

A long term vision of the SPI initiative

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Outline

1) Is there a demand for

- **Measuring**
- **Reporting**
- **Rating social performance?**

2) The way forward (Supply question):

1) Is there a demand for measuring social performance ?

a) It is a perceived need of society

- (some relatively new words in development are i.e. Corporate Social Responsibility, Governance, Social/Environmental Accounting, Double Bottom Line, Trust, Building Social and Political Capital for the Poor)
- **Advancements in social science research (Bourdieu...), it becomes feasible**
- **The MFI sector should not be an observer of these trends, in fact to be taken serious in the long-term in development, it will have to be at the forefront of the SP movement**

1b) Is there a demand for reporting on social performance

➤ Self-interest by MFIs

→ Learning tool for managements, staff, clients and community

→ Fundraising tool (“SP as an additional plus, no longer a minus or being neglected charity work”)

→ Interest by donors/ Governments/ Socially oriented investment funds/ International NGOs / MFI networks / and other social investors

- Learning, increasing transparency by comparing results within and across countries/types of MFIs, over time (EVOLUTION/TRENDS)

- Avoiding mission drift, reporting to its constituencies (taxpayers, private donors etc.)

- There are synergies, but there are also trade-offs between financial and social performance

If society values both, then – if public funds are being used- both need to be measured.

1c) Is there a demand for **rating and benchmarking** social performance

FROM the above, it follows: YES.

- **Self-interest by MFIs (Learning, Fundraising)**
- ➔ **Interest by donors/ Governments/ Socially oriented investment funds/ International NGOs and other social investors**
 - **Learning (also for MFI sector at large)**
 - **Fundraising tool: Avoiding mission drift, reporting to its constituencies (taxpayers, private donors etc.)**
- ➔ **I estimate the potential volume of socially oriented investment funds to be MUCH LARGER than the funds devoted by donors and governments to microfinance (RIGHT NOW we have a market failure)**

2) The way forward:

- Further improvements in the method**
- Combination with other tools**
- Global public good: Institutional and funding considerations**

2a) Further improvements in the method

- **Action-oriented research by practitioners and researchers is key (CERISE and MFI partners)**
(→ substantial improvements of questionnaire based on advice from 25 MFIs and Belgian Network, dimensions were by and large accepted/refined, weaknesses and risks of some indicators were identified)
- **Finalize SPI guide, including perhaps a programmed excel sheet to generate graphs on SPI results**
- **Continue testing on indicators and weights (data base establishment, sensitivity of total SPI score to weights, statistical analysis of weights)**

2b) Combination with other tools

- No tool fits all sizes/needs
- Tools should operate stand-alone or in combination, but results from other tools can be integrated in SP reporting

MAINLY Tools for poverty assessment

CGAP PAT (measurement of relative poverty)

USAID/ IRIS (measurement of absolute poverty, see www.povertytools.org)

2c) SPI: Institutional and fundraising considerations

- **Creating a global public good (Long-term funding is needed)**
 - **Phase 3 of SPI-initiative (2-3 years). Raise awareness and knowledge about tool: Disseminate SPI guide, compile data from additional SP assessments into central data base, and report to all stakeholders (→ need one institution as a hub/knowledge center/observatoire)**
 - **Phase 4 (1-2 years): Review and finalize weights and indicators (consensus building), Norms/standards, set up external rating mechanism/checks**
- Implementation of final SPI tool: Voluntary self-reporting by MFIs coupled with externally funded SP audits**