

# THRIVING



VISIONFUND'S 2016 SOCIAL  
PERFORMANCE REPORT



# SOCIAL PERFORMANCE HIGHLIGHTS

**\$729 MILLION**

Lent to people around the world



**jobs impacted** for people in developing countries\*\*

**72%**

Female clients\*\*\*



this meant that **1 MILLION** loans to women were made



**1.5 MILLION**

loans were disbursed



Which allowed VisionFund to impact nearly

**4.4 MILLION**

**children** across the globe throughout 2016



\*Facts and figures as of 30 September 2016 and reference fiscal year 2016 data in US dollars.

\*\* This translated into jobs created or sustained through our microfinance efforts, including jobs made possible when our clients' businesses grew and hired new staff.

\*\*\* At our Asian MFIs, 92% of our clients are women and lead all of our regions in focusing on this vital demographic. This is higher than micro investment vehicles who reported an average of 68% female clients as reflected in the Symbiotics 2016 Microfinance Investment Vehicles (MIV) Survey.

# WHO WE ARE

VisionFund is the world's largest Christian microfinance network. Our work was born out of the humanitarian development programmes of our parent, World Vision, in some of the poorest and most vulnerable communities in the world. In 2003 VisionFund was created to bring all lending and other financial services under one global umbrella in order to standardise operations, share expertise, and pool resources. As the microfinance subsidiary of World Vision, which is the world's largest Christian relief, development and advocacy organisation, we share the same vision, to provide "life in all its fullness" to children throughout the world.

With small loans, savings facilities, insurance, and training, our clients are able to establish and develop their farms or small businesses, earning income to educate, feed, and clothe their children, and create jobs so that even more children may prosper. Our microfinance institutions are spread across 32 countries in Latin America, Africa, Eastern Europe,

and Asia. We work in hard-to-reach rural areas and have a particular focus and expertise in small holder farming.

I have come that they may have life, and have it to the full  
- JOHN 10:10

Our identity and culture are grounded in our Christian beliefs. Our faith leads us to serve all people regardless of religion, caste, race, ethnicity or gender, and to work in some very challenging environments. Our clients tell us they appreciate our honesty, integrity, and reliance on God, and because of this, they offer us their trust.



Jacqueline sits in her sewing business that she built from the ground up. What once was a business of one has now turned into employment for seven people throughout her community.

Watch this short film at [vflink.it/theceo](http://vflink.it/theceo)

# A MESSAGE FROM LEADERSHIP

## A Letter from Scott Brown and Michael Mithika

VisionFund, World Vision's microfinance arm, is committed to changing the lives of our clients through rural financial inclusion. As part of World Vision's Livelihoods strategy and programme, we enable communities to increase agriculture productivity, access to water, education and healthcare, benefit from improvements to nutrition, and provide the foundations for sustainable development.

As the President & CEO, and Chair of the VisionFund International Board's Social Performance Committee, we jointly write to introduce this report and highlight the industry-leading social performance standards of the VisionFund network and the life-changing outcomes of our work.

At this time, we recall our vision, one we share with our parent and partner, World Vision: 'For every child, life in all its fullness'.

Social performance is how we measure this vision, and we are delighted to have affected the lives of nearly 4.4 million children throughout 2016.

We remain committed to reaching the most vulnerable clients, mainly women in rural communities struggling to

raise their own children and often others as well. Nearly three quarters (72%) of our clients globally are women, a figure that rises to 92% in our Asian MFIs. We are delighted to launch our Women's Empowerment Fund this year, which focuses on supporting female clients with increased access to appropriate financial services, more female loan officers, safe spaces, access to education, training and specialised medical cover.

Our impact multiplies when we work with other organisations to deliver holistic programming. In 2016 our work with external partners has been especially fruitful, bringing thousands of water pumps to farmers in Zambia, latrines to families in the Philippines, and water filters to households in Cambodia. We have also moved further into fragile contexts, entering the Democratic Republic of Congo this year to provide service where there is great hardship.

As we look ahead, we remember the second part of our vision: 'Our prayer for every heart, the will to make it so'. May God continue to guide our work so we reach families most in need.

Respectfully,

Scott Brown  
President and CEO, VisionFund International

Michael Mithika  
Board Member and Social Performance  
Committee Chair

# EMPOWERING FAMILIES IN LATIN AMERICA

## A New Hope for Yoseli in Honduras

Yoseli's pride is unmistakable. As she stands in her family's kitchen, it is apparent to anyone who passes by that she is hopeful about her future. But it hasn't always been this way for her or her seven siblings.

Young Yoseli, at only 12-years-old, has known what it means to struggle. Growing up in the Yamaranguila region of Honduras, Yoseli along with her brothers and sisters would often anxiously anticipate their father returning home after a long week away. Francisco was forced to travel to a nearby town to find any work available, often in construction. Sometimes this meant he would come home with some extra cash in his pocket while other times he would return with nothing. 'He would work and make enough money for the day so it was a really difficult life,' shared his wife, Carmen.

Francisco was desperate. His unproductive land was lying fallow, and being away

from home for long periods of time meant that any opportunity to develop his property and remain in his village became more and more unlikely.

But it was when Francisco was at his lowest that his life began to change miraculously. His friend in the village introduced him to a World Vision agricultural training programme. Francisco learned how to grow vegetables, and with a loan from VisionFund, he was able to buy additional equipment, seed, and fertilizer. The once-barren plot of dirt gave way to a crop of good fortune.

Now, Francisco is able to care for his family. His children, including Yoseli, are able to attend school and go to bed well fed. Throughout Honduras, families are experiencing a new hope as increased family income allows children to thrive. Last year, VisionFund in Honduras touched the lives of more than 80,000 children, when over 17,000 borrowers (many of them parents) received small loans and developed their businesses. VisionFund's microfinance work is unlocking opportunity across the world, one small loan at a time.



