

## The Oxfam Novib Fund, Netherlands

The Oxfam Novib Fund (ONF) for investment in microfinance was set-up by Oxfam Novib (Oxfam Netherlands) in 1997 and has been managed by Triple Jump since 2007. Set-up among others by Oxfam Novib, Triple Jump is a Dutch company that manages five funds including ONF. ONF targets MFIs that have a social mission and work with low-income groups, particularly women, people living in rural areas, and other marginalized groups. Target MFIs are mostly of limited scale and show significant potential to grow despite a higher risk profile and have the potential to 'jump' to other more commercially oriented funds. As of Sep. 2012, the Oxfam Novib Fund included 71 investees for a total outstanding portfolio of 40 M EUR.

### Social Performance Review

September, 2012

#### How do Oxfam Novib and Triple Jump manage the social performance of the MFIs within ONF?

##### *Selection of areas of intervention*

- + Since the update of its social mission in 2011, ONF has strived to focus more on rural areas and has initiated a shift from Latin America to Sub Saharan Africa and Southern Asia.
- The shift is gradual: as of Sep. 2012, 32% of its ONF investees were in Sub Saharan Africa (a more rural region where microfinance is generally less developed), and still 44% in Latin America (where markets are generally more mature).
- + ONF's outreach to SSA nevertheless compares well to that of other MIVs as their total outreach in 2011 stood at 15% for SSA and 40% for Latin America (Symbiotics 2012).
- At the country level, ONF's outreach ranges from underserved markets in SSA (Niger, Nigeria, and RDC) and other regions (e.g. El Salvador, Palestinian territories) to markets with high level of penetration of credit services (Cambodia, Kyrgyz Republic and Bolivia). ONF has sometimes adapted its approach (e.g. by supporting the set-up of a credit bureau in Cambodia), which is however not well reflected in its social mission and overall strategy.

##### *Selection and monitoring of partners*

The alignment of ONF with its social mission (targeting of "MFIs of limited scale and show significant potential to grow despite a higher risk profile") is satisfactory.

- + As of September 2012, 85% of MFIs were still considered as MFIs of limited scale (portfolio below 10 M USD) when they received their first loans from ONF.
- Among them, 43% had already grown beyond 10 M USD as of September 2012 and might be eligible to more commercial funds depending on their financial sustainability and overall risk profile.
- The remaining 15% include mature MFIs, which may operate in challenging environments but also already have access to commercial funds. The rationale for their participation into ONF as well as for the 'jump' of growing MFIs to more commercial funds still needs to be articulated in the strategy and mission.
- + In order to assess the social performance of its partners, Triple Jump has been using a Social Performance Assessment tool (called the SPA) covering key social performance areas important to ONF complemented by red-flag tools (traffic lights on interest-rate and gender). The SPA is useful to value good practices but the current version lacks of scope and depth. Traffic-light tools are useful to detect excessive pricing or lack of intent to promote gender equality.
- The next version of the tools will be more discriminative and will value broader financial inclusion challenges (e.g. access of SMEs to finance or MFI's range of services) but their capacity to flag bad client protection practices or reward excellent ones still needs to be proven.
- These tools have not yet allowed a frequent monitoring of the social performance of partners based on a predefined list of quantitative indicators or qualitative criteria.

##### *Support of partners*

- + Most partner MFIs who answered the questionnaire consider that Oxfam Novib and Triple Jump have contributed to the improvement of their social performance practices, mostly by sharing good practices and providing funding
- A smaller proportion of current ONF-MFIs mentioned the support through technical assistance (TA) due to the fact that only 17% of them received TA. Only a minority of these TA projects have been related to social performance but TA projects on institutional performance (e.g. to develop the MIS) are expected to reinforce the social performance as well.
- ONF has also set specific social performance objectives to a few MFIs such as the decrease of high interest rates.

## How does the social performance of the MFIs within ONF compare to that of rated MFIs?

- The performance of rated ONF-MFIs stands generally at a level of “3” or “In progress” (in a scale ranging from 0 to 5), meaning that ONF-MFIs generally have a clear intent to reach social goals but that social performance management still needs to be further implemented to ensure that MFIs actually reach their social goals.
- + This performance is slightly above the overall Planet Rating benchmark (110 MFIs socially rated since 2008). This achievement is despite the fact that the benchmark includes bigger MFIs, generally performing better due to their level of maturity and more resources available for SPM and thanks to the better performance of smaller and less mature MFIs within the Oxfam Novib fund when compared to that of their peers.
- + ONF’s better performance than the benchmark is also true for Sub Sahara African MFIs, a region where MFIs generally have a lower social performance than others due to a weaker institutional performance (e.g. in governance, information and risk management).
- On the other hand, the performance of ONF MFIs is lower than peers in Latin America as the benchmark for Latin America includes more mature MFIs.

## What are the key strengths and weaknesses in SPM of MFIs within ONF?

The table presents the median grade awarded to the 16 rated ONF MFIs as per Planet Rating’s rating scale (refer to appendix p. 21 for their interpretation). The strongest areas (grades of “4” for “convincing systems”) are highlighted in green while the weakest areas (grades of “2” for “intangible systems”) are highlighted in red. For gender, Planet Rating uses a different rating scale that recognizes good initiatives but do not penalizes the absence of initiative (one star means that the MFI has the intention to promote gender but that specialized initiatives are still very limited). The columns “b” compares the performance of ONF-MFIs to Planet Rating’s benchmark.

ONF’s areas of social performance	Comparison of median to Planet Rating scale and to the benchmark (b)							
	Overall	b	SSA	b	LAC	b	Target MFIs*	B
SPM	3	>	3	>	3	<	3	>
Outreach	3-	>	3-	>	3	<	3	>
Client satisfaction (CPP 1)	3-	>	3-	>	3	<	3-	=
Client Protection	3	>	3-	>	3	<	3-	>
CPP 2. Prevention of over indebtedness	3-	=	2+	>	3+	<	3-	>
CPP 3. Responsible pricing	3+	>	3+	>	4-	>	3+	>
CPP 4. Transparency	3-	<	3-	>	3-	<	3-	>
CPP 5. Responsible treatment of clients	3	<	3-	>	3	<	3-	=
CPP 6. Mechanism for complaint resolution	3-	<	2	=	3-	<	3-	=
CPP 7. Privacy of client data	3	=	3-	>	3	<	3-	<
Gender	*	<	*	<	*	<	*	<

Note: \* Target MFIs are defined as MFIs of limited scale and show significant potential to grow despite a higher risk profile. The proxy used for this statistical comparison is a gross loan portfolio below 10 M USD (as per Triple Jump’s definition).

### Outreach

- + ONF MFIs show a stronger outreach to rural areas as well as lower collateral requirements than the benchmark.
- They however have a less good outreach to underserved areas and the use of tools to measure poverty outreach is still limited.

### Client satisfaction

- Systems to ensure client satisfaction are satisfactory to good but often need to be strengthened to ensure reliability and usefulness.

### Gender

- Initiatives to promote gender equality beyond simple outreach to women exist for all MFIs but remain at a limited level in terms of specialized awareness-raising sessions, training or services.

### Client protection

- The performance in terms of client protection is satisfactory to good for 57% of MFIs but some investees still have relatively significant areas for improvement in that area, especially in terms of transparency, responsible treatment of client and mechanisms for complaint resolution (refer to table on the right). ONF-MFIs perform better in terms of responsible pricing and transparency. Prevention of over-indebtedness is overall similar to the benchmark. Two MFIs nevertheless have a relatively weak performance in that regard.

The distribution per quartile of the 16 rated ONF-MFIs shows in which quartile of the Planet Rating benchmark they stand. When more than 25% of rated ONF-MFIs stand in a given quartile, this is i) a good performance for quartiles 1&2; ii) a bad performance for quartiles 3&4.

Distribution per quartile	1	2	3	4
SPM	25%	6%	38%	31%
Outreach	38%	38%	19%	6%
Client satisfaction	31%	44%	25%	0%
Client Protection	13%	44%	31%	13%
CPP 2	19%	44%	25%	13%
CPP 3	50%	31%	6%	13%
CPP 4	13%	38%	44%	6%
CPP 5	25%	25%	38%	13%
CPP 6	13%	19%	69%	0%
CPP 7	38%	19%	19%	25%
Gender	19%	13%	69%	0%

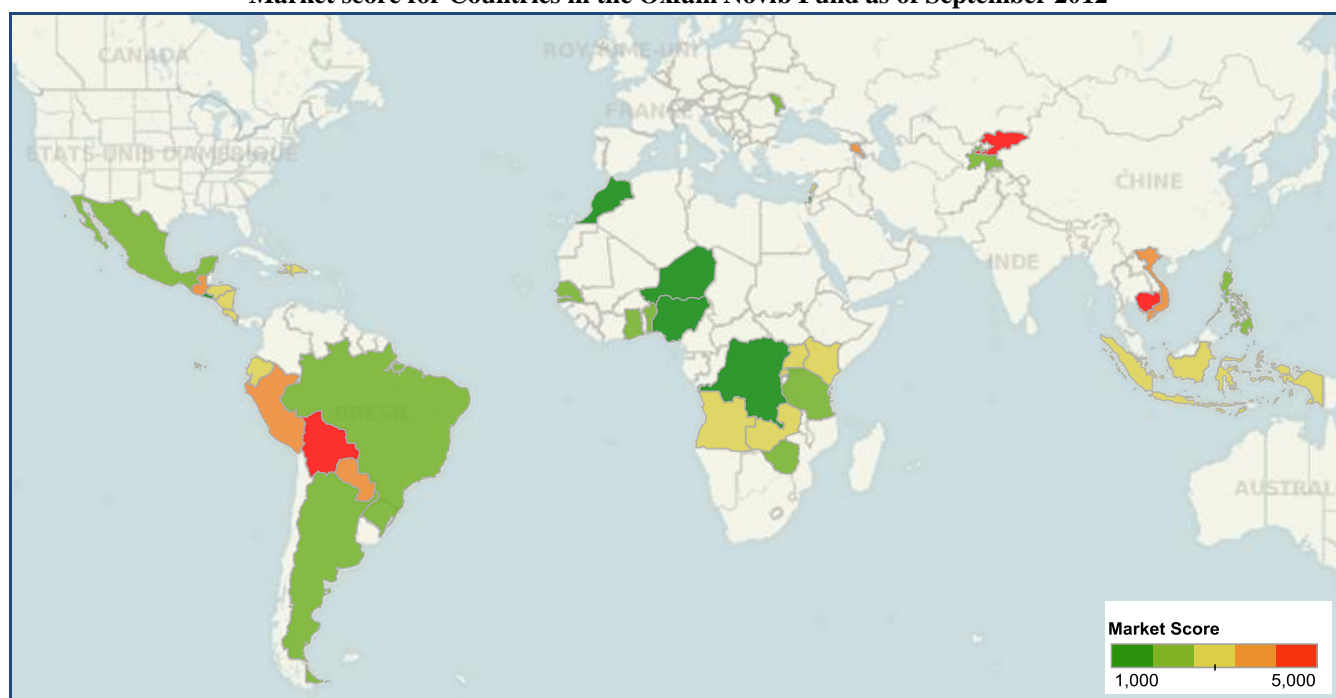
## What can Oxfam Novib and Triple Jump do in the future to contribute to the strengthening of social performance management within partner MFIs?

