

<p>NWTF, Inc</p>	<p>The Philippines</p>																												
<p>NGO</p>	<p>2008</p>																												
<p>PERFORMANCE RATING</p>	<p>SYNOPSIS</p>																												
<table border="1" data-bbox="111 358 694 526"> <tr> <td>SOCIAL RATING</td> <td>$\Sigma \alpha-$</td> </tr> <tr> <td>CREDIT RATING</td> <td>n/a</td> </tr> </table> <p>Vision: To be a sustainable institution of change that builds <i>Dungganon</i> (honourable) Communities.</p> <p>Mission Statement: To provide sustainable financial and client-responsive developmental services to the poor.</p> <table border="1" data-bbox="111 873 667 1176"> <thead> <tr> <th>Social Rating dimensions</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Process/organisational systems</td> <td></td> </tr> <tr> <td>Mission and Systems</td> <td>$\Sigma \alpha$</td> </tr> <tr> <td>Responsibility to clients</td> <td>$\Sigma \beta+$</td> </tr> <tr> <td>Other Social Responsibility</td> <td>$\Sigma \alpha-$</td> </tr> <tr> <td colspan="2">Results/outputs – client level information*</td> </tr> <tr> <td>Depth of outreach</td> <td>$\Sigma \alpha+$</td> </tr> <tr> <td>Appropriate services</td> <td>$\Sigma \beta+$</td> </tr> </tbody> </table> <p>* Information collected by MFI research department</p> <p>‘Commitment and service, with honour’</p> <table border="1" data-bbox="111 1332 667 1892"> <tr> <td>Model:</td> <td>Grameen (some individual)</td> </tr> <tr> <td>Services:</td> <td></td> </tr> <tr> <td>Financial</td> <td> <ul style="list-style-type: none"> Credit: Group loans (general, special, asset acquisition); micro-crop loan; some Individual loans Savings: compulsory individual product, 1 voluntary product Micro-insurance </td> </tr> <tr> <td>Non-financial</td> <td> Integrated: <ul style="list-style-type: none"> Client training (planned emphasis on enterprise skills) A few scholarships for clients’ children Linked: <ul style="list-style-type: none"> Medical camps </td> </tr> </table> <p>US\$ = Php43.15 (Average Jan-Sep 2008) Organisational data as of end September 2008</p>	SOCIAL RATING	$\Sigma \alpha-$	CREDIT RATING	n/a	Social Rating dimensions	Rating	Process/organisational systems		Mission and Systems	$\Sigma \alpha$	Responsibility to clients	$\Sigma \beta+$	Other Social Responsibility	$\Sigma \alpha-$	Results/outputs – client level information*		Depth of outreach	$\Sigma \alpha+$	Appropriate services	$\Sigma \beta+$	Model:	Grameen (some individual)	Services:		Financial	<ul style="list-style-type: none"> Credit: Group loans (general, special, asset acquisition); micro-crop loan; some Individual loans Savings: compulsory individual product, 1 voluntary product Micro-insurance 	Non-financial	Integrated: <ul style="list-style-type: none"> Client training (planned emphasis on enterprise skills) A few scholarships for clients’ children Linked: <ul style="list-style-type: none"> Medical camps 	<p>The Negros Women for Tomorrow Foundation (NTWF) was founded in 1984, to facilitate the creation of women credit cooperatives in depressed communities in Negros province. Since 1989 it adopted the Grameen approach to microfinance, (along with 26 other pioneer Grameen replicators in the Philippines). NWTF has since then implemented microfinance mainly through its project <i>Dungganon</i> emphasising poverty outreach.</p> <p>Expansion has required strengthening of organisational systems which has been a key focus of NWTF since 2007 and is still work in progress. As of end September 2008, NWTF has operations in ten (out of the total 81 provinces in the Philippines) through 39 branches, serving 82,400 clients with outstanding loan portfolio of nearly USD10 million, and savings of USD3.1 million.</p> <p>Strengths</p> <ul style="list-style-type: none"> ⇒ Leadership (board and management) commitment to balancing financial and social goals – particularly poverty outreach and client responsive services ⇒ Strategic focus to work in the poorer provinces in the Philippines and deepen outreach further; significant poverty outreach; tracked through PPI ⇒ Range of products and variability designed to meet varying client needs and repayment capacities ⇒ SPM committee established in 2008 – representation from all regions and organisational levels ⇒ Research & Development team skills. <p>Issues</p> <ul style="list-style-type: none"> ⇒ Social reporting system – developing more concise, clear reports, to Board and to management; scope for analysis by branch and loan officer ⇒ HR – appraisal and incentives, revised with staff participation, but not fully aligned with social mission ⇒ Building systems for PPI for poverty targeting and tracking - quality control, link with MIS (in progress) ⇒ Continuing other social monitoring (client satisfaction, client exit analysis); tracking effectiveness of client training; rural/urban contexts ⇒ Effective monitoring of client protection issues, and improving client awareness (on savings and insurance); adhoc approach for obtaining and addressing client complaints. ⇒ Rate of client exit at 19% seems high (though on par with reported rates for other MFIs in the Philippines). <p>NWTF is well on track in putting its mission into practice whilst maintaining financial sustainability. An innovating organisation, with strong social commitment, including social monitoring.</p>
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<p>For the <i>Imp-Act</i> Global Learning Programme</p>	<p>Micro-Credit Ratings International Limited, Gurgaon, India M-CRIL Grading symbols described on last page</p>																												

**Negros Women
for Tomorrow Federation Inc.**
The Philippines
2008

Organisational data as of end September 2008

SOCIAL PROFILE	
Systems and MIS	
Mission orientation:	development services for poor women; strengthening communities
Clients (active borrowers)	82,363
Rural (based on branch location)	~36%
Group clients	98%
Women - clients	99%
Women - staff	58%
Client protection: 'Client care' within Operations and HR covers elements of client protection partly covered in internal audit	
Average loan size	\$256
Average 1 st loan size (main loan)	\$95
EIR (main product)	70%
Dropout rate (estd)	19%
Clients covered by insurance	80%
Client information	In percent
Sample data ^a	[country comparative data]
Depth of outreach (entry clients): ^b	
Below national poverty line (NPL)	63 [32]
Below \$4/day at PPP	71 [46]
Below \$2/day at PPP	39 [17]
Number of clients < NPL (implied at entry)	54,180
Children's school enrolment	
Primary school age	
- girls	86 [94]
- boys	90 [92]
Secondary school age	
- girls	96 [66]
- boys	96 [55]
Gender issues:	
Women headed households	57
Women clients involved in enterprise	86
Clients completed primary schooling+	96 [93]
Alternative financial access (household):	
Savings account	13
Bank loan in pervious 3 years	0
Borrowed from moneylender (prev yr)	19
Other MFI	17
Client awareness (average)	76
- Products and transactions	65
- Group procedures	87

^a The rating survey of 110 clients (52% < 1 yr with NWTF) was undertaken by NWTF staff in 2008. The sample was randomly selected in 6 branches in Negros Occidental.

^b Poverty assessment from application of Progress out of Poverty Index – all clients in 1st cycle (20,540).

Financial Performance	Sep 08 ^a
Operational Self Sufficiency	110.9%
Borrowers/field staff	182
Operating Expense Ratio	31.0%
Portfolio at Risk (30 days)	3.5%
Annualised Percentage Rate ^b	67.9%
Portfolio yield	46.5%
Average cost of funds	7.3%
Return on Assets	3%

^a Annualised.

