40,039,413	6,583,300,597	384,661,747	79,890,143	-1,550,500
⊞ Svay Rieng	2,504,572,028	5,766,000	2,348,590,573	156,013,955	31,760,000	0
⊞ Takeo	4,294,720,793	11,090,904	4,054,327,694	242,387,744	48,111,350	-26,400
Grand Total:	**19,715,883,116**	**84,625,477**	**18,473,020,716**	**1,209,644,122**	**231,863,028**	**-832,500**

- Profitability:

PADEE
Real Time Profitability Analysis (Amount in 1,000 Riel)

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Province / District / Commune / Group	Interest from Loans (4-01)	Other Income (4-03)+(4-05)+(4-09)	Total Income	Transport (5-01)	Committee Fees (5-03)	Cost of ESP (5-05)	Loan Provision Exp.(5-06)	Bank Charges (5-07)	Other Expenses (5-09)	Total Expenses	Net Income
⊞ Kampot	206,754	13,009	219,763	4,322	0	0	0	6	779	5,107	214,656
⊞ Kandal	170,611	29,702	200,313	4,506	781	158	386	34	1,513	7,378	192,935
⊞ Prey Veng	414,971	50,472	465,443	10,007	20	1,140	2,835	212	7,407	21,621	443,822
⊞ Svay Rieng	146,521	14,601	161,122	5,195	30	0	335	26	1,184	6,770	154,352
⊞ Takeo	221,718	26,499	248,217	6,408	1,625	0	958	57	4,249	13,297	234,920
Grand Total:	**1,160,575**	**134,283**	**1,294,858**	**30,438**	**2,456**	**1,298**	**4,514**	**335**	**15,132**	**54,173**	**1,240,685**

All results and indicators can be filtered by province, district, commune and year.

8. Linkages with financial and other institutions

Each IGRF group has to open a bank account with a bank or MFI of their choice. IGRF groups should keep some liquid cash in a safe place in the magnitude of KHR 400,000, and are requested to deposit any amount above KHR 800,000 KHR in their bank account. This regulation implicitly teaches the IGRF groups to use the services of financial institutions.

9. Quantitative economic and social achievements, outcomes and impacts

The project just started about 2.5 years ago, and has just had its mid-term review. Some groups have only recently received their first grant transfers. It is thus premature to indicate any outcomes and impacts at this time. However, some selected groups are surveyed during annual outcome surveys, which so far have been more linked to outputs, rather than outcomes. An impact survey will be commissioned in the 5th year (2017) of operations before project completion.

10. Qualitative economic and social achievements, outcomes and impacts

The annual outcome surveys conducted by the Project Support Unit (PSU) in 2014 listed the following points as component 1 results so far:

- IGRF board members are well aware of the group fund management principles and regulations. While some of them could explain details on group fund management, many or most of ordinary members could not.
- PADEE is generally found to be very helpful to them. It provided the basis for easy loans and offered facilities to learn and improve their family situation. It provided the loan and also taught them how to use the money in a 'good' way. Members appear thankful to PADEE that they will not have to pay back the fund.
- Mobile Field Agents services are not always well recognized by all group members as they only visit few board members at a specific day of a month. Hence, ordinary group members are reluctant to pay for the MFA services.

11. Impact on financial literacy

Financial literacy training is one of the main activities of the project under component 1. Below are some of the points extract from the 2014 annual outcome survey regarding financial literacy:

- Members liked the financial literacy training (FLT) because they can now better manage the fund they borrow and utilize it for business;
- Training done by trainers was well done, with clear explanations and good illustration of the training contents, and messages were understood;
- The part of the training on how to think about income, expenses and saving, and separate necessary from unnecessary expenses was much appreciated;
- As a result of the training, members learnt how to calculate the profit from their income, started to spend money wisely and budgeted how much to contribute for certain purposes, such as donations to the pagoda and children schooling;
- The purpose and process of business planning has not been understood by the farmers and hence it is not being practiced widely or spontaneously.

12. Path towards sustainability

The impact and sustainability of the project depends to a large extent on the sustainability of the IGRF groups. The risk is that groups might dissolve and share funds among members, or just fade out after project support has ended. One of the main points here is the willingness and ability of the groups to pay for the services of the Mobile Field Agents, and to gradually take over payments by the fourth year of operations. Without this, no information would be available pertaining to their current performance, achievements and risks.

