

# Co-operative Association of Cambodia (CAC)



Quarterly Progress Report  
1 April 2014– 30 June 2014

## Table of Contents

<b>1. BACKGROUND .....</b>	<b>3</b>
<b>2. PROJECT ACTIVITIES .....</b>	<b>3</b>
2.1 CREDIT AND SAVINGS .....	4
2.2 CAPACITY BUILDING .....	5
<i>Chilli Processing and Marketing Study</i> .....	5
2.3 FINANCIAL EDUCATION AND LITERACY FOR CHILDREN .....	6
2.4 VILLAGE ENTERPRISES.....	6
2.5 NETWORKING & ADVOCACY .....	7
<b>4. ACHIEVEMENTS .....</b>	<b>7</b>
PROGRESS OF CREDIT UNIONS AND COOPS PARTICIPATING IN BOOKKEEPING PILOT .....	7
<b>5. CHALLENGES AND DIFFICULTIES .....</b>	<b>9</b>
<b>6. NEXT STEPS.....</b>	<b>10</b>

## 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 30 June 2014 CAC staff made 73 visits to 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. Visits in the quarter focused on 25 of CAC’s current members and reached a total of 451(146w) members.

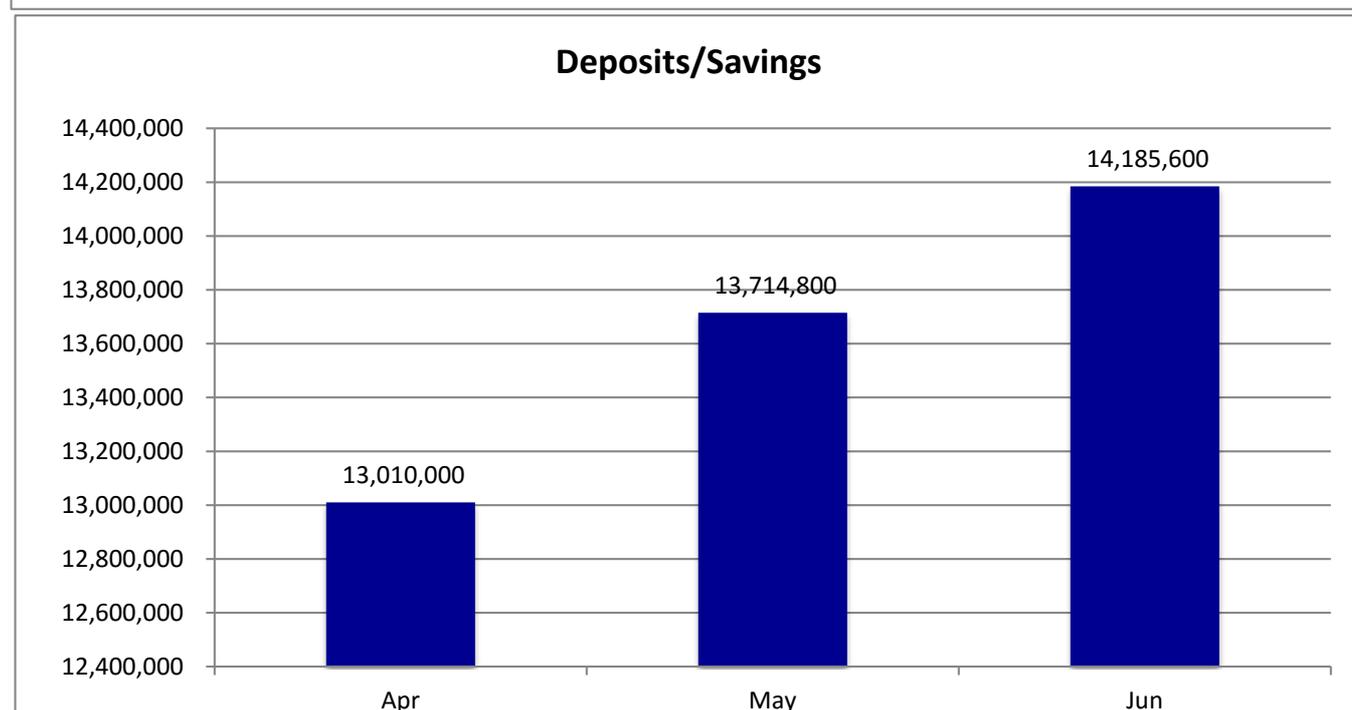
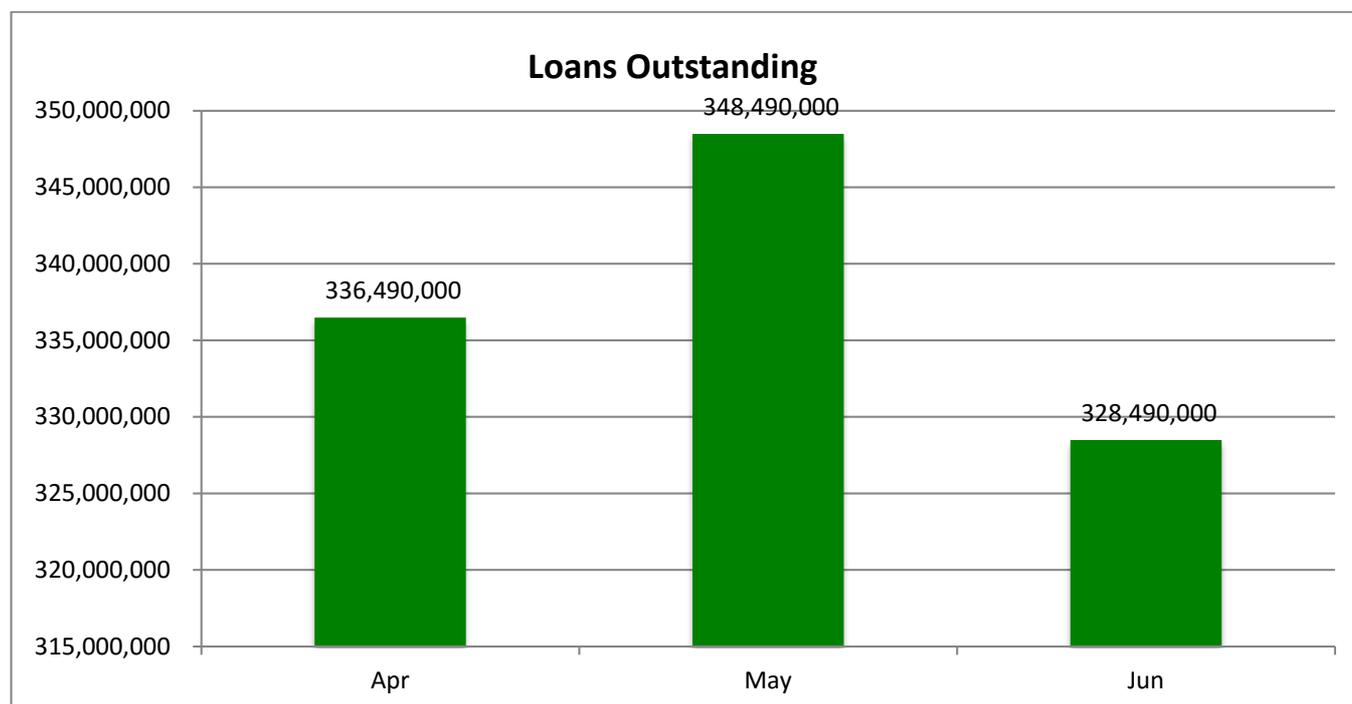
During the visits CAC staff carried out technical support to address ad-hoc issues, savings mobilisation coaching, book-keeping training and coaching in the preparation of financial statements. Bookkeeping training was focused on the 11 Credit Unions selected for pilot to standardise the reporting across CAC’s members to improve the transparency and comparability of Credit Union’s and Coop’s financial position and performance.

With the view to encourage the expansion of the services offered by CAC’s members and to encourage entrepreneurship. CAC initiated a market research study looking at chilli processing and marketing in Kampong Os, Kampong Chhnang. The findings of the study will be used by CAC and the Kampong Os Cooperative, which participated in the initial fact-finding study, to form grower and processor groups and help design a business and marketing plan.

During the quarter CAC hosted a number of external visitors, both in CAC’s offices and in the field at CAC’s Credit Union/Coop members. CAC aims to provide a link between external donors, partners and other interested parties with the cooperative network in Cambodia.

## 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.



### CAC

	This Quarter (30/06/2014)	Previous Quarter (31/03/14)	Change
<b>Deposits</b>	14,185,600	11,900,000	19.2% increase
<b>Loans</b>	328,490,000	337,000,000	-2.5% decrease

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

	This Quarter (30/06/2014)	Previous Quarter (31/03/14)	Change
<b>Deposits</b>	5,562,739,741	5,115,175,859	8.7% increase
<b>Loans</b>	9,134,580,043	8,330,970,011	9.6% increase

(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.

