



# SOVANNPHOUM

## ECONOMIC PROGRAM

ANNUAL REPORT

2013

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*What is inside?*

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# I. ECONOMIC PROGRAM IN BRIEF



## Vision

A Cambodian society where disadvantaged citizens - especially women and children - have an opportunity to develop their knowledge, skills, and income generating activities in order to improve their health and living conditions.

## Mission

SP strives to improve the living conditions of disadvantaged families - with a special focus on women and children - by supporting their access to education, skills training, job opportunities, and micro-finance.

## Values

- ✓ Participation
- ✓ Accountability
- ✓ Perseverance

## History

The Economic Program started in March 2004 as an integrated program titled *Développement Communautaire et Socio-économique de Familles Défavorisées Réimplantées en Milieu Périurbain à Phnom Penh*, which was mainly funded by the European Union, the French Ministry of Foreign Affairs, and Comité Catholique Contre la Faim et pour le Développement.

The Economic Program was established in attempts to help the extremely poor living in the dumping, sub-urban and urban areas of Phnom Penh. Such residents had no access to Micro Finance Institutions or Banks, so Sovannphoum began providing adapted financial service products, such as loans and savings, to poor families who needed loan capital to start a new business or to expand a pre-existing one.

In 2006, the program first received technical support from Entrepreneur du Monde, through Chamroeun Micro Finance Institute, which included training in Microfinance & Microbanker for Windows, as well as tools and strategies to manage microcredit activities.

## Motto

- ✓ With family for development

## Values

Providing all children in the target area access to education, better health care, safety, and protection.

Contribute to reduce poverty in disadvantaged and vulnerable youth of slum communities in both urban and rural areas of Cambodia.

Contribute to extreme poverty alleviation amongst target families, through the offering of micro-credit, savings, and non-financial service.

In 2008, based on its social performance, the Economic Program received support from a new partner, **Don Boule De Neige**, in both loan capital and funding to cover operational costs.

In 2010, with the financial support from DBN, the Economic Program started to provide non-financial services to beneficiaries in the field of business training and business consultation.

In 2011, the Economic Program became a self-sustainable program amongst all of the other programs runned by Sovannphoum Organization.

In 2013, the Economic Program recruited two additional positions for the first time: Accounting/Finance Officer and Non-Financial Service Officer. This recruitment was aimed to reinforce financial management and to improve social performance.



## II. OPERATIONAL HIGHLIGHTS



KEY PERFORMANCE INDICATOR	2011	2012	2013
Number of Main Branches	1	1	1
Number of Districts	3	4	4
Number of Active Borrowers	673	839	837
Gross Loan Portfolio (KHR)	388,440,520	736,464,845	1,075,917,299
Number of Loan Releases	1,215	1,266	1,371
Including First Loans	412	476	428
Loan Release Amount (KHR)	935,260,000	1,325,600,000	1,752,068,700
Average Loan Size Released (KHR)	769,800	1,047,100	1,277,900
Number of Savers	1,511	2,421	2,683
Amount of Savings	103,969,703	140,463,803	175,163,704
Average Savings Amount	68,800	58,000	65,300
Borrowers per Loan Officer	168	168	168
Portfolio at Risk ( 30 days)	1.12%	0.75%	1.03%
Write-off Percentage	0%	0.37%	0.42%

### III. ADAPTED MICROFINANCE SERVICES

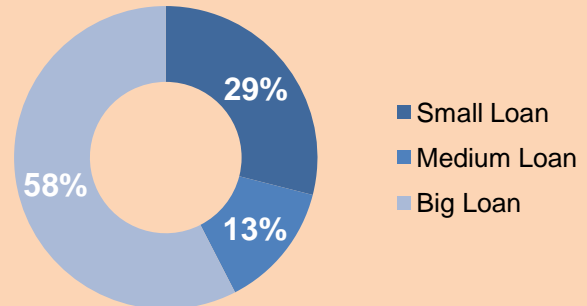
From 2004 to 2011, the Economic Program provided financial services in two forms called "Small Loan" and "Big Loan".

