

NEWS: SPI Version 3.2 is out!

SPI 3.2 includes the most recent client protection principles from the Smart Campaign .

It is also fully compatible with the MIX Market's Social Performance Standards 2010. Thanks to the new, computerized questionnaire, you can now to report to the MIX in just one click!

Editorial: Findings on social and financial performance

In 2009, CERISE analyzed the SPI results of 126 MFIs to understand the relationship between financial and social performance. The findings are published in the December 2009 issue of the MicroBanking Bulletin (N°19). In 2010, further analysis was carried out on a larger sample of 223 MFIs. Thanks to the members of ProsperA, CERISE's database now has the results of 350 SPI assessments (as of June 2010).

These analyses confirm what many studies have suggested based on incomplete data: social performance and financial performance are compatible. Individual targeting of the poor clearly implies higher costs for MFIs. However other aspects of social performance—namely geographical targeting associated with participatory models, well-adapted loan technologies and social responsibility—are positively correlated with good operational and financial performance. The correlation is even stronger for large MFIs, which benefit from economies of scale.

These results are encouraging and provide a road map for MFIs trying to attain financial, social and environmental sustainability.

Member and Partner Activities

Africa

The Confédération des Institutions Financières (CIF) of **West Africa** federates six large credit unions in five countries: **FCPB-Burkina Faso**, **FECECAM-Benin**, **FUCEC-Togo**, **Kafo Jiginew-Mali**, **NYESIGISO Mali** and **PAMECAS-Senegal**. Together, these cooperatives serve over 2.2 million people, or roughly one household out of six in the countries concerned.

In late 2008, CIF initiated a process to assess the social performance of its network affiliates in view of setting up a Reference Group composed of a dozen managers. This process, facilitated by CERISE, took the form of peer reviews based on the SPI tool.

The entire process lasted a full year and involved the participation of all stakeholders, from elected representatives at the branch level to senior management. The findings were summarized in a report presented to the CIF governing body in October 2009 and led to the development of strategic guidelines and a three-year action plan.

The action plan aims to help affiliates reach more family agriculture, increase outreach to women and vulnerable groups in urban areas, improve savings services, make better use of surpluses and set up a social performance M&E and impact assessment system.

In West Africa, Entrepreneurs du Monde provided group-based technical assistance to several MFIs wishing to validate their social audits and improve social performance management. The initiative



allowed **ALIDé Benin**, **AsiEna**, **LSK** and **Micro Start in Burkina Faso**, and **VEG** and **ID-Ghana** to harmonize the self-assessment process and validate results with an external auditor who also led them in strategic planning. A workshop to discuss lessons learned is planned at the Regional Meeting of **Entrepreneurs du Monde**, September 2010 in Cotonou.

In **Burkina Faso**, Aquadev organized a training workshop on Social Performance, with the support of the technical Unit for the implementation of the National Microfinance Strategy, UNCDF and APIM. This meeting, opened for all the actors of microfinance sector, gathered more than 80 participants, representing around 50 MFIs. Moreover, Aquadev supported several SPI evaluations, like **Wages** in Togo or **ACS** in Rwanda. It has also contributed with the **CESAG** to the creation in Dakar of a high level Master Degree in microfinance intended for African managers

and experts. It integrates SPM modules into its curriculum.

AFMIN, a network which brings together professional organizations from across **all the continent** is also working to improve transparency of African MFIs by integrating into its financial reporting framework a limited number of social performance indicators. The framework is ready and will be tested before being rolled out.

In the **Democratic Republic of Congo**, the Support Program for Economic Development Initiatives in Kivu (PAIDEK) unites branches working across this vast, war-ravaged territory. With the support of MAIN and SOS Faim, PAIDEK is using the SPI to help formulate a shared social strategy and social performance management practices.

In **Benin**, Consorsium Alafia, the national MFI network, elaborated a new study on the social and financial performance of 23 affiliated institutions.

In **Mali**, the national apex organization APIM is developing a simplified reporting format that reflects the priorities of Malian MFIs and gives a coherent overview of the sector's social performance. Building on work started in 2008 with the Banque Malienne de Solidarité and Sidi, APIM is working with members and Terrafina's support to select the social performance indicators most relevant to the Malian context, in order to create an information dashboard for national industry to consult on a regular basis.

Latin America & the Caribbean

In **Peru**, the CIDERURAL network brings together rural MFIs, mainly savings and credit cooperatives, that work extensively with agricultural producers' organizations. Accompanied by SOS Faim, the network carried out its first social diagnostic based on the SPI. It intends to use the study as the basis for a social performance monitoring-evaluation system that will be integrated into its existing activities of providing refinancing for members, technical assistance and developing innovative mechanisms.

Also in **Peru**, the apex cooperative institution FORTALECER (backed by COPEME and supported by SIDI), partnered with PROMUC (a network of leading rural village banking NGOs) to facilitate training seminars on social performance. The objective is to create a system to monitor and control members' social performance. Finally, the cooperative CIAP administered its first social performance assessment with the support and under the supervision of the NGO Acting For Life.