Directly linked with the sustainability of the IGRF groups is the continuation of accurate accounting and record keeping, which is to a large extent dependent on the MFAs and MBwin system. On the other hand, the double entry bookkeeping system is not easy to practice and creates a dependency for groups. Members appear to have confidence into the system because of the external support and checks. Further work is needed to ensure that this approach will be fully acceptable to the IGRFs and sustain these in the longer term through a renewed focus on lowing the costs to IGRFs, improving the quality and responsiveness of the services and raising the perceived value for money to IGRF members of these services. The income realized by the groups from interest on loans is largely sufficient to absorb the expenses.

Among others, the recent Mid Term Review made some recommendations to increase the sustainability of IGRF groups:

- Option 1: Reduce the frequency of MFA visits from monthly to bi-monthly for well-performing groups;
- Option 2: Facilitate mergers of Banking Days for the four groups existing in each commune;
- Option 3: Facilitate merger of the four groups in a commune into one;
- Option 4: Transforming all four groups to one Agriculture Cooperative; and
- Enhancing saving.

13. Lessons learnt by the host institution

- The groups are built on grant support from the project at the beginning with a lot of training as one of several conditions to receive the grant.
- Groups get external support from external service providers in accounting and record keeping to ensure transparency, resulting in a very low loss rate.
- Seed capital or grant conditional fund transfer is not a good approach to increase the level of ownership in the groups and does not encourage people to save on a regular basis;
- Sustainability of the groups after the project is ended is in doubt.

Reviewer report

1. Introduction

On the 9th and 10th May 2015, the reviewer team visited two IGRF groups of the PADEE project in Svay Rieng; one was located in Tasuos village, Tras Commune, Romeas Hek District, and the other in Trapaing Thlork village, Por Reach Commune, Svay Chhroum District.

The overall observations of the reviewers are:

- The villages selected are easy to access as they are located along the village road, so the people living in these communities are able to access other services and markets;
- The majority of members of the groups visited were women; we observed that about 70% of members present during the meetings were women; this reflects a strong women participation in the project;
- The two groups have the same name that is “Improved Group Revolving Fund” (IGRF);
- All groups apply standard internal regulations and a statute that were prepared by FAO under the PADEE program; there is no flexibility for groups, all groups have to apply the same rules and comply with these;
- PADEE is a well-designed credit-led development service with complex steps and processes.

2. Assessment of delivery models and approaches

Based on the conversation with FAO’s National Rural Finance Coordinator responsible for the project, we learned that the model was well designed because the project had commissioned the consultant to study and research on the several group revolving fund models. However, hearing from the community and throughout our interaction with them, we observed that the groups are mainly reliant on the community facilitator and they still could not clearly understand what are the main objectives of their group beyond being able to take loans from their group. Beside financial support from the project, several training activities have been conducted on topics such as agriculture production techniques, and gender and value chain development, which have been provided by different actors. This model is a good case for learning about a comprehensive and harmonized development approach, and the project should further monitor and evaluate results to generate learning for the future. On the other hand, the project needs to look at how smallholder farmers and producer could benefit directly or indirectly from the project.

A paid commune extension worker (CEW) is supporting the delivery of PADEE program activities in each commune, including forming the groups, facilitating trainings to groups, and monitoring group activities.

3. Assessment of the M&E system

PADEE sub-contracted with an external services provider to deploy their Mobile Finance Agents (MFAs) to visit the groups on a monthly basis, on the groups' "banking day", to record all financial transactions in the Microbanker for Window system and print the reports for the groups for verification to what they have recorded in their cash books. Where there is access to the internet at the groups' location, reports can be printed on the spot; where not, the reports are printed in the office and then sent in hard copy to the respective group. As regards the technical financial aspects, it is useful to have an external expert to record the groups' transaction on the day they transact their money, however this is a costly and unsustainable M&E approach for the following reasons:

- Two sources of information about the group's financial transactions are employed by the group, one being the group's cash books recorded by the group's secretary and the other one being the MBWin software used by the MFA. This may lead to confusion when there is a need to get the real and correct information in the case these two records would differ.
- Hiring external people to assist the group to record the transactions and produce the reports for the group is leading to a culture of dependency on external services/people. Group members especially the management committee may feel it is not necessary for them to keep proper records and to challenge themselves to learn about producing accurate reports or understanding the reports, because they have an assistant who helps them in keeping their information in a safe place.
- Internet connection would be a problem for this MFA initiative as sometimes the group cannot access their financial reports right away on their banking day, as they need to wait to receive the printed reports sent over by the MFA.
- Group members' understanding of the reports produced by the Microbanker system is another open question. It is not sure if all group members, whom most of them are small-scale farmers, understand what is in the report. An investigation on members' ability to understand both their group record books, and Microbanker is needed.