**April 2014** – Coordinated by Mr Vong Sarinda, project officers Mr Saing Thoeung, Mr Nhoeurn Chanura, Mr Yun Yean and Mr Som Sopeak.

- 20 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 161 men and 68 women individual members.

**May 2014** – Coordinated by Mr Vong Sarinda, project officers Mr Saing Thoeung, Mr Nhoeurn Chanura, Mr Yun Yean and Mr Som Sopeak.

- 21 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 117 men and 34 women individual members.

**June 2014** – Coordinated by Mr Vong Sarinda, project officers Mr. Saing Thoeung, Mr Nhoeurn Chanura, Mr Yun Yean and Mr. Som Sopeak.

- 32 training sessions were conducted instructing members in bookkeeping, preparation of financial statements and organizational management. Training was delivered to 173 men and 44 women individual members.
- On the 10<sup>th</sup> and 11<sup>th</sup> June two internal audit trials were carried out adhering to Mr Graham Raward's (technical advisor from CUFA) draft audit guidelines.

### Chilli Processing and Marketing Study

**Objective:** To provide expertise in market research and business planning to help Agriculture Coops broaden their service offering to members into processing primary products and marketing – value-adding to primary products.

#### Project Description

The purpose of this study is to gather information on the amount of chilli farmers in the Kampong Os village in Kampong Chnang in order to encourage the formation of producer groups. The study will also aim to develop understanding and to educate farmers in further value-adding to their current chilli products. Finally CAC will research marketing channels, packaging and branding of the chilli products and supply the materials and know-how to execute the marketing strategy.

The benefit to the farmers will be greater marketing power through collective marketing, improved margins on products by adding value to products and reducing costs through economies of scale. Long term benefits may be improved financial stability and certainty through access to larger markets, improved storage capabilities due preserving chilli products and education in the safe and hygienic processing of primary products, which may be transferrable to other products.

**June 2014** – Coordinated and conducted by Mr Yun Yean.

- On the 25<sup>th</sup> June Mr Yun Yean visited Kampong Os and conducted an initial fact-finding excursion speaking with 14 farmers and the Credit Union leaders to determine the size of the chilli supply from the farmers already growing chillies in the village. On the fact finding mission Yun Yean had conversations with local producers to gauge the willingness to form producer groups for jointly processing and marketing the product and initiated the conversation regarding joint processing and marketing of their products.

## 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 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.

9 Coops currently offer children's savings (figures as at 30/06/2014):

Coop	Number of Children Saving	Value of Children's Savings
Prey Mol	170 (102w)	11,760,000
Kokbanteay	404 (196w)	23,664,900
Credit Union of Farmer	121 (69w)	6,062,700
Kampong Seang Federation	133 (42w)	52,690,300
Toung Thlok Rich Chamreun Agriculture Development Cooperative	33 (16w)	8,750,900
Samyong Agr Development Coop	74 (36w)	7,000,000
Prey Khla	36 (20w)	10,589,200
Popel	24 (12w)	8,527,500
MeatophumKasekor Association	16 (9)	5,065,700
<b>Total</b>	<b>1,011 (505w)</b>	<b>134,111,200</b>

(All figures are in Cambodian riel)

- Total children's savings value increased by 160%
- Total number of children saving increased by 25%
- Total number of children women saving increased by 17%

## 2.4 Village Enterprises

**Objective:** To support the very poor 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 help with the 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 76 members in total participating in the village enterprise scheme (8 members in Kampong Tom, 31 members in Kampong Chnang, 26 members in Takeo, 11 members in Prey Veng). This a large increase in support from 45 members in the previous quarter.

In order to ensure grants from the Village Enterprise program are being spent on legitimate business expenses, certain guidelines and more detailed reporting and monitoring will be implemented going forward. The guidelines are set out to encourage the rural poor to adhere to basic requirements when establishing certain businesses.

## 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.

### May 2014

- Mr. Vong Sarinda hosted Ewha, an NGO from South Korea who visited one of CAC's members in Kampng Seung, Prey Veng
- Mr. Vong Sarinda hosted local NGO CISO to see the operation of a number of CAC's members to determine if CAC can provide them with support for the effective formation of community savings groups

### June 2014

- PowerPoint Mgmt Limit visited CAC to discuss business opportunities and linking to markets in Cambodia
- Mr. Yun Yean and Lachlan Lee met with representatives from Destination Justice to help with the formation of a community education program, which aims to highlight the existence of Credit Bureau of Cambodia (CBC)
- Mr. Vong Sarinda attended a presentation with the Spanish Development Agency detailing their objectives and discussed with other NGOs and how they can support.

