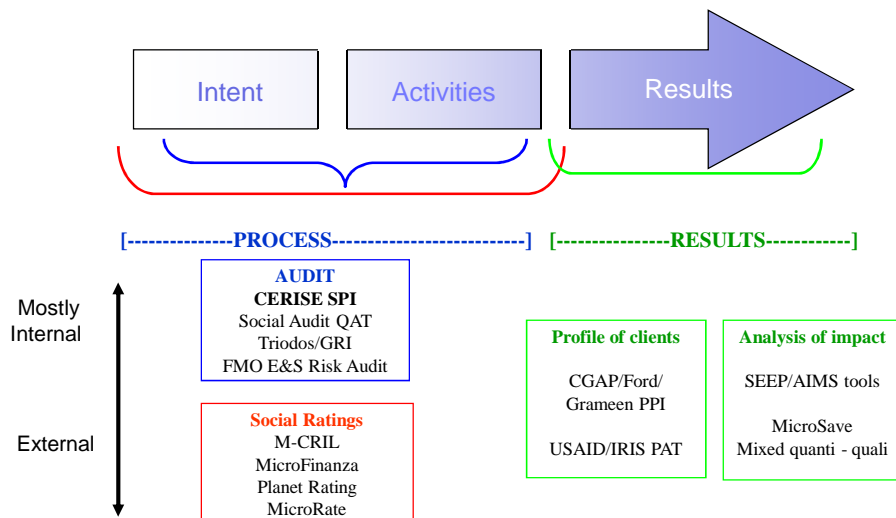


The SPI Audit Tool from CERISE

Assessing and Promoting Social Performance in Microfinance



Main tools to assess Social Performance



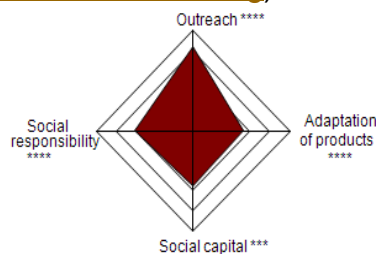
Social Performance Indicators (SPI) Tool

Measuring social performance of microfinance institutions



SPI Tool: A questionnaire to measure SP

- **Principles:** simplicity, internal info, standardization, external verification, designed **with and for MFIs**
- **Contents:** a questionnaire and a companion guide (available on www.cerise-microfinance.org)
- **4 key dimensions :**
 - Outreach
 - Products & Services
 - Benefits to clients
 - Social responsibility



The characteristics of the SPI Tool

- Practical: quick and simple in its application (easy internal monitoring, easy external verification);
- Provides visual results : radar and diamond graphs
- Standardized: Adaptable to diverse contexts & MFIs
- Promotes the culture of social performance
- Provides reporting format for MFIs on their SP
- Recognized tool by the Social Performance Task Force, CGAP, SEEP, social investors, rating agencies



Objectives of the SPI initiative

- Social performance, as the aim of MFIs (FP is the mean)
- Strong pressure on financial performance/ accountability on social performance
- Few/no tools to evaluate/monitor social performance (pioneering since 2001)
 - ⇒ SPI 2: double bottom line approach: social/financial assessment
 - ⇒ SPI 3: triple bottom line soc/fin/environment



Different phases of the SPI initiative

- SPI 1(2002 – 2003) – FPH, Argidius
 - Conceptual framework for social performance
 - Set of operational indicators
- SPI 2 (2004 – 2005) – SDC, FPH
 - Field testing via participatory process with 25 MFIs in different contexts
 - The social audit tool SPI 2.1
- SPI 3 (2006-2008) – SDC, FPH, private partners
 - Dissemination, exchange, promotion of SP; SPI database
 - Links SP/FP (stat. analysis), links with governance, PAT, impact
 - SPI version 3.0 compatible with MIX/SPTF SPS + environment
 - Work with investors



The nature of the SPI Tool

- Assessment of **social processes**: intents, actions, corrective measures (not impact)
- Use of the questionnaire
 - As a self-assessment by MFI; provides food for thought for Board and stakeholders (e.g. AMK Cambodia, ASHI Philippines, ASC Union Albania)
 - As a social audit with technical assistance (e.g. CERISE, Aquadev, Profin Bolivia), investors due diligence (e.g. Oikocredit, Alterfin, Incofin), apex and professional associations (e.g. Red Financiera Rural, Finrural, CIF West Af.)
- A companion guide to help in the use of the questionnaire
 - Rationale behind the indicators, information sources to be used, how to interpret results
- Tool free of charge available on www.cerise-microfinance.org



