

VisionFund, Cambodia

Initially managed by World Vision within its Area Development Programs, VisionFund Cambodia transformed in 2003 into a commercial entity and obtained a permanent license with the National Bank of Cambodia in 2007. In 2009, VisionFund has prepared to apply for a license of Mobilizing Deposits Institution. Anchored within World Vision's holistic approach to improving the well-being of children, VisionFund's has the **vision** "for every child, life in all its fullness; our prayer for every heart, the will to make it so" and the **mission** to be a "Christian financial institution that provides viable, integrated, market-inspired financial services to help the poor liberate themselves from poverty". As of July 2009, VisionFund served 85,172 clients located in 90 districts and in 13 of the 21 provinces of Cambodia.

Social Performance Rating with Survey

September 2009

Overall, VisionFund's Social Performance is rated "4-"

Social Performance Management 4-	Client Protection 3+	HR Policy 4-	Financial Inclusion 3+	Social Change **
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Indicators

Intent to have an impact	Convincing
Risk of Mission Drift	Limited

Social Performance Management

With a strong intent to achieve a social impact, VisionFund follows a clear social mission detailed into objectives, shared among decision-makers, and taken into account in key-decisions. Benefiting from the support of VisionFund International, VisionFund has acquired good skills in social performance management and client research techniques. For an optimal decision-making, VisionFund nevertheless needs to refine and further analyze social performance indicators.



Indicators

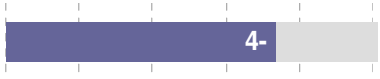
Indicators	July 2009
% Loans checked /credit bureau	0%
% Loans checked /other MFIs	5%
% Clients with micro-insurance	82%
% Clients bearing FX risk	74%
Effective Interest Rate (EIR)	37%
Portfolio Yield	33%
% Clients visited by non-op staff	15%

% Clients in the survey sample

Cross-indebted	16%
Aware of the loan amount	83%
Aware of the interest rate	17%
Knowing how to complain	54%

Client Protection

- Active promoter of the Client Protection principles, VisionFund has put systems in place to protect consumer rights, that however need further improvement to be fully efficient.
- Efforts to limit clients' over-indebtedness (e.g. exchange of clients list with competitors) are positive but will not be sufficient to prevent its increase in the medium run in the absence of a credit bureau a sector level (being discussed).
- VisionFund communicates its pricing and loan conditions in a transparent way (declining interest rate, no fee, contracts read out loud), but given the low literacy level in Cambodia, additional efforts are needed to ensure better client financial awareness.
- VisionFund offers its services at a sufficiently competitive pricing in spite of high operating expenses and at the expense of profit margins.
- In a context of rising credit risk in Cambodia, VisionFund has taken good steps to foster ethical staff behavior, appropriate loan collection and privacy of client data; the institution has recently introduced specific mechanisms to redress clients' complaints and is currently designing an Anti-Money Laundering policy.



Indicators

Indicators	2008
Staff Turnover	20%
Traffic accidents per LO	0.04
Yearly salary increase/inflation	0.2
% Staff receiving >2 training days	83%

Human Resources Policy

- Human Resources Management is professional and recently improved to comply with Cambodian labor laws.
- VisionFund's compensation policy is within market practices with additional benefits making-up for a financial component below what is offered by leading MFIs.
- Women are well represented with 40% of staff, even if only 13% of management (the COO). The Chairperson is also a woman.



Indicators	July 2009
% of clients in provinces <5 MFIs	4%
% Female clients	80%
% Rural clients	90%
% Clients with social collaterals	88%
% Penetration of Cambodian HH	3%
% Retention	40%
% Clients in the survey sample	
Exclusive to the MFI	84%
Deprived of formal savings	94%
Living below \$1 per day	22%
Living below \$2 per day	64%
Willing to renew their loan	58%

Education, Health, Basic Services	*****
Gender Equality and Women Empowerment	*****
Fight vs. Unemployment	*****
Democracy & Human Rights	*****
End Poverty	*****
Environment Sustainability	*****

Financial Inclusion

- VisionFund reaches individuals excluded from traditional financial services but most of its clients (81%) are located in provinces where the majority of other MFIs (10+) operate. VisionFund nevertheless successfully reaches out to the poor (63.8% of interviewed clients live below the \$2 poverty line).
- With a range of services currently limited to small loans and credit life insurance but frequently adapted thanks to market research, VisionFund covers only a limited range of client's financial services needs, but receives a good level of client satisfaction. As the financial crisis hit, client retention however dropped to 40% in 2009 due to stricter loan approval criteria and lower client demand.
- With an average Effective Interest Rate of 37.3% (comparable to rates offered for similar loan amounts in Cambodia) and limited transaction costs for the client, VisionFund's offers these services at a reasonable cost.

Social Change

In line with World Vision's holistic approach to poverty alleviation, VisionFund provides direct (through trainings) or indirect (through World Vision and to a limited extent other partners) access to health, education and other basic services. In spite of efforts to integrate financial and non-financial services, the efficiency of this integration and of non-financial services still needs to be measured.

MFI Profile

Financial Services

- ✓ Credit Services: 85,172 borrowers
 - Community Bank (89%), Solidarity (7%), and Individual (4%)
 - Average outst. loan size: 207 USD i.e. 24% GDP per capita
 - Average Effective Interest Rate: 37.3%
- ✗ Savings Services: 67 savers ; plan to apply for a license of "Mobilizing Deposits Institution"
 - Voluntary Demand Deposits (pilot phase)
 - Social Investors Time Deposits (pilot phase)
- ✓ Microinsurance Services: 69,394 clients served by VisionInsurance
 - Credit life insurance covering remaining debt and funeral costs
- ✓ Money Transfer Services: 1,243 users of Wing services
 - Mobile Money Transfer Service (national level)

Non Financial Services

	Awareness Raising	Training	Services
Business Development	✓	✗	✗
Education, Health and Basic Services	✓	✓	✓
Women Empowerment	✓	✓	✗
Democracy & Human Rights	✗	✗	✗
Environment	✓	✗	✗

Country Profile

Indicators	Cambodia	EAP
Demography		
Urban population (%)	20.0	44.3
Health		
Life expectancy at birth	58.6	72.0
Mortality rate (<5) per 1,000 births	8.1	-
Education		
Adult literacy rate (%)	78.0	91.0
Combined school enrolment ratio (%)	58.7	69.2
Gender		
Parliament seats held by women (%)	15.8	-
Poverty lines		
Population below 1\$/day (%)	40.2	6.6
Population below 2\$/day (%)	68.2	27.0
Gini index	0.4	-
HDI		
Rank out of 177 countries	136.0	-
2000-2006 progress	+0.065	-
Economy (2009)		
Economic growth (%) (f)	-0.5	-
Inflation (%)	6.5	-

Source: National Institute of Statistics of Cambodia (2008), UNDP 2008 HDI report, COFACE Country Risk Assessment forecast (f) for 2009, National Bank of Cambodia (inflation rate as of September 2009). **Note:** For Cambodia, \$1 and \$2 poverty lines based on 2005 PPP; for East Asia, \$1 and \$2 poverty lines based on 1993 PPP; EAP stands for East Asia and the Pacific.

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Refer to the end of the report for the institutional presentation of VisionFund, as well as the Microfinance Sector and Socio-economic Environment sections.

Social Performance Rating

■ Social Performance Management

Social Performance Management is rated “4-”

Definition of the Social Mission

MFI	
Definition of the Social mission	Convincing
Year of latest update	2009
Intent to have a social impact	Convincing

Committed to a triple bottom-line, VisionFund has a clear intent to have a social impact. Anchored within World Vision’s holistic approach to improve the well-being of children by supporting communities, VisionFund’s vision and mission were defined at inception by World Vision Cambodia. Refined in 2009 by VisionFund’s Social Performance committee, the mission was made more specific to microfinance (“viable, integrated, market-inspired financial services”). Moreover, VisionFund detailed its social mission into relevant social objectives translated into social performance indicators.

Institutionalization of the Social Mission

MFI	
Social Mission and Decision-making	In Progress
Social Mission and Planning	In Progress
Investment in Social Performance Skills	Convincing
Risk of Mission Drift	Limited

The social mission is shared by skilled decision-makers and well-communicated to all stakeholders. BOD members, mostly drawn from World Vision International (WVI), VisionFund International (VFI) or other NGOs, are strong supporters of the social mission. VisionFund strives to take social objectives into account for all key decisions (e.g. integration, partnerships, product development, pricing, branch opening) in spite of the current difficult financial context. In 2008-09, VisionFund reinforced client protection procedures and maintained its targeting to the poor to ensure sustainable growth. In addition, as an active member of the Cambodian Microfinance Association (CMA), VisionFund has a fair behavior within the microfinance sector.¹ However, VisionFund still needs to enhance the social performance information provided to the management and the BOD for an optimal decision-making.

¹ VisionFund signed the MoU on “Fair Competition” adopted by CMA members and participated to the Microfinance transparency initiative.

VisionFund has integrated its social objectives in the planning process for several years with clearly defined strategic mandates, goals and outputs, reflected in the departments’ action plans. However, the prioritization of social objectives could be further analyzed through a more detailed scenario planning.

VisionFund has strongly invested in the enhancement of Social Performance Management (SPM) since inception and the 2004 World Vision Social Performance assessment. VisionFund boasts an active research unit and a specific social performance manager. Although still conducted only at the head office level, SPM has been institutionalized with the set-up in 2007 of a Social Performance Committee and the formalization of procedures in line with social performance principles. Involved in international networks working on Social Performance, VFI has been promoting SPM in its affiliates. Such initiatives have been well transferred to VisionFund with BOD members and top-managers quite active in Social Performance initiatives at the national and regional level (e.g. the CEO is VisionFund regional SPM representative and managers participated to client protection workshops).

MFI	
Trainings to Social Performance Management	Convincing
Staff appraisal according to social goals	Convincing
Staff incentive schemes according to social goals	Convincing

VisionFund has designed efficient Human Resources processes to ensure staff commitment to the social mission. The recruitment process checks whether candidates share VisionFund’s core values, new hires undergo an intensive induction process, and staff benefit from frequent refresher modules on customer service & professional ethic, designed by the Training and Institutional Culture Development department. Moreover, evaluations take into account criteria such as concern for impact and customer relation while the incentive system includes indicators such as the proportion of Community Bank Loans in order to foster VisionFund’s outreach to the poor. In the 2008 staff satisfaction survey, 63% valued VisionFund’s “Mission for the Poor”.