# OUR APPROACH TO SOCIAL PERFORMANCE

Throughout VisionFund, the social outcomes of our work are not simply a by-product of our financial transactions. For VisionFund, social outcomes are the very reason for our existence: that children may have life in all its fullness. We work with individual clients to build strong working relationships that take into account not only the financial needs of the household, but also the social and spiritual needs.

During 2016 we have continued to develop strong partnerships with providers of training, technical expertise, and agricultural inputs to create innovative interventions to help our clients move out of poverty, and grow more resilient to shocks so that they do not fall back into poverty.

We have also implemented game-changing technology improvements that allow more of the rural poor to have convenient, inexpensive access to financial services, many for the first time in their lives.

In drought-stricken areas of East Africa, and other regions beset by natural disasters, we are helping communities to re-establish their farms and livelihoods through innovations in insurance that truly transform communities, and bring food security to children who would otherwise be hungry.

Our focus on clients is a focus on individuals; we concentrate on creating, delivering and refining services that make a real difference to the day-to-day lives of families, and bring hope for the future of their children. This is the work that motivates VisionFund staff everyday, who do difficult and complex jobs often in harsh surroundings.

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## Children Shining in Cambodia

For more than 15 years, VisionFund has been improving the lives of children throughout Cambodia. Last year alone, we touched the lives of more than 2.2 million children whose parents received life-changing loans from VisionFund.

This young girl is from the Leuk Daek region of Cambodia. When family incomes improve, children can attend school, eat nutritious meals and access the healthcare they need to grow up healthy and strong.



### MISSION: IMPACTING CHILDREN

#### FOCUS ON THE RIGHT CLIENTS

- Women & households with children
- In World Vision programme areas
- Rural & agricultural communities
- Savings groups
- Smallholder farmers

#### HIGH STANDARDS OF SERVICE

- Prevent over-indebtedness
- Client feedback
- Fair & respectful
- Honest & transparent

#### EFFECTIVE PRODUCTS & PARTNERSHIPS

- Savings
- Agriculture & business loans
- Loans to support child development
- Insurance
- Training
- Access to markets

#### RESULTS FOR CHILDREN

- Increase in household income
- Families plan for the future
- Nutritious food & better clothing
- Household healthier for children
- School fees are paid
- Household resilient to shocks
- Jobs created so more children prosper

### INDUSTRY INITIATIVES & EXTERNAL LINKAGES

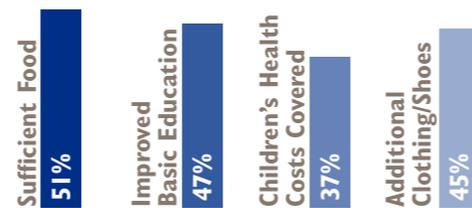
# OUR VISION FOR EVERY CHILD

In many of our offices around the world, each working day begins with staff reciting our Vision statement together: **Our vision for every child, life in all its fullness; our prayer for every heart, the will to make it so.** Children are in our thoughts constantly as we go about our work. We want them to have the joy of a childhood free from hunger; the pleasure of learning in a classroom; the freedom to play rather than to work.

When loan officers and other field staff, as well as visitors from head office or global headquarters, meet clients in the field, we always ask about the children in the household and in the wider community. We listen for information that helps us refine our products for the benefit of children; for example, we might hear that children cannot study in the evening because of lack of light in homes. That might lead to a partnership with a producer of solar lamps, and a loan product to enable a community group to set up a retail business to sell the lamps. The well-being of children motivates our every move.

children of the client, but all those children who benefit from the loan. We are aware that in rural communities, children are often cared for by adults other than their parents; a woman with no children of her own may be supporting a number of children in her extended family, or children with no direct family connection. The questions that we ask give us a good indication of the benefits that all such children are receiving from our products and services.

## THE TOP FOUR CHILD WELL-BEING BENEFITS REPORTED BY CLIENTS



**WATER FILTER LOANS IMPROVE CHILD HEALTH** VF Cambodia has five loan products that are designed for the specific benefit of children, one of which is a loan to purchase a water filter. A study in 2016 of the effectiveness of the water filter loan (WASH) confirmed that improved health was clients' primary motivation for taking the loan, and most of those questioned reported significant (perceived) reduction in diarrhoea and other water-related illnesses. Another finding is that VisionFund staff were highly motivated by this product because it reinforces the social mission of the organisation. Since 2011, VF Cambodia has made 120,000 WASH loans which we estimate has benefitted 372,000 children.

We also ask formal questions about the children in our loan applications, not just the biological

# OUR COMMITMENT

While children are the focus of our vision statement, it is in our mission statement that we set out how we will improve the lives of children, by "empowering families to create income and jobs, unlocking economic potential for communities to thrive."

We understand the complexities of poverty, particularly in remote rural areas, and we know there is no one-size-fits-all solution for the families and communities we work with around the globe. Therefore we place a great deal of value on the feedback we receive from clients so that we can refine what we do in the local context.

This means that we have a complaint mechanism in place to quickly resolve issues with trends analysed and problems solved at source. We also ask clients how we can improve, what products are lacking in the community, and where our services are most needed. We are developing client surveys and focus groups, and the most important link in this feedback loop is the Loan Officer.

During 2016 we implemented VisionFund's Loan Officer Recruitment and Orientation manual in nine MFIs in Africa and Asia. This is a complete "kit" to assist MFIs to source, assess, orient, and train people who are best able to develop and maintain strong client relationships. Our founding principle is that communities are best served by Loan Officers who understand the region and the lives of the people, which means the most effective Loan Officers are likely to come from

our clients' own communities, and may even be clients themselves. In particular, we are eager to recruit older women with "life experience," and therefore we prescribe no minimum education or work experience.