- *Communication* towards MFIs on ONF's social goals ought to be reinforced, notably on client protection and gender equality.
- *Assessment tools*: the SPA and traffic-light tools could be fine-tuned to help ONF flag bad practices during due diligences. Leaving an area for comments in the SPA would provide more flexibility to the investment officers to describe practices that are not specifically captured in the indicators.
- *Monitoring*: social performance indicators for regular monitoring can be drawn from ONF own tools and current industry efforts (e.g. Mixmarket, USSPM, MFTransparency, ratings; a table of social performance indicators is available page 19). Monitoring efforts need to be further strengthened for MFIs with low social performance in specific domains (ranked in the fourth quartile in Planet Rating's benchmark) to help them improve and reach industry standards.
- *Sharing of good practices*: Based on the feedback received from MFIs, such efforts should be pursued and reinforced by linking MFIs to or raising their awareness on social performance initiatives, notably on client protection.
- *Additional Technical Assistance* on MIS and product development could reinforce institutional and social performance altogether, notably to develop social performance monitoring and systems to ensure client satisfaction.
- *Trainings* to MFI staff seem also necessary to help MFIs build the social performance skills needed to leverage systems.
- *Funding* is of course also valued by MFIs as a mean to increase outreach, including to more remote areas or riskier activities when it is concessional.
- *Industry support*: further encourage initiatives to face challenges that can be more easily solved at the national or regional level (disclosure of declining rates or of APR; set-up of credit bureau or sharing of databases) and tailor industry support to each market:

MIMOSA Category	Market penetration	ONF countries	Approach
5		3 (8%)	Preventing over-indebtedness;
4	Credit capacity exceeded or close to be	5 (13%)	Outreach to underserved segments; Serve still-unmet needs
3	Usual level of development of formal credit	13 (34%)	Promote service quality and sustainable growth.
2		11 (29%)	
1	Under development of formal credit	6 (16%)	Development of market infrastructure; funding of new and existing MFIs.

*Note*: statistics include only countries with HDI < 80 and with global Findex data; more details available in the MIMOSA study.

**Market score for Countries in the Oxfam Novib Fund as of September 2012**



**Source**: Microfinance Index of Market Outreach and Saturation Part 1 – Total Credit Market Capacity; \* detailed explanations on the MIMOSA scoring model are available on [www.planetrating.com](http://www.planetrating.com). The detailed list of scores per ONF countries is provided in the appendices.

## Introduction

### ■ Social mission

Triple Jump manages five funds including the **Oxfam Novib Fund** (ON Fund). ONF mainly finances tier 3 MFIs that show significant potential to grow. MFIs should have a social mission and should service low-income groups, particularly women, people living in rural areas, and other marginalized groups such as minorities and refugees. Generally, the ON Fund finances MFIs with a higher risk profile, that have the potential to ‘jump’ to other more commercially oriented funds with a lower risk profile once a certain scale has been achieved.

As per the **Triple Jump**’s website, its “mission is to contribute to the sustainable development of emerging market economies by facilitating investment in micro and small enterprises. Triple Jump seeks to support the expansion of viable microfinance institutions in all three stages of their development (emerging, expanding and mature) by providing capital and advisory services. Its objective is to work towards effective social impact in emerging markets by harnessing entrepreneurial spirit.

### ■ Objectives of the study

The aim of the study is to assess the level of social performance of MFIs within the Oxfam Novib Fund (ONF) compared to the broader universe of rated MFIs, to identify some common strengths and weaknesses in their social performance practices, to draw lessons for internal policy development on how to better assist MFIs in strengthening SPM, and to improve SP monitoring and reporting at ONF.

The study focuses on processes at Oxfam Novib and Triple Jump to manage the social performance of the fund and is organized as follow:

- Considering the social mission and target of ONF, how MFIs are selected and integrated into the fund?
- What is the state of their social performance? Findings are based on a sample of ratings, questionnaires sent to MFIs, and results from Triple Jump’s due diligence tools
- What initiatives Triple Jump and Oxfam Novib could undertake to assist MFIs in improving their social performance?

The analysis will be conducted on the following areas of social performance that are a focus for ONF: outreach to the underserved / poor; client satisfaction; client protection; and gender. Social Performance Management systems of MFIs are also analyzed as they are deemed key to achieve results on the aforementioned domains.

## ■ Methodology

The scope of work of Planet Rating included interviews with Oxfam Novib and Triple Jump, documentation review, comparison of rating scores (based on previous social ratings as well as additional social ratings and assessments conducted for the study), and results from a social performance survey (based on electronic questionnaire and phone interviews).

Several databases have been used for the purpose of the study and compared to each other:

- ***Rated ONF-MFIs***: social performance scores and indicators of MFIs currently financed by ONF and that were socially rated or assessed by Planet Rating (13 since 2010 and 16 since 2008).
- ***Planet Rating benchmark***: the social rating database of Planet Rating. The 110 MFIs rated since 2008 are used as population for the *rating scores* benchmarks; 82 MFIs rated since 2010 are used as population for *social performance indicators* benchmarks. It should be noted that socially-rated MFIs generally undertook this exercise voluntarily and/or have a stronger focus than the general population of investable MFIs. This might result in a stronger performance of the Planet Rating benchmark when compared to investable MFIs, which should be kept in mind for the analysis below.
- ***All ONF-MFIs***: basic data about the MFIs in the ONF portfolio as of September 2012 (listed in appendixes) in terms of legal form, location and gross loan portfolio.
- ***ONF MFIs feedback***: the feedback provided by 41 MFIs that answered to a questionnaire on social performance sent to the 71 ONF-MFIs (58%).

Prior to comparing the performance in the different samples, the representativeness has been tested (see appendixes for statistics). The following should be considered:

- Given that MFIs from Sub Saharan Africa (SSA) are over represented among rated ONF-MFIs, results presented below are shown separately for SSA. Latin America being the most important region for ONF in terms of investees, results are also shown separately for Latin America. Other regions are significantly less represented among all ONF-MFIs and rated ONF-MFIs.
- Tier 1<sup>1</sup> and banks as well as tier 4 MFIs are over-represented in the PR benchmark while tier 2 & 3 MFIs are over-represented among ONF-MFIs and 2008-2012 rated ONF-MFIs.<sup>2</sup> The cumulated proportion of tiers 3 & 4 MFIs (48%) is only slightly higher for ONF MFIs than for rated MFIs (43%-44%). Tiers 3 & 4 MFIs are the

<sup>1</sup> The Triple Jump tier classification is based on the Gross Loan Portfolio (USD) of MFIs (Tier 1 > 50 M USD; Tier 2 USD > 10 M USD; Tier 3 > 3 M USD; Tier 4 < 3 M USD).

<sup>2</sup> Most of tier II MFIs originally entered the ONF as Tier 3 MFIs. Refer to next section for details.



main targets of ONF and have generally lower scores than the more mature tiers I and II MFIs. In order to overcome a bias against the performance of ONF, scores are shown for tiers 3&4 MFIs separately and taken into account in the analysis. Finally, the proportion of tiers 3&4 ONF-MFIs rated from 2010 to 2012 is lower (31%), which should be kept in mind when benchmarking *indicators*.

- NGOs are over-represented in rated ONF-MFIs, especially in the population of rated ONF-MFIs from 2008 to 2012. They have generally higher scores than MFIs of other legal forms but this is not specifically the case of the three NGOs rated in 2008 and 2009, which limits the effect on the scores. Scores are nevertheless shown separately for NGOs for information purposes.
- The benchmarks used in the analysis have been collected from 2008 to 2012 for scores and from 2010 to 2012 for indicators. The performance of MFIs may have evolved since then. Besides, in spite of the different periods used for scores and indicators (2008-2012 vs. 2010-2012), the difference between scores given in 2008-2009 and 2010-2012 is not significant. Social performance indicators can therefore be used to explain social performance scores.

## Social Performance Review

### ■ Partner selection, monitoring and support

*Key question:*

⇒ *How do Oxfam Novib and Triple Jump manage the social performance of the MFIs within ONF?*

#### Social mission and targeting

The Oxfam Novib Fund (ONF) has redefined its social mission in 2011 to focus more on rural areas and took the decision to gradually shift the ONF portfolio from mature markets in Latin America and ECA to more underserved ones in SSA and Southern Asia. The Oxfam Novib Fund started activities in new countries such as Zambia in 2010, Benin and DRC in 2011; as well as Tchad, Togo and Namibia in 2012. Although operating in some of these countries is not part of the Oxfam Novib mandate, disbursements were approved given the alignment with ONF mission. As of September 2012, the allocation of ONF investments in terms of the number of investments showed a clear regional concentration on Latin America (44%) and SSA (32%) to a lesser extent, despite the on-going shift. The outreach to SSA compares favorably to the total outreach of MIVs in 2011 (15% for SSA and 40% for LAC in terms of number of investees according to the 2012 Symbiotics MIV Survey). According to the same study, SSA is also the region with the highest regional growth rate (+54% for 2010; +41% for 2011).

Planet Rating's tool to estimate total credit capacity (**Microfinance Index of Market Outreach and Saturation** or **MIMOSA**) provides a useful perspective on the geographical targeting of ONF (see table below and in appendixes). In addition to highlighting risks, the market score can also provide guidance for policy objectives (refer to last section of the report).

*Formal credit utilization is highly correlated to the Human Development Index, reliance on formal savings and semi-formal loan of a country's population. The MIMOSA tool accordingly predicts the market potential for formal credit utilization through a formula based on these three indicators. The predicted market potential is compared to the current use of formal loans and assigns a 5-point market score, ranging from countries that are under-served to those that may be approaching or exceeding the upper limit for sustainable credit use.*

Category	Market Penetration	Num (share) of countries HDI<80	Num (share) of ONF countries HDI<80
5	>100% above predicted level	6 (6%)	3 (8%)
4	50-100% above predicted level	14 (13%)	5 (13%)
3	0-50% above predicted level	29 (27%)	13 (34%)
2	0-30% below the predicted level	32 (29%)	11 (29%)
1	>30% below predicted level	28 (26%)	6 (16%)

Note: More background information is available in the MIMOSA Study. Please refer to appendices for the MIMOSA score of ONF countries and for a graph comparing countries and HDI.

- Six markets (16%) are scored as 1, implying significant under-development of formal credit use. These include Niger, Nigeria, RDC, El Salvador, Morocco, and Palestinian territories.
- 24 markets are scored 2 or 3 (63%) and generally have a normal level of development in the use of *formal credit*, which explains why countries where the microfinance offer is limited are listed in this category.
- 8 markets score 4 or 5 (21%) and might be approaching their credit capacity threshold or have already crossed it. Markets receiving the highest score (5) are Bolivia, Cambodia and the Kyrgyz Republic, where strong emphasis on preventing over-indebtedness is required. Triple Jump has participated to credit bureau initiatives in Cambodia. Markets that received a score of 4 include Vietnam, Armenia, Paraguay, Guatemala, and Peru.

In terms of maturity, ONF includes MFIs that were mostly of tier 3 or 4 (for 85% of them) when they entered into the fund. The remaining 15% include 11 MFIs, out of which three had an OSS below 100%, reflecting a challenging working environment (notably in Palestine and Moldova). None of these 11 MFIs are in SSA. As of September 2012, many of the tiers 3 or 4 MFIs (according to their gross loan portfolio when they joined the fund) have grown to a larger scale and would be considered as tier 2 today.

Most MFIs targeted by the ONF serve micro-entrepreneurs and informal businesses, as stated on Triple Jump's website. The ONF has nevertheless also financed MFIs targeting SMEs (e.g. MicroInvest in 2009 and Finadev in 2011), reflecting a will to address broader challenges related to financial and social inclusion, such as unemployment and access to a wide range of financial services. This orientation has however not yet been formally reflected into the social mission.

### Partner selection

Since 2009, Triple Jump has been using a specific Social Performance Assessment (SPA) tool during its due diligence according to defined social performance criteria in line with ONF mission. The use of such a tool distinguishes the Oxfam Novib Fund from the broader universe of investors who may not always use formalized social performance scorecards. It has allowed Triple Jump to have a satisfactory assessment of the target MFIs' social performance, notably thanks to several improvements added since 2010.

The current SPA tool<sup>3</sup> covers the key areas of social performance important to ONF (outreach, client satisfaction, client protection, gender, HR practices and social performance information) through basic indicators. Although useful to screen practices during a 2-day due diligence and to reward good practices, the SPA does not sufficiently penalize bad or insufficient practices and was therefore complemented by red-flag tools since 2010: i) the gender traffic-light tool is designed to avoid financing MFIs with an insufficient focus on gender at the client and HR management level; ii) the interest rate traffic-light tool has helped ONF avoid financing MFIs with too high interest rates (red light) and accompany MFIs with a level that needs to be reduced in the medium term (yellow light). The pricing of MFIs receiving a yellow light is monitored and MFIs are usually expected to decrease their rates within two years. The tool is useful to provide a contextualized assessment of the pricing of an MFI.<sup>4</sup> Given that some MFIs receive a score close to the yellow-light limit, a more frequent monitoring could be useful.