By surveying the needs of the targeted population, which holds little collateral -like a motorbike or store title- and need to increase their loan size, the program committee decided to launch a new type of loan product on October 12<sup>th</sup>, 2012, called "Medium Loan".

The Economic Program designated loans to be in USD, to serve its clients whose business involves buying or selling goods in USD, making it practical to borrow in the same currency. All required stages of product designation and implementation were successfully carried out, and the USD Loan Products were ready to launch in mid-2013.

Moreover, one of the main characteristics of the families with which the Economic Program works is that they are families in the wake of unexpected hardship; families who have migrated to live in dumps, slums, and squatter areas.

Portfolio Value Breakdown by Product

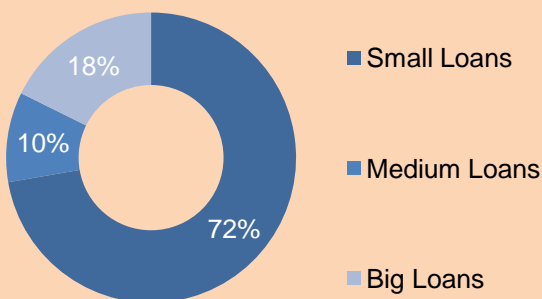


At the end of 2013, the economic program portfolio reached KHR 1,075 million, an increase of 46% over the previous year, and above the targeted plan of KHR 1,040.

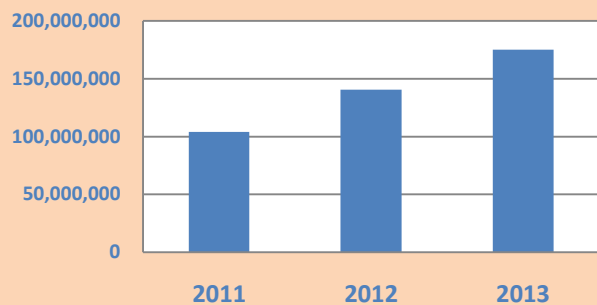
The Economic Program released loans solely for business purposes, and the portfolio value of each loan product outstanding was as follows:

- ❖ **Small Loan** was 29% of total portfolio value.
- ❖ **Medium Loan** was 13% of the portfolio value.
- ❖ **Big Loan** was 58% of total portfolio value.

Percentage of Loans Released By Product Type



Saving Amount



The amount of savings continued to increase: from KHR 103 million in 2011, to KHR 140 million in 2012, and finally to KHR 175 million in 2013.

If we look at the number of savers, there was an increase from 1,511 Ps in 2011, to 2,411 Ps in 2012, and finally to 2,683 Ps at the end of 2013.

## IV. ECONOMIC PROGRAM LOAN PRODUCT

### PROGRAM'S LOAN PRODUCT SERVED EXTREMELY POOR FAMILIES



The Economic Program offers three types of loan products, which are designed to fulfill the needs of the client's business.

❖ **The Small Loan (SL)** caters to extremely poor families who require a small capital to expand, or start up a small income generating business such as production, trade, commerce, service etc. This loan product has been offered since the inception of the economic program, and accounted for 72% of total active clients in 2013. Small loan clients are usually families that have migrated; who live in dumps or slums; have relocated; or who are affected by HIV/AIDS.

❖ **The Medium Loan (ML)** is designed for poor families who require slightly more capital, hold a small amount of collateral, and wish to increase their loan size in attempts to enlarge their business capital. The majority of Medium Loan clients are previous Small Loan clients with greater capital needs.

❖ **The Big Loan (BL)** is a product targeted towards the non-rich families of the program, and is used by previous Medium Loan clients to expand their business, and is disbursed to those with a land title. The other purpose of the Big Loan is to generate income to cover the amount of Small Loan risk.

