RESEARCH BRIEF

NGOs in Banking: Institutional Transformation and Ownership and Control of Cambodia's ACLEDA Bank

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In 1993, Cambodia's war-torn economy began its slow recovery with the aid of domestic and international non-governmental organizations (NGOs). These NGOs would come to have a huge presence in the redevelopment of the Cambodian economy, providing credit to urban and rural communities to help micro-enterprises. These enterprises would provide poor communities subsistence as well as an opportunity to lift themselves out of poverty.[1] During this attempt to reconstruct this devastated economy, NGOs realized that they themselves needed to incorporate financial-type companies to provide funds to local poor communities. Such enterprises that NGOs subsequently incorporated included banks.

This practice of creating NGO-led banks to channel funds to the poor is not unique to Cambodia. Financial institutions of a similar sort have been established in Bangladesh, the Philippines, Bolivia, El Salvador, Peru, and Kenya (Campion & White, 2001; Bateman 2010). The Grameen Bank experiment in Bangladesh catapulted microfinancing to the forefront of poverty alleviation strategies and drew attention to the viability of NGOs in banking. However, microfinancing—and the institutional and neoliberal economic framework[2] through which it has been practiced—has been the subject of much debate in the world of development studies. This debate extends to whether microfinancing is an instrument of poverty alleviation, since the issue of causality linking them is contested.[3] This debate has, moreover, raised concerns whether the institutionalization of microfinancing as a business enterprise has compromised its original goals with the adoption of neoliberal practices to ensure financial self-sustainability (Bateman, 2010; Mader, 2014). Interestingly, these microfinancing institutions have garnered much negative attention lately because of the travails of Grameen's founder Mohammad Yunus in his attempt to retain control.[4]

These debates are hardly surprising for two reasons. First, when business ventures of NGOs emerge as major institutions, the issue of "mission drift" can arise (Adams & Perlmutter, 1991). In this situation, NGOs face a serious tension: fulfil their social objectives or run their enterprises in a profitable manner. Second, the nature (and efficacy) of microfinance institutions depends on the socioeconomic and political environment under which they function. For instance, microfinance institutions may develop autonomously where banking sectors are weak or just emerging, while banks in well-developed financial sectors may initiate microfinance lending.[5]

The growing phenomenon of NGOs in business, specifically in banking, is increasingly drawing attention to the transformation of social activists into a managerial class. A growing coterie of executives in control through ownership of new forms of corporate institutions has emerged; the primary goal of these executives is not profit maximization. A shift is occurring in ownership and control of the enterprise,[6] from local and international NGOs to a new professional managerial elite with a social orientation. The manner in which this socially-oriented managerial elite develops a banking enterprise, within a typical neoliberal economic environment, while also fulfilling their social missions has not been adequately assessed.

Cambodia's ACLEDA Bank is widely acknowledged as one of the most successful financial institutions in social provisioning for the poor. This bank is also one primary example of the emergence of an NGO institution controlled by a managerial elite long associated with the enterprise. It began life in 1993 as a national NGO, the Association of Cambodian Local Economic Development Agencies (ACLEDA). Originally a small business development project, ACLEDA has since become the largest domestically-owned commercial bank in Cambodia. Studies of this institution have generally focused on its evolutionary trajectory, specifically how it prospered despite operating in a difficult if not hostile environment (see Clark, 2006). Others trace how ACLEDA transformed itself from a welfare-oriented organization to one that adopted commercial principles as it began to function as a bank (Heng, 2008; Mot, 2009). In this transformation, Ito (2008) dealt with the important issue of whether ACLEDA's original objectives had been compromised. The only work that viewed this NGO from a contextual perspective is that by Clark (2004, p. 1), a glowing appraisal of the role of donors who "found the winning instrument in each stage of ACLEDA's development."

This article reviews the growth and transformation of ACLEDA's ownership and control under this managerial elite, in a context characterized by poor infrastructure, limited entrepreneurial capacity, and a government bureaucracy with insufficient resources and know-how to create a well-functioning business environment. ACLEDA realized that this was an economic opportunity to facilitate its own development, led by executives who knew how to channel aid productively to people in search of a livelihood. ACLEDA Bank's rapid rise to prominence as an NGO-led business nurturing thriving enterprises that help alleviate poverty highlights the important role of ownership and control of the organization, one that can be structured differently from profit-driven financial institutions. In the context of war-torn Cambodia, it was the interaction between stakeholders and management that determined the bank's mode of development, while fulfilling its social responsibilities.

This article is organized as follows. The next section lays out the country context under which ACLEDA had to function. Section 3 provides a brief overview of ACLEDA's development since its inception in 1993. Section 4 discusses the significance of ownership and control in the organization's growth. Section 5 concludes by drawing lessons from this institutional framework for an accountable and sustainable functioning of microfinance institutions as a whole.

