

# GRAMEEN CRÉDIT AGRICOLE

## *Microfinance Foundation*

### **Social Performance Report**

Microfinance Portfolio 2016

Board of Directors, March 11th, 2017

— PROVIDING HOPE THROUGH LENDING —

**In order to assess the Foundation's social performance, we decided to measure two components:**

## **PART I – Our portfolio partners' social performance**

- *Using industry tools to measure social performance of our partners*
- *Benchmarking against global market*

## **PART II – The fulfilment of our social mission**

- *Comparing our results to our social mission statement*
- *Benchmarking against other funders*





# Assessment Methodology

# The social performance of our partners is evaluated by using the “Universal Standards”.

*There is no single formula for successful Social performance Management. However, the industry has recognized a **set of core management practices** that constitute “**strong**” SPM.*

*These practices form the SPTF\* **Universal Standards for Social Performance Management** (“the Universal Standards”).*

*Developed through broad consultation, the Universal Standards both reflect current practice and push practitioners toward better performance.*



\* SPTF: Social Performance Task Force



# The six dimensions cover 19 globally recognized Standards

## **Dimension 1: DEFINE AND MONITOR SOCIAL GOALS**

- 1a) Social strategy
- 1b) Reporting of client-level data

## **Dimension 2: COMMITMENT TO SOCIAL GOALS**

- 2a) Board accountability
- 2b) Senior management accountability
- 2c) Staff accountability

## **Dimension 3: PRODUCTS FOR CLIENTS' NEED/PREFERENCES**

- 3a) Clients needs and preferences
- 3b) Benefits to clients

## **Dimension 4: TREAT CLIENTS RESPONSIBLY**

- 4a) Prevention of over-indebtedness
- 4b) Transparency
- 4c) Fair and respectful treatment of clients
- 4d) Privacy of client data
- 4e) Mechanisms for complaint resolution

## **Dimension 5: TREAT EMPLOYEES RESPONSIBLY**

- 5a) HR policy
- 5b) Communication of terms of employment
- 5c) Employee satisfaction

## **Dimension 6: BALANCE FINANCIAL AND SOCIAL PERFORMANCE**

- 6a) Growth rates
- 6b) Alignment of objectives
- 6c) Profits
- 6d) Compensation



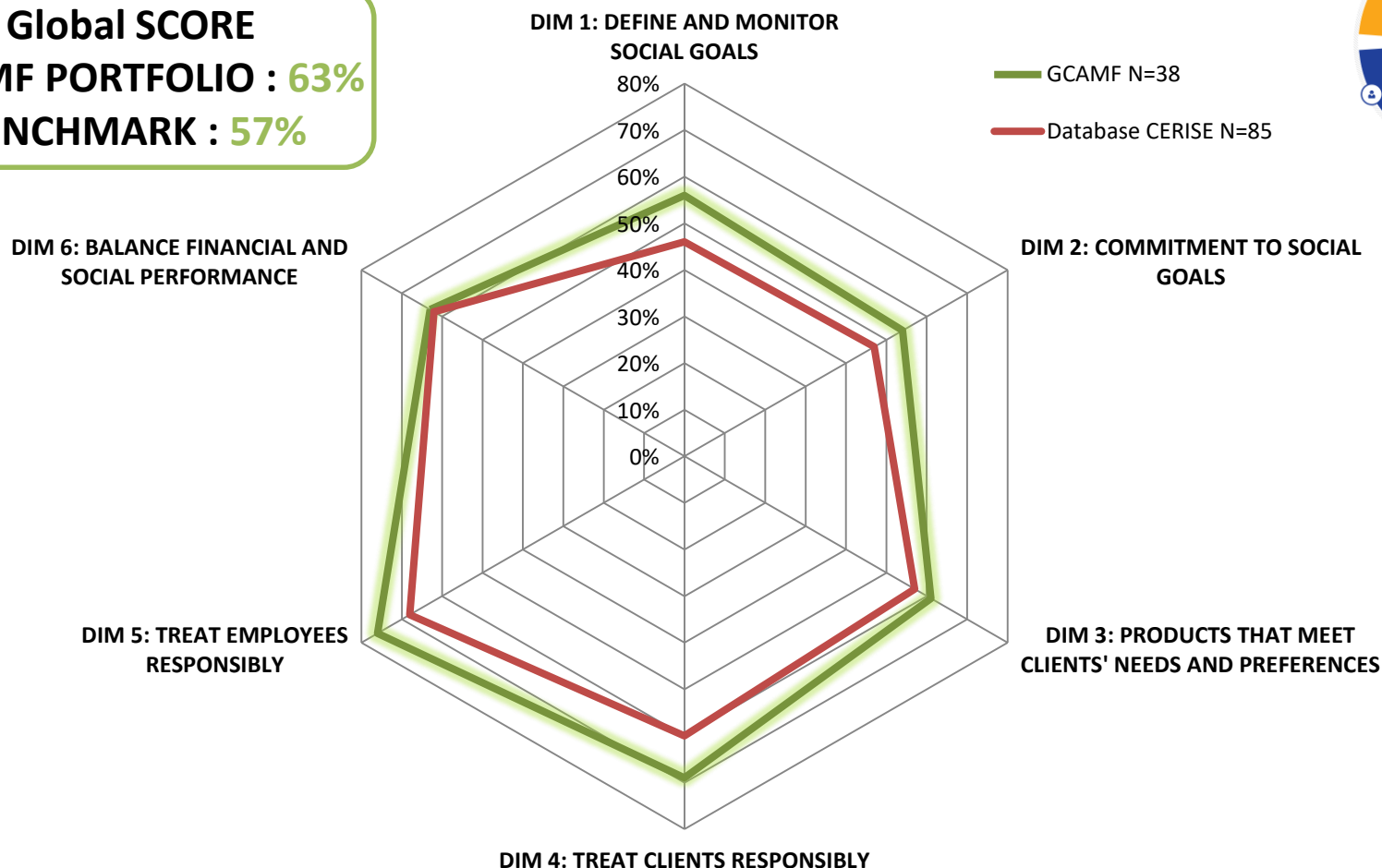


## **The Social Performance of our partners**



# GCAMF portfolio partners are above benchmark in all six dimensions

**Global SCORE**  
**GCAMF PORTFOLIO : 63%**  
**BENCHMARK : 57%**



## BENCHMARK:

\* Only **highest quality audits** taken into account (by experienced auditors + 100% complete + include comments to justify scoring).

