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**SOCIAL PERFORMANCE ASSESSMENT  
AND REPORTING BY  
Microfinance Institutions  
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by Koenraad Verhagen**

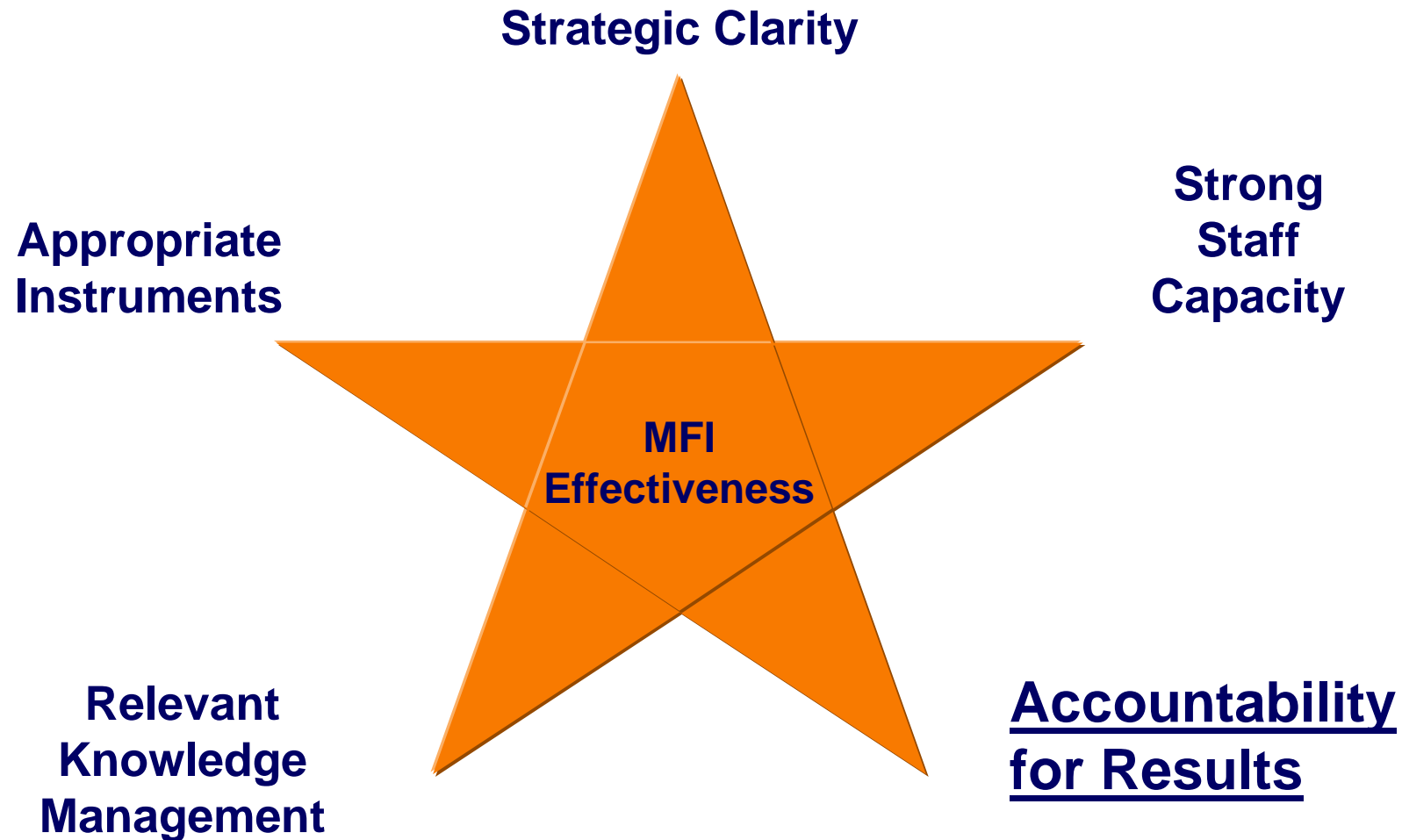
# Social Performance of MFIs



**Do you see it clearly ?**

# Organization Effectiveness Star

(adapted from CGAP Peer Review)



# Accountability for results

Results can be expressed in

- financial terms and
  - social terms

We shall focus on the social dimension,  
especially on ‘social performance’

# Development goals of the SPI Initiative

*At industry level:*

-Greater *transparency* in the MF Industry with regard to the achievement of social development and organizational goals (serving the poor effectively, etc.)

*At the level of MFIs:*

- Develop a **reporting system** that informs different categories of stakeholders about the organisation's SP (MFI Board, management, external financiers, member- clients)
- To provide a base for MFI strategic decision making and improved SP management

*At national and possibly higher levels:*

- To provide a base for comparison with other MFIs on the basis of widely accepted SP standards

# SPI in context

- There are several international initiatives /networks working specifically on the social dimension of Microfinance.
- What is the uniqueness, the added value of SPI ?