The forthcoming version of the SPA tool is more extensive and is expected to facilitate the distinction between MFIs thanks to a more discriminative scoring. Areas of performance are relatively similar but more emphasis is made on social performance management while broader financial inclusion goals are also rewarded (e.g. outreach to SMEs, provision of a wide range of services). The decrease in the weight of the client protection domain (to 25% from 35%) is compensated by the increase in the weight attributed

to client service (from 12% to 20%) and the strengthening of the interest-rate traffic-light tool.

The future SPA presents some limits to assess the social performance of an MFI, to some extent inherent to a tool designed to be filled in during a short on-site mission. The social performance of MFIs also strongly depends on the reliability of their tools (e.g. poverty scorecard or client satisfaction studies) and the actual use of results, which is currently not well captured in the SPA. For example, the evaluation of outreach requires a careful interpretation of the SPA indicators as few poverty scorecards have proven track record. Measures such as the loan size (e.g. compared per GDP)<sup>5</sup> are informative but not discriminatory.

### Partner monitoring

Current social performance monitoring is limited as the SPA is used only at the new loan disbursement or renewals so far. Its update through on-desk work is currently not conducted because not practical. ONF still needs to identify which key indicators could be updated easily for a regular monitoring (leads are provided later in this report).

Indicators collected in more frequent financial performance reporting are very basic (# clients, % women, % rural) are also shared in the yearly ONF progress report. However, no data is available on the outreach to "other marginalized groups such as minorities and refugees" as stated in the social mission (this data is not often available at the MFI level). Grades given to the SPA are also consolidated in the progress report. The updates on the status of MFIs with yellow traffic lights (introduced in the 2012 progress report and monitored internally during the year) are particularly valuable. However, the social performance summary provided for each MFI in the progress report remains relatively limited.

### Partner support

According to the ONF-MFIs feedback,<sup>6</sup> funders are the third main instigators of social performance improvements (they are listed by 49% of MFIs), after the management team (76%) and the BoD and/or shareholders (71%). This confirms the major role funders play in promoting best practices. When asked whether Oxfam Novib / Triple Jump contributed to improve their SPM practices, 73% of MFIs have responded positively. The following practices have been cited by MFIs:

- **SP Expertise or promotion** (27%): showing that Triple Jump's investment officers do share best practices, ideas and advices;
- **Affordable or cheap funding** (22%): notably to reach out to rural areas or underprivileged population;

<sup>3</sup> The SPA has been evolving over time. The current version was still in use as of February 2013. A new version (discussed later in this section) has been drafted and will be submitted for approval to ONF.

<sup>4</sup> The tool notably considers APR, loan size, peers' performance, cost of living in the country, level and use of profit, recent pricing evolution, as well as estimated profitability of the clients' businesses.

<sup>5</sup> Although it is true that better-off clients apply for larger loans, there is no corresponding evidence showing that only the poor apply for small loans.

<sup>6</sup> 41 MFIs out of 71 answered the questionnaire (58%).

- **Funding** (10%): for example in local currency to avoid exposing clients or simply to expand outreach.
- **Collaborative set-up of objectives**: for ONF-MFIs that received a yellow interest rate traffic-light (9 MFIs as of September 2012), Triple Jump included a clause in the contract or obtained a commitment letter from the MFI to ensure that interest rates are decreased in a reasonable time frame (usually two years). Another MFI received funding from ONF once its gender traffic light became green. The feedback of these 10 MFIs on such mechanism (e.g. to what extent these objectives became important internal objectives) is however not available as they did not participate to the survey. Among MFIs that participated to the survey, only one MFI (Fides in Namibia) mentioned that provisions in the refinancing contract helped them improve their social performance.
- **Technical assistance**: 96 TA projects have been either completed or started by Triple Jump Advisory Services since 2006. Only three were related to social performance but the majority of projects are related to areas designed to strengthen the institutional performance of MFIs (MIS development, governance or product development - see table below) which is generally strongly correlated to social performance. In addition, some projects to strengthen MIS have included modules to help MFIs capture social performance data. In the survey, only two MFIs (6%) mentioned TA as an area of collaboration, which could be explained by the fact that direct TA on social performance has been also limited for MFIs currently in the portfolio of ONF.

# TA projects per service area *	2006-12	%	ONF as of Sep. 2012**	%
MIS	49	64%	13	72%
Governance	28	36%	5	28%
Product Development	11	14%	4	22%
Social Performance	3	4%	1	6%
Mobile Banking	5	6%	0	0%
Various	20	26%	0	0
<b>Total projects</b>	<b>96</b>		<b>18</b>	

Note: \* the 96 projects were completed or in development (24 others were recently approved); some projects tackle several service areas; out of 1.7 M EUR of projects completed or in development, 344 K EUR (20%) was allocated in MFIs currently in the Oxfam Novib Fund; \*\* figures for MFIs in the ONF portfolio as of Sep. 2012.

## State of social performance in MFIs

### Key questions

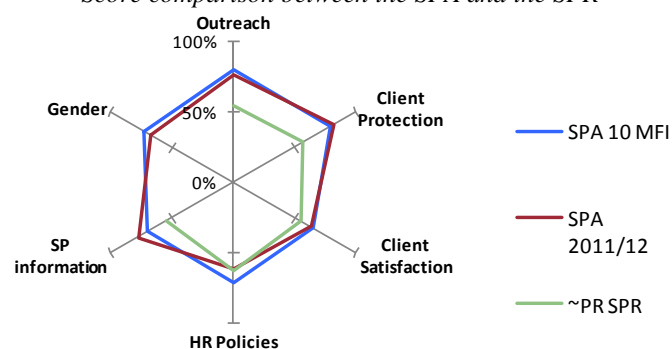
- ⇒ How does the social performance of the MFIs within ONF compare to that of rated MFIs?
- ⇒ What are the key strengths and weaknesses in SPM of MFIs within ONF?

## Comparison between the SPA and Planet Rating's SPR

In order to help Oxfam Novib and Triple Jump interpret the following social performance analysis based on rating grades, the SPA and SPR scores have been compared for the 10 MFIs for which Planet Rating has made a recent social rating and received the ONF SPA tool. This comparison can also be useful to identify areas for improvement in the SPA. It was done by translating original rating scores (from 0 to 5) in a scale from 0% to 100%, which allows a rough comparison with SPA scores. The scores given with Planet Rating's SPR are generally lower than scores given with the SPA. In terms of weighting of the areas of social performance, the SPA values more outreach and gender while social ratings value more HR policies and social performance management.

Based on the sample of 10 MFIs, scores provided by Planet Rating are lower for most areas: outreach (-25 points), client protection (-22 points), social performance information (-15 points), client satisfaction (-10 points) and HR policies (-9 points).<sup>7</sup> It should be noted that average SPA score for this sample (77%) is 7 points higher than the overall score of all MFIs assessed with the SPA over the last period, which could be explained by the fact that they are more mature (69% are from tier 2, vs. 49% for all MFIs in the ONF as of Sep. 2012). By areas, the scores are comparable in terms of outreach, client protection, and client satisfaction, implying that conclusions based on this sample of 10 MFIs can be reasonably generalized to the use of the SPA for these areas. Scores of the sample are better in terms of HR policies and lower in terms of SP information, which should be kept in mind in the following analysis.

### Score comparison between the SPA and the SPR



In the sample, the main differences when comparing the SPA and SPR score are observed for ACME (rating: "Incipient" vs. SPA: "good"), Fundacion Alternativa ("In progress" vs. "Excellent"), Ugafode ("Incipient" vs. "Good") and Urwego ("Incipient" vs. "Good"). Caurie received similar rating and SPA (In progress" and "Good") but the numerical scores still significantly differ (> 15 points). Planet Rating also provided higher scores in some cases. The differences are due to the difference in scope (in terms of client satisfaction and social

<sup>7</sup> For gender, the score comparison is not possible because the SPR does not include a specific grade on gender. A grade is provided on "gender equity and women empowerment but does not cover the same criteria.

performance information) and depth (in terms of outreach and client protection), both usually more developed in the SPR (except for gender). Given these limitations, investment officers might not have always captured the practice of the MFIs in the Excel tool, either because they did not identify them or because the tool did not have sufficient flexibility. The differences are presented below for each area of social performance.

- **Outreach to poor and excluded people:** Ugafode, Urwego, ACME and Fundacion Alternativa received average ratings in terms of outreach (lower than the SPA score) due to the lack of use of targeting or poverty measurement tools to actually track their achievements on that front. In addition, Urwego and ACME in particular do not work in areas particularly excluded from financial services. The SPR score is higher than the SPA one only for Microcred Senegal, in part because the SPR values the outreach to the excluded in general; while the SPA use indicators such the loan size as a proxy for outreach to the poor.
- **Client protection:** SPR scores are systematically lower than SPA scores, due to the consideration of the following factors in the SPR: i) the lack of detailed list of forbidden behaviors for staff interacting with clients at ACME, Caurie and Fundacion Alternativa in spite of respectful organizational cultures; ii) severe recovery practices for Ugafode and a need for field staff training on appropriate recovery practices for Ugafode and Urwego; iii) the lack of access to reliable credit bureau data for most MFIs and insufficient repayment capacity analysis, especially for Ugafode; iv) insufficient transparency for Ugafode (low transparency index and insufficient documentation provided to clients).
- **Social performance information:** the SPR score is lower than the SPA one for ACME, Fundacion Alternativa and Microcred due to the limited monitoring and integration in the MIS of social performance indicators. The SPR score is higher for TYM Fund as the SPR strongly values the use of data from client research.
- **Client satisfaction:** the SPR score was capped at average levels for three MFIs: Fundacion Alternativa and Fundacion Paraguay because of their limited product range; Fundacion Alternativa and Urwego due to the limited use of tools to understand clients' needs. On the other hand, the SPR score was higher than the SPA for Fondesurco and Microcred due to their good product range; and for ACME thanks to the on-going development of new products.
- **HR policies:** scores are actually not easily comparable as the SPR encompasses more HR issues than the SPA. Both consider staff remuneration and turnover while the SPR also analyzes staff equal rights (which is partially captured in the gender indicators of the SPA) and general labor conditions.

Based on social rating scores, the following sections assess the level of social performance of ONF MFIs compared to the broader universe of rated MFIs. Rating scores are used rather than rating grades to allow the comparison of the performance of ONF-MFIs with the benchmark. Refer to the correspondence table between rating scores and rating grades page 22. A first overview of scores provided by area of social performance is given in the table below:

Median score unless otherwise stated	PR benchmark	Rated ONF-MFIs	Difference
Social Performance Management	3.0	3.1	+0.05
Outreach	2.5	2.7	+0.17
Client satisfaction	2.5	2.8	+0.25
Client Protection	2.9	3.0	+0.02
Gender (average)	0.8	0.6	-0.20

Note: For gender, the rating scale is different. Scores were therefore averaged and adjusted to allow for an indicative comparison.

### Strengths and weaknesses > Outreach

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.5	2.0	3.0	2.7	2.5
Rated ONF MFIs	2.7	2.5	2.8	2.5	2.8
Difference	0.2	0.5	(0.2)	(0.2)	0.3

The rated ONF-MFIs score 2.7 (median) for the factor outreach which compares well with the benchmark (2.5) and is satisfactory according to Planet Rating's scale. The better performance of ONF MFIs is more visible in SSA (+0.5). This is also the case for tiers 3 & 4 MFIs that ONF targets (+0.3), which can be explained by the fact that the benchmark include more tier I MFIs (which breadth of outreach impacts positively their score in Planet Rating's scale). Given that outreach indicators measuring the actual level of poverty or exclusion of the MFIs' clientele are rarely available, Planet Rating is using proxies to give an opinion on whether MFIs actually reach out to their target population. The better performance of rated ONF-MFIs was achieved thanks to:

- Very low collateral requirements by most rated ONF MFIs and therefore low barriers to entry for potential clients to access microfinance services. The median of the ratio of clients with social collateral stands at 99% for rated ONF-MFIs, vs. 93% for the benchmark. In the case of Al Majmoua (Lebanon), the ratio of social collateral stands at 22.3%, reflecting the low proportion of group loans in its loan portfolio.<sup>8</sup>
- Stronger outreach to rural areas for ONF-MFIs (median of 74%) than for the benchmark (46%). Seven out of the 12 MFIs demonstrate a particularly strong outreach to rural areas (93% for Fondesurco in Peru, 89% for TYM Fund in Vietnam, 75% for PEACE in Ethiopia) but it is

<sup>8</sup> The provision of group loans is very limited in Lebanon. Al Majmoua requires collaterals for individual loans but the latter remain nevertheless accessible to poor employees.



below the benchmark for Microcred (0%) ACME (25%) and Fundacion Paraguaya (37%).

