

Evaluation of the Self Help Group and Microfinance-Based Livelihood Project of

Asian Institute of Technology, Cambodia Rural
Development Team & Hand-in-Hand, India

For Hand-in-Hand, India

June 2013



By

Karuna Krishnaswamy
Independent Consultant

Acknowledgments

We thank CRDT staff, especially Sut Samedy, for their wonderful hospitality, for organizing the field visits, stakeholder interviews and sharing their views. Thanks are due to Ashwin, Nandhini, Santhus & Srinivasan from Hand-in-Hand.

Contact Information

Karuna Krishnaswamy
karuna.krishnaswamy@gmail.com

Table of Contents

Executive Summary	4
1. Introduction	6
1.1 Study methodology.....	6
1.2 Project motivation	7
2. Project progress	7
2.1 Target for 2012-13 versus actuals	8
2.2 Plan for July 2013- June 2014	9
2.3 Budget.....	10
3. Contextualization	10
3.1 CRDT's main steps.....	10
3.2 Adaptations of the Hand-in-Hand model	12
3.3 Key observations on project implementation	16
4. The CBO experience and lessons	17
4.1 Differences between the CBO and SHG model	18
5. Client impact.....	19
5.1 Main benefits.....	20
5.2 Summary of client FGDs.....	21
FGD 1 - Koh Trong Island SHG, Kratie	22
FGD 2 - Koh Trong Island SHG, Kratie	23
FGD 3 - Urban SHG, Kratie	24
FGD 4 - Rural SHG, Stung Treng	24
FGD 5 - Rural SHG, Stung Treng	27
FGD 6 - Rural SHG, Stung Treng	27
6. Concluding remarks and suggestions	28

Executive Summary

Asian Institute of Technology (AIT), Bangkok, Cambodia Rural Development Team (CRDT), and Hand-in-Hand Microfinance Private Limited (HiH) have formed a consortium to implement the Self-Help Group (SHG) and Microfinance based Livelihoods project. CRDT is the implementing agency; HiH provides the technical assistance, while AIT is the coordinating agency. Launched in June 2012, the project is completing Phase I in June 2013.

This report presents an evaluation of Phase I. The goal of the evaluation was to study how CRDT contextualized HiH's SHG model in Cambodia, compare the SHG model with other social mobilization projects such as the Community Based Organization (CBO) model and verify the intended impact of the intervention on the clients. This report is based on primary information collected during a one week mission in June 2013.

The main findings are summarized below.

Project implementation

Overall, the implementation has been on track and the quality has been good. However, CRDT is looking to complete the planned activities, improve its training and monitoring to strengthen the SHGs and to improve their operations.

Contextualization

The Hand-in-Hand model has been used largely in its current form in Cambodia in terms of the group formation, training pedagogy and meeting, saving & lending policies. A key difference is that CRDT does not link the SHGs to banks; instead savings are stored in a safebox by the group's Coordinator. Additionally a few modifications have been made to adapt the model to the ground realities in the provinces of operations such as decreasing the number of days of training, allowing men to join, excluding top and bottom income quintiles, and starting group formation with a Project Information Workshop.

Client impact

Overall there is sound demand for this intervention and members are happy to be part of the SHGs. It appears that SHGs are the only option available to the members to save regularly in cash. The SHG model has provided members with a structured method to save collectively. Internal loans are in demand within a few months of group formation. The terms are better than that of the informal and MFI (Microfinance Institution) loans members take, while no one interviewed had a loan from a bank. There is a near unanimous demand for training for expanding current livelihood activities and increasing incomes, and a smaller demand for new enterprises. They do not seem to have access to other governmental or non-governmental training services.

SHG Vis a Vis CBO

CRDT has been forming groups since 2009. Twenty of the CBOs have ceased functioning after the benefit transfers and monitoring by CRDT stopped, leading to concerns over the longevity of the CBOs. They are now considering if the SHG model would serve them better. The SHG and the CBO models are different in that, SHGs are formed with the intent be community-owned and maintained, to save, lend, receive training and expand their business, while CBOs are started as an aggregation for delivering benefits. The training and recordkeeping, selection of members, and policies and being empowered to enforce adherence to the byelaws is stronger in the case of SHGs. Though it is early days, it appears that SHGs have a higher potential for viability, although monitoring and support for an extended period is required.

1. Introduction

Cambodia Rural Development Team (CRDT) and Hand in Hand Microfinance Private Limited (HiH) coordinated by Asian Institute of Technology (AIT) have formed a consortium to implement a pilot project called Self-Help-Groups (SHGs) & Micro Finance (MF) based Livelihoods programs. HiH provided knowledge transfer, training and capacity building to CRDT. CRDT implemented the program, by forming SHGs, training and monitoring them while coordination is done by AIT.

The project aims to enable the poor rural and urban communities to increase their incomes by providing them with livelihood training and enterprise support to expand existing businesses and start new legal activities, saving and credit services, facilitate economic development of its members and finally comply with the principle of environmental conservation in line with CRDT's mission.

The project commenced in July 2012. The project has been planned and budgeted for year 1 while year 2 has been planned for but not budgeted yet.

This evaluation report is the output of a one week mission conducted between June 3 and 8, 2013. This report is based on information gathered from interviews with CRDT's staff and clients and not through secondary research.

The primary goals of this evaluation were to

- 1) Study the impact of the intervention on the community through primary research
- 2) Document the manner in which HiH's proprietary India based policies and operating procedures have been adapted for successful implementation by CRDT in Cambodia
- 3) Compare this SHG based intervention with Community Based Organizations, a previous social mobilization project carried out by CRDT and other NGOs in Cambodia.

This report is intended to complement other HiH field reports and not to be an exhaustive compilation.

1.1 Study methodology

The information in this report was collected through Focused Group Discussions (FGD) with SHG members and interviews with CRDT staff including the Executive Director, Project Coordinator, Project Manager, 2 trainers and 3 Project Assistants (PA).

A total of six SHGs were selected, both mixed and women-only, from the districts of Kratie and Stung Treng. Four were older, while two were newer SHGs. They represent rural and urban SHGs. Additionally three CBOs – two functional and one defunct were selected. There were between 8 and 20 people in each FGD. A total of about 110 people were met in all. Table 1 below summarizes basic information about the groups met.

Table 1: FGD sessions

No.	SHG Name	Dates	Village	Province	Start date	Size
1	Kbal Koh Development group	4-Jun-13	Kbal Koh	Kratie	24-Jan-13	10
2	Chong Koh Development Group	4-Jun-13	Chong Koh	Kratie	30-Jan-13	13
3	Prosperous Solidarity Group	5-Jun-13	Ou Ruessei Pir	Kratie	22-May-13	12
4	Functional CBOs	5-Jun-13	Sambo town	Kratie	2010	25
5	Saving Group for Development Phom Kang Memay	5-Jun-13	Kang Memay	Stung Treng	21-Mar-13	8
6	Sameky Dembey Chouk Chey Group	5-Jun-13	Kang Memay	Stung Treng	21-Mar-13	13
7	Samaky Group	6-Jun-13	Phum Thmey	Stung Treng	3-May-13	19
8	Defunct CBO	7-Jun-13	Prey Kou	Kratie	2009	19

1.2 Project motivation

Though Cambodia has a well-established and regulated microfinance sector, the focus of this sector is largely on credit penetration rather than capacity building and improving livelihoods. Per CRDT's estimates, there are over 40 MFIs in addition to four major NGOs. However, their usage by rural customers is not high. Banks branches in rural areas are practically non-existent.

There is a large rural agrarian economy. They have low and sometimes unreliable income streams. The project consortium holds the view that there is immense scope for capacity building, microenterprise creation and livelihood improvements.

2. Project progress

HiH conducted field trips to assess the viability of the model in Cambodia during the launch of the project. On project commencement, there was an exposure visit for CRDT staff in India, followed by training of key CRDT staff, followed by a visit of HiH staff in Cambodia for additional training and support.

The project is implemented in two provinces – Kratie and Stung Treng - by CRDT's office teams in each town. The project is headed by a Project Coordinator (80% time allocation), a Project Manager, two trainers, one in each of the provinces, two Project Assistants (PA) in each of the two provinces for a total of eight members.

The project has been divided into three phases, with Phase 1 running from June 2012 to June 2013.

Table 2 below lists the key milestones of the project to date.

