



Food and Agriculture Organization
of the United Nations

IT for financial services to farmers - PADEE Project in Cambodia

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FAO Regional Office, Bangkok, Thailand

Presented during the **2016 FAO-ITU E-Agriculture Solutions Forum**

29-31 August 2016

TOT Academy, Bangkok, Thailand

INTRODUCTION - ACCESS TO FINANCE FOR FARMERS

- Commercial Banks
- Development Banks
- MFIs and Rural Banks
- Finance Cooperatives,
Credit Unions
- Village Banks and **Group
Revolving Funds**

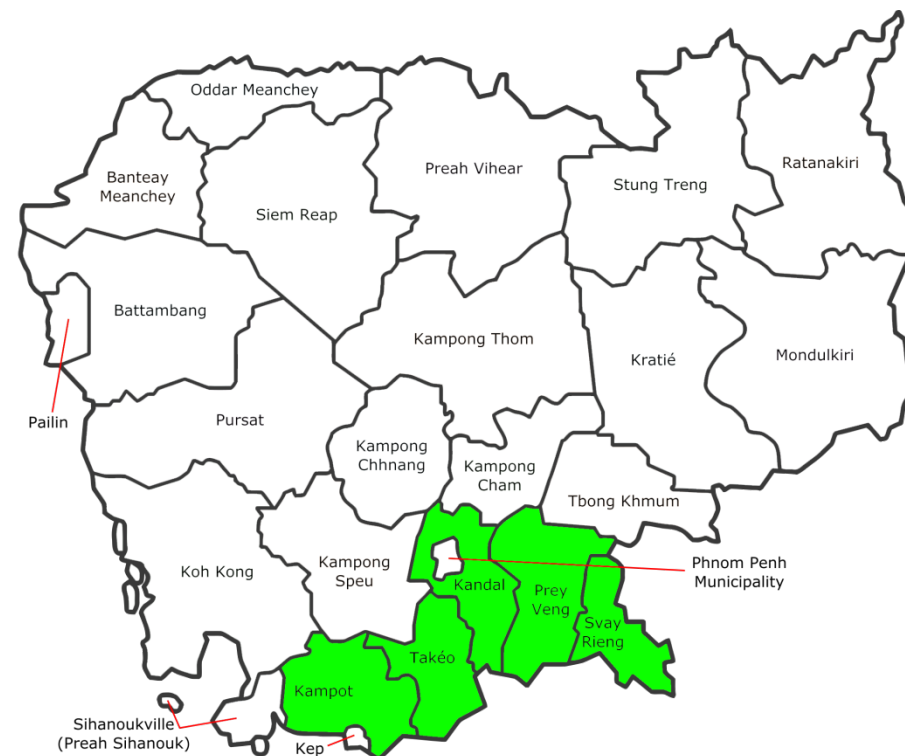


Project for Agriculture Development and Economic Empowerment (PADEE), Cambodia (funded by IFAD)

- Goal:
 - Improve agricultural productivity and diversify income sources for rural households in Cambodia
- Components:
 - **Improved access to financial services**
 - Financial Literacy Training
 - Improved Access to Technology and Markets
- Partners – MAFF, FAO, iDE, SNV
- Started in 2012-2013

Scope of PADEE project for financial services component

- 5 Provinces in S/E Cambodia: Kandal, Kampot, Prey Veng, Sway Rieng, Takeo
- 984 villages (groups)
- 50 selected households per group
- Total 49,200 households
- Capitalization : USD12,000 per group
- Grant recorded as a “non-withdrawable share”, in the name of each member



Group Revolving Funds: the Good...

What are the (potential) strengths of Group Revolving Funds?

- Community-based: can mobilize large sections of the community
- Because community based: nearly perfect member information on creditworthiness
- ...therefore loan appraisal can be done really well, in theory
- Emergency loan appraisal can, if necessary, be done fast....
- ...and can provide good service to members
- Voluntary or low-cost operations (compared to MFIs or banks) because little travel, low loan appraisal cost, part-time volunteers

Group Revolving Funds: the Not-So-Good...

What have been the weaknesses of Group Revolving Funds?

- Poor recordkeeping, accounting and reporting
- No way to monitor financial performance or impact during the project or after project completion
- Weak management

Lack of professionalism in recordkeeping, accounting, reporting is missing and exacerbates weak management

The IMPROVED Group Revolving Fund (IGRF)...