# **Most important international actors in the area of development of social indicators**

- SEEP
- CGAP and MIX
- Imp-Act Programme
- Acción International
- Opportunity International
- CERISE
- MicroSave
- Microfinance Centre for E.&C. Europe and NIS

# Main international actors

<i>Name of the organisation</i>	<i>Based in</i>	<i>Type</i>	<i>Tool</i>
<b>SEEP (The Small Enterprise and Promotion Network)</b>	US, Washington <a href="http://www.seepnetwork.org">www.seepnetwork.org</a>	<b>Group of 50 US and Canada based private organizations. USAID supported</b>	<b>Five ‘ AIMS /SEEP’ tools for impact assessment and marketing research</b>
<b>CGAP (Consultative Group to Assist the Poor)</b>	US, Washington. Secretariat housed by the World Bank <a href="http://www.cgap.org">www.cgap.org</a>	<b>CGAP- Group of Multilateral and Bilateral Donors</b>	<b>‘ Poverty Assessment Tool ’ and Social Indicators Initiative (MDGs linked)</b>
<b>MIX (Microfinance Information Exchange by internet)</b>	US, Washington, located in WB <a href="http://www.themix.org">www.themix.org</a>	<b>MIX was created by CGAP and manages the Micro Banking Bulletin (MBB)</b>	<b>Leading MFIs report on financial performance; SP reporting yet to be developed</b>
<b>Programme Imp-Act</b>	Tree universities, UK-based <a href="http://www.ids.ac.uk/impact">www.ids.ac.uk/ impact</a>	<b>Programme implicating 30 MFIs</b>	<b>Qualitative tools for improving social performance</b>

# Main international actors (continued 1)

<i>Name of the organisation</i>	<i>Based in</i>	<i>Type</i>	<i>Tool</i>
<b>Acción International</b>	<b>US, Boston</b> <a href="http://www.accion.org">www.accion.org</a>	<b>Network of Latin American MFIs</b>	<b>Assessment of level of poverty of clients</b>
<b>Opportunity International</b>	<b>US, Illinois</b> <a href="http://www.opportunity.org">www.opportunity.org</a>	<b>Faith based organization</b> <b>Global network of autonomous partners</b>	<b>Three tools</b> <b>1. Poverty Wealth Ranking</b> <b>2. Impact Survey</b> <b>3. Client Exit Survey</b>
<b>CERISE</b> <b>Comité d'Échanges, de Réflexion et d'Information sur les Systèmes d'Épargne et de Crédit</b>	<b>Paris</b> <a href="http://www.cerise-microfinance.org">www.cerise-microfinance.org</a>	<b>Group of four French NGOs (CIDR, CIRAD, GRET, IRAM)</b>	<b>Reporting on MFI Social Performance</b>

# Main international actors (continued 2)

<i>Name of the organisation</i>	<i>Based in</i>	<i>Type</i>	<i>Tool</i>
<b>Micro Save Africa</b>	<b>Kenya, Nairobi</b> <a href="http://www.microsave-africa.com">www.microsave-africa.com</a>	<b>Centre of action-research &amp; training supported by UNDP,UNCDF/DF ID</b>	<b>Easy to manage participatory tools for needs assessment and product development</b>
<b>Microfinance Centre for Central &amp; Eastern Europe and the New Independent States</b>	<b>Warsaw</b>	<b>MF Centre supported by CGAP, the Open Society Inst. , and US Aid</b>	<b>Poverty scorecards and monitoring, developed with Prizma ( Bosnia-H.), Washington Univ. &amp; Freedom from Hunger</b>
<b>Others.....(Freedom from Hunger) .....</b>			

# Uniqueness of SPI Initiative

**A reporting system that:**

- aims at Industry-wide acceptance
- is easy to manage,
- provides relevant and valid information on SP, and
- can be audited ('SP audit')

# SPI CONTRIBUTION

- An instrument for regular (annual) **Social Performance reporting** which can be used independently or in combination with other tools that assess poverty outreach, quality of services, or impact.

# Major contribution of Imp-Act Programme/Initiative

- An important shift in thinking about social performance and impact assessment

Thinking in terms of

- ◆ ***systems*** rather than ***studies***, and
- ◆ ***processes*** rather than ***events***.

# Imp-Act Social Performance Assessment and Management

(from Imp-Act Policy Note ISPN: 1 85864 849 1.number one.2004)

## Six core questions to be adressed :

1. What are the MFI's social performance goals?
2. How does the MFI **monitor** who uses & who is excluded from using its services?
3. How does the MFI **monitor** & **assess** the effects on current clients?
4. How does the MFI **monitor** & **assess** the reasons why some clients leave?
5. How does the MFI **use** social performance information to improve its services and achieve its social goals?
6. How does the MFI **review** & improve the quality of the systems and processes through which it answers these questions?

Missing: how does management **report** to stakeholders about social performance ? See SPI/CERISE

# Major contribution of CGAP Social Indicators Initiative

It tries to :

- Determine depth of outreach
- Monitor social and economic changes in clients

It focuses on MFI clients welfare and  
**it links up with MDGs.**

(Is this last aspect to be added to SPI ?)

CGAP SI Initiative is complementary to SPI and Imp-Act approach. Like SPI, it is geared towards external reporting. Pilot testing of model in progress.

# Illustrative List of Possible MDGs related Industry Indicators (CGAP Social Indicators Initiative)

## *Reaching the poorest*

- Percent of clients below \$1/\$2 per day
- Percent of clients below national or absolute poverty line

## *Alleviating poverty and hunger*

- Improvements in housing
- Increases in assets (landownership or any simply measurable asset)
- Food security/consumption smoothing (especially in lean season)

## *Schooling*

- Primary school attendance (% of eligible children)
- Secondary school attendance (% of eligible children)

## *Access to health care*

- Children's immunization
- Use of modern medical facilities (eg. doctor or maternal care)

## *Women's empowerment*

- Legal awareness (e.g. divorce, inheritance)
- Women's involvement in public sphere activity (e.g. elections, local adjudicating body)
- Women's networks (development of social networks outside kin group)

# Questions

Can the three initiatives be merged into a consistent whole ?

Is this desirable and is it desired ?