\*\* Latin America and Europe audits excluded from the sample

Global benchmarks: GCAMF database = 38; CERISE database = 85





## Focus

- **Dimension 2: Ensure board, management and employee commitment to social goals**
- **Dimension 4: Treat clients responsibly (client protection)**



# Our partners show better commitment to social goals at Board, Management and Employees level than their peers

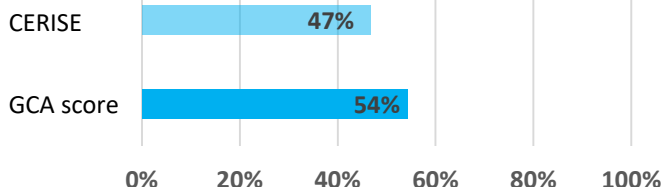
***Rationale: An institution's social strategy is only strong if the Board and all employees understand and uphold it.***



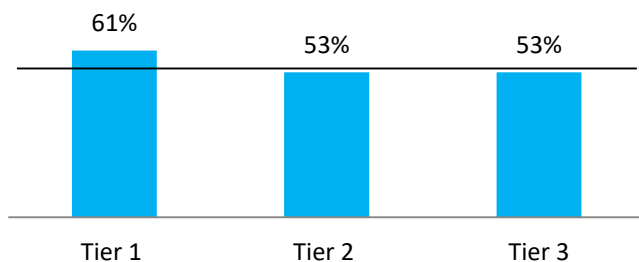
**Outperformance especially in Board accountability:  
11% above benchmark**

**Dimension 2:**

**Commitment to social goals**



**Dimension 2 by Tier**



**Standard 2a : Board accountability**

70  
60  
50  
40  
30  
20  
10  
0

**Standard 2c : Staff accountability**

**Standard 2b : Senior Management accountability**

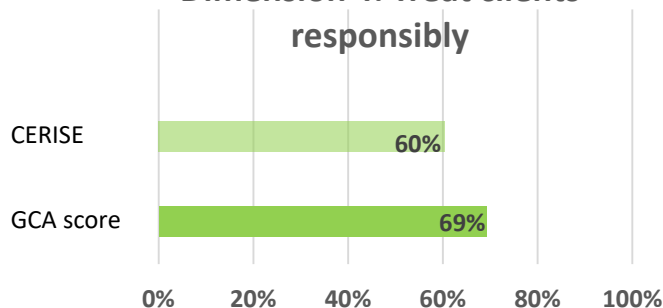
— CERISE Database (N=85)  
— GCAMF Portfolio (N=38)



# Our partners protect their clients better than their peers

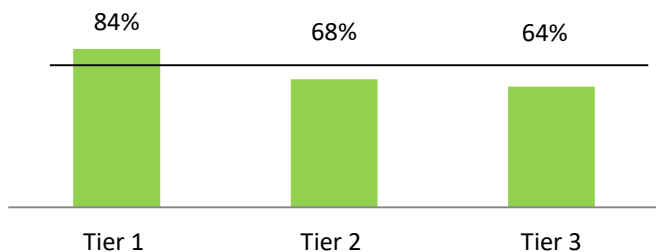
***Rationale: Institutions that seek to bring benefits to their clients must ensure that they “do no harm.”***

## Dimension 4: Treat clients responsibly

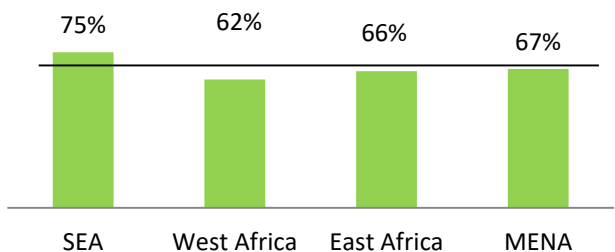


**Outperformance especially in Prevention of over-indebtedness: 12% above benchmark**

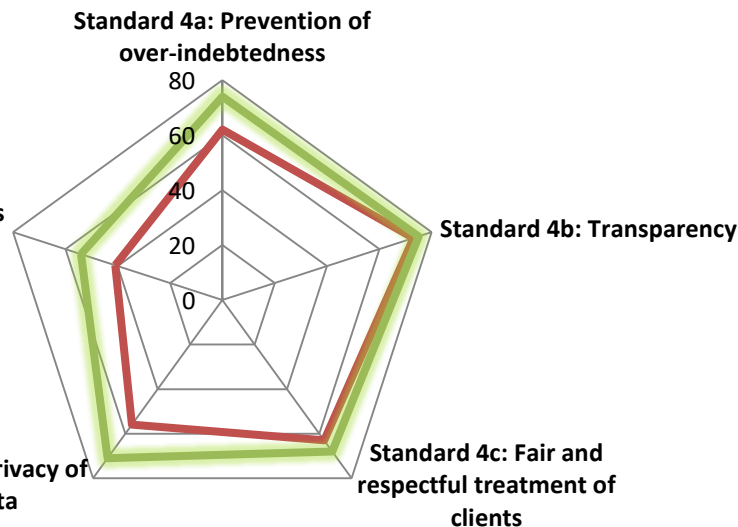
## Dimension 4 by Tier



## Client Protection by geographic area



Standard 4e: Mechanisms for complaint resolution



— CERISE Database (N=85)