The Improved Group Revolving Fund (IGRF) combines *the best of two worlds*:

- 1. *Community-based* advantages:**
 - Intimate knowledge about the members and potential members and loan applicants
 - Low-cost operations
- 2. *Professional recordkeeping, accounting reporting* by an External Service Provider (ESP) through a *Mobile Field Agent (MFA)***

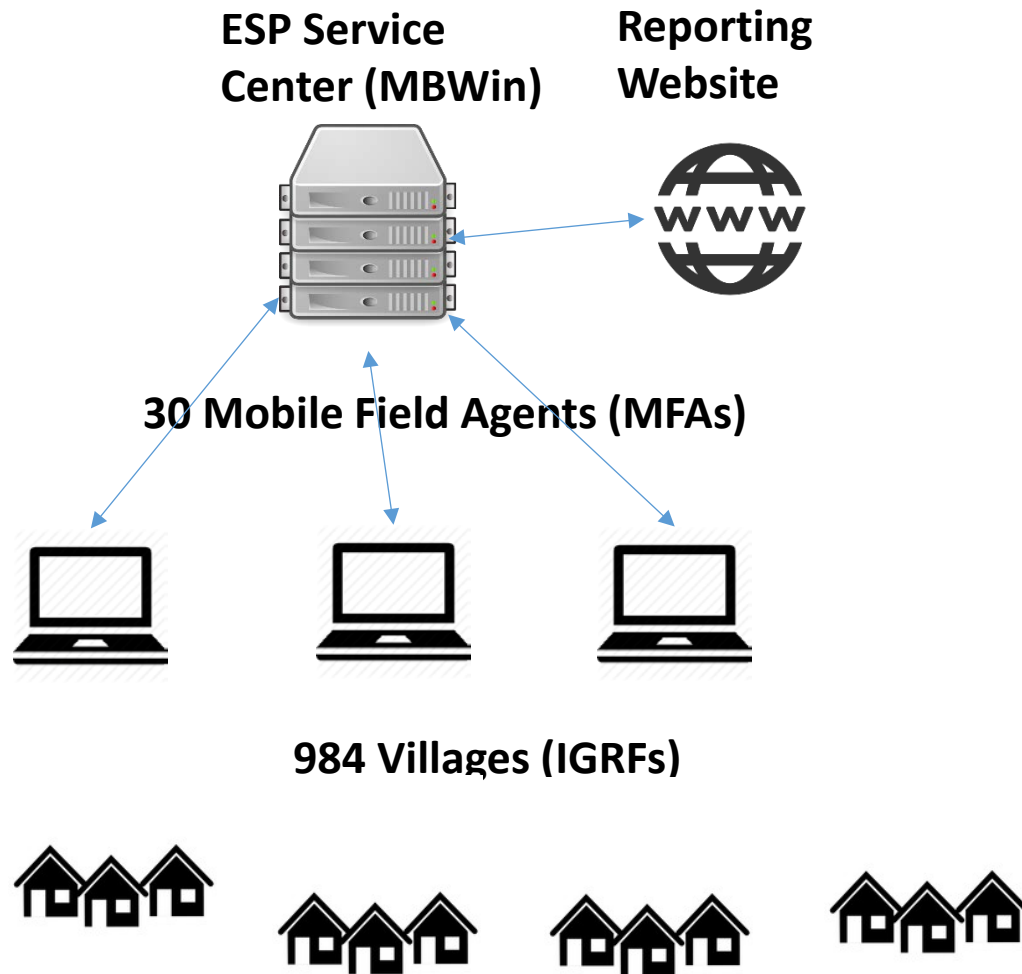


The IMPROVED Group Revolving Fund...(2)

- Keeps only a **Cashbook** and fills **Cash Vouchers**: cash-in and cash-out (deposits, withdrawals, loan disbursements and repayments, transactions with the bank/MFI)
- Has one **“Banking Day”** per month: transactions are recorded with this date, even if they occurred a few days earlier
- A **Mobile Field Agent (MFA)** visits on the Banking Day to record transactions on their laptops
- In most villages, mobile internet (3G/Edge) allows **real time recording** of transactions from a laptop to a central database in Phnom Penh



The Workflow



Selected System: the FAO-GIZ MicroBanking System (MBWin)

