

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

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

# **Social Performance Mainstreaming at MFI level with Focus on Client Protection**

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Presentation no. 1 :  
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# Social Performance Framework and Initiatives



**JULY 2, 2010**

**SAVINGS AND CREDIT FORUM**



# Definition of 'Social Performance'



The effective translation of an institution's mission into practice in line with accepted social values such as:

- Serving increasing numbers of poorer and more excluded people sustainably
- Increasing clients' social capital, assets, income, and access to services
- Improving the quality & appropriateness of financial services through assessment of clients' needs
- Reducing clients' vulnerability
- Improving social responsibility of the MFI toward clients, employees, and communities

# Managing for Results



Performance is not incidental.

What is explicitly **defined** and **measured** is what is **managed**.

Need to define desired performance.

Need to measure results against desired performance.



# Dimensions of Social Performance



## INTENT AND DESIGN

What is the mission of the institution?  
Does it have clear social objectives?

## INTERNAL SYSTEMS & ACTIVITIES

What activities will the institution undertake to achieve its social mission?  
Are systems designed and in place to achieve those objectives?

## OUTPUTS

Does the institution serve poor and very poor people?  
Are the products designed to meet their needs?

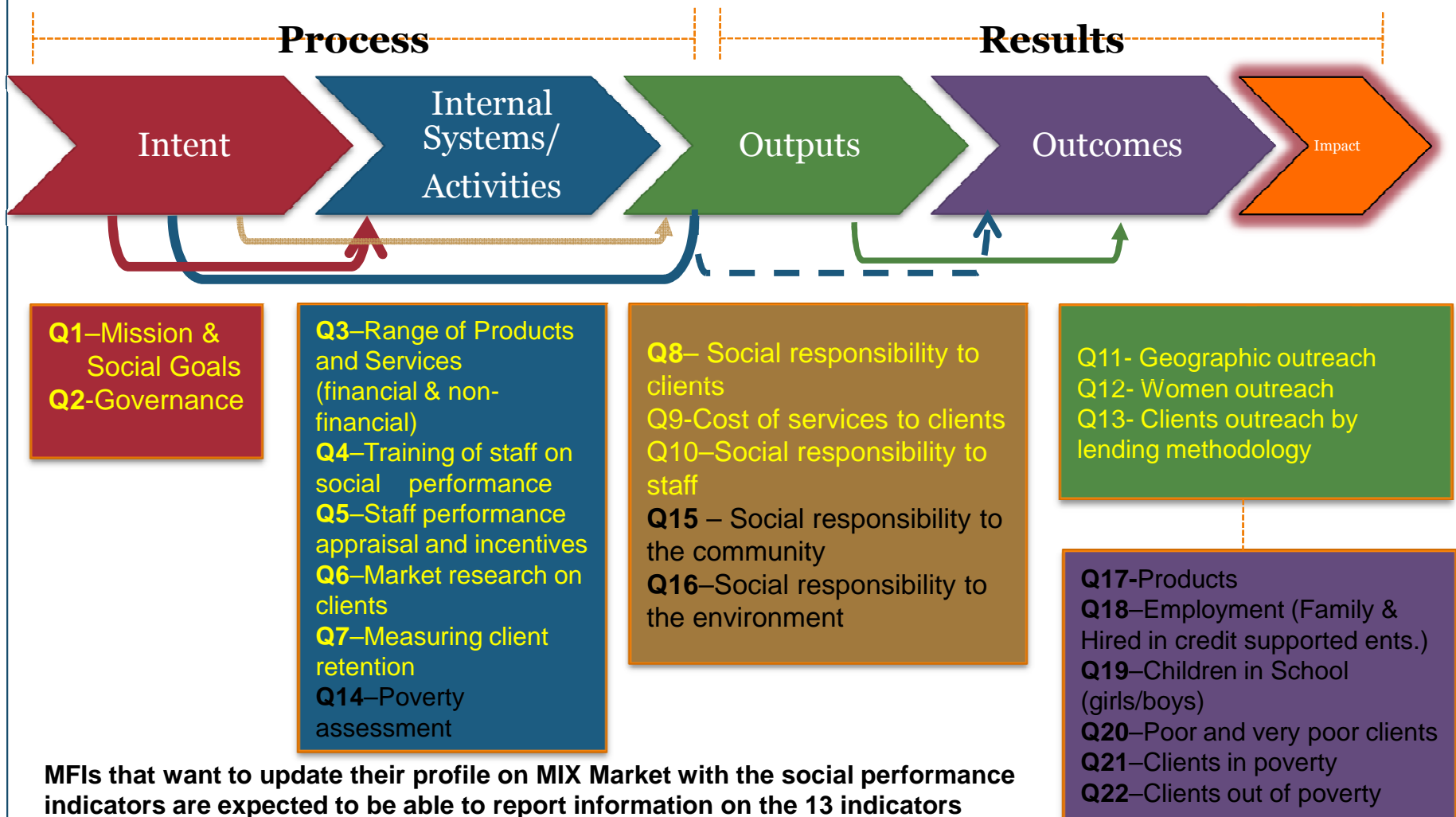
## OUTCOMES

Have clients experienced social and economic improvements?

## IMPACT

Can these improvements be attributed to institutional activities?

# Social Performance Indicators Framework



## RESPONSIBLE FINANCE

**Regulators &  
Policymakers**

**Donors**

**Investors &  
MIVs**

**Networks,  
Associations,  
& Support  
Orgs**

**Retail  
Providers  
(MFIs)**

### **THREE STRATEGIES:**

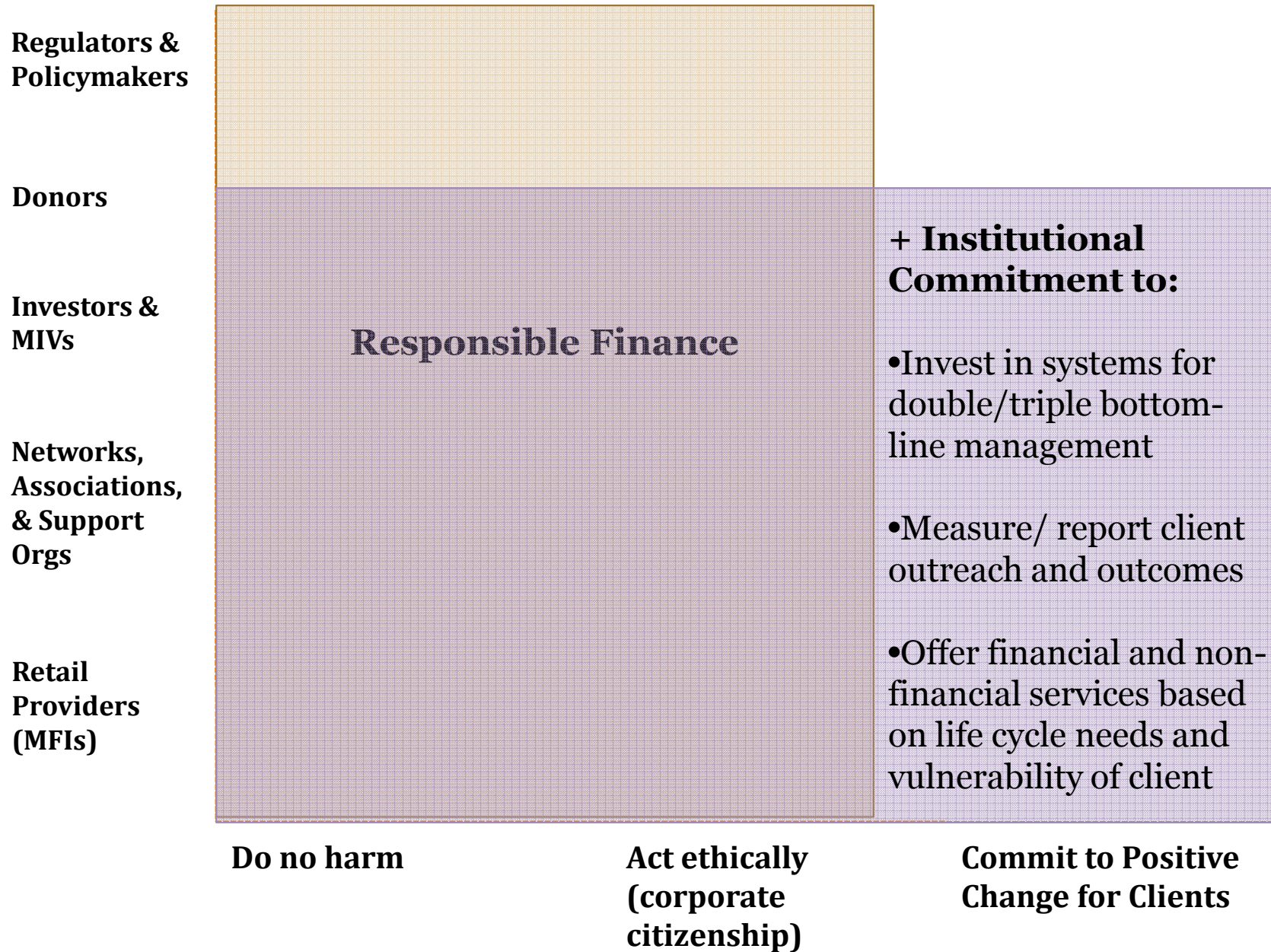
- **Consumer protection regulation**
- **Industry standards and codes of conduct**
- **Consumer awareness and financial capability**