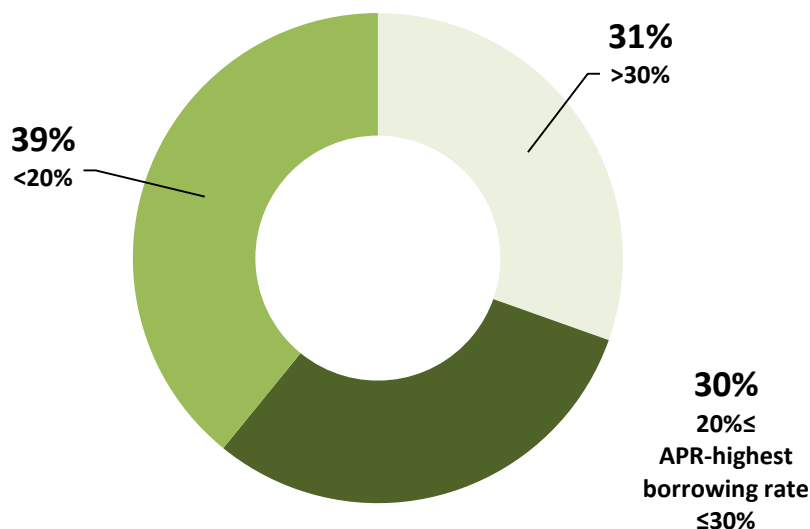
— GCAMF Portfolio (N=38)



# Our partners offer responsible pricing to their clients. We encourage them to lower it further

Our objectives	Our achievements
Reduce interest rates charged to end clients	<ul style="list-style-type: none"> <li>Interest level to end clients is a social selection criteria in all investment decisions</li> <li>39% of our partners with a difference between interest rate charged and cost of funding below 20%. 69% below 30%</li> </ul>
Favor MFIs who work on lowering interest rates charged	<ul style="list-style-type: none"> <li>Partners with a differential of &gt;30% mostly based in East Africa (Kenya, Zambia, Uganda, Malawi)</li> </ul>

