

Table of Contents

Summary of Assessment Rationale	2
Institutional Profile	3
SPA Factor and Sub-Factor Analysis	9
The Burkina Faso Microfinance Market	23

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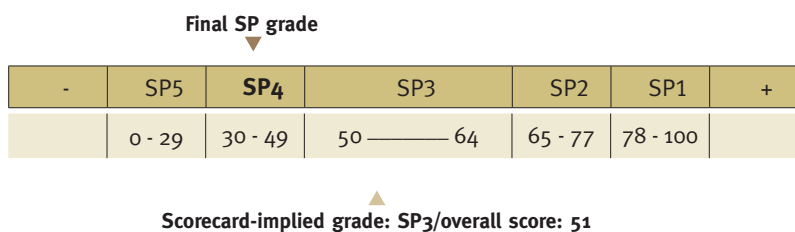
This report provides an in-depth analysis of the social performance of URC-Nazinon and should be read in conjunction with Inclusion [Africa]'s Global Social Performance Rating Methodology. The methodology is also available at www.inclusionafrica.org.

This report is not a credit rating or other opinion on creditworthiness.

Social Performance Assessment: URC-NAZINON BURKINA FASO

Figure 1

SP Grade Snapshot

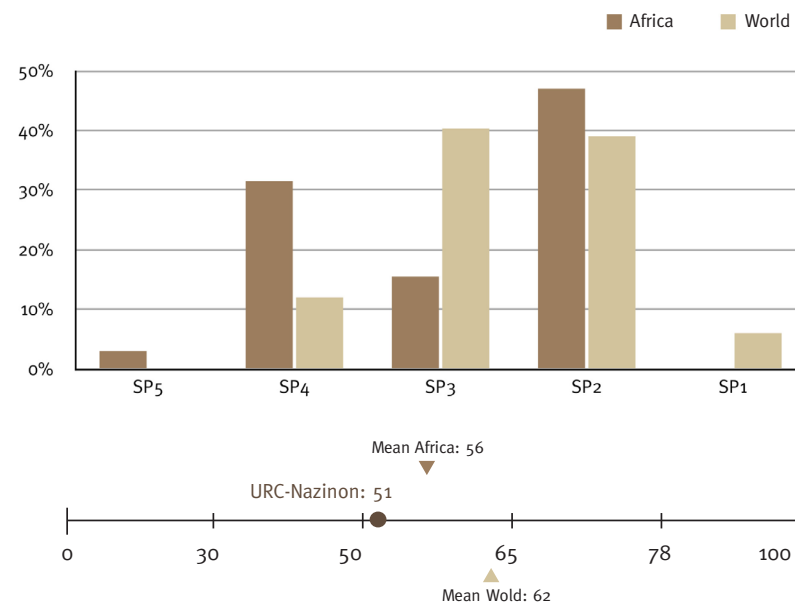


URC-Nazinon Snapshot

Year established	1984
Entity type	COOPERATIVE
Gross loan portfolio (F CFA)	3,073,178,389
Active borrowers	15,124
Average loan size (F CFA)	203,199

Figure 2

Global Benchmarking



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard



Summary of Assessment Rationale

- » The rating committee determined that a downward adjustment of its implied scorecard rating of SP₃ to the assigned final rating of SP₄ for URC-Nazinon was appropriate. Although it has introduced tools to measure social impact, these have been recently introduced and are not yet fully implemented. Also a factor in assigning the lower SP₄ is the MFI's low scores in its client protection practices, which acts as a restraint to the overall rating assigned.
- » The mission statement of the URC-Nazinon as well as its goals and objectives include the following aspects of the scorecard SPA: poverty reduction, job creation, increasing access to education and health, gender issues and access to underserved areas and populations.
- » Social goals and objectives are clearly defined and efforts are made to measure progress towards their achievement, although existing information systems limit their ability to effectively measure all these objectives.
- » The Board of Directors is composed entirely of representatives of members of the General Assembly, and is characterized by the lack of female representation, with Board Members lacking higher levels of formal education.
- » The institution's management team has extensive experience in the field of Microfinance, but limited work experience in social performance management.
- » Employees received on average fifty days of training in the field of social performance and on topics concerning the social mission of URC-Nazinon, prevention of over-indebtedness, and on responsible collection practices. Loan officers also received training on the PPI and its use.
- » There is no fully dedicated department responsible for the management of social performance. The Director of the Union assumes responsibility for this function.
- » Staff turnover rate is very low. However no formal interview process is conducted in the event of departure of an officer.
- » The internal measuring of social results is limited. URC-Nazinon does capture and evaluate the data (PPI) produced by its management information system (MIS). However, the software is out of date, hampering its effectiveness.
- » Loan passbooks and documents distributed to customers breakout the principal amount and interest payable. A repayment schedule (amortization schedule) is provided to the customer.
- » Although nominal interest rates, fees and expenses relating to the products are communicated to clients verbally and in writing, the level of understanding by the customer on the real prices charged by the institution was considered very low. Moreover, the overall effective rate of interest is not shown as required by the regulation in the WAEMU zone.
- » Policies regarding loan collection are communicated to clients orally and in writing. Delays or a default of payment may be collected by setting off against a client's mandatory savings funds. Clients, however, often do not or can not remember these policies regarding collection on past dues or defaults.
- » The institution has recently instituted a stronger, resulting in the establishment of a social credit product, designed primarily for women and requiring no physical or material guaranties.
- » There is no formal credit bureau or a shared credit register available for MFIs in Burkina Faso. Debt capacity is determined through client self-reporting, neighborhood surveys and through communication with other institutions. Customers provide non-engagement letters issued or signed by competing MFIs, which confirm that the clients have no outstanding debt with that MFI.
- » Customer complaint management is weak. URC-Nazinon does not have a dedicated staff trained to handle customer complaints, nor a formal system in place for monitoring, analyzing or resolving complaints in a timely manner or within a specified period.
- » The MFI has a high client turnover rate of salaried clients due to high competition from newly established branches of banks in the region. However, the exit rate for self-employed clients is quite low.
- » URC-Nazinon has a formal written CODE of CONDUCT, which contains policies against discrimination, harassment and for promoting confidentiality, equal pay for equal work, and respectful treatment of clients.
- » There are no women on the Board of Directors and a low proportion of them occupy leadership positions within the institution.
- » The URC-Nazinon has no written nor informal environmental policy for dealing with customers or internally for the organization itself. The institution authorizes the funding of all legal activities independently of the analysis of environmental impact.