Cambodia's Context: A Fragile State

Cambodia today is defined by a traumatic recent history. During the Khmer Rouge period from 1975 to 1979, the regime of Pol Pot evacuated the cities and sent large pockets of the population on forced marches to undertake rural work projects. Taking a leaf from revolutionary Maoism, this regime espoused class struggle and destroyed all things considered Western, modern, and religious. An estimated two million Cambodians died from executions, overwork, starvation, and disease. Thousands more fled as refugees into neighboring Thailand.[7] All social and economic institutions were destroyed. Ownership of land and property was abolished and the Cambodian banking system destroyed. The national currency was abolished and the financial services sector obliterated.

Vietnam's invasion of Cambodia in late 1978 led to Pol Pot's fall. However, Vietnamese rule over Cambodia was not accepted by China, which supported Pol Pot, and the United States, which imposed sanctions. A degree of normalcy returned only after a peace settlement was reached in October 1991 and the United Nations Transitional Authority was given the mandate to govern the country until elections were held. Elections in 1993 returned Cambodia to civilian rule, but following a *coup d'etat* in 1997 by Hun Sen, the current prime minister, the country came under the rule of a sole leader.[8]

Cambodia has since been aptly characterized as a fragile state. This fragility is due to several factors (International Institute for Education Planning, 2011, p. 24). The quality of governance is poor because of weak institutions. Security is tenuous, undermined by the country's legacy of conflict and violence. Widespread poverty and income inequality seriously hampers economic development. Two social problems are high levels of youth unemployment and marginalization of the poor. And, government institutions remain poorly developed, while the bureaucracy has inadequate capacity to conceive and implement policies involving enforcing major structural changes and enhancing social services. Projects involving reconstruction, development, and welfare provisioning are largely donor conceptualized and driven. While meeting short-term needs, such projects contribute little to solving the country's serious institutional and fiscal resource problems, while the domestic private sector has struggled to nurture dynamic entrepreneurial enterprises (Godfrey et al., 2002).

This institutional void has left the door open for NGOs to play a major role in the provision of services that are typically the responsibility of public institutions (Asian Development Bank, 2000, p. 41). As of 2009, about 300 international NGOs and 450 local ones were active in agriculture, health, and education—their main areas of activity (Rasmussen, 2010, p. 7).[9] NGO concerns include community development and training for the disabled, and giving civil society a voice in national development projects (Rasmussen, 2010, p. 16). For these reasons, NGOs have begun to participate in national policy formation (Chanboreth & Hach, 2008).

However, this positive view of Cambodia's NGO sector is disputed. Concerns have been expressed that "white middle-class do-gooders seeking to make an ethically orchestrated impact" might not in fact be fostering the rise of a local civil society and that this development model of international donors working hand-in-hand with international NGOs might represent a form of "new colonialism" (Gellman & Dankoff, 2007). In 2009, the Cambodian government drafted a law to regulate the many NGOs in order to reduce a variety of abuses, including for-profit enterprises registering as NGOs to avoid taxes, to gain unfair advantage over registered private enterprises, and retard private sector development (Guthrie, 2008). The proposed law was opposed by numerous NGOs, including by, interestingly enough, Amnesty International (2011). This was seen as a challenge by NGOs against not just this law but also the government's sovereignty over its domestic affairs.

That the government had poor institutional ability to provide its citizens with sound socioeconomic policies is clearly visible in the state of Cambodia's banking system. With the banking system destroyed, the Vietnamese introduced a mono-banking system; the National Bank of Cambodia (NBC), the government-owned central bank, was established in 1979 (Heng, 2008, p. 28). Over time, a rudimentary banking system developed, but banks did not command public confidence and had virtually no coverage beyond urban areas. Microfinance institutions launched by NGOs and international aid agencies emerged to fill this void. Many of these institutions were established from around 1995 to 2000, a period described as "institutionalization" (Chou, de Castri, Hoy, Pen, & Soung, 2008, p. 2).

As these microfinance institutions grew, a financial sector emerged that rivaled the formal banking sector in size (Channy, 2012, p. 5). The growth of these institutions had not gone unnoticed by the government. In 2000, the government introduced mandatory licensing of microfinance institutions larger than a given size. The NBC issued regulations that divided microfinance institutions into three classes. The largest had to be licensed, the medium-size institutions had only to be registered, and the small ones could operate without registration (Wada, 2010, p. 20).