## APR – highest borrowing rate

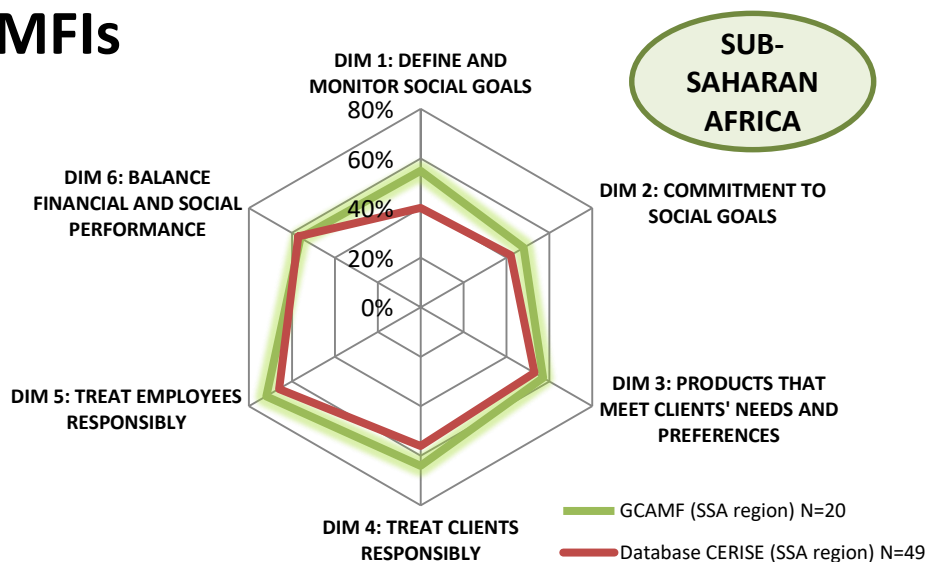




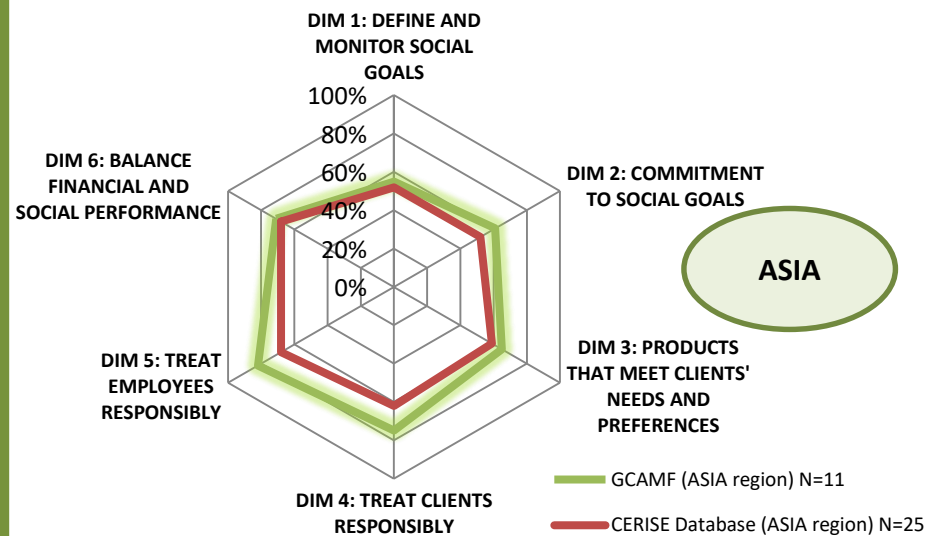
# SOCIAL PERFORMANCE MANAGEMENT

- Key strengths
- Areas for improvement

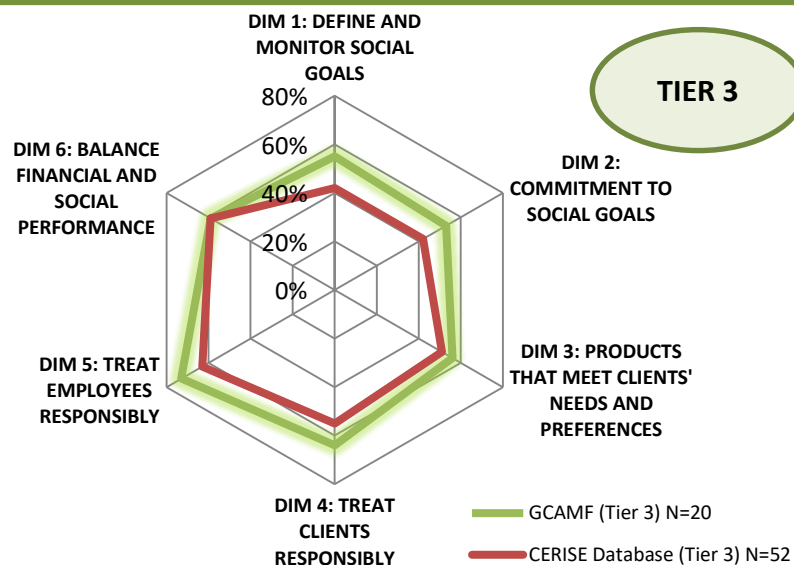
# Our key strengths: Sub-Saharan Africa, Asia and small size MFIs



GCAMF vs benchmark by region: Sub-Saharan Africa



GCAMF vs benchmark by region: Asia



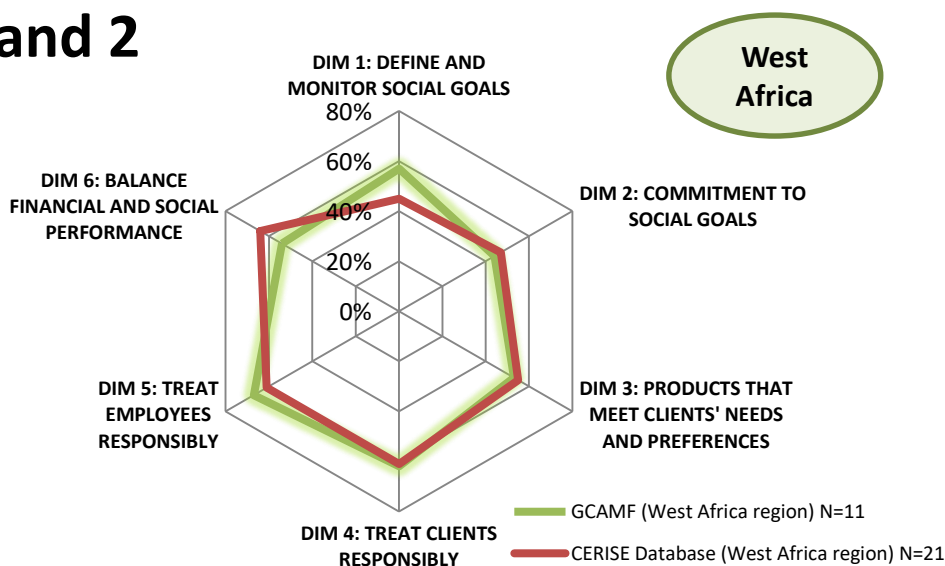
GCAMF vs benchmark by size: Tier 3 MFI – 0<GLP<10M

## Our achievements

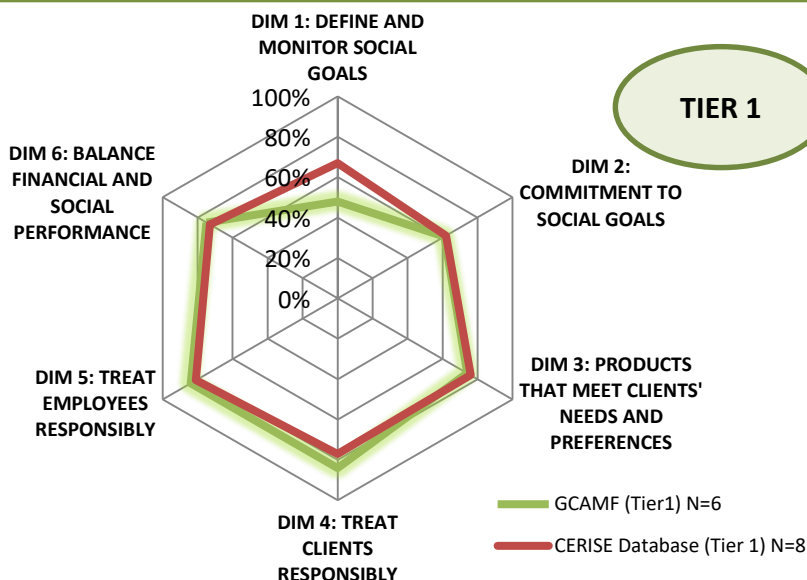
- Strong ALINUS score for Africa
- 5 out of 6 dimensions above benchmark.
- Well above for Dimension 1: Our partners have a clear social strategy and properly measure these social goals.
- ALINUS score for GCAMF portfolio in Asia above benchmark for all dimensions.
- Strong over-performance on staff (5) and client protection (4)
- Tier 3 partners of GCAMF Portfolio are well above the benchmark.
- Our Tier 3 partners are in particular highly committed to social goals and their Boards, management and staff are aligned with these goals



