



Concern Worldwide US

**Microfinance Development Program
Cambodia, Haiti, New York**

HFP – A – 00 – 01 – 00030 – 00

**Second Year Annual Report
01 October 2002 to 30 September 2003**

Beneficiary population(s) by 2004:

| | |
|--|---|
| Cambodia: | 24,000 clients plus families (120,000) |
| Haiti: | 1,800 clients and their families (9,000) |
| Concern Supported Microfinance Initiatives: | 60,000 clients |

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Matching Grant Summary

PROGRAM STATUS

Over the reporting period, the program has progressed substantially and in accordance with plans. In Cambodia, the Concern–TPT microfinance program has transformed into a registered limited liability company, now called ‘Angkor Mikroheranhvatho Kampuchea’ Co. Ltd. (or ‘AMK’). AMK has separated physically from Concern, it is guided by its own business plan and reports to a board established during the reporting period. AMK has 19,675 members or clients, 16,000 of whom have active loans. Sustainability indicators are above target, with Operational Self Sufficiency (OSS) at 53%.

In Haiti, the capacity of the team has developed substantially with improved skills in the areas of program, institutional and impact assessment; as well as in financial evaluation. The team, who are supporting service delivery and capacity development of the microfinance organisation, ‘Fonkoze’, have assisted in reducing delinquency to close to zero and have helped to introduce a new financial product for the poor. Fonkoze is also going through a transition phase from ‘foundation’ to commercial bank and foundation. Sustainability indicators are higher than planned at the Mirebalais branch which is being supported under this grant, reporting OSS at 86%. An impact assessment of clients of the Mirebalais branch showed that overall and in comparison to the control group, clients’ income had increased, their position in the community had improved and their businesses had expanded.

The microfinance unit in New York staffed by the microfinance technical backstop has carried out support activities as planned and has coordinated a review of the organisation’s microfinance policy. New areas covered in this revised policy include client protection, HIV/AIDS, governance and ownership, internal control and fraud prevention, equality and rights - all within a sustainable livelihoods framework. The technical backstop’s participation in SEEP working groups on HIV/AIDS and client protection groups have fast-tracked the incorporation of some of these issues. As planned an additional funder, Ireland Aid, has come on board with a commitment to Concern’s support to microfinance to the tune of \$320,000 in 2003 and \$450,000 in 2004.

ADMINISTRATIVE STATUS

This 3 year matching grant contract commenced on the 1st of October 2001 and is scheduled to be completed on the 30th of September 2004. This report covers the reporting period of ‘Year 2’, from the 1st of October 2002 to the 30th of September 2003. All requirements to date with respect of financial and narrative reporting as well as the requirement to conduct mid term reviews, have been complied with. It has emerged that progress and expenditure in certain areas has been slower than planned and consequently, a request for a no-cost extension will be applied for in December 2003. The request will be to extend the contract for an additional year, i.e. that the contract end date be postponed to the 30th of September 2005.

FINANCIAL STATUS

A summary of the financial status at the 30th of October 2003 is as follows:

| | |
|-----------------------------------|-------------|
| Total 3 Year Budget: | \$5,169,021 |
| USAID Total Planned Contribution: | \$1,347,847 |
| Total Expenditure: | \$2,617,948 |
| Total USAID claim to date: | \$829,896 |
| Total Budget Outstanding: | \$2,551,073 |
| Total USAID claim Outstanding: | \$517,951 |

| Table of Contents | Page |
|---|-------------|
| I. Background to Grant and Project Context | 1 |
| II. Project Methodology | 2 |
| 1. Summary of project goal, purpose, objectives, approach, methodology and strategy | 2 |
| 2. A comparison of actual accomplishments with those originally proposed | 3 |
| III. Monitoring and Evaluation | 5 |
| 1. Monitoring and evaluation information | 5 |
| 2. Midterm assessment and final evaluation | 6 |
| IV. Review and Analysis of Project Results by Country | 9 |
| 1. Progress | 9 |
| 2. Comparison of actual accomplishments with those originally proposed | 12 |
| 3. Relationship with the local implementing partner | 21 |
| V. Management: Review and Analysis of Headquarters/Support Functions | 23 |
| VI. Financial Report | |
| 1. Proposed budget with actual expenditures | 26 |
| 2. PVO cost-share | 26 |
| 3. Fund-raising plans and activities | 27 |
| VII. Lessons Learned and Long Term Project Implications | 27 |
| VIII. Attachments to Annual Reports | 31 |
| 1. Country data sheets | 31 |
| 2. DIP, logical framework and any modifications | 32 |
| 3. Simplified Activity and Financial Statements | 40 |

Acronyms

| | |
|--------|--|
| AAPLAG | Asosyasyon Animate Payizan La Gonave – Community Based Organisation on Ile de la Gonave |
| AIMS | Tools for Assessing the Impact of Micro-enterprise Services |
| AMK | The new name for the microfinance institution in Cambodia supported under this grant. 'Concern-TPT' is now a subsidiary of Concern Worldwide: registered with the Ministry of Commerce as 'Angkor Mikroheranhvatho Kampuchea Co. Ltd' |
| CW | Concern Worldwide |
| DIP | Detailed Implementation Plan |
| DOSA | Discussion Orientated Self Assessment |
| FINNET | Stands for 'Financial Service Network for Entrepreneurial Empowerment'. DAI/FINNET (Development Alternatives Inc.) is a financial network and a project of USAID and DAI to support the development of the microfinance industry in Haiti. |
| FKZ | Fonkoze, microfinance foundation in Haiti |
| G | Gourd (Haitian currency) |
| GDP | Gross Domestic Product |
| M & E | Monitoring and Evaluation |
| MF | Microfinance |
| MFO | Microfinance Organisation |
| MFI | Microfinance Institution |
| MIS | Management Information Systems |
| NBC | National Bank of Cambodia |
| RDB | Rural Development Bank |
| SEEP | Small Enterprise and Employment Promotion network |
| TPT | 'Thanakea Ponleu Thmey' was the previous name for Concern microfinance service provider in Cambodia |

I. Background to Grant and Project Context

The development of an organisational policy for microfinance in 1999 and its designation as an organisational core competency was advanced with the establishment of a microfinance unit in New York. This unit has been dedicated to the provision of technical support, information, funds and personnel to field programs and to networking with other microfinance organizations within the US and beyond.

This matching grant covers some of the leading components of Concern's microfinance in long-term development settings. In all, Concern is supporting / providing microfinance services in 7 fields with approximately 60,000 clients in total. The key objectives of this particular program involve progressing the sustainability and developing the capacity of the microfinance backstopping support functions based out of the Concern Worldwide office in New York; the transformation of an NGO microfinance program into a microfinance institution in Cambodia; and the piloting of a credit methodology and service improvements to reach the poor in an existing microfinance service provider in Haiti, Fonkoze.

The microfinance unit in New York, which supports all these interventions, has been in a position to work closely with SEEP working groups on microfinance and HIV / AIDS and consumer protection. Over this reporting period, Concern has been focusing on a review of its microfinance policy and consolidating partnerships in host countries.

In Cambodia, Concern established its own microfinance operator: Thanakea Ponleu Thmey (TPT), and supported TPT in its transformation to becoming an independent Micro Finance Institution (MFI). As the end of September 2003, the MFI had 16,061 active loan clients and 19,675 members in three rural branches. These branches are in the south west (Kompong Speu), the west (Pursat) and the north west of the country (Banteay Mean Chey). Most of the clients are farmers and credit is predominantly used for agricultural purposes. Cambodia has a relatively vibrant microfinance sector, with the top ten microfinance operators being (or becoming) licensed MFIs, however, in terms of demand, there is still a wide gap. While competition amongst MFIs in Cambodia has increased substantially since the start of the program, AMK remains a significant player directing services to remote, rural areas.

The focus in Cambodia has been on developing the necessary infrastructure to comply with the regulatory framework for MFIs. The main change has been the transformation from the 'program' of Concern Cambodia registered with the National Bank of Cambodia as 'Concern-TPT', into a subsidiary of Concern Worldwide: registered with the Ministry of Commerce as Angkor Mikroheranhvatho Kampuchea Co. Ltd (Angkor Microfinance Kampuchea or AMK), in order to become a new licensed MFI. The physical separation of all assets and liabilities of the program from Concern has been completed in 2003, and the company was capitalized by Concern with an initial share capital of \$1.36 million in tranches during 2003. Another crucial change is the new definition of the target group to the Economically Active Poor (EAP) and AMK's creation of a mission of its own independent from Concern's mission.

In Haiti, Concern has been providing intensive technical support to the Mirebalais branch of the local microfinance foundation Fonkoze (FKZ), in the areas of developing staff skills, helping to improve existing structures and systems and piloting new microfinance products and delivery mechanisms targeting the rural poor. Founded in 1996, Fonkoze has now emerged as an alternative bank for the organized poor - the largest microfinance institution offering a full range of financial services to the rural-based poor in Haiti. Fonkoze 40,000 depositors, around 15,000 active borrowers, and 18 branch offices spread throughout Haiti. Fonkoze, in the absence of a regulatory framework for microfinance institutions in Haiti, has been transforming into a commercialised bank. In order to preserve its pro-poor ethos, Fonkoze is in the process of developing a foundation to work in parallel with the commercial bank which will focus on research and development initiatives as well as cultivating new branches. As with AMK, Fonkoze has been engaged in this process of transformation for the most part of the reporting period in the context of its business plan which is guiding the institution towards financial sustainability.

Developments in the program in Haiti have been against a backdrop of continued difficult political situation and a marked deterioration in the economy. Key factors affecting the program context include¹:

- The deterioration of the economic environment with inflation running at an estimated 44.7% in 2003, negative real GDP growth of -0.9% for 2002 and a sharp currency depreciation from G27.2:\$1 in 2002 to G52.8:\$1 in February 2003.

¹ 04/2003, Economist Intelligence Unit, [Country Report, Haiti](#)

- The on-going stalemate at the political level which is contributing to insecurity locally and a complete lack of consumer and investor confidence.
- The continued suspension of international aid to the central government.
- A contentious increase in the cost of petrol from G46 in December to G130 in March.

The overall effects on the living standard of the poor have been 'stark and immediate' (EIU).

II. Project Methodology

1. *A summary of the grant project goal, purpose, objectives, approach, methodology, and strategy is as follows:*

The goal of this program is for Concern Worldwide US to support the delivery of sustainable microfinance services to poorer people with a specific focus on Cambodia and Haiti. This is to be achieved through the establishment of a microfinance unit in New York dedicated to the provision of technical support, information, funds and personnel to field programs and networking with other microfinance organizations within the US and beyond.

The purpose of the project at a country level is to establish a rural microfinance institution in Cambodia and to assist an established MFI in Haiti to expand and deepen its outreach and improve its service provision. Learning from these undertakings will feed into the organisation's microfinance policy review and contribute to the body of knowledge in the organisation to effectively support microfinance institution building and service delivery appropriate to the very poor.

The objectives of the program (detailed in the DIP & matrix) are as follows:

CAPACITY BUILDING

Headquarters

- Concern Worldwide US supports microfinance programs in expanding their provision of sustainable services to the poor.

Cambodia

- Increased technical and institutional capacity in MF programming within Concern Cambodia.
- Thaneakea Ponlue Thmey's (TPT's (now 'AMK's')) strategic planning, financial, and administration systems are fully established.²

Haiti

- Increased technical capacity in microfinance programming within Concern Haiti by September 2004.
- Improved technical knowledge & management capacity of FKZ's Mirebalais branch staff by September 2004.

SERVICE DELIVERY

Cambodia

- Appropriate microfinance services being delivered to 24,000 clients, including the poorest families, by June 2004.
- TPT (now AMK) has a policy and is able to deal with natural disasters appropriately.

Haiti

- Appropriate microfinance services for the rural poor piloted in Mirebalais branch & ready for replication to other branches.

SUSTAINABILITY

Headquarters

- Microfinance program unit established in New York with a clear strategic plan and guaranteed funding base.

Haiti

- Concern Haiti core microfinance staff continue to provide high quality technical support to MFIs in Haiti.

² The full attainment of this objective is planned for 2007, substantial progress is planned under the current Matching Grant phase as detailed in the remaining columns of the matrix in this section.

- The microfinance program of FKZ's Mirebalais branch is operationally sustainable by September 2004.

Cambodia

- Thanakea Ponlue Thmey (now AMK) is operating at a specified level of operational sustainability by September 2004.
- TPT (now AMK) is progressing to become an independent and separate institution from Concern Cambodia and has established a governance framework to take it to full legal independence and beyond.³

The approach is one of development of microfinance institutions and services targeting the rural poor (predominantly women), through intensive technical support for institutional and staff development, improvements to existing structures and systems, and the piloting of new microfinance products and delivery mechanisms.

The microfinance methodologies involved include hybrid Village Bank / Grameen Centre based solidarity group methodology. The service provider in Haiti is providing a 'unified service' with the one program supplying both microfinance, health messaging and literacy training.

The Concern Worldwide US strategic plan for 2000-3 highlighted areas of support provision. These included (a) the provision of technical support to microfinance program planning, implementation, monitoring and evaluation; (b) increased flow of information between microfinance practitioners and technical support staff; (c) expansion of funds raised from private individuals, foundations and institutional donors; and (d) recruitment of personnel to microfinance programs. The strategy is to develop promising microfinance institutions that focus on women and the rural poor and to help the MFIs to maintain and develop their mission regarding depth of outreach. Intensive organizational learning is promoted both between fields on a one to one basis and at an organizational level.

What are the key inputs for achieving this strategy?

The key inputs for achieving this strategy include technical support from Concern both in-country and based in New York and financial support through this grant and donations.

Who are the target groups?

The target groups are as follows:

- The rural poor and poorest women continue to be our primary target group. In the case of AMK, the target has been redefined as the economically active poor.
- Branch and senior management in the respective microfinance institutions and the board of AMK

What are the expected outputs and product?

The expected key outputs are:

- Effective microfinance technical support unit in Concern Worldwide assisting partnerships in 7 countries guided by an up-to-date, pro-poor organizational policy for microfinance.
- Transformed MFI in Cambodia (AMK) owned by Concern Worldwide enabling large numbers of poor people in rural Cambodia to increase their livelihood options.
- Partner MFI in Haiti (Fonkoze) delivering more appropriate, sustainable services for the rural poor.

How are gender equity issues to be addressed?

Gender equity issues are being addressed in the following ways:

- Skewing services towards women.
- Ensuring that husbands are aware of the implications of services in advance so as to mitigate any possible negative outcomes at the household level.
- Monitoring impact and the position of women clients in their community after accessing services.

2. *For the project generally, provide a comparison of actual accomplishments with those originally proposed for the period of the report (using Detailed Implementation Plan and/or previous annual report as starting point). State the reasons for any variance.*

³ AMK will have a final legal structure and a board but may not be totally independent within the suggested timeframe.

Highlights of NY

The capacity building objective for Concern Worldwide is to support microfinance programs in expanding their provision of sustainable services to the poor. This has been achieved as planned through the establishment of a microfinance technical support capacity contributing to the following outputs:

- Technical support provided to programs under this grant (Haiti and Cambodia) as well as to other fields including Kenya, Ethiopia, Sudan, India, Laos, Bangladesh and Rwanda. This technical support included 6 field trips over the reporting period.
- The technical backstop coordinated a review of Concern's microfinance policy which was originally developed in 1999.
- The Advisory Board in New York launched their first women's luncheon focusing on women's empowerment. While this did not raise as much money as was expected, it was profitable in its first year and will continue in future years.

The second key objective for Concern Worldwide related to sustainability was as follows: 'Microfinance program established in New York with a strategic plan and guaranteed funding base'. This is established and the key developments over the reporting period were:

- The technical backstop assumed a position on the board of the microfinance institution in Cambodia, AMK, which comes under this grant. She also assisted with the recruitment of staff including the appointment of a CEO for AMK.
- Long term funding for microfinance from an additional funder has been secured with Ireland Aid (the Irish Government's overseas aid funding division).

Progress was lagging in the areas of development of a system for information exchange and review of the current strategic plan. Regarding a system for information exchange, the IT department postponed the development of an intranet this until 2004. Regarding the strategic plan, there was slower progress on re-defining the strategy for Concern Worldwide US than had been envisaged, although steps such as a technical support capacity assessment and long term planning have been undertaken.