Internal communication is efficient but still needs to be reinforced to foster staff motivation towards the social mission. Indeed, only a few employees are aware of the latest version of the mission, while internal newsletters could include more Social Performance information. Following the staff satisfaction survey, communication has nevertheless improved with additional support and consideration of field staff by the head office. Given the recent arrival of a new HR manager and the departure of the current CEO (planned at the end of 2009), appropriate communication is crucial to ensure staff motivation.

Social Performance Monitoring

MFI	
Existence of Social Performance indicators	Convincing
Relevance of indicators to the Social Mission	In Progress
Tracking of Social Performance indicators	In Progress
Reliability of Social Performance indicators	In Progress

VisionFund has defined various social performance indicators included either in the monthly internal Social Performance report, in the reporting to VFI, or collected during clients' surveys. In general they need to be refined, more actively tracked, and compared to targets for meaningful decision-making.

- Outreach indicators (clients by gender, poverty levels and loan methodologies) are meaningful and actively tracked while global targets are usually met. However, VisionFund does not analyze outreach data at a detailed level (although it is available by province and districts) and cannot rigorously relate its poverty calculations to official poverty lines communicated about Cambodia, which hampers communication with international investors.
- Client's satisfaction indicators need to be refined or tracked on a longer period or larger scale: 1) the drop-out rate provide some interesting but not very accurate information on clients exit, contributing to too optimistic annual targets; 2) because client satisfaction indicators have been computed only for branches with the highest exit rates, no target has been set yet.
- The diversity of financial services is monitored through outreach indicators (on savers, clients with insurance and beneficiaries of M-payment), complemented by efficiency indicators for M-Payment. Specific targets have been set but have not been actively tracked in the internal Social Performance report.
- VisionFund analyses its integration with World Vision and other partners through basic outreach indicators (e.g. number of clients located within or around WV's Area Development Programs and number of clients served by partners providing non-financial services). However, VFC is not yet able to track the overall proportion of its clientele receiving comprehensive services (e.g. health, education, basic services).

Qualitative feedback from the operations, notably through the Quality Assurance team's reports, is taken into account to monitor staff compliance with client protection's policies. The recent set-up of a specific MIS module to monitor delinquency at the district, province and head office levels is expected to be useful to streamline this monitoring. Monitoring is also ensured through various quantitative and qualitative studies performed by the research unit. The latter has a fair knowledge of microfinance resources available on-line and gained its

experience in the field. However, internal controls during surveys are not sufficient to ensure good data reliability.²

The MIS has been successfully customized to capture Social Performance data and includes some embedded checks, that are well performed for the outreach indicators and but less so for some others (# children, # jobs created & sustained). Additional internal controls are still required to ensure the reliability of poverty indicators.³ On a more positive note, the Internal Audit performs checks during client visits related to their repayment capacity, poverty level, financial literacy, and cross-indebtedness. Its scope could nevertheless also include social performance reporting, where Planet Rating detected some flaws. External auditors or regulators have not yet included Social Performance data and indicators in the scope of their checks. VisionFund plans to undergo a Social Performance evaluation by VisionFund international.

Client Protection

Client Protection is rated "3+"

Prevention of Over-indebtedness

MFI	July 09
% loans checked with a credit bureau***	0%
% loans checked with other formal loan providers	5%
% loans with credit life insurance	82%
% clients bearing FX risk (USD)	74%

Survey Indicators	% sample
% cross-indebted clientele *	16%
Average debt to MFI / total debt **	50%
% clientele with VisionFund as prime loan provider	87%

Note: Refer to appendixes for details on the survey; * 13% of clients declared having two loans and 3% declared having three loans; ** for cross-indebtedness clients; *** see Microfinance sector section: no credit bureau has yet been put in place in Cambodia

In a context of high competition and increasing saturation of the microfinance market, and despite the lack of credit bureau, VisionFund is making efforts to prevent its client's over-indebtedness. A moderate proportion of interviewed clients declared having loans with other providers (13% with one and 3% with two), somewhat reflecting VisionFund's policy to grant loans conservatively in case of detected cross-indebtedness. However, given the very high penetration of the Cambodian market by microcredits

² Controls performed on the questionnaires are not formalized and there is no double data-entry to ensure data processing consistency.

³ VisionFund assesses the poverty level of its clients through its the Family Information Sheet (FISH). Internal controls need to be strengthened (data is missing for some clients, formal review by DBM required by the policy is not systematic, the FISH tool itself has not been adjusted to inflation since 2006). IA has identified some of these lapses.

(38.9% overall by CMA members)⁴, Planet Rating expect this level of cross-indebtedness to be under-estimated. The recent increase of VisionFund's credit risk (PAR 30 increased to 4.4% in July 2009 from 0.8% in December 2008), though partially resulting from the economic crisis, can also be attributed to the underlying cross-indebtedness of VisionFund's clients.

LOs are sufficiently trained to perform the analyses of the clients' repayment and indebtedness capacities. Criteria could however be more conservative as clients are required to generate a net income (after the cost of other debts) only above 1.3 times the total amount of installments to pay over the same period. VisionFund allows loan refinancing and rescheduling when deemed necessary and according to strict criteria. VisionFund also strives to increase the clients' financial awareness (on debt management and the dangers of multiple borrowing) through the orientation training, messages included in the passbook and its radio program.

However, these efforts might not be sufficient to prevent the rise of over-indebtedness in their clientele in the short/medium term. VisionFund has been sharing quarterly information on delinquent clients with other CMA members. Although useful to detect over-indebted clients, this mechanism remains imperfect as it covers only delinquent clients (5% of VisionFund's clientele). The NBC has recently taken the positive initiative to set-up a national credit bureau that is however not expected to yield results before 2011 or 2012. Although LOs receive trainings to identify other sources of debt through field inquiries, potential collusions between clients and local authorities may hide informal credits' pollution.

VisionFund provides microinsurance services to 82% of its clients. The credit life insurance offers fair benefits⁵ and claims are settled quickly (67% within two days). Moreover, cash transactions are performed close to the clients' place, limiting the risk of cash robbery for the client. On the flip side, 74% of VisionFund's clients repay their loan in USD and therefore bear the FX risk. In order to mitigate this risk for the client, VisionFund set up currency exchange facilities for clients to have access to the official FX market rates.⁶

⁴ Countries also lacking formal credit bureaus and with lower penetration rates such as Bosnia (29% in June 2008) and Morocco (25% in December 2007) have been facing an important increase of credit risk levels due to the high levels of cross-indebtedness (estimated above 30%).

⁵ In case of death of the client, the spouse or one of the two eldest children, VisionInsurance covers the remaining debt and the funeral costs.

⁶ In the absence of currency exchange facilities, clients have reportedly recourse to informal (and more expensive) foreign exchange mechanisms.

Transparency of Services

Context	
Adult literacy rate*	78%
Literate households in VisionFund's clientele	n/a
Literate households in the sample **	67%

Source: * National Institute of Statistics (NIS) 2008; this rate decrease to 74% in rural areas, 71% for women (NIS) and 61% for low income Cambodians (World Bank 2008). Note: ** Clients were asked whether the head of their household could read a simple message in Khmer, the official language in Cambodia.

MFI	July 09
Disclosure of the Effective Interest Rate to clients	No
Type of interest rate	Declining
Additional fee	No

Survey Indicators	Literate clients*	Illiterate clients*	Total Sample
% clients aware of:			
the loan amount	85%	83%	84%
the loan duration	70%	67%	75%
the interest rate	23%	17%	21%
the interest amount **	n/a	n/a	11%
% clients who declared understanding well:			
the passbook	33%	24%	30%
the loan schedule	42%	27%	37%
the contract	51%	47%	50%
% clients, when interviewed			
using loan documents			8%
showing loan documents			52%
helped by family or friends			27%

Note: * According to the definition stated in the context table above; ** the sample for this indicator is 143 clients (vs. 300 otherwise).

Despite VisionFund's satisfactory transparency in terms of pricing and in a context of low literacy rate among Cambodian households (78% vs. 91% for East Asia & Pacific), the clients' financial awareness remains low, even for clients able to read a simple message.⁷ The loan repayment schedule provided to the client states most financial conditions, including the principal and the interest for each installment and the monthly interest rate (declining as required by the law), and Vision Fund does not charge any additional fees. However, the repayment schedule does not show the penalty rate in case of late-payment and the cost of the micro-insurance.⁸ The proportions of clients who declared understanding completely or most of the passbook and loan schedule (both written in Khmer) remain nevertheless low, at 30% and 37% respectively.⁹ The proportions, standing at 33% and 42% respectively, are slightly higher for literate clients. For an optimal

⁷ Refer to the table above for details; these results should be interpreted with care given the limited availability of benchmarks on these indicators.

⁸ VisionFund did not increase its pricing when introducing micro-insurance but supports a cost (accounting for 0.7% of the average loan portfolio in 2008) that the clients ultimately pays for through interest rates.

⁹ VisionFund's satisfaction study (June 2008) yielded more positive results as most interviewees declared being satisfied or very satisfied with the passbook and loan schedule.

transparency, the annual Effective Interest Rate (EIR) should also be disclosed to clients.

Other loan conditions are stated in the contract, written in local language and read out loud during orientation sessions. However, although clients sign the contract, the majority, benefiting from Community Bank loans, do not receive a copy (only the CBMC and VisionFund do). Conditions related to the client’s obligation to repay (and potential legal proceeding if the latter fails to) are nevertheless stated in the client’s passbook. Despite trainings on financial literacy, this partially results in a limited proportion of clients (50%) who declared understanding completely or most of the contract.

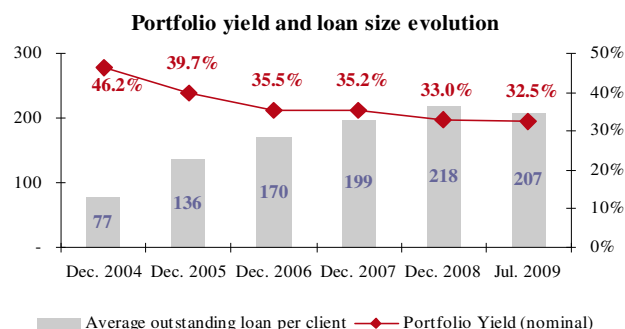
Fair Pricing

Context	2008	2009 (e)
Inflation*	19.1%	8.7%
MFI		
Effective Interest Rate (average)	36.6%	37.3%
Portfolio Yield (nominal)	33.0%	32.5%
Operating expense ratio	19.4%	22.1%
Funding expense ratio	10.0%	12.7%
Loan Loss Prov. expense ratio	0.5%	2.7%
ROA	3.6%	(1.6%)

Source: * National Institute of Statistics; (e) estimate: for 2009, inflation was annualized based on data as of September 2009; MFI Data was annualized based on data as of July 2009.