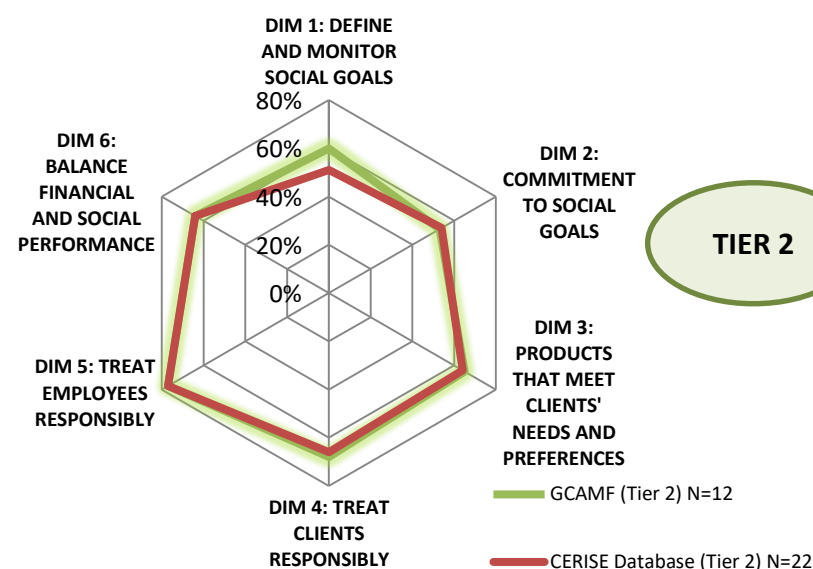
# Our areas for improvement: West Africa, social goals in Tier 1 and 2



GCAMF vs benchmark by region: West Africa



GCAMF vs benchmark by size: Tier 1- MFI –GLP>100M



GCAMF vs benchmark by size: Tier 2- MFI – 10M<GLP<100M

## Areas for improvement

- Performance of Sub-Saharan Africa is due to East Africa.
- West Africa below benchmark for dimension 2 (governance), 3 (product adaption) and 6 (balancing financial and social objectives).
- Tier 2 partners' social performance globally just at benchmark
- Tier 1 partners globally at or below benchmark
- Main area for improvement is defining and monitoring of Social Goals







# SOCIAL MISSION

**Our fulfilment**

# Our social mission statement

## Articles of association - Art. 2

« The **object** of the Foundation is to participate in the fight against global poverty, by the development and encouragement of micro-credit initiatives and social business projects and by the provision of financial and technical support for microfinance institutions in developing or emerging countries.

The Foundation will carry out its object either directly or through subsidiaries created in the form of companies, investment funds or any other entity under its control.

The Foundation may do anything directly or indirectly connected with its object. »



# Our social mission statement

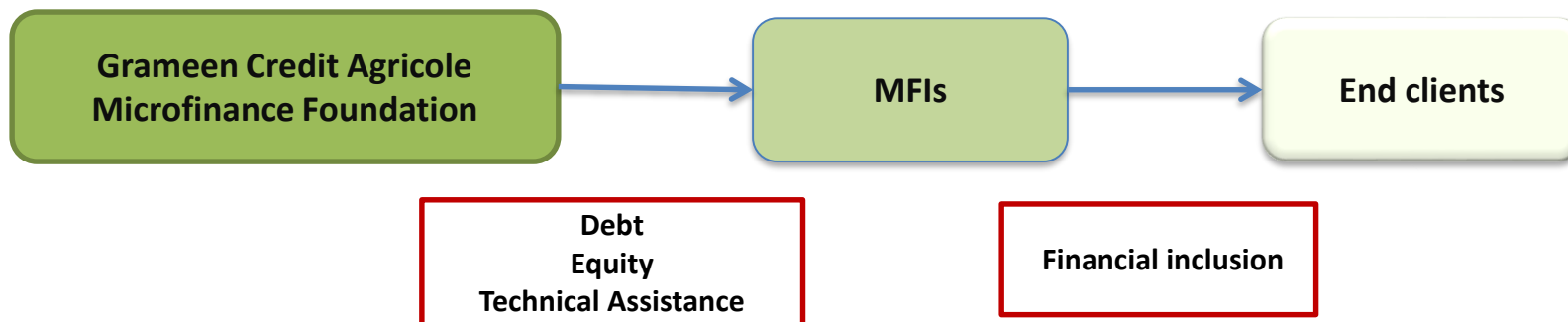
Promote **inclusive** and **responsible** finance



➔ Our Credo : **economic development** contributes to **social welfare**.

➔ Our priorities : **promotion of human development**, respectful to the environment, **women** economic advancement and **rural areas**

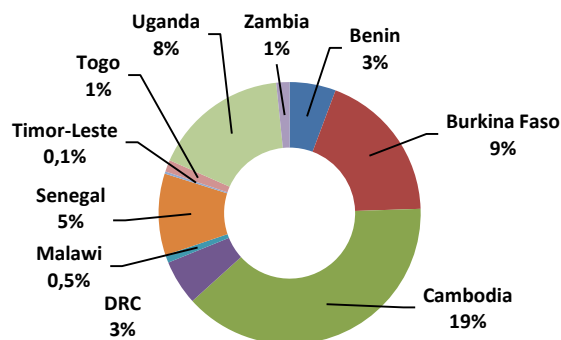
➔ Geographical focus on **Africa**



# A geographic presence in line with our objectives of focusing on Sub-Saharan Africa and poor countries

Our objectives	Our achievements
Focus: Sub-Saharan Africa (SSA)	Highest amount of commitments in SSA : 41%
Focus: Poorest countries	About half of our MFI partners and commitments in Least Developed Countries (LDCs) *

