



# Sovann Phoum Organization

## Micro-credit Program



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## I. A Glance at Micro-credit Program

### Our Philosophy and Practices

Poverty can be reduced by different ways. One of the effective means of alleviating poverty is to generate and increase income of the people. Sovann Phoum strongly believes that under-privileged beneficiaries are able to move out of extreme poverty when they are able to generate and increase their income. And in order to generate income or start up income generating activities, these poor people need support both in financial and non-financial services. Providing extremely poor families with access to micro-credit and savings support, plus non-financial training, has been one of the main programs implemented by Sovann Phoum for several years.

### Historical background of the program

Sovann Phoum's Micro-credit program is a former component of an integrated program, titled: Développement communautaire et socio-économique de familles défavorisées réimplantées en milieu périurbain à Phnom Penh, which was mainly funded by the European Union, the French Ministry of Foreign Affairs, and Comité Catholique contre la Faim et pour le Développement. Its implementation started since March 2004. The program was first technically supported by Entrepreneurs du Monde through Chamroeun in 2006, through training and the use of MicroFin & Microbanker for Window version 4.5.3, as well as tools and strategies to manage micro-credit activities. From March 2008, Entrepreneurs du Monde through Chamroeun, together with Don Boule de Neige, has provided both technical and financial support to the program operations. This support has brought significant improvement to the program activities.



### Our Beneficiaries

Our beneficiaries of micro-credit and savings services are:

Extremely poor, very poor, and poor families living in disadvantaged areas, including slum areas, squatter's areas, dumping areas, and re-settled areas of sub-urban and urban areas of Phnom Penh. Some of them have migrated from rural poverty-stricken areas, and are living in rented rooms or shelters. This group represents 90% of the total beneficiaries;  
HIV/AIDS carriers and HIV/AIDS infected members (less than 10%);



Those groups of people, regardless of sex, religious and political tendency:

- are physically and mentally able to conduct income generation activities, aged from 18 to 60 years;
- are running existing income generating activities;
- have some existing resources/capital for income generating activities;
- commit themselves to increasing their daily income;
- some of them, were unemployed and had no opportunity for income generating activities, but demonstrated high motivation, commitment and initiative to create a new income generating activity (with support from Sovann Phoum);
- are able to reimburse the loans and interests.



### Our Strategies and Main Activities

Sovann Phoum has formulated and implemented the following strategies and activities in the Micro-credit program:

- Identification and referral;
- Assessment and loans allocation;
- Beneficiary training;
- Loans disbursement and collection;
- Partners' savings as sustainability strategy
- Follow-up activities;

Cooperation with local authorities;  
Evaluation

### Identification and Referral:

Normally, Sovann Phoum works in close partnership with both international and local NGOs, such as Enfants & Développement, Krousar Yoeung, Samatapheap Knhom, PSF, MdM, and some others in its intervention areas. Many of the program's beneficiaries were identified/referred by the partners. This strategy—on the one hand—reduces the time spent on and cost of approaching and selecting families—and on the other hand—brings the really disadvantaged and motivated families who need support to generate and increase income, since they have come through a serious assessment by our NGO partner.



### Assessment and Loan Allocation

Sovann Phoum has its own policies and guidelines on procedures and loan conditions which take into account such critical issues as the family background (including level of poverty), motivation, income generating activities, and capacity to generate income. Information from local authorities and the applicant's neighbours is the key input into the assessment, undertaken by credit agents and loan committees in making decisions on who and how much should be supported.

### Beneficiary Training

The successful applicants/families are normally trained at least one hour on monthly basis about Sovann Phoum's policy on credit support, savings, the right and wrong uses of loans, business plan development, basic bookkeeping, basis of marketing, hygiene and some income generating activities.



### Loans Disbursement and Collection

Small loans, representing the majority, are disbursed on daily basis (depending on the needs from partners), while loan collection is carried out on weekly and monthly bases, depending upon individual client's capacity. Normally, loans are disbursed to and collected from beneficiaries directly at home or places where partners run income generating activities.



