

CRAN Microfinance, Ghana

Christian Rural Aid Network (CRAN) Ghana is a development NGO established in 1993 in Cape Coast, Ghana. After strong setbacks, the institution launched a new microfinance scheme in 1998, incorporating village banking and susu savings methodologies. As microfinance activities grew, CRAN's management decided to separate the social and microfinance activities in two different departments. The microfinance department of the NGO is called CRAN Microfinance. As of December 2007, CRAN Microfinance had a loan portfolio of 1.4 M USD for 5,322 borrowers, served through eight branches located in the Central, Western and the Volta Region of Ghana. CRAN Microfinance offers group and individual short term business loans to traders, farmers and fishermen, and compulsory and voluntary saving products, under a susu scheme.

GIRAFE Rating

Rating

C+

Outlook

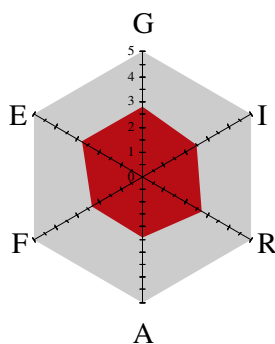
Positive

Date of the rating

March 2008

Valid until February, 2009

Rating per evaluation area



Governance – Information – Risk –
Activities – Funding – Efficiency

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Rating highlights

- CRAN Microfinance's financial performance has improved over the last three years as shown by the ROA that increased from -41.6% in 2005 to 3.9% in 2007. This performance has been favored by high portfolio growth and a significant improvement of portfolio quality. However, profitability may be constrained by an increasing funding expense ratio generated by the inflow of debt.
- CRAN Microfinance Board of Directors and management team share the same vision, based on reaching both social impact and self-sufficiency. The top management team manages adequately the institution but needs further capacity building particularly for microfinance activities and financial planning.
- The management information system generates reliable information and a wide set of indicators. However, it suffers from interconnection problems which make it difficult to consolidate information on a daily basis. Internal controls are formalized and the internal audit team is skilled but is currently understaffed. Furthermore, adherence to procedures is not generalized due to capacity building needs in branches.

Outlook

The "Positive" outlook has been given based on CRAN Microfinance considerable internal strengthening over the past three years and different initiatives to improve profitability (e.g. additional funding, improvement of portfolio quality).

Performance indicators

USD	Dec. 2005	Dec. 2006	Dec. 2007
Assets	786,088	969,317	2,033,882
Growth	76.3%	29.9%	110.3%
Loan portfolio	243,574	628,954	1,465,686
Growth	1.2%	172.0%	133.5%
Outstanding deposits	146,979	214,766	416,211
Growth	63.0%	53.9%	94.2%
Active borrowers	1,236	3,529	5,322
Active savers	7,042	10,232	12,632
Staff	43	50	54
ROE	(111.7%)	(7.8%)	19.8%
ROA	(41.6%)	(1.7%)	3.9%
Liabilities / Equity	4.49x	3.25x	4.67x
Portfolio Yield	47.4%	60.1%	59.9%
Operating expense ratio	61.9%	52.4%	37.4%
PAR 31-365	14.3%	7.8%	3.4%
PAR > 365	3.2%	0.5%	0.0%
Write-off ratio	0.0%	4.0%	7.4%

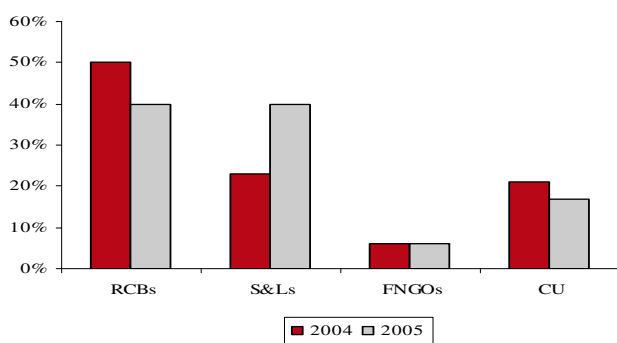
Microfinance sector

Ghana had a population of 22.5¹ million people in 2006, with 50% living with less than 1 USD per day. The first formal MFI was born from the micro savings product of the Post Office, Post Office Savings Bank, before transforming into a National Savings and Credit Bank in 1972 under NRC Decree 38. Over the last decade, the microfinance sector has considerably evolved with the creation of new structures, ranging from rural banks to informal financial systems. The sector has benefited from the support of numerous donors² but its scope is still relatively limited compared to some Western and Eastern African countries (Benin and Kenya). According to some unofficial sources, the penetration rate is less than 15%. As of December 2005³, there were 435 MFIs aggregating an outstanding portfolio of 213 million USD and with an outreach of 548,755 borrowers.

In Ghana, MFIs are classified under three categories:

- Formal financial institutions: composed of 120 Rural and Community Banks (RCBs) and 10 Saving and Loan companies (S&Ls);
- Semi formal financial institutions which include 25 Financial NGOs (FNGOs) and 273 Credit Unions (CUs);
- Informal financial system, mixed of individual saving collectors “susu” (1,444), rotating savings and credit associations, and credit “clubs” run by community based organizations and self help groups.

The following graph⁴ shows the percentage of loan portfolio over total industry:



Most MFIs are focused on rural poverty and spread in the three poorest regions of Ghana (Upper East region, Upper West region and the Northern region); except for the S&Ls, which often serve low income urban and peri urban clients.

¹ Source: World Bank.

² IFAD, IDA, ADB, GTZ and others. The government has also launched a few projects with the support of donors, like the Rural Financial Services Project.

³ No reliable update is available.

⁴ The graph is from the Performance Benchmarks of MFIs in Ghana published by GHAMFIN.

RCBs, S&Ls and CUs are licensed and regulated by the Bank of Ghana. However, the Association of Rural Banks Apex Bank (ARB Apex Bank) and the Credit Union Association (CUA), both being apex bodies undertake supervisory functions for their respective entities. The Financial Non-Governmental Organizations (FNGOs) are registered but not regulated by laws and cannot mobilize voluntary savings from clients, except for the susu savings for which there is not yet a strict legislation. The Bank of Ghana is in close coordination with the Institute of Susu Collectors (a young association that is intending to represent susu collectors and to promote best practices among them), and should recognize it as the apex body for unregulated susu collectors. Most MFIs are members of the Ghana Microfinance Institutions Network (GHAMFIN).

In the coming years, many FNGOs are planning to transform into S&Ls to expand their funding structure by mobilizing voluntary savings and commercial banks (Ecobank, Barclays and Intercontinental Bank) have shown interest in intervening either via subsidiaries specialized in microfinance or by in-house microfinance departments. Two affiliates of international investment funds operate in Ghana: ProCredit Ghana and Advans Ghana (planned for 2008).

Political & economic environment

Despite the drought that affected agriculture and mining, economic growth remained strong in 2007 buoyed by high gold and cocoa prices and by the dynamism of the services and construction sectors. Better precipitation patterns should benefit agriculture and industry in 2008 while the holding of the African Nations Cup should spur tourist business. Wage increases in the run-up to elections in 2008 should keep inflation at the levels reached in 2007 stoked by increases in food and electricity prices in the wake of the drought.

Amid rising social spending narrow tax base has handicapped public finances. Moreover, the presidential elections in 2008 augur a widening fiscal deficit. The current account deficit, exacerbated by growing demand for both capital and consumer goods, has, meanwhile, remained large despite the high volume of expatriate remittances. In that context, bilateral and multilateral debt relief notwithstanding, the sustainability of the foreign debt is all the more uncertain with the government not excluding a possible recourse to non-concessional loans. Covering internal and external financing needs will thus continue to depend on grants of international aid in the medium term.

