

# Co-operative Association of Cambodia (CAC)



Quarterly Progress Report  
1 January 2014– 31 March 2014

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## 1. Background

**Cooperative Association of Cambodia (CAC)** is a national cooperative federation supporting agricultural cooperatives, credit and savings unions and other cooperatives across Cambodia. CAC is a not-for-profit, not-for-charity services organisation that is owned and controlled by its members, for the benefit of members, enabling them to build a self-sustaining future. CAC operates according to the cooperative values of “self-help, self-responsibility, promoting social economy, democracy and equality, equity and solidarity”, as a framework to deliver socioeconomic development.

CAC was formed in September 2007 by five groups of savings and credit associations who shared the common goal to empower farmers and the rural poor who have difficulty accessing typical financial institutions. CAC began formal operations in early 2008 after a successful pilot operating with Credit Union of Farmers based at Tramkok district, Takeo province from 2003 – 2007 and Savings and Credit associations at Rolea Pae district, Kampong Chhnang province in 2007. CAC was officially acknowledged as a cooperative by the Cambodian Government in 2010.

Today CAC operates as a central financial facility for its members; providing credit and savings products, technical support and building operational capacity in other cooperatives. CAC works with many types of cooperative organizations such as credit unions, self help groups (SHGs), savings banks, village banks, farmer’s associations, business co-ops and other agricultural co-ops throughout the provinces in Cambodia. CAC enables these co-ops to create sustainable and scalable business models so farmers and the rural poor can access reliable and cost effective financial services to improve their businesses, their income and livelihoods.

## 2. Project Activities

### Executive summary

In the quarter to 31 March 2014 CAC staff made 70 visits to CAC’s member Agricultural Coops and Credit Unions across 9 Cambodian provinces, including Kampong Chhnang, Kampong Speu, Kampong Cham, Kampong Thom, Takeo, Prey Veng, Kratie, Banteay Mean Chey and Svay Rieng. CAC staff also made 21 visits to Coops and Credit Unions, which were not current CAC members to discuss the opportunity of becoming a member of CAC; these visits were also used as an opportunity to help with the training of CAC’s new staff members.

During the visits CAC staff carried out technical support for any ad-hoc issues, book-keeping training and coaching in the preparation of financial statements, in order to improve the record keeping practices of CAC’s members so that Coops and Credit Unions can efficiently grow membership. Bookkeeping training and training on the preparation of financial statements were focused on the 11 Credit Unions selected for pilot to standardise the reporting across CAC’s members.