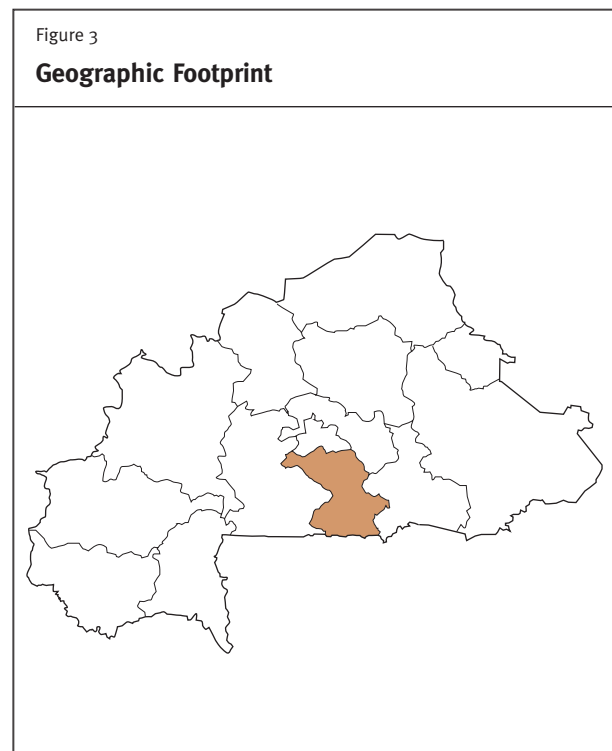


Institutional Profile

Mission Statement

“Providing sustainable financial and non-financial products and services adapted to the financial needs of its members and clients (primarily those engaged in economic activities in rural and semi urban areas of Burkina Faso) in order to improve their living conditions.”

Key Data (December, 2014)	
Gross loan portfolio(F CFA)	3,073,178,389
Average loan size (F CFA)	203,199
Products:	Individual loan, solidarity group lending, voluntary and compulsory saving, checking account, fixed term deposit, money transfer, credit-life-insurance
Number of borrowers	15,124
Number of staff	59
Customers per loan officer	1,717
Number of branches	5
Country of operation	Burkina Faso
Areas of operation	South Central
Urban/Rural	22%/78%
Legal status	COOPERATIVE
Regulator	BCEAO/Ministry of Economy and Finance





SOCIAL INDICATORS	2012	2013	2014
% of rural customers	83	78	78
% of female customers	34	31	31
% of female active savers	N.A.	33	32
% customers below \$1.25 per day	N.A.	N.A.	N.A.
% customers below \$2.00 per day	N.A.	N.A.	N.A.
% customers below poverty line	N.A.	N.A.	N.A.
% customers with no formal education	N.A.	N.A.	N.A.
Customer dropout rate	0.126	0.38	0.249
Average loan balance per borrower/ per GNI capita	62.48	54.69	N.A.
% female employees	54	56	51

FINANCIAL INDICATORS	2012	2013	2014
Portfolio yield	14.30	14.35	13.18
Operating expense ratio	9.69	14.61	14.08
Financial expense ratio	2.3	0.6	0.5
Provision and write-offs	-	6.5	6.3
Operational self-sufficiency	85.4	58.5	67.0
Capital/Asset ratio	9.27	9.53	9.30
Debt to equity ratio	9.79	9.49	9.75
Return on assets	-2.14	-0.3	-0.4
Return on equity	-21.19	-3.1	-4.2

The Regional Union of Cooperative Savings and Credit Nazinon (URC-Nazinon) was established in 1984. In 1997, the URC-Nazinon became an independent mutual entity and in 2004 was officially restructured to expand its activities outside the Zoundwago province and surrounding areas. The institution is a union comprised of savings and credit cooperatives in Manga, Kaibo, Gomboussougou, Nobéré and Kombissiri and has 14 service points covering the provinces of Bazéga, Boulgou, Nahouri and Zoundwago. Each cooperative is represented by six members at the general meeting of URC-Nazinon.

The MFI is managed by a group of separate elected bodies and a management team. Elected bodies consist of a Board of 7 members, a Credit Committee of 3 members and a 3 member Control Committee. The staff, numbering 59 is composed of the management team of the union and the staff assigned to different Cooperatives Savings and Credit (SACCOs).

It offers various products, including loans to employees (Credit Union), individuals (Agro and Commercial Credit) to groups (Community Credit).

As of 31/12/2014, the total number of clients was 25,748; customers from rural areas account for 78% of the loan portfolio. Credit outstanding was approximately 3,073,178,389 CFA francs with a total of 15,124 active borrowers.



SPR Factors – Scorecard-Implied Grades

Scorecard Snapshot

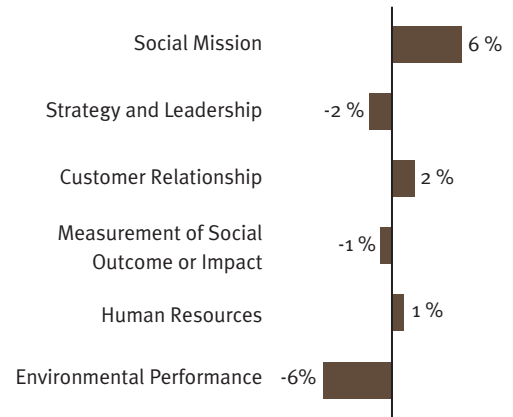
Figure 4

SPR Factor Table

FACTOR	SP5	SP4	SP3	SP2	SP1
Social Mission				68	
Strategy and Leadership		47			
Customer Relationship			57		
Measurement of Social Outcome or Impact		47			
Human Resources			54		
Environmental Performance	15				