DESCRIPTION	Small Loan	Medium Loan	Big Loan
Method	Individual Loan	Individual Loan	Individual Loan
1st Cycle (KHR'000)	100 - 500	1,601 - 2,000	3,001 - 6,000
Higher Cycle (KHR'000)	100 - 1,600	2,001 - 3,000	6,001 - 12,000
Loan Term ( Days)	120 - 365	120 - 480	120 - 1,095
Repayment Method	Weekly/Monthly	Monthly	Monthly
Guarantee	Guarantor	Guarantor	Guarantor
Purpose of Loan	Micro Entrepreneur/ Business Purpose		Business Capital

## V. NON-FINANCIAL PERFORMANCE

Training Topic	2011	2012	2013
<b>Saving</b>	103	0	84
<b>Marketing</b>	28	0	0
<b>Entrepreneurship</b>	22	0	0
<b>Income &amp; Expense</b>	7	0	39
<b>Consultation</b>	28	0	0
<b>Planning</b>	0	0	22
<b>Increase Income</b>	0	0	5
<b>Note-Down</b>	0	0	9
<b>Borrowing</b>	0	0	1
<b>Dept</b>	0	0	3
<b>Want/Need</b>	0	0	1
<b>Total</b>	<b>188 Ps</b>	<b>0</b>	<b>164 Ps</b>

Knowing the advantages of non-financial services, a re-launch was facilitated with funds provided by DBN. In July of 2013, the program recruited a Non-Financial Service Officer to conduct training and business counseling for Economic Program clients.

At the end of 2013, training and business counseling was provided to 164 clients; greater than in 2012, but less than 2011 by 24 clients.

Even though the program planned to provide non-financial services to 420 clients, it fell short by a large number of borrowers. The main reason being the time was needed to train the Non-Financial Service Officer, and establish the tools and materials needed before sending her out for field work.

### NON-FINANCIAL SERVICES

The success of a client's business is not dependent solely upon business capital, but also upon the possession of knowledge and comprehension of basic financial matters.

Financial literacy is mainly used in connection with personal and family financial matters. It often entails the knowledge of proper decision-making pertaining to certain personal finance areas like saving, investing, budgeting, spending, borrowing, debt, etc.

The absence of financial literacy can lead to poor financial decisions, which can have an adverse effect on the financial health of an individual and their family. The advantages and disadvantages of variable vs. fixed rates is an example of an issue that will be easier to understand if an individual and family is financially literate.



## FINANCIAL LITERACY TRAINING TOOL



The Economic Program has provided non-financial training since 2010, through individual sessions and counseling, performed by a Credit Officer and Program Officer. In 2012, the non-financial service training was delayed until mid-2013, due to high staff turn-over and the absence of a program officer.

In mid-2013, and with funds provided by DBN, the Economic program re-launched its non-financial services. Delivery methods were also changed from basic lectures to seminars and role-playing. The role-playing method was a great implementation as it allowed for a more interactive education on client needs and allowed the client to practice different topics with the trainer or counselor.

## VI. COMMITTED SOCIAL AND FINANCIAL BUSINESS

### SOCIAL AND FINANCIAL BUSINESS

The Economic Program's business goals are to achieve long-term sustainability, and have a positive impact on families living in poverty and extreme poverty. The program's operational guidelines outline that the active number of borrowers of Small Loans cannot be less than 65% of the total active clients; the number of Medium Loan borrowers no greater than 20%, and the number of borrowers of Big Loans no greater than 15%. These percentages based on category of loan product have been changed several times in order to achieve a level of sustainability for the program and to maintain client satisfaction.

	2013
Average Loan as % GNI per Capital	31%
Client Loyalty Rate (CGAP)	69%

### REACHING OUT TO THE VERY POOR

In order to ensure that it is indeed meeting its targeted population, the Economic Program uses a poverty assessment questionnaire which is systematically asked to all new clients, and again based on a three-cycle interval.