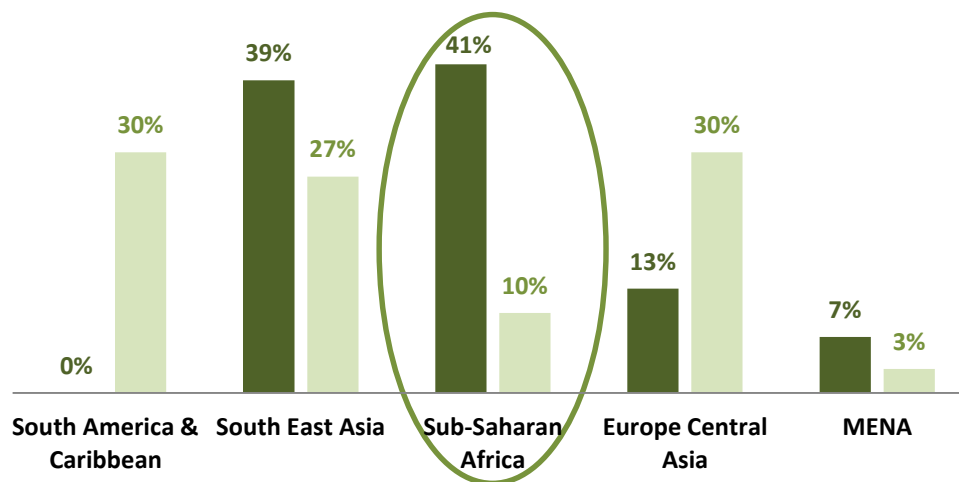
## Portfolio in Least Developed Countries



48% of total commitments

## Portfolio by area

■ Gross commitments GCAMF Portfolio 
 ■ Benchmark (fixed-income funds) \*\*



\* LDC: **Least Developed Countries (LDC)**: Countries that, according to the United Nations, exhibit the lowest indicators of socioeconomic development, with the worldwide lowest HDI (Human Development Index).

\*\* 2016 Symbiotics MIV Survey to benchmark GCAMF portfolio. This survey offers a benchmark comprised of 93 MIVs.

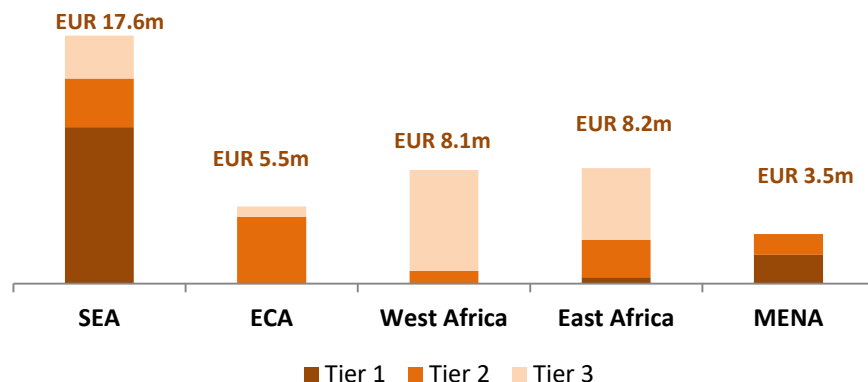
\*\*\*Gross commitments Microfinance portfolio include Equity of Chamroeun and ACAD, which are two MFIs.



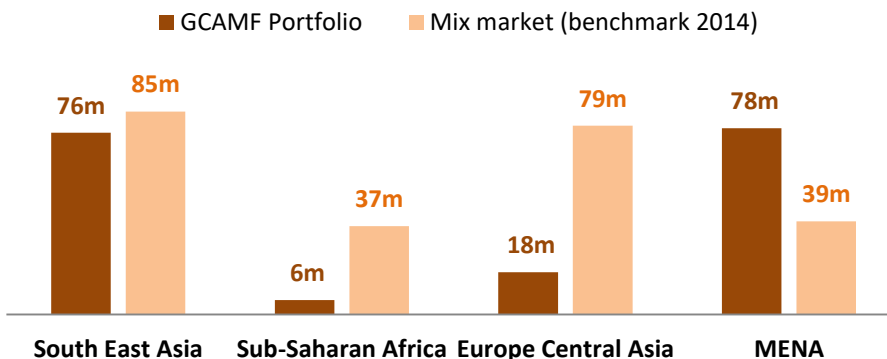
# By financing and supporting small rural MFIs with limited access to funders, we enhance financial inclusion in remote areas

Our objectives	Our achievements
Focus : Rural MFI partners	<p>GCAMF presence mostly in Africa</p> <p>Rural MFIs in Africa mostly of small size</p> <p>-&gt; 1/3<sup>rd</sup> of GCAMF portfolio serves Tier 3 MFIs whereas MIV (Investment Funds) dedicate on average 6% of their portfolio to Tier 3 MFIs</p>

**GCAMF Portfolio**  
by size and area



**Average GLP of financed MFIs**



**Rural**

GCAMF	Tier 1 35%	Tier 2 32%	Tier 3 33%
MIV benchmark	Tier 1 58%	Tier 2 36%	Tier 3 6%

\* Data: Q3 2016

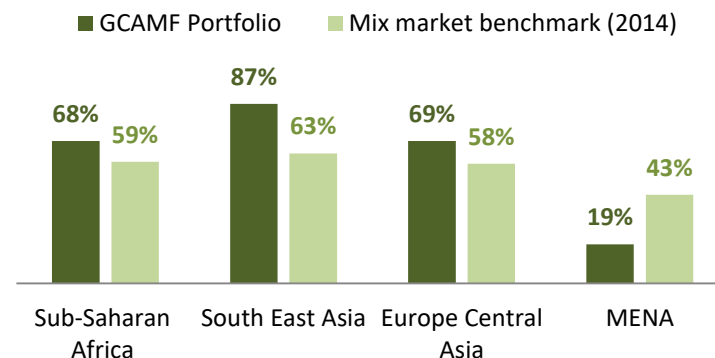
\* MIV Benchmark : Symbiotics - GLP > 100m USD: Tier 1 / 10m USD <GLP< 100m USD: Tier 2 / GLP< 10m USD : Tier 3