The assessment process identifies all the skills needed to be a loan officer, such as numeracy, literacy, problem-solving, and especially people-skills. Anyone may attend an assessment day.

Gorreth Nansubuga, a mother aged 41, was recruited as a marketing officer by VisionFund Uganda in August 2015. Promoted to Loan Officer after three months, she now has 365 clients and maintains excellent financial results. Based on trusting relationships with the women in her local community, Gorreth's clients are more than 70% female, compared to the MFI's average of 44%. A senior manager comments that "Gorreth is a great inspiration and role model to her fellow Loan Officers, a diligent employee, and a loyal and devoted community developer." Now with a regular salary from VisionFund, she is able to pay school fees for her two children, aged nine and 11. Gorreth saves regularly, and is constructing a three-roomed house for the security and comfort of her family. She is a happy employee and proud to work for VisionFund Uganda.

SERVING IN UGANDA

IN THE LAST FIVE YEARS

22 MFIs OFFER SPECIFIC CHILD WELL-BEING LOANS

7.4 MILLION CHILDREN BENEFITTED

FOR COOK STOVES, LATRINES, ROOF REPAIRS, ETC.

# MEASURING EFFECTIVENESS

Given that our vision and mission are to transform lives and communities, how do we know we are succeeding? We ask clients themselves about their children, about how the loan has affected the well-being of the children. This anecdotal evidence is immensely valuable, but for an objective and statistically sound measure of our effectiveness, VisionFund uses the Progress Out of Poverty Index (PPI).

## Objective measure of local poverty levels

The PPI is a poverty-measurement tool, recognised throughout the development and microfinance sectors as both statistically sound and easy-to-use. At its core is a set of country-specific questionnaires. Each is made up of 10 questions that a loan officer can quickly ask of a client as part of the standard loan application process, or during any meeting. The questions are very simple, such as, "What is your roof made out of? How many of your children are in school?" The loan officer quickly scores the answers, with the total score indicating the likelihood that this household is living below or above the national poverty line (NPL), or under/over \$1.25 per day, \$1.90 per day, \$2.50 per day, etc. For example, in VisionFund Mali, 67% of new borrowers live below the NPL (compared to 58% nationally); and 57% live on \$1.25 per day (compared to 48% nationally).

In Uganda nationally, 29% of the population lives on less than \$1.25, and another 26% live on less than \$2.50 per day; for VisionFund's new clients the proportions are 16% and 35% respectively. This means there is opportunity for VisionFund Uganda to seek out more clients most in need of our support.

Available in 23 of the countries where VisionFund works, the PPI is being used by 19 MFIs to measure the poverty of first-time clients. One of these is Mongolia where this year VisionFund contributed to the creation of the first ever PPI for that country. Also this year, VisionFund field-tested an updated PPI in Ecuador, Bolivia and Guatemala.

We see that new clients are proportionately more likely to be living below the NPL than is the national population. The PPI also supports deeper analysis of poverty data by sub-categories such as branch and loan product. This prompts MFI leaders to ask questions about improving their outreach. For example, an MFI might ask: Is the region generally more impoverished, or are the field officers actively targeting the poorest of clients? What changes to products or strategy are needed across geographical areas?

"As a donor, it is very important for me to know that VisionFund monitors and evaluates (via internal & external methods) how closely they are achieving their mission. Precision in systematically gathering data and using what is learned from evaluation to tweak current approaches is what I want to see. Are the intended clients reached? Does the collected data show impact? Are the results of evaluation used to refine how the work is done? Answers to those questions and others show me what is truly happening. I love that VisionFund views monitoring and evaluation as a priority!"



**Robin Phillips**  
VisionFund Donor and Investor

## Continuous improvement of services and products

In thirteen countries, our MFIs are further using the PPI to monitor any change to clients' levels of poverty over time. This is accomplished by asking the same PPI questions to the same clients at certain intervals during the relationship.

This information is immensely valuable to VisionFund to determine how we can improve both our targeting and our product features. The data can be further analysed to determine which products and services were used by the clients, whether there is any correlation between gender or age, or whether there were any environmental changes that could have had an effect on clients' poverty.

The PPI itself does not provide the answers to these questions, but it does provide an immensely powerful tool for managers and leaders who are seeking evermore effective ways to bring life in all its fullness to the children in these households.



"My vision for 2020 is that I want the poorest amongst my community to be able to afford motorcycles, and the wealthiest to be able to afford cars. By that time I would like to have three children, and I want them to grow up to be mayors, governors and members of parliament, whether they are boys or girls."

**Claudine**  
Rwandan Borrower

# SERVING THE RIGHT CLIENTS

## Client-focused organisation

Beyond measuring poverty, the PPI questions are linked to and prompt other questions about the household and the well-being of the client's children. This is integral to VisionFund's identity as a client-focused organisation. VisionFund Mali learned from an individual PPI question that 57% of new borrowers had three or more children in their households, which helps MFI leaders better understand client needs.

For VisionFund, one of the greatest strengths of the PPI is that it measures poverty of individual households, and not just community groups. This means that we can truly focus on individual families and learn from their unique experiences, and then apply what we have learned for other clients in similar circumstances.

## VisionFund and World Vision International are PPI leaders

VisionFund and World Vision International are founding members of the newly-created PPI Alliance. This group of socially-focused organisations, which includes the Bill & Melinda Gates Foundation and Cisco as anchor funders, are united to support and continue the development of the PPI, and keep access to it free of costs.

## How can we improve?

While the PPI is a very useful tool to measure our effectiveness, it does not tell us **why** our clients are moving up the economic ladder. To draw more precise correlations between our microfinance interventions and the changes to clients' poverty levels, VisionFund has started to conduct deeper research with the assistance of specialist academic and research institutions.