Figure 5

Relative Contribution

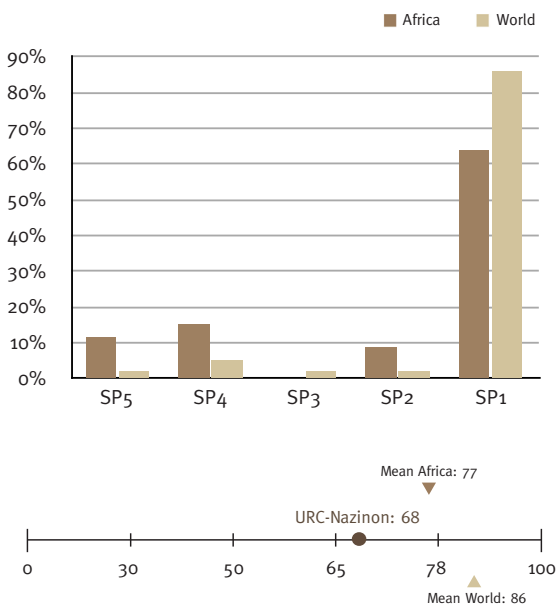




Global and Regional Comparison

Figure 6

Social Mission

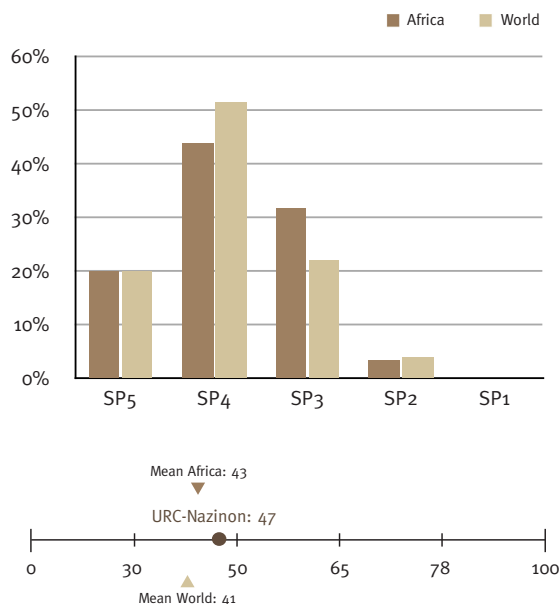


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » The mission covers three social goals, which are:
 - a) to increase the number of women and rural clients customers;
 - b) increase customer satisfaction;
 - c) to bring positive change to its customers.
- » Each goal is further broken out in specific social objectives with related monitored indicators. The mission is focused on the poor, especially in disadvantaged areas by increasing their income through the provision of financial and non-financial services.

Figure 7

Strategy and Leadership



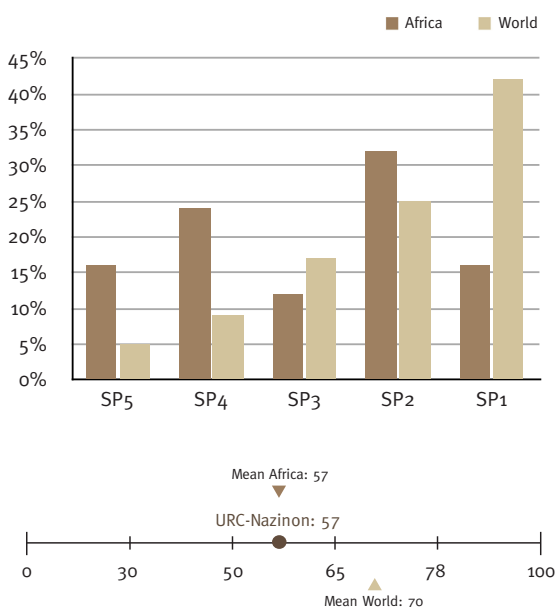
Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Senior executives and staff have extensive experience in the microfinance sector. However their experience on the management of social performance is limited.
- » The board consists only of members of the Cooperative. It is characterized by a low level of formal education of members and the absence of women.
- » The Board of Directors meets four times a year at the apex. Social performance topics, aside from reviewing a few statistics, are not addressed regularly as an agenda item.
- » The boards of directors of the individual cooperatives forming URC-Nazinon, met about 12 times in 2014. Board discussions focused primarily on financial management, without coverage of social performance aspects.



Figure 8

Customer Relationship

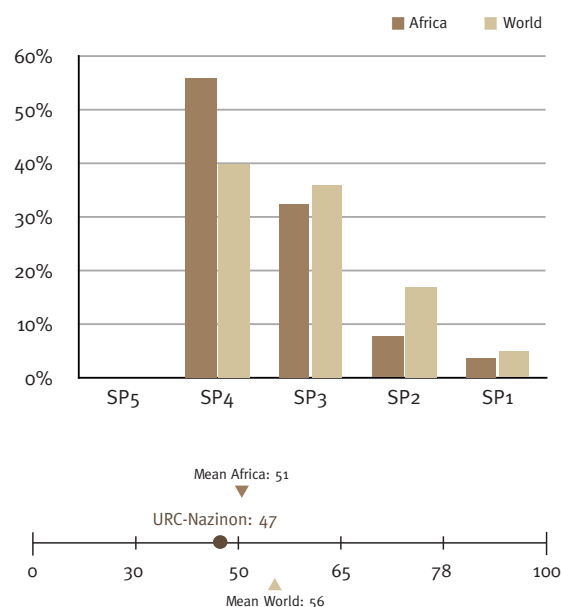


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » URC-Nazinon offers a diverse range of financial products and services, including credit, savings, money transfer, life insurance (to salaried and self-employed clients). Non-financial products offered include advising on business development and training in financial education.
- » Product prices and their conditions are communicated to clients orally and in writing. Special attention is given to customers with surety credits. Similarly, an amortization schedule is provided to customers with the loan agreement. However the level of understanding and assimilation of the terms and conditions by customers is low. The effective interest rate is not disclosed, only the nominal rate.
- » Policies of client respect, confidentiality and non-discrimination of customers are in place.
- » Client surveys are conducted prior to the development of new products and the opening of new branches.
- » There is no formal mechanism for handling customer complaints. Complaints are collected and managed informally.

