MICROENTERPRISE INNOVATION PROJECT—MICROSERVE

Contract No. PCE-I-00-95-00034-00
Project No. 940-0406-5692345

WORLD RELIEF CORPORATION'S CAMBODIA GATEWAY II

Institutional Assessment Report
Delivery Order No. 7

by:
Margaret Bartel and Heather Clark

Submitted to:
USAID, G/EG/MD

Submitted by:
Chemonics International Inc.

July 1997

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Microenterprise Development Office
Center for Economic Growth
Global Bureau
U.S. Agency for International Development
Washington, D.C.

This work was supported by the U.S. Agency for International Development, through a buy-in to the MicroServe indefinite quantity contract number PCE-I-0095-00034-00, the prime contractor for which is Chemonics International Inc., 1133 20th Street, NW, Washington, DC 20036; Tel. 202-955-3300; Fax 202-955-3400.

ABSTRACT

This report is an assessment of the World Relief Corporation's Cambodia Gateway Program. The assessment and analysis were undertaken in support of the U.S. Agency for International Development's Microenterprise Innovation Project–Implementation Grant Program (IGP). The report reviews the microlending program of an IGP beneficiary in Cambodia. The outline of the report was developed for field assessments of this sort and reviews the original financial indicators of the Gateway program, appraises its management information system, and assesses progress in meeting the grant's targets.

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ACRONYMS

CCB	Cambodia Community Building
CCRD	Coordinating Committee on Rural Development
GTZ	German Agency for Technical Cooperation
IGP	Implementation Grant Program
MIS	Management information stystem
NGO	Nongovernmental organization
WR	World Relief Corporation

EXECUTIVE SUMMARY

The Implementation Grant Program (IGP) of MicroServe provides grants to U.S. private voluntary organizations, cooperatives, credit unions, and developing country organizations capable of working in more than one country to support indigenous organizations assisting microenterprise development. IGP aims to increase local institution's outreach and scale of microenterprise services, financial viability, and quality of financial reporting and internal administration.

A. Purpose of the Grant

World Relief Corporation (WR) received a three-year, $1.5-million grant to expand its Cambodia microenterprise program, Gateway, so that it reaches self-sufficiency by the year 2000 and develop the capacity of Cambodia Community Building (CCB), its indigenous affiliate, to fully operate Gateway. Under the grant, World Relief Cambodia, with assistance from WR headquarters, will work to achieve the following:

- Increase the number of participants from 4,933 to 14,150.
- Increasing the revolving loan fund by 1,103 percent.
- Enable CCB to assume full responsibility for the project by 1999.
- Enable the project to become completely self-supporting by 2000.

The grant agreement focuses on four areas to achieve these expansion goals:

- **Expanded outreach.** This includes expansion to two new districts in Kompong Cham Province, three new districts in Phnom Penh Province, and four districts in the new Kompong Speu Province.

- **Service method.** Community banking is used. At the time of the grant agreement, initial loans started at U.S. $25 and subsequent loans could increase to $300. The average loan size was $45. As part of their regular community bank duties, field promoters give health lessons. CCB will be able to continue training in health and basic business skills after the expatriates leave. Basic curriculum will be developed for promoters, and additional ongoing training for staff will be provided by WR headquarters.

- **New product development.** "Second-tier" loans will be developed for women whose needs exceed the $300 poverty lending limit. An estimated 150 community bank members will move into the second-tier category during Gateway II, with an average loan size of $400. As bank members become second-tier clients, they will be provided additional business skills training to expand and manage the larger activities.

- **Transition to CCB.** World Relief Cambodia will begin Gateway II and will transfer it to CCB by the end of the second year. During the first year, the Board of Directors of CCB will be chosen and receive training in governance, leadership, and institutional development. Expatriate staff will be phased out by the end of FY 1999, and WR headquarters will provide follow-on assistance.

B. Review Findings

In January 1997, about three months after grant signing, two G/EG/MD advisors reviewed the program's original financial indicators, appraised the management information system (MIS), and assessed progress in meeting grant targets.

To date Gateway I and its successor, Gateway II, have made extraordinary progress in a difficult and challenging environment. Financial systems and controls are in place that allow CCB/WR to claim a reputation in the community as a well-managed program staffed by highly trained staff. While management and administrative systems are adequate to manage the current program, formalization and upgrading are required to meet growth targets.

Institutionalization process. The CCB/WR Gateway II program has made a fundamental shift from a health program with a credit component run by an international NGO to a microenterprise credit program run by a local NGO. This shift needs to be completed for the CCB institutionalization process to be completed over the next three years. The process touches all parts of the program—its methods, procedures, policies, governance, and transformation to a strong, locally managed NGO.

Valuable services. Gateway II community banking provides a valuable service in Cambodia. It operates in a geographic area and with a clientele that is unlikely to obtain financial services from any other source. In the slums of Phnom Penh, it is the only program offering quality, reliable credit service to poor women. Outreach is extremely deep—loan size ranges from riel 50,000 to riel 1.5 million (U.S. $18 to $555).[1] Average loan size (as of December 1996) was $67. The lending techniques incorporate best practice, including small initial loan sizes, access to larger loans based on good repayment records, group-based guarantees, and rapid processing of repeat loans.

Staff. CCB/WR staff are dedicated, well trained, and competent. Turnover is low, which is positive for an organization, as many in Cambodia, that trains staff in basic skills. Over the next year, CCB/WR should increase in-house training capacity and formalize the training manual. Staff training is a cornerstone of a well-run program, and CCB/WR has excelled here. WR headquarters staff played a valuable technical and institutional development role in the Gateway program.

Promoter efficiency. There are trade-offs in sending two promoters to a center at one time. CCB/WR should weigh the security risk, accountability of a two-member team, and the importance of one promoter dedicated to presenting the health education sessions with the lower costs associated with only one promoter per bank.

MIS. The current MIS systems are adequate for current operations. However, to reach the proposed expansion, including an almost threefold increase in loans outstanding, CCB/WR should streamline data management and ensure systems cannot be readily modified or controls circumvented. Systems are in place to accurately report on the program's status.

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[1] Conversion rate: U.S. $1 = riel 2,700.

Loan delinquency. This has become a problem with the recent record-breaking floods in Phnom Penh and the murder of two promoters in Kompong Cham. Historical rates of delinquency, defined as portfolio at risk over 90 days, average 2.3 percent. As of December 31, 1996, however, delinquency averaged 13.3 percent for the total portfolio. CCB/WR put steps into place to monitor and control delinquency, beginning with an information system that shows the portfolio-at-risk ratio and the costs of late payments. CCB/WR will reschedule and refinance banks affected by the floods. Care must be taken to ensure both borrowers and staff understand the one- time nature of this procedure.