Highlights of Cambodia

- Targets for improved technical and institutional capacity in micro-finance programming were mostly achieved with the development of a training, research and marketing division and through undertaking of initial steps in developing a new financial product.
- AMK's strategic planning, and financial and administrative systems were advanced in accordance with targets. Progress included the separation of the NGO microfinance program from Concern and the establishment of an independently operating microfinance organisation, the development of a strategic business plan and the nationalization of branch manager positions. The existing MIS system has not yet been replaced, although analysis of alternatives available and plans for its replacement have been undertaken.
- Appropriate microfinance services are being delivered to 19,675 members, 16,000 of whom are active (i.e. have a loan outstanding).
- AMK has a draft policy and is developing its capacity to deal with natural disasters.
- The operational sustainability (OSS) figure for AMK above the target at 53%
- Over the reporting period, AMK has progressed to become an independent and separate institution from Concern Cambodia and established a governance framework to take it to full legal independence and beyond.

Highlights in Haiti

- The assessment of skills under the mid-term review highlighted increased technical capacity in the areas of institutional assessment, impact and depth assessment and financial evaluation.
- Improved technical knowledge and management capacity of Fonkoze's Mirebalais branch was highlighted through the institutional self assessment and confirmed by improved performance.
- As planned, a new microfinance product for the rural poor was piloted.

- Concern Haiti's core MF staff are extending their provision of high quality technical support to other MFIs and NGOs delivering microfinance in Haiti
- The MF program of Fonkoze's Mirebalais branch has achieved operational sustainability targets (at 86% at the end of the reporting period).

III. Monitoring and Evaluation

Changes to monitoring and evaluation are proposed only in the areas detailed below. Note, for the program in Haiti, no modifications are being forwarded at this point, but as Fonkoze is going through a process of transformation, alterations may shortly be proposed.

NEW YORK

b. Targets

One target is being revised which pertains to the number of fields attending the annual microfinance policy and practice workshops. The original target was as follows:

INDICATOR: *Annual microfinance policy & practice workshops attended by at least 10 fields by September 2004.* Targets: YEAR 1: 7 fields; YEAR 2: 9 fields; YEAR 3: 10 fields represented.

The revised target is as follows:

INDICATOR: *Annual microfinance policy & practice workshops attended by at least 7 fields by September 2004.*

Targets: YEAR 1: 7 fields; YEAR 2: 7 fields; YEAR 3: 7 fields represented.

This is on account of the focus on professionalizing and consolidating operations as opposed to expanding numerically at this point.

CAMBODIA

b. Targets

In the year 2002, there was a change in the definition of AMK (then Concern-TPT) target group from '90% of total poorest villagers in each village are clients' and '70% of total members are poor and poorest' to '100% of total members are economically active poor.' In the October 2002 annual report, the corresponding change in indicator was recommended hereby the target indicator would be replaced by '100% of members are economically active poor people or individuals.' On April 2003, the Board of Directors accepted the definition of the economically active poor proposed by the staff of AMK as 'those poor people with a least one economic activity or business (that enables them to repay the loan).'

d. Benchmarks of Project Progress

There are a total of five changes in the main indicators of progress towards the objectives. Two of them were requested in the October 2002 report and three of them are requested in this report.

In the October 2002 report the following changes were requested:

- In the Capacity Building section / Building the Capacity of AMK, within the objective that 'AMK strategic planning, financial and administration systems are fully established', the indicator (2) 'Increased staff capacities illustrated by there being at least 2 out of 3 branch managers who are Cambodian nationals and a Cambodian national Deputy Operations Manager is in training to take over as Operations Manager' replaced by '**Increased staff capacities illustrated by there being at least 3 branch managers who are Cambodian nationals and a Cambodian national Deputy Operations Manager is in training in October 2003 to take over as Operations Manager. By Oct. 2004: local Operations Manager in position and Finance Manager in training.** Revised Targets: Oct. 2002: 0; Oct. 2003: 3 Branch Managers and 1 Operations Manager training; Oct. 2004: 1 Operations Manager and 1 Finance Manager training.'
- In the service delivery objectives within the objective that "Appropriate microfinance services being delivered to 24,000 clients, including the poorest families, by June 2004" the indicator (2) "90% of total poorest villagers in each village are clients, and overall, 70% of total members are poor and poorest" replaced by "**100% of total members are Economically Active Poor people or individuals**"

In this October 2003 report the following changes are requested:

- In the Capacity Building section, Building the Capacity of AMK, within the objective that 'AMK's strategic planning, financial and administration systems are fully established', the indicator (3) 'AMK's MIS system is fully developed by June 2003 and is managed by the national financial controller by Jan 2004' is requested to be replaced by '**AMK MIS system is fully developed in 2003 and is managed by national staff by Jan 2004.**'
- In the service delivery section within the objective that 'Appropriate microfinance services being delivered to 24,000 clients, including the poorest families, by June 2004' the indicator (4): '\$161,663 in client savings by October 2004' is requested to be replaced by '**by October 2004 there will be a voluntary savings balance with AMK.**'
- In the sustainability section within the objective that 'AMK is operating at a specified level of sustainability by September 2004' the indicator (1) 'AMK has achieved 56% return on operations by the September 2004. Base: 35%; Oct. 2002: 43%; Oct. 2003: 49%; Oct. 2004: 56%' is requested to be replaced by '**AMK has achieved 56% Operational Self-Sufficiency (OSS) by the September 2004**'

An additional change that affects the whole document is a consequence of the new name and thus, Thaneakea Ponlue Thmey's (TPT) or the 'Concern – TPT' program should be replaced by **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (AMK).**

e. *Monitoring Plan*

Please find overleaf the new monitoring plan, reflecting the operational changes and achievements within AMK. Note, the sections that have been shaded are those that have been modified.

2 Describe the status of midterm assessment and final evaluation. Specifically address efforts to address gender issues/considerations.

The status of the Mid Term Reviews (MTRs) is that operations in both Haiti and Cambodia have undergone assessment. The review in Haiti was conducted internally, while the evaluation in Cambodia was evaluated by an external consultant. The following are key excerpts MTRs:

CAMBODIA⁴

Given AMK's good human resources and their potential for rapid efficiency and productivity gains, the well-tested group loan product and a clientele of already 11,000, the evaluator is convinced, despite the negative financial performance so far, that full commercialisation of AMK would be feasible within 1 to 1.5 years provided that a highly qualified CEO could implement the full reform package proposed without delay and with full backing of the Board of Directors and CONCERN as shareholder of AMK.⁵ The evaluator stresses the need for a long-term commitment by CONCERN with the following key strategic targets and cut-off dates proposed:

- 1) Operational self-sufficiency (excluding TA costs) latest by September 2004.
- 2) Phasing out of resident expatriate managers/advisers by July 2005 and, in the case of unforeseen obstacles, latest by December 2005.
- 3) Financial self-sufficiency (including TA costs) latest by December 2005.
- 4) Full consolidation and rapid operational expansion during 2006 and 2007.
- 5) Achievement of corporate 'maturity' of AMK (or as part of a merged financial institution) during the following three years latest by the end of 2010.
- 6) Divestiture by CONCERN by selling its shares to qualified Cambodian investors to be completed latest by the end of 2012.

⁴ April 2003, Johann-Friedrich Ramm, [Appraisal of AMK](#).

⁵ The evaluator has made a similar experience in turning the largest credit programme in Cambodia around from a gross operating margin of minus 33% to plus 9% within one year only.

| Monitoring Methods | Schedule / Target Setting | Sources of Data | Frequency | Quality Control / Person Responsible | Data Management | Use to Increase Performance |
|---|---|---|---|--|--|---|
| Financial Performance Indicators Budget setting & Quarterly expenditure reports | Branch and institution targets set annually. Budget reviewed annually within a 3 year budget framework. | MIS & accounting systems | Monthly & Quarterly Quarterly & annually | Regular monitoring by the Branch Managers, Operations Manager and Finance Manager External & internal audits and quarterly review. | Reviewed on a regular basis by AMK management, detailed in annual program reports. Branch Manager is accountable to keep budget & expenditure inline. | Informs approach to program issues such as rate of expansion, delinquency mgt & response to natural disasters. Ensures efficient and transparent use of resources. |
| Program Delivery of service | Set annually within 3 year framework | MIS | Monthly and quarterly | Regular visits by Operations Manager to branches (about once every 3 months) | MIS management by Operations, quarterly review with the Board. | Issues resolved and support, approach & timetable decided at quarterly meetings |
| Impact Impact & effectiveness of service⁶ | Positive impact in the cashflow of individual households. Target group are the economically active poor. | MIS and regular (complementary) surveys and client exit / satisfaction surveys. | On-going | Rigorous sampling & use of staff external to the branch | MIS data compiled in head office. Regular surveys on cashflows compiled by TRAM. Exit and satisfaction surveys compiled and summarized by Area Managers. | The data feeds into decisions on service delivery, portfolio diversification, and geographic dispersion and is operational zed through annual planning, service delivery & product development. |
| Institutional Capacity DOSA Staff Reviews Strategic plan | Set after analysis with mgt based on recommendations Performance targets set in strategy & plan to improve technical competencies Roll out of annual plan based on strategy for institutional capacity development & transformation | Annual appraisals, performance linked incentive plans, on-the-job training, structured modules for new staff Strategic plan & review | Annual Annual appraisals, quarterly review of staff performance based on incentive plan 3 YR plan reviewed annually | Quality control measures on the basis of performance assessment-incentive achievement mismatch | Detailed annual reports compiled by AMK management. Annual review feeds into annual report assessing progress. | Specific measures for institutional capacity development are decided based on this process and operational zed in annual plans. At annual reviews, new objectives and targets are set in line with program strategy Annual strategic review feeds into annual planning process. |

⁶ During the transformation process of TPT program into the microfinance institution AMK, profound changes are taking place and thus a proper impact assessment is not recommended. In order to use resources efficiently, AMK proposes to monitor clients' cashflow and to analyze effects (or potential effects) of AMK products.

Regarding progress against the USAID matching grant, most of the performance indicators of the mid-term review requirements for the matching grants of USAID are met or are very likely to be met. The delay in achieving the growth indicators for outreach and savings mobilisation was caused by the resolution of problems of high loan delinquency in Pursat branch and fraud in Kg. Speu branch during 2002. Last but not least, the relevance of some of the performance indicators are questionable and would need to be reviewed to better suit AMK's transformation and commercialisation process.

HAITI

This mid term assessment⁷ bore out that progress is being made in many areas against the plans set out in the USAID funded 'Microfinance Development Program Detailed Implementation Plan' (October 2001 to September 2004). The program's strategy of intensive technical support to Microfinance Organisations (MFOs) in particular to Fonkoze (at its Mirebalais branch) has contributed to improved performance at the Mirebalais branch level. The expansion of Concern Haiti's microfinance team to include an experienced MF coordinator has brought greater critical analysis and professionalism to the MF team's performance. Progress is summarised here below.

Capacity Building

Capacity building support to Fonkoze started off well with the development of financial products to reach the economically active poorest, but these have not yet been implemented. Other areas of support such as delinquency control, activity planning and portfolio quality monitoring, while beneficial, have been delivered in a manner that has not yet been replicated outside the one Fonkoze branch in Mirebalais. The performance of the pilot branch of Mirebalais has improved considerably in part due to the technical support and mentoring by Concern's program officer and in part due to improved branch management.

Service Delivery

The findings on impact, client satisfaction and depth of outreach highlighted that an appropriate service is being delivered to a relatively poor client base in the Mirebalais catchment area. Improvements from the baseline capacity assessment were noted in a number of areas including staff morale, financial management, supervision, performance appraisal and delinquency control. However, the mechanisms within Fonkoze for disseminating learning between branches could be further developed.

Sustainability

In order for the microfinance unit in Concern Haiti to become more sustainable it must carve out a niche for itself in the MF community in Haiti and it must develop into a learning centre within itself to fulfil its role more effectively. In particular, the model of intensive support to one MFO while at the same time providing it with substantial funds should be reviewed as the agenda of the MFO may be primarily to secure the funds.

Regarding the sustainability of the Fonkoze Mirebalais branch, operational sustainability targets are being achieved, which is as a result of expansion in certain services followed by a growth in portfolio and tight control on the cost base. However, the capital absorption and outreach is low at the branch dampening its potential operational sustainability / profitability.

A summary of the key recommendations are as follows:

Capacity Building of the Concern Haiti Microfinance Team

1. The microfinance team adopt a three pronged approach to capacity development – equipping staff with requisite skills in-house where feasible; maximising cross learning through experience exchange; and putting into practice a system of action learning.
2. Training sets translated into Creole should be made available to the wider MF community.
3. Review indicators in line with the recommendations from USAID's M & E Specialist.

Capacity Building of the Mirebalais Branch of Fonkoze

4. A simple system of evaluation of staff training should be piloted at the Mirebalais branch.
5. In the event that there remains inadequate demand from Fonkoze for technical / skills development support, other vehicles for providing technical support (through FINNET (MF network in Haiti) or directly to other MFOs) should be considered by the microfinance team.
6. In the event that Fonkoze decides to widen the net of this capacity building initiative – the approach should accommodate a strong emphasis on peer learning between branches.

⁷ March, 2003, I. Kidney & M. Islam, Mid Term Review of Microfinance Development Program, Haiti

7. The standard MF services that Fonkoze provide do extend to Concern's preferred 'target group' and thus Concern's support to Fonkoze should have more of a focus on all its MF services.

Service Delivery - Fonkoze

8. Delivery of specially designed MF for the very poor as planned should be implemented as soon as possible.
9. Information is collected to assess the wealth strata to which Fonkoze is providing services should be analyzed to help ensure that Fonkoze stays 'on mission' vis a vis its intended target group.
10. The real value of the first loan has diminished due to the high rates of inflation and this as well as access to compulsory savings should be reviewed.

Sustainability – Concern

11. Concern's program officer should be used more strategically by focusing on products, development of ideas, training and working in conjunction with the emerging foundation.
12. A strategy for supporting the MF sector in Haiti should be developed in 2003 / 4.

Sustainability - Mirebalais

13. Planning and analysis at branch level should be encouraged to inform the organisations annual and business plans.
14. Expansion of outreach (e.g. by increased client to credit agent ratio) by focusing on more accessible and heavily populated areas should be considered for the Mirebalais branch.

Note, since the reviews were conducted (and during the course of this reporting period), a CEO has been recruited for AMK in Cambodia and a new financial product has been tested in Haiti. Also in Haiti, training materials developed are now being used in several Fonkoze branches.

IV. Review and Analysis of Project Results by Country

1. *This section describes the following for Cambodia and Haiti Specific Outputs etc.*

CAMBODIA

a. Specific Outputs Achieved in Each Country

The year 2003 has been crucial for the transition of the Concern - TPT program into Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (AMK). AMK has become a registered Limited Liability Company and is expected to obtain an operating MFI license from the National Bank of Cambodia (NBC) during the first half of 2004. A key consequence of the transition process is that AMK is neither a program nor a partner of Concern Cambodia but a subsidiary of Concern Worldwide.

AMK has performed remarkably well in its objectives of building the capacity of both the Concern team supporting AMK and the AMK team per se, achieving all set indicators. On the one hand, the Concern team supporting AMK directly is now composed of a CEO, a Finance Manager, and a Training, Research and Marketing (TRAM) Manager – at this point, all international staff. On the other hand, there are already four national senior managers within the AMK team (the Operations Manager and three Branch Managers). Currently, AMK is operating independently from Concern Cambodia and moved to its own offices as of January 2003. Although there has been a delay in implementing a new MIS, the new system will be fully developed in 2003 and will be managed by national staff by January 2004.

Regarding AMK's service delivery objectives, AMK's clients are indeed the economically active poor and, despite the delay in reaching the original outreach targets, it is forecasted that AMK will reach the benchmark of 24,000 clients by the end of the year 2004. Development and piloting of appropriate new products for potential clients is underway and a re-design of the existing savings product is being undertaken precisely to better respond to the clients' needs and to allow them to better cope with risks (including the risk to natural disasters).