Aware of the contribution of microfinance to the economy, the government adopted a rather flexible attitude towards regulation of the financial sector. Thus, about 60 microfinance NGOs operate unregistered (Channy, 2012, p. 5). This "business friendly" approach is dictated partly by the government's recognition of the poor competence of its public delivery system and the constraints it has in terms of financial resources (Channy, 2012, p. 10; International Monetary Fund, 2012). But it also reflects the government's pragmatism with regard to the microfinance sector. The important economic role of microfinance institutions is explicitly acknowledged in both the Financial Sector Development Plan 2001–2010 and the Plan for 2006 to 2015. The latter explicitly concedes that microfinance institutions have needs and modes of operation different from commercial banks (Royal Government of Cambodia, 2007, p. 11). This Plan also voiced the need to assist non-registered and community-based institutions (Royal Government of Cambodia, 2007, p. 12). To give substance to these priorities, a special division was established in the NBC to monitor and support microfinance institutions (Wada 2010: pp. 18-19).[10]

ACLEDA Bank: Brief History

ACLEDA was born as a national NGO in January 1993 when Cambodia first returned to civilian rule with practically no functioning institutions; financial resources came primarily through foreign aid and donor determined modes and areas of economic development. It began as a joint project by the United Nations Development Program (UNDP) and the International Labor Organization (ILO), receiving strong support from other international development agencies along the way. ACLEDA's core objective was to help nurture micro as well as small- and medium-scale enterprises in rural areas through credit and business training programs (Heng, 2008, p. 47). Its target groups were micro- and small businesses, while both individual and group lending was undertaken.

Little has been written about ACLEDA's early operations, with much of this literature's focus on its mission to foster rural development. ACLEDA's concentration on rural development allowed it to establish a presence in the countryside no other microfinance NGO could match. This gave ACLEDA a major competitive advantage.[11] An electronic brochure issued through the ILO stated that, as of 1996, ACLEDA had "more than 130 professional staff members in nine provincial branches and 11 district offices located in Phnom Penh, Battambang, Banteay Meanchey, Siem Reap, Kompong Cham, Takeo, Kompot, Sihanouk Ville and Pursat provinces" (as cited in ACLEDA, 1996, par. 2). As for performance, "in (the) three years (since its inception) ACLEDA has disbursed more than 4 million (US) dollars in loans to more than 20,000 clients. The recovery rate for micro loans is 98 percent and for small business loans 96 percent. More than 90 percent of the clients are women" (ACLEDA, 1996, par. 4).

While the first phase of increasing ACLEDA's outreach involved expanding geographical coverage, the second took the form of institutional restructuring to become a bank. This second phase, commercialization, was a logical extension of the first. Geographical expansion had allowed ACLEDA to achieve critical mass as a viable financial institution but this growth strategy had also reached its limits. However, the competitive edge it enjoyed in rural areas meant that ACLEDA's management could compete successfully with commercial banks. The benefits of ACLEDA's conversion to a bank included an expansion of the range of financial services it could offer and the ability to raise equity and secure access to commercial funds, especially foreign (Channy, 2002, pp. 2-3; Mot 2009: p. 64). Feasibility studies by the ILO and UNDP indicated that ACLEDA had good prospects as a bank. ACLEDA's management had also noted similar successful transformation precedents in Latin America, particularly in Bolivia (Clark, 2006).[12] However, the decision by ACLEDA to make the transition to a bank coincided with the NBC's decision that microfinance institutions above a certain size had to obtain a license to operate. Furthermore, the NBC had initiated discussions with microfinance institutions to integrate them into the national finance system (Chou et al., 2008, p. 2).

In Channy, ACLEDA's cofounder, acknowledged that these were the reason why this NGO decided to function as a bank (Channy, 2002, pp. 2-3). In fact, Channy (2002, pp. 1-2) justified the transition in terms of the need to create a secure regulatory framework that would expedite the growing range of its activities including accepting deposits and obtaining inter-bank loans, though he was also clear that these new ventures were to fund the expansion of its core activity—microfinancing. In effect, Channy hoped to ensure ACLEDA's long-term viability by transforming it into a commercial enterprise in a modern developed economy while also preserving itself as a bank for the poor. Having met all requirements, ACLEDA received a license in October 2000 to operate as a specialized bank and in December 2003 as a full commercial bank. The new corporate entity was named ACLEDA Bank Plc.

ACLEDA Bank's progress since its incorporation is best seen from its performance indicators (Table 1). Since its inception, ACLEDA Bank's growth in assets, loans made, and shareholders' equity had been over 40% a year. It weathered well the 2008 global financial crisis, with assets increasing by 33%, loans by 18%, and shareholders' equity by 22% between 2008 and 2009, with growth continuing through 2010 and 2011. The share of non-performing loans was negligible. These figures attest to ACLEDA Bank's effective commercialization, both in the application of market-based principles to microfinance and in moving from a subsidization/welfare orientation to one that stressed profit maximization.

