

PD-ABS-831

107323

**FINAL PERIOD IMPLEMENTATION GRANT REPORT**

**Period from April 1, 2000 to September 30, 2000**

**To the United States Agency for  
International Development**

**In fulfillment of the 1995-2000  
AID/OPPORTUNITY International Grant  
RE-A-00-95-00037-00 (PCE-0406-A-00-5037-00 old #)**

**Submitted by Opportunity International  
December 2000**

***Simplified Activity and Financial Statement***

	EOY Targets ¢ (000)	EOY Actuals ¢ (000)
<b>ACTIVITIES</b>		
1. Amount of Loans Outstanding, Start of Year	2,033,615	1,863,683
2. Amount of Loans Outstanding, End of Year	3,244,463	4,306,042
3. Average amount of Loans Outstanding	2,639,039	3,084,862
4. Number of Loans outstanding, End of Year (Not in 000s)	3,444	13,079
5. Average Loan Size	1,094	518
6. Delinquency Rate (Portfolio at Risk)	12%	8.6%
7. Long Run Loss Rate	4%	3.2%
<b>INTEREST RATES</b>		
8. Nominal Interest Rate Charged	35%	37.5%
9. Local Inter-Bank Interest Rate	20%	36%
10. Inflation Rate	15%	22%
<b>CLIENTS REVENUE</b>		
11. Interest Income From Clients	1,188,109	1,639,671
12. Fee Income From Clients	161,168	411,642
13. Total Client Revenues	1,349,277	2,051,313
<b>NON-FINANCIAL EXPENSES</b>		
14. Administration, Including Salaries	682,287	1,639,671
15. Depreciation of Fixed Assets	39,930	248,190
16. Loan Loss Provision	100,344	115,204
17. Total Non-Financial Expenses	822,561	2,003,065
<b>ADJUSTED FINANCIAL EXPENSES</b>		
18. Adjusted Financial Expenses	527,808	1,110,550
<b>TOTALS</b>		
19. Total Expenses	1,350,369	3,113,615
20. Return on Operations	100%	101%

***Key Program Indicators***

	EOY Targets	EOY Actuals
Number of Loans Outstanding, EOY	3,443	13,079
Amount of Loans Outstanding,	3,244,463	4,306,042

EOY(Cedis 000)		
Delinquency Rate (>30 Days)	12%	6.6%
Long Run Loss Rate	4%	3.2%
Return on Operations Portfolio	100%	101%
Percentage of Loans to Women	55%	89.7%

***Balance Sheet as of September 30, 2000***

ASSETS	¢ (000)
1. Fixed assets (after depreciation)	902,813
2. Loans outstanding	4,306,042
3. Cash on hand	21,626
4. Cash in bank	2,140,972
5. Other Receivables	329,295
<b>TOTAL ASSETS</b>	<b>7,700,748</b>
<b>LIABILITIES</b>	<b>259,193</b>
<b>EQUITY</b>	<b>7,441,555</b>

Exchange Rate – US\$ 1 - ¢4,900

**EXPLANATORY NOTES**

***Currency Exchange Rate of 1US\$ to cedis (¢4,900)***

A simple average of opening and ending balances was used.  $\frac{¢3400 + 6400}{2}$

***Interbank lending rate***

An average figure of opening and ending balances was also used:  $\frac{33.8 + 38.5}{2} = 36.15$

***Number of Loans outstanding (EOY)***

The 13,079 outstanding loans as against the target of 3,444 can be mainly attributed to the loan sizes. As shown in the schedule, the average loan size is ¢518,000 as against the target of ¢1,094,000. SAT is currently making more Group loans (70% of loans) which have relatively smaller loan sizes of equal to or less than \$100.

***Delinquency Rate (8.6%)***

SAT has the following portfolio in arrears rate for its 2 product lines:

	Rate	Value of Arrears	Loan Portfolio
Group Loans	1%	¢24,516,278	¢2.9b

Individual loans            12.6%            ₺255,406,232            ₺1.9b

Out of the ₺4.8 billion outstanding portfolio, the portfolio at risk stands at 8.6%.

