



Human Capital Project

Annual Report

2007-08

“Investing in the Future”

Index

1. President's Report
2. Financial statements
3. HCP structure & donors
4. HCP students
5. Other issues



Glossary

| | |
|--------|---|
| HCP | Human Capital Project |
| UME-BB | University of Management and Economics (Battambang) |

1. President's Report

I first wrote about the idea behind Human Capital Project (HCP) on my personal blog in May 2005 while holidaying in Thailand. At the time I called the scheme a 'loan', but later I discovered that this approach was called 'personal equity' and the idea actually stretched back to 1955. I had written:

"But it occurred to me that there might be a market for micro-financing poor kids through school and then having them repay their debt after they get a job. One way to coordinate it might be to have the children pay a fixed portion of their income back into the scheme... and then use that money to finance more education 'loans'. In this way the scheme can become self-financing"

In 2006 two things came together to give this idea some momentum. First, I volunteered as a lecturer in at Chea Sim University in Cambodia, and got to know several people including Willem Paling and Hong Keasar. Second, my friend Joseph Clark published a paper back in Australia on the idea of personal equity, which he provocatively called "Shares in People".

In January 2007 I made a basic plan for a non-profit personal-equity scheme to be run in Cambodia. Sponsors would fund the first generations of students, who would then pay 10% of their income after they graduate, for a maximum of 10 years. This money would be used to re-invest in future students, so that the project could be self-financing in the future. I discussed this plan with like-minded economists in Brisbane (Joseph Clark, Jason Potts, Kate Morrison) and with their support I decided to go ahead.

In April 2007 I visited Cambodia for two weeks and met with Willem Paling and Hong Keasar, who were also supportive of the project. Keasar introduced me to Kong Pov, who was an administrator at the University of Management and Economics in Battambang (UME-BB). At this time I made informal plans with UME-BB and also Chea Sim University to sponsor students for the next university year.

I returned to Cambodia in July 2007 for one week to make formal arrangements with the universities and to arrange the first intake. On behalf of HCP, I signed a Memorandum of Understanding with UME-BB, spoke with several prospective students, and met more of UME-BB staff including Vice-President Phann Sophon. Since Chea Sim University is government owned, they were not able to make any agreement with HCP without bureaucratic approval, and so that option was not pursued.

Unfortunately, I had come to Cambodia too early to arrange the first intake, as the university year actually starts in September/October. Future trips would need to be made later. As a result of this confusion, the first intake of five students was coordinated by Kong Pov.

In October 2007 I sent over US\$1250 to Kong Pov to cover the costs of five students at US\$250 per year.

In January 2008 Tun Peakday (UME-BB President) and Phann Sophon visited Australia. While they were in Brisbane we meet briefly for the 2008 HCP AGM and to discuss the future of HCP at their University.

I then returned to Cambodia in February/March 2008 for about one month. During this trip I met with Kong Pov, Phann Sophon, and four of the original five students (excluding Chim Saroum). This included visiting the homes of Nhim Chamnan and Phlong Puthearthy. These were the notes I took from those meetings:

“Chamnan’s mum is a school teacher, egg seller, and member of CCP. She has six girls and one grandchild. Three of her children are school teachers (earning \$20/month), two are in school and Chamnan is at university, and she is the hope of the family”

“Rithy’s mum was almost killed by the Khmer Rouge. Accused of being Vietnamese, she was going to be killed after her ‘noodle soup party’ (when they have noodle soup before their execution). Ten days before her noodle soup party, her town was taken over by the Vietnamese army, and so she was saved. She now works for the Sam Rainsy opposition political party (\$20/month + bonuses for conferences). Rithy’s dad was forced to work at a lake under the KR, and ever since has been too frail to work. They have four children, including one with mental and drinking problems, one working in construction, one at school, and Rithy.”

In addition to normal HCP business, I was also briefly involved with a privately run English school for local children based near Battambang. Informally called “Slakram English School”, and run by a local moto-driver called Bun Narath, during my July 2007 trip I arranged for \$120 to cover the costs of a teacher for six months. When I returned in February 2008 I explored the possibility of improving accountability and introducing a school budget, but when that failed I decided to discontinue support.

John Humphreys

President & Director
Human Capital Project

2. Financial statements

The only source for HCP revenue is annual sponsorship. The expenses are the tuition fees for HCP students, and bank costs. For 2007-08 the costs also included a \$120 donation to Slakram English School. The exchange rate at the time of payment was 0.84 AUD/USD.

All expenses are paid initially by the director, and then sponsorship money is only raised once receipts have been issued. This approach was introduced to minimise risk for sponsors.