Table 2: Project Milestones

No.	Milestone	Who	Date
1	Follow-up on pilot groups	CRDT backstopping by HiH	Continuous
2	Recruitment of staff	CRDT	Jul-12
3	Check on Regulatory & legal framework	CRDT	Aug 2012

4	CRDT Exposure (training) to India	CRDT, HiH	Sep-12
5	Model framework	HiH with AIT & CRDT,	Sep-12
6	Training manual	HiH	Oct-12
7	Operational Manual	HiH	Oct-12
8	Meeting in 14 villages with villagers & local authorities	CRDT	Oct to Dec 2012
9	Legal framework and model discussion with CRDT's BoD	HiH, CRDT	Nov-12
10	Staff & ToT training	HiH in Cambodia	Nov-12
11	Launch of program		Nov-12
12	Establish 35 SHGs and registration started for more than 2 group one village	CRDT	Jan to Feb 2013
13	Conduct 35 trainings on Financial Management to SHGs	CRDT	Jan to Mar 2013
14	Review	All	Mar 2013
15	Evaluation	Consultant	Jun-13

Source: CRDT

2.1 Target for 2012-13 versus actuals

The project has gone largely as planned although the late start and the learning curve has meant that a accelerated efforts were applied during the last three months to reach targets. We see in the table below that though the groups are likely to be formed by the planned date, training them is considerably behind schedule.

Table 3: Project progress indicators

No.	Indicator	Achieved	Planned	% achieved
1	Number of Provinces	2	2	100%
2	Number of Districts	10	10	100%
3	Number of Communes	19	19	100%
4	Number of Villages	37	33	112%
5	Number of Self Help Groups	65	72	90%
6	Number of SHG Members	681	703	97%
7	Number of SHGs Attended Module 1 Training	48	72	67%
8	Number of SHG Members Attended Module 1 Training	510	703	73%
9	Number of SHGs Attended Module 2 Training	10	72	14%
10	Number of SHG Members Attended Module 2 Training	121	703	17%
11	Number of SHGs Attended C & R Training	47	72	65%
12	Number of SHG Members Attended C & R Training	141	216	65%
13	Number of SHGs Attended Module 3 Training	0	0	
14	Number of SHG Members Attended Module 3 Training	0	0	
15	Number of SHGs Having Internal Lending	21	72	29%
16	Total Outstanding Internal Loan of SHGs	4,160,000 R	NA	
17	Number of Enterprises Created	0	0	
18	Total Savings of SHGs	11,152,300 R	NA	
19	Number of Skill Trainings Conducted	0	0	
20	Number of SHG Members Attended Skill Training	0	0	

Source: CRDT

The tentative plan for Phase II from July 2013 to June 2014 is listed below.

2.2 Plan for July 2013- June 2014

No.	Step	Numbers
1	SHG formation	100
2	Provide M1 Trainings	100
3	Provide M2 Trainings	100
4	Provide C&R Trainings	100
5	Provide M3 Trainings	172
6	Conduct Market Value Chain Analysis	
7	Provide Skill Training Programs	5-6
8	Select entrepreneurs	50-100
9	Staff and SHGs capacity building	
10	ToT training for staff on Enterprises Promotion	
11	Group By Law preparation and registration	
12	Group grading and documentation	
13	Revolving Fund Development	
14	Proposal Development	
	Management goals	
1	Create \$10,000 Revolving Fund to support small enterprises development and job creation	
2	Staff capacity building on technical skills	
3	Develop Financial Product based on enterprise needs	
4	Develop Loan Procedure	
5	Establish Microfinance Operation System (Financial Record)	
6	Develop Revolving Fund Business Plan for members of SHGs	50-100
7	Develop Loan Monitoring System	
8	Documentation and filings	



Figure 1: Coordinator & Representative Training session in Kratie Head Office

2.3 Budget

The budget for the project was a total of \$85,390, with contributions of \$60,300 from HiH and \$25,090 from CRDT. The total project expenses as on 31, May, 2013 was \$46,861.70 out of the HiH grant leaving a balance of \$13,438.30, which is expected to be sufficient for the remaining Phase I activities. The accounts have not been audited yet. See Appendix B for detailed expenses.


<div>  <div> CAMBODIAN RURAL DEVELOPMENT TEAM House No. 695, St.2, Kratie Town, Kratie Province, Kingdom of Cambodia. Tel: 072 6333 644 / 023 357 230 Fax: 072 971 232, PO.Box 2539 Phnom Penh 3, E-mail Address: info@crdt.org.kh, Website: www.crdt.org.kh </div> </div>							
SUMMARY FINANCIAL REPORT Name of Organization: <u>Cambodian Rural Development Team (CRDT)</u> Project Name: _____ Report Period: <u>From : 01 / 07 / 2012 To 31 / 05 / 2013</u>							
No.	DESCRIPTION	Grant Requested	Pre. Q Exp.	Current Q. Exp.	Total Expense	% Spent	Balance
1	2	3	4	5	6= 4 + 5		7 = 3 - 6
I	Project Staff Required	26,910.00	-	27,903.58	27,903.58	104%	(993.58)
II	Transportation & Subsistence	2,520.00	-	2,245.54	2,245.54	89%	274.46
III	Proposed activities	24,320.00	-	9,790.43	9,790.43	40%	14,529.57
A	Field office supply	-	-	929.97	929.97		(929.97)
B	Project Equipment and Materials	6,550.00	-	5,992.18	5,992.18	91%	557.82
TOTAL		60,300.00	-	46,861.70	46,861.70	78%	13,438.30
* Subject to request for budget revision ** Subject to return money from CRDT to HiH (CRDT contribution budget lines)							

Figure 2: Summary Financial Report - July 1 2012 to 21 May 2013

3. Contextualization

3.1 CRDT's main steps

The main steps followed by CRDT in the life cycle of an SHG are as follows.

1. Village identification: Background research is conducted to ascertain the viability of forming groups in a village. Villages within a 30-40km radius of the branch office are candidates.
2. Project Information Workshop: CRDT invites government authorities such as Commune¹ and Village chiefs and other NGOs that are working or planning to work in the village. This is to solicit suggestions from the experience of other NGOs and their support, prevent duplication of efforts and multiple memberships.
3. Participatory Rural Appraisal (PRA): PA finds a venue to do PRA using Commune facilities. Originally 30 – 50 people were invited to join; later it was shortened to 15-20 as it was difficult to manage. The steps involved are the Transit walk, Village Mapping, Seasonality Mapping and

¹ The Cambodian administrative equivalent of a Gram Panchayat

Wealth Ranking. Then PA identifies a few volunteers or Key Persons to be the contact person who will try to form a group. Then CRDT makes a brief presentation about the project.

4. Pre-meeting: 1-2 weeks later, the PA calls 4-5 key persons and explains the concepts in a pre-meeting. Here the PA/Trainer/Project Manager describes the concept in depth.
5. The Key Persons, in turn, explain the concept to the community.
6. Informal Group Formation: Then the community forms groups of sizes from 8 to 20 and the key person calls the PA to plan for the group formation and the first meeting.
7. M1: First meeting training is conducted for one day to explain the project fully in the village at a house or a public place (like a pagoda). CRDT explains the goals of the SHG and how to run an SHG. They agree on location, name, frequency and date and time of meeting and mandatory savings, and take a vote on the Coordinator and Representatives who govern the group. Saving and internal loans may start on the same day. The PA helps recording in the book. KYC process starts by taking pictures along with SHG Profile commencement and Byelaws. The SHG is deemed formed on this date.
8. The PA returns a week or two later for monitoring and arranges for Coordinator & Representatives and M2 training, and continues KYC which may take longer since documents are required.
9. Coordinator & Representative training is for 10 groups at a time for a total of 30 people at the CRDT office. The common location works since it is a defined curriculum without any variations between groups. This also enables members to they meet other groups. The focus is on book keeping, leadership and lending. They use the same register as HiH. This lasts one day, and is held 1-2 months after first meeting
10. M2 (1-2 months later) focuses on financial management.
11. Monitoring and support is conducted by Project Assistants as well as by the Project Manager and Project Coordinator. PAs in weekly visits check the correctness of the books, reinforce training, the group's goals, enterprise focus and needs and oath.

The entire process to create a group takes about a month with a gap of three weeks between the meetings.



Figure 3: PA Phorn, Kratie

The PAs are the key field officers. PAs and trainers are typically in their early twenties, with a bachelor degree and have all been volunteers at CRDT previously. PAs are responsible for group formation and monitoring. The trainers (re-)train all the remaining staff. The senior managers do field monitoring as well. Huot Vuth one of the PAs in Stung Treng had the following to say; He handles 14 groups currently and needs to visit 10 each month. He used to attend all meetings in the first three months, but not as much these days since he is fully engaged in new group formation. His target was to form 16 groups in four months.

