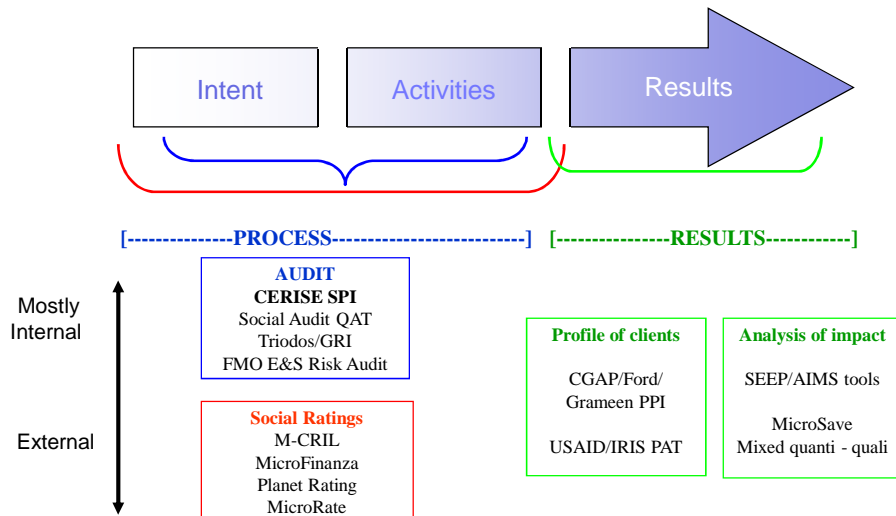


# The SPI Audit Tool from CERISE

## Assessing and Promoting Social Performance in Microfinance



### Main tools to assess Social Performance



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## Social Performance Indicators (SPI) Tool

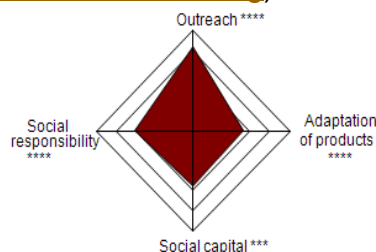
### Measuring social performance of microfinance institutions



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## 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](http://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

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- 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

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



## Two main parts to the Tool

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- 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

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- 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



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## Using SPI for strategic planning

Case study of CVECA – Mali AMUCSS –  
Mexico

Work in Progress: CIF West Africa

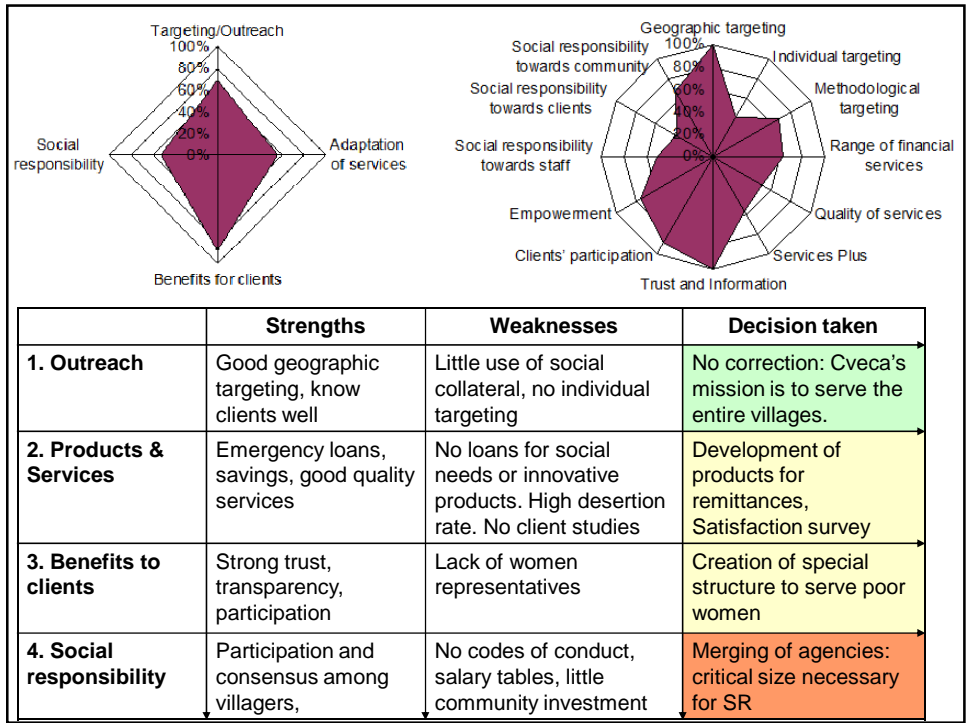


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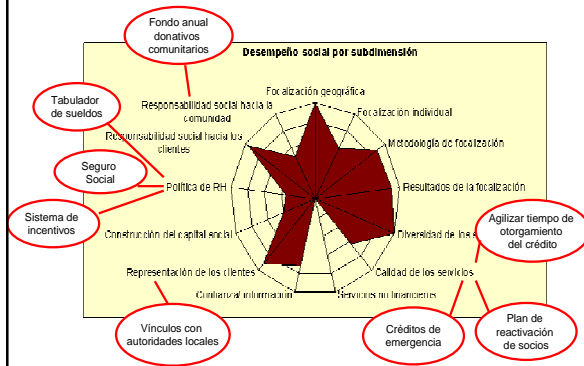
## CVECA: context

