Methodology to monitor the implementation of the ‘European Code of Good Conduct for Microcredit Provision’ by microcredit providers

Microcredit provider guidelines

Version 2.0
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Introduction

These provider guidelines are intended to support microcredit providers (‘the providers’) wanting to implement the European Code of Good Conduct for Microcredit Provision (‘the Code’). The guidance is aimed at management and staff of microcredit providers, but stakeholders and the evaluators may also find it useful. The main purpose of the document is to provide a clear overview of the Code and the evaluation process, to offer guidelines for implementing the Code and to offer guidelines for assessing the applicability of, and compliance with, the clauses of the Code.

The guidelines are organised into the following sections:

- **Section 1: About the Code and the evaluation process**: This section provides some background information about the Code, including its development and purpose, and describes how providers can go about making enquiries and signing up to the Code. It also provides an overview of the evaluation process.

- **Section 2: Before the evaluation**: In this section, providers are given tips and guidance on how they can go about assessing how far they are from complying with the required number of clauses and how they can plan for implementation.

- **Section 3: During the evaluation**: This section explains how providers can submit to the external compliance evaluation.

- **Section 4: After the evaluation**: This section provides information and guidance on how providers can address the issues raised by the evaluators, and where they can find support to help them make the changes recommended by the evaluators.

Reporting formats, letter and form templates, and other supporting documentation can be found in Appendices A-F:

- **Appendix A: Glossary**: The glossary consists of two parts. One contains the definitions of the terms used in the evaluation, while the other provides a more technical glossary (e.g. a definition of related-party transactions).

- **Appendix B: Sign-up form**: This form will be used by the providers wanting to sign up to the Code.

- **Appendix C: EaSI-MicPro form**: The data that providers should disclose online as part of the Code will be submitted to the evaluators using this form.

- **Appendix D: Evaluator report format**: At the end of the evaluation, the evaluator will provide recommendations concerning whether to award or not using this format.

- **Appendix E: Award certificate template**: If a provider has surpassed the minimum marking, a certificate based on this template will be sent to the provider along with the evaluator’s report.

- **Appendix F: Endorsement form**: This form will be used by partner organisations wanting to endorse the Code.

The self-assessment tool is accessible via the EaSI website[^1]. Providers will use this tool to assess both applicability and compliance. Evaluators will use it to review, assess and calculate compliance, as well as make notes and comments about compliance with individual clauses.

1. About the Code and the evaluation process

The first step for a provider is to learn about the Code and, if appropriate, sign up to it. This section provides a brief overview of the Code, its development and role. The section also describes each step in the process and details what is expected of the providers, evaluators and other relevant parties.

1.1. About the Code

On 13 November 2007, the Commission adopted a communication entitled “A European initiative for the development of micro-credit”. This communication identified four priority areas for action:

- Improving the legal and institutional environment in EU Member States;
- Changing the climate in favour of employment and entrepreneurship;
- Promoting best practice;
- Providing additional financial capital for new and non-bank microcredit finance institutions.

The communication recognised that a “code of good conduct” would be an excellent way to spread customer-friendly good practice among microfinance institutions (MFIs). It further stated that making consistent guidelines available for MFIs should help establish business standards, streamline practices, provide lending security and reinforce the operational efficiency of the technical assistance available for microcredit providers.

It was against this backdrop that the European Commission organised a series of workshops with experts in early 2010 to explore the development of a Code of Good Conduct for the sector. A key element of this consultation was the incorporation of contributions from individuals and organisations with EU microcredit expertise. This was achieved through a second series of six stakeholder workshops held in Brussels between October 2010 and April 2011, which were attended by microcredit providers, trade associations, academic experts and regulators. In addition, six online stakeholder questionnaires were circulated for input and review, two draft versions of the Code were circulated for review, and meetings were held with key trade associations.

The Code has therefore been informed by recognised best practice in the microfinance sector and has been developed in close consultation with the EU microcredit sector and its stakeholders.

The development of the Code has been guided by the following principles:

- Specific and measurable content should be incorporated on the basis of which microcredit provider managers and boards can take action to enhance their organisations;
- The Code should take into account the diversity of microcredit providers in the EU in terms of market conditions, institutional forms and legal frameworks;
- The need to raise standards should be emphasised by balancing the introduction of best practice with realistic operational expectations of the providers.

The development of the Code has also been based on the recognition that, in light of the disparate regulatory frameworks in which EU microcredit providers operate, there was a need for a unifying set of expectations and standards common to the sector. This would not only benefit the sector itself, but also its funders, investors, customers, owners, regulators and partner organisations.
The Code sets out good practice guidelines that will better enable the sector to face the challenges of accessing long-term finance, maintaining and raising the quality of services, and moving towards sustainability. The purpose of the Code is not to replace the existing regulations of microcredit providers, but to detail a set of common standards in terms of operation and reporting.

The Code is primarily designed to cover non-bank microcredit providers that provide loans of up to €25,000 to micro-entrepreneurs. However, it also takes into account the fact that the EU microcredit sector is diverse, that not all practices will be applicable to all microcredit providers and that regulation covering certain domains and practices may already exist. Where this is the case, the Code specifies the types of institutions not covered by the clause in question.

The Code is intended for microcredit provider managers, directors, customers, investors, funders, owners, regulators and partner organisations. It is designed to be a tool that microcredit provider board members, stakeholders and managers can use to improve the operation of the sector. For customers, it is a tool to ensure that they are treated in a fair and ethical way. For investors and funders it ensures that the sector operates with transparent and pan-EU reporting standards. For regulators it gives some reassurance that the sector operates according to sound business practices and principles, and that it is well governed.

1.2. Role and sequence of the evaluation process

The evaluation of compliance plays a central role in the Code. Without a robust framework to evaluate the extent to which providers comply with the clauses, the Code would lack the required credibility. The following box provides an overview of the parties involved in the evaluation and their roles.

**Evaluator:** The evaluator is responsible for evaluating the level to which individual providers comply with the Code. The evaluator only makes a recommendation and the steering group makes the final decision on whether to award or not.

**Steering group:** The steering group is composed of industry experts, as well as representatives from the Commission and the lead evaluation organisation. The purpose of the group is to decide on the award based on the recommendation of the evaluator. The group will also consider any appeals and complaints from providers relating to the evaluation.

**Designated contact:** The designated contact is the European Commission’s Employment and Social Inclusion Directorate General (DG EMPL), which serves as the first point of contact for organisations wanting to sign up to the Code.

The entire process from sign-up to award to post-award support consists of three phases: a pre-evaluation phase, an evaluation phase, and a post-evaluation and post-award phase. This is illustrated in Figure 1.

The boxes and arrow drawn with a stippled line indicate that these stages will not necessarily take place. The last two stages of the post-evaluation and post-award decision phase are only required when a provider fails to meet the minimum global marking for compliance with the Code or when it wants to increase its level of compliance.
**Figure 1: Overview of sign-up, evaluation and post-evaluation process**

### Pre-evaluation phase

<table>
<thead>
<tr>
<th>Provider</th>
<th>Sign up to Code</th>
<th>Complete and submit self-assessment</th>
<th>Implement Code</th>
<th>Request evaluation</th>
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### Evaluation phase

<table>
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<tr>
<th>Evaluator</th>
<th>Review justification for non-applicable clauses</th>
<th>Check documentation</th>
<th>Review compliance with clauses</th>
<th>Submit recommendation</th>
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### Post-evaluation and post-award phase

<table>
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<th>Steering group</th>
<th>Decision on award</th>
<th>Provider</th>
<th>Address non-compliance with clauses</th>
<th>Steering group</th>
<th>Review amendments and decide on award</th>
</tr>
</thead>
</table>
1.2.1. Pre-evaluation phase

Sign-up to the Code
The first stage of the process will be for the provider to submit a sign-up form signed by its legal representative to the Commission (Appendix B). DG EMPL will notify the evaluator of the successful submission of the form.

Complete self-assessment
Next, the provider will assess their current level of compliance by using the self-assessment tool. Based on the results of the self-assessment, the provider will have to plan and implement changes in order to comply with the number of clauses required to reach the minimum global marking. There are a number of self-help tools and guidance to assist providers with this, which are incorporated into the provider guidelines.

Weighting, global marking and compliance
The clauses in the Code are weighted according to their importance. In order to comply with the Code, providers must comply with all priority clauses and 80% of the additional clauses that are applicable to them. This minimum threshold is referred to as the global marking. Further details on the weighting and global marking can be found in Section 2.2.

Implement Code
The provider is given 18 months in which to implement the clauses once it has signed up to the Code. This period is extended to 36 months for greenfield institutions\(^2\) and, in specific cases, more time can be given to the provider by the Commission.

Under EaSI financial instruments, such as the EaSI Guarantee, providers will have to prove their compliance with the Code within 18 months of signing the contracts. Microcredit providers can benefit from EaSI technical assistance to help them prepare for becoming compliant with the Code.

Request evaluation
Once the provider is satisfied that it has made the necessary changes to comply with the Code, it will notify the evaluator by email that it is ready to start the evaluation. This email will be accompanied by the completed self-assessment tool and supporting documentation. If the provider believes it already complies with a sufficient number of clauses to reach the global minimum mark, then it may want to start the evaluation sooner than after 18 months (or 36 months in the case of Greenfield institutions).

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\(^2\) A greenfield institution is a microcredit provider that has an operating history of less than 3 years.
1.2.2. Evaluation phase

Review justification for non-applicable clauses
The supporting documentation that the provider submits along with the request will include justification for the clauses they believe should not apply to their organisation. Before verifying compliance, the evaluator will have to review the justification provided to ensure that a) the justification is reasonable and that b) the evaluation focuses only on the applicable clauses.

