

Fonds Coopératif Ltd - Credit Cooperatives (CCSP) Network

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Brief History

The Fonds Coopératif (FC) Ltd is a limited company created in January 2002. FC is registered by the Committee for planning and cooperation, and the Bank of Laos (BOL). It is used as an apex body to support a network of credit cooperatives (CCSP: Coopérative de Crédit pour le Soutien aux Petites unités de production, or in English: Credit Cooperative for Promotion of Small Producers) but also to finance directly small enterprises. The first CCSP was created in Vientiane in October 1996, as an independent mutual cooperative, registered by BOL, with \$3,000 in capital, and 12 founder members.

FC was created after the recommendations made by a study, suggesting the need for setting up an umbrella organisation, as the individual CCSPs were not able to cope with the high demand for credit, as they lacked financial and human resources capacity, and their legal status was not adapted to the extension of the network.

Methodology

CCSPs use a credit union model, where borrowers receive credit through solidarity groups. The loans attract a monthly interest rate of 4% per month, for a 6 months term. The capital is repaid at the end of the term, while interest is paid every month. The borrower must be a member of a solidarity group and provide a physical collateral, such as a land title, to be able to borrow.

To become a member, a person must buy shares, giving the right to vote and take part of the cooperative's activities. He/She must also open a saving account and join a joint-solidarity group of five to ten persons, which ensure mutual enforcement of loan repayments.

Area of Operations

FC is based in Vientiane, the capital. Seven CCSPs are based in the regions surrounding Vientiane, one in Ban Napé (central region), and seven in the south, near Savannakhet and Saravan.

Clients

As of June 2004, there are 15 active CCSPs, serving 1,462 members, and 3,270 millions of kips in outstanding loan portfolio. FC and CCSPs aims to reach 5,240 members and 50 enterprises by 2006,

Active clients	Active savers	Active borrowers	Gender
1,462	1,462	1,462	-

As of June 2004

Poverty Focus

CCSPs targets the 30% of the Laos rural population (83% of the Lao total population) involved in the cash economy. It also targets 60% of the urban population involved in microenterprise development.

Loan Portfolio Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
3,270 million Kips	-	-

As of June 2004

Distinctive Features

n/a

Innovations

n/a

Financial results

FC has a capital of 5 million kips (US\$510,000), held by CCSPs as major shareholders (44%), and by international social investors such as SIDI (26%), Aterfin, Rabobank, and DGRV (9% each).

Total Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
-	-	-	-	-

Challenges and development plans

FC faces challenges in increasing its outreach, due to a lack of funds, inexperienced staff and the target population (mostly unskilled, used to handouts and who lack confidence in financial institutions). FC aims to have created and supported at least 24 CCSPs by 2006, to increase membership to 5,240 and active loans to 8400 millions of kips.

Inclusion in financial Sector

FC and CCSPs are part of the semi-formal financial sector. CCSPs charge market-based interest rates in order to reach sustainability, and are legally registered by the Bank of Lao. As a private company, FC has CCSP and international investors as shareholders.

Sources

- Sisaliao Svengsuksa. 2004. *Creation of a refinancing institution in Laos*. Presentation by Sisaliao Svengsuksa, FC President, at the BWTP Regional Microfinance workshop held in Cambodia, December 2004 (available on BWTP website).