**Do no harm**

**Act ethically  
(corporate  
citizenship)**

**Commit to Positive  
Change for Clients**

# SOCIAL PERFORMANCE





**INITIATIVES**

**Regulators & Policymakers**

Protection  
on

**Donors**

**Investors and MIVs**

and Tools for Responsible Investing

MF  
*Transparency*

**Networks, Associations, & Support Orgs**

Codes of Conduct

**Retail Providers (MFIs)**

-party verification (e.g. social rating)

**Do no harm**

**Act ethically  
(corporate citizenship)**

**Commit to positive change for clients**



# Challenge: Representing Ourselves Accurately



- Which type of MFI are you?
- Which type of investor are you?

Type 1: Goal: Provide Access to Financial Services for the Poor

Type 2: Goal: Provide Access to Responsible Finance for the Poor

Type 3: Goal: Improve the Lives of the Poor

- Know who you are and do not claim to be more.

# Challenge: Operationalizing client protection measures



- Six principles of client protection:
  1. Avoidance of over-indebtedness
  2. Transparent pricing
  3. Appropriate collections practices
  4. Ethical staff behavior
  5. Mechanisms for redress of grievances
  6. Privacy of client data

## **Challenge:** Affecting positive change in clients lives



- Investing in systems for double/triple bottom line management
- Measure , use, report data on client outcomes
- Develop financial and non-financial services based on clients life cycle needs and vulnerability

# Meeting the Challenges



- The Social Performance industry has developed a variety of **tools** for meeting these challenges:
  1. Define where you are on the spectrum with the *SPTF/Mix Social Performance Indicators*
  2. Clarify your social goals and recommend solutions for improvement—social audit tools.
  3. Assess your compliance with the principles of client protection with the *Client Protection Self Assessment*
  4. Use the MF Transparency *Interest Rate Calculator* to understand pricing.

