

Savings-Led Microfinance

Expanding financial
options for the poor
in Cambodia

*A Savings-Led Microfinance
Investment Prospectus*

Presented by Access 2

Finance members:

Oxfam Pact Catholic Relief Services CARE



We will reach one million of Cambodia's poorest with Savings-Led Microfinance

This six year goal is ambitious but very achievable with your support. Savings-Led Microfinance programs developed by Oxfam, Pact, Catholic Relief Services and CARE already reach more than 70,000 rural Cambodians and counting.

We can attribute this rapid adoption amongst the poor to the program's simplicity, the low cost of savings group replication, the hard work of our carefully selected implementation partners and the obvious need Savings-Led Microfinance fills.

What is Savings-Led Microfinance?

Savings-Led Microfinance is a highly customizable approach to poverty alleviation that is gaining rapid acceptance amongst rural Cambodian communities. In an approach that differs from formal Microfinance Institutions (MFIs), Savings-Led Microfinance shifts the focus away from external sources of credit and instead utilizes community member's own savings to encourage development through the creation of self-administered community savings groups.

These groups are taught to participate in structured meetings, contribute to a group fund and administer small scale loans to other group members whose needs are assessed and approved democratically. Because loans are administered within the group without the need for external credit or subsidies, any interest or non-payment fines remain within the group and are used to grow the group's combined equity. The financial

benefits of Savings-Led Microfinance are obvious and the intangible benefits such as community building, social capital and women's empowerment are equally as important.

With your support one million Cambodians will have access to finance

It's time to take Savings-Led Microfinance to scale. Access 2 Finance is one of only three programs recognized by the United Nations Development Program in 2012 as being ready to go to scale, assist the poor and achieve significant positive progress towards Cambodia's Millennium Development Goals.

Urgent action is needed. The gap between rich and poor grows every day

Despite experiencing economic growth of approximately 10% per year since 2000, the developmental benefits are generally concentrated around the tourist business areas of Phnom Penh, Siem Reap and Sihanoukville and the benefit to 84% of the population living in rural areas is minimal. Support structures for Cambodia's poorest are weak and mistrust in Cambodian society is prevalent, not eased by a recent increase in land grabs, landlessness and unemployment. The majority of Cambodians still have limited or no access to formal financial services or a financial safety net.

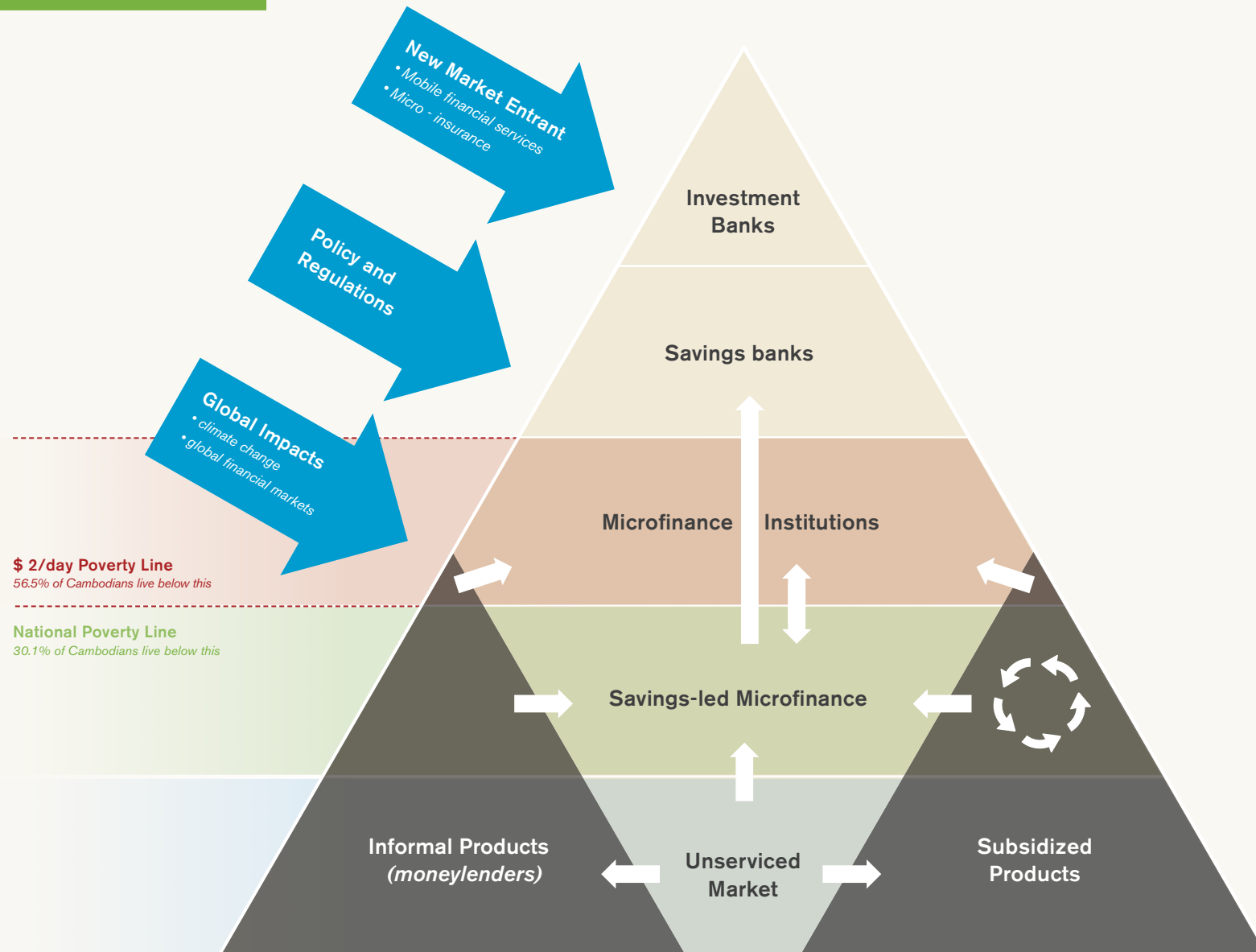
More than half of the population lives below the \$2 per day poverty line and are highly vulnerable during shock events such as flooding, droughts, theft, livestock and family sickness. Large scale implementation of Savings-Led Microfinance will reduce the impact of shock events while increasing the mobilization of savings and shifting finance sector interventions in favor of the poor.