Progress toward targets. CCB/WR will easily reach its projected targets for the number and amount of loans outstanding. As of December 1996, the number of loans stood at 83 percent of first-year targets, and the amount of loans outstanding stood at 108 percent of first-year targets. Income goals will be achieved based on expanded portfolio. However, yield on portfolio for 1996 was 79.3 percent, instead of the proposed 96.4 percent. Unless delinquency dramatically decreases and operational efficiency increases, self-sufficiency is not likely to be achieved within the three-year target.

Geographic location. Although the grant agreement includes a new program in Kompong Speu, based on a GTZ analysis of Kompong Tom, the Gateway program has decided instead to locate its next provincial office in Kompong Tom. This report recommends two actions: 1) that the IGP cooperative agreement not tie CCB/WR to Kompong Speu as that was not the grant's intent, and 2) that the Gateway program continue to report to G/EG/MD on the institutional level, incorporating all CCB/WR operations, rather than reporting on only USAID-funded provincial offices. A cooperative agreement modification may be necessary for these actions. This modification should be undertaken while targets are modified.

SECTION I
INSTITUTIONAL OVERVIEW

World Relief Cambodia is in transition. It is evolving from a health-oriented village banking program (Gateway I) to community banking/branch banking program with a health component (Gateway II). And it is spinning off a local NGO—Cambodia Community Building (CCB)—to take full responsibility for the program sometime in the current grant period. Since the program's long-term sustainability depends on success in institutionalizing CCB, comments regarding organizational structure will focus on CCB rather than World Relief.

World Relief Corporation (WR) began Gateway I in October 1991. In October 1996 CCB registered with the government as a national NGO to build community banks and provide health education. Its bylaws (see Annex A) envisioned a sustainable, self-financing organization. CCB employs the Khmer staff of Gateway. With the program's legal shift from international organization to local organization management, the assistant project director of Gateway, Bun Mony, became executive director of CCB. An expatriate will remain the director of Gateway II until September 1999, when the transfer of all project responsibilities to CCB is complete.

Gateway II uses a community banking method. The structure differs from the traditional village banking method in that banks are not expected to graduate to independent status through capitalization of the bank's loan fund and growth of member savings. Members organize into self-selected solidarity groups of five to nine members. Each bank has four to five groups. The community bank leadership is elected from the leaders of each group. Each member must save riel 2,000 (U.S. $0.74)[2] each week for four weeks before the community bank receives its first loan. A series of small, short-term working capital loans are made over a 16-week cycle. The initial loan size is $25. Members are encouraged to save every week until they have built up 20 percent of the loan amount for the next cycle, when they can access a larger loan amount. The main target population is women of child-bearing age and older. Health education lessons of about 15 to 20 minutes are given during the regular weekly meetings.

As of December 31, 1996, CCB served 5,804 active clients through operation of 176 community banks: 62 banks in Phnom Penh and 114 banks in Kompong Cham. Table I-1 summarizes client and bank growth over the four-year period ending 1996. Over the four years, all clients have been women. CCB/WR intends to expand operations to Kompong Tom in 1997 based on a GTZ survey and an offer of donor support to open a new operation there.

Table I-1. CCB s Growth

Indicator	12/31/93	12/31/94	12/31/95	12/31/96
Number of active clients	459	1,233	2,586	5,804
Number of active banks	21	53	123	176
Average loan size	$41	$31	$37	$42

[2] Conversion rate used throughout this report: U.S. $1.00 = riel 2,700.

A. Board of Directors

The concept of a board of directors managing a non-profit is not widespread in Cambodia. As a result, WR played an instrumental role in developing the Board of Directors of CCB and will be involved in an ongoing training program for the new board. The board is currently serving as an advisory committee to the program rather than as a full steering body. The board consists of five members appointed for an initial one-year term. Joel Copple, country director for WR, is the chair. Three members are Cambodians and one is an expatriate Malaysian who is managing a joint-venture bank in Cambodia. Members are experienced in private sector credit, business, and public health. (See Annex B for a list of board members.)

The board, which has met twice, has yet to prove its ability to function as a governing body. Under the CCB constitution, board members will be appointed for three-year terms and must meet once every six months. However, current plans call for the board to meet every two months. One board member is general manager of the Cambodian Public Bank and in meetings was clearly knowledgeable about credit and banking and eager to apply that knowledge to CCB in providing credit for the poor. The executive director of CCB has no experience working with a board of directors. Significant training will be required for both the executive staff and the board in understanding board/staff relationships and the board's role and responsibilities.

B. Management Systems

CCB is funded in its entirety by the USAID grant and a matching WR grant. Budget control procedures center around grant management. While understandable now in CCB's development, the sustainability of the organization will depend on adopting institutional-based planning.

Control systems are adopted from WR and are strong. Cash on hand is reconciled weekly. Loan collection proceeds are counted once by the promoter and again by the counter and any discrepancies resolved. A cashier (distinct from the counter) is in charge of cash receipts. Currently cash management is relatively easy. Withdrawals from the grant account are based on a worksheet that analyzes cash on hand and expected requirements. However, cash planning does not appear to consider projected receipts from loan payments, new loan outlays, and project expenditures at the level necessary if CCB were not heavily grant-funded. Similarly, overall financial management and planning is grant-oriented. This must change for CCB to be sustainable after the USAID grant ends.

C. Institutional Linkages

WR was one of the first credit and savings operations in Cambodia. It has grown steadily over the past four years and is recognized among Cambodia's credit-implementing community as a well-managed operation. WR is represented at monthly meetings of the Cambodia Credit Committee, an association of microenterprise practitioners, and is active in the Coordinating Committee on Rural Development, the government Technical Unit overseeing credit operations. CCB/WR has established relationships with the provincial government offices in the areas where it operates. CCB was granted legal status and falls under the jurisdiction of the Ministry of Interior, as do other national NGOs.

The other large credit operations in Cambodia are as follows:

- **ACLEDA.** 15,000 clients. Uses an individual and group lending program in nine provinces.
- **GRET.** 19,800 clients. Uses a community credit and savings association method in four provinces.
- **SEILANITI/CARE.** 4,600 clients. Uses a community banking method in three provinces.
- **CRS.** 1,900 active clients. On-lends to its branches and other NGOs that use a village banking method.

No major credit organization using community or village banking operates in Phnom Penh or Kompong Cham. The interest rates on credit of all major operators are pegged at a flat rate of 5 percent/month. Interest on savings ranges from 1 percent/month (ACLEDA) to 3 percent/month (SEILANITI). Savings services are relatively limited and are not a competitive factor.

CCB/WR staff view ACLEDA as a competitor. However, ACLEDA and CCB/WR appear to operate in different market niches. ACLEDA's loan sizes are relatively larger and their solidarity group lending operation is more likely to reach a client population that is more mobile outside the village and more able to access larger loans outside of a community banking structure. As the CCB/WR clients' loan size grows and their sophistication with managing credit develops, ACLEDA may well be a competitor, particularly in Kompong Cham.