In spite of historically high operating expenses and at the expense of thin or negative profit margins (in 2008 and 2009 respectively), VisionFund has shared economies of scale with its clientele and has offered services at a competitive pricing. Its high operating expense ratio, above Cambodian and international benchmarks,¹⁰ is notably due to VisionFund’s small loan size and strong investments in support functions (e.g. research, product development, and social performance). However, VisionFund was able to decrease its interest rates (portfolio yield decreased from 46.2% in December 2004 to 32.5% in July 2009) notably thanks to economies of scale resulting from the increase in its average loan size, resulting in a low interest rate net of inflation. The very competitive Cambodian microfinance market and (more recently) VisionFund’s safeguards against excessive profit-taking significantly contributed to this trend. The institution indeed established a Product Pricing Committee in charge of adjusting its pricing in order to sustain a reasonable ROA (between 0.5% and 1.5%). However, such low ROA targets have not been reached yet and may result in losses. This was the case as of July 2009 as all costs increased as a result of the financial crisis (cf. table). The slight decrease in portfolio yield in 2009 is due to the higher level of credit risk and despite the

temporary increase in interest rates in Q4 2008 to face the rising inflation (adjusted for inflation, the EIR of VisionFund stood at 14.7% in 2008).



Interest rates may differ according to regions and are higher for clients located in remote areas. They are however not discriminatory based on race, gender or ethnicity. VisionFund ensures fair transactions costs thanks to the good proximity of its services. Clients do not have to pay external fees to access VisionFund’s loans.

Appropriate Collection Practices

MFI	
Procedure for Appropriate Collection Practices	Yes
Formally included in the scope of Internal Audit	Yes

In a context of rising credit risk and cross-indebtedness in the Cambodian Microfinance industry, VisionFund has taken satisfactory measures to foster appropriate loan collection mechanisms. Field staff received trainings on delinquency management according to a well disseminated procedure in line with VisionFund’s values. This procedure highlights steps and responsibilities for delinquency management, encouraging the systematic reporting of the nature of delinquency to the District Branch Manager, and efforts to build a recovery plan with the client. Court action is taken on an exceptional basis (only once since inception). Peer pressure is used as a pressure mechanism, but repayment problems are not to be disseminated beyond the group, the CBMC and local authorities. As VisionFund notably relies on CBMC for loan collection, the latter are to be democratically elected and to abide by VisionFund’s policies when signing their contract. IA checks their knowledge of VisionFund’s policies but could reinforce its investigation on potential CBMC misbehaviors (e.g. during clients’ visits). Asset collaterals are also used as a pressure mechanism but only the client is entitled to sell his/her assets.

As delinquency remains new for field staff, VisionFund has assigned specialized recovery teams to deal with the most difficult cases. Given the delicate nature of delinquency

¹⁰ As of Dec. 2008, VisionFund’s Opex was above the Opex of the major Cambodian MFIs and the MBB median for Asia Large FSS (14.6%).

management,¹¹ controls performed by Quality Assurance Officers through clients' visits are crucial to ensure that practices remains respectful. VisionFund's latest initiative to set up a specific delinquency management information system is expected to provide soon an additional layer of control over field staff.

Ethical Staff Behavior

MFI	
Code of Conduct signed by field staff	Yes
Training on the Code of Conduct	In Progress
Incentive Scheme fostering ethical behaviour	In Progress
Anti-Fraud & Corruption Policies in place	Yes

VisionFund has put in place good procedures to foster the ethical behavior of field staff. Client respect is embedded in the organizational culture, included in operational procedures and clearly emphasized during orientation and refresher trainings. In addition to signing the code of conduct and the conflict of interest policy, staff is required to sign policies to prevent child abuse, frauds and bribery. Customer Service guidelines were recently developed and will reportedly be soon disseminated to all staff. Quality Assurance Officers monitor the respect of such policies and report findings to the head office but are located in only six of the nine provincial branches.

The incentive scheme is reasonably well designed and frequently adapted even if it still does not optimally mitigate risks of unethical staff behavior. Aiming at improving staff productivity and operating revenues, incentives are provided both according to minimum and maximum levels of activity.¹² The fact that amounts are disbursed according to strict ceilings (defined for each loan cycle) also prevents excessive disbursements. However, ethical staff behavior is not a pre-requisite to incentives.

VisionFund has incorporated in its HR manual appropriate anti-fraud and corruption policies that staff is required to sign. Moreover, VisionFund opens branches only in districts where cooperation with local authorities is deemed possible and is member of the Clean Business Initiative.¹³

Mechanisms for Redress of Grievances

MFI	July 09
Formal complaint mechanism in place	In Progress
% clients visited by non-operations staff *	15%

¹¹ LOs are to perform a "sit-down strategy" at the client's home in order to find a solution with the client. In some cases, clients moved to avoid repaying their debt to VisionFund and/or other loan providers.

¹² No additional incentives are provided for caseloads above 600 clients. As of July 2008, the average caseload stood at 274 clients.

¹³ The Clean Business Initiative is a Cambodian network of businesses working together to improve the business environment by supporting fair competition and to promote clean business practice within their operations.

Note: * estimated number of clients visited by internal auditors, quality assurance officers, and the research team.

Survey Indicators	% sample
% who know how to complain from staff *	53.5%
% who know how to complain from CBMC*	57.0%
% who would dare to make a complaint	82.9%
% who already complained to VisionFund	1.0%

Note: * clients were successively asked how they would complain about a Vision Fund staff or a CBMC if they wanted to.

VisionFund's procedures and systems contribute to identifying and redressing clients' grievances. However, specific mechanisms designed for that purpose were only recently introduced and need to be further developed.

- A hotline and suggestion boxes were recently introduced and had limited success so far. According to the survey, only 0.3% and 2.3% (respectively) of clients would use these services¹⁴ to complain about VisionFund's staff.¹⁵ A significant number of clients don't know yet how they could complain, either from staff (46.5%), or from the CBMC (43%),¹⁶ if needed.
- Clients have nevertheless access to different staff within VisionFund, during all loan disbursements and through occasional staff rotations. Non-operation staff visited an estimated 15% of the clientele in 2008. Visits by the Quality Assurance and Internal Audit (IA) teams, in addition to various clients' studies,¹⁷ provide clients opportunities to share their concerns.

Privacy of Client Data

MFI	
Institutional Policy on Privacy of Client Data	Incipient
Formal client agreements prior to sharing private data with third parties	In Progress

Although VisionFund has not designed an institutional policy on Privacy of Client Data, the institution has already taken satisfactory steps in this regard. Client files are usually securely stored, though some lapses are possible in the newly set-up or modernized branches. The MIS provides sufficient data security for the transit and storage of electronic data. As for paper data, clients' files are sent sealed from branches to head office through bus or taxi companies, according to formal agreements. Moreover, VisionFund recently introduced declaration forms (for Solidarity Group and Individual clients) and amended its contracts (for all new clients), in order to have the client's

¹⁴ The hotline has not yet captured any client's complain as most claims came from individuals suggesting the development of new products.

¹⁵ Clients would rather complain to the village/group or commune leader (39.5%), the CBMC (6.6%), or other VisionFund staff (4.3%).

¹⁶ 44% would complain to the village/group or commune leader (39.5%) and VisionFund staff (7%).

¹⁷ According to VisionFund's satisfaction study in July 2008, 98.4% of clients are satisfied, very satisfied or extremely satisfied of the behavior of loans officers.

authorization to share their information with other MFIs and local authorities. All recent clients have not yet signed the declaration forms. Before using a client's image, VisionFund formally asks for permission and for the client's signature.

Anti-Money Laundering Policy

Context	2009
National AML/CFT law for microfinance*	No
MFI	
Anti-Money Laundering Policy in place	In Progress
List of illegal / unethical activities in place	In Progress
% activities financed with negative impact	n/a
% activities financed with strong positive impact	n/a

Note: * In Cambodia, the framework for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) is incipient and not yet applicable to MFIs. Source: APG (Asia Pacific Group on Money Laundering) 2007 Mutual Evaluation for Cambodia.

Planning to transform into a "Mobilizing Deposit Institution", VisionFund might be subject to Anti-money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations in the near future. In that perspective, the institution has been drafting policies for AML/CFT. Its current procedures can therefore be improved.

- The institution has disseminated policies forbidding the financing of unethical or illegal activities (and requiring field staff to visit clients within six months after disbursement), but does not monitor the nature of financed activities according to AML/CFT risks. As an affiliate of VisionFund International, VisionFund nevertheless performs systematic checks on the background of its staff and BOD members and has sourced most of its donations from identified sources such as WVI, VFI, or partner NGOs.
- VisionFund has put in place satisfactory Customer Due Diligence (CDD) procedures to identify its clients. Given the absence of systematic formal proof of residence in Cambodia, LOs require clients to show ID papers (ID card or family book) in addition to having the loan application checked and signed by local authorities.
- The MIS is not customized to detect suspicious transactions. It should be noted however that the majority of financial transactions (small loans) are not considered prone to risk of money laundering and are therefore not to be reported to national authorities. Money transfers done through Mobile Payment and facilitated by VisionFund are under the control of the service provider, Wing.

Human Resources policy

Human Resources policy is rated "4"

Labor Conditions

MFI	2008	2009*
Staff turnover (all staff)	20.0%	7.8%
Staff turnover (excluding contract staff)	n/a	4.5%
Traffic accidents per loan officers	0.04	0.02

Note: * for 2009, ratios are provided as of July and are not annualized.

The professionalism of the Human Resources Department enables a fair treatment of the staff thanks to well-formalized recruitment, training, evaluation, and promotion processes. Staff benefits from an established career path. The salary grid, communicated to staff when it was designed, is now confidential and managed by the HR department. Following the 2008-2009 microfinance sector salary survey, VisionFund has taken good steps to better align HR policies with the labor code with 1) the systematic provision to staff of their official employment record, 2) reporting of staff movement to the authorities, and 3) contributions to the National Social Security Fund. Medical checks are nevertheless not yet systematically performed. Staff turnover has been historically high, averaging 20% over the last years. However, 2009 data show a lower turnover for the first seven months of 2009 (7.8%).