4. Assessment of savings and credit models

The endowment of USD 12,000/group (or USD 240 per member) over the period of three years from PADEE project for group revolving fund is useful for the group's fund capitalization so that group has enough capital to lend to members for productive investments. It is a good credit-led model if we assume that the villagers who mostly are small-scale farmers need external fund (loans) to satisfy their financial needs rather than managing their own money (saving) to respond to their financial goals. However, the design of the endowment should be refined to make sure that group members do not join the group because they would get USD 240 from project, but join the group because they will benefit from their group on other aspects, such as training on livelihood and financial literacy skills and collective social actions for the benefit of the group members and community.

Looking from an economic empowerment perspective, the savings and credit schemes mean financial empowerment and financial independence for poor communities; both saving and credit intervention will lead to improve access to comprehensive financial system and enhance the livelihood of the community. However, to ensure that the community will benefit from those, capacity building is needed, and mutual understanding on a strong group collaboration and commitment by all to be created. Otherwise, the project intervention could lead to a fragmented community, especially if there are issues around transparency, inequality of shared benefits and lack of trust among members. So leaders of these revolving fund groups should be trained and get frequent mentoring on leadership, group formation and facilitation and financial management including reporting. For group members, a solid understanding on the importance and benefits of revolving fund group toward their future development should be facilitated.

What we observed was that group members did not save much and not regularly (an observation from both groups), and some did not value their small savings comparing to the big amount they got from PADEE project (observation from one group visited).

While the concept seems clear, there is some vagueness or ambiguity of the role and nature of the IGRFs, which may have to be sorted out finally:

- Shareholders vs. clients;
- Dividends vs. interest income;
- Share vs. deposit; and
- Permanent vs. withdrawable savings.

5. Assessment of post-support sustainability of groups

Changing people's behavior towards self-reliance and self-esteem is the most critical part of the saving group program. The revolving fund approach enables villagers to access profitable and low-cost funds (loans) when needed and as much as needed to improve their living conditions. However, it has a side-effect on fund and group ownership and sustainability of the group and project. Many members of the groups visited stated that they would stop and break the group if PADEE would have stopped providing the revolving fund or withdrawn the fund from the group. Providing access to financial resources does not completely contribute to building the sustainability of the group, because based on the current approach of this project, the sub-contracted MFAs run the financial management role for the groups. This practice does not build the capacity of group members and leaders in financial literacy as they depend on external agents to deal with most of financial management and reporting. Strengthening group members and management committees in financial management and reporting by allowing them to practice financial recording and reporting is the best way to help graduate members who are normally smallholder farmers and low-educated people with comparatively low numeric and financial illiteracy levels manage community development affairs.

6. Assessment of innovativeness

The approach employed in this project is comprehensive and innovative, because the project has brought in different key players/actors (government, NGOs, UN agencies and the private sector) into the implementation of the project based on their respective expertise to provide support to the project. Therefore, this model contributes to the process of harmonization of development work. In any way, the role of each actor has to be coherent, and they should deliver consistent messages to build community visioning and avoid the confusion.

7. Assessment of governance and institutionalization

At the moment, we were not able to assess the governance and institutionalization.

8. Assessment of outreach

Outreach is currently about 40,000 individuals, and will reach almost 50,000 by the end of the project, which will be achieved through the significant investments made under the PADEE project.

9. Assessment of quantitative achievements by communities at present

- The community is working together as a group, and members were trained on agricultural production techniques, gender and financial literacy;
- Members are working together and have regular meetings which is called "banking day".
- Saving activities are not significant.

10. Assessment of qualitative achievements and impacts

An in-depth study is needed to understand the qualitative achievements and impacts.

11. Assessment of institutional support arrangements

PADEE sub-contracted with external service providers such as CEDAC on Farmer Field Schools, financial literacy training to groups, MFAs etc. to build the group's capacity in agriculture, and group financial management is a significant support from the PADEE project in institutional capacity building.

12. Assessment of institutional depth achieved

An in-depth study is needed to understand this issue.

13. Assessment of female participation

There is a good participation from female villagers being members of the groups, about 70% of group members are women.

14. Assessment of efficiency of operations

The conditions/steps for endowment of the 'group revolving fund' were clearly set and followed. The delivery of the revolving fund to the groups has been efficient. A further investigation on the real outcomes of the operation is needed.

15. Assessment of visions of and plans for future development

A further study and discussion of the visions and plans for future development is needed.