D. Organizational Structure

CCB has a total of 50 staff, 27 in Phnom Penh and 23 in Kompong Cham; 32 of the staff are promoters. Until recently, all promoters were women, but with the murder of two promoters in Kompong Cham, that office recently hired six men as promoters. Each office has a credit manager. The credit manager in Phnom Penh also has responsibility for overseeing overall credit operations. One bookkeeper in Phnom Penh maintains the books for the entire operation in consultation with WR headquarters. Phnom Penh is currently training its translator to work as the cashier. In Kompong Cham those duties seem to be shared by the credit assistant and the office helper. The regional coordinator for Kompong Cham heads up that office. The executive director has oversight over the entire organization and also serves as the head of the Phnom Penh office.

Basic responsibility for achieving the project goals still rests with WR. The project director serves as an advisor to CCB and receives technical assistance and direction from the WR headquarters' microenterprise section. While WR wants to take an increasingly advisory role, as the official grant recipient, it will have to maintain veto authority over decisions affecting the outcome of the Gateway II grant. Annex C provides a list of staff and their positions.

E. External Risks

Currency stability. The riel has been relatively stable for the past year. However, the risk of a sudden or rapid currency devaluation/depreciation should not be underestimated. Most credit operators that encourage savings in riels have become a bit complacent about the risk of losing the value of client savings and protecting their own portfolios.

Security. Crime is a serious concern in Cambodia, especially in isolated areas. Promoters on motorcycles are vulnerable. Recently two promoters were murdered in an apparent robbery and CCB/WR personnel believe that the attack was motivated from loan-related activities. The attack seriously affected morale, especially in Kompong Cham. Continued attacks and threats that limit the promoters ability to collect on outstanding loans could be serious.

Recourse for failure to repay. The program has limited recourse should borrowers fail to pay. Village/section leaders are not seen as helpful in making collections unless there is a benefit to them. There are limited formal legal or socially mediated methods of dispute resolution.

Natural disasters. CCB/WR's delinquency rate shot up after severe flooding during the last rainy season. Many loan groups are concentrated in flood plains, increasing the risk to the portfolio.

Ramifications of the civil war. Political instability and the horrendous nature of the Khmer Rouge regime has left a mark on the psyche. Reportedly people are highly suspicious and many of the social bonds that group lending depends on have been disrupted. This decreases the margin of error on dealing with delinquency and at-risk loans.

Bank regulation. Cambodia's banking industry, including the regulatory structure, is not developed. Government may interfere to an extreme degree in the operations of microenterprise programs. Some government officials have even suggested that the equity underlying the loan portfolio of these programs should belong to the government.

Competition. The microfinance sector in Cambodia is currently managing competition via informal agreements both on territories and interest rates. Real interest rates, some in excess of 100 percent, are high enough to hide operating inefficiencies. At some point, competition with moneylenders and others should begin to push those rates down. Moneylender rates have already dropped to NGO credit operators' rates in some areas of Battambang and Sissiphon. It remains to be seen which microenterprise programs will be able to improve their operations sufficiently to compete.

Government distortion. The Government of Cambodia is considering implementing a large, rural credit program that will probably include targeted credits and politically motivated credit terms. If large enough, this could make the credit environment more difficult for responsible operators seeking to charge market rates.

F. Institutional Risks

While there are considerable external risks to the program, some of the more important risks are internal. CCB/WR is engaged in a difficult process—attempting to build an indigenous institution while reaching financial self-sustainability by dramatically increasing client base and portfolio. It is doing so in a country with little experience in NGO management and institutional strengthening and a poorly developed civil society. The method and program focus is in flux while the portfolio is rapidly expanding. CCB/WR needs to carefully assess its internal systems for suitability in a much larger program, with multiple facets (including a variety of sources for financing portfolio growth and operating expenses). WR has experience in developing local NGOs in other countries in crisis (e.g., Mozambique and Liberia). There will be an important role for WR headquarters to play in providing the kind of technical assistance, foresight, and experience needed to transform the current Gateway II project into the basis for a new, local organization.

G. Management Action

Management has taken action on several of the perceived external risks. In regard to security, male promoters have been hired in Kompong Cham to accompany women promoters to more remote areas. On days when loans are being disbursed, the money is carried in a vehicle. Promoters no longer have to wear a uniform, although most still do. Regarding government interference in the credit sector, CCB/WR is an active member in a coalition of microenterprise credit programs trying to influence government policy toward credit programs. Management is developing a plan to address delinquency from natural disasters and gain the assistance of section leaders in collecting delinquent loans.

SECTION II
MANAGEMENT INFORMATION SYSTEMS

A. Accounting System

CCB/WR uses a customized accounting software package, IDEAS, developed by Price Waterhouse using Advanced Revelation. WR headquarters also uses IDEAS, which allows for data exchange and oversight from WR accounting staff. The accounting system allows complete segregation of various funds and of individual projects and separation of credit-related activities from non-financial services. While CCB/WR uses a common cost allocation mechanism, it is rudimentary and will need to be improved for a more complex organization. Its chart of accounts is typical for a non-profit organization. Cambodia does not have a required chart of accounts.

Reports to donors are taken directly from the financial reports generated by IDEAS, with some adjustments for format. Reporting in U.S. dollars, IDEAS has a currency conversion feature to adjust the exchange rate daily. Current practice is to adjust the rate on the day funds are exchanged. This method should not result in too much variation provided that only small amounts of cash remain on hand from earlier exchange periods. The program operates in three currencies, Cambodian riel, Thai baht, and U.S. dollar.

While the accounting system is strong, it is not used extensively. Cash receipts consist of loan repayments and a limited number of transfers from the United States. Entries from the loan tracking system are made monthly on an aggregate basis. Cambodia is a cash economy and most disbursements (under 500,000 riel) are made from a petty cash fund. The result is that most entries to the accounting systems are summaries of several transactions. This is not necessarily negative, but shifts the focus of control to supporting systems, such as the loan tracking system or the petty cash revolving fund.

B. Loan Tracking System

The loan tracking system is a Lotus spreadsheet system that has been customized with macros by WR Cambodia staff. The loan tracking and financial reporting systems are not linked electronically and require separate input. CLAMS, a database system that WR uses in other programs, is used by CCB/WR as a reporting system to headquarters and requires additional input.

The current system is not secure. It requires no password to access and formulae are unprotected, opening the system to operator error. There are several checks and balances in the paper flow system to protect against error or fraud. While the system is adequate for current operations, it is somewhat inefficient and will not be adequate as the organization grows. After a bank's current loan cycle is closed, much of the loan tracking detail is lost to the organization or would have to be reconstructed from written or hard copy reports.