Figure 9

Measurement of Social Outcome or Impact



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

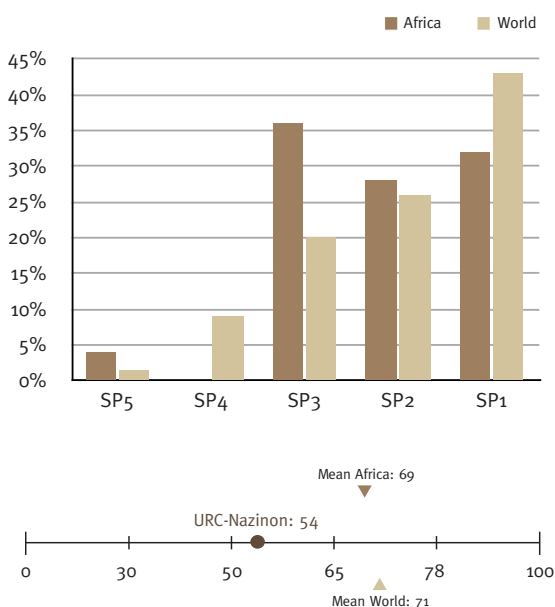
- » Customer data is collected initially when opening an account or applying for a loan and integrated into the institution's MIS for monitoring. However, only client PPI data for members of Group Credit are monitored with a view toward social performance. Of particular note, the full use of the PPI tool, is not yet fully implemented.
- » The management information system software is out of date and is not efficient in its capacity to generate monthly, or yearly, all the statistics on its social objectives nor to fully incorporate them into the institution's annual report.



Global and Regional Comparison

Figure 10

Human Resources

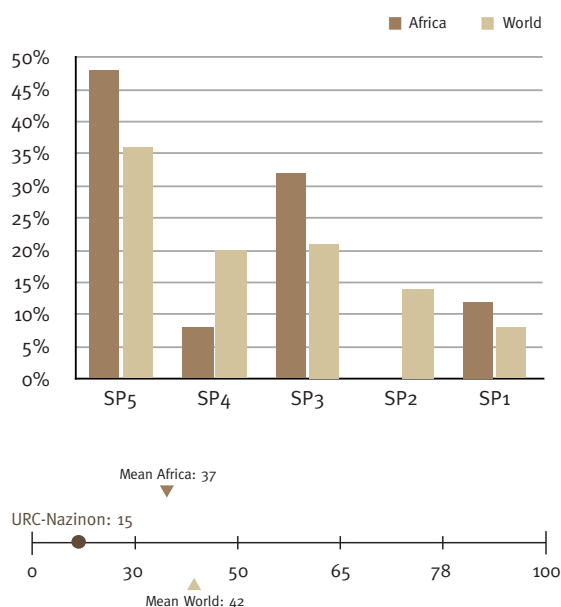


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » The institution has an administrative and financial department headed by a senior manager who is also responsible for human resources.
- » Procedural manuals and a Code of Ethics are in place and define the behavior and actions to be followed by employees in their dealings with customers.
- » Staff remuneration is clearly defined and is in line with the employee collective agreement. Staff assessments are monitored quarterly and evaluations conducted on average annually, using a standard form. Staff evaluations take into account aspects related to the management of social performance.
- » Measures are taken to maintain good working conditions for employees.
- » The internal auditor produces regular reports on the application and any breaches in the institution's security system.

Figure 11

Environmental Performance



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Pro-active environmental policies are not in place, neither internally nor in relation to customer activities.



SPA Factor and Sub-Factor Analysis

Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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History of the social mission, goals and objectives | Focus of the social mission | Plans and communications for achieving social mission, goals and objectives

Scorecard-implied grade – SP2 (68)

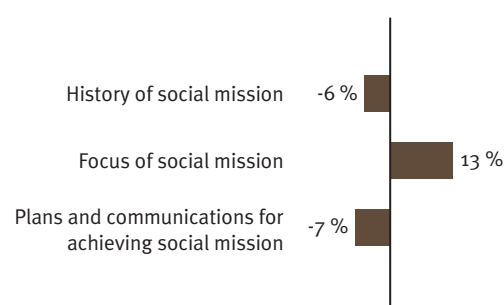
Figure 12

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
History of social mission		45			
Focus of social mission					91
Plans and communications for achieving social mission			57		

Figure 13

Relative Contribution



Key Indicators

- » URC-Nazinon defined its social mission in 2012 and it is subject to review every two years.
- » The mission statement clearly indicates that the MFI will provide sustainable financial and non-financial products and services adapted to the financial needs of its members and users in order to improve their living conditions.
- » The URC-Nazinon has developed a Strategic Plan 2014 - 2017 which is in line with its mission. It outlines the three social goals listed below:
 - Increase its target demographic by 6,000 customers by 2017, while maintaining a member ratio of at least 70% rural and semi-urban, and 35% women.
 - Improve customer satisfaction by 20% by offering new financial products and services. Build and increase capacity in credit management and income-generating activities (AGR) within its client-base by 25%, through client training in financial education.
 - Make a positive change in the lives of its poorest clients, by granting loans women solidarity groups, without collateral requirement. URC-Nazinon has set a target of a 30% reduction of the poverty level of its clients and users.
 - Develop a customer complaint management system.
 - Providing support in the field of health to its host communities.
- » Although the social mission is clearly defined in the business plan and in its balanced scorecard, the specific objectives and social indicators are not well communicated to external partners and to a lesser extent to internal staff.
- » The only communication on social performance to external stakeholders is provided in reports to the microfinance regulatory authorities (Ministry of Economy and Finance and the Central Bank of West African States). These reports are imposed by the BCEAO and require a limited production of social performance data.
- » Internally, the social mission of the institution is displayed prominently in branches and some social performance data is discussed at monthly and quarterly management meetings.
- » While senior management has a good understanding of URC-Nazinon's mission and objectives, this is not always the case for the ground staff who demonstrate a limited knowledge of the mission and social objectives.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Management quality | Governance | Outreach and access | Administrative setup

Scorecard-implied grade – SP4 (47)

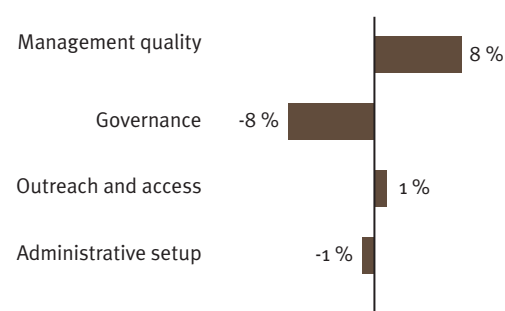
Figure 14

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Management quality			58		
Governance		33			
Outreach and access		48			
Administrative setup		43			