Ownership, the Managerial Elite, and Control

One major feature of ACLEDA Bank was the personal knowledge the founding managers had of the problems encountered by communities they targeted as their clients. Channy, ACLEDA Bank's chief executive officer, has been with the NGO since its inception in 1993. Under Channy, ACLEDA grew from one of many finance NGOs to the largest in this sector and emerged as the largest commercial bank in Cambodia as well.

Channy was raised in the city before the Khmer Rouge's internment in the "killing fields" in 1975; he subsequently became a refugee in Thailand. Channy moved into teaching and then secured a scholarship to pursue tertiary education in business in the United States (Montlake, 2011). His training in business and knowledge of the institutional problems of post-conflict Cambodia proved crucial in his endeavor to establish a finance-based NGO to microfinance communities attempting to re-build their lives.

Channy also retained a large number of ACLEDA's original employees, who would eventually constitute this new managerial elite (Table 2). Fourteen of the original 28 staff when ACLEDA began as an NGO had remained with the Bank (Montlake, 2011). Five of the Board of Directors, including the Chairman and Vice Chairman, had been with the bank since its establishment, while one was appointed in 2002 (Table 2). Yves Jacquot, the most recently appointed director, replaced Jutta Wagenseil who stepped down in 2011 after serving since 2001. Alain Cany, who joined in 2010, replaced Joseph Hoess who had joined the Board in 2005. Every member of the senior management team had worked in the ACLEDA NGO. Besides Channy, two of the senior management team are co-founders of the ACLEDA NGO, one had worked in this NGO from the beginning, two from 1994, and one from 1998.

Table 1 *ACLEDA Bank's Financial Performance, 2000-2011*

Year	Total Assets	Total loans	Shareholders' equity	Gross income	Deposit to Loan Ratio %	Share of NPLs %	Net profit after tax
2000	22	17	4	2	0		0.3
2001	27	20	4	7	10		0.5
2002	31	27	17	8	22		1
2003	48	40	25	12	32		2
2004	84	65	26	17	49	0.57	2
2005	124	98	32	26	63	0.31	4
2006	223	157	48	37	79	0.10	7
2007	473	310	50	59	111	0.06	10
2008	693	457	86	101	106	0.22	20
2009	923	540	105	112	130	0.76	9
2010	1,192	750	127	139	123	0.43	26
2011	1,527	1,024	177	180	115	0.17	50
% Growth rate 2000-2011	47.0	45.1	41.1	50.5			59.2
% Growth rate 2007-2011	34.0	34.8	37.1	32.2			49.5

Notes: All figures are in US$ million.
Sources: ACLEDA Bank (2001, 2006, 2012)

Table 2 *ACLEDA's Board of Directors and Senior Management Team, 2011*

Board Member	On Board since:	Senior Management	Employed since:
Chea Sok, Chairman	2000	In Channy, President & CEO	ACLEDA NGO co-founder
John Brindsden, Vice-Chairman	2000	Chhay Soeun, Exec. VP & CFO	ACLEDA NGO co-founder
Peter Kooi	2000	So Phonnary, Exec. VP & COO	1993, in ACLEDA NGO
Lon Thol	2000	Cheam Teang, Exec. VP	ACLEDA NGO co-founder
Sok Vanny	2000	Chan Serey, Exec. VP	1994, in ACLEDA NGO
Femke Bos	2002	Kim Sotheavy, SVP	1994, in ACLEDA NGO
Sted Aftab Ahmed (IFC)	2007	Prom Visoth, SVP	1998, in ACLEDA NGO
Alain Cany	2010		
Yves Jacquot	2011		

Sources: ACLEDA Bank (2010, 2011)

Channy's Cambodian colleagues shared similar experiences of the Khmer Rouge's reign. They had deep knowledge of the structural problems that had emerged in the post-conflict period and how these issues could be rectified. Management's intimate knowledge of Cambodia's post-war political, social, and economic landscape and Channy's business training helped them build a niche industry in finance. Management was acutely aware that re-building Cambodia would be slow and tedious; entrepreneurial communities would have to be built through micro and small enterprises. The management's shared experience with the Bank's clients and the creation of non-hierarchical organizational links with poor communities helped to increase the bank's client base.

Channy's status in Cambodia's financial sector, built on the remarkably rapid growth of ACLEDA, is reflected in his appointment as the co-chair, along with the NBC governor, of the Working Group on Banking and Financial Services in the Government-Private Sector Forum. Channy is also a member of three government committees, his stature undoubtedly aided by the presence of the World Bank's International Finance Corporation (IFC)[13] and other development finance institutions (DFIs) which have actively supported ACLEDA, a key factor that has enabled him to resist corrupt practices.[14] Commentators attribute to Channy the Bank's culture of ethics and integrity. Another example of Channy's different corporate development approach was his reluctance to list ACLEDA Bank on the new stock exchange when he had the opportunity (Montlake, 2011). This allowed Channy and his management to retain ownership and control of ACLEDA Bank and determine this institution's pattern of growth. By resisting public-listing, Channy could also ensure that it was free of the volatility of private markets and the demands of dividend-driven public shareholders.