This enables the program to make sure that it reaches its target population; it also gives an indication of the change in the socio-economic situation of the borrowers over time. The data of questionnaire is encoded into a specific database to provide the clear picture of socio-economic profile of family that program serve and ensure that it is serving the targeted of population.



## VII. SOCIAL IMPACT

### FAMILY IMPACT

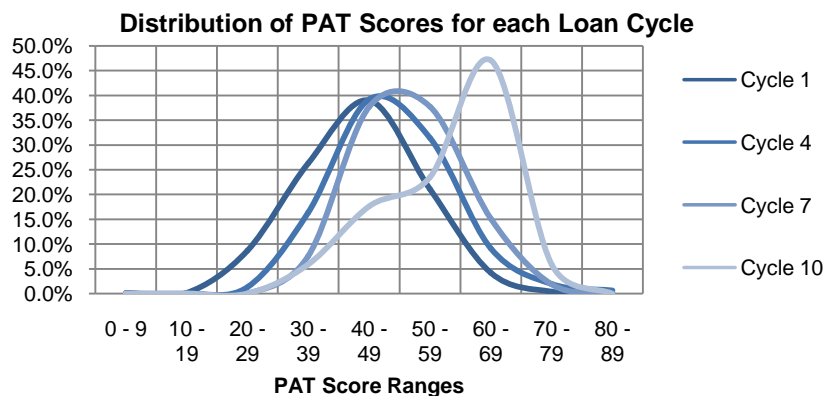


By the end of 2013, the Economic Program provided financial services to 837 families, with the following impact:

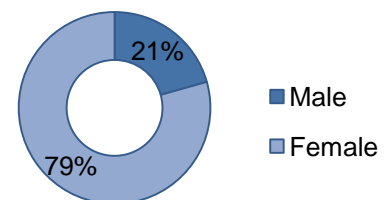
- ❖ **Individual impact:** Program's activity is improving the living condition of 4,604 people in its coverage area. (Average number of people per family is 5.5 according to the World Food Program).
- ❖ **Impact on children:** Through the program's activities, the living conditions of **2,930** children are being improved, providing greater opportunities to attend school.

### LIVING CONDITIONS

- ❖ **Children's Education:** The families with the indicator of **ALL CHILDREN ARE IN SCHOOL** increased from 16.9% in the first cycle to 42.4% in the fourth loan cycle. The indicator of **>=50% CHILD ATTEND SCHOOL** also increased from 16.9% in the first cycle to 23.7% in the fourth cycle. The increase means that clients were more able to send their children to school after their loan allowed them to generate increased income.
- ❖ **Business Capital of the clients:** The **BUSINESS CAPITAL** indicator shows that families with 50-90 USD in capital have not changed. The higher bracket of families with capital greater than 100 USD, however, has increased 5.1%.
- ❖ **Client's Health:** Another interesting indicator, **MEDICAL ADVICE AND CURE**, shows that nearly 57.5% of EP Program's clients were able to access modern medicine, and 37.2% had access to health centers or the ability to visit a doctor. The increase in business income allowed nearly all of EP Program's clients to see a doctor by medicine at the local clinic or hospital.



### Borrowers by Gender



#### Note:

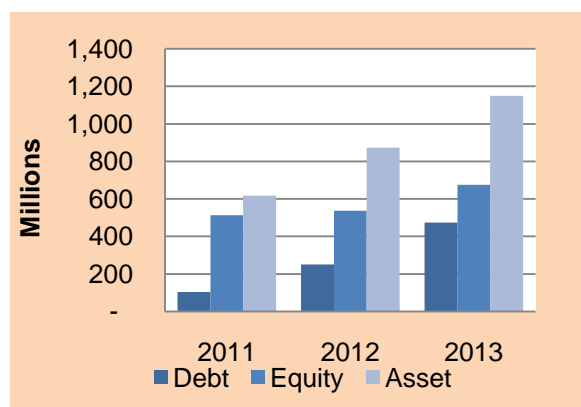
- ✓ Economic Program found the impact on client's living conditions is improving on 2012, by analysis with the Poverty Assessment Tool. To ensure progress and ongoing improvement, the program will perform the analysis again **mid-2014**.
- ✓ According to the PAT's score, the poor family was scored less than 100, meaning that the family is under the poverty line.