^b Includes provision for VAT at 12%

Rating Rationale

Governance: Strong leadership commitment to social mission and balancing social and financial goals. Strong interest to report on social performance. Open to innovation, responding to different and challenging client markets (such as agriculture reform beneficiaries). Regulated bank established.

Main focus in 2007/8 was to strengthen organisational systems along Grameen principles; good steps, work still in progress.

Mission and strategy: Clear statement of mission with effective strategic alignment with group based model of microfinance. SMART objectives for poverty outreach (see below) but to be developed for other social goals.

SPM committee newly established during 2008: Representatives from all regions, and levels of the organisation (loan officers to board). Beginning to establish role to review SPM, and spread buy-in across the organisation. Very positive and pragmatic step; helps to support inter-organisational communication.

Targeting: Operational areas include the poorer provinces in the country. The full adoption of the Progress out of Poverty Index (PPI) is a practical step towards poverty focused targeting and tracking poverty reduction over time. 2008 results using the PPI for entry clients show poverty outreach substantially above the national poverty rate, though lower than intended by NWTF. The target (90% below PPI cut-off score) needs to be consistently applied – otherwise staff adjust scores downwards.

Quite high rate of exit (19%) (though this is lower than rates reported for other large MFIs in the Philippines).

Products: Range of product options responsive to different cash flows; under consolidation. Client feedback indicates issues with access to savings, insurance coverage and time taken for payout.

Information systems: Internal Research Department (since 2001) undertakes client level studies, analysis and pilot research. MIS undergoing improvements, including attempt to link to PPI/social indicators. Gaps relate to tracking exclusion, maintaining regular reports on client feedback and exit; analysing portfolio data by time rather than by cycle.

Client protection: "Client care" provisions are part of the Operations Manual & Personnel Manual. Included in staff induction; compliance only partially monitored. EIR includes provision for VAT (12%) – overall level is quite high, about average for microfinance; could consider improving efficiency so as to reduce costs to clients.

HR: training, performance appraisal and incentives not linked to social performance aspects. High turnover of staff at 20% (10% due to firing).

Non-financial services and linkages: Emphasis on integrated client training – new enterprise modules developed by 'impact maximisation unit' (currently part of Research Dept). Will need to monitor effectiveness. Good initiative for linkages to support medical camps in some branches.

CONTEXT

The Philippines

The Philippines is made up of over 7,000 islands, with 11 main islands. NWTF is headquartered in Bacolod city on the island of Negros in the Central Visayas region.

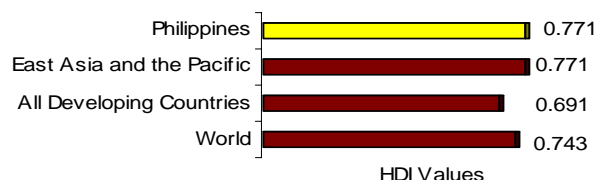


Development indicators

The Philippines has a population of around 90 million, with 63% living in urban areas.

Out of 177 countries in the world, the Philippines ranks 90th on the Human Development Index (which reflects life expectancy, literacy/education and per capita GDP), above the average for all developing countries.

Human Development Index



UN Human Development Report, 2008

Once one of the best performing economies in the region, the Philippines has a large national debt, and the economy is heavily dependent on the billions of dollars (USD16.8 in 2007) sent home each year by the huge Filipino overseas workforce contributing 12% of GNI. The national economy has been growing at 5-6% over the last few years, with economic activities concentrated in urban centres.

Just under one-third of the population – approximately 30 million people - is estimated to be below the national poverty line. The \$2/day (at PPP) poverty line is close to the poorest half below the national poverty line. '\$4' covers an estimated 46% of the population.

Millennium Development Goals: indicators		
Poverty [2002]	Population < national poverty line	32%
	< \$2/day at PPP	17%
	< \$4/day at PPP	46%
Education	Adult literacy (15 years +)	93%
	Net primary enrolment	94%
	Net secondary enrolment	61%
Gender equality	Female ratio to male: – adult literacy	1.02
	– primary enrolment	1.02
	– secondary enrolment	1.12
	Women in the formal labour force	39%
	Women in Govt - Ministerial Level	25%
Health	Life expectancy (years)	70.3
	Population with access to:	
	- improved water source	85%
	- improved sanitation	72%

UN Human Development Report 2008 (data ~2004)

Poverty ests. From Annual Poverty Indicators Survey, 2002

Microfinance

The Philippines has a well-defined microfinance policy and regulatory framework with a National Credit Council (NCC), an interagency body tasked to create an enabling policy environment in the delivery of financial services to the poor. Currently at issue in the sector is whether NGO/MFIs are liable to VAT (at 12%). Banks by comparison are taxed at 5%. The Bureau of Internal Revenue has yet to decide on this.

Of 61 institutions reporting to the MiX, 33 are banks, 21 are NGOs, 7 are cooperatives. In terms of outreach NGOs are seven of the 10 largest microfinance providers with outstanding loan at under 7% of per capita GNI on average. NWTF is at number eight, with outstanding loan size at 8.7% of per capita GNI.

Microfinance providers (December 2007)

MFI	Inst. form	Active Clients	Portfolio (\$ million)	Av. o/s	Av o/s /p.c GNI ^a
CARD NGO	NGO	320,299	33.84	106	6.5%
TSKI	NGO	168,661	20.94	124	7.7%
TSPI ^b	NGO	136,705	18.46	135	8.3%
Life Bank	NGO	130,667	11.52	88	5.4%
KMBI	NGO	117,721	9.11	77	4.8%
CARD Bank	Rur.Bank	117,195	13.23	113	7.0%
CCI ^c	Coop/CU	77,813	6.41	82	5.1%
NWTF	NGO	76,203	10.68	140	8.7%
Green Bank	Rur.Bank	72,742	30.52	420	25.9%
ASA	NGO	65,505	6.70	102	6.3%

[The Mix Market, 2008]

^a Per capita GNI: US\$1,620 in 2007 (World Bank)

^b Data for June 2008 ^c Data for Dec 2006

INTENT & DESIGN

MISSION

Clarity and communication

NWTF's mission is clear in terms of balancing financial goals (of sustainability) and the social goal of outreach to the poor, whilst providing developmental services that are 'client responsive'.

NWTF has formulated and revised its mission statement as part of a series of 5 year plans beginning in 1997. The current mission is the third version, formulated in 2006, to be simple and easy to remember, whilst retaining the spirit of earlier versions. Social goals related to mission are stated in the 2006 3 year business plan as follows:

- Provide credit assistance for the poor with income-generating projects for a specific term of payments while promoting savings mechanism;
- Create opportunities for self-employment and self-development so that the poor can actively participate in social and environmental concerns affecting their lives;
- Encourage the poor to aspire for a better life by living the values of discipline, unity, courage and hard work; and
- Liberate the poor from dependence on the usurious practices of the moneylenders.

Surprisingly, given NWTF's own name (and majority of women clients) the mission does not specify women as the target group. Nor is there reference to different types of target area (rural/urban/per-urban).

NWTF has defined its poverty outreach (for new clients) since adopting the Progress out of Poverty Index (see next page, under market strategy). Once there are results for change over time, the organisation intends to state objectives for poverty reduction. SMART objectives for other social goals are yet to be defined and developed.

