

# Planet Rating

THE GLOBAL MICROFINANCE RATING AGENCY

## ACTIVITY REPORT 2008



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## 10 years of ratings for sustainable and responsible microfinance

PlaNet Finance created Planet Rating 10 years ago because we envisioned a tremendous development of microfinance services and considered that more transparency was needed to harness the growth of the sector. Ratings have now become a common practice in microfinance, contributing to a sound development of the sector.

Over the past 10 years, microfinance institutions have often surpassed our expectations and overcome our reservations in many surprising and wonderful ways and will certainly continue to do so in the future. However, raters are there to be prudent and skeptical: no matter how good the figures look, our analysts will continue to conduct thorough field visits and to question the systems and the procedures, the skills and the strategies, in order to make sure that microfinance remains a safe haven and contributes positively to poverty alleviation. The economic turmoil triggered by the subprime crisis reminds us that this careful field analysis of risk and performance is as essential as ever. At the forefront of a fast-paced and constantly-changing industry, Planet Rating has regularly revised its methodologies to take into account the risks related to rising competition, over-indebtedness, foreign currency funding, transformation, regulation or mission drift. This has notably led to the development of social ratings. Risks related to new services such as mobile transactions or insurance are currently being evaluated.

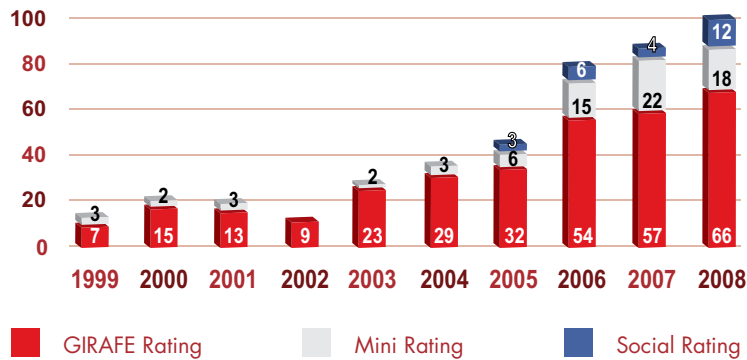
Planet Rating is proud to work in conjunction with microfinance institutions' managers, investors, technical assistants and our fellow raters in a fabulous success story, which, ultimately, belongs to the millions of small entrepreneurs worldwide who are working hard to change their own lives and, in the process, sow the seeds to lift the inequalities that pervade throughout our human world.

**Jacques Attali**

President of Planet Rating Supervisory Board  
President of PlaNet Finance Group

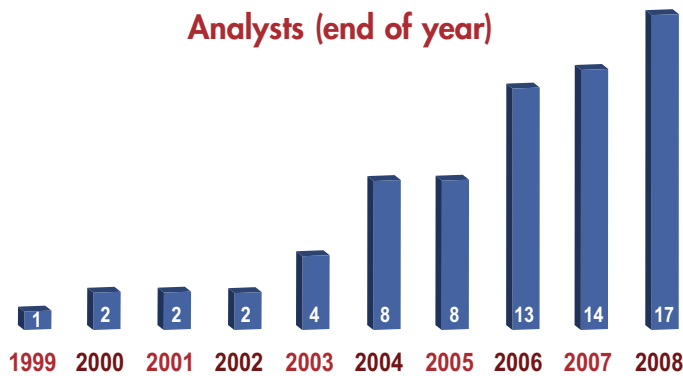
# Key Figures

## Number of Ratings



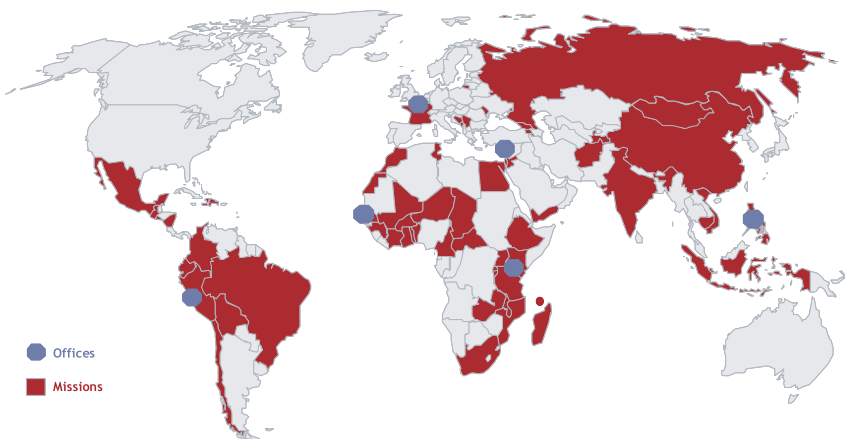
Planet Rating has conducted more than 400 rating missions since inception for 290 MFIs

## Analysts (end of year)



Planet Rating has built an international team of 17 analysts dedicated to the risk analysis of microfinance institutions

## Global Reach



Planet Rating has a global reach with 6 regional offices and has rated MFIs in 67 countries

<p>Planet Rating's expertise is widely disseminated with 100 people trained in our methodologies in 2008 and subscribers representing USD 1.4 bn of debt investment in microfinance.</p>	<p><b>Participated in trainings</b>                  DWM, Alterfin, Crédit Coopératif, Triodos Facet, responsAbility, Epargne Sans Frontière, Grameen Crédit Agricole Microfinance Foundation, BNP Paribas, EU Commission</p>	<p><b>Subscribers</b>                  INCOFIN, Oikocredit, Blue Orchard, CGAP, Triple Jump, ADA, Grameen Foundation, Cordaid, PlaNet Finance, AFD, ING, MicroVest, Citigroup</p>
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## 2008: Planet Rating reinforces its position with close to 100 financial and social ratings worldwide



**Enhanced GIRAFE methodology, take-off of social ratings, new office in Asia, launch of a subscription service for investors**

Focused on providing all microfinance stakeholders with the information they need for sound growth of the sector, Planet Rating has provided performance evaluations, risk assessments and ratings of Microfinance Institutions (MFIs) over the past 10 years. Our methods and processes have evolved over time, but our vision has remained unchanged: to take the best of the techniques and experience of the mainstream world and adapt them to a sector that is defined by its social goals and its geographic reach.

With **96 rating missions** conducted in 2008, our analysts have maintained the tradition of analytical rigor that have grown to symbolize Planet Rating's work. This commitment to excellence in microfinance is rooted in:

- **Objectivity:** All analysts have signed and abide by a code conduct that is designed to guarantee the independence of their opinion. In 2008, we have also launched a subscription service through which investors get access to our reports. With MFIs paying for the evaluation mission and investors paying for the reports, we have a better balance in our revenue streams and a reinforced independence.
- **Transparency:** Our rating criteria and weighing are listed on our website and provided to MFIs or investors. We also provide trainings to our rating methodology. We indeed consider that it is important to make sure that our evaluation of the strengths and weaknesses of an institution is shared by the MFIs and understood by their partners for an optimal use of our work.
- **Anticipation and Innovation:** Our rating methodology has been constantly updated since its creation to anticipate future risks and challenges of this incredibly dynamic industry. One major update has been issued in 2008 to cater for the development of more sophisticated institutional and financing structures and heightened risks such as client over-indebtedness and higher competition. Another major evolution has been the launch of Social Ratings in 2007, for which a strong growth in demand has been seen in 2008.
- **Analytical Rigor:** Because microfinance has to deal with clients that are often working in the informal sector, financial or operational data and procedures often fail to provide a full picture of the quality of MFIs' risk management. In order to have a good understanding of MFIs' operations, our standard procedures include thorough visits of branches and interviews with key actors of microfinance such as branch managers, loans officers and microentrepreneurs.
- **Understanding of the Local Context:** Since 2005, Planet Rating has started a decentralization process with the opening of offices in Africa (2005 and 2006), Latin America (2005), MENA (2006) and in Asia (2008). We consider that this proximity is essential for us to have a good understanding and knowledge of the contexts in which microfinance institutions operate. Headquarters staff is involved in all missions and report revision to make sure that our quality standards are met and to make sure that our analysis is consistent across offices and analysts.
- **Partnership with Microfinance Investors:** We engage in active discussions with Microfinance Investors to share our vision of the trends and evolutions of the sector. In 2008, this has notably led us to work with the fast developing internet-based lending platform, to discuss their specific risk model. We have also regularly provided tailor-made services for investors that requested it: verification of client level information; in-depth analysis of the portfolio; verification of compliance with specific investors' requirements; country reviews.