VisionFund put in place sufficient procedures to provide staff with good health and security conditions. Strict policies regarding staff security have been adapted and disseminated, notably for the risks related to travel, cash transfer or work in risky areas. In addition, emergency plans were designed to face potential security alerts (e.g. in conflict areas) and branches are to be equipped with first-aid kits and fire extinguisher. VisionFund took measures to reinforce cash security such as requiring staff to travel by pairs when carrying over 2,000 USD, and providing them with an insurance to cover losses from robberies.

VisionFund has made efforts to take into account staff concerns. The 2008 staff satisfaction survey highlighted main areas of concerns and measures were taken to address main issues (e.g. hierarchy efforts to better consider staff feedback, nomination of a staff support officer). Suggestion boxes were also recently introduced. As requested by the labor law, one staff representative was elected in 2005. However, the representative has not been reelected since then while the related policy still needs to be developed. Given the size of VisionFund, a larger body elected by staff could prove more efficient. As working hours might be exceeded, policies have been put in place for IT staff (overtime payment) and field staff (compensation in vacation days).

Compensation Policy

MFI	2008	2009 (e)
Yearly salary increase / inflation*	0.2	1.2
Health insurance expense / staff expense	2.2%	2.4%

Source: National Bank of Cambodia (2008). (e) Estimation: 2009 ratios are annualized based on MFI data as of July and inflation as of September.

Although VisionFund's overall remuneration is within market practices, its financial compensation component remains average when compared to leaders of the sector. 2008 and 2009 salary increases have indeed not kept pace with inflation (19.1% in 2008) despite VisionFund's policy to adjust salaries to the cost of living every year and to the level of competition every three years. In addition, VisionFund is about to finalize its policies to provide staff loans (for the purchase of a motorbike) or salary advance (in exceptional cases). After long discussions for one year and a half and considering VFI's policy to avoid connected lending, decision-makers finally found this solution to help staff face the difficult economic context. Finally, the institution provides various additional compensations¹⁸ as well as education opportunities (9 post-graduate scholarship and 34 bachelor degrees) in order to improve staff employability.

Equal Rights

MFI	Dec-08	Jul-09
% of women among professional staff	41.5%	40.3%
% of women among management	28.6%	12.5%
% of staff with disabilities	2.1%	1.7%
% of staff who received >2 training days *	82.5%	n/a
# Training day per staff **	n/a	4
Management staff (top management)	n/a	10
Middle management	n/a	7
Branch management	n/a	5
Credit officers	n/a	2
Administrative staff	n/a	4

Note: * estimation (formula: # staff who received more than 2 training days (excluding orientation) in the period / # staff at the end of the period); ** 2009 figures are not annualized.

VisionFund has made significant efforts to avoid discriminations throughout its Human Resources processes. As of July 2008 women made up 40% of total staff, which is at the low end of VisionFund's objective (ranging 40%-60%) but above the proportion reported by other MFIs (refer to benchmarking). Despite the fact that VisionFund's BOD chairperson is a woman, some improvements can be made at the decision-makers' level as only 13% of top-management is female. VisionFund also strives not to discriminate against staff with disabilities (1.7% vs. 1.4% at

the national level) or stemming from rural communities (84%). VisionFund does not require staff to be Christian, but only to share Christian values, except for a few key positions (e.g. CEO, Staff Support Officer). However all staff is required to participate to weekly devotions. As of July 2009, staff already received on average four days of formal training in 2009 however with top management attending ten days and LOs two days.

Financial Inclusion

Financial Inclusion is rated "3+"

Outreach to the Underserved

Context	Sept. 2009
Penetration of microfinance services (% households)*	38.9%
# microfinance branches per 100,000 adults **	24.5
% MF clients in provinces where <5 MFIs operate	6.0%
MFI	
Distribution of the clientele in provinces where:	
1-4 MFIs operate	4.0%
5-9 MFIs operate	14.8%
10+ MFIs operate	81.2%

Source: Planet Rating and Cambodian Microfinance Association as of September 2009; Note: * Number of households according to 2008 Census; ** this ratio stands at 3.7 for commercial banks in Cambodia (CGAP 2009).

Survey Indicators	% sample
% exclusive clientele	84.0%
% clientele with no access to formal savings	94.0%

VisionFund reaches individuals excluded from traditional financial services, reflecting the low access to financial services in Cambodia. Only 6% of clients interviewed during the survey declared having a formal savings account¹⁹ and 84% declared having no other loan providers than VisionFund.

However, most VisionFund's clients (81.2%) are located in provinces where the majority of other Microfinance providers operate as well. Inversely, only 4% of VisionFund clients are located in provinces where less than five MFIs operate, which is below the score of 6% for the total number of microfinance clients in the industry and the 15% reached by AMK (cf. benchmarking). VisionFund has indeed prioritized the integration of its financial services with its partners²⁰ who are operating in areas served by most MFIs. Moreover, although VisionFund takes into account the market potential before entering into an area but did not define a clear demand saturation threshold.

¹⁸ VisionFund provides accident, medical and life insurances, education, phone and maternity allowances, reimbursement of medical expenses, and a provident fund.

¹⁹ At the national level, the number of savings account when reported to the adult population equals to 8.7%; one adult may have several savings accounts (CGAP 2009 Financial Access Survey).

²⁰ Particularly with World Vision; cf. institutional presentation.

Indicators	Cambodia	MFI Clients
% women	51.4%	86.5%
% rural	80.5%	89.9%
% clients providing social collaterals	n/a	87.7%

Source: National Institute of Statistics 2008 Census.

Survey Indicators	Cambodia	% sample
% below the Median of the Rural NPL	n/a	5.6%
% below the Rural NPL	38.0%	17.6%
% below \$1 per day	40.2%	21.6%
% below \$2 per day	68.2%	63.8%

Note: For VisionFund, Poverty Levels were calculated using the USAID PAT tool. For Cambodia, the 1 USD and 2 USD poverty lines, adjusted to 2005 PPP, are the most recent official poverty lines. They stood in 2004 at 1,889 KHR (0.48 USD) and 3,778 KHR (0.95 USD) respectively. The National Poverty Line (NPL) stood at 1,743 USD (0.44 USD) in 2004.
Source: World Bank and UNDP.

VisionFund successfully reaches out to the poor, in a country with a medium level of poverty, when compared to international benchmarks.²¹ According to the survey, 21.6% and 63.8% of interviewed clients live below the \$1 and \$2 poverty lines, respectively. The proportion of clients living below 2 USD a day, very close to the national average (68%), reflects VisionFund's efficient use of various targeting tools:

- Geographic: 89.9% of VisionFund's clientele is located in rural areas, where the incidence of poverty is significantly higher than in urban areas. In addition, branches have been opened in priority within and around World Vision Area Development Programs (ADPs; previously identified by WV as particularly depressed) or in Plan International's areas of intervention. In areas around ADPs, VisionFund also performs a wealth ranking through Focus Group Discussions to identify the poorest eligible clients.
- Individual: LOs are using VisionFund's internally developed poverty assessment tool both to target poor clients and assess their repayment capacity. Using this tool, VisionFund estimates that 74.5% of its clientele is very poor or poor (29.3% and 45.2% respectively) as of July 2009, which is above VisionFund's internal target of 70%. Although not directly related to official poverty lines and still presenting some flaws, this tool (with results roughly consistent with those of the survey²²) has proved instrumental in reaching poor clients. It should be noted that VisionFund voluntarily excludes individuals who are deemed not eligible to VisionFund's loans, as reflected by the more limited outreach to the very poor. This has been particularly true since Q4 2008 as VisionFund tightened eligibility criteria to face the crisis. VisionFund successfully

²¹ In 2008, Cambodia's UNDP Human and Income Poverty Index (HPI) score stood at the medium level of 28.9 (88th out of 135 countries).

²² According to VisionFund's FISH tool, respectively 21% and 47% (totaling to 68%) of the clients surveyed are very poor and poor.

targets women (86.5% of borrowers as of July 2009) who are considered one of the under-privileged groups in Cambodia.

- Methodological: The Community Bank methodology characterized by small loan size (144 USD as of July 2009), group meetings, and no hard collateral requirements is used by 88.7% of active borrowers. The methodology also facilitates VisionFund's strong outreach to the poor.

MFI	July 2009
Number of borrowers	85,172
Penetration of households	3.0%
Penetration of excluded households **	3.1%
Penetration of population < \$2 per day	2.8%

Note: ** estimation based on 2009 CGAP Financial Access Study and the estimated proportion of VisionFund clients with no access to formal savings account.

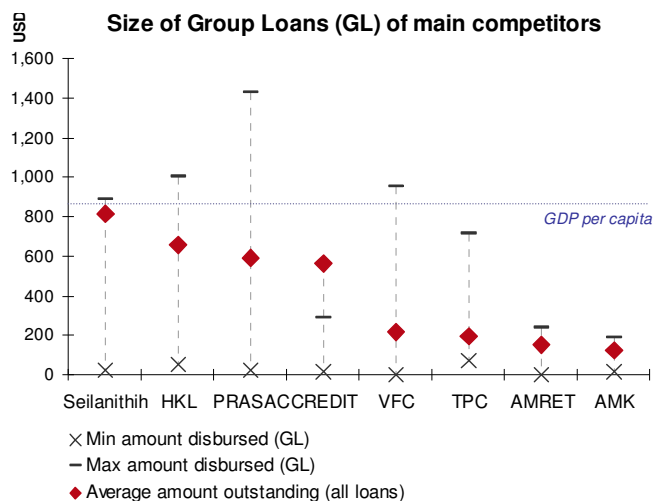
VisionFund serves a satisfactory proportion of its target clientele, with a penetration of 3.1% of the financially underserved and 2.8% of the poor in Cambodia. This was achieved thanks to a satisfactory coverage of Cambodian households combined with a sufficiently efficient targeting. Ranked 3rd in terms of number of borrowers (as of September 2009), VisionFund is one of the important microfinance players in Cambodia and is expected to remain so despite the impact of the crisis on its profitability. Given the growing saturation of the market, VisionFund plans a 33% average growth over the next three next years, lower than its 45% average from 2006 to 2008.