ACLEDA Bank's early growth is attributable to the particular environment in which it operated in. A confluence of needs, involving the re-building of a society shorn of nearly all its economic infrastructure and the financing of microenterprise and SME endeavors to generate income for impoverished communities, created a niche for ALCEDA Bank. Its subsequent venture into commercial banking activities, including deposit-taking, was motivated by a desire to nurture a more long-term and sustainable banking enterprise as the Cambodian economy re-built. The bank's effective commercialization owes much to its ability to adapt its management system and work culture from that of a welfare-based NGO to a profit-oriented enterprise, while retaining a degree of its original social role.[15] This adaptation had to occur in three areas—governance structure, products and services, and service culture. However, adaptation would require altering the constitution of its board of directors as well as re-constituting its primary activities, raising the possibility of a "mission drift."

In governance, ACLEDA Bank had to conform to the NBC's requirements for commercial banking. This meant, among other actions, a new board of directors with a broader range of skills, reflecting also a larger ownership base. The 2001 board consisted of nine directors of whom six were foreign nationals (ACLEDA Bank, 2001, pp. 10-11). This new board oversaw four board committees—assets and liabilities, audit and risk, compliance and ethics, and credit (ACLEDA Bank, 2001, p. 5). The formation of these committees reflected the bank's efforts to further institutionalize its internal control and administrative processes, advancing the administrative development of the bank. A new management information system was installed to store information on its expanding client base.

In terms of new products and services, ACLEDA Bank needed them to expand its client base to lower costs and ensure financial sustainability. Whereas the NGO offered only credit and mobilized savings, the Bank provided a range of loans (for micro-businesses and SMEs) in multiple currencies (Cambodian Riel, US Dollars, and Thai Baht), deposit accounts, payroll accounts, money transfer, and cash management services (Heng, 2008, p. 57). Diversification of its activities strengthened its portfolio quality, but involved a major shift from its predominantly microfinance activities. This shift resulted in a deposit to loan ratio of 10% in 2001, growing to over 100% by 2007 (Table 1).

With this transformation, the need arose to expand the client base and ensure financial sustainability. This meant that these products had to be demanddriven, and for trained staff to serve the needs of the bank's clients, including reorienting employees about their customer base. Practically the entire staff had undergone training by 2003, with nearly 500 courses delivered and each staff member having attended five training courses on average (Clark, 2004, p. 3). Since 2000, training had been undertaken at the bank's training department, which also delivered training to external clients—women and micro-entrepreneurs, among others—as part of ACLEDA Bank's social responsibility objective.[17]

The most fundamental change during this transformation from an NGO to a bank involved the ownership structure of ACLEDA Bank. During the transformation, ownership was restructured through the transfer of the NGO's assets to the Bank in return for equity. A trust for the employees (ASA Plc) was established to eventually purchase 19% of the Bank's stock. When the Bank was established, ACLEDA NGO held 45% of its stock with ASA Plc holding six percent (Table 3), giving Cambodians a 51% share in the bank. ASA's share was progressively increased until it reached 19% while ACLEDA NGO's share was pared down to 32%. Foreign investors, that is, the IFC, DEG Germany, FMO Netherlands, and Triodos-Doen Foundation each held 12.25% of the equity, making up 49% altogether. Germany's DEG (Deutsche Investitions- und Entwicklungsgesellschaft GmbH), a member of the KfW Group (Kreditanstalt für Wiederaufbau), is a government-owned development finance institution specializing in long-term project and corporate financing. FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV) is a Dutch development bank, supervised by the Dutch Central Bank. Triodos-Doen Foundation, founded by Triodos Bank and DOEN Foundation in 1994, is one of the first private funds worldwide investing in microfinance institutions (ACLEDA Bank, 2001, p. 9).

In 2010, a major ownership transition occurred when FMO exited and its stake was taken up by JSH Asian Holdings, part of the Jardine Matheson Group, a major conglomerate publicly-listed at the London Stock Exchange and a shareholder of an extensive range of firms operating in East Asia and Southeast Asia. Jardine Matheson's inclusion as a shareholder was interesting, suggesting a move to incorporate, for the first time, a major private business enterprise well-versed with the workings of neoliberal corporate and financial systems. This diversification of the Bank's partners suggested the management's desire to find alternative sources of funding as well as develop its credibility as a professionally-run private financial enterprise (Molina-Gallart, 2014). A year later, DEG was replaced by COFIBRED, a subsidiary of the French cooperative Banque Populaire, enhancing ACLEDA Bank's ties with international banking-