Check documentation
The next stage will be to check that the necessary documentation has been submitted, which may require the evaluator to go back to the provider with further questions or comments. At the end of this stage, the evaluator will inform the provider if they deem any of the clauses identified as non-applicable to be applicable.

Review compliance and submit recommendation
Once it has been confirmed that the appropriate documentation has been submitted, the evaluator can start reviewing compliance with the relevant clauses using the self-assessment tool. At the end of this review, the evaluator will submit a recommendation concerning whether to give the award to the provider (see Appendix D for the evaluator report format).

1.2.3. Post-evaluation and post-award phase

Decide on award
The steering group will make a decision on the award based on the recommendation of the evaluator. The provider will be informed about the decision and given feedback from the evaluation process (e.g. implementation of remaining clauses). See Appendix D for the evaluator report format and Appendix E for the certificate format.

Provide post-award support
The provider will receive support, advice and feedback concerning the steps it needs to take to increase its compliance. Unless it has been decided that the provider does not comply with the Code to a sufficient degree, the process ends after this stage (at least until the next evaluation).

Address non-compliance, review amendments and decide on award
If the provider fails to achieve the global marking, it will need to address a sufficient number of cases of non-compliance with clauses and submit evidence to document the changes made (provided it wishes to continue with the process). This evidence may be reviewed by the evaluator in liaison with the steering group before a decision is made regarding the award.
2. Before the evaluation

Once the provider has signed up to the Code – and before the evaluation of compliance can take place – it must start to implement the clauses in the document. Before considering which clauses to implement and how to implement them, the provider first has to consider the definition of ‘compliance’. Providers then have to assess how far they are from complying, determine which clauses they are going to implement in order to comply, and plan and execute their implementation. This section provides some tips and advice on how providers can go about this.

2.1. Documents and tools to have at hand before starting

The provider will be assessing compliance using the self-assessment tool and therefore needs to be familiar with this tool. In addition, the provider should be familiar with, and have to hand the following documents when starting the self-assessment:

- **Code of Good Conduct for Microcredit Provision**: The provider should have an electronic version or hard copy of the Code at hand as this is the core document. It lists all the clauses, provides comments on compliance and evidencing compliance, and has a useful glossary.

- **Glossary**: There is a glossary of terms used in the evaluation, along with more technical terms (Appendix A).

In addition to these resources, the provider may find it useful to refer to the following when completing the self-assessment tool:

- Business plan;
- Credit or lending policy;
- Human resources or staff manuals or policies;
- Governance policies and documents;
- Risk management framework and policy;
- Customer and investor policies and documents;
- Monitoring and reporting documentation.

2.1.1. Self-assessment tool

The self-assessment tool is intended to assist both providers and evaluators in assessing compliance by detailing what constitutes compliance with individual clauses and the weighting attached to these clauses. The tool also enables providers and evaluators to calculate the proportion of clauses the provider complies with in relation to the global marking.

The self-assessment tool consists of four sheets. The first sheet, entitled ‘How to’, provides general guidance on how to use the self-assessment tool.

The second sheet, entitled ‘About provider’, contains information about the provider that is used to determine the size of the organisation and can also be used by the evaluator to contact the provider. The sheet contains the following fields:

- **Provider name**: This field should include the full name of the legal entity that constitutes the provider.
- **Country**: The provider should indicate the country in which it is registered and operates. If a provider operates in more than one country, it should detail this separately including legal arrangements (e.g. if regulated in all countries).
- **Institutional form**: This field is a drop-down menu that should be used by the provider to indicate the legal and institutional form of the organisation (e.g. cooperative, bank, non-bank provider, foundation). Where there is an exact
definition of such an institution and its regulation, the provider should include such details in the ‘other comments’ field.

- **Short description of provider:** This field should be used to give a brief description of the provider. This may include the services it offers, its target groups, the sectors it covers (i.e. personal microcredit, business microcredit) and the age of the provider.

- **Website of organisation:** The provider should include its website (if available) in this field.

- **Number of staff:** The provider should use this field to detail the number of full- and part-time staff members. This should include all staff, including those involved in non-microcredit activities, unless such activities have separate management and governance structures.

- **Number of staff (expressed as Full Time Equivalent):** Here the providers should detail their numbers of staff as ‘Full Time Equivalent’.

- **Number of active borrowers:** The providers should use this field to indicate the number of active borrowers. Active borrowers are defined as individuals who currently have outstanding loan balances with the microcredit provider or are primarily responsible for repaying any portion of the gross loan portfolio. Borrowers with multiple loans should be counted as a single borrower.

- **The category of your organisation is:** The provider will be automatically assigned to a size category based on the number of staff and active borrowers.

- **Self-assessment completion date:** This field should be used to indicate when the self-assessment tool was completed.

- **Contact person for evaluation:** The provider should nominate a person to be the main contact for the evaluation. This person will deal with any enquiries and queries from the evaluator.

- **Contact details:** The provider should use this field to provide contact details for the nominated contact. This should include both a telephone number and email address.

- **Languages spoken by contact person:** The provider should indicate which languages the nominated contact person speaks and indicate which language he/she would prefer to communicate in.

- **Other comments:** Here the provider can add any other comments pertinent to the evaluation.

The third sheet, entitled ‘Self-assessment’, is used for the self-assessment and the evaluation itself. The sheet contains the following columns:

- **Clause number:** This column lists the number of the clause (e.g. 1.1, 5.12).

- **Priority:** This column indicates if the clause is a priority clause.

- **Large only:** This column indicates if the clause is for large providers only.

- **Clause:** This column contains short descriptions of the clauses (as listed in the overview matrix in the Code).

- **Guiding questions:** This column lists a series of questions for each clause. These are intended to serve as guidance regarding what constitutes compliance. Where providers can answer ‘yes’ to these questions, they are likely to be complying with the associated clauses.

- **Comments/Minimum Contents:** The column entitled ‘Minimum Comments’ provides, where appropriate, additional comments to specify or clarify aspects of the clause, including examples of practice that constitute compliance, exceptions and possible ways of evidencing compliance.

- **Suggested evidence of compliance:** This column suggests documents that may provide evidence of compliance. It must be stressed that documentation of compliance is likely to vary from provider to provider and therefore the documents listed here only constitute suggestions.

- **Weighting:** This column details the weighting attached to the clauses.

- **Applicable to institution:** This column contains a drop-down menu with the options ‘applicable’ and
‘not applicable’. The default setting is ‘applicable.’ The provider will use this drop-down function to indicate clauses that are not applicable to it.

- **Reason why not applicable:** Where a provider has indicated that a clause is not applicable, it should use this column to suggest reasons why. The column contains a drop-down menu with the options ‘Contravenes national regulation,’ ‘Not material or relevant’ and ‘Other.’

- **Provider comment – applicability:** Where a provider has indicated that a clause is not applicable, they should use this field to provide further comment and direct the evaluator to supplementary documentation. Section 2.3 for guidance on evidence non-applicability.

- **Compliance:** The provider should use this column to indicate if it is complying with the clause or not by selecting ‘Complies’ or ‘Does not comply’ from the drop-down menu.

- **Source document:** The provider should use this field to indicate the document name and the page number where evidence of compliance can be found.

- **Provider comments – compliance:** The provider should use this field to comment on how it complies with this clause and refer to supporting documentation.

- **Applicable to the institution (Evaluator):** Where a provider has indicated that a clause is not applicable, the evaluator should verify or reject this by selecting ‘Yes’ or ‘No’ from the drop-down menu.

- **Evaluator comment applicability:** Where an evaluator deems, contrary to the judgement of a provider, that a clause is indeed applicable, they should comment on the reason for the decision using this column.

- **Compliance (Evaluator):** Where a provider has indicated that it complies with a clause, the evaluator should verify or reject this by selecting ‘Complies (verified)’ or ‘Does not comply (verified)’ from the drop-down menu.

- **Evaluator comment compliance:** An evaluator can use this column to comment on the compliance of the provider with the clause in question. This is particularly important in cases where an evaluator deems – contrary to the judgement of a provider – that the provider is not complying with the clause.

The fourth sheet is entitled ‘Compliance report’ and provides summary statistics of the provider’s level of compliance. There are two sections indicated by the underlined subheadings in the sheet. One is entitled ‘Provider’s self-assessment’ and the fields under this heading are generated based on the unverified information filled in by the provider as part of its self-assessment. The other is titled ‘Evaluator’s assessment’ and contains fields that have been generated on the basis of information that has been verified by the evaluator. All the fields are calculated automatically.

Both sections contain the following fields:

- **Total number of clauses complied with:** This field lists the total number of clauses the provider complies with.
- **Total number of clauses to comply with:** This row lists the total number of clauses that are applicable to the provider.
- **Total number of clauses in the Code of Good Conduct:** This field lists the total number of clauses in the Code.
- **Total number of priority clauses complied with:** This row lists the total number of priority clauses the provider complies with.
- **Total number of priority clauses to comply with:** This row lists all the priority clauses applicable to the provider.
- **Weighted total of the clauses:** This field details the total value of weighted clauses that are applicable to the provider.
- **Provider’s expected weighted total of clauses:** This field calculates the weighted total of the clauses that the provider is complying with.
- **Global marking:** This field calculates the percentage of the weighted total of the clauses that the provider is complying with.
● **Global required marking:** This field details the global marking that the provider needs to reach in order to comply with the clause. The field is fixed at 80%.

