



project results

IMPROVING THE INVESTMENT READINESS OF FARMER COOPERATIVES IN CAMBODIA



Beneficiary organisation

Founded in 2005 in Cambodia by the French NGO Entrepreneurs du Monde, **Chamroeu Microfinance Plc.** initially focused on urban areas, shifting to rural areas in 2017 after strategic change. In 2019, it established an impact department to support vulnerable populations and agricultural value chain actors, developing products for SMEs in priority sectors (agriculture, energy, and water). **Presently, 60% of its portfolio is in rural areas, with 20% dedicated to agriculture, offering short-term loans to farmers and longer-term SME loans for pre- and post-harvest needs.**

IMPACT INVESTOR



BENEFICIARY ORGANISATION

Chamroeu Microfinance
Cambodia

NUMBER OF FARMERS REACHED

16,345

AGRICULTURAL VALUE CHAIN

Multiple

START DATE

September 2021

END DATE

August 2023

TOTAL EXPENDITURE

€ 102,102

Including € 86,357 (85%)
financed by SSNUP

Project's contribution to the SDGs

2. Zero hunger



2.3 Improving agricultural productivity and increasing smallholder farmers' income thanks to access to financial services and markets

The challenge

Chamroeu has identified Smallholder Farmer Cooperatives (SHFCs) as a niche in need of finance that can support the portfolio's growth in the agricultural sector in an efficient way. **However, while there are more than 1,200 SHFCs in Cambodia, only a small portion has the scale and financial sustainability required to be eligible for commercial loans helping to unlock their liquidity issue to purchase produce from farmers on time.** SHFCs are mostly informal and lack well-elaborated financial reporting and collateral, making it difficult for financial institutions to assess and offer loans.

The proposed solution

The technical assistance (TA) project aimed to increase investments in SHFCs supporting the livelihoods of smallholder farmers. It consisted of two components:

- 1 Offer adapted financial services to SHFCs that comply with Chamroeu's established minimum loan requirements.
- 2 Deliver a capacity-building programme focusing on financial accounting and organisational strengthening for SHFCs to channel further lending and support the sustainable growth of the organisations in the future.

The expected outcomes of the project were:

- 1 50 SHFCs would access financing from Chamroeu, indirectly benefiting 15,000 smallholder farmers
- 2 At least 30 SHFCs would benefit from the Capacity Building Programme.
- 3 20% increase in farmers choosing SHFCs as their business partners for agri-business transactions (purchase of inputs and sales of products)
- 4 At least 80% of the SHFCs would be first-time lenders and, therefore, receive a credit rating from the Credit Bureau of Cambodia for the first time. The credit rating will improve SHFCs' access to finance, as other financial service providers can see they have a track record.
- 5 Balance sheets of SHFCs grow by at least 15%.

key results



46 SHFCs (representing 16,345 individual farmer members) benefited from at least one of the project's components



37 SHFCs benefited from the capacity-building programme delivered by Chamroeun's partners:

- ✓ 34 SHFCs received business development training covering three main topics: business plan, business operation and financial management by CamboDHRRA (the national multi-sector association that mobilises agriculture value chain actors to work and cooperate to improve Cambodian farmers' quality of life).
- ✓ 22 SHFCs were trained on using BanhJi's online platform (a startup FinTech) that ensured quality financial information reporting and allowed the issuance of a beginning balance. They were offered a 6-month subscription to the service.
- ✓ The capacity-building programme has improved SHFC leaders' business and financial management capabilities.



41 SHFCs received 65 loans, of which 34 SHFCs did so for the first time

- ✓ Total disbursed amount of USD 4.2 million (EUR 3.9 million), resulting from 105 due diligences, with 2 loan products:
 - 42 Contract-Farming Loans (short-term liquidity loans designed for the post-harvest/trading season to finance contract farming activities) – USD 3.3 million (EUR 3 million) disbursed.
 - 23 Agriculture Cooperative Loans (longer-term loans designed for working capital and fixed asset purposes – USD 900,000 (EUR 828,000) disbursed.
- ✓ The loans were guaranteed by third parties (either the buyer in contract farming or the public guarantee fund Credit Guarantee Corporation of Cambodia), thereby providing the SHFCs with the necessary capital to fund their operations while relieving the leaders from pledging personal collateral or contracting loans on behalf of the cooperative.
- ✓ The total number of members of the SHFCs increased by 17%. This is partly because the loans allowed SHFCs to buy produce from the farmers on time, thereby increasing their attractiveness.



The TA project positioned Chamroeun as the leading financial service provider in the SHFC market niche

- ✓ 1 SME coordinator recruited to develop the SHFC business line. The SME coordinator team now has 3 fully dedicated staff.
- ✓ Chamroeun staff's knowledge of SHFC activities was strengthened by SEVEA (a consulting agency with expertise in the Cambodian agriculture market), notably on crop value chain assessments and the creation of risk management tools to support the agri-SME screening process.
- ✓ The SHFC portfolio increased significantly over the TA project timeframe. As of the end of August 2023, Chamroeun's Gross Loan Portfolio to SHFCs totalled 40 accounts and close to USD 1.9 million (EUR 1.7 million) in outstanding.



lessons learnt

✓ Partnerships with agricultural value chain actors are key to extending outreach

Both TA suppliers, BanhJi and CambodHRRRA referred their beneficiary SHFCs, creating additional opportunities for Chamroeun to develop its lending programme.

✓ Initial capacity gap assessments are crucial for the effective design and delivery of capacity-building support

Chamroeun conducted a capacity gap assessment for SHFCs interested in participating in the business development support component at the beginning of the TA, which led to a greater understanding of the beneficiaries. An informal satisfaction survey was also carried out to gather initial feedback from the participants to adjust the training methodologies.

✓ Considering participants' specific circumstances and schedules when planning training programmes is important.

The beneficiary SHFC leaders were, first and foremost, farmers, and their time to engage in training programmes was limited during the harvest season. Therefore, the timing and scheduling of training sessions should be thoughtfully arranged to accommodate their primary agricultural commitments.

✓ Hardware and digital literacy are the prerequisites for the success of digital training

BanhJi's platform requires using a computer and sound digital and financial literacy from the end users, i.e. the SHFCs board members. Soon after acknowledging this issue, Chamroeun redirected the budget towards computer procurement, a plan later abandoned due to the cooperative leaders' insufficient computer skills. Therefore, no training on the online platform has been provided to SHFCs who do not own a computer.

Outlook

By increasing its loan portfolio and providing additional services to SHFCs, Chamroeun has been able to position itself as a key financial solution provider in the Cambodian agriculture space. In this context, Chamroeun secures strategic partnerships with key players such as crop buyers/exporters, ministries, donors, and lenders, leading to increased business opportunities and risk mitigation solutions. Furthermore, this strategic position has helped Chamroeun to market and pilot innovative financial products such as weather index-based crop insurance and digital lending within the SHFC ecosystem.