We are proud and grateful to have received the renewed confidence of our subscribers, of the MFIs we rate and of their technical and financial partners, some of which have gladly accepted to share their positive experience in this report. I also personally want to thank all Planet Rating analysts for the dedication and passion they put into their work.

**Emmanuelle Javoy**  
Managing Director

# GOVERNANCE



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Otto Wormgoor, Operations Manager and Emmanuelle Javoy, Managing Director

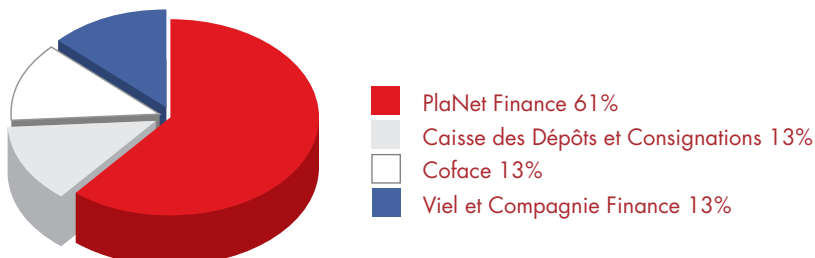
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## Shareholders

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Planet Rating was created as a department of the international NGO PlaNet Finance and was spun-off in 2005. Planet Rating is now a Société par Actions Simplifiées with an authorized capital of EUR 667,000, owned by PlaNet Finance, Caisse des Dépôts et Consignations, Coface and Viel et Compagnie Finance.



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## Supervisory Board

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<b>Chairman</b>	<b>Jacques Attali</b>	PlaNet Finance	President and Founder
<b>Member</b>	<b>Arnaud Ventura</b>	PlaNet Finance	Vice-President and co-Founder
<b>Member</b>	<b>François Meunier</b>	COFACE	Directeur Général adjoint
<b>Member</b>	<b>Françoise Orsini</b>	Independent	Ex-president of COFACE Unistrat
<b>Member</b>	<b>Guy Sancerres</b>	Independent	Ex-BNP Paribas

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## Management Team

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Planet Rating is managed by recognized experts who have been invited to more than 20 conferences in 2008.

**Emmanuelle Javoy – Managing Director:** Emmanuelle became Managing Director in February 2008 after joining Planet Rating in May 2003 as a Senior Analyst and being its Technical Director for several years. She has carried out more than 50 missions, in Africa, the Middle East, Eastern Europe, Latin America and Asia. She has revised Planet Rating’s analytical tools and is in charge of the training process for new analysts. Her focus since 2004 has been on the development of new rating services such as mini-ratings and social performance ratings. Before joining Planet Rating, Emmanuelle worked as a consultant with the Boston Consulting Group. She graduated from the Ecole Supérieure de Commerce de Paris.

**Otto Wormgoor – Operations Manager:** Otto joined Planet Rating in November 2006 and became Operations Manager in June 2008. Prior to this Otto was the Office Director for East & Southern Africa. Otto has conducted over 30 rating missions in Africa, Eastern Europe and Asia. Before joining Planet Rating he worked for ICCO, Netherlands, where he was responsible for the microfinance program in the Philippines. Otto Wormgoor holds a M.Sc. degree in Mechanical Engineering (cum laude) from the University of Twente, Netherlands and a Masters in Advanced Development Studies from the Centre for International Development Issues Nijmegen, Netherlands. He participated in the Boulder Microfinance Training Program.

••••• **Participation in conferences and international working groups**

Sanabel, Social Performance Task Force, African Microfinance for Transparency, European Microfinance Week, Boulder Microfinance Training, Microcredit Summit Asia, World Microfinance Forum, C5 Global Investment in Microfinance, Meeting Investor Demand for Improved Social Performance Measurement, SEEP Network Annual Conference, FOROMIC, MAIN, Asia Microfinance Forum, AMFA.

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# Code of Ethics

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## Preamble

Planet Rating, a rating agency specialized in microfinance, is a member of the PlaNet Finance Group which mission is to work towards the improvement of humanity and the dignity of individuals by providing them with the means of realizing their life ambitions, notably through the development of micro-credit. Within this general framework, Planet Rating has given itself the goal to improve the access to funding for microfinance institutions, by creating the transparency that is necessary to the development of investment.

This code of ethics is signed by all Planet Rating staff and is complemented by a Code of Conduct that details operational procedures to be followed to guarantee the independence of our opinion.

Planet Rating has won the confidence of investors through over 400 ratings and a constant attention to quality. This reputation of integrity and excellence on the one hand and the competences and skills of our staff on the other hand, are our principal assets. Planet Rating has defined for itself rules and procedures to safeguard the former and develop the latter. These norms are binding for all employees, managers and partners of Planet Rating.

As an entity of the PlaNet Finance Group, Planet Rating abides by the rules and charters validated by PlaNet Finance's Board and Ethics Committee. It applies the instructions of the Group's Compliance Officer.

## Respect of Fundamental Human Rights

- Through its social ratings, Planet Rating commits to report on the level of respect of fundamental human rights in the rated institutions.
- In the course of its financial and social ratings, Planet Rating commits to inform microfinance institutions with which it works on the norms defined by the Charter of the United Nations in terms of respect of fundamental human rights and on international labor rules defined by the International Labor Organization.

## Staff

- Planet Rating commits to respect, in its relationships with its staff, the labor regulation of their country of residence as well as the international labor rules defined by the International Labor Organization.

## Integrity and Objectivity of Ratings

- Planet Rating takes a commitment to investors and microfinance institutions to provide reliable information on the Microfinance Institution's financial and social performance and an objective opinion on their institutional sustainability. A code of conduct and procedures, validated by Planet Rating's Supervisory Board, organize and guide the work of analysts and allow to guarantee the integrity and objectivity of the rating process.
- Planet Rating commits to prevent all conflicts of interests that could affect the objectivity of its ratings.

## Confidentiality of Information

- In order to produce its ratings, Planet Rating has to gain access to and analyze confidential information. Planet Rating commits to guarantee that its staff will maintain the confidentiality of this information.

## Rating Committee

The Rating Committee is composed of Planet Rating's Senior Analysts. In order to guarantee the objectivity of the rating process, the rating decision is collegial and consensus based. The meeting involves experienced analysts that have not taken part in the on-site mission. The rating file includes the comments of the rated MFI.

Analysts are not allowed to participate in rating missions or rating committees if they themselves or any of their relatives have any links with the rated MFI, be them financial (shares of capital or investments of any kind), institutional (participation in the governance bodies) or personal (family or friendship ties with members of the management of the MFI).