● **Global marking of priority clauses:** This field shows the percentage of priority clauses that the provider complies with.

● **Compliance with the Code:** This field indicates if the provider has surpassed the global marking and complied with all the priority clauses (‘N’ for not complying and ‘Y’ for complying).

### 2.2. Definition of compliance

The Code consists of 185 clauses covering customer and investor relations, governance, risk management, common reporting standards and Management Information Systems (MIS). There are three types of clauses: main clauses, sub-clauses and overhead clauses (Table 1).

<table>
<thead>
<tr>
<th>Table 1: Types of clauses</th>
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<tbody>
<tr>
<td>Main clauses</td>
</tr>
<tr>
<td>Sub-clauses</td>
</tr>
<tr>
<td>Overhead clauses</td>
</tr>
<tr>
<td><strong>Total number of clauses</strong></td>
</tr>
</tbody>
</table>

There are 10 overhead clauses. These are not clauses in their own right, but contain a number of sub-clauses that require implementation. This means that there are 175 clauses that the providers can implement. Of these, 69 are sub-clauses and 106 are main clauses.

In addition, the clauses are weighted according to their importance (Table 2).

<table>
<thead>
<tr>
<th>Table 2: Weighting of clauses</th>
</tr>
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<tbody>
<tr>
<td>Weighting level</td>
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<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Weighting</td>
</tr>
</tbody>
</table>

There are three levels of weighting: medium, high and priority. These are attached a weighting of 0.75, 1.00 and 1.25 respectively. Sub-clauses are classed as medium unless they are priority clauses, in which case they are classed as high. Main clauses are high unless they are priority clauses, in which case they are assigned the priority weighting level. Overhead clauses are not assigned any weighting.

The weighted total of all the clauses is 165. In order to comply with the Code, providers must comply with all the priority clauses and 80% of the weighted total of the clauses. This is referred to as the global marking.

The self-assessment tool automatically calculates the weighting by multiplying each clause by the weighting attached. The weighted total of all the applicable clauses is calculated as follows:

\[
\text{Sum applicable clauses} = (\text{Applicable sub-clause } \times 0.75) + (\text{Applicable main clauses & priority sub-clauses } \times 1.00) + (\text{Applicable priority main clauses } \times 1.25)
\]

The weighted total of all the clauses complied with is calculated as follows:

\[
\text{Sum clauses complied with} = (\text{Sub-clause complied with } \times 0.75) + (\text{Main clauses & priority sub-clauses complied with } \times 1.00) + (\text{Priority main clauses complied with } \times 1.25)
\]

The percentage of clauses complied with is then calculated as follows:

\[
\frac{(\text{Sum clauses } \times 100)}{(\text{Sum applicable clauses})}
\]
2.3. Determining applicability

In order to assess the extent to which a provider is complying with the Code, it will have to determine the clauses that are applicable to its institution. There are only three valid reasons for not applying a clause:

- There are 10 clauses that only apply to large providers. If the provider falls under this threshold, the clause is not applicable. Large institutions are defined here as providers that have more than 7,000 active borrowers and more than 70 employees.

- A provider may be precluded from implementing a clause because it contravenes the national regulatory or legal framework. Examples of such barriers would include legal restrictions on providers to their own lending (i.e. Germany) and the governance structures of mutual and cooperative providers (preventing the implementation of some clauses in the governance section).

- A clause may not apply because it is not material or relevant to the provider. For example, a provider does not collect data on the percentage of female customers because it is not relevant for its mission, or it does not endeavour to target investors equipped to understand risk because it does not receive investment from individuals. Where this applies, the provider must document that the clause is not material or relevant to it. The provider may do this by referring to annual reports, governance documentation, external audits or other formal or externally verified documents.

The first reason for non-applicability of clauses is validated through the verification of the size of the provider. This only applies to clauses clearly marked as only applying for large institutions. For the two other reasons, the onus is on the provider to document where clauses are not applicable. For the two other reasons, the onus is on the provider to document where clauses are not applicable. The provider must direct the evaluator to the specific and relevant segments of the law or legislation that precludes the provider from implementing the clause in question, or it must document that the clause concerns an aspect that, for some reason, is not material to or relevant for the provider.

2.4. Assessing compliance

Having determined the clauses that apply to the provider, the next step for the provider will be to assess the current level of compliance with the applicable clauses. The self-assessment tool details what constitutes compliance with each clause. The definition of compliance falls into a number of categories including:

- the existence and content of certain documents (e.g. business plan addressing certain aspects);
- the existence of processes and procedures to prevent or promote certain practices (e.g. assess repayment capacity to prevent over-indebtedness);
- existence and documentation of rights for customers and investors (e.g. right of customer to early repayment enshrined in credit agreement);
- the disclosure of certain information or practices (e.g. disclose mission).
Based on the responses of the provider, the self-assessment tool will indicate the percentage of the clauses that the provider is complying with and thus indicating the distance to the global marking of 80%.

There are also some cross-cutting issues concerning compliance that the provider will have to consider, namely:

- **National context:** It is important to consider the national context when assessing compliance. On the one hand, there may be different definitions of good practice (e.g. practice that is recommended by regulators, trade bodies or other relevant organisations) in different countries. On the other, the systems and processes put in place by the provider should and will reflect the environment in which it operates. For example, providers in countries with limited electronic payment infrastructures may need to put greater emphasis on client visits as part of internal financial audits, compared to providers in countries with highly developed financial infrastructures.

- **Type of institution:** Compliance will also depend on the type of institution the provider is. Larger providers operating with multiple offices or branches will require more formalised procedures, training and systems compared to small, single-office providers.

- **Compliance for non-microcredit activities:** Many providers will deliver services or engage in activities not directly related to microcredit as per the definition of the European Commission (loans of up to €25,000 to microentrepreneurs), including larger loans, personal microcredit, housing loans and social enterprise loans. This raises the question of which part of the provider the clauses should apply to – which depends on the type of clause.

For clauses directly relating to the provision of the loan (i.e. provision of info, right to early repayment, assessment repayment capacity), it is sufficient for providers to prove that they apply these clauses to their microcredit portfolio, though they may also choose to apply them to their other products.

In terms of clauses relating more broadly to the structure, management and governance of the provider, it is recognised that it may not be practical or desirable to have separate structures for the microcredit portfolio. As long as the board, management and processes enable the effective management and governance of the microcredit activities (as per the Code), the providers do not need to have separate structures, management or board for these activities. The same applies to the external audit, MIS and risk management.

For clauses relating to disclosure, the provider must disclose portfolio-specific data for the microcredit portfolio only.

In terms of the organisation-wide indicators relating to operational and financial costs and revenue, the provider may rely on data for the whole organisation, including non-microcredit activity. However, where the microcredit activity is a minor part of the overall activity it is advisable to try and separate out the costs related to the provision of microcredit. In any case, the provider should specify where the indicators relate to microcredit only and where they concern the overall organisation.

### 2.5. Planning and executing implementation of the Code

Having identified the clauses with which it does not comply and how far it is from the global marking, the provider has to plan the implementation. This involves:

- setting an aim (i.e. does provider aim to reach 100% or just reach the global marking);
- prioritising which clauses to implement (i.e. all clauses, most relevant clauses for provider, and most important clauses for customer group);
- determining resources and support required to
implement clauses;

- identifying sequencing and timing of implementation of clauses (i.e. how long it will take to implement clause and the order in which clauses need to be implemented).

It is recommended that the provider implements all the clauses in the Code. To assist the provider with the implementation, these guidelines suggest an order in which the clauses are implemented.

Table 3 divides the clauses into three categories that relate to the order in which the provider should implement the clauses. First, there are base clauses without which the provider cannot implement other clauses. Second, there are clauses that require base clauses to be in place prior to their implementation. Finally, there are clauses that can be implemented independently of other clauses in the Code.

Out of the 175 clauses, there are 33 base clauses of which 6 also depend on the implementation of base clauses. Excluding the 6 clauses that are also base clauses, there are 66 that require the implementation of base clauses. There are 76 clauses that are not interlinked and can be implemented independently of other clauses.

Figure 2 provides an overview of how the clauses are interlinked. Each box lists a clause and, in some cases, several clauses. There are arrows between the clauses to indicate those that are interlinked. The base clauses, without which preceding clauses may not be implemented, are situated to the far left and are indicated by the boxes with borders in a bold black. The clauses that require base clauses to be in place prior to their implementation are to the right of the base clauses. The idea is that the provider starts implementing the clauses on the left and works their way to the right. The priority clauses have green borders.

