

# Charity review assignment: Chamroeun

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## Part 1

- **"What do they do?" section.** Does this section give you a clear picture of the charities' activities, to the point where you can picture how donations are spent?

: There is no "What do they do" section, instead, a brief description on the charity is given in "Summary". We find the information provided there is not enough to have a clear picture about neither the charity's activity nor the usage of donations. There is no basic information about the charity, e.g. its brief history, budget, products (apart from "microloan"), business area (apart from the country, which includes both of very poor rural and relatively wealthy touristic area) or clients (apart from that ratio of women). It seems to need an update.

- **"Does it work?" section.** Does this section use reasonable methods and use reasonable conclusions to assess the extent to which this charity meets the "impact" criterion laid out at <http://www.givewell.org/impact-analysis> ?

The "impact" criteria for the microfinance institution (MFI) are: (a) wealth is being transferred to low-income people (including strong evidence that recipients are low-income, not wealthier citizens taking advantage of handouts); (b) operations are being created – and have been created in the past – that can cover their expenses with revenues over time; or (c) programs are causing improvements in clients' incomes and standards of living.

- Does the review discuss any relevant evidence base for the general kinds of programs the charity is running? (If there is a highly relevant program with a substantial evidence base, the review should link to it, and it should have been included as a separate document in your packet).
  - : In the review
    - The review of the best among the general kinds of programs the charity is running by GiveWell is linked.
    - The lack of client satisfaction surveys by MFIs is discussed: "...we have rarely seen regular monitoring of clients' perceptions of an organization."
    - The interest rates of four MFIs are explicitly cited for the comparison.
    - It is stated (and the reference about it is referred) that Chamroeun's rates are the highest rates of all Cambodian microfinance institutions reporting to MFTransparency.
    - The GiveWell blog entry on MFI interest rates, repayment rates, and standard of living of their clients is referred.
  - Does the review competently address the question of whether there is evidence of the charity's past impact, including both "direct" evidence and evidence that the charity has executed proven programs in ways that are likely to replicate their results? Does the review explicitly raise and reasonably consider all strong "alternative hypotheses" for any empirical patterns noted as evidence of impact? (For example, if it is observed that vaccination rates rose in the area the charity worked in, one alternative hypothesis for this

*pattern would be that other nonprofits in the same area were working there as well.)*

: The review addresses the question of impact by asking “key questions for evaluating microlending charities”. Therefore, we will review these questions in the following, in order to see if they properly address the impact criteria for the loan-providing organizations.

◇ Is the organization focused on social impact?

: We define social impact as a systematic social improvement<sup>1</sup>; this belongs to the category (c) in the impact criteria given above.

The question itself might be meaningful, only if this assumption breaks down (i.e. there are evidences showing that some of the MFIs are focused on other issues, e.g. profitability, rather than on the social impacts with their applicable resources); in fact, this may be GiveWell’s main concern.

However, it is not clear how the subquestions, e.g. about the drop-out rates or clients’ satisfaction (survey), should be related to being focused on social impacts. The low drop-out rates (with the appropriate surveys, since, when calculating the drop-out rates, it is reasonable to strictly discriminate not only the clients with the “graduation” - i.e. who achieved sufficient capital for their business, considering that the interest rates for the MFIs are often higher than the other financial institutions, and we can assume that the clients will most likely convert to the ordinary bank, if they could -, but also those with the “exit from the emergency” from other cases.) together with the high growth rate in terms of the number of issued loans of MFIs may be used as the primary measure, *how well they are performing*, rather than how much they are focused on social impacts. Thereby, they might be a good assessment, only with the assumption that MFIs are already achieving social impacts (which is to some extent contradictory to questioning it).

In fact, the loans for business expansion, which seems to have shown discouraging results<sup>2</sup>, fit best for the impact criteria in terms of systematic social improvement, yet for the other loans, such as social emergency loans, it is difficult to see.

In Chamroeun’s review, the drop-out rate is given together with the results of the self-monitoring surveys, and the questions concerning the clients’ satisfaction. While they can certainly be used as indicative signs, it is still not clear if they can show directly (i) if the charity is focused on the social impacts; and (ii) if the better intention of the charity brings the better impact.