The loan tracking system tracks loan disbursement and weekly payments of interest and principal and savings to the individual member, by solidarity group and by bank. Entries are made daily when the promoter returns from the community bank. Entries of the loan tracking system and the finance department are reconciled monthly.

The contract among solidarity group members includes a repayment schedule. The contract between CCB/WR and the community bank does not include a repayment schedule; although it includes weekly payment of principal and interest it emphasizes that the loan is due after 16 weeks. This may explain why some banks regularly fall behind in their weekly payments. Savings is not really mandatory on a weekly basis, but members know that to receive a new loan they must have 30 percent of the amount on deposit at the time the current loan cycle is closed. This may also explain why most members do not save on a weekly basis and why they make deposits at the end of the cycle. While bank members are encouraged to save 20 percent of the loan amount throughout the cycle, the amount of savings required to access a new loan has recently been increased to 30 percent.

CCB has no loan administration or loan policy manual. Developing such manual is important to the institutionalization process for CCB, particularly to train promoters and staff and assist in decision making.

There are several checks and balances built into the procedures and documentation for loan disbursements, payments, and verification of the cash and paper trail from member to group, bank to promoter, credit department to finance department. Each step requires more than one person to count the cash and sign, verifying the amount and reconciling any errors. Copies of documentation are left with the member, group, bank, and each department. The checks and balances system is a strong one for an operation that daily handles huge amounts of small notes. The transparent documentation system, with the paper trail in the hands of the borrowers, the bank, and the program, enhances accountability at each level and enables timely discovery of errors. Steps in the loan tracking system are described in Annex D.

SECTION III
VERIFICATION OF FINANCIAL DATA, FINANCIAL STATEMENTS, AND BASELINE DATA

A. Balance Sheet

A1. Cash

Cash on hand on September 30, 1996 (end of FY 1996) was 35 percent of total assets, a high figure and almost double the projections for FY 1997-1999. Excess cash is put into longer- term investments. Adding short-term investments to cash brings the total liquidity even higher. According to WR, the increase is due to two factors: the final drawdown on Gateway I and anticipation of a rapidly expanding portfolio. With the hiring of seven new promoters in Kompong Cham and a proposed addition of 16 promoters in Phnom Penh, expansion is likely. However, cash on hand and investments exceeded the portfolio by almost 20 percent.

No direct link exists between CCB/WR's investment policy and its savings even though investments and savings are at similar levels. Excess cash is invested in U.S. certificates of deposit paying 3 percent interest.

Overall cash management needs to improve to maximize returns. The presence of large sums cannot be totally explained by a growing portfolio, but instead reflects the perceived cost of zero capital.[3] The management of cash does not change significantly during the proposal period since at the grant's end cash and liquid investments are projected at 36 percent of total assets. Maintaining a reserve to cover savings withdrawals would still not justify such a high level of cash since forced savings represent only 15 percent of total assets. Covering savings with a 100 percent reserve would be an extremely conservative position. CCB/WR may be able to achieve self-sufficiency with inefficient cash management, provided competitive pressures allow the return on the portfolio to be as projected. However, if CCB/WR improved its cash management, it could pass this increased efficiency on to its borrowers through reduced interest rates or increased services.

A2. Loan Portfolio

Description of credit method. The CCB/WR community banking method has transformed to much more of a branch banking method that incorporates many elements of traditional village banking. The major difference is that the bank is incorporated into the overall structure, as a branch would be, and is not expected to become an independent entity that is capitalized through the program. The community banks operate an external account with the program and an internal account, where member savings are on-lent to members of the bank. The bank is the CCB/WR borrower; however, the group also signs a CCB/WR loan contract. This method is appropriate for the rather high turnover rate and is efficient for serving groups of bank members.

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[3] Cash always has a price tag—either in the cost of borrowing it or in investment income foregone if it is not invested properly. For finance institutions, cash is a factor of production and the cost of allowing it to idle in a non-productive asset is high. CCB's high cash balances could be loaned out to generate significant interest income.

Initial loan size. The initial loan for every bank member is riel 80,000 (U.S. $25). Bank members are encouraged to save 20 percent of the loan amount throughout the 16-week cycle. Payments are supposed to be made weekly. The amount of a second loan is limited by the amount saved, which must be at least 30 percent of the new loan amount. Access to additional loans is also based on a good, on-time repayment rate. Access to larger amounts is based on the purpose of the business, which is based on a rough calculation of the client's ability to repay the loan with the current economic activity.

Average loan size. The average loan size in July 1996 was $56 for the Phnom Penh office and $29 for the Kompong Cham office. The targets were $50 and $30, respectively. By December 31, 1996, the average loan size was $68 in Phnom Penh and $66 in Kompong Cham.

In June 1996 WR increased the loan size limit to riel 1.5 million ($555) to accommodate clients with growing businesses. Currently, larger loans are delivered through the existing solidarity group within the bank structure. CCB/WR is planning to issue an additional contract with collateral for loan sizes over riel 1 million (U.S. $370). About 15 clients—largely vegetable wholesalers, persons fixing houses to rent, and those engaged in the transportation business—are borrowing at this amount.

Interest rate and fees. Banks are charged a flat interest of 5 percent per four weeks over a 16-week period. When the Phnom Penh banks on-lend to members through the internal account, the rate is up to 15 percent per month. Interest rates for banks in Kompong Cham are lower, ranging from 0 to 5 percent. There is also a nominal membership fee of riel 500 (U.S. $0.18) per member per loan cycle. The 5 percent flat rate per month is the prevailing rate in other leading credit programs: ACLEDA charges 5 percent per month on non-collateralized lending and is raising interest rates on small business loans to a flat 2 percent per month; GRET charges a flat 5 percent month on community banking; SEILANITI's community banking operation ranges from a flat 3 to 5 percent; CRS charges a flat 5 percent on village banking loans.

Penalties. The prevailing penalty for late repayment is at the bank level. No bank will get a new loan until all payments of principal and interest are made. Late fees on individual payments are left to the community bank to decide. Some banks charge riel 2,000 if a member misses three payments. Others limit the access to new loans for members with late payments. No other penalties exist for late payments. Savings are routinely used to pay any past due amounts at the end of the cycle.

Delinquency. Through December 1996, CCB/WR classified delinquency as follows: banks with past due payments during the 16-week cycle and banks past due 32 weeks. The system tracked the number of banks in arrears but not the amounts or the portfolio at risk. In January 1997, with the assistance of WR headquarters, a system was put in place to track the amount of arrears and the portfolio at risk for 30, 60, 90, and over 90 days. This report is produced using the CLAMS and Lotus systems.

The CCB/WR loan tracking system could determine delinquency on a weekly basis, as the bank repayment report prepared by the promoter includes a percentage for the amount collected and the amount due for both principal and interest. However, the Lotus loan tracking system has not regularly picked up arrears or portfolio at risk. The system easily pulled out arrears and portfolio at risk for the last two quarters, but once the cycle is closed and the data consolidated, it loses this detail.

