
Social Performance :

Key Achievements and future targets

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Recent trends in the microfinance sector

- «Raison d'être» of Microfinance = reaching the excluded
 - Today, identified challenges:
 - Growth and change of scale ; support to « second tier » MFIs
 - « Commercialization » / financial sustainability / competition
 - New private actors (investment funds, commercial banks)
 - Very recently: how MF is different from the « subprime » loans?
 - Key questions for the sector:
 - ⇒ **Are the MFIs still active in social inclusion?**
 - ⇒ **What are the risks of «mission drift»?**
 - ⇒ **Social performance is not incidental: need to be measured and managed to reach social goals**
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Social Performance in Microfinance

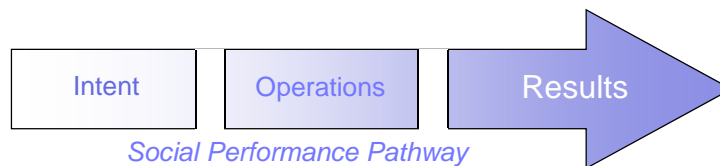
- Still a marginal issue, only 3 or 4 years ago but today, an important issue at international level
- Why is SP now recognized?
 - Demand from various actors (MFIs, donors, investors, governments, etc.); work of pionnier practitioners (e.g. with Swiss Intercoop)
 - Media exposure and growing critics => Need for transparency: who are the clients ? Which impact?
 - Intuition of MFIs: SP and financial performance can be compatible
- How is SP promoted?
 - Pionnering donors (SDC, Ifad, Ford, etc.), Collective work within the « Social Performance Task Force », Bern March 07, e-MFP, etc.
 - Innovative tools and approaches to measure and manage social performance
 - Appropriation by MFIs and networks

What is Social Performance?

The definition by the “Social Performance Task Force”

- **The effective translation of an institution's social mission into practice in line with accepted social values:**
 - **Serving larger numbers of poor and excluded people;**
 - **Improving the quality and appropriateness of financial services;**
 - **Creating benefits for clients;**
 - **Improving social responsibility of an MFI**

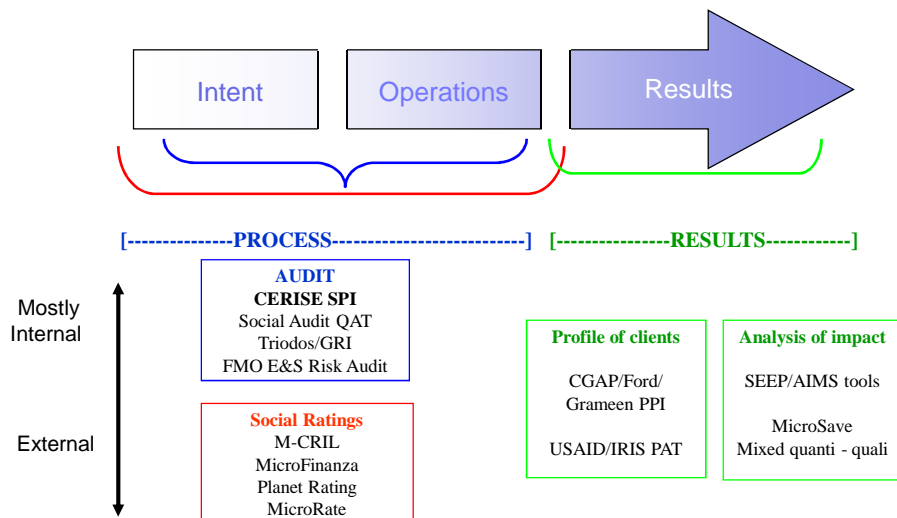
Note the links with SPI!



A continuum from Social Responsibility to Social Performance

- From « Do not harm » = Social Responsibility...
 - Consumer protection principles (avoid overindebtness, transparency on prices, ethical practices of the MFIs, privacy of clients data, etc.)
- ... To « Do good » = Social Performance
 - In line with social mission, improving social and economic impact on the clients

Main tools to assess Social Performance



Figures inspired from SPTF

From tools to practices

- SP assessment => Social audits of MFIs (strength and weaknesses in reaching social mission)
 - Ex: SPI tool developed with SDC (see later)
- Poverty assessment tools, impact analysis => better knowledge of clients, better products and services
 - Ex: PPI, an innovative way to assess poverty level of clients
- SP Management & Products innovation => challenges of improving impact on clients
 - Ex: Imp-Act consortium, Cerise support to Governance and Diversification of products (« livelihood finance », rural outreach, etc).
- Social ratings => external assessment ; market under development
 - Support by The Rating Initiative (ADA, SDC, ResponsAbility, etc.)