A strong spirit of mission is evident at the board and management level and is well communicated throughout all levels of the organisation. A Social Performance Management (SPM) Committee was started during 2008, with 18 staff representatives from different regions and all staff levels, including 9 loan officers, a senior manager and one representative from the Board. The SPM committee is still to establish its role, but it has been meeting regularly (quarterly) and has an ambitious programme of regional consultations and setting the agenda for SPM within NWTF.

Governance and structure

NWTF is an NGO with a six-member board reflecting mainly financial, administrative and legal experience. In 2005 NWTF also registered the Dunganon Thrift Bank (a microfinance thrift bank – the first to be established in the Visayas) which has the same board plus two additional members. The bank was established in order to have a formal regulated financial structure that will gradually take over best performing branches of NWTF. It has taken over one branch and is in process of registering one in 2009 and another in 2010.

The founders of the organization and the deputy director for operations have played a key role in maintaining the organization's social focus, whilst at the same time developing professional systems to support expansion. Strengthening of organisational systems has been a key focus during 2007-8, guided by the eminent Grameen consultant, Professor Sukor Kasim as part of a 'Back to Basics of Grameen' rehabilitation strategy.

NGO Board meetings are held regularly, well attended with detailed discussions and review of elements of the rehabilitation programme, and operational issues, including aspects of social performance. Board decisions reflect a concern to balance social and financial performance, seeking to build profitability and portfolio quality, whilst expanding into poorer – less profitable – areas, supporting poorer branches to break even, and supporting client responsive products, including a challenging programme for micro-crop lending for more rural outreach.

The current business plan for 2008-10, whilst carrying forward the 2006 social goals, focuses on issues of outreach (planning to grow to full capacity of 3,500 per branch), branch viability, portfolio quality (within 5% PAR₃₀) and 'maximising impact' through a new division tasked to improve client training in relation to enhancing women's business skills and addressing default.

ALIGNMENT OF SYSTEMS

Model for service delivery

NWTF's main programme is **Project Dunganon** (meaning *Honourable*) based on the Grameen Banking model, and intended to serve the poorest.

Service delivery is through groups of women organised in Centres of 35 members. This group based approach is designed around collective engagement in financial transactions, with opportunities for capacity building and training of members, Group leaders and Centre chiefs.

It is part of the standard Grameen approach to provide an introduction to all members in the group financial systems and the products of the MFI (1-2 hour sessions over 3 days), and to have Group and Centre Leaders develop roles of responsibility (in organising meetings, ensuring repayments), with annual rotation of Group leaders. For Centre meetings, members invest in the construction of a shelter with benches and a table.

Group members can borrow different amounts and at different times. Loan disbursement is by cheque at the branch or sub-branch office to each member who then encashes the cheque at the nearest bank branch. Repayment instalments are usually at the weekly centre meetings, except in around one third of the centres – which are within up to 20 km of a bank branch, and not in default – where group leaders collect repayments to deposit directly into NWTF’s bank account before the weekly meeting.

A second – much smaller - programme is **Project Kasanag** (meaning *Light that offers Hope*) that provides individual loans to urban micro-entrepreneurs. This was intended for graduates from group lending but has not developed.

Dungganon Bank with its main office in Bacolod also follows the group based model, whilst catering to urban and to individual clients. As a regulated microfinance bank, at least half its portfolio must be in loans below PhP150,000 (US\$3,500).

Market strategy

Areas: Selection is based on consideration of information that includes: distance from the existing branch, market centres and population, poverty levels, existence of banks and NGOs, presence of informal moneylenders, presence of other MFIs, government development initiatives and the law and order situation. The information used (especially on poverty levels and population) is based on the data from national and local agencies.

Loan Officers also carry out a poverty mapping based on quality of housing. A key criterion is that there should be ‘at least 3,500 dilapidated households’ in the particular area that the branch will cover, to ensure a minimum number of target clients. The other criteria mentioned are used by management to make sure that there is enough infrastructural and logistical support. Within any area, NWTF prioritises to work in rural and peri-urban settings.

Clients: NWTF targets:

- women
- primarily the poor under project Dungganon

- primarily urban entrepreneurs under project Kasanag
- beneficiaries of the Government’s agricultural reform programme (extending services to agricultural households).

For Project Dungganon, NWTF defines its target clients as those living below the national poverty line. NWTF now applies the PPI for the purpose of targeting – aiming that 90% of new clients will be below the PPI score of 34, which translates into 75% below the national poverty line by end 2008. This represents a very focussed targeting approach, in the context of a local poverty incidence of around 40-50%. It follows the result of a PPI pilot sample in 2006 which found 40% of new clients were above the poverty line. Field staff carry out a one-on-one 20-minute interview with prospective clients to ensure that only those who meet the organization’s definition of poor are accepted to the programme. (Before adopting the PPI, NWTF applied a means test based on a housing index and a rough estimate of household income).

In practice, the target of 90% below the PPI score of 34 is not consistently conveyed in all branches. It is important to do this, allowing leeway for around 10% of clients above the target cut-off, because otherwise loan officers tend to adjust the scoring downwards when they feel a client is poor, even though the score is coming above 34. (Due to the probability scoring, a % of those above 34 do also fall below the poverty line – within NWTF’s target group).

Products: NWTF offers four loan products, one voluntary savings product, and three insurance products.

The range of products and options reflects a commitment to respond to different market segments and varying client needs over time, based on feedback from clients and staff, and pilot development by the Research & Development Department.

- (i) The main product is a **general group loan** – to provide start-up or additional capital for income generation, starting very small at \$23, with weekly instalments and repayment term usually of 6 or 12 months; also 3 months (since 2006) for households able to manage higher or varying turnover of capital.
- (ii) A **‘special loan’** is available to clients as additional credit (more than one loan at a time after 2 cycles - provided they have consistently demonstrated good repayment performance and centre attendance. Intended for varying household needs (housing, education), or to support the enterprise of another family member. A larger loan may also be offered to purchase a productive asset.

(iii) **Micro-crop loan** – piloted since 2004, for farmer-beneficiaries of the government’s agrarian reform programme whose income pattern does not match the requirement of the weekly instalment payments. Loans are released in instalments to meet farm input needs at different times during the crop. The standing crop serves as collateral. Repayment (both the principal and interest) is intended to be one-time after harvest.

(iv) The **individual loan** was introduced in 2004 to cater to group clients who are on their third year as client with good repayment and attendance record and are ready to graduate to higher loans. A client must have physical collateral equivalent to 50% of the loan amount with 10% of the loan amount as Individual Compulsory Fund (ICF). The husband or immediate family member acts as guarantor.

NWTF Loan Products – Description

Productt	Project <i>Dungganon</i>		Kasanag & Bank
	General/Special	Micro-crop	Individual
Methodology	Group	Group	Individual
Loan guarantee	Group/centre	Standing crop	Physical collateral (50%)
Minimum Size Php	1,000 [\$23]	1,000	1,000
Compulsory savings	5% loan amount – up front & 1p/week/cycle	-	10% of loan amount up front
Interest rate (%)	30	36	30
Interest rate type	Flat	<6 m Flat; >6m Decl	Flat – Dec annually
Other fees	8% of loan (amortised)	9% of loan amortised	8% of loan (amortised)
Term (months)	3,6,9,12	12-18	3,6,9,12
Repayment frequency	Weekly	Seasonal – on harvest	Weekly
Maximum size Php	150,000 [\$3,000]	30,000 [\$700]/ha	

NWTF Loan Products – NGO clients access analysis September 2008

Product Type Product Name	Total	Group Loan			Individual Loan
		General	Special	Micro-crop	Individual
Loans outstanding (no.)	85,551	80,405	3,188	1,364	594
Active clients	82,363	80,405		1,364	594
% active clients		97.6%		0.7%	1.7%
O/s portfolio /%	US\$9.95 million	81.4%	6.9%	6.2%	5.4%
Av o/s loan \$	116	101	216	453	908
Av loan (Jan-Sep) Php	11,058	8,674	7,515	10,723	42,333
	[\$]	256	201	174	248
Average 1 st loan size \$		95			

Costs to clients include the stated interest, additional fees, compulsory savings – and bank transaction costs for encashing cheques. (Costs are discussed on page 8).