16. Other points deemed relevant by the reviewers

Nil

17. Main lessons and new things learnt

- It is worthwhile to invest in training of group members before they receive the revolving fund from the project; this is to ensure that members know how to make money from the loans they would get from group using the technical knowledge they have. Most of the group members were able to receive training from the PADEE on Farmer Field Schools, gender and financial literacy.
- The conditions and steps for endowment of the 'group revolving fund' were clearly set and followed. This reflects that for a scalable project, there is a need to have a least guidelines or procedures on how to deliver the project activities.

A 1.7 World Vision program in Kampong Thom

Host report

1. Introduction of the host institution

Our vision is: "For every child, life in all its fullness, our prayer for every heart, the will to make it so". World Vision's ministry focuses on improving the lives of the poorest children and their families in Cambodia. We partner with children and youth, their families and communities, across all faiths, religions, gender, ethnicities and political associations.

We aim to empower our staff and the communities we serve to take part in building a better future for Cambodian children. This future includes the "fullness of life" and the will to carry out the work that transforms community members, making families stronger and more resilient to economic uncertainties. Through a holistic and integrated approach, we are able to achieve our child well-being strategic priorities that focus on improving the nutritional status of children in their first 1000 days of life, primary education that fosters quality learning, children being prevented and protected from abuse and exploitation, and preparing youth to be creative, active citizens, and the leaders of tomorrow. Our approach consists of:

- Faithful messengers of God's love;
- Trusted partners in lasting change;
- Powerful motivators of caring;
- Courageous promoters of justice and peace;
- Inspiring models of co-operation.

2. Saving

Saving is the strategy of WVC to promote economic development of poor and poorest families in target areas. WVC started to form savings groups many years ago with a different model, but in 2010, WVC adopted the ASCA model and started to pilot this model in five Area Development Programs (ADPs). Ten savings groups were formed in that period by using ASCA model.

For WV, the ASCA model is the best tool for community saving groups because it is very simple and easy to use by illiterate people and it teaches transparency to group members. The ASCA group receives material to run the saving activity, a box with keys, passbooks, one ink pad, stamps, a calculator, two pens, and a journal. The box is used to keep their money and documents safe, it is locked with three padlocks. Groups use passbooks to record share capital and credit disbursed to members, among others. Stamps are entered into a member's passbook to show the number of shares purchased by the member at a meeting, and the journal record all transactions on capital, loans, shares loan repayment, interest received, social fund etc. There are five committee members in one ASCA, comprising a leader, a record-keeper, a box keeper and two money counters. These always conduct the monthly meeting. The ASCA model distinguishes two funds, one is the share fund and the other is the social fund. The share fund is used to provide loans to member for many purposes, such as agriculture, buying assets and expanding small businesses. The social fund is used for emergency cases and disasters. Both will be closed after the end the cycle (1 year) and then shared among members.

3. Outreach

During the five years WVC has promoted savings groups, 1225 groups have been formed, comprising a total of 26,833 savers, of which 80% are women. Among these, there were 745 ASCA groups with 14,565 members and total savings of USD 1,273,928.

4. Steps to take

WVC uses youth to assist staff to run the saving activities. This approach is laid down in a guide book on the formation and support to the groups through staff and youths, and how to scale up saving group in the community. WVC envisages four general steps to transform youths in becoming a saving agent and recruit active participants within their community:

Step 1: Indentify and select: Program and project staff need to meet local authorities and other partner to tell them about the objectives, how to indentify youth to become a Savings Group Trainer (SGT). The criteria are:

- Age from 15-25 years;
- Village/commune leader/group leader, teacher, youth leader, saving group leader, social leader, natural leader, AC member or representative, leader of a community-based organization or mother group, or church leader.

Once a candidate has been selected, WVC conducts a day meeting between youths, local authorities and other partners to inform them about the objectives and train them. They are also told about their main roles and responsibilities when becoming a SGT. The main roles and responsibilities comprise:

- Mobilize the community to create a savings group;
- Provide training to participants on the ASCA group approach;

- Assist ADP staff in their capacity building to other SGTs;
- Collect statistics related to saving/ASCA;
- Assist savings group leader to solve any conflict in the group;
- Quarterly collect data from the savings group and send to WVC and the local authorities;
- Assist savings group in their monthly meetings;
- Conduct quarterly savings group assessments document the results;
- Network with other SGTs to share experiences and learn from their experience.