Tracking delinquency earlier than September 30, 1996, would require hand calculations from hard copy.

Staff perhaps have not seen the need to closely track delinquency for the following reasons: 1) until the recent floods, delinquency had not been a problem; 2) the program is still making the transition from treating all loans as due on the 16th week, instead of every week; and 3) the interest earned has until recently gone to recapitalize the banks, not to generate income for program operations. Loss of income due to delinquency was not previously a staff focus because it had not been a problem.

CCB/WR is currently facing a delinquency crisis. The recent floods in Phnom Penh destroyed the businesses and households of many bank members. About 50 percent of the banks are now in arrears in the Phnom Penh office. The murder of two promoters in Kompong Cham has made staff reluctant to press too hard for repayment, and clients in arrears are prone to tell the new promoter that they already paid their debt. Delinquency in Kompong Cham, although not as severe as Phnom Penh, is creeping up.

Tables III-1 and III-2 below present portfolio-at-risk information on the last two quarters, September 30, 1996 and December 31, 1996. In September 1996, portfolio at risk greater than 90 days was a low 2.3 percent. This amount skyrocketed to 13.3 percent by December 31, 1996. The delinquency crisis is likely to get worse before it gets better, as loans overdue 0-30 days slip into higher aging classifications.

Table III-1. Portfolio Aging Report, September 30, 1996 (in U.S. dollars)

Aging Report	Phnom Penh		Kompong Cham		Totals	
	Amount	%	Amount	%	Amount	%
Portfolio outstanding	172,126		56,565		228,691	
0-30 days past due	20,904	12	6,183	10.9	27,087	12
31-60 days past due	14,841	8.6	1,766	3	16,607	7.3
61-90 days past due	5,288	3	800	1.4	6,088	2.7
Over 90 days past due	**5,278**	**3**	**0**	**0**	**5,278**	**2.3**
Totals	46,311	26.9	8,749	15.5	55,060	24

As there are no aging records for periods before September 30, 1996, it is difficult to tell what percentage of the delinquency is a chronic problem within banks before the cycle is over and what percentage is due to the floods and client behavior following the robbery and murder of the promoters. A higher delinquency in the 1-30 and 31-60 day periods and a dramatic decrease in the over 90 day period would indicate a delinquency pattern based on the banks' understanding that repayment is due at the end of the 16-week cycle. This seems to be the trend in the September 30, 1996, aging schedule. But in the December 31, 1996, aging schedule the trend reverses as the effects of the floods and the murders begin to show. Records for July 30, 1996, which only shows the number of banks delinquent, indicate that 91 percent of the banks (141) were paying on schedule, 6 percent (nine banks) were overdue 16 weeks, and 2 percent (four

Table II-2. Portfolio Aging Report, December 31, 1996 (in U.S. dollars)

Aging Report	Phnom Penh		Kompong Cham		Totals	
	Amount	%	Amount	%	Amount	%
Portfolio outstanding	170,245		75,765		246,010	
0-30 days past due	25,453	15.0	10,907	14.4	36,360	14.8
31-60 days past due	23,123	13.6	10,769	14.2	33,892	13.8
61-90 days past due	16,154	9.5	6,856	9.0	23,010	9.4
Over 90 days past due	**28,531**	**16.8**	**4,168**	**5.5**	**32,698**	**13.3**
Totals	93,261	54.8	32,700	43.2	125,960	51.2

banks) were overdue 32 weeks. By December 1996, 65 percent (115 banks) were paying on schedule, 31 percent (55 banks) were overdue 16 weeks, and 3 percent (six banks) were overdue by 32 weeks.

In short, there is a small chronic delinquency problem within banks before the 16-week cycle ends that is seriously aggravated by the acute delinquency crisis over the last two quarters of 1996. Steps to remedy this problem will include issuing a bank repayment schedule that is based on regular installments and changing the contract terms to stipulate that payments are due on a regular basis rather than at the end of the 16-week cycle.

Refinancing/rescheduling. To date CCB/WR has not rescheduled or refinanced any loans. According to CCB/WR management, about 50 percent of the banks in Phnom Penh are delinquent because of the floods. These banks have requested CCB/WR to reschedule or refinance their loans. Current wisdom suggests that refinancing be avoided for those in precarious positions. However, several banks are insisting that they will not pay off their current loans if they do not receive a new loan. CCB/WR is currently deliberating whether and how to reschedule or refinance loans, particularly in Phnom Penh where the floods have devastated 50 percent of the banks. Bank members have not only lost their businesses, but many no longer have a place to live and have extensive housing repairs and re-building expenses. The dilemma facing CCB/WR is how to reschedule or refinance loans at this time without creating a windfall for some and undue hardship for others. Further, CCB/WR is concerned with the breakdown of discipline this may cause among borrowers and promoters. CCB/WR is considering a special one-time policy decision issued from WR headquarters on rescheduling/refinancing that would relieve the debt of clients as well as prevent confusion over the authority of promoters to reschedule or refinance loans in the future.

The delinquency problem in Kompong Cham is based on a different set of circumstances. Although some clients were hit by the flood, others are claiming they already paid their loan. Collection in Kompong Cham appears to be more in the control of CCB/WR, and no rescheduled or refinancing is being considered.

CCB/WR intends to track rescheduled and refinanced loans separately from current and past due loans.

Write-off policy. CCB/WR does not have an official write-off policy, although loans overdue after six months with no activity are written off in consultation with the finance and credit departments to determine the specifics of a case.

Provisions. CCB/WR began to provision for a loan loss reserve on a monthly basis in October 1996. Provisions are made at 3 percent of loans outstanding each month to maintain 8 percent of the outstanding balance. On December 31, 1996, the loan loss reserve was $6,860, which is inadequate to cover the current portfolio at risk over 90 days of $32,698. CCB/WR should consider a provisioning policy more in line with its current delinquency rate and experience of the program. A rate to maintain 10 percent of loans outstanding would not be inappropriate.

A3. Fixed Assets

In addition to the Phnom Penh and Kompong Cham district offices, CCB/WR plans to open a third office in a selected province. The main office in Phnom Penh is equipped with eight computers (including those used by expatriate staff), a fax machine, copier, and two vehicles and several motorcycles used by promoters. The office in Kompong Cham is smaller, with two computers, a fax machine, and one vehicle. Both offices have a main meeting room, used by the promoters and separate rooms for counting cash and accounting/finance. Both offices are in three-story buildings (originally residences). In Phnom Penh, CCB occupies the first two floors. On the first floor are the promoters, their lockers and record books, and a general work area. The second floor has three offices, the credit office (also where the cash is counted), accounting, and the executive director’s office. WR occupies the third floor, which also has a conference room area. In Kompong Cham, offices are on the first floor and the remaining two floors are used for guest rooms, or temporary offices when the first floor floods.