## Meeting the Challenges (Continued)



5. Measure client-level indicators—food security surveys; client satisfaction surveys; exit interviews; market research for product development.
6. Measure your outreach to the poor—Poverty measurement tools. [PPI and PAT](#)
7. Validate and communicate your social strengths and weaknesses—social rating tools. Co-funding available from [www.ratinginitiative.org](http://www.ratinginitiative.org)



# Resources

# RESOURCES FOR SOCIAL PERFORMANCE MANAGEMENT



- *Imp-Act* Consortium: [www.imp-act.org](http://www.imp-act.org)
- The SPM Network: [www.spmnetwork.net](http://www.spmnetwork.net)
- MicroFinance Centre: [www.mfc.org.pl/spm](http://www.mfc.org.pl/spm)
- MISION SPM Program:  
[www.mision.redcamif.org](http://www.mision.redcamif.org)



# RESOURCES FOR CLIENT ASSESSMENT



- Grameen Foundation Progress out of Poverty: [www.progressoutofpoverty.org](http://www.progressoutofpoverty.org)
- USAID Poverty Assessment Tool: [www.povertytools.org](http://www.povertytools.org)
- FINCA Client Assessment Tools: [www.villagebanking.org](http://www.villagebanking.org)
- Food Security Survey: Food Security Survey (Freedom from Hunger):  
<http://ffhtechnical.org/innovations/performance-management>
- Participatory Wealth Ranking (Small Enterprise Foundation): [www.sef.co.za](http://www.sef.co.za)
- Client satisfaction, client exits, marketing research: technical resources and case studies:  
[www.mfc.org.pl/index.php?section=NET&page=Other](http://www.mfc.org.pl/index.php?section=NET&page=Other)

# RESOURCES FOR SOCIAL AUDIT



## Standardized:

- The Social Performance Indicators (SPI):  
[www.cerise-microfinance.org/](http://www.cerise-microfinance.org/)

## Customized:

- The Quality Audit Tool (QAT):  
[www.mfc.org.pl/spm](http://www.mfc.org.pl/spm)
- Social Performance Assessment tool (EDA)  
[www.edarural.com](http://www.edarural.com)

# RESOURCES FOR SOCIAL RATINGS



- M-CRIL: [www.m-cril.com](http://www.m-cril.com)
- MicroFinanza Rating:  
[www.microfinanzarating.com](http://www.microfinanzarating.com)
- MicroRate: [www.microrate.com](http://www.microrate.com)
- Planet Rating: [www.planetrating.com](http://www.planetrating.com)
- The Rating Initiative:  
[www.ratinginitiative.org](http://www.ratinginitiative.org)

# RESOURCES FOR SOCIAL PERFORMANCE REPORTING



- The MIX Market – Social Performance Standards Report (SPS): [www.mixmarket.org/social-performance-data](http://www.mixmarket.org/social-performance-data)

## GUIDES AND USER REVIEWS

- Microfinance Gateway Hot Topics - Social Performance:  
[www.microfinancegateway.org/p/site/m/template.rc/1.11.48260/](http://www.microfinancegateway.org/p/site/m/template.rc/1.11.48260/)
- Social Performance Assessment Tool User Reviews:  
<http://www.sptf.info/page/user-reviews-of-sp-tools>
- SEEP Network Social Performance Glossary of Terms:  
[http://seepnetwork.org/Resources/4728\\_file\\_Soical\\_Performance\\_Glossary.pdf](http://seepnetwork.org/Resources/4728_file_Soical_Performance_Glossary.pdf)
- SEEP Network Social Performance Map:  
<http://seepnetwork.org/Pages/SocialPerformance.aspx>
- Imp-Act Consortium Publication: “Putting the ‘social’ into performance management: *A practice-based guide for microfinance*:”  
<http://www2.ids.ac.uk/impact/support/practiceguide.html>

# RESOURCES FOR CLIENT PROTECTION



- The Smart Campaign for Client Protection:  
[www.smartcampaign.org](http://www.smartcampaign.org)
- Microfinance Transparency:  
[www.mftransparency.org](http://www.mftransparency.org)
- Financial Education:  
[www.mfc.org.pl/finedu.html](http://www.mfc.org.pl/finedu.html)

**Thank you**  
**For more information:**

- Contact Laura Foose, Coordinator,  
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- Go to: [www.sptf.info](http://www.sptf.info)