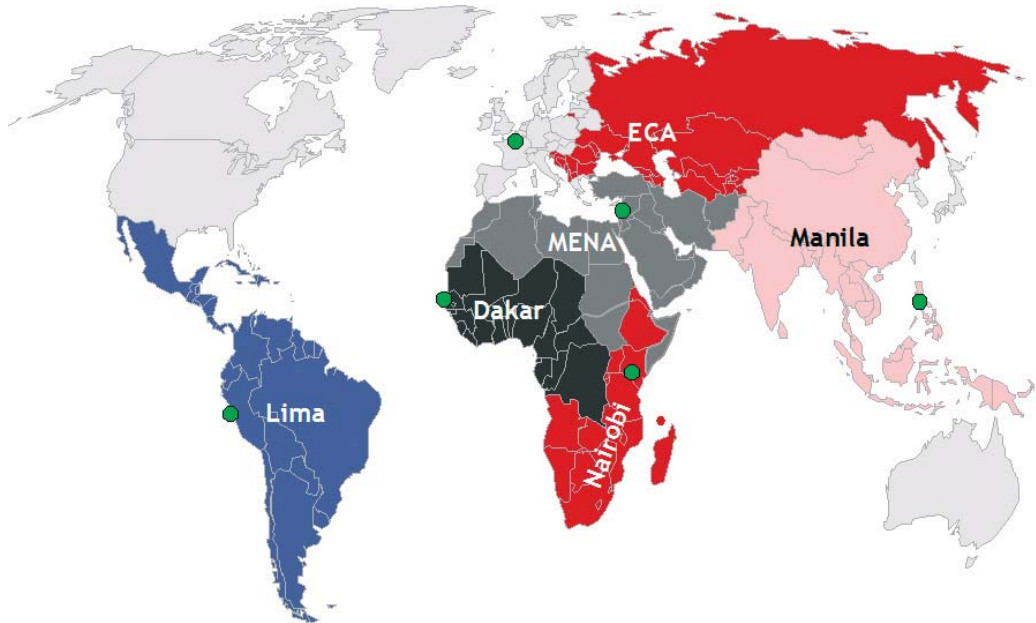
By statutes, rating decisions are excluded from the mandate of the Supervisory Board.

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## Team and Organization

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**Planet Rating has a network of 6 offices worldwide to offer efficient access to all of our clients.**



With 6 offices worldwide located in Paris, Dakar, Nairobi, Beirut, Lima and Manila, Planet Rating has established truly global coverage. In 2008 Planet Rating has made the preparations for the launch of its Manila Office, the latest addition to its network. The office has officially opened in January 2009. This coverage has allowed us to build up a significant local market expertise and gain an efficient access to all of our clients. Future additions to the network are foreseen for the ECA and South Asia regions.

At the end of 2008 Planet Rating employed 17 full time analysts and three administrative staff. In our offices, we strive for a balance of local and international staff and currently this split is 50-50 for Planet Rating as a whole. Planet Rating is proud to be a very multi-national and multi-cultural employer with staff coming from France, the Netherlands, Peru, Senegal, the United States, Lebanon and the Philippines.

Our staff comes from various professional backgrounds including banking, investment funds, strategic consulting, public funding agencies, microfinance consulting and mainstream rating agencies. They have brought a wealth of knowledge and experience to Planet Rating allowing us to maintain our excellent level of quality.

To ensure the consistency and global comparability, a rigorous training process for new staff is in place. There is a strong focus on both theoretical and practical knowledge transfer to our new analysts. Before leading any rating mission, new staff will join our senior or expert analysts for a minimum of five rating missions.



Planet Rating's team during the strategic seminar held in December 2008.

# A RATING AGENCY FOR MICROFINANCE



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Loan officer and client during a disbursement session

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# Product Range

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## **GIRAFE Ratings**

GIRAFE Ratings provide an opinion on the long term financial sustainability of microfinance institutions by assessing their management of key risks and their performance relative to industry benchmarks and to their competitors.

### **31 of the Mix 100 and 13 of the Forbes 50 have been rated by Planet Rating**

Rating missions and rating reports are adapted to the maturity and needs of the MFIs and their investors.

- For mature institutions, Planet Rating conducts standard GIRAFE rating missions after which a public GIRAFE rating report is produced and communicated to investors that have subscribed to Planet Rating subscription services. This 15-page report contains a detailed operational and financial analysis, as well as regional and international benchmarking to support the grade.
- Planet Rating also offers GIRAFE interactive assessments that are designed for less mature MFIs. This product, which evolved out of the mini-ratings offered until 2008, combines evaluation and training aspects. It is focused on a joint analysis by the MFI management and Planet Rating's staff: comparing their own assessment with Planet Rating's analytical insights and microfinance best practices. The 10 page assessment report highlights the main areas for improvement and is mainly used for internal purposes.

## **Social Ratings**

Social Ratings provide an opinion on the capacity of microfinance institutions to reach their social goals, through a careful evaluation of their social performance management systems.

After a three-year development phase, 2008 was only the second year for Planet Rating to offer this product. A strong increase in demand was experienced with 12 social ratings conducted during the year.

## **Subscription Service**

Planet Rating launched its subscription service in 2008. Newly published rating reports are only accessible to Planet Rating's Subscribers for a period of one year. In 2008, 16 Microfinance Investment Vehicles subscribed to this service that together represent USD 1.4 billion of debt investments. After this one-year period the reports become available to all. This is in line with Planet Rating's vision to contribute to the development of the public knowledge on the performance of microfinance institutions.

## **GIRAFE Trainings**

Planet Rating organizes trainings on the risk evaluation of microfinance institutions designed for investors, international donors, fund providers, regulators, microfinance practitioners and experts... and all other stakeholders interested in microfinance.

In 2008, staff from Developing World Markets, responsAbility, Triple Jump, Crédit Agricole Grameen, Alterfin, Crédit Coopératif, Triodos Facet, BNP Paribas, EU Commission and many more have participated in Planet Rating's trainings.

# GIRAFE: a Proven Rating Methodology for MFIs

Our GIRAFE methodology is an innovative and unique analytical assessment and rating approach to evaluate MFIs' performance and management of key risks. The GIRAFE's objective – which constitutes an acronym for the various analytical categories of our assessment – is to promote an international standard of performance for MFIs, thereby strengthening the confidence of commercial investors.



## Rating Domains

<b>G</b> overnance
<b>I</b> nformation and systems
<b>R</b> isk management
<b>A</b> ctivities
<b>F</b> unding and liquidity
<b>E</b> fficiency and profitability

## Weightings

24%	} Qualitative Domains
10%	
10%	
20%	} Quantitative Domains
14%	
22%	

## Background

Initially created in 1999 by Gilles Galludec (ex-World Bank staff) for Planet Rating and subsequently updated and upgraded by Planet Rating, the GIRAFE rating methodology is certified and accredited by CGAP and the ADA Rating Initiative. This financial rating tool enjoys wide recognition from investors, donors, regulators, microfinance consultants, and microfinance providers.

The GIRAFE approach maintains a strong international reputation, due to the quality, consistency, and comprehensiveness of the original methodology. Recognizing the evolving microfinance sector and the increasing complexity and challenges of MFIs, Planet Rating has made continuous efforts to update and further enhance its methodology. In 2006 Planet Rating established a Working Group under the leadership of its Technical Director Emmanuelle Javoy (now General Manager) to conduct the review of the GIRAFE rating methodology. After a thorough analysis of rating methodologies used for the risk rating of mainstream financial institutions, Planet Rating enhanced the GIRAFE methodology in order to anticipate changing risks faced by MFIs in their development: commercializing, wider range of services, increased competition, and regulatory status, among others.

In 2008, Planet Rating published an Enhanced Version of the GIRAFE methodology that continually anticipates further commercialization of the sector by :

- revamping and modifying the relative weights given to the governance and funding areas;
- refining its analysis of the credit risk, risks related to the financial structure (foreign exchange, liquidity) and revenue quality;
- introducing caps, upgrades, downgrades; and
- broadening rating scales to provide further rating scope and flexibility.

Planet Rating remains at the vanguard of the rating industry in microfinance. Today, the GIRAFE methodology is an internationally recognized microfinance tool to assess institutional risk and performance. While continuously enhanced, the methodology preserves the consistency and integrity of the rating outcome.

## GIRAFE Rating Framework

GIRAFE Ratings provide an opinion on the long term financial sustainability of microfinance institutions by assessing their management of key risks and their performance relative to industry benchmarks and to their competitors.