AMK has achieved and continues to focus on its sustainability targets (operational, financial and institutional). AMK's Operational Self-Sufficient (OSS) continues to improve and there has been important progress towards institutional sustainability with the Board's advisory role in place ahead of schedule. In addition, as AMK expects to receive an MFI license in 2004 and thus will be in a position to borrow funds during 2004-5.

b. Effect on Target Groups Disaggregated by Gender

At the end of September 2003, AMK had 16,061 active loan clients and 19,675 members. Non active clients / members are those save regularly but might or might not take a loan from AMK or from the Village Bank internal fund. The participation of women in AMK program remains overwhelming: almost 84 percent of the members and 81 percent of the active clients of AMK are women. Additionally, women constitute about 27 percent of the total number of presidents or savings secretaries of the Village Banks, also known as Village Bank Committee (VBC)). Detailed information of the number of clients and members in each branch disaggregated by gender is shown below:

| As of 30.09.2003 | Active Clients | | | | | Members | | | | |
|-------------------|----------------|-----------|--------------|-----------|---------------|---------------|-----------|--------------|-----------|---------------|
| | Women | | Men | | Total # | Women | | Men | | Total # |
| | # | % | # | % | | # | % | # | % | |
| Banteay Mean Chey | 6,276 | 88 | 876 | 12 | 7,152 | 7,438 | 87 | 1,092 | 13 | 8,530 |
| Pursat | 2,961 | 77 | 860 | 23 | 3,821 | 3,975 | 76 | 1,245 | 24 | 5,220 |
| Kampong Speu | 3,739 | 73 | 1,349 | 27 | 5,088 | 5,040 | 85 | 885 | 15 | 5,925 |
| Total | 12,976 | 81 | 3,085 | 19 | 16,061 | 16,453 | 84 | 3,222 | 16 | 19,675 |

In terms of the effects of the program on gender groups disaggregated, as the primary focus this year has been on transitioning from NGO to MFI, the respective impact has not been rigorously ascertained for the period.

c. Problems Encountered and How they have been Addressed

The main operational problems to overcome were linked to the process of transition from the NGO-run 'TPT' into an independent MFI 'AMK'. Specifically, these have been related to the need of updating and improving systems (and the process and procedures associated to them) as well as identifying ways of reducing risk through loan diversification. A challenge ahead is the lack of insurance infrastructure in the country. Following the requirements of the transition process, the management's focus during this year has been on developing the strategic and business plans that set the foundations for the success of AMK as an independent institution.

d. Impact on Local Institutions, Local Policy, and People (disaggregated by gender) Outside the Project

As stated before, the main highlight of the year 2003 has been the creation of a local microfinance institution from the experiences of an NGO. Since AMK is a relatively new entrant, there has been little influence in the local policy arena within Cambodia although it is expected that AMK will be able to contribute in the future. The main mechanisms for contributing in policy formulation (and its improvement) are through competition and through participation in collective action initiatives such as the creation of an MFI Association. Both AMK and Concern will seek additional opportunities for contributing to local policy in the microfinance sector in Cambodia.

e. Unintended Effects

With the establishment of a board composed, at this point, of Concern senior management, there has been an expansion of competency in microfinance amongst this group.

HAITI

a. Specific Outputs Achieved in Each Country

The most significant outputs for this period include the following:

Capacity Building

- Staff have benefited from considerable training as well as mentoring advancing Concern's technical capacity in microfinance in Haiti. In the past year, key areas where this has been developed include impact assessment, financial analysis, market research, internal control and assessing depth of outreach.
- Improved technical knowledge & management capacity of Fonkoze' Mirebalais branch staff has been shown through the turn – around in delinquency with portfolio at risk close to zero. This has facilitated a solid rapid expansion of the portfolio impacting positively on financial indicators.

Service Delivery

- The development of specific, affordable and accessible financial products for the poorest was underway later in this reporting period with the successful piloting of one new credit product.
- Key findings from the impact, depth of outreach and client satisfaction with services studies showed:
 - The microfinance services are achieving the intended goal in terms of increasing income and reducing clients' vulnerability to a collapse in income as shown by comparison with a control group.
 - There is a noticeable difference in the change in position of clients within their own communities with clients reporting substantial improvement. Conversely, only those in the control group perceived that

their position in the community worsened due to factors including the wider economic downturn, the poor performance of their business as well as in one case, their level of poverty.

- Client satisfaction is very high with 93% of clients stating that they are satisfied with the service.
- Regarding depth of outreach, 74% of clients are classed as 'less well off' by the standards of their communities (i.e. they are in the 'poor' or 'lower medium' strata). A striking result of the survey was that the control group are predominantly from the poor wealth strata. This may be due to their being more sensitive to risk and have waited for the program to be tried and tested before investing in it, or it may also be due to the fact that size of the first loan has become unattractive to others in the community because it has been considerably deflated due to inflation.

Sustainability

- Concern Haiti microfinance staff continue to provide high quality technical support to MFIs in Haiti with the addition this year to support being extended to an NGO called 'Initiative Development de Haiti' ('ID') providing microfinance services in our target area in Port au Prince as well as Arc-en-Ciel, a local NGO planning to develop a microfinance program for families affected by HIV/AIDS. ID are developing an independent MFI.
- Fonkoze's Mirabalais branch is on target to becoming operationally sustainable by September 2004, with operational sustainability currently at 86%.

b. Effect on Target Groups Disaggregated by Gender

The target group is women market vendors in the rural areas of Saut D'eau and Mirebalais in the Central Plateau region of Haiti. The program has brought effects in the livelihood of the target group who are all women. Literacy as well as the credit has produced lasting effects in the household economy of the target group and prompted the empowerment process. The progressive loan cycles have enabled the target group to develop individual capacity in order to move out of the lower poverty strata to higher strata by expanding the capital and business. Increased income from the business has reduced the vulnerability of the target group where many of the clients have now developed ability to cope with economic adversity.

c. Problems Encountered and How they have been Addressed

The following are the main problems experienced by the program:

[i] Roads and Insecurity

Weak infrastructure compounded by insecurity has continued to be the main problem that has frequently prevented the program services from reaching more remote areas. Transport of money to certain areas, particularly those close to the border with the Dominican Republic, could put field staff and clients at risk. As required, supplying services to these areas is suspended or adapted according to the security situation. The project plans to establish sub-branches to decentralize services to its distant clients and to minimize such risk associated with frequent transporting of money. A sub-branch, supported by USAID, has been already established in the more remote town of Saut D'eau and now provides services to local clients.

[ii] The structure of Fonkoze

There is quite a pronounced centralization of management and decision-making in the Central office of Fonkoze in Port au Prince. This has given rise to difficulties in carrying out certain activities which have been slowed down or delayed due to the need for administrative clearance by the Central office. This problem has been addressed by highlighting the issue to senior management of Fonkoze as well as through the implementation of a new MIS which should improve the speed and quality of information.

[iii] Branch management

During the 2002 year, the Mirebalais branch office was under the leadership of 2 different directors (branch managers), and until the present director was hired, which was disruptive. The branch management is now stronger and more stable. Further, Concern training has greatly contributed to development of skills and improved staff performance. The incentive scheme for staff introduced under the period of this grant has also contributed materially to raising aspiration and motivation of the staff.

d. Impact on Local Institutions, Local Policy, and People (disaggregated by gender) Outside the Project

Developments under this Matching Grant project have encouraged other local institutions to work with Concern with a view to developing their organizational and operational capacity as a service provider. Concern has already responded to such requests from Initiative Development and Arce-n-ciel of Haiti.

e. Unintended Effects

The only significant unintended effect was the deepening of the target group due to the economic decline and the comparatively lower value of the first loan due to inflation.

2. For each country, provide a comparison of actual accomplishments with those originally proposed for the period of the report (from Detailed Implementation Plan and/or last annual report). State the reasons for any variance. Discuss any anticipated problems in meeting the final project objectives and PVO's plans to deal with these.

CAMBODIA

The following pages provide a comparison of actual accomplishments with those originally proposed for AMK Cambodia in the Detailed Implementation Plan (DIP) and/or the October 2002 annual report. (Note, the numbering is in line with the DIP as outlined in section VIII, point 2).

Capacity Building

| OBJECTIVE (2): Increased technical and institutional capacity in micro-finance programming within Concern Cambodia | |
|--|---|
| INDICATOR: | STATUS: |
| (2.1) Concern Cambodia retains core staff of technical advisors able to support the continued development of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (AMK) in the areas of MIS, monitoring and evaluation and product development for service delivery | <input checked="" type="checkbox"/> Achieved. Although there has been a delay in developing MIS competence, the technical and institutional capacity of the Concern team to support AMK has increased. Note, product development will be furthered in the next period. |

The MIS competence could not be fully developed by October 2002, but the introduction of a new MIS to replace the in-house system and the creation of a new chart of accounts has been one of the priorities for the year 2003. It is expected that the MIS/accounting system will be operational by the end of 2003 (please see related section below).

Regarding competence in monitoring and evaluation, an external appraisal of AMK took place in April 2003. This external appraisal concluded that most of performance indicators were met and that the delay in achieving the growth indicators for outreach and savings mobilization was caused by problems of high loan delinquency in Pursat branch (where the clients had been severely affected by floods) and fraud in Kompong Speu branch during 2002. The full recommendations of this appraisal report have informed the strategic decisions that have taken place over the last three quarters of the year 2003.

Regarding monitoring the activities of AMK while a pilot monitoring system was tested in the first half part of 2003, it has been in the second half of the year when there has been a holistic focus on internal control functions. An appropriate MIS/accounts system is a prerequisite to a cost-effective control system. The implementation of internal controls systems have also suffered from the delay in the new MIS as well as from the delay in recruiting suitable local staff. The projected internal audit mechanism will include financial and operational information flow, process compliance and system audits and will aim to cover each of the three branches every quarter. During 2004, the internal audit function will be completely independent from the operations department and will function entirely on its own, covering the head office as well.

An impact assessment study took place in February-March 2002. The report followed the Assessing the Impact of Microenterprise Services (AIMS) survey format. Unfortunately, a review of the results undertaken in October 2002 cautioned against its conclusions because of problems with sample selection and size. Additional problems identified in the report included: questionnaire design unsuitable for the Cambodian reality as well questionnaire and data-entry inconsistencies. It is expected that during 2004 the training and research department will devise and implement a tool for evaluating the effects of AMK products on clients. This tool will focus on client vulnerability and coping mechanisms.

| OBJECTIVE (3): AMK strategic planning, financial, and administration systems are fully established | |
|--|---|
| INDICATORS: | STATUS: |
| (3.1) AMK staff have developed a 3 year strategic plan implemented over the period Dec. 2002 – Nov. 2005 | <input checked="" type="checkbox"/> Achieved October 2003: strategic plan developed |
| (3.2) Increased staff capacities illustrated by there being at least 3 branch managers who are Cambodian nationals and a Cambodian national Deputy Operations Manager is in training in October 2003 to take over as Operations Manager. | <input checked="" type="checkbox"/> Achieved October 2003: 3 national Branch Managers and 1 national Operations Manager in position. |
| (3.3) AMK MIS system is fully developed by June 2003 and is managed by the national financial controller by Jan 2004. | <input checked="" type="checkbox"/> Delayed , the MIS system will be fully operational at the end of 2003. |

| INDICATORS: | STATUS: |
|--|---|
| | Proposed modification of the indicator as follows: (3.3) AMK MIS system is fully developed in 2003 and is managed by the national staff by Jan 2004. |
| (3.4) As a more fully independent institution, all the administration and accounting systems will operate separately from Concern Cambodia's by June 2003. | <input checked="" type="checkbox"/> Achieved AMK is currently operating independently from Concern Cambodia. AMK is audited annually by an external auditor. |
| (3.5) AMK has its own office space by June 2003. | <input checked="" type="checkbox"/> Achieved. AMK had its own office space as of January 2003 (ahead of the original cut-off date of October 2003). |

INDICATOR (3.1): Three-year strategic plan

In October 2002, baseline data was collected and by October 2003 a new strategic plan was developed alongside the new 5-year business plan, covering the period of 2003 to 2008.

To fulfill the licensing requirements of the National Bank of Cambodia (NBC), an interim three-year business plan was presented on July 2003. Since then, the CEO and the whole senior management at the branch/operations level have undertaken a thorough revision of the business plan. The new business plan has been developed through a series of detailed exercises with the branch managers. This strategic plan draws from the revision of the business plan and it is being finalized to be presented at the next Board meeting in November 2003.

As part of the long term strategy, in the first quarter of 2003, the AMK Board of Directors developed a new mission statement (independent from Concern Worldwide's mission) and further defined AMK's new target population. The decision to change the target population was explained in the last annual report. The new AMK mission is "to help large numbers of poor people in rural Cambodia to increase their livelihood options through the sustainable delivery of appropriate and viable microfinance services to the economically active poor." The Board also accepted the definition of the Economically Active Poor (EAP) proposed by the staff as "those poor people with at least one economic activity or business (that enables them to repay the loan)."

INDICATOR (3.2): Increased national staff capacities

On last year's report, a change in the original target was proposed to speed up the timing of this indicator whereby by October 2003 there would be three Branch Managers in position and one Operations Manager in training and by October 2004 a local Operations Manager in position and the Finance Manager in training.

The targets have been exceeded. As of October 2003 there were three Cambodian Branch Managers and one Cambodian Operations Manager. In January 2003 a Cambodian Branch Manager took over Pursat branch and another Cambodian Branch Manager took over Kompong Speu branch; a new Cambodian Branch Manager for the Banteay Mean Chey branch took over in May 2003. A Cambodian Deputy Operations Manager joined the head office team in March 2003 and was subsequently promoted as Operations Manager in May 2003.

INDICATOR (3.3): AMK MIS system

The review of the in-house system (called 'Branch Office System' or BOS) during 2002 recommended its replacement in order to accommodate the expansion and complexity of managing information for a larger number of clients and transactions as well as to comply with the reporting requirements of the NBC. However, as it was stated in the mid-term review, there has been a delay in starting the process and the new Management Information System (MIS) will be operational by the end of the year 2003.

The reasons for this delay are linked with the difficulties recruiting a Finance Manager with MIS competence as well as with the strategic planning / business planning process that has been undertaken during the second half of 2003. On one hand, the recruitment process started in March 2002 but it was unsuccessful with the Finance Manager starting only in May 2003. On the other hand, the development of an MIS system is intrinsically linked to a revision of processes and procedures of existing products and the planning on potential ones, which has been taking place from July 2003 onwards.

A pilot of the new MIS software (MicroBanker, developed by FAO/GTZ) and the new chart of accounts is currently taking place in the Kampong Speu branch, running parallel with the existing system. It is expected that the new system will start operating in the other two branches (Banteay Mean Chey and Pursat) in January 2004, although the initial data transfers will be completed by December 2003. The new system will be managed by the Operations department with support from the Finance department.

Given the delay in developing the MIS system and the coordination that is taking place between the Operations and Finance departments in its implementation, AMK proposes that the indicator “(3.3): AMK MIS system is fully developed by October 2003 and is managed by the national financial controller by Jan 2004” is replaced by **“AMK MIS system is fully developed in 2003 and is managed by the national staff by Jan 2004”**

INDICATOR (3.4): Independent administration and accounting systems

AMK began operating independently in January 2003, since these changes are also a legal pre-condition for licensing as an MFI with the National Bank of Cambodia. During 2003, AMK also opened its own bank accounts (independent from Concern Worldwide Cambodia). All microfinance assets and liabilities were transferred from Concern Worldwide to AMK as of July 2003.

Currently, all the administration and accounting systems are independent from Concern Worldwide Cambodia. The responsibilities related to the functions of Human Resources and IT are currently distributed among the existing senior management team and during early 2004, it is expected that AMK will create these functions within its own structure.

Similarly, as of 1st of July 2003 there is an investment agreement between Concern Worldwide and AMK and from October 2003 fund transfers from Concern Worldwide will come directly to AMK instead of through Concern Worldwide Cambodia. At the time of the legal transfer of assets and liabilities from Concern Worldwide to AMK, it was ensured that AMK would not inherit the delinquent accounts of Concern-TPT credit operations. Thus, AMK current loan portfolio is healthy, all the data has been cross-checked and all write-offs have been completed.

INDICATOR (3.5): AMK has its own office space by June 2003.

The target was met ahead of time since AMK head office moved into new premises, independent from Concern, in early January 2003 in Phnom Penh. All Branch Offices had separate offices by December 2002.