## VIII. FINANCIAL PERFORMANCE

KEY PERFORMANCE INDICATOR	2011	2012	2013
Portfolio Yield	35.3%	33%	34%
Net Income (KHR)	16,273,400	3,090,966	87,892,500
Return On Assets (ROA)	2.63%	0.35%	8.94%
Return On Equity (ROE)	3.17%	0.57%	15.1%
Equity to Assets	83.20%	61.52%	50.10%
Debt to Equity	20.22%	62.53%	70%
Total Debt	103,968,000	335,880,000	473,873,400
Total Equity	514,032,000	537,120,000	674,859,900
Total Assets(KHR)	618,000,000	873,000,000	1,148,733,300
Operational Self Sufficiency (OSS)	112.49%	101.8%	142%

Since the program reached breakeven in 2011, demand for activities has grown, and income from activities has more than multiplied. The financial performance in 2013 was satisfactory, even if the OSS decreased from 112.49% in 2011, to 101.8% in 2012.

The main reason of the increase of **OSS** from 2012 to 2013 resulted from the increase of the program's income and the positive impact of revising operational guidelines, even though operational expenditures increased by 21% compared to the previous year.



In an additional effort to balance between financial and social sectors, the Economic Program decided to apply three main points to lower the cost of clients and increase the income of the program:

- ❖ Providing discounted interest rates to clients if they pay at the office.
- ❖ Reduction of interest rates based on loan size.
- ❖ Getting clients to pay an admin fee if they are not willing to sign from local authority.

## IX. STORY OF CHANGE

**WITH A SMALL CREDIT,  
I BECAME AN ENTREPRENEUR**

### VANNA'S STORY

In 2006, Heom Vanna, 32 years old, and her husband decided to leave their motherland to live in Phnom Penh in an attempt to find a better life. By starting to work as a factory worker and a motor-taxi driver, Vanna's family was able to make a minimal income; enough to pay for a room rental, two meals per day, some of their medical treatment fees, etc.

In 2009, Vanna's family life was not like the previous few years. Her family's living conditions were not better, and it was the year that her family life reached a separated road as her husband had a step wife. After she separated from her husband, she had a baby. Her life as a single-mother became harder and harder. Employed as a garment-worker, the single-mother worked hard to support her family and pay for childcare.

In 2011, Vanna resigned from the garment factory, and she started a new business sewing clothes in an attempt to increase her income while simultaneously being able to look after her child. Even though she started a new business, her living conditions became worse. Her income was enough to afford the room fee and two-meals per day, but sometimes she had to borrow money from a private lender, at an interest rate of twenty percent per month, just to be able to afford her medical treatment fee.



### A NEW LOAN, A NEW LIFE

By working with the Samatapheap Khnom Organization, Sovannphoum expanded its services to the Damnak Thom community. This expansion provided a previously non-existent opportunity for many poor families like Vanna's. She decided to take her first loan, in the amount of KHR 400,000, to set up a grocery at her rental room.

Her new grocery business paired with her clothing sewing work increased her daily income. Vanna was able to pay for three meals per day, the room fee, plus her fee for medical treatment. After her payment, she has enough leftover to build her savings. As a result of this increased income and savings, Vanna was able to buy a motorbike in 2012. She used her motor bike to carry groceries from the market to her shop. After she bought the motorbike, she decided to buy a plot of land in her homeland in 2013.