The main group loan accounts for 94% of borrowers, 81% of outstanding portfolio. Group loans include ‘resurrection loans’ which are smaller loans offered to clients in default to assist on-going business, with the aim of building capacity to repay existing debt.

The individual product is limited to peri-urban areas. Individual borrowers have declined from over 2,000 at end 2006; though around 300 shifted to the *Dungganon* Bank.

The micro-crop loan has a high rate of default (59% PAR₃₀). The Research Department is trying to apply a strategy to address this, whilst the Board has capped the number of micro-crop borrowers until repayment improves. But falling sugar prices, and high fertiliser costs are a continuing challenge.

Compulsory savings is a condition of borrowing for all clients, group and individual, except micro-loan, at 5% of the loan amount – returnable with interest at 4% a year.

There is an additional compulsory contribution for group clients known as the *Pag-asa* Fund which is a form of group insurance. Group members deposit P1/week/cycle (increasing with each cycle). The fund can be used to cover the first 3 missed payments of a member, as approved by the Centre chief – and the amount is expected to be paid back by the defaulting member. If the fund is intact at the end of the year, half is returned to the centre, for distribution to members.

There is also a ‘voluntary’ savings product - *Alkansya*, a local term denoting a small amount of cash savings - which all clients have but they can withdraw anytime.

NWTF Savings - Description

Savings	Compulsory	Compulsory	Voluntary
		Pag-asa	Alkansya
Amount (deposit)	5% of loan amount	Php1/wk/cycle	-
Interest	1%/ Qter	-	1%/Qter
Withdrawability	During emergencies	Centre decision	No restriction

NWTF Savings – Access Sep 2008

Products	TOTAL	Indiv.	Pagasa	Alkansya
		Comp.	Comp.	Vol.
Accounts (No.)	258,201	86,067	86,067	86,067
Amount PhP mill	132.8	98.4	16.5	17.9
US\$ mill	3.1	2.3	0.4	0.4
Av. balance \$	12	26	4	5

Dungganon Bank has 4,723 savings accounts amounting to PhP15 million (= US\$346,465) with an average balance of \$73, the bulk coming from the (urban) public (\$231,750) on which the Bank pays standard formal rates, depending on the type of deposit.

NWTF has offered insurance since 2002, known as a Mutual Aid Fund or MAF1 (5% of the loan). The product has evolved, with 'MAF2-4' linked to a private insurance company, providing options for life insurance, pension, and coverage of hospitalisation fees (for accidents and specified illnesses) for the client, her husband and legal dependents. From 2008, MAF1 and MAF4 are being phased out to provide lower cost options with and without pension. The insurance company covers NWTF's (small) administration costs.

Insurance – September 2008

Scheme	MAF1	MAF2	MAF3	MAF4
	Life	Life Medical Pension	Life Medical	Life Medical Pension
Coverage	Client	client spouse	client, spouse and legal dependents	
Premium (annually P)	5% of loan (434)	P12-20/wk (by age) (750)	P10/wk (500)	P22/wk (1,100)
Payout	Life: P50,000-client, P10,000-husband, P5,000- dep. Medical: P150/day up to max 30days/yr Retirement: lump sum of P25,000 after 25 yrs			
Clients covered %	8,236 10%	41,182 50%		16,472 20%

During 2008 (until October), 960 insurance payments were made and 232 claims were outstanding. (Say a total of 1.4% of total clients for the year). The average payout was P23,000 for life insurance, and P828 medical (or 5-6 days' hospital stay). Total pay out of nearly P8 million (US\$185,200) represents 15% of the MAF deposited with NWTF at end December 2007.

HR – aligned with mission?

Main focus on efficiency and repayments;

Recruitment: NWTF recruits graduates with backgrounds in accounting, management, economics, business and other social sciences. The recruitment process gives some emphasis to the poverty orientation of NWTF's mission. NWTF has a policy to hire the children of clients as field staff; currently they are 12% of field staff.

Training/skills: Standardised induction by the HR department covers NWTF's history and policies, principles of Grameen, operational procedures and financial management skills. Training of new loan officers is handled by the branch managers where the staff are assigned and this is monitored by the training department. Since 2007, the training department has focused on coaching operations staff at the field, as part of the 'Back to Basics' to strengthen Grameen systems and staff efficiency.

Staff appraisal and incentives: these have been substantially revised during 2008. Appraisal includes some "qualitative" assessment which broadly covers aspects of client service orientation. Staff incentives are based on clients served (target 500/Loan officer) and PAR (aiming for 2%, less than 5%) – with no link to social goals.

Information and reporting

NWTF has emphasised social performance monitoring and reporting with the establishment of an internal Research Department (RD) since 2001 with a staff currently of five people, including a new 'impact maximisation unit' that was set up in 2008.

The initial focus of the RD was to generate a series of client level surveys, based on the AIMS tools for practitioners – including changes in quality of life indicators, client exit survey, client satisfaction, loan use strategies and client empowerment. Also a special study of client default – to analyse high Portfolio at Risk in some branches. Key research findings are reported to senior management and to the Board.

Since 2006, the RD's focus has shifted to the piloting and subsequent introduction of the PPI throughout operations since 2007. Information for the PPI is now collected by loan officers, entered into the computer at branch level and collated by the RD. PPI data is reported with graphs to analyse poverty outreach at different cycles, and for types of business). In future it will provide a baseline for tracking change in poverty level over time – though there are already issues in distinguishing between different loan cycles and annual periods, as well as accounting for dropout.

Other issues relate to quality checking, reporting to branch level (currently reports go to the SPM committee). And capturing other elements: rural/urban outreach, tracking new businesses financed (the present form does not do this clearly).

Integrating PPI data to the portfolio MIS is a challenge, including matching of client IDs – so as to enable more automated reporting.

RD surveys for client satisfaction and reasons for client exit have been on hold for the past three years. A client exit survey will be completed by early 2009. (Though BMs conduct exit surveys with all dropouts, this information is not collated). It will be interesting in future to include the PPI as part of the exit analysis.

Client retention and dropout are partially tracked in the MIS, but not systematically. The MIS drops clients after 2 months, so when such clients rejoin they are not recognised as such. NWTF needs to address this, and then include further analysis by cycle/time (as well as by PPI in future). In addition to its strong focus on poverty targeting, NWTF may consider tracking exclusion: whether poor clients are not joining and why not?