Adaptation of the Services

Indicators	Dec-08	Jul-09
Formal client research related to:		
the development of new products	Yes	Yes
client satisfaction	Yes	Yes
reasons for client exit	Yes	Yes
Frequency of client research	Regularly	Regularly
Borrowers with a loan > 12 months	n/a	n/a
Upgraded borrowers (from group to ind.)	n/a	n/a
% benefiting from savings services	0.1%	0.1%
% benefiting from microinsurance	47.0%	81.5%
% benefiting from remittance services	0.0%	0.0%
% benefiting from mobile payment	1.5%	1.5%
Retention rate (Waterfield/CGAP 2)	n/a	40%
Retention rate (MixMarket)	64%	31%

VisionFund has been conducting client surveys, as well as general economic sector and competition analysis in order to assess its clients' financial needs. Surveys are sufficiently well designed and implemented to provide useful results for decision-making, leading to the adaptation of lending services. Operational processes are sufficiently convenient thanks to adapted office opening hours, close

financial transaction locations, staff proximity, and innovations such as the set up of FX facilities.



Source: www.mftransparency.org and www.mixmarket.org (Dec. 2008).

However, prioritizing Community Bank (CB) Loans (88.7% of total loans) capped at 250 USD (29.3% of GDP per capita), VisionFund has been mainly offering loans of very small amounts, on average at 112 USD for CB Small Business Loans and 154 USD for CB Agriculture Loans. Yet, VisionFund makes efforts to grant loans adapted to the needs and capacity of its clientele by adjusting the size of the loan to the estimated poverty level, and by helping clients to access Solidarity Group loans of higher amounts requiring asset collaterals when deemed appropriate for the client (in average of 338 USD and up to 1,000 USD, i.e. 117% of GDP per capita).²³ Most loans are short term (less than 12 months) but VisionFund has made efforts to provide flexible repayment schedules (bullet payments) for agricultural purposes (73% of borrowers).

VisionFund provides a growing range of financial services to its clients, though still mostly made of lending and micro-insurance services. Based on client feedback, the institution plans to offer emergency, housing, and wedding loans as well. Given the ban on micro-insurance,²⁴ VisionFund subscribes for its clients to VisionInsurance, a pilot program under World Vision Cambodia. Other financial services such as mobile banking are offered through partnerships as well but are provided to a limited portion of the clientele. Upon reception of its license of Mobilizing Deposits Institution (MDI), VisionFund plans to offer savings services. Well-designed savings services would indeed allow VisionFund to better meet its clients' needs.²⁵

²³ VisionFund helps some clients owning land but unable to provide official land title deed to obtain official land ownership certificate.

²⁴ Refer to the section on the Cambodian Microfinance Sector.

²⁵ 53% of clients interviewed during the survey declared having savings at home and 83% declared being willing to open a savings account with VF.

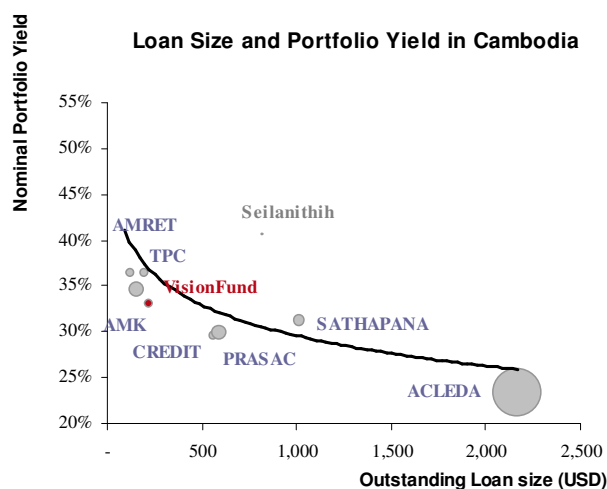
Survey Indicators	% sample
% who would take another loan with VisionFund	58%
% who would recommend VisionFund	88%
Main reasons for satisfaction*	
Low interest rate	29%
Nothing	22%
Ease of access to loans	21%
Polite staff	13%
Main reasons for dissatisfaction*	
Nothing	77%
Slow loan approval	5%
Late payment is not possible	5%
High interest rate	4%

Note: interviewees were asked an open question on what they liked or disliked the most about VisionFund with no obligation to answer.

VisionFund ensures adequate client satisfaction but would benefit from tighter monitoring. The 2007 internal study yielded positive results in terms of client satisfaction (88% of clients planning to renew their loan), corroborated by the satisfactory results of the survey on new clients (refer to table). VisionFund also performs an annual exit survey, effectively used to adapt its services to client needs. However, reasons for exit could be tracked on a more systematic basis to explain the retention rate's trend. VisionFund's retention rate stood at a low 31% as of July 2009, decreasing from 64% as of December 2008. Although VisionFund has not conducted any specific client exit studies since Q4 2008, part of the decrease can be linked to VisionFund's stricter loan approval and the slow down in client activities, both as a result of the financial crisis.

Cost of Services

The cost of services supported by VisionFund's clients is reasonable, thanks to competitive pricing and low transaction costs.



Source: Mixmarket and Planet Rating data as of December 2008. Note: The size of circles is relative to the outstanding loan portfolio.

With an average EIR of 37.3%, VisionFund charges interest rates within the rates observed in Cambodia for similar loan amounts (see graph). According to the June 2008 internal client survey, clients listed the interest rate as reasonable (presumably when compared to informal money lenders) and as one of the main reasons to take out a loan. This EIR includes the cost of microinsurance benefiting to clients.

Transaction costs paid by the clientele are limited. Clients value VisionFund’s proximity of services (according to the 2008 satisfaction study), thanks to financial transactions conducted on the field, minimizing their travel time and costs. VisionFund improved the speed of its services thanks to a more efficient approval process (according to the same study, 91% of clients were satisfied by the time needed to get a loan although 20% had to wait over one week). The survey does not indicate any issues related to the speed of services, in spite of the time-consuming recent delinquency management.

VisionFund has not yet performed any formal cost-benefit analysis regarding the value of the different services offered, which could be useful to streamline services.

■ Social Change

Education, Health, and Basic Services²⁶ are rated “2”

Education, Health, and Basic Services * * * * *

Indicators	Dec-08	Jul-09
% clients who received**		
Education services	n/a	n/a
Health services	n/a	n/a
HIV/AIDS services (through KHANA)	0.1%	0.1%
Other basic services	n/a	n/a
% clients located in World Vision ADPs**	97.5%	97.0%
Awards & Scholarships expenses / net income*	3.0%	(6.7%)

Note: * Net income was negative as of July 09; ** the actual numbers of clients receiving these services from World Vision or other partners are not available; Refer to the institutional presentation for details.

Survey Indicators	% sample
% aware of VisionFund's radio program	33%
Context	
% clients always treating water	45%

In line with WV’s holistic approach to poverty alleviation, VisionFund provides direct or indirect access to health, education and other basic services.

- The institution directly provides financial education and trainings on various topics (e.g. health, education, empowerment) through the client’s orientation, prior to disbursement sessions and on the radio (according to

²⁶ According to Planet Rating’s social rating scale, the rating of the “Social Change” domain is given according to the MFI’s focus among the domain sub-factors. VisionFund focuses more on Education, Health, and Basic Services, and is therefore rated “2” for Social Change.

the survey, 33% of clients are aware of VisionFund’s radio program).

- Financial services are integrated with non-financial services provided by World Vision within its Area Development Programs. World Vision and VisionFund have made efforts to integrate their work geographically and at the strategic, operational and organizational level notably through common training sessions. However, the efficiency of this integration still needs to be measured: for example, there is no reliable measure of the number of clients benefiting from comprehensive services.
- VisionFund also works with other partners such as Plan International (providing basic services to 2.3% of the clientele), KHANA (working with HIV/AIDS affected families), HAGAR (working with destitute women), and ILO (fighting child labor). However, the number of clients covers a very limited proportion of the clientele.

VisionFund provides a few scholarships (14 as of July 2009) to children of its best clients of the year. According to the survey, 71.0% of the children in the households of VisionFund’s clients are attending primary or secondary school, which is above the national average of 58.4% (UNDP 2007). VisionFund has not yet set targets in terms of school attendance, but plans to allocate 5% of its net income to such activities for the coming years.

Gender Equality and Empowerment * * * * *

Indicators	Dec-08	Jul-09
% clients receiving services related to women empowerment	n.a	n.a
% women CBMC	n.a	35%

With 86.5% of women within its clientele, VisionFund aims at empowering women through the provision of microfinance services. The partnerships with World Vision, Plan International and KHANA also pursue this objective by improving their social capital. However, female clients are not fairly represented in Community Bank Management Coordinator (CBMC) who are often the village chiefs (mostly men). Moreover, trainings to CBMC have not been conducted recently, limiting their capacity to effectively fulfill their role. VisionFund does not specifically aim at empowering women at a larger or political level.

Fight vs. Unemployment * * * * *

Among other objectives, VisionFund aims at creating jobs through the provision of microfinance services. However, the design of the MIS does not allow consistent reporting on job creation since it does not give precise information regarding the type of job created (seasonal; part-time/full-time; within the family or not, etc.).

As a socially responsible MFI, VisionFund strives to help young Cambodians enter the work force and develop in their professional life. In 2008, workshops initiated by VisionFund’s managers were provided to more than 2,000 youth across the country.

Democracy and Human Rights *****

VisionFund has not taken initiatives related to the promotion of democracy or human rights.

End Poverty *****

Indicators	
% clients with positive change in social status	n/a
% clients who moved above the poverty line	n/a
% clients who moved below the poverty line	n/a

As an organization willing to “help poor liberate themselves from poverty”, VisionFund had studies conducted to measure whether its beneficiaries are progressing out of poverty thanks to its microfinance services. However, these studies did not accurately measure the impact of VisionFund on the poverty status of its beneficiaries. The study conducted in 2007 is limited by 1) the sample size (297 non-clients and 417 clients in 2007), 2) the lack of longitudinal measure²⁷ and 3) the nature of the poverty assessment tool used.²⁸ The Internal Audit department recently made attempts to track the progress of randomly selected clients by updating their poverty profile on VisionFund’s internal poverty assessment tool. However, as the previous measurement presented some flaws, no conclusion could be drawn yet.

Environmental Sustainability *****

VisionFund has taken some basic measures to promote environmental-friendly activities. According to policy, staff may not finance activities deemed harmful to the environment (e.g. contributing to deforestation or to the degradation of soils). Moreover, VisionFund supports environmentally-friendly activities such as agriculture using compost. However, VisionFund does not specifically monitor the potential impact of its clients’ agriculture practices. In order to optimize the use of its resources, staff is to abide by eco-friendly business practices as stated in VisionFund’s office occupancy and utilities guidelines.

²⁷ The initial poverty levels of interviewed clients and non clients when the clients joined the program are unknown. Moreover, the sample does not include clients who dropped out during the same period.

²⁸ The CGAP poverty assessment tool was used to calculate a relative poverty score within each group of clients interviewed, disallowing rigorous comparisons between groups.

