

Description of the Institutional Assessment and Rating Services
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An Institutional Assessment (“Assessment”) or Microfinance Institutional Rating (“Rating”) by an independent specialised Service Provider and provision of an assessment or rating report

Applicants have to be aware that the success of the assessment phase depends on the capacity and the willingness of the Microcredit Providers to disclose (in a timely fashion) all necessary data to the specialised service provider. The assessment or rating exercise is supplied to the Beneficiaries:

- a. Submission of all relevant data of the organisation’s social and financial performance, at the request of the Service Provider;
- b. It is foreseen to have three days to one week due diligence visit by the Service Provider’s analysts;
- c. Preparation, discussion and provision of an assessment or rating report to the Beneficiary and presentation of the main findings to the Microcredit Provider.

The Beneficiary shall agree with the Service Provider whether the services provided to such Beneficiary will be an Assessment or Rating. These two services answer different needs of the Microcredit Provider, also depending on its development stage. The recommendations of both the assessment and the rating exercise are synthesised into a report drafted by the Service Provider’s analysts, transmitted to the Beneficiary for comments and then made available to the staff and management of the Beneficiary. The weaknesses and areas of improvement identified at Beneficiary level during the preparation of an assessment or rating exercise will serve as inputs for the needs analysis and design of training/coaching in case those will be provided after the Assessment or Rating. The main features of the two services provided by the Service Provider are summarized below.

- Institutional Assessment

Assessments particularly targets younger and emerging institutions that wish to clearly identify their strengths and weaknesses, single out areas for improvement, in order to improve their institutional strength and to strengthen their social impact, and to prioritize and channel relevant technical assistance in the form of tailored trainings. An Assessment is a detailed analysis of the institution’s internal policies and procedures and comparison with internationally recognised best practices in microfinance. The focus is on the organisational and qualitative aspects of a Microcredit Provider. The specific aim is to assess the level of development of the Microcredit Provider and to identify the main internal weaknesses and external threats jointly with the existing opportunities for the institution. The output of this analysis serves as an operational tool which aims at helping the executive management and the governance organs of the institution to strengthen its operational capacity and to improve its internal policies and procedures. The conclusions of each assessment exercise will be summarised in an Assessment Report that will be delivered by the Service Provider to the Beneficiary.

- Microfinance Institutional Rating

Ratings are tailored for mature Microcredit Providers that wish to obtain new financing, to have a comprehensive assessment of their risk profile and social impact and to enhance their international visibility. A rating exercise is a detailed and complete assessment of the financial and operational performance and of the most relevant risk areas of the Beneficiary, according to recognised international standards. A final rating grade and an appraisal of the institution’s ability to absorb new funds will be evidenced through a rating report. Microfinance rating is an effective tool for any Microcredit Provider to access new sources of funds and to improve its operational and risk management performances. The conclusions of each rating exercise will be summarised in a Rating Report that will be delivered by the Service Provider to the Beneficiary, and is communicated as a referential product to investors.