SOCIAL RESPONSIBILITY

CLIENT PROTECTION

NWTF has elements of a code of conduct for client protection within its Operational Manual and Personnel Manual (client care section), which form part of the standard training of all staff. Procedural aspects are within the scope of the internal audit which includes detailed review of branch budget and reports, cross-checking of ledgers and client records/passbooks, and observation of centre meetings - based on sample visits to 2 centres of the branch. Audit findings are followed-up by the operations department with the field through the audit report submitted to the deputy director for operations. The internal audit team is short-staffed, however, and less than half the branches will be visited within this year.

The new mode of decentralised supervision, introduced by Professor Sukor, represents a good additional avenue for reviewing systems at different levels – including client feedback and issues. This process is underway but is still to be institutionalised effectively.

Transparency

NWTF emphasises verbal communication with group clients – along with some visual aids used by the field staff. As part of the normal course of group formation and Centre meetings, NWTF aims to provide clients with information on group systems, financial products and

terms primarily through interaction with loan officers. The initial group orientation takes three 1.5 hour sessions over three days - down from the earlier 7 sessions, but seems adequate – and is checked through an Empowerment Test by the Branch Managers for all new Centres.

During Centre meetings, receipts for payments are issued to groups, and the loan officer maintains individual details in a passbook for each member. Information about the Pag-Asa fund is intended to be displayed at the Centre meeting – but usually is not.

Savings are noted in member passbooks – and insurance policies are expected to be kept by each client. Nevertheless, feedback from clients (see page 13) indicates that awareness and understanding around savings and insurance needs attention. The internal audit checks updating of passbooks and issuance of receipts – and has found some gaps.

Avoiding over-indebtedness

Loan officers do a quick estimate of household skills, income and expenses for each client as part of the loan application. Net revenue is based primarily on the client's own projections. Disbursement is followed after two weeks by a Loan Utilisation Check to try to ensure the main use is for enterprise.

For large loans (above P30,000) – as well as for individual clients - there is a very detailed cash flow report which is the basis for deciding the loan amount.

Some cases have been found by internal audit of loan officers pressurizing clients to take out bigger loans than they have applied for (to contribute to the field target).

The possibility of multiple loans is an issue as the number of microfinance providers increase. NWTF's view is that they cannot 'own the poor' if they are attracted by other opportunities. Anyway it is difficult for loan officers to obtain accurate information from clients on this. Though there may be scope for including this within the internal audit. And it is intended that the RD should follow up to find out reasons for clients turning to alternative MFIs.

Cost to clients

The annual Effective Interest Rate (EIR) for the main group loan works out to 70% on average. This includes the flat rate of interest (3% per month flat is equivalent to 54.2% on declining basis), the Development Cost (5%) Service fee (3%) and the (small) effect of the compulsory *Pag-Asa* fund. The effect of the compulsory savings (5% up front, earns 4% annual interest) adds another 6%. EIR on the agriculture

loans, with bullet repayment of principal and interest, works out to 45%. For Centres (around 30%) that deposit payments at a bank branch rather than at the Centre meeting, there are additional costs of transport and time. All group members also contribute to the cost of the Centre structure (around P5,000 after the second cycle).

NWTF's approach to setting the interest rate includes allowing for quite a high loan loss (5%) and making provision for the VAT tax of 12% that may be imposed retrospectively in 2009. (Some bank branches impose the additional requirement that NWTF maintains a high minimum balance (P1-3 million). The costing strategy seems prudent but results in high costs to clients, and there may be scope for reducing. Though this is not reported as an issue by clients. And other MFIs charge around the same, including up to 3% a month + service charge.

NWTF pays interest on client savings at 4% annually which is above the bank rate (1-2%). The charges for insurance seem reasonable.

Overall data for the Philippines (for comparable large MFIs) show similar levels of costs, yield and portfolio quality with higher outstanding line size, and more clients/field staff. Though NWTF's yield relative to APR (estimated at 67.9%, including VAT) seems low, partly affected by high defaults on the micro-crop loan. Other large MFIs in Asia show a more efficient structure, with higher portfolio quality and lower yield.

Cost structure as % of average portfolio (Dec 07)	NWTF	Phils 'large'^a	Asia 'large fss'^b
Av outstanding loan \$	140	285	153
Clients/field staff	182	204	167
Operating expense ratio	30.9	29.8	13.1
Financial expense ratio	7.3	6.6	10.5
Loan provisioning	2.0	1.6	1.0
Total costs	40.2	38.0	24.5
Yield	40.3	39.5	28.1
Surplus	0.1	1.5	3.6
PAR (30 days)	3.3	3.3	0.7
Write-off	0.9	2.0	0.8

^a MCPI, Benchmark data for 15 large Philippine MFIs, with portfolio size > \$8 million. ^b Microfinance Banking Bulletin, 2007 (53 MFIs, financially sustainable with median gross portfolio of \$21 million)

Client interactions

NWTF's interaction with clients is mainly through the weekly centre meetings which last an hour and a half. (timing is an issue in some centres – see page 13). Each meeting, following the Grameen practice, starts with the quick recital of 11 pledges (related to helping each other, clean houses and the environment and sending children to school).

In case of default: NWTF has a slightly contradictory list of 'ten commandments' to its staff to emphasise collection of past dues, investigating information, but not 'getting into a discussion' with clients and forbidding empathy. In practice, loan officers appear pragmatic in trying to remind clients of their obligation without scolding. The *Pag-Asa* fund of client deposits is a means of enabling group members to cover delinquency of a co-member over three instalments. Beyond this, loan officers and branch managers may reschedule the loan, especially in case of sickness; or provide a bridge loan to help a business in difficulty. The impact maximisation unit is working to structure this process.

NWTF does not have a standard system for eliciting complaints from clients. This is left to the Branch managers (BMs) who may encourage clients to contact them directly by going to the Branch office or to raise issues first with the loan officers. BMs are expected to follow up through quarterly Centre Supervisory Visits (CSV) which have been introduced for more effective field monitoring. CSV reports will be a useful monitoring tool, if completed properly.

Non-financial services and linkages

NWTF currently has plans to introduce focused training modules for clients. The new impact maximisation unit has developed materials (in cartoon form) on livelihood skills, based on documenting practices of successful client enterprises. These will be introduced during 2009, to replace and improve on the earlier 'social development modules' and general livelihood training.

NWTF provides scholarship opportunities for clients' children to study at university or in vocational training. The conditions are quite stringent – available only in very profitable branches (OSS >120% with the branch contributing to the scholarship from its profit), to 5 year clients, with an impeccable repayment record and to students with grades above 83%. In 2008 school year, there are 27 scholarship holders (17 girls, 10 boys) in 14 branches.

Linkage: NWTF facilitates annual medical camps for its clients involving volunteers from government health agencies, medical associations and private doctors. The medical camps include health talks, check-ups, dental consultations, and some free medicines. There were medical camps in 33 branches (out of 39) during 2008. NWTF contributes some amount to the medicines and provides food for the medical volunteers (costs about \$280 per camp); and is planning to expand coverage to all the branches.

OTHER SOCIAL RESPONSIBILITY

GENDER APPROACH

Context: In the Philippines, women are active professionally and in politics – and in the market economy. They have equal access to education and are active in formal employment, in the informal sector and in agriculture. Culturally, nevertheless, women are financially dependent on their husbands and are tasked with looking after the homes and children.

Clients: NWTF clients are vaguely reported as ‘99%’ women. Currently NWTF’s policy is not to recruit men as new members, but to allow widowers of clients to become members. The number of men can be obtained from the MIS but this is a time-consuming query and is not consistently tracked. It would be interesting, especially to track individual clients. (10% of Dungganon Bank borrowers are men).