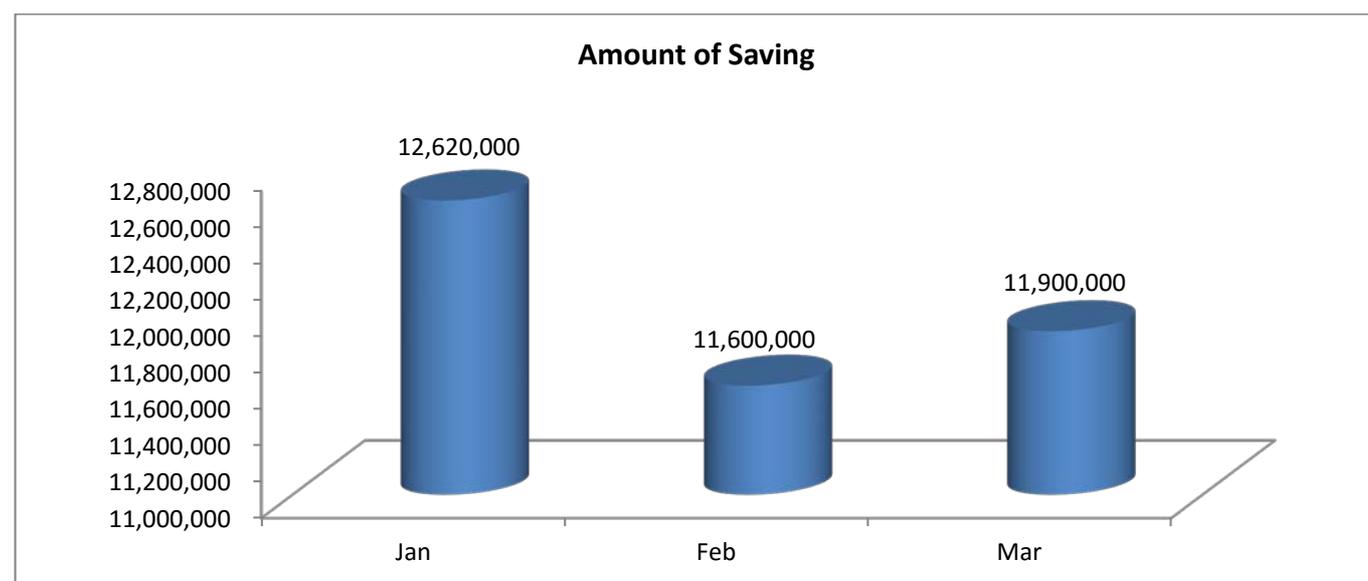
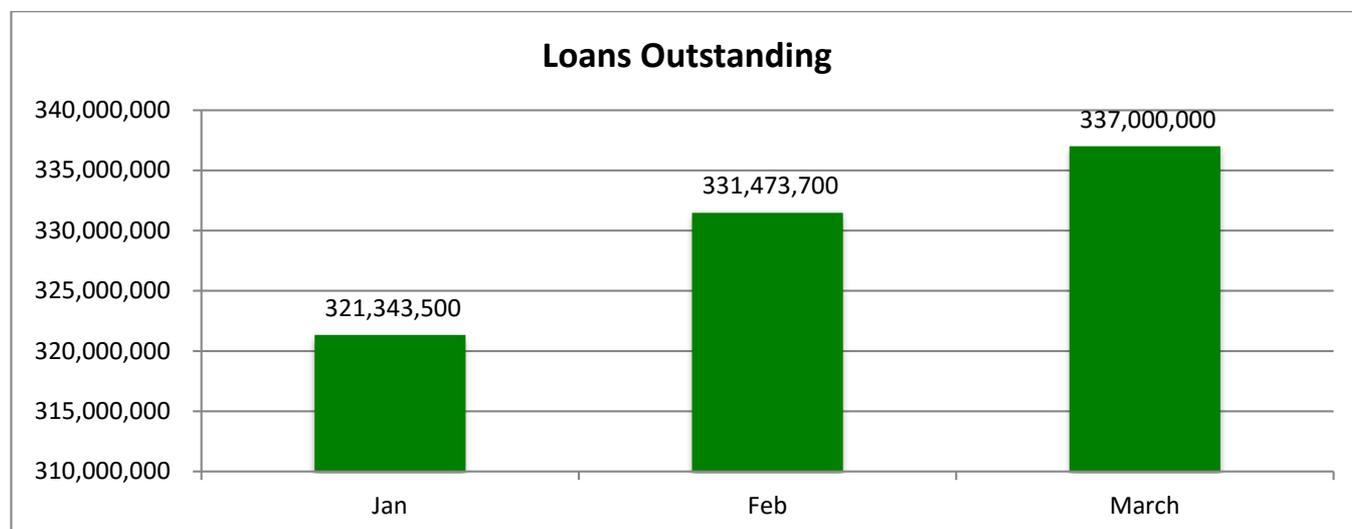
Over two full days in February CAC held a well attended Annual General Meeting (AGM). At the AGM members actively participated in the formulation of CAC’s future strategy, it was also a good opportunity for Credit Union and Coop members to share experiences and lessons. CAC staff also attended a number of external events and workshops. CAC’s participation at such events and workshops helps CAC to stay in touch with market developments, government policy, the donor community and other interested stakeholders, it also gives CAC’s members a voice so they are relevant to these stakeholders.