From practices to key indicators

- Social Performance Standards (SPS) under definition for the MIX Market based on inputs from the SPTF
- Identification by the investors and MIV of key SP indicators to be collected on MFIs; SP assessment integrated in Due Diligence (Bern 2007, European Dialogue)
- Scorecards and self-regulation by networks to support their MFI members (Finrural, Bolivia; RFR Ecuador; CIF West Africa, etc.)

Achievements

- A new hype? Certainly stronger as it answers to current concerns and needs of the MF sector – Recognition – see for ex. MF European Award 2008
- Clarification of concepts and complementarities of practical and innovative tools
- Wide use of SP assessments
- Large involvement of MFIs, networks, donors, investors
- Towards key indicators to have some benchmarks at the international level, but wider assessment by social audits and impact analysis remains important to strengthen social strategies and operations of MFIs
- Towards innovation in products and services to improve economic and social impact on clients

	Social Performance Progress Brief		
September 2005 Volume 1, Number 1		A briefing series for MED practitioners produced by the SEEP Network and sponsored by the Argidius Foundation	
Introduction to Social Performance		<ul style="list-style-type: none"> • adapt program strategy and operations in response to both social and financial performance information; and • incorporate the social performance information into management systems so that the information can be useful for decision making. 	
Social Performance for Microfinance		Why Is Social Performance Important?	
<h1>FocusNote</h1>			
NO. 41		MAY 2007	
BEYOND GOOD INTENTIONS: MEASURING THE SOCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS			
	<p>Sped Healdson, senior microfinance specialist at CGAP, wrote this Focus Note with significant contributions from Laura Poole, partner at Alternative Credit Technologies, and former Badawi Healdson is grateful to Elizabeth Littlefield, Jeanette Thomas, Rich Rosencrutz, Abou Labouie, and François Sika for valuable comments and suggestions on earlier drafts, and to Anne Namin for copy editing.</p>		Appendix to the GRIAE Rating
Buusaa Gonofaa, Ethiopia			
<p>Buusaa Gonofaa has the vision to “see the development of an inclusive, efficient and mature financial system that works for all people, rural and urban, the poor and the rich alike”. Its mission is to “provide flexible and efficient micro-financial services on a sustainable basis to enhance self-reliant livelihood of the resource-poor in rural and peri-urban areas in Oromia”. Its target clientele is “the economically active resource-poor that do not have access to formal financial services as well as rural active poor in drought-affected areas of Oromia especially, women, the landless youth and smallholder farmers”. Buusaa Gonofaa “seeks to contribute to the economic betterment of its clients while getting returns on its investment”.</p>			
Social Rating			
Rating per evaluation area		Rating highlights	
Social Performance Management		<ul style="list-style-type: none"> • The social mission is at the root of the creation of Buusaa Gonofaa. Key decisions illustrate this orientation towards the achievement of social goals. 	
Why Social Performance			
© 2007, Consultative Group to Assist the Poor			

Next steps

- **Assessment**
 - Finalisation and promotion of MIX social performance standards (available June 2009)
 - Promotion of social rating and social audit: role of the Rating Initiative
 - **From Assessment to change of practices at MFIs level**
 - Technical assistance and role of the national networks to innovate for better social performance: need for a fund for innovation?
 - **Towards a «Responsible finance chain », from MFIs to investors : Promotion of Responsible Investment**
 - Cgap MIV disclosure guideline, eMFP SP working group linked to SDC and European investors, etc.
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Appendix

For further information

- Microfinance Gateway – Resource center on Social Performance
www.microfinancegateway.org/resource_centers/socialperformance/
 - Portail de la microfinance – Dossier thématique sur Impact et Performances sociales
http://www.lamicrofinance.org/resource_centers/impactperf/
 - European Microfinance Platform
<http://www.microfinance-platform.eu/>
 - Site de CERISE: <http://www.cerise-microfinance.org>
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Poverty Assessment Tools

Progress out of Poverty Index (PPI) and PAT from IRIS-USAID

- Composed of simple, non-financial indicators derived from national household surveys
- PPI: focus on practicality (less indicators, national poverty lines)
- PAT: focus on accuracy, US mandate (stat correlation, more indic., 1/2 USD pov lines)

Overview of Poverty Assessment Tools

- PATs are simple, transparent and objective – Link with poverty strategy (SPI Dimension 1)
 - They estimate likelihood that a person is poor:
 - Use policy cut-offs for targeting / outreach assessment
 - Can track over time for progress out of poverty
 - May need to be updated and adapted (accuracy of indicators, operational aspects)
- => Should be made available and accurate in Africa

The PPI: What does it look like?