### **G**overnance and Decision Making **24%**

- Decision Making
  - Planning
  - Management Team
  - HR Management
- The evaluation of governance is used to analyze the effectiveness of the “ownership” structure, the relevance of the MFI’s strategy, and the coherence between its strategic vision and its operations. We also assess the skills of the management team and the entire staff, including an evaluation of the human resources management system.

### **I**nformation and Systems **10%**

- Information System Design
  - Data Quality
- MFI’s typically have two key information systems: an accounting system and a loan/savings tracking system. In this area we evaluate the availability and accuracy of information as well as the security and appropriateness of the MIS. In addition, we analyze the quality of the information flow and perform a mini-audit of the portfolio.

### **R**isks **10%**

- Procedures and Internal Controls
  - Internal Audit
- In this section, we evaluate the quality of risk management within the MFI to determine whether the directors, internal auditor, and all other key personnel have adequately identified the risks related to their work. Furthermore, we assess whether there are controls in place to cover these risks.

### **A**ctivities **20%**

- Financial Services Management
  - Credit Risk
  - Risk Coverage
- MFI’s disburse loans and potentially mobilize savings. We evaluate the quality of the management of these services as well as the health of the loan portfolio. This analysis includes a review of credit procedures as well as the application of those procedures in the field via client file reviews and interviews with loan officers and clients.

### **F**unding and Liquidity **14%**

- Capital Adequacy and Funding Strategy
  - Liquidity Risk
  - Market Risks
- This area includes an analysis of an MFI’s capital structure, financing strategy, and the appropriateness of the asset liability management given its risk exposure (interest rate, currency, and maturity). Special attention is placed on liquidity management, including the security of cash, the management of short-term investments and cash flow projections.

### **E**fficiency and Profitability **22%**

- Return on Assets
  - Revenue Quality
  - Operational Efficiency
  - Asset Optimization
- The analysis determines whether the MFI is sustainable in the long term without subsidies. An evaluation of this area is necessary whether or not the MFI seeks to be profitable, as an MFI’s efficiency determines its capacity for outreach and the quality of its services. Standard adjustments are performed to account for various types of subsidies and hidden costs.

## Rating Scale

Through an analysis of the key risks that affect performance, GIRAFE ratings assess the financial, organizational and operational sustainability of MFIs and provide an opinion on the long term sustainability of an institution.

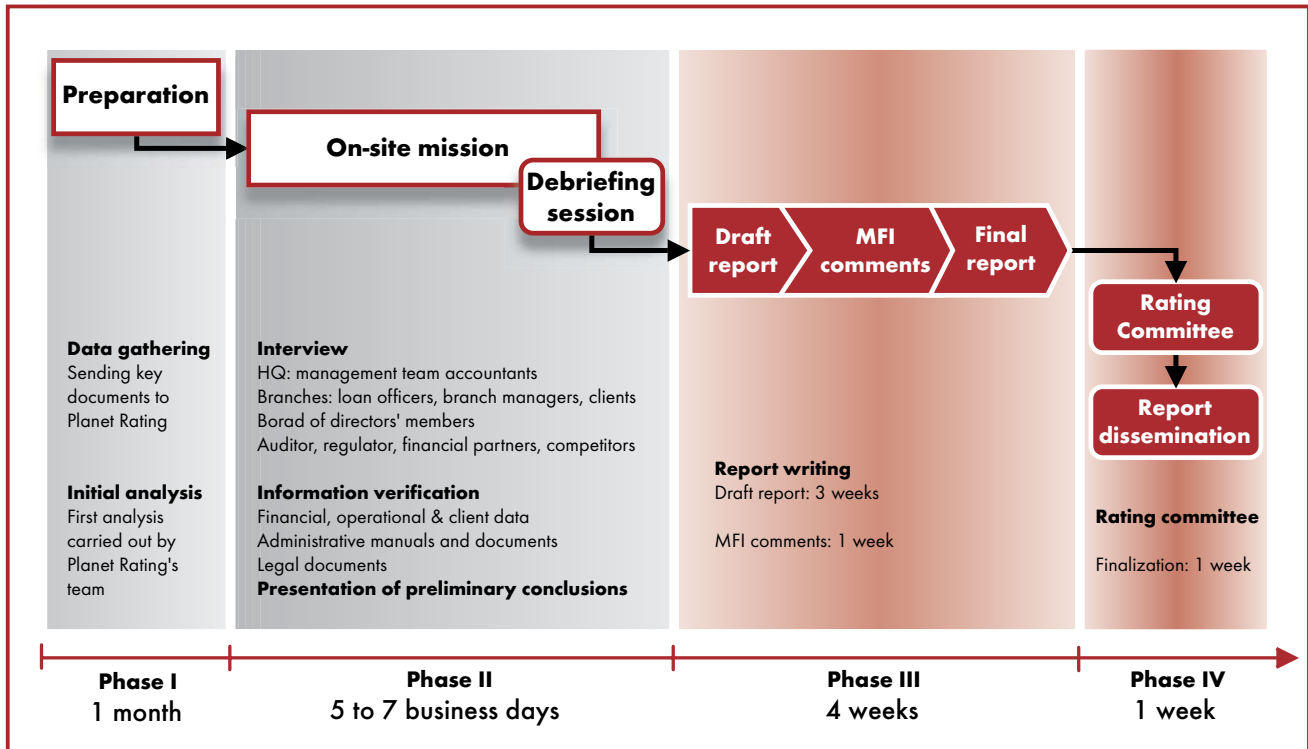
Rating Category	Grade	Rating summary
Investment Grade	A++	Current institutional, operational and financial performances are optimal. There is no downside risk in the short-term. Medium and long-term plans are well-designed, execution capacity is excellent and goals are very likely to be achieved. Short and medium term risks are minimal and/or well-managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should only minimally affect the institution's financial condition given its high resilience.
	A++	Current institutional, operational and financial performances are excellent when compared to industry standards. Medium and long-term plans are well-designed, execution capacity is very good, and goals are very likely to be achieved. Short and medium term risks are minimal and/or well managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should have a limited impact on the institution's financial condition given its ability to quickly adjust its strategies and/or take corrective actions.
	A	
	A-	
	B++	Current institutional, operational and financial performances are satisfactory when compared to industry standards. Medium and/or long-term plans are adequately designed, execution capacity is good and goals are likely to be achieved. Short and medium term risks are low and/or well managed. Areas for improvements have been identified and are being addressed. Changes in the economic, political or social environment might have an impact on the institution's financial condition that should however remain moderate.
	B+	
	B	
Speculative Investment	B-	Current institutional, operational and financial performances are close to industry standards. Short and medium term risks are moderate but are not fully addressed. Most areas for improvements have been identified, but medium and long term plans miss one or several critical elements, execution capacity is uneven and some goals are unlikely to be achieved. The institution is vulnerable to major changes in the economic, political or social environment.
	C++	Current institutional, operational and financial performances are below comparable industry standards. Short and medium term risks are moderate-high but are not fully addressed. Most areas for improvements have been identified, but medium and long-term plans miss one or several critical elements, execution capacity is weak and many goals are unlikely to be achieved. Most management processes and systems are in place but need to be refined or updated. The institution is vulnerable to major changes in the economic, political or social environment
	C+	
	C	
C-		
Technical Assistance Required	D	<b>High risk:</b> Important weaknesses in operational and financial areas result in high institutional vulnerability and potential risk of default. Performance is very poor in several important evaluation areas.
	E	<b>Immediate risk of default:</b> Existing operational and/or financial and/or strategic weaknesses create an outstanding risk of default. Performance is very poor in most evaluation areas.

In 2008, 33% of rated MFIs have received an "investment" grade and 50.5% received a "speculative investment grade". See graph below.