Political stability and the absence of conflict with neighbouring countries will be conducive to structural reform implementation. The general elections scheduled for December 2008 will mark the end of John A. Kufuor's

second and last term in office according to the constitution and should thus foster consolidation of democratic institutions.

Strengths:

- Political stability and an improved business environment constitute assets for foreign investors.
- Ghana's very successful Eurobond issue, a first for a West African country, was a great success testifying to investor confidence.
- The country's commitment to structural reforms focused on combating poverty has received international community support.
- The reduction in debt service resulting from debt relief granted under the HIPC and MDRI programmes should prove beneficial to development projects.
- Ghana has been a driving force in the region playing a particularly active role within NEPAD.

Weaknesses:

- An insufficiently diversified economy — with gold and cocoa generating about two-thirds of exports — has remained vulnerable to external shocks (such as weather conditions and world prices).
- The inadequacy and dilapidated state of transport and energy infrastructure has handicapped various economic sectors.
- Despite substantial progress, the limited development of financial intermediation still hampers the private sector.
- Public and external finances continue to show structural deficits that keep the country dependent on international aid.

COFACE Country Rating: C - A very uncertain political and economic outlook and a business environment with many troublesome weaknesses can have a significant impact on corporate payment behaviour. Corporate default probability is high.

(USD millions)	2005	2006	2007 (e)	2008 (f)
Economic growth (%)	5.9	5.7	6.0	6.5
Inflation (%)	15.1	10.9	10.3	10.0
Public sector balance (%GDP)	-6.9	-10.5	-11.9	-9.5
Exports	2,802	3,684	3,980	4,623
Imports	5,345	6,377	7,692	8,652
Trade balance	-2,543	-2,693	-3,712	-4,029
Current account balance (%GDP)	-12.3	-9.0	-11.9	-11.1
Foreign debt (%GDP)	59.2	21.2	23.6	25.3
Debt service (%G&S exports)	14.2	11.8	3.9	4.0
Foreign currency reserves (in months of imports)	4.1	3.6	3.2	3.2

Source: COFACE's Country Risk Ratings Guidebook. COFACE is a shareholder of Planet Rating. (e) estimates, (f): forecasts.

Institutional presentation

Legal form, supervision and audit

CRAN Microfinance is a department of the NGO CRAN that has been registered since 1994 as a FNGO. The institution is not regulated by the Bank of Ghana but self regulated through GHAMFIN and the Ghana Association of Private and Voluntary Organization in Development (GAPVOD). The NGO CRAN produces specific financial statements for the microfinance component.

CRAN Microfinance's financial statements have been audited and certified for the past six years (except for 2007 which is planned to take place next month) by Deloitte & Touche, an auditing firm with a fair experience in auditing MFIs in Ghana. CRAN NGO financial statements are also audited yearly.

Ownership

As an NGO, CRAN has no shareholders. The NGO is governed by a nine-member Board of Directors (BOD), including CRAN's Executive Director (ED). The members hold various and relevant professional and academic backgrounds and have a mandate of four years, renewable for two terms. In addition to its supervisory duties, the BOD is also responsible for the appointment of the Deputy Director for Microfinance (DDM), who is in charge of managing the microfinance component of the NGO, and the Internal Audit Manager (IAM).

The BOD exercises a supervisory control over CRAN's management of microfinance activities through a sub committee, the Microfinance Advisory Committee (MAC) that is composed of five members, of which two are members of CRAN's main BOD. The members hold specific background related to microfinance (banking, development, etc.). The MAC oversees the achievement of CRAN's Microfinance business plan and takes main strategic decisions, upon the approval of the BOD. There are also other three sub-committees: projects, finance and human resources.

Donations

As of December 2007, CRAN has received nearly 600 K USD for loan capital, the purchase of fixed assets and trainings. The main donors of CRAN are CORDAID from the Netherlands, Tara Jane Trust, UK and the EED from Germany.

Funding composition

CRAN finances its activities through short term and long term borrowings (62% of assets as of December 2007), voluntary and compulsory deposits collected through susu savings⁵ (21% of assets) and equity (17% of assets). The borrowings stem from Tara Jane Trust, CORDAID, Government of Ghana and Société Générale – SSB (overdraft facility).

Management Team

The Management Team is headed by the ED, Mr. Patrick Agbesinyale, who holds a Doctorate in Rural Development Planning and Management. From his background he has a strong social focus and has developed professional skills in microfinance over the years. He is assisted by a Deputy Director of Administration and Finance (DDAF)⁶, a DDM, an Internal Audit Manager (IAM)⁷, who is supported by two assistants, one in the Head Office and one in the Hohoe branch. The DDAF and the DDM are helped by a Head of Finance and Accounts (HFA), a Head of MIS and Data Management (HMDM) a Loan Recovery Officer (LRO) and an Area Manager (AM). The LRO is based in the Head Office and is in charge of the recovery of expired loans (more than six months) through notices and legal steps. The AM supervises the activities of the Hohoe Branch (Hohoe and Kpando branches), 7 hours away from Cape Coast.

The ED, the DDAF and the HFA work for both the microfinance and social development programs of CRAN.

Organization

CRAN has a quasi-decentralized organizational structure through a network composed of two zones (Cape Coast and Hohoe) and eight branches. The six branches within the Central and Western regions are directly supervised by the DDM based in the Head Office in Cape Coast, while the two branches in the Volta region (Hohoe and Kpando) are administered by an AM based in the Hohoe branch.

- The Head Office is in charge of strategic decision making, preparation of the consolidated financial statements and elaboration of procedures, recruitments, search for additional funds and external relationships with other stakeholders. The Head Office has also an operational responsibility as the DDM and the IAM approve loans for the branches within the Central and

⁵ There is not yet a strict legislation on the mobilization of susu savings by non regulated institutions (see F for more details).

⁶ The DDAF, Mrs. Doris Agbesinyale, is the wife of the ED and co-founded CRAN with him in 1993.

⁷ The IAM was appointed as DDM in January 2008. No replacement has been done but the recruitment is ongoing.

Western regions, after the recommendations of the Branch Managers (BMs) and Field Officers (FOs).

- The branches are managed by BMs who supervise the LOs, FOs and cashiers. In Hohoe, because of the long distance that separates it from the Head Office, there is an AM in top of the BM, who is responsible, together with the IA based in Hohoe, for loan approvals for the Hohoe and Kpando branches after receiving the BMs and LOs' recommendations. The BMs for the six other branches review and recommend loan applications to the Head Office after the LOs observations. The LOs are responsible for loan disbursements, repayments, training of clients and promotion of loan products and services. FOs are in charge of mobilizing on a daily basis the susu savings. They also participate in the promotion of products and recovery of loans but not in clients training. The cashiers collect cash from LOs and FOs (repayments and susu savings) and make withdrawals from voluntary saving accounts upon clients' request and BMs' authorization.

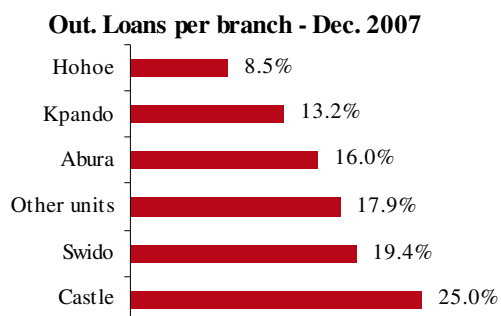
CRAN Microfinance uses an integrated MIS system, Loan Performer, for portfolio tracking and accounting. The system is installed in the Head Office and in all branches. Due to limited infrastructure in rural areas, the information from branches is sent either by email or hard copies on a daily basis for branches within the Central and Western regions. The information from the two branches based in the Volta region (Hohoe and Kpando) is sent on a daily basis by scan but tracked on a separate database. Finally, the information from the eight branches is consolidated on a monthly basis.