Morocco PPI, 10 indicators

Indicator	Values	Points										
1. How many children aged 6 to 14 are in the household?	<table border="0"> <tr> <td>≥4</td> <td>3</td> <td>2</td> <td>1</td> <td>Zero</td> </tr> <tr> <td>0</td> <td>3</td> <td>6</td> <td>0</td> <td>16</td> </tr> </table>	≥4	3	2	1	Zero	0	3	6	0	16	6
≥4	3	2	1	Zero								
0	3	6	0	16								
2. Does the household own a color television?	<table border="0"> <tr> <td>No</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>9</td> </tr> </table>	No	Yes	0	9	0						
No	Yes											
0	9											
3. How many gas cylinders does the household own?	<table border="0"> <tr> <td>0 or 1</td> <td>2</td> <td>3</td> <td>4 or more</td> </tr> <tr> <td>0</td> <td>3</td> <td>7</td> <td>13</td> </tr> </table>	0 or 1	2	3	4 or more	0	3	7	13	3		
0 or 1	2	3	4 or more									
0	3	7	13									
4. Does the household use charcoal?	<table border="0"> <tr> <td>Yes</td> <td>No</td> </tr> <tr> <td>0</td> <td>6</td> </tr> </table>	Yes	No	0	6	0						
Yes	No											
0	6											
5. Do all household members ages 6 to 25 attend school?	<table border="0"> <tr> <td>No</td> <td>No school-age children</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>7</td> <td>12</td> </tr> </table>	No	No school-age children	Yes	0	7	12	0				
No	No school-age children	Yes										
0	7	12										
6. What is the household's type of residence?	<table border="0"> <tr> <td>Other</td> <td>Modern urban detached house, apartment in an apartment building, condominium, or rural house of brick, stone, or concrete</td> </tr> <tr> <td>0</td> <td>5</td> </tr> </table>	Other	Modern urban detached house, apartment in an apartment building, condominium, or rural house of brick, stone, or concrete	0	5	0						
Other	Modern urban detached house, apartment in an apartment building, condominium, or rural house of brick, stone, or concrete											
0	5											
7. Does the residence have a washbasin?	<table border="0"> <tr> <td>No</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>11</td> </tr> </table>	No	Yes	0	11	11						
No	Yes											
0	11											
8. Did the household farm 6 or more hectares of land in the most recent growing season?	<table border="0"> <tr> <td>No</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>10</td> </tr> </table>	No	Yes	0	10	6						
No	Yes											
0	10											
9. Does the household own a stereo-cassette player?	<table border="0"> <tr> <td>No</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>4</td> </tr> </table>	No	Yes	0	4	4						
No	Yes											
0	4											
10. Does the household own an automobile or a motorcycle?	<table border="0"> <tr> <td>No</td> <td>Yes</td> </tr> <tr> <td>0</td> <td>14</td> </tr> </table>	No	Yes	0	14	0						
No	Yes											
0	14											
Total		30										

The PPI: Portfolio analysis

Score	Poverty likelihood in score range	
	Below Poverty Line	Above the Poverty Line
0-4	84.2%	15.8%
5-9	67.1%	32.9%
10-14	54.6%	45.4%
15-19	47.6%	52.4%
20-24	31.8%	68.2%
25-29	16.0%	84.0%
30-34	25.8%	74.3%
35-39	7.1%	93.0%
40-44	3.1%	96.9%
45-49	6.5%	93.5%
50-54	1.0%	99.0%
55-59	0.0%	100.0%
60-64	0.0%	100.0%
65-69	0.0%	100.0%
70-74	0.0%	100.0%
75-79	0.0%	100.0%
80-84	0.0%	100.0%
85-89	0.0%	100.0%
90-94	0.0%	100.0%
95-100	0.0%	100.0%

MFI client PPI score = 30

Client poverty likelihood
26%

Countries where a PAT is available

- USAID PAT: Albania, Bangladesh, Colombia, **Ghana**, Guatemala, Haiti, India, Indonesia, Jamaica, Kazakhstan, **Madagascar**, Mexico, Peru, Philippines, Tajikistan, **Uganda**, Vietnam -
http://www.povertytools.org/USAID_Tools/USAID_Tools.htm
- PPI: Bangladesh, Bolivia, El Salvador, Guatemala , Haiti, India, **Kenya**, **Malawi**, Mexico, **Morocco**, Nepal, Nicaragua, **Nigeria**, Pakistan, Palestine, Philippines, South Africa, Vietnam
http://www.microfinance.com/#Poverty_Scoring
- **A NEW PAT IN MALI, BUT OTHERWISE, PAT ARE STILL MISSING IN WEST AFRICA!**