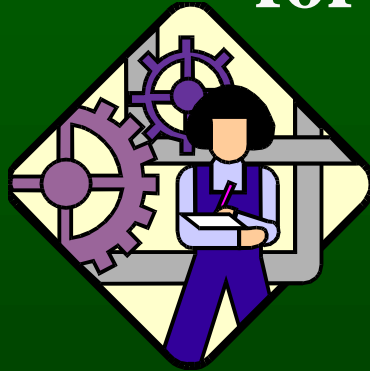


Creating an Effective Social Performance Management System

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PRO MUJER Bolivia
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PRO MUJER'S VISION

**Women are crucial
for national development**



**Micro Credit is not an end in itself but a
vehicle to attain development for women**

PRO MUJER'S MISSION

To support women who live in conditions of socioeconomic exclusion, through participatory, integrated services so they may attain sustainable improvements in their personal, family and civic lives.



SOCIAL APPROACH IN MICRO FINANCE

There are two dimensions:

- ★ Where micro loans represent only a small part of the financial institution portfolio. A very reduced percentage of the clientele belong to the very low income and marginalized sectors of the population.
- ★ Where micro loans services represent almost all the institution's portfolio, and its target population is the very low income and marginalized sector. These MFIs include programs aiming at achieving a measurable social return.

Factors That Facilitate a Social Approach To Micro Finance

- ★ Maintaining status as a non-profit organization
- ★ Asserting a social mission
- ★ Focusing on excluded populations
- ★ The discipline to listen to the client
- ★ Flexibility and innovations
- ★ Including a system of clients' assessment and impact evaluation
- ★ Achieving profitability in order to re-invest and cover the costs of social development services



Why Measure Social Performance?

Measuring Social Performance Is Not Vital Everywhere



★ Social performance measurement is not needed in countries where per capita income is high



★ In the developed world where the needs of the great majority are met because of the general adequate level of social welfare, it is important to focus primarily on financial performance



Measurement of Social Performance is Compelling in:

- ★ Countries where a significant percentage of the population lives in conditions of exclusion
- ★ Countries where Micro Finance is used as an instrument to alleviate poverty

- In developing countries, the MFIs for profit need to measure their social performance

- ★ Fidelity with their origins: they had received grants for providing services to the poor

- ★ Improving client well being helps MFI to be healthy and profitable

- ★ Default of clients jeopardizes institution's investment and income

- Measuring social performance is important for MFIs with financial and social purposes

- ★ To ensure that resources are used to fulfill the 2 purposes they were given for:

 - Institutional sustainability

 - Clients' sustainability

- ★ To identify successful areas of intervention and areas that need to be changed and improved

- ★ To focus on clients' satisfaction

From a Point of View Focused on Financial Return

MFI's with social purposes must keep careful lookout of clients' social performance

- ★ Improving social return is vital to maintaining and improving financial return

- ★ Social return essentially means improving client well being

- ★ Clients are the source of their revenues

- ★ Healthy and educated clients are the basis of financial performance

- ★ Focus on social return is not mutually exclusive with focus on financial return

THE BENEFITS OF SOCIAL PERFORMANCE FOR:

- **The Country**
- **The MFI**
- **The Clients**
- **The Investors**

Benefits of Social Performance Measurement

- - For the country

- In countries where serious social problems exist, measuring the social performance of the financial institutions can help to raise investments in the social sector

Benefits for the MFI

- ★ Allows for a balance between social return
financial return
- ★ Allows for leverage of:
 - Funds
 - Prestige
 - Client Fidelity and Retention
- ★ Improved capacity to innovate and remain
flexible
- ★ Improved competitiveness
- ★ Improved reputation locally, nationally and in
international capital markets
- ★ Vital as marketing tool with potential social
investors

A Win – Win Formula: Balance between Social and Financial Return

INSTITUTIONAL SELF-SUSTAINABILITY

SELF-SUSTAINABILITY OF THE BORROWERS

COST RECOVERY

- Improve Income and living conditions
- Satisfy needs with new services

PROFITABILITY

REINVEST IN NEW AND MORE SERVICES

Benefits for the Clients

- ★ Focus on social return means that clients find response to their needs:
 - ★ Economical
 - ★ Educational
 - ★ Health and Well Being
- ★ Satisfied clients are loyal clients

Benefits for Social Investors

- ★ Transparency of financial and social measurements is vital in making decisions on future investment
- ★ Social impact accrues
 - ★ Prestige
 - ★ Visibility