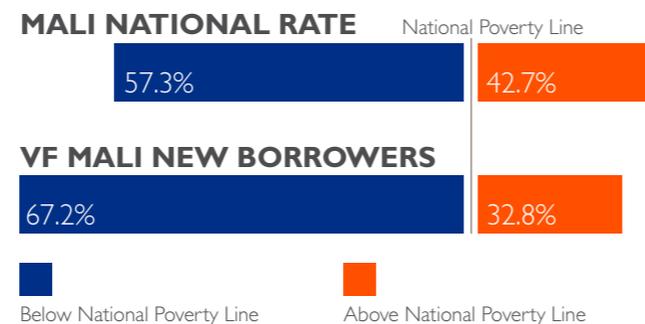


For example, VisionFund Cambodia commissioned research into the benefits to client households from a water filter that had been purchased with a loan specifically designed for this purpose (see page 8). In the Philippines, an impact evaluation study was focused on outcomes and impact of microfinance and development initiatives of both VisionFund and World Vision. In this work, the PPI was used for tracking changes to clients' levels of poverty over time.

These useful studies represent the start of a growing body of evidence that VisionFund is building in order to support our continuous efforts to alleviate poverty. We are working on evermore precise targeting of the right clients, and delivery of the right services at the right time. We are working closely with World Vision to assess also the changes that a household experiences when participating in World Vision development projects while receiving microfinance services from VisionFund.



## MALI POVERTY PROFILE (NATIONAL POVERTY LINE)



# CLIENT EDUCATION

Two years ago VisionFund piloted a form of client training called Embedded Education which is structured to deliver repeated, short training events during the course of the relationship with the client. Delivered by Loan Officers who are adept at participatory adult education techniques, the training occurs at various stages of the client relationship cycle including loan application, disbursement, repayment meetings and branch visits.



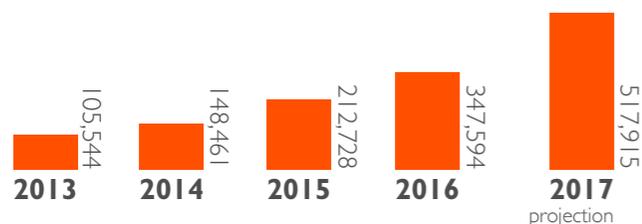
These 10-minute interactive sessions are based on specially-made flip charts that communicate simple, concise messages, and not only do clients report that they really like the training in this form, our

evaluations of the effectiveness of the training tell us that clients are remembering what they have learned.

Because the training is an integral part of the loan cycle, and not a special event as used to be the case, VisionFund has been able to increase dramatically the number of clients who have benefited. We had hoped to train just over 300,000 clients this year, and we exceeded that, training almost 350,000. Next year, our target is over 500,000 clients. With new modules on saving and budgeting,

we are confident that we are improving our clients' ability to manage their businesses and better care for their families.

## # CLIENTS RECEIVING EDUCATION



# EXPANDING OUR REACH

## IMPACTING CHILDREN IN DR CONGO

For the past few years, VisionFund has been analysing how best to serve some of the poorest families and most vulnerable children in fragile countries, including the Democratic Republic of Congo (DRC). The DRC has only a few other microfinance institutions, and virtually none in the rural areas. In September this year, VisionFund acquired 80% ownership of the microfinance operations of Opportunity International (OI) in the DRC. Together VisionFund and OI are committed to expanding our impact and reach from our small base in Kinshasa over the coming years.

We face many challenges with this new venture, but we are optimistic and enthusiastic to undertake this work in partnership with OI and World Vision, as well as the UK Department for International Development, which has given us a significant grant.



“The key to ending extreme poverty in the Democratic Republic of the Congo (DRC) is to enable the poorest of the poor to get a foot on the ladder of development. The reality though is that the ladder of development hovers overhead, and many are stuck beneath it. They lack the minimum amount of capital necessary to get a foothold, and therefore need a boost up to the first rung. This is what a VisionFund microfinance institution brings to the DRC in partnership with Opportunity International, World Vision and our traditional partners. In the DRC, with VisionFund, we are excited about the future!”

**Jacques Lom**  
President & CEO, VisionFund DRC

# OUR INFLUENCE

As part of our commitment to form partnerships with like-minded organisations for greater impact, VisionFund regularly participates in national and global events related to microfinance and economic development, and works with peers on specific projects. We advocate for policies and practices that increase access to and number of financial services for the poor; that promote high standards of operation and transparency; and that protect vulnerable clients from predatory practices. In all this work, we regularly share and learn from one another.

## MICROFINANCE CEO WORKING GROUP

VisionFund is part of the Microfinance CEO Working Group and co-chairs this collaboration between ten global microfinance networks to promote and develop responsible microfinance facilities. With our collective voice, we work through established industry initiatives -- such as the Smart Campaign and the Social Performance Task Force -- that have a major role in protecting clients and building strong institutions. The Social Performance "peer group" share research and analysis, as well as practical tools (and even advice) to help one another achieve higher standards of social performance management.

In Uganda, the Group is currently engaged on a project that brings together microfinance institutions, banks, insurance companies, mobile network operators, central bank officials, cash agents, and technology companies all for the purpose of expanding financial access into the remote rural areas.

## VOICE OF CHANGE

In the course of 2016, VisionFund has been increasing its participation in the microfinance and development sectors, with speaking engagements and presentations at important industry events. These include the following:

- Financial Inclusion for the Rural Poor (at Financial Inclusion 2020 in Lusaka, Zambia)
- Recovery Lending in the Wake of Typhoon Haiyan (at European Microfinance Week 2015 in Luxembourg)
- 2020 Vision, The Future of Microfinance (streamed on-line with VFI CEO Scott Brown)
- Progress Out of Poverty Index: Drawing Value from Data (at SEEP in Washington DC)
- Disaster-Resilient Microfinance (at SEEP in Washington DC)

## REGULATORY CHALLENGE – RATE CAPS

Within VisionFund's network, eight MFIs are bound by regulated caps on the interest rates that can be charged on loans. Faced with political or popular pressure to keep interest rates low, governments' good intentions can actually hurt borrowers, particularly those in hard-to-reach rural areas where perhaps money lenders are the only alternative.