Step 2: Capacity building on saving techniques: After we formed them, we need to provide them with skills on saving. This will take five days, following the schedule below:

- Day 1: Saving concept and ASCA model;
- Day 2: ASCA role play;
- Day 3: MIS;
- Day 4: Saving evaluation tool and field practice;
- Day 5: Practice all steps of saving (conduct saving group meeting, data collection and entry into the MIS, saving group evaluation) and develop a one year smart plan for saving activities in their community. Moreover, program and project staff needs to develop monthly work plans with them to ensure they can reach their one year smart plan.

5. WVC support to ASCA groups

Before a savings group is formed, WVC takes one day to promote saving at the village level. Adults, youths, children, villager leaders and teachers are the participants who we mostly invite to attend this first meeting. After the first meeting, some participants interested in saving will be invited for a two days training on the ASCA model and to form a group at the end of the second training day. WVC provides ASCA material worth about USD 30 to the saving group that follows the ASCA model. During the first three months, WVC staff or the saving volunteer will attend each meeting to ensure members follow all steps of ASCA procedures and have accurate records kept. Moreover, staff leads a reflection on saving and achievements every six months.

WVC used a MIS (Management Information System) to record the saving data. Field staff collects data every three months by entering data manually on forms. Field staff or volunteers then submit forms to the national WVC office staff. Moreover, we used an ASCA evaluation tool to evaluate the saving group. Every three months, field staff visits the ASCA to evaluate their performance. The ASCA evaluation tool is a simple tool, but it is very helpful to know the quality of group. The idea is to continue to monitor, coach and support the poorly performing groups every month and provide less support to mature groups.

6. Impacts of saving groups

Saving is very important to promote the quality of life of the saver. Saving can help people to succeed in their business. Many people have improved their family economy by saving in a savings group. Some savings groups provide loans to their members with amounts from USD 25 to USD 5000 for agriculture activities and purchase of assets. Other than this, the social fund helps members when affected by natural calamities or other emergency cases. Some groups for example used their social fund to buy school material for their children, while others contributed to the construction of a school or road repairs.

7. Path toward sustainability

To make groups sustainable, WVC attempts to build their bookkeeping and financial management capabilities. WVC is also interested to see them doing more than saving money and granting loans, for example to register their by-laws and have other businesses. There are two medium-term objectives that WVC tries to include in out ASCA support: (1) ASCA groups merge into a bigger group and register as AC; however, WVC does not want to see them stopping their small saving group when becoming part of an AC, but to see both ASCA and AC remain/become active. Once an ASCA turns into an AC, WVC works with other partners such as the PDAs and NGOs to build more capacity on business planning, financial management, bookkeeping, leadership skills, communication skills, marketing skills and business management skills.

The second intention is to assist groups have extra business in the small saving group because both ASCA and AC may provide loans and additional businesses to create profit for shareholders. Moreover, WVC encourages ASCAs to take their remaining capital to the AC to get profit from there.

Reviewer report

1. Introduction

The team visited World Vision Cambodia (WVC) realizations in Kampot Thom Province, under a program called Area Development Program. The visit took two days, during which the team received a short briefing on the operations, visited 2 groups, and had a final discussion with the host comprising issues clarified and a presentation of the results of the peer assessment.

2. Assessment of delivery models and approaches

WVC uses the 'classical' or standard ASCA approach under its area development program: Creation of groups with a voluntary membership on the basis of affinity, neighborhood or vicinity, social proximity or sharing of similar visions and views. Groups are created by a facilitator (technical officer), who explains the entire methodology to the group members, facilitates the elaboration of by-laws and elections, trains committee members on their duties, and accompanies the groups till their maturity. While s/he participates in all meetings at the beginning, particularly to ensure compliance with by-laws, record keeping and loan appraisal, this thins out with growing confidence and capacity of the groups. Initial training is 3 days on ASCA practice and model in the presence of all members. Thereafter, refresher workshops are conducted by WVC after 6 months. The field officer offers coaching and corrections especially in the first three months after the start. Where errors in record keeping are made, these are corrected immediately and the reasons explained to members. Thereafter, the visit schedule is reduced, may be to every two or three months. WVC uses the ASCA evaluation tool. Groups with good marks can continue, and are supervised every 3 months. There are 3 meetings with all members before the creation, together with local authorities in the village, where the ASCA is introduced to them. Part of this exercise is a mapping of the village: how many groups can we create? Making bylaws is part of this. This is then followed by monthly meetings.

