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MAINSTREAMING SOCIAL PERFORMANCE

AN ONLINE SPEAKER'S CORNER DISCUSSION LED BY AMY DAVIS KRUIZE AND GARY WOLLER AND HOSTED BY microLINKS.ORG

March 27-29 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by International Resources Group and QED Group LLC.

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DAY ONE: WELCOME

Post By: Amy Davie Kruize and Gary Woller

Good Morning Participants,

Today kicks off the three-day e-conference on Mainstreaming Social Performance moderated by Amy Davis Kruize and Gary Woller.

The purpose of this Speaker's Corner is to investigate important issues related to the mainstreaming of social performance assessment (SPA) and social performance management (SPM) into the microfinance and microenterprise development sectors. This post will be followed by a short introduction to the conversation and the Day One Question. Additional background information can be found at www.microlinks.org/socialperformance.

We thank you all for your participation in this event and look forward to your contributions over the next three days!

DAY ONE: INTRODUCTION TO THE CONVERSATION

Post By: Amy Davie Kruize and Gary Woller

Greetings Participants,

Once relegated to the extreme fringe of microfinance, interest in social performance within the microfinance sector is growing. A diverse collection of individuals and organizations representing major stakeholder groups are actively considering various methods to measure and manage the social performance of microfinance institutions. Technological breakthroughs in social performance assessment have transformed such considerations from theoretical propositions into actual prospects and have served to bestow greater impetus on what may now arguably be called the social performance movement within the microfinance sector.

All this notwithstanding, the social performance movement still has a ways to go before it can be considered mainstream in any sense. Despite the movement's progress, it remains on the fringes of the sector and there is no guarantee that it will ever reach this point. The major issue to be considered in this Speaker's Corner, therefore, is how to transform social performance from a fringe movement into a mainstream value and practice (or even whether such a transformation is desirable).

We at the Social Performance Working Group of SEEP, which is sponsoring and facilitating this Speaker's Corner, are interested in hearing diverse views on this issue from persons representing an array of stakeholder groups. While we may have our own opinions on this subject, we genuinely want to know what others think and why, and we seek the collective wisdom of our colleagues in answering the questions we will be posing over the next three days. So, please, tell us what you think. The discussion on this Speaker's Corner will be used by the Social Performance Working Group as source material in producing its Social Performance Map.

Thank you in advance for your interest and commitment to this essential conversation.

DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davie Kruize

Day One Question:

In looking at key issues that have created momentum in the Microfinance industry and resulted in the acceptance and mainstreaming of those issues, such as financial performance, gender focus and poverty assessment, what can be said about the issue of Social Performance? For example, the microfinance industry now accepts the need to be transparent about financial performance. For MFIs that claim a distinct and defining social mission, is there a corresponding need to be transparent about their achievements in social performance?

1a. If yes, what are the common principles underlying the mainstreaming of financial performance and the possible need to mainstream social performance? What are the differences between the two areas?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tony Pryor

Thanks so much for all of the background information that you've added to this section; it really makes the discussion easier to join for those less familiar with the topic. Could you though also provide me in a couple of sentences some additional definition of "social performance"? What is usually coved by the term? Where are the areas of conflict, or differences of opinion, as to what "social" covers, and how you measure performance?

I am assuming that a major area of debate between the fringe and the center relates to the centrality of "social performance", however defined, in the objectives and performance targets which a microfinance entity should be measuring and worrying about. An example or two here would be very helpful! Many thanks!

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davie Kruize

Dear Tony,

Thanks for your enquiry. As a first response, I would like to post these Working Definitions:

What is social performance?

Most microfinance institutions (MFIs) have a social mission. They may seek to reduce poverty, to reach people excluded from financial services, to empower women, to build community solidarity, to promote economic development and regeneration, to extend outreach to rural areas, to support agricultural or other rural-based economic activities, etc. The social performance of an MFI is “the effective translation of an organization’s social mission into practice. Social performance is not just about measuring the outcomes, but also about the actions and corrective measures that are being taken to bring about those outcomes."

Mainstreaming:

Social performance assessment and social performance management are widely accepted in the sector as legitimate and normal activities that are practiced by a significant percentage Microfinance Institutions. A variety of stakeholders within the industry, including MFIs, donors, investors, etc. are increasingly using social performance information routinely for decision-making purposes.

Social Performance Assessment (SPA):

Social performance assessment is "the process by which an organization measures its social performance relative to its social mission and objectives and to those of key stakeholders. Measurement may focus at any of the steps in the social impact causal chain."

Social Performance Management (SPM):

Social performance management (SPM) refers to "the process of translating mission into practice, including setting social objectives, tracking social performance and using this information to improve practice."

For a full list please refer to the Social Performance Glossary posted here.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tony Pryor

Excellent! Just what I needed! And I assume it grew out from a concern that 1) micro-fi institutions might at times forget the underlying social objective of their organization, and 2) that saying you want to reach a social objective and actually DOING it requires some positive steps on the part of the organization, steps which can be tracked. Am I more or less on the right path?

Tony Pryor

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Yes, I do think that you are on the right path. A fundamental principle accepted in general by those in the social performance "movement" (if I can be so bold as to speak for them) is that one cannot manage what one does not measure. IF an MFI has a distinct social mission or purpose, how can it manage its progress toward this mission or purpose if it does not have information on its social performance?

I do not think anyone would dispute the concept that managing financial performance requires information on financial performance. This concept implicitly endorses the "one must measure to manage" concept stated above.

Yet, I find it curious that we meet resistance when applying this basic concept to social performance, and I wonder why. I have my own theories, but I'm interested in (1) whether this perception is accurate?, and (2) if so, why?

In general, why do we encounter resistance to the idea of social performance assessment? It is important to understand the basis to this resistance, as it is one of the primary obstacles to mainstreaming social performance. If we can understand it better, then we can address it.

What do you all think?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Maria Perdomo

I believe some of the reasons why you might find resistance to measure social performance are:

1. Difficulty in finding the right tools that provides you with the right and accurate information about the progress of your mission.

2. Once you find the tools that are more likely to provide you with the the most accurate information, then the second consideration would be to assess the cost (time of staff and other financial costs) associated with the tools you decided to use.

3. How easy to use are the tools you decided to use? Can your internal staff apply the tools? Do you have to hire an external team to do it? When are you going to use them? Do you do it in an ongoing basis? Can you integrate the social performance data in forms that the insitution is already using (loan applications, membership applications etc)?

What do you think?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

I think that these considerations certainly matter, and probably matter a lot.

Developing assessment tools is one thing. Operationalizing those tools and institutionalizing them is a different thing all together.

Question: Do you think, therefore, that resistance to social performance assessment and management is practical/pragmatic (consistent with the examples you've given here), or is there another dimension to it?

If we were able to overcome these practical barriers, would that be sufficient to mainstream social performance?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Cécile Lapenu

Thank you for this e-conference! It may help see the ideas of different types of actors, and facilitate the way forward to mainstream social performance, and reinforce the microfinance sector.

It seems that SPM and SPA can gain recognition because the MFI themselves are striving to enhance, gain recognition for and intensify their actions on SP which they consider capable of reconciling social and financial aims. This is particularly important when microfinance is more and more well-known (Year of Microcredit, Yunus Nobel Prize) but then subject to critics and risks (populism, politicization, too many expectations, etc.).

Concerns have also risen among the community of donors and social investors, preoccupied by the effects of microfinance while public funds are being used to support its expansion. Who are the beneficiaries? What is the social impact on individuals, communities and territories? What are the means of action and what is the social responsibility of these organisations?

Yet, the evaluation systems used up until now in the microfinance sector have essentially been focused on assessing financial performance.

From what I can see, the idea that microfinance actions can no longer simply be guided and evaluated with the measuring stick for financial performance has slowly but surely made its way in the microfinance sector, following 1) the observation of divergence and crises such as the overindebtedness of clients or the negative effects on the social bonds in the operations of certain so-called «joint-liability» groups and 2) the development of tools and approaches. One of the main preoccupations regarding social performance assessment was indeed that it can be difficult to measure and standardize (which was easier – but not straightforward - for financial performance). However, many initiatives now have shown that it can be done, that it is useful for the MFI to develop the culture of social performance in their organization, to measure and improve their social objectives and results.
You can also find an example of tool developed by CERISE and its partners in Latin America, Africa, Asia and Europe on Cerise's website:

http://www.cerise-microfinance.org/publication/impact.htm#telecharger

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RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tom Coleman

You have raised an excellent point about the costs of social performance measurement.

What do people consider the benefits to be? How big are the benefits?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Rossana Ramírez

Another major reason why MFIs are resistant is that they do not 'see' the benefits derived from implementing a system that would provide information on their social performance. I have seen that some MFI staff, especially the ones in charge of working on issues of client retention, see the benefits and linkages of social performance to their overall performance, but this line of reasoning is difficult to justify up the organizational ladder, to board directors, who might only focus on the single bottom line. MFIs have to conduct a cost-benefit analysis, but they might not necessarily understand all the short- and long-term benefits of managing their social performance.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Maria Perdomo

Ideally, tools should be easy to understand, measures should demonstrate accomplishments simply, and the process and social performance systems in place should be sensitive to MFI managers' time and budget.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

That's a very good question. One of the difficulties is that the costs of social performance assessment are visible and concrete, while the benefits are largely theoretical.

Imp-Act Consortium is currently conducting cost-benefit assessments (or planning to conduct them) for a number of MFIs, plus there has been other work on cost/benefit assessments of social performance assessment (or client assessment). A number of cost/benefit studies were published a couple of years back in the Small Enterprise Development Journal.

We recognize the need to document evidence on the net benefits of SPA and SPM (easier said than done, but we're trying), but let's assume that we can document them. Will that convince the critics/skeptics?

What more needs to be done?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

I think few people will disagree with your statements.

The question I have is whether management's reluctance is generalizeable to other activities, or whether there is something different in their attitudes toward social performance assessment and management.

That is, is there some underlying resistance to SPM and SPA that goes beyond practical issues of cost-benefits, institutionalizing, etc? If we could overcome all these technological constraints, would the sector adopt SPA and SPM, or would there continue to be resistance/skepticism?

If you think so, why do you think this, and what can we do address it.

I guess I'm revealing some of my preconceptions here--my perception is that there exists resistance to SPM and SPA that is more fundamentally philosophical than pragmatic (though the latter certainly exists). Am I way off base (certainly a possibility)? What do you think?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Dear All,

It is wonderful to see the participation from opposite ends of the globe. Maria and Cecile have both brought up the issue of standardization of SP indicators. What are the benefits of standardization? What are the drawbacks? And more importantly, how and who is going to participate and consolidate ideas--as well as move them into action?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

I did not want this question to get lost, as I think answering it may be very powerful and not as obvious as it seems at first glance...

IF an MFI has a distinct social mission or purpose, how can it manage its progress toward this mission or purpose if it does not have information on its social performance?

For those MFIs that do and don't have SP systems set up--why? and why not?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Katherine Knotts

To build on Gary's point below: the benefits of SPA/SPM are not necessarily theoretical - we generally know what benefits to MFIs and clients arise from systematically assessing and managing an MFI's social performance, and we are making progress in documenting these. Where we are less clear, however, is in the cost question.

Gary raises a good point: costing a social performance information (assessment) system is relatively uncomplicated. Assessing the organisational value (costs) of applying a social lens to performance management, however, is what becomes tricky.

We seem to be under a lot of pressure these days to make the "business case" for SPM. The question becomes: if we can't yet give complete and hard numbers on the costs question (rather qualitative evidence and illustrative financial analysis where possible), what will convince the critics? To be the devil's advocate: should we be trying at all?

Thoughts?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Rekha Reddy

Dear All,

Re: making the business case for social performance, here are some of the reasons investors offered for their interest in social performance (Source: Council of Microfinance Equity Funds survey, 2005):

Internal Use by Management:
* Accountability: To monitor whether institutions are fulfilling their mission, or moving away from serving their target market
* Risk management: To detect warning signs and risks in microfinance institutions before they become problems
* Evaluation: To compare potential investment opportunities that claim to offer social benefits

Providing Information to External Stakeholders:
* Marketing: To demonstrate to potential shareholders what differentiates their socially oriented funds from funds purely motivated by profit or other social investments
* Reporting: To show shareholders how their investments are progressing over time
* Lobbying: To provide information that helps secure additional funds from government or multilateral investors
* Policy: To compare the social performance of microfinance investments to that of other possible social investments

Although nearly all of the CMEF members surveyed listed ways in which social performance metrics could be used, two caveats should be noted:

1) A quarter of those surveyed felt that social performance metrics were not important or not relevant for their institution. For the most part, these institutions felt that providing access to financial services is a valuable end in itself, and that any further promise of institutional or client outcomes was not part of their mission.

2) Others Council members expressed the opinion that social performance is important, but should not be considered as critical as the measurement of financial performance, because of the importance of proving to shareholders that microfinance can be profitable in this nascent industry.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

I am not suggesting that there's some kind of phobia. What I am suggesting (and again this is only my perception, and I'm curious as to others' perspectives) is that there exists in the sector among some a philosophical opposition to social performance assessment. More along the lines that SPA is not really that important, or that it is a diversion from other more pressing issues, or that there is no real responsibility or need to do it.

This goes to the question Katherine Knotts raised in her post, and a question I have asked also: if we could overcome all of the practical obstacles to social performance or if we could demonstrate clearly its net benefits, would this convince everyone? Would this be sufficient to move from fringe to mainstream?

The answer to this question will help understand whether there are obstacles/objections that are more philosophical in nature, as I've suggested above.

To me this is important, because we all recognize the practical obstacles (cost, technology, resources, how to institutionalize, etc.), and we have some idea of how to address them; but if there are other obstacles as well, we need to identifying them so that we can determine how to address them, if, as Katherine notes, we think it necessary to address them.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Isabelle Barres

Great discussion.

The main benefit of standardization is to have access to comparable data on a wide range of MFIs. This can help:

1-MFIs improve their 'social' performance by having access to comparable data from their peers (AND have increased access to funding from socially-monded investors)

2-funders interested in social return make informed decisions about where to invest

3-the public at large/ media/ academics: better understand the 'promise' and limitations of microfinance

Standardization refers to 1/standardizing terms (common definitions); 2/standardizing indicators (common definitions for the indicators used to measure social performance); 3/establishing standards of performance (benchmarks for the top performers).

The Social Glossary put together by SEEP is an important step in starting this standardization process. A number of organization, under the umbrella of the CGAP Social Performance Task force, are currently working to select and define core performance indicators that could be promoted/adopted on a wide scale, and disseminated on public platforms such as the MIX Market. Following the framework proposed by the specialized microfinance rating agencies, the core performance indicators are divided into the following main categories: 1/profiling (general information about the MFI), 2/ process (who is the MFI targetting, does it have policies in place, etc.), 3/ outcomes (actual results, at the MFI level, such as client and staff retention), 4/ client-level (change in asset, movement accross poverty line, etc.) We will seek feedback from MFIs and investors in April/May to refine the list.

On a few issues mentioned previously:

- to get endorsement of the indicators by both MFIs and investors, it is crucial to link the social performance to overall performance. We will be able to test these relationships when we have more data

- we have a moral obligation to measure social performance more accurately, both to improve it, and to mitigate the risks linked to misinterpretation of results (both overstating and understating). The risk of overstating is to not allocate resources efficiently, and understating to loose interest from people outside of the microfinance circles

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RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Dear Tom,

While I am not sure I said that, I certainly think there is a "versatile" camp among SP practitioners. Many MFIs that are creating SP systems and at the same time re-looking at their SP goals argue that SP must be flexible and agile so that individual organizations can create SP frameworks that match their hard-earned strategic plans, led by their sometimes unique social mission and vision--and that those can not be easily standardized. Thus, some resistance does seem to exist among even "the choir" about how to effectively mainstream SP.