- High proportion of exclusive clients,<sup>9</sup> standing at 68% for Fundacion Paraguaya (better than 48% for Financiera el Comercio) and 63% for Fondesurco (better than other MFIs that were socially-rated in Peru).
- Outreach to women: the median for the ONF-MFIs (70%) is also above the benchmark (63%), notably due to the fact that three MFIs target exclusively women (TYM Fund in Vietnam, Alsol in Mexico and Caurie in Senegal). Data on whether women actually benefit from their loan (or at least use it for a business where they participate) is however not available.

However, rated ONF-MFIs perform slightly less well in terms of outreach to underserved areas: the weighted average of the proportion of clients in areas with no or low competition stands at 17% for rated ONF MFIs vs. 22% for the benchmark. Tiers 3 and 4 rated ONF-MFIs nevertheless perform better than their peers (48% vs. 26%). Highest ratios are found in SSA for PEACE (75%) and Ugafode (44%).

Quartile*	MFIs	Distribution
1	PEACE, Fundacion Paraguaya, Fondesurco, Al Majmoua, TYM, Caurie	38%
2	Al Sol, Arariwa, Alternativa, Prisma, MicroCred, FINCA Tanzania	38%
3	UGAFODE, AMSSF, UOB	19%
4	ACME	6%

Note: \* the distribution per quartile of the 16 rated ONF-MFIs shows in which quartile of the Planet Rating benchmark they stand. Quartiles are calculated based on Planet Rating's 2008-2012 social performance rating database. When more than 25% of rated ONF-MFIs stand in a given quartile, this is a good performance for the quartiles 1 and 2 and a bad performance for the quartiles 3 and 4.

Although the median score for rated ONF-MFIs remains at a satisfactory level ("in progress" according to Planet Rating's scale), 75% of them are in the first two quartiles when compared to the MFIs socially rated by Planet Rating since 2008. Six out of the sixteen rated ONF-MFIs (38%) reach the first quartile as they started implementing stronger mechanisms such as geographic and methodological targeting tools. However, MFIs below the first quartile generally still lack of specific targeting and measurement tools as well as well-defined targets in terms of outreach.

**ONF-MFIs feedback:** the on-going development of client targeting by MFIs is reflected in their answers to the social performance questionnaire. When asked to evaluate their strengths and weaknesses in terms of outreach to the poor and excluded, MFIs mentioned the following tools:

- **Geographical targeting** tools (e.g. through the outreach to rural or remote areas) have been identified by 54% of MFIs as a strength and by 27% of MFIs as an area for

improvement. Several MFIs (FINCA Tanzania, Ugafode, Mikroking) have identified the use of new technologies (ATM, POS, mobile banking) as a future key-success factor to expand outreach to rural areas.

- **Methodological targeting** tools are an asset for 37% of MFIs (group lending, adapted guarantees and low eligibility criteria in general) but remain a challenge for 20% (need for diversification of loan products, adaptation of the methodology to rural areas and partnerships with BDS providers).
- Only three MFIs cited profitability as a constraint to allow better outreach (AMSSF, Ambito Productivo, and Empreda).
- **Individual targeting** comes only as the 3<sup>rd</sup> strength mentioned by MFIs (27%). Among MFIs that answered the questionnaire, only two (Caurie and CEP) seem to be using specific assessment tools while other MFIs highlight their targeting of specific groups (disadvantaged groups, women, vulnerable). MFIs' limited references to individual targeting tools reflect their limited development, as witnessed during social ratings. However, initiatives are on-going as four MFIs have expressed their will to start using or further develop poverty assessment tools (Al Majmoua, Caurie, Fondesurco, and Microcred).

#### Strengths and weaknesses > Client Satisfaction

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.5	2.0	3.3	3.0	2.5
Rated ONF MFIs	2.8	2.5	3.0	3.0	2.5
Difference	0.3	0.5	(0.3)	-	0

The rated ONF-MFIs score 2.8 (median) for the factor "adaptation of the services" (a proxy for client satisfaction), which compares well with the benchmark (2.5). The better performance of rated ONF MFIs is particularly visible for SSA since their score reaches 2.5, 0.5 points higher than the SSA benchmark and equal to the global benchmark. Again, this relatively fair performance is despite the presence of 21% of tier 1 MFIs in the benchmark. Tiers 3&4 rated ONF-MFIs perform less well than all rated ONF-MFIs but have a performance equal to the benchmark, showing that their performance is satisfactory when compared to their peers. This is reflected in the table below that shows a good distribution of rated ONF MFIs by quartile.

Quartile	MFIs	Distribution
1	Fund. Paraguaya, Fondesurco, Prisma, Al Majmoua, TYM	31%
2	Arariwa, PEACE, MicroCred, Alternativa, ACME, Caurie, URWEGO	44%
3	Al Sol, UGAFODE, AMSSF, FINCA Tanzania	25%
4	n/a	0%

Most MFIs do not measure directly client satisfaction but a set of proxies can be used to estimate to what extent the

<sup>9</sup> Exclusive clients are clients for which the MFI is the only provider of financial service (usually credit). The ratio is available in countries such as Peru, Ecuador, Bolivia and Paraguay where credit bureaus are functioning.

current product offering of MFIs is well adapted to the clients' needs:

- The range of financial services offered by rated ONF MFIs is globally similar to the benchmark with 54% of them offering savings in addition to credit (vs. 45% in the benchmark). ONF-MFIs perform better than the benchmark in SSA (100% vs. 68%) but less well in Latin America where none are offering savings services as they are NGOs not allowed to by regulation. However, the proportion of rated ONF MFIs providing money transfer services stands only at 15%, which is half of the benchmark (27%). None of the rated ONF MFIs in Latin America provide money transfer services (vs. 35% in the benchmark).
- Client research is an asset of rated ONF-MFIs as 85%, 69% and 46% have conducted satisfactory studies on new product development, client satisfaction and reasons for drop-outs respectively (vs. 62%, 54% and 39% in the benchmark). It should be noted however that about half of these MFIs would need to strengthen their skills in terms of client research to ensure their reliability and usefulness.
- However, in Latin America, the proportion of clients of rated ONF MFIs receiving loans above 12 months remains low: the median stands at 18% below the Latin America benchmark of 37%. This indicator is not shared for MFIs in Africa as data is often not available.

**ONF-MFIs feedback:** ONF-MFIs generally consider that they have already well-adapted lending products thanks to an adequate identification of clients' needs through surveys. 24% only consider that their services are well-diversified and 17% that they are offering innovative products. Accordingly, diversification, innovation and conducting satisfaction studies are more frequently cited as area for improvement than strength. Diversification would require changes in the organization structure for Arvand and transformation for Fondesurco. Further adapting current loan products remains very frequently cited by MFIs (44%), which indicate that MFIs also consider that additional client surveys are required to better satisfy their clients. Interestingly, CEP Vietnam and Opportunity Kenya would like to develop non-financial services or related partnerships, while Grooming Center aims at introducing Mobile Banking.

#### Strengths and weaknesses > Client Protection

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.9	2.1	3.3	3.0	2.7
Rated ONF MFIs	3.0	2.6	3.0	3.0	2.8
Difference	0.0	0.6	(0.3)	-	0.1

Quartile	MFIs	Distribution
1	Al Majmoua, Fondesurco	13%
2	Al Sol, Arariwa, Prisma, TYM, ACME, Alternativa, Fund. Paraguay	44%
3	AMSSF, PEACE, MicroCred, Caurie, FINCA Tanzania	31%
4	URWEGO, UGAFODE	13%

Rated ONF-MFIs score 3.0 for Client Protection, which is slightly better than the benchmark (2.9) and is satisfactory to good. The performance is slightly lower for tiers 3 & 4 MFIs but rated ONF MFIs remain slightly better than the benchmark. The median however drops to 2.6 for SSA rated ONF-MFIs (vs. 2.2 in the benchmark) as all of them are either in the third or fourth quartile. The score remains at 3.0 for those in Latin America, below the LAC benchmark (at 3.3, the best regional score). Rated ONF-MFIs score less than their regional peers for all client protection principles except *responsible pricing* due to the important proportion of mature MFIs with more sophisticated systems in Planet Rating's benchmark for Latin America.

*Appropriate product delivery (CPP n°1)* – refer to the section on the adaptation of services / client satisfaction.

#### Prevention of over-indebtedness (CPP n°2)

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.8	1.9	3.4	3.0	2.3
Rated ONF MFIs	2.8	2.3	3.3	3.0	2.8
Difference	-	0.4	(0.1)	-	0.5

Quartile	MFIs	Distribution
1	TYM, Arariwa, Fondesurco, Fund. Paraguay, Prisma	19%
2	Al Majmoua, ACME, Al Sol, Caurie, Alternativa	44%
3	MicroCred, UGAFODE, FINCA Tanzania, URWEGO	25%
4	PEACE, AMSSF	13%

Rated ONF-MFIs overall perform similarly to the benchmark. The performance of MFIs in Latin America, although below their benchmark is 1 point above the performance of MFIs in SSA (above their benchmark). In addition, rated tiers 3 & 4 ONF-MFIs perform clearly better than their peers in the benchmark. This is despite the fact that only 31% of rated ONF-MFIs use (or partially use) credit bureau data compared to 52% for the benchmark. This usually strongly depends on local regulation, which explains the much higher ratio for Latin America (80% for rated ONF-MFIs vs. 89% in the benchmark) than SSA (0%). Improvements in that regard require improvements in the regulatory framework or initiatives among leading MFIs. On the other hand, rated ONF-MFIs generally have a better repayment capacity analysis than their peers as 77% of them have set a cautious or satisfactory level of maximum loan installment to disposable income. This better performance applies for both SSA and Latin America.

**ONF-MFIs feedback:** ONF-MFIs generally confirm these findings by identifying three important practices as their strengths: i) the use of repayment capacity analysis (57%), ii) the use of a credit bureau (43%) and iii) skilled loan officers (23%). These same practices are also identified as areas for improvement for 23%, 29% and 14% of MFIs respectively. Financial awareness sessions are mentioned

only by a few MFIs although this could be instrumental, especially in rural areas.

#### Responsible Pricing (CPP n°3)

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	3.0	2.3	3.4	3.0	3.0
Rated ONF MFIs	3.4	3.3	3.5	3.3	3.3
Difference	0.4	1.0	0.1	0.3	0.3

Quartile	MFIs	Distribution
1	ACME, Fund. Paraguaya, Arariwa, Fondesurco, PEACE, TYM, Caurie, MicroCred	50%
2	Al Majmoua, URWEGO, AMSSF, Alternativa, Prisma	31%
3	FINCA Tanzania	6%
4	Al Sol, UGAFODE	13%

Most rated ONF-MFIs generally have a good performance in terms of responsible pricing as 81% of them are in the first or second quartiles. However, two MFIs are in the fourth quartile: Ugafode with a pricing that is not competitive in the Ugandan market (some reductions are planned); and Alsol, which pricing is competitive in Mexico but remains high in absolute figures (refer to the rating report).

**ONF-MFIs feedback:** The questionnaire did not include a direct question on responsible pricing. When asked what they could improve in terms of client protection, only 5 MFIs (from Lebanon, Palestine, Morocco, Mexico, and Zambia) mentioned responsible pricing.