Rating	Grade	% of public ratings		
		for 2006	for 2007	for 2008
Investment Grade	A++	--	--	0%
	A+	0%	0%	0%
	A	7.5%	1.5%	0%
	A-	6.0%	8.5%	7.5%
	B++	--	--	5.5%
	B+	11.5%	11.5%	7.5%
	B	11.5%	18.5%	12.5%
Speculative Investment	B-	21.0%	13.5%	11.0%
	C++	--	--	3.5%
	C+	9.5%	6.5%	11.0%
	C	11.5%	10.0%	12.5%
	C-	6.0%	8.5%	12.5%
Technical Assistance Required	D	13.5%	21.5%	16.5%
	E	2.0%	--	--
Number of public ratings		52	60	55
Number of private ratings		7	15	25

## Rating Timeline

Rating missions are conducted in a participatory way. The rating process unfolds in four phases, starting one month before the rating mission and concluding with a published rating report within five weeks of the on-site mission.



## Our Rating Reports

Our comprehensive rating reports provide assessments and evaluations on a broad range of qualitative and quantitative factors that determine an institution's risk profile and sustainability.



- Concise, comprehensive, and objective reporting
- Details of the analysis that informed the rating outcome
- Assessment of the microfinance sector
- Presentation of the economic and political situation of the country
- Standard performance ratios and financial statements
- National and international benchmarks

Rating reports also include a benchmarking section, showing how the rated MFI compares with national/regional benchmarks as well as competitors. Planet Rating assigns a global grade and grades per evaluation area, allowing to compare the MFI's performance with that of others MFIs.

# Social Performance Ratings: we value what we measure !

## Background

For most MFIs, **institutional sustainability is only a means to an end**: achieving their social goals. **Transparency** on financial performance, with the existence of clear financial performance standards, regular reporting, external evaluations and ratings, has played a significant role in the development of strong microfinance institutions. In order to further strengthen the sector, increased transparency and accountability on the capacity of MFIs to effectively achieve their social goals is needed.

Planet Rating has developed **Social Performance Ratings**, which are available to MFIs that wish to **complement** their **institutional and financial rating** in order to provide comprehensive information to their stakeholders (Boards, Management Team, Fund providers, Supervisory Bodies). Social Performance Ratings provide the same independent, objective evaluations as Planet Rating's GIRAFE ratings, now deliberately oriented towards evaluating the systems that an MFI has put into place to ensure full implementation of its social mission.

Social Performance Ratings can be applied to MFIs of any legal stature, size, scope, or social mission. Social Ratings are meant to help MFIs:

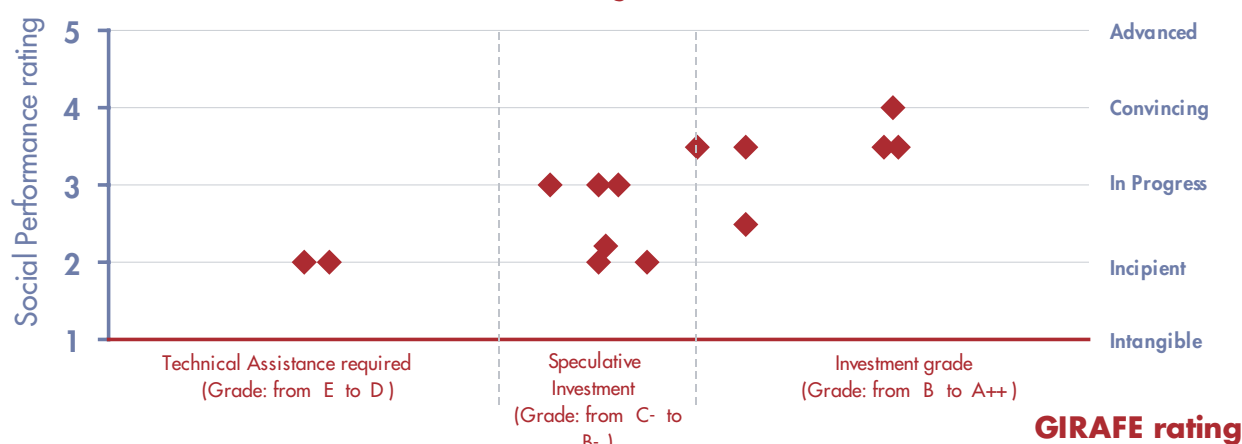
- Improve their social performance management systems thanks to a thorough identification of weaknesses and information about best practices
- Reduce reputation risks by demonstrating efforts made towards client satisfaction and client protection
- Attract skills or funds and enhance staff motivation thanks to an image as a socially responsible institution
- Increase transparency and comply with stakeholders information requests (fund providers, regulators, clients)

**Social Performance Ratings** include an audit of the MFI's **Social Performance Management** systems conducted with a **transparent methodology** and in an **interactive** mode to ensure an optimal appropriation of the conclusions of the audit. The evaluation is based on:

- Interviews with the management team, board, field staff
- Verification and validation of social performance information and indicators
- Document review (communication documents as well as internal ones)

Ratings are carried out based on an MFI's internally available information regarding its activities, clients, costs, processes, and policies. Our analysis is contextualized based on the national and regional socio-economic environment in which the MFI operates.

**Combined GIRAFE and Social Performance Rating (2007-2008)**  
**Grades assigned to MFIs**



## Social Performance Rating Framework

Planet Rating focuses on the three main areas of social performance management and evaluates intentions, implementations and results.

Evaluation Area	Main Questions
Institutionalization of Social Mission	<ul style="list-style-type: none"> <li>Does the institution have a clear social goal, shared by all stakeholders? How is it defined ?</li> <li>Has the institution put tools and systems in place to measure and track its social performance?</li> <li>Are processes in place to involve/motivate staff in/towards the achievement of social goals?</li> </ul>
Targeting and Service Offering	<ul style="list-style-type: none"> <li>Has the institution defined its target population?</li> <li>Is the institution providing financial services to persons usually excluded from financial services?</li> <li>Are services adapted to the various financial needs of the target population? Are clients satisfied with the services?</li> <li>Is the institution actively looking for ways to reduce the cost of the services for the clients?</li> </ul>
Social Responsibility	<ul style="list-style-type: none"> <li>Are there systems in place to guarantee that clients will be treated with respect and dignity?</li> <li>Are all staff recognized equal rights?</li> <li>Is the institution contributing to the community development with other means than financial services?</li> <li>Is the institution trying to have a positive impact on the environment through specific activities?</li> </ul>

## Rating Scale

Social Performance Ratings provide an opinion on the capacity of an MFI to achieve its social goals. A grade is assigned on a scale of 1-5, defined by the level of commitment held and the social performance management systems in place.

Rating	Definition
5+ 5	<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	<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	<b>In progress:</b> Clear intent to reach social goals ; social performance management systems being implemented
2+ 2	<b>Incipient:</b> Clear intent to reach social goals ; low capacity to manage social performance
1+ 1	<b>Intangible:</b> Intention to reach social goals is non tangible ; low level of management of social performance