Two main parts to the Tool

- Part One : context and social strategy of the MFI / major financial indicators
- Part Two: social performance indicators

Part Two: the 4 dimensions of social performance

- Outreach to the poor and excluded
- Products & Services
- Benefits to clients
- Social responsibility

⇒ A wide vision of social performance

Field experience using the SPI Tool

- **Critical mass of MFIs reporting:** Results from more than 150 in the database (crossed with financial perf. data)
- **Positive feedback from MFIs:** Internal use and appropriation on results; fodder for board discussions and MIS indicators
- **Positive feedback from MFI Networks** (*Foro Lac, RFR Ecuador, Finrural Bolivia, CIF West Africa*): Peer benchmarking and transparency; common indicators on SP; public policy work
- **Expanded experience with Social Investors** (*Oikocredit; SIDJ; AlterFin, Incofin*): Tool for due diligence, increasing awareness of SP, dialogue with MFIs
- **Expanded dialogue with Rating Agencies** (SPI frame)



The New Version of SPI (3.0)

- **Clearer** (format, definitions, examples) for easier appropriation by MFIs, networks, investors and donors
 - Total compatibility with **Mix SPS (SP standards)**
 - Better balance between **economic and social benefits** for clients (Dimension 3)
 - **New issues in MF:** consumer protection, cost of services, environmental responsibility
- ⇒ Version 3.0 available in end 2008 in English/Fr/Spa
- ⇒ Version 3.1 with last Mix SP standards in 2009



Using SPI for strategic planning

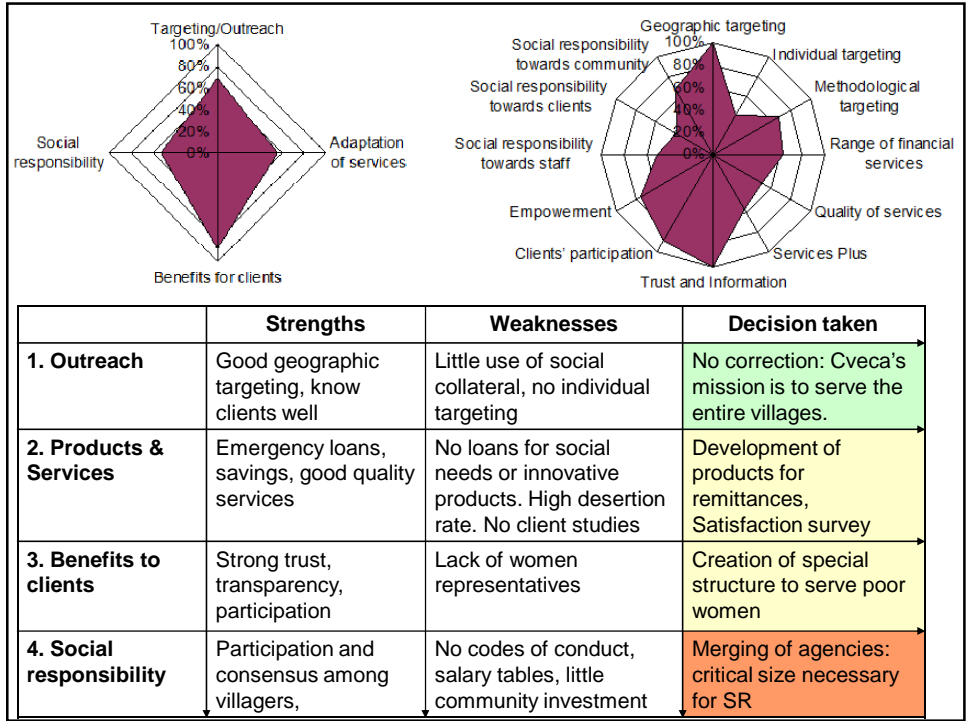
Case study of CVECA – Mali AMUCSS –
Mexico
Work in Progress: CIF West Africa