In order to broaden the service offering of CAC’s members and to encourage entrepreneurship, CAC initiated a market research study looking at fertilizer usage in Preah Sdach district. The findings of the study will be used by CAC and the two Coops, which participated in the study to determine the feasibility of, and help design a business plan for a fertilizer wholesale service offering.

## 2.1 Credit and Savings

**Objective:** Provide cost effective credit and savings products to members so that they can provide micro-finance services to farmers and the rural poor.

In this quarter, CAC provided loan to the coops as the following;



**Coops saving with CAC in this quarter;**

	This Quarter (31/03/2014)	Previous Quarter (31/12/13)	Change
<b>Deposits/Savings</b>	11,900,000	12,470,000	<b>4.5 % decrease</b>
<b>Loans</b>	337,000,000	320,230,000	<b>5.2% increase</b>

The reason for the decrease in savings at the March quarter compared to the December quarter was due to the withdrawal of savings by two Coops (1,620,000 R) in order to provide loans to their members before the Khmer New Year, which is typically a period of higher demand.

**CAC Members Consolidated (40 Credit Union and Agricultural Coop members)**

	This Quarter(31/03/2014)	Previous Quarter(31/12/13)	Change
<b>Deposits/Savings</b>	5,115,175,859	4,745,086,209	<b>7.8% increase</b>
<b>Loans</b>	8,330,970,011	8,176,225,600	<b>1.9% increase</b>

(All figures are in Cambodian Riel)

## 2.2 Capacity Building

**Objective:** Educate and support Credit Union and Agricultural Coop leaders in order to increase the capacity of their institutions to provide efficient, transparent and reliable financial services and other services to their members, which will in-turn build trust with a range of external stakeholders.

**January 2014** – Coordinated by Mr. Vong Sarinda, project officers Mr. Mao Tola, Mr. Lina and Mr. Som Sopheak.

- 27 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 253 (96w) individual members.
- 5 training sessions were delivered to new CAC members to introduce the concept of savings and the importance of growing the Credit Union's or Coop's savings pool.

**February 2014** – Coordinated by Mr. Vong Sarinda, project officers Mr. Yun Yean, Mr. Saing Thoeung, Mr. Chanra Mr. Som Sopheak.

- 21 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 116(55w) individual members.
- 2 training sessions were delivered to two Coops in Svey Reng to promote children's financial literacy and how to encourage children and families to save.
- CAC's AGM 64(27w) members attended. At the AGM Yun Yean gave a presentation and conducted a workshop on how to account for expenses. In the presentation CACs new voucher system to account for expenses was introduced to ensure that all Credit Union and Coops expenses are individually detailed.

**March 2014** – Coordinated by Mr. Vong Sarinda, project officers Mr. Yun Yean, Mr Saing Thoeung, Mr Nhoeurn Chanra and Mr. Som Sopheak.

- 22 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 189 (72w) individual members.
- 1 training session was delivered to a Coop in Kampong Chnang to promote children's financial literacy and how to encourage children and families to save.
- Assisted one Coop with the preparation of a by-law for registration.

### Fertilizer Wholesale Project

**Objective:** To provide expertise in market research and business planning to help Agricultural Coops broaden their service offering to their members into farming input procurement and wholesaling.

#### Project Description

The purpose of this study is to develop understanding of the fertilizer usage in Preah Sdach District, Pre Veng to determine the size of the potential market and its characteristics. Once the market research is completed, and if appropriate, a marketing strategy will be developed as a part of a pilot program. If successful the pilot program will be rolled out – where appropriate – across CAC's membership base. CAC in partnership with their members will effectively act as a fertilizer wholesaler by purchasing fertilizer in bulk and offer it as a product to the farming members.