Service Delivery

| OBJECTIVE (6): Appropriate microfinance services being delivered to 24,000 clients, including the poorest families, by June 2004 | |
|---|---|
| INDICATORS: | STATUS: |
| INDICATOR (6.1): 24,000 clients in 434 village banks by June 2004 Base: 11,100 Oct. 2002: 14,650; Oct. 2003: 19,450; Oct. 2004: 24,000 | <input checked="" type="checkbox"/> Achieved in the number of members (19,675) and slightly delayed in the number of active clients (16,061). However, AMK will likely achieve the benchmark set by the end of 2004. This is due to the proposed expansion which will take place in 2004. |
| INDICATOR (6.2): Development and piloting of appropriate new product(s) for the poorest by June 2003 | <input checked="" type="checkbox"/> Achieved and on-going (more products will be developed and piloted over 2004) |
| INDICATOR (6.3): 100% of total members are Economically Active Poor people or individuals | <input checked="" type="checkbox"/> Achieved |
| INDICATOR (6.4): \$161,663 in client savings by October 2004 | <input checked="" type="checkbox"/> Modified: Facilitation of compulsory savings is being phased-out and a new voluntary savings product will be launched in 2004 Proposed modification of the Indicator to “by October 2004 there will be a voluntary savings balance within AMK” |
| INDICATOR (6.5): 95% retention rate of clients | <input checked="" type="checkbox"/> Unavailable. |

INDICATOR (6.1): 24,000 clients in 434 village banks by June 2004.

In the last annual report, it was detailed why the outreach target for October 2002 was not met, i.e. outreach stagnated at 11,000 active borrowers and 270 Village Banks between the end of 2001 and the end of 2002 due to operational problems of high loan delinquencies in Pursat (flood related) and fraud in Kampong Speu. The consequences of the problems encountered last year have also impacted the outreach performance in 2003.

As of 1st of October 2003 AMK had 19,675 members and 16,061 active clients and worked through 421 Village Banks. Given the changes that are taking place in the compulsory savings product that Concern-TPT facilitated (which is explained in the detail in the following sections – indicators 6.3 and 6.4), the number of active clients provides a better indicator of outreach performance than the number of members. In this regard, AMK expects that the scale of outreach target for October 2004 (i.e. 24,000 clients) will be met by the end of 2004.

INDICATOR (6.2): New products for the poorest: development and piloting

As it was explained in detail in the last year’s annual report, the target of conducting research by October 2002 was not met due to the management’s focus on the resolution of the high loan delinquency in Pursat branch and

widespread fraud in Kampong Speu branch.

During 2003, it has been agreed that while the current group loan product meets the needs of the economically active poor, there is a need to engage in active research and piloting for the design of other products that meet the needs of the economically active poor without excluding the poorest. New products are planned to be introduced from January 2004. These products attempt to reduce the covariance risks associated with agricultural loans and allow AMK to compete efficiently with other MFIs by diversifying products into non-agriculture economic activities and by matching the cashflows of the clients' activities.

A new individual loan product will be piloted in our Kampong Speu branch from November to December 2003. This new product has been designed to serve a poorer segment of the population than other competitors. For instance, while other competitors operating in the same geographic areas offer individual loans with maximum sizes in the realm of US\$1,250 to US\$2,000 reaching as high as US\$10,000, AMK intends to provide a maximum size not exceeding \$500 while keeping a low minimum loan size. The performance of the pilot of individual loans will be closely monitored both by Operations and by the TRAM department.

Regarding savings products, the compulsory savings facilitation originally managed by Concern-TPT is being phased out gradually in order to be able to launch a new voluntary savings product. It is expected that the compulsory savings will be completely phased out by April 2004. Voluntary savings will be piloted in 2004 once MIS and market research results are in place. Research will be undertaken in early 2004 with the aim of designing a new product for voluntary savings that will earn sufficient interest and meet the needs of our customers with complete freedom for deposit and withdrawal.

Another new product that will be launched in January 2004 is the staff loan. However, this new product is more an incentive to AMK staff than a new product per se, and thus AMK will keep this loan portfolio below 3 percent of AMK's total loan portfolio. (The NBC limit on insider lending is 10% of net worth.)

INDICATOR (6.3): 100% of members are economically active poor

Following the change in the definition of our target group (from '90% of total poorest villagers in each village are clients' and '70% of total members are poor and poorest' to "100% of total members are economically active poor,") a change in this indicator was recommended in the October 2002 report hereby the target would be replaced by "100% of total members are economically active poor people / individuals."

Currently AMK reaches households with at least one member engaged in any sort of income-generating activity. As of June 2003, nearly 90 percent of the clients stated that they would use their loan for agricultural purposes, less than 6 percent stated their loan use for trade and commerce purposes and only nearly 4 percent stated the purpose of the loan for household purposes or other categories.

The average loan size (used as a proxy or indicator of the level of poverty of clients) indicates that AMK serves poor(er) clients: AMK average loan size is US\$ 50.5 as of October 2003. As of December 2002 AMK average loan size was US\$57, among the lowest in the main 10 microfinance operators in Cambodia.⁸

INDICATOR (6.4): \$161,663 in client savings in October 2004

Savings mobilization has not developed as projected by the original targets and has stagnated below US\$100,000.⁹ Consequently, as it was mentioned in the section above, the current compulsory savings is being phased out gradually in order to launch a new voluntary savings product in 2004. The main reasons for phasing out the current savings product are the following:

- On the demand side, the current product does not meet the savings needs of clients. While attempts have been made to make the product as flexible as possible, it is still a compulsory pre-requisite to obtaining a loan. Thus,

⁸ According to the data of the NBC (Banking Supervision Department) as of December 2002 the average loan size of the main ten microfinance providers in Cambodia (ordered by their loan outstanding portfolio) were: ACLEDA US\$331; PCA US\$102; EMT US\$49; CCB US\$236; HATHA KAKSEKAR US\$213; SEILANITHIH US\$86; CRS/TPC US\$47; WORLD RELIEF US\$85; CONCERN TPT/AMK US\$57 and WORLD VISON US\$31.

⁹ Performance of the saving fund at the end of each year:

| End Year (US\$) | Banteay Mean Chey | Kompong Speu | Pursat | TPT / AMK |
|-----------------|-------------------|--------------|--------|-----------|
| 2000 | 53,075 | 14,798 | 31,749 | 99,622 |
| 2001 | 65,491 | 18,226 | 10,278 | 93,995 |
| 2002 | 64,462 | 21,883 | 12,326 | 98,671 |

these are perceived by AMK's clients as a fee to obtain the loan. The amount kept in the village's savings fund indicates that clients do not use the product to reduce their vulnerability overtime or to accumulate lump-sums

- On the supply side, the product reduces AMK's efficiency and was designed because Concern-TPT could not mobilize savings as per the Central Bank rules. Although the (compulsory) savings are held by the clients at the village level they represent a cost for AMK since the Credit Officers spend time in the monthly meetings reviewing the savings account books of each of the clients. Finally, once AMK obtains the MFI license, AMK will be able to mobilize voluntary savings.

As a consequence of the planned change in the savings service, AMK proposes that the indicator "(6.4) Targets: Oct. 2002:\$107,841; Oct. 2003: \$133.313; Oct. 2004: \$161,633" is replaced by "by October 2004 there will be a voluntary savings balance within AMK". It is expected that deposits will increase slowly as AMK's credibility grows among existing and potential clients.

INDICATOR (6.5): 95% retention rate of clients.

The current in-house MIS does not allow retrieving accurate figures for the rate of retention of clients in the three branches. In the case of Kampong Speu and Pursat provinces in addition to the inadequacy of the MIS, the fraud and the repayment problems must be included. However, it is expected that the retention of clients remains high. This information will be available when the new MIS is in place.

| OBJECTIVE (7): AMK has a policy and is able to deal with natural disasters appropriately. | |
|---|--|
| INDICATOR: | STATUS: |
| (7.1) Respond optimally to natural disasters and provide financial services to assist with coping with natural disasters. | <input checked="" type="checkbox"/> On-going |

While draft guidelines were created by October 2002, during 2003 there has been little improvement in this area. However, as explained above a new savings product (voluntary in nature) will be developed during 2004 which will likely assist our clients in coping with natural disasters. At the same time, during 2004 research will be undertaken to identify appropriate mechanisms to reduce the vulnerability of clients, including the vulnerability to natural disasters.

Sustainability

| OBJECTIVE (12): AMK is operating at a specified level of operational sustainability by Sept. 2004 | |
|--|--|
| INDICATOR: | STATUS: |
| INDICATOR (12.1): AMK has achieved 56% return on operations by the September 2004 Base: 35%; Oct. 2002: 43%; Oct. 2003: 49%; Oct. 2004: 56% | <input checked="" type="checkbox"/> Achieved As of December 2002, TPT/AMK had achieved Operational Self Sufficiency (OSS) at 48%; during the reporting period the figure of OSS was 53% Proposed modification of the indicator to " AMK has achieved 56% Operational Self-Sufficiency (OSS) by the September 2004 " |

TPT/AMK had achieved an Operational Self-Sufficiency (OSS: financial income divided into financial and operating costs) of 48% as of December 2002. The figure for OSS increased to 53% during the reporting period.

In order to clarify the performance towards sustainability, AMK requests that the indicator (12.1) "AMK has achieved 56% return on operations by the September 2004. Base: 35%; Oct. 2002: 43%; Oct. 2003: 49%; Oct. 2004: 56%" is replaced by "**AMK has achieved 56% Operational Self-Sufficiency (OSS) by the September 2004. OSS is defined as operating revenue divided into financial and operating expenses (including loan loss provision expense)**". This is so as to avoid any confusion caused by the term 'return on operations' which is not standard microfinance terminology.

| OBJECTIVE (13): AMK is progressing to become an independent and separate institution from Concern Cambodia and has established a governance framework to take it to full legal independence and beyond. | |
|--|---|
| INDICATORS: | STATUS: |
| INDICATOR (13.1): AMK is legally licensed as an MFI by the National Bank of Cambodia by June 2003 | <input checked="" type="checkbox"/> Delayed – the implementation of the regulatory framework has been slower than predicted (expected early 2004). |
| INDICATOR (13.2): Final legal structure has been researched and agreed upon by Dec. 2002 | <input checked="" type="checkbox"/> Achieved |
| INDICATOR (13.3): Board is meeting regularly in an advisory role by December 2003 | <input checked="" type="checkbox"/> Achieved and on-going. The fourth Board meeting is scheduled for November 2003 |

| INDICATORS: | STATUS: |
|---|---|
| INDICATOR (13.4): The first loan from the Rural Development Bank of Cambodia is secured | <input checked="" type="checkbox"/> Not planned for under this reporting period. However, there may be a delay as AMK cannot apply for RDB loans until it receives its MFI license. The first external loan is planned for 2004-5. |

INDICATOR (13.1): MFI license by the NBC by June 2003

During the year 2003, AMK has achieved a final legal structure but there have been delays in the implementation of the regulation for MFIs by the Royal Government of Cambodia (RGC). Thus, the original deadline to apply for an MFI license was extended to end of June 2003.

AMK was fully incorporated as Limited Liability Company by the Ministry of Commerce in May 2003 and presented the last licensing requirements to the NBC on June 2003. In September 2003, the NBC inspected AMK and the inspection report is expected by 10 October 2003. If the inspection recommendation is positive, it is expected that AMK will have an MFI operating license by early 2004.

INDICATOR (13.2): AMK's final legal structure by Dec. 2002

The final legal structure was agreed upon by December 2002 incorporating AMK as a Limited Liability Company.¹⁰

INDICATOR (13.3): Board is meeting regularly in an advisory role by December 2003

The Board of Directors of AMK in its advisory role, met in December 2002 for the first time in Dublin, in April 2003 for the second time in Phnom Penh, in July 2003 for the third time in Dublin. The fourth Board meeting is scheduled for November 2003 in Phnom Penh. The Board meetings have had near full attendance every quarter.

INDICATOR (13.4): First loan from the Rural Development Bank (RDB) secured

AMK could only become eligible to borrow from the Rural Development Bank (RDB) of Cambodia upon receipt of the MFI license. However, it is expected that AMK will be in a position to borrow at a cost from the RDB or other institutions or entities by 2004-5.

HAITI

The following outlines the comparison of actual accomplishments with those originally proposed for the period of the report. Implementation of the project in Haiti started in October 2001 and the objectives set out for the initial as well as the second year have been substantially achieved.

Capacity Building, Concern

| OBJECTIVE (1): Increased technical capacity in microfinance programming within Concern Haiti by September 2004 | |
|--|---|
| INDICATOR: | STATUS: |
| (4.1) Concern Haiti has a full time staff of three people able to design, implement, monitor and evaluate microfinance programs by September 2004. Year 2: Skills developed in evaluation. | <input checked="" type="checkbox"/> Achieved. The project team developed skills in the area of program review; discussion orientated self assessment, impact & depth assessment and financial evaluation. |

INDICATOR (4.1): Concern Haiti has a full time staff of three people able to design, implement, monitor and evaluate microfinance programs by September 2004. Year 2: Skills developed in evaluation.

Technical capacity in microfinance programming within Concern Haiti has increased considerably over the past year to the extent that the team has developed practical skills in related areas of microfinance programming and is capable to work without external support. During mid-term evaluation of the project (March 2003), an exercise was conducted to help assess skills of the microfinance staff. The conclusions of the assessment were as follows:

Design

There are sufficient versatile skills among the three staff members for design. Besides the coordinator who is competent in this area, the remaining two of the staff demonstrate intermediate skills in this area with one having strength in the research phase while the other has experience of taking a model and implementing it, but lacks action research skills.

¹⁰ The decision to become a Limited Liability Company was also forced by the fact that a law on co-operatives does not yet exist in Cambodia.

Implementation

Overall skill levels of the staff for implementation were very satisfactory: skills that could be further developed include analysing costs associated with drop outs; targeting and maintaining records on outreach depth; and assessing competition.

Monitoring and Evaluation

Skill levels vary considerably among the team with the coordinator having strong skills in all areas. Mentoring has been recommended for the project officers in the areas of financial ratio analysis (Gonave) and impact assessment (Mirebalais) respectively.

The microfinance staff have undergone various training courses in the country and abroad. The improvement has been brought about by support in the following areas:

- Design & Implementation:
 - Two staff members have participated in training courses on Financial Management, Financial Ratio Analysis and Internal Control that was offered by DAI/FINNET in Haiti.
 - A staff member went to visit ADEMI, the largest and the most successful microfinance program of Santo Domingo. Two of the staff members also went to Cambodia on a similar exposure visit to Angkor Mikroheranhvatho Kampuchea (AMK) program which helped them to learn from other programs in the areas of planning, targeting, financial management, and monitoring and evaluation of microfinance interventions.
- Monitoring and evaluation
 - The staff members have participated actively in the internal mid-term evaluation of the Matching Grant project and the end-of-project evaluation of the microfinance program on La Gonave together with the external consultant. The team have developed skills from the evaluation exercises and particularly from impact assessment.

In addition, the staff members continue to receive on the job training by the Coordinator in related microfinance management disciplines (budgetary planning, internal control, financial statements, portfolio analysis and market research). The following are examples where this training is directly assisting the quality of support provided to partners:

- Design of an urban microfinance project involving a new partner.
- Transferring of skills for delinquency management, portfolio quality analysis and MIS to partner staff (in Fonkoze) that resulted in a 600% growth of the portfolio and under 1% delinquency over the year.

| OBJECTIVE (5): Improved technical knowledge and management capacity of FKZ's Mirebalais branch staff by September 2004. | |
|---|--|
| INDICATOR: | STATUS: |
| (5.1) Improved capacity of the Mirebalais branch. Targets: Base: acceptable performance; Mid-term evaluation: Above acceptable performance. | <input checked="" type="checkbox"/> Achieved. The focus branch – the 'Mirebalais' branch has improved performance as per standard MF indicators as well as through enhanced human resource management, improved service delivery and better financial management. |
| (5.2) Training methods and materials in the Mirebalais branch replicated and a training system standardized for FKZ by September 2004. | <input checked="" type="checkbox"/> Achieved. Training materials have been developed and are being used in other Fonkoze branches. |
| (5.3) Staff performance appraisal system reviewed and further developed to contribute to improvements in staff performance. | <input checked="" type="checkbox"/> Achieved. This had been developed in year one of the grant. |

INDICATOR (5.1): Improved capacity of the Mirebalais branch. Targets: Base: acceptable performance; Mid-term evaluation: Above acceptable performance.