#### Transparency (CPP n°4)

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.8	1.6	3.0	2.5	2.5
Rated ONF MFIs	2.6	2.5	2.8	2.8	2.8
Difference	(0.1)	0.9	(0.3)	0.3	0.3

Quartile	MFIs	Distribution
1	Fondesurco, AMSSF	12%
2	Al Sol, PEACE, ACME, Alternativa, Al Majmoua, Caurie	38%
3	URWEGO, MicroCred, TYM, Prisma, Arariwa, Fund. Paraguaya, FINCA Tanz.	44%
4	UGAFODE	6%

The performance of rated ONF-MFIs is satisfactory in terms of transparency. Although it is slightly below the overall benchmark, rated tiers 3 & 4 ONF-MFIs perform better than their peers. This is also the case in SSA where a 0.9 positive gap can be observed. On the other hand, the performance of ONF MFIs in Latin America is lower than their peers as the latter include mature MFIs subject to stricter regulatory transparency rules in terms of pricing transparency. In terms of pricing transparency, four of the thirteen rated ONF-MFIs disclose their APR (in Peru, Ecuador, Mexico and Tanzania), which is proportionally less than in the benchmark (31% vs. 41%). A higher proportion (54%) discloses declining rates, which is similar to the benchmark. However, the pricing of MFIs using both flat rates and/or disbursement fees does not reflect the true price for a few MFIs (Ugafode, Caurie, Al Majmoua, Alsol, and PEACE), which is partially

compensated by a good level of transparency otherwise (e.g. through documentation and oral explanations) for all except Ugafode.

**ONF-MFIs feedback:** MFIs that answered the questionnaire have identified strengths in terms of loan conditions (68%), pricing (59%), and communication (incl. for illiterates, 34%). More sophisticated mechanisms such as APR disclosure, sufficient time left to clients to ask questions and review conditions, as well as multiple channels to communicate conditions are not commonly quoted as strengths or weaknesses. The most frequent areas for improvement listed by MFIs are i) staff training (17%), more transparency on loan conditions (12%), better communication (12%) as well as initiative at the market level (FATEN and CEP) and compliance of peers with fiscal laws (Finadev).

#### Responsible treatment of clients (CPP n°5)

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	3.0	2.1	3.5	3.0	2.8
Rated ONF MFIs	2.9	2.6	3.0	3.0	2.8
Difference	(0.1)	0.5	(0.5)	-	-

Quartile	MFIs	Distribution
1	Fund. Paraguaya, Arariwa, Fondesurco, Al Majmoua	25%
2	Prisma, MicroCred, Fondesurco, PEACE	25%
3	FINCA Tanzania, AMSSF, Al Sol, Caurie, ACME, Alternativa	38%
4	Urwego, Ugafode	13%

The performance of rated ONF-MFIs is satisfactory in terms of responsible treatment and close from the benchmark overall, however with some exceptions. As for other principles, rated ONF MFIs compare well to their peers in SSA (+0.5) but less well in Latin America (-0.5). This difference can be explained by similar reasons in Latin America as the Planet Rating benchmark includes mature MFIs subject to more regulation on recovery processes. Most rated ONF-MFIs (77%) have some appropriate practices (over the benchmark of 74%) but only 15% are well-detailed (i.e. stating what behaviors are forbidden) compared to 29% in the benchmark. Urwego and Ugafode, included in the fourth quartile, are still in the process of disseminating appropriate procedures (previous procedures were not adequate) or still have relatively severe practices. For rated ONF-MFIs, these procedures are included in the scope of Internal Audit: in a satisfactory way for 23% of MFIs (benchmark at 26%), and in a convincing way for another 23% (as the benchmark). The ratio of clients visited by non-operations staff (such as IA or R&D staff) is significantly better than the benchmark (10% vs. 2%), which is expected to help MFIs control the practices of field staff. Finally, the use of a code of conduct by rated ONF-MFIs is globally comparable to the benchmark (77% vs. 76%).

**ONF-MFIs feedback:** MFIs have put in place code of conducts (for 41% of them), listed what is acceptable or unacceptable in terms of staff behavior (23%) or rely more

on their organizational culture (22%). Areas for improvement listed by MFIs often relate to systems within the MFI (27%) related to customer care and staff compliance. Reinforcing the organizational culture is listed as the second area for improvement while mechanisms for complaint resolution as the third. The latter could be useful to detect some misbehaviors but would not be as effective as preventive systems such as code of conducts, related sanction policies and list of inappropriate practices (often not listed/identified by MFIs as an area for improvement). The fact of requiring only acceptable collaterals (i.e. not to deprive a household from its surviving capacity or from its main income-generating source) has not been mentioned by MFIs, potentially indicating a need for more awareness on this issue. The fact that 46% of MFIs did not provide any area for improvement may show that they need to better identify their weaknesses.

#### *Mechanism for complaint resolution (CPP n°6)*

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	3.0	2.0	3.1	3.0	2.5
Rated ONF MFIs	2.5	2.0	2.5	2.5	2.5
Difference	(0.5)	-	(0.6)	(0.5)	-

Quartile	MFIs	Distribution
1	Fondesurco, Al Sol	13%
2	Prisma, Al Majmoua, TYM	19%
3	PEACE, AMSSF, Fund. Paraguay, MicroCred, Alternativa, ACME, Arariwa, UGAFODE, Caurie, URWEGO, FINCA Tanzania.	69%
4		0%

Rated ONF-MFIs perform less well than the overall benchmark (-0.5) in terms of mechanism for complaint resolution. Tiers 3 & 4 as well as SSA rated ONF-MFIs have a similar performance than their peers, respectively at a satisfactory 2.5 and a low 2.0. This can be explained by the fact that the implementation of formal mechanisms has started in 62% of rated ONF-MFIs (below the benchmark of 76%) but is functioning only for 15% (vs. 48% for the benchmark). Rates are particularly low in SSA where this type of formal mechanism is not commonly used.

**ONF-MFIs feedback:** Although no direct question was asked to MFIs on mechanisms for complaint resolution, they have often listed them as a way to protect their clients, generally (for 27% when answering to an open question on client protection) or specifically in terms of transparency and responsible treatment of client. 20% of MFIs also identify the implementation of such mechanisms as an area for improvement.

#### *Privacy of client data (CPP n°7)*

Median	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	3.0	2.5	3.5	3.0	3.0
Rated ONF MFIs	3.0	2.8	3.0	3.0	2.5
Difference	-	0.3	(0.5)	-	(0.5)

Rated ONF-MFIs perform relatively well in terms of privacy of client data with a median of 3.0 and 6 of them are ranked in the first quartile. Rated ONF-MFIs in Latin America nevertheless perform less well than their more mature peers of the benchmark. Tier 3 & 4 MFIs also perform less well than their peers. Rated ONF-MFIs ranked in the third or fourth quartile either lack a written institutional policy on privacy of client data, have insufficient electronic or paper data security or might share data with third parties (e.g. to prevent over-indebtedness or for advertisement materials).

Quartile	MFIs	Distribution
1	Fondesurco, Al Sol, Al Majmoua, MicroCred, ACME, Caurie	38%
2	FINCA Tanzania, Arariwa, Fund. Paraguay	19%
3	Alternativa, TYM, UGAFODE	19%
4	AMSSF, URWEGO, Prisma, PEACE	25%

**ONF-MFIs feedback:** Although no direct question was asked to MFIs on privacy of client data, 11 (out of 41) have listed this principle as a strength and 3 as an area for improvement.

#### **Strengths and weaknesses > Gender**

##### *Gender > clients*

Quartile	MFIs	Distribution
1	Fondesurco, TYM, Al Majmoua	19%
2	Fund. Paraguay, PEACE	13%
3 & 4	Caurie, URWEGO, Alternativa, ACME, Al Sol, Arariwa, Prisma, AMSSF, UGAFODE, MicroCred, FINCA Tanzania	69%

**Note:** In this rating factor, Planet Rating assesses the quality of non-financial services related to women empowerment and gender equity. An MFI focusing only on outreach to women would remain in the last quartile.

Initiatives to promote gender equality (beyond outreach to women) exist for all MFIs (none are in the fourth quartile) but remain at a limited level in terms of awareness-raising sessions, training or services. MFIs in the first quartile (19%) have relatively well developed non-financial services related to women empowerment and gender equity. MFIs in the second quartile have some limited initiatives in that regard while others have not really developed an approach that goes beyond outreach to women clients. Accordingly, 38% and 15% of rated ONF-MFIs provide awareness-raising and training respectively, which is slightly lower than the benchmark (48% and 22%).

**ONF-MFIs feedback:** the feedback received by MFIs on their strengths and weaknesses in terms of gender equity and women empowerment remained very general. A majority identified as strengths the fact of reaching out to women and providing services specifically adapted to their needs or constraints, which was also stated as an area for improvement, though to a lesser extent.



*Gender > staff*

Median Women in staff	ONF-MFIs		Benchmark	
	Total	Tier 3 & IV	Total	Tiers 3 & 4
In professional staff	45%	37%	48%	44%
In management	25%	23%	36%	47%
In governing bodies	n/a	n/a	n/a	n/a

Women are generally less represented in staff in rated ONF MFIs when compared to the MFIs rated by Planet Rating.

**ONF-MFIs feedback:** most MFIs declare having a fair representation of women in staff, but to a lesser extent in management and governing bodies. Areas for improvement are accordingly identified (see graph in appendixes). Answers related to gender justice questions are not very clear potentially reflecting limited awareness about the gender justice standards. Most commonly identified strengths are arrangement for maternity or paternity leaves (39%), mechanisms for claims about sexual harassment and violence (17%) and flexible working hours (15%). Very limited feedback was provided in terms of areas for improvement. Answers often imply that complying with standard policies or the law is enough. Else, areas for improvement include childcare facilities (7%), breastfeeding facilities (5%) and arrangement in maternity/paternity leaves (5%).

**Strengths and weaknesses > SPM**

SP Management	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	3.0	2.2	3.3	3.2	2.8
Rated ONF MFIs	3.1	2.9	3.1	3.1	3.1
Difference	0.1	0.7	(0.2)	(0.1)	0.3

Quartile	MFIs	Distribution
1	Fund. Paraguaya, Fondesurco, Prisma, TYM	25%
2	PEACE, Arariwa, Alternativa, Caurie, Al Majmoua, TYM, FINCA Tanzania	38%
3	URWEGO, ACME, AMSSF, MicroCred, Al Sol	31%
4	UGAFODE	6%

Rated ONF-MFIs score 3.1 for the factor Social Performance Management (SPM), which compares well with the benchmark (3.0 overall and 2.8 for tiers 3&4) and is satisfactory to good according to Planet Rating (between “In progress” and “convincing”). This is also valid for SSA (2.9 vs. 2.2) although scores are lower. No SSA MFIs score in the 1<sup>st</sup> quartile either in the sample or among all MFIs rated by Planet Rating. Caurie, PEACE and Finca Tanzania are nevertheless included in the second quartile. Rated ONF-MFIs have a relatively good performance when compared to the benchmark where 20% are Tier 1 and are expected to have stronger systems. More specifically, the performance of rated ONF MFIs can be analyzed according to the following indicators:

- Most rated ONF MFIs have the intent to achieve social impact and most of them have defined their social mission accordingly.
- Most of the observed MFIs have well-communicated social mission included in the decision-making process,

however often at more incipient stages in terms of integration into the planning and in skills of the management team.

- Risk of mission drift is low for most MFIs, except for Ugafode (medium).
- The integration of the social mission into staff recruitment process is good but it is not yet really integrated in trainings, evaluations and incentives.

SP Monitoring	Total	SSA	LAC	NGOs	Tiers 3 & 4
PR social ratings	2.5	2.0	2.8	3.0	2.0
Rated ONF MFIs	2.5	2.5	2.5	2.5	2.0
Difference	-	0.5	(0.3)	(0.5)	-

Quartile	MFIs	Distribution
1	Fondesurco, Fund. Paraguaya, Prisma, TYM	25%
2	Caurie	6%
3	Al Majmoua, PEACE, MicroCred, Alternativa, URWEGO, FINCA Tanzania	38%
4	AMSSF, Arariwa, Al Sol, UGAFODE, ACME	31%

MFIs in the first quartile in terms of SPM are also in terms of performance monitoring. However, other rated ONF-MFIs have significantly lower scores, reflecting their difficulty to develop reliable and useful social performance indicators. Social performance monitoring systems need improvements in most of the observed MFIs. Although social performance information is available, it is not sufficiently analyzed, formalized, and translated into relevant social performance indicators. Limitations from current MIS, insufficient cross-checks and lack of verification by the internal audit team hamper the generation of reliable SP information.