Big loans, accounts for less than 10% of the total loans, are released and collected on monthly basis.

### Loan Products

Since Sovann Phoum is working for poor and extremely poor families, the majority of the loans are provided to partners in small amount, from USD25 to 250, representing 90% of the total loans.

#### Small and Medium Loans:

- Small and Medium Loans (SML), from Riels 100,000 to Riels 1,000,000:

- Targeting the very poor families of the communities;
- Annual interest of 36% and declining balance repayment;
- Loan duration: Maximum 1 year;
- Having his/her existing capital of 50 percent of the loan business plan



#### **Guarantor for Small and Medium Loans**

- If the borrower has no collateral, the guarantor cannot be a family member.
- If the borrower has put up a land title, the guarantor can be a member of the same family as the borrower.
- For loan amounts between 100,000 Riels and 1,000,000 Riels, the guarantor or the borrower must live in permanent house for all coverage areas excepting Beoung Salang Community where the loan amount under or above 400,000 Riels, the guarantor or the borrower can live in rented house.

- Big Loans (BL), from 1,100,000 R to 8,000,000 R:
  - Targeting medium poor clients;
  - Annual interest based on loan size and declining balance repayment;
  - Loan duration: 10 months to 2 years;
  - Loan Size: 1,100,000 to 8,000,000 Riel;
  - Interest Rate: from 3% to 2% based on payment at office or home;
  - Repayments are made on monthly depending on each partner's business.

### **Partners' Savings as Sustainability Strategy**

Saving is compulsory with every loan. While receiving micro-credit support from Sovann Phoum, partners are encouraged to deposit some small amount of their money as savings in their individual accounts. The deposited savings are returned to borrowers, once they have saved adequate amount of savings for capital, or once they stop taking loans, with an offer of 2% interest per year.

Savings are also a source of micro-credit funds for the project and can be transferred into late reimbursement accounts under certain conditions.

#### Small and Medium Loans:

- The saving deposit on the complete duration of the loan must amount to a total of 15% of the loan amount:
  - 5% of the loan amount shall be saved by the partner in an initial deposit.
  - 10% of the loan amount shall be saved by the partner in regular instalments, at the same time of loan repayment. The amounts to reimburse with each instalment of loan repayment will be indicated on the loan schedule given to the partner on loan release day.
- The saving account of a small and medium loan borrower cannot exceed the amount of 1 000 000 Riels.

#### Big Loans:

- The saving deposit on the complete duration of the loan must amount to a total of 5% of the loan amount, all of which shall be saved by the partner in regular instalments, at the same time of loan repayment. The amounts to reimburse with each instalment of loan repayment will be indicated on the loan schedule given to the partner on loan release day. The saving account of a BL borrower cannot exceed the amount of 8 000 000 Riels.

The amount of savings deposited by borrowers has increased steadily since the beginning of credit support activities. One of the main goals of having savings deposited by borrowers is to help poor beneficiaries save small money from their daily income to be the future sustainable capital for their income generating activities. Once they have saved considerable amount of savings, adequate for the capital for income generating activities, poor beneficiaries are able to withdraw the savings together with provided interest amount from Sovann Phoum. This is one of the sustainability strategies that Sovann Phoum has used in micro-credit services with poor beneficiaries.

### **Home visit and Follow-up Activities**

Before decision making on loans, a home/business visit is carried out with each applicant to find out their:

- living conditions;
- income generating activities of applicant and family;
- sources of income and number of dependants in the families;
- total income, total expenses and net income per day in the family;
- residence and properties (including collaterals) of applicant;
- potential debts by applicant with other MFIs and money lenders;
- The loan requested: amount, duration, repayment frequency;
- purposes of using loans and business plan;
- capital available by applicant;
- skills and experiences to be used in IGA supported by loans.