3.2 Adaptations of the Hand-in-Hand model

HiH's model is a mature one, concretized by practical experience of what policies are beneficial and what are not in India. While a well defined model aids predictability, the model may need be adapted based on the society, culture and ground realities in Cambodia.

HiH has encouraged CRDT to adapt their methodology to suit them. However, as CRDT is learning by doing, it is expected that more changes will follow as and when their groups mature and more activities are undertaken. There are a number of practices that the groups do such as repay interest only on loans, meet once a month, undergo only one day of training per course, skip oath, but these are not by design. CRDT is looking to inculcate better practices over the next quarter. The following are the changes made thus far (Table 4).



Figure 4: Still life with Safebox

Table 4: Process adaptation at CRDT

No.	Process stage	HiH proprietary model	Adaptation by CRDT	Comments
1	Village selection	-	Project Information Workshop: Prior to conducting a PRA, CRDT invites government authorities such as Commune and Village chiefs and other NGOs that are working or planning to work in the village.	This is to learn from the experiences of other NGOs, garner their support and prevent duplication of efforts and multiple memberships.
2	Group eligibility	Adults, Local and permanent residents, 18-60 years of age	CRDT allows members up to age 65.	Since they are economically active.
		Preference is given to women to the extent that groups are predominantly women only. HiH recommends women-only group as it encourages participation, openness and better understanding.	Almost all the groups have a few men in them. Single women are also eligible.	CRDT does not see any issues with including men. It was observed in this visit that women seem more empowered in Cambodia compared to India in terms of gender dynamics and there was no evidence of men dominating proceedings or of women being dominated in the meetings. The dynamics seemed satisfactory.
		Preference is given to the vulnerable such as widows, orphans over 18 years, disabled.	During the Wealth Mapping process, the residents are classified into five income quintiles. The top and bottom quintiles are ineligible for membership.	CRDT considers the middle three income quintiles to be suitable for SHG membership. The top quintile is expected to dominate the group completely while the bottom has a high migration rate and hence is not expected to have the time for meetings.

3	Group formation	Group size is limited to 8-20 members. When size is less than eight, adequate saving does not get collected for internal lending. When the size is high, the participation of the vulnerable and less privileged is less, and the powerful members tend to dominate. Effective understanding of issues and participation in discussions occurs in groups less than 20-25	CRDT enforces (after some experimentation) group size of 8 to 20.	CRDT prefers the group size to be closer to 12 since it is easier to ensure better attendance by a smaller group and complete the meeting faster. But they have not been able to implement it as some groups wanted a larger size likely because they could reach a desired loan size sooner.
		-	At the PRA, a volunteer resident of the village is identified to facilitate group formation and coordinate with the Project assistant for the pre-group meeting	CRDT finds this process more efficient
4	Meeting frequency	Typically twice a month	Pre-dominantly once a month though some are planning to convert to once a fortnight.	Despite CRDT's efforts to make them meet fortnightly, the groups were not able to spare the time. This may be due to the busy sowing season and may change at other times. A side benefit of more frequent meeting may be larger amounts saved per month.
5	Bank Linkage	A bank account is opened when the group is formed for the group to deposit their regular savings and loan repayments, for getting used to using a bank and as a pre-cursor for bank credit in the future.	CRDT uses a small metallic safebox for storing the group's deposits secured by 2 locks. Between the group coordinator and representatives, two of them keep a key each, while the third safeguards the box.	Banks have penetration in rural Cambodia and branches are far away. Though MFIs are allowed to take deposits, they mandate a higher minimum deposit amount than may be saved during a given SHG meeting.

6	Bank credit	Once the group demonstrates creditworthiness by saving and successfully lending internally, they are rated by the SHPI and if they pass, they are recommended for a bank loan.	CDRT is planning to acquire a Rural Credit Operator license from their regulator in order to store saving as well as to provide loans once the grant period ends	Since rural bank branch penetration is sparse in Cambodia, banks do not make for a good candidate, while the interest rates, loan approval procedures and stringent collection policies of MFIs make them less attractive to the community.
7	Training	In a pre-group formation meeting, a brief description of the model is presented. After formation, the group is offered M1 (goals, values, group management, bookkeeping), and M2 (financial management and enterprise development) training, and the group animator and representative training. Each training module lasts two full days.	CRDT sometimes merges pre-group meeting with M1 training. All training is for one day only. CRDT's trainers are also considering conducting M1/M2 training at their branch offices in groups of four for efficiency.	Combining pre-group meeting and M1 is in case the likelihood of the members joining is high and for efficiency. The trainings were originally scheduled for two days, but members did not re-appear the second day, since they weren't able to commit the time, especially farmers who were busy during sowing season.
		Training is conducted using charts with pictures of women to trigger a certain discussion or to present a desired group lesson or goal. These pictures use sketches of Indian women and Indian fables.	Most of the pictures and fables as per HiH's India based charts (for example the group management charts) were used without converting to local depictions except for changing to Cambodian images in a few charts. This is despite Cambodia's rich cultural history.	These stories and pictures have been well received at CRDT. This suggests that the Indian stories have an appeal in Cambodia, possibly because of some cultural similarities.
8	Federated structure	HiH India federates at cluster level and promotes regular conduct of meeting. Mutual benefit trusts have also been formed.	Currently not in place as it is too premature	CRDT is planning and has charted a road map for federation at commune, district & province level to be developed in the future.

3.3 Key observations on project implementation

1. Overall the implementation has been good: The project is on track by and large; the speed of implementation has been accelerated in the past few months to meet group formation targets. The groups are saving and lending and the books are being maintained regularly. The groups seem empowered to form and enforce bye laws democratically, roles and responsibilities are well-established, the percentage of consumption to income generation loans seems alright, and enterprise development is being brought to attention. The dropout rate of groups is low with 1-2 groups dropping out in Stung Treng and 2-3 in Kratie. Care has been taken to ensure that multiple memberships do not occur with other saving groups and villages have been selected with diligently. There is a monitoring plan in place. However, activities such as training, KYC (Know Your customer) documents and SHG profiles are yet to be completed.
2. Group processes need to be strengthened further: Many groups are falling into bad habits such as absenteeism, repayment of the interest only, not recording minutes with signatures, meeting once a month, and not taking the oath at the beginning of the meeting. Some have not mastered bookkeeping. While CRDT has started the groups giving them freedom, they are planning to enforce rules more strictly moving forward.
3. CRDT is on a learning curve: The team has had to bear an increased workload to reach the targets, while learning the model experientially. The CRDT team feels confident that it has understood the model now. The trainers are more comfortable now and are doing a great job of engaging the audience judging by their enthusiastic participation.
4. Knowledge transfer: The training process of HiH has been appreciated – the exposure visit in India, training-of-trainers and additional trainer support in Cambodia. However, there have been coordination problems, in the form of belated modifications of the formats of SHG registers and monitoring reports after they have been printed and in usage thereby confusing the users with a later change, differing guidance from different trainers on the processes and some delays in providing timely support which lead to some groups starting to save without the registers. Some trainers did not seem to have clarity in terms of what content to cover in each training session and had to take the decision themselves. The lack of clarity prevented CRDT from knowing when they could take decisions and in what cases to rely on HiH's advice, since they did not want to make mistakes in the early stages (e.g. which villages to expand to and how many groups to form per village). There was also a reported lack of clarity in terms of roles of HiH staff. Language was also a barrier.
5. Challenges: It takes a PA about a month to form a group. Their conversion rate (percentage of villages where a Project Information Workshop was held with an SHG) is good, with only a handful of villages without a group being formed. Their main challenges are that villages are spread out, have low populations, and literacy levels are low. Moreover there are three other NGOs who form SHGs in CRDT's provinces of operations; hence these villages are ineligible due to CRDT's policy to coordinate with other NGOs and prevent multiple group formation efforts in the same village. Some groups have a poor impression of earlier SHGs since they stopped functioning after the NGO stopped monitoring. This is partly because members had difficulty in filling out the register and hence stopped giving out loans. This lead to high levels of corpus

accumulation, causing concerns about the safety of the money. Hence the corpus was paid back, leading to drop in savings and inclination to meet regularly. One PA also reported scams associated with an SHG in urban Stung Treng.

4. The CBO experience and lessons

Formation of savings groups is not a new activity for CRDT. In these provinces, CRDT and other NGOs such as CDAC, My Village, DPA and CEPA have formed Community Based Organizations. These groups serve as aggregations for receiving benefits, training in farming, livestock and other livelihood activities, for channeling public goods such as water filters, toilets, seedlings, rainwater harvesters, pond creation and optionally for savings and internal lending. The groups are mixed and can be of any size. They reside in the same village and may either be a common interest group or have sub-groups of the same vocation. They are governed by a governing committee.