During Mid-term review of the Matching Grant project, DOSA (Discussion Oriented Self Assessment) was used to measure the organizational capacity of the Mirebalais Branch at the stage and the developments over the period compared to the findings of DOSA conducted in December 2001. In summary, all scores (except the area of human resource management) demonstrated acceptable performance standards. Further, it was concluded that the branch has been performing better in the areas of Human Resource Management, Financial Resource Management and Service delivery in 2003 as compared to 2001.

The management information report maintained at the Branch level has been reviewed and improved. This in turn has contributed to better management and efficient control of the quality of their loan portfolios.

INDICATOR (5.2): Training methods and materials in the Mirebalais branch replicated and a training system standardized for FKZ by September 2004.

Training materials on Targeting, Savings Mobilization, Delinquency Management, Portfolio Quality Analysis and Reporting developed by Concern Project Manager, have been developed and Fonkoze is now using these training materials for the training of other branch staff with the assistance of Concern.

INDICATOR (5.3): Staff performance appraisal system reviewed and further developed to contribute to improvements in staff performance.

The process of performance of the operating field staff is on-going on a regular basis and contributing to higher staff performance and accountability. The system in place is operating satisfactorily.

Service Delivery

| OBJECTIVE (8): Appropriate microfinance services for the rural poor piloted in Mirebalais branch and ready for replication to other branches. | |
|---|--|
| INDICATOR: | STATUS: |
| (8.1) 1,800 active clients by September 2004. Base: 83 Year 1: 500 Year 2: 1,400 Year 3: 1,800 | <input checked="" type="checkbox"/> Mostly Achieved. By the end of the reporting period, the branch has reached 1,345 clients. |
| (8.2) \$280,000 in client savings by September 2004 Base: \$171,545; Year 1: \$205,000; Year 2: \$ 255,000 | <input checked="" type="checkbox"/> Partially Achieved As of June 30, 2002, the total savings mobilized amounts to US\$175,912. |
| (8.3) Portfolio At Risk (PAR) >30 days of less than 10% by September 2004. Year 2: PAR at 14% | <input checked="" type="checkbox"/> Achieved. Portfolio at risk is now less than 1%. |
| (8.4) At least 50% of new clients are from the poor category by September 2004. Year 2: 40% | <input checked="" type="checkbox"/> Achieved. Currently, 65% of new clients are from the poorest of the economically active wealth category |
| (8.5) 85% of clients state that Fonkoze membership has led to a positive change in themselves, their household and their commerce. Target: Mid Term Review: 65% | <input checked="" type="checkbox"/> Achieved. Significant differences in trends were reported between client and control groups showing that the microfinance was having a positive impact. |

A new seasonal loan product has been developed and tested in the Mirebalais branch during July festival in Saut D'eau. The repayment was 100% on time by the clients who expressed that they were very satisfied with the service. Launching of the other loan product that has been developed for the poorest clients, has been delayed so far for administrative reasons and it is planned that the branch will formally introduce this product in October.

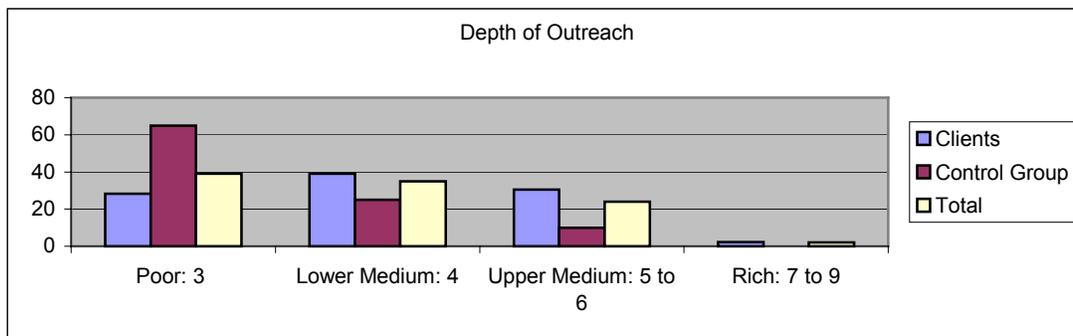
INDICATOR (8.1): 1,800 active clients by September 2004. Target: Year 2: 1,400 clients
Improved service delivery has so far resulted in wide acceptance and contributed to higher outreach for the program. The program has expanded now into 21 localities of Saut D'eau and Mirebalais. By the end of second year and the program has succeeded in reaching 1,345 active clients at this stage.

INDICATOR (8.2): \$280,000 in client savings by September 2004. Target for Year 2: \$255,000
It is mandatory that each member will save 10% of the amount of the loan during the two month training period. The target for savings was set at US\$205,000 by the end of first year. As of June 30, 2002, the total savings mobilized amounts to US\$175,912. In addition to the depressed economic situation, savings have been low because the knock-on effects of a collapse of cooperatives in the country which has diminished client confidence.

INDICATOR (8.3): Portfolio at risk >30 days of less than 10% by September 2004.
Targets: Base: 24%; Year 1: 18%; Year 2: 14%
Better trained and knowledgeable staff, improved logistical support and member's education combined to improve performance of the loan portfolio. Continued success in the recovery of loans has eventually brought down the portfolio at risk to minimal levels. During the reporting period the Portfolio At Risk has been maintained between at 1% to 0% as compared with 24% of the base year.

INDICATOR (8.4): At least 50% of new clients are from the poor category by September 2004.
Targets: Base: 20%; Year 2: 40%.

Seventy four percent of clients are less well off by the standards of their communities (i.e. they are in the 'poor' or 'lower medium' strata).¹¹ A striking result of the survey which bore this out was that the new clients (who were the control group in this exercise) are predominantly from the 'poor' wealth strata at 65% of all those interviewed. The impact assessment exercise carried out during mid-term review (which included categorization of client to wealth strata) showed that 39% of total clients benefiting from the project are from the 'poor' strata by the local communities standards. Typically, they live in a thatch or very basic house, they have up to one small livestock (e.g. goat/pig) and they have up to two small 'plots' of land.



Both Concern and Fonkoze are continuing the use of Participatory Wealth Ranking to monitor depth of outreach to ensure that the missions of Concern and Fonkoze are adhered to.

INDICATOR (8.5) 85% of clients stat that Fonkoze membership has led to a positive change in themselves, their household and their commerce. Target: Mid Term Review: 65%

Regarding clients position in the community, 67% stated that they perceived that their position had improved compared with 45% of the control group. It was notable that while the clients interviewed had not felt a deterioration in their position in the community, 30% of the control group complained that their position had disimproved. They attributed this to the wider economic downturn, the poor performance of their business as well as in one case, their level of poverty. Overall, 65% of clients stated that their income had increased or greatly increased over the last year in comparison to 30% of the control group. Regarding the situation at household level, there was no significant difference in girls or boys going to school between the client and control group, however, the client group were more likely to make major decisions at the household level. Signals of improved business status were in evidence for the client group in variables such as business expansion, higher profit, diversification of trading activities, in contrast a majority of the control group responses reported a decline in sales. Ninety three percent of clients stated that they were satisfied with the service.

Sustainability

| OBJECTIVE (10): Concern Haiti core microfinance staff continue to provide high quality technical support to MFIs in Haiti. | |
|---|---|
| INDICATOR: | STATUS: |
| <p>(10.1) Concern Haiti engaged in partnerships to provide technical assistance to at least three MFIs by September 2004.</p> <p>Targets: BASE: 2 MFIs; Year 1: 2 MFIs; Year 2: 2 MFIs</p> | <p><input checked="" type="checkbox"/> Achieved.</p> <p>Over the reporting period, Concern was working with Fonkoze & AAPLAG (a local 'peasants' association) supplying microfinance. Cooperation with 3 other MF providers was initiated during the reporting period.</p> |

INDICATOR (10.1): Concern Haiti engaged in partnerships to provide technical assistance to at least three MFIs by September 2004. Targets: BASE: 2 MFIs; Year 1: 2 MFIs; Year 2: 2 MFIs

¹¹ Based on Wealth Ranking Indicators: **Poor**: Typically, they live in a thatch or very basic house, they have up to one small livestock (e.g. goat/pig) and they have up to two 'pieces' of land. The **lower middle wealth strata** they share 2 of 3 characteristics of the poor – i.e. a) thatch house b) up to one small livestock c) up to two pieces of land, but may have either a) a better house (locally referred to as a 'block house') or b) more livestock or c) 2-4 'pieces' of land. The **upper middle wealth strata** they have two or three of the classifications for the middle wealth strata – i.e. they may have either i) 1 of the characteristics of the poor - i.e. a) thatch house b) up to one small livestock c) up to two pieces of land, and will have two of the characteristics of the middle wealth strata - a) a 'block house'; b) 2-5 animals; c) 2-4 pieces of land OR ii) they will have all three characteristics of the middle wealth strata including a) a 'block house', b) 2-5 animals, c) 2-4 pieces of land. **Rich** - a) large concrete house, b) more than 5 animals and c) more then 4 pieces of land. A 'rich' person is classified as such if they have one or two of these characteristics with remaining characteristics from the middle wealth strata.

Concern is becoming more prominent in the microfinance sector in Haiti and has reached an improved capacity to expand its programs involving new partner organizations. Presently Concern is preparing for a partnership with the Initiative Development of Haiti to implement a microfinance project for the poor urban dwellers in Port au Prince. The project will commence by the end of October this year. Concern has also responded to the request of the Federation 'Lutherienne Mondiale Haiti' to provide technical assistance for the evaluation of its program in Belle Anse. Concern Haiti was also contacted for a possible alliance by Arc-en-Ciel, a local NGO with a view to starting a microfinance program for the HIV/AIDS victim families in the early months of next year.

| OBJECTIVE (11): The microfinance program of FKZ's Mirebalais branch is operationally sustainable by September 2004 | |
|--|---|
| INDICATOR: | STATUS: |
| (11.1) 102% return on operations for microfinance services in Mirebalais branch by September 2004. Targets: Base: 55%; Year 1: 59%; Year 2: 83% | <input checked="" type="checkbox"/> Achieved. Operational sustainability is currently higher than planned at 86%. |
| (11.2) Staff use monitoring information to improve services. | <input checked="" type="checkbox"/> Achieved. |

INDICATOR (11.1): 102% return on operations for microfinance services in Mirebalais branch by September 2004. Targets: Base: 55%; Year 1: 59%; Year 2: 83%

With the increasing capacity of Fonkoze branch and the performance of staff, the program continues to achieve satisfactory levels of sustainability. In year one, the branch exceeded its target by reaching 66% and in the second year the branch has reached 86% of operational sustainability surpassing its target of 83%.

INDICATOR (11.2): Staff use monitoring information to improve services.

Significant improvements in delinquency control, operational sustainability and overall management substantiate this indicator.

4. *For each country, describe the nature of the relationship with the local implementing partner. Include background information on the local partner. Also detail the structure of the working arrangement between yourself and the partner.*

CAMBODIA

The following describes the nature of the relationship between Concern Worldwide and AMK, including background information and details of the working arrangement.

In the case of Cambodia, AMK is not a partner of Concern Worldwide but a subsidiary, since Concern Worldwide and Concern Worldwide UK are the main shareholders of the company holding 99 and 1 percent of the share capital respectively.

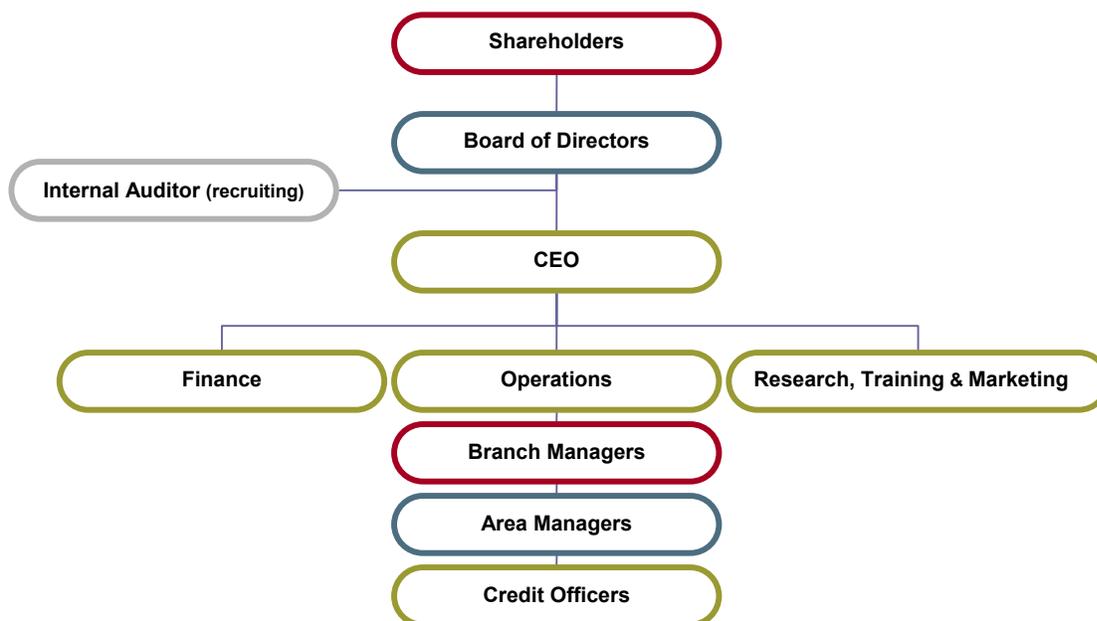
Concern Worldwide Cambodia started offering small loans to poor villagers as part of its development programs in Cambodia in 1993. After a series of evaluations and workshops in 1997, Concern Cambodia decided to scale up its savings and credit activities as a separate program. Using a modified village bank approach, the National Savings and Credit Program started its operations in 1999 in three provinces identified as poorest in Cambodia (Banteay Mean Chey, Kompong Speu and Pursat). In January 2001, the program name was changed to Thaneakea Ponleu Thmey Program or TPT. In January 2002, Concern-TPT was registered as a "Rural Credit Operator" with the National Bank of Cambodia (NBC) and in October of the same year, TPT changed its target group to the Economically Active Poor (EAP). In 2003, TPT transformed into a Limited Liability Company, under the name of Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (Angkor Microfinance Kampuchea, AMK) and applied for an operating license from the NBC as a Microfinance Institution (MFI).

Since AMK is a subsidiary of Concern Worldwide, the working arrangement is set to fit this structure and relates to three main areas: shareholders, Board of Directors and senior management team.

Concern Worldwide, as the shareholder, supports AMK to have sustainable impact on the lives of the poor by ensuring that the following critical success factors are in place: visionary management and board, a commitment to staff development, a strong credit discipline and innovative-responsive product development. AMK's shareholders appoint the Directors.

The Board of Directors is responsible for governing the new MFI and for appointing the Chief Executive Officer (CEO). The Board of Directors provides support in the areas of human resources, finance and administration as well as overall monitoring and guidance through the quarterly board meetings.

The CEO heads the management team, which at the moment includes operations, finance, and training, research and marketing managers. A simplified structure of AMK is shown below.



Currently, AMK's Board of Directors are Mr. Jim Hynes (treasurer for the board and accounting director for Concern); Ms. Isabelle Mary Kidney (Concern's microfinance technical advisor); Mrs. Theresa McDonnell-Frström (chairperson, based in Phnom Penh, and Country Director for Concern in Cambodia); Ms. Louise Supple (based in Dublin and Concern's Regional Director for Asia); Mr. Tom O'Higgins (based in Dublin and member of Concern's governing council body); and Mr. Pel Piseth (based in Phnom Penh and Program Manager for Concern in Cambodia). It is envisaged that board positions will be localized in the medium term.

Additionally, three senior management staff members have been seconded by Concern Worldwide to AMK: the CEO who started in July 2003, the Finance Manager who started in May 2003 and the Training, Research and Marketing Manager who started in January 2003.

Thus, unlike the typical structure of a partner in country communicating with the country director of the specific Concern office, the strategy followed for AMK creates links of communication between the senior management and the Board of Directors and between the Board and the shareholders' representatives.