<table>
<thead>
<tr>
<th>Table 3: Clauses by order in which they should be implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base clauses</td>
</tr>
<tr>
<td>Requires base clauses</td>
</tr>
<tr>
<td>Not interlinked</td>
</tr>
<tr>
<td><strong>Total number of clauses</strong></td>
</tr>
</tbody>
</table>
Figure 2: Interlinked clauses

1.2: Disclose costs as Total Costs of Borrowing
1.11: Will have credit policies addressing borrower debt thresholds
1.14: Have policy requiring that complaints be investigated
1.18: Set out acceptable and unacceptable debt collection practices
1.21: Have written privacy policy concerning customer data
1.2: Produce a business plan that is reviewed regularly
2.1: Produce a business plan that is reviewed regularly
2.2: Produce business plan covering a minimum of 3-5 years
2.3: Ensure the business plan covers a min. number of aspects of business
2.6: Have a supervisory board, board of directors or equivalent body

1.1: Disclose costs in advertising
1.10: Assess repayment capacity and loan affordability
1.15: Have mechanism to deal with customer complaints
1.16: Ensure customers are informed of right to complain
1.22: Have systems to protect customers’ personal and financial info
1.23: Train staff to protect customers’ personal and financial information
1.24: Inform customers about use of info and rights to withdraw permission
1.25: Require written customer consent to publicly disclose information

2.2: Produce business plan covering a minimum of 3-5 years
2.3: Ensure the business plan covers a min. number of aspects of business
2.3.1: Its mission, goals and objectives
2.28: Require disclosure of conflicts of board members
2.30: Meet at least four times a year

4.1.2: Gross loan portfolio
4.1.3: Net loan portfolio
4.1.12: Impairment loss allowance
4.1.1: Social mission

4.5: Record complaints by applicants and past and active customers
4.6.1: Number of complaints by applicants and past and current customers
4.6.2: Complaints as % of applicants and past and current customers

2.17: Review whether provider is carrying out mission and business plan

3.15: Have policies and procedures on dealing with collateral
3.20: Have explicit internal audit function adjusted to size of organisation
3.21: Internal auditor will report directly to board
3.22.1: Reliability of existing information
3.22.2: The reliability of and accuracy of financial and operational information
3.22.3: Violations of internal controls
3.22.4: Existence of uncontrolled risks
3.23: Internal audit will be conducted regularly
3.24: External audit will be accompanied by letter from auditor
3.25: Microcredit provider will address issues raised by auditor

5.15: Provide training and/or manuals to staff
2.39: Have external audit on annual basis
2.40: Auditor will be appropriately qualified
2.41: Will adhere to national or international accounting standards
2.42: External audit will be accompanied by letter from auditor
2.43: Microcredit provider will address issues raised by auditor

17
<table>
<thead>
<tr>
<th>Code of Good Conduct for Microcredit Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2.36:</strong> Have a formal training and induction programme</td>
</tr>
<tr>
<td><strong>2.39:</strong> Have external audit on annual basis</td>
</tr>
<tr>
<td><strong>3.15:</strong> Have policies and procedures on dealing with collateral</td>
</tr>
<tr>
<td><strong>3.20:</strong> Have explicit internal audit function adjusted to size of organisation</td>
</tr>
<tr>
<td><strong>3.21:</strong> Internal auditor will report directly to board</td>
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<tr>
<td><strong>3.22.1:</strong> Reliability of existing information</td>
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<tr>
<td><strong>3.22.2:</strong> The reliability of and accuracy of financial and operational information</td>
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<tr>
<td><strong>3.22.3:</strong> Violations of internal controls</td>
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<tr>
<td><strong>3.22.4:</strong> Existence of uncontrolled risks</td>
</tr>
<tr>
<td><strong>3.23:</strong> Internal audit will be conducted regularly</td>
</tr>
<tr>
<td><strong>4.1.2:</strong> Gross loan portfolio</td>
</tr>
<tr>
<td><strong>4.1.12:</strong> Impairment loss allowance</td>
</tr>
</tbody>
</table>
3. During the evaluation

Once the provider is satisfied that it has made the necessary changes to comply with the Code, it will have to submit to an external evaluation to verify this. The following section explains how the evaluation works and what is required of the provider prior to and during the evaluation.

3.1. Documenting and evidencing compliance

It is not sufficient for a provider to know that it complies with a clause. It will have to document and evidence that compliance for the evaluator. The onus is on the provider to document that it is indeed complying with these clauses. Where necessary, the provider should attach additional explanations and notes to the documents attached. The provider should also refer to the documents evidencing compliance in the column ‘Provider comments – compliance’ in the self-assessment tool.

The documents the provider will use to evidence compliance are likely to vary considerably. Larger and more mature providers are likely to have written and formalised procedures. They may also have a greater number of manuals and policy documents compared with smaller and younger providers. The latter may have more unwritten guidance and may have to produce documents specifically for the purposes of the evaluation. Nevertheless, Table 4 suggests eight types of documents that may help providers to evidence compliance and evaluators to assess compliance. The self-assessment tool suggests a document type for each clause. There are also other possible ways of assessing compliance, which are discussed below the table.
Table 4: Documentation of compliance

**Business plan:** The business plan may be used to document compliance with several clauses as it contains information on the mission, vision and business planning of the provider, and as several clauses require the provider to have a business plan.

**Credit or lending policy:** The credit or lending policy may include guidance on underwriting for loan officers, write-off policy, collateral policy, debt collection procedures and related aspects. This document or group of documents may be used to evidence compliance with a wide range of clauses, especially in Chapter I and III of the Code.

**Human resources and staff policy:** This policy may cover a range of aspects relating to staffing including staff training, job descriptions and incentives, and may be used to document compliance with a wide range of clauses.

**Governance policy or documents:** This document or group of documents may include board and AGM minutes and papers, board rules and governance frameworks. They may be as evidence of compliance with a range of clauses in Chapter II of the Code.

**Risk management policy or documents:** These may include a risk register, the internal audit procedures, overall risk framework and descriptions of internal controls, and are particularly relevant for assessing compliance with clauses in Chapter III of the Code.

**Customer and investor policy or documents:** This policy may include credit agreements, marketing material, scripts for loan interviews and investor prospectus. A data protection policy may also be included here, though it is more likely to be found in documents on monitoring and reporting. The customer and investor documents are especially relevant for evidencing compliance with clauses in Chapter I.

**Monitoring and reporting policy or documents:** This document or groups of documents may include loan and delinquency monitoring, descriptions of MIS and data protection procedures. They particularly pertain to the clauses in Chapter IV and V.

**External audit and accounting documents:** These documents relate to the accounting policy of the provider and may include external audit reports and associated papers and descriptions of the accounting policy.

The emphasis is on reviewing documentation as the primary method. The provider will have to submit documentation describing its systems and processes. Where this is not appropriate or where further information is required, the evaluator may have to resort to interviewing members of staff, board members and other stakeholders. In addition to the types of documents in the table above, there is a separate verification process online for data submitted to EaSI-MicPro, which is discussed in detail in Section 3.1.1.

An alternative way of evidencing compliance is to incorporate the assessment of compliance with some or all clauses into the external audit. The most suitable clauses for incorporation into the external audit relate to risk management, especially the sections on ‘managing credit risk’, ‘managing fraud and security risk’ and ‘internal audit,’ and most of the clauses in Chapter IV on reporting standards. In terms of the clauses that relate to the calculation and definition of indicators (e.g. clause 4.1), it is sufficient for the audit to state that the provider has used this definition or calculation when reaching this indicator. However, for clauses that require the provider to implement appropriate measures or systems, the auditor must explain how the clause is met and not simply state that the provider complies with clause.
3.1.1. EaSI-MicPro data verification

By signing up to the Code, the provider commits to disclosing a number of social and financial performance indicators online in EaSI-MicPro\(^3\). It is part of the remit of the evaluator to verify this information prior to it being published. The data that the provider has to submit is detailed in the EaSI-MicPro form in Appendix C. The data submitted has to relate to the most recent financial year.

When disclosing the performance indicators in EaSI-MicPro, the provider can choose one of the following three options:

- **Public**: The information can be seen by everybody;
- **Private**: The information can be seen by the provider itself, the European Commission and the evaluator;
- **Network**: The information can be seen by microfinance institutions based on ‘Network Membership’ indicated during registration.

The provider has to publicly disclose its operational sustainability ratio (clause 4.4.6) and customer complaints data (clause 4.6) to comply with the Code as these are priority clauses. If it wants to comply with the sub-clauses under 4.2 and 4.4, the provider also has to disclose these (i.e. choose the public option). For all other information, the provider can choose if they want to share it with the public or just the evaluators and the Commission.

The nature and extent of the verification will depend on the level of independent verification of the reliability of the data submitted. According to methodology of the MicroBanking Bulletin, there are three types of data:

- **Independently generated**: The most reliable data is generated by an independent third party (i.e. a reputable rating agency) through a detailed financial analysis.
- **Backed by accompanying documentation**: The second most reliable form of data is supported by audited accounts, annual reports, independent programme evaluations or similar documentation produced or verified by a third party. This may include data reported to national regulators.
- **Self-completion**: The least reliable data is simply inputted by the provider without any form of independent verification.

The provider should, as far as possible, submit data that has been independently generated or backed by accompanying documentation. Where the provider does not submit independently verified data, the evaluator will perform the following tests of consistency and reliability:

- **Consistency with other data submitted**: The evaluator should check the extent to which the data provided is consistent with the other data and information submitted by the provider. For example, is the financial revenue stated consistent with the interest rate charged, the size of the portfolio and the loan loss provisioning rate? Similarly, when divided by the number of personnel, do the salary costs seem reasonable in light of the national mean income for such staff category?
- **Consistency with comparable providers**: Where such data is available, the evaluator can compare the data for the provider with that of similar types of institutions or providers operating in the same geographical area or region. Indicators that form outliers to overall figures for the group of institutions should be queried with the provider. Such data may be found in the EMN Member Survey Report and on the MIX Market website.
- **Ask to see raw data**: The evaluator may want to ask to see the raw data used to calculate or estimate the indicator in question.
- **Verified by board**: The provider may enhance the reliability of the data by getting its board to verify it.

A new version of EaSI-MicPro was released in the first trimester of 2017.

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\(^3\) [https://webgate.ec.europa.eu/easi-micpro/Jasmine.jsp](https://webgate.ec.europa.eu/easi-micpro/Jasmine.jsp)
4. After the evaluation

After the evaluator has assessed the compliance of the provider with the Code, the findings will be written up, and communicated to the steering group and the provider. The provider will then need to be given the opportunity to respond to and address the issues raised in the write-up. This section explains this process.