While CRDT has created 190 CBOs thus far, it is of concern that 20 in one particular district have stopped meeting after the project period ended, the benefits stopped and monitoring and support by the PA stopped. This is of concern to CRDT. They are looking to ensure longevity of the CBOs, learn from this experience to build better SHGs and form a strategy to either strengthen CBOs or to convert them to the SHG model.

Hence FGDs were held with two functional and one defunct CBO to understand this phenomenon better.

Functional CBOs

We met with two CBOs in the neighbouring rural district of Sambol about an hour away from Kratie. These mixed groups were two years old. There were about 16 members per group. They had joined primarily to increase incomes and to a lesser extent for saving and borrowing. Piggery was the main activity of these groups. These two CBOs are still monitored once in a couple of months by CRDT's Project Assistant. No one had borrowed from an MFI though they were aware of their presence.

The group saved 1000r (\$0.25) per month raised to 3,000r in the second year. They met once a month, though there were several absentees in each meeting. The executive committee kept the savings in a safebox as well. They had been trained in pig rearing though they reported having forgotten the training materials (and hence likely to benefit from a refresher course). Other benefits included training in dry farming, canal and pond creation, receiving seedlings and farming techniques, toilets and water provisioning. These are funded by four different donor agencies. The committee also inspects the pig sties and provides technical advice such as handling pregnancies. There had been one default thus far. Apart from this, there was a stated desire to adhere to the group's bye laws.

The current cash at hand was 70,000r (\$17.5) although that was not a concern. Almost everyone had taken a loan (of about 100,000r (\$2.5)), for business purposes with the loan tenor being two months typically; some repaid principal and interest while some repaid the interest along till the last month. In their assessment, their incomes had increased by 40% due to intra-group lending; however their stock size had not increased over time. The savings is always kept in circulation as loans.

Their challenges were periodic dropouts (which increased after the benefits from CRDT such as training stopped) and figuring out how to expand their stock of pigs, though they didn't have a solution. It was clear from the interview that they needed regular monitoring and they requested the same even after two years of existence.

Defunct CBO

The village visited, Preykou is 30 minutes away from Kratie town center, on a rural hillock. This group of 19 farmers had met regularly from 2010 to 2012. It was started to provide cash and kind grants in the form of pigs, chicken, a toilet, vegetables, a biogas plant, a well and rubbish bins – all worth about \$700. It hasn't convened since 2012.

The president of the executive committee and five other members spoke to us. At the time of group formation the goal was to increase income from vegetable farming. There was no savings component originally. Before joining the group, they grew corn and quod, but afterwards they started growing more kinds of vegetables because they received training and seeds. Their income increased marginally from sales in the dry season, while the produce was used for consumption in the more abundant rainy season.

For the first six months, they met twice a month, but after the transfers stopped, they stopped meeting altogether. In response, CRDT stepped in with a starter grant of 500,000r (\$125) and introduced savings of 1000r (\$0.25) per meeting. After a year they had collected 100,000r (\$25). They started giving out internal loans to the tune of 500,000r (\$125). The borrowers who were repaying only the interest and not the principal defaulted blaming it on their plants dying in the drought and blamed the NGO as well. The president tried to do doorstep repayment collection, but that too did not work after a while. The group's savings was wiped out. The registers also managed to get lost, likely blurring the lines between CRDT grant and member savings. Simultaneously the Project Assistant stopped visiting as well.

Astonishingly, although the groups had ceased to function twice before the denouement, the members interviewed were still willing to try out forming a new SHG group, reflecting the latent demand for savings groups. However, the president was very clear that certain conditions needed to be met. She believed that for success, a clearly laid out contract needed to be executed between the group members, the entity be registered with the village chief, only members (both old and new) with commitment be chosen, training needed to be provided to all members and not only the executive committee, fairness and transparency in administration and grant provisioning, follow up support from the SHPI², and last but not the least, that the right expectations are set with the members that the goal of the group is to receive training, save and lend as a cooperative and not to serve as a conduit for receiving benefits alone.

4.1 Differences between the CBO and SHG model

Structurally the procedures used by CRDT's for forming CBOs are similar to that used in the SHG model. However, there are many differences between CBOs and SHGs that makes the SHG model appear more robust and more likely that the groups will continue on their own steam over a longer period of time. They are:

1. Setting expectations: A CBO is formed with the stated purpose of provisioning public goods, training for enterprise development and cash or in-kind transfers from an NGO. Their continued receipt of these benefits which is their main incentive is contingent on regular attendance of meetings. SHGs on the other hand are created with the stated goals of saving to lend,

² Self Help Promoting Institution

community investment and ownership, enterprise development, mutual empowerment and economic development with the NGO playing the role of a facilitator.

2. The rules: The rules are better codified in an SHG with clear roles and responsibilities for the members and the governing committee. There is full transparency of decisions and democratic involvement of all the members. This leads to fewer doubts about what to do. In CBOs, the executive committee is not vested with the training and the power to set and enforce bye laws, which may allow indiscipline to set in, while in the SHG, they are empowered to levy penalties for non-adherence. For example, executive committee has been seen to distribute grants to a selected few in one CBO that we interviewed.
3. Better training in the SHG model: There is more mature and manualized pedagogy in the SHG model. In a CBO the material is less codified and quality of the training depends on the style and experience of the PA administering it. CBOs do not have a meticulous methodology for training or for maintaining transactions during the meetings. This results in higher likelihood of errors in recording member savings and loan outstanding which is likely to cause the group to want to disband. Moreover in an SHG, the entire group gets training on the model and goals, while in a CBO only the governing council receives the same. Pedagogy of training is based on pictures and fables and more interactive in an SHG compared to CBO and hence is expected to be understood and imbibed more effectively.
4. Constant reinforcement: The oath and the Project Assistant are designed to periodically reinforce the core values of the SHG while group cohesion is not particularly inculcated in CBOs.
5. Smaller group size: This means that meetings are easier to conduct and recording is quicker.
6. Safety of savings: One concern in the case of a CBO is that with large sizes, the size of the savings kitty is larger, increasing worries of safety of the savings and inclination to re-distribute back to members or worse, not having a clear policy when the size crosses a certain threshold. As well, better recording of transactions and clearer roles of the governors in an SHG keeps the saving passbook and loan amount outstanding clear, thereby decreasing the chance of mismanagement.
7. Better self-selection: CBOs attempt to be universal in dispensing the benefits thereby attracting members who might not be ideally suited for a savings group. SHGs on the other hand have more careful screening by CRDT as well as the community, thereby resulting in a better pool of members.
8. Proximity: Members of a CBO often stay far away from each other, making it difficult to attend meetings when a direct benefit is not received, whereas SHGs are formed out of members who live near each other.

The above reasons have encouraged CRDT to start conversion of two CBOs into SHGs on a pilot basis.

5. Client impact

This section is organized as follows. The first section summarizes the impact on the client. The second section elaborates on the responses in the six FGDs. We caution first that these are early days of this intervention. The average number of months since group formation is just under 2.5 months while the

median is 1.3 months. Hence we should not expect dramatic gains already, since it is well understood that impact of financial services takes a long time to become visible.

We note that there is a large variance in the saving amounts (Figure 1).

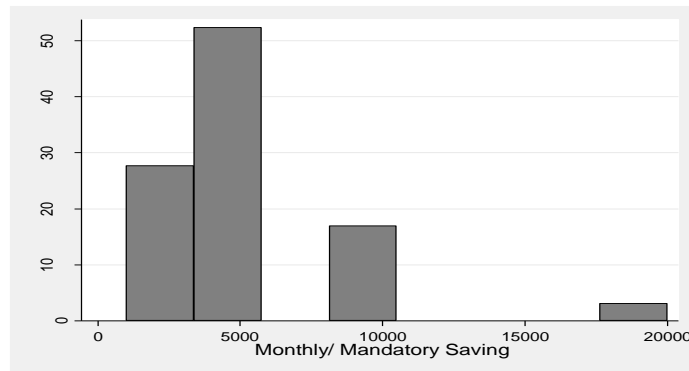


Figure 5: Voluntary savings amounts

While the average mandatory saving amount per meeting is 5,570r (\$1.4), the voluntary amount is quite high at 3,740r (\$0.94) suggesting that there are large variations between the saving ability of people in a given group. About 30 loans have been given out, with 10 of them over three months and another 10 over six months, the majority for income generation.

5.1 Main benefits

The impact of being in an SHG can be summarized as follows.