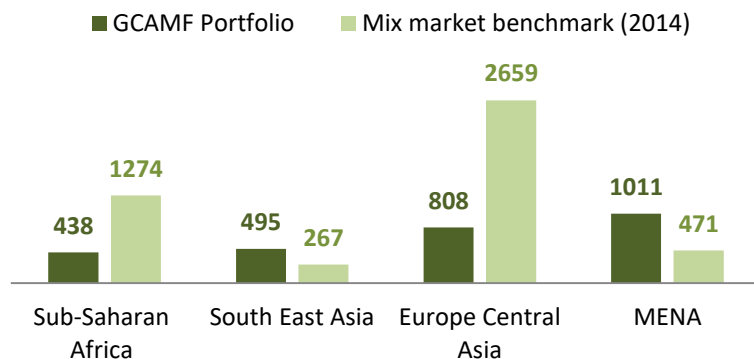
# Our end clients are mostly women, in rural areas and likely to be poor or with low income

Our objectives	Our achievements
Prioritize MFIs targeting poor and vulnerable clients	<ul style="list-style-type: none"> <li>Average loan size by borrower well below industry average (for partners in SSA and ECA)</li> <li>64% of our partners evaluate client poverty level with PPI (Progress out of Poverty Index) methodology</li> </ul>
Focus on women and rural populations	% of rural and women population above industry average

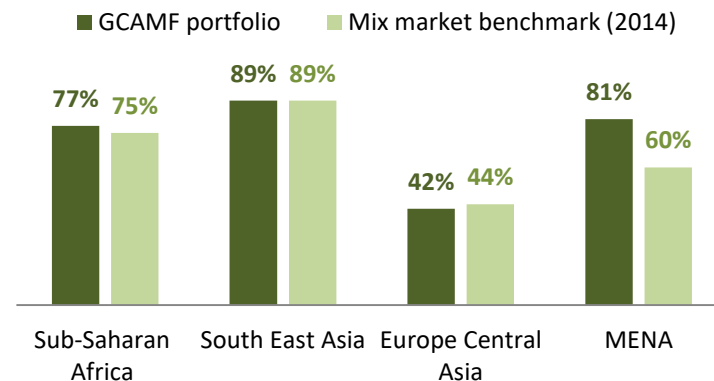
## Proportion of rural clients



## Average loan balance of our MFI Partners in USD



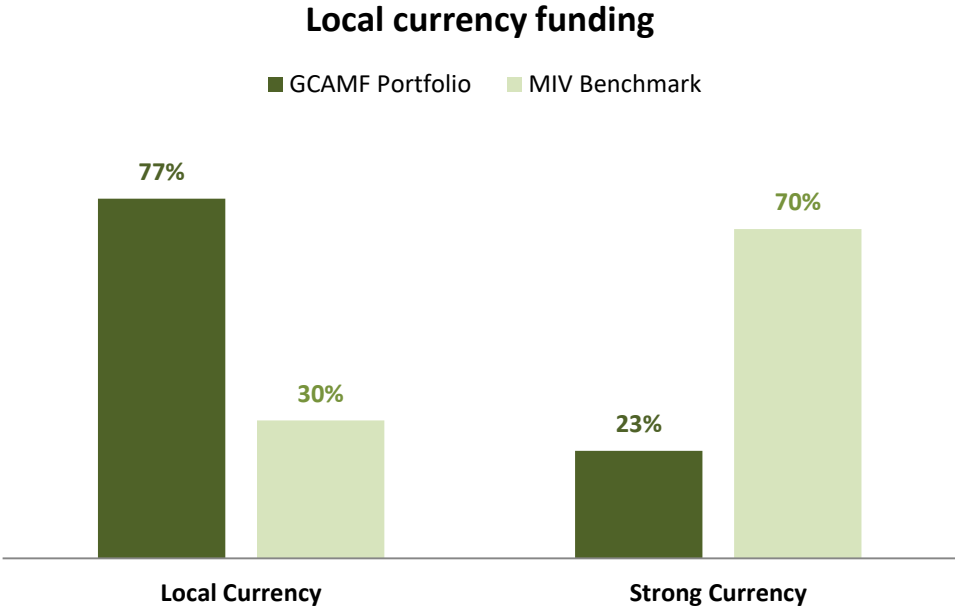
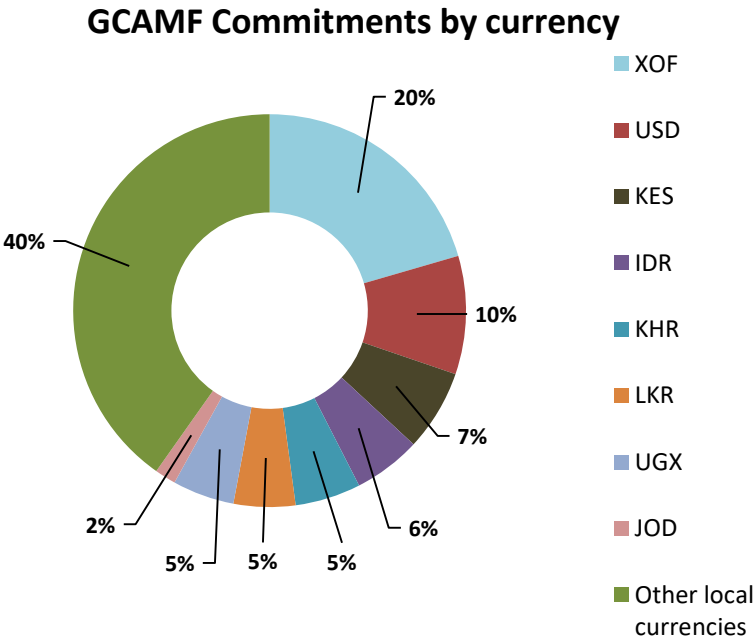
## Proportion of women clients