The benefit to the farmers will be access reliable source of a product they already use at a lower transaction cost than they currently pay. CAC's member Coops benefit through diversifying income streams and attracting more members who currently borrow through the middlemen who sell the fertilizer.

**March 2014** – Coordinated by Mr. Yun Yean, project officers Yun Yean and Lachlan Lee.

- From the 17<sup>th</sup> to the 21<sup>st</sup> March CAC staff conducted a market research to develop an understanding of the fertilizer usage in Preah Sdach District, Pre Veng to determine the size of the potential fertilizer market and the market characteristics. 36 farming families from 12 villages were interviewed and answered a standard questionnaire.
- On the 30<sup>th</sup> March Yun Yean and Lachlan Lee attended the bi-monthly meeting of the Local Development Association's (LDA) committee members. At the meeting committee members divided into small groups and worked through a questionnaire to further develop our understanding of fertilizer usage in this region and to also help develop a fertilizer wholesaler business plan.

## 2.3 Financial Education and Literacy for Children

**Objective:** Provide coaching to improve financial literacy of children throughout the community and encourage positive savings practices from a young age.

CAC delivered training to Credit Union and Coop leaders on how to encourage children to save, such as promotion in primary schools and special incentives for children to start saving with the Credit Union or Coop e.g. no membership fees. CAC also coached coops on how to set up measures to ensure parents do not take their children's savings, which was discovered to be an issue.

8 Coops currently offer children's savings (figures as at 31/03/2014):

Coop	Number of Children Saving	Value of Children's Savings
Prey Mol	170 (101w)	6,750,000
Kokbanteay	405 (209w)	20,057,400
Credit Union of Farmer	100 (58w)	5,886,200
Kampong Seng Federation	137 (47w)	48,690,300
Prey Klah	36 (24w)	9,231,500
Dontong	33 (16w)	8,395,700
Popel	37 (22)	9,750,000
<b>Total</b>	<b>918 (477w)</b>	<b>108,761,100</b>

(All figures are in Cambodian riel)

CAC will promote the children's saving concept to the three new coops in 2014 (Osandan, KlangLeav, and Nhor)

## 2.4 Village Enterprises

**Objective:** Assist the poorest farmers by providing a small donation and micro-enterprise training to support them to become self-sufficient and improve their livelihoods.

CAC and CUFA work together in four provinces to provide capacity building training in small and micro business skills and distribution of the donations to the members. Participating members receive support for three years, after which they should have self-sustaining businesses.

CAC currently has 45 members in total participating in the village enterprise (VE) scheme (10 members in Kampong Tom, 19 members in Kampong Chnang, 14 members in Takeo, 2 members in Prey Veng). There is the intention to increase the support via the VE scheme in 2014.

Vong Sarinda visited one of the farmers participating in the VE scheme in Prey Mol to follow up the progress of her business after receiving the initial grant. Sarinda has found a VE member, she was still

struggling to formulate a business idea and was reluctant to accept further donations. During the meeting it was determined that she had skills in raising chickens and she will start to operate a chicken raising business with the grants from the VE scheme.

## 2.5 Networking & Advocacy

**Objective:** CAC's objective is to provide a link between Coops, Government and other interested groups to facilitate discussion, sharing of ideas and promoting an environment where such coops can flourish, to the benefit of the rural poor in Cambodia.

### January 2014

- On the 4<sup>th</sup> and 5<sup>th</sup> CAC hosted three employees from Rabobank Foundation and thirty employees from CUFA on a field trip to visit CAC members in Takeo and Prey Veng. Rabobank Foundation have indicated an interest in providing financial support in the form of a loan to CAC and eventually provide direct financial support to agricultural coops, once the coop is sufficiently well run.

### February 2014

- Mr Yun Yean attended a workshop supported by Austraining International and the Australian Research Council in partnership with researchers from Flinders University, National University of Singapore and the University of Manchester. The workshop formed part of a study looking at the impacts of international volunteering.
- CAC's AGM 64 (27w) members attended along with representatives from CUFA and DGRV.