What do MFIs that are undertaking SP assessment and management have to say about standardization and mainstreaming? Is it doable? Desirable?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

I find Rekha's submission of great interest (despite the fact that it is a bit dated--2005), especially given Gary's concerns about some philosophical obstacles to mainstreaming SP. Specifically, if "a quarter of those surveyed felt that social performance metrics were not important or not relevant for their institution" then we may in fact have serious differences about the philosophical underpinnings of microfinance. If many stakeholders do not even recognize that social metrics are relevant, then how do we influence the mainstreaming of these metrics? Your thoughts?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Thank you for this information Rekha.

I have worked with MicroRate on developing and implementing a social rating. Sebastian von Stauffenberg at MicroRate has told me repeatedly that MicroRate looks closely at goal alignment (e.g., is the MFI behaving consistently with its mission, strategic objectives, etc.) within the MFI. Based on MicroRate's experience, mission drift is a red flag that they pay close attention to. If the MFI is drifting away from its mission, and behaving inconsistently with its stated purpose, this signals that perhaps there are some serious management, organizational, or other issues within the MFI. (I hope I've accurately reflected what Sebastian has said.)

Has anyone else seen this or have a perspective on this argument?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Thank you Isabelle.

I would say that standardization is both possible and absolutely critical. I do not see how we can mainstream social performance in the long term without creating standards around terms, definitions, indicators, tools, and (often overlooked) ethics (e.g., do "social institutions" have an ethical obligation to be transparent about social performance).

This does not necessarily mean 100% agreement on everything, but it does mean widespread convergence/agreement, and it requires some means to make comparisons across institutions, contexts, etc.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Rossana Ramírez

On revisiting Gary's previous comment on a perception that "resistance to SPM and SPA that is more fundamentally philosophical than pragmatic (though the latter certainly exists)", I would tend to agree. In my view, organizations that already have mechanisms in place that try to capture qualitative information on client satisfaction and impact, are more likely to see a real benefit in systematizing the management of their social performance, and, as a result, have an interest in integrating their current mechanisms into a more comprehensive social performance information system. This also makes it more cost-effective for an organization to have a social performance system.

If an MFI has not previously examined or questioned its ability to achieve a social objective, it will be more challenging for its staff and directors to see any benefits because the institution itself does not have a culture that is concerned about social performance. I realize this is obvious, but this related to the question on whether social performance can really be mainstreamed, I think we do need to see more successful examples of institutions that have integrated SPM and SPA to mainstream these issues, but would this convince those institutions that have not even questioned their social mission? Should we be focusing on organizations that already have an orientation towards social performance, but just need assistance implementing it and making it cost-effective?

Rossana

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Jan Maes

Hi everyone,

It seems often implicit in today's discussion on standardizing SPA that this is about financially sustainable institutions (who can generate a return for social investors). This makes sense, since social perfomance is "borrowed" from the for-profit sector. vOf course, social investors are not the only stakeholders, but are they the main ones driving the push for social performance?.

How do less traditional, not-fully-sustainable microfinance organizations fit in? Has anyone looked into a framework that would evaluate social performance and financial performance combined? Manfred Zeller in one of his papers (I don't recall the title) speaks of the triangle of financial sustainability, depth of outreach and impact, suggesting that there are trade-offs among these three goals. For instance, if you want to reach very poor people (less than $1/day) and you hope to help them cross the poverty line (thereby scoring poinnts for helping to achieve MDG No. 1), then you are more than likely doing this at the expense of financial sustainability. Wouldn't it be nice, for donors and all of us involved with microfinance organizations along wide spectra of financial performance and social performance, if these trade-offs could be reflected? This might also "open up" social performance to less traditional (but certainly not less important) players, like the many multisector NGOs who promote/provide financial services (often alongside non-finacial services)? Are multi-sector development organizations interested in social performance, to begin with?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Rosanna,

I certainly appreciate your observation about the influence of organizational culture in the adoption of social performance practices. It does seem that there are a variety of cultures within the microfinance industry, some more inclined to have and respect their social mission, than others.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Thank you Jan! I hope that we have not promoted the thought that SP is only for those reaching financial sustainability or formal financial institutions, or only focused on social investors. It is most certainly practiced in earnest by MFIs that are seeking to achieve their social mission, as well as striving for sustainability and that is where we are learning the lessons for the industry adoption of SP as a mainstream effort.

In Isabelle's posting earlier today, she advised us to think about the link between Social Performance and overall performance.

Let's continue this discussion in Day 2!

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize and Gary Woller

Dear Participants and Silent Observers!

I would like to thank all of you who have taken the time to post a response or comment regarding the Minstreaming of Social Performance! A second, quieter thank you goes to those of you who have intently followed the discussions and who may be preparing to contribute later tonight or in Day 2 and 3 (please do!).

While we have not completely answered the original question posed this morning, that is is okay! We have generated a lot of themes and perspectives that will continue throughout. What we will do is: 1) Draft a Summary of Day One and 2) digest both our pre-discussion questions and your postings and reformulate our questions for Day 2, beginning at 9am EST. Please feel free to review the threads, with your stakeholder hats on, and make comments tonight, however, Gary and I will not respond until tomorrow morning. Until then!

Amy and Gary

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tom Coleman

Amy

I did not mean to be flip in my versatility and flier miles analogy. There is value to versatility.

There seems to be a tension between standardization and the special strategies and special priorities of different MFIs.

With MFI financial standards which certainly took a long time (Gary, you are right this stuff isn't quick) there was a commercial finance standard tied to potential MFI funding that provided an enormous incentive to get an MFI financial standard settled that was compatible with international commercial financial standards.

There seems to be no comparable international commercial SP standard or clear financial incentives to help standardize and mainstream MFI SPM/SPA and reporting.

If commercial financing of MFIs outstrips social investor financing in the MFI foreign investment market as it has already in the local MFI financing markets, then there may be a lot of pressure for very simple standardized "lowest common denominator" SPA and reporting. It may behoove those who can lead SP standardization with some urgency to get ahead of this curve and make sure valued social goals and measures don't get lost in the shift.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Bobby Gray

In response to the question about where the resistance comes from: in part, I think for those organizations that are aware of anything "social performance" related, there is a confusion as to what institutions should pay attention to first. Some of us are starting with strategic trainings on how to go about social performance management, but because there are many activities in this right now, institutions are also being bombarded by social audits, by social rating organizations wanting to conduct ratings, by partner institutions trying to test out new tools. For those who are remotely aware and engaged in social performance, the lack of cohesiveness and the lack of coordination among all the world-wide activities is a bit overwhelming and it's a bit hard to navigate. Many organizations are left with a menu of options, but not a clear path to follow when it comes to social performance management. We have been working with several Peruvian organizations on their social performance management systems. They are all very excited about this work. They've participated in the strategic workshops and they understand the components. At this point, having help conceptualizing what this "SPM system" looks like, what it will do when it's in full operation is the biggest question. But of course, I might be speaking of a minority of organizations that are actually engaged in this theme.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Bobby Gray

As to standardization, I think most would agree that having standard indicators would be interesting, but I think this creates more fear that it is worth. There is a fear that they'll be judged on certain indicators, without having any influence on how those indicators were chosen. I would tend to lean towards the camp that says, we are just now engaging organizations in the discussion about how to manage their social performance, it would be nice to have a little more time to try out indicators that work for individual organizations. There is also fear that there is a small group of people making decisions about indicators for the whole, when the whole doesn't even fully agree on what it is we're trying to measure (or manage). Many organizations are being approached by social rating and auditing organizations as well, and they'd simply like to be part of the conversation as to how they are being measured before a framework is set over their organization that will tell them whether they are doing it right or not. And given there are different approaches to this as well, is there any benefit of being rated or audited by one organization or another?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Bobby Gray

I would support Maria's comment as well about resistance to social performance assessment and the role that choosing the right tools/measurements plays into this. Especially in regards to poverty measurement. Many organizations know that this is an important component to understand the poverty levels of their clients. Now that USAID/IRIS are now doing some of their trainings and because there has been development in this area as well among NGOs and different governments, now the question for many is "which one do I use to make sure I'm satisfying my organizational needs as well as any donor/investor/etc. that may come along?" Will the USAID tools trump any existing tools? How will MFIs choose which of these tools to use? Will they be required to use various tools depending on which donor likes which tool? Just an added complication about starting any assessment because there isn't yet a means to help them determine which approach is right for their organization.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Dear Bobbi,

Thanks for taking the time to contribute, your comments are valuable! I wanted to respond briefly--the reality in the field, in actually running the day to day operations of an MFI, can be daunting--budgets, donor reports, HR crises, cleint delinquency and competition are all top priority for the manager. Where the manager focuses his/her attention is based on what incentives are in place for a) bonuses or b) retaining the job or c) pressure from shareholders. So I would like to introduce the idea of incentives--both financial and non-financial--for entering into and using SP. I also agree with your gradual "sensibilization" approach to influence the acceptance of SP by MFIs that are already moving faster than they can manage.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Bobbi,

I want us to focus on a detailed discussion of standardization today, it would be helpful to dissect this process and look at examples of the standardization process of other now mainstream issues, i.e., financial performance. I think with contributions form the participants we can begin to author a process that would build on lessons learned, reduce the resistance and relieve the fear of using social performance as a compass to achieving our social mission.

What will it take to create standards that are generally accepted and used throughout the industry?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Amy Davis Kruize

Finally, the issue that I see here is one of interest to us all--what are the drivers of this process? As compared to drivers from other reporting requirements? Are we initiating the process from the ground up (internally) or is the use of SP being imposed upon us by social investors, donors, the industry at large?

Bobbi is talking about the choice of tools (which is key from the perspective of the MFI manager/implementor), but what about when the choice of tools and process become "required", how does this compete with current requirements/ priorities? Should the use of SP instruments be required?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Anton Simanowitz and Katherine Knotts and Katherine Knotts

Sorry to have missed the rest of the discussion last night - the disadvantage of being in a different time zone.

We need to be clear about just what it is that MFIs are resisting. Our experience is that MFIs welcome better performance management. To date the Imp-Act Consortium has trained over 100 MFIs, and the feedback has been very positive. In our experience, the following can be said:

* It is clear that MFIs are generally committed to their social mission

* Most MFIs are already doing *something* in terms of collecting and using information that can be used to understand their social performance

Thus, from our perspective our work is about helping MFIs be more effective in what they're already doing. It isn't resistance that we are meeting but a genuine sense of excitement when MFIs realise that this isn't something totally new, and that achieving the social mission (and learning to do so more effectively) is all of part performance management more generally.

Where we *are* seeing resistance is where:

* There is the sense that managing social performance is too complicated and too costly (this goes back to the discussions on costs and benefits - and where MFIs see trade-offs rather than synergies between social and financial performance. Our current round of case studies on the assessing the value of SPM will be addressing this issue)
* MFIs feel the need to develop new tools, rather than trying to understand whether they are already collecting

information that can be used (with a social lens) to track progress towards social goals
* Tools have been applied in a one-off way separate from overall performance management and therefore are not used in an on-going or systematic way
* MFIs feel an external pressure to provide social performance information that is greater than the perceived internal need or benefits.

Just a few thoughts for now before we move into full swing with day two...

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

First, mainstreaming is also about "cultural transformation." For institutions that already have a "social performance" culture, mainstreaming will be easier. But for institutions that lack such a culture--meaning that it does not put a high priority on social issues, even though their mission may state a social purpose--mainstreaming will be a more difficult task.

How do we deal with this issue of culture, both from an individual MFI perspective and from the perspective of the entire sector?

To the extent mainstreaming is successful, it will require, I would imagine, a bit of a cultural transformation at the sector level also.

Another issue touched on by Rosssanna is the issue of "targeting" (this issue was also touched on in the reply by Katherine Knotts of Imp-Act yesterday). That is, for those of us interested in promoting the social performance agenda, should we focus our efforts initially on those already "converted" or should we caste our net more broadly?

In marketing, there is a common model the shows the stages at which different people adopt new products/technologies (see http://www.valuebasedmanagement.net/methods_rogers_innovation_adoption_curve .html). There are the innovators, early adopters, early majority, late majority, and laggards. Can we identify who belongs in which category, and if so, to whom should we target our messages at this point, and how do we do it?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Laura Foose

The Imp-Act Consortium is conducting extensive research currently on the benefits. They are documenting evidence of good practice SPM by examining the experience of 'pioneering' MFIs with social performance management. Lessons learned are collated and shared through regular updates, the website and other publications. You can look at www.imp-act.org for more information.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Good questions Jan. I would say that the "social rating" uses a framework that integrates both financial and social return, although it does not necessarily do so explicitly or by detailing the trade-offs you've identified.

I also question whether there are in fact such tradeoffs. It depends, I would imagine, to an extent on what is the target market of the MFI. If the MFI's target market is the "poor," and this is a relatively unserved niche, it may actually enhance its financial sustainability by effectively focusing on its target market instead of trying to compete in market segments in which it has no comparative advantage.

But back to the trade-offs. If they exist, I am not sure how to show them in such a framework as you suggest. Does anyone else have ideas?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Laura Foose

Your point comes back to why the mission is so important-- and why we have defined social performance as the effective translation of mission into practice.

If the organization has not bought into the mission and social objectives of the organization, then what is the point? What are the main motivations of this organization being in business?

Here are some tips for folks to consider in strategic planning meetings.....revisit what the real purpose of being in business is....there are opportunities on an annual basis, if not more often, to do so.

Planning

The goals of the planning stage are to: (1) develop a consensus on the social objectives and how the MFI will achieve the mission (2) conduct background assessments to ensure that the consensus is based on real information (3) develop a monitoring system that is aligned with the capacity and goals of the MFI.

The following are ten steps MFIs might follow when doing planning at the establishment of the organization or periodically during the organization's existence. The social objectives - as well as financial considerations - of the MFI should figure prominently in all ten steps.

Step 1 - The Team: Determine who should be involved in strategic planning activities. The planning group should represent the diverse interests of your organization, including social performance. Ideally, the planning group should consist of most people who are decision-makers, whose buy-in will be important to the implementation of the strategy.

Step 2 - The Mission: Revisit or develop the organization's mission statement. What is the real mission of the organization? Are there key elements that are not explicitly stated? Does your mission statement reflect the view of your key stakeholders?

Step 3 – Goals: Establish or clarify social goals. What does the organization want to achieve in support of its mission? Broadly define the social goals of the institution in terms of outreach to target groups; quality of service; positive economic and social changes in clients.

Step 4 - Objectives and Strategies: Set clear and realistic performance objectives, targets and strategies to meet social goals. If serving poor people is a social goal, deepening outreach to poor women maybe a social performance objective. A performance target could then be having 50% of new clients be below the poverty line.

· Reaching target clients: Have you clearly defined the characteristics of your target clients (e.g. location, gender, poverty level, type of economic activity)? Are specific categories of clients being systematically excluded?

· Meeting client needs: Do you have measurable objectives for service provision (e.g. quality, accessibility, client satisfaction etc)

Creating change: Have you clearly defined your desired outcomes in terms of changes as a result of the services? Organizations sometimes use the SMART rule when defining objectives:

· Specific - what precisely is the organization going to achieve?

· Measurable - how will the organization know when the objective is achieved? (i.e., 25% increase in loans to a particular demographic). Click here for picking indicators for particular outcomes.

· Achievable - are the objectives possible?

· Relevant - are the objectives appropriate in the context, in terms of the organizations mission and environment?