# A GLOBAL RATING AGENCY WITH REGIONAL EXPERTISE



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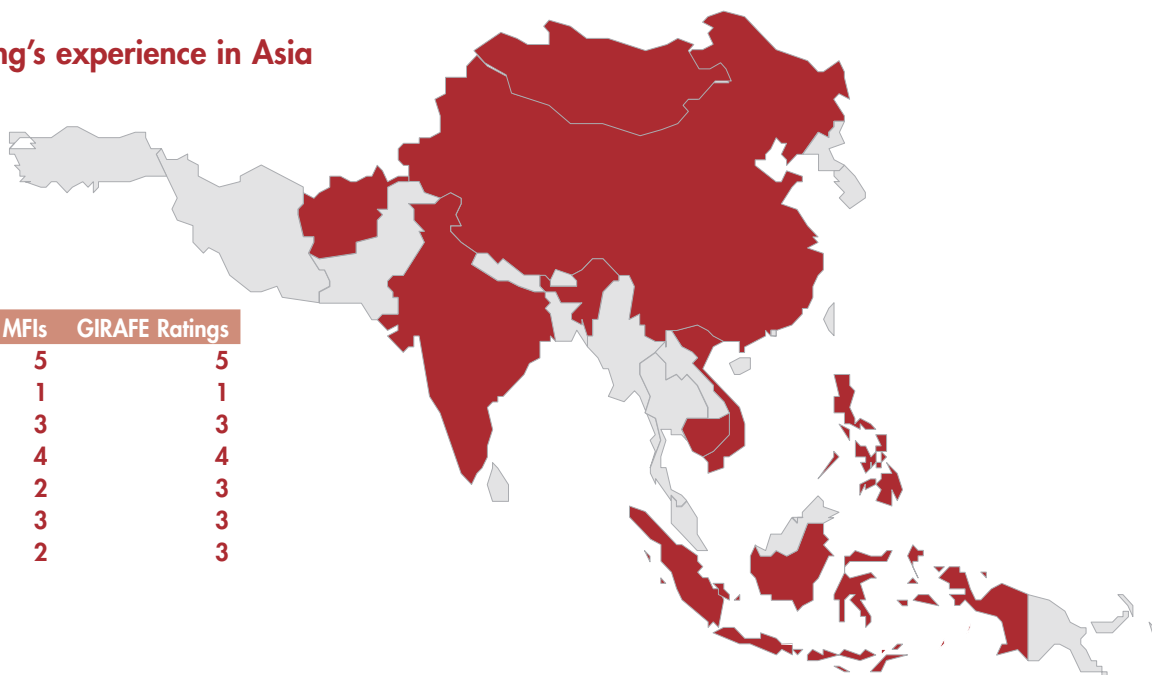
Field visit during a rating mission

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# Asia

Since 1999, Planet Rating has provided rating services in Asia, and the opening of our Manila office marks an important step in our commitment in the region. In 2008, preparations began for the opening of the Asia office in Manila, Philippines, which officially took place in January 2009. The rating of CARD NGO, the largest MFI in the Philippines, preceded this office move. Planet Rating continues to build its Asia presence. The total number of ratings in 2008 remained modest compared to other regions : two GIRAFE Ratings and four GIRAFE Mini Ratings conducted. With the opening of the regional office in Manila, a significant increase is expected for 2009, with missions planned for Cambodia, Vietnam, Mongolia, and of course the Philippines !

## Planet Rating's experience in Asia



Country	MFI's	GIRAFE Ratings
Cambodia	5	5
China	1	1
India	3	3
Indonesia	4	4
Mongolia	2	3
Philippines	3	3
Vietnam	2	3

### Ms. Ho Thi Quy, Managing Director, TYM Fund - Vietnam

"This has been a unique experience for us, we found the questions and analysis very challenging and beneficial, we have learnt a lot and already started implementing some lessons."



### Jaime Aristotle B. Alip, Ph.D., Managing Director, CARD NGO - Philippines

"We were very satisfied with your work and ... have been talking about you a lot. We champion you in the Philippines."



Asia team (James Soukamneuth and Blandine Pons), with Edouard Sers, in charge of Eastern Europe, here in Manila to help set-up the office.

**James Soukamneuth, Ph.D. – Director for Asia:** James recently joined Planet Rating in November 2008 after two years as a credit analyst at Moody's Investors Service, where he examined a variety of asset classes, such as CDO – derivatives, Public/Private partnership deals, infrastructure transactions, and project financing. Spanning the public and private sectors, his broad work experience extends from West Africa, Southeast Asia, to North America. Thereafter, he has worked for non-profit organizations, consulted with aid agencies, and conducted research in developing countries. He is fluent in English and conversant in French, Thai, and Lao. James holds a Master's Degree (2003) in Development Planning, and Doctor of Philosophy (2006) in Political Economy of International Development, all from Cornell University in Ithaca, New York.

## Latin America & the Caribbean

In 2008, Planet Rating has further deepened its strong performance in the Latin America and Caribbean market with a total of 34 ratings conducted in 2008. GIRAFE Ratings continue to be the main product with 24 GIRAFE Ratings conducted in the region including reputable MFIs such as Crecer and FADES in Bolivia, Interactuar in Colombia and EDPYME Alternativa and EDPYME Credivision in Peru. Demand was further stimulated by Social Performance Ratings of which 8 were conducted in the LAC region, contributing to 67% of total Social Performance Ratings conducted by Planet Rating in 2008.

### Planet Rating's experience in Latin America and the Caribbean

Country	MFIs	GIRAFE Ratings	Social Ratings
Bolivia	11	24	4
Brazil	17	23	
Chile	2	3	
Colombia	1	1	
Ecuador	3	3	
Guatemala	7	7	
Haiti	1	1	
Mexico	20	22	1
Nicaragua	3	5	
Peru	16	26	4
Dominican Republic	1	1	
El Salvador	1	1	



Latin America Team: Bruno Becerra (Assistant), Ramon Flores (Director), Jorge Bustamante, Brigite Narciso, Kara Valikai and Cesar Carcelen (Analysts)

**Ramon Flores – Director Latin America:** Ramon joined Planet Rating in June 2006 as Senior Analyst and became the Director for Latin America in June 2007. Prior to Planet Rating, Ramon worked as Senior Analyst in the Risk Department of Interbank– Peru's fourth largest bank. Ramon has nine years of risk analysis experience in corporate banking and commercial banking with microfinance institutions and, medium-size enterprises. Ramón has conducted more than 25 rating missions in Central and South America as well as Eastern Europe since joining Planet Rating. Ramon received a BA from the Universidad del Pacifico (Lima, Peru), and a MBA from Instituto de Empresa (Madrid, Spain).

## Public Ratings conducted in 2008

Type of rating	Country	Name of the institution	Grade
GIRAFE Rating	Bolivia	CRECER	A-
		DIACONIA	B
		FADES	B-
		FONDECO	B-
		IMPRO	B-
		Sartawi	C+
	Colombia	Interactuar	B++
	Ecuador	Fundacion ESPOIR	B+
	Mexico	ASP Financiera	C+
		Forjadores de Negocios	C+
		Solucion ASEA	C
	Nicaragua	Cooperativa 20 de Abril	C++
	Peru	ADRA	B
		Arariwa	B
		EDAPROSPO- Propseridad	C
		EDPYME Alternativa	B+
		Edpyme Credivision	B-
		FINCA Peru	B
		FONDESURCO	B+
		Manuela Ramos	B-
PRISMA		B	
Social Performance Rating	Bolivia	CRECER	4
		DIACONIA	2+
		FADES	3
	Mexico	Forjadores de Negocios	2
	Peru	ADRA	3
		FINCA Peru	3+
		Manuela Ramos	3+
		PRISMA	3+

### Amalia Arango de Arbeláez, Executive Director, Interactuar - Colombia

"We received the rating report, which we shared and read with the Board of Directors, and were very satisfied with the quality of the report and the rating. We are beginning to implement the report's recommendations in our institution. Allow me to thank you for the work accomplished. We were pleasantly surprised that you were able to understand our organization so well, especially with an organization that at times is quite complicated. All of the comments were very relevant to us."