A4. Liabilities (Interest on Client Savings)

The banking sector in Cambodia is poorly developed. The CCB/WR program’s possibility of obtaining commercial financing in the near future is quite limited. Savings is a potential source of funding for the loan portfolio, although CCB/WR projections do not use any portion of the savings and instead funds the entire portfolio from the loan fund and retained earnings.

WR uses mandatory savings as part of its loan method. Before the loan is disbursed each client must save riel 2,000 (U.S. $0.74) per week for four weeks. Clients are expected to save throughout the cycle for the next loan. Savings must be at least 30 percent of the next loan amount. About 10 percent of the clients save more than required, although many clients do not save regularly on a weekly basis and few save the encouraged 20 percent over the 16-week cycle. For the 11th cycle of one bank, 87 percent of the 38 members saved only nominal amounts, one member saved the 20 percent amount, and four members saved well over (sometimes double) the 20 percent rate.

In July 1996 WR was paying interest rates on savings of 2.25 percent/month, calculated on a simple rate and payable at the end of the 16-week cycle. WR adjusted the interest rate downward for new loans in May 1996 to 5 percent over the 16-week cycle based on a simple interest rate calculation of 1.25 percent/month.

A5. Equity

Institutional equity has been provided through grants that have funded Gateway since its beginning. Until just recently, interest income was used to capitalize the loan fund rather than offset operational expenses.

B. Income Statement

B1. Revenue

Revenue consists almost entirely of interest income. CCB/WR does not make any significant additional charges except for a $0.20 fee per loan to cover the cost of the repayment book. These fees are insignificant overall. No late fees are charged and no additional interest is charged if payments are received past the due date.

In FY 1996 (ending September 30, 1996), CCB/WR had a portfolio yield of 81.8 percent based on an average portfolio of $140,537 and revenues of $111,473. An interest rate of 20 percent over a 16-week period (5 percent every four weeks) results in an effective interest rate of 117.5 percent—assuming payments are made according to the loan repayment schedule. (See Annex E for an amortization table showing the effective interest rate.) In reality CCB/WR receives many weekly payments late or as partial payments. This would lower the actual effective interest rate. The interest rate calculation does not take into account the cost to the borrower of forced savings. Annex E provides several examples of loan repayments schedules for different loan levels. The repayment schedule for a riel 100,000 (U.S. $37) loan was used in calculating the effective interest rate. The schedule is based on flat payments with the initial payment including any rounding necessary to make the amounts consistent with Cambodian currency denominations.

The banking sector is quite underdeveloped in Cambodia. Interbank rates do not exist and the commercial market is limited. Based on conversations with the general manager of Cambodia Peoples' Bank, a private commercial bank, the prime rate is estimated at 18 percent. Inflation is currently 9 percent. No usury laws exist. This allows microenterprise credit operations to set interest rates without resorting to creative payment and fee structures that mask the true interest rate.

B2. Operating Expenses

Operating expenses for CCB/WR for 1996 were 257 percent of the average loan outstanding. This includes the cost of expatriate staff that will be phased out over the course of the grant. Excluding an estimated $118,000 for expatriate salaries and benefits, the operating expenses were 173 percent of the loan portfolio. While this ratio should drop as the program scales up, it also reflects a relatively expensive method that includes two promoters going to each meeting and weekly collections. CCB/WR may have to adjust its method to come within USAID guidelines for operational efficiency of 30 percent of loans outstanding.

Salaries and efficiencies. Salaries, at more than 65 percent of operating expenses, make up the largest component of non-financial expenses. Expatriate salaries and benefits account for more than 50 percent of the total. Office expenses account for just over 20 percent. The starting promoter salary in Kompong Cham and Phnom Penh is, respectively, $120 and $135/month for 13 months. Thereafter, promoters are eligible for a 12 percent increase each year. The average promoter salary is $174/month in Phnom Penh and $144/month in Kompong Cham. Salaries are in line with the industry average and slightly lower than some credit operations. With the heavy emphasis on salary costs, it is clear that CCB/WR will need to increase staff efficiency to improve operating efficiency. Initial targets were set at five banks per promoter. Targets were raised to eight banks per promoter during an analysis of CCB self-sufficiency planning exercises. In July 1996, the overall ratio of banks to promoter was 7.3, with a higher ratio in Phnom Penh of 7.8.

Promoter profile and staff turnover. As of December 1996, CCB/WR employed 31 promoters, 15 in the Phnom Penh office and 16 in the Kompong Cham office. All promoters in the Phnom Penh office are women, and the most in the Kompong Cham office are women. Due to heightened security concerns in Kompong Cham, the promoters have requested that more men be recruited. The average age of the women promoters is between 30 and 40. All promoters have learned their skills through WR training and on-the-job training. Only three have finished high school. The high percentage of women promoters is due to a policy to recruit mothers to operate a credit program serving mothers. Promoter staff and office staff turnover are low, about 3 percent since the operation began. On average, promoters have been with WR three years.

CCB/WR key management staff have been with the organization for three to five years. There has been no turnover of key management staff. The CCB executive director has been with Gateway for five years.

Staff incentives. CCB/WR does not have a staff incentive scheme, although there are plans for one based on group or team efforts. Since promoters operate in pairs, and often not the same pairs, individual incentive schemes are problematic according to CCB/WR management.

Promoter training. No staff training manual exists, but there is an established curriculum and a folder with the curriculum and training materials. Promoters are given six weeks of classroom training and on-the-job training with experienced promoters. Classroom training consists of sessions on the credit method, group organizing skills, loan principal and interest calculation, forms, and contacts with the solidarity group and community bank. Promoter trainees must pass certain tests and experienced promoters are given a check list to complete as on-the-job training advances. New promoters have a three-month probationary period.

B3. Net Result Prior to Donations

According to WR's proposal, the program will reach financial self-sufficiency excluding expatriate costs by the end of the project (see Table 1 from the revised proposal, presented in Annex F of this report). There are some discrepancies between the proforma financial statements and the financial data in Table 1 affecting the self-sufficiency calculation.[4] In addition, because CCB/WR funds its entire portfolio from equity, substituting net worth for loan portfolio in calculating imputed interest would be a more critical test. With no access to debt funds, preserving the value of the equity

[4] Operating costs, excluding imputed financial costs, in Table 1 of Annex F are less than operating costs on the proforma income and expense statements (e.g., $1,125,612 versus $1,157,553 in 1997).

base is even more important. Table III-3 calculates financial self-sufficiency using numbers from the proforma financial statements and the degree to which the net worth is preserved.

