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## Mainstreaming Social Performance in Microfinance: Implementing the “double-bottom line”

Savings and Credit Forum, 2<sup>nd</sup> July 2010

# Investor Social Performance Indicator Audit Tool and the Experience of Oikocredit

Cécile Lapenu, Cerise and Ging Ledesma, Oikocredit

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# Social Auditing for MIVs

## Tools and Experiences from Oikocredit

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Cécile Lapenu – Cerise

Ging Ledesma – Oikocredit

S&C Forum – July 2, 2010

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# Why assess SRI in microfinance?

- **High growth but high concentration**

- ⇒ Diversify investments

- ⇒ Encourage risk-taking MIV

- ⇒ Strengthen comparative advantage of each MIV

- **Promote SP and transparency at MIV level**

- ⇒ Transparency: Assesses Environment Social & Governance standards (ESG) with concrete indicators

- ⇒ Risk management: Better knowledge of investees

- ⇒ SRI effectiveness: strategic clarity, staff capacity, accountability for results, knowledge management & appropriate instruments

- ⇒ Communication: Visibility/Attractiveness of MF investment

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# SAM: Social Audit tool for MIV

- Framework based on 4 dimensions of SP
  - ❑ Outreach of “excluded” MFIs
  - ❑ Appropriate services
  - ❑ Governance of MFIs
  - ❑ Fund’s social responsibility
- Framework aligned with :
  - ❑ The UN Principles for Responsible Investment: **E**nvironment, **S**ocial, **G**overnance
  - ❑ The MIV Disclosure guidelines
  - ❑ The CGAP framework for aid effectiveness
- Developed by CERISE with MIV since 2008

## Dimensions and criteria for a SRI in Microfinance

Dimensions	Environment	Social	Governance
<b>1. Targeting</b>		<b>1.1 Geographic</b> <b>1.2 Institutional type</b> <b>1.3 Poverty / Gender</b>	
<b>2. Services</b>		<b>2.1.Product Mix</b> <b>2.2.Quality of service</b>	<b>2.3 Capacity build.</b>
<b>3. Governance</b>			<b>3.1 Involvement</b> <b>3.2 MIV policies</b> <b>3.3 Entry &amp; exit strategies</b>
<b>4. Social Respon- sibility</b>	<b>4.3 Environm. standards</b>	<b>4.1 Client protection</b> <b>4.2 Social standards</b>	

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# Key characteristics

- A coherent and comprehensive framework designed to...
  - Strengthen social strategy
  - Leverage SP data from MFIs
  - Identify need for formalization of procedures
  - Improve impact on MFIs and final clients
- Promotes responsible practices
  - SAM is free and can be self-administered
  - CERISE offers guidance to flesh out strategies, refine tools, exploit results.

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# Oikocredit experience: Why?

- Assess practice; take stock
- Identify gaps, areas for improvement
- Input to strategy, planning
- Comparison, Differentiation
- Accountability in a transparent way

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# Oikocredit experience: How?

- Review of management reports
- Review of tools
- Interviews: Central (Netherlands) and Regional Offices
- Discussion of results: Management team, Support Associations, Regional Managers
- Time Frame: March-September 2009



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# Conclusions: Comparison, Differentiation

- Highlighted strengths of portfolio
  - ❑ Stronger presence in Asia, Africa
  - ❑ Strong involvement and follow-up in LDCs
  - ❑ Diversified portfolio by MFI size, maturity, performance (and not only microfinance)
  - ❑ Good rural outreach

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# Conclusions: State of Practice

- Concern for SP integrated in due diligence process
- Committed resources for SP assessment
- Social performance assessment and monitoring aligned with sector developments

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# Conclusions: Challenges, Gaps, Follow-up

- Unique structure and diversified operations
  - Strengthening staff training
- Strengthen SP in due diligence
  - Oikocredit ESG scorecard
- Quality of information and data gaps
  - Review of structure of database
  - “Dictionary” circulated to all offices
- Need for systematic collection of feedback from investees
  - Client satisfaction survey conducted in 2010 (next in 2012)

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# Conclusions: Challenges, Gaps, Follow-up

- Knowledge management
  - Use of data – ESR discount, policy on agriculture, segmentation of MFIs, promotion of savings and product diversification, etc.
  - Systematic process of using information adapted to different stakeholders
- Capacity Building / local support to investees
  - From SP assessment to SP management; define strategic areas of support/innovation linked to financial performance
  - Double/triple Bottom line support from Oikocredit

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Thank you!

CERISE

[www.cerise-microfinance.org](http://www.cerise-microfinance.org)

OIKOCREDIT

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