Your involvement will transform the Cambodian financial market

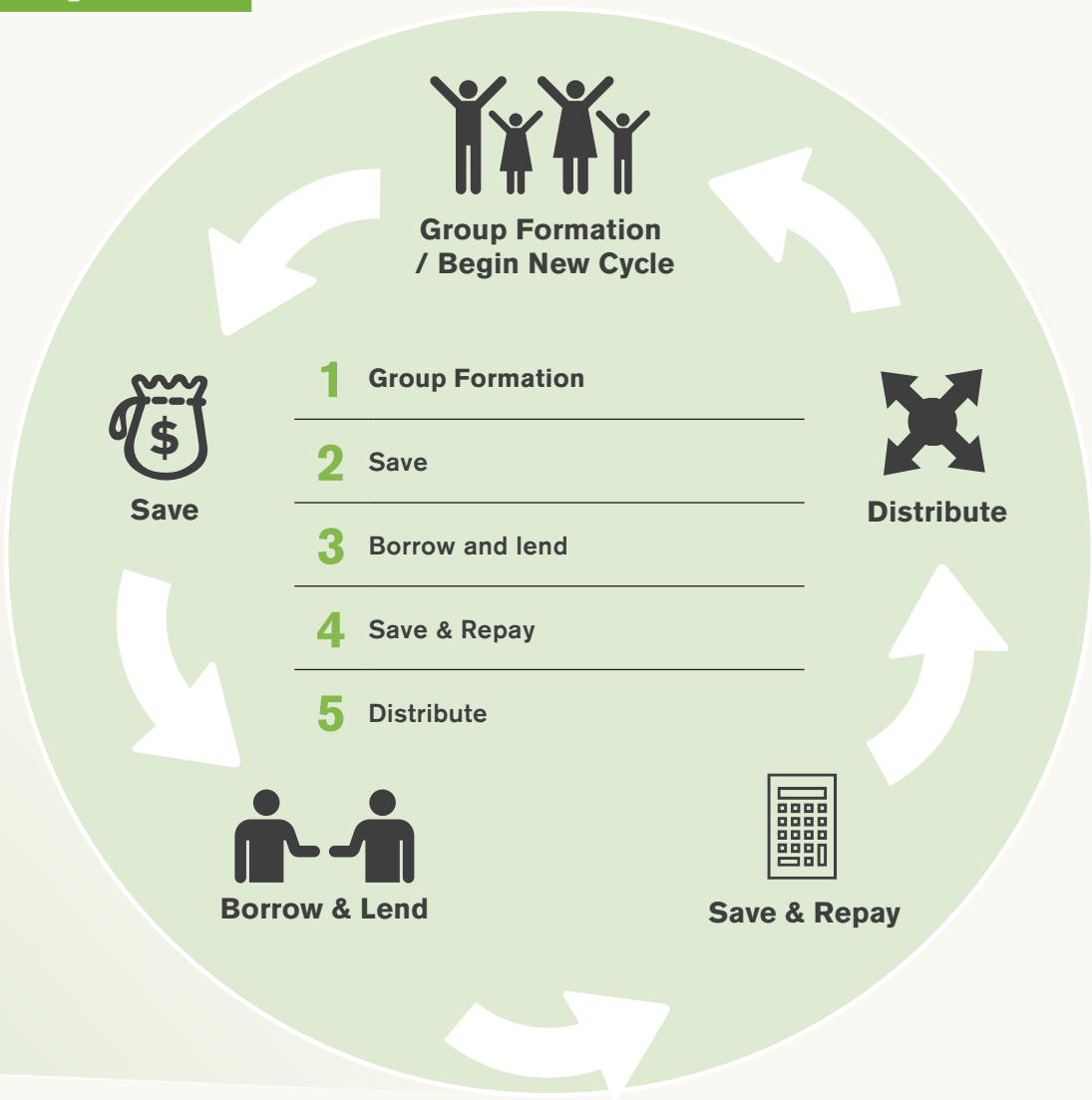
New market opportunities will emerge with new products and services tailored toward this growing market segment - a segment with an estimated per household demand for cash saving to the value of US \$60 per year. Calculated using an estimated 2.3 million rural households this equates to around US \$140 million per year of unmet savings demand.