In Mali, for example, where interest rates are capped, VisionFund is one of the very few MFIs working in the remote areas because it is very difficult to be financially sustainable. In urban areas, where population density is high, the costs of finding and regularly meeting clients is not a significant proportion of the cost of providing financial services. In rural areas, however, where a loan officer may have to travel two or three hours in between client groups, and where clients are likely to have smaller loans, the costs of providing financial services are very high. Financial service

providers tend to be clustered in urban areas; yet a large proportion of those excluded from formal finance are located in rural areas.

VisionFund advocates striking a balance between policies that increase financial access, provide transparent and fair pricing, and also protect clients from usurious interest rates. As we see in the Mali example, untargeted policies and interest rate caps actually reduce financial access for the poorest communities because they make the services financially unsustainable.



# PRODUCT PARTNERSHIPS

## HEALTHIER, EASIER AND SAFER

VisionFund is working with a number of partners around the world to provide access to assets that make daily life healthier, easier and safer for our clients and their children. In the three examples noted below, our partner provides the asset in quantities that keep the price as low as possible, and VisionFund creates a financing mechanism for clients to become wholesalers of the asset, or to purchase the asset for their household.

- **Treadle Pumps in Zambia:** VF Zambia is working with KickStart to give communities access to these devices that pump water quickly and easily, giving farmers an additional growing season, and significantly increasing productivity. VisionFund has disbursed close to 3,000 loans so far, and Kickstart reports farmers' annual income is increased on average by \$700.
- **Latrines and water-harvesting jars:** In the Philippines, VisionFund is working with Water.org on a pilot in which Water.org provide training for clients to build the products using standardised, eco-friendly latrine designs and materials. VisionFund provides the loans to purchase the materials.

- **Water filters and latrines:** VisionFund Cambodia have 20,000 active clients with loans for water filters and latrines. The water-filter partner, Hydrology, supplies the water filter product. A clean water expert educates clients about water-borne diseases, demonstrating how the water filter can prevent contagion. Clients take a loan from VisionFund, and Hydrology provides the filter. The latrines are provided by iDE, who give training in construction of the latrines to local business owners who then educate the local community about sanitation. The building of the latrines is then financed by VisionFund.



# SPOTLIGHT ON A VISIONFUND LEADER

**“We are a microfinance institution with a soul,” shares Maros Parena Apostol**

Maros is the CEO of VisionFund in the Philippines. Having grown up in the Philippines and worked in many countries, Maros says the challenges of the geography and climate in her country are like few others. Each day is an opportunity for her to learn “something new about the clients, staff, and about our work, and having fun in what we do.”

Even faced with almost constant challenges of natural disasters, the needs and fair treatment of clients are central to the institution's business model. Maros has engaged specialist technical advisors to assess her MFI's social performance management. She summarises:

*“For an institution undergoing progress and upheavals all the time, it is fit to reflect and assess that what we are doing is still aligned with our mission. I strongly believe that all employees have their hearts in the right place. Staff feel they are doing something but that ‘something’ is not defined, measured or acknowledged. With a social performance assessment, we can ensure that we adhere to the universal Standards for Social Performance Management, which means that we:*

- *Define and monitor social goals*
- *Are committed to social goals*
- *Design products that meet clients' needs*

- *Treat both clients and employees responsibly*
- *Balance social and financial performance*

*Microfinance is development finance, and social performance defines the core and the soul of our microfinance institution. We deliver financial services to the poor; we are privileged to serve them and touch their lives. We develop new loan products not because of the return on investment or equity, but because it is fundamental to the achievement of our social mission.*

*As an institution we hope and pray that the way we deliver our services, the way we treat our clients and all stakeholders, and the culture of our institution, is reflective and a manifestation of our faith in a just and fair God.”*

VisionFund in the Philippines assists clients to grow their businesses through Financial Education, ensures they understand their rights as consumers, and helps them expand their livelihoods with Business Development & Skills Training. My job is to encourage the team and challenge the organisation to genuinely look into the welfare of our clients through our social performance initiatives, so that we can sustain the heartbeat of our mission.

**Joy May U. Maduro**  
**Social Performance & Integration Officer**

# BUILDING SAFETY NETS



## AWARD FOR VISIONFUND INSURANCE INNOVATION

VisionFund has been awarded the Asian Development Bank's Civil Society Partnership Award for 2016 in recognition of VisionFund's Asia Region Disaster Insurance Scheme. VisionFund's Client Resilience Programme Manager, Mike Kellogg comments, "We now have clear evidence that our 'recovery lending' approach supports economic recovery of clients and their communities after disasters without creating over-indebtedness, while simultaneously reducing losses for microfinance institutions."

Working with partners GlobalAgRisk, led by Professor Jerry Skees, and supported by grants from the UK government (DFID), the Rockefeller Foundation, FMO (the Dutch development

bank) and the Asian Development Bank (supported by a fund from the Government of Canada), VisionFund has developed a model that combines climate science, weather index derivative/insurance, and liquidity funds to create a mechanism that funds loans for restoring livelihoods after disasters.

Max Robinson, VisionFund Chief Operating Officer explains, "Looking ahead, we see this as an industry solution. The more it is adopted, the better, both for microfinance institutions that want to support communities after a disaster, as well as affected families that need the financial support at these very challenging times."

## INSURANCE

"Resilience" is a word we use a great deal in VisionFund. By providing communities with access to finance and savings, we are helping to build resilience to the normal day-to-day shocks in the lives of the poor, such as paying for healthcare or school uniforms. For bigger shocks, such as the death of a family member, illness of livestock, or natural disaster, insurance is the best way to create resilience.