After receiving loan, each beneficiary receives a weekly visit from Sovann Phoum micro-credit staff, especially during the loan collection. The staff observes and interviews the situation of beneficiary's income generating activities, capacity to reimburse loans, as well as living conditions. In addition, difficulties encountered by beneficiaries and advice from the staff are discussed and exchanged for solutions and improvement.

### Cooperation with Local Authorities

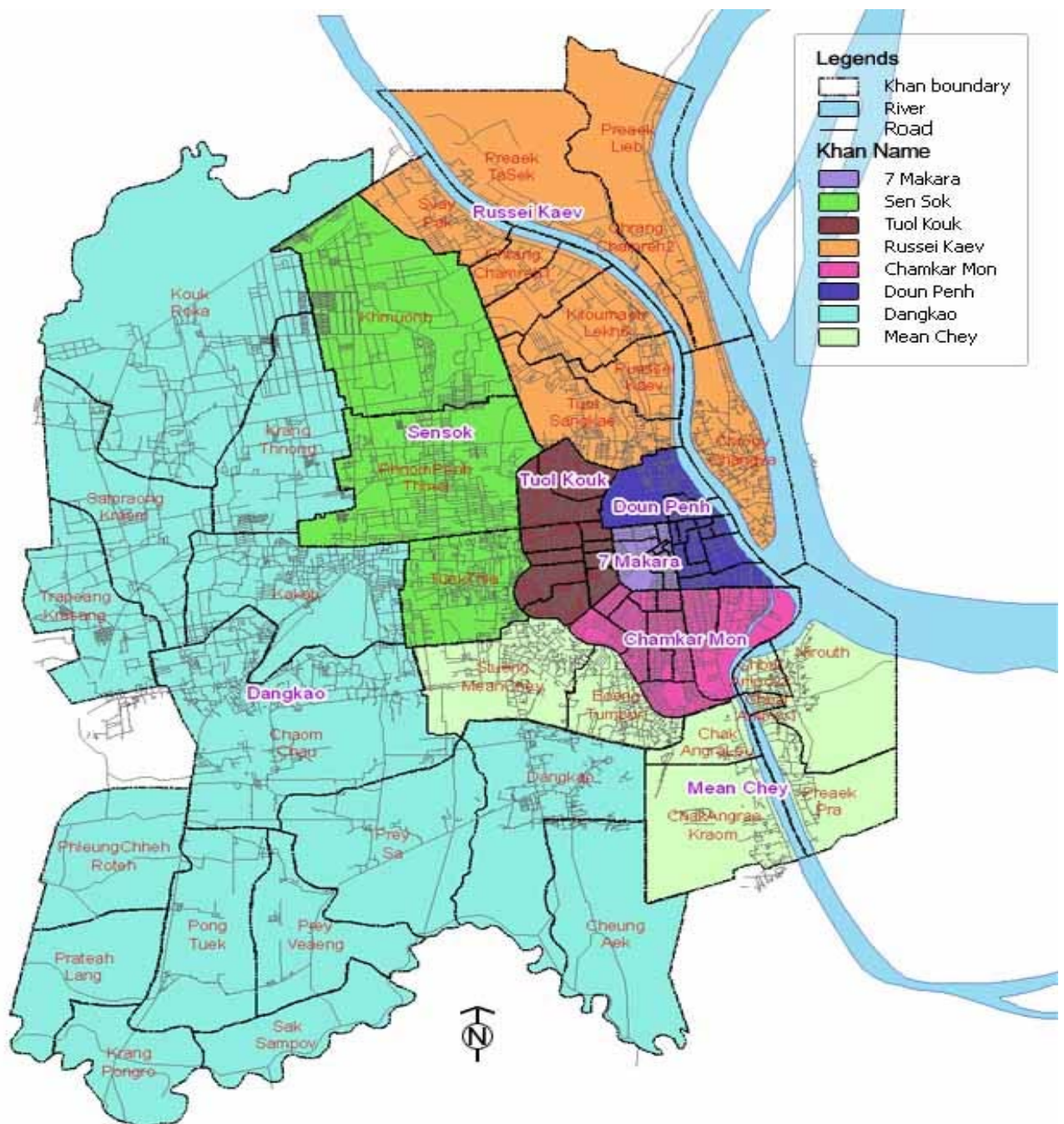
Sovann Phoum has so far built closer relationships with local authorities, especially village heads and community heads. These groups of people have played a significant role in identifying the extremely poor families and in raising beneficiaries' awareness and responsibility for the micro-credit products they are receiving from Sovann Phoum.

