

Building Trust and Assets After the Khmer Rouge *CARE Community Savings Microfinance in Cambodia*

Decades of war have taken their toll on Cambodia's human and economic development. High levels of government spending on defence have resulted in low public spending on education and health. In turn, economic development has been badly affected and contributes to poverty among the largely (approximately 85%) rural population. Approximately 36% of Cambodia's population was living below the poverty line in 1997 and Cambodia's real Gross Domestic Product (GDP) per capita in 1999 was US\$260.

With funding from the Australian Agency for International Development (AusAID), CARE Australia and CARE US, the 'Savings Mobilisation Project' began in January 1998. The project started as a CARE Small Economic Activity Development (SEAD) Pilot in the Battambang Province in Northwest Cambodia, where CARE had worked in relief activities in the aftermath of the conflict. The Pilot's specific purpose was to promote economic security in low-income households by encouraging the mobilization of savings in those households. At the time of the Project's implementation, a number of microcredit programs had begun operating in Battambang Province however none were promoting or encouraging voluntary savings mobilization nor using savings-based approaches to microfinance.

The Pilot Project proved to be remarkably successful on many levels but most particularly for demonstrating that poor people could save if given the opportunity and that they were keen to develop capacity within their own communities to strengthen their economic security.

"The Project has destroyed the myth that poor Cambodian people cannot save."

Methodology

Mobilisation of villagers' savings has always been the focus of the Project. Active members contribute compulsory savings every month and are encouraged to make additional voluntary savings deposits. Since inception, no external cash funding has been contributed to the Savings Banks. The lending fund for each Savings Bank is therefore made up entirely of member's contributions in the form of members' savings, membership fees, share purchases, and interest earned on loan repayments. External assistance has only ever been provided in the form of technical and operational assistance.

Why Savings Banks? The Khmer words for "cooperative" and "credit union" are associated with the terror and forced collectivism of the Khmer Rouge. No one wants to hear those words now.

The methodology begins with the formation of community-based organizations, savings banks owned by poor rural populations. They elect management committees to organize and manage the day-to-day operations. As the village savings and loan groups grew in membership, funds and most of all experience, they began to coordinate more among savings groups. Joint capacity building, exchange and the inter-group lending began and with it the steps to form a permanent federated structure to support the groups while fostering growth and services. A remarkable aspect of this Project has been the highly successful transfer of skills to Savings Bank members.

Not surprisingly, a common thread underlying the success of the Savings Mobilisation Project, has been obtaining the initial and ongoing support of village heads and the local authorities in each village.

As the scale and scope of the saving banks grew members elected a Board of Directors and Supervisory Committee. The Board then hired employees, an Account, Cashier, and Promoter/Collector. The Savings Bank's employees come from the members of the saving banks and have experiences as group leaders. The banks employees are managing the day-to-day operation of the saving banks.

Beyond the Project to Independence and Sustainability

The leaders of the Savings Banks, under the guidance of CARE and with assistance from the Asia Confederation of Credit Unions, established the Cambodian Community Savings Federation (CCSF) in 2003. The CCSF is owned and governed by the Savings Banks. The CCSF intermediates funds between Savings Banks, as well as providing them with additional wholesale funds. The wholesale loans average US\$3,750 per Savings Bank at an interest rate of 2% per month and the Savings Banks lend to their members at an average of \$125/loan at rates of 3-3.5%/month depending upon the type of loan. The CCSF has also begun providing micro-insurance to members in order help families cover costs in times of crisis. In addition, the CCSF continues to provide training and technical assistance to the Savings Banks in areas such as management, operations, and leadership.



In Cambodia, the CCSF has learned that stable rates of return, and a secure place to deposit money are the necessary components to build trust among the rural poor.

Currently the CCSF has over 13,532 members (66% women) in 1,165 groups in 38 Savings Banks.