### FUTURE OUTLOOK AND AMBITION

Vanna said that she is proud of her current income and that she wishes to send her kids to attend and complete university, and she will save the leftover income to build a new house on her plot land in her homeland.

### WITH A SMALL CREDIT, I IMPROVED MY LIVING CONDITIONS

Kim Naiheang is a 59 year-old micro-entrepreneur that was supported by the Sovannphoum Organization. She and her four family members are living illegally in a house in the poor community of Sen Soursdey, as they had been forced to move from Building Block at the riverside by a government agency that confiscated the land in order to build a super market and skyscraper at the end of 2004.

By starting their life in the poor community empty-handed, Naiheang's family was living in a hut type of shelter under a tent, while her house did not have access to electricity and clean water. In order to support and improve her family's living conditions, Naiheang started a business selling pork-rice cakes. To start her business, she decided to take a loan from a private lender at an interest rate of 20% per month. Even if her business enabled her to generate a lot of income, she still could not fully support her family; earning only enough money for two meals per day after her loan-repayment.

In 2005, Sovannphoum Organization decided to expand its service to the Sen Soursdey community. Sovannphoum's expansion was the opportunity for many poor families like Naiheang's. Naiheang decided to stop borrowing from the private lender, and took her first loan from Sovannphoum in the amount of USD 25 to expand her business. From the first cycle loan in 2005 to the 20th cycle loan in 2013, Naiheang's loan size has increased from USD 25 to USD 325. Naiheang has used her loan capital cautiously, and only for the purpose of her business.



### MORE STABLE DAILY LIFE AFTER SHE RECEIVED HER LOAN

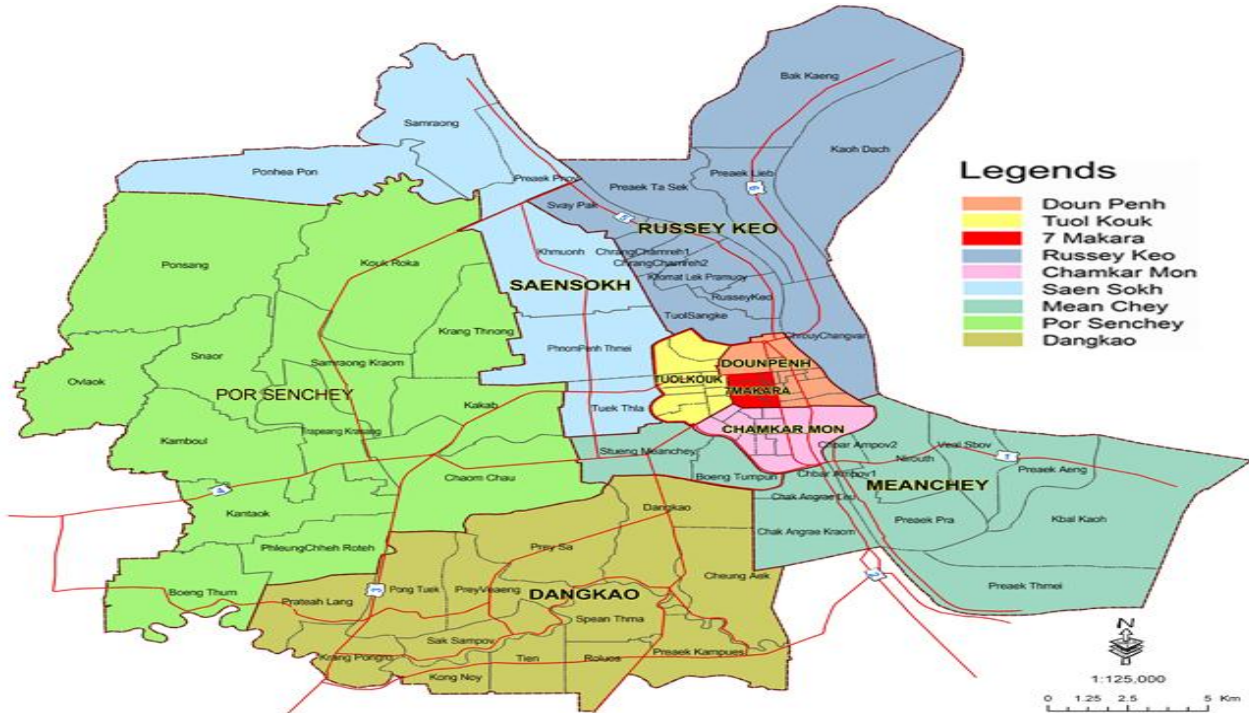
After taking the loan from Sovannphoum, her family's living conditions saw improvement, as her income was increased and she was able to save. Naiheang has been able to re-roof her house and she is proud to say that her house now has access to clean water and electricity. Additionally, she bought a television and many materials for