· Timed - when are the objectives going to be achieved?

Step 5 - The Double Bottom Line: Scrutinize the mission and goals together in terms of the double bottom line (the organization's social and financial objectives). Sometimes, social objectives and financial bottom line do not lead the organization in the same direction. Other times, short-term trade-offs between social and financial performance evolve into long-term synergies. How can an MFI balance its social and financial imperatives?

Step 6 - Identify pathways to impact: Identify how program activities will lead to meeting social objectives. This will create a better understanding of what MFIs need to do to achieve their desired social objectives.

What are the social performance objectives? What services do MFIs provide to meet these objectives? What are the intermediate steps that lead from MFI services to meeting social objectives? What can go wrong? Is the MFI tracking these variables to know when things actually go wrong? Can they intervene with appropriate products to help clients get back on the pathway to meeting social objectives?

Step 7 - The SWOT: Brainstorm about issues that may impact the achievement of the mission, including economic, social, demographic, political, legal, technological and internal issues. Evaluate through a SWOT (Strengths, weaknesses, opportunities and threats) analysis.

Strengths

Weaknesses

What, internally, puts the organization in a strong position to achieve its social mission? For example:

· Commitment of board of directors to the social mission and organization

· Good management information systems that track economic levels of clients and drop-outs

· Products that meet the needs of client groups that the MFI seeks to reach

What, internally, does the organization need to improve to achieve its mission? For example:

· Absence of specific social performance objectives that MFI intends to meet

· No training for staff to understand and respond to client needs

· Products not specifically aligned to the needs of very poor clients

Opportunities

Threats

What external circumstances can the organization take advantage of to achieve its mission? For example:

· New funding opportunities to target the poor

· Partnerships with other community organizations to leverage impact

What external threats exist that the organization needs to mitigate or defend itself against? For example:

· New government regulations capping interest rates

· Different reporting requirements from donors and investors

Step 8 - The Implementation Plan: Incorporate objectives and strategies into a solid implementation plan, or revise the existing implementation plan. This plan may be split into two separate plans: the strategic plan and the operational plan. The implementation plan will be detailed enough to hold the relevant responsible people accountable, and give the organization enough guidance to carry out the plans. The ultimate aim is to align an organisation's strategy and operations to SPM.

Step 9 - Realignment: Revisit the implementation plan periodically. Does it still hold true? Does the plan fully support the goals and mission of the organization? How is the organization living up to the plan, the goals, and mission of the organization?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Your last point was good Tom (not that the others weren't). In fact, that is what we are trying to do. There is a group working on coming up with a list of "core" social performance indicators, and it is soon to begin to get feedback from investors on the list.

Investors may not understand or care about the nuances we understand and care about. For example, many practitioners do not like average loan size as an indicator of depth of outreach, yet it is a simple and simple to understand indicator and it makes sense, the very type investors are bound to like.

I do think, however, that at times we are too focused on precision, whereas many other people are willing to live with ballpark estimates.

If we want to influence how this turns out, we need to make our case.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Laura Foose

I think that some organizations might be afraid that their social performance is not very good. We have learned as an industry how to do well 'financially' and I think many organizations have become comfortable in that. But, you can do well financially even if your drop out rates are high, or client satisfaction is low --- are we really OK with that? We raise money from donors by saying that we are doing this in the name of some social goal. Many organizations are fine with working with the 'assumption' that they are meeting that social goal/s, rather than taking the time to find out if they are moving in the right direction.

We might have to work harder to achieve our social objectives, and it might have an effect on our financial performance. If some of us are not banks, then why are we afraid of some temporary dips in our financial performance? I honestly believe that in the long run, that financial and social performance are mutually reinforcing....so if there is a short term 'cost' to implementing social performance management....in the long run it will lead to better overall performance. I see social performance as a cost of doing business well.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Maria Javenia-MacKenzie

Hi! These are good questions that Jan Maes raised. Public donors support some NGOs that are multi-sectoral, providing financial and non-financial services. Their financial services component may not be financially sustainable yet but they are supposed to be working towards this goal. How could indicators on depth of outreach (basic measurement of which as suggested in the Pink Book is average outstanding balance per client or account as proportion of GNI/capita) be strengthened and worked in at reasonable costs/processes for these types of NGOs? Does trade off between financial sustainability and social performance occur only at the start-up and expansion phases of an MFIs life? What can donors do to support SPM?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Nhu-An Tran

Thank you all for a lively and interesting discussion! I'd like to comment on a couple of points that have been made so far.

1) On SPM being a "moral imperative". I'm always a little leery when terms like "movement" or "converting" are being thrown about in the development business in general, and even more so in microfinance. After all, we can all agree that Yunus and the microcredit movement has had some mixed benefits on the evolution of the microfinance industry. I like to grab on to Laura's point about social performance being the "cost of doing business well." I think that there is a business case to be made for social performance and I wonder whether we can learn something from the corporate social responsibility advocates about how that concept has become mainstreamed in corporate America.
2) In terms of mainstreaming - I see a multi-pronged approach for this. First of all, the standardization process that the MIX, Gary, and others are working on should certainly help us move towards a common framework for measuring, monitoring, and benchmarking. Second of all, the concept of SPM needs to be better communicated to the industry at large and we also need to improve outreach beyond the existing working groups and consortia. There is still a lack of understanding and a misperception about what social performance means and so I wonder whether we need to think about crafting our messages more effectively. Third of all, we need to encourage/motivate/incentivize investors to use and integrate SPM into their investment decisions. I appreciate Rekka's sharing of the survey results and it would be interesting to see whether those statements still hold true now that private philanthropists are becoming important players in the industry.

3) In terms of the selection/choice of tools and donors driving the agenda - I have to admit that donors tend to fall into the bad habit of developing their own tool, but as you all know, the USAID poverty measurement tool is a Congressionally-mandated tool and not one that was Agency-driven. In terms of SPM tools, I don't get a sense that there are duplicative tools out there....or am I completely uninformed? What I do see are different approaches to SPM and different opinions on indicators but the tools that are already out there seem to have different objectives (external rating vs internal audit vs management change) and strive to measure different things. There are different rating companies performing social ratings but I see this as a good thing since developing a market for social ratings is a good vehicle toward mainstreaming.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Stacey Young

Hi folks -- I'm jumping into this in the middle (I was out yesterday and haven't caught up with all the e-mails from this discussion), so forgive me if the following has already been said.

As Laura rightly point out, MFIs and others sell themselves to donors on the grounds of being able to advance progress toward a social goal (or several of them). It would seem that embracing social performance would work to the advantage of MFIs and others engaged in microenterprise development as it would provide you with a broader range of metrics against which you can demonstrate your contribution to social goals that you share with the donors whose funding you seek. This could ease the burden of being judged against the single metric of financial performance.

That said, the truly valuable MFI or other microenterprise institution is the one that can provide services sustainably, even in the absence of donor funds (as when they get cut or withdrawn altogether), so financial performance will always remain critical in the medium and long term. But -- and this is another benefit of social performance -- if in the short term institutions are also measuring (and being measured by) their progress against a range of non-financial goals as well as financial ones, we can gain a much more complex and nuanced view of the interactions among various institutional emphases. Example: Many times in discussions like this, an implicit assumption exists that an institution's financial strength is indirectly (that is, conversely) related to its outreach/"downreach" to very poor clients. Other times, these discussions seem aimed at demonstrating the profitability of reaching very poor clients. Intuitively and experientially, I think, we pretty much know that each of these assumptions can be correct, depending. But depending on what? What are the intervening variables that facilitate or constrain the profitability of reaching very poor clients? Again, we know some of these (low population density in remote areas and the impact of that on loan officers' client load is an obvious one), but we make assumptions about others, and no doubt fail to consider still others. If we were tracking the performance of many institutions against a range of social goals and indicators, eventually, in the aggregate, some trends might emerge that could give us greater insight into how we can best combine various program goals and emphases to achieve the greatest good.

Again, apologies if this has already been said.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

There can indeed be a considerable confusion surrounding tools. Two problems commonly arise in such cases. Given a bewildering array of tools, practitioners suffer a kind of paralysis of choice, lacking the expertise or background to choose from among the competing tools. Another problem occurs when practitioners take tools off the shelf and try to implement them, not understanding how to do so or lacking the contextual information/understanding that will allow them to make best use of the tools.

I should add that as part of its Social Performance Mapping project, Bobbi is working with others to create a "Consumer's Guide" that lists the different tools and evaluates them according to certain criteria. If any of you have information to contribute to this effort, please contact Bobbi.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Great point Bobbi. Again, if we look at the standards development process practiced at the ISO or by the Global Reporting Initiative (www.globalreporting.org), they use a process of extensive stakeholder consultation. So far this has not happened within the social performance movement in microfinance, but I think there is a growing recognition and intention to involve more stakeholders in the process. If they do not, I can easily see why people would respond how Bobbi describes.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

My sense is that you are speaking of a minority of MFIs that are participating in the social performance movement. Many (though certainly not all) of them are overlaps from the old Imp-Act project, or have participated in a variety of initiatives over time. I am familiar with one MFI that has participated in no fewer than 5 major social performance initiatives, and it is now suffering from burnout. Part of the problem has been that the different initiatives tend to go to the "usual suspects" who they know are supportive of the work.

We are trying to coordinate all these activities--this is one purpose of the CGAP social performance task force, but it has no power to actually coordinate. The movement does, to a degree, take on a bit of a Darwinian aspect in which initiatives are competing to establish themselves and establish standards (and compete for funding).

The downside of this competition is the type of confusion you describe. The up side goes back to your earlier comment that it is too soon to decide on a particular approach, and therefore, some level of ongoing market competition is probably health.

Eventually, however, it will probably be in the best interests of the movement to establish some kind of "super-authority" that manages a coordinate, stakeholder driven approach, similar to what the ISO does.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Thanks Katherine. Can you please elaborate and give some examples on the following, " Most MFIs are already doing *something* in terms of collecting and using information that can be used to understand their social performance."

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

I would assume also that some organizations are afraid of "social transparency." It is easy to make claims about social performance, particularly when those claims cannot really be verified, but I imagine that in some cases, reality does not live up to rhetoric (and perhaps the MFI senses this), and thus it is better not to be transparent.

Do you think this is general phenomenon (characteristic of many MFIs or even a significant percentage), or would this be limited to a relatively small subset of MFIs?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tom Coleman

Nhu-An Tran

You said "On SPM being a "moral imperative". I'm always a little leery when terms like "movement" or "converting" are being thrown about in the development business in general, and even more so in microfinance.

After all, we can all agree that Yunus and the microcredit movement has had some mixed benefits on the evolution of the microfinance industry."

From an investment perspective and particularly from a commercial investment perspective, terms such as "movement" and "converting" tend to scare people off.

What did you mean by your second sentence about Yunus and the microcredit movement having mixed benefits on the evolution of the microfinance industry?

Does this have more general importance to this discussion in terms of converting the passion (which is great but may hold on to its uniqueness) of many MFIs different social visions into a more universal, standardized and measurable set of social goals that can can 1) gain broad agreement and 2) be measured simply and objectively and pursued collectively?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Isabelle Barnes

Great to hear that this is moving forward. The tools should also be linked to the indicators (i.e., 1.name of the indicator; 2.definition; 3.tools available to measure - if appropriate). This would help tremendously in testing and refining the indicators that are currently being discussed.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Maria-There are other ways to measure depth of outreach. IRIS is developing a set of poverty assessment scorecards, as is Grameen Foundation and CGAP. Within several months, there will be simple scorecards available for probably a few dozen countries--granted, this is not full coverage, but it is much better than before. These scorecards can be used by any kind of program--they involve a set of 5-10 simple questions, and they can assess poverty with a high degree of accuracy. I can provide more information on these scorecards if there is interest. (I am working with CGAP on developing several of the scorecards.)

I do not have an answer regarding how the sustainability/social performance tradeoff operates during different phases of program operation. Does anyone have a better idea?

In terms of supporting SPM, there are a number of options:

1. Participate in the CGAP Social Performance Task Force along with other donors and donor organizations. This includes discussions on common indicators

2. Fund initiatives in the area of SPM.

3. Require funding recipients to report on social performance, perhaps using one of the tools currently being developed.

4. Go to the Social Performance website housed at the MicroFinance Gateway (Laura, is this up yet?) and learn about the movement and review the different initiatives. From this, determine where you can contribute.

5. Create a working group of donors working on this topic and link with other initiatives in the area.

Anyone else have other suggestions?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Tom Coleman

Are scorecards and depth of outreach just one dimension of SPA?

How do they fit into SPA? Can they be used as an alternative to a social rating as a summary tool for non-practitioners like investors?

Commercial investors and socially responsible investors can look at financial return and risk as a simple summary for investments, financially.

What is the social return counterpart for microfinance investments? How can we boil down SPA into a simple summary number that investors can and will use?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Laura Foose

What can donors and investors do? Donors and investors are key in helping MFIs maximize their social performance. They can do so by:

· Setting social performance requirements for the funding or investment

· Providing funding for the development of a social performance management system within the MFI.

* Influencing the MFI to ensure strong, transparent management and an organizational culture committed to improvement. If the management is weak or organizational culture stagnant, the MFI will not be able to develop or maintain an effective social performance system.

· Participating in the planning process of the MFI, particularly when performance indicators and targets are being set

· Requiring that the MFI report against particular social indicators.

· Conducting periodic audits or ratings.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Nhu-An: Can we infer from your response that you'd recommend emphasizing the business case of SPM and de-emphasize (or perhaps not even raise) the "ethical" case for SPM (e.g., MFIs that promote a social mission have an "ethical" obligation to be transparent about social performance)?

What prominence should the ethical argument (if any) have in crafting our message and why?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE
Post By: Laura Foose

Gary mentioned a few items below:

1. Participate in the Social Performance Task Force -- For information on the task force, please contact Laura Foose at lfoose@alternative-credit.com. If you follow this link, http://www.microfinancegateway.org/resource_centers/socialperformance/articl e/28257/ it will take you to a description of the task force, provide a list of its membership, the goals and objectives for 2006-7. The Task Force is a coordinating body to make sure that different social performance initiatives around the world are aware of what others are doing.

2. The Social Performance Resource Center on the Microfinance Gateway is currently being updated. Many of the pages are uploading new content, so if you try to go to the site right now it says it is under construction. The site should be operational again soon and we will send out a notice to all of these participants in the Microlinks discussion when it is available.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE
Post By: Nhu-An Tran

I think we should craft the message according to the audience to whom we are delivering it. As Tom Coleman mentioned, investors might be turned off or don't care about the ethical argument but certain MFIs or even donors may be more swayed by the argument.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE
Post By: Gary Woller

Stacey:

Thanks for the contribution. I think that the ability to assess MFIs from different perspectives is a real advantage of social performance assessment. You are the first one I've seen raise the prospects of using social information to answer questions about sustainability-outreach (or social performance) tradeoffs, which may or may not actually exist--depending. There is a lot of "conventional wisdom" surrounding this issue, and it would be very enlightening to get some insight into it from actual data.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE
Post By: Isabelle Barres

If we accept the limitations of average loan balance/ GNI per capita as a proxy for outreach, then yes, there is proof that there is not especially a tradeoff between outreach and sustainability. For more info, see MBB No. 5 on reaching the poor (and all MBBs thus far have reconfirmed this).

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Tom--Yes, I think that scorecards and depth of outreach on just one dimension of SPA. I think you'll find that most of the tools currently under development recognize multiple dimensions of social performance.

In terms of how to boil down SPA into a simple summary number, I do not know. I guess that one way to get at a single number might be the social rating score, once we get to that point. Although the score itself reflects
a good deal of other considerations and contexts that should not be ignored.