Market penetration

Currently CRAN Microfinance has eight microfinance branches spread in three regions:

- Central region: Abura, Castle, Elmina and Siwdo branches;
- Western region: Shama-Kedzi and Shama Kumasi branches;
- Volta region: Hohoe and Kpando branches.

The main branches are Castle, Siwdo, Abura and Kpando. They hold almost 70% of the loan portfolio.

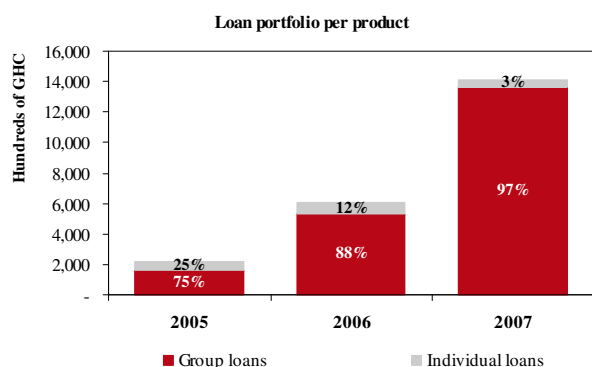


At the national level, CRAN Microfinance holds less than 1% of the microfinance market share. Much larger institutions like SAT, OI S&L, the major rural banks and ProCredit Ghana boast a national coverage. CRAN Microfinance has however a good market penetration in some areas (e.g. Cape Coast) where it has been operating since its inception.

Products and services

CRAN Microfinance offers two major financial products to its target market: susu savings and micro loans.

- **Micro loans:** These are seven month loans with a flat interest rate of 38% per annum, including a one month grace period. They are mainly given to groups (group short term business loans) but individuals can also benefit from them (individual short term business loans). Prospective clients must have at least 20% of the amount they wish to borrow in their susu account (see below). They are also required to pay 3 USD and 3% of the loan amount as processing fee. The average loan per client is around 300 USD. The effective interest rate for micro loans is estimated at 68% per annum.
- **Susu savings** are a mobile traditional mechanism by which fixed deposits are collected on a daily basis over a set period. Clients either deposit their daily savings directly to the branches in their area or are visited on daily basis by CRAN Microfinance's FOs to collect them. The savings plan is composed of the Compulsory susu Savings (CSS) and the Voluntary 'susu' Savings (VSS). The compulsory savings allows clients to take loans after a compulsory deposit that spans over 90 days, while the voluntary one allows clients to deposit any amount daily, which they are entitled to take back at any time. The voluntary savers pay a fee of 3.2% per month as commission charged for the management of their savings.



Networks

CRAN Microfinance is a member of GHAMFIN and GAPVOD.

Governance

Governance and Decision making is rated "c"

Decision making

The absence of a specific legal status for CRAN Microfinance and the fact that it is part of a NGO that also offers social development services reduce its credibility towards certain investors, in particular commercial ones. However, the existence of a specific 5-member MAC reporting to the BOD increases the autonomy of microfinance activities and allows for a specialized decision-making process. All main decisions regarding the microfinance program are initiated by the MAC with the BOD playing mainly a final approval role. The MAC meets quarterly and receives sufficient information to guarantee a good decision-making process. Its members receive a comprehensive scorecard that includes operational and financial indicators, but the analysis made from it to assess institutional performance is still limited.

The decision-making process is fed by inputs of the Management Team with a good monitoring from the MAC. CRAN Microfinance has the typical decision-making structure of NGOs, where most initiatives stem from the top Management Team. The members of the MAC have strong financial, academic and private sector experience, allowing them to understand the proposals of the ED and to critically analyze them. The Chairman of the MAC, an experienced banker, is highly aware of the activities of the microfinance program and has a permanent contact with the ED that guarantees a good follow up of activities. They are both members of the BOD and MAC, which ensures a regular sharing of information between the two bodies.

There is an ongoing thinking about the future structure of the institution, although there is no consensus yet about which legal status to choose (for-profit or non-profit). Many members of the governance bodies see the need to formally separate the social and microfinance activities but remain attached to the current NGO structure, which highly limits the social drift. However, others feel that a for-profit regulated entity (like a S&L), will greatly increase the institution's funding capacity despite the potential entrance of new shareholders.

Planning

CRAN Microfinance has developed two detailed business plans for a 5-year period (2005-2009) and a 10-year period (2005-2015) with the support of external consultants, based on a participatory approach, with a correct assessment of the market environment, a plan of activities and complete financial projections. However, the institution still lacks a detailed operational plan per year that would stem from the

business plan and mention specific activities to be conducted during the year. The objectives established in the plan are realistic and based on a strong injection of additional funds in order to achieve quicker growth. It also establishes ambitious internal strengthening goals such as the improvement of the MIS and the transformation of the current microfinance scheme into an independent microfinance institution by 2010.

Overall, projections have been respected in terms of financial performance and growth (self-sufficiency was reached in 2007; portfolio growth has been higher than planned with important funding from CORDAID and Tara Jane Trust). Objectives in terms of portfolio quality have been more difficult to achieve. 2007 figures show that with a PAR $>$ 30 of 3.4% (7.8% in 2006), CRAN Microfinance is about to reach its goal of 3%, but it still has a write-off ratio of 7.4% (4.0% in 2006). Product diversification, instead, has been unsuccessful, as the institution mainly offers group short term business loans (96.8% of portfolio by December 2007). The MIS has improved considerably with the implementation of Loan Performer, but it is not yet optimal in terms of interconnection between the Head Office and branches.

The semi-annual narrative and financial reports provide a good follow-up of objectives. The budget, stemming from the financial projections, is closely monitored. However, unlike top management, field staff does not seem to be clearly aware of the institutional objectives and does not work on a day-to-day basis with specific objectives.

Management Team

The managers are sufficient for the size of the program, with the exception of the Internal Audit department, that has currently no manager. The top management positions are highly dedicated to CRAN Microfinance. However, the efficiency of the team was relatively hampered by a transition process that took place in 2007. The DDM position was empty for more than one year⁸. In January 2008, the BOD offered the DDM position to the former IAM, an experienced banker that has been involved in CRAN Microfinance's activities for more than 10 years. The DDM is progressively taking over his new responsibilities but has not yet been fully ensuring his supervision and coordination duties. However, his banking and in-house experience should allow him to manage the operational aspects of the institution in the short term.

An important area for improvement is financial management and planning. Indeed, the DDAF is dedicated to HR and

⁸ From November 2006 to May 2007 the former Deputy Director was on leave. But in May 2007 he resigned and the position remained unfilled until February 2008.

administrative issues while the Head of Accounting conducts accounting duties. In the current setting, where the institution is accessing external funding with commercial and semi-concessional conditions, such skills are needed.

There is not a strong key-person risk on the ED, as other members of the Management Team have also a very broad knowledge of the institution and the decision-making is consensus-based. The fact that top management positions (ED and DDAF) are led by the founding couple of CRAN ensures a strong commitment in the institution. However, this situation may be viewed as a source of conflict of interest that is more or less mitigated by a regular monitoring of the MAC and a transparent work environment.