### Evaluation

Sovann Phoum conducts evaluation with beneficiaries of micro-credit and savings services on annual basis in order to measure possible outcomes/impacts of these services on poor families. In particular, the poverty movement/situation of beneficiaries is studied cautiously. By 2009, Sovann Phoum used computerized-SPSS program to analyze the data collected from partners through interviews and observation. From early 2010, Sovann Phoum has used PAT (Poverty Assessment Tool) developed and introduced by EdM, where the database is posted on the EdM's webpage.

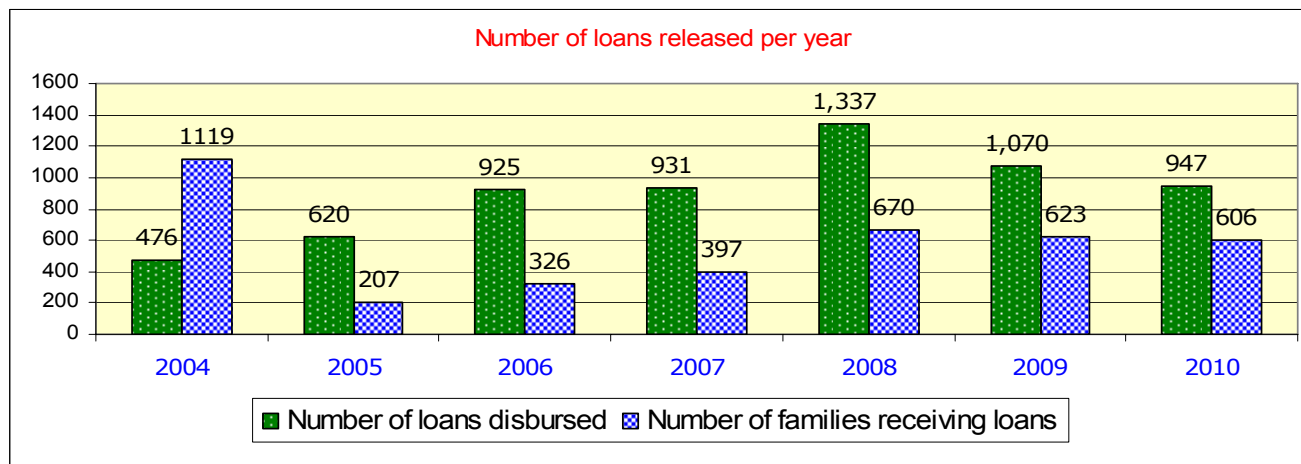
### Program Location

By mid-2010, the program was being operated in slum communities of three districts of Russey Keo, Dangkoa, and Tuol Kor. From mid-2010, the program is targeting all slum areas, in all districts.