In **Bolivia**, the FINRURAL network coordinated a new wave of social audits. Thirteen of the country's major microfinance NGOs participated. FINRURAL is developing a web-based training program on social performance management tools and concepts; the program is expected to go online this fall.

PROFIN in Bolivia, continues to support MFIs through individualized assistance. PROFIN has developed a range of services combining external social performance audits with technical assistance in social responsibility and social performance management. PROFIN uses the SPI tool to conduct external evaluations of social performance, coupled with other assessment tools at the institutional level and client level. This way, PROFIN ensures a comprehensive approach to improving social performance. Interesting findings have resulted from applying this approach to institutions like CRECER, PRO MUJER and Diaconia-FRIF.

In **Ecuador**, heated discussions with the government are underway regarding microfinance regulation. Thanks to longstanding efforts (since 2007) to encourage transparency of social performance, the professional association RFR has successfully showed that microfinance's contribution to development can not be summed up in an interest rate or legal status. Backed by empirical data from more than 30 audited MFIs, RFR was able to influence discussions on regulatory standards. On the other side, the government has appropriated and adapted the SPI tool to support a public policy of refinancing facilities for institutions with good social performance.

In **Central America**, social performance management already has great visibility, as evidenced by the success of the summit on social performance management held in Managua under the aegis of ASOMIF, REDCAMIF, ForoLac and MISION. Nearly 60 institutions in the region have conducted SPI social audits, mainly with support of Oikocredit, REDCAMIF and ForoLac.



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Social performance has just recently started receiving attention in **Argentina**, **Brazil** and **Uruguay**. The investment fund Oikocredit has played an important role in this regard, accompanying a dozen partner institutions in social performance audits. In **Chile**, BancoEstado Microempresa assessed its social strategy using the SPI and has updated the Spanish translation of the tool. In Colombia, Banco de Bogotá also implemented a social audit to define its strategic positioning. Clearly, banks, too, are concerned by social performance.

In **Mexico**, several noteworthy initiatives are underway, including AMUCSS' efforts to develop an impact monitoring methodology combining poverty measurement tools, client surveys and MIS data. Moreover, the delegated supervisory body FEDRURAL has developed a financial, social and institutional control framework based on a small number of key indicators, as part of its efforts to refine a regulatory mechanism for rural finance.

Asia

The microfinance investment vehicle (MIV) Unitus piloted the SPI with Ujjivan in **India** and AMK in **Cambodia**, and is currently working with Grama Vidiyal. So far the process has been smooth and well-received by the MFIs. Unitus is pilot-testing the approach in the framework of its SPM Implementation Project.

Since 2007, SPACE-EdM has provided assistance to small MFIs in the **Philippines** to conduct social assessments and track the poverty profile of clients. This extensive experience has allowed MFIs to develop a strategy to track progress over time.

appropriate training and incentives, and especially in view of ambitious its growth strategy.

Europe

In **Bulgaria**, a network of small agricultural credit cooperatives have carried out social audits with the support of Oikocredit and DGRV (German Cooperative and Raiffeisen Confederation). They will use results to lobby for a relaxed regulatory framework (the current one limits savings mobilization), to improve the visibility of their agricultural and rural development activities and to increase membership.

In **Brussels**, some forty young professionals are trained each year under the European Microfinance Program coordinated by 6 renowned French and Belgian universities. The Program offers theoretical and practical training in social performance management. This year, several students are interning with practitioners in Peru, Ecuador and India.

The Belgian and Luxemburgish NGO SOS Faim organized an internal training program on social performance and the SPI tool so that staff can assist MFI partners in Africa and Latin America in evaluating



In **India**, ESAF Microfinance and Investments Pvt Ltd (EMFIL), is one of the leading Kerala-based microfinance providers since 1995. EMFIL, with the support of a young professional, recently conducted a social audit. The experience demonstrated the importance of integrating, promoting and tracking social performance across the organization. EMFIL realized that, beyond its deep social commitment and integrated "Microfinance Plus" approach, social performance management must be implemented through systematic practices and processes acknowledged by all stakeholders, and promoted via

and managing their social performance.

Investors/donors

CERISE and the Grameen -Credit Agricole Microfinance Foundation (CGAMF) worked together to develop a social scorecard and trained a team to implement it. A central element of the scorecard is the SPI tool, which is filled out partially during the due diligence, and then completed six months after funding has been granted. It is complemented by a smaller tool (based on fewer indicators) that helps the MIV identify projects in line with its priorities. These tools

are now being used systematically by the Foundation to make investment decisions, mainly in Africa.

In 2010, Kiva embarked on a challenging social performance project. Through the use of the SPI, Kiva is taking a closer look at the social performance of its MFI partners. The goal is to have 100% of long-term MFI partners (i.e., MFIs that have been Kiva partners since end 2009) reporting to CERISE by end 2010. To date, SPI data has been collected from 28 MFIs, covering 40% of Kiva's outstanding portfolio. Kiva Fellows are playing a key role collecting data, and SPI training has been incorporated into the regular Kiva Fellows' training that takes place four times a year.