HAITI

Founded in 1996, Fonkoze has now emerged as an alternative bank for the organized poor- the largest microfinance institution offering a full range of financial services to the rural poor in Haiti. Fonkoze has over 40,000 depositors, about 15,000 active borrowers, and 18 branch offices spread throughout Haiti. The services it offers include:

- Micro-credit
- savings product
- Currency exchange and money transfer service
- Literacy and business skill training

Currently, Fonkoze is undergoing a process of transformation in which two separate but integrated institutions will be created, these are:

1. 'Bank Fonkoze': a fully licensed, soundly capitalized commercial bank with a mission of reaching over 100,000 rural clients, primarily women, in the next 5 years.
2. 'Fonkoze Foundation': devoted to innovation and experimentation in the delivery of microfinance and related educational services to the rural and most economically disadvantaged people.

The Foundation will focus on four program areas- literacy, business development, incubating new branches, and developing financial products. One of the important strategic areas of the Foundation is to support Bank Fonkoze reaching large number of its target population by nourishing new branches towards viable operations. With Fonkoze as the implementing partner, Concern started this project from October, 2001.

Structure of the working arrangement between Concern and Fonkoze

Until the proposed institutions of Fonkoze are separated operationally and legally, Concern plans to maintain the working arrangement with the partner as follows:

- Supporting Fonkoze financially by providing a funding for the running costs of the Branch, its equipments and for product development.
- Provide technical support to the field staff engaged in the operations of the credit program.

The Project officer based at the project site spends a considerable part of his time in the field with the Credit Agents assisting and supporting their work.

Fonkoze is responsible for the management of the operations of the Mirebalais Branch including finance, personnel and administration. Fonkoze carries out group formation, trains the members and motivates its existing and potential clients. Fonkoze is fully involved in loan administration, disbursement and collection of loans through its field and central office staff.

Concern is involved in providing logistical, technical and management supports to Fonkoze Mirebalais Branch. Concern works in the areas of assisting in training of credit agents and supervisors, in the promotion of the services to the population and in targeting. In addition, most of the developmental issues arising are regularly discussed between Concern and Fonkoze in scheduled monthly meeting.

V. Management: Review and Analysis of Headquarters/Support Functions

1. *For Headquarters and Support functions, provide a comparison of actual accomplishments with those originally proposed for the period of the report. State reasons for any variance. Discuss problems encountered and how they have been addressed. Discuss any anticipated problems in meeting final project objectives and PVO's plans to deal with these.*

Capacity Building

| OBJECTIVE (1): CW US supports microfinance programs in expanding their provision of sustainable services to the poor. | |
|--|--|
| INDICATOR: | STATUS: |
| (1.1) Concern Worldwide US establishes a permanent Microfinance Technical Support Capacity in New York. | <input checked="" type="checkbox"/> Achieved. |
| (1.2) Increased financial support for microfinance from individuals, foundations and institutional donors. Year 2: \$100,000 raised | <input checked="" type="checkbox"/> Moderately Achieved The Advisory Board raised \$11,000 in a Women's Luncheon. |
| (1.3) Fields demand support from the microfinance unit in microfinance program design, implementation, monitoring and evaluation. Target: - Technical advisor make 6 trips per year - Monthly e-mail contact - Finance manager makes 4 trips over life of program | <input checked="" type="checkbox"/> Achieved. Technical support provided - 6 trips carried out, e-mail contact maintained Tthe finance manager visited Cambodia over the course of the reporting period, has joined the Board of AMK Ltd. And liases regularly with the Haiti staff. |
| (1.4) Annual microfinance policy & practice workshops attended by at least 10 fields by September 2004. Target: Year 2: 9 fields | <input checked="" type="checkbox"/> Partially Achieved. In total, 6 fields were represented. Proposed modification of indicator to Annual microfinance policy & practice workshops attended by at least 7 fields by September 2004. Targets: Year 1: 7 fields; Year 2: 7 fields; Year 3: 7 fields represented. |
| (1.5) Information exchange system established to enable information sharing within CW & with other microfinance organizations/ networks. | <input checked="" type="checkbox"/> Not Achieved. It was anticipated that an intranet service was to have been established over the reporting period, but this has been postponed to 2004. |
| (1.6) CW US contributes to the review & development of microfinance policy. | <input checked="" type="checkbox"/> Achieved. The technical advisor managed the review of the organization's |

| INDICATOR: | STATUS: |
|--|--|
| | microfinance policy. |
| (1.7) CW US recruits microfinance field staff. | <input checked="" type="checkbox"/> Achieved. The technical advisor was involved in recruiting the CEO for AMK |

INDICATOR (1.1): Concern Worldwide US establishes a permanent Microfinance Technical Support Capacity in New York. *Target:* Candidate in place by June 2002

The candidate was in place by May 2002.

INDICATOR (1.2) Increased financial support for microfinance from individuals, foundations and institutional donors. *Target:* Year 1: Advisory board established, Year 2: \$100,000

Organised by the Advisory Board, the inaugural Women of Concern Luncheon took place in New York on May 15th 2003. Eileen Naughton, President TIME was the Inaugural Women of Concern Honoree. Attendees included Paula Zahn of CNN attend and Concern's regional director for Horn of Africa, Angela O' Neill. While this was a high profile event, the revenues raised were substantially less than planned, although it is envisaged that in future years this will increase. The focus of the luncheon was on entrepreneurial women North and South and the gender dynamics of poverty. The Advisory Board have remained purely fundraising and given the voluntary nature of their participation and the time that is involved in organising the fundraising event, their role will not be expanded as originally speculated to technical or mentoring support to microfinance programs.

INDICATOR (1.3): Fields demand support from the microfinance unit in microfinance program design, implementation, monitoring and evaluation. *Targets:* 1) Technical advisor make 6 trips per year, 2) Monthly e-mail contact, 3) Finance manager makes 4 trips over life of program

As planned, the technical advisor made 6 trips over the course of the year including 1 to Haiti, 1 to Cambodia, 2 to Rwanda, 1 to Ethiopia and 1 to India. The range of technical support provided included the areas of impact assessment, client satisfaction, product development, assessment and development of financial and institutional performance, assessment of depth of outreach, testing of hypothesis pertaining to post conflict settings, staff development, collateral substitute development / delinquency control methodologies and support to board development. She maintained regular e-mail contact with programs. The finance manager made one trip to Cambodia during the reporting period and has joined the Board of the nexly incorporated AMK Ltd.

INDICATOR (1.4): Annual microfinance policy & practice workshops attended by at least 10 fields by September 2004. *Target:* Year 2 : 9 countries represented

The annual workshop which focused on reviewing the microfinance policy, was held in India and attended by representatives of 6 countries. Representatives from Haiti could not attend due to difficulties in obtaining requisite visas. Also, the second representative from the New York office was en route to attend and his trip had to be cancelled due to a strike in Heathrow airport in London. The proposed revision of the target number of fields (to 7 per year) to attend is on account of the need to focus to professionalizing and consolidating operations as opposed to expanding at this point.

INDICATOR (1.5): Information exchange system established to enable information sharing within CW & with other microfinance organizations/ networks.

It was anticipated that an intranet service was to have been established over the reporting period, but this has been postponed to 2004.

INDICATOR (1.6): CW US contributes to the review & development of microfinance policy.

The technical backstop from Concern Worldwide US coordinated and drew up the reviewed microfinance policy the organisation. New areas that are covered in this revised policy include client protection, HIV/AIDS, governance and ownership, internal control and fraud prevention, equality, sustainable livelihoods, microfinance and rights, natural and man-made disasters and MF and business planning. This policy is explicitly guides the organisation not to provide services directly. The new aim is as follows:

The microfinance policy aim is to enable people living in extreme poverty to achieve their basic human rights, reduce their vulnerability and increase their incomes through increased access to efficient, responsive and sustainable microfinance services.

INDICATOR (1.7): CW US recruits microfinance field staff.

The number of international staff for microfinance has been decreasing and the major development this year was the recruitment of the CEO for AMK. The technical backstop has also facilitated sourcing an external consultant for Haiti.

Sustainability

| OBJECTIVE (8) Microfinance program unit established in New York with a strategic plan and guaranteed funding base | |
|---|--|
| INDICATOR: | STATUS: |
| (8.1) Strategic plan in place guiding the work of the microfinance program unit. Target: The current strategic plan will be reviewed in 2002/3 | <input checked="" type="checkbox"/> Partially Achieved. The current strategic plan was being reviewed during the reporting period. |
| (8.2) Long term funding for microfinance programs and New York personnel secured from at least three donors with not more than 30% of funds from general public donations. Target: Year 2: two donors | <input checked="" type="checkbox"/> Achieved. Multi annual funding for microfinance programs supported by Concern has been secured through the Irish Government body 'Ireland Aid' |

INDICATOR (2.1) Strategic plan in place guiding the work of the microfinance program unit.

Target: The current strategic plan will be reviewed in 2002/3

The current strategic plan has been reviewed and new targets have been set as of October 2003. As part of the review, a comprehensive Institutional Self Assessment of the technical support provided to the fields by the fields was conducted and concluded in New York. The findings are summarised on the following chart:

Figure 1: Cross-Sectoral Trends In Concern's Capacity Areas
Higher vs. Lower Areas of Capacity

**HIGHER
CAPACITY**



**LOWER
CAPACITY**

- Management Practices and Governance
- Organizational Policy (Micro-finance field only)

- Use of Technical Knowledge and Skills
 - Human Resource Management
 - Financial Resource Management

- Organizational Learning

- Administrative Infrastructure & Procedures

Overall the average scores were high, indicating a generally good level of performance. The differences between different areas (both child survival and microfinance were assessed) were not very marked.

INDICATOR (2.2) Long term funding for microfinance programs and New York personnel secured from at least three donors with not more than 30% of funds from general public donations. Target: Year 2: two donors

In addition to USAID, Ireland Aid is committing to multi-annual funding, and microfinance under the heading of 'livelihoods' will receive in the region of \$320,000 in 2003 and \$450,000 in 2004.

Discuss problems encountered and how they have been addressed.

There have been no significant problems over the course of the year.

Discuss any anticipated problems in meeting final project objectives and PVO's plans to deal with these.

While the respective partner and subsidiary in Haiti and Cambodia are on course to accomplish their objectives, there have been some time delays in meeting certain benchmarks and it is envisaged that because of this as

well as because of resulting under-spends, that a submission for a no cost extension will be made shortly to USAID for this matching grant to be extended for a further year from October 2004 to September 2005.

f. Financial Report

1. Proposed budget with actual expenditures

A table detailing expenditure to date by budget line is set out below.

| BUDGET CATEGORIES | EXPENDITURE & BUDGET | | | | | | | |
|-----------------------------|----------------------|----------------|------------------|------------------|-------------------|-------------------|----------------|--|
| | Year I | Year I | Year II | Year II | Total Years 1 & 2 | Total Years 1 & 2 | Variance | |
| | Budget | Expenditure | Budget | Expenditure | Budget | Expenditure | Years 1 & 2 | |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | |
| Personnel | 454,706 | 478,006 | 546,098 | 462,751 | 1,000,804 | 940,757 | 60,047 | |
| Fringe Benefits | 146,745 | 99,212 | 173,051 | 101,504 | 319,796 | 200,716 | 119,080 | |
| Travel | 179,474 | 96,143 | 209,590 | 226,351 | 389,064 | 322,494 | 66,569 | |
| Equipment | 19,075 | 9,793 | 23,000 | 26,840 | 42,075 | 36,633 | 5,442 | |
| Supplies | 105,877 | 89,964 | 105,704 | 125,209 | 211,581 | 215,173 | -3,592 | |
| Contractual | 6,000 | 10,957 | 31,247 | 37,722 | 37,247 | 48,679 | -11,432 | |
| Other | 289,230 | 57,256 | 614,549 | 488,399 | 903,779 | 611,615 | 292,164 | |
| Total Direct Charges | 1,201,107 | 907,291 | 1,703,239 | 1,468,776 | 2,904,346 | 2,376,067 | 528,278 | |
| NICRA | 120,111 | 90,729 | 170,324 | 151,151 | 290,435 | 241,880 | 48,554 | |
| Total | 1,321,218 | 998,020 | 1,873,562 | 1,619,927 | 3,194,780 | 2,617,948 | 576,832 | |

Overall expenditure to date is 82% of budget the main under-utilisations arising due to three factors:

- Staff costs are less than expected largely due to the reduction in expatriate staff numbers in AMK Ltd. in Cambodia.
- Transport costs are lower than anticipated due to savings on capital purchases and to lower than projected costs for the annual policy workshops.
- The "Other" line is heavily underspent. This is largely due to the fact that there were problems with the Cambodian loan portfolio in 2002 – due to flooding in Pursat and control problems in Kompong Speu. These resulted in a freeze on new loan issues for much of the final quarter of 2002 and the first part of 2003 – which is generally the period of maximum demand.

It is anticipated that the full approved budget will be required in order to meet all of the project objectives. However as a result of savings to date it is anticipated that a request for a no-cost extension will be made in December 2003. The fields are currently working on the detailed budgets for the next two years and these will form the basis for the request.

2. PVO cost-share

The funding of expenditure to date is as follows:

| Funders | Actual | Budgeted |
|--------------|-------------|-------------|
| USAID | 32% | 26% |
| Concern | 26% | 28% |
| AMK/Fonkoze | 42% | 46% |
| Total | 100% | 100% |

The USAID portion is higher to date than originally envisaged, this is because the budget for expansion of the loan portfolio is unde-rspent and this is one of the main elements of the match. It is however expected that this will be rectified over the remainder of the project and that the final proportions will be in line with budget.

3. Fund-raising plans and activities

As explained elsewhere Concern Worldwide has obtained a long term funding commitment from the Irish Government for its microfinance activities. This funding plus money from its general fundraising activities are expected to be more than sufficient to ensure that the organisation can meet its matching commitments under the grant.

VII Lessons Learned and Long Term Project Implications

1. Estimates of project costs and benefits

This project has cost \$1,873,562 for the year of this report. The core benefits include:

- o Microfinance services directly to 21,020 clients and indirectly to the remaining clients in Fonkoze’s other branches (i.e. a total of 40,000 depositors and 15,000 active loan clients in Fonkoze).
- o Enhanced technical programming support to partners working with Concern Worldwide including to partners outside of the matching grant (total of 60,000 clients).
- o Significant institutional capacity developments both within Concern with respect of supporting partners and in the consolidation of institutional viability of microfinance partners including the AMK microfinance subsidiary.
- o Revised microfinance policy to guide Concern in supporting microfinance partners taking on board industry and organizational learning over the grant period.

3. Institution building assessment – risk profiles and strategies

The year 2003 has been crucial for building AMK as microfinance institution independent from Concern Cambodia. As such, this has resulted in the need of creating not only a Board of Directors but also a new working arrangement with Concern Worldwide. While the process has proven more demanding and slightly slower than previously envisioned, the Board and the senior management have now developed a long term strategy for the future of AMK. This strategy is also reflected in the business plan that will guide operations work in the short and medium term.

The long-term institutional building process envisages a clear risk profiling and strategies to overcome these. Apart from further diversifying AMK’s Board of Directors, human resource development and technology excellence are important components of a financial institution building process. The following risks have been identified as being crucial to institutional development for AMK, and the proposed strategies could have long-term implications.