Women clients are supported through the social networking of the Centre model. Group and centre leaders are encouraged to facilitate during weekly meetings so as to develop leadership skills and in urban areas they handle banking transactions. Group leadership is expected to be rotated each year, involving each of the 5 members in turn. But there is no policy on rotation of Centre leadership.

The new initiative (under ‘impact maximisation’) to document successful enterprise practices in 10 typical women’s enterprises, with the plan to introduce these examples as part of client training, is a good move towards supporting women’s entrepreneurship.

An interesting side-development of offering insurance is that legal marriage is a condition. Accordingly, NWTF has been facilitating mass weddings, which women appreciate for their security.

Staff: Five of the six board members are professional women, including the chair. The overall proportion of women amongst staff is 58%, 43% at the management level and 59% of field staff.

Women on staff – Sep 2008

Staff level	Number	% women
Management (HO/branches)	63	43%
Field staff	250	59%
Office/technical staff	166	60%
Support staff	2	0
Total	481	58%

NWTF offers reasonable employment conditions to women, provided they are able to travel. Mandatory provisions are (2 months’ paid maternity leave; anti-harassment policies).

RESPONSIBILITY TO STAFF

NWTF has a formal HR department currently with seven staff. The Personnel Policy manual was written in 2004 and has been updated in 2007-08 to cover core areas of social responsibility to staff, including policies on equal opportunities, administrative investigation, non-discrimination, on-the-job training and skill development, pay scales, health benefits and accident insurance and others.

Training: Aside from in-house and on-the-job training programmes being facilitated by the training department, there are opportunities to attend external training programmes and pursue masters/doctoral studies, but the selection criteria are not clear to the staff. On average, loan officers undergo six days of training in a year; head office staff have not undergone any training in the last three years.

Salary and benefits: NWTF’s salary package is competitive - generally above what other MFIs, rural banks, NGOs, and private companies in the area offers. Staff are also entitled to other benefits: health care, accident insurance and bereavement assistance.

Staff issues reported through Focus Groups in 2006 have largely been addressed with more effort now on involving staff in policy decisions that affect them. The incentive system (revised in 2008) is now thought to be fair (allowing for differences between areas), simple and fully understood (though it does not include social goals); but there is no incentive scheme for management and HO staff. Consultation on issues that affect staff is currently being addressed through the SPM Committee. No staff satisfaction survey has been done.

Staff turnover appears high at around 20%; with 2% due to firing.

RESPONSIBILITY TO COMMUNITY

NWTF supports start-up enterprises for women and aims to promote community values of self-help, women’s leadership and support of the environment – following *Dungganon* principles - though it does not monitor compliance or follow-up.

NWTF has the policy not to finance tuba production (toddy – from coconut trees) or gambling. The RD (impact maximisation unit) is currently part of the ILO study into conditions of decent work. – which involves collecting data on working conditions in financed enterprises with follow up, up to 2015. This is an interesting initiative, but it would also be useful to include individual and micro-crop clients in the survey.

The organisation strives to maintain a good relationship with local authorities in the areas where it operates. The medical camps, organised for clients, are also open to non-clients in the local community.

RESPONSIBILITY TO ENVIRONMENT

NWTF is beginning to consider ‘triple bottom line’ issues – with involvement in the TRIKE fund (for tricycle owners in Palawan province) and exploring renewable energy options and organic farming.

Charcoal manufacture is an environmental issue in the Philippines – which NWTF aims not to finance directly though some of its clients are engaged in charcoal trading and the practice continues.

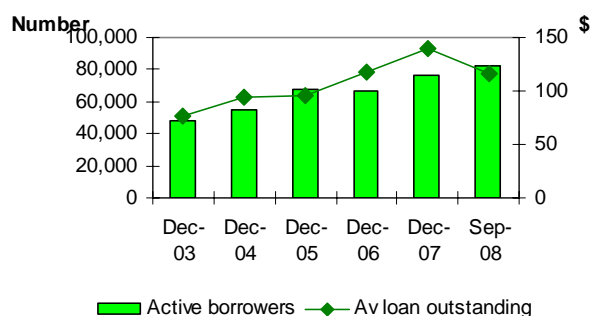
Within its own offices, NWTF recycles paper – and has recently reduced energy use, by restricting the use of the lift in its head office, and making Saturday a holiday(!).

RESULTS - OUTPUTS

OUTREACH

NWTF’s outreach has grown steadily apart from a short fall in 2006, linked partly to high exit (see page 15). By September 2008, there were 82,363 active borrowers with average loan outstanding of \$116.

Growth trends 2003-8



Roughly one third of total clients are in their first cycle; and one half in the first two cycles; this is within one year of membership in terms of time.

Areas of operation

NWTF is operating in four of the 18 regions of the country. These four regions are among the eleven regions in the Philippines that have poverty incidence above 30% of families.

In these regions, NWTF clients are rather scattered across 10 provinces, apart from Negros Occidental where NWTF is headquartered, which accounts for 41% of clients. Seven of the 10 provinces are in the poorest half of the 79 total listed provinces in the Philippines, and account for 38% of NWTF outreach. Negros Occidental is not in the poorest half of provinces, although the poverty rate here is above the national average.

NWTF outreach - provinces by level of development

	Province	Poverty rate	Poverty rank (of 79 provinces)	NWTF Members
1	Northern Samar	52.2%	7	2%
2	Negros Oriental	43.7%	20	11%
3	Eastern Samar	42.7%	23	5%
4	Palawan	40.8%	27	10%
5	(Northern) Leyte	40.5%	31	1%
6	Western Samar	40.2%	32	4%
7	Bohol	38.8%	35	4%
8	Negros Occident.	33.4%	44	41%
9	Southern Leyte	29.0%	54	2%
10	Cebu	23.5%	63	19%
	TOTAL	26.9%	79	86,067

National Statistical Coordination Board (NSCB), data for 2006
NWTF data as of September 2008

Outreach is to all types of geographical area: out of 36 branches, 14 are located in rural areas, 15 in peri-urban and 10 in urban areas. Urban in Negros refers to Bacolod and other cities in the island. ‘Peri-urban’ areas are smaller towns with basic infrastructure. Within geographical areas, NWTF works in less developed centres and villages.

Financial inclusion

Much of the following sections is drawn from a household survey undertaken by NWTF’s Research Department. The sample covered was 110 clients randomly selected from six branches (two branches for each category: urban, semi-urban, and rural) in Negros Occidental. The sample distribution is proportional to overall client distribution in urban, semi-urban, and rural areas; 48% of the sample are in their first loan cycle.

- the unbanked

Thirteen percent of sample households have a savings/remittance account in a commercial bank – reflecting the fact that more than half of the sample households have a family member working elsewhere (in other cities, perhaps abroad) and sending money to the family. None had a bank loan.

Household access to formal financial services	% sample
Bank savings account	13
Bank loan (in last 3 years)	0

- the poor

As of September 2008, PPI results for entering clients show that 63% are below the national poverty line; 39% are in the bottom half below the national poverty line or equivalent to 'extreme poverty' (approximately matches the international <\$2/day line at purchasing power parity). This represents substantial depth of outreach, above the national rate. This is lower than NWTF's intended target of 75% (though closer to this target for clients recruited within the previous two months).