4.1. Post-evaluation recommendations

Having completed the evaluation, the evaluator will write up the findings and make a recommendation concerning the award using the evaluator report format in Appendix D. The report will then be submitted to the steering group, which makes the final decision concerning whether to award or not. The evaluator will share the report with the provider before submitting it to the steering group and the final version of the report will also be sent to the provider. If the provider is deemed to comply with the Code, it will be sent the award certificate together with the evaluation report.

The report needs to present the findings and the recommendations in a clear and concise manner, allowing the steering group to make a decision and enabling the provider to reach the global marking or improve the level of compliance.

The award is made for a period of three years.

4.2. Verifying post-evaluation amendments

After it has been informed about the award decision, the provider may decide to make a number of changes to improve its level of compliance or reach its global marking. If so, the provider will submit evidence of the changes for review by the evaluator, who will inform the steering group if the changes are sufficient to ensure compliance.
Appendices
**Glossary**

**Evaluation terminology**

**Award certificate:** The award certificate formally acknowledges that a provider complies with the Code. The certificate details the period for which the award is made. The Steering Group will send this together with the final evaluator report to providers that meet the global marking.

**Endorsement template:** This template will be used by partner organisations wanting to endorse the Code.

**Evaluator:** The evaluator is responsible for evaluating individual providers’ compliance with the Code. The evaluator only makes a recommendation and the steering group makes the final award decision.

**Global marking:** The global marking refers to the minimum percentage of weighted clauses that providers have to comply with, which is 80%.

**Provider:** Short for ‘microcredit provider’ and applies to any organisation that expresses an interest in subscribing to the Code.

**Self-assessment tool:** The self-assessment tool is intended to assist both providers and evaluators in assessing compliance by detailing what constitutes compliance and the weighting attached to individual clauses. The tool also enables providers and evaluators to calculate the proportion of clauses the provider complies with in relation to the global marking.

**Sign-up form:** This form is to be used by providers wanting to sign up to the Code.

**Steering group:** The steering group is composed of industry experts, as well as representatives from the Commission and the lead organisation of the evaluators. The purpose of the group is to decide on the award based on the recommendation of the evaluator. The group will also consider any appeals and complaints about the evaluation.

**Weighting:** The clauses are weighted according to the importance of the clause. There are three levels of weighting: medium, high and priority.

**Documentation of compliance**

**Business plan:** The business plan may be used to document compliance with several clauses as it contains information on the mission, vision and business planning of the provider and as several clauses require the provider to have a business plan.

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in documents on monitoring and reporting. The customer and investor documents are especially relevant for evidencing compliance with clauses in Chapter I.

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**External audit and accounting documents:** These documents relate to the accounting policy of the provider and may include external audit reports and associated papers and descriptions of the accounting policy.

## Technical glossary

**Annual General Meeting (AGM):** Meeting of directors and shareholders of a company of incorporated firms. Often required by law, the AGM (sometimes called annual meeting) approves annual accounts, elects board members and deals with other matters.

**Annual Percentage Rate:** The annual rate that is charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. Includes any fees or additional costs associated with the transaction.

**Audit trail:** A paper or electronic trail giving step-by-step documented history of a transaction. Enables financial data to be traced from general ledger to source document (e.g. invoice, receipt). A general ledger is a repository of accounting information of the organisation in which summaries of all financial transactions during the accounting period are recorded.

**Borrowing rate:** The interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down.

**Business Development Services:** Business Development Services (BDS) can be defined as ‘a broad range of non-financial services that boost competitiveness through higher productivity, better product design, improved service delivery and/or enhanced market access. The main categories of BDS are management training, vocational skills training, marketing assistance (for inputs and output), technology access, technical assistance, productivity and product design, accounting and legal services and access to various sorts of information (about standards, regulations, ideas in the enterprise field)”

**Business plan:** A detailed document describing the past, present and future financial and operational objectives of a company or organisation. Serves as a road map that sets out the direction of the organisation within a set time period, usually 3-5 years. It guides an organisation’s policies and strategies and is underpinned by financial data.

**Cash flow statement:** Shows the origin and usage of an organisation’s cash over time according to income-earning activities, investing activities (spending intended to generate future income) and financing activities (payments from or to investors, borrowers and funders).

**Collateral:** Traditional collateral tends to refer to property deeds, while non-traditional collateral tends to refer to personal guarantees, household assets and forced savings. Collateral substitutes refer to peer-guarantees.

**Conflict of interest:** Conflicts of interest include related-party (insider lending), the hiring of family members, expensive board trips of limited value to the organisation and the provision of services to the provider by a board member or staff member.

“Related-party transaction...finds board members engaging in an activity that benefits one institution on whose board they serve to the detriment of another institution on whose board they also serve”

“Related-party ("insider") loans—whether to members of an MFI’s management, governing body, or parties related to them—should be fully disclosed, including outstanding amounts, interest rates, collateral, and repayment status. Small loans generally available to all employees can be reported showing only the total amount, number, interest rate, and degree of late payment on such outstanding loans. Policies on both types of insider loans should be described precisely”

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Credit risk: This is the risk to earnings or capital because of a customer’s failure to meet the terms of the lending agreement. Principally this is the risk that borrowers will not repay their loan.

External audit: ‘An external audit is a formal, independent review of an entity’s financial statements, records, transactions, and operations, performed by professional accountants to lend credibility to financial statements and other management reports, ensure accountability for donor funds, or identify weaknesses in internal controls and systems. The scope of external audits can differ significantly according to the objectives of each audit’[7].

Financial statement analysis: The process of identifying financial strengths and weaknesses of an organisation by establishing relationship between items on the balance sheet and the profit/loss account.

Forecasting: A planning tool that uses past and present data to produce projections for a given period in the future based on a number of assumptions. Given the possible uncertainty associated with forecasting, it is common to assign a range of values to the uncertain factors, which is known as sensitivity analysis.

Loan delinquency: Delinquency in microcredit provision is another term for ‘default’. Loans tend to be considered as delinquent when two or more payments have been missed.

Portfolio at Risk (PAR): The value of outstanding loans that have one or more payments past due more than a given number of days. Often displayed as a ratio and divided into categories according to the number of days it is overdue.

Quorom: The minimal number of officers and members of a committee or organisation, usually a majority, who must be present for valid transaction of business.

Refinancing of loans: This refers to the disbursement of loans to enable the borrower to repay prior loans they otherwise would have been unable to pay

Rescheduled loans: The rescheduling of loans is the process of renegotiating or modifying ‘the originally scheduled payments of principal’[8].

Restricted funds: Grants, investments or donations that require funds to be used in a specific way or for a specific purpose according to the wishes of the funder, such as serving. The fund may be for delivering a set of services to a specific target group or it may be earmarked to cover certain costs (e.g. pay, equipment).

Risk matrix: A risk matrix or register identifies risks, determines the likelihood and the severity of the risks (e.g. low, moderate or high), and produces aggregate risk profile combining the measures (likelihood and severity). A related tool is a risk management matrix, which incorporates the quality of existing risk management in terms of controlling the risk (e.g. strong, acceptable or weak).

Total Cost of Borrowing: The Total Cost of Borrowing (TCB) is the total charge for taking on a debt obligation (loan) that can involve interest payments and other financing fees to be paid by the customer and known to the lender at the time of disbursing the loan.

Secured lending: When a loan is made in exchange for the pledge of an asset as collateral. If the loan is unpaid, the lender can repossess the collateral to recoup any losses.

Unrestricted funds: Grants, investments or donations that can be spent at the discretion of the recipient organisation.

Variance analysis: Process aimed at calculating the difference between actual and budgeted or targeted levels of costs or income, and identifying causes for difference or variance.

Write-offs: According to the Microfinance Consensus Guidelines, loans that have been written off ‘have been recognised for accounting purposes as uncollectible. The process of recognising an uncollectible loan is called a write-off. A write-off is an accounting procedure that removes the outstanding balance of the loan from the gross loan portfolio and from the loan-loss allowance. Thus the write-off does not affect the balance of the net loan portfolio, total assets, or any equity account, unless the loan-loss reserve was insufficient to cover the amount written off.’

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8 Microfinance Consensus Guidelines
Sign-up form

Organisation name: .................................................................

Our organisation is committed to delivering quality services to its customers.

To achieve this goal we adhere to the

European Code of Good Conduct for Microcredit Provision

We commit ourselves to putting the Code into practice within:

☐ 18 months

☐ 36 months (only applicable to greenfield financial intermediaries, defined as a financial intermediary that has an operating history of less than 3 years. In this case, the proof of the date of establishment shall be joined to this form.)

starting from the date of signature of this engagement form. To that purpose, we will ascertain the actual state of implementation of the clauses of the Code within our organisation by filling in the self-assessment form provided by the Commission, and update it on a regular basis in light of the progress achieved in complying with the provisions of the Code.


We give our consent to the publication of our commitment on websites of the European Commission. We acknowledge that clauses may change in light of developments in recognised good practice, subject to appropriate consultation.

Legal representative authorised to sign:

Name (in block letters): ...........................................................
Position: ...........................................................................

Signature: ........................................................................
Date: ..............................................................................

Contact person (in block letters):

Name: ..............................................................................
Address: ...........................................................................

Email: ..............................................................................
Website of the organisation: ..................................................

To be sent to: European Commission – DG Employment, Social Affairs and Inclusion, Unit E1 ‘Job Creation’
B-1049 Brussels – BELGIUM
Or in electronic format to: empl-micdfinance@ec.europa.eu
**EaSI-MicPro form – Code Of Good Conduct fields**

The microcredit provider should enter this data each year, in order to see the evolution over the years.