### FUTURE OUTLOOK AND AMBITION

Naiheang's said that she is very happy to have a stable business that is able to generate a stable income to support her family. In addition, she does not need to travel far from her house to work, which gives her time to take care of her husband who suffers from a nervous-system disease. Even though she is the only woman responsible of earning income to support her family, she still has the ambition to build a concrete house for her family.

## X. OPERATIONAL COVERAGE

BY THE END OF 2013, THE ECONOMIC PROGRAM SERVED OVER 837 CLIENTS IN 4 DISTRICTS OF PHNOM PENH



## XI. PROGRAM STRATEGY 2011-2014

From 2011 to 2013, several objectives of the program's strategic plan were organized to involve staff from all levels of the program, when formulating the five-year plan for Sovannphoum's Economic Program. The remaining objectives of the strategic plan are going to be executed by SP's Executive Director early in 2014.

Referencing the twenty objectives determined during strategic planning, the program accomplished 70% of its plan.

Even if the program has achieved many of the objectives outlined by the strategic plan, there are six remaining objectives that the program needs to complete by the end of 2014.

The last of six objectives that program will continue to implement in 2014 are as follows:

- ❖ To adjust existing financial services and non-financial services to the people's needs, based on assessment in attempts to reach out to more micro-entrepreneurs.
- ❖ To develop additional guidelines and tools such as Accounting, Finance and MBWIN.
- ❖ To conduct social performance Audit, using CERISE'S SPI and PAT.
- ❖ To strengthen the program's social mission.
- ❖ To conduct a survey to assess the need, existing service and potential risk in SP's rural area program.
- ❖ To reach a state of invariable sustainability and profitability.

## XII. ECONOMIC PROGRAM

### PROGRAM COMMITTEE



**Mr. SAR CHANRATH**  
CHIEF ECONOMIC  
PROGRAM OFFICER

Between 2006 to 2009, Mr. Sor Chanrath worked with Vision Fund Cambodia, as the credit officer of Kampong Chhnang province, and was upgraded to District Branch Manager at Rovieng District, Preah Vihear Province. Subsequently, from 2009 to 2011, he was an Economic Program Officer at Sovannphoum Organization. In 2011 he resigned from Sovannphoum to work as a Project Coordinator, coordinating over five provinces of project operation, at RACH organization until 2012. From 2012 until now, he was appointed as Chief Economic Program Officer of Sovannphoum's Economic Program. Presently, he holds three degrees: a diploma, majoring in Accounting and Finance from 2006; a BBA of Economic Management from RULE; and an MBA of Management from National University of Management.



**Mr. HANG BORANN**  
FINANCE OFFICER

Between 2009 and 2013, Mr. Hang Borann worked with Angkor Mikroheranhvatho (Kampuchea) Co.Ltd (AMK) as a teller at Kampong Som Branch and was then promoted to Branch Accountant at Rattankiri AMK. From January to May 2013, He worked as the Accounting and Financial Officer of Golden Rice Company. From May 2013 to now, he was appointed and is working as Finance Officer of Sovannphoum's Economic Program. Currently, Borran is an MBA candidate, majoring in Finance at National University of Management, and also holds a Bachelor's degree of Accounting.