Beyond this, I don't know how to answer. Anyone else have an idea?

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Anthong Leegwater

Thank you, Gary, for mentioning the IRIS Center's poverty assessment work. Let me add a comment to clarify. We have developed poverty assessment tools for a dozen countries (and are developing more) for USAID, but we would not term them "scorecards." The tools do not produce a visible score for each client, but rather output the percentage of all microenterprise households interviewed that are predicted to be "very poor." They were designed in this manner to meet specific Congressional requirements and also to discourage the manipulation of responses to make a household appear more or less poor than it actually is.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Gary Woller

Tom: In answer to you question I'd say "yes" SPM is helpful for any social mission directed at any social goal.

If you look at the definition of Social Performance in the Glossary, you'll see that it is defined in reference to the MFIs own institutional mission. There is some debate about this, as others prefer certain standards be universal in terms of defining social mission (e.g., outreach to the poor), but not every MFI that is socially oriented has this as a goal.

If also transparency is an important issue, transparency implies openess about performance relative to claims and representations made by the organization, which implies in turn that social performance is assessed relative to what the MFI says it's social mission and objectives are.

RE: DAY ONE QUESTION: THE ISSUE OF SOCIAL PERFORMANCE

Post By: Jan Maes

A few comments on the role of poverty measurement in SPM:

1) First of all, I think that the trade-off between financial sustainability and depth of outreach has been downplayed somewhat in this discussion. Sure, there are examples where MFIs do reach very poor people, but most studies suggest that there is a trade-off with profitability. At any rate, such comparisons among various types of microfinance need to be done within a given (national at least) context. After all, if cost of information takes up a large part of transaction costs, then tiny loans would be less profitable than bigger loans. Not that I want to even suggest to use loan size as indicator of poverty outreach, as I think we moved beyond that one…

2) I do agree with Stacey, of course, that there are examples, where reaching very poor clients has been done in a profitable way (which by itself is no evidence that there is no trade-off), and more importantly that tracking social performance of a range of institutions and approaches will most likely give us more clarity about the role of various program goals in achieving outreach (depth and breadth) and impact/poverty reduction of clients.

3) Also, whether an MFI or other microfinance organization reaches very poor people is not particularly useful information if we don't have an idea of the extent, i.e. proportion of clients at entry that are very poor. By no means do I want to suggest that an MFI HAS to reach very poor people in order to be a "good social performer", but for the sake of transparency MFIs who CLAIM to reach very poor people should measure and report it. Tom Coleman was asking about a single social score. I am not sure if I would like that idea, but depth of outreach is one of the few social performance indicators that would provide investors with at least one quantitative indicator to guide their decisions. It shouldn't be the only one, of course, but I would hope it is high on the list that CGAP and collaborators are considering for inclusion on their social indicators list? Again, I don't think that depth of outreach by itself is important for social performance, but it should be
tracked.

4) On the issue of which tool to use, even if you are not required by USAID or another donor to report on poverty outreach by using a certified tool, I think that there is great value in determining the number of clients living below $1/day (if reaching the very poor is part of your mission) whether it be with a USAID certified tool or another one that is of comparable accuracy. And there is little reason to do this repeatedly, unless you suspect for some reason that depth of outreach has changed over time. For all its drawbacks (and there are many), these tools are providing us with an opportunity to report on one dimension of SP, poverty outreach, in a standardized way. It is far from perfect, but how many other SP indicators are available to us that can provide us with a fairly accurate and fairly unambiguous measurement? Never mind that this also happens to be a crucial measurement both for measuring success in reaching MDG #1 and the two goals set forth by the
Microcredit Summit.

5) Lastly, how do all these multi-sector non-profit organizations fit in that are in the business of promoting informal savings and loan groups? They achieved massive outreach and are growing fast. They don't report to the MIX and won't be prime candidates for social investment funds, but their social performance should at least equal that of MFIs (and depth of outreach likely higher) I would think, given the fact they are providing financial services and non-financial services in remote rural areas where few MFIs have ventured so far. Yet it doesn't seem that they are participating much in the SP movement. Why is that? Are any of you out there participating in this discussion?

Best regards,
Jan Maes

DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Tom Coleman

"Top Ten Reasons Why Private Capital *Should Not* Invest in MFIs: Experiences with Investment in Community Development Finance Institutions"

In a luncheon presentation, John Wilson, Director of Socially Responsible Investing at Christian Brothers Investment Services, Inc., articulated the top ten reasons commercial investors *should not* invest in Community Development Finance Institutions (CDFIs) or MFIs. He spoke from the perspective of a fund manager who has tried to encourage socially responsible investment in general and CDFI investment in particular.

10. Social justice? Who cares?

At the end of day, financial returns matter as much as social returns. For broad access to social investment markets, financial performance has to be competitive with investment opportunities of similar risk and return profiles. MFIs need to understand the investor rationale. (See also point three below.)

9. We can't trade the securities.

MFI shares are not typically tradable in a liquid market.

8. We *can't price them.*

Non-tradable securities do not have efficient pricing mechanisms and therefore there is no way to report the net asset value of investments regularly (daily or even monthly), as required by most institutional investors.

7. We can't legally own them.

The Investment Act of 1940 allows fiduciaries to invest in a range of investments that could include MFIs, given certain restrictions for different asset classes. Money market funds, for example, would be exempt. Bond and equity funds would be acceptable, though current practice and other restrictions (e.g., daily valuations) limit the potential.

6. They're not entirely useful

MFI investments do not fit traditional asset investment strategies. For example, MFIs will never represent more than a very small fraction of an asset manager's portfolio (which typically range in the hundreds of millions, if not billions, of dollars), and thus do not help, as some claim, diversify portfolios. The sector needs to come up with another reason for including MFIs in a portfolio (e.g., this asset class is uncorrelated with other markets). Also, because MFI investments do not match floating benchmarks, an asset strategy cannot be implemented in any case (since their prices do not fluctuate).

5. They're too risky.

The level of financial disclosure is not as formalized as in other types of investment, and therefore it is much harder for asset managers to understand MFI investment risk. This leads to an exaggerated perception of MFI default risk. This combines with the already high perceptions of country risk, currency risk, and various other risks plaguing developing-country investments.

4. Their "guarantees" don't guarantee enough.

There are different types of risk and the guarantees typically provided do not sufficiently hedge against all the risk seen as inherent in MFI investments.

3. We are fiduciaries.

Fiduciaries have legal responsibility to maximize performance. Socially responsible fiduciaries are possible and legal because their investment decisions are based on financial returns that are not sacrificed for social returns.

2. We don't have the expertise.

Investors don't have in-house expertise. They either need to build in-house expertise or outsource this function. At a minimum, asset managers need information to gauge MFI investment performance relative to appropriate benchmarks. Any information supplier must have good credentials and proven analytical techniques. Professionals from the CDFI/MFI sector could serve this function well, since they can answer the kinds of questions typically posed by fund managers.

1. The Great Divide.

In most investment companies, there is an organizational and cultural separation between those who manage assets and those who apply social investment criteria. This is to avoid conflicts of interest between those screening investments and those managing assets. Investment managers are not compensated on social return, and hence have little incentive to incorporate these strategies without an investment perspective.

Most asset managers have an investment background and, coming from that perspective, believe in efficient markets. They assume that if MFI investments are not already desired by asset managers they are not valuable assets. The CDFI/MFI professionals do not typically speak the language of asset managers, leading to confusion and difficulty working together and, ultimately, difficulty establishing the value of CDFI/MFI investments. The key is to learn to speak the language of asset management and to devise products that fit an investment strategy, as well as a social mission.

Copied from Jennifer Meehan's October 2004 article "Tapping the Financial Markets for Microfinance"

NOTE: This material ascribed to John Wilson is not meant to suggest that John Wilson or Christian Brothers Investment Services are negative on microfinance or negative to the development of investment in microfinance. Rather John Wilson honestly offers some of the important business and financial questions that microfinance investment needs to answer in order to bring microfinance investment into the commercial mainstream for most socially responsible investors.

RE: DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Amy Davis Kruize

So if one of the justifications for Mainstreaming Social Performance is to attract social investment--what do you all think about these "Top Ten" obstacles? Which are the biggest? How do we address any or all of them?

Let the Games Begin and Join in!

RE: DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Gary Woller

I was actually at the luncheon where John Wilson gave this talk. It is certainly an interesting perspective.

I think that his points 4-9 are less relevant to our discussion here. As for point 10, I agree it is absolutely essential that we understand the investor perspective, and frankly, we (the sector as a whole) do not understand it very well. We are working on correcting this (via individual efforts and the CGAP Social Performance Task Force). That said, there are investors who care about social performance. Most, to be sure, do not care, but then they are not our target audience. Our target audience is that share of the capital market that does care, admittedly a relatively small share, but in absolute terms non-trivial (and quite large relative to the sectors overall financial needs).

The concept of fiduciary responsibility does not necessarily mean maximize financial return. If an investment fund markets itself as a "social investment fund" that seeks a "blended return" (financial and social) then the fiduciary responsibility of the fund would be to maximize this blended return, which could mean some trade-off of financial return for social return. In fact, Gray Ghost has a formula it uses that explicitly adjusts financial return for expected social return. So to clarify, the fiduciary responsibility relates to who the fund says it is and what it says it is doing. A similar ethical (fiduciary) responsibility, I would add, applies to an MFI that says it has a social mission and solicits funding to support, in part, its social mission.

Investment funds or investors may not indeed possess the needed expertise, which is why the social performance "movement" is working on providing them accessible, usable, reasonably simple, and credible information on social performance. If we can provide credible information on and evidence of social performance, then they won't need the expertise, or won't necessarily need a highly specialized expertise, or at the very least we will greatly simplify their job.

I have no information on the compensation practices in investment funds. But it seems to me that if the fund has an explicit social return mandate, then it might make sense in fact to compensate on social return; the problem is that there is no way to measure it at present that is accessible, usable, reasonably simple, and credible. If we can be successful at development tools to provide this type of information, we then make it possible for socially motivate funds to compensate on this basis (whether they actually do so is another issue). The point is that the technology is changing, and to the extent past practices were based, at least in part, on available technology, changing the technology may reasonably be expected to change practice.

Or at least this is seems to be the case in theory. What do you think?

RE: DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Maria Perdomo

I agree with your points Gary. It is key to understand the investor's perspective, and as you pointed out, CGAP social performance task is starting to correct that gap. I would say, that is also very important that the sector as a whole could set specific SPM standards, so those investors that DO care about social performance are making more informed decisions. The question is then, what are those key SPM standardsacross the sector?

RE: DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Tom Coleman

Maria asks a key question.

"The question is then, what are those key SPM standardsacross the sector?"

How can we get the enormous subjectivity of everyone's different social preferences into one standard for what to measure, much less how to manage performance to get there?

RE: DAY ONE POSTING: "TOP TEN REASONS WHY PRIVATE CAPITAL SHOULD NOT INVEST IN MFIS"

Post By: Gary Woller

At this point, we do not have an answer to your question. We are working on developing the standards. But it should be recognized that standards development is typically a long-term process that requires multiple rounds of feedback and revision. (For evidence of this, you may want to reference the International Organization for Standardization, www.iso.org). The people working in the "movement" feel pressure to move quickly, but it is probably not reasonable to expect the standards to be developed in the too near
future.

DAY TWO POSTING: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Gary Woller

I would like to welcome all participants to Day 2 of the discussion on mainstreaming social performance in microfinance. Yesterday, we posed the following question:

1. In looking at key issues that have created momentum in the Microfinance industry and resulted in the acceptance and mainstreaming of those issues, such as financial performance, gender focus and poverty assessment, what can be said about the issue of Social Performance? For example, the microfinance industry now accepts the need to be transparent about financial performance. For MFIs that claim a distinct and defining social mission, is there a corresponding need to be transparent about their achievements in social performance?

    a. If yes, what are the common principles underlying the mainstreaming of financial performance and the possible need to mainstream social performance? What are the differences between the two areas?

A number of participants replied, and we made some progress in answering this question. We discussed practical issues related to technology, cost vs. benefits, and institutionalization. We also touched on the issue of culture. All of these responses help answer the question, but is there anything we have not considered? Are financial and social transparency two sides of the same coin, or are they different coins? What about the former is relevant to the latter and what is, perhaps, not relevant? Isabelle Barres of the MiX suggested that there are ethical issues involved also. Can we elaborate more on these? What are the ethical issues, and how does one frame them?

For Day 2, we would like to add an extra dimension to the discussion by posing the following questions for you to consider:

2. If there is agreement that mainstreaming social performance is desirable, then how come wholesale acceptance and practice is lagging behind the ideal? What are the barriers or obstacles to *mainstreaming* and what can be done to overcome them?

    b. Who's likely to oppose it and why?

And

3. What would *mainstreaming* require, according to the perspectives of different stakeholders? Can we begin to define those requirements by the different stakeholders? a) MFIs b) MFI/Networks, c) the MF Industry-at-large, d) Social Investors, and e) Donor Community

    a. The minimum?

    b. The optimal?

Let's not leave aside the Day 1 question; please continue to offer you insights on this question. But we would not also like you to think about and respond to questions 2 and 3 today.

As always, all views are welcome and encouraged.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Anton Simanowitz and Katherine Knotts and Katherine Knotts

In response to question three, thinking through the perspectives of various stakeholders brings us back to the standardisation question, namely: is there a direct trade-off between relevance to MFI context and standardisation of social performance assessment?

An example: there is an MFI that has been developing over the last 10 years an effective, low-cost, and reliable tool which allows it to understand the profile of new clients (including poverty) and track changes in client status over time. The indicators relate directly to the MFI's social goals, and also provide a good assessment of poverty status (but not in terms of US dollar-per-day) of poverty in the local context.

However, the tool is not a USAID-certified tool. Therefore, the MFI is introducing a separate poverty assessment tool which will ONLY be used to report to USAID and would bring no other benefit to the MFI. The new tool is seen as being less relevant than their own, as the indicators it captures are not related to the MFI's social goals.

In this case we would say there is definitely a direct trade-off between comparability and relevance/utility to the MFI.

I think the fundamental question that this raises is: what SHOULD we be standardising? Our effectiveness in achieving our own unique social missions, or our effectiveness in achieving commonly accepted social values (which points to standardised measures)?

Thoughts, anyone?

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Stacey Young

Very interesting points, which raise other questions as well, such as:
Who gets to decide what gets standardized? And: Should we codify standards in something as inflexible as microenterprise legislation, or tread more carefully in acknowledgement that standards shift just as rapidly as practice evolves? Arguably, the USAID poverty measurement situation does not reflect the optimum mix of standardization and flexibility necessary to understand and promote good microenterprise practice.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Amy Davis Kruize

Dear Katherine,

Thanks for your contribution. I feel like this gets back to the "drivers" of Mainstreaming SP. Perhaps we should look at those "drivers" and their "cultures" and see what we will need to respond to their impetus. For example, the USAID poverty tools are "driven" by legislation, financial performance was driven by bankers and donors.

Who is driving the SP vehicle? Or who should be? And why?

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Stacey Young

I think it's a question of drivers but also the vehicles they're driving, right? The poverty tools were driven by certain actors; the legislation is not itself the driver but rather the vehicle chosen by the actors driving the process. That choice of vehicle -- legislation that directs the actions of a bilateral donor and in some fashion, by extension, its partners -- is a less nimble vehicle than, say, an institution like the Mix or an institution like CGAP, which play very different roles than legislation ever could in identifying standards, promoting them and measuring institutions' performance against them. There are advantages to legislation, of course, but the constraints (including lack of flexibility and entrenched interests) need to be taken into account -- as do the constraints of a MIX or a CGAP (e.g., they lack the enforcement power that legislation wields). In any case, I think we need to choose carefully the vehicles through which we identify, promulgate and assess performance against standards.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Isabelle Barres

Very well put Stacey.