Human resource management

HR management, under the supervision of the DDAF, has improved in the last years. HR policies are adequately formalized in the CRAN Microfinance Manual. All staff goes through an orientation program upon recruitment but the process is not optimal, as it does not include yet systematic tests of the skills needed for each position. Staff evaluations are done on a yearly basis, but until recently the questionnaire was not relevant to the skills and competencies expected for each employee. In addition, employees do not always benefit from regular and specific trainings related to their duties.

In 2007, the salary scale has been improved to align it with similar organizations in the country. Other incentives have been established, like monthly incentives based on performance for field staff and awards for the best employee each year. However, incentives for field staff are too basic. Indeed, LOs receive a percentage of their recoveries, while FOs, according to whether they are involved in loan disbursements or in susu collection, receive a percentage of their susu collections or of recoveries from loans. These incentives stimulate staff to disburse more loans without effectively monitoring their portfolio quality through a set level of PAR. Furthermore, even if the commission received by FOs is often greater than the LOs' salary, FOs are not formal employees of CRAN Microfinance, thus making their level of turnover higher than other employees. This may affect, in the medium term, the collection of susu savings and the institution's funding capacity.

■ Information

Information is rated "c"

The MIS of CRAN Microfinance has improved over the last three years, from a manual system that generated unreliable information to Loan Performer, an integrated and off-the-shelf software. Although the software developer is based in Uganda, Crystal Clear Software offers adequate online

support. Loan Performer provides best practice microfinance indicators, detailed reporting features and integration with accounting that allows saving time and reducing the risk of error.

However, the implementation of Loan Performer within the network is not yet optimal due to the absence of a Wide Area Network (WAN). As a result, branches must send their data in hard copies on a daily basis to be computed in the database in the Head Office. Each branch also keeps track of all operations in an individual version of Loan Performer, that is then reconciled on a daily basis with the central database. For the Hohoe and Kpando branches (more than 7 hours drive from Cape Coast), all transaction vouchers are scanned and sent daily to the Head Office, where they are inputted in a separate database. The institution did not choose to consolidate all information in the same database from the beginning as they planned to only receive information from Hohoe on a weekly basis through CD Roms, which cannot be consolidated in a single database. In the coming months Crystal Software should intervene to consolidate both databases. It is also planned to establish a WAN before the end of 2008.

Overall, data security is good, with various embedded controls within Loan Performer (interest rates and loan amounts are parameterized), passwords for each user with different rights according to their position, daily backup of the database in a hard drive brought outside CRAN Microfinance, and automatically updated antivirus. Paper data (clients' file, contracts, etc.) is also adequately stored.

Financial information is reliable since 2005⁹, although there is not yet a culture of analyzing systematically key financial ratios of the institution and each branch's performance. The separation of costs for the staff involved in the microfinance and social development program is quite basic but realistic (1/3 for social development, 2/3 for microfinance) and consistent throughout the years. However, CRAN Microfinance needs to more precisely analyse the time spent by the top management team (ED, DDAF and HFA) to properly allocate their cost to each program.

■ Risk Management

Risk Management is rated "c"

Procedures and internal controls

In 2007, CRAN Microfinance formalized most its procedures through the development of detailed manuals and standardized forms for main transactions. Nevertheless, procedures are not always strictly observed, due in part to the need of further capacity building in branches and a lack

of effective close supervision from the top management specially during the period without DDM.

Basic controls are implemented for most operations: separation of tasks for all cash related operations (between LOs, BMs, group leaders and cashiers), supervision of disbursement and training processes by BMs, embedded controls in the MIS, centralized approval of all loan applications. Credit risk is easily tracked through Loan Performer. In many circumstances, the internal audit visits identified the most serious breaches to policies and frauds. However, the absence of specific objectives per Branch or field staff does not allow comparing individual performance against goals.

Cash is well protected through safes, an insurance policy, a transportation of cash from branches to banks in protected cars and maximum amounts to be held in branches. However, in a few branches the management of safes is not well secure, either affected by the lack of segregation in the management of keys or by the lack of a formalized key management. There is a cash handling risk as the FOs carry cash from susu savings collection but the risk is mitigated by the limited amount carry each trip.

Internal audit

The internal audit team, composed currently of two staff, has the sufficient procedures and skills to fulfill its role. Internal audit manuals and forms allow for systematic audits of credit activities, cash management and assets register. Internal audit visits provide for a good coverage of the main operational risks, are frequent (each branch visited quarterly), confidential and complemented by spot visits according to needs. The work of the internal audit department would gain from more systematic visits of clients and disbursement sessions, although verifications of clients' existence and loans are usually done by phone. In addition to field visits, the internal audit team performs preventive work by checking all loan applications before approval and all operations involving cash disbursal. However, the workload of the department means that the current lack of a manager cannot last long without affecting the quality of controls.

The autonomy of the internal audit team is guaranteed by a direct reporting to the MAC and by the fact that the head of the IA department is appointed by the BOD. The members of the BOD display a strong interest for internal audit issues and often invite the internal auditors to report to them.

The internal audit is supplemented by the support of frequent external evaluations requested by donors and annual external audits. Deloitte & Touche has given a fair appreciation on certain risks faced by CRAN Microfinance, but the fact that it has been auditing CRAN Microfinance for more five years

⁹ As a result only data from 2005 is included in the rating report.

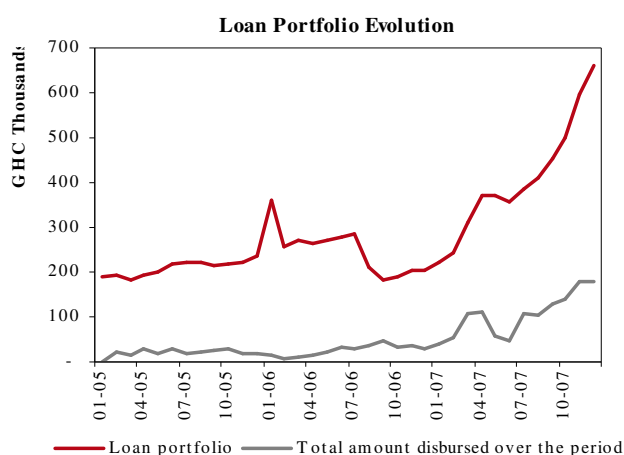
is not in line with best practices in microfinance, which promote to change external auditors on average every three years.

■ Activities

Activities: products and services **is rated “c”**

Financial services evolution

CRAN Microfinance’s loan portfolio has significantly increased over the last three years, especially from January 2006, explained by the extended funding capacity and the opening of new branches at the end of 2005 and in 2007. The ends of years are often the peak seasons.



In 2006, the high increase of the loan portfolio (172%) was lesser than the growth in active borrowers (3x), which resulted in a 10% drop in the average outstanding loan per client, from 197 USD to 178 USD. The significant increase in active borrowers, from 1236 to 3529, was due to a change in CRAN Microfinance’s target market. Indeed, at the end of 2005 CRAN Microfinance’s management decided to mainly focus on groups (on average 25 persons) instead of individuals, as it is easier to obtain a better portfolio quality with groups. In 2007, the average outstanding loan per client increased by 54% to 275 USD and group loans represented 96.8% of outstanding portfolio.

CRAN Microfinance’s saving (voluntary and compulsory) grew considerably over the past three years, 63% in 2005, 54% in 2006 and 94% in 2007. Over the same period, the saving composition also changed from an equal level of voluntary and compulsory savings in 2005 to a greater portion of compulsory savings, explained by the fast and high growth of the loan portfolio within the last three years. To be in line with the expected change in the regulation of susu savings, CRAN Microfinance has already submitted an application to the Institute of Susu Collectors to obtain a licence to be able to continue mobilizing susu savings.