A snapshot of Cambodia's financial market



A snapshot of Cambodia's financial market part 2



Outcomes

Economic Growth

Poverty reduction, social safety nets, enterprise creation, emerging consumer markets

Increased Social Capital

Growing trust, community building, gender equality and women's empowerment

Increased Human Capital

Skill development, education, healthcare, confidence teaching SLM to others

Why Savings-Led Microfinance works

Savings-Led Microfinance in detail

Carefully selected Cambodian NGOs or civil society organisations become implementation partners responsible for training field agents and volunteers that work directly with rural communities. Savings groups comprised of 10 to 30 community members are formed and taught simple finance management skills and principles for self-management at a one time cost of approximately \$24 per member. Groups are created with the vision of self sufficiency and trainers work with a group for around eight months before allowing them to operate autonomously.

Savings group members elect officiating officers and create their own by laws which include savings terms, loan terms and limits, monthly interest rates and the frequency of meetings. Groups typically have two savings cycles per year. Each cycle lasts around 150 days and often coincide with crop harvest cycles. Because the entire process is determined by the group themselves, Savings-Led Microfinance is highly customizable to suit the varying needs of each group. Savings groups meet regularly and each member contributes to the group savings fund.

Members are able to borrow from the fund and the interest, fines, profits from collective projects and regular member savings are contributed back into the group fund creating capital growth. All lending decisions are made democratically and all transactions are made in front of every group member for complete transparency. As a result there is a default rate of less than 4% on loans administered by savings groups in Cambodia. This is compared to a reported 5 to 20% default rate by Credit-Led Microfinance customers and an even greater default rate with money lenders.

At the end of the savings cycle the fund is distributed amongst members. There are varying approaches to this payout such as an even distribution of the capital, or a payout of the interest only. At this point the group decides whether to dissolve, start a new savings cycle with the existing group or allow new members to join.

A model based on simple guiding principles

- The poor are not too poor to save
- Not everyone needs a loan but everyone needs a safe and convenient place to save
- There is enough potential savings within a group to take care of the small credit needs of group members
- With appropriate training and time limited support, savings groups become self sufficient
- The savings fund must be managed entirely by the group and can involve virtually everyone
- Group leaders can spontaneously train new groups for organic growth
- Savings groups can be highly profitable for members, provide equity for future investment and opportunities for new market creation
- Savings groups provide a resilient tool for reaching poor and conflicted communities and helping them survive and grow in the face of inflation, political inequity and natural disasters.

Savings-Led Microfinance at a glance

- 1 Savings groups of 10 to 30 members are formed and trained
- 2 Groups meet regularly and save money in a collective fund
- 3 Small loans are distributed for enterprise, livelihood or emergency needs
- 4 The fund grows as members save and repay loans with interest
- 5 At the end of a cycle the group distributes the combined savings

Savings-Led Microfinance

creates far reaching community benefits

Cambodian's living below the national poverty line are predominantly unserved by the formal financial market, largely due to the high costs associated with reaching them. The Savings-Led Microfinance model overcomes this barrier by providing facilitation for self-sufficient savings groups rather than providing financial services. This empowers savings group members while minimizing operational costs. The creation of economic growth through savings groups will result in measurable financial benefits in the private sector and intangible investor benefits in the form of social responsibility, social and human capital, job creation and increased employment, greater access to health services and community empowerment.