Table III-3. Return Needed to Cover Imputed Financial Costs and Protect Equity (in reils)

Financial Data	FY 1997	FY 1998	FY 1999
Average loan portfolio	488,784	838,862	1,319,849
Average net worth	882,816	1,234,171	1,836,865
Inflation rate	9.0 %t	9.0 %t	10.0 %t
Interest income	437,103	768,983	1,197,420
Adjusted operating expenses portfolio	1,201,543	1,357,962	1,366,778
Adjusted operating expenses net	1,237,006	1,393,539	1,413,310
Self-sufficiency portfolio	36%	57%	88%
Self-sufficiency net worth	35%	55%	85%

To arrive at the numbers, an imputed value for financial costs was added to CCB/WR's operational costs by multiplying the inflation rate times the average portfolio or net worth depending on the basis for calculating financial self-sufficiency. Revenues for each year were then divided by the adjusted operating expenses to arrive at the percentage of financial self-sufficiency achieved.

SECTION IV
TARGETS AND REASONABLENESS OF PROJECTIONS

Targets identified in WR's Gateway II proposal and addendum and actual progress as of the end of December 1996 are presented in Table IV-1.

Table IV-1. Gateway II Year 1 Targets and Progress as of December 31, 1996*

Indicator	Proposal base year	July 30, 1996	Sept 30, 1996	Dec 31, 1996	Targets Year 1	Targets Year 2	Targets Year 3
EOY number of loans out	4,255	5,149	5,445	5,804	7,020	10,598	14,150
EOY amount of loans out (thousand riel)	278,472	528,300	617,466	664,227	613,668	1,046,055	1,575,643
Delinquency over 90 days	2.00%	n.a.	2.30%	13.30%	2.50%	2.50%	2.50%
Long-run loss rate	1.20%				1.50%	1.50%	1.50%
Return of operations	0.19%			30.18	58.00%	71.00%	100.00%

* One-quarter through Year 1.
NOTE: EOY = end of year.

A. General Overview

With only two months of operations under the new grant agreement, it is difficult to determine whether the goals will be met. This is especially true because remedies to the primary constraints—the institutional weakness of CCB and CCB/WR's delinquency crisis—are both works-in-progress. CCB/WR's ability to meet its targets, particularly the self-sufficiency target, is highly dependent on the organization's ability to deal with these two issues in the face of rapid growth.

The competitive environment in Cambodia is of concern. As long as there is a large, unsatisfied market, the microenterprise credit industry in Cambodia will continue to be able to control the pricing of microloans. If competition were to increase, CCB/WR would have to directly address its relatively inefficient credit operations and decision to try to fund the health program through interest income. While CCB/WR seems to be dealing with this from a programmatic perspective (i.e., shifting in emphasis from health to credit), it does not yet appear to be dealing with the financial perspective. CCB/WR needs to address the cost of maintaining the health component separate from the core costs of the credit operation. This will require programmatic and cost analysis of current procedures and the use of promoter time.

B. Specific Goals

Loans outstanding. WR predictions for loans outstanding are unrealistically low. At the end of the first two months of FY 1997, WR had almost met its 1997 goal for the ending portfolio. Having just hired seven new promoters in Kampong Cham and plans to hire 16 new promoters in Phnom Penh, the outstanding loan portfolio should increase considerably. According to WR, this difference is due to an increase in the estimated loan size. However, projections for year-end 1996 (base year for the proposal) were also considerably lower than actuals—by 57 percent. As a result, the project period (1997-1999) began with a much higher base. Table IV-2 shows how the portfolio would grow should CCB/WR achieve the rate of growth proposed.

Table IV-2. Portfolio Growth Projections (U.S. dollars)

Factor	1996	1997	1998	1999
Actual base	$228,691			
Proposal	$145,560	$245,467	$425,622	$630,257
% Increase from proposal		68.64%	73.39%	48.08%
Adjusted loans outstanding	$228,691	$385,665	$668,704	$990,216
Actual @ 12/31/96 (1st Qtr 1997)		246,010		

To achieve CCB/WR's goals, the portfolio would have to grow by 57 percent during the last nine months of 1997. This is a higher growth rate than achieved during the first quarter, but seven new promoters have been hired in Kompong Cham and 16 promoters will be hired in Phnom Penh. Provided CCB/WR gets delinquency under control, it should be able to achieve the minimum goals for 1997. Achieving loan portfolio goals in 1998 and 1999 will be more dependent on addressing institutional weaknesses in CCB and improving CCB/WR management systems to deal with scaled-up activities.

Average loan size. This is an important indicator of CCB/WR's ability to achieve its goals because of the relatively fixed costs associated with managing an individual loan.[5] Average loan size is higher than originally projected and is in part responsible for a larger portfolio. As with loans outstanding, 1996 actuals were higher than projected. CCB/WR will probably have to achieve a similar rate of increase in loan size if it is to achieve both its net income and revised loan outstanding goals, as shown in Table IV-3.

In Table IV-3, the average loan size is not increasing, on a percentage basis, as rapidly as originally projected. If the loan size lags, then CCB/WR will have to find other ways to increase its operating efficiency to achieve net income and revised loans outstanding goals.

[5] Since CCB/WR manages loans on an individual basis, even though they are group loans, the average loan size for individuals is an important indicator for trends in net income. Larger loans are less costly to administer per dollar and should be more profitable, provided they are within a range not requiring additional assessment or collateral valuation.

Table IV-3. Average Loan Size Projections (U.S. dollars)

Factor	1996	1997	1998	1999
Actual base	$42.00			
Proposal	$29.52	$34.96	$40.16	$44.56
% increase from proposal		18.43%	14.87%	10.96%
Adjusted average loan	$42.00	$49.74	$57.14	$63.40
Actual @ 12/31/96		$42.39		

Number of loans outstanding. CCB/WR should have no problem achieving the outreach planned under the proposal, assuming current trends continue. CCB/WR began the grant period with the number of loans outstanding exceeding projections for 1996 by 10.38 percent. During the first quarter of the grant period, loans increased by 6.59 percent. The new promoters in Kompong Cham are still in training so their impact has not yet been felt on the number of loans outstanding, and the new promoters in Phnom Penh have not yet been hired. Even using a compounded quarterly rate of 6.9 percent, which does not fully reflect the new staff, CCB/WR will exceed 7,020 loans by the end of the grant year.

Delinquency rate. The historical rate has been about 2.3 percent for loans delinquent for more than 90 days. The impact of the flood pushed that rate considerably higher. However, if CCB/WR’s rescheduling program is successful, the organization should be able to pull the rate down, closer to its historical levels. One factor that may affect the level at which the delinquency rate stabilizes is the aging of the groups. Older groups have tended to have higher rates of delinquency. This may cause the overall rate to rise above targeted rates, but not significantly. The delinquency rate should be carefully watched, since the ability to meet targets will depend on CCB/WR’s success in dealing with its first crisis of delinquency.