### ***Interbank Interest Rates***

The adverse position of the country's inter-bank lending rates can be attributed to:

- The consistent rise in the world crude oil prices.
- The falling prices of our major exports, namely cocoa and gold.
- The nation inelastic demand for imported items.
- The depreciation of cedis against international currencies such as US dollars, British pounds, etc.

### ***Clients Revenue***

SAT made an amount of ₺2,015,306,000 as compared to a target of ₺1,349,278,000 which leaves a favorable variance of ₺666,028,000. The compelling reason is that ₺10.1 billion were disbursed during the reporting period which was proportionately more than the set target.

### ***Non Financial Expenses***

#### **1. Administration, including salaries**

The unfavorable variance of ₺957,384,000 (1,639,671,000 – 287,000-682) can also be attributed to the following.

- SAT currently has 65 staff as against the target of 24.
- The expansion of outreach, having established 15 branch offices country wide. It must be stressed that whilst administration cost has risen by 140%, that of clients revenue also went up by 50% to cover all operational expenses.

#### **2. Depreciation**

This non cash expenditure has been exceeded by ₺149,502,000 which can conveniently be attributed to fixed assets acquisitions.

SAT has broadly the following fixed assets:

- |                        |   |              |
|------------------------|---|--------------|
| - Building             | - | ₺401,083,000 |
| - Equipment            | - | ₺485,189,000 |
| - Furniture & Fixtures | - | ₺ 58,003,000 |
| - Motor vehicles       | - | ₺290,802,000 |

### ***Adjusted Financial Expenses***

As a factor, the imputed cost of capital seems to have affected SAT's operation's adversely. The strong underlying reason is the higher inter-bank lending rate of 36% as against the target of 20%.

**BULGARIA - Nachala Cooperative**

*Simplified Activity and Financial Statement*

	<b>EOY Original Targets US \$</b>	<b>EOY Actuals US \$</b>
<b>ACTIVITIES</b>		
1. Amount of Loans Outstanding, Start of Year	7,000,000	827,849
2. Amount of Loans Outstanding, End of Year	8,000,000	1,460,020
3. Average Amount of Loans Outstanding	7,500,000	1,149,938
4. Number of Loans Outstanding, End of Year	1,500	1,045
5. Average Loan Size	5,333	1,902
6. Delinquency Rate (Portfolio at Risk)	5%	4.2%
7. Long Run Loss Rate	2.5%	3%
<b>INTEREST RATES</b>		
8. Nominal Interest Rate Charged	15%	16% + 3% fee
9. US Federal Funds Rate	6%	6.50%
10. US Inflation Rate	4%	3.0%
<b>CLIENT REVENUES</b>		
11. Interest Income From Clients	450,000	190,191
12. Fee Income From Clients	190,000	73,920
13. Total Client Revenues	640,000	264,111
<b>NON-FINANCIAL EXPENSES</b>		
14. Administration, Including Salaries	375,000	270,501
15. Depreciation of Fixed Assets	0	7,200
16. Loan Loss Provision	75,000	36,773
17. Total Non-Financial Expenses	450,000	314,474
<b>ADJUSTED FINANCIAL EXPENSES</b>		
18. Adjusted Financial Expenses	180,000	74,700
<b>TOTALS</b>		
19. Total Expenses	630,000	389,174
20. Return on Operations	102%	68%

*Key Program Indicators*

	<b>EOY Original Targets</b>	<b>EOY Actuals</b>
Number of Loans Outstanding, EOY	1,500	1,045
Amount of Loans Outstanding, EOY (US \$)	8,000,000	1,460,020

Delinquency Rate (>30 days)	5%	4.2%
Long Run Loss Rate	2.5%	3%
Return on Operations Portfolio	102%	68%
Borrowed Funds	1,500,000	633,000

*Balance Sheet as of September 30, 2000*

<b>ASSETS</b>	<b>US \$</b>
1. Fixed assets (after depreciation)	58,100
2. Loans outstanding – net	1,416,000*
3. Cash on hand	-
4. Cash in bank	226,250
<b>TOTAL ASSETS</b>	<b>1,700,350</b>
<b>LIABILITIES</b>	<b>648,127</b>
<b>EQUITY</b>	<b>1,052,223</b>

\*(net allowance of \$44,020)

***VARIANCE***

The above report compares Nachala's results against the original targets set forth in the 1995 grant agreement. Due to the collapse of the Bulgarian economy in 1996/97, Nachala was delayed in implementing the grant objectives. As a result, Nachala is substantially lagging behind these original targets.