Financial services management

CRAN Microfinance has a well designed group lending methodology that includes many key aspects to mitigate the credit risk such as an eight-courses training, the development of a strong group solidarity, basic clients’ cash management analysis, tiered approval system and field visits to clients by LOs and BMs. However, its individual lending methodology is weak as it mainly relies on an unsophisticated repayment capacity analysis. The difference between both methodologies is clearly visible in the level of PAR of the loan products. In 2007, the PAR 31 in individual loans (12.4%) was four times higher than the one in group loans (3.2%).

The management of financial services is adequate. The lack of a DDM during the whole year in 2007 had a limited impact on the management of the portfolio as the monitoring was fairly done using Loan Performer by the BMs, the LRO, the IAs and with a strong support of the LOs/FOs. Since its appointment in January 2008, the new DDM is progressively addressing some of the needs of the Microfinance department, especially in monitoring. For example, it is planned next month to consolidate on a daily basis the Cape Coast and Hohoe’s portfolio information. Nevertheless, other key issues which affect the efficiency of the portfolio management have not yet been addressed:

- The need of further capacity building for the different actors (DDM, AM, BMs and the LRO) and a better coordination among them;
- The insufficient formalization of roles at branch level between the BMs, LOs and FOs;
- The inconsistency of reporting from the BMs and LOs;
- The high turnover rate among BMs;
- The use of commissions for BMs and LO/FOs which are not based on the PAR but only on the amount of installments collected;
- The recovery of past due loans is not yet systematically done after the first day of delinquency, as seen by a PAR 1-30 of 5%. The BMs often use the 20% compulsory saving instead. This practice underestimates the level of PAR and may affect clients repayment behavior;
- Regarding the management of expired loans (after 180 days), it has been noticed that the LRO is often behind schedule. This may be explained by a lack of close and regular collaboration between the LRO and the DDM.

Credit risk

Despite some recent high write off (4% in 2006 and 7.4% in 2007) to clear long lasting past due loans¹⁰, CRAN Microfinance’s current credit risk level is overall satisfactory as it has an adequate portfolio quality. The PAR 31 considerably dropped from 14.3% in 2004 to 3.4% in 2007,

¹⁰ Write offs were not systematically done in previous years.

mainly explained by the reversal in the composition of the portfolio, from individual to group loans and write-offs. It was found that half of the PAR 31 in 2007 stemmed from only two branches (Hohoe and Kpando), which are the least well managed and monitored by the Head Office in part due to their far location, around 350 kilometers from Cape Coast. The rescheduled loans are adequately monitored at the Head Office and branch level but in a few cases the process is not formalized through a written approval. This informal process underrates the level of PAR and may affect the portfolio quality in the long term.

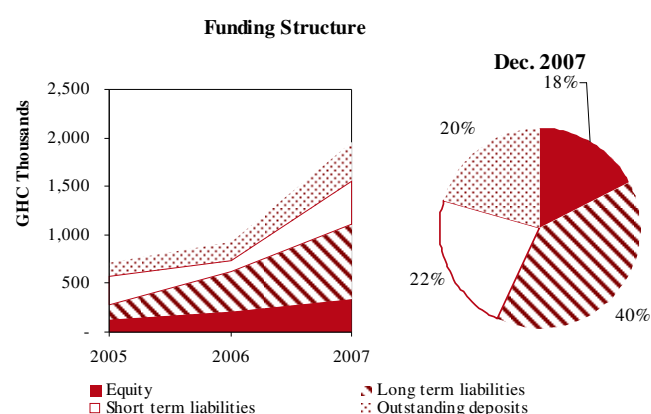
CRAN Microfinance does not have a formal diversification policy and is faced with a portfolio concentration risk. CRAN Microfinance has only an informal policy about the financing of fishing and farming activities during certain periods of the year. In addition, its loan portfolio is greatly concentrated in the trade sector (around 50%), which makes the institution vulnerable to that sector evolution (e.g. in 2007 with the energy crisis).

Credit risk coverage

Currently, CRAN Microfinance's has a satisfactory credit risk coverage ratio as it is now using a conservative provisioning policy, except for the rescheduled loans which are provisioned at only 1%. The risk coverage ratio has progressively increased from 43.4% in 2005 to 76.6% in 2007. The current level is acceptable knowing that the institution uses also collaterals (20% compulsory saving) and appropriate guarantees (group solidarity and guarantors in individual loans).

■ Funding and liquidity

Funding and liquidity is rated "c"



Capitalization and funding strategy

CRAN Microfinance's funding structure is composed of borrowings (62%), deposits (20%) and equity (18%), leading to a high leverage ratio of 4.8x and a low capital adequacy ratio of 18.1%. Such funding structure is quite different from that of most NGO-type MFIs in Africa, mainly financed

through donated equity. This is partly the result of a limited capacity of the institution to attract grants at its beginnings and to accumulated losses up to 2006.

The 2005 business plan and the good reputation of CRAN Microfinance have helped the institution reinforce its relationship with former donors/investors (CORDAID) and to develop new partnerships (Tara Jane Trust and Kiva). As a result, in recent years the institution has significantly increased its funding capacity and introduced a minimum level of diversification¹¹. In case of short term liquidity needs, CRAN Microfinance can also use its overdraft facility with Société Générale – SSB of up to 313 K USD. Moreover, in January 2008, the institution benefited from a small loan from Kiva (around 35 K USD) at 0% interest.

The institution still needs to improve its negotiation skills in terms of interest rates, diversification, maturity of loans and funding needs. The current interest rates, even if lower than local commercial rates, are still relatively high in regards to CRAN Microfinance's profitability level and the conditionality is not often in its best interest (e.g. limited to one region or to its current legal status). One source of concern is the loan from Tara Jane Trust that was disbursed without a formal contract agreement. Thus, its maturity is not yet precisely known and could be claimed anytime between 6 months to one year.

Liquidity risk

As of December 2007, CRAN Microfinance did not face a maturity risk as all maturity ratios show that assets cover liabilities. The current ratio of 187% as of December 2007 is satisfactory. However, this situation is not the result of a detailed analysis of liquidity risks. Indeed, CRAN Microfinance does not have a culture of prudential cash management. The current finance department is not completely operational to efficiently manage the liquidity needs and flows. It prepares a debt repayment schedule for the payment of borrowings but cash flow projections are not done even though most of the inputs can be generated by Loan Performer. At branch level, liquidity management is done on a day to day basis. To meet some of the loan demands, CRAN Microfinance mainly uses loan repayments from clients and in some cases cash transfers are done between branches. For major cash shortages, the institution may use its overdraft facility for up to 320 K USD with Société Générale - SSB.

¹¹ As of December 2007, the institution had a loan outstanding of nearly 800 K USD from Tara Jane Trust (14% per annum, 67% of liabilities), a loan of almost 353 K USD from CORDAID (15% per annum, 5 years, 30% of liabilities), and a loan of nearly 44 K USD from the Government of Ghana (0% per annum, no stated maturity, 4% of liabilities).

The lack of a formal management of cash flow has resulted in a few liquidity crises during which CRAN Microfinance had to stop disbursing loans for some periods of time, especially from July to December 2006. This situation is clearly expressed by the fact that liquidity has been over the last three years regularly insufficient to cover at least three months of operating expenses.