- Development started in 1987 in FAO
- Development of Windows version co-financed by FAO and GIZ in 1999
- Currently used in 1,276 sites in 23 countries in 12 languages
- Target customers: development projects, financial cooperatives, MFIs, rural and development banks
- Has modular structure with modules for Customers, GL, Loans, Savings, Current Accounts, Shares, Time Deposits, Multicurrency, MultiBranch, ATM and Money Transfer

<http://www.mbwin.net>



IGRF PADEE REPORTS

Admin

Sign Out



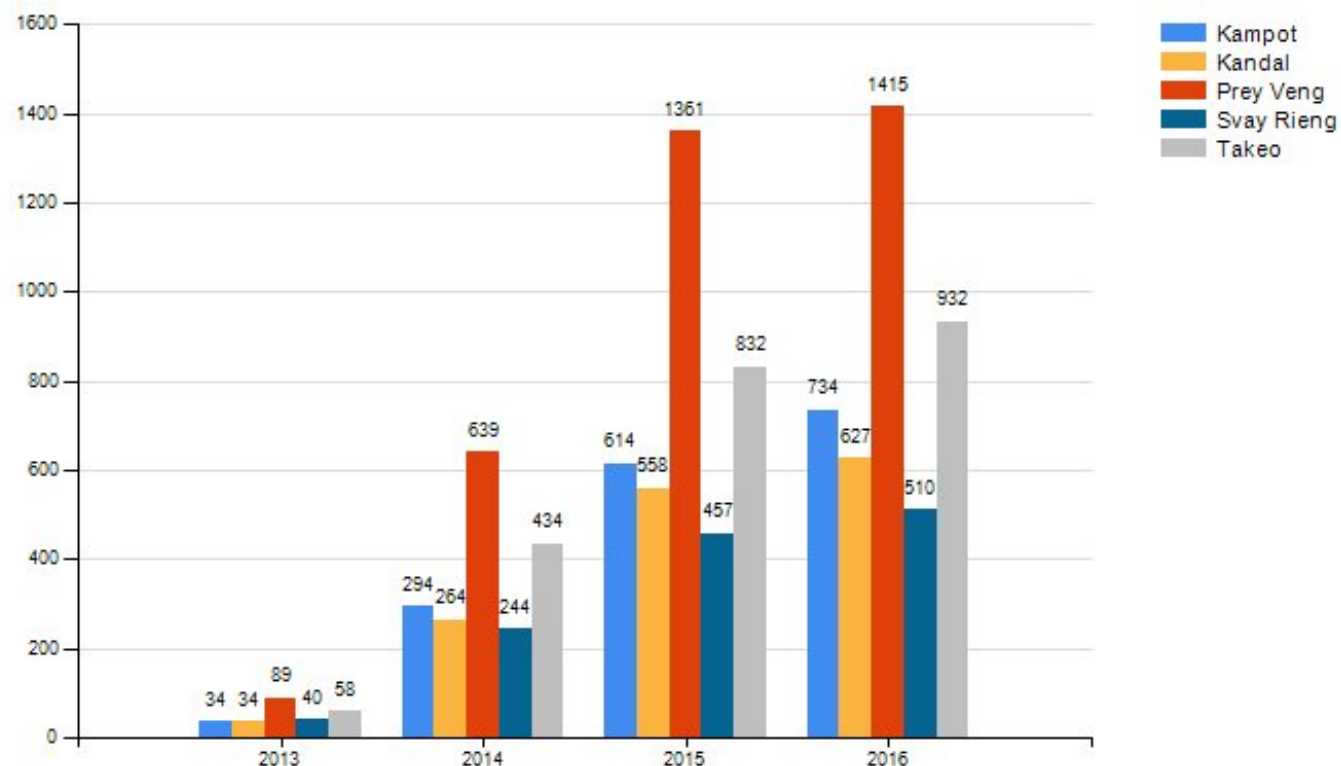
- Portfolio Quality
- Loans by Purpose
- Real Time Profitability Analysis
- Loans by Term
- Real Time Abbreviated Trial Balance
- Single Group Report
- List of Members
- Cumulative Loan Disb and Repayment
- Dividend And Committee Fee Ceilings Per IGRF
- IGRF Status of EOD and EOM
- Groups and Members
- Profitability for One Financial Year
- Trial Balance for One Financial Year
- IGRF Status of EOD & EOM (Archive)
- Capital Growth of IGRFs
- End of Month
- Abbreviated Trial Balance
- Profitability
- Profitability Analysis
- IGRF Audit Report**
- IGRF Audit Report
- MFA Services**
- Print and Reprint Loan ID cards
- Edit Customer Names (Khmer)
- Print receipts for members
- MFA Audit Trail Report**
- MFA Audit Trail Report
- MFA Audit Trail Report II
- IGRF Red Flag Report**
- IGRF Red Flag Report
- Graphs & Charts**
- Net Interest Income by Provinces