Due to the economic collapse of the Bulgarian economy, Nachala redesigned its loan products to focus on smaller and shorter loans. These changes were essential to reduce risk. The revised targets were presented in a business plan that was submitted and approved by USAID in November 1997. Nachala began implementation of this revised business plan in December 1997. A second report (following this narrative) is included that compares Nachala's actual performance against the targets of the revised business plan.

Nachala loan volume has exceeded the revised projection targets. However, operating sustainability is somewhat less than the target for the period ending September 30, 2000. This is due primarily to investment in increased capacity of hiring ten new loan officers and opening two new branches in spring 2000. Since Nachala has been able to obtain more borrowed funds than expected in the revised business plan, management felt the need to expand capacity faster than previously forecast. As a result, the new branches were added in 2000 rather than 2001. The new branches and loan officers had not made a significant contribution to loan volume as of September 30 and these new branches have reduced overall sustainability. However, it is expected that these new branches and loan officers will reach break even by December 2000 and will contribute to profitability in 2001.

**BULGARIA - Nachala Cooperative***Simplified Activity and Financial Statement*

	<b>EOY Revised Targets US \$</b>	<b>EOY Actuals US \$</b>
<b>ACTIVITIES</b>		
1. Amount of Loans Outstanding, Start of Year	574,963	827,849
2. Amount of Loans Outstanding, End of Year	1,053,909	1,460,020
3. Average Amount of Loans Outstanding	946,193	1,149,938
4. Number of Loans Outstanding, End of Year	1,028	1,045
5. Average Loan Size	1,950	1,902
6. Delinquency Rate (Portfolio at Risk)	8%	4.2%
7. Long Run Loss Rate	4.8%	3%
<b>INTEREST RATES</b>		
8. Nominal Interest Rate Charged	16% + 3% fee	16% + 3% fee
9. US Federal Funds Rate	6.5%	6.50%
10. US Inflation Rate	3.0%	3.0%
<b>CLIENT REVENUES</b>		
11. Interest Income From Clients	145,005	190,191
12. Fee Income From Clients	60,109	73,920
13. Total Client Revenues	205,114	264,111
<b>NON-FINANCIAL EXPENSES</b>		
14. Administration, Including Salaries	158,237	270,501
15. Depreciation of Fixed Assets	4,281	7,200
16. Loan Loss Provision	45,314	36,773
17. Total Non-Financial Expenses	207,832	314,474
<b>ADJUSTED FINANCIAL EXPENSES</b>		
18. Adjusted Financial Expenses	61,502	74,700
<b>TOTALS</b>		
19. Total Expenses	269,334	389,174
20. Return on Operations	76%	68%

*Key Program Indicators*

	<b>EOY Revised Targets</b>	<b>EOY Actuals</b>
Number of Loans Outstanding, EOY	1,028	1,045
Amount of Loans Outstanding, EOY (US \$)	1,053,909	1,460,020
Delinquency Rate (>30 days)	8%	4.2%
Long Run Loss Rate	4.8%	3%
Return on Operations Portfolio	76%	68%
Borrowed Funds	275,000	633,000

*Balance Sheet as of September 30, 2000*

<b>ASSETS</b>	<b>US \$</b>
1. Fixed assets (after depreciation)	58,100
2. Loans outstanding - net	1,416,000*
3. Cash on hand	-
4. Cash in bank	226,250
<b>TOTAL ASSETS</b>	<b>1,700,350</b>
<b>LIABILITIES</b>	<b>648,127</b>
<b>EQUITY</b>	<b>1,052,223</b>

\*(net allowance of \$44,020)