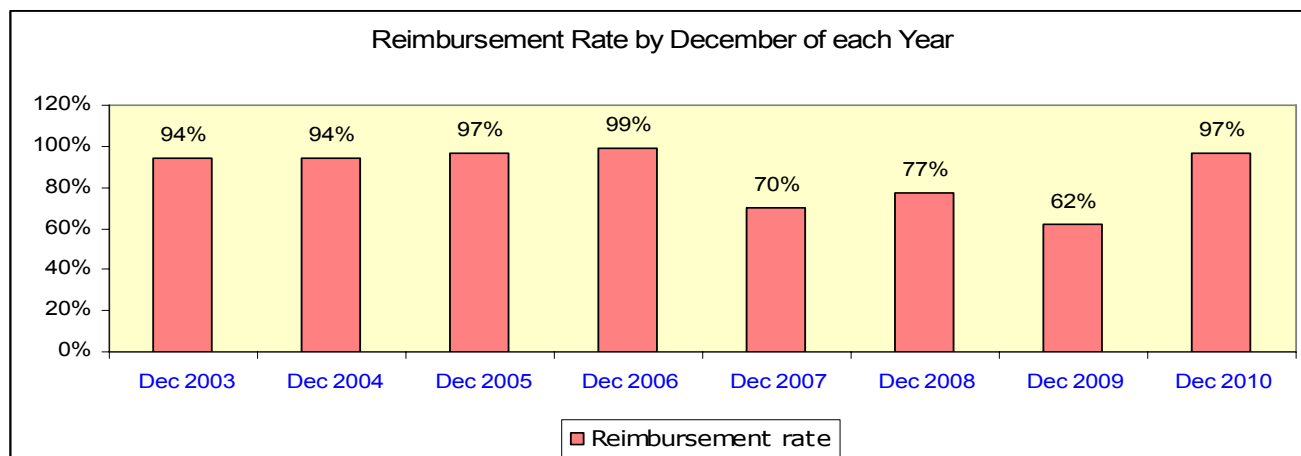


## II. Achievements of the Program

### Number of loans released/supported to partners in each year



### Reimbursement rate in each year



The portfolio at risk increased sharply from 11.9% in November 2008 to 27.2% in November 2009, during negative effects of global financial crisis. In the end of 2009, the program revised its policies and guideline, and applied it in late January 2010, leading to a dramatic decrease in the PAR, from 19.5% in January to 9.8% in October 2010.

### Number of Families and Type of partners' income generating activities supported (in 2010)

Type of IGAs	Family Number	Disbursement	% of Family
Fruit buying and sale	99	49,200,000	11.76%
Fish buying and sale	35	17,200,000	4.16%
Spice sale	96	61,200,000	11.40%
Vegetable sale	92	57,100,000	10.93%
Pig raising	13	8,950,000	1.54%
Cake sale	24	11,900,000	2.85%
Corn sale	18	6,000,000	2.14%
Purchasing motorcycle	109	143,200,000	12.95%

Motorcycle repairing	116	51,350,000	13.78%
Bicycle purchase	12	4,200,000	1.43%
Making cleaning materials (from garment clothes)	27	26,700,000	3.21%
Coffee sale/service	22	16,500,000	2.61%
Buying seeds	4	2,700,000	0.48%
scrap buying and sale	37	24,300,000	4.39%
Buying grains	3	1,700,000	0.36%
Serving fried meat balls	6	2,300,000	0.71%
Selling sweets	5	2,460,000	0.59%
Buying generator	4	4,800,000	0.48%
Bicycle repairing	2	1,700,000	0.24%
Buying sewing machine	19	13,200,000	2.26%
House re-construction	33	43,800,000	3.92%
Buying cows	3	1,300,000	0.36%
Buying fertilizers	9	4,700,000	1.07%
Buying engines/parts	34	34,800,000	4.04%
Others	20	21,300,000	2.38%
<b>Total</b>	<b>842</b>	<b>612,560,000</b>	<b>100%</b>

#### Active partners by genders, at 19/11/10

Sex	Partner number	Portfolio in Khmer Riels	Portfolio converted in USD
Female	459	217,570,700	53,066
Male	144	98,049,100	23,914
<b>Total</b>	<b>603</b>	<b>315,619,800</b>	<b>76,980</b>