## 4. Achievements

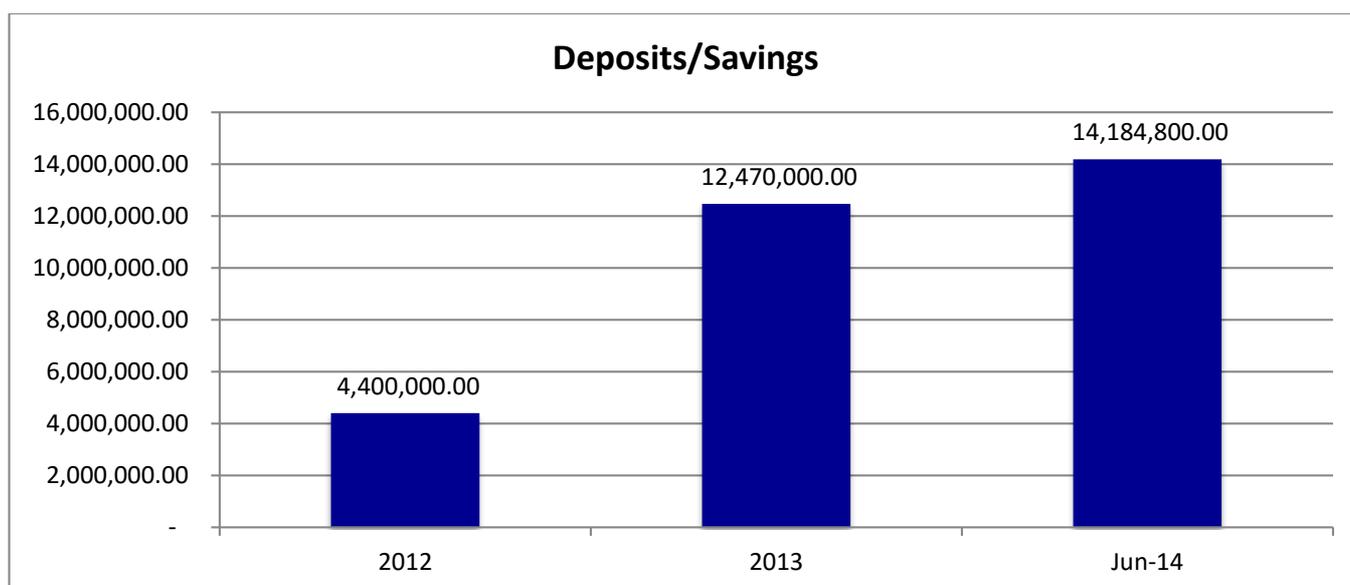
- CAC finalised its four year strategic plan
- CAC finalised the application for a low-cost loan from Rabobank with the final loan decision expected in the September quarter. If the loan is approved it would vastly increase CAC's assets and the loans it can provide to members
- Proposals for funding for 12 months sent to DGRV and CUFA
- Completed Credit Union Capacity Assessment (CUCA) for all CAC's 40 members