Market risk

- As of December 2007, CRAN Microfinance did not face any foreign exchange risk. The risk was carried by investors (CORDAID and Tara Jane Trust). However, in January 2008, CRAN Microfinance received a USD denominated loan from Kiva, which makes now the institution face an exchange rate risk. The risk is limited since the amount of the loan is still small (3% of CRAN Microfinance's total amount of loans) and the GHC has been quite stable against the USD for the past two years. As the loan amount from Kiva should increase in the coming months, CRAN Microfinance's exposure to an exchange rate risk may become material especially since no limits are set in terms of maximum foreign currency debt.
- CRAN Microfinance faces very limited interest rate risk, which results from a loan from CORDAID based on a floating interest rate¹². In the current environment of decreasing inflation, this floating interest rate may be in favor of CRAN Microfinance. If inflation is to start rising again, CRAN Microfinance should have the capacity to quickly increase its interest rates to clients, as loans as short term (7 months).

Efficiency and Profitability

Efficiency and Profitability is rated "c"

Profitability analysis

Over the last three years, CRAN Microfinance's financial performance has greatly improved as expressed by the ROA that increased from -41.6% in 2005 to 3.9% in 2007. The high portfolio yield of 60% and the fast portfolio growth (on average 2.5x for the two consecutive years), together with a decreasing operating expense ratio have boosted the institution's profitability.

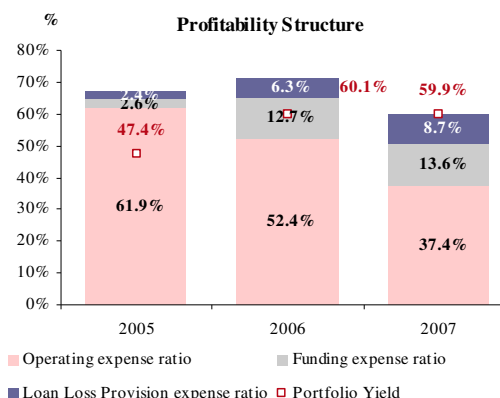
Furthermore, CRAN Microfinance's few competitive advantages (social focus, lower end and rural clientele and a good regional reputation) have helped in improving profitability over the past years: the institution was chosen by the Government of Ghana to manage a microfinance governmental project for which CRAN Microfinance's

¹² An interest rate adjustment is possible if the inflation rate in Ghana varies from more than two points than 15%

services were remunerated by the interests gained on loans. However, CRAN Microfinance profitability is hampered by a weak product development strategy: the credit methodology is too rigid (only 7 months loans) and the interest rates charged are slightly higher than those of its main competitors. Though the current level of portfolio yield is high, it is quite lower than the current weighted effective interest rate of around 68%, explained by the level of PAR (3.4%) and write offs (7.4%). The operating expense ratio decreased from 62% in 2005 to 38% in 2007 mainly through economies of scale and an increase in staff productivity. The current level is relatively acceptable when compared to local peers although higher than the West African benchmark (see the Benchmarking section).

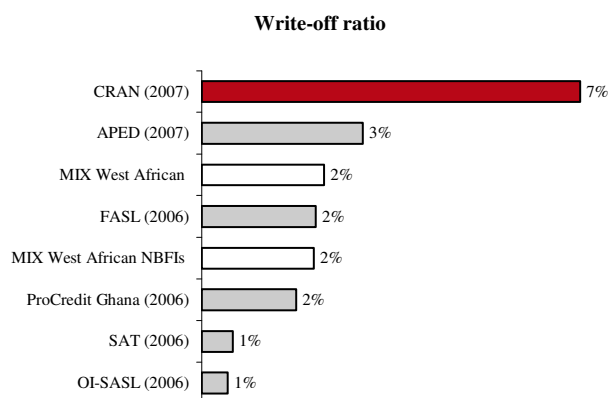
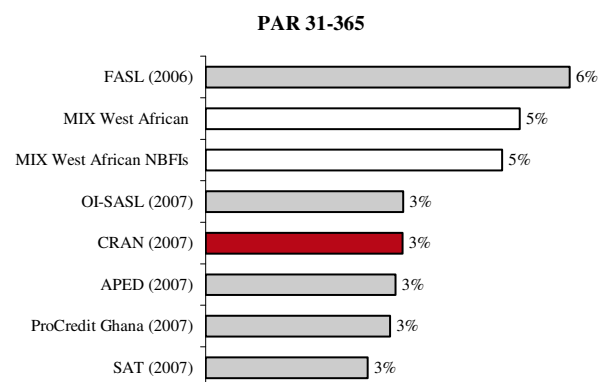
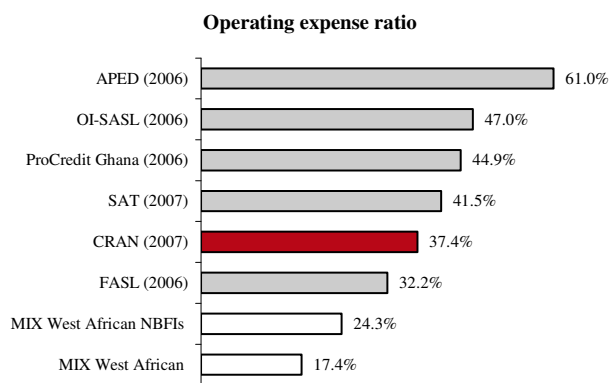
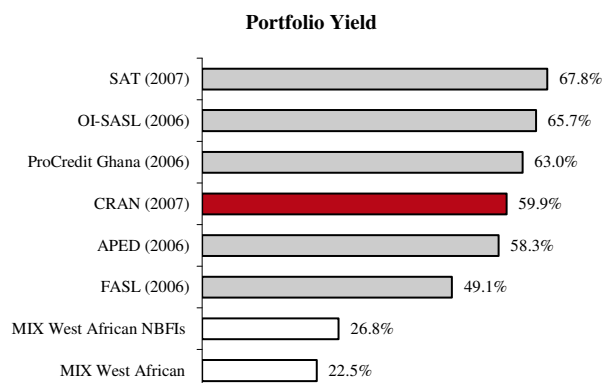
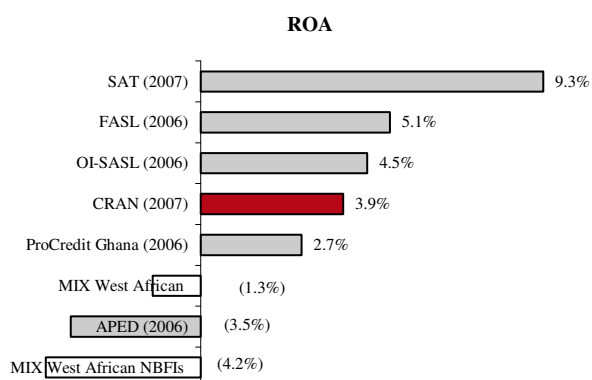
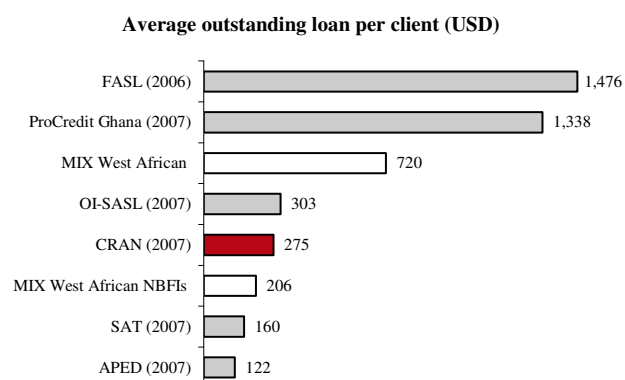
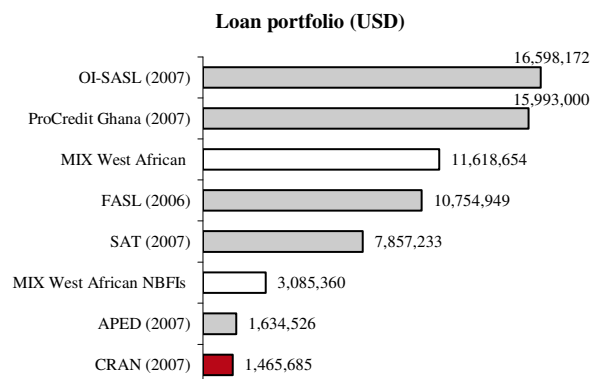
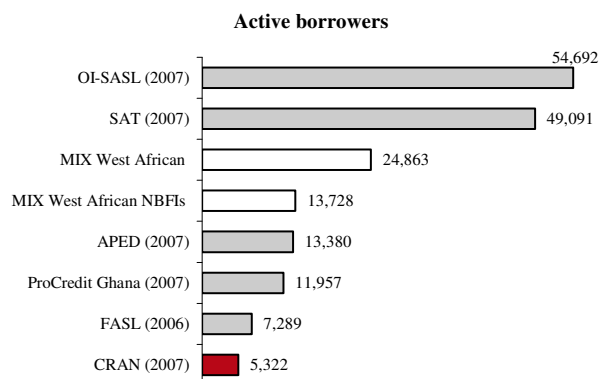
The funding expense ratio has significantly increased in the same period from 2.6% in 2005 to 13.6% in 2007 since the institution funding structure is dominated by loans, many of them with semi-commercial rates. During the same period, the loan loss provision expense ratio also increased from 2.4% to 6.7% as the institution wrote off most of its remaining bad debt in 2006 (4%) and 2007 (7.4%) to improve the quality of its loan portfolio.