**Partners and targeted communities, with other MFIs' services**

N.	Coverage areas of MC program		# Client	Services by MFIs	
	Community	Village Name	Supported	MFI/ Interest Rate	Method
1	Anlong Kong Community	AnlongKong	31	Credit: 3-1.9% Chamroeun: 4 -2% , Theaneakea Phoum: 3 - 2%	IL
		Prey Sar lich	2	Acleda: 3 -1.5% Credit: 3 -1.9% Sathapana: 3 - 1.9% Niron : 12% - 2%	IL, CB, SG
2	Toul Rokha Kosh Community	Toul Roka kosh	39	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda : 3 - 1.5% Selanithi: 3- 2% PRASAC: 3 - 1.9%	IL, CB, SG
2	Toul Sombo Community	Toul Sambo	32	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5% PRASAC: 3 - 1.9%	IL, CB, SG
4	Samaki Community	Samaki 1	8	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda : 3 - 1.5% PRASAC: 3 - 1.9%	IL, CB, SG
		Samaki 2	5		
		Samaki 3	13		
		Aksor	1		
		Samaki 5	2		
		Trapaing Chouk	1	Chamroun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5% PRASAC: 3 - 1.9%	IL, CB, SG
5	Kork Kleang Community	Kork Kleang	17	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5% PRASAC: 3 - 1.9%	IL, CB, SG
6	Anlong Kngan Community	Sen Sok 1	3	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2%	IL, CB, SG
		Sen Sok 4	16		
		Sen Sok 5	20		
		SenSok 2	4		



		Sen Sok 6	22	Sathapana : 3 - 1.9%	
		Sen Sok 3	5	Tan Samrith : 4% - 2%	
		Sen Sok 7	7	Acleda : 3 - 1.5%	
				VFC: 3.25% - 1.5%	
				PRASAC: 3 - 1.9 %	
7	Trapaing Raing Community	Trapaing Raing	21	Chamroeun: 4 - 2%	IL, CB, SG
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith : 4% - 2%	
				Acleda: 3 - 1.5%	
				PRASAC: 3 - 1.9%	
8	Trapaing Svay Community	Tra paing Svay	6	Chamroeun: 4 - 2%	IL, CB, SG
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith : 4% - 2%	
				Acleda: 3 - 1.5%	
				PRASAC: 3 - 1.9%	
9	Trapaing Anchan Community	Tra Paing Anchanh	36	Chamroeun: 4 - 2%	IL, CB, SG
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith : 4% - 2%	
				Acleda: 3 - 1.5%	
				PRASAC: 3 - 1.9%	
10	Boeng Salang Community	Beong Salang	81	Chamroeun: 4 - 2%	IL, CB, SG
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith : 4% - 2%	
				Acleda: 3 - 1.5%	
				VFC: 3.25% - 1.5%	
				PRASAC: 3 - 1.9%	
11	Chba Ampov Community	Chpa Ampov	5	Chamroeun: 4 - 2%	IL, CB, SG
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith: 4% - 2%	
				Acleda: 3 - 1.5%	
				VFC: 3.25% - 1.5%	
12	Meanchey Community	Meanchey	18	Chamroeun: 4 - 2%	IL and CB
				Credit: 3 - 1.9 %	
				Theaneakea Phoum: 3 - 2%	
				Niron: 12% - 2%	
				Sathapana : 3 - 1.9%	
				Tan Samrith : 4% - 2%	
				Acleda: 3 - 1.5%	
				VFC: 3.25% - 1.5%	

13	Toul Kork Community	Toul kork	68	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana: 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5%	IL and CB
14	Prey Tear Community	Prey Tear	8	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana: 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5%	IL, CB, SG
15	Andong Community	Andong	118	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana : 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5% Selanithi: 3 - 2 %	IL, CB, SG
16	Scattered across urban	Kosh samak	14	Chamroeun: 4 - 2% Credit: 3 - 1.9 % Theaneakea Phoum: 3 - 2% Niron: 12% - 2% Sathapana: 3 - 1.9% Tan Samrith : 4% - 2% Acleda: 3 - 1.5% VFC: 3.25% - 1.5% PRASAC: 3 - 1.9%	IL, CB, SG
<b>Total</b>			<b>603</b>		

**Notice:**

IL : individual loans

CB : Community bank (small loans in groups)

SG : Solidarity group (amounted from bigger 1million Riels)