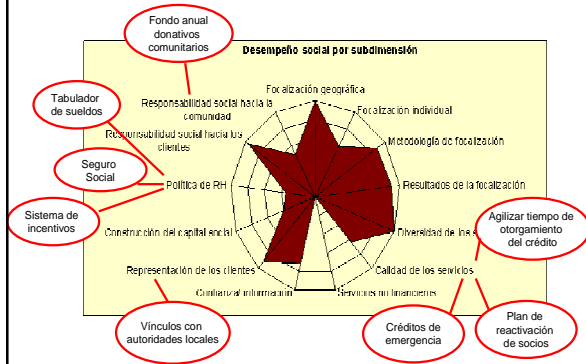
CVECA: context

- Network of village banks created in 1998, now financially sustainable and serving 6000 clients
- SPI evaluation facilitated with support of PAMIGA:
 - 2006: 6 CVECA Networks and 1 ICS
 - 2008: New SPI studies and client surveys
- Used SPI results to take operational decisions





SPI and governance: towards improving the practices – Case of Amucss Mexico



Starting point:

Identification of points to be improved based on the SPI analysis (e.g. quality of services, HR); actors to be involved in the process based on governance analysis

Steps:

Clarification of objectives for main criteria of SPI to be improved; identification of actions and people responsible

Work in Progress with CIF network

- CIF: a network of 6 main coopec in West Africa. Have just created their Confederation
- Challenge to balance their social and economic project, to continue to rely on « social dynamics » at « client/member » level
- Workshop with Cerise in November 2008



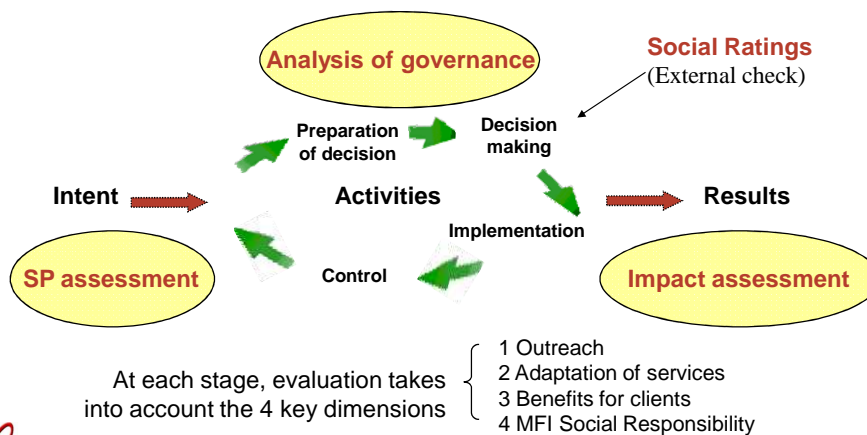
The next steps for the CIF

- Peer Review among CIF members to apply SPI on a participative process
- Finalise a « Social Performance Report » by member and for the CIF (sept. 2009) – Workshop to exchange on lessons learned
- Identify key SP indicators for CIF and its members to regularly assess SP
- Identify key areas of progress and innovation to improve SP



Complementarities of SPI with other tools

Analysis & decision tools for ProsperA



Links between SPI and Impact Studies



Complementary approaches

Key questions for MFIs	Social Audit SPI Tool	Impact Analysis
Q1: Who are we serving?	D1: Targeting & outreach	Client profile assessment: PAT, PPI, etc.
Q2: Is our offer adapted?	D2: Product adaptation	AIMS/SEEP tools #3: Use of services; #4: Client satisfaction; #2: Client drop outs, etc.
Q3: What effects on our clients?	D3: Improving benefits to clients	Quantitative-qualitative approaches AIMS/SEEP #1: Impact; #5: Empowerment
Q4: Social responsibility toward stakeholders	D4: Protection of clients / staff / community & environment	Client Protection Approach, Socio antropological approach, study of overindebtedness, etc.
Two pieces...	Social strategy & implementation	Result of the strategy on clients and community
of a same puzzle	MFI social performance	

Example of empirical comparison (Bolivia 2007)

- Finrural and CERISE compared results of the SPI, impact studies and satisfaction surveys for 7 Bolivian MFIs
- Key findings
 - The economic impact differs depending on client targeting & outreach (Dimension 1): low targeting => effects on fixed capital, high targeting => effects on capital circulating and family income
 - Empowerment and personal development of the clients favoured by non-financial services (Dimension 2-3) and in some case non financial services seems to improve impact of services
 - Good adaptation of services (Dimension 2) leads to client retention and satisfaction
 - Actions to improve client situation (Dimension 3) related to loyalty and satisfaction



SPI and Impact

- Research: Verify the links between processes and results



- Ex: Finrural Bolivia (SPI, impact studies, satisfaction surveys) => validity in particular for Dim 2 and Dim 3