Institutional Presentation

Legal form, supervision and audit

Initially managed by World Vision within its Area Development Programs (ADPs) and later as its Micro-Enterprise Development Program (MED), World Vision microfinance activities were transferred in 2003 to a separate commercial entity, VisionFund Cambodia Limited, as required by the law. First registered in November 2003 with the Ministry of Commerce, VisionFund was registered in December 2003 with the National Bank of Cambodia (NBC). VisionFund secured temporary and permanent MFI licenses from the NBC in May 2004 and May 2007 respectively. In 2009, VisionFund has prepared to apply to an MDI license.

The financial statements of VisionFund, prepared in accordance with national accounting standards and IFRS, have been audited by KPMG for 2006-2008 and by PricewaterhouseCoopers in 2005. KPMG has not qualified its opinion for the years under review²⁹.

Ownership

In 2005, 99.9%³⁰ of VisionFund’s ownership was transferred from World Vision Cambodia (WVI) to VisionFund International (VFI³¹). In July 2009, VFI transformed 0.42 M USD of donated equity into share capital, converted a loan of 1.7 M USD and injected additional capital of 0.7 M USD, to increase VisionFund total paid-in capital to 4.8 M USD, as required by the NBC to be licensed as a deposit-taking microfinance institution.

The Board of Directors is made of seven members, including the Executive Director of VisionFund who has no voting rights. The BOD is chaired by Mrs. Esther Haslim, Country Director of WVC. Other members are coming from the NGO (WVC, VFI, and Hagar) and private sectors (ANZ Royal Bank). BOD members are elected for 3-year renewable terms and meet on a quarterly basis. The Audit & Risk Management committee and the Governance, Nomination & HR committee meet from four to six times per year.

²⁹ However, KPMG indicated that the method of translation of financial statements in KHR required by the NBC, though accurate, does not comply with IFRS.

³⁰ VisionFund was originally owned by World Vision Cambodia and a Cambodian National Staff of WVC, since he Cambodian law requires commercial entities to be owned at least by two or more owners.

³¹ VFI is a holding created by WVI that supervises WVI microfinance activities and owns WV MFIs that transformed into share companies.

Donations and Funding

Since its inception in 2003, VisionFund received 2.3 M USD of donations for on-lending or operating expenses. 86% of donations were received from World Vision offices around the world or WV ADPs in Cambodia. The remaining 14% were received from AusAid or local partner NGOs (Plan International Cambodia, Hagar or Khana). In July 2009, the 18 M USD of outstanding debt funding came mostly from commercial investors (79%) and VFI (19%).

Social Mission

Anchored within World Vision’s holistic approach to improve the well-being of children, VisionFund’s vision and mission were defined at inception and refined in 2009. The **vision** (“Our vision for every child, life in all its fullness; our prayer for every heart, the will to make it so”) remained unchanged while the **mission** (being a “Christian financial institution that provides viable, integrated, market-inspired financial services to help the poor liberate themselves from poverty”) was made more specific to microfinance. VisionFund’s core **values** consist in valuing people and in being Christian, committed to the poor, stewards, partners, and responsive. VisionFund targets the poor regardless of their religious beliefs, gender, or ethnic background.

Penetration of the Services

Through a network of 13 provincial branches and 88 district sub-branches, VisionFund served as of July 2009 85,172 clients located in 90 districts and in 13 of the 21 provinces of Cambodia.



Note: regions served by VisionFund are highlighted

As of September 2009, VisionFund ranked 3rd and 6th in terms of client outreach and loan portfolio respectively among Cambodian MFIs. Its key competitors are AMK, AMRET, and TPC due to their similar loan size and focus

on low-income people, as well as ACLEDA in terms of geographic coverage. VisionFund operates in provinces served by the main microfinance borrowers while less served provinces are generally mostly served by ACLEDA, AMK and TPC.

Provinces served by VisionFund	% VFC Penetration	CMA mb Penetration	#VF Branches	Number of MFIs in the province
Kampot	0.5%	53.1%	2	8
Kandal	5.2%	50.7%	7	17
Takeo	4.6%	50.2%	8	12
Pursat	4.6%	46.7%	5	8
Kampong Speu	8.4%	46.5%	6	11
Kampong Thom	7.2%	45.7%	8	8
Kampong Chhnang	7.4%	41.9%	8	10
Siemreap	2.2%	38.3%	10	14
Preah Vihear	11.2%	36.2%	6	3
Kampong Cham	1.1%	31.7%	5	10
Banteay Meanchey	3.3%	30.7%	6	11
Battambang	9.3%	29.4%	13	13
Phnom Penh	1.0%	11.0%	4	4
Operating areas	4.2%	38.9%	88	21
Cambodia	3.3%	38.9%	-	21

Source: Cambodian Microfinance Association (CMA) report as of September 2009; Note: Penetration rate: # borrowers / # households per province; ‘CMA mb’ stands for MFIs members of CMA.

Management team

The executive management includes the Executive Director (ED), Chief Operating Officer (COO), Finance Manager, Human Resource Manager, Business Development Manager, Senior Operations Manager and Operations Manager. Most of these managers are assisted by more junior managers. The COO, for example, is assisted by two Operations Managers, a Risk and Quality Assurance Manager, a Social Performance and Integration Manager and a Research and Product Development Manager. In addition to weekly and monthly meetings, managers meet through twelve management committees several times during the year. The Internal Audit and Evaluation department reports directly to the Audit and Risk Management committee of the BOD. Its scope was recently widened to include the evaluations of the clients’ poverty level and satisfaction.

The ED, Bora OmSeng, has been in place since July 2004. Prior to this position, he served as Internal Audit Manager for WVC and as Auditor for Ernst & Young Cambodia. Mr OmSeng holds a Bachelor of Management Degree from Maharishi University, Cambodia, with a major in Accounting. He is currently pursuing two Master Degrees, in Organizational Development in Microfinance Management at SAIDI³², and in Business Administration at the Preston University (USA). Mr. OmSeng has been the regional VisionFund Social Performance representative

³² Southeast Asia Inter-disciplinary Development Institute (Philippines).

since January 2009. A new ED is planned to arrive at the beginning of 2010.

Financial Products and Services

VisionFund offers small business loans (SBLs), agriculture loans (ALs) and asset creation loans (ACLs) under the community bank, solidarity group and individual lending methodologies³³. The principal is repaid monthly for SBL, every 2, 3, 4, 5 or 6 months for AL and according to cash flow for ACL. Although loans may be granted in KHR and USD, currently most loans are disbursed in USD. Interest rates are charged on a declining basis and VisionFund does not charge any additional fee. The average Effective Interest Rate (EIR) is estimated at 37.3%

- Accounting for 62% of the total portfolio and 89% of the borrowers as of July 2009, Community Bank Loans are granted to each client of the village community bank and guaranteed by a group of at least four individuals. The maximum and average amounts granted to clients are 250 USD and 144 USD respectively. Loan terms range from 3 to 12 months with an average of 10 months. The interest rates range from 2.85% to 3.5% monthly (according to the branch location and competition), yielding an average EIR of 40.7%.
- Accounting for 11% of the total portfolio and 7% of the borrowers as of July 2009, Solidarity Group Loans range from 251 to 1,000 USD and average 338 USD. Loan terms range from 3 to 14 months with an average of 12 months. The group (2-10 members) and family guarantee, in addition to a pledge on assets (e.g. land titles) are required as collateral and are to cover 180% of the disbursed loan amount. The interest rates range from 2% to 3.5% monthly, yielding an average EIR of 37.1%.
- Accounting for 27% of the total portfolio and 4.3% of borrowers as of July 2009, Individual Loans range from 1,001 to 10,000 USD and average 1,289 USD. Loan terms range from 3 to 24 months with an average of 18 months. Assets (e.g. land titles) in addition to a guarantor are required as collateral and are to cover 200% of the disbursed loan amount. The interest rates range from 1.9% to 2.5% monthly, yielding an average EIR of 29.6%.

VisionFund has been piloting two savings products in Phnom Penh and Kampong Cham since 2007, namely Voluntary Savings (from 1 USD or 4,000 KHR) and Social Investors Deposits (for individuals or organizations willing to make a remunerated social investment from 2 to 4 M KHR or 0.5 to 20 K USD). Offered only to 67 clients as of July 2009, these services will be further developed

³³ Six combinations are currently offered: AL and SBL under the CB and SG methodologies, ACL and AL under the IL methodology.

provided that VisionFund receives a license of deposit-taking institution.

Non Financial Services and Partnerships

VisionFund provides orientation to its clients prior to loan disbursements and during the monthly collection meetings, including messages about gender role, child rights, business development, loan management and HIV/AIDS. These messages are also displayed in the clients' passbooks and developed during VisionFund's radio program.

World Vision Area Development Programs

VisionFund works in conjunction with WV's ADPs, which implement a variety of development projects aimed at reducing the poverty rate in specific regions. ADP projects include health, education, child sponsorship program, child advocacy, vegetable production, water sanitation, infrastructure, emergency relief, food security, and increasing household income, among others. Over a 10-15 year lifespan, ADPs develop activities in efforts to address the needs of these communities.³⁴ Consolidating the growth of ADPs, VisionFund increases the range of services available to these targeted areas in cooperation with WV Economic Development Project. Currently, VisionFund provides microfinance services within or around the 39 ADPs in Cambodia.

Other Programs

In line with its integrated approach, VisionFund has developed various partnerships to offer its clientele a growing range of financial and non-financial services.

- As of July 2009, **VisionInsurance**, an entity set-up by World Vision Cambodia, provides micro credit life-insurance services to VisionFund's clients, for them to have part of their debt and funeral costs covered in case of death.
- VisionFund has been collaborating since 2007 with **Plan International**, a child-centered NGO providing poor and very poor Cambodians access to basic services.³⁵ As of July 2009, 2,361 clients (2.8% of the clientele) located in Siem Reap and Kampong Cham provinces were benefiting from Plan's services.
- In partnership with **Wing Cambodia**,³⁶ VisionFund has initiated in January 2009 a Mobile Money Transfer Service. The service, provided by Wing, is facilitated by VisionFund (registration of clients, provision of Wing

³⁴ The 1st and 2nd development phases extend for five years. Lasting three years, the final phase involves the community taking ownership of the development activities and ADP facilities.

³⁵ Plan International offers services in the areas of food security, water and sanitation, agriculture, education, and disaster management. Plan defines poverty categories based on its wealth ranking methodology.