◇ What interest rates does the organization charge?

: Interest rate itself cannot be (a part of) the measure for the impact GiveWell is seeking. However, it could serve as a monitoring device to the question, if the charity is focused on the social impact, combined with the information about profits the charity is making. (E.g. as discussed by GiveWell, too high interest rate with too much profit is a warning sign.) Furthermore, it can help donors clarify the charity’s character; for instance, if there would be solid evidences that Chamroeun is charging interest rate not below the market price, as suspected by GiveWell, one can expect that it should be able to cover the operating expenses with its revenue: The question is related to the (b) in the impact criteria.

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1 E. Clawson, What is social impact?, <http://nonprofitperiscope.wordpress.com/2009/11/16/what-is-social-impact/>

2 GiveWell, Microfinance evidence of impact, <http://blog.givewell.org/2009/09/07/microfinance-evidence-of-impact/>

◇ What is the organization's repayment rate?

: As the question about the interest rate, this question can be related to the (b) and (c) in the impact criteria together with the financial information and the appropriate survey about clients' satisfaction, respectively<sup>3</sup>.

◇ What is the standard of living of the organization's clients?

: This question is appropriate to assess the (a), since if it is clear that the standard of living of the charity's clients is lower as the average standard of living in the community, we may assume that the wealth is being transferred to the low-income people. However, it should be weighted by the period in which the clients have stayed in the program; the clients who are achieving business expansion (and not yet dropped-out) will most likely boost the average of clients. Furthermore, by asking this question as time elapsed, one could assess the (c).

**The bottom line:** The “key questions for evaluating microlending charities”, used in Chamroeun’s review, are overall properly designed to address GiveWell’s impact criteria for microfinance institutions.

○ *Does the review make reasonable conclusions regarding the likelihood of future impact, considering past evidence?*

: The review concludes positive potential future impacts based on the satisfaction surveys that the Chamroeun conducts, while questioning about the actual past impacts. We find this (rather weak) conclusion reasonable, given the analysis GiveWell has performed.

○ *In assessing empirical evidence, has GiveWell used the best analytical methods available? Would other analytical methods be more helpful in reaching reasonable conclusions and predictions? (Please follow footnotes and read any Excel sheet attachments to the extent that it would help answer this question.)*

: GiveWell frames a proper question set, performs analyses quantitatively, and interprets them reasonably. One thing which appears to be a bit worrisome is that the analyses rely largely on the data provided by Chamroeun, without much inspection. However, we do believe that GiveWell used the best analytical methods available.

○ *Does the review make a reasonable assessment of possible negative/offsetting impact, as discussed in the "impact" framework laid out at <http://www.givewell.org/impact-analysis> ?*

: The review does not assess the possible negative/offsetting impact.

**The bottom line** The key questions can serve as a reasonable assessment of the impact of the charity. However, any of the questions alone does not cover the issues in the impact criteria<sup>4</sup>. Therefore, it might be helpful for casual donors, if GiveWell provides analyses for not only answers to each of the questions, but also for combination of data.

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<sup>3</sup> For the internally inconsistent data, see below “Footnote spot-check” section.

<sup>4</sup> In “Questions for microfinance charities” GiveWell states, “...We don’t only ask about the dropout rate.”, which we believe indicates GiveWell’s observation on this problem.

- **"Room for more funds" section.** Does this section clearly address what is known about the likely impact of additional donations?

: The review addresses what is known about the likely impact of additional donations. However, it is not clear how they will be allocated to the expansion of the organization and the development of non-financial programs.

## Part 2

- **Footnote spot-check**

: 2, 12, 14, 21, 28 (generated by random number generator on-line<sup>5</sup>)

- 2, "Chamroeun Social Performance Standards report 2008": The citation is used to support to picture Chamroeun's clients distribution. Percentage of women active borrowers is 89%, that of women voluntary savers is 92%, **in contrast to approximately 80% as given in the review.** In case that it is calculated with weights, it should be clarified in the footnote. In fact, according to the data by Mix Market, Chamroeun: Data, Indicators [1], the percentage of women borrowers in 2008 is 86% (but that in 2009 is indeed about 80%), which is inconsistent with both of the source and GiveWell's review.