The model of ASCA is seen as very good and appropriate. There was no need to provide loan capital to the groups, which were able to build up their financial resources from within. This practice is distinct from the approach pursued a decade ago, where new groups were provided with a loan fund, on the argument that they were poor. Today, WVC is convinced that if they would put in their resources, groups might become dependent on them. The experience is that if groups build on internal resources only, they will be more sustainable. WVC now thinks that it is better not to give the groups a loan fund. People should use their own funds, then it is all theirs. If additional funds would be needed, it should come afterwards, not upfront.

For several years, members work independently on their own, build solidarity and have good relationships within the membership. This is seen to bring solidarity to the group, what may not have existed before.

The system depends on the quality of the treasurer, who has the most of the work to do. Treasurers often find it difficult to do all the work and devote so much time to the group affairs. If membership would grow, then some more remuneration may be needed. But this may not be advisable for the moment.

3. Assessment of the M&E system

As long as the groups are under regular support by the facilitator, the standard M&E system would be used. However, since about one year, the person handling the M&E tool of the ASCA network had quit WV, and there was no replacement since then. As a result, new data on groups are no longer inserted into the data base. The sole analysis is thus made by the facilitator in the field.

The record keeping system of the groups is not perfect yet and could be improved. It was observed that many people do not know the number of their shares held, and total amount of share capital of the group. Single records on transactions are kept as the committee members learnt it from the facilitator, but in most cases, amounts are not added up, and there is no summary report systematically summarizing all transaction balances and volumes. At the end of the group meetings, the main amounts are also not communicated always to members. Members stated they do not always recall the amounts, even if they were announced.

4. Assessment of savings and credit models

From all sources of information obtained, the savings and credit operations work very well within the groups. The system allows for a standard growth of the available funds through the definition of minimum share value (i.e. the minimum amount to be saved per meeting). Those with additional liquidity can invest this in additional shares as deemed appropriate. Meetings are held mostly monthly so as to avoid taking too much time from the busy members. The communities around seem to appreciate the ASCA, and some ASCAs have increased their membership selectively.

The main change from the classical model done by two ASCAs was that they do not break the share capital and refund this to members. This is traditionally seen as the major impediment of access to larger amounts of savings and loans, as it is believed that groups are not in a position to manage record keeping of multiple and changing share capital. Members however saw that they would lose access to meaningful amounts of fresh loans if they would redistribute shares to members at the end of the year, and decided that neither the shares nor the dividends were to be shared. This allows everybody to get more profit in the end.

Field officers stated that this decision was not influenced by project staff. If the genesis of this idea and decision would have been moderated by the respective field officer of WV, it would have been done very appropriately. Members are apparently very satisfied with these changes, which they considered not even being a great deal.

The ASCAs have one savings product: share savings, which can be redeemed only after the closure of the annual accounts. The credit product is a short term loan for income generating activities, social purposes, school fees and emergencies against interest, for a duration of 3-6 mostly. At the beginning, technical officers encourage granting only loans up to 3 months just to test everything, but the internal policy often allows for loans even up to 24 months. For a follow-up loan, the borrower must have repaid all previous loans. The maximum credit limit (MCL) is three, which leads to a more equal access to small loans. Many ASCAs pursue the idea to allow everybody take a loan. Members who want a longer term loan are seen to prevent other members to take their equal share and opportunity, so this is discouraged mostly. The system can only work if not all members want a loan at the same time, and if there are some members who do not want to borrow, but just take advantage of the dividends.

5. Assessment of post-support sustainability of groups

ASCAs are technically able to run their meetings without the technical/field officer, and both members and the committee members feel confident to do so. New groups are likely to continue even after the complete withdrawal of WVC from the area.

There seems to be a certain ambivalence about the visits of the field officer after the intensive care period. On the one hand, groups feel more comfortable when s/he is around to watch their operations. On the other hand, they feel that they would be more autonomous without field officer. As long as s/he would be there to help, they would not learn to stand on their own.

Sustainability is greatly facilitated by the fact that groups have practically no operating expenses: no transport costs, no bank charges, no administrative costs, and no remuneration of committees. Leaders absorb small expenses apparently from their own pocket. The income realized is therefore almost the same as the net profit.

One constraint is the record keeping system, which is not ideal and comprehensive yet. The standardized format is not always followed by the groups where they feel it is redundant or too complicated.

The ASCAs visited still offer loan periods of three months, which is too short for some members, especially for farmers, as it is not in respect of the gestation period/according to cash flow. Loans are not entered in the existing printed pass books, even though these have a section for this. When groups close the annual cycle, the amount of share capital held by each member should appear in the records.