Net Interest Income by Provinces

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Amounts in Million Riel



Reporting for IGRFs

- IGRF Committee is supported by computer-generated reports, provided by the MFA:
 - Member list
 - List of shares (2x)
 - List of loans
 - List of loan repayments due for next month
 - Trial Balance (= Balance Sheet and Income/Expense Statement in one) with up-to-date Net Worth
- IGRF accounts and reports are real-time accessible through PADEE website for M&E and project management purpose



គម្រោងដាំដុះក្រុមកែលម្អអនុវត្ត/ PADEE Project IGRF
 Branch 102011: Krasang Leu
 គិតដល់ថ្ងៃ/ As of Date: 30-11-2014
 តារាងតុល្យការ/ BALANCE SHEET - 2013

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Sort Code	Description	Debit	Credit
1	ទ្រព្យសម្បត្តិ Assets	17,574,800	
1-01	ប្រាក់ក្នុងដៃ Cash on hand	4,427,200	
1-03	ប្រាក់ក្នុងធនាគារ Cash in bank	687,600	
1-05	ប្រាក់កម្ចីក្នុងដៃសមាជិកសរុប Loans to Members	12,480,000	
2	បំណុល Liabilities		213,200
2-09	បំណុលផ្សេងៗ Other Liabilities		213,200
3	ជើងទុន Capital		17,361,600
3-01	ប្រាក់ភាគហ៊ុនមិនអាចដកបាន Non-withdrawable Shares		16,000,000
9	គណនីបណ្តោះអាសន្ន System & Suspense Accounts		
9-05	កន្លែងចុះប្រតិបត្តិការបណ្តោះអាសន្ន Transitoria		
សរុប/ Total		17,574,800	17,574,800

Reporting for Monitoring and Supervision

- MFA audit trail reports
- Red Flag Report
- Portfolio Quality Reports
- Profitability Analysis
- Growth Reports
- Etc...



PADEE Portfolio Quality (Amounts in 1,000 Riel)

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Province District Commune Group	Total Outstanding	1 - 30 Days Late	31 - 60 Days Late	61 - 90 Days Late	Above 90 Days Late	Required Provision	PAR (>30 Days)%
⊕ Kampot	4,963,268	0	0	0	0	0	0.0
⊕ Kandal	4,304,767	53,830	9,375	9,649	5,289	9,122	0.6
⊕ Prey Veng	12,155,724	157,500	3,860	0	0	386	0.0
⊕ Svay Rieng	4,145,258	13,592	0	2,400	4,179	4,899	0.2
⊕ Takeo	7,396,934	30,390	10	0	2,847	2,848	0.0
Grand Total:	32,965,951	255,312	13,245	12,049	12,315	17,254	0.1

Conclusions: What has worked well...

- The workload of IGRF Committees is much lower than in comparable projects with GRFs; only Cashbook and Cash Vouchers: no account ledgers, no other books, no interest or other calculations
- ESP concept is affordable: cost of ESP (USD288/year) is just about 2.2% of assets
- ESP cost as percentage of income is just 10-11%
- Reporting and Monitoring and Evaluation are great and allow project management to act promptly
- Repayment is exceptionally good so far: PAR for more than 30 days is just 0.17%

Applicability in other projects??

The PADEE project was *specifically designed* for the purpose of ESP, MFAs and the IT application, especially in terms of:

- Favourable geography (reasonably good internet, road/boat network)
- Size of IGRFs: 50 households
- Grant USD240 per member, USD12,000 per IGRF; after 5 years grown to USD13,500 capital
- 4 IGRFs per commune, MFA services 2 IGRFs per day
- Ratios:
 - (i) 32 IGRFs per MFA;
 - (ii) Assets of USD440,000 per MFA
 - (iii) 1,600 households per MFA

Without the economies of scale and the above ratios, the IGRF approach may not be financially viable for other projects



THANK YOU

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