This is a truly collaborative effort, whereby Kiva coordinate with other organizations using the SPI to alleviate the reporting burden on MFIs. Data has already been shared (with the consent of MFIs) with Oikocredit, Grameen - Credit Agricole Microfinance Foundation, FOROLAC, CERISE and Aquadev, and Kiva is looking forward to collaborating with more partners in the future.

The latest innovation in social performance assessment is to audit private investors. Oikocredit has decided to examine its practices and is the first investor to collaborate with CERISE in the ongoing development of a Social Audit tool for MIVs (SAM).

The audit has revealed that Oikocredit has a strong social mission and vision, committed human resources, trained staff and innovative tools for social performance assessment. Oikocredit can draw on the findings of this audit to update its social performance procedures and further develop its outreach strategy, products and services. CERISE will continue to work with microfinance investment vehicles in 2010 to encourage socially responsible investment in microfinance.

AFD-Proparco group organized an internal workshop on social performance. Staff were trained to administer the SPI tool and identify key indicators for monitoring social performance. Tested in Peru, AFD's social

performance approach is expected to be rolled out in Madagascar, India or Indonesia in coming months.

Looking ahead

CERISE and the Imp-Act Consortium (including Microfinance Center in Poland, CRS-Mision Latin America and Africa, the Grameen Foundation and M-Criil) are collaborating under the aegis of Ford Foundation to develop a comprehensive approach to SPM and training. The approach will be tested with national and regional networks that wish to assess, manage and report on the social performance of their members. By working with networks that reach large numbers of organizations and final clients, the project seeks to scale up SPM in the microfinance sector. A first workshop with tool developers and partner networks (AEMFI Ethiopia, RFR Ecuador, Foro Lac Latin America, MCPI Philippines) will take place in Switzerland in June before the Social Performance Task Force's annual meeting.

The Microfinance Initiative of Liechtenstein (MIL) is supporting CERISE in 2010 to continue its work on the development and dissemination of social audit tools for MFIs and investors. This support will reinforce CERISE's activities during Phase 4 of the SPI (2010-2011) and complements that of CERISE's many other partners, with whom it works to advance and improve social performance tools and practices.

Recent publications

Is microfinance Socially responsible (special issue) ?
Revue Tiers Monde (2009)

Relationships between social and financial performance
MicroBanking Bulletin # 19 (www.themix.org)

The challenge of social performance for CIF in West Africa
CIF- CERISE (www.cerise-microfinance.org)

Analysis of social and financial performance of Consortium Alafia's members
Consortium Alafia- CERISE (www.cerise-microfinance.org)

What is Prosper@?

Prosper@ is an operational network of microfinance actors that aims to promote a culture and practices of social performance, based on the experience and the initiatives of its members, via capacity-building of MFIs and local networks.

Prosper@ endorses several objectives:

- targeting of the poor and the excluded
- improving services to meet the needs of target groups
- building the capacity of clients, especially in terms of social capital, and;
- promoting social responsibility toward workers, clients, the community and the environment.

The Alliance coordinates exchanges and joint action on the basis of the SPI tool and the initiatives of its members, particularly governance, impact and social performance assessment.

Prosper@ members: almost 5 millions clients reached

Networks: ForoLacFr, Latin America ; Alpimed, Salvador ; FINRURAL, Bolivia ; RFR, Ecuador; Colmena Milenaria, AMUCSS, Mexico; KNFP, Haiti ; CIF, Burkina-Faso; Consortium Alafia, Benin; APIFM Madagascar; Space Philippines ; Pamiga, Africa

MFIs: Crecer, Promujer, Bolivia ; Finca, Peru ; Pilarh, Honduras; Sefia Mexico ; REFIKOM-CDRO, Fafides, Guatemala; ASC Union, Albania ; Adie France ; CRG Guinea ; INMAA, Morocco; Buusaa Gonofaa, Etiopia; Pamecas Senegal; RCPB Burkina-Faso; Fucec Togo; Fececam Benin; Kafo Jiginew, Nyesigiso, CVECA Kayes, Mali; Vola Mahasoa Madagascar; ASHI, VEDCOR, Uplift, Philippines; Bina Swadaya Indonesia ; CCSF, Cambodia, etc.

Support organizations: CSR-SME, Philippines, FIDEV, Madagascar , Aquadev, TRIAS, Belgium; CERISE, CIDR, CIRAD, Entrepreneur du monde, IRAM, IRC, GRET France

Donors and investors: Oikocredit, Netherlands; Kiva, Unitus, US; AFD-Proparco Grameen-Crédit Agricole Foundation, Pamiga, SIDI, France; Incofin, Belgium, Swiss Cooperation (Sdc), Microfinance Initiative Liechtenstein (MIL), Fph, etc.

More information – Contact

Cerise

www.cerise-microfinance.org
contact@prospera-microfinance.org

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