**Leads to promote social performance***Key question*

⇒ *What can Oxfam Novib and Triple Jump do in the future to contribute to the strengthening of social performance management within partner MFIs?*

The following section aims at drawing lessons for internal policy development on how to better assist MFIs in strengthening SPM, and to improve SP monitoring and reporting at ONF.

**Ensuring buy-in of social goals**

Sharing social goals with MFIs is a key-success factor for Oxfam Novib and Triple Jump to be in a good position to contribute to the MFIs' social performance. The alignment of interests between Oxfam Novib, Triple Jump and their partner MFIs has not been specifically tested, but some tentative conclusions could be drawn based on answers provided by MFIs to the questionnaire (question 2 on past initiatives): most MFIs reported one or several initiatives to develop SPM; initiatives are mostly about social performance management (46%), social performance monitoring (32%), deeper outreach (24%), client satisfaction

(22%) and social change through education or health services (17%); initiatives related to client protection (7%) or promotion of gender equality (7%) seem limited. In addition to its institutional advertisement, Triple Jump communicates ONF's social goals during discussions with the MFI's management at the origination and due diligence stages. Provided that these answers can be a proxy for the MFI's main focus on social performance, Oxfam Novib and Triple Jump could nevertheless reinforce the communication of their social mission to make sure that all MFIs share its main social goals, especially those related to client protection and gender.

### Monitoring social goals & setting minimum required

A strong alignment of interest is expected to foster the regular reporting of MFIs on selected social performance indicators. In order to avoid increasing the MFIs' reporting burden, a few indicators would need to be shortlisted:

- When MFIs do not score on specific indicators of the SPA (especially those related to social risks), steps could be identified together with the MFI to reach the required level in the medium term (e.g. step 1: design a code of conduct listing forbidden practices and align policies and procedures; step 2: train staff accordingly; step 3: test staff awareness and compliance).
- From existing due diligence tools, for social risk indicators related to growth rates in saturated markets and productivity rates.
- In line with the industry standards, by indicating the Mixmarket or USSPM<sup>10</sup> reference; or by selecting indicators compiled by rating agencies; potential additional indicators related to outreach to the underserved / poor; client satisfaction; client protection; and gender are listed in the appendices.
- In line with industry initiatives such as microfinance transparency: for participating MFIs (29% of rated MFIs since 2010; 18% of ONF-MFIs), the level of pricing and transparency index<sup>11</sup> can be more easily monitored and red-flagged when appropriate.

### Sharing of best practices and training

ONF-MFIs feedback: 29% of MFIs would like to benefit from additional social performance expertise, promotion or training from Oxfam Novib/Triple Jump. This kind of support could be appropriate to help MFIs better face challenges such as balancing financial and social performance (listed by 20% of MFIs) and bearing the cost of putting in place an SPM system (7%). Awareness-raising on the fact that SPM practices can make good business sense (especially in the area of client protection) can help MFIs design their strategies. The limited initiatives of interviewed

MFIs on client protection show that additional awareness-raising and trainings are needed on this topic. Some user-friendly tools could be systematically shared with MFIs such as the mapping of existing social performance initiatives with relevant contacts. This includes the websites of the Social Performance Task Force (mapping available there), of the Smart Campaign (tools for self assessment – only a general link is provided in SPA), of MFT (EIR calculator – already done), etc.

### Technical Assistance

ONF-MFIs feedback: the main challenges mentioned by MFIs in developing their social performance is related to social performance monitoring (for 29% of MFIs) and development of SPM skills at the MFI level (17%). TA on MIS (already provided by TJAS, see above) and training of managers make sense, especially given that main projects listed by MFIs are in social performance monitoring (for 40%) and institutionalization of the social mission (for 26%). Other projects include adaptation of services for better client satisfaction (23%), development of non-financial services (14%) and client protection (11%). 20% of MFIs have actually expressed their wish to benefit from additional technical assistance from Oxfam Novib/Triple Jump.

### Funding

The most frequently listed area of collaboration identified by MFIs in terms of SPM is receiving some funding, including concessional funding to reach out to remote areas or specific activities (e.g. in agriculture).

### Lobby & industry support

MFIs face challenges related to their social performance that can be more efficiently tackled at the national or regional level: for example, in the field of transparency (disclosure of declining rates or of APR) or prevention of over-indebtedness (access to credit bureau or sharing of databases). Triple Jump's support of the MFT initiative in Cambodia is a good example. Industry support should be tailored to each market.<sup>12</sup>

- Markets with a significant under-development of formal credit use (6% of current ONF markets according to MIMOSA) need both development of market infrastructure and funding or development of new and existing MFIs.
- Markets with a normal level of development in the use of formal credit (63% of current ONF markets) need to focus on service quality and pursue sustainable growth.
- Markets approaching their credit capacity threshold or that already crossed it (13% and 8% of current ONF markets) need to focus on preventing over-indebtedness, increase their outreach to underserved segments and serve still-unmet needs, such as payments, insurance, and savings.

<sup>10</sup> USSPM = Universal Standards for social performance management.

<sup>11</sup> The transparency index compares the nominal annualized interest rate with the APR, 100% signifying perfect transparency. An index of more than 85% is considered a good level of transparency. Source: [www.mftransparency.org](http://www.mftransparency.org).

<sup>12</sup> The market scores are provided for each country in the appendices p18.

## Appendices

### ■ MFIs included in the Oxfam Novib Fund as of September 2012

MFI	Country	Participation to the survey	GPL (M USD)	Tiers	Date of the rating	SPR Grade	SPR appreciation	SPA Grade	SPA appreciation	Traffic light
Acción Rural Ecuador	Ecuador	Yes	18.2	2						
ACME HAITI	Haiti	No	18.7	2	Mar. 2011	2+	Incipient	70%	B Good	n/a
Al Majmoua	Lebanon	Yes	26.4	2	Jan. 2010	4-	Convincing	n/a	A Excellent	Green
Al Sol	Mexico	Yes	4.8	3	Sep. 2011	3	In progress	77%	B Good	Green
Ambito Productivo	Mexico	Yes	7.2	3						
AMK	Cambodia	No	54.6	1						
AMSSF	Morocco	Yes	5.3	3	Nov. 2008	2+	Incipient	n/a	B Good	n/a
Apoyo Integral	Mexico	No	5.1	3						
Arariwa Peru	Peru	No	8.4	3	Apr. 2009	3+	In progress	n/a	B Good	Green
Aregak	Armenia	No	28.0	2						
ARVAND Tajikistan	Tajikistan	Yes	18.9	2						
ASA Philippines	Philippines	No	46.8	2						
ASDIR Guatemala	Guatemala	No	7.2	3						
Banco da Familia	Brazil	No	9.7	3						
Bovari Va Hamkori	Tajikistan	No	2.2	4						
BRAC Uganda	Uganda	No	19.1	2						
Caurie	Senegal	Yes	7.3	3	May. 2011	3	In progress	66%	B Good	n/a
CEAPE	Brazil	No	2.7	4						
CEP Vietnam	Vietnam	Yes	49.0	2						
Credisol Honduras	Honduras	Yes	3.9	3						
CREDITUYO	Mexico	No	3.7	3						
CRYSOL	Guatemala	Yes	7.4	3						
EBI Philippines	Philippines	No	37.6	2						
EFC Zambia (Pulse)	Zambia	Yes	9.1	3						
Elet	Kyrgyzstan	Yes	3.2	3						
EMPRENDA	Argentina	Yes	7.3	3						
ESHET Ethiopie	Ethiopia	No	2.9	4						
ESPOIR Ecuador	Ecuador	Yes	44.5	2						
FACES	Ecuador	Yes	10.3	2						
FAMA (Honduras)	Honduras	Yes	13.5	2						
FATEN	Palestine	Yes	31.8	2						
FDD	Dom.Republic	Yes	4.9	3						
Fides	Namibia	Yes	2.8	4						
FINADEV Benin	Benin	Yes	10.4	2						
FINCA Tanzania	Tanzania	No	16.9	2	Nov. 2012	3-	In progress	n/a	n/a	n/a
FINCA Zambia	Zambia	Yes	6.9	3						
Fondesorco	Peru	Yes	21.1	2	Sep. 2011	4	Convincing	81%	A Excellent	Green
Forjadores	Mexico	Yes	16.2	2						
Fundacion Alternativ	Ecuador	Yes	14.3	2	Feb. 2011	3	In progress	82%	A Excellent	n/a
Fundación Paraguaya	Paraguay	No	0.0	4	Nov. 2010	4	Convincing	84%	A Excellent	Green
GROOMING CENTRE	Nigeria	Yes	29.1	2						
HEKIMA	Congo-Kinshasa	Yes	1.2	4						
Humo and partners	Tajikistan	Yes	13.6	2						
KapitalMujer	Mexico	No	12.3	2						

## ■ MFIs included in the Oxfam Novib Fund as of September 2012 (continued)

MFI	Country	Participation to the survey	GPL (M USD)	Tiers	Date of the rating	SPR Grade	SPR appreciation	SPA Grade	SPA appreciation	Traffic light
KixiCredito	Angola	Yes	13.4	2	Oct. 2012	n/a	In progress	72%	B Good	Green
MBK	Indonesia	No	35.0	2						
Micro Rwanda	Rwanda	No	4.0	3						
MICROCRED Nigeria	Nigeria	Yes	7.7	3						
MicroCred Senegal	Senegal	Yes	39.9	2						
MicroInvest SRL	Moldova	Yes	17.7	2						
MICROKING	Zimbabwe	Yes	16.4	2						
Nor Horizon	Armenia	Yes	4.9	3						
Norandino	Peru	No	8.0	3						
Opportunity Ghana	Ghana	No	14.4	2						
Opportunity Kenya	Kenya	Yes	4.3	3						
Opportunity Uganda	Uganda	No	13.9	2						
Oxus Tajikistan	Tajikistan	Yes	14.2	2						
PADECOMSM	El Salvador	No	5.4	3						
PEACE MFI	Ethiopia	Yes	2.7	4	Aug. 2010	3+	In progress	n/a	n/a	n/a
PILARH	Honduras	No	5.6	3	Jan. 2008	3+	In progress	n/a	B Good	Green
Prisma Peru	Peru	No	8.6	3						
Pro Mujer Nicaragua	Nicaragua	No	11.0	2						
PROEMPRESA Per	Peru	No	72.9	1						
Promujer Argentina	Argentina	No	3.9	3						
Promujer Mexico	Mexico	No	13.0	2						
Sembrar Sartawi	Bolivia	Yes	16.6	2						
Selfina	Tanzania	No	2.0	4						
Taanadi (Niger)	Niger	No	3.3	3						
TYM Institution	Vietnam	Yes	19.6	2	May. 2010	4-	Convincing	84%	A Excellent	Green
UGAFODE LTD.	Uganda	Yes	4.3	3	Oct. 2012	n/a	Incipient	64%	B Good	Green
URWEGO	Rwanda	No	15.4	2	Sep. 2012	n/a	Incipient	79%	B Good	Green
ASA Philippines	Philippines	No	46.8	2						

The column “participation to the survey” indicates which MFIs participated to the social performance survey for this review.

The Triple Jump tier classification is based on the Gross Loan Portfolio (USD) of MFIs (Tier 1 > 50 M USD; Tier 2 USD > 10 M USD; Tier 3 > 3 M USD; Tier 4 < 3 M USD).