### March 2014

- Mr. Som Sopheak attended a Savings Led Microfinance Conference hosted by Oxfam America. Representatives of international and local NGOs, which are already implementing savings groups in Cambodia gathered to share their experience on how to leverage those groups to bring additional value through trainings, services and products to members.
- Mr. Vong Sarinda visited Kampong Thom with GIZ. GIZ are nearing the end of their project and wanted to discuss the support CAC could provide the Land Concession Coop once GIZ reduces support.

## 4. Achievements

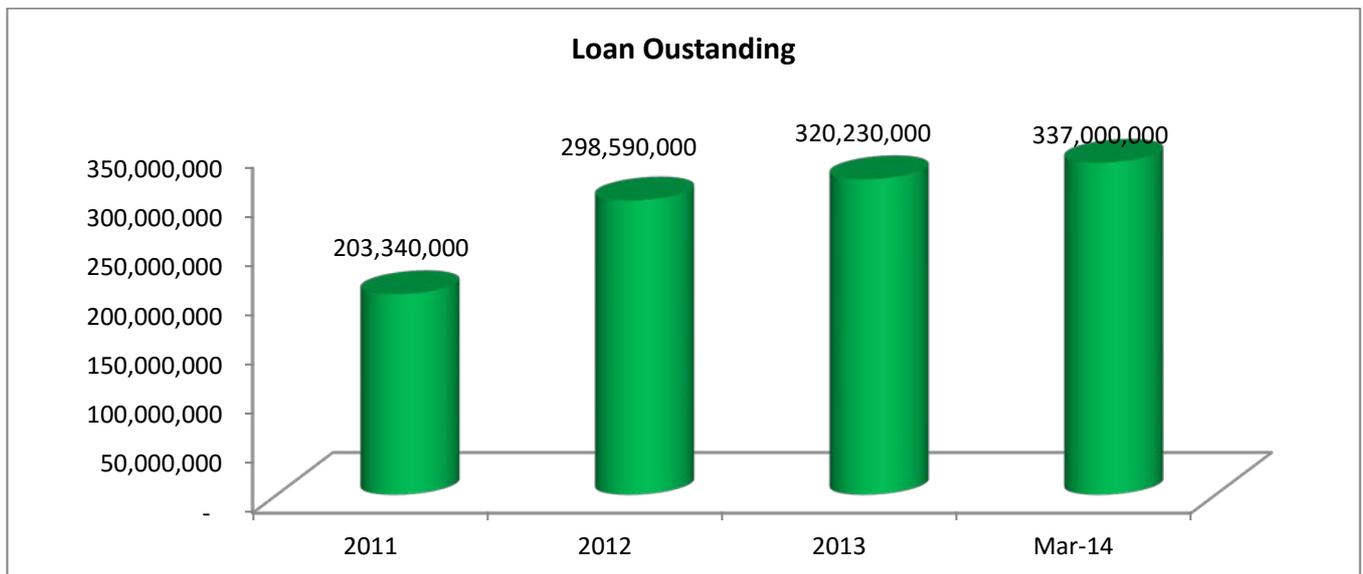
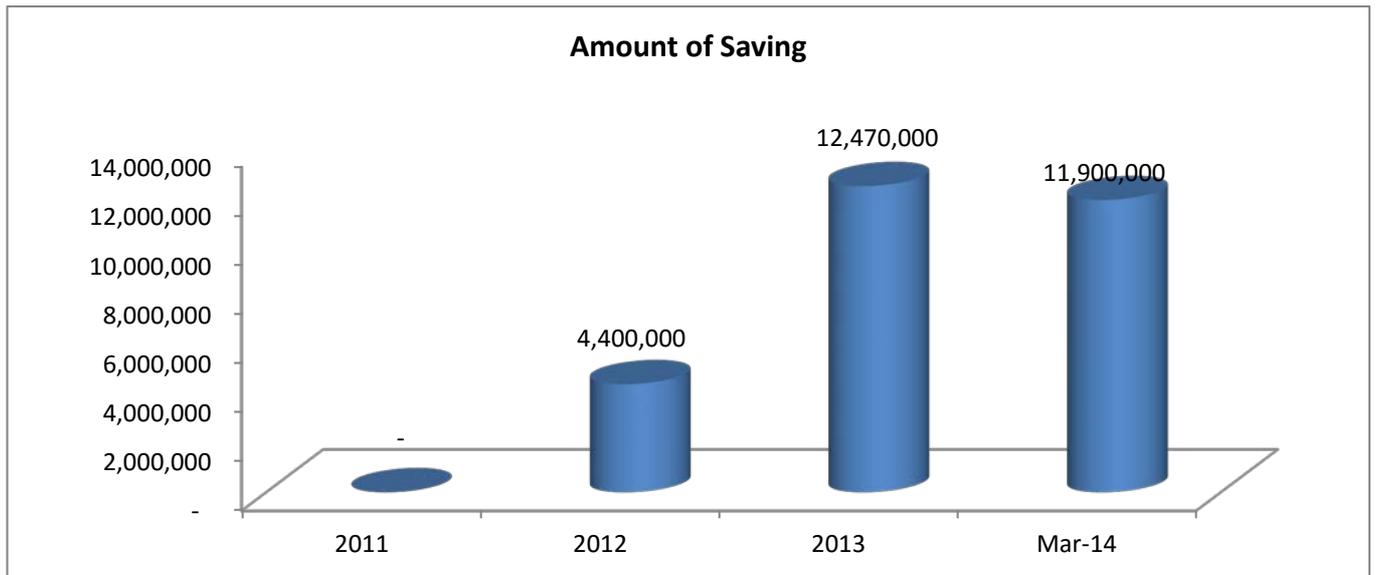
- CAC added three new members to replace three Coops whose membership was relinquished. These memberships lapsed due to many years of no action or progress.