- 1) People have no other facility to save in cash: SHG has provided people with a structured way of saving, with clear rules and policies whereas formerly they would have borrowed from friends and relatives at a higher rate. None of those interviewed reported having a bank account or having another other (semi) formal mode of saving other than the SHG, including MFIs. They report either investing in livestock or else surplus cash simply disappears into discretionary expenditure. There is a clear demand for savings groups.
- 2) Internal loans are the cheapest (and safest) form of credit available to them: None of those interviewed had a loan from a regular commercial bank. The internal loans are priced between 2% and 3%. While some had MFI loans at 3%, they need to pledge their land titles, which is risky given stringent collection practices of MFIs and which would make them go to extremes to repay. Some take loans from relatives and moneylenders at between 5% and 10% interest per month.
- 3) Some signs of softer benefits: There was some evidence that the being part of a group per se was enabling people to discuss and receive peer advice on issues such as health problems, open up access to spot loans. The bookkeeping training encouraged at least one member to maintain books at home and reduce discretionary spending. A couple of members joined the group with the intent to help others.

- 4) Potential income gains: At least a few appear to have increased investment in farming, financed by internal loans, and expect to make a modest addition to their regular income. This further suggests that even the smaller internal loans are useful.
- 5) Potential for job creation: Most of the members were employed in farming especially in Kratie. In Stung Treng, the main vocation is fishing and illegal logging. Very few were unemployed. However, the farmers typically work in the field for only six months and spend the remaining months on non-farm labour which is not reliable. Their income from farming may suffer from poor rains, and poor selling prices. Moreover there is a four month governmental ban (well enforced in part by CRDT) on fishing during breeding season in the Mekong during which fisherman are under-employed. Moreover illegal logging comes with the risk of being nabbed and paying a hefty fine. There is a potential to provide them with a new livelihood opportunity such as piggery, poultry and fishery in the remaining months. For the remaining members, the SHG membership provides an opportunity for increasing income from their regular activity by increasing investment levels through loans. While it is to be taken with a pinch of salt, the two CBOs which had piggery training reported a 40% increase in income due to the intervention.

Most members seek training to expand current businesses (roughly 60% agriculture, 25% livestock) while few are looking to start a new business (15%). The immediately identified opportunities (with extant demand) in vocational training are in piggery, farming, fishing and poultry to improve profits. However for non-farm jobs such as tailoring, beauticians, the demand has to be created.

5.2 Summary of client FGDs

The annual income per the SHG profile ranged from 1 to 5 million riel (\$250 to \$1250) though it is difficult to verify this. Farmers had lands ranging from 1 to 20 acres and owned a few buffaloes. In general, monthly income has been estimated to be between \$130-200 by CRDT.

All the groups visited were mixed groups of size ranging from 8 to 19. They were not common interest groups. They were from the same neighbourhood and knew each other. They typically had studied till primary school and most could read and write a bit. Members were largely married and aged in their 30s and 40s. None of them belonged to another SHG or a CBO. MFIs and NGOs were present in all the villages visited ranging from a total of 4 to 10. No member had ever saved at a bank or MFI previously. This is partly because MFIs require a high minimum deposit amount and transaction needs to be conducted at the branch office.

Their reason for joining was to save, take loans and to get trained to increase income. Social issues were not mentioned as regular activity. There were usually 1 to 3 men per group. Though mixed, there was no evidence that men dominated the interviews nor were they always the coordinator. All of them met once a month on a specified date. By and large, the coordinators and representatives had well defined roles, and each guarded either the box or one key. They were always elected democratically though the coordinator moderates each meeting rather than letting members take turns.

Meetings were minimalistic – focusing on attendance, savings collections and repayments and new loans – but they still last one to three hours. There were up to three absentees in some of the group meetings, though the group had usually insisted on a good reason for absence or incur a penalty of 1,000r (\$0.25). They did not appear to be keen to take the oath, setting an agenda or assigning a moderator. The terms of almost all the loans repayments required only for the interest to be paid every month while the principal was to be paid in one sum in the last month. The group agreed to this as opposed to requiring repayment of the principal every month although the PA does not encourage this practice. Most of the loans were for income generation. Loan tenor ranged from three to six months. No one stated that lower interest rate was a key factor for preferring internal loans. All the groups interviewed agreed on interest rates of 2 to 3% per month which compares to the MFI rates of 3%. The mandatory saving amount was decided based on the capacity of the least able member, while voluntary saving was considerably higher. No one reported difficulty in saving or making repayments. Savings were stored in the safebox rather than a bank. Bye laws were not usually documented although the policies had been agreed upon. CRDT was to have them printed up, but were delayed in this process.

Group cohesion and trust was largely good although they prefaced this by saying that these were early days, and only a conflict would put this trust to the test. However, all the members interviewed were happy to be part of the SHG.

The PA visited them once or twice a month, reportedly sometimes even when it rained.

The first three FGDs were held in Kratie. This town has a population of 65,000 households with an MFI penetration of 37% (per Blue Orchard's paper on over-indebtedness in Cambodia) The first two FGDs were on the charming island of Koh Trong about five minutes away by ferry across the Mekong from Kratie. This small sandbar thrives on eco-tourism, farming, livestock and fishing and of course the Irawaddy dolphins. These were rural groups. The third meeting was in urban Kratie on the main land.

FGD 1 - Koh Trong Island SHG, Kratie

This all-women group had formed in January, and savings started in March. They had received M1, M2 and Coordinator & Representative training. The group had agreed to monthly savings of 5000r (\$1.25). Their books were up to date. In terms of communication skills and body language, this was the most impressive group. They had, in fact, asked to meet with us.

Four farmers had borrowed about 45,000r (\$11.25) to spend on labour, seeds and fertilizers and pesticides. They would sell the produce to a trader who picks up from the village. While return on investment remains to be seen, one of them who grew long beans and bitter melon expected to convert her 45,000r (\$11.25) loan into sales of 150,000r (\$37.5) after harvest while another expected sales of one million riel (\$250). These four seemed enterprising and had even previously borrowed from MFIs. However MFIs in Cambodia have cumbersome application processes, require clients to provide land titles as guarantee, need attestation by the village chief, and have strict collection practices that dissuade the farmers.

In terms of training needs or enterprise goals, the majority wanted to continue farming or vegetable growing, while one wanted to start an Indian restaurant.

While the group did not worry about the safety of their money, whenever she left the island, the coordinator took the savings money with her in her pocket for safe keeping reflecting her concerns as well as the risk of losing it in transit.



Figure 6: Kum Suki was keen to show us her long bean garden; inputs financed by her first internal loan

FGD 2 - Koh Trong Island SHG, Kratie

This group started the interview with the observation that another NGO had started a savings group here 8 years ago. Indeed the coordinator held the same position in a previous group as well. However after the NGO's manager stopped monitoring them after many years, the group was concerned about the safety of their money and decided to take back their savings. Hence, they expect the NGOs to provide support for conflict resolution and monitoring and advice over a long period of time.

This mixed group was mainly occupied in running grocery stores or farming. Reasons for joining the SHG were to get technical assistance and loans to raise farm or business profits, save for retirement (needs to raise \$10,000), emergency or for business. None had any running MFI loans although they had borrowed in the past; one had defaulted to an MFI earlier. Some had borrowed from moneylenders in the past at rates of 5%.

The group had formed in January. But they started saving 10,000r (\$2.5) per person only from April as they had delayed the first meeting, since they could not find the time prior to that. The kitty of 450,000r (\$113) had been loaned to three people of amounts 100,000 (\$25, home improvement), 100,000r (\$25, fishing gear) and 160,000r (\$40, family health expense). No one had started repaying as yet. They had agreed in the bye laws to repay interest only till the last month and repay the principal in one go since the farmers were engaged in growing vegetables which would take six months to harvest and sell.

There were three absentees in the second meeting. The books were not complete and the minutes were not recorded completely although their coordinator was the only one with a baccalaureate degree in accounts.

At the end of this FGD, the books of another nearby SHG were inspected. There too, the books were similarly incomplete, with two absentees in meetings. We were unable to interview the members.

FGD 3 - Urban SHG, Kratie

This group is located five minutes away from the town center of Kratie. The sole male member was a knife sharpener by trade, four ladies were housewives, while the remaining few were engaged in cooking or farming.

Their reasons for joining the SHG were to save, increase income by getting training in piggery, raising mushrooms, saving for an emergency, buying land, to avoid needless spending, save to start a grocery and tailoring business, purchase cattle to trade while the remaining member wanted to save to start an as yet undetermined small business. All were expecting training of some sort.

The coordinator did not seem confident or sure of her role, policies and goals of the group although the Representative-I found keeping the books easy. There had been three meetings thus far. Attendance was not 100%, since a few people had forgotten to attend.