<table>
<thead>
<tr>
<th>FIELD ID</th>
<th>FIELDS (INPUT AND CALCULATED FIELDS)</th>
<th>INPUT (I) VS CALCULATED FIELD (C)</th>
<th>FORMULA (FIELDS)</th>
<th>FORMULA</th>
<th>CLAUSE NUMBER</th>
<th>TOOL TIP OR EXPLANATION NEXT TO THE FIELD</th>
<th>TYPE OF FIELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. CUSTOMER AND INVESTOR RELATIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>Borrowing rate</td>
<td>I</td>
<td></td>
<td></td>
<td>1.1</td>
<td>Microcredit providers will disclose lending costs in their advertising. This will include borrowing rates, charges and an illustrative example.</td>
<td>Number</td>
</tr>
<tr>
<td>C2</td>
<td>Charges</td>
<td>I</td>
<td></td>
<td></td>
<td>1.1</td>
<td>This refers to the fees applied to the most common product offered. Please specify if it is a % or a fixed amount.</td>
<td>Number</td>
</tr>
<tr>
<td>C3</td>
<td>Illustrative costs example</td>
<td>I</td>
<td></td>
<td></td>
<td>1.1</td>
<td>Please make an illustrative example of a typical loan (indicating the amount, maturity, frequency of repayment, grace period, interest rate, any charges or taxes that the clients should pay) and calculate the total cost of this credit. Total cost of credit is intended as the total costs that the client bears: interest rate, upfront fee, ongoing fee, taxes, insurance cost, pledge registration cost, any other cost incurred in getting the loan.</td>
<td>Number</td>
</tr>
<tr>
<td>C4</td>
<td>Costs as Total Cost of Borrowing</td>
<td>I</td>
<td></td>
<td></td>
<td>1.2</td>
<td>Microcredit providers will disclose the cost of borrowing in a credit agreement as the Total Cost of Borrowing. This clause has been identified as a priority clause because disclosing the cost of borrowing is crucial in enabling the customer to make informed financial decisions. The Total Cost of Borrowing (TCB) is the total charge for taking on a debt obligation (loan) that can involve interest payments and other financing fees to be paid by the customer and known to the lender at the time of disbursing the loan. TCB is expressed in value terms. TCB should be shown in the offer letters, fact sheets and other pre-contractual documents, as well as the actual loan agreements.</td>
<td>Number</td>
</tr>
</tbody>
</table>
## Code of Good Conduct for Microcredit Provision

### II. Governance

<table>
<thead>
<tr>
<th>FIELD ID</th>
<th>Description</th>
<th>Type of Field</th>
<th>Clause Number</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>Board members</td>
<td>Text (multiple names)</td>
<td>2.11</td>
<td>Please list the names of the board members.</td>
</tr>
</tbody>
</table>