Risk factors and control strategies

| Risk factors | Control strategies |
|---|--|
| <p>Institutional and governance risks: risks of insufficient or inappropriate guidance on business principles, goals and objectives. These could arise out of inappropriate Board composition, limited participation of Board members, potential conflicts of interests for staff of holding company. The risks of single ownership could also affect AMK in the long-run, especially in the creation of investor confidence.</p> <p>Management and systems risks: risks of poor information systems, weak control environment, and human resource weaknesses can have a long-lasting impact on operations. Staff motivation and morale, fast and accurate flow of information and strong</p> | <p>Clear articulation and agreement on the expectations and support of the holding company would mitigate some of these risks (this has already been achieved to a great degree through the ‘Framework Agreement’ between the owner and its subsidiary). Board diversification strategies can be pursued with agreement on possible participation of non-employee, Cambodian Board members who specialize in certain disciplines.</p> <p>Human resource strategies can be augmented through performance linked incentive plans for staff. On-the-job training is recognized in AMK as critical to overall success. MIS improvement to ensure adequate information flow and to help internal control processes is</p> |

| Risk factors | Control strategies |
|--|--|
| <p>internal controls are inherent requirements of any financial organization.</p> <p>Financial risks: these are related to different aspects of financial management like cash planning and control, ability to raise finances, portfolio quality (credit risk), and profitability and cost management strategies.</p> <p>External risks: one of the main external risks in Cambodia relate to the high dependence of the economy on agriculture, which is where most of AMK loans are invested.</p> | <p>already underway. Work on setting up a strong internal control environment has also begun.</p> <p>Financial risks are easily tracked through measurable indicators, and a list of key indicators should be tracked regularly by the institution. This would help AMK in timely action on potential problem areas.</p> <p>Product development and portfolio diversification can handle these risks to a significant extent. These efforts are also underway in AMK at present.</p> |

For Haiti, while the focus is less on institution building and more on performance and pro-poor service delivery, an assessment of the institution from the branch perspective was undertaken in the mid term review using the DOSA (Discussion Orientated Self Assessment) which encompasses the areas of financial resource management, human resource management, organizational learning and service delivery. The exercise confirmed that performance in nearly all areas had markedly improved. The earlier lessons learnt from the exercise which was that presence of senior management distorted the dialogue was taken on board. On this occasion, it was noted that as the support partner (Concern) carrying out the assessment, branch staff, while giving time to the exercise, were keen to return to their normal work, which suggests that there was an issue of 'ownership' around the exercise. Had the exercise been facilitated internally rather than externally, the relevance of the exercise would have been greater to the staff themselves.

4. Estimate of Sustainability

For AMK in Cambodia, a number of factors – specially the ones discussed in the section above – have affected AMK's progress towards sustainability.

The likely path towards operational and institutional sustainability that AMK plans to take, result directly from the above risk control strategies. These strategies and their results on sustainability can be understood in the light of the phases of evolution and expected focus areas and likely achievements, as follows¹²

| 2004 | 2005 | 2006 to 2008 |
|---|--|--|
| <p>Improvements with</p> <p><u>Key focus areas:</u></p> <ol style="list-style-type: none"> 1 Internal controls 2 Information systems (MIS/Accts) 3 Product diversification 4 Management team development (Finance, Controls, HR) <p><u>Achievements:</u></p> <ol style="list-style-type: none"> 1 57% portfolio growth 2 15% share of new loan products 3 Full operationalisation of MIS 4 Complete Senior management team | <p>Strong growth with quality</p> <p><u>Key focus areas:</u></p> <ol style="list-style-type: none"> 1 Continued product diversification 2 Strong growth, especially in individual loans 3 Consistent portfolio quality, strong internal controls 4 Institutional marketing and liaison with lenders/investors <p><u>Achievements:</u></p> <ol style="list-style-type: none"> 1 >100% portfolio growth 2 30% share of loan products other than EoT 3 First external debt and non-Concern equity 4 Board diversification | <p>Consolidation of operations</p> <p><u>Key focus areas:</u></p> <ol style="list-style-type: none"> 1 Process stabilization 2 System and product up-grades 3 Asset quality maintenance 4 Marketing for debt and equity mobilization <p><u>Achievements:</u></p> <ol style="list-style-type: none"> 1 Emergence as a market leader in Cambodia 2 Full operational and financial sustainability 3 Diversified debt and equity structure 4 Strong governance through a diversified Board with appropriate Cambodian participation |

¹² Table

For Haiti, in terms of financial sustainability, the Mirebalais branch of Fonkoze (with OSS at 86%) has earned a greater portion its revenues (67% and 55% of the total revenues during year 1 and 2 respectively) from sources other than microfinance (exchange and transfer services offered by the Branch) which largely contributed to the increased sustainability. The lesson here is that offering additional services to the community in addition to microfinance, can accelerate the prospect for financial sustainability.

4. Benefit distribution (disaggregate by gender)

In Cambodia, as the end of September 2003, women represent 84 percent of AMK's 19,675 members and 81 percent of AMK's 16,061 active clients.¹³ Additionally, women constitute about 27 percent of the total number of presidents or savings secretaries of the Village Banks.

Clients use the loans for purchasing agricultural inputs (such as seeds, fertilizers or labor) or other inputs for production (such as poultry, ducks or pigs, inputs for rice wine or palm sugar production or produce for petty trading). They would likely sell their products to both individual consumers within the villages and to middlemen, due to bad road conditions and the far distance from the villages to the districts and commune markets.

In Haiti, the microfinance services target women exclusively, and the benefits accruing are detailed in section 2 under service delivery and impact.

5. Local participation (disaggregate by gender)

In Cambodia, AMK is becoming a local institution and not a program of an international NGO: it is now a Cambodian Limited Liability Company and it is expected that it will obtain its MFI license by early-2004. In about 2-3 years, AMK could be a completely localized institution, though still owned by Concern Worldwide. The long term implication is that the localization needs to continue to be actively pursued in terms of board and management composition.

6. Leadership development (disaggregate by gender)

Leadership development is one of the most crucial tasks for AMK in its objective of becoming an independent microfinance institution. The current professional staff of AMK is composed by 51 persons, of which 15 are women (thirteen Cambodians and two expatriate). The total distribution per location is shown below, providing information on the number of Cambodian female staff per type of position in round brackets and of expatriate managers in straight brackets:

| Professional staff: Second Quarter 2003 | Kompong Speu | Pursat | Banteay MeanChey | Head office | Total |
|---|---------------|---------------|------------------|-------------|----------------|
| Head office staff | - | - | - | 7 (2) [2] | 7 (2) [2] |
| Expatriate staff | | | | 3 [2] | 3 [2] |
| Local staff | | | | 4 (2) | 4(2) |
| Branch staff | 12 (1) | 14 (5) | 18 (5) | - | 44 (11) |
| Branch Manager | 1 | 1 | 1 | - | 3 |
| Area Managers | 2 | 2 (1) | 4 (1) | - | 8 (2) |
| Credit Officers | 8 (1) | 10 (3) | 12 (3) | - | 30 (7) |
| Administrators | 1 | 1 (1) | 1 (1) | - | 3 (2) |

As of October 2003 there were four Cambodians in AMK senior management team: the Operations Manager and the three Branch Managers. The other three positions are held by expatriates: the CEO, the Finance Manager and the TRAM Manager.

In Haiti, at the grassroots level, all microfinance committees at the 'center level' (equivalent to village bank level) are run by women. However, the local power structure is traditionally dominated by men. The key lesson learnt has been the importance of community mobilization in advance of and throughout implementation includes ensuring that husbands understand about the program and that local leaders are also brought on board prior to setting up a new center. Staff have found that the presence of a local leader, teacher or the local priest works as catalyst to facilitate the process of community participation by raising the interest and aspirations of local residents.

¹³ As defined before, the term active client refers to members with an outstanding loan from AMK while members save regularly but might or might not take a loan from AMK or from the Village Bank internal fund.

Most of Fonkoze's clients, when they joined the project, were illiterate and limited in their entrepreneurial scope. Basic education including literacy training, business training and credit had largely contributed to the development of leadership qualities among the women clients.

7. Innovation and technology transfer

Innovation in products, delivery methods as well as in process and procedures are crucial factors of success (or failure) for AMK. Innovation in products intends not only to better fit the needs of clients but to diversify in order to reduce the covariance risk of AMK, which has a high concentration of loans in the agricultural sector.

Streamlining processes and procedures is also a key factor for increasing efficiency. The term 'processes and procedures' in this context refers both to the delivery methodology per se, but also to any procedure that takes place within the institution (e.g. communications between head office and branches or the cash allocations per branch). The focus of 2003 has also been on reducing the time spent in each task and on creating innovative ways of performing better (both within AMK itself and between AMK and other stakeholders, most notably Concern Worldwide).

In Haiti, innovation in product development has shown that developing products around festivals where the opportunity to make good money has a lot of potential. However, experience here has also shown that innovating with a partner is much slower than innovating directly.

8. Policy implications

The field experience of operations in Cambodia and Haiti have had the following organizational policy implications:

- While Concern is highly committed to AMK, it is unlikely that it will create another subsidiary along the lines of the model of AMK. An approach to support existing microfinance organizations is the option provided for under the revised microfinance policy.
- The importance of internal control including providing certainties regarding the reported quality of the portfolio are now highlighted in the revised policy.

9. Collaboration/networking with other U.S. agencies

Participation in working groups (including the SEEP Consumer Protection and HIV & Microfinance) is a fast track to disseminating research, tools and best practice to partners and programs.

10. Partnering with local entities

As it was stated before in the case of Cambodia, AMK is not a partner of Concern Worldwide Cambodia but a subsidiary of Concern Worldwide. As such Concern did not create a partner in Cambodia but an institution in itself owned by Concern Worldwide and governed by its own Board of Directors.

11. Replication potential of project approach and activities

Concern is using its experience of governance and ownership issues emerging from the experience of AMK to inform its approach to supporting other microfinance partners. In Haiti, much has been learned from this form of partnership with Fonkoze and this is feeding into the approach to and development of new partnerships.

With Fonkoze, there has been a number of successful approaches in the areas of targeting, solidarity group, training methods and materials, management information, delinquency control and portfolio reporting some of which are being replicated other Branches of Fonkoze.

Success of some activities observed to be situation-bound and replication of such activities is unlikely to bring similar success in other branches. The seasonal loan of Mirebalais Branch was successful due to Saut D'eau festival. Replication of seasonal loan to other Branches may not be feasible unless there are such festivals that bring potential economic opportunities for their clients.

VIII Attachments to Annual Reports

1. Country data sheets

| Key Facts | Cambodia | Haiti |
|--|---|-----------------------------|
| Official name | Kingdom of Cambodia | Republic of Haiti |
| Capital | Phnom Penh | Port-au-Prince |
| Area (Km²) | 181,035 | 27,700 |
| Paved Roads | 4,165 (Km, 2001) 16 (as % of total roads, 2000) | 1,011 (Km, 1996) |
| Population density (per km ² , 2001) | 74 | 259 |
| Population (millions, 2001) | 13.4 | 8.1 |
| Population under 15 years old (as % of total, 2000) | 43.9 | 40.22 |
| Annual population growth rate (% , 1975-2000) | 2.5 | 2.1 |
| Fertility rate (per woman 1995-2000) | 5.3 | 4.8 |
| Rural population (as % of total-2001): | 83 | 64.8 |
| Gross Domestic Product (GDP) PPP per capita (2000) | US\$1,446 | US\$ 1,464 |
| Gross national income (per capita-2001) | US\$270 | US\$ 480 |
| GDP per capita annual growth rate (% , 1990-2000) | 2.0 | N/A |
| Real GDP Growth (2000) | 5.4 | - 1.5 |
| Structure of GDP (%- 2001) | | |
| <input type="checkbox"/> Agriculture | 37 | 30.2 |
| <input type="checkbox"/> Industry | 20 | 20 |
| <input type="checkbox"/> Services | 42 | 49.7 |
| Population below national poverty line (%) | 40-45%* | 47% |
| Life expectancy at birth: | 42 (1960), 56 (2000) | 51 |
| Mortality rate under 5 years old (per 1,000) | N/A (1960), 135 (2000) | 76.01 |
| Underweight children under age-five (% -1995-2000) | 46 | 28 |
| Undernourished people (% of total population, 1997/1999) | 37 | 62 |
| People living with AIDS (% age 15-49, 2001) | 2.80 | 6.1 |
| Adult literacy rate (%-2000) | | |
| <input type="checkbox"/> Total | 68 | 52.9 |
| <input type="checkbox"/> Men | 80 | 54.8 |
| <input type="checkbox"/> Women | 57 | 51.2 |
| Human development index (HDI) (2000) | Value: 0.543 Ranking: 130 th of 173 countries | Value 0.467 Ranking: 134 |
| Gender-related development index (GDI) (2000) | Value: 0.537 Ranking: 109 th of 146 countries | Value 0.436 Ranking 123 |
| Access to clean water | | |
| <input type="checkbox"/> Total population using improved drinking water sources (2000) | 30% | 46% |
| <input type="checkbox"/> Urban access to clean water | 54% (dry), 68% (rainy season) | N/A |
| <input type="checkbox"/> Rural access to clean water | 27% (dry), 39% (rainy season) | N/A |
| AID per capita (current US\$, 2000) | 33 | 33.7 |

*The 40-45 percent is the most recent figure (MOP, Cambodia Human Development Report 2002: page 29) and differs quite drastically with the most commonly used figure of 36.1 percent (from the 1997 survey).

2. DIP, logical framework (or other project design summary), and any modifications

| Overall change: Thaneakea Ponlue Thmey's (TPT) is replaced by Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (AMK) | | |
|--|---|---|
| OBJECTIVES | Original INDICATORS and Targets | Current Indicators and Targets (if different from original) |
| CAPACITY BUILDING HEADQUARTERS | | |
| OBJECTIVE (1): CW US supports microfinance programs in expanding their provision of sustainable services to the poor. | (1.1) Concern Worldwide US establishes a permanent Microfinance Technical Support Capacity in New York (candidate in place by June 2002). | |
| | (1.2) Increased financial support for microfinance from individuals, foundations and institutional donors Year 1: Advisory Board established Year 2: \$100,000, Year 3: \$200,000 | |
| | (1.3) Fields demand support from MF unit in microfinance program design, implementation, monitoring and evaluation (MTA makes at least 6 visits per year to fields/maintains monthly e-mail contact, Program/Finance Manager makes 4 field trips). | |
| | (1.4) Annual microfinance policy & practice workshops attended by at least 10 fields by September 2004. <i>Targets:</i> YEAR 1: 7 fields represented YEAR 2: 9 fields represented YEAR 3: 10 fields represented | (1.4) Annual microfinance policy & practice workshops attended by at least 7 fields by September 2004. <i>Targets:</i> YEAR 1: 7 fields represented YEAR 2: 7 fields represented YEAR 3: 7 fields represented. |
| | (1.5) Information exchange system established to enable information sharing within CW & with other microfinance organizations/ networks. | |
| | (1.6) CW US contributes to the review & development of microfinance policy (participation of at least 2 CW US staff in workshops). | |
| | (1.7) CW US recruits microfinance field staff. | |
| CAPACITY BUILDING CAMBODIA | | |
| OBJECTIVE (2): Increased technical and institutional capacity in micro- | (2.1) Concern Cambodia retains core staff of technical advisors able to support the continued development of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (AMK) in the areas of MIS, monitoring and evaluation and product | |

| OBJECTIVES | Original INDICATORS and Targets | Current Indicators and Targets (if different from original) |
|---|--|--|
| <p><i>finance programming within Concern Cambodia</i></p> | <p>development for service delivery. Oct. 2002: competence in MIS Oct. 2003: competence in monitoring and evaluation Oct. 2004: competence in product development</p> | |
| <p>OBJECTIVE (3): AMK strategic planning, financial, and administration systems are fully established.</p> | <p>(3.1): AMK staff have developed a 3 year strategic plan implemented over the period Dec. 2002 and Nov. 2005. Oct. 2002: baseline data Oct. 2003: strategic plan developed Oct. 2004: review of strategic plan</p> <p>(3.2) Increased staff capacities illustrated by there being at least 2 out of 3 branch managers who are Cambodian nationals and a Cambodian national Deputy Operations Manager is in training to take over as Operations Manager. October 2002: 0 Oct. 2003: 1 national manager Oct. 2004: 2 national branch managers and Deputy Operations Manager in training</p> <p>(3.3) AMK MIS system is fully developed by June 2003 and is managed by the national financial controller by Jan 2004. Oct. 2002: review and design of new MIS undertaken Oct. 2003: new MIS system fully operational Oct. 2004: as 2003</p> <p>(3.4) As a more fully independent institution, all the administration and accounting systems will operate separately from Concern Cambodia's by June 2003. Oct. 2002: systems are within Concern Oct. 2003: beginning to operate independently Oct. 2004: operating and developing independently</p> <p>(3.5) AMK has own office space by June 2003. Oct. 2002: no separate office Oct. 2003: separate office established</p> | <p>(3.2) Increased staff capacities illustrated by there being at least 3 branch managers who are Cambodian nationals and a Cambodian national Deputy Operations Manager is in training in October 2003 to take over as Operations Manager. By Oct. 2004: local Operations Manager in position and Finance Manager in training (Change Oct. 02) Oct. 2002: 0 Oct. 2003: 3 Branch Managers and 1 Operations Manager training Oct. 2004: 1 Operations Manager and Finance Manager training</p> <p>(3.3) AMK MIS system is fully developed in 2003 and is managed by the national staff by Jan 2004.</p> |
| CAPACITY BUILDING HAITI | | |