Poverty lines	% new clients	% national
Below national poverty line	63	32
<\$2 at PPP	39	17
<\$4 at PPP	71	46

[NWTF data for all 20,540 clients in 1st loan cycle as of September 2008
Philippines data APIS 2002]

- the vulnerable

Over half the sample are reported to be women-headed households (the woman is the main earner); 30% are dependent on women's earnings with no male earner.

Women headed households	% sample
Women headed households	57
- no adult male earner	30
- with adult male earner	27

Support to employment

NWTF emphasises use of credit for enterprise and this is part of the Loan Utilisation Check which the Loan officer carries out within two weeks of loan disbursement (together with the PPI). The PPI score card includes recording the different enterprises of clients. This data (as of September 2008) shows predominance (two-thirds) of trading activities: 25% are small usually home based *sari-sari* (grocery) stores, 22% are other retail and 20% are wholesalers (various items including agricultural products, frozen foods, ready made garments); 21% are engaged in fisheries or agriculture/animals, 10% are in services (manicure, tricycle, food processing), 3% in manufacturing.

Main enterprises	% clients
Total clients	80,046
<i>Sari-Sari</i> Store	25%
Retailing	22%
Wholesale Trade	20%

Aqua-based &/or fishing	11%
Agriculture-based	10%
Services	6%
Processing	4%
Manufacturing	3%

[Score card form]

From the sample of 110 clients, 20% of the financed enterprises are start-up.

The supported enterprises are mostly family-based, with an average of 2 family members in each household working in an enterprise - including some part-time and a few children.

Eleven respondents who are mostly engaged in fishing activities reported hiring from outside the family – men full-time and a few women part-time.

Employment in supported enterprises	Number
Total working/supported enterprise	2.27
- Adult family members	2.02
- Children family members	0.05
- hired labour	0.20
% enterprises with hired labour	10%
Av.. hired labour in these enterprises	2

N = 110 (group clients)

Extrapolating (10% of enterprises hiring 2 non-family workers), NWTF finance is supporting over 16,000 wage employees (a figure which may be higher if individual client businesses are included). In terms of reported wages, average monthly wages of hired labour are a little over PhP2,000 or \$41. This is under half the mandated minimum wage of P235-267/day (>P5,600/month).

Over half (53%) of the financed enterprises are managed by women, 33% are managed jointly by women and men; and 14% are managed solely by men.

Enterprise management	% sample
N	110
Women	53
Women and men jointly	33
Men	14

Client profile

The survey data for sample clients and their households shows:

- 42% of clients are between 36 to 50 years old; 30% are over 50 years old;

- 65% of women clients have completed secondary education and above, 32% have completed primary education; [in line with national average literacy levels]
- All are economically active with majority (62%) engaged in non-farm self-employment, 20% in animal husbandry, 13% in agriculture, and a few (2%) are engaged in casual labour;
- 88% of clients' primary school-aged children are attending school (with higher percentage for boys, at 90% compared to 86% for girls – around the national average); 96% of client's secondary school-aged children are attending school (with almost the same percentage for boys and girls – higher than the national average);
- 49% are members of other organizations in their community: 24% in a village-based organization, and 25% in a church-based organization.

APPROPRIATE SERVICES

In this section, quantitative findings are derived from the NWTF survey of 110 clients and qualitative observations are from 12 Focus Groups (attended by 120 clients) conducted by NWTF in six branches in Negros Occidental and follow up FGs by the M-CRIL team. Participants included both new clients and long-standing clients.

Client awareness

On a series of questions on aspects that NWTF expects its clients to know, average awareness rate is moderately high overall – at 65%. Clients are mostly aware of loan products available at NWTF and the premium they pay for insurance, main costs of credit and complaint procedure. But only around a third are aware of the interest due on their savings; and under half are fully aware of all the loan fees and of what insurance covers.

Awareness of products and transactions	% sample
Credit	69
Different loan products available at NWTF	85
Interest rate on loan	78
Loan application fee	73
Other loan fees	40
Savings	55
Terms of savings refund	77
Interest due on savings	32
Insurance	65
Insurance premium payable	83
Insurance coverage	46
What to do in case of complaint against loan	74

officer	
Overall	65

n=110

Client feedback

Access to other financial services

Seventeen per cent of client households also access other microfinance providers such as the LifeBank and CCT Credit Cooperative.

Other financial services	% sample
Other MFI	17
Moneylender (in last year)	19

A relatively high proportion, 19%, borrowed from a moneylender/pawnbroker in the last year – for food (38%), school fees (31%), medical expenses (17%), debt repayment (7%), family events such as death and marriage (3%) or farm expenses (3%). NWTF may reconsider its pressure on clients to use loans only for 'enterprise'.

Positive feedback

Clients value amongst NWTF's services, the following aspects:

- ⇒ credit to start an enterprise
- ⇒ insurance coverage
- ⇒ low interest rate (compared to other credit providers)
- ⇒ manageable weekly repayments
- ⇒ absence of collateral for group-loan products.

Some issues

There were a number of issues, as follows:

- social collateral feature of the group as they have to cover up for a member's missed payments through the *Pag-asa* fund;
- inconvenient meeting schedules e.g. morning when trading activities are at its peak and early part of the week when clients' money are still tied-up in inventories;
- bank transactions entail additional cost especially for those who live far from the bank (~\$1/transaction or a contribution of \$0.04/member each repayment);
- DC charges – clients prefer the previous arrangements (interest rate of 32% and up front ICF) rather than the 'developmental cost' amortized during the loan;
- delayed access to *alkansya* fund during emergencies;
- delays in payout of insurance (can take up to 7 months) due to procedural issues/documents to

complete the claim application. (perhaps reflects need for clearer communication on what is required from both the insurance company, and from NWTF staff in assisting clients)

Clients also suggested for NWTF to introduce a housing loan and provide more livelihood training.

Some FGD participants (<10%) think that other microfinance organisations provide better staff service and more favourable policies and terms.

There are reported to be up to 15 complaint cases a month in each branch. Complaints range from staff behaviour (some Loan Officers may scold clients in case of default) to policies that have not been explained clearly by the Loan Officers to the clients. BMs are expected to follow up on such complaints by talking to the concerned clients, posting information materials/visual aids in the centres, and discussing the issue with the loan officers concerned.

Group systems

Group systems with weekly meetings are central to NWTF’s financial intermediation. Overall, client awareness of group norms is high, at 87%.

Awareness of group norms	%
Decisions on loan applications	97
What group records are maintained	89
Rules for election of group leaders/ officials	87
Purpose of the group fund – Pag-Asa	75
Overall average	87

Somewhat lower awareness relates to the group fund or the Pag-asa fund which is deposited by the centres with NWTF to cover any missed payments. If the fund is intact, half of it is returned by NWTF to centres yearly. The centres are free to use the amount on anything. Communication to members on how the fund is being used is an accountability issue that NWTF needs to work on.

Client’s passbooks are mostly (though not always) up to date. However, member’s attendance in the previous 2-3 months was low, less than 50%.

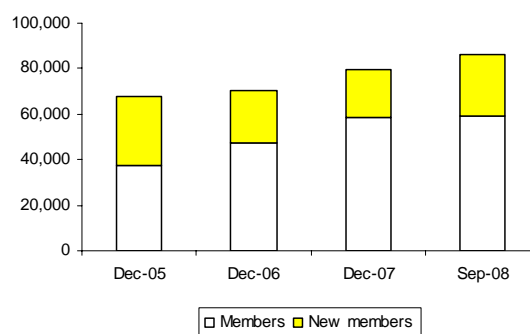
The internal audit in its check of loan allocation, has found a few instances of group leaders and centre chiefs taking the loans of other group members. This is a serious lapse in group systems – good that it was discovered, but important to ensure it does not happen in future.