### IV. Common Reporting Standards

#### Common Financial Reporting Standards

<table>
<thead>
<tr>
<th>Field ID</th>
<th>Description</th>
<th>Type</th>
<th>Formula</th>
<th>Clause Number</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Current loan portfolio</td>
<td>Number</td>
<td>(= \text{Sum of all loans (input, i.e. not calculated field)})</td>
<td>4.1.1</td>
<td>Refers to the outstanding value of all loans that do not have any instalment of principal past due, including loans that have been restructured. It only refers to principal and excludes accrued interest. See European Code of Good Conduct - Chapter 4: Reporting standards.</td>
</tr>
<tr>
<td>F2</td>
<td>Gross loan portfolio</td>
<td>Number</td>
<td>(= \text{F1 + F3})</td>
<td>4.1.2</td>
<td>Refers to the outstanding principal balance of all outstanding loans, including current and delinquent loans, but not loans that have been written off or are interest receivable. See European Code of Good Conduct - Chapter 4: Reporting standards.</td>
</tr>
<tr>
<td>F3</td>
<td>Delinquent loan</td>
<td>Number</td>
<td>Input</td>
<td>4.1.3</td>
<td>Calculated by subtracting impairment loss allowance (loan loss reserve) from gross loan portfolio. See European Code of Good Conduct - Chapter 4: Reporting standards.</td>
</tr>
<tr>
<td>F4</td>
<td>Restructured loans</td>
<td>Number</td>
<td>Input</td>
<td>4.1.4</td>
<td>Active borrowers refers to individuals who currently have outstanding loan balance with a microcredit provider or are primarily responsible for repaying any portion of a gross loan portfolio. Individuals with multiple loans with a microcredit provider should be counted as a single borrower. See European Code of Good Conduct - Chapter 4: Reporting standards.</td>
</tr>
<tr>
<td>F5</td>
<td>Net loan portfolio</td>
<td>Number</td>
<td>(= \text{Gross loan portfolio - impairment loss allowance})</td>
<td>4.1.5</td>
<td>Financial revenue refers to the non-performing portfolio, that is the outstanding value of all loans with one or more instalments of principal past due. Delinquent loan + current loan has to be equal to the gross loan portfolio.</td>
</tr>
<tr>
<td>F6</td>
<td>Active borrowers</td>
<td>Number</td>
<td>Input</td>
<td>4.1.6</td>
<td>Active borrowers refers to individuals who currently have outstanding loan balance with a microcredit provider or are primarily responsible for repaying any portion of a gross loan portfolio. Individuals with multiple loans with a microcredit provider should be counted as a single borrower. See European Code of Good Conduct - Chapter 4: Reporting standards.</td>
</tr>
<tr>
<td>F7</td>
<td>Financial revenue</td>
<td>Number</td>
<td>(= \text{F8 + F9})</td>
<td>4.1.7</td>
<td>Financial revenue refers to the non-performing portfolio, that is the outstanding value of all loans with one or more instalments of principal past due. Delinquent loan + current loan has to be equal to the gross loan portfolio.</td>
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**30**
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<thead>
<tr>
<th>FIELD ID</th>
<th>FIELDS AND CALCULATED FIELDS</th>
<th>INPUT (I) VS CALCULATED FIELD (C)</th>
<th>FORMULA (FIELDS)</th>
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<th>TYPE OF FIELD</th>
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<tr>
<td>F8</td>
<td>Financial revenue from loan portfolio</td>
<td>I</td>
<td></td>
<td></td>
<td>Financial revenue from loan portfolio refers to revenue from interest earned, fees, and commissions (including late fees and penalties) on the gross loan portfolio only. It includes interest paid in cash and interest accrued but not yet paid.</td>
<td>Number</td>
</tr>
<tr>
<td>F9</td>
<td>Financial revenue from investments</td>
<td>I</td>
<td></td>
<td></td>
<td>Financial revenue from investments refers to revenue from interest, dividends, or other payments generated by financial assets other than a gross loan portfolio, such as interest-bearing deposits, certificates of deposit, and treasury obligations. It includes interest paid in cash and interest accrued but not yet paid.</td>
<td>Number</td>
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<tr>
<td>F10</td>
<td>Operating revenue</td>
<td>C</td>
<td>F7 + F11</td>
<td>4.1.6</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>F11</td>
<td>Revenue from 'other financial services'</td>
<td>I</td>
<td></td>
<td></td>
<td>Fees and commissions for non-credit financial services not considered financial revenue. This may include revenues linked with lending, such as membership fees, ATM card fees, transfer fees, or other financial services, such as payment services or insurance. It may also include net foreign currency gains/losses. Please also add revenues from other services here (training, mentoring, etc.) when they are relevant (part of the core business of the institution) or essential for the micro-finance service provision.</td>
<td>Number</td>
</tr>
<tr>
<td>F12</td>
<td>Personnel expense</td>
<td>I</td>
<td>Input</td>
<td>4.1.7</td>
<td>Covers wages and salaries, other short-term employee benefits, post-employment benefit expenses, termination benefit expenses, share-based payment transactions, other long-term benefits and other employee benefits.</td>
<td>Number</td>
</tr>
<tr>
<td>F13</td>
<td>Administrative expense</td>
<td>I</td>
<td>Input</td>
<td>4.1.8</td>
<td>Covers non-financial expenses excluding personnel directly related to the provision of financial services or other services that form an integral part of an MFI's financial services relationship with customers.</td>
<td>Number</td>
</tr>
<tr>
<td>FIELD ID</td>
<td>FIELDS (INPUT AND CALCULATED FIELDS)</td>
<td>INPUT (I) VS CALCULATED FIELD (C)</td>
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<tr>
<td>F14</td>
<td>Financial expense</td>
<td>I</td>
<td>Input</td>
<td>4.1.9</td>
<td>This includes all interest, fees, commissions incurred on all liabilities (including deposit accounts of customers held by MFI), commercial and concessional borrowings, mortgages, and other liabilities. It may include facility fees for credit lines and can also include accrued and cash interest.</td>
<td></td>
</tr>
<tr>
<td>F15</td>
<td>Portfolio at Risk - PAR30</td>
<td>I</td>
<td>Input</td>
<td>4.1.10</td>
<td>This refers to the value of all loans outstanding that have one or more instalments of principal past due more than a certain number of days. It includes the entire unpaid principal balance, both past-due and future instalments, but not accrued interest. It does not include loans that have been restructured or rescheduled. Providers should at least measure PAR 30 or 45 days. It is advisable that providers disclose PAR 30 as this is the internationally recognised measure.</td>
<td></td>
</tr>
<tr>
<td>F16</td>
<td>Portfolio at Risk - PAR45</td>
<td>I</td>
<td>Input</td>
<td>4.1.10</td>
<td>See above.</td>
<td></td>
</tr>
<tr>
<td>F17</td>
<td>Write-offs</td>
<td>I</td>
<td>Input</td>
<td>4.1.11</td>
<td>Value of loans recognised as uncollectible for accounting purposes. A write-off is an accounting procedure that removes the outstanding balance of the loan from the gross loan portfolio and impairment loss allowance, but does not affect the net loan portfolio, total assets, or any equity account. If the impairment loss allowance is insufficient to cover the amount written off, the excess amount will result in additional impairment losses on loans.</td>
<td></td>
</tr>
<tr>
<td>F18</td>
<td>Impairment loss allowance</td>
<td>I</td>
<td>Input</td>
<td>4.1.12</td>
<td>Impairment loss allowance (also called loan loss reserve) is the portion of the gross loan portfolio that has been provisioned for in anticipation of losses due to defaulting, thus appearing in the MCP’s balance sheet.</td>
<td></td>
</tr>
<tr>
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<tr>
<td>F19</td>
<td>Assets</td>
<td>I</td>
<td>Input</td>
<td></td>
<td>4.1.13</td>
<td>Assets include: sum of property, plant and equipment, investment property, goodwill, intangible assets other than goodwill, other financial assets, loans and receivables, investment accounted for using equity method, biological assets, non-current assets classified as held for sale, inventories, current tax assets, deferred tax assets, trade and other receivables, and cash and cash equivalents.</td>
</tr>
<tr>
<td>F20</td>
<td>Liabilities</td>
<td>I</td>
<td>Input</td>
<td></td>
<td>4.1.14</td>
<td>Includes: sum of total trade and other payables, provisions for employee benefits, other provisions, deferred revenue, other financial liabilities, other non-financial liabilities, current tax liabilities, deferred tax liabilities and liabilities included in disposal groups classified as held for sale.</td>
</tr>
<tr>
<td>F21</td>
<td>Operational sustainability ratio</td>
<td></td>
<td>F10 / (F14 + F22 + F12 + F13) * 100</td>
<td>Operating revenue / (financial expense + loan loss provision expense + personnel expense + administrative expense) * 100</td>
<td>4.1.15</td>
<td>This clause has been identified as a priority clause because it is a core indicator of the performance of a microcredit provider. It measures the extent to which a provider is covering its costs through operating revenues.</td>
</tr>
<tr>
<td>F22</td>
<td>Loan loss provision expense</td>
<td>I</td>
<td>Input</td>
<td></td>
<td>4.1.12</td>
<td>Loan loss provision expense is the expense set aside as an allowance for uncollected loans and loan payments. Loan loss provisions are an adjustment to loan loss reserves and are therefore shown in the income statement.</td>
</tr>
<tr>
<td>F23</td>
<td>Financial sustainability ratio</td>
<td></td>
<td>F10 / (F14 + F22 + F12 + F13 + F32) * 100</td>
<td>Operating revenue / (financial expense + loan loss provision expense + personnel expense + administrative expense + subsidy adjustments) * 100</td>
<td>4.1.16</td>
<td>The financial sustainability ratio measures how well a provider is covering its costs through operating revenues, taking into account subsidy adjustments. Subsidy adjustments are hypothetical revenues and expenses, which take into account the subsidised cost of funds and in-kind subsidy, which better allow for comparisons of performance between organisations.</td>
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<td>FIELD ID</td>
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</tr>
<tr>
<td>F24</td>
<td>Subsidised cost-of-funds adjustments</td>
<td>C</td>
<td>F29 - F30 (only adjusted if positive)</td>
<td>Market rate cost of funds - Financial expense on borrowings</td>
<td>4.1.17</td>
<td>Subsidised cost-of-funds adjustment tries to account for the difference between an MFI’s financial expense and the financial expense it would pay if all funding was priced at market rates. It is commonly done by multiplying an MFI’s average funding liabilities by some shadow price – market interest rate – then subtracting actual financial expense. The difference is the amount of adjustment and is treated as an expense.</td>
</tr>
<tr>
<td>F25</td>
<td>Last year’s borrowing</td>
<td>I</td>
<td>Input</td>
<td></td>
<td>4.2.2</td>
<td>Microcredit provider’s borrowings from the previous year.</td>
</tr>
<tr>
<td>F26</td>
<td>This year’s borrowing</td>
<td>I</td>
<td>Input</td>
<td></td>
<td></td>
<td>Microcredit provider’s borrowings from this year.</td>
</tr>
<tr>
<td>F27</td>
<td>Average borrowings</td>
<td>C</td>
<td>(F25 + F26) / 2</td>
<td>(Last year’s borrowing + This year’s borrowing) /2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F28</td>
<td>Market rate</td>
<td>I</td>
<td>Automatic (linked to country/region selected)</td>
<td></td>
<td></td>
<td>Shadow rate - to be explored in pilot/ agreed with EIF/Commission.</td>
</tr>
<tr>
<td>F29</td>
<td>Market rate cost of funds</td>
<td>C</td>
<td>F27 * F28</td>
<td>Average borrowings * Market rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F30</td>
<td>Financial expense on borrowings</td>
<td>I</td>
<td>Input</td>
<td></td>
<td></td>
<td>Microcredit provider’s stated financial expense on borrowings.</td>
</tr>
<tr>
<td>F31</td>
<td>In-kind subsidy adjustment</td>
<td>I</td>
<td>Specific support received may be shared in an open and descriptive way</td>
<td></td>
<td></td>
<td>Donors often give MFIs not only funds, but also goods and services at no cost or at below-market cost. Common examples of these in-kind subsidies are computers, consulting services, free office space, and free services of a manager. The in-kind subsidy adjustment is the difference between what an MFI is actually paying for the good or service and what it would have to pay for the same good or service on the open market. These adjustments are hypothetical and are not included in the annual accounts of a provider.</td>
</tr>
<tr>
<td>F32</td>
<td>Subsidy adjustments</td>
<td>C</td>
<td>F24 + F31</td>
<td>Subsidised cost of funds adjustment + In-kind subsidy adjustment</td>
<td>4.1.17</td>
<td>Adjustments to sustainability ratios, taking subsidies into account.</td>
</tr>
<tr>
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<td>------------------------------------------</td>
</tr>
<tr>
<td>R1</td>
<td>Social mission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>This clause has been identified as a priority clause because disclosing the social mission is important to enhance transparency around a key aspect of the provider’s business model.</td>
</tr>
<tr>
<td>R2</td>
<td>Total number of loans disbursed this year</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R3</td>
<td>Total value of loans disbursed this year</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R4</td>
<td>Average disbursed loan size</td>
<td>C</td>
<td>R3 / R2</td>
<td>Total value of loans disbursed this year/Total number of loans disbursed this year</td>
<td>4.2.2</td>
<td>Number</td>
</tr>
<tr>
<td>R5</td>
<td>Median loan size</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R6</td>
<td>Gross national income per capita</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td>Automatic (linked to country/region selected)</td>
</tr>
<tr>
<td>R7</td>
<td>Median loan size as % of gross national income</td>
<td>C</td>
<td>(R5 / R6) * 100</td>
<td>Median loan size / Gross national income per capita * 100</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>R8</td>
<td>Total number of customers</td>
<td>C</td>
<td>F8</td>
<td>Total number of customers</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>R9</td>
<td>Total number of women customers</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R10</td>
<td>% of women customers</td>
<td>C</td>
<td>(R9 / R8) * 100</td>
<td>Total number of women customers / Total number of customers * 100</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>R11</td>
<td>Number of urban/rural customers</td>
<td>Input</td>
<td></td>
<td></td>
<td></td>
<td>Select ‘urban rural’.</td>
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</tr>
<tr>
<td>R12</td>
<td>% of urban/rural customers</td>
<td>C (R11 / R8) * 100</td>
<td>Total number of urban/rural customers / total number of customers * 100</td>
<td>4.2.5</td>
<td></td>
<td>List box</td>
</tr>
<tr>
<td>R13</td>
<td>Poverty line</td>
<td>C Automatic (linked to country/region selected)</td>
<td></td>
<td>4.2.6</td>
<td>Nationally/regionally defined income level below which households are considered poor.</td>
<td>Link</td>
</tr>
<tr>
<td>R14</td>
<td>Number of customers below poverty line</td>
<td>I Input</td>
<td></td>
<td>4.2.6</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R15</td>
<td>% of customers below poverty line</td>
<td>C (R14 / R8) * 100</td>
<td>Total number of customers below poverty line / total number of customers * 100</td>
<td>4.2.6</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R16</td>
<td>Number of customers graduating to mainstream finance</td>
<td>Input</td>
<td></td>
<td>4.2.7</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R17</td>
<td>% of customers graduating to mainstream finance</td>
<td>C (R16 / R8) * 100</td>
<td>Total number of customers graduating to mainstream finance / total number of customers * 100</td>
<td>4.2.7</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R18</td>
<td>Number of customers with ethnic minority backgrounds</td>
<td>Input</td>
<td></td>
<td>4.2.8</td>
<td></td>
<td>List box + text</td>
</tr>
<tr>
<td>R19</td>
<td>% of customers with ethnic minority backgrounds</td>
<td>C (R18 / R8) * 100</td>
<td>Total number of customers with ethnic minority backgrounds / total number of customers * 100</td>
<td>4.2.8</td>
<td></td>
<td>Number</td>
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<tr>
<td>R20</td>
<td>Number of loans for start-up businesses</td>
<td>I</td>
<td>Input</td>
<td></td>
<td>4.2.9</td>
<td></td>
</tr>
<tr>
<td>R21</td>
<td>% of loans for start-up businesses</td>
<td>C</td>
<td>(R20 / R2) * 100</td>
<td>Total number of loans for start-up businesses / total number of loans disbursed this year</td>
<td>4.2.9</td>
<td></td>
</tr>
<tr>
<td>R22</td>
<td>Number of customers on welfare benefit</td>
<td>Input</td>
<td></td>
<td></td>
<td>4.2.10</td>
<td></td>
</tr>
<tr>
<td>R23</td>
<td>% of customers on welfare benefit</td>
<td>C</td>
<td>(R22 / R8) * 100</td>
<td>Total number of customer on welfare benefits / total number of customers * 100</td>
<td>4.2.10</td>
<td></td>
</tr>
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**COMMON DISCLOSURE STANDARDS**