CRAN Microfinance's profitability should improve over the coming months as the institution is negotiating extended funding facilities (grants, commercial loans and susu savings) to better meet the loan demands. However, it is essential for CRAN Microfinance to carefully monitor its high leverage and funding expense ratios and improve its liquidity management in order to manage growth properly. Furthermore, portfolio quality needs to continue improving in order to maximize portfolio yield and secure profitability.



The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee the validity of the opinions contained herein, and recommends that a new rating evaluation be undertaken. Planet Rating cannot be held responsible for investments/financings that are made based on this report.

Benchmarking



Source: Mixmarket (www.mixmarket.org) and Planet Rating's reports

■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2005	Dec. 2006	Dec. 2007
Loan Portfolio			
Loan portfolio evolution			
Loan portfolio	243,574	628,954	1,465,686
Loan portfolio (GHC)	221,732	603,104	1,408,524
Evolution	1.2%	172.0%	133.5%
Average outstanding loan	266,191	441,440	789,039
Active borrowers	1,236	3,529	5,322
Evolution	(63.4%)	185.5%	50.8%
Average outstanding loan per client	197	178	275
% of GDP per capita	38.5%	30.9%	41.5%
Average amount disbursed per loan	290	314	432
% of GDP per capita	56.6%	54.5%	65.2%
Portfolio quality			
Rescheduled loans	0.0%	0.0%	3.0%
PAR 31-365	14.3%	7.8%	3.4%
PAR > 365	3.2%	0.5%	0.0%
Write-off ratio	0.0%	4.0%	7.4%
Credit risk coverage			
Risk coverage ratio (PAR 30)	43.4%	53.4%	76.6%
PAR 31 net of loan loss provision / Equity	16.9%	10.7%	3.2%
Savings			
Outstanding deposits	146,979	214,766	416,211
Outstanding deposits (GHC)	133,799	205,939	399,979
Evolution	63.0%	53.9%	94.2%
Mandatory savings (%)	45.2%	68.0%	73.3%
Voluntary savings (%)	54.8%	32.0%	26.7%
Active savers	7,042	10,232	12,632
Evolution	(7.5%)	45.3%	23.5%
Average outstanding deposit per saver	21	21	33
Mandatory	54	41	57
Voluntary	14	10	15
Staff			
Total number of staff	43	50	54
% Credit officers	39.5%	42.0%	35.2%
Turnover	31.7%	8.6%	9.6%
Profitability analysis			
ROE	(111.7%)	(7.8%)	19.8%
Liabilities / Equity	4.5x	3.3x	4.7x
Capital adequacy ratio	32.2%	24.5%	18.1%
ROA	(41.6%)	(1.7%)	3.9%
Profitability structure			
Portfolio Yield	47.4%	60.1%	59.9%
Operating expense ratio	61.9%	52.4%	37.4%
Cost per borrower	133	66	55
Staff productivity	29	71	99
Loan officer productivity	73	168	280
Average outstanding loan per client (USD)	197	178	275
Funding expense ratio	2.6%	12.7%	13.6%
Cost of savings	0.0%	0.0%	0.0%
Cost of liabilities	7.7%	19.5%	13.2%
Loan Loss Provision expense ratio	2.4%	6.3%	8.7%
PAR 31-365	14.3%	7.8%	3.4%
Write-off ratio	0.0%	4.0%	7.4%
Resource optimization			
Outstanding Loan Portfolio / Assets	45.9%	62.0%	70.2%
Revenue from investment as a % of financial revenues	7.9%	9.8%	2.2%
Liquidity			
Cash to demand deposits	147.9%	57.9%	46.5%
Liquidity / Total assets (LAR)	15.1%	4.1%	2.5%
Exchange rate 1 USD= xx GHC	0.9	1.0	1.0

CRAN Microfinance Income Statement	Notes	Dec. 2005	GHC Dec. 2006	Dec. 2007	USD Dec. 2005	Dec. 2006	Dec. 2007	Evolution 2006/2005	2007/2006
Financial Revenue (a)		131,391	288,704	508,393	144,334	301,078	529,025	119.7%	76.1%
Financial Revenue from Loan Portfolio		114,752	254,373	454,045	126,056	265,276	472,471	121.7%	78.5%
Interest on Loan Portfolio		80,218	201,763	364,729	88,121	210,410	379,531	151.5%	80.8%
Fees and Commissions on Loan Portfolio		34,534	52,611	89,316	37,935	54,866	92,941	52.3%	69.8%
Penalty Revenue on Loan Portfolio		-	-	-	-	-	-	-	-
Financial Revenue from Investments		10,422	28,355	11,337	11,449	29,570	11,797	172.1%	(60.0%)
Other Operating Revenue		6,217	5,976	43,011	6,829	6,232	44,757	(3.9%)	619.8%
Financial Expense (b)		208,870	53,656	102,888	229,445	55,956	107,063	(74.3%)	91.8%
Interest paid on borrowings		6,279	53,656	102,888	6,897	55,956	107,063	754.6%	91.8%
Interest paid on deposits		-	-	-	-	-	-	-	-
Net Inflation Adjustment Expense		-	-	-	-	-	-	-	-
Other Financial Expenses		202,591	-	-	222,548	-	-	(100.0%)	-
Financial income [c=a-b]		(77,479)	235,047	405,505	(85,112)	245,122	421,962	(403.4%)	72.5%
Net Loan Loss provision expense (d)		5,878	26,846	66,118	6,457	27,997	68,801	356.7%	146.3%
Loan loss provision expense and write-off		5,878	26,846	66,118	6,457	27,997	68,801	356.7%	146.3%
Recovery from Loans written off		-	-	-	-	-	-	-	-
Operating expense (e)		150,044	221,790	283,639	164,825	231,296	295,150	47.8%	27.9%
Personnel Expense (includes fringe)		63,524	110,495	135,355	69,781	115,230	140,848	73.9%	22.5%
Administrative Expense (non-staff operating expenses)		86,520	111,295	148,284	95,044	116,065	154,302	28.6%	33.2%
Depreciation and amortization		9,405	11,858	17,744	10,331	12,366	18,464	26.1%	49.6%
Consulting fees		11,850	5,000	645	13,017	5,214	671	(57.8%)	(87.1%)
Training and Development		13,238	19,506	10,034	14,542	20,342	10,441	47.3%	(48.6%)
Marketing/Communication		11,123	11,209	6,917	12,219	11,689	7,198	0.8%	(38.3%)
Rent/Utilities/Material		23,468	30,959	12,997	25,780	32,286	13,524	31.9%	(58.0%)
Insurance		1,987	3,054	2,605	2,183	3,184	2,711	53.7%	(14.7%)
Bank commissions		688	1,452	3,108	756	1,514	3,234	111.1%	114.0%
LIF & SIF expenses		1,986	261	-	2,182	272	-	(86.9%)	(100.0%)
Field staff commission		4,474	15,810	33,409	4,915	16,487	34,765	253.3%	111.3%
Others		8,301	12,188	60,825	9,119	12,710	63,293	46.8%	399.1%
Net Operating Income Before Taxes and Donations [f=c-d-e]		(233,401)	(13,588)	55,748	(256,393)	(14,171)	58,011	(94.2%)	(510.3%)
Income Taxes (g)		-	-	-	-	-	-	-	-
Net Operating Income Before Donations [h=f-g]		(233,401)	(13,588)	55,748	(256,393)	(14,171)	58,011	(94.2%)	(510.3%)
Non Operating Revenue (i)		-	-	-	-	-	-	-	-
Non Operating Expense (including related taxes) (j)		-	-	-	-	-	-	-	-
Net Income Before Donations [k=h+i-j]		(233,401)	(13,588)	55,748	(256,393)	(14,171)	58,011	(94.2%)	(510.3%)
Donations (l)	1	26,258	101,901	70,311	28,844	106,268	73,164	288.1%	(31.0%)
Net Income (after Taxes and Donations) [m=k+l]		(207,144)	88,312	126,059	(227,549)	92,097	131,175	(142.6%)	42.7%