³⁶ Wing is a subsidiary of the Australia & New Zealand banking Group.

cards). Still offered in a limited number of branches as of July 2009, this service allowed 1,243 individuals (1.5% of VisionFund’s total clientele) to make domestic money transfers.

- In 2009, VisionFund re-launched its partnership with **Cambodia Village Phone**,³⁷ allowing VisionFund’s clients to acquire mobile phones for 55 USD. Granted in rural villages, Village Phone Loans aims at providing clients and other villagers the opportunity to buy minutes, thereby permitting more ample access to markets.
- Since 2007, VisionFund offers in partnership with **Khmer HIV/AIDS NGO Alliance** (KHANA) loans to HIV /AIDS affected families. As of July 2009, this partnership benefited 108 of VisionFund’s clients.
- Since 2008, VisionFund offers loans in partnership with Hagar to destitute and disadvantaged women, who are benefiting from rehabilitation services. As of July 2009, this partnership benefited to 51 women.
- Since 2007, in partnership with **ILO** VisionFund offers loans to parents whose children are at risk of working instead of going to school. This partnership involved 21 families as of July 2009.

Organization

VisionFund’s management team and head office staff, located in Phnom Penh, supervises and supports the provincial branch and district sub-branches among 13 provinces. Reporting to the HO, the Provincial Branch Manager oversees the district sub-branches. Handling the bulk of credit processes, LOs³⁸ are largely assisted by Community Bank Management Coordinators (CBMC) in interacting with clients. CBMCs are remunerated and assist the LOs in arranging the meetings, screening and selecting clients, gathering information, monitoring and solving delinquency. LOs collect cash on the field and deposit it at the bank. As credit risk increased, VisionFund created a Delinquency LO position. All CB and SG loans shall be submitted to the District Branch Approval Committee while IL are approved by the Provincial Branch Approval Committee until 5,000 USD and by (Senior) Operations Managers and COO above.

VisionFund operates through a computerized MIS that is not integrated: eMerge for loan tracking and SunSystems for accounting. Due to the limited internet infrastructure throughout Cambodia, only the Battambang provincial branch is connected on-line. Other branches send paper data by taxi or bus. VisionFund will start implementing GlobalOne (the new MIS purchased by VFI for its affiliates) soon.

³⁷ The partnership was started in 2007 and suspended in 2008 due to its limited success.

³⁸ Loan Officers are called Customer Service Officers at VisionFund.

Networks

As a World Vision partner, VisionFund belongs to World Vision International. The organization also is a member of the Cambodian Microfinance Association (CMA). VisionFund’s ED is a member of CMA’s Board of Directors.

Microfinance sector

Microfinance services started in Cambodia in the early 1990s and were initially provided by internationally-backed NGOs. The Royal Government of Cambodia (RGC) strongly supports rural finance and by extension microfinance as effective tools to fight poverty. Micro/rural finance is one of the two core functioning elements of the current financial system. The National Bank of Cambodia (NBC) has traditionally opted for a self-described “market-based approach”, favoring “light” intervention. Overall, the responsibilities for the sector are divided between the Ministry of Economics and Finance (MEF), NBC and the Cambodian Microfinance Association (CMA).

The microfinance industry has shown significant growth in the past years (55% in 2007 and 65% in 2008). As of December 2008, there were 60 unregistered and 26 registered NGO credit programs (with very limited outreach), while there were 18 MFIs registered as limited liability companies and one commercial bank (ACLEDA) reaching more than 1 million clients. At the end of 2008, the gross loan portfolio for registered MFIs reached an impressive 426.2 M USD.

However, despite strong growth in the sector, demand continues to outstrip supply for microfinance services. Estimated demand for microfinance services is around 1 to 1.5 million active clients out of a total potential client base estimated at 3 million. However, microfinance growth is not equally spreading throughout the country. While the industry is reaching saturation in some provinces, other provinces still show untapped demand. As the sector becomes more saturated, competition also becomes cutthroat imposing portfolio yields to progressively decrease. In the recent past, portfolio yields for the major MFIs have reduced to a measurable degree: on the whole, revenue gained on each unit of loan portfolio outstanding (i.e. portfolio yield in nominal terms) averaged 36.2% in 2006 while it dropped to 34.2% in 2008.³⁹ As of December 2008, the average EIR stands at 35.1%.⁴⁰

³⁹ Planet Rating calculation from MixMarket data taking for the following MFIs: PRASAC, CREDIT, AMRET, CHC, TPC, AMK, VisionFund.

⁴⁰ Eleven Cambodian MFIs reported detailed pricing information to MFTransparency, a global initiative for fair and transparent pricing in the

With increased competition, Cambodian MFIs are slowly shifting their mindset from considering their clients as pure recipients of credit programs, to treating them as customers to be satisfied. In addition to lowering their price, MFIs are making more concerted efforts to diversify their product offering in order to better suit their clients' needs. Some MFIs have improved their product development skills by strengthening their marketing or R&D departments, pilot testing products and conducting client satisfaction surveys, among others. Certain MFIs recently launched products more fine-tuned to their clients' appeal: micro-loans, micro-agro loans, higher loan amounts with more flexible collateral requirements, wider range of repayment options. Some MFIs are also exploring the possibilities of developing mobile banking services; while a few others are looking at legal options to offer micro-insurance products through the set up of a mutual benefit association (MBA). Eventually, several MFIs offer non-financial services to clients, mostly in the form of trainings on topics such as credit management, product development and marketing, among others. This recent new trend is positive for clients as continuous product innovation will ensure that a greater portion of microfinance clients receive financial services that best suit their evolving needs.

On the flip side, increasing competition in the microfinance industry has led to a rising incidence of credit 'pollution' among MFI clients. Anecdotal evidence suggests that borrowers with loan collection problems use loans from one MFI to repay debt from another one. This situation remains all the more worrying as, with the economic recession due to the financial crisis, the delinquency issue has worsened with the non-performing loans in the industry increased from 0.4% PAR 30 at Dec. 2008 to 3.2% in September 2009. Due to the absence of credit bureau, the nature and extent of this cross-indebtedness remains unclear. However, estimates evaluate that out of the total number of active borrowers (around 1 million) there are only around 700,000 unique clients.

Such cross-indebtedness highlights the urgent need for the implementation of a credit bureau in Cambodia. With support of IFC, NBC is currently working on drafting legislation and investigating options for the institutional set-up of the credit bureau even though the bureau is unlikely to become active before 2011. In the meantime, members of the Cambodian Microfinance Association (CMA) have recently agreed to cooperate in order to exchange information on delinquent clients, through the signature of an MoU on "Fair Competition". While only partially mitigating problems of cross-indebtedness, this MoU also

Microfinance industry (www.mftransparency.org). The average stated above is weighed by the number of clients.

raises the issue of the client protection principle on bank secrecy as it allows exchange of clients' information.

Most Cambodian MFIs systematically charge interest rates on a declining basis without any additional fee, demonstrating a fair level of transparency when compared to other countries. Transparency of services is expected to further improve as the majority of MFIs recently cooperated with Microfinance Transparency to calculate and disclose effective interest rates.

Leading MFI (members of CMA) have recently made efforts to improve their social responsibility to staff. Salary surveys were conducted on nine MFIs in 2005 and 2007 and provided MFIs with interesting benchmarks on staff remuneration and turnover.⁴¹ The survey also reviewed the MFIs' respect for labor laws, resulting in noticeable improvements in this field.

Since 1999, the Royal Government of Cambodia (RGC) introduced new banking regulations for the supervision of microfinance through the issuance of a government decree that imposed MFIs with a portfolio over 1 billion KHR (230K USD) to be licensed as Limited Liability Company or as a cooperative in order to, ultimately, fall under the supervision of the NBC. More recently, in 2007, NBC has issued a new decree on licensing of deposit taking institutions. With this decree all MFIs had to stop mobilizing savings unless they obtain a license as a mobilizing deposits institution (MDI). All licensed MFIs must provide monthly reports and comply with well defined prudential regulations. With yearly supervisory visits, the NBC ensures an adequate supervision of the sector overall.

Microfinance Institutions still have to be brought in the Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regime. However, the NBC has already organized workshops for MFIs to prepare to be regulated on AML/CFT.

Socio-economic Environment

After decades of internal conflict that has torn the country apart during the Khmer Rouge Regime, the Cambodian economy has shown impressive growth capacity for the past ten years with an average annual growth of 9.5% during the period 1998-2007. The high level of openness and dollarization of the Cambodian economy, which relies mainly on garment exports, foreign direct investment (FDI) and tourism, coupled with a stable inflation (at 4.7% on average over the decade 1997-2007), explain this growth. However, following the global financial crisis, because of

⁴¹ HRINC conducted the survey. The results are confidential.

the country's importance reliance on international markets and affected by a sudden pick of inflation up to 19% at the end of 2008, Cambodian economy has been slowing down. During the Third Cambodia Economic Forum organized in February 2009, the Cambodian government announced that it expected the annual growth for 2009 to hardly reach 7%. Furthermore, one IFC observer mentioned that the garment industry could have already laid-off up to 20% of its labor force, while real estate growth dropped by 30%.

Through the economy's good performance, incidence of poverty has been improving in the country. According to the World Bank's Poverty Assessment (2006), the percentage of Cambodians living below the national poverty line fell from 47 percent in 1993/4 to 35 percent in 2004, while the GDP per capita went from 987 USD in 2001 to 1,949 USD in 2007. However, at the same time, inequality has increased as reflected by Cambodia's Gini coefficient,⁴² which is up from 0.35 to 0.42 over the same period, making Cambodia one of the most unequal countries in the region.

Poverty in Cambodia remains highly rural, with poverty incidence ranging from a low 10-15% in the city of Phnom Penh to 40-45% in rural areas, reaching 70-80% in some rural areas around the Tonle Basin. Given the large rural population and pressing needs for livelihood improvements, the government has made agricultural development its primary strategy for achieving higher growth and poverty reduction. As a result, agricultural growth has shown solid progress. Nevertheless, agricultural production remains far below its potential because of low productivity, high vulnerability to weather, constrained access to land and markets, and lack of adequate infrastructure.

Gender equality continues to be an issue in Cambodia as women remain marginalized. For instance, between 1998 and 2003 the percentage of female members seating at the National Assembly members only moderately increased from 11.5% to 12.2%.⁴³ Furthermore, in 2001, while women outnumbered men in the labor force (more than 50% of the work force is female), 53% of economically active women, as compared to 32% of economically active men, worked in the unpaid family labor category and almost all of them were agricultural workers.