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<td>R24</td>
<td>Number of active borrowers</td>
<td>C</td>
<td>F6</td>
<td>Active borrowers</td>
<td>4.4.1</td>
<td>This refers to the number of individuals who currently have an outstanding loan balance with the provider or are primarily responsible for repaying any portion of the gross loan portfolio. Individuals who have multiple loans with a provider should be counted as a single borrower.</td>
</tr>
<tr>
<td>R25</td>
<td>Number of outstanding loans</td>
<td>I</td>
<td></td>
<td></td>
<td>4.4.2</td>
<td></td>
</tr>
<tr>
<td>R26</td>
<td>Total value of outstanding loans</td>
<td>I</td>
<td></td>
<td></td>
<td>4.4.2</td>
<td></td>
</tr>
<tr>
<td>R27</td>
<td>Value of current portfolio</td>
<td>I</td>
<td></td>
<td></td>
<td>4.4.3</td>
<td></td>
</tr>
<tr>
<td>R28</td>
<td>Value of gross portfolio</td>
<td>I</td>
<td></td>
<td></td>
<td>4.4.3</td>
<td></td>
</tr>
<tr>
<td>R29</td>
<td>Value of net portfolio</td>
<td>I</td>
<td></td>
<td></td>
<td>4.4.3</td>
<td></td>
</tr>
<tr>
<td>R30</td>
<td>Portfolio at Risk - PAR 30</td>
<td>C</td>
<td>F15</td>
<td></td>
<td>4.4.4</td>
<td>Providers will disclose PAR 30 or 45 days. It is advisable that providers disclose PAR 30, as this is the internationally recognised measure.</td>
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<td>FIELDS INPUT AND CALCULATED (INPUT)</td>
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<tr>
<td>R31</td>
<td>Portfolio at Risk - PAR 4S</td>
<td>C</td>
<td>F16</td>
<td>4.4.4</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R32</td>
<td>Total value of assets and liabilities</td>
<td>C</td>
<td>F19</td>
<td>4.4.5</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R33</td>
<td>% of cost per loan subsidised</td>
<td>(F16 + F17 + F22 + F24 + F31) / 100 * F8</td>
<td>Cost per loan = (Personnel expense + administrative expense + financial expense + loan loss provision expense + subsidised cost-of-funds adjustments + In-kind subsidy adjustment) / Total number of loans disbursed this year&lt;br&gt;Percentage of cost per loan subsidised = (cost per loan / 100) * financial revenue from loan portfolio</td>
<td>4.4.8</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R34</td>
<td>Total number of employees</td>
<td>I</td>
<td>Input</td>
<td>4.4.9</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R35</td>
<td>Total number of loan officers</td>
<td>I</td>
<td>Input</td>
<td>4.4.9</td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>R36</td>
<td>Total number of applicants</td>
<td>I</td>
<td>Input</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R37</td>
<td>Total number of complaints by applicants in current year</td>
<td>I</td>
<td>Input</td>
<td>4.5</td>
<td>Indicate here the total number of complaints made by applicants (who are not active clients at the end of the year) during the reported year. All issues that an applicant, or active or past customer, reports through the formal complaint procedure should be recorded as a complaint.</td>
<td>Number</td>
</tr>
<tr>
<td>FIELD ID</td>
<td>Final provider guidelines</td>
<td>FORMULA</td>
<td>CLAUSE NUMBER</td>
<td>TOOLTIP OR EXPLANATION NEXT TO THE FIELD</td>
<td>TYPE OF FIELD</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------</td>
<td>---------</td>
<td>---------------</td>
<td>------------------------------------------</td>
<td>---------------</td>
<td></td>
</tr>
<tr>
<td>R38</td>
<td>Complaints as % of applicants</td>
<td>C (\frac{R37}{R36} \times 100)</td>
<td>Total number of complaints by applicants in current year / total number of applicants</td>
<td>4.5</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R39</td>
<td>Total number of past customers</td>
<td>I</td>
<td>Input</td>
<td>4.5</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R40</td>
<td>Total number of complaints by past customers</td>
<td>I</td>
<td>Input</td>
<td>4.5</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R41</td>
<td>Complaints as % of past customers</td>
<td>C (\frac{R40}{R39} \times 100)</td>
<td>Total number of complaints by past customers / total number of applicants</td>
<td>4.6</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R42</td>
<td>Total number of complaints by active customers</td>
<td>I</td>
<td>Input</td>
<td>4.6</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R43</td>
<td>Complaints as % of active customers</td>
<td>C (\frac{R42}{F6} \times 100)</td>
<td>Total number of complaints by active customers / active borrowers</td>
<td>4.6</td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>R44</td>
<td>Complaints as % of applicants and past and active customers</td>
<td>C (\frac{(R37 + R40 + R42)}{(R36 + R39 + 42)})</td>
<td>Total number of complaints by applicants + total number of complaints by past customers + total number of complaints by active customers / (Total number of applicants + total number of past customers + total number of active borrowers)</td>
<td>4.6.2</td>
<td>Number</td>
<td></td>
</tr>
</tbody>
</table>

This clause has been identified as a priority clause because the reporting and disclosure are important in instilling market discipline in enhancing customer care.
Evaluator report format

About provider
The evaluator report should contain a brief overview of the provider. This should include the name, where it operates, the institutional and legal set-up, the services it offers, its microcredit portfolio and a brief history. The evaluator may also use this section to stress aspects of the provider that are pertinent to compliance. This may include if a provider relies extensively on cash transactions, which affect risk management arrangements.

Applicability
In this section, the evaluator should detail the number of clauses that are applicable and the total weighting of these clauses. In cases where the provider and the evaluator have disagreed on whether a clause is applicable or not, the evaluator should note this here. This should include the outcome of the disagreement and the rationale for this (i.e. for categorising a clause as non-applicable against the judgement of the provider).

Compliance
This section should start with some general observations on compliance, including the proportion of clauses complied with in relation to the global marking. The evaluator should also note any general sources of non-compliance (e.g. if there are general concerns about the credit policy that leads to non-compliance with a number of clauses). In this section, the evaluator should list the clauses where the provider has indicated that it is complying with clause but where the evaluator disagrees. For each of these clauses, an explanation for why the provider is not complying with the clause should be provided. The evaluator should be able to draw this information from the 'evaluator comment – compliance' column in the self-assessment tool.

Recommendation
At the end of the report, the evaluator should provide a recommendation concerning whether to give the award to the provider. Where the evaluator recommends not awarding the provider, he or she should explain why, detail steps that the provider will have to take to comply, and identify any support or resources the provider will require to make these changes.
Award certificate template

The European Code of Good Conduct for Microcredit Provision

Issue date: [Date of steering group meeting making decision on award]
Issued to: [Name of provider]

This certifies that [name of provider] has met the global marking* for compliance with the European Code of Good Conduct for Microcredit Provision (henceforth, ‘the Code’). The decision was made by the Steering Group based on the recommendation of the independent evaluators of the Code, Microfinanza Rating.

Unless revoked by the Steering Group, this certificate lasts until [date] and entitles [name of provider] to use the logo of the Code.

[Signature]

Chair of Steering Group

[Signature]

Evaluator(s)

*To comply with the Code, providers must comply with all the priority clauses and 80% of the clauses that are applicable to the provider.
Endorsement form

Organisation name: ........................................................................................................................................

The European Code Of Good Conduct For Microcredit Provision (hereafter, the Code) provides guidelines and standards in the provision of microcredit. It was developed in closed consultation with key stakeholders in the European microcredit sector.

We recognise the importance of the Code and endorse it as a tool to raise standards for the benefit of providers and customers.

By endorsing the Code, we commit to adhering to high standards concerning governance, management and customer protection in line with the principles of the European Code of Good Conduct for Microcredit Provision in our provision of microcredit, and to seek to prevent persons and undertakings from becoming over-indebted.

We commit to registering our organisation on the EaSI-MicPro website (*)

We give our consent to the publication of our commitment on websites of the European Commission. We acknowledge that clauses may change in light of developments in recognised good practice subject to appropriate consultation.

Legal representative authorised to sign:

Name (in block letters): ......................................................................................................................................
Position: ...........................................................................................................................................................

Signature: ...........................................................................................................................................................
Date: ...................................................................................................................................................................

Contact person:

Name: ...............................................................................................................................................................
Address: ...............................................................................................................................................................

Email: ..............................................................................................................................................................
Website of the organisation: .................................................................................................................................

To be sent to: European Commission - DG Employment, Social Affairs and Inclusion, Unit E1 ‘Job Creation’, B-1049 Brussels – BELGIUM

Or in electronic format to: empl-microfinance@ec.europa.eu

More information:
EU microfinance support: http://ec.europa.eu/social/microfinance

(*) EaSI-MicPro website: https://webgate.ec.europa.eu/ea