| OBJECTIVES | Original INDICATORS and Targets | Current Indicators and Targets (if different from original) |
|---|---|--|
| OBJECTIVE (4) <i>Increased technical capacity in microfinance programming within Concern Haiti by September 2004.</i> | (4.1) Concern Haiti has a full time staff of three people able to design, implement, monitor & evaluate microfinance programs by September 2004. Base: 2 staff Years 1-3: 3 staff | |
| OBJECTIVE (5) <i>Improved technical knowledge & management capacity of FKZ's Mirebalais branch staff by September 2004.</i> | (5.1) Improved capacity of the Mirebalais branch. Baseline: acceptable performance. Mid term evaluation: above acceptable performance End of program evaluation: above acceptable performance (5.2) Training methods and materials in the Mirebalais branch replicated and a training system standardized for FKZ by September 2004. (5.3) Staff performance evaluation system reviewed & further developed to contribute to improvements in staff performance. | |

| OBJECTIVES | Original INDICATORS and Targets | Current Indicators and Targets (if different from original) |
|---|--|---|
| SERVICE DELIVERY CAMBODIA | | |
| OBJECTIVE (6) <i>Appropriate Microfinance services being delivered to 24,000 clients, including the poorest families, by June 2004.</i> | (6.1) 24,000 clients in 434 village banks by June 2004. Oct. 2002: 14,650 Oct. 2003: 19,450 Oct. 2004: 24,000 (6.2) 90% of total poorest villagers in each village are clients, and overall, 70% of total members are poor and poorest. October 2002: 55% October 2003: 63% October 2003: 70% (6.3) Development and piloting of appropriate new product(s) for the poorest by June 2003. Oct. 2002: research conducted Oct. 2003: development and piloting Oct. 2004: supply to wider client base (6.4): \$161,663 in client savings by October 2004 | (6.2): 100% of total members are Economically Active Poor people or individuals October 2002: 100% EAP October 2003: 100% EAP October 2004: 100% EAP (6.4) : By October 2004 there will be a voluntary savings balance in AMK |

| | | |
|--|---|--|
| | <p>Oct. 2002:\$107,841 Oct. 2003: \$133,313 Oct. 2004: \$161,633</p> <p>(6.5): 95% retention rate of clients. Oct. 2002:95% Oct. 2003: 95% Oct. 2004: 95%</p> | |
| OBJECTIVE (7) <i>AMK has a policy - is able to deal with natural disasters appropriately</i> | <p>(7.1) Respond optimally to natural disasters and provide financial services (such as appropriate savings facilities) to assist with coping with natural disasters Oct. 2002: Guidelines in place and staff trained</p> | |
| SERVICE DELIVERY HAITI | | |
| OBJECTIVE (8) <i>Appropriate microfinance services for the rural poor piloted in Mirebalais branch & ready for replication to other branches</i> | <p>(8.1) 1,800 active clients¹⁴ by September 2004 Baseline: 83 Year 1: 500 clients Year 2: 1,400 clients Year 3: 1,800 clients</p> <p>(8.2) US\$280,000¹⁵ in client savings by September 2004 Baseline: \$171,545 Year 1: \$205,000 Year 2: \$255,000 Year 3: \$280,000</p> <p>(8.3)Portfolio at risk >30 days of less than 10% by September 2004 Baseline: 24% Year 1: 18% Year 2: 14% Year 3: 10%</p> <p>(8.4) At least 50% of new clients are from the poor category by September 2004 Year 1: 20% Year 2: 40% Year 3: 50%</p> | |

¹⁴ Active clients are defined as people who have a current loan with Fonkoze or are waiting for a loan.

¹⁵ Based on an exchange rate of US\$1 = 25 Gds. Targets are calculated based on FKZ's business plan projections for a large branch in ramp-up.

| | | |
|--|---|--|
| | <p>(8.5) 85% of clients state that FKZ membership has led to a positive change in themselves, their household & their commerce</p> <p>Mid-term evaluation: 60%, End of program evaluation: 85%</p> | |
|--|---|--|

| OBJECTIVES | Original INDICATORS and Targets | Current Indicators and Targets (if different from original) |
|--|---|--|
| SUSTAINABILITY HEADQUARTERS | | |
| OBJECTIVE (9) <i>Microfinance program unit established in New York with a clear strategic plan and guaranteed funding base.</i> | <p>(9.1) Strategic Plan is in place and guiding the work of the microfinance program unit.</p> <p>(9.2) Long term funding for microfinance programs and New York personnel secured from at least three donors with not more than 30% from general public donations. Year 1: one donor funding programs Year 2: two donors Year 3 three donors</p> | |
| SUSTAINABILITY HAITI | | |
| OBJECTIVE (10) <i>Concern Haiti core microfinance staff continue to provide high quality technical support to MFIs in Haiti.</i> | <p>(10.1) Concern Haiti engaged in partnerships to provide technical support to at least three MFIs by September 2004. Baseline: 2 MFIs Year 1: 2 MFIs Year 2: 2 MFIs Year 3: 3 MFIs</p> | |
| OBJECTIVE (11) <i>The microfinance program of FKZ's Mirebalais branch is operationally sustainable by September 2004.</i> | <p>(11.1) 102% return on operations for microfinance services in Mirebalais branch by September 2004 Baseline: 55%, Year 1: 59%, Year 2: 83%, Year 3: 102%</p> <p>(11.2) Staff use monitoring information to improve services.</p> | |
| SUSTAINABILITY CAMBODIA | | |
| OBJECTIVE (12): <i>AMK is operating at a specified level of sustainability by September 2004</i> | <p>(12.1) AMK has achieved 56% return on operations by the September 2004 Oct. 2002: 43% Oct. 2003: 49% Oct. 2004: 56%</p> | <p>(12.1) AMK has achieved 56% Operational Self-Sufficiency (OSS) by the September 2004. Oct. 2002: 43% Oct. 2003: 49% Oct. 2004: 56%</p> |
| OBJECTIVE (13): | (13.1): AMK is legally licensed as an MFI by the National | |

| | | |
|--|--|--|
| <p><i>AMK is progressing to become an independent and separate institution from Concern Cambodia and has established a governance framework to take it to full legal independence and beyond.</i></p> | <p>Bank of Cambodia by June 2003</p> <p>(13.2): Final legal structure has been researched and agreed upon by Dec. 2002</p> <p>(13.3): Board is meeting regularly in an advisory role by December 2003</p> <p>(13.4): The first loan from the Rural Development Bank of Cambodia is secured</p> | |
|--|--|--|

Attachment 3.1

Simplified Activity and Financial Statement: Cambodia

| Simplified Activity and Financial Statement In US\$ (Exchange rate used @ US \$1 = Cambodian Riel ~4000 US \$1 = Thai Baht ~40) | | |
|---|-------------------------|-------------------------|
| Program and Country: AMK, Cambodia | Year 1 | Year 2 |
| ACTIVITIES | Oct 2001 to Sep 2002 | Oct 2002 to Sep 2003 |
| 1. Amount of loans outstanding, start of year | 637,263 | 706,995 |
| 2. Amount of loans outstanding, end of year | 706,995 | 821,625 |
| 3. Avg. amount of loans outstanding | 672,125 | 764,310 |
| 4. Number of loans outstanding | 11,656 | 16,061 |
| 5. Average loan size | \$60.66 | \$53 |
| 6. Portfolio at Risk > than 30 days | 13.9% | 2.5% |
| 7. Long run loss rate (line 16 divided by line 3) | 4.1% | 6.0% |
| INTEREST RATES | | |
| 8. Nominal interest rate charged by program (per month) | 3% | 3% |
| 9. 90 day CD rate* | 18.49% | 14% |
| 10. Inflation rate | 5% | 5% |
| CLIENT REVENUES | | |
| 11. Interest income from clients | 239,165 | 189,136 |
| 12. Fee income & other from clients | 4,222 | 12,361 |
| 13. Total client revenues (lines 11 + 12) | 243,387 | 201,497 |
| OPERATING EXPENSES | | |
| 14. General Operating Expenses (salaries, rents, utilities, etc.) | 688,742 | 577,111 |
| 15. Depreciation of fixed assets | 17,069 | 39,346 |
| 16. Loan loss provision expense | 35,464 | 45,310 |
| 17. Total Operating Expenses | 741,274 | 661,767 |
| ADJUSTED FINANCIAL EXPENSES | | |
| 18. Adjusted financial expenses (line 3 multiplied by the higher of line 9 or 10) | 135,652 | 107,003 |
| TOTALS | | |
| 19. Total Expenses (line 17 plus line 18) | 876,927 | 768,770 |
| 20. Financial Sustainability (line 13 divided by 19) | 27.8% | 26.2% |
| OTHER | | |
| 21. Percent women borrowers (of line 4) | 79% | 84% |
| 22. Percent rural clients (of line 4) | 100% | 100% |
| 23. Total Number of staff | 55 | 70 |
| 24. Number of field officers (credit staff) | 28 | 21 |
| 25. Number loans outstanding with initial balance under poverty loan level for your region. | 100% (11,656) | 100% (16,061) |

Notes by line item

- Amount of loans outstanding, start of year. Monetary volume of portfolio in US\$.
- Portfolio at Risk **Over 30 days**. Divide unpaid balance of loans with payments overdue more than 30 days by the amount of loans outstanding, end of year (line 2). Include as an attachment an aging of portfolio table: 1-30 days; 31-60 days; 61-90 days; over 90 days. See chart below.
- Long run loss rate. Divide amount of loans written off during the past year (line 16) by average amount of loans outstanding (line 3).

16. Loan loss provision. Loans over one year delinquent should be added to write-offs.
19. Adjusted financial expenses. Cost of financing the portfolio at a 90 day CD cost of funds. This calculation avoids the need to adjust separately for various forms of subsidy. Rate for a one-year loan from a commercial bank has been provided, since a 90 day CD (certificate of deposit) rate in Cambodia is less than 2-3%.
25. Poverty lending levels vary by region. For Africa, Asia and the Middle East it is <\$300. For LAC it is <\$400, and for the Europe & Eurasia region it is <\$1,000.

| INS INSTITUTION: Aging of Portfolio Report | | | |
|---|-------------------|----------------------------|----------------|
| US\$ | | | |
| Period: As of 30 September 2003 | | | |
| | # of Loans | Outstanding Balance | Percent |
| Current Loans | 15,161 | 800,952 | 97.5% |
| 1-30 days past due | 0 | 0 | 0% |
| 31-60 days past due | 0 | 0 | 0% |
| 61-90 days past due | 0 | 0 | 0% |
| Over 90 days past due | ~900 | 20,673 | 2.5% |
| TOTALS | 16,061 | 821,625 | 100% |

FINANCIAL RATIOS

Data as of 30th of September 2003

Profitability

Return on Equity (Net income/Average equity) (not available)

Return on Assets (Net income/Average assets) = 29.8%

Financial Structure

Net loans/Total Assets

= 170%

Investments/Total Assets (not applicable)

Earnings

Portfolio Yield (Interest and Fee Income/Average gross portfolio)

= 26%

Management

Operating expenses/Average gross portfolio

= 73%

First loans/Total number of loans in period (information not available)

Percentage of first loans in period with initial loan balance at \$300 or less

= 100%

Number field officers/total staff

= 30%

Number of borrowers/field officers

= 765

Percentage growth from one year ago in number of loans

= 38%

Stratification of Loan Portfolio

All loans are under \$500

Attachment 3.2 Simplified Activity and Financial Statement: Haiti

| Program and Country: Haiti | Ex. Rate 1 US\$=27Gds | Ex. Rate 1 US\$=37Gds |
|---|----------------------------------|----------------------------------|
| | Year 1 | Year 2 |
| ACTIVITIES | | |
| 1. Amount of loans outstanding, start of year | 2,692 | 26,204 |
| 2. Amount of loans outstanding, end of year | 26,204 | 142,965 |
| 3. Avg. amount of loans outstanding | 14,448 | 84,345 |
| 4. Number of loans outstanding | 330 | 1,345 |
| 5. Average loan size | 159 | 207 |
| 6. Portfolio at Risk > than 30 days | 1% | 0% |
| 7. Long run loss rate (line 17 divided by line 3) | | |
| INTEREST RATES | | |
| 8. Nominal interest rate charged by program | 21% | 48% |
| 9. 90 day CD rate | 3% | 13% |
| 10. Inflation rate | 12% | 14% |
| CLIENT REVENUES | | |
| 11. Interest income from clients | 2,328 | 19,112 |
| 12. Fee income from clients | 2,500 | 5,689 |
| (Income from other sources) | 10,048 | 30,618 |
| 13. Total client revenues (lines 11 + 12 + income from other sources) | 14,876 (inc. other income) | 55,419 (inc. other income) |
| OPERATING EXPENSES | | |
| 14. General Operating Expenses (salaries, rents, etc.) | 18,017 | 48,144 |
| 15. Depreciation of fixed assets | 2,266 | 4,266 |
| 16. Loan loss provision expense | 281 | 0 |
| 17. Total Operating Expenses | 20,564 | 52,410 |
| ADJUSTED FINANCIAL EXPENSES | | |
| 18. Adjusted financial expenses (line 3 multiplied by the higher of line 9 or 10) | 1,734 | 11,841 |
| TOTALS | | |
| 19. Total Expenses (line 17 plus line 18) | 22,298 | 64,251 |
| 20. Financial Sustainability (line 13 divided by 19) | 67% | 86% |
| OTHER | | |
| 21. Percent women borrowers (of line 4) | 100% | 100% |
| 22. Percent rural clients (of line 4) | 85% | 95% |
| 23. Total Number of staff | 9 | 14 |
| 24. Number of field officers (credit staff) | 2 | 4 |
| 26. Number loans outstanding with initial balance under poverty loan level for your region. | 330 | 1,291 |

Notes by line item

1. Amount of loans outstanding, start of year. Monetary volume of portfolio in US\$.
6. Portfolio at Risk **Over 30 days**. Divide unpaid balance of loans with payments overdue more than 30 days by the amount of loans outstanding, end of year (line 2). Include as an

- attachment an aging of portfolio table: 1-30 days; 31-60 days; 61-90 days; over 90 days. See chart below.
7. Long run loss rate. Divide amount of loans written off during the past year (line 16) by average amount of loans outstanding (line 3).
 16. Loan loss provision. Loans over one year delinquent should be added to write-offs.
 19. Adjusted financial expenses. Cost of financing the portfolio at a 90 day CD cost of funds. This calculation avoids the need to adjust separately for various forms of subsidy.
 25. Poverty lending levels vary by region. For Africa, Asia and the Middle East it is <\$300. For LAC it is <\$400, and for the Europe & Eurasia region it is <\$1,000.

As PAR has been close to zero for the period, the aging report is not applicable for this period.

| <i>INS INSTITUTION: Aging of Portfolio Report</i> | | | |
|---|-------------------|-------------------------------|-------------------|
| US\$ | | | |
| Period: As of _____ | | | |
| | # of Loans | W. Outstanding Balance | X. Percent |
| Current Loans | | Y. | Z. |
| 1-30 days past due | | | |
| 31-60 days past due | | | |
| 61-90 days past due | | | |
| Over 90 days past due | | | |
| TOTALS | | | 100% |

FINANCIAL RATIOS

Data as of 30th of September 2003

As a financial statement for the branch is not produced, many of these indicators are not directly relevant.

Profitability Not Applicable

Return on Equity (Net income/Average equity)
Return on Assets (Net income/Average assets)

Financial Structure Not Applicable

Net loans/Total Assets
Investments/Total Assets

Earnings

Portfolio Yield (Interest and Fee Income/Average gross portfolio) = 29%

Management

Operating expenses/Average gross portfolio = 62%
First loans/Total number of loans in period (information not available) = 100%
Percentage of first loans in period with initial loan balance at \$300 or less =4:14 (28%)
Number field officers/total staff = 323
Number of borrowers/field officers = 390%
Percentage growth from one year ago in number of loans = 390%

Stratification of Loan Portfolio

All loans are under \$500