# The Foundation protects its MFI partners and their end clients by offering local currency funding

Our objectives	Our achievements
Offer adapted products to our investees	77% of our funding is provided in local currencies



• Gross commitments Microfinance portfolio include Equity of Chamroeun and ACAD



# Stable financial performance for GCAMF portfolio – but higher counterparty risk in Africa where our partners are economically more fragile

Our objectives	Our achievements
Professional risk management and financial performance evaluation	Quarterly evaluation of financial performance of portfolio partners
Sustainable, stable financial performance of our portfolio	Stable quarterly evolution in 2016

➔ Only 0,78% loss ratio of portfolio since inception in 2008

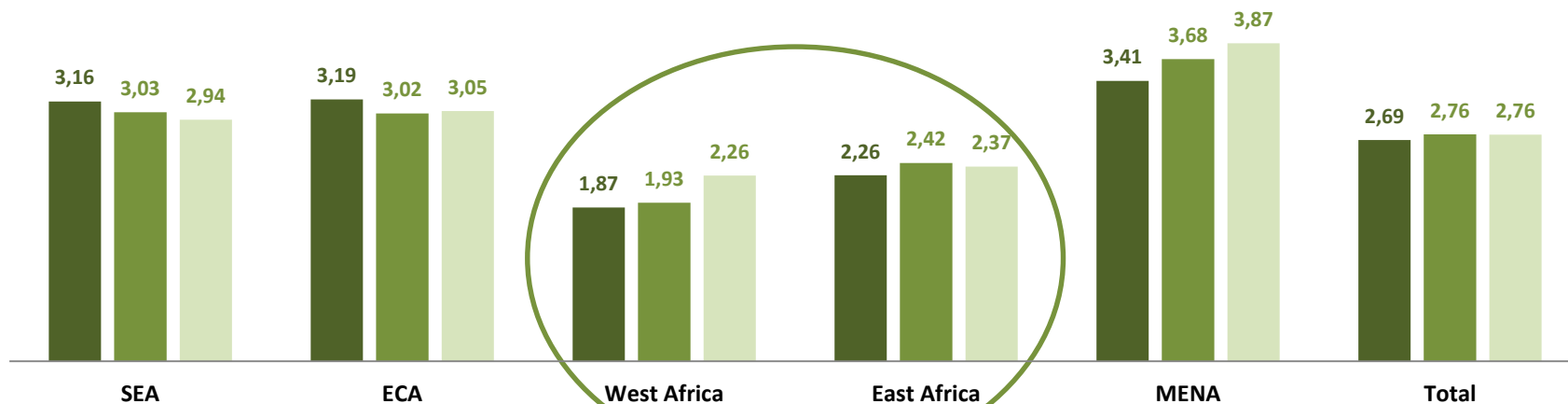
## Financial Performance Indicator (FPI)

weighted by commitments :

- 25% Debt / Equity
- 25% PAR 30 + R + wo
- 25% Risk Coverage Ratio, RCR
- 25% Operational Self-Sufficiency

## Financial Performance Indicator (FPI) Evolution 2016

■ FPI as of Q2 2016 ■ FPI as of Q3 2016 ■ FPI as of Q4 2016



# Therefore, we support these partners by improving their resilience through Technical Assistance

Among the 14 partners who received support from the Foundation in 2015:

- **73%** considered the **offer adapted to their needs** (2014: 63%)
- **86%** of our partners considered **the delay between the technical assistance request and the beginning of the mission satisfactory or highly satisfactory** (2014: 88%)

GCA Satisfaction Survey on Microfinance Activities (2015)

AFRICAN FACILITY



46 TECHNICAL  
ASSISTANCE  
MISSIONS



16 PARTNERS



Human-ressources

Risk management

Lending  
methodology

Governance

Development studies

Information System

Subsidy :  
900.000 €

➔ Adapted and sustainable offer to our MFIs





In a nutshell

# In an nutshell

## SOCIAL PERFORMANCE OF OUR PARTNERS

### GCAMF vs BENCHMARK

Dimension 1 – Define and monitor social goals	+	+
Dimension 2 – Ensure board, management, and employees commitment to social goals	+	+
Dimension 3 – Design products, services, delivery models and channels that meet clients' needs and preferences	+	
Dimension 4 – Treat clients responsibly	+	+
Dimension 5 - Treat staff responsibly	+	+
Dimension 6 – Balance social and financial performances	+	
Prevention of over-indebtedness	+	+
Social performance of Tier 3 partners	+	+
Social performance of Tier 1 partners		-

## FULFILMENT OF OUR SOCIAL MISSION

### GCAMF vs BENCHMARK

Partners in Africa and poor countries	+	+
Partners in rural areas	+	+
Rural borrowers	+	+
Women borrowers	+	
Funding in local currency	+	+
Offer Technical Assistance	+	+



2017

Financial  
Performance

Social  
Performance





# Keep the momentum and strengthen our social performance requirements

## Social Performance Management

- **Strengthen our partner selection** based on social performance through the implementation of social covenants and performance targets

### Global Social Performance score (All six dimensions)

- TIER 1 > 50%
- TIER 2 > 45%
- TIER 3 > 40%

### Client Protection score (dimension 4)

- TIER 1 > 70%
- TIER 2 > 60%
- TIER 3 > 50%

### Prevention of over-indebtedness

- TIER 1 > 70%
- TIER 2 > 50%
- TIER 3 > 50%

- **Monitor the poverty level** of our partners' clients and their social outcomes
- Offer **Technical Assistance** missions to reinforce social performance

## End clients focus

- Introduce specific **funding products for agriculture**
- Focus on **vulnerable clients**, such as **refugees** (project in partnership with the UNHCR)