In 2007-08 HCP ran at a loss of \$512 with revenue of \$1200 and expenses of \$1712.

2007-08 Cash Flow Statement (AUD)

| | | |
|---------------------------|---------------------------|-------------|
| Revenue | Annual sponsorship | 1200 |
| | <i>Revenue sub-total</i> | <i>1200</i> |
| | | |
| Expenses | Tuition fees | 1488 |
| | Bank fees | 81 |
| | Slakram English School | 143 |
| | <i>Expenses sub-total</i> | <i>1712</i> |
| | | |
| Net revenue (profit/loss) | | (512) |

Annual sponsorship

For 2007-08 there were four original sponsors, contributing a total of four student places (A\$300/year). This does not exactly match the tuition fee because the money is raised in AUD while the tuition fees are in USD. Depending on the exchange rate at the time, the donated amount may be slightly more or less than the cost of tuition. Total annual sponsorship for 2007-08 was $4 * A\$300 = A\1200 .

Student fees (USD)

| University | # of students | Cost per student | Total cost |
|-------------------|----------------------|-------------------------|-------------------|
| UME-BB | 5 | 250 | 1250 |

Given the exchange rate at the time, total student fees were A\$1488

Bank fees

Bank fees were incurred both from the Australian (sending) bank and the Cambodian (receiving) bank. The Australian fees were \$30 and the Cambodian fees were US\$43, which is equivalent to A\$51. Total fees were A\$81.

Slakram English School

During the July 2007 trip, Bun Narath approached HCP asking for support to fund one full-time teacher/manager for a local English school, at a cost of US\$20/month. This was agreed as a way to (1) directly help the local community; and (2) potentially increase people's awareness of HCP. However, when it became apparent that there was not going to be any sort of plan or accountability from Narath, support was discontinued. The total cost was US\$120, covering six months of payments. That is the equivalent of A\$143.

3. HCP structure and donors

HCP is a non-profit organisation founded by John Humphreys in 2007. The organisation is controlled by a Management Committee, headed by a President, and advised by an informal Advisory Board.

Management Committee

John Humphreys (President and Director)
Kong Pov (UME-BB contact)

Advisory Board

Joseph Clark
Jason Potts
Kate Morrison
Hong Keasar
Willem Paling

Revenue is raised from sponsors. Original sponsors in 2007 include David and Lin Humphreys, Karen and Ash Gullo, Simon Sussman, and Joseph Clark.

HCP is not currently registered in Australia or Cambodia, and does not have Deductible Gift Recipient (DGR) status. Consequently, donations are not tax-exempt. HCP does not have its own bank account. A website was set up at www.humancapitalproject.wordpress.com which includes basic information about HCP.

Contact details for HCP are:

Post: PO Box 6038 Mooloolah, Qld 4553

Phone: 0404 044561

E-mail: john.humphreys99@gmail.com

Web: www.humancapitalproject.wordpress.com

4. HCP students

At the end of 2007-08, HCP is supporting 5 students at UME-BB. As outlined above, the total cost for both Universities was US\$1250, or A\$1488. All receipts are available on request. A complete list of HCP students (with their school mark, area of study, and expected graduation date) is provided below. Photos of the students are available on the website.

University of Management and Economics – Battambang (using USD)

| Intake | Name | Sex | School | Study | Graduate | Tuition |
|---------------|--------------------|------------|---------------|--------------|-----------------|----------------|
| 2007 | Nhim Chamnan | F | D | Accounting | 2010 | 250 |
| " | Chim Saroum | M | E | English | 2011 | 250 |
| " | Phlong Puthearithy | M | E | Law | 2011 | 250 |
| " | Douk Chantrea | M | E | Management | 2011 | 250 |
| " | Kann Vannchann | M | E | Accounting | 2011 | 250 |
| | Total = 5 | | | | | \$1250 |

5. Other issues

5.1 Admission Procedure

Due to confusion regarding the normal school and university year, the HCP Director was not in Cambodia during the admission procedure. The process was instead managed by Kong Pov, who is the HCP contact in UME-BB. In the future it is important to have the HCP Director involved in the intake, and the regular trip should occur in September/October instead of July.

5.2 Documents

The following documents were prepared:

- * Memorandum of Understanding between HCP and UME-BB (signed July 2007)
- * Application forms
- * General information pamphlet and Frequently Asked Questions (FAQ)
- * HCP contract

There is a need to upgrade the contract agreement to allow for more flexibility with repayments. For example, allowing quick repayments, temporary deferral of payments, etc. There is also a need to translate HCP documents into Khmer, and put them on the internet.