



CLIENT PROTECTION CERTIFICATION

Report for BRAC Microfinance, Bangladesh

Certified in AUGUST 2016

Mission Conducted by MicroFinanza Rating

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“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for BRAC Microfinance Bangladesh. Microfinanza Rating is pleased to announce that BRAC Microfinance Bangladesh became client protection certified in August 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures, followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by BRAC Microfinance Bangladesh. We encourage readers to refer to the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign's website <http://www.smartcampaign.org/certification>.

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- BRAC Microfinance designs products that are simple and appropriate to meet the different financing needs of its intended target population and that do not produce any negative value for clients.
- BRAC created a dynamic portfolio with a wide range of products that are targeted to different segments of poor communities
- BRAC Microfinance has improved its system to monitor and analyze drop-out.
- The institution can count on a dynamic Research and Product Development Department to design new products and adjust the current offer through on-going surveys, market researches and analysis of clients' feedback.

Client Protection Principle 2 – Prevention of Over indebtedness

- Loan approval does not solely rely on guarantees and an assessment of the client repayment capacity through the analysis of the household surplus is performed for all loans. Analysis is performed at each loan cycle even if simplified for repeated group loans (i.e. Dabi). Field staff is properly trained to properly evaluate customers.
- The segregated approval levels by product and loan size and the dual controls in place favor the implementation of a common approach in the assessment of the client repayment capacity.
- BRAC Microfinance demonstrates good capacity to maintain reasonable portfolio quality over time.
- The incentive scheme is very dynamic and targets are revised quarterly to ensure alignment with the institution's priorities. Key performance indicators balance productivity and portfolio quality.
- The member of the Microfinance Management Committee show awareness about multiple lending and are in fact promoting the setting up of a platform to share client data with the institution's main competitors. Information on multiple borrowings is shared at Committee level.

Client Protection Principle 3 – Transparency

- BRAC Microfinance cost structure is simple and transparent.
- Clients are given all information about the loan condition when first applying for the loan at the service center. A pre-disbursement meeting is held to explain loan features, the program's rules and clients' responsibilities. The communication provided is clear and designed to overcome customers' literacy limitations.
- Customers are provided with clear and complete information on savings and voluntary insurance products prior to sale.
- BRAC Microfinance provides customers with clear information about their accounts upon requests. All transactions are duly registered in the client passbook and clients are provided with receipts of payments and deposits made.

Client Protection Principle 4 – Responsible Pricing

- Pricing is market-based and non-discriminatory.
- Bangladesh Microfinance sector is regulated by MRA (Microfinance Regulatory Authority), which is a concern of central bank. For the last 2 consecutive years BRAC has been proactive in reducing

Selected Examples of Practices

price even than the rate fixed up by MRA.

- Interest is accrued up to actual payment done by the client and the penalty on late loans is not excessive. No prepayment or account closure fees for savings are charged.
- BRAC Microfinance efficiency ratios are aligned to the peers and productivity targets are not excessive.

Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- BRAC clearly spells out its organizational values and the standards of professional conduct expected of all staff through the BRAC Code of Conduct that focuses on the NGO core values (i.e. integrity, innovation, inclusiveness, effectiveness) and the BRAC Microfinance Code of Conduct.
- The institution has a formalized collection policy that ensures its uniform implementation in the field. Several documents detail the standard steps and actions to be taken in case of loan default including specific timeframes and responsibility levels. Acceptable and unacceptable behaviours during collection are properly explained to the field staff.
- Staff is well trained on the core values and standards of conduct stated at the organizational level. The monitoring system in place allows BRAC to adequately oversee personnel attitude towards clients.

Client Protection Principle 6 – Privacy of Client Data

- Privacy of client data is respected at all organizational levels and penalties are in place if procedures are not followed.
- Contracts make clear reference to privacy. Customers are fairly explained about security and use of personal data
- The overall infrastructure is secure and protected from external intrusions.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Clients are informed about their right to complaint. Most of the communication is provided orally and through posters to overcome customers' literacy limitations.
- Personnel is properly trained on how handle customers complaints.
- BRAC Microfinance has set up a Client Information System (CIS) to ensure that all complaints are duly reported and addressed within the defined time frame. Controls on the CIS are now performed by the Monitoring Team to assess effectiveness of the complaints mechanism system.