Long-run loss rate. At this early stage, it is difficult to predict whether CCB/WR will meet long-run loss rate goals. If the delinquency problem is successfully addressed, then there is reason to believe CCB/WR will meet this goal.

Interest income. CCB/WR will achieve income goals in terms of absolute dollars for 1997, but this will be based on an expanded portfolio, rather than maintaining projected portfolio returns. Table IV-4 compares achieved and proposed yields on the portfolio.

Table IV-4. Achieved versus Proposed Portfolio Yields (U.S. dollars)

Factor	FY 1996		FY 1997	
	Planned	Actual	Planned	Actual @12/31/96
Average loan portfolio	98,972	140,537	195,514	237,351
Interest income	95,431	111,473	171,641	133,411*
Yield on portfolio	96.42%	79.32%	87.78%	56.21%

* Income is annualized to arrive at the yield on portfolio at 12/31/96. This does not represent expected income for the year, since the portfolio is expected to grow and income cannot be predicted based on a straight-line analysis. However, annualizing the income on a straight-line basis does provide a means for measuring the yield on the portfolio at December 31, 1996.

The reduction in yield in 1997 is undoubtedly due to the rise in delinquent loans. However, the decrease in yield between proposed and actual for 1996 suggests a more fundamental problem with WR projections. Table IV-5 shows adjusted client income to produce a yield on the portfolio of 80 percent and the subsequent effect on self-sustainability. Based on WR's operating history, 80 percent yield on portfolio is a much more realistic predictor of what future performance might bring.

Table IV-5. Adjusted Client Income to Produce an 80 Percent Portfolio Yield (U.S. dollars)

Factor	1997	1998	1999
Average portfolio	195,514	335,545	527,940
Interest income	156,411	268,436	422,352
Operating expenses	467,841	519,975	518,261
Self-sufficiency	33.43%	51.62%	81.49%

SECTION V
CONCLUSIONS AND RECOMMENDATIONS

The CCB/WR Gateway II program has made a fundamental shift that needs to be completed. This shift touches all parts of the program—its methods, procedures, policies, and transformation to a strong, local NGO that can continue in the absence of WR expatriate presence. This review was carried out early in the institutional transition process. CCB was incorporated as a local NGO in August 1996. The conclusions and recommendations in this section recognize the youth of the program and are directed to strengthening the transformation process so that CCB becomes financially and institutionally sound.

The process of growth is not an easy or short one. To date Gateway I and its successor, Gateway II, have made extraordinary progress in a difficult and challenging environment. Financial systems and controls are in place that allow CCB/WR to claim its reputation in the community as a well-managed program by highly trained staff. While management and administrative systems are adequate to manage the program as it currently stands, additional changes, formalization, and upgrading will be required to position CCB/WR for growth and manage this growth well.

CCB/WR must carefully think through the shape of the credit program and the implications of decisions made regarding design and expansion on self-sufficiency. Once clear on direction, the organization should move systematically toward its goal.

Gateway II community banking provides a valuable service in Cambodia. It operates in a geographic area and with a clientele that is unlikely to obtain financial services from any other source. In the slums of Phnom Penh, it is the only program that offers quality, reliable service to poor female clients. Loan size is extremely low, ranging from riel 50,000 to riel 1.5 million ($18 to $555). The lending techniques incorporate best practice, including small initial loan sizes, access to larger loans based on good repayment records, group-based guarantees, and rapid processing of repeat loans.

CCB/WR staff are dedicated, well-trained, and competent. Staff turnover is low, which is positive for an organization, like many in Cambodia, that trains staff in basic skills.

Current management information systems are adequate. However, to reach the scale proposed, CCB/WR should re-examine its systems, streamline data management and assure that these systems are secure and cannot be readily modified or the controls circumvented.

Delinquency. CCB/WR has put steps into place to control delinquency, beginning with an information system that shows the portfolio-at-risk ratio and the costs to the program of late payments. CCB/WR will reschedule and refinance banks affected by the floods. Care must be taken to ensure both borrowers and staff understand the one-time nature of this procedure. There must be clarity in the minds of all staff as to why this measure is being taken, otherwise mixed signals will be sent to borrowers.

Staff efficiency. There are tradeoffs in sending two promoters to a center at one time. CCB/WR should weigh the security risk, accountability of a two-member team, and the importance of one promoter dedicated to presenting the health education session with lower client to promoter services possible under the current model.

Over the next year, CCB/WR should increase the training capacity of staff. Staff training is a cornerstone of a well-run program, and CCB/WR has excelled in this area. The training manual could be more formalized, and one or two of the promoters who excel at training others could formally take on this role and be trained to train newly recruited promoters.

Geographic location. The current grant agreement includes a new program in Kompong Speu. Based on a GTZ analysis of Kompong Tom, the Gateway program has decided its next provincial office would be located in Kompong Tom instead of Kompong Speu. It is recommended that the IGP cooperative agreement not tie WR/CCB to Kompong Speu as that was not the grant's intent. While Kompong Tom operations will be financed by GTZ, it is important that Gateway program reporting continue on the institutional level and not be separated by provincial office locations. A formal letter from USAID to WR should be issued to this effect and, if necessary, a cooperative agreement modification issued.

ANNEX G
LIST OF MICROSERVE PUBLICATIONS

1. "Microfinance Training Course Evaluation and Completion Report," April 19, 1996.

2. "Assessment of Microenterprise Support Institutions for USAID Sri Lanka: The Micro Enterprise Support Activity," by Cary Wingfield Raditz, June 25, 1996.

3. "Microfinance Workshop for the West Bank and Gaza Completion Report," by Dale W. Adams and Fernando Cruz-Villalba, July 29, 1996.

4. "Evaluación de la Propuesta de Constitución del Fondo Financiero Privado para el Fomento de Iniciativas Económicas," by Miguel A. Rivarola, October 1996.

5. "Evaluación y Análisis de la Foundación para la Producción (FundaPro)," by Mario Dávalos, October 1996.

6. "Consideration of a Merger between the Sartawi Foundation and the Agrocapital Foundation," by Ken L. Peoples, November 1996. (Also available in Spanish.)

7. "Women's Enterprise Development project: Mid-Term Evaluation Report," by Meliza H. Agabin, Jeanne Koopman, and Harunur Rashid, December 1996.

8. "Revisión del Sistema de Informática del Centro de Fomento a las Iniciativas Económicas," by Robert Boni, April 1997.

9. "The Organization for Women's Enterprise Development: Institutional Assessment Report," by Oscar Oswaldo Oliva V. and Barry Lennon, June 1997.

10. "Evaluación de la Constitución de la Fundación Agrocapital," by Camilo Arenas, June 1997.

11. "World Relief Corporation's Cambodia Gateway II: Institutional Assessment Report," by Margaret Bartel and Heather Clark, July 1997.