Note: 1) Donations from the Friends of CRAN, CORDAID and EED

CRAN Microfinance Balance sheet	Notes	GHC			USD			Evolution	
		Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2005	Dec. 2006	Dec. 2007	2006/2005	2007/2006
ASSETS		715,595	929,478	1,954,560	786,088	969,317	2,033,882	29.9%	110.3%
Short Term Assets		664,558	852,254	1,855,074	730,023	888,782	1,930,358	28.2%	117.7%
Cash and Due from Banks		108,359	38,170	49,537	119,034	39,806	51,547	(64.8%)	29.8%
Short Term Investments	1	64,867	129,645	164,382	71,257	135,202	171,053	99.9%	26.8%
Short Term Net Loan Portfolio		204,898	576,258	1,371,838	225,082	600,957	1,427,511	181.2%	138.1%
Short Term Gross Loan Portfolio	2	221,732	603,104	1,408,524	243,574	628,954	1,465,686	172.0%	133.5%
(Loan Loss Reserve)	2	16,834	26,846	36,686	18,492	27,997	38,175	59.5%	36.7%
Interest Receivable		-	-	-	-	-	-	-	-
On loan portfolio		-	-	-	-	-	-	-	-
On investments		-	-	-	-	-	-	-	-
Accounts receivable and other assets		286,433	108,181	269,317	314,650	112,817	280,247	(62.2%)	149.0%
Long term assets		51,037	77,225	99,486	56,065	80,535	103,523	51.3%	28.8%
Long Term Net Investments		-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio		-	-	-	-	-	-	-	-
Net Fixed Assets		51,037	77,225	99,486	56,065	80,535	103,523	51.3%	28.8%
Other Long Term Assets		-	-	-	-	-	-	-	-
LIABILITIES AND EQUITY		715,594	929,479	1,954,560	786,088	969,318	2,033,882	29.9%	110.3%
Liabilities		585,344	710,916	1,609,939	643,006	741,387	1,675,274	21.5%	126.5%
Short term liabilities		443,399	301,471	839,294	487,078	314,393	873,354	(32.0%)	178.4%
Demand Deposits		73,287	65,875	106,626	80,507	68,699	110,953	(10.1%)	61.9%
Compulsory Deposits		62,576	130,850	293,363	68,740	136,458	305,268	109.1%	124.2%
Short Term Time Deposits		-	-	-	-	-	-	-	-
Short Term Borrowings	3	-	-	382,698	-	-	398,229	-	-
Interest payable		5,500	23,063	41,502	6,042	24,052	43,186	319.3%	79.9%
Accounts Payable and Other Short Term Liabilities		302,036	81,683	15,105	331,790	85,184	15,718	(73.0%)	(81.5%)
Long term liabilities		141,945	409,445	770,645	155,928	426,994	801,920	188.5%	88.2%
Long Term Time Deposits		-	-	-	-	-	-	-	-
Long Term Borrowings		141,945	409,445	770,645	155,928	426,994	801,920	188.5%	88.2%
Other Long Term Liabilities		-	-	-	-	-	-	-	-
Equity		130,250	218,562	344,622	143,081	227,930	358,607	67.8%	57.7%
Tier 1 Capital		80,642	218,562	344,622					
Paid-In Capital		-	-	-	-	-	-	-	-
Donated equity		384,409	486,309	556,620	422,277	507,153	579,209	26.5%	14.5%
Retained earnings without donations and reserves		(303,766)	(267,747)	(211,998)	(333,690)	(279,223)	(220,602)	(11.9%)	(20.8%)
Tier 2 Capital		49,608	-	-	54,495	-	-	(100.0%)	-
Subordinated debt		-	-	-	-	-	-	-	-
Other equity accounts		49,608	-	-	54,495	-	-	(100.0%)	-

Notes: 1) Fixed term bank deposits; 2) Planet Rating made two adjustments in the 2005 financial statements, specifically in the short term loan portfolio (STLP) and the loan loss reserve (LLR) as they were both overestimated. The STLP was comprised of the outstanding loan portfolio and of unrealized interests¹³. Therefore to offset the miscalculation, CRAN Microfinance increased the LLR by the amount of unrealized interests. Therefore, we decided to use the real figures for STLP and LLR and transferred the unrealized interests in one of the liabilities accounts. 3) It includes half of the 760 K USD loan received from Tara Jane Trust.

¹³ In the past, CRAN used an Excel program as MIS. However, the parameters for the calculation of interests were not properly set up, resulting in overestimating interests.

■ Formulas

Return on assets (ROA):	Net operating income before donations / Average assets
Return on equity (ROE):	Net operating income before donations / Average equity
Leverage:	Debt (savings + debts) / Equity (end of period)
Portfolio yield:	Portfolio revenue / Average gross outstanding portfolio
Operating expense ratio:	Operating expense / Average gross outstanding portfolio
Staff productivity:	Active borrowers / Total personnel (end of period)
Funding expense ratio:	Interest and fees paid on funding liabilities / Average gross outstanding portfolio
Cost of savings ratio:	Interest and fees paid on deposits / Average deposits
Cost of borrowings ratio:	Interest and fees paid on borrowings / Average borrowings
Loan loss provision expense ratio:	Net loan loss provision expense / Average gross outstanding portfolio
Adjustment expense ratio:	Total adjustments / Average gross outstanding portfolio
Net portfolio as a % of assets:	Net outstanding portfolio / Total assets (end of period)
Risk coverage ratio:	Loan loss reserve / Portfolio at risk (31-365 days)
Write-off ratio:	Loans written off / Average gross outstanding portfolio

■ Rating scale

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