Given that more than half our clients globally are rural or agricultural, we are constantly innovating in agricultural insurance. For example:

- 1. Crops in Tanzania:** We are launching one of the first multi-peril crop insurance products for smallholder farmers in Africa. Called Bima Maono, this product combines insurance with credit and precise farming techniques, that can transform farming income to be predictable and reliable, regardless of weather or pests.
- 2. Cows in Kenya:** We provide an insurance product to help families to grow their small herds of cattle, from perhaps one or two

low-yield cows to four or more high-yield cows. Through a partnership with insurance providers we are able to deliver both good insurance and veterinary services alongside traditional credit.

Because we focus on women clients, our insurance products are designed to meet their specific needs. We work to eliminate "standard" exclusions in insurance policies that disadvantage women, and to add features that support women's health and the care they provide to themselves and their children.

Our biggest innovation in insurance is our Financial Disaster Risk Management (FDRM) programme, which assists clients affected by natural disasters. In 2016 we have built upon our achievements in the Philippines following typhoon Haiyan, where we learned that well-designed financial products can help those wiped out by the disaster restart their income-generating activities, and thus kick-start the local economy. In this instance, 4,900

families were supported, which included 86% women clients, more than 10,000 children and nearly 19,000 total family members benefitted.

We have extended the recovery lending to Myanmar, Malawi, Kenya and Zambia, all affected by severe drought or floods caused by the effects of El Niño, and our evaluations show that the recovery of the livelihoods of these families is materially enhanced by our interventions.

By the end of 2016, we will have helped some 20,000 families including more than 50,000 children to recover from natural disasters. Together with our partner Global Parametrics, and with support from DfID, ADB, FMO, Rockefeller and others, we are preparing to extend our FDRM wherever and whenever it is needed. We believe this is the beginning of a new dimension to humanitarian relief that is truly scalable.



# OUR CULTURE OF CLIENT SERVICE

VisionFund's social mission starts with focusing on our clients, and at the very least that means protecting them from taking on too much debt, and taking their specific needs into account. Our standardised operating procedures, training material, and audit programmes are all built around fundamental principles of client protection. These principles have been adapted from the Smart Campaign, which embodies a set of minimum standards of service that clients should expect. VisionFund shares with the Smart Campaign the goal of embedding client protection practices into our culture.

## A FOCUS ON CAMBODIA

Smart certified in 2016, VisionFund Cambodia has developed many creative client-focused initiatives, which have attracted recognition in the country, the region, and even globally, for being a great champion of client protection. As noted by one member of staff, "Certification in Smart Client Protection Principles helps us to look insightfully at and to reflect on daily operations from the standpoint of the client."

For each of the seven Smart Client Protection Principles, here are examples of some of the initiatives that VisionFund Cambodia has implemented:

### 1. Appropriate design and delivery

- Loan products are designed to meet

borrowers' specific cash flow patterns.

- A client satisfaction survey is conducted yearly to obtain information for product development.

### 2. Prevention of over-indebtedness

- The Board of Directors regularly reviews social performance management.
- Borrowers' repayment capacity is the primary focus of the loan appraisal.
- The Quality Assurance Officer and Internal Audit team regularly monitor compliance with client protection practices, even with surprise reviews.

### 3. Transparency

- Terms and conditions of all products are communicated verbally and in written form and always in the local language.
- All interest rates are displayed in branches and on the MFI's website.

### 4. Responsible Pricing

- There is no penalty for repaying a loan early.
- Advantage of lack of competition in the local area.

### 5. Fair and respectful treatment of clients

- The Code of Conduct, signed by all staff, refers to treating clients with respect.
- The quality of interaction with clients is one factor in regular performance reviews for field staff.

### 6. Privacy of client data

- The core banking system is secured with defined user rights for all employees. All

systems are password-protected.

- Hard copies of client files are stored in locked, fire-proof cabinets, and only authorised personnel have access.

### 7. Mechanisms for complaint resolution

- A revised Complaint Handling Policy was approved by the Board of Directors in December 2015. Clients are able to complain or give feedback in written or oral form, in the branch, to a hot-line telephone number, or by email.

- Turn-around times are monitored, with the most serious complaints dealt with immediately, but no client waiting longer than 10 days for a response to any complaint.

## MFI'S WITH SMART CERTIFICATION

- Azerbaijan
- Bolivia
- Bosnia
- Cambodia
- Serbia
- Ecuador awaiting confirmation of certification

## AWARDS

### VISIONFUND ZAMBIA

In June 2016, VisionFund Zambia received the AgriProFocus award for "Best Farmer-Friendly Financial Product" in the country. AgriProFocus is an international network that promotes agricultural entrepreneurship in 11 countries in Africa, and the award was announced at its Financial Fair in Chipata. The loan is designed for farmers in dairy, livestock, and crops, and demonstrates VisionFund's focus on the needs of rural communities, where, according to VisionFund Zambia CEO, Nkosilathi Moyo, 80 per cent of the rural population is dependent on agriculture for their livelihood.

Simasuku Mainga, the Manager of VisionFund's branch office in Chipata adds, "We strive to ensure that all our products are tailored to meet the needs

of rural farming communities, empowering them to improve their livelihood. We are both humbled and honoured to have our agriculture loan product being given this recognition." VisionFund Zambia disbursed \$13.5 million in loans to more than 32,000 clients during 2016, touching the lives of nearly 270,000 children.





## SMALL-HOLDER FARMERS THRIVE

In Tanzania VisionFund and World Vision are working with farmers who have small tracts of land, creating an integrated support programme that takes into account all the elements necessary for a productive farm and a resilient community.