Table 3 *ACLEDA Bank Ownership 2000-2012*

Shareholder	Shareholding in 2012 (%)	Shareholding in 2000
ACLDA NGO	32.00	44.91
ASA plc	19.00	6.09
International Finance Corporation	12.25	12.25
JSH Asian Holdings (since 2010)	12.25	
DEG Germany (until 2011)		12.25
FMO Netherlands (until 2010)		12.25
COFIBRED (since 2011)	12.25	
Triodos-Doen Foundation	4.36	12.25
Triodos Fair Share Fund [1]	4.32	
Triodos Microfinance Fund [2]	3.57	

[1] Separately shown since 2006 *[2] Separately shown since 2010*

Source: ACLEDA Website at http://www.acledabank.com.kh/kh/eng/bp_annualreport.php based institutions. Interestingly, the exit of two DFIs as shareholders led to a ratings downgrade on ACLEDA Bank's local currency debt by Moody's. But this inclusion of major private sector-based corporations as shareholders was defended by ACLEDA Bank's senior management as their attempt to move their financial institution strategically, in a more commercial direction (Khmer Banking, 2011). What was not said, but possibly also the case, was the need for the bank's management to be well-versed in its attempt to maneuver its way in an increasing neoliberal economy that was beginning in Cambodia.

Despite management's defense of including JSH Asian Holdings and COFIBRED as shareholders, studies indicate that this decision involved risks, particularly one of power imbalances between an NGO and a major conglomerate, Jardine Matheson (Molina-Gallart, 2014). The Corporate-NGO Partnership Barometer had revealed in 2013 that two-thirds of private firms considered links with NGOs to be beneficial while only one-third of NGOs saw value in this type of partnership; after all, large firms were more likely to accrue a net gain from such a nexus (Molina-Gallart, 2014).

However, even after JSH Asian Holdings and COFIBRED's entry into the venture, ACLEDA Bank's domestic-foreign ownership structure split remained unchanged, a factor that would probably remain material to its future form of development for a number of reasons. First, the largest equity share going to the NGO ensured that ACLEDA Bank's original mission of assisting micro-entrepreneurs would not be undermined. Second, ownership and control would remain in the hands of Cambodians. Third, employee equity ownership built loyalty among the Bank's staff and gave them a voice in the policy-making process as well as to determine strategies for the future. Fourth, foreign ownership by DFIs and private sector enterprises ensured not only a stable source of equity finance but also access to expertise in a viable form of development banking. These foreign institutions further helped build public confidence in the Bank and facilitated its acquisition of its operating license.

Crucially too, the strong presence of these foreign institutions helped insulate ACLEDA Bank from political interference. Even with the exit of two government-sponsored DFIs, the continued participation of the World Bank's IFC would have been sufficient to leave this assurance intact. This inner group of long-serving directors and managers, evidently the dominant managerial force in ACLEDA Bank, were the leading planners of the mode of development of this financial institution. This new managerial elite did not differ socially from the clients they served, having as they had a shared history of poverty and the trauma of a deeply debilitating civil war. After all, the Bank's target groups have long remained predominantly the owners of micro and small businesses, in rural as well as urban areas.

Maintaining this client base has been important as one issue that had been raised about ACLEDA's transformation from NGO to a bank was the risk of a "mission drift", when the original mission of assisting micro-entrepreneurs would give way to banking for profit. Interestingly, ACLEDA Bank's vision and mission statements reflect these divergent objectives. Its vision, as stated, is its desire to become "Cambodia's leading commercial bank providing superior financial services to all segments of the community", but its mission is "to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives" (ACLEDA Bank, 2011, p. 1).

The IFC, in awarding ACLEDA its Client Leadership of the Year Award for 2005, and citing its many achievements for the poor and women, implicitly assumed that this marriage between differing commercial and social objectives had been successful (Mekong Private Sector Development Facility, 2005). Ito (2008, p. 19), using field data from the bank's operations in Sihanoukville, concluded that "large-scale mission drift has been prevented so far by the field-level discretion exercised by its credit officers." This finding suggests the importance of retaining a core of staff from the NGO days as a factor. However, as the Bank expands and its personnel increase, this core staff base will progressively be dwarfed in number by those recruited to undertake commercial banking services. Even with board members and senior management dating from those days when ACLEDA began its operations, this factor does not provide more than a temporary guarantee of adherence to the original mission. Leaders and staff eventually retire or leave the institution and their successors might not have the same vision.[18]

The current ownership structure in which the NGO is the largest shareholder provides a much better guarantee that mission drift will not occur. Another guarantee afforded by the current ownership structure is that provided by the presence of the IFC, whose vision is similar to that of ACLEDA.[19] Thus, as long as the current ownership structure remains intact, the original objective of serving microenterprises will be preserved. However, this target group may become a diminishing share of the bank's clientele as the bank expands.