## ■ Samples for database analysis

Composition	All ONF-MFIs	ONF-MFIs Feedbacks	PR Benchmark 2008-2012	PR Benchmark 2010-2012	Rated ONF-MFIs 2008-2012	Rated ONF-MFIs 2010-2012
<b>Population</b>	<b>71</b>	<b>39</b>	<b>110</b>	<b>82</b>	<b>16</b>	<b>13</b>
<b>By loan portfolio size*</b>						
Tier 1	3%	0%	21%	22%	0%	0%
Tier 2	49%	54%	36%	35%	56%	69%
Tier 3	38%	38%	29%	26%	38%	23%
Tier 4	10%	8%	14%	17%	6%	8%
<i>Tier 3&amp;4</i>	<i>48%</i>	<i>46%</i>	<i>43%</i>	<i>43%</i>	<i>44%</i>	<i>31%</i>
<b>By legal Status</b>						
Bank	3%	3%	15%	16%	0%	0%
Credit Union / Cooperative	6%	5%	5%	6%	6%	8%
NBFI	42%	49%	31%	33%	25%	31%
NGO	48%	44%	46%	43%	63%	54%
Other	1%	0%	2%	2%	6%	8%
<b>By region</b>						
Africa	32%	36%	24%	27%	38%	46%
Asia	8%	5%	17%	16%	6%	8%
ECA	11%	15%	6%	5%	0%	0%
Latin America	44%	36%	45%	45%	44%	38%
MENA	4%	8%	7%	7%	13%	8%

### Notes:

1. The Tiers definition is the one used in Triple Jump's brochure. The Triple Jump tier classification is based on the Gross Loan Portfolio (USD) of MFIs (Tier 1 > 50 M USD; Tier 2 USD > 10 M USD; Tier 3 > 3 M USD; Tier 4 < 3 M USD).
2. Legal status according to Mixmarket definition.

## ■ Social performance indicators

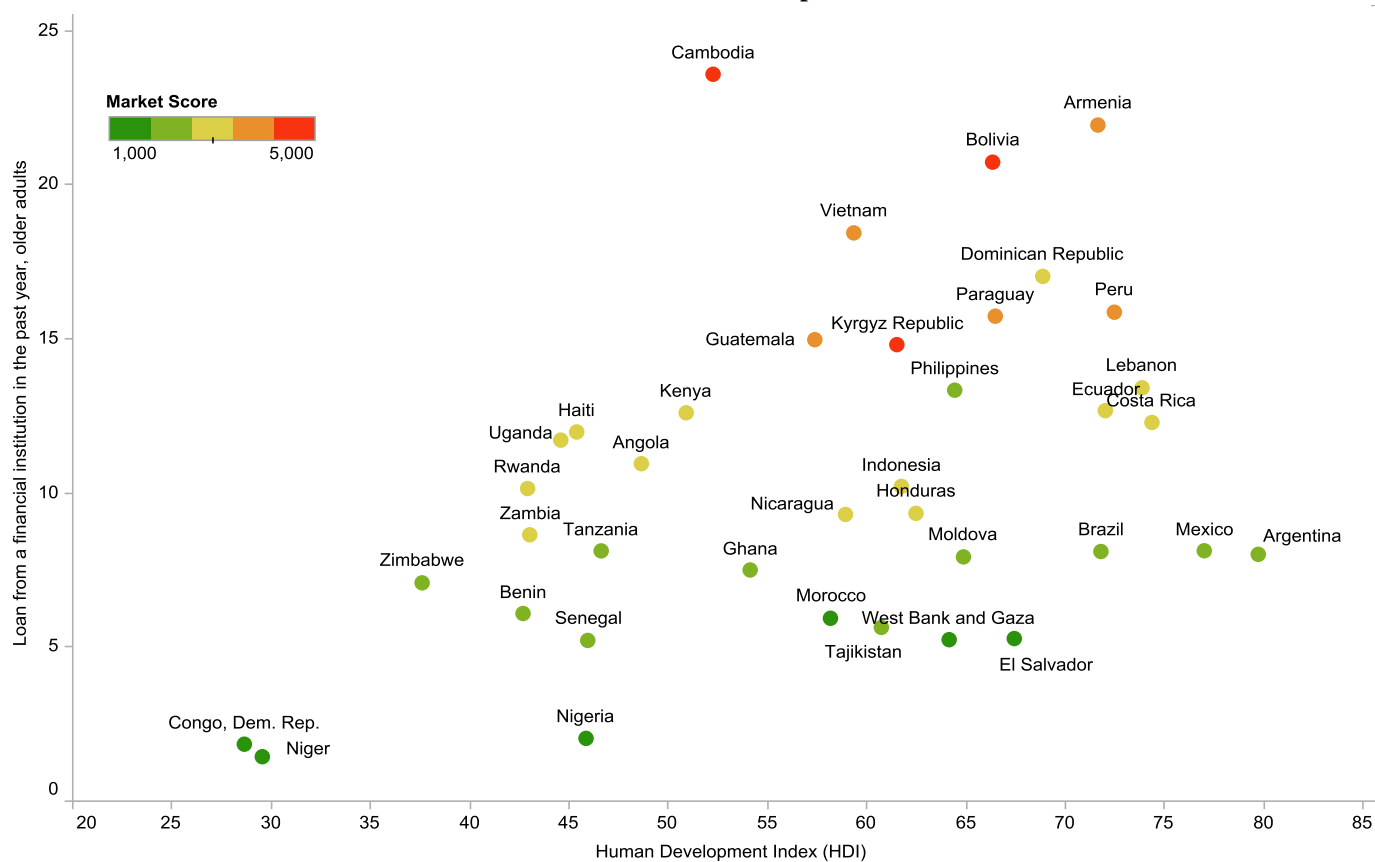
		Rated ONF-MFIs 2010-2012					PR benchmark 2010-2012				
Social Performance Indicators	Measure	Total	SSA	LAC	NGOs	Tiers 3&4	Total	SSA	LAC	NGOs	Tiers 3&4
Outreach											
Clients with social collaterals	Median	99%	99%	100%	76%	99%	93%	90%	93%	97%	99%
Rural clients	Median	74%	74%	56%	49%	74%	47%	54%	34%	49%	69%
Female clients	Median	70%	68%	70%	62%	90%	63%	65%	61%	66%	80%
Clients in areas of no / low competition	W-average	17%	16%	18%	17%	48%	22%	35%	18%	52%	25%
Clients in areas of Moderate / high competition	W-average	83%	84%	82%	83%	52%	78%	65%	82%	48%	75%
Adaptation of services (proxy for Client Satisfaction)											
Financial services- Credit Services	%	100%	100%	100%	100%	100%	99%	95%	100%	97%	100%
Financial services- Savings Services	%	54%	100%	0%	0%	75%	45%	68%	38%	16%	43%
Financial services- Microinsurance Services*	%	54%	33%	60%	60%	15%	62%	55%	68%	58%	63%
Financial services- Money Transfer Services	%	15%	33%	0%	0%	0%	27%	32%	35%	13%	11%
Client research related to New product development	% >= satisfactory	85%	83%	80%	80%	75%	62%	50%	62%	68%	51%
Client research related to Client satisfaction	% >= satisfactory	69%	50%	80%	100%	50%	54%	27%	73%	65%	37%
Client research related to Reasons for client exit	% >= satisfactory	46%	50%	40%	40%	50%	39%	23%	38%	39%	29%
Retention rate (Schreiner formula)	Median	74%	73%	75%	73%	76%	74%	72%	75%	75%	70%
Client Protection											
Prevention of over indebtedness											
Loans checked /credit bureau	% yes	23%	0%	60%	60%	0%	43%	0%	78%	45%	17%
Required Installment / Disposable income	% cautious or satisfactory	77%	83%	80%	100%	50%	57%	41%	68%	65%	49%
Required Installment / Disposable income	% high or very high	0%	0%	0%	0%	0%	12%	14%	11%	3%	6%
Required Installment / Disposable income	% unknown	23%	17%	20%	0%	50%	30%	45%	22%	32%	46%
Transparency											
APR disclosure to clients	% yes	31%	17%	60%	40%	10%	41%	9%	78%	42%	29%
Declining interest rate	%	38%	33%	60%	60%	0%	46%	14%	76%	45%	23%
Flat interest rate	%	46%	50%	20%	20%	13%	46%	77%	19%	48%	69%
Both	%	15%	17%	20%	20%	33%	7%	9%	5%	6%	9%
Upfront disbursement fee	% no	15%	0%	20%	20%	0%	24%	5%	24%	35%	11%
Participation to MFT	% yes	38%	67%	20%	0%	25%	29%	45%	30%	0%	31%
Responsible treatment of clients											
Clients visited by non-op staff	Median	10%	8%	5%	10%	3%	2%	1%	3%	6%	2%
Procedure for appropriate practices	% >= satisfactory	77%	67%	80%	100%	50%	74%	36%	92%	81%	63%
Procedure for appropriate practices	% >= convincing	15%	0%	40%	40%	0%	29%	9%	54%	35%	17%
Formally included in the scope of Internal Audit	% >= satisfactory	46%	33%	80%	80%	0%	49%	14%	73%	58%	34%
Incentive scheme fostering ethical behavior	% >= satisfactory	62%	83%	40%	40%	75%	38%	27%	50%	43%	36%
Mechanism for complaint resolution											
Formal complaint mechanism in place	% >= satisfactory	62%	50%	80%	60%	50%	76%	59%	86%	68%	60%
Formal complaint mechanism in place	% >= convincing	15%	0%	40%	20%	25%	28%	5%	51%	26%	6%
Privacy of client data											
Institutional policy on privacy of client data	% >= satisfactory	85%	31%	38%	38%	15%	76%	15%	41%	28%	26%
Formal client agreements prior to sharing private data	% >= satisfactory	85%	31%	38%	38%	15%	76%	15%	41%	28%	26%
Gender											
Awareness Raising-Women empowerment	% yes	38%	33%	20%	40%	12%	48%	41%	46%	61%	49%
Training-Women empowerment	% yes	15%	0%	0%	20%	0%	22%	23%	19%	35%	23%
Services-Women empowerment	% yes	0%	0%	0%	0%	0%	7%	14%	8%	10%	9%
% of women among professional staff	Median	45%	40%	44%	47%	37%	48%	43%	49%	48%	44%
% of women among management	Median	25%	29%	20%	20%	23%	36%	35%	33%	43%	47%
% of women in governing bodies	Median	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
* Includes basic credit-life insurance.											

\* Includes basic credit-life insurance.

## ■ MIMOSA market score for ONF countries

	Distribution of countries per MIMOSA market score* and per region				
	1	2	3	4	5
East Asia and the Pacific		Philippines	Indonesia	Vietnam	Cambodia
Europe and Central Asia		Tajikistan Moldova		Armenia	Kyrgyz Republic
Latin America and The Caribbean	El Salvador	Brazil Argentina Mexico	Dominican Republic Ecuador Costa Rica Haiti Honduras Nicaragua	Paraguay Guatemala Peru	Bolivia
Middle East and North Africa South Asia	Morocco Palestine		Lebanon		
Sub-Sahara Africa	Niger Nigeria Democratic republic of Congo	Zimbabwe Benin Senegal Tanzania Ghana	Kenya Uganda Angola Rwanda Zambia		

Market score\* for Oxfam Novib Fund Countries per HDI levels and formal loan use

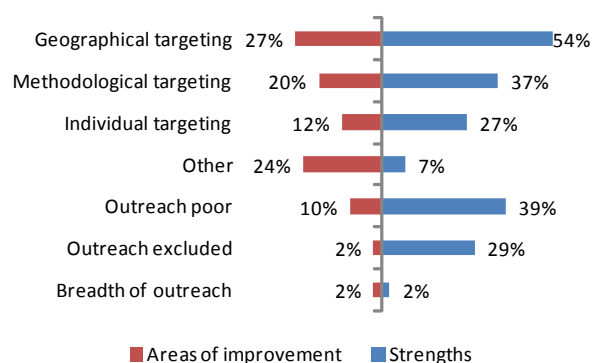


Source: Microfinance Index of Market Outreach and Saturation Part 1 – Total Credit Market Capacity; \* detailed explanations on the MIMOSA scoring model are available on [www.planetrating.com](http://www.planetrating.com).