- **Savings Groups:** Women and men receive training about the benefits of saving and borrowing individually and together.
- **Empowered World View Training:** Small-holder farmers are encouraged to work together and support one another rather than rely on outside agents and governments.
- **Technical Farming Training and Inputs:** Farmers receive training in productive farming methods, using high-quality seed and fertiliser, irrigation equipment, and harvesting techniques.
- **Access to Credit:** Farmers receive small loans (\$50 is typical) to purchase the farming inputs and equipment.

The group that starts saving together grows into a producer group, working the same crop and therefore able to buy and sell collectively. Access to markets is

essential, and this is where our partner the Great African Food Company (GAFCo) links farmers to buyers. Farmers grow the beans, sunflowers, or other produce according to prescribed methods, knowing they will sell their total harvest at a guaranteed price. This means they can plan their families' finances, and make provision for expenses such as school fees.

This joined-up partnership by VisionFund, World Vision, and GAFCo is designed to reach more than 300,000 farmers in the coming years. Having conducted a pilot in Tanzania, VisionFund is seeking funding to extend the programme during 2017 to Zambia, Malawi and Rwanda.

Empowered World View training aims to change the mind-set of people who feel trapped in poverty. The aim is to move from poverty and dependency, to self-reliance, using the resources around them and working together rather than relying on outside agents and governments. It is biblically informed: the starting principle is that people are created with a purpose by a God who loves them.

## INNOVATIONS IN TECHNOLOGY

The provision of efficient rural financial services is integral to VisionFund's mission. By incorporating digital and mobile technology in our field operations, we can extend our financial services to people living in poverty in remote areas who would otherwise be excluded from formal financial services.

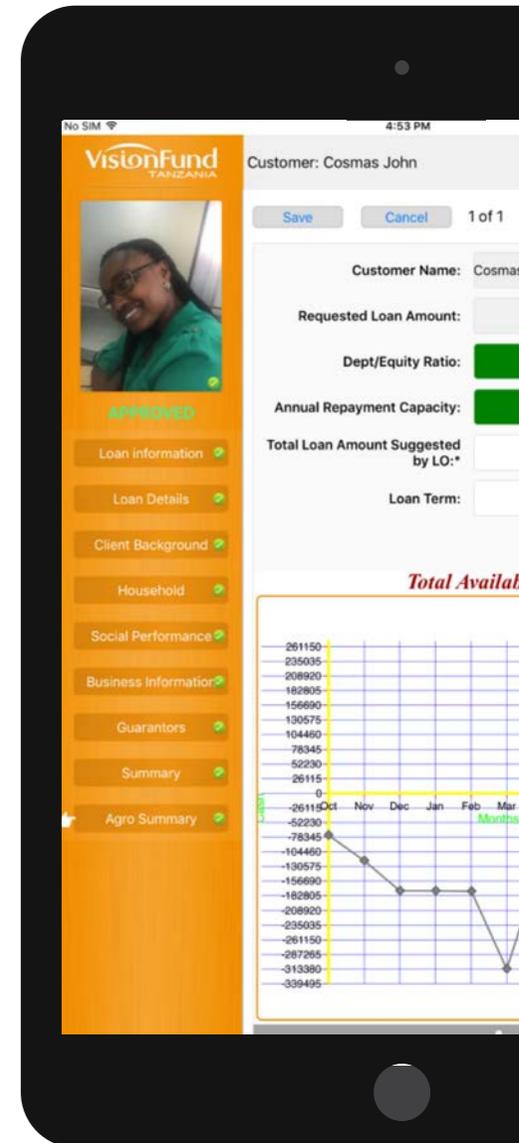
VisionFund is building a technology solution called OneVision that incorporates mobile banking and tablet technology, innovative core banking functions, general ledger, and data warehouse functionality. Together these elements address the challenges of working in rural areas, and more importantly, drive efficiencies in cost and time. This means we can provide our services to more clients in remote locations.

Pilots are currently underway in VisionFund Zambia, VisionFund Cambodia and VisionFund Tanzania, and already we are seeing that with OneVision we can:

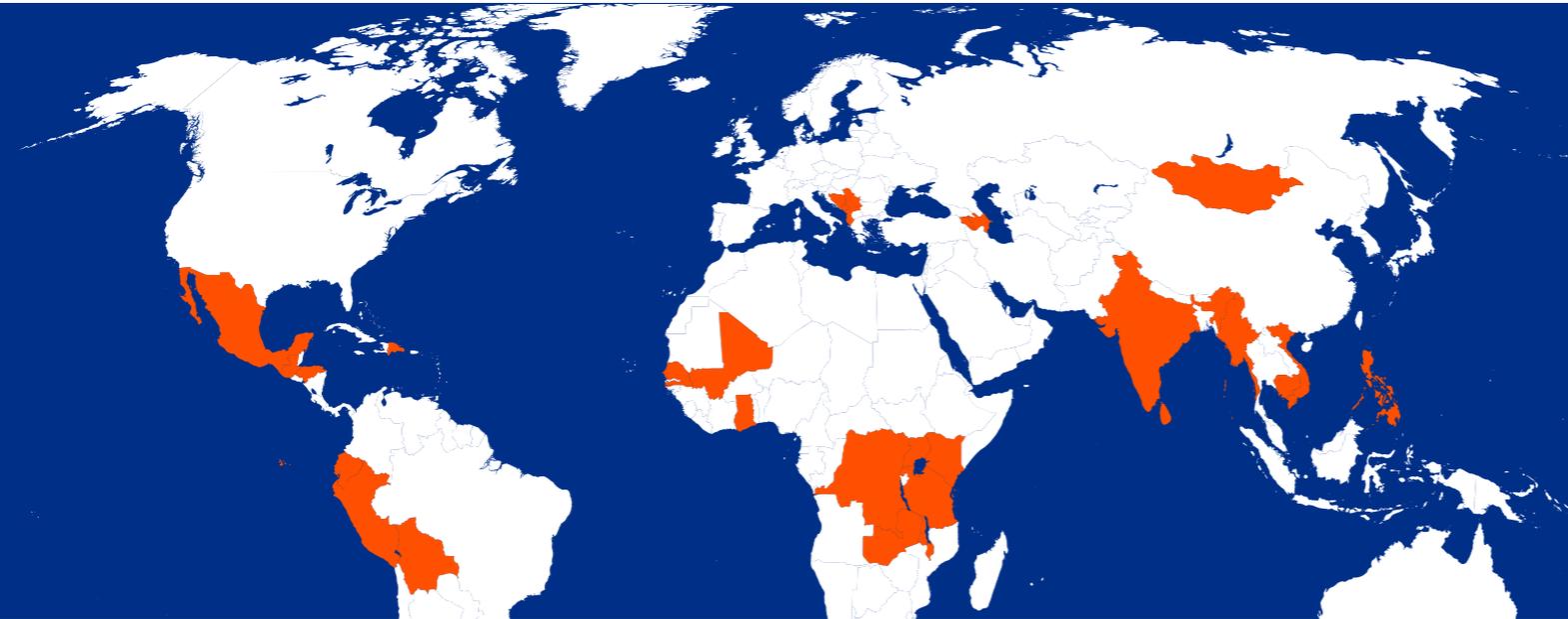
- Reduce and even eliminate client travel time
- Reduce loan application and processing time from 1-2 weeks to just 2-3 hours
- Reduce overall loan turnaround time from weeks to 2-3 days
- Improve loan officer efficiency to clients
- Increase the ratio of staff to children assisted.