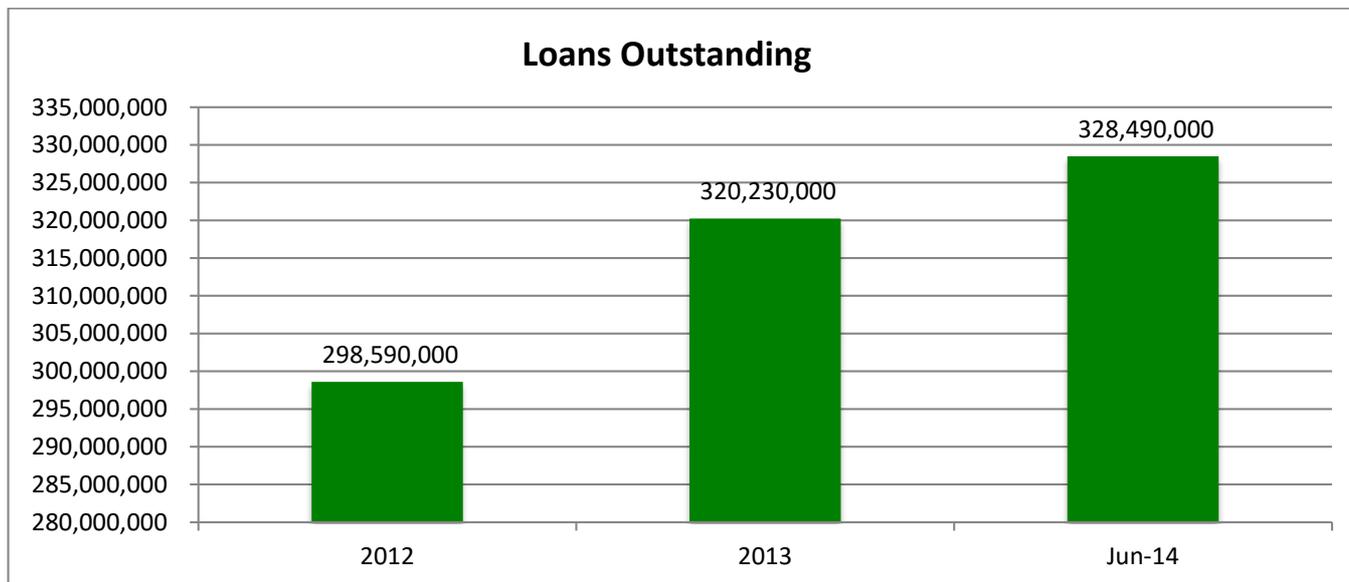
### Progress of Credit Unions and Coops participating in bookkeeping and technical assistance

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. No more training required only quarterly follow ups. Training is now focused on village enterprise project.
2. **Popel:** Currently using CACs bookkeeping system for savings, loans and cash and can produce balance sheets and P&L statements. Technical support is still required to solve problems as they arise. Solving balance sheet problems on their own is still a challenge and they need ongoing support.
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, but definite signs of improvement in the past six months.
4. **KasekovRek Chamroeu:** 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 and there has been obvious improvements over the quarter.
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 and respect policy. Will no longer be a member of CAC.

### CAC's Savings and Loan Growth over Three Years to 30 June 2014





## 5. Challenges and Difficulties

- The key, common challenge faced by CAC in educating the Credit Union and Coop leaders is their capacity and sometimes willingness to learn the new skills required. Over the eighteen months CAC has piloted its new bookkeeping processes to 11 of its members. There is ongoing discussion among CAC's board 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.
- 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. Travel in the wet season to some of the more remote locations is difficult and impacts on the amount of time CAC staff can provide training.
- 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. To help alleviate this issue stricter guidelines will be in place so that farmers and small business owners have to meet certain minimum requirements when establishing their businesses. CAC will also provide increased micro-enterprise training.
- Seven of CAC's member had an increase in delinquencies in the quarter. This increase has been caused by: The onset of the wet season, which has caused farmers to extend their loans without approval, rather than make principle or interest repayments in order to purchase inputs for farming. Secondly, floods in Kampong OS and Kratie have made it difficult for borrowers to repay their interest. CAC sees these delinquencies as short term issues which will be remedied once the weather systems normalise and farmers can again continue to earn income.

- 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.
- Chilli processing is a new concept and it will take some time to convince the Credit Union/Coop leaders the benefit of offering more services to their members than just credit and savings. The farmers in the region want to learn about chilli processing and marketing, but there has been some resistance from the Cooperative leader. CAC perceives this simply to be a natural resistance to change. To overcome this CAC will need to convince the Credit Unions/Coops of the importance of providing other services to their members not just lending and saving.

## 6. Next Steps

- CAC will provide training and support two new coops, which will offer children's saving in before the end of 2014 (Motherland of farmers, Samyong).
- Initiate research study on the processing and manufacturing of sugar palm with the view to encourage the formation of producer groups to then process and market sugar palm products.
- In conjunction with CUFA Increase support and training via the Village Enterprise Scheme.
- Continue dialogue 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.
- Formation of producer groups for chilli processing.
- Continue to follow up and provide technical support to all CACs 40 current members coop members.
- Continue credit assessment exercise on all members in preparation for the potential cash injection from the Rabobank Foundation loan. CAC wants to be prepared to distribute the loans as quickly as feasibly possible.
- Continue collect interest and savings from members.

### For More Information

Mr Vong Sarinda, CEO  
 sarinda@caccambodia.com  
 (+855) 17 25 25 83