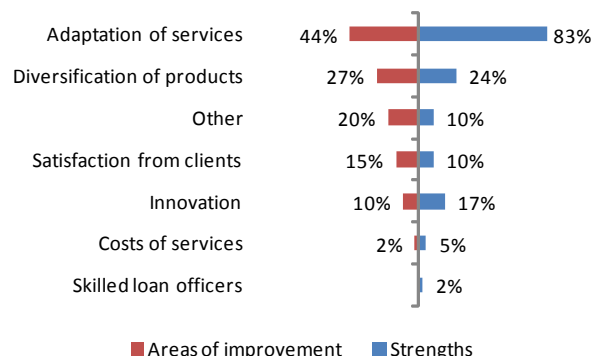
## ■ Results from the questionnaire

What are your strengths and opportunities for improvements in terms of social performance management, in particular in terms of:

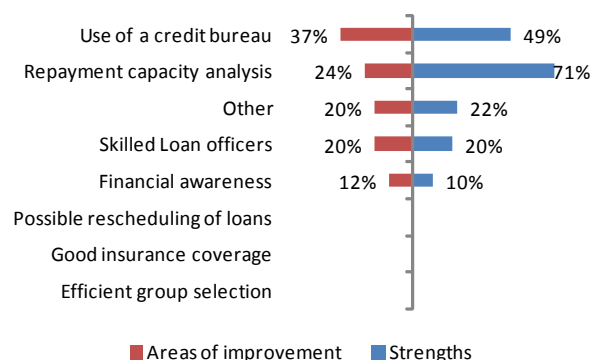
### a. Outreach to the underserved and poor



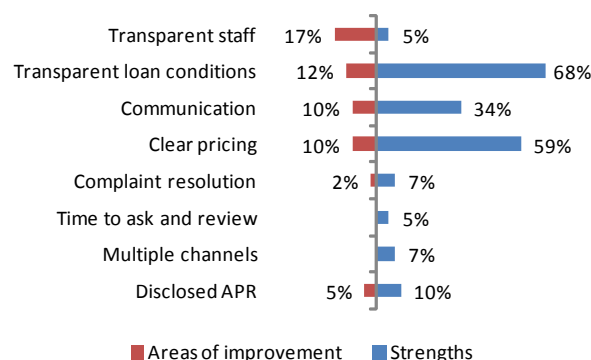
### b. Adaptation to the client's needs



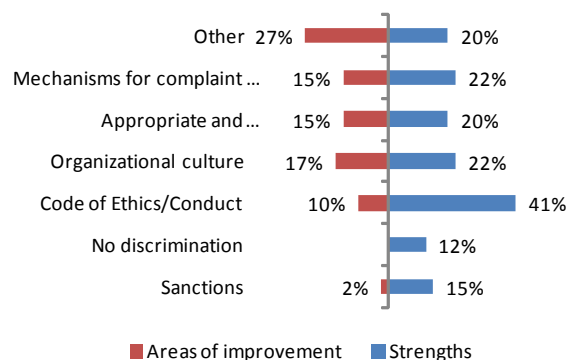
### c. Client protection - Prevention of over-indebtedness



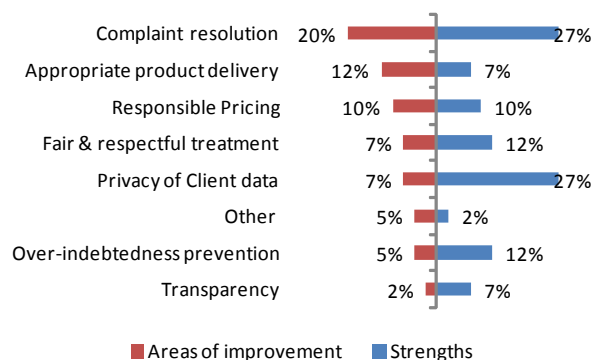
### d. Client protection - Transparency



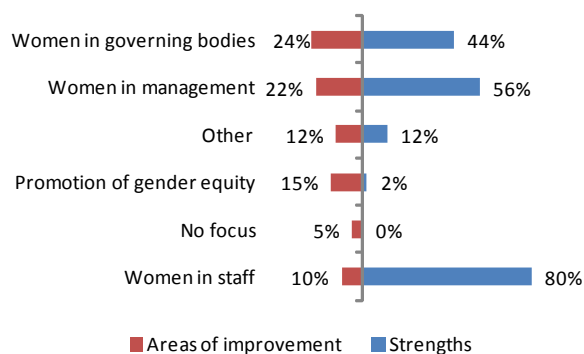
### e. Client Protection - Fair and respectful treatment of clients



### f. Client Protection - other areas of client protection



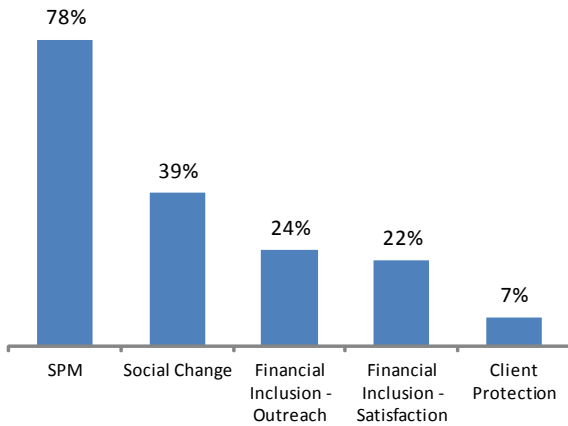
### g. Gender: representation of women



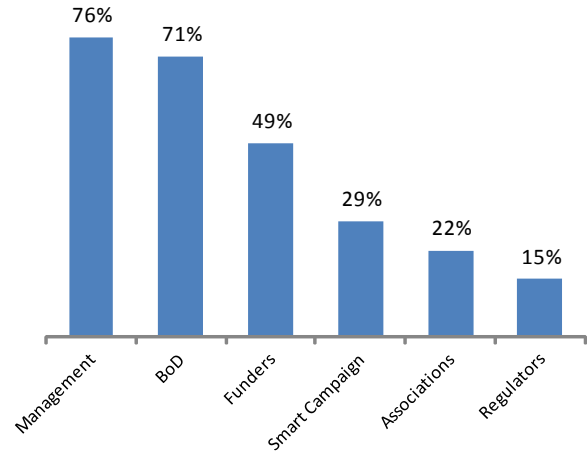
Note: Multiple answers possible. MFIs were asked open questions. Planet Rating categorized their answers for the analysis with a maximum of three answers per question.



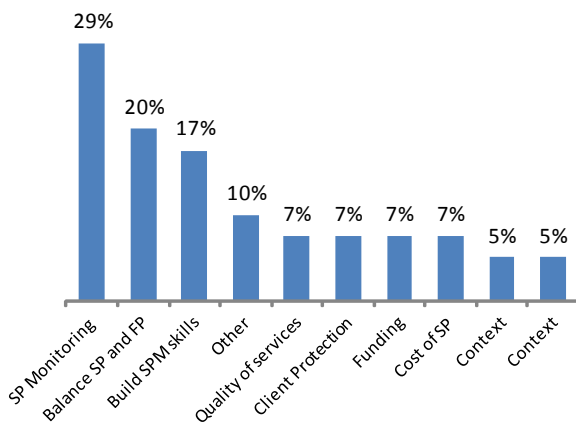
What have been your main initiatives to strengthen social performance management at your organization over the last two years?



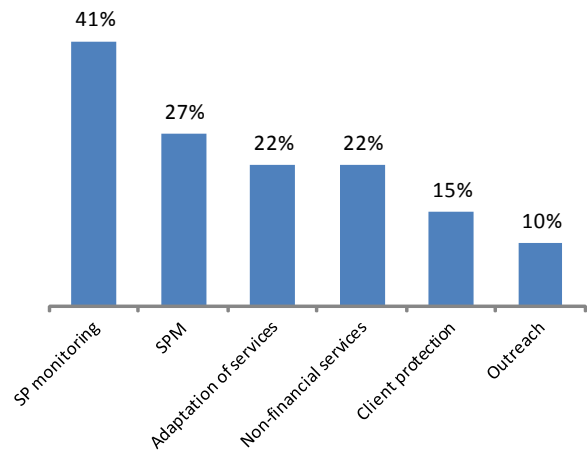
Which of the following have been the main instigators of the initiatives to strengthen your SPM practices?



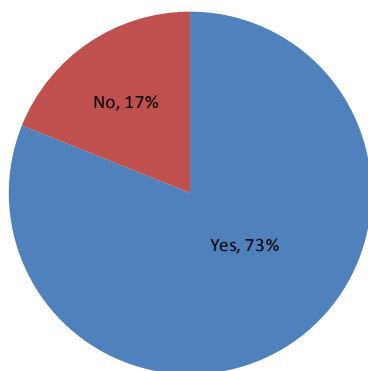
What main challenges do you encounter in developing your MFI's social performance management practices?



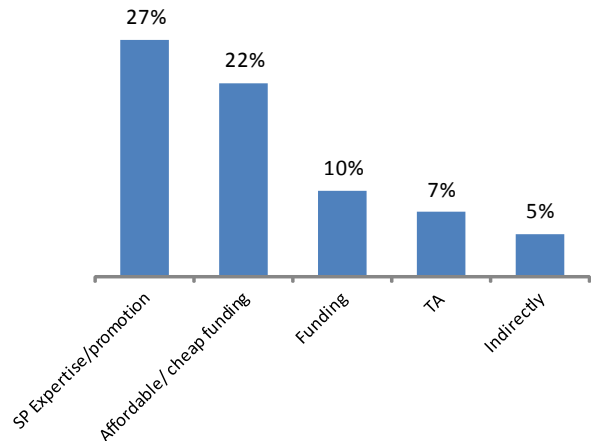
What are your next projects in terms of strengthening social performance management?



Has the relationship with Oxfam Novib / Triple Jump contributed to improve your SPM practices?



How the relationship with Oxfam Novib / Triple Jump has contributed to improve your SPM practices?



**Note:** Multiple answers possible. MFIs were asked open questions. Planet Rating categorized their answers for the analysis with a maximum of three answers per question.

## ■ Social Performance Rating scale and methodology

### Planet Rating Social Performance Rating Scale

Rating	Score	Definition
5+ 5 5-	4.5 to 5.0	<b>Advanced:</b> 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-	3.5 to 4.5	<b>Convincing:</b> 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-	2.5 to 3.5	<b>In progress:</b> Clear intent to reach social goals; social performance management systems being implemented.
2+ 2 2-	1.5 to 2.5	<b>Incipient:</b> Clear intent to reach social goals; low capacity to manage social performance.
1+ 1 1-	0.5 to 1.5	<b>Intangible:</b> Intention to reach social goals is non tangible; low level of management of social performance.
0	0 to 0.5	<b>Negative:</b> No intention to reach social goals; mismanagement leads to negative social performance.

### Social Performance Rating domains and factors

Social Performance Management		25%
<ul style="list-style-type: none"> <li>Definition of the Social Mission</li> <li>Institutionalization of the Social Mission</li> <li>Social Performance Monitoring</li> </ul>	We rate the intent to achieve the social mission, its institutionalization, organizational buy-in, the quality of performance measurement and tracking as well as the risk of mission drift.	
Financial Inclusion		25%
<ul style="list-style-type: none"> <li>Outreach to the underserved</li> <li>Adaptation of services</li> <li>Cost of services</li> </ul>	We rate the MFI's capacity to reach the underserved (poor or excluded), and offer them an adapted range of services in an efficient manner.	
Client Protection and Ethical Finance		30%
<ul style="list-style-type: none"> <li>Appropriate product design and delivery</li> <li>Prevention of over-indebtedness</li> <li>Responsible pricing</li> <li>Transparency</li> <li>Fair and respectful treatment of clients</li> <li>Privacy of client data</li> <li>Effective complaint resolution</li> <li>Ethical finance</li> </ul>	In this section, we measure the MFI's level of compliance with the Client Protection Principles (as defined by the SMART Campaign), whether the MFI has a fair pricing and how it mitigates risks of providing services for non-ethical purposes.	
Human Resources Policy		20%
<ul style="list-style-type: none"> <li>Equal rights</li> <li>Compensation policy</li> <li>Labor conditions</li> </ul>	We evaluate labor conditions (through the professionalism of HR Management and its compliance with labor laws and ILO standards), the MFI's compensation policy and whether staff benefits from equal rights.	
Social Change		Notch up
<ul style="list-style-type: none"> <li>Education, health and basic services</li> <li>Gender equality and empowerment</li> <li>Democracy and human rights</li> <li>Environmental sustainability</li> <li>End to poverty</li> </ul>	We evaluate how financial and non-financial services offered by the MFI may contribute to social change as defined in frameworks of reference such as the UN Charter, Human Rights and MDGs.	