On top of that, there are a couple of problems in the document: First, it is out-dated. Secondly, why is the number of the voluntary savers larger than the number of the active loan clients, when the saving services may be offered only to the loan clients?

- 12, "Global Analysis of Chamroeun Partners' Satisfaction": The citation is used to support the honesty about the methodological flaws of the surveys Chamroeun carried out. It is **accurate** both in letter and in spirit.

- 14, "Phone conversation with GiveWell, June 1, 2010": The citation provides the source of the information about Chamroeun's policy about clients protection from the harassment by its member. The citation is **accurate** both in letter and in spirit.

- 21, "Phone conversation with GiveWell, June 1, 2010": The citation provides the source of the information about Chamroeun's repayment rates. The citation is **accurate** both in letter and in spirit.

- 28, "Mix Market. Chamroeun: Data, Indicators.": The citation is used to support GiveWell's claim that the data from Mix Market on rescheduled loans are internally inconsistent. The citation is **accurate** both in letter and in spirit. In fact, there are inconsistencies in the cited web page not only between the gross loan portfolio and the number of outstanding loans, but also among internal data on gross loan portfolio themselves<sup>6</sup>.

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<sup>5</sup> <http://www.random.org/integers/>

<sup>6</sup> Value of gross loan portfolio in 2008 [2]

- Total: \$375,737
- Classified by delinquency periods:
  - Less than one month: \$373,318
  - One month or more: \$2,361

- In the footnotes, the emails exchanged between GiveWell and the Chamroeun are cited, yet they are not given in the section of Sources; the reader cannot determine whether the citation was accurate or not.

- ***Fairness of summary.*** *Having read the entire review and spot-checked footnotes, please read the summary at the top of the review. Does it accurately and fairly summarize the content of the full review?*

: The organization is briefly introduced, the summary of the contents of the full review is given, and the GiveWell's assessment is concluded.

- In the introduction, since there is no "What do they do" section, the introduction given in the summary **must include all important information about the charity**, e.g. Chamroeun
  - targets clients living in urban/semi-urban areas as well as women.
  - offers life and health insurance services.
- **The summary of the contents of the full review is overall fair and accurate.** However, we believe that the relatively high interest rates which is suspected even as high as the market price should be mentioned, for it helps the donors clarify the charity's character, as discussed above.
- **The assessment given in the summary is not consistent:**
  - It does not seem fair to discuss the "key questions" which is designed to evaluate the impact of the charity extensively in the review, yet to assess the charity essentially based on its commitment to the self-evaluation, even though the charity's strong self-monitoring is also discussed while answering to the key questions. Either the self-evaluation must be a factor superior to the key questions (which should be clearly stated in the review), or the assessment based on the answers to the key questions must be mentioned more in detail in the summary.
  - The base evidences of GiveWell's concern on the substantial dropout rates are not so clear from the information given in the review and the linked blog entry. It is (a) not large compared to the other MFIs [3]; (b) the full review shows that the most significant reason of dropout in case of Chamroeun (in contrast to others) is "graduation".

- ***Independent assessment of the charity.*** *Please attempt an independent assessment of the charity.*

- Charity's activity
  - : Chamroeun is a microfinance institution in Cambodia owned by Entrepreneurs du Monde, a French NGO, Microfinance Solidaire, a French company, and a French investor. Chamroeun provides financial services, including various types of loans and microinsurance (together with another NGO Gret), and non-financial services, including training and counseling to a "very poor communities" in the urban and semi-urban environment. There are 11 branches in the capital Phnom Penh, and in 5 provinces.
- Assessment with respect to
  - Proven: There are evidences that clients of the charity are low-income people [4][5]<sup>7</sup>,

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- From one to three months: \$2,028

- From three to six months: \$391

7 From [4], while it is clear that the clients are absolutely poor, it is not clear if they are also relatively poor in the community. However, in [5], the charity shows a good performance in "Outreach of the poor and the excluded", evaluated internally by the Social Performance Indicators [6], which is designed to measure both of charities' intention and action for the goal.

and that the economic situation of the clients is improving, as they receive more loan cycles [4]. The latter might be due to that, that only the clients with (successfully) expanding business are able/willing to stay in the program. Combined with the information on the dropout rates, this, however, indicates that the wealth is transferred to the low-income people and the program is causing improvements in clients' standards of living.