Figure 15

Relative Contribution



Key Indicators

- » The Board of Directors is composed entirely of representatives of members of the general assembly, and is characterized by the absence of women, and overall a low level in formal education.
- » The institution’s management team has experience in the field of Microfinance, but limited responsibility experience in social performance management.
- » Employees received an average of 50 days of training covering social performance, prevention of over-indebtedness, collection, communication with customers and the use of PPI.
- » Staff turnover rate is very low. However, no formal exit interview is conducted in the event of departure of a staff member.
- » There is no formal succession or contingency plan in the event of departure of an employee occupying a strategic position within the institution.
- » The objectives and social indicators are not always included as points of discussion on the agenda of the Board of Directors meetings.
- » The MIS has a very limited capacity to generate social data.
- » There is no fully dedicated department responsible for the management of social performance. The Director of the Union assumes responsibility for this function, while some social performance issues are discussed at the management committees.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Management quality | Governance | Outreach and access | Administrative setup

Figure 16

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Experience of staff				76	
Professionalism of staff	25				
Management turnover					81
Key worker risk	15				
MFI history/product history	23				
Availability and quality of training				69	
Management transparency					100

Figure 17

Relative Contribution



Key Indicators

- » The institution’s management staff has reasonable experience in the field of microfinance (on average 9 years for executives and 6 years for loan officers), but limited work experience with social performance responsibilities (2 years on average).
- » Staff turnover rate is very low (0% for senior and middle management and 16% for loan officers). However, no formal exit interview is conducted in the event of departure of a staff member.
- » Although accounting for more than 50% of the workforce, women are under-represented in management positions.
- » Employees received an average of 50 days of training covering social performance, prevention of over-indebtedness, collection, communication with customers and the use of PPI.
- » Although there are job descriptions detailing the qualifications and requirements for each position, there are no formal succession or contingency plans in the event of departure of an employee occupying a strategic position within the institution.
- » Products with a strong social orientation are of very recent introduction. In 2012, the MFI introduced a new “group loan” product with strong social characteristic, to increase its outreach to the poor and most vulnerable, especially women.
- » A level of social data is accessible to stakeholders (staff) when felt required. A PPI Pilot Test was conducted by an outside firm as part of the MFIs participation in MISION AFRICA. The results report has been shared with the institution’s stakeholders on request. In addition, the institution also received a social audit of its practices as part of the MISION AFRICA project.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Management quality | **Governance** | Outreach and access | Administrative setup

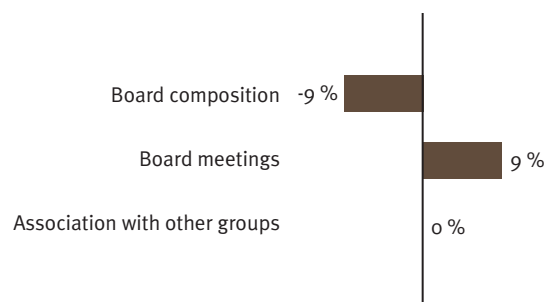
Figure 18

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Board composition	27				
Board meetings		43			
Association with other groups		33			

Figure 19

Relative Contribution



Key Indicators

- » The Board of Directors (7 members) is composed entirely of representatives of members of the general assembly, and is characterized by the absence of women, and overall a low level in formal education. They have a level of study equivalent to a maximum BAC and carry experience only in human resources management at government agency and corporate levels.
- » The Board meets four times a year. Special sessions are held. Some aspects of social performance are discussed at these meetings, but are not regular agenda items. There is no committee overseeing the social performance of the institution.
- » The boards of directors of the individual cooperatives forming URC-Nazinon, met about 12 times in 2014. Board discussions focused primarily on financial management, without coverage of social performance aspects.
- » Board members receive no remuneration. They receive attendance fees as compensation for costs incurred (travel ...) for each session.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Management quality | Governance | **Outreach and access** | Administrative setup

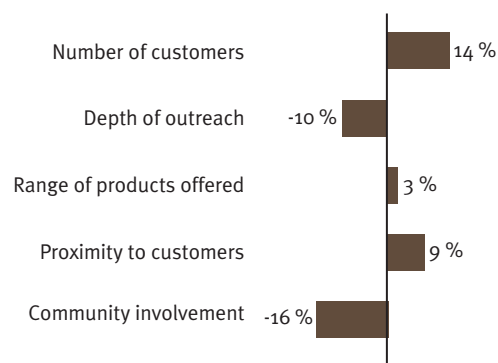
Figure 20

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Number of customers					86
Depth of outreach	28				
Range of products offered			55		
Proximity to customers				72	
Community involvement	0				

Figure 21

Relative Contribution



Key Indicators

- » At December 31, 2014, URC-Nazinon had 15,128 active borrowers, of which 3307 were women; and 19,353 savings accounts, of which 6,227 were women, for a total of 25,748 clients (only 31% women and 78% in rural areas).
- » The PPI pilot test completed in September 2013 (latest available data) reported that only about 19% of the customers of the institution are below the national poverty line (national poverty line of 108,454 CFA francs/capita/year).
- » Several loan products and savings are offered to customers:
 - Consumer Credit, Agricultural, Commercial Credit, Community Credit, Savings (Sight Deposit, Term Deposit Term (DAT); Term Savings Account (CET), Account Term (CAT), Patriotic Savings Account (CEP), Home Savings Account (CEL), Home Savings Plan (PEL), Pledged Savings Account.
 - Automatic salary deposit and money transfer services are also available.
 - However, mobile banking services are not offered.
- » Some training sessions are offered to customers (financial education, income management).
- » URC-Nazinon has 16 service points spread over its market area. Loan officers travel to visit group clients and for loan processing. However, clients sometimes travel over 50 km to reach some service points.
- » In the past, URC-Nazinon has been involved in limited community social activities. However, since 2015, it has committed to make annual donations to two health facilities in its area.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Management quality | Governance | Outreach and access | **Administrative setup**

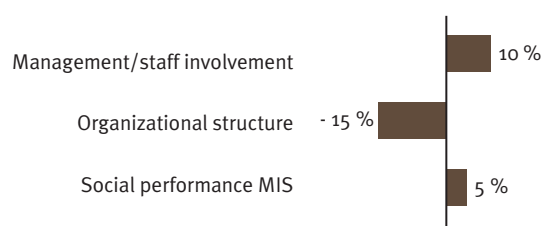
Figure 22

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Management/staff involvement			50		
Organizational structure	0				
Social performance MIS			51		