At MIX, we have been trying to adopt a consensus approach as our goal is to have 1/ the most relevant indicators, but also 2/ indicators that MFIs will actually report on.

To touch on some of the issues raised before, the standardization process will not define all the social indicators that an MFI should track. I think there is a way to reconciliate the internal needs and external needs for information. The information that external users ask for should also be useful for MFIs (and, in addition to that, MFIs will want to track even more). The core (indicators) that we are trying to get at are not the comprehensive list of indicators that MFIs should monitor, but the common denominator between what is useful to internal and external parties.

Now, we have talked a lot about standardization and only a little about transparency -- many of the indicators that we are currently considering are more about transparency than standardization (i.e., understanding whether the MFI has 'social' goals, defined in a very broad sense, etc.) These questions are much easier to answer (yes/no, plus attachment of policy if available) and should not generate controversy (at least, this has been the conclusion so far of the group of 50+ organizations - from practitioners to investors - participating in this effort). While transparency may seem less relevant to any particular MFI at first glance (after all, they know what they are doing), it is essential to have quality benchmarks, which can be very powerful for an MFI to improve on its performance.

Bottom line: we should first strive to be as transparent as possible, to better understand what can/cannot be standardized (and what makes sense to standardize). In the end, the standard indicator should be useful to MFIs as well! We need to make sure that we do not have only great standards, but standards that are actually applied (this is still a big issue for financial reporting, by the way). So, in light of keeping the focus on the MFI (which I think the main external demanders of information - such as investors and donors - agree with as they also want to reduce the reporting burden on MFIs), the criteria that we are using to select the indicators are 1/Indicators that MFIs can easily report on (ideally, drawing from data already captured by their MIS systems, or can easily be added); 2/Indicators that MFIs can self-report; 3/Indicators that are objective: can be verified by third parties; 4/Indicators that are globally comparable.

Even though getting at a complete list of agreed core indicators may take a bit longer, I think that we can make great progress in the course of this year - at least in increasing transparency and understanding the trade-offs in the selection of indicators.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Isabelle Barres

Just a few more thoughts specifically on Stacey's email, as my previous message touched upon several issues at once.
I agree that the vehicles should be carefully chosen. With the taskforce and the SEEP mapping exercise and working group, there is a real consultative process on SP issues, including the indicators. In that sense, I do not think that any one organization is driving the process (if driving = steer the agenda in one way or another). There is really a conscious effort to be representative, neutral and build consensus.

As you well put, Stacey, we "lack the enforcement power". This is why we need endorsement of the process and results (in addition to the fact that there are many experts much more knowledgeable on the subject than we are).

MFIs have a great opportunity to be drivers of the process, as they know best the relevance and practicality of the proposed 'standards' (and as I said before I think that most demanders of information are willing to listen more than prescribe when it comes to social performance).

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Tom Coleman

Isabelle

From an investors perspective I really like your items 3 and 4 "indicators are 1/Indicators that MFIs can easily report on (ideally, drawing from data already captured by their MIS systems, or can easily be added); 2/Indicators that MFIs can self-report; 3/Indicators that are objective: can be verified by thirdparties; 4/Indicators that are globally comparable."

Third party verification and global comparabilityacross countries and across regions are both very important. Simplicity is important too. Commercial and Socially Responsible Investors look at many, many different alternatives to invest in.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Amy Davis Kruize

Isabelle,

Can you give a broader description of the MIX's SP indicator process for our audience? What's the mandate? Who's involved? How can we get more information? A website? etc.

And any other such initiatives should pipe in and let us know what and how you are doing to promote SP!

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Gary Woller

There is, it appears, a trade-off to the extent the situation you describe here is generalized to more MFIs.

To play Devil's Advocate, long ago when people were working on standards for financial reporting, could not someone have raised a point similar to one you're raising?: I know this firm that has their own financial reporting system that works for them; it directly relates to the firms goals, and provides a good understanding of financial performance.

Is the situation different in this case?

I think it important to note that standardization does not rule out MFIs using other means to measure social performance; they of course have freedom to use what works best for them, but it probably means that over time, such deviations from the standards will become fewer and fewer, and all will converge to the standard.

One purpose of SPM and SPA is to provide management with the means to manage progress toward social objectives. But another purpose is to allow users to make comparisons across MFIs, to create benchmarks, and assess performance to benchmarks. Investors need standardized information to guide decisions, and even practitioners need standardized information to compare themselves to industry benchmarks.

Are we overstating these types of arguments? Are standardization and benchmarking as important in the end analysis as allowing organizations to establish their own standards and strive to live up to them?

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Kate Torrington

I think Gary addresses an important issue: "Are standardization and benchmarking as important in the end analysis as allowing organizations to establish their own standards and strive to live up to them? "

Many MFIs are already working to develop internal benchmarks and standardization in the SPA and SPM arenas. Determining best practices at an industry level will provide a target to aim for without limiting what additional social performance measures are conducted internally. Social performance standards, as was the case with financial standards can provide for greater transparency.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Isabelle Barres

Hi Amy,

I would call it the SP Taskforce initiative, as we play only a part in this. The list of indicators that is currently discussed started with the list put together by Frances Sinha and the other raters interested in developing a common framework for social ratings.

Our goal for integrating SP indicators into the common indicators analyzed when looking at the performance of MFIs was to balance the financial-social return, recognizing that not all MFIs and not all investors or donors have the same focus.

I am pasting some details of the process from an earlier presentation (a bit long, so lease bear with me...):

1. Goal:

* Select CORE set of indicators that can be standardized and reported on a wide scale

* NOT: define ALL the indicators that are useful to measure social performance

* Core Indicators (CI) to be integrated to existing initiatives, not to replace them

2. FOR WHOM?

* For MFIs, donors, investors and the public at large

3. WHY?

* Increase funding, improve social performance, mitigate reputation risk for microfinance

* Increase awareness on microfinance: integrated into public information platform MIX Market

* Improve performance benchmarks on MFIs: integrated into MBB

Basic facts for core indicators:

* Short list that does not impose a burden too heavy on MFIs: 10 - 20 to start

* Buy-in from MFIs: the indicators need to be useful to MFIs themselves (i.e., can be used to improve social performance)

* Buy-in from users of data: there should be endorsement of the core indicators so that they are included in all data collection initiatives, ratings, etc.

Selection criteria for CI (mentioned in my previous email):

* Indicators that MFIs can easily report on (ideally, drawing from data already captured by their MIS systems, or can easily be added)

* Indicators that MFIs can self-report

* Indicators that are objective: can be verified by third parties

* Indicators that are globally comparable

Types of indicators:

* Outcome: MDG type indicators that measure household, enterprise, or individual outcomes

* Proxy indicators: MIS generated indicators, e.g., client retention, FSS, effective interest rates, number of products

* Process indictors: e.g., whether MFI conducts market research, whether MFI discloses effective interest rate, length of group meetings, types of collateral taken, etc.

* Corporate social responsibility indicators: e.g., MFI contributions to community, compliance with environmental standards, pay ratio male to female, percentage of females in management, staff turnover, etc.

Process: mixed approach

* Top-bottom: what do we want MFIs to report?

* Bottom-up: what can MFIs report/ what do they want to report?

Choice of framework:

* Option 1: Select initiative that shares same criteria for Core Indicators (i.e., USAID Social Performance Assessment Tool)

* Option 2: Start with raters' framework and select indicators that match the criteria for Core Indicators

* Choice for Option 2, consultative process - starting with raters' framework also increases the chances of having access to verified data, and having endorsement on the indicators

Framework for indicators:

* CONTEXT: 1/ Organizational Profile; 2/ Financial Services and Access

* PROCESS: 1/ Social Performance Management; 2/ Social Responsibility

* RESULTS: 1/ Social Goal: Outreach; 2/ Social Goal: Appropriate Services; 3/ Social Goal: Change - Effects of Impact

Process to select indicators:

* Pre-selection based on criteria listed above

* Discussion at Taskforce meeting in Halifax in November 2006

* Creation of Sub-committee to work on selection/definition of core indicators

* Very iterative process - 40+ organizations formally involved in the sub-committee, more informally (includes MFIs, networks, investors, donors, etc.)

* We decided to break-down the indicators into the 3 different groups: 1/context; 2/process; and 3/results, to reflect the fact that some are very straightforward and should not be controversial, while others require more testing - we also agreed that it was important to work on all indicators at the same time

* After weeks of intense feedback, list is in the process of being updated again

Future Steps:

* In the process of the discussions/suggestions on indicators, we shifted a bit from our original criteria: we will go back to identify which indicators are less suited for common core indicators at this stage

* April:

o get feedback from MFIs (survey will ask MFIs to 1/report on Context indicators; 2/report on Process indicators (yes/no questions) and attach policies/documents if available; 3/comment on whether the Results indicators are relevant and/or easy to measure). We will also indicate which tools are available to use for the 'Results' indicators. Katherine Knotts from Imp-Act will coordinate feedback from a Consortium of MFIs particularly interested in commenting. Kasia from MFC has already received preliminary feedback from her members. Other networks
have expressed interest in testing the indicators (Copeme, MCPI, etc.)

o get feedback from investors: mainly through targeted surveys at social investors and commercial investors who have expressed an interest in commenting - this is coordinated through another sub-committee of the
SP Taskforce, chaired by Frank Rubio of Oikocredit - the survey has just been finalized and will be presented tomorrow and Friday in Bern to many European social investors

* May: compile the results

* June: present finding at the SP Taskforce meeting in Paris

In selecting the final indicators, emphasis will be put on the role that each organization will play in promoting them:

* MFIs: Would you report?

* Funders/Networks: Would you promote? (i.e., would you encourage MFIs to report, even if you are supporting a specific initiative)

* Raters: Would you review?

* Everyone: Would you help maintain fresh? Would you help update standards

This is probably more than you needed.

I hope it helps.

Anyone interested in joining the Sub-committee working group on SP indicators can contact me at ibarres@themix.org.

Thanks!

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Gary Woller

In answer to your question as to who gets to standardize, I think it best if this is done either by an organization representing the industry as a whole (e.g., professional association) or an external organization that uses an iterative, participatory, multi-stakeholder approach, such as that used by the ISO and GRI.

I assume that at some point, those working on developing the standards are going to have to open it up and invite more persons into the process, which I think they want to do, but haven't gotten around to it yet.

Gary Woller

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Kate Torrington

Right now I would answer that those driving the vehicle include primary what we might call "social performance activists," which is comprised of a group of highly committed and highly motivated persons and organizations who are pushing the process along. These activists belong to the mainstream of the sector, although the cause they are advancing is not yet mainstream. I think at this point it is very much a push rather than pull process.

Can this be done entirely using a push process, or at what point do we need to transition from push to pull, and how do we do it?

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Gary Woller

Tom, I want to respond to your last sentence: "Commercial and Socially responsible Investors look at many, many different alternatives to invest in."

This raises the issue as to whether at some point we should look to converge our efforts to those being done in other sectors. The primary case in point is the Global Reporting Initiative indicators and the ISO social indicators that are now, or soon will be, under development. If we find that investors are using this information, and that it has achieved some broad legitimacy, should we look to link into this so as to give our own work broader legitimacy and give the sector something by which investors can compare with investment opportunities outside the sector?

To date, we have not considered the GRI or ISO work, although one initiative linked to the Triodos Bank is using the GRI framework for a handful of MFIs.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Amy Davis Kruize

As we are moderating the actual postings, we can see that there are many other "silent" participants, and while we appreciate all of the particpation so far--may I ask if there are other social or commercial investors and/or donors that can contribute to this discsussion by expressing their needs/desires in the area of social performance indicators?

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Kate Rekha Reddy

I feel that initiatives occurring in social performance in microfinance should be linked with work going on in other sectors, like the Global Reporting Initiative and the ISO social indicators process. Many donors and investors who are interested in this work want a measurement tool that helps them compare the relative merits of investments across sectors, not just investments in microfinance. Since they have such a broad spectrum of companies & other organizations who report information, they have achieved a high visibility, and I would say, legitimacy.

From my own perspective, I found the Global Reporting Initiative's financial services supplement to be very helpful when I was developing ideas on social performance for ACCION. All of their indicators are collectable and verifiable.

RE: DAY TWO QUESTION: BARRIERS AND OBSTACLES TO MAINSTREAMING

Post By: Bobbi Gray

I'm not exactly how to configure this response and it's probably going to have several different issues in it, but here goes: as for the mainstreaming issues and what is causing people not to manage their social performance, I think one question or issue raised here is to what degree are people managing their social performance. As we often discuss with social performance management, is that organizations are often "doing" or participating in some activities or collecting data already that contributes to their abiltiy to know whether they are managing their social performance. I think in some part it's an issue of getting organizations to put some of what they are already doing under a social performance management framework and then recognizing that there are other activities and "parts" to it. For example, an organization can have an incentive system that already incorporates incentives for reaching out to extremely rural areas or can conduct various gender workshops to sensitive their staff to gender issues within the organization and with its clients. They might not have a poveryt measurement tool yet or may not have explicity defined their social goals yet, but they already have activities that would contribute to an easier process of mainstreaming social performance management. Does this mean they aren't managing their social performance? Maybe not fully...but I'd be hesitant to say this organization isn't at all.

Also, I think we all recognize that mainstreaming is not a time-bound activity exactly. You can't do it all in one year, or even two years and its a continual process, just like managing an organization. Social performance management is about managing your organization and this is a continually evolving process. We might simply have very few examples of organizations that we can say are managing their social performance, because we're setting the bar fairly high as to what social performance management is.

DAY TWO POSTING: INVESTOR RATIONALE FOR SOCIAL PERFORMANCE MEASUREMENT

Post By: Getaneh Gobezie

Dear Gary,

Thank you for your job here.

I think the "reluctance" to implement SPM on the part of the MFIs (and others) can come from many directions, but most important, I would say, is because: 1) the term "Social Performance Management" is very new to many, and often is confusing. There is no consensus. You know that the definition of poverty itself is still an on-going debate! Even if many MFIs have "poverty alleviation" in their vision/mission statements, that was just there with no clarity as to what it really means when it comes to "measurement". So people do not want to get into this debate, and work to fulfill the "sustainability" issues first, which is comparatively much clearer and an immediate issue. 2) There has never been any serious demand from donors and others stakeholders on this, since most of themselves are also not so clear on the concept. Meaning there was little preparation on the part of MFIs. 3) As has been raised in this discussion, many MFIs, in pursuit of their sustainability objective, might have already drifted their mission, and would not like to enter into this again.

But any way, the SPM has to be an immediate issue for all who are sincere on fulfilling their vision/mission statements, as well as learn from the outcome of the exercise what they (or even others) have to do to redesign products, methodologies, etc to improve the chance of attaining such objective on poverty.

Does it make sense?

RE: DAY TWO POSTING: INVESTOR RATIONALE FOR SOCIAL PERFORMANCE MEASUREMENT

Post By: Gary Woller

Thanks for your reply Getaneh. I think this is a good summary of some of the issues involved.

Anyone else have anything to add to this?

I'd like to address your final statement a bit, "SPM has to be an immediate issue for all who are sincere on fulfilling their vision/mission statements."

Is there any disagreement among respondents to this statement? If someone would disagree, what would be the basis of this disagreement?

This statement appears to me to imply both an ethical responsibility and a management imperative.