As transformation to a business enterprise continues and as ACLEDA Bank's capital base evolves from donated equity and retained earnings to share capital, an ownership base of individuals or entities seeking some form of return on their investments will be created. Increasing equity ownership by private investors at the expense of international development funds and employee stock ownership programs will inevitably reduce the managerial control of the founding members of the NGO. Despite these ownership pattern trends as the bank expands its commercial activities, mission drift has not occurred since the membership of the board of directors has remained in the hands of those long associated with ACLEDA Bank. However, representation of the new shareholders have and will inevitably increase among the board of directors, to better link ownership and governance. Thus, as the original members of ACLEDA Bank pass on, this institution's mission to microfinance poor communities may also change.

Conclusion

This historical review of ACLEDA has emphasized context as a key factor in the bank's growth while also giving due credit to ownership and control, an issue not emphasized in the literature, and how this can inform governance. ACLEDA's history indicates its capacity to finance microbusiness and SME activities in a manner that the government cannot; this has contributed significantly to help alleviate hardcore poverty while also aiding its growing reputation as a leading NGO. ACLEDA was able to offer incentives to the poor through an institutional framework where the risks of providing credit on a large scale to impoverished communities were minimal. Its subsequent role as a bank meant that it now had the dual goal of creating a thriving commercial banking enterprise, along with the preservation of its microfinancing niche. ACLEDA Bank's directors would well argue that this was an attempt by the NGO to prepare for a future where more sophisticated forms of financing would be required as the Cambodian economy was re-built. However, its commercialization process poses a serious risk of mission drift as the ownership nature of the economic institution can shape or alter the form of economic incentives on offer, a process clearly evident in ACLEDA Bank. The relationship between the NGO and the poor can also change when the former no longer relies on donations by incorporating corporate shareholders with the financial capacity to commercialize its banking operations while also diverting it from its original mission.

What prevents this mission drift? ACLEDA Bank's managerial control structure has helped ensure that its primary social objectives are observed. These managers acted not as finance capitalists motivated by profit maximization but as funders of micro and small enterprises. Managers and clients' shared intra-class history and experience of civil war meant that regardless of this managerial elite's position in a rapidly fledgling financial institution, the bank's mission was retained. It helped too that the Bank's senior management had been with this institution from the time of its incorporation. Of equal importance was this managerial elite's capacity to intervene directly in poverty alleviation programs by channelling credit to potentially viable micro enterprises using their extensive knowledge of the local context. Micro enterprises provided credit at low interest rates could price their products at sufficiently reasonable rates to allow them to develop a market base. The knowledge available to the managerial elite that has helped finance productive and efficient enterprises ensured ample returns for the Bank.[20]

The gradual transformation of equity ownership involving private investors that could lead to a shift to more commercial and presumably profitable activities may contribute to less financial support for productive poor communities, particularly in rural communities. It is, after all, the social ownership structure, with majority equity in the hands of the NGO and its staff association that has served as a form of self-insurance against mission drift. The institutional history of ALCEDA Bank, involving its original mission, was preserved even as ownership changes occurred. Extending equity ownership to foreign entities such as COFIBRED, a subsidiary of a French cooperative bank, has helped ACLEDA Bank enhance its innovation potential in terms of banking provisions for the poor while retaining its social ownership feature. However, the involvement of more profit-oriented privately-owned institutions such as JSH Asian Holdings does raise concerns that this could well undermine its social mission. The incorporation of JSH Asian Holdings and COFIBRED as shareholders also suggest a long-term desire to turn to more traditional modes of commercial banking, including learning how to operate in an increasingly neoliberal environment, rather than nurturing more innovative forms of microfinancing. If ACLEDA Bank's partnership with privately-owned conglomerate leads to its adoption of more neoliberal forms of banking, the orientation of this financial institution may well change in the long-run. If this trend continues, including with support from the managerial elite, this can subject the management to serious criticism of mission drift, a situation akin to that encountered by the Grameen Bank (Bateman, 2010). Therefore, ACLEDA Bank's management and the present shareholders should be cautious about new equity owners as well as about expanding by moving into the activities of commercial banks. Interestingly too, this shift in its targeted clientele may bring ACLEDA Bank into serious competition with other financial institutions, including foreign-owned banks, while also undermining its own niche market of financing micro and SME industries.

An issue this study has raised is that institutional reforms, due to a change in equity ownership pattern, can contribute to alterations in governance structure. In this regard, separation of ownership and control in ACLEDA Bank is one crucial structural feature that has ensured that the NGO's original objectives have been maintained even as it began to operate as a commercial enterprise. The type of major shareholders, however, remains a core issue, while concerns have to be raised about managerial changes if a new major shareholder emerges. This is particularly true in a thriving institution such as ACLEDA Bank with possibilities of greater expansion given Cambodia's still weak banking sector and the government's limited capacity to provide aid to poor communities seeking funds to develop self-sustaining economic livelihoods. After all, stockholders view firms primarily as investments and have the power and incentive to replace the management even if this results in a mission drift. This suggests that the managerial class that now controls the mode of development of ACLEDA Bank may be removed unless this financial institution's private investors gain sufficient equity returns.