Savings were regular at 2000r (\$0.50) per person while the voluntary amount was much higher. They were the only group interviewed to increase the number of meetings from once to twice a month to increase the amount saved. There was one absentee in the previous meeting and the profiles of a couple of members were missing in the SHG profile page of the group's book.

Interestingly one member wanted to know if the SHG model had been successful in India and members benefited from it.

FGD 4 - Rural SHG, Stung Treng

Stung Treng is the main town in the province of Stung Treng. It is small with a population of 21,000 households and a very low MFI penetration rate of 19%. It too, is located by the Mekong. It is home to four NGOs who form SHGs and CBOs (CEDAC, Baitong, PDY, My Village).

The group's name, Samaky Chok Chey means Unity is Successful. This group formed in February, had 13 members including two older men. One male was the coordinator, voted by the group, and did not dominate the FGD. He had about half a million riel (\$125) in the safebox, which he in turn stored inside another, bigger safebox at home! He said he would be comfortable with storing up to five million riel (\$1,250) in the box without worries about safety. Almost all the members were farmers. They all knew each other from before. This being sowing season, they lead busy lives this month to make time for the one hour group meeting.

It did not seem like they had sung the oath previously. The register was very well maintained, although there had been a few absentees. However, they had taken prior permission to miss the meeting to avoid the 1000r (\$0.25) penalty per the bye laws. There was also one dropout who had migrated out of town.

The coordinator wanted additional training for running the meetings and in the SHG model concepts and support from the Project Assistant.

The mandatory saving amount was 5000r (\$1.25). There were two loan disbursements thus far. One for 500,000r (\$125) with a five month tenor for house improvements with repayment including principal and interest and one for 300,000r (\$75) for buying inputs for vegetable growing with repayment being over three months paying interest only and the principal in one go in the last month. None of them had ever borrowed from an MFI due to worries of losing their lands in case they could not repay. Instead they borrowed from friends or relatives. They were not part of any other NGO either.

Demand for enterprise training was for improving yield of vegetable farms (cabbage, water spinach, long bean) or for animal husbandry (chicken, pig, cow). This was despite an existing government outreach service that provided agricultural training separately. Their ideal loan size sought was 500,000r (\$125), easily provided through internal lending.

The group seemed happy with each other and with the meetings. They saw the SHG as a way to help each other with small loans. They did not do joint activities outside of the meetings as yet, since this is their busiest season.

Meet Kampi Sreylim

Kampi, 33, lives on one of her three lush farms about 100 meters away from the banks of the Mekong in a stilted wooden house with her husband and three children. Her village is about 30 minutes away from Stung Treng town center.



She has studied till grade five. A farmer, she grows cucumber, cassava, cashew nuts and rice by herself. Her husband, Loh Sukman is a carpenter who sometimes helps her on the farm.

We estimate her total landholding size to be 11,500 square meters. She sells vegetables during 10 months in a year, four to five days per month, for total sales ranging between 50,000 (\$12.5) to 100,000r (\$25) per day. Her annual income is about 3.75 million riel (\$937).

She joined the group since she recognized that saving and borrowing is better than borrowing from outside. The Project Assistant's first presentation convinced her to sign up.

She has taken a loan of 300,000r (\$75) from the group for buying fertilizer, pesticides and cucumber seeds. In the past she had used her savings when available or from moneylenders or relatives paying interest of 10%

per month (90,000r or \$22.5) over a three month period. In comparison the SHG charged her only 6,000r (\$1.5) per month in interest. She has been approached by MFIs but has not borrowed from them before. She expects to sell 200 kilograms of cucumber over 15 days at 1000r (\$0.25) per kg for total revenue of three million riel (\$750).

Her stated expenses are low. She spends 200,000r (\$50) twice a year on clothes, 200,000r again on education, 100,000r-500,000r (\$25-\$125) on education, and 4000r (\$1) per day on the children, and payments at wedding five times a year totaling 250,000r (\$62.5).

She didn't have a financial plan or goals to reach; she wanted to grow and sell more vegetables. When asked about the group meetings, she appreciates the structured opportunity to save and borrow. When probed further, she added that she discusses issues and learns from other people. When she was last sick, she received recommendations on a doctor to visit along with a little cash (since a visit to a physician will set you back by at least \$20 in Cambodia).

She thinks the SHG is a good idea, though she doesn't know if it will stand the test of time. Her husband is supportive. In fact he is the one that saves the amount for her to deposit with the group each month.

FGD 5 - Rural SHG, Stung Treng

This group seemed to be very happy to be in the meeting and to be in the SHG as they were all friends and close neighbours. The male coordinator collected the payments and guarded the safebox. The Representative-II kept the books although he had missed the training³. Hence he had difficulties in filling it in. But it speaks to the user-friendliness that he was able to do a reasonable job without training. This group had originally been formed in mid-march but had become defunct since this was busy season (they tried to send their children to the meetings and that, of course, did not work) and full set of training had not been provided. It had been resurrected through CRDT's support and one meeting had been held thus far.

The main reasons for joining was to save to help people who needed a loan, save but without a clear business purpose, but largely to save to invest into piggery and fishing. There appears to be borrowing constraints. They do not instead borrow from an MFI because of the interest rate of 3% and the requirement to pledge their land title and the concomitant risk of losing it all. When asked, they reported that their ideal loan size was \$1000 or less.

Simplified economics of piggery and fishing

A piglet costs 150,000r (\$37.5). The farmer typically wants to buy 4 or 5 piglets for 750,000r (\$188), fatten them and resell them in the market. A fattened pig weighs 60 to 80 kgs and sells for 6000r (\$1.5) per kg. It takes six months to rear a piglet. Feed is from rice and chicken waste and is not likely to cost much.

Hence the expected revenue after six months on five pigs is 2.1 million riel, leading to effective income less the loan and interest at 2% of 200,000r (\$50) per month.

Not transformative, but a good start nevertheless at perhaps a 25% rise in monthly net income and it is not a labour intensive activity.

Fishery on the other hand needs a two million riel (\$500) loan to construct a tank and purchase fingerlings. Three months later, half the time as with pigs, the fish can be sold for a profit of half a million riel (\$250) - a sound 16.7% return on investment per month.

Demand for training was unanimous and split between fishery, poultry and piggery, for a maximum of two days.

They currently meet once a month but were planning to increase to twice in order to up the total saving per month, since it is likely easier to save a larger equivalent amount every fortnight than once a month, thereby decreasing discretionary spending as well.

FGD 6 - Rural SHG, Stung Treng

We were fortunate to visit a live group meeting that had been convened to coincide with our visit. The house had electricity. It belonged to a regular member, not a functionary. Before the meeting started, a

³ He could not find the address of the training venue!

member's wife had fainted and needed medical attention. The husband came to drop his saving contribution for the month and to pick up a spot loan to take his wife to the clinic.

This group is a rural farmers group, about 30 minutes west of the town center, and about 60 km from the Laos border. Their first language was Lao. It was a large mixed group of size 19, with 3 men.

Before they joined, the PA impressed them with the concept – people liked the idea of a saving group, they trusted their peers, and liked the structured methods to record financial transactions accurately. They joined to save and take loans for business investments, children's education, to test themselves and see how much they could save in a year, while one wanted to save towards purchasing a house. They have never been with an NGO before though nine of the members had a running loan from an MFI (Acleda Bank) of sizes ranging from 500,000 (\$125) to 1,000,000r (\$250) for buying fishing gear and for farming. However, they were worried about their ability to make timely repayments to the MFIs since their collection practices were inflexible. They also borrowed from moneylenders. In fact one of the group members was a money lender herself. But she did not have enough capital to lend to all of them. Despite borrowing from them, they had never saved at the MFI nor indeed anywhere else before, since the minimum amount to save at the MFI was too high.

They also wanted training on farming and animal husbandry in order to increase yield and hence profitability.

The SHG profile had been completed in the register, revealing incomes going up to \$250 per household per month. The mandatory saving amount was 5,000r (\$1.25), though voluntary saving amounts were much higher at 15,000r (\$3.75) to 45,000r (\$11.25) for a total of 393,000r (\$98) in the safebox. There was already one modest sized internal loan that had already been disbursed. Not everyone had signed the minutes page, in the one meeting that had been held so far. Furthermore, they did not seem sure of what training they had already received or be clear about what message the PA had given them. The coordinator was not clear about how to run the meeting or fluent with the oath.

They were happy to be part of the group and they were confident about the safety of their savings. Although, being sowing season, with lower incomes it was a difficult time to save, they were confident about reaching their goals. When asked point blank, they reported trusting their group members well, though parenthesizing it saying that it was still early days and no mistakes had been committed yet.