### Progress of Credit Unions and Coops participating in bookkeeping and technical assistance

1. **Prey Mol:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.
2. **Popel:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.

3. **Tekhot:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.
4. **Kasekov Rek Chamroeun:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.
5. **Prey Klar:** Currently trying to use CACs bookkeeping system for savings, loans and cash and can not yet produce P&L statements or Balance sheets. They remain interested and motivated.
6. **Dontong:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.
7. **LDA:** Currently using CACs bookkeeping system for savings, loans and cash can produce balance sheets and P&L statements. Some technical support is still required to solve problems as they arise.
8. **Kampong Seng:** Effectively using CACs bookkeeping system for savings, loans and cash and can produce balance sheet and P&L. Very little technical support is needed. Clear records of expenses and receipts are kept.
9. **Motherland of Farmer:** Trying to use CACs bookkeeping system for savings, loans and cash. Can produce reasonably accurate P&L statements and Balance sheets; errors are common. Technical support is still required, but progress is being made.
10. **Bosleav:** Trying to use CACs bookkeeping system for savings, loans and cash. Can produce reasonably accurate P&L statements and Balance Sheets; errors are common. Technical support is still required, but progress is being made.
11. **Komareachea:** Not using CAC's systems. No P&L statements or Balance Sheets produced and no interest or motivation to produce them. The Credit Union is currently being operated more like a personal business and CAC will be reviewing the membership.