Measuring Social Impact is Useful and Ethical

- ## ★ Social MFIs

- - ★ Assess progress on social mission

- - ★ Maintain profitability

- ## ★ Regulated MFIs (Former Social MFIs)

- - ★ Ethical to remain true to its origin as social organization that started with grants for serving the poor

- ## ★ “Downgraded” Banks offering Micro Finance

- - ★ Necessary to understand non traditional market

- - ★ Useful in Double Bottom Line marketing



Social Performance Measurement

Measurement Methods and Tools

- ## ★ Ongoing internal measurement

- - ★ Count with a permanent system of simple and transparent tools of data collection
 - ★ Data gathering must be a simple process that does not require additional resources
 - ★ Results to be shared periodically with clients and staff, and used for decision making

- Advantages: cost effective and helps to strengthen the institution

- Disadvantages: depend on the quality of the collected data

External measurement

- ★ Periodic impact studies by external rating agencies

- ★ Check and leverage internal results

- ★ Scientific approach and methodology

- ★ To be used for decision making

- Advantages: reliable and helps attract social investors

- Disadvantages: expensive

Utilization of the Results on Social Return

Issues to Consider:

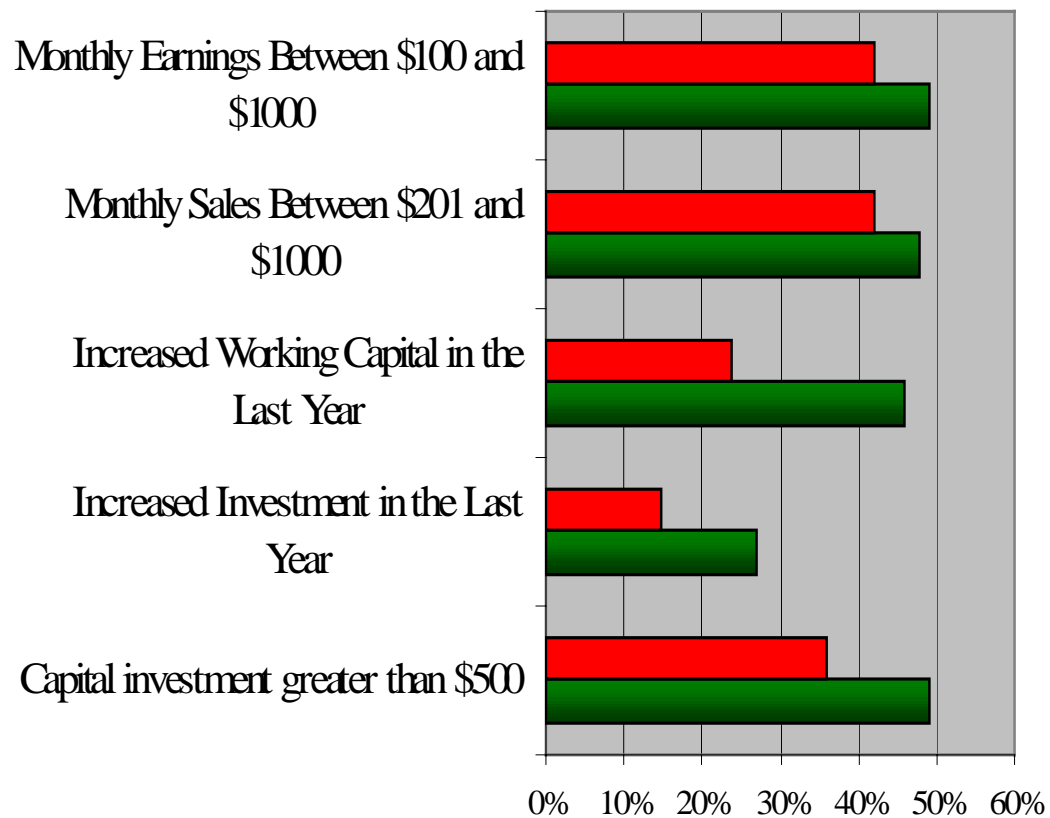
- Inform the clients.
- Inform the team.
- Adjust or create services and processes.

Pro Mujer's Response:

- Puts in place simple mechanisms of focus groups, period meetings
- Feedback to and from the team occurs on a permanent basis.
- All services are periodically adjusted to respond to results.