Figure 23

Relative Contribution



Key Indicators

- » There is no fully dedicated department responsible for the management of social performance. The Director of the Union assumes responsibility for this function.
- » Some areas of social performance are discussed at the individual cooperative level management committees (weekly and quarterly). However, these issues are not clearly listed on the agenda of the meetings.
- » The PPI is the tool used by the institution to assess the poverty level of clients within its solidarity groups. However, the PPI has not been used for all clients and outdated software used in its MIS to generate statistics has little functionality and is deemed inefficient.
- » The audit department does not validate to any great detail the institution's social data.
- » An external firm has been appointed to conduct for the first time, a customer satisfaction survey to monitor the level of customer satisfaction. It has also been tasked to form an internal team to monitor continuously over time these surveys.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Customer protection | Customer service

Scorecard-implied grade – SP3 (57)

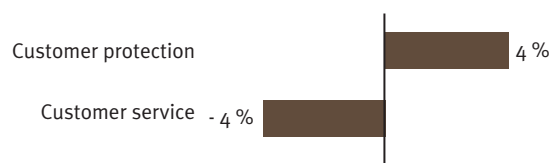
Figure 24

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Customer protection			61		
Customer service			52		

Figure 25

Relative Contribution



Key Indicators

- » Nominal interest rates and fees associated with client loans are disclosed in writing, verbally and in local their language. However the overall APR and/or effective interest rate is not communicated, nor all relevant fees.
- » Policies regarding loan collection are communicated to clients orally and in writing. Any delay or default of payment may be recovered from offsetting client’s mandatory savings funds. However, many customers when interviewed could not remember nor fully comprehend these policies nor the resulting actions that could be taken by the institution.
- » There is no formal credit bureau or credit registry available for MFIs in Burkina Faso. Customer debt capacity is determined through self-reporting. Onsite inspections at the home and workplace for first customers is conducted, while for existing customers an analysis of credit history is performed. Communication with other institutions is also conducted. Customers are asked to provide non-engagement letters issued or signed by competing MFIs certifying that no outstanding credit exists. This practice is somewhat ineffective because of competitive pressures, which lead to unreported debt.
- » The customer complaints management system is weak. URC-Nazion does not have a dedicated staff, trained to handle customer complaints, nor a formal mechanism for monitoring, analyzing nor resolving complaints in a timely manner or within any specific time period. The lack of a system limits their ability to link complaints and possible improvement of products and services. No guidelines exist which specify how staff are to handle customer complaints.
- » A customer satisfaction survey has been implemented, but has not yet been completed.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Customer protection | Customer service

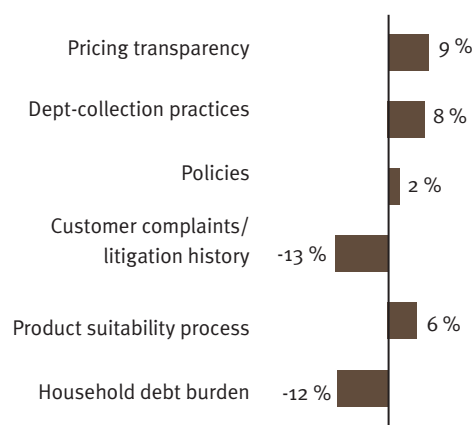
Figure 26

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Pricing transparency					90
Dept-collection practices					92
Policies				71	
Customer complaints/litigation history	0				
Product suitability process					83
Household debt burden		32			

Figure 27

Relative Contribution



Key Indicators

- » Although loan officers have received training on communication of prices and product conditions, even if these terms and conditions are communicated in writing and verbally to clients, the level of understanding on the part of those clients remains low, due largely to the low level of literacy of those customers and a client training program that does not adequately address that challenge.
- » A written debt collection policy is in place. The policy describes the recovery steps that loan officers and other staff should follow. These policies are also communicated to clients orally and in writing. However, customers do not or can not always remember the specifics of the policies and the actions to be taken by the institution in the event of payment delays or default. Also, the measures taken by loan officers are not always uniformly applied.
- » A written Code of Ethics provides guidance on the need to develop customer needs-based products, to treat customers with respect and without discrimination, to communicate with them in an understandable way, and to respect the confidentiality of customer data. The Code incorporates the majority of client protection principles.
- » URC Policy manuals contain information on product conditions, pricing and other terms relating to the IR products, although there is no written official policy addressing the prevention of over-indebtedness of clients.
- » Customer debt capacity is determined through self-reporting. Onsite inspections at the home and workplace for first customers is conducted, while for existing customers an analysis of credit history is performed. Communication with other institutions is also conducted. Customers are asked to provide non-engagement letters issued or signed by competing MFIs certifying that no outstanding credit exists. This practice is somewhat ineffective because of competitive pressures, which lead to unreported debt.
- » Debt capacity for existing clients is determined by reviewing the client's bank account for the previous three months. These reviews helps establish the range of debt capacity for the client. In the case of solidarity credits (Group Loans), there is a five-day period where the customer can cancel the credit agreement without penalty.



- » There is no formal credit bureau or credit registry available for MFIs in Burkina Faso.
- » There is no formal mechanism for handling complaints. Some agency heads maintain a local register to transcribe and manage customer complaints received verbally. This initiative was created to offset in part the low level of literacy of customers, but also because of the reluctance of the latter to submit their complaints in writing. Unfortunately, customers are not adequately informed about the existence of such an option, nor is it universally available.
- » Suggestion boxes exist in offices and service points but are not used by customers due to illiteracy, reticence and often lack of knowledge in their use.
- » The development of new products and opening new branches are generally, but not always, preceded by client surveys to obtain their views.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Customer protection | **Customer service**

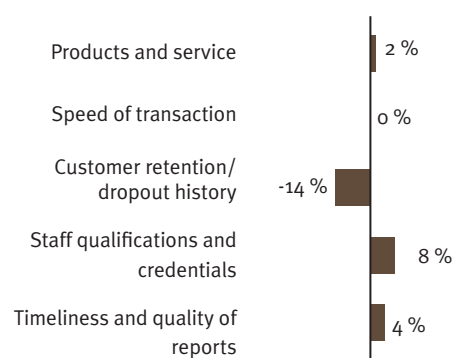
Figure 28

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Products and services			59		
Speed of transaction			50		
Customer retention/dropout history	29				
Staff qualifications and credentials					90
Timeliness and quality of reports				71	