It would be useful to prepare some accounting guidelines for ASCAs that do not want to redistribute shares/savings or dividends. Apportioning of surplus will be difficult for ASCAs after some years, when members have come in and left, and when not everybody would have the same amount of shares. The proposal here could be to apportion the dividend to members through additional shares. This would require to divide the dividend allocated to each member by the value of one share, and to credit the respective amounts to her/his account. The remaining funds, what cannot be divided further by the value of one share, could then be added as the undivided opening value of the income earned[117]. Alternatively, members could make up any missing amount for a full share from their own resources.

Better record keeping would also be needed for the social fund, from where members in difficulties are supported. Whereas a member who wants to quit the group would receive back dividends and shares purchased, s/he could not get back any amount contributed to the social fund. The message is that you can go with your own money, but you cannot withdraw from social obligations.

ASCAs can stand on their own. There is no need for any registration or licensing. They are strong and simple, and have a clear business model. Against this, ACs are very complex, cannot be run like village interest groups or ASCAs. They require very strong management system. There is a great risk of misuse, mismanagement or embezzlement, before the right systems would be in place.

6. Assessment of innovativeness

Compared to other groups, especially the ACs, the box in which documents and cash are kept, which is closed with three padlocks, and the box and the keys kept by different persons are a great innovation, and should be adopted generally by all groups. The costs of the initial endowment, including box, padlocks and record keeping sets amounts to about USD 30 per kit.

The transition into ACs is another interesting innovation, which has been introduced by the PDAs and WVC jointly with a view to enhance sustainability. ASCAs, and the practice of ASCAs, have a great potential to enhance sustainability, but the transition must also be well managed as government policies are not clear yet. The ASCA members met stated they want to continue with their ASCA even if an AC would be formed and if they would be a full member of these ACs.

The practice of some groups not to break, but to continue, is a great innovation.

7. Assessment of governance and institutionalization

The model provides for good and reasonable systems of governance. The small ASCAs have a reasonable governance structure. Most functions that are needed do exist. The only debatable additional positions that would add value are those of a secretary and an internal auditor. Transactions are conducted in the presence of all, and decisions are made after public deliberations. The decision making about the loans to be granted is very transparent. In principle, all members should approve a loan, not just the committee.

Some chairpersons however seem to keep some cash in their own pockets, not in the box, in an attempt to help members in emergency cases. This is against the rules, and should not be encouraged. However, the persons affected appreciate the quick help, and members have tacitly approved the practice. In some groups, the chairperson kept the only key, as the group had lost two keys. Some key holders do not leave the key behind with other members if they leave the village and are not present at meetings. These are signs of weak application of existing rules, and have more to do with the existing village systems of control, mutual help and

[117] For example: an ASCA has issued 700 shares worth KHR 10,000 and recorded KHR 2,400,000 surplus. 2,400,000 / 700 = 3,400. So no member will get one additional share in this year. If in the next year, the dividend per share would be greater than 10000, one additional share would be credited to her/him, and the rest would be added to either the social fund or retained earnings for the next year. Alternatively, each member could add up 6,600 to make up for a full share.

governance, rather than being a sign of weakness of the system.

One missing point is the absence of a secretary, who would keep records and minutes of meetings, and who summarizes the main results of transactions to the membership. Items that should be announced and recorded by the secretary include the cash amount brought forward, number of shares sold, repayments, fines collected, interest income, other income, minus disbursement of new loans, expenses incurred, with the balance carried forward. Also to be recorded are data on total shares, total income received since the start of the cycle, total expenses, net result, total loans outstanding, and number of borrowers. Furthermore, attendance of members, the value of the social fund, loan requests received, withdrawals from membership and requests for joining the group should be announced and memorized. All this should be in accordance with a fixed routine or schedule.

There is also no system of self reflection, where the group stands, what has been achieved, what could be improved. However, this is very difficult to introduce and organize under the thin support framework, where support is limited to the essentials, not the desirables.

8. Assessment of outreach

The total number of ASCAs supported by WVC was 745 at the time of the visit, with an average size 20 members per ASCA.

Some groups allowed new members to come in after the 1st cycle. In one case, they added 9 members to bring membership to 34. For more impact, this is very good. The critical point and main constraint is the record keeping capacity of the committee.