- Cost-effectiveness: For the economic empowerment programs, it must be very difficult to determine how much it costs for, e.g. "life-year significantly changed."
  - Ability to use more funds productively: While it is relatively clear what Chamroeun plans for the next four years to grow with the additional donations [7], we could not find any information about plans for developing non-financial services as well as social counseling services, except their brief mention in the phone conversation with GiveWell [8]. Also, their operating (and other) expenses could be fully covered by the net interest income and other operating income which includes, e.g. loan process fees and fees from training courses, in 2010 [9]. The grant income, which is specified as the main funding sources in MixMarket [10], was only about 10.8% of the (net interest income + operating income), and there was no record on donation in equity statement in 2010 [9]. In fact, Chamroeun declares that it has been constituted as a company since February 2009 [5].
  - Transparent: Chamroeun told us that its homepage is under reviewing process and not yet complete. Indeed, there were important, but not yet available documents such as annual reports<sup>8</sup>. (May 9, 2011) However, we believe that Chamroeun is sharing basic information publicly on its website and is ready to do more for it upon request.
- *Is there any publicly available information that calls into question GiveWell's assertions about the charity's activities, evidence for impact, evidence for cost-effectiveness, or room for more funding?*
- : There is up-to-date information on charity's activities, evidence for impact, and room for more funding published on the charity's website which might call into question GiveWell's assertions.
- *Does this independent assessment raise any important issues not discussed in the GiveWell review?*
- Issues relevant to microfinance institutions in general
    - One of the standards used by CERISE's SPI [6] is improvement of client's social and political capital. Considering that political power can change people's lives in the community significantly also in the long run, we believe that this should be considered as a part of the social impact, in addition to the improvement of standards of living. In line with it, we believe that sharing of information with clients and letting them participate in the decision making is important to assess a charity because (a) the donors are often spatially distant and scattered, so it is hard for them to correctly inspect how their donations are being used; (b) the clients might not be in position of appealing authorities of the community against the charity, so it might be important for them to have their own representatives.

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8 In Chamroeun's homepage "Organization Structure" under "About us"; "Annual report" and "News" under "News and Publications" are not yet available (May 9, 2011).

- Microfinance institutions providing loans could price the credits too low, i.e. offering loans to those who have no capabilities to pay them back<sup>9</sup>. Our concern is that especially for the very small amount of loans, and for the microfinance institutions seeking grants or donations, it might be attractive to issue more loans than it would have done without any external funding source, if donation could compensate or even exceed the cost from the sub-standard or doubtful loans. If the portion of donation for the revenue is relatively high in the balance sheet of the charity, higher level of transparency on the charity's financial status should be required.

▪ Issues relevant to Chamroeun

- Among all loans, only Staff loans interest rate (per annum) has been reduced from 18% to 10.8% from 2009 to 2010 [9]. This might be due to the fact, that given the credibilities of the staffs combined with the employee subsidies, the interest rate for them should be below the market price for the ordinary financial institutions.

**Bottom line.** Please summarize whether you feel GiveWell has reached a reasonable assessment, based on the most relevant available information and best available analytical methods and data, about the extent to which this charity meets its criteria.

: We find that GiveWell has reached a reasonable assessment about the extent to which this charity meets its criteria on monitoring, and we believe that this has been the main reason for GiveWell's recommendation for Chamroeun. On the other hand, GiveWell's assessment about the charity's social impact appears to be overly pessimistic; accepting the relatively poor cost-effectiveness for economic empowerment programs in general, Chamroeun's clients records and information on drop-out rates seem to show that Chamroeun meets GiveWell's criteria on impacts more positively than GiveWell concludes. Our main concern with the review is that some of the information on which GiveWell's assessment is based is out-dated. In particular, we could not find any solid evidence for the charity's ability to use more funds productively since GiveWell carried out the phone conversation with it; in fact, Chamroeun seems to have become a for-profit institution in the meanwhile. We conclude that the review needs an update.