The education sector has gone through significant improvements in the past decades, and according to the UNDP, as of 2007 the average adult literacy rate was 78%. Particularly focusing on primary school enrollment, the introduction by the government of a sound pro-poor policy

framework has allowed that a greater number of Cambodian children attend some schooling (85% of 15 to 19 year olds completing grade 1).

On the environmental front, the economic growth has accelerated the migration of population to urban centers. In addition, the rapid development of cities has resulted in increasing pollution, higher quantities of untreated urban domestic sewage, industrial effluent and solid waste. In the meantime, sewerage system coverage over the country is limited or no longer functioning. The growth of unplanned settlements outside of big cities has also increased pressure on existing infrastructure and systems of natural drainage, which are crucial to safeguard against flooding. The disposal of hazardous (mostly industrial) waste is also a growing problem in Phnom Penh. There are no special landfills or other treatment facilities for waste, which is often burnt at open dumpsites, together with solid waste. The fact that two of Cambodian key industries, agriculture and tourism rely on environmental preservation means that sustainable management of natural resources are vital for improving rural livelihoods and for economic growth.

The health status of the population in Cambodia is amongst the poorest in Asia. The government spending on health is approximately 3 USD per capita per year. This is mainly due to the lacks of the public health system, which are characterized by a shortage of critical skills, an under-utilization of public health services due to poor quality and very limited public financial resources. This results in a slow improvement of child and maternal mortality (infant mortality rate is still 70‰). On the other hand, the Cambodian government has put strong emphasis on communicable disease control through relatively well funded vertical programs for HIV/AIDS, TB, malaria and immunization. As of 2007, the estimated adult HIV prevalence rate (aged 15-49) was 0.8%.

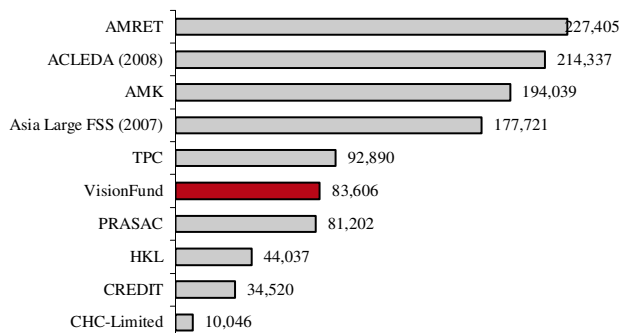
Cambodia has a developing AML/CFT system. The 2007 AML/CFT legislation broadens and clarifies Customer Due Diligence requirements for Financial Institutions and makes possible a significant improvement of the AML/CFT framework in Cambodia, largely superseding the law on drug control (1997) and the Prakas issued by the NBC (2002). However, it does not criminalize ML/TF and suspicious transactions are not yet reported to a Financial Intelligence Unit. The most common ML techniques are supposed to involve real estate investments, banking transactions and casino gambling. Corruption is perceived as widespread in Cambodia. With a score of 2/10 in 2009 (from 1.8 in 2008), Cambodia ranked 158 out of 180 countries on Transparency International's Corruption Perceptions Index.

⁴² Where 1.0 equates with perfect inequality

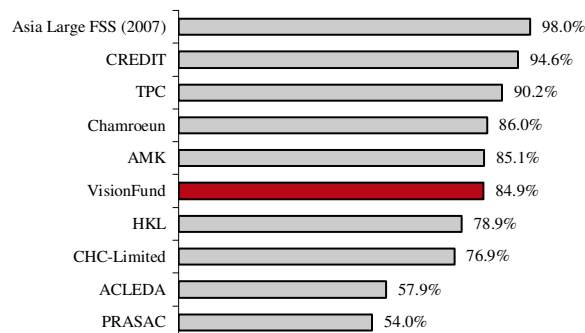
⁴³ World Bank Gender Assessment in 2004 (<http://web.worldbank.org>)

Benchmarking

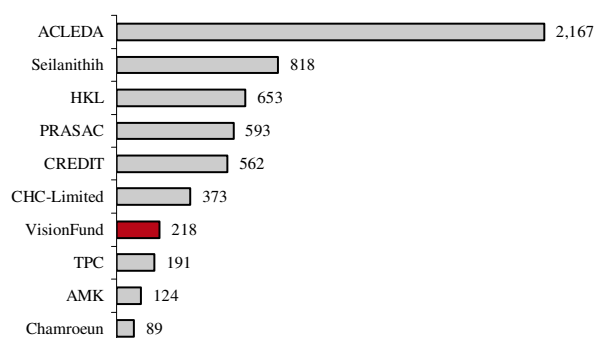
Active borrowers (June 2009)



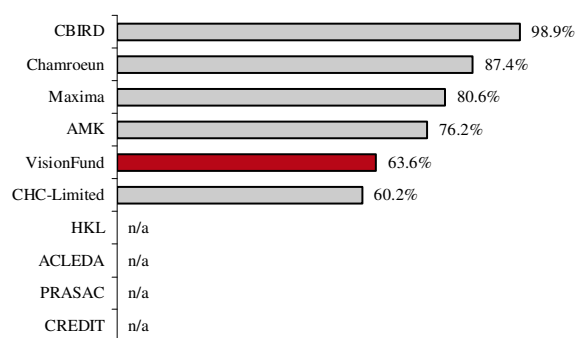
Proportion of women



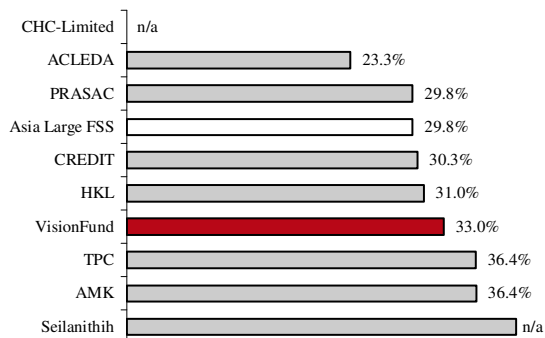
Average outstanding loan per client



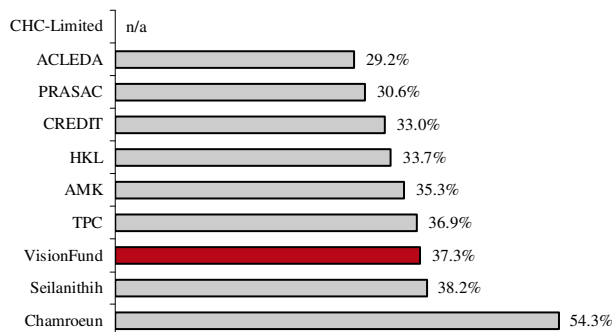
Retention Rate (MixMarket formula)



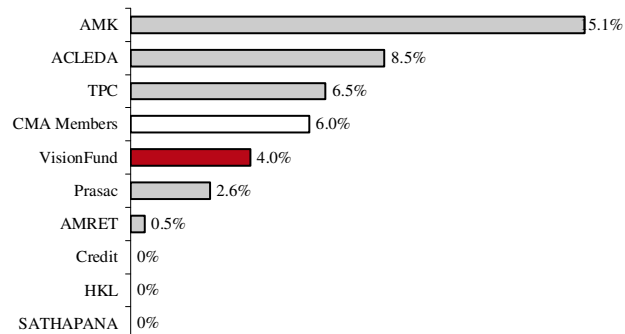
Portfolio Yield



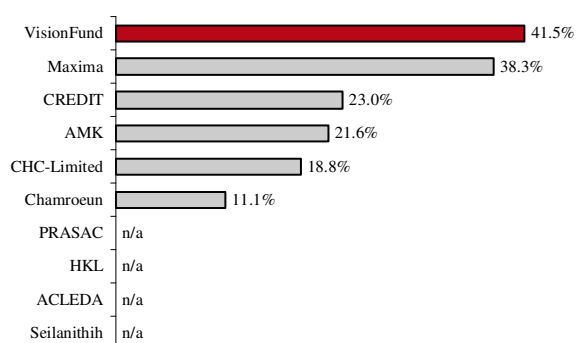
Average Effective Interest Rate



Proportion of clients in provinces where < 5 MFIs operate



Proportion of women in staff



Source: CMA data for active borrowers (June 2009); MixMarket Social Performance Standard Report for other indicators (December 2008); Microfinance Transparency for Effective Interest Rates (September 2009); Asia Large FSS MBB benchmark as of December 2008.

Formulas

Portfolio yield: Portfolio revenue / 13-month average gross outstanding portfolio.

Staff turnover: # salaried staff who left over the period / Average # staff over the period

Penetration rate: # active clients / # households

Retention rates:

- Waterfield/CGAP formula 1: repeat loans / repaid loans.
- Schreiner formula: end borrowers / (beg. borrowers + new borrowers).
- Waterfield/CGAP formula 2: (end borrowers - borrowers with the same loan during the period) / (beg. borrowers + new borrowers - borrowers with the same loan during the period).
- MixMarket formula: (beg. borrowers + new borrowers - end borrowers) / ((beg. borrowers + end borrowers)/2)

Social Performance Rating with Survey

The conclusions of the Social Performance Rating with Survey rely on Planet Rating's analysis of the social performance systems of the MFI, social accounts available at the MFI level, secondary data available at the national level and data collected during the survey. The survey includes data on the socio-economic profile of clients, their level of poverty, and their satisfaction. It also collects data to measure the efficiency of the MFI's Client Protection systems.

The survey was conducted in September 2009 by the local research firm 'Domrei Research and Consulting' (www.domreiresearch.com). The local firm survey conducted the survey in VisionFund's two largest areas of operations (Kandal and Battambang) covering 35% of VisionFund's new clientele from September 2008 to June 2009. 300 new clients (i.e. clients on first loan cycle who received their loan between September 2008 and June 2009) were randomly selected using a cluster-based sampling approach.

Rating Scale

Rating	Definition
5+ 5 5-	Advanced: Long-lasting commitment to social goals; efficient management of social performance and social responsibility risks; institution very likely to achieve a positive social impact.
4+ 4 4-	Convincing: Clear commitment to social goals; reasonable management of social performance and social responsibility risks; institution likely to achieve a positive social impact.
3+ 3 3-	In progress: Clear intent to reach social goals; social performance management systems being implemented.
2+ 2 2-	Incipient: Clear intent to reach social goals; low capacity to manage social performance.
1+ 1 1-	Intangible: Intention to reach social goals is non tangible; low level of management of social performance.
0+ 0	Negative: No intention to reach social goals; mismanagement leads to negative social performance.

Note: detailed rating scales by rating domain are available upon request.