Figure 29

Relative Contribution



Key Indicators

- » The URC offers a variety of products aimed at multiple target markets. It provides loans to micro-enterprises, individuals and groups or associations. Its credit products also cover agriculture and loans for consumption, and non credit products such as savings (Deposit, term deposit ...). Non-financial products offered include client training in management of income generating activities and financial education, although these are limited in scope and frequency.
- » Loan approval turnaround is acceptable at 10 days maximum for individual credits, 15 days for credit groups and 30 days for solidarity groups. The extended days for groups is due to the need for group members to participate in training sessions prior to approval. Loan disbursement turnaround after approval takes two days, regardless of the type of loan granted.
- » Although the sub-factor score calculated for customer loyalty indicator is low, due to the absence of a system for surveying and monitoring of customer satisfaction, the institution's customer retention rate is quite high at more than 99% (2014). The few dropouts are mostly due to salaried clients that are drawn away by newly established banks in the area.
- » Loan officers and mid-level officers whose responsibilities include interacting with clients have adequate levels of training and experience, and speak the appropriate regional language, including Moré, the most widely spoken local language.
- » Passbooks and loan documents given to the customer provide separate information on the principal and interest payable on each due date. A repayment schedule (Amortization Table) is given to the customer, however, no details of either the annual interest rate (APR) nor the overall effective interest rate are disclosed.
- » Passbooks, and other documents relating to client loans are regularly updated, and customers have the ability to check the status of their accounts.
- » Some client loan agreements inspected during onsite branch visits were found to be improperly completed, unsigned or contained errors.
- » Customer satisfaction responses are collected verbally and only during group credit meetings and the General Assembly.
- » A customer satisfaction survey has been implemented, but has not yet been completed.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Participation in social outcome or impact studies | Explicit tool to measure social outcome or impact | Frequency of data collected on social outcome or impact | Transparency

Scorecard-implied grade – SP4 (47)

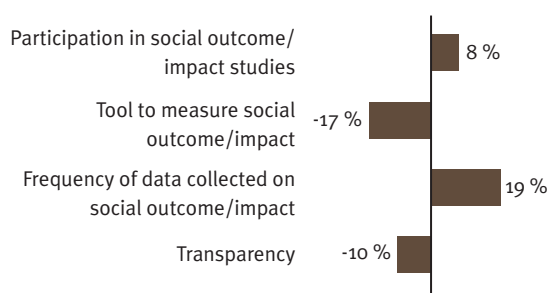
Figure 30

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Participation in social outcome/ impact studies				72	
Tool to measure social outcome/ impact	12				
Frequency of data collected on social outcome/impact					100
Transparency		36	6		

Figure 31

Relative Contribution



Key Indicators

- » Customer PPI data for Group Lending clients is regularly collected and input into the MIS, following a recently completed PPI survey test phase conducted by an outside firm.
- » The PPI tool is not applied to all customers nor employed at all the institution’s service points. Monitoring and analysis of the data is not being performed, due to its recent introduction.
- » The MIS is unable to provide reports on PPI. Data on the number of women in the portfolio and the number and different types of credit granted, are published only in the institution’s annual report.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Organization and facilities | Code of ethics | Hiring policies (gender and anti-discrimination policies) | Culture of delegation | Fair compensation | Staff skills and training | Promotion and retention | Staff incentives and audit

Scorecard-implied grade – SP3 (54)

Figure 32

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Organization and facilities					86
Code of ethics			53		
Hiring policies		44			
Culture of delegation				77	
Fair compensation				69	
Staff skills and training				77	
Promotion and retention		43			
Staff incentives and audit	0				

Figure 33

Relative Contribution



Key Indicators

- » There is an Administrative and Financial Department which is responsible for managing human resources. The Department Director has a degree in finance and accounting and has undertaken human resource management training and training in the preparation of financial statements.
- » Employees are evaluated annually based upon quarterly assessments. These assessments take into account employee satisfaction and compliance with the code of ethics of the institution.
- » URC-Nazinon obtained a low SP5 rating on the indicator “Motivation of staff and systems audit,” due to the fact that the staff incentive system (in place for 2 years) does not include individual or institution-wide social performance objectives or related criteria. However, we recognize that the achievement of certain social goals is taken into account in employee’s promotion.
- » Staff grievances are dealt with informally. No formal mechanism is in place.
- » No formal exit interview is conducted in the event of departure of an officer.
- » Nazinon supports obligatory annual medical reviews for its employee. In addition, each employee receives an annual lump sum payment to cover his medical expenses.
- » Policies and personnel security practices exist. Security guards are deployed at the SACCO. The Internal Auditor issues reports and recommendations on the implementation of all security measures. However, while all cash transactions are required to be made at cashier windows, loan officers have been known to collect the cash payments and deposits in the field. This introduces security risk and opportunities for malfeasance.



- » A code of ethics adopted by the General Assembly is in place and includes provisions to prevent conflicts of interest, discrimination, harassment, corruption, poor implementation of collection practices, and customer protection principles. Loan Officers are assessed for compliance with the code of ethics.
- » An ethics committee was recently set up to strengthen and implement compliance with the code of ethics, but is not yet in operation.
- » Non-discrimination policies on sex, religion, region and/or ethnicity are in place whilst no hiring quotas exist for disadvantaged groups.
- » URC-Nazinon has no special policies to facilitate or protect the security of women employees when traveling between branches or visiting clients.
- » Women are not represented at senior management level, but do represent 20% of middle managers and 33% of loan officers. Flexible working hours are often offered unofficially to employees with family constraints.
- » Although social performance data is collected, monitored and evaluated at different levels within the organization, it is the primary responsibility of the CEO to manage social performance of the organization.
- » Employee compensation policies are transparent and comply with national regulations. The lowest paid employees are paid above minimum wage. The principle of equal pay for equal work is present in the Code of Conduct. However, differences in compensation between the highest and lowest paid is not addressed.
- » The new recruits are trained on social performance, credit analysis, code of conduct, the social mission, prevention of over-indebtedness, collection practices makers, and on communicating prices and conditions to clients.
- » Promotion and the continued employment of loan officers are based on financial and operational parameters, such as compliance with policies and code of ethics, the number of loans granted, disbursement rates, and customer retention rates.
- » Employee bonuses are distributed at the end of the year taking into account individual objectives set and their overall evaluation based upon financial performance. The introduction of employee bonuses is recent (less than 2 years).