### Jose Auad Lema, General Manager, CRECER - Bolivia

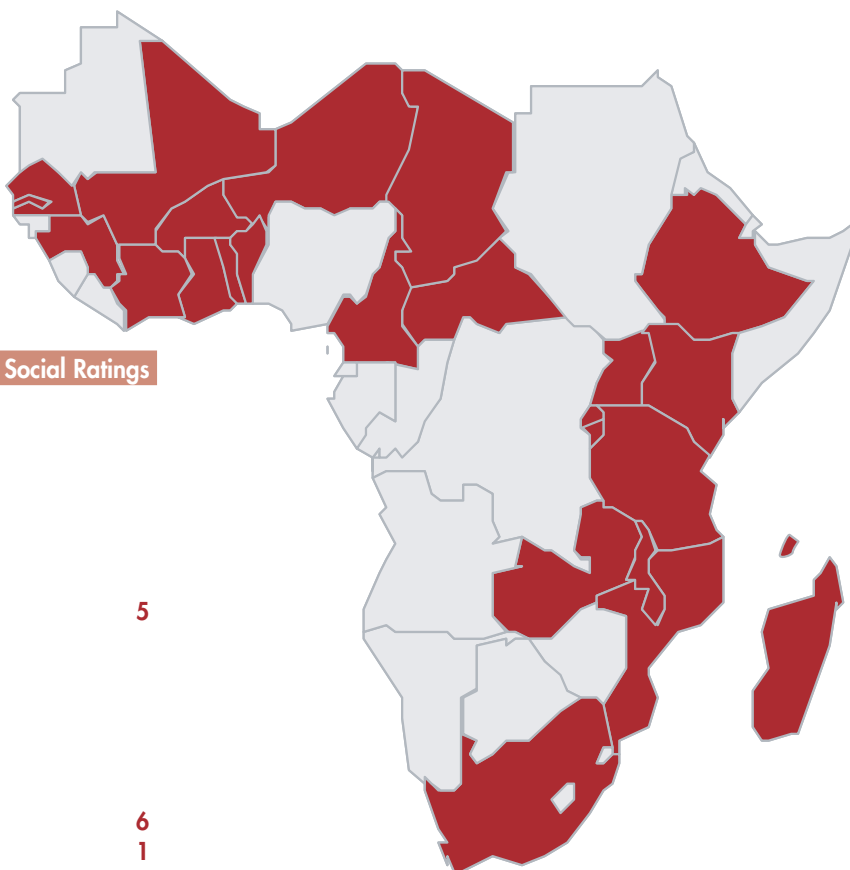
"You can be certain that the report that you have presented to us will serve as a base for improving our work, and thus, I reiterate my deep thanks and appreciation."



## Sub-Saharan Africa

In 2008 Planet Rating has further strengthened its position as the market leader for risk ratings of MFIs in Sub-Saharan Africa. A total of 28 GIRAFE Ratings conducted on the continent in 2008. This has been made possible through the establishment of a regional office in Dakar, Senegal in 2005 and a second office in Kampala, Uganda in 2006. Towards the end of 2008 Planet Rating relocated the latter office to Nairobi to take better advantage of the larger domestic market in Kenya and better flight connections offered in the region from Nairobi. This continent is also the main source of demand for the GIRAFE Mini Rating of which 9 were conducted in Sub-Saharan Africa.

### Planet Rating's experience in Sub-Saharan Africa



Country	MFIs	GIRAFE Ratings	Social Ratings
Benin	10	14	
Burkina Faso	4	7	
Burundi	1	1	
Cameroon	5	6	
Chad	1	1	
Central Africa	1	1	
Comoros	1	1	
Ethiopia	7	7	5
Ghana	13	13	
Guinea	2	4	
Ivory Coast	3	3	
Kenya	9	9	
Madagascar	3	3	
Malawi	1	1	
Mali	13	14	6
Mozambique	1	2	1
Niger	7	7	
Rwanda	4	4	
Senegal	8	10	
South Africa	4	4	
Tanzania	1	1	
The Gambia	1	1	
Togo	4	4	
Uganda	20	20	
Zambia	1	1	

### Charles Bandiougou Coulibaly, Managing Director, RMCR (World Vision Mali)

"RMCR team wishes to thank you for the quality of the work done by your rating team. We are very satisfied with the result while remaining very conscious of the challenges that we face. Your analysis will be very useful for our internal management as well as for our relationship with our partners (World Vision, Vision Funds international, Terrafina, BMS, Oikocredit)."



### Amsalu Alemayehu, Managing Director, Wasasa – Ethiopia

"Thanks a lot for finalizing your rating mission with us! We appreciate your commitment and high senses of responsibility to make your reports comparable and based on realities; keep it up!"

## East and Southern Africa

### Public ratings conducted in 2008

Type of rating	Country	Name of the institution	Grade
GIRAFE Rating	Ethiopia	Metemamen	D
		Wasasa	C+
	Kenya	AAR Credit Services	C-
		Pawdep SMEP	D C-
	Madagascar	Vola Mahasoa	C-
	Malawi	CUMO	D
	Mozambique	Socrema	C++
	Rwanda	CAF Isonga	D
		COOPEDU Duterimbere	C C-
	South Africa	Marang	C
Zambia	CETZAM	D	
Social Performance Rating	Ethiopia	Wasasa	3
	Mozambique	Socrema	2



*East and Southern Africa team:  
Elizabeth Rossiello  
(who joined in January 2009)  
and Grégoire Nedelec*

**Grégoire Nedelec – East and Southern Africa Representative:** Grégoire joined Planet Rating in January 2008 and after the transfer of Otto Wormgoor to the head office in Paris, Grégoire became the lead analyst for the East & Southern Africa region under his supervision. Among others, Grégoire has carried out ratings across East and Southern Africa as well as in Asia. Prior to joining Planet Rating he worked at the Swiss investment bank UBS, in the Merger & Acquisition mid-cap department based in Paris. He also worked on the strategic and financial aspects of a fair-trade wine import project. Grégoire holds a Master (with honors) in Business Law from the University LYON III Jean Moulin as well as a Master in Finance and Strategy from the Institute for Political Science in Paris (Sciences Po).

## West and Central Africa

### Public ratings conducted in 2008

Type of rating	Country	Name of the institution	Grade
GIRAFE Rating	Benin	CBDIBA/RENACA	C-
	Cameroon	ACEP Cameroun	B
		SOFINA	C-
	Ghana	CRAN	C+
	Mali	RMCR	C
	Niger	CRS Albarka	D
Yarda Madaoua		D	
Yarda Zinder		D	
Mini Rating	Senegal	Mec Delta	D

**El Hadji Diop – Director for West and Central Africa:** El Hadji started on October 2005 as Analyst and became Director for West and Central Africa in November 2008. He was an External Auditor for Ernst & Young (Dakar office) for the banking, oil and industrial sectors. El Hadji masters financial and audit analysis techniques and has participated in more than 30 ratings in Asia, Europe and mostly in Africa. He is a graduate of the Institute for Political Science in Paris (Sciences Po) and has been involved in development projects in Senegal.



*West and Central Africa team:  
Youssef Sy, Lucie Charrier (Analysts),  
and El Hadji Diop (Director)*

## Middle East and North Africa

Similarly to Sub-Saharan Africa, Planet Rating remains the market leader in MENA, even though the region is relatively small, with only 7 ratings conducted in 2008. Notably, Al Amana, the largest MFI in the region with over 500,000 clients, chose Planet Rating to be its rating agency once again, further boosting its profile as the leading rating agency in the region.

Indeed, our involvement in the MENA region started at Planet Rating's very creation in 1999, leading our track record to include the unmatched number of 46 rating and evaluation missions in the Arab World, as well as GIRAFE training sessions delivered in Morocco, Egypt, Palestinian Territories and Jordan. Planet Rating is the only microfinance rating agency that has counted Arabic-speaking analysts in its team since 2005. Another sign of long-term commitment to the region, Planet Rating is the only agency to have published rating reports in Arabic, thus making performance analysis available at all levels of the rated institutions and the region's stakeholders. Planet Rating also has conducted ratings of institutions working according to the principles of Islamic Finance and offering Shari3a-compliant products.

### Planet Rating's experience in the Middle East and North Africa



Country	MFI's	GIRAFE Ratings	Social Ratings
Afghanistan	1	1	
Egypt	7	9	
Jordan	3	5	
Morocco	9	18	1
Palestine	8	8	
Tunisia	1	2	
Yemen	1	1	

### Fouad Abdelmoumni, Managing Director, Al Amana - Morocco

"Moroccan Microfinance Institutions were able to leverage significant amounts of commercial funding through banks, leading to a debt to equity ratio of up to 7x for some. This achievement would have been much harder without independent, professional and reliable assessments of international standing on the level of risks taken by the bankers. In that regard, Planet Rating has obviously had and keeps on having a key role with the ratings it conducts. This is why Al Amana contracted Planet Rating once again in late 2008, despite the difficulties generated by the international turmoil and the local microfinance conjuncture."