## CAC's Savings and Loan growth over three years to 31 March 2014



## 5. Challenges and Difficulties

- The key, common challenge across CAC's members in educating the Credit Union and Coop leaders is their capacity and sometimes willingness to learn the new skills required. Over the year CAC piloted new bookkeeping processes to 11 of its members. It has taken longer than expected for the Credit Unions and Coops involved in the pilot to be able to produce financial statements accurately without any assistance. There has been discussion among board members and CAC staff for the need to encourage younger members to work in the Credit Unions and Coops. Younger members of the community are generally better educated in bookkeeping and financial management and they are more adaptable to change.
- The key difficulty in standardising reporting practices across CAC's membership base is retraining leaders with new skills. The standardisation project is ongoing and progress has been made, albeit slowly. It is often easier with the less established Credit Unions and Coops to begin implementing the new systems than changing the practices of the more established, older organisations with entrenched systems; despite their relative financial and bookkeeping

proficiency. Likewise CAC will encourage more younger members to become actively involved in the Credit Unions and Coops.

- A challenge in providing on-site technical support is the lack of personnel employed by CAC qualified to provide the necessary assistance. CAC is almost already at capacity to deliver timely, quality technical support and training to its current members. This limitation will hinder future membership growth and restrict CAC in taking on members that are too remote for efficient travel. CAC recently recruited two new staff members and it has taken time training them, therefore training provided to CAC's members has progressed slower than anticipated in this quarter.
- CAC's ability to provide cost-effective credit solutions to its members is limited by CAC's funding from members' savings, donations or grants from external donors and loans from external institutions. Currently CAC is operating at full capacity in terms of the loans that it can provide to its members, pending further inflows. We estimate unmet demand within CAC's members for further funding from CAC to be over \$500,000 (2,000,000,000) riel. The difficulty in attracting inflows in the form of members' savings is that CAC wants to continue to provide loans to members at a much lower cost than they would otherwise be able to receive from competing MFIs. CAC needs to continue to pursue low cost sources of funding in order to provide credit at low costs and also to ensure members are encouraged to maintain and grow their savings deposits. To this end CAC will apply for a \$500,000 loan from Rabobank Foundation.
- Political uncertainty in the quarter played a part in the later repayment of loans and interest to CAC. Ongoing political uncertainty provides an extra challenge and risk to CAC's operations. Some Coops and Credit Unions reported higher loan delinquencies with members who migrate to find work in Thailand and Phnom Penh. The recent demonstrations in Phnom Penh and the late payment of factory workers appeared to have an impact.
- Many of CAC's members do not have their own savings, or savings growth is low. It is a challenge for some Credit Unions and Coops to effectively promote and grow their savings, due to entrenched beliefs, low incomes of members and a previous dependence on grants or donations from Non-Government Organisations.
- The Village Enterprise Scheme's donations, in some cases, are not being used for business purposes. CAC has found that handing out donations without the requirement to pay back the money is not providing an entrepreneurial incentive. It is also impacting Credit Unions and Coops as some members have questioned why it appears to be show preferential treatment in providing some members grants without the requirement to pay interest or the loan.
- A consistent and ongoing challenge to CAC's members is Credit union and Coop leaders misappropriating the Credit Union or Coop's funds for their own personal use. Such behaviour affects the financial stability of the organisation, or worse case bankruptcy. It also erodes the trust members have in such organisations.

## 6. Next Steps

- CAC will use the Credit Union Capacity Assessment (CUCA) tool to assess the capacity of the 11 coops, which were part of the new bookkeeping pilot, however CAC is assessing the validity of the membership of Komareachea if this CU does not follow by CAC policy.
- CAC will provide training and support to the two new coops, which will offer children's saving in 2014 (KlangLeav and Nhor).

- In conjunction with CUFA Increase support via the Village Enterprise Scheme.
- Initiate discussions with Fertilizer manufacturing companies and prepare storage, distribution and marketing strategy. If the project is deemed feasible a pilot needs to be operational before October 2014.
- Apply for \$500,000 loan from Rabobank Foundation. If successful CAC plans to have distributed \$100,000 of loans to members in the first quarter after receiving it.
- Continue to follow up and provide technical support to CACs 40 current members Credit Union and Coop members.
- Continue collect interest and savings from members and grow loans on a needs basis and after credit assessment.

**For More Information**

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