

February 2011

Micro Loan Fund (MLF) Borshud

Tajikistan

Social Rating



Moderate social return and risk of mission drift with moderate social results and social commitment.

Social Results Moderate

Social Commitment Moderate

Date of visit	Nov.10
Previous Social Rating	n.a.
Date of Previous Social Rating	n.a.
Social Rating completed	1 st

Main Performance Indicators

<i>Tajikistan's Social Profile</i>	Dec-09	Jun-10
Poverty Rate	n.a.	n.a.
Extreme Poverty Rate	n.a.	n.a.
Unemployment Rate	n.a.	n.a.
MFI Indicators		
Gross Portfolio	\$1,148	\$1,358
Number of borrowers	2,018	2,007
Clients in rural areas (%)	93.0%	91.2%
Female clients (%)	32.3%	28.7%
Cost per borrower	\$124	\$167
Borrowers' retention rate	41.8%	37.2%
Effective Interest Rate*	51.8%	51.8%

*Loan of \$500 for 12 months

Summary description

The Micro Loan Fund Borshud was founded in 2004 by Mercy Corps and the Public Charitable Organization "Oriyon". It is one of the largest MFIs in Tajikistan with a loan portfolio of US\$ 1.3 million and over 2,000 borrowers. As of June 2010, the average loan size was \$676. MLF Borshud is a socially oriented MFI, committed to alleviating poverty in rural areas of Tajikistan. The MFI is primarily focused on rural areas and funds agricultural businesses. Women represent 29% of all borrowers. MLF Borshud provides group- and individual lending. It has recently launched a new product to fund start-ups and has started to provide micro-leasing.

Governance Situation

MicroRate notes that MLF Borshud is facing critical issues related to its institutional governance. One of its founding board members, Mercy Corps, is exiting the shareholding structure and has claimed the full repayment of its loans (demand notes). A legal process has been undertaken by Borshud to retain the funding, which they consider a grant, in spite of the loan contracts they have signed with Mercy Corps. It is unclear yet how the dispute will be settled. Borshud currently has no means to repay Mercy Corps loans.

Rating Rationale

Borshud is experiencing a governance crisis in that one of its founders, Mercy Corps has withdrawn from the institution. This has severely affected the Board's ability to direct the institution and it has diverted attention away from its social focus. As a result, penetration of poorer market niches has decreased and high interest rates have led many clients to drop-out.

Management shows a moderate social commitment. Social performance management is weak, with no clear social orientation. Initial steps have been taken to improve client protection but there is room to improve further.

Moving forward, it will be crucial for MLF Borshud find new shareholders to help achieve its social mission in an effective and sustainable way.


Highlights

Social Results

- Declining depth of service
- High cost to the client
- Low client retention rates
- + Adequate institutional responsibility

Social Commitment

- + Strong social commitment of the Management
- Unclear social commitment of the Board
- Poor monitoring of social results
- + Adequate client protection

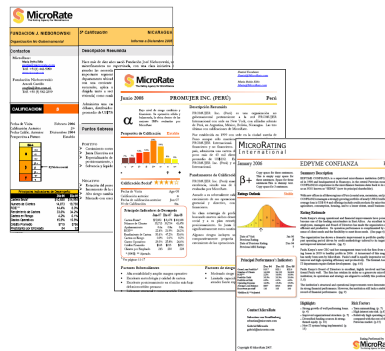
MicroRate Grading Scale for Social Reports	
Social Rating	<p>Measures the social return of an investment in an MFI through the evaluation of Social Results and Social Commitment.</p> <p style="text-align: center;">  </p>
Social Results	<p>The MFI is judged on its social results, the poverty focus of its target Microfinance niche, the cost and efficiency of its services, its social responsibility, and fulfillment of its social mission.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>
Social Commitment	<p>Measures the social focus and level of commitment of an institution and assesses the probability of a MFI deviating from its social mission in the future.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>

Interested in the full report?

The full Social Rating includes detailed information on the following:

- Social Results
- Depth and Diversity of Services
- Efficiency, Cost to the Customer and Sustainability
- Institutional Responsibility
- Social Commitment

This social report is available for purchase. If you are interested in purchasing a report, please contact MicroRate at 1-703-243-5340 or email info@microrate.com.



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