**Mr. OUT DARA**  
HR/Admin OFFICER

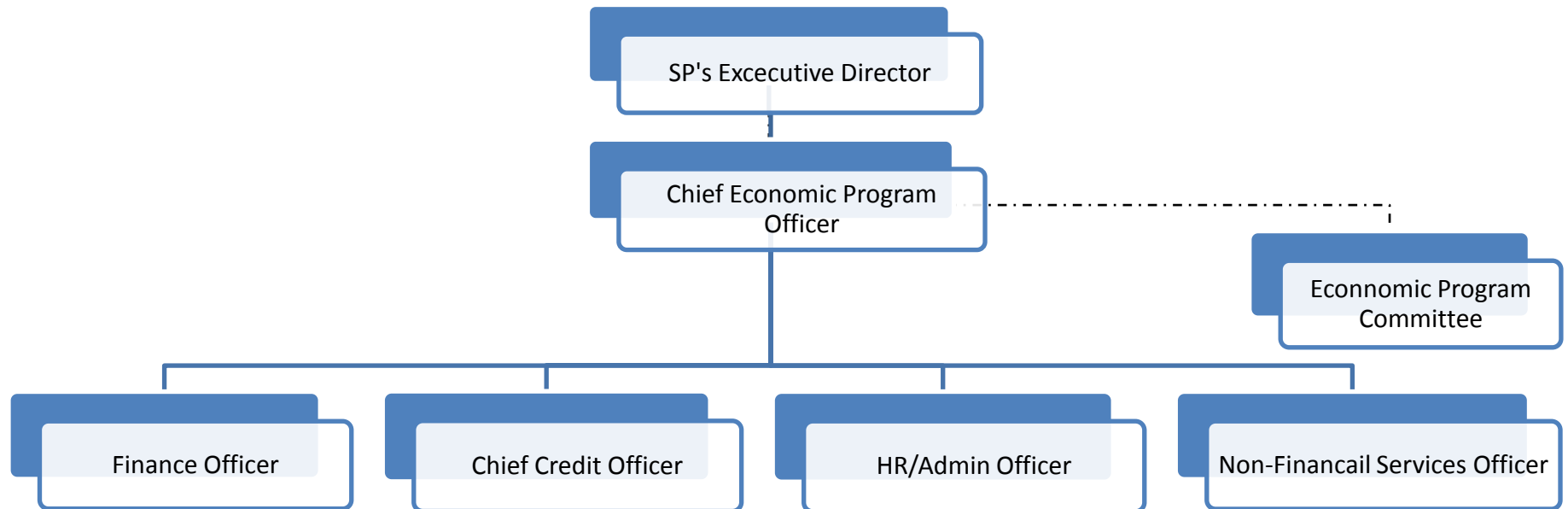
Between 1998 and 2002, Mr. Out Dara worked for Sokhy Visal Co. Ltd and was a Farm owner. Between 2002 and 2006, he worked as a teacher at Pacific Technical School (PTS). From 2006 to 2008, he was a Sub-branch Manager at Varisan Lottery Company. From 2008 to 2013, he worked as Cashier and then was appointed to Human Resource and Administration officer of Sovannphoum's Economic Program. Mr. Dara holds a Bachelor's degree of Law from University Karlova, in the Czech Republic.



**Mr. TEP NORN**  
CHIEF CREDIT OFFICER

Mr. Tep Norn started his career with the Economic Program as a Credit Officer in 2008, and then became a Senior Credit Officer in 2012. At the end of 2013, he was appointed Chief Credit Officer. Currently he holds a Bachelor's Degree of Finance and Banking from Build Bright University.

### XIII. ECONOMIC PROGRAM STRUCTURE





## HEAD OFFICE

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