Nadine Chéhade (Director for Middle East, North Africa & Caucasus).

**Nadine Chéhade – Director for Middle East, North Africa & Caucasus:** Nadine Chéhade joined the Planet Rating team in May 2006 and is head of the Beirut office from where she covers the MENA & Caucasus regions. She has conducted over 25 missions worldwide, mainly in the region (Jordan, Egypt, Morocco) but also in Africa, Eastern Europe and Asia. She started her career in Investment Banking, before working as a strategy and management consultant for 4 years, conducting projects throughout France and Europe, first with Accenture (Financial Services) and then with Kea&Partners®, French company spun off from CapGemini. In 2005, she worked as a consultant for ILDES, a Lebanese NGO with a microfinance program. Nadine is fluent in Arabic, English and French, and holds an M.B.A. from ESSEC.

## Eastern Europe and Central Asia

Planet Rating maintains a strong position in Eastern Europe, which accounts for 8 out of the 10 ratings conducted in ECA. Planet Rating notably holds the leading position in the Balkans thanks to the renewed confidence of MFIs in Bosnia Herzegovina, Serbia, Montenegro, and Moldova. For 2009, a further growth is expected in the Caucasus, thanks to continued marketing efforts since Q3 2008, as well as in Russia and the Central Asia region with the planned recruitment of Russian speaking staff.

### Planet Rating's experience in Eastern Europe and Central Asia



### Kyhl Amosson, Managing Director, AgrolInvest (World Vision Serbia and Montenegro)

"Thanks for all your hard work and extra effort to understand AI. It is not an easy organization to understand quickly, but after reading the rating I see you have done so very well."



### Public Ratings conducted in 2008

Type of rating	Country	Name of the institution	Grade
GIRAFE Rating	Bosnia	LOK Micro	A-
		Sinergija Plus	B+
		Women for Women	B-
	Moldova	MicrolInvest	B++
	Russia	Cooperative Narodnyi Kredit	C-
	Serbia & Montenegro	AgrolInvest	A-
Mini Rating	Armenia	Bank Eskhata	A-
		Nor Horizon	C+
Social Performance Rating	Serbia & Montenegro	AgrolInvest	4

**Edouard Sers, Senior Analyst in charge of Eastern Europe and Central Asia:** Edouard Sers joined the Planet Rating team in July 2006 and is in charge of Planet Ratings' activities in Eastern Europe & Central Asia and of our Social Performance rating service. Edouard started his career in the Moroccan microfinance industry with the social performance evaluations of four microfinance institutions. As a former external Auditor for PricewaterhouseCoopers in the banking industry, Edouard masters financial analysis and audit techniques. He already conducted both GIRAFE and Social Performance rating missions in Eastern Europe, Africa, and Asia. Edouard holds a Master in Business Management from the E.M. Lyon business school.

# Planet Rating: a member of the PlaNet Finance Group

Planet Rating was created by PlaNet Finance in 1999 to respond to the specific rating needs of the microfinance sector.

PlaNet Finance is a leading international non-profit organization with the mission to alleviate poverty through the development of microfinance, therefore increasing the unbanked and underbanked's access to financial services.

Over the past 10 years, PlaNet Finance has developed into a group of organizations (PlaNet Finance Group) providing a diverse set of services:

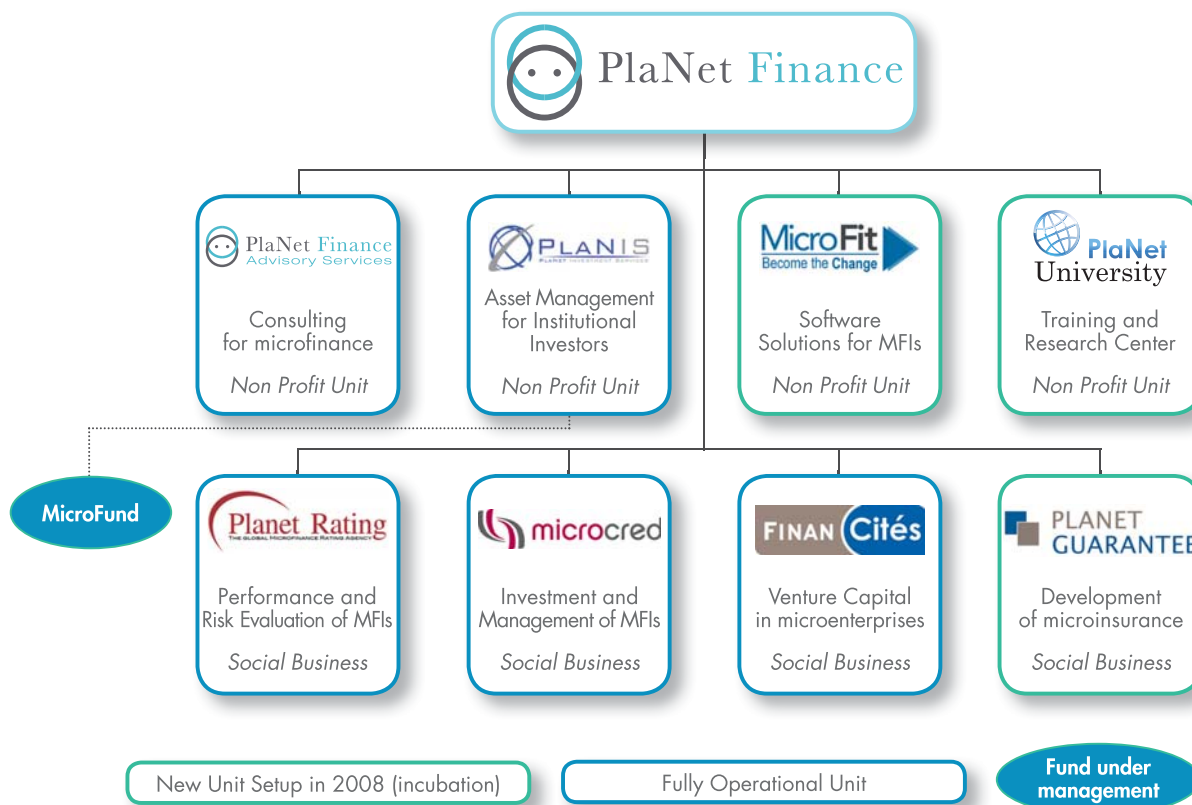
1. **Technical assistance and advisory services**, through **PlaNet Finance Advisory Services**;
2. **Investment Advisory Services** via **PlaNIS**, a business unit that advises and manages microfinance investment funds;
3. **Evaluation and rating services** via **Planet Rating**, a specialized microfinance rating company;
4. The **creation and management of new microfinance banks and non bank financial institutions**, via **MicroCred**, a microfinance investment company;
5. **Microinsurance services** via **PlaNet Guarantee**, a company specialized in the distribution of microinsurance products;
6. **Micro-Venture Capital** via **FinanCités**, a venture capital fund investing in microenterprises, particularly in French poor suburbs;
7. **Software Solutions for microfinance** actors through **MicroFit**;
8. **Training and research in microfinance** through **PlaNet University**.

## Key Figures 2008

- Consulting and expertise provided to 228 microfinance institutions and banks
- 96 rating missions
- Credit life microinsurance for 70,000 microentrepreneurs
- USD 114 Million financing 56 microfinance institutions
- 4 MicroCred institutions with 21,000 clients
- Direct equity investment in 21 microenterprises in France by FinanCités
- 12 microfinance institutions equipped with a leading Software Solution
- More than 600 professionals trained

Based in Paris, PlaNet Finance's international network holds activities in close to 80 countries around the world.

PlaNet Finance brings together over 700 staff.



For more information on the PlaNet Finance Group: [www.planetfinancegroup.org](http://www.planetfinancegroup.org)

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