ECONOMIC GAINS

Imagine Cambodia's economic transformation if the poor controlled \$140 million of capital.

Savings-Led Microfinance fulfills the demand for safe cash savings where formal institutions do not currently operate and by focussing on group strengthening and equity building, rather than credit delivery, Savings-Led Microfinance turns the microfinance paradigm inside out. In essence savings groups operate as privately funded safety nets for people at risk - this has proven particularly important during times of unexpected financial strain such as health emergencies and natural disasters. Members have the flexibility to borrow and repay loans without penalty and without compromising family assets. With this knowledge, members have the opportunity to seek opportunities for enterprise and income diversification.

The poor represent a previously ignored market with the potential to control more than \$140 million worth of capital per year. The result of collective capital growth will be greater numbers of consumers with access to finance entering an expanding market place. This creates economic stimulus amongst existing businesses and creates opportunities for small business market entry servicing the needs of new market segments.

SOCIAL CAPITAL

You're investing in a program that increases trust and gender equality.

Social capital is severely lacking in Cambodia, arguably due to the country's long history of civil conflict and a breakdown of trust that has proven to be very slow to redevelop. The social dimension offered by Savings-Led Microfinance is perhaps equally as valuable as the financial dimension as it provides a vehicle for building social capital and the social networks that facilitate collective action for mutual benefit. Savings groups are built on trust, cohesion, transparency and control, allowing members to feel safe in an environment that encourages self sufficiency and knowledge growth. This leads to collective business initiatives and shared voice in a mutually supportive, strengthened community.

85% of all savings group members are women and in addition to creating economic awareness, saving groups foster women's leadership, improve livelihoods and provide opportunities for political participation. An increased emphasis on women's share of voice is a positive step towards equality and as women's empowerment increases it is a positive sign that men do not generally see this as a threat to their role in the household.

HUMAN CAPITAL

An environment that fosters personal development

In many instances women seek to replicate their own positive savings group experiences by sharing what they've learned with others.

This is an example of the creation of human capital that provides societal benefits resulting in the organic growth of Savings-Led Microfinance through spontaneous savings group replication.

Beyond the skills learned through Savings-Led Microfinance, newly created access to finance makes it possible for members to afford education for self advancement and healthcare for an improved quality of life. Furthermore the formation of savings groups provides a vehicle for human capital through additional training.

A photograph of four women sitting together outdoors, likely in a rural setting. They are dressed in casual, colorful clothing. The woman on the far left is smiling broadly, looking down. The woman next to her is looking towards the center. The woman on the right is smiling and looking towards the camera. The woman on the far right is looking towards the center. They appear to be in a meeting or a group discussion.

Savings-Led Microfinance is making Headlines

The following is an extract from “The Poor Finance the Poor” by Daniel Sherrell, published in the Phnom Penh Post on July 14, 2011

Twenty people in the village of Trapaing Tnoat, in Kampot’s Angkor Chey district met this week to collect modest cash savings for a communal savings fund. Throughout Cambodia, approximately 4,380 community groups host similar meetings as part of a savings-led microfinance program pioneered by Oxfam and partners including CARE and Pact.

Chuon Bopheap, 35, is the group’s cashier, responsible for counting the money saved each week and depositing it all in a red lockbox she keeps in her home. So far she has taken out two loans for \$25 each, using some of the money to start a small business selling traditional Vietnamese pancakes. “My daily life is a little bit better. I used to struggle a lot before joining the microfinance project,” Chuon Bopheap said yesterday. “If we didn’t join this group we would have no savings left by the end of the year.”

The group’s leader, 49 year old Sim Soun, said the group had saved \$36 at yesterday’s meeting and almost \$500 over the past two months. “For people, seeing is believing,” says Soleak Seang of Oxfam. “When people see their neighbors building up their livelihoods through savings-led loaning, other community members are eager to participate.” Since the inception of Sim Soun’s savings group in June 2010, Trapaing Tnoat village has seen the creation of four more groups, each with about 20 members.

You have the opportunity to invest in a strategy that will change the financial market forever

The market penetration and scalability potential of Savings-Led Microfinance is huge, but remains unrecognized without financial investment. Your support is not only imperative, but socially beneficial on an enormous scale. Every dollar invested in Savings-Led Microfinance has the potential to generate a return on investment of at least 100 percent.