We know that the relationships between staff and clients are very important to successfully reducing poverty, and therefore we are designing OneVision with those relationships in mind. The tablet will give our loan officers access to information about their clients even when connectivity in remote areas is poor.

We will be able to study the impact of our products and services over time, building a vast body of data and analysis to help us create improved and better-targeted financial services.



# GLOBAL NETWORK



## LATIN AMERICA

**Portfolio:**  
\$113 Million  
**Active Borrowers:**  
177,000  
**Jobs Impacted:**  
332,000  
**Children Impacted:**  
416,000

Bolivia  
Dominican Republic  
Ecuador  
Guatemala  
Honduras  
Mexico  
Peru

## AFRICA

**Portfolio:**  
\$76 Million  
**Active Borrowers:**  
389,000  
**Jobs Impacted:**  
749,000  
**Children Impacted:**  
1,732,000

DRC  
Ghana  
Kenya  
Malawi  
Mali  
Rwanda  
Senegal  
Tanzania  
Uganda  
Zambia

## EASTERN EUROPE

**Portfolio:**  
\$148 Million  
**Active Borrowers:**  
133,000  
**Jobs Impacted:**  
156,000  
**Children Impacted:**  
197,000

Albania  
Armenia  
Azerbaijan  
Bosnia  
Kosovo  
Montenegro  
Serbia

## ASIA

**Portfolio:**  
\$201 Million  
**Active Borrowers:**  
523,000  
**Jobs Impacted:**  
1,136,000  
**Children Impacted:**  
2,018,000

Cambodia  
India  
Mongolia  
Myanmar  
Philippines  
Sri Lanka  
Vietnam

# FINANCIAL UPDATE

During our fiscal year ending 30 September 2016, work by VisionFund's network of microfinance institutions resulted in a **gross loan portfolio of over \$500 million**, with more than **\$700 million in loans disbursed** during the same period.

With a **portfolio at risk of only 1.5%**, VisionFund saw their clients successfully **paying back loans 98.5%** of the time.

Finally, VisionFund continued working within the boundaries of a sound financial framework resulting in **operational sustainability of 108%**, while maintaining a **debt to equity ratio of 2.0** and an **operating cost ratio of 21%**.

\*Please note that all figures on this page are in US dollars and exclude the MFI AzerCredit, VisionFund's operation in Azerbaijan, in order to remove the distortion caused by currency devaluations and other macroeconomic events.

## GLOBALLY RECOGNISED

In 2016, the VisionFund network of MFIs received multiple awards and ratings from a collection of external bodies. We are encouraged that our commitment to excellence and service to our clients has been acknowledged across the globe.

### MICROFINANZA SOCIAL RATING

Mali: BB-  
Bolivia: A-  
Dominican Rep.: BB  
Ecuador: BB+  
Guatemala: BB  
Honduras: BB  
Mexico: BB  
Peru: BB-

### MICROFINANZA INSTITUTIONAL RATING

Mali: BB+  
Dominican Rep.: B+  
Ecuador: A-  
Guatemala: B+  
Honduras: BB  
Peru: BB-

### SPI 4 ASSESSMENT

Cambodia: Internal  
Philippines: External  
Vietnam: Internal  
Bolivia: Internal  
Ecuador: Internal  
Honduras: Internal  
Azerbaijan: Internal

### SMART CERTIFICATION

- Cambodia  
- Bolivia  
- Azerbaijan  
- Bosnia  
- Serbia

### ADDITIONAL INDUSTRY AWARDS

Annually, VisionFund MFIs receive industry awards that highlight a variety of achievements, these are just a few highlighted here:

**Azerbaijan:** 2015 Azerbaijan Microfinance Association (AMFA) Award for Advanced MFI in HR Management.

**Bosnia:** Sadina Bina received the 'Crystal Prism Award' for Manager of the Year for the Microfinance Sector by the business magazine 'Prism.'

**Mongolia:** 2015 Field Officer(Ulzibayar Battamur) All Stars in the Asia Pacific Region by Whole Planet Foundation.

**Rwanda:** 2nd Place, Best Microfinance institution in the area of Client Protection and Social performance, AMIR/SBFIC Awards.

**Uganda:** 2015 Social Performance Management Gold and Performance Monitoring Tool Awards G19:H21 the Association of Microfinance Institutions of Uganda (AMFIU).

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