ACLEDA Bank remains a good case of an NGO-guided form of capitalism, a structure of economic organization that has been crucial to rebuilding a war-torn society and economy without key conformance with neoliberal methods of banking, while its mode of development provides important lessons about equitable growth in less developed countries. The ACLEDA case indicates that a mix of an NGO-created bank and micro enterprises helps nurture nascent entrepreneurial industries which can help local communities develop thriving enterprises. But to ensure that there is no mission drift, managerial control must continue to be exercised by managers with a long history with the bank, or one with a strong NGO background. In the organization, its mission has to be embedded, with control in the hands of the management to ensure that the broad policies guiding the corporation are preserved.

Endnotes

1. See, for example, Chanboreth and Hach (2008) and Rasmussen (2010).
2. Harvey (2005) provided a comprehensive historical review of the problems associated with the employment

of neoliberal-type policies. For a thoughtful review of the implementation of this model of development in Asia, see Vedi (2006).

3 See Ito (2008, p. 21), Bateman (2010), and Roodman and Morduch (2014).

4 In March 2011, the Bangladesh government removed Yunus from his position in the Grameen Bank, citing his violation of rules and exceeding the age limit for employment (Polgreen & Bajaj, 2011). In 2010, a documentary entitled "Caught in Micro-debt" targeted Grameen and painted a bleak picture of microcredit. Among the works highlighting the negative aspects of microfinance include those by Dichter and Harper (2007) and Bateman (2010).

5 For a review of the role of microenterprise development in highly industrialized and developing economies, see Schreiner and Woller (2003).

6 The pioneering work on the issue of ownership and control was done by Berle and Means (1932). For a more contemporary discussion about this concept, see Shleifer and Vishny (1986), while Claessens, Djankov, and Lang (2000) deal with this issue with a focus on Asia.

7 An estimated 50,000 Cambodian refugees fled to Thailand, while 150,000 refugees, many ethnic Vietnamese, fled to Vietnam during the Pol Pot regime. When Vietnam invaded in late 1978, even more—about 630,000—left between that year and 1981 (see "Cambodia: migration and refugees" in the *Encyclopedia of Nations* at http://www.country-data.com/cgi-bin/query/r-2118.html).

8 For an excellent account of Cambodia under the Pol Pot and Vietnamese regimes, see Chanda (1986).

9 Rasmussen (2010, p. 4) argued that NGOs had also played "a pivotal role in advocating for the rights of marginalized people, and increasingly in facilitating the strengthening of grassroots civil society organizations."

10 In our interview with NBC Assistant Governor Pal Buy Bonnang and Director General of Banking Supervision Kim Vada, the message of pragmatism was clear. The NBC's role was to support microfinance institutions, even those too small to be registered.

11 The other microfinance NGOs were GRET (1991), World Relief (1992), and CRS (1993) (Hoy & Foelster, 2010, p. 2).

12 ACLEDA's senior management traveled to Bolivia in 1998 to learn about the transformation of Bancosol and Prodem (Mot, 2009, p. 1).

13 The IFC is a specialized agency of the World Bank tasked with promoting private sector development in emerging economies.

14 Montlake (2011) cited an instance when Channy contacted the Ministries of Finance and Land Development to override attempts by corrupt businessmen in league with officials to understate the acquisition price of a piece of land ACLEDA Bank purchased so that the seller could avoid paying tax.

15 This transformation has been the focus of most of the literature on ACLEDA Bank. See, for instance, Clark (2006), Heng (2008) and Mot (2009).

16 In August 2011, the Training Department was merged with the ACLEDA-ASEAN Regional Microfinance Training Center set up with German government funding to become the ACLEDA Training Center Ltd., a subsidiary of ACLEDA Bank.

17 Heng (2008, pp. 81–87) noted that some of the programs offered by the NGO—vocational training, women empowerment, client follow-up, high loan targets for loan officers—had been canceled.

18 According to its website: (http://www1.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc/vision), the IFC's mission "is that people should have the opportunity to escape poverty and improve their lives."

19 Our visit in August 2012 of rural communities around Cambodia indicated the importance of microcredit funding to help sustain and upgrade industries in areas such as weaving and production of herbal products. These industries, particularly weaving, involved the employment of a large number of villagers, especially women, in an industry that had export potential. Such enterprises would not have emerged without funding from NGOs, including ACLEDA Bank.

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