An investment of \$1 million would earn a return on investment in savings and loans of approximately \$2 million.

By investing in Savings-Led Microfinance now, you're investing in an emerging sustainable market. This return on investment will be recirculated back into the market at the discretion of the savings groups and used to fund new enterprises while creating opportunities for market and product development.

Savings-Led Microfinance is 1 of only 3 poverty alleviation strategies endorsed by the United Nations in 2011.

Investment that works from day one

- An investment of \$1 million would reach over 30,000 new clients and the return on investment would be double. Experience in this market shows that in 3.5 savings cycles the money savings groups have saved and loaned would exceed \$2 million.

Investment guided by ethical imperative

- Your investment will build future markets by enabling the largest identifiable grouping of consumers in Cambodia, 84% of the population, to access finance
- You'll know that you are supporting an initiative designed to achieve a large scale, worldwide imperative - the United Nation's Millennium Development Goal.

Investment that places you at a leading edge

- You'll be participating at the forefront of market development, market penetration and product innovation
- You'll inspire your staff and clients. Savings-Led Microfinance representatives are available to attend your business platforms and share details of your successes
- You'll have a vehicle for staff development. Your own staff will be able to join the Access 2 Finance team on discrete projects that give them insight, learning and inspiration that they will bring back to the office

Investment that looks to the future

- Your investment will lead to greater accessibility to the finance market
- Your investment will contribute to the market's stability by introducing opportunity for more people to participate and for them to address fears of wealth disparity

Your investment warrants acknowledgement

- Across the globe, we are all increasingly clear about the critical role of savings in finance markets. You will be building a socially responsible corporate profile

Thank you to our pioneer investors

• *Bill and Melinda Gates Foundation*
• *Kay and Shageki Makino*

• *Janet McKinley*
• *Oxfam America Supporters*

• *Pact Supporters*
• *Catholic Relief Services Supporters*

• *CARE Supporters*

Your investment is critical

The target is to extend Savings-Led Microfinance to reach one million Cambodians. This target is very achievable with your support. In total the prospectus requires \$30 million worth of investment. Every dollar of investment makes a significant impact towards the target of reaching one million Cambodians within 6 years. This ambitious goal is the result of a unique partnership between leading international development agencies and their nationwide networks. But it can only succeed if you too become a partner.

How is your investment used by Access 2 Finance?

The majority of investment funds are directed through local partner organizations with direct connections to the market. As a result the competencies and financial investment needed to sustain the market, remain within the market.

There is a core team concerned with product quality, business efficacy and market development, advocacy, research and marketing. We insist upon complete transparency and international accounting and auditing systems that can be tailored to suit your specific needs. Contracts and management structures are designed according to international standards and are applied throughout your Access 2 Finance investment.

How many Cambodian's will have access to finance thanks to your investment?

For example, the total investment opportunity of \$30 million will allow Savings-Led Microfinance facilitators to reach communities, form savings groups and teach the principles of sustainable savings to 1,000,000 of the poor in Cambodia.

This investment will achieve a 100% return on investment resulting in more than \$60 million worth of capital in collective savings group control.

Every step counts

An investment of \$1 million will make financial security through Savings-Led Microfinance a reality for 30,000 people and will generate more than \$2 million in collective savings.

You can be part of this unique opportunity

To be part of this unique opportunity, please contact us. We'll answer any questions you may have in order to know this is the investment opportunity you're seeking.

Oxfam America (A registered Charity in USA)
Phnom Penh contact details

CRS (A registered Charity in USA)
Phnom Penh contact details

PACT (A registered Charity in USA)
Phnom Penh contact details

CARE International (A registered Charity in USA)
Phnom Penh contact details



A Savings-Led Microfinance Community Profile

Saving for Change group, Angkor Chey Village, Kampot

The Angkor Chey Village savings group formed in July 2010 with 11 members from the tight knit community. Collectively the group saved more than \$500 during its first cycle and invested the money in fertilizer to increase rice yields and piglets to raise and resell. 9 more villagers observed positive livelihood changes amongst group members and joined the group at the beginning of the second cycle. The group is only halfway through their second cycle and they've already reached their saving target. "If there was no Saving for Change we'd borrow from MFI's, but we don't like doing that because we have to give them our land titles as collateral." The savings group has not only freed members from debt, group members are very open about the growing level of trust amongst members. Stories of the group's success are rapidly spreading and 4 more people have already asked to join the group when the third cycle begins.

Acknowledgements

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