- 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

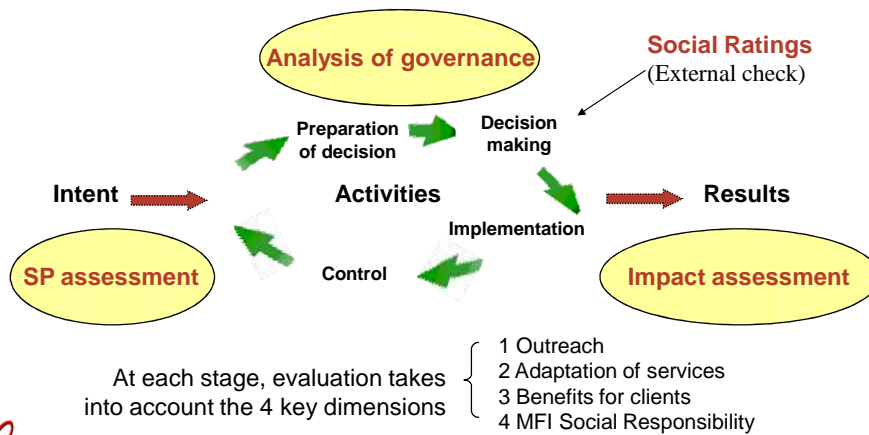
- Peer Review among CIF members to apply SPI on a participative process
- Finalise a « Social Performance Report » by member and for the CIF (sept. 2009) – Workshop to exchange on lessons learned
- Identify key SP indicators for CIF and its members to regularly assess SP
- Identify key areas of progress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

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- 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

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## Social and Financial Evaluation

Statistical study from 42 Latin  
American MFIs

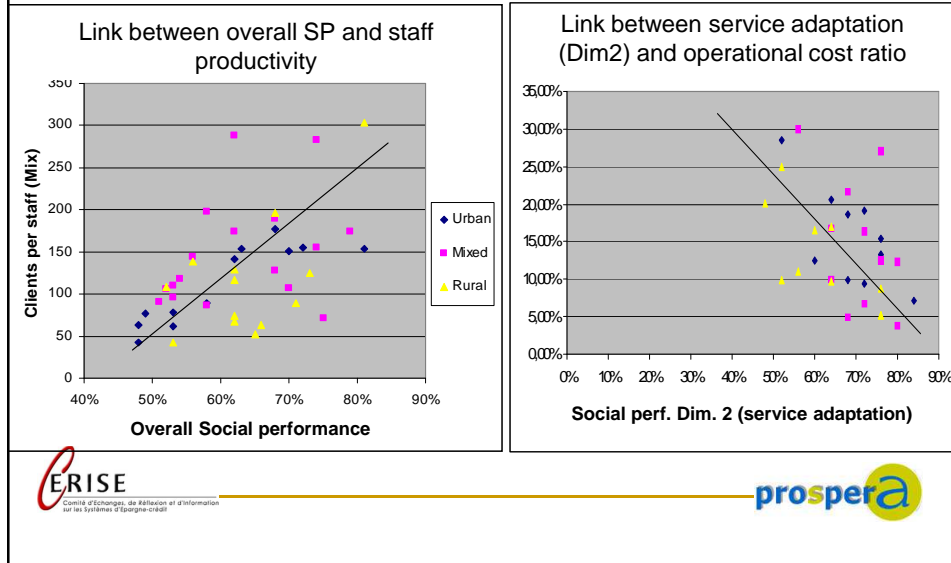
## Study on relationship between SPI and financial performance: Latin American sample

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
<b>Total</b>	<b>12</b>	<b>17</b>	<b>13</b>	<b>42</b>

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

	ROA	PAR	Op. Cost	Empl/ clients
<b>Total SPI</b>	ns	ns	ns	<b>+ (B)</b>
<b>Dim1 : Outreach</b>	ns	ns	<b>+</b>	ns
<b>Dim2 : Products &amp; Services</b>	ns	<b>-</b>	<b>-</b>	ns
<b>Dim3 : Benefits to Clients</b>	ns	ns	<b>-</b>	ns
<b>Dim4 : Soc. Responsib.</b>	ns	<b>- (B)</b>	ns	<b>+ (B)</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

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- 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 »)