6. Concluding remarks and suggestions

Based on self-reported client impact and observation on the outside options available, this intervention is a desirable one and the targeting has been good. There is a strong demand for savings groups and many of the loan amounts desired can be provided from internal lending.

CRDT believes its strength is its rural network of CBOs and would like to leverage this strength. CBOs were originally intended to apply for grants from government and NGOs. However funding availability has dried up, increasing the importance of promoting internal lending. CRDT is looking to strengthen the CBOs and wants to carefully study the desirability and feasibility of converting CBOs to SHGs. Its next

step is to strengthen its quality before proceeding with Phase II of this project. It is also looking to do a feasibility assessment of transforming into an MFI. Additionally CRDT wants to continue to develop eco-tourism, English training, tourism schools and vocation training in its provinces of operations. A couple of key decisions for CRDT are whether to convert CBOs into the SHG model and in which locations to expand to.

In the next phase of the project, the following measures will be useful, most of which CRDT has been considering.

1. Clients need more training: The groups are not meticulous in following processes and need further strengthening. Good habits such as signing the minutes and taking oath need to be inculcated right in the beginning for good future ratings. Of particular concern is the habit of repaying interest only on internal loans, before paying the principal in the last month. While these terms may be desirable since repayment is made to synchronize with their income streams, it comes with the risk of default in case the crop fails or the livestock dies. Moving forward, training could be broken into two days with a break of a month in between, the second being a refresher.
2. Support from HiH: CRDT is going through a learning process. Clear advice from HiH in terms of what processes need to be strictly followed based on their past experience and what rules are flexible, would be helpful. A unified message should come from HiH. Knowing what steps are critical for maintaining discipline along with rationale for the risks, and what are optional will help CRDT make better contextualization decisions.
3. Long term monitoring of the groups is required: The clear message is that CRDT's monitoring and support will be needed for a while (for at least a year), so that the groups know how to handle exigencies as well as carry out regular activities. Hence, future project budgets should factor in support and monitoring by PAs and refresher training to ensure that the groups continue to function after the project period is complete. We cannot take longevity of SHGs for granted - some CBOs and SHGs of other NGOs have gone defunct after functioning for up to 8 years. The lessons learned will help CRDT evolve its processes further.
4. Refresher training of PAs is useful for PAs to have the latest updated process training, for standardization and to provide clients with a uniform message. A monitoring plan with Key Result Areas for the PAs should measure group quality tangibly. Perhaps the SHG ratings could be one such indicator. PAs could also be incentivized based on the ratings of the SHGs they manage.
5. Safety of cash: The safebox is about one foot by half foot by half foot and made of thin metal. It is not difficult to open it by force. Chances of loss may be low when cash at hand is less, since internal loans are quickly given out, but safety will become a worry when the size of the kitty increases. Hence, it is important to have clearly defined policies on what to do when the cash in hand becomes larger. In the next phase, it may become required to park some savings at a secure place once it crosses a few millions.
6. Livelihood training: It is best to start small with business expansion through loans till the group stabilizes. The benefits of livelihood training are best under-promised and over-delivered. Agriculture is risky business for anyone and some group may chose to default in case they lose their crop or livestock after receiving training. For instance, CRDT has had experience of low market prices for pig sales, sometimes there has been drought, and chicken may get diseases. CRDT has

competence in training in piggery, fishery, poultry and farming in addition to eco-tourism, which is in line with community demands. CRDT is looking to design a strategy to first improve yield for the clients in their current vocations, help add value to raw outputs and finally assist in linkages to purchasers. It is also considering developing an almost non-existent dairy sector.

7. Sustainability: CRDT is looking for a sustainable model. This is required to provide support and to monitor after the grant period is over and to finance training. An option that CRDT is considering is to register itself as a Rural Credit Operator with the regulator in order to provide microfinance to the groups when they are ready. They could also hold group deposits. The revenue collected could be used to subsidize costs. A federation structure is also being considered.
8. Competition from MFIs: Cambodia is showing signs⁴ exhibited by other MFI markets that go through a crisis such as lop-sided growth, outsourcing of group formation to village representatives rather than to do it in-house through loan officers and laxity in verifying clients' loan absorption capacities. CRDT currently permits its members to borrow from MFIs and the SHG. In the hypothetical case that the borrower has repayment difficulties, she is more likely to default to the SHG since the MFI has her land title papers. PAs should hence keep tabs on MFI operations.
9. CBO or SHG: CRDT faces the question of whether to convert existing CBOs to SHGs or not. At first blush, it appears that the SHG model shows better prospects of running on its own steam. CRDT should test CBO to SHG conversion, and monitor before scaling up. CRDT would do well to continue its expansion in areas under-served by MFIs.
10. Meetings: The current oath seems too long. As well, meeting frequency if it increases may increase the total amount saved per month.

⁴ Based on the over-indebtedness study by Blue Orchard and comments of other sector experts.