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Customer standards | Internal standards

Scorecard-implied grade – SP5 (15)

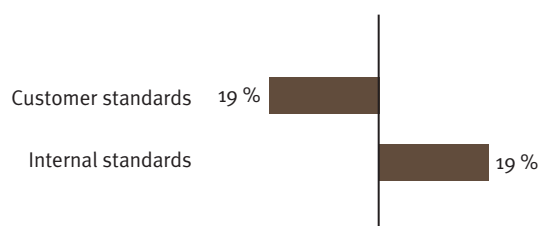
Figure 34

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Customer standards	8				
Internal standards	20				

Figure 35

Relative Contribution



Key Indicators

There are no policies on environmental practices neither internally within the institution nor relative to clients. The institution does not finance unauthorized charcoal sales activities nor the sale of roadside fuel, not because they are considered environmentally irresponsible, but because they are deemed illegal by local authorities. However, there are independent initiatives taken by some individual cooperatives to counsel clients on activities harmful to the environment.



The Burkina Faso Microfinance Market

Standard & Poors credit rating has assigned Burkina Faso a B-debt rating, with a stable outlook.

Figure 36

Burkina Faso: Key Credit Metrics

	2009	2010	2011	2012	2013	2014	2015F
Real GDP (% change)	2.96	8.44	4.97	9.04	6.57	6.66	6.81
CPI inflation (% change Dec./Dec.)	ND	-0.8	2.8	3,8	0.5	-0.3	ND
Gen. gov. financial balance/GDP (%)	-4.66	-4.58	-3.68	-3.44	-3.22	-3.05	-3.12
Gen. gov. debt/GDP (%)	27.86	28,53	29,66	30.37	31.14	31.38	31.7
Current account balance/GDP (%)	-4.5	-2	-1.5	-4.5	-7	-7.2	-7

Source: FMI

Key Credit and Macroeconomic Factors

With a population of 16,779,206 in 2012, Burkina Faso remains the second most populous country in the WAEMU zone. Although urbanization has increased in recent years, the rural population still represents over 75% of the total population. The Burkinabe economy remains marked by the predominance of primary sector activities where more than 80% of the working age population are concentrated. Strong demographic pressures, extensive agriculture and climatic change are all factors degrading the environment.

GDP has shown an increase from 4,441,520 billion CFA francs in 2010 to 4,879,980 billion in 2012. However recent political turmoil and the prospect of an upcoming election, added to tensions in the Sahel region, constitute threats to stability. Although poverty has been significantly reduced, the achievement of the Millennium Development Goals (MDGs) remains distant.

Current Market

According to data from the BCEAO as of 31/12/2014, the total number of customers for 85 MFIs in Burkina Faso amounted to an estimated total of 2,247,812, with 110,765 billion CFA francs in credit outstanding and with deposits valued at 151,935 billion CFA francs.

MFIs have three main legal forms:

- Mutuals or cooperatives, which predominate;
- Associations; and
- Public limited companies (SA), including limited liability companies (LLC).

Regulatory Environment

There exist a wide range of national and West African community legislation governing the microfinance sector in Burkina Faso. The various laws on the regulation of microfinance institutions along with instructions from the BCEAO, define the specific rules for accounting and financial management, organization and operation of microfinance institutions within the WAMU area.

Initiatives, such as the introduction of GAAP, the strengthening of control systems and the requirement that MFIs to join the Professional Association of MFIs within three months of obtaining their accreditation, have been introduced. Standardized financial and social indicators are required to be submitted annually to the Ministry of Finance, the BCEAO and the WAMU Banking Commission.



Organization for the Harmonization of Business Law in Africa (OHADA) has also acted to improve the definition and standardization on the use of collateral and guarantees by MFIs .

Nationally, the UEMOA regulatory framework has implemented a series of laws and decrees of which the most important are:

- Law No. 023-2009/AN of 14 May 2009 and its Application Decree No. 2009-839/PRES/PM/MEF of 18 December 2009 covering the regulation of MFIs.
- Law No. 023-2009/AN of 14 May 2009 for the protection of customer deposits.
- Law No. 010-2004/AN of 20 April 2004 on personal data protection.
- Law No. 18-97/AN of 30 July 1997 which defines and regulates interest rates: in January 2014, the maximum level of interest rates charged by financial institutions decreased from 18% to 15% per year for banks and 27% to 24% per year for MFIs.
- Decree No. 2007-267/PRES/PM/MFB entrusts the Directorate of Monitoring and Control of the microfinance sector to the Ministry of Economy and Finance. The BCEAO and the Banking Commission of WAMU, also participate in the regulation of the microfinance sector.

In order to make financial inclusion an important element in the fight against poverty, the Burkinabe government has redefined for the period 2012 - 2016 the National Microfinance Strategy (SNMF). Its main objectives are the protection and preservation of client interests and confidence, capacity building of MFIs and improving the accessibility, quality and institutional framework of the microfinance sector.

In addition, the Permanent Secretariat for the Promotion of Microfinance (SP-PMF), together with the Directorate for the Surveillance and Control of Decentralized Financial Systems (DSC/SFD), the Professional Association of Decentralized Financial Systems (AP/SFD-BF) and Company House (MEBF), constitute the national institutional framework for microfinance for Burkina Faso.

Competition

The MFI sector remains dominated by the Burkinabe Network of Credit Unions, which totaled in 2012 alone, nearly 64.42% of total customers and nearly 76.29 of the total outstanding credit. It should be noted the decline in the number of MFIs, which decreased from 154 in 2013 to 85 in 2014, was due in part to the consolidation of affiliated credit unions and the increasingly strong presence of banking institutions that are targeting more and more this segment of the population that was originally served by MFIs.

Informal systems such as tontine, family or neighborhood credits are widely used, flexible and compete with regulated MFIs.

URC-Nazinon competes in its market area with newly established banks that service individual retail clients and salaried employees.

Inclusion [Africa] Ltd. is the first rating agency based in Africa that focuses exclusively on rating social performance and impact. Created as a social enterprise, its primary mission is to promote financial and social inclusion across Africa. It provides Social Performance Ratings (SPR) to microfinance organizations in the region whose missions and goals promote financial inclusion and social responsibility. In addition to the rating of microfinance Institutions, Inclusion [Africa] assigns social ratings, using its proprietary methodology, to rate financial institutions, insurance companies, businesses, social enterprises and other organizations active in the social sector field in Africa.

With offices in Kigali, Rwanda and Cotonou, Benin, staff currently consists of experienced evaluators and analysts in the fields of social performance, financial analysis, financial advisory and research.

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