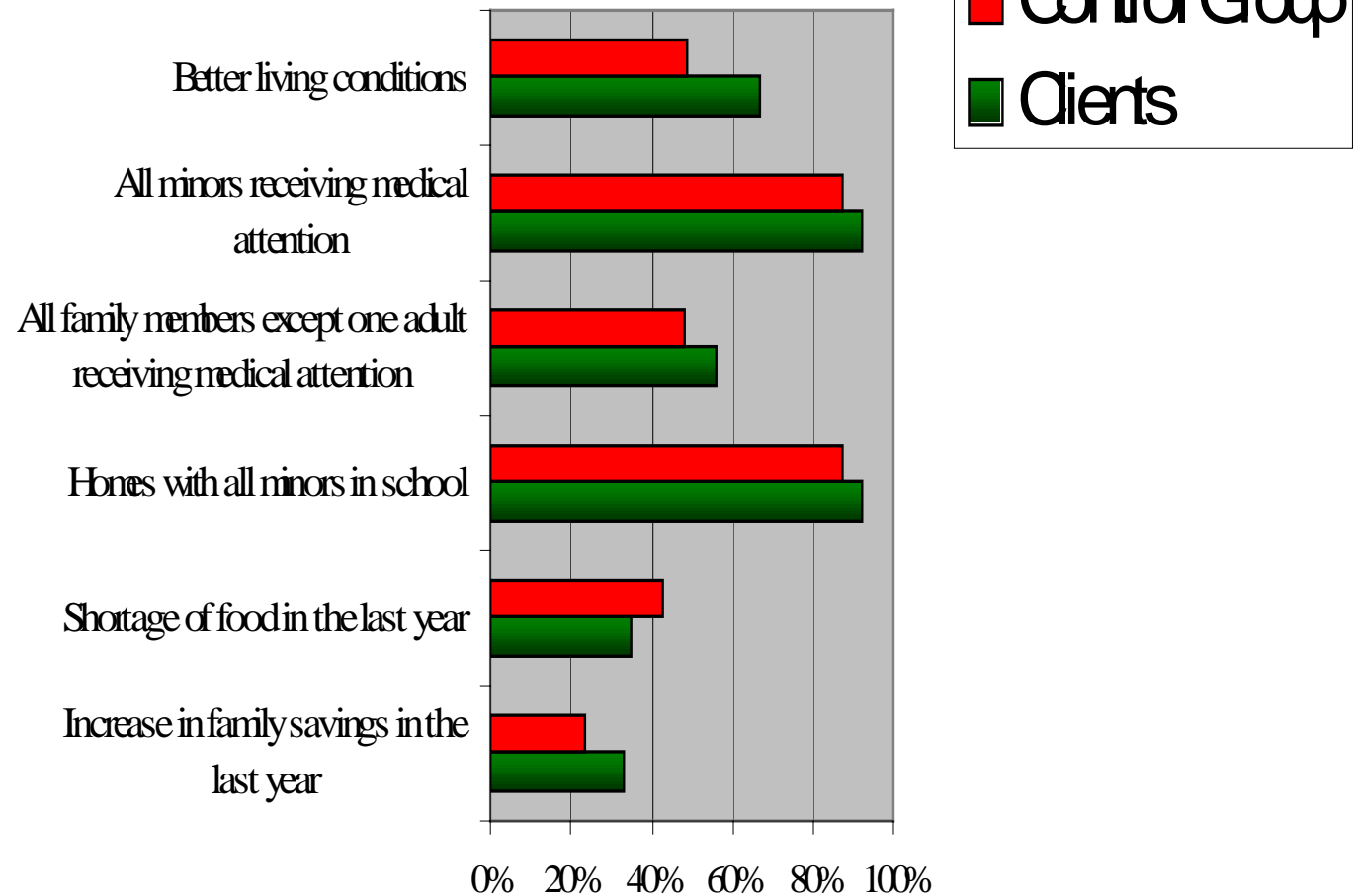
Quantitative Impact Study

Impact on Businesses (FINRURAL, 2003)



Qualitative Impact Study

Impacts on Families (FINRUAL 2003)



Growth of Pro Mujer's Total Portfolio and Clients' Savings Balances (\$US)



SROI Calculation Outputs

- ★ A \$1,000 5-year loan to Pro Mujer creates (depending on the cost of the loan):
 - ★ Between \$10 and \$311 in free cash flow for reinvestment by Pro Mujer
 - ★ Between \$2,000 and \$3,000 in additional earnings for each new client over the term of the loan, helping alleviate poverty
 - ★ Health, education, and empowerment
- ★ Pro Mujer's ability to inform donors and investors of its qualitative and quantitative impacts will improve its ability to attract donors and social investors

Thank you!!!