- Methodology: Simple, Specific and Operational impact analysis

- Ex: Sanduk Comoros, Crédit Rural de Guinée

- A way to investigate on outcome and new generation of MIX indicators



SPI and Poverty Assessment Tools: improving poverty outreach

- Poverty Assessment Tools that can verify the results of SPI Dimension 1 on Outreach
 - PPI or PAT for MFIs with poverty outreach
 - Ex: joint SPI & PAT by ASC Union Albania (2007)
 - Assessment of levels of exclusion, or rural outreach
 - Ex: ADIE France (SPI & index of exclusion)
- SPI & PPI / PAT would offer a complete assessment of poverty outreach => links to be strengthened and other dimensions of outreach studied

Social and Financial Evaluation

Statistical study from 42 Latin
American MFIs

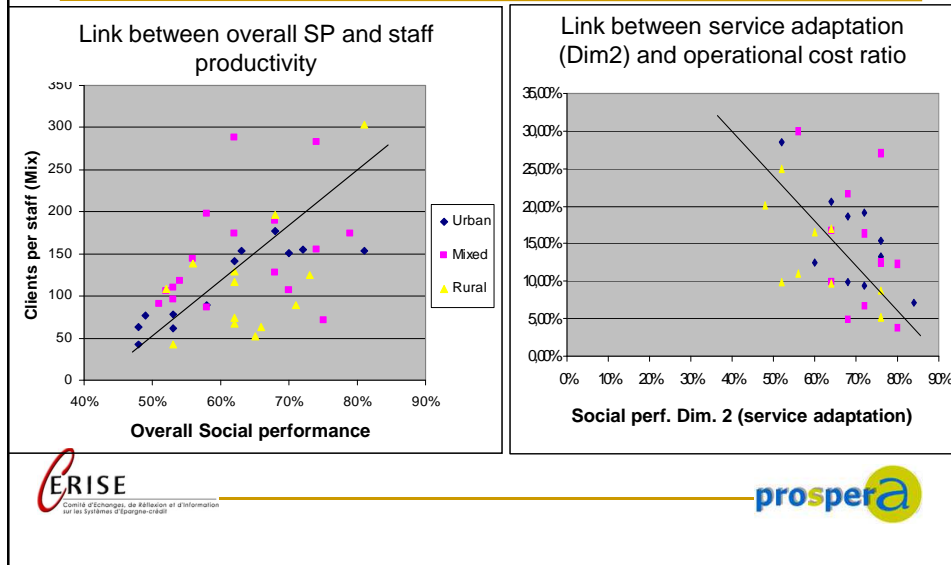
Study on relationship between SPI and financial performance: Latin American sample

MFIs included in the sample				
	Urban	Mixed	Rural	Total
Argentina	1	1		2
Bolivia	4	3	6	13
Brazil			1	1
Ecuador	3	8	1	12
Guatemala	1	1	1	3
Honduras	1	1	1	3
Mexico			2	2
Nicaragua		1		1
Peru	1	1	1	3
Salvador	1	1		2
Total	12	17	13	42

7 – SPI and Financial Performance: trade-offs (red) and synergies (green)

	ROA	PAR	Op. Cost	Empl/ clients
Total SPI	ns	ns	ns	+ (B)
Dim1 : Outreach	ns	ns	+	ns
Dim2 : Products & Services	ns	-	-	ns
Dim3 : Benefits to Clients	ns	ns	-	ns
Dim4 : Soc. Responsib.	ns	- (B)	ns	+ (B)
ns : Not significative (.95 accuracy)				
(B) : significative for big MFIs (>10 000 clients)				

Graphic examples



Conclusion on the use of SPI

- SPI audit, now widely accepted : a flexible approach to reinforce an institution's social mission
- A first, concrete and easy step for different stakeholders with desire to strengthen social performance (MFIs, networks, investors, TA, etc.)
- A strong product to test the statistical correlation between social and financial performance
- Complementarities among different tools can improve MFIs' impacts (SPI, PATs, impact studies, governance analyses, ratings)

Next steps

- MFI level: Networks have been very active in promoting and assessing SP (e.g. Red Financiera Rural as a finalist of the European Award on socially responsible MF) => Now need support to innovate to strengthen SP (MIS, services & products, HR)
 - Strong partners: Foro Lac Fr, CIF, Pamiga
 - Potential partners: Afmin, Asian partners (India, Pakistan, etc.)
- Investors level: promote socially responsible investment (indicators, and « good practices »)