## Sources (Part 1)

- <http://www.givewell.org/international/top-charities/Chamroeun>
- <http://blog.givewell.org/2009/09/07/microfinance-evidence-of-impact/>
- <http://blog.givewell.org/2009/12/23/incentives-for-microfinance-charities/>
- <http://www.givewell.org/international/technical/criteria/impact>
- <http://www.givewell.org/international/technical/criteria/cost-effectiveness>
- <http://www.givewell.org/international/technical/criteria/scalability>
- <http://www.givewell.org/international/economic-empowerment>
- <http://www.givewell.org/international/economic-empowerment/microfinance>
- <http://blog.givewell.org/2009/12/25/where-we-stand-on-microfinance-charity/>
- <http://www.givewell.org/international/economic-empowerment/microfinance/questions>

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<sup>9</sup> This point might be related to the question GiveWell raised, if there are investigations of client's debt capacity that can prevent over-indebtedness.

- <http://blog.givewell.org/2010/04/02/microfinance-interest-rates/>
- <http://www.givewell.org/international/economic-empowerment/microfinance/process>
- <http://blog.givewell.org/2009/12/22/you-cant-take-the-repayment-rate-at-face-value/>
- <http://blog.givewell.org/2009/12/11/estimating-the-cost-effectiveness-of-microfinance-charity/>
- <http://www.mixmarket.org/en/glossary>

## Bibliography (Part 2)

- 1: Mix Market, Chamroeun, Data, <http://www.mixmarket.org/mfi/chamroeun/data>
- 2: Mix Market, Chamroeun. Archived by WebCite® at <http://www.webcitation.org/5rOFbmg5>
- 3: GiveWell, Is borrowing good for borrowers?, <http://blog.givewell.org/2009/12/21/is-borrowing-good-for-the-borrowers/>
- 4: Chamroeun, Poverty Assessment Tool Analyze, December 2010
- 5: Chamroeun, Social Performance Analyze, March 2010
- 6: Comite d'Echange, de Reflexion et d'Information sur les Systemes d'Epargne-credit, Social Performance Indicators Initiative - Phase 2, The Operational Guide to the Questionnaire, June 2005 (available at <http://www.cerise-microfinance.org/publication/impact.htm#telecharger> )
- 7: Chamroeun, Plan 2010-2014
- 8: GiveWell, Phone conversation between Chamroeun and GiveWell on June 1, 2010, June 2010
- 9: Chamroeun, Financial Statements for the year ended 31 December 2010
- 10: MixMarket, Chamroeun, Profile, <http://www.mixmarket.org/mfi/chamroeun>

## Additional Sources (Part 2 – Continued)

### *Examined*

- Chamroeun, Global analysis of Chamroeun partner's satisfaction summary (2008)
- Chamroeun, Satisfaction survey (2009)
- Chamroeun. Social performance standards report (2008).

### *Clicked/Downloaded*

- Millions Saved, [http://www.cgdev.org/section/initiatives/\\_active/millionsaved](http://www.cgdev.org/section/initiatives/_active/millionsaved); Overview, Case Studies, Conclusions, Economic Growth under Topics
- Copenhagen Consensus Center, <http://www.copenhagenconsensus.com/CCC%20Home%20Page.aspx>; Copenhagen Consensus 2008 under Project, Guide to Giving,
- <http://www.grameen-credit-agricole.org/en/content/chamroeun> (From googling)
- CGAP, <http://www.cgap.org/p/site/c/>
- MFTransparency. Institution: Chamroeun<sup>10</sup>. Archived by WebCite® at <http://www.webcitation.org/5r5uWaeyb>
- MFTransparency. Cambodia data<sup>11</sup>. Archived by WebCite® at <http://www.webcitation.org/5qhr3fhzX>.

<sup>10</sup> Webpages on Cambodian institutions are under update on MFTransparency (May 11, 2011)

<sup>11</sup> See footnote 10.