The Centre Supervisory Visits introduced in 2008 as a more routine monitoring of Centre activities and loan officers by the BMs is an important mechanism to improve group systems.

Client exit

NWTF defines current members as those with outstanding loans plus those within 6 months of repaying a previous loan (even if not currently borrowing. Applying this definition the following data maps growth in members, and new clients in the year. The extent of exit is indicated by comparing the top of the overall bar with the top of the white section of the bar in the following year. (Though data for ‘new clients’ may include those who rejoin).

Growth and new members



Applying the M-CRIL formula, the exit rate works out to 19% (as of September 2008), up from the previous year when there was an organisational focus on retaining clients. The rate seems high - the (implied) number leaving is substantial, and is affecting overall growth – though rates reported by other MFIs in the Philippines are similar if not higher.

Calculating the exit rate

Members:		Dec-06	Dec-07	Sep-08
a	Total at end of year (period)	70,218	79,813	86,067
b	New during year/period	22,779	21,483	26,575
c	At beginning of year	67,982	70,218	79,813
	Rate of exit [c+b-a/c+b]*	22.6%	13.0%	19.1%
	Number leaving in the yr	20,543	11,888	20,321

* M-CRIL formula

We do not know why clients are leaving, currently. The last exit survey conducted by NWTF in 2005 listed the following: business problems, illness in the family, and issues within the group. Business problems are a concern (it would be useful to know what type of business face problems, are start-ups failing?) – and NWTF is beginning to try to address this through the impact maximisation unit. Group issues are also receiving attention through closer regular monitoring by BMs and Regional Managers. . The frequency of illness as a problem, (reported by 60% of dropouts) indicates scope for a follow up strategy (in addition to the medical camp linkage already underway).

OUTCOMES

NWTF will be using the PPI to track (changes in) poverty level over time. Currently the data shows some limited poverty reduction:

- approximately 14% of total clients are in their 10th loan cycle, or above, completing (roughly) 5 years;
- 47% of clients above nine cycles are (still) below the national poverty line; 47% compares to 63% of new clients below the national poverty line though we do not know poverty level at entry; it may have been higher on average since NWTF has increased its poverty targeting with the PPI).

To address this issue, the RD has analysed PPI scores based on recall for 40,374 clients. However, the results cover a mix of clients both those just into their second or third cycle as well as clients into their 7th, or more, and are likely therefore to understate change: reported as 11% with upward movement, 5% with downward movement (after 5-7 years).

PERSPECTIVE - CONCLUSION

The organisation is quite well on track in putting its mission into practice. The key concern to ensure that its services reach the poor has motivated NWTF to adopt the PPI for client targeting and to integrate this within its systems. A commitment to client responsive services is reflected in the range of products and pilots undertaken.

The organisation has developed systems to track its social performance quite extensively through routine monitoring and research including client satisfaction and exit surveys – though these have received less attention in the past three years as the organisation has focused on implementing the PPI.

Field level data shows significant depth of outreach. Client awareness is also strong although there have been issues in the past over effective communication. The rate of client exit is quite high – affecting overall growth and programme impact. Livelihood issues and group systems need attention – and these are now the focus of the new impact maximisation unit and the new monitoring systems .

Focus Groups with staff (in 2007) indicate more attention is needed to ensure processes and systems for staff engagement are effective. This is now taking place with staff involvement in core HR areas. Staff incentives and appraisal need further review so as to include social goals.

Staff training needs to be systematized with needs assessment, and training programme design and modules aligned to organizational and social goals.

The newly established SPM committee with representatives from all levels and regions, has initially focused mainly on staff issues. This is a mechanism with good potential to build staff engagement in future, especially around balancing social performance and financial issues.

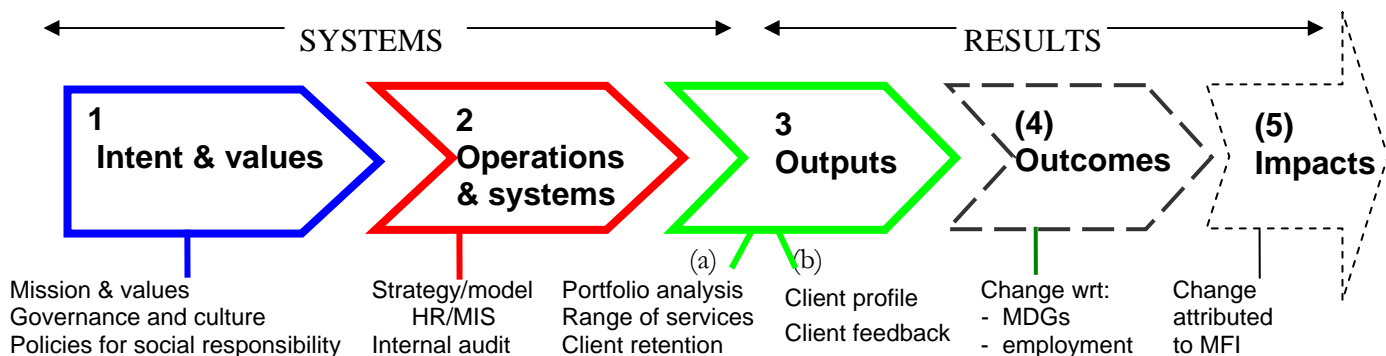
M-CRIL's Microfinance Rating Symbols

Grade	Credit Rating description	Social Rating description	Grade
$\alpha++$	Excellent systems, highest safety ➤ most highly recommended	Excellent systems and evidence for very strong adherence to social mission and values	$\Sigma\alpha++$
$\alpha+$ α	Very good systems, high safety ➤ (very) highly recommended	Very good systems and evidence for strong adherence to social mission and values	$\Sigma\alpha+$ $\Sigma\alpha$
$\alpha-$ $\beta+$	Good/satisfactory systems and safety ➤ recommended, needs monitoring and improvement to handle large volumes	Good /satisfactory systems and evidence for adherence to social mission and values	$\Sigma\alpha-$ $\Sigma\beta+$
β $\beta-$	Borderline to weak systems, significant risk ➤ acceptable after improvement	Weak systems, with evidence of limited adherence to social mission and values	$\Sigma\beta$ $\Sigma\beta-$
$\gamma+$ γ	Weak systems, very high risk ➤ not ready for investment	No systems, no evidence reflecting social mission or values	$\Sigma\gamma+$ $\Sigma\gamma$

Σ The capital sigma, represents the 'S' for Social Rating

- Mission and values relate primarily to: financial inclusion, client protection and quality services
- The social rating covers organisational systems alignment and field level evidence for outputs (who are the clients at entry, are the services appropriate). Field level information may be collected as part of the social rating exercise, if not already available as part of the MFI's own reporting system.
- If the MFI has robust evidence for change (outcomes/impact), this will be documented as part of the social rating report.
- Otherwise a first social rating does not directly collect information on outcomes, and it is not included. A subsequent social rating, however, can include direct follow up of the initial client survey to profile change at the client level.

Social rating thus usually covers the first three steps of the *social performance pathway* as shown.



This is the framework for social performance reporting.
The findings of the social rating may be applied directly for social reporting.