If we are all in agreement, how do we convince others?

RE: DAY TWO POSTING: INVESTOR RATIONALE FOR SOCIAL PERFORMANCE MEASUREMENT

Post By: Tom Coleman

"Poverty alleviation" and poverty impact have received enormous interest and attention. Some variation ocurs in almost every MFI vision or mission.

It is still hard to know what people mean by these words, though.

How does "poverty alleviation" which attracts so much interest fit with SP, and SPA and SPM which do not yet have a mainstream following?

Is "poverty alleviation" just one of many possible missions or subsets of SP??

RE: DAY TWO POSTING: INVESTOR RATIONALE FOR SOCIAL PERFORMANCE MEASUREMENT

Post By: Amy Davis Kruize

Tom,

Thanks for your ongoing contributions.

I would say that poverty alleviation is a sub-set of SP.

RE: DAY TWO POSTING: INVESTOR RATIONALE FOR SOCIAL PERFORMANCE MEASUREMENT

Post By: Theresa Fristrom

Dear Getanesh and Gary,

Thank you very much for your work.

I am researching the role of governance in social performance management, assessment, and monitoring. Yesterday I reread a CRS document called Board Rules in which it is suggested that the double bottom line is a myth in microfinance.... it is argued that (as we know) these dual tasks are enormously challenging; that most businesses struggle to maintain a positive bottom line (net profit) without the added pressures of a social objective; similarly, that many non-profit organizations struggle to maintain service quality without the added pressure of profitability. The main point for this discussion may be their recommendation that one of the first decisions the (new) Board of an MFI must make is to agree on the priority of each objective - (1) sustainability and profitability objective and (2) social objective. (CRS Board Rules 2001)

I think that the work of the Social Performance Initiatives has and can contribute greatly to clarifying social objectives and is developing ways of assessing, measuring, monitoring, and managing social performance.

To answer Getanesh's comments, the next steps may be in convincing Boards that they must agree on the priority they give to their Social Objective. Then Boards must be able to select processes and indicators that are relevant to their agreed social objective, and social performance assessments should be able to verify the validity of the chosen indicators in the context of the chosen social objective.

For Getanesh, I also suggest that the process of agreeing a Social Objective and selecting indicators would help to clarify terms that may be commonly used but not much understood.

I look forward to further discussion.

SUMMARY OF DAY ONE AND TWO DISCUSSION: MAINSTREAMING SOCIAL PERFROMANCE

Post By: Gary Woller

Obstacles to Mainstreaming SPM

1. Difficulty in finding the right tools that provides you with the right and accurate information about the progress of your mission.
2. Once you find the tools that are more likely to provide you with the most accurate information, then the second consideration would be to assess the cost (time of staff and other financial costs) associated with the tools you decided to use.
3. How easy to use are the tools you decided to use? Can your internal staff apply the tools? Do you have to hire an external team to do it? When are you going to use them? Do you do it in an ongoing basis? Can you integrate the social performance data in forms that the institution is already using (loan applications, membership applications etc)?

4. Confusion about what social performance is; confusion surrounding initiatives and tools
5. MFIs have menu of options but lack clear path to follow
6. Sense that SPM is too complicated and costly.
7. MFIs feel the need to develop new tools rather then trying to understand whether they are already collecting information that can be used to track progress toward social goals.
8. Tools have been applied in a one-off way separate from overall performance management and not used in systematic way.
9. MFIs feel external pressure to provide social information that is greater than perceived internal need or benefits.
10. Some MFIs may be afraid that their social performance isn't very good.
11. MFIs might have to work harder to achieve their social objectives, and it might have an effect on social performance.
12. Concept of SPM needs to be communicated better to the industry, and we need to improve outreach beyond existing working groups and consortia.
13. Still a misconception about what SP means, so perhaps need to craft the message more effectively.
14. We very few examples of organizations that w are managing their social performance, because we're setting the bar fairly high as to what social performance management is.

Cost-Benefit Issues of SPM

1. Theoretical benefits; costing relatively uncomplicated. Imp-Act says that MFIs generally know what benefits to MFIs and clients arise from systematically assessing and managing an MFI's social performance.
2. Most MFIs committed to mission, and many MFIs already doing "something" in terms of collecting and using information that can be used to understand social performance.
3. Question: If we cannot yet give complete and hard numbers on the costs question, what will convince the critics? Should we even be trying?
4. Reason investors interested in social performance: Internal Use
    a. Accountability—Monitor whether fulfilling mission and serving target market
    b. Risk management—Detect warning signs and risks in MFIs before they become problems
    c. Evaluation—Compare potential investment opportunities to that of other investments
5. Reason investors interested in social performance: External Stakeholders
    a. Marketing—Contrast performance of socially oriented funds to non-socially oriented funds
    b. Reporting—Show investors how investments are progressing over time
    c. Policy—Compare social performance of microfinance to other possible social investments
6. Organizations that already have systems in place to collect SP related information are more likely to see the benefits in systematizing management of social performance; also makes it more cost-effective.
7. Those lower in organization who work day-to-day on client assessment and SPM see the benefits, but it is harder to demonstrate the further they go up the organizational ladder and the further detached management becomes from day-to-day work.
8. If MFI has not previously examined or questioned its ability to achieve a social objective, it will be more challenging for staff and directors to see any benefits. It does not have a culture that is concerned with social performance.
9. A business case can be made for SPM. In this light, can we learn from CSR advocates about how that concept has become mainstreamed in corporate America?
10. SPM gives MFIs and other engaged in microenterprise development broader range of metrics against which can demonstrate contribution to social goals that share with donors they seek. This also eases the burden of being judged against single metric of financial performance.
11.

Investors and SPM

1. If commercial financing outstrips social investor financing in MFI foreign investment market, there may be a lot of pressure for very simple "lowest common denominator" SPA and reporting.
2. Need to encourage/motivate/incentivize investors to sue and integrate SPM into their investment decisions.
3. From investment perspective, terms such as "movement" and "converting" tend to scare people off.
4. Need to craft message to the target audience. Investors may be turned off or don't care about ethical argument but certain MFIs or even donors may be more swayed by the argument.

Standardization and SPM

1. Great value to determining poverty outreach. Not all MFIs seek to reach poor, but it is a reasonable indicator on which all MFIs should report.
2. Main benefit of standardization is to have access to comparable data on wide range of MFIs. This can help:
    a. MFIs improve their 'social' performance by having access to comparable data from their peers (AND have increased access to funding from socially-minded investors)
    b. Funders interested in social return make informed decisions about where to invest
    c. The public at large/ media/ academics better understand the 'promise' and limitations of microfinance
3. Standardization refers to (1) standardizing terms (common definitions); (2) standardizing indicators (common definitions for the indicators used to measure social performance); and (2) establishing standards of performance (benchmarks for the top performers).
4. Following the framework proposed by the specialized microfinance rating agencies, the core performance indicators being developed for microfinance are divided into the following main categories: (1) profiling (general information about the MFI), (2) process (who is the MFI targeting, does it have policies in place, etc.), (3) outcomes (actual results, at the MFI level, such as client and staff retention), and (4) client-level (change in asset, movement across poverty line, etc.)
5. There is fear of being judged on certain indicators without having any influence on how those indicators were chosen.
6. Sector just now engaging organizations in SPM, would be nice to have a little more time to try out indicators that work for individual organizations.
7. Fear that there is a small group of people making decisions about indictors for the whole, when the whole doesn't even fully agree on what it is we are trying to measure.
8. Is there a direct trade-off between relevance to MFI context and standardization of social performance assessment? If MFI develops own SPM system that works for it and is relevant, should we also impose outside standardized SP measures?
9. What should we be standardizing? Our effectiveness in achieving commonly accepted social values or our own unique social missions?
10. Vehicle used to drive standardization important. Example USAID-certified poverty tools may only be sued to report to USAID and would bring no other benefit to MFI. Tool less relevant than internally developed tools, as indicators it captures are not related to MFI's goals. USAID poverty tools not reflect optimum mix of standardization and flexibility necessary to understand and promote good practice.
11. Vehicle like Mix or CGAP more nimble than bi-lateral donor or legislation.
12. Question: What should we be standardizing?
13. Question: Who gets to decide what gets standardized?
14. Question: Should we codify standards in something inflexible as legislation or tread more carefully in acknowledgment that standards shift as rapidly as practice evolves?
15. Industry should first strive to be as transparent as possible, to better understand what can/cannot be standardized (and what makes sense to standardize). In the end, the standard indicator should be useful to MFIs as well. Need to make sure that we do not have only great standards, but standards that are actually applied.

16. Main external demanders of information - such as investors and donors - also want to reduce the reporting burden on MFIs.
17. Because we lack enforcement power, need endorsement of process and results.
18. Third party verification and global comparability across countries and regions are both very important. Simplicity is important too. Commercial and socially responsible investors look at many, many different alternatives to invest in.
19. Initiatives occurring in social performance in microfinance should be linked with work going on in other sectors, like the Global Reporting Initiative and the ISO social indicators process. Many donors and investors who are interested in this work want a measurement tool that helps them compare the relative merits of investments across sectors, not just investments in microfinance. Since they have such a broad spectrum of companies & other organizations who report information, they have achieved a high visibility and legitimacy.
20. Many MFIs already working to develop internal benchmarks and standards in SPM. Determining best practices at industry level will provide target to aim for without limiting what additional SP measures are conducted internally.

Common Social Performance Indictors Initiative Led by the MIX

1. MIX has been trying to adopt a consensus approach as its goal is to have (1) the most relevant indicators, but also (2) indicators that MFIs will actually report on.
2. Criteria MIX using is to select the indicators are (1) indicators that MFIs can easily report on (ideally, drawing from data already captured by their MIS systems, or can easily be added); (2) indicators that MFIs can self-report; (3) indicators that are objective, or which can be verified by third parties; and (4) indicators that are globally comparable.
3. MIX standardization process will not define all the social indicators that an MFI should
   track. There is a way to reconcile the internal needs and external needs for information. The information that external users ask for should also be useful for MFIs (and, in addition to that, MFIs will want to track even more). The core (indicators) that MIX is trying to
   get at are not the comprehensive list of indicators that MFIs should monitor, but the common denominator between what is useful to internal and external parties.
4. Many of the indicators MIX considering are more about transparency than standardization (i.e., understanding whether the MFI has 'social' goals, defined in a very broad sense, etc.)
   These questions are much easier to answer (yes/no, plus attachment of policy if available) and should not generate controversy (at least, this has been the conclusion so far of the group of 50+ organizations - from practitioners to investors - participating in this effort). While
   transparency may seem less relevant to any particular MFI at first glance (after all, they know what they are doing), it is essential to have quality benchmarks, which can be very powerful for an MFI to improve on its performance.

Summary of Mix Process to Develop Common SP Indicators

Goal: Select CORE set of indicators that can be standardized and reported on a wide scale

For Who: MFIs, donors, investors and the public at large

Why:
-Increase funding, improve social performance, mitigate reputation risk for microfinance

-Increase awareness on microfinance: integrated into public information platform MIX Market
-Improve performance benchmarks on MFIs: integrated into MBB

Basic facts for core indicators:
-Short list that does not impose a burden too heavy on MFIs: 10-20 to start
-Buy-in from MFIs: the indicators need to be useful to MFIs themselves (i.e., can be used to improve social performance)

-Buy-in from users of data: there should be endorsement of the core indicators so that they are included in all data collection initiatives, ratings, etc.

Types of indicators:
-Outcome: MDG type indicators that measure household, enterprise, or individual outcomes
-Proxy indicators: MIS generated indicators, e.g., client retention, FSS, effective interest rates, number of products
-Process indictors: e.g., whether MFI conducts market research, whether MFI discloses effective interest rate, length of group meetings, types of collateral taken, etc.
-Corporate social responsibility indicators: e.g., MFI contributions to community, compliance with environmental standards, pay ratio male to female, percentage of females in management, staff turnover, etc.

Process: mixed approach
-Top-bottom: what do we want MFIs to report?
-Bottom-up: what can MFIs report/ what do they want to report?

Choice of framework:
-Option 1: Select initiative that shares same criteria for Core Indicators (i.e., USAID Social Performance Assessment Tool)
-Option 2: Start with raters' framework and select indicators that match the criteria for Core Indicators. Choice for Option 2, consultative process - starting with raters' framework also increases the chances of having access to verified data, and having endorsement on the indicators.

Framework for indicators:
-Context: (1) Organizational Profile; (2) Financial Services and Access
-Process: (1) Social Performance Management; (2) Social Responsibility
-Results: (1) Social Goal: Outreach; (2) Social Goal: Appropriate Services; (3) Social Goal: Change - Effects of Impact

Process to select indicators:
-Pre-selection based on criteria listed above
-Discussion at Taskforce meeting in Halifax in November 2006
-Creation of Sub-committee to work on selection/definition of core indicators
-Very iterative process - 40+ organizations formally involved in the sub-committee, more informally (includes MFIs, networks, investors, donors, etc.)
-Break-down the indicators into the 3 different groups: (1) context; (2) process; and (3) results, to reflect the fact that some are very straightforward and should not be controversial, while others require more testing - we also agreed that it was important to work on all indicators at the same time
-After weeks of intense feedback, list is in the process of being updated again

Future Steps:
-In the process of the discussions/suggestions on indicators, we shifted a bit from our original criteria: we will go back to identify which indicators are less suited for common core indicators at this stage
-April: (1) Get feedback from MFIs, (2) get feedback from investors,
-May: Compile the results

-June: Present findings at SP Taskforce meeting in Paris

In selecting the final indicators, emphasis will be put on the role that each organization will play in promoting them:
-MFIs: What would you report?
-Funders/Networks: What would you promote? (i.e., Would you encourage MFIs to report, even if you are supporting a specific initiative?)
-Raters: What would you review?
Everyone: Would you help maintain fresh? Would you help update standards?

Other SPM Issues

1. Accumulating information on SP will allow us to test relationship and tradeoffs between financial and social performance.
2. If such tradeoffs could be identified it might open up SP to less traditional (but certainly not less important) players, like the many multi-sector NGOs who promote/provide financial services (often alongside non-financial services).
3. Organizations are often "doing" or participating in some activities or collecting data already that contributes to their ability to know whether they are managing their social performance. I think in some part it's an issue of getting organizations to put some of what they are already doing under a social performance management framework and then recognizing that there are other activities and "parts" to it. For example, an organization can have an incentive system that already incorporates incentives for reaching out to extremely rural areas or can conduct various gender workshops to sensitive their staff to gender issues within the organization and with its clients. They might not have a poverty measurement tool yet or may not have explicitly defined their social goals yet, but they already have activities that would contribute to an easier process of mainstreaming social performance management.

What Can Donors do to Support SMP?

1. Participate in the CGAP Social Performance Task Force along with other donors and donor organizations. This includes discussions on common indicators
2. Fund initiatives in the area of SPM.
3. Require funding recipients to report on social performance, perhaps using one of the tools currently being developed.
4. Go to the Social Performance website housed at the MicroFinance Gateway and learn about the movement and review the different initiatives. From this, determine where you can contribute. The Social Performance Resource Center on the Microfinance Gateway is
currently being updated. Many of the pages are uploading new content, so if you try to go to the site right now it says it is under construction. The site should be operational again soon and we will send out a notice to all of these participants in the microLINKS discussion when it is available.

5. Create a working group of donors working on this topic and link with other initiatives in the area.
6. Setting social performance requirements for the funding or investment
7. Providing funding for the development of a social performance management system within the MFI.
8. Influencing the MFI to ensure strong, transparent management and an organizational culture committed to improvement. If the management is weak or organizational culture stagnant, the MFI will not be able to develop or maintain an effective social performance system.
9. Participating in the planning process of the MFI, particularly when performance indicators and targets are being set.
10. Requiring that the MFI report against particular social indicators.
11. Conducting periodic audits or ratings.

DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Amy and I want to thank everyone for all your comments to this point in the Speaker's Corner on Mainstreaming Social Performance. We are very please both with the quantity of comments so far and the quality of comments. This has been very useful to us, and I hope you, in understanding this issue better.

Amy and I would like to take the discussion a different direction today. In particularly, we'd like you to consider and comment on the following question:

How do we *align* the needs of all stakeholders so that *mainstreaming* is effective and efficient?

a. What are those differing needs?
b. How do we satisfy those distinct needs?
c. Where do the distinct needs intersect?

For the last day of the Speaker's Corner, please reflect on the above question and provide us your response to it.

Thank you very much, and we look forward to a productive discussion today as we wrap up this Speaker's Corner.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Amy Davis Kruize

GOOD MORNING EVERYONE!

WOW--WE HAVE HAD A LOT OF PARTICIPATION! DUE TO THE HIGH VOLUME AND DIVERSITY OF POSTINGS (WHICH IS A GOOD THING, FOLKS!) AND THE FACT THAT THIS IS OUR LAST DAY, WE HAVE MADE A DECISION TO ACTUALLY "FREEZE" THE DISCUSSION THREADS FROM DAY ONE AND DAY TWO--MEANING THAT YOU WILL NO LONGER BE ABLE TO REPLY TO THEM ONLINE OR VIA THE LISTSERVE. IF YOU HAVE A BURNING DESIRE TO RESPOND TO A PREVIOUS COMMENT, PLEASE SEND THOSE DIRECTLY TO US, OFFLINE.

LET'S FOCUS ON THE DAY THREE QUESTION POSED BY GARY (AND RE-INSERTED BELOW) IN ORDER TO COME UP WITH SOME CONCLUSIONS ABOUT HOW TO MAINSTREAM SOCIAL PERFORMANCE (OR NOT?).

WE ARE CALLING ON ALL SP STAKE HOLDERS (OR "ACTIVISTS", AS REFERRED TO YESTERDAY!) TO RESPOND TODAY!

1. How do we *align* the needs of all stakeholders so that *mainstreaming* is effective and efficient?

a. What are those differing needs?

b. How do we satisfy those distinct needs?

c. Where do the distinct needs intersect?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Tom Coleman

Jan and all

I think Jan made some particularly helpful comments on a previous thread that bears directly on Day 3. Jan's comment #4 about USAID and agreeing on one dimension of SP and creating a widelyy usable standard and standardized tools for one dimension of SP. Forget for a moment the differences of opinion about the importance of poverty outreach as a/the particular priority dimension and focus instead on the standardization aspect.

To align the needs of all stakeholders in mainstreaming SP, two things may help.

1) define the common ground or intersection

2) allow for the diversity of missions and social visions but with a common approach

Looking at #1, common ground, consider financial standards for a moment. Bottom line or profit, which is also financial return, is a standardized, one number summary of financial return. There are many other numbers that help us understand and measure financial return but there is one number that summarizes it. Everyone can agree on this for financial standards.

There may not be one number to summarize social return.

1) Are there at least a few--maybe the top ten or less, dimensions that must be covered to summarize social return? Any suggestions out there as what they might be????

2) Are there a few elements of how to choose, use and measure those widely agreed upon dimensions and other valuable dimensions as well???

From Jan's previous comment: "4) On the issue of which tool to use, even if you are not required by USAID or another donor to report on poverty outreach by using a certified tool, I think that there is great value in determining the number of clients living below $1/day (if reaching the very poor is part of your mission) whether it be with a USAID certified tool or another one that is of comparable accuracy. And there is little reason to do this repeatedly, unless you suspect for some reason that depth of outreach has changed over time. For all its drawbacks (and there are many), these tools are providing us with an opportunity to report on one dimension of SP, poverty outreach, in a standardized way. It is far from perfect, but how many other SP indicators are available to us that can provide us with a fairly accurate and fairly unambiguous measurement? Never mind that this also happens to be a crucial measurement both for measuring success in reaching MDG #1 and the two goals set forth by the Microcredit Summit."

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Tony Sheldon

One key issue that will affect the "mainstreaming" of SPM is what kinds of data MFIs will be asked to track, and therefore which stakeholders' needs are being met.

On the one hand, it is simpler to respond to and track internal organizational data (e.g., do you try to reach the poor? do internal procedures reflect the mission? are all staff trained in consumer protection? what is your client retention rate?). Focusing on these kinds of questions / indicators may lead to quicker and broader acceptance of SPM by MFIs (who are clearly a key stakeholder).

But these kinds of questions and indicators do not take into account client level data, and some stakeholders (e.g., some social investors and donors) would say that an MFI must track client-level data if it is serious about SPM (e.g., % of clients below the national poverty line, % change in level of assets, % of children in school). Monitoring these kinds of data is more time-consuming and beyond what a typical MIS tracks. But reliable data on client-level information may be the only way to demonstrate that a commitment to SPM leads to actual improvements in clients' livelihoods, which is presumably the end-goal of all this effort.

What are people's views on which kinds of information (institution-level and/or client-level) are important to track and report on as part of SPM?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

The issue Tony raises is precisely one of the issues the group working on common social indicators is dealing with. What we may call "proxy" indicators (e.g., retention, staff training, etc.) are easier to collect(use program generated information that do not require client surveys) and interpret, but they do not actually tell us what is going on in the lives of clients.

On the other hand, client-level indicators (e.g., % change in level of assets) tell us what is going on in the lives of clients but are harder to collect (require client surveys) and interpret (the absence of a control group means we cannot say for certain whether the changes are a result of the MFI or just general changes affecting everyone).

There is clearly a trade-off in what types of indicators we use.

So, the relevant question is how do different stakeholders see this issue? What kind of indicators are most useful to you and why, taking into account trade-offs mentioned above?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Stacey Young

Jan makes several good points here. I think the point about the limitations of a single social score is especially important. Social challenges and inequalities can take very different forms in different contexts, and it's important to tailor measurement of social performance to those different contexts. Moreover, even for the issues that are fairly constant throughout the world (gender inequality, for example), scores would need to be pegged to progress in a given context, because even a constant such as gender inequality takes different forms in different places.

Re: the poverty measurement tools (clearly a topic close to my heart!), here again I agree that it's very important to know who you're reaching/how poor your clients are. How else will you be able to conduct the rights kinds of market research in order to determine how best to serve your clients? And, how else will we as an industry be able to better understand what the limitations are of the benefit of microenterprise services (vs. education, health, etc.) to poor people (as opposed to assuming without much knowledge to back up the assumption that all people, even those who are destitute, can participate in and benefit from MED activities). So poverty measurement is indeed crucial to our work in microenterprise development.

As the same time, I think poverty measurement should also be contextual (along with other aspects of social performance measurement). Poverty levels differ throughout the world; also, the $1/day definition of "very poor" is totally arbitrary. So there are two limitations to the $1/day absolute standard: first, there's nothing magic about $1/day, and we risk distracting ourselves from the complexities of poverty and the misery of people living on $1.50/day or even $2/day when we focus on an absolute cutoff like $1/day. Second, $1/day has practically no meaning in relatively wealthier regions such as most parts of Europe and Eurasia. Does that mean that there's no point measuring outreach to relatively very poor people in that region? I don't think so. Unfortunately, a tool designed to give a "yes/no" answer to the question of whether someone falls within the $1/day category can't tell us anything about the different conditions of someone living at $1.30/day vs. someone living at $100/day. All the tool tells us is that the answer to the $1/day question is "no" for both.

What this tool does do for us, of course, is enable us to compare clients across countries and regions, which can be very useful for donors and networks in making decisions about where to invest, but which is usually less useful for service delivery institutions whose scope is much more limited.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

These are some excellent questions. I am sorry to say that I cannot think off hand of a single social indicator similar to profits among financial indicators.

A tempting answer is "poverty outreach," but this is not the objective of all MFIs. But is it an objective of a sufficient enough percentage of MFIs to make it reasonable to establish it as a universal standard?

Since this day's thread is on bringing together diverse stakeholders' perceptions/needs in social performance, how do the rest of you view this topic? What types of information do you think is important, do you want?

Can you propose, in answer to Tom, a list of "common" indicators that you think have potential to be standards that reasonably satisfy diverse stakeholder needs? (Of course, it will be helpful to have the perspectives of your other stakeholders to answer this question.)

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Masami Hashemi

Let me try to imagine the MFIs' perspectives.

I think one of the reasons why some MFIs show resistance to SPM may be because "poverty outreach" has a prestigious place among all the SPM indicators. I personally think it is valid if an MFI is targeting a higher-income population than "the poorest" or "the poor", as long as that population in general was not attended by the traditional financial institutions before.

I think we need to go back to the definition of MFIs to talk about standard indicators. What makes MFIs distinct from other financial institutions?

In my opinion, MFIs are different from traditional financial institutions because they are attending the previously unattended (and contributing to build an inclusive financial system), and because the previously unattended population is at a lower segment, the MFIs provide financial services at a small amount. Also, MFIs are different from consumer-lending FIs because they have a higher potential to improve the lives of the clients.

Then the standard indicators may be, - % of clients who are not or have never been clients of traditional FIs, for the former point, and - % of clients who have improved their lives, for the latter, which will be translated into the increase in asset, housing conditions, children's education level, etc.

The other two additional parts I think would be good to include in the standard indicators are:

1. Indicators that will help improve the operation of MFIs. For example, what is the MFI's target population, the MFI's outreach to that set target population, etc.

2. Indicators related to consumer protection - avoid overindebtedness, be transparent, codes of conduct, etc.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Thanks Masami. I think I speak for Isabelle and others when I say that we have considered the formerly "excluded" as an SP indicator, and I believe the core indicators include this (do they not Isabelle?).

Your point is well taken about the diverse market segments targeted by MFIs. A problem is that in our discussion, we fail to differentiate between "poverty outreach" and "social performance," perhaps because for some people they more or less are the same thing given their particular value orientation.

The distinction is implied in the Glossary definition of social performance.

There is also confusion about what constitutes microfinance and an MFI. Perhaps this is something else we need to define clearly and be explicit about as we move forward.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Isabelle Barres

Yes, the 'excluded' and 'marginalized' are included.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Syed M Hashemi

Tony raises a valid point - without client-level information it is difficult to really understand what (if any) impacts a MFI (even an operationally aligned one) may be having. The overwhelming sense is that, as Tony articulated, institutions that are really "serious" about social performance should be able to talk about the changes happening in their clients lives. However, collecting information on this level has proven to be expensive and tedious for MFIs.

Furthermore, it is difficult to link changes in client poverty to their participation in microfinance with any degree of rigor.

CGAP, together with Grameen Foundation, Ford Foundation and Mark Schreiner have developed a tool that can address these challenges. The Progress Out of Poverty Index is easy to implement and provides statistically rigorous information about client well-being. Moreover, since it is built on national level household survey data, it allow MFIs to consider their clients against the national poverty/US$1 a day line - thus allowing for easy comparison between countries and MFIs. The Progress Out of Poverty Index is a set of indicators that measures poverty via simple questions rather than long surveys and difficult calculations of income and expenditure. The questions are carefully chosen proxy indicators that are linked to global indicators of poverty e.g national poverty lines. The responses to the questions are weighted and then compared with a previously constructed ?poverty likelihood? table to determine the percentage of clients falling below the poverty line for any given MFI. Tests show that a single scorecard works in both rural and urban areas of a given country, and that accuracy is high. Furthermore, the same index of indicators can also be used over time to track improvements in client economic levels and their progress out of poverty.

CGAP, Grameen Foundation and Ford Foundation have created PPIs for a dozen countries. These include Bangladesh, Bolivia, Haiti, India, Malawi, Mexico, Nepal, Nigeria, Pakistan, Philippines, South Africa and Vietnam. Many more are being created. This will finally set the stage for the global adoption of a standard measurement of economic levels of clients and changes in their economic and social conditions.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS
Post By: Syed M Hashemi

Stacey's point on context is very good. We therefore need tools that can weave the specific context with the global. The CGAP-Grameen-Ford tool does precisely that. For example in the Philippines the following questions are asked (other questions are asked in other countries):

1. What are the house's outer walls made of?
Light materials (cogon, bamboo, sawali, |nipa)
Strong materials (aluminum, brick, wood, |asbestos)
----
2. What kind of toilet does the household have?
Not water sealed
Water sealed
----
3. Does the household own a gas stove?
No
Yes
----
4. Do all children ages 6-17 go to school?
No
Yes
No children
----
5. How many TVs do the household own?
None
One
Two or more

These are all context specific questions. But they also allow for a scoring that gives us the percentage of clients below the poverty line (or living on less than a dollar a day). This is also what the IRIS tool does. We have made a major breakthrough in the industry.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS
Post By: Gary Woller

Let me add a bit of context to Stacey's insightful comments. This context also adds extra information to the response recently sent in by Syed Hashemi on the CGAP, Ford, Grameen Progress Out of Poverty Index (PPI).

The PPP is a scorecard of 5-10 simple indicators. In recognition of the issues that Stacey raised, the scorecards are being developed using the following criteria:

1. The indicators should vary with program participation. Thus static indicators such as age, gender, literacy, family size, etc. that do not vary with program participation are avoided in favor of indictors such as housing conditions, asset ownership, school attendance, etc. that are expected to vary with program participation.

2. The indicators should be objectively measurable. We do not rule out subjective or non-verifiable indicators (e.g., number of months food insecure), but we try to limit them in favor of objectively verifiable indicators.

3. We are calibrating the scorecards for 4 poverty lines (where the data is available):
1. $1 day
2. $2 day
3. National poverty line
4. Bottom half of those below the national poverty line

If you go to www.microfinance.com and click on the "poverty scoring" link, there you will find documents describing some of the scorecards that have been created to date, although please note that we are planning revisions to some of what you find there (e.g., calibrating to additional poverty lines). But this will give you a flavor of what we're doing.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Jan Maes

Great discussion going on!

I made a point of mentioning in my earlier message that the IRIS developed tool for USAID is not the only one that would fit the bill. It is true that simply defining people at one or the other end of this magic $1 a line has some serious limitations. The second US Congress definition (very poor = bottom 50% of those below a national poverty line) is part of the solution (to having a meaningful cut-off in every national context), but still leaves you with a very artificial line of very poor versus poor.

Regarding Gary's question, should poverty outreach be a standard for SP? No, you don't need to be reaching very poor people to have a social bottom line. But if you mean whether poverty outreach should be a universal indicator in SP assessment, I would say yes, why not, for transparency reasons and to give donors/investors one (among several) measure to decide where their money should go. In other words, I see depth of outreach information as neutral in terms of scoring social performance (unlike progress out of poverty, which I think should give you bonus points, and should also be among the "top ten" list of SP indicators), but as very valuable information nevertheless: for donors/investors to help them have control over the target group to be reached by the institutions they fund, and I would argue again, to provide a way of putting financial performance of these institutions in context of the degree of poverty they are dealing with.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Isabelle: Let me try to answer, but Hashemi may well have additional information, since CGAP is funding much of this work.

The primary constraint to creating PPI scorecards is access to data. Constructing the scorecards requires national-level household data with detailed information on household expenditures, housing, access to services, asset ownership, school attendance, etc. Examples include Living Standards Measurement Surveys (LSMS), national income and expenditure surveys, welfare monitoring surveys, and so forth.