The apparent operational success of the model depends on the guidance provided by the field/technical officer, including the minimal endowment of the box, padlocks, a calculator and some record keeping material including pass books. A replication of the model without external assistance is not easy; this is different from the West African experience, where the ASCAs in a very similar shape and practice have operated for at least 80 years in some regions, and where practically the entire adult population would know how to manage them. The issue may be whether capacity building is geared at replication or practice of the model. So far, the practice of WVC is to help people practice the model. Some people think they can replicate the model elsewhere. Some members have the ability to form new groups in other areas. WVC also creates youth groups and encourages the youths to create new groups and become technical officers thus providing the coaching themselves.

In some ASCAs, the technical officer has become a member. This was done to show potential members that the officer is convinced of the model and the practice, even to the extent of entrusting her/his own money to them. There seems to be a potential conflict of interests, as the officer may ask for a loan like all other members, and could hardly be forced by the members to repay this. Some organizations such as CWS had bad experience with this in the past, where the field agents borrowed and did not repay. They presented ghost names, which was only found out after the people complained. VWC concluded that staff should not participate in groups at all.

9. Assessment of quantitative achievements by communities at present

Total capital at the time of the visit was USD 721,137 including shares, profits, but excluding the social funds (which are considered as the groups' own affairs). The average capital per member was therefore USD 50 or KHR 200,000.

The main points observed by the team were: (1) Gradual increases of shares by members; (2) Gradual capital formation; and (3) Gradually increasing loan portfolios as members decided to keep their shares in the ASCA and not ask for repayment at the end of the cycle. Members are more interested in access to credit, and building a capital reserve, rather than getting a dividend in cash. They want the ASCA to be profitable, but do not want to take the profits home and keep it in the ASCA for a reserve.

Members are very strong in their belief into the value of saving as a process. When asked about the merits of the ASCA, this comes to their mind even before loans.

People in rural areas are able to save. There can be no more doubts. Even the relatively poor can do that; what matters in their case is to fix contributions in a way to permit them join, even at lower revenue level.

The ASCA is a model that goes well with the middle income groups in the villages. In their enthusiasm, groups even increase the minimum monthly savings amount, making it impossible for the poor to join. The very poor often do not come, as they cannot contribute these amounts. Who helps them by giving them models to do the same within their own resource endowment? Should one go for special ASCAs for the poor?

Total ID Poor 1 and 2 members served in ASCAs under WVC support is 2,968, thus 20.4% of a total membership of 14,565. This is below the assumed poverty rate of about 30% prevailing in the villages served (i.e. ID Poor 1 and 2), according the WVC estimates.

10. Assessment of qualitative achievements and impacts

No data exist on qualitative changes. Borrowers are not asked to present a written business plan when applying for a loan, but more to explain what they want to do and what margins they would anticipate.

Some members suggested putting some of their ASCA earnings into ACs, without properly understanding how the system works, and without acknowledging that withdrawal from ACs would likely be more cumbersome than from ASCAs. Lots of pressure is presently felt by ASCA members, and there is apparently lots of fear that they will lose their money earned in the ASCAs. No proper explanations about the ACs has been given to them. But some have leaders who are convinced that ACs are right. The leaders take some funds from the ASCA to the AC. The registration alone of an AC is no assurance that the whole thing will work, instead, they appear to be quite fragile.

A key dimension here is whether record keeping is done properly or not, and to what extent it is error free. Trust is not always there, and comes only with good and long correct practice.

Some ASCAs operate a social fund, from where members in stress or difficulties are supported on a grant/non-refundable basis. This looks like a very good approach. Members are happy to support the fund to protect the elders and children in the village, which enhances the solidarity of people. However, there are often no official records, and fund use is decided by the committees. The social fund is also not in the regulations.

11. Assessment of institutional support arrangements

No observations are made, as the groups visited had already been existing for more than one year. Support to ASCAs created previously continues as long as the area development program would operate in the province. This will however come to an end, after almost 15 years.

12. Other points deemed relevant by the reviewers

Some companies use the NGO label to run community financial services. They operate as unregistered microcredit organizations but act more as moneylenders. This affects the good names of the MFIs and NGOs.

There are many different players in the villages, other than the ASCAs, including the tontines, moneylenders, credit operators, MFIs and banks. Villagers seem to know how to check the different terms and conditions and have some financial literacy skills, even without training.

Government officials do not discuss savings or saving in groups. They are more interested in ACs, which is an instrument they can control, unlike the ASCAs.

13. Main lessons and new things learnt

1. The ASCA is a very low cost model for capital formation, savings discipline, learning to borrow, become the owner of a village savings and credit organization, prepare to invest in business, become confident that the village as a unit can manage all this without external support.
2. The social fund is a very decent complementary approach, and should be encouraged and promoted more. A bit of regulation and improved record keeping would be useful.

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