APPENDIX A – Outreach as on May 2013

No.	Province	Name of Villages	Date	Total Members	Mandatory Saving per head p.m	Voluntary saving	Penalty Amount	Total subscription amount of SHG	Interest	KYC-done?	M1 training	M2 training	C & R training completed	Total Loan in Rotation
1	Kratie	Khal Koh	24-Jan-13	10	5,000	35,000	-	10,000	-	Yes	Yes	No	Yes	135,000
2		Chong Koh	22-Jan-13	12	5,000	100,000	-	12,500	2,100	Yes	Yes	Yes	Yes	220,000
3		Chong Koh	30-Jan-13	13	10,000	140,000	-	9,500	4,000	Yes	Yes	No	Yes	360,000
4		Toot Monorum	18-Feb-13	8	3,000	21,000	-	3,500	-	Yes	Yes	No	Yes	-
5		Toot Monorum	26-Apr-13	9	1,000	-	-	4,500	-	No	Yes	No	Yes	-
6		Toot Monorum	13-Feb-13	8	3,000	12,000	-	4,000	-	Yes	Yes	No	Yes	-
7		On Ruessai Pir	26-Feb-13	15	5,000	175,000	-	14,000	-	No	Yes	No	Yes	100,000
8		On Ruessai Pir	20-May-13	11	5,000	-	-	-	-	No	No	No	No	-
9		On Ruessai Pir	22-May-13	12	1,000	-	-	-	-	No	No	No	No	-
10		On Ruessai Pir	21-May-13	8	2,000	-	-	-	-	No	No	No	No	-
11		On Ruessai Pir	19-Feb-13	8	5,000	-	-	4,000	-	Yes	Yes	No	Yes	-
12		Srae Sdan	21-Jan-13	8	3,000	217,000	-	8,000	-	Yes	Yes	No	Yes	260,000
13		Srae Sdan	21-May-13	8	5,000	-	-	4,000	-	Yes	No	No	No	-
14		Rokakandal I	10-May-13	9	5,000	-	-	-	-	Yes	No	No	Yes	-
15		Rokakandal I	21-May-13	8	2,000	3,000	-	3,000	-	No	Yes	No	Yes	-
16		Rokakandal II	11-May-13	8	1,000	-	-	-	-	Yes	No	No	No	-
17		Rokakandal II	20-Apr-13	9	5,000	-	-	4,500	-	Yes	Yes	Yes	Yes	-
18		Sre Treuk	26-Apr-13	13	2,000	213,500	-	6,500	-	Yes	Yes	Yes	Yes	-
19		Pro Huot	20-Jan-13	13	2,000	-	-	-	-	No	No	No	No	-
20		Preack Prang	22-Mar-13	17	2,000	-	-	-	-	No	No	No	Yes	-
21		Preack Prang	6-Apr-13	11	5,000	17,000	-	9,000	-	Yes	No	No	Yes	-
22		On Ruessai Mouy	16-May-13	11	10,000	-	-	5,000	-	Yes	Yes	No	No	100,000
23		Cheang Peat	12-Nov-12	10	3,000	92,500	-	11,000	-	Yes	Yes	No	Yes	-
24		Cheang Peat	15-Aug-12	9	5,000	3,000	-	21,500	-	Yes	Yes	Yes	Yes	189,000
25		Cheang Peat	17-Jan-13	10	2,000	38,000	-	95,000	-	Yes	Yes	No	Yes	-
26		Chrava	10-Feb-13	10	10,000	500,000	-	40,000	68,400	No	No	No	Yes	840,000
27		Chrava	20-Feb-13	13	10,000	80,000	-	24,500	-	Yes	No	No	Yes	260,000
28		Chrava	6-Mar-13	8	3,000	49,000	-	7500	500	Yes	Yes	No	Yes	110,000
29		Kampi	26-Jan-13	8	5,000	80,000	-	12,000	1,600	Yes	Yes	No	Yes	80,000
30		Kampi	25-Jan-13	8	5,000	134,500	-	14,500	-	Yes	Yes	No	Yes	195,000
31		Samret	7-Mar-13	8	5,000	-	-	2,500	-	Yes	Yes	No	Yes	-
32		Bay Samnom	27-Aug-12	16	3,000	-	-	109,000	-	Yes	Yes	Yes	Yes	900,000
33		Thmor Kre Leu	23-Apr-13	10	3,000	147,000	-	4,000	-	Yes	Yes	No	No	-
34		Kam Baor	11-Apr-13	11	5,000	70,000	-	5,500	-	Yes	Yes	No	Yes	125,000
35		Bos Leav leu	24-Apr-13	12	5,000	10,000	-	5,500	-	Yes	Yes	No	Yes	-
36		Bos Leav leu	24-Apr-13	14	5,000	90,000	-	6,500	-	Yes	Yes	No	Yes	100,000
37		Kam Baor	26-Apr-13	9	5,000	110,000	-	10,000	-	Yes	Yes	No	Yes	200,000
38		Tro Pang Pring	20-Jan-13	12	5,000	-	-	4,500	-	Yes	Yes	No	Yes	-
39		Kakot	7-May-13	8	3,000	-	-	-	-	No	Yes	No	No	-
40		Thmor Kre Leu	10-May-13	9	5,000	45,000	-	4,500	-	Yes	Yes	No	Yes	-
41		Bos Leav leu	8-May-13	9	3,000	48,000	-	4,500	-	Yes	Yes	No	No	-
42		Thmor Kre Leu	19-May-13	8	5,000	30,000	-	3,000	-	Yes	No	No	Yes	-
43		Kam Baor	20-May-13	8	5,000	95,000	-	4,000	-	Yes	No	No	Yes	130,000
44		Thmor Kre Leu	22-May-13	10	5,000	-	-	5,500	-	Yes	No	No	No	-
45	Cotacoum	Um Khuong	21-Feb-13	15	10,000	-	-	13,000	-	Yes	Yes	Yes	Yes	450,000
46		Sre Krasang	27-Feb-13	8	20,000	-	-	5,000	-	No	No	No	No	-
47		Damrey Phung	27-Feb-13	9	5,000	-	2,000	8,500	-	Yes	Yes	Yes	Yes	150,000
48		Kang Memay	21-Mar-13	8	10,000	-	-	3,500	-	No	No	No	No	-
49		Kang Memay	21-Mar-13	13	5,000	730,000	-	6,500	-	Yes	Yes	No	Yes	500,000
50		Sre Pur	2-May-13	12	20,000	-	-	5,500	-	Yes	Yes	No	No	-
51		Thmor Leat	3-May-13	8	10,000	-	-	-	-	No	Yes	No	No	-
52		Phum Leu	3-May-13	9	5,000	-	-	3,500	-	Yes	Yes	No	Yes	-
53		Hang Savat	9-May-13	12	5,000	5,000	-	5,500	-	Yes	Yes	Yes	Yes	-
54		Sam Kuoy	10-May-13	17	10,000	-	-	6,500	-	No	Yes	Yes	Yes	-
55		Ba Derm	17-May-13	9	10,000	-	-	4,500	-	Yes	Yes	Yes	Yes	-
56		Sre Taban	18-May-13	10	5,000	40,000	-	4,500	-	Yes	Yes	No	Yes	-
57		Um Khuong	20-May-13	9	10,000	-	-	3,500	-	Yes	No	No	Yes	-
58		Hang Savat	25-May-13	9	5,000	-	-	4,500	-	Yes	Yes	No	No	-
59		Phum Thmey	3-May-13	19	5,000	285,000	-	18,000	-	Yes	Yes	No	Yes	300,000
60		Phum Thmey	8-May-13	8	10,000	10,000	-	4,000	-	Yes	Yes	No	Yes	-
61		Phum Hang Kasom	11-May-13	13	5,000	-	-	6,500	-	Yes	Yes	No	Yes	-
62		Koh Komdin	12-May-13	16	5,000	150,000	-	3,200	-	Yes	Yes	No	Yes	-
63		Hang Koban	19-May-13	10	5,000	100,000	-	2,000	-	Yes	Yes	No	Yes	-
64		Hang Koban	19-May-13	10	5,000	510,000	-	2,000	-	Yes	Yes	No	Yes	-
65		Kam Phan	22-May-13	8	5,000	15,000	-	4,000	-	Yes	Yes	No	No	-
Total				681		4,400,500		611,200	76,600					5,704,000

Appendix B: Detailed budget and expenses, as on May 31 2013

No.	Proposed activity description	Unit	Unit required	Frequency	Unit cost estimated	Approved Budget HiH	Detailed Expenditure for 6 Months (July to December)						Detail Expenditure for 5 Months (January to May)					
							Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	
I. Project Staff required																		
1	Executive Director	Month	2	1	1020	0												
2	Enterprise and Marketing Manager	Month	6	1	630	3780				696	696	696	696	696	696	1,392		
3	Project Manager	Month	13	1	430	5590				583	583	583	583	583	583	1,106	583	
4	Project Assistant (2 staff)	Month	13	2	220	5720		450	520	250	250	250	500	500	500	1,130	500	
4	Project Assistant (2 staff)	Month	8	2	220	3520		191	220	250	250	250	500	500	250		500	
5	Trainers	Month	6	2	320	3840				378	378	378	786	786	786	1,452	786	
6	Finance Officer (1 staff)	Month	13	1	320	4160		300	320	350	350	350	350	350	350	700		
7	Admin assistance (1staff)	Month	13	1	220	0												
8	Staff Development and Capacity building	Lumsum	3	1	200	300							120				118	
	Sub Total					26910	-	941	1,060	2,507	2,507	2,507	3,535	3,415	3,165	5,780	2,487	
II. Transportation & Subsistence																		
1	Vehicle running costs	Month	12	2	120	1440			3				102	99	102	238	545	
2	Trainsport maintainances	Month	12	2	60	720	24	17	27	10	8	9	18	35	108	63	367	
3	Other travel costs	Month	12	2	30	360	16	21	12	148		56	4		91	123		
	Sub Total					2520	40	38	43	158	8	65	124	134	300	423	912	
III. Proposed activities																		
1	Village Meeting and Authorities	Meeting	71	1	30	2130			77	140	216	147	392	613	383		75	
2	SHG establishment and registration	SHG	72	1	120	8640	62	141			32		129	143	631	424	3,292	
3	Training SHGs on proposal, report, record and financial management.	SHG	20	1	120	2400			82		19	4		36	175	919	1,164	
4	ToT Training	Courses	5	1	50	250						247						
4	Training on enterprise development	Courses	70	1	120	8400									171	40		
5	Start up grant/revolving fund	grant	100	1	0	0												
6	Set up financial system	Consultan	1	1	1000	1000												
7	Baseline/M&E	Time	1	1	1500	1500		12					24					
8	Follow up/choaching activities	Month	5	1	200	0												
9	Financial audit	Partial	1	1	1200	0												
	Sub Total					24320	62	154	159	140	267	398	545	792	1,359	1,384	4,531	
A Officer supply																		
1	Field office rental	Month	12	2	120	0			40	40			150			150		
2	Cleaner/hourse keeper	Month	12	2	80	0					10							
3	Internet service	Month	12	2	20	0	10	5	45	52	41	40	100	80	65	65		
4	Electricity and water...	Month	12	2	60	0												
5	Office Equipment and Materials	Lumsum	1	2	800	0			9		12	10	6					
	Sub Total					0	10	5	94	92	62	50	256	80	65	215	-	
B Project Equipment and Materials																		
1	Printcatrict	Unit	4	1	60	0	45											
2	Printers/copying	Unit	2	1	350	0												
3	Equipment repairing (printer, computer)	Lumsum p	12	1	30	0					18		6		26			
4	Camera	Unit	2	1	300	0							7		275			
5	Destop for finance officer	Unit	1	1	750													
6	Laptop/computer	Unit	5	1	500	1500					490	1,000						
7	Helmet	Unit	10	1	17	170						85			30			
8	Motors (Honda made in Thailand)	Unit	5	1	1600	4800							3,765					
9	Rain Coat	Unit	10	1	8	80		21									42	
10	Bak Charge for Fund Tranfer										71				111			
	Sub Total					6550	45	21	-	-	579	1,085	3,778	-	442	-	42	
Total							60,300	157	1,158	1,356	2,897	3,424	4,104	8,238	4,421	5,332	7,802	7,972