Not all countries have such data available, or they might have it, but it is too dated to be of use. My guess is that eventually scorecards will be created for all or most countries for which such data exists, but this will still leave a number of countries without PPI scorecards.

In terms of what to do in countries where no data exists or a PPI hasn't been created yet; I'm not sure. We're open to ideas.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Syed M Hashemi

CGAP will fund the construction of poverty scorecards (or the PPI as we call it) for any country where there is demand and where good national household expenditure surveys exist. we can, for example, do it for any country where the world bank has done living standards measurement surveys. we have already done a dozen and many more are in the pipeline.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Isabelle Barres

Thanks Malika and Gary -
I would be interested in hearing more on thoughts for countries where it is hard to create a PPI. What are MFIs to do/use?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Jan Maes

Hi all,

I want to clarify/elaborate a bit on my last point in my previous message, i.e. how would SPM be relevant for the 'savings-led' microfinance approach (more or less informal savings and loan groups very different from microfinance institutions, who seem to be at the forefront of this movement), promoted by PACT, OXFAM, CARE, CRS and many others. As a concept borrowed from a socially responsible for-profit sector, social performance seems a more natural fit for microfinance institutions than for NGOs and the informal savings groups they promote. After all, social performance is their very reason of existence and they have not had to deal with mission creep due to financial sustainability goals. They are arguably facing the opposite pressure, i.e. for improved financial performance.

These organizations have reached enormous scale especially in Africa and Asia, and they have developed common performance measurement standards, which include both financial and social data. I don't see much evidence of collaboration on SP issues, however, between these and more 'mainstream' MF practitioners. I am not sure why that is, but I suspect that they feel that social performance has always been given a lot of attention and that they don't relate as much to the issue of mission creep. Also, without a profit-making model, they are not looking at social investors for additional funds. But are these the only reasons? Any input from others?

Do we risk ending up with two different social performance frameworks for these two different MF approaches by not communicating with each other? Does the savings-led financial services movement even have an interest in SP? I might be wrong, and some communication might have taken place. If so, I would love to hear about it.

Best regards

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Jan Maes

A few comments on the role of poverty measurement in SPM:

1) First of all, I think that the trade-off between financial sustainability and depth of outreach has been downplayed somewhat in this discussion. Sure, there are examples where MFIs do reach very poor people, but most studies suggest that there is a trade-off with profitability. At any rate, such comparisons among various types of microfinance need to be done within a given (national at least) context. After all, if cost of information takes up a large part of transaction costs, then tiny loans would be less profitable than bigger loans. Not that I want to even suggest to use loan size as indicator of poverty outreach, as I think we moved beyond that one…

2) I do agree with Stacey, of course, that there are examples, where reaching very poor clients has been done in a profitable way (which by itself is no evidence that there is no trade-off), and more importantly that tracking social performance of a range of institutions and approaches will most likely give us more clarity about the role of various program goals in achieving outreach (depth and breadth) and impact/poverty reduction of clients.

3) Also, whether an MFI or other microfinance organization reaches very poor people is not particularly useful information if we don't have an idea of the extent, i.e. proportion of clients at entry that are very poor. By no means do I want to suggest that an MFI HAS to reach very poor people in order to be a "good social performer", but for the sake of transparency MFIs who CLAIM to reach very poor people should measure and report it. Tom Coleman was asking

about a single social score. I am not sure if I would like that idea, but depth of outreach is one of the few social performance indicators that would provide investors with at least one quantitative indicator to guide their decisions. It shouldn't be the only one, of course, but I would hope it is high on the list that CGAP and collaborators are considering for inclusion on their social indicators list? Again, I don't think that depth of outreach by itself is important for social performance, but it should be
tracked.

4) On the issue of which tool to use, even if you are not required by USAID or another donor to report on poverty outreach by using a certified tool, I think that there is great value in determining the number of clients living below $1/day (if reaching the very poor is part of your mission) whether it be with a USAID certified tool or another one that is of comparable accuracy. And there is little reason to do this repeatedly, unless you suspect for some reason that depth of outreach has changed over time. For all its drawbacks (and there are many), these tools are providing us with an opportunity to report on one dimension of SP, poverty outreach, in a standardized way. It is far from perfect, but how many other SP indicators are available to us that can provide us with a fairly accurate and fairly unambiguous measurement? Never mind that this also happens to be a crucial measurement both for measuring success in reaching MDG #1 and the two goals set forth by the
Microcredit Summit.

5) Lastly, how do all these multi-sector non-profit organizations fit in that are in the business of promoting informal savings and loan groups? They achieved massive outreach and are growing fast. They don't report to the MIX and won't be prime candidates for social investment funds, but their social performance should at least equal that of MFIs (and depth of outreach likely higher) I would think, given the fact they are providing financial services and non-financial services in remote rural areas where few MFIs have ventured so far. Yet it doesn't seem that they are participating much in the SP movement. Why is that? Are any of you out there participating in this discussion?

Best regards

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Amy Davis Kruize

Dear Folks,

Thank you all for your commitment to this discussion and all of the information about what is being implemented in the field on specific subjects, such as the PPI.

As Jan mentioned, poverty is not the only social mission. What other indicators are MFIs and/or Investor/Donors focusing on?

Do we see common threads? or overlap?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Adam Sorenson

First, let me apologize for a long posting – it may be the only chance I get, as the connection and time zone are conspiring against me. I'm not sure which day fits my comments best, but I think I can make the case that I'm talking about 'needs' today, in addition to standardization.

Think, for a moment, of the way MFIs interested in SPM – let's call them 'pro-poor' – use the standardized indicators in financial reporting. Certainly, managers' focus is not on all indicators common to financial reporting, and I doubt MFIs even track some of these indicators regularly (instead, relying on auditors to compile them).

Instead, managers of these pro-poor MFIs are concerned with the specific financial indicators that are relevant to their targets/missions (e.g. sustainability). Many others are of use, especially publicly, only as far as they establish the MFI's financial competency in a clean audit. This is of importance to donors and investors, and because using funds responsibly is a 'good thing'.

Jumping to SPM in 2007, I think that MFIs –even pro-poor ones – will parse SPM in the same way, if at all possible. Why? The aforementioned diversity of missions and social visions are the most important reasons. Others? The need to 'market' and 'mainstream' SPM; and, the small number of MFIs that seem to be active in discussions similar to this one.

I also feel that another reason lurks – perhaps with less impact, but greater ambiguity.

Thinking back to financial indicators and the MFI that I work for, our public presentations often focus on what we care about, like efficiency, outreach to the very poor and client-centred learning. The financial indicators that we cite – like a very high personnel allocation ratio – will support our arguments for what we care about and what we do well.

The financial indicators that are tougher to explain – like those linked to our need to charge higher interest rates than MFIs in many other countries – are not in Slide 1 of the generic Powerpoint presentation. Now, the importance of standardized financial indicators – such as yield on GLP in our case – is a no-brainer. Of course donors and investors, among others, should know how much money we're making off of our clients.

Tiptoeing back to SPM in 2007, it seems obvious to me that social indicators, and especially SPM processes, will be used in the same way, if at all possible. If MFIs are good at it, they'll champion them; *not* because they are coldly self-interested, but because they have clearly dedicated themselves to performing on the chosen indicators and processes. Meaning that, if MFIs don't have to conform to standardized indicators or processes, then they'll pick the ones that they conform best to.

I don't have the solution for how 'standardized' is 'standardized enough', but clearly efforts like the Social Indicators project are important.

The solution I do have for SPM, drawing on my discussion of financial indicators, is that no information should be accepted without being checked (cue social rating). This may seem like another no-brainer, if we are ever to assert that social performance is at least as valid as financial performance. However, in my humble opinion, the rating processes for SPM do not yet fully reflect this principle.

Just in case there are some coldly self-interested MFIs out there.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Isbelle Barres

Hashemi,

Can you please clarify what would happen if an MFI wants to test the PPI in a country where one is not available yet? Would you automatically work on developing one? Is the plan to cover all countries where there is microfinance, and if so, what is the process to chose the countries?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Malika Anand

Since Hashemi just left for lunch, let me try to answer this question.

Right now we are working to develop PPIs for any country in which there is interest and a good sized microfinance market. As you can tell from the list Hashemi mentioned, we started with countries with big microfinance institutions and lots of clients. With the funds we have available now, we plan to create a couple dozen PPIs. Beyond that, organizations or national networks can make their own. However, for many countries a regional PPI may be sufficient. We are making sure we have a decent geographic spread with the countries we have chosen. This way a PPI might only need to be "adjusted" to be used in a neighboring country - a process that is much simpler and cheaper.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Amy Davis Kruize

Adam,

I am so glad to see practitioners from MFIs contributing to this conversation! I can relate to the need for managers to pick and choose the most applicable indicators, both financial and social. I think you are suggestting that it would be good if there was a menu of indicators and tools to choose from according to mission and ease of use for MFIs.

Are there other MFI managers waiting in the wings that could add to this? What are your thoughts on mainstreaming social performance?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Jan:

I'd love to know what their common SP indicators are. Can you summarize them or point us to the relevant sources?

I have a few thoughts.

1. Whether mission creep is an issue, there are still issues of managing social goals and getting internal processes correct. They may not be interested in our common indicators (but maybe they are; we need to ask them), but it strikes me that the "social audit" would be highly appropriate for them, as it looks at the convergence between organizational goals and organizational design/internal processes. There are many, many ways to go off course, even if one's goals are clear.
2. If they are under pressure to be more sustainable, then now more than ever they need to focus on SPM, as they are likely to face more pressure now than before to veer off course pursuing other objectives.

Unfortunately, I am not aware that "we" are talking to "them." Obviously, this needs to change.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Tom Coleman

There seems to be a lively discussion again today.

Coming back to the question of the day and a "short list" of top priority indicators, there seems to be only one indicator identified as important to many (perhaps not all), and that is poverty outreach with the bonus of a tool--the PPI scorecard to measure both client poverty level and progress of clients over time across many countries.

Are there any other priority indicators for SPA and SP reporting that might form the basis for a "short list" of common standards? Maybe we can't identify 10. Can we get up to 3 before the day ends or is poverty outreach together with poverty progress the only one with a wide following?

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Adam: Let me try to paraphrase what I understand you to say.

Regardless of what standardized indictors we (the industry) select, MFIs will continue to track and use indicators that make the most sense to them. They will do the minimum they need to so as to collect and report on the other indicators requested by others (e.g., donors or investors), perhaps simply relying on auditors to do it for them.

Is this about right?

This post addresses a discussion we had on Days 1 and 2 regarding the trade-off between standardization and internally-driven SPM systems. Your experience suggests a practical way in which MFIs are likely to deal with this trade-off.

RE: DAY THREE: THE NEEDS OF ALL STAKEHOLDERS

Post By: Gary Woller

Masami suggested one other general indicator: outreach to the "formerly excluded," which coincides with how she defines Microfinance: financial services targeted to populations heretofore excluded from formal financial markets.

Maybe if we can agree on a definition for microfinance, this can be the basis for identifying the "short list."

SPEAKER'S CORNER WRAP-UP

Post By: Tony Pryor

Amazing, everyone! just wanted to let you know that this was the most active Speaker's Corner to date: over 120 posts and almost 1,000 views during the three days!! At times, we were getting a new posting every 15 seconds or so! Unreal! And albeit beyond our ability to keep up with the flow, although the fact that we still did very well is clearly the responsibility of our two Moderators, Amy and Gary, as well as our Microlinks Speakers Corner Guru, Katherine Curtis! Way to go!

It's also exciting that this is simply a part of a longer term process. We look forward to being able to assist this community in continuing to learn from each other, and to address in more depth many of the very important issues discussed over the last three days.

And many thanks to SEEP for another great collaborative effort with Microlinks; we can't wait for the next such effort!!

And finally: haven't heard enough from Gary? More's coming!! Believe it or not, the very next audio interview in queue is an excellent discussion of many of these same issues, captured at last year's Microenterprise Learning Conference. We'll email everyone who has been subscribed to this session when the interview is up on the site!

On behalf of the full Microlinks Team, many thanks!

RE: SPEAKER'S CORNER WRAP-UP

Post By: Gary Woller

As the day is winding down, I want to thank everyone who has taken the time to read and/or participate in the Speaker's Corner discussion on Mainstreaming Social Performance. We are pleased with the quantity and quality of comments. We recognize that all of you have many other pressing demands on your time, which makes us all the more appreciative for your participation.

I hope that you have learned something from this discussion. I know I have. Let me tell you now what we're going to do with this information.

As you know, the Social Performance Working Group of SEEP is working on a "Social Performance Map" (see below for a description). One of the issues to be covered in the Map is the same topic on Mainstreaming Social Performance. We realized that to write knowledgably on this topic, we needed views from a wider number and variety of persons representing different stakeholders. The purpose of this Speaker's Corner was to access these views. I think we have learned much that we had not considered previously, or we now have actual information to back up what we previously suspected, or we have found our preconceptions challenged.

We will take the discussion of these last three days and integrate it into our discussion of Mainstreaming in the Map. I feel much more confident now that we can represent certain perspectives in the industry with greater accuracy than we could before. Of course, any and all of you are free to contribute more ideas and insight offline. If you have anything else to contribute, please send it directly to me at gary@wollerassociate.com.

I have attempted to attach a bullet point summary of Days 1 and 2 discussion to this message. If all goes well, you will find it and be able to download it. If not, one way or the the other, we will find a way to get it to you. Over the next days we will also prepare a text version of all three days of discussion and will disseminate that to you also.

Again, thank you for your participation. Amy and I wish each of you all the best of success now and into the future.

Gary Woller, Facilitator, Social Performance Working Group

DESCRIPTION OF SOCIAL PERFORMANCE MAP

The SPM map is an exhaustive summary and analysis of the social performance landscape drawing from the NGO, private, and microfinance sectors. It will fill a gap in knowledge about the state of the practice in SPM and equip industry stakeholders with information useful for sorting through the issues and options and making decisions related to their roles and responsibilities.

The SPM map anticipates where the industry is heading in terms of social performance and suggests a path to get there in a way that is most likely to create scale and thereby industry-wide social transparency and social accountability. A minimum goal of the SPM Map is that it equips stakeholders to make informed decisions regarding the following:

1. The relevance of SPM to their institutional and/and personal mission, objectives, and values.

2. The extent to which their perceptions of and expectations for SPM are accurate, including the extent to which they are aligned with experience and with what is feasible.

3. The approaches to SPM (both conceptual and methodological) that fit best with their mission, values, and objectives as well as with their resource constraints. Included with this is the ability to understand the relative costs and benefits of different approaches and to identify and weigh tradeoffs between them.

4.   Strategies for moving from talking about SPM to doing SPM, both with regards to their institutions and/or themselves and the sector as a whole.

SOCIAL PERFORMANCE TASK FORCE

Post By: Laura Foose

Attached is a powerpoint which describes in great detail the whole process that we are taking as the Social Performance Task Force to come up with a common list of social performance indicators. This document is available to download from the Mainstreaming Social Performance website at www.microlinks.org/socialperformance. Isabelle Barres is the chair of this subcommittee and has been working tirelessly to come up with this list of indicators.

The task force has developed a very broad group of people who are part of the subcommittee representing practitioners, raters, donors, social investors in the analysis. A list of the subcommittee members is below to give you an indication of the variety of folks involved. To join the subcommittee, please send an email to me or to Isabelle Barres (ibarres@themix.org) and we will put you on the distribution for the emails.

Our next task force meeting will take place on June 10-12 in Paris, France, where we will be going through feedback we have received from social investors and practitioners on the proposed list of indicators. If you are interested in attending this meeting please contact me at lfoose@alternative-credit.com.

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