

Integrating SPM into network and member operations: *The case of NATCCO (Philippines)*



EXECUTIVE SUMMARY

The National Confederation of Cooperatives' (NATCCO) 12-month Social Performance Start-Up Fund project was designed to achieve two core aims: to build its members' capacity to manage and report on their social performance, and to improve the capacity of the network to manage its own social performance as a mission-driven and member-focused organization. The project also responded to a recent important shift in legislation that mandates that all cooperatives undergo a social audit — and NATCCO successfully leveraged its project experience to help shape the regulations that would ultimately apply to its members.

INTRODUCTION AND BACKGROUND

This case study presents the experience of the National Confederation of Cooperatives (NATCCO) in its work to integrate a social performance management (SPM) lens into the Filipino cooperative sector. This project, carried out under the auspices of the MFC² Social Performance Start-up Fund (see box one for more information on the Fund), aimed to build awareness and capacity for social performance management (SPM) and transparency among NATCCO's members.

Established in 1977, today NATCCO is the biggest and strongest federation of co-ops in the Philippines in terms of its geographical reach, membership, financial capacity and array of services. It currently has around 2.1 million individual members coming from several co-op federations and some 550 rural- and urban-based co-ops. The institution's mission is to deliver superior, relevant and ethical financial and allied services, anytime, anywhere.

NATCCO offers its members:

- treasury and credit

- training on financial literacy, portfolio management, governance, and human resources management
- Microfinance Innovation in Cooperatives (MICOOP): to help members reach and effectively serve those poorest of the poor
- cash management services

Box one: The MFC SP Start-up Fund

The MFC Social Performance (SP) Start-up Fund for Networks¹ supports 13 national networks from Asia, Africa and Eastern Europe (with limited or no SPM experience) to implement one-year country-level projects on social performance management (SPM). Grantee networks engage local stakeholders around microfinance and social performance, increase sector transparency and help members align internal processes to facilitate more effective fulfillment of their social goals. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

¹ More information can be found at www.mfc.org/en/content/sp-start-fund

² MFC – Microfinance Centre is a regional network for Europe and Central Asia with headquarters in Poland. Since 2005, MFC has provided SPM and social reporting capacity building to over 30 microfinance networks and 150 MFIs. MFC is a member of the *Imp-Act* Consortium and the Social Performance Task Force. For more information visit www.mfc.org.pl

³ The development of this case benefited from the input and insights of Kinga Dabrowska (MFC), Katarzyna Pawlak (MFC), and Emy Santos (NATCCO).

- a cooperative “stabilization fund” to provide members in financial distress with access to emergency funds and technical assistance.

This case is unique in that it is a story of a network that used its SP Start-up Fund work to improve its own social performance management processes, as well as that of its members. From the start, it deliberately sought to institutionalize an SPM focus

in the work of the network. In practice, this meant training more network staff (alongside its members) that can then in turn provide training to members. Not only does this mean that they have sufficient support capacity, but it also means that their staff are aware of the importance of SPM and make it part of their daily work.

MAIN STORY

Context for SPM in the Philippines

Microcredit cooperatives have a long history in the Philippines, with a few dating back to the 1960s. However, the overwhelming majority of these (70%) have remained small (with assets up to \$70,000). Given their size, their strategic priority is on financial sustainability and efficiency — with “good performance” measured in client and portfolio growth, and high savings and repayment rates. Deliberate attempts to measure and manage social performance are non-existent. Where the desire to do so exists, a lack of capacity, coupled with the perception of social performance management as “difficult and costly”, represent insurmountable barriers.

However, recently-approved legislation, in the form of the Philippine Cooperative Code (Republic Act 9520), mandates that all cooperatives undergo a social audit once the implementing rules and guidelines are finalized by the government’s Cooperative Development Authority (CDA) — envisioned for 2013.

Within this context, NATCCO saw a clear role for itself in supporting its members not only to comply with the regulation, but to promote a vision for social performance and improve practice. Further, in its capacity as member of the working group discussing and drafting the national social audit guidelines, NATCCO created an opportunity to contribute lessons learned from the project into the development of the regulations that would ultimately apply to its members.

Project activities overview

NATCCO overall aim in this project was to improve its members’ social performance practice, as well as its own. Its specific objectives were to:

- Build NATCCO’s capacity to promote SPM

mainstreaming and to measure and track social performance among its members

- Pilot an SPM mainstreaming and reporting initiative with 9 of its members.

The project involved series of activities focused on awareness raising, capacity building in social performance reporting as well as facilitating introduction of quick wins to management systems of cooperatives (see Table one for the project plan).

Table one: NATCCO’s project plan

STEP	WHEN
SPM kick-off workshop (delivered by MFC)	Sept-Oct 2011
2 awareness-raising workshops on SPM for partners and network staff	Nov-Dec 2011
Ongoing support in social reporting to partners	Jan 2012- Sept 2012
On-going support in SPM practice improvement	Mar-Oct 2012
Reporting lessons learned workshop	March 2012
BOD/membership meetings to inform leaders/ members about SPM	Mar-Apr 2012
General Assembly resolution creates Social Performance Gender Equity (SP-GE) Committee in NATCCO	May 2012
Develop NATCCO’s SPM scale-up plan	Oct 2012

Building awareness and capacity

NATCCO started its engagement by holding a series of SPM and social reporting workshops. They asked project partners to come prepared with their vision and mission statements, financial statements and audit reports. Over the four-day workshop, participants reviewed the basic concepts of social performance, SPM and client protection; discussed the Universal Standards for SPM; and learned how to complete the MIX's social performance reporting requirements. Importantly, participants had the opportunity to start reviewing their own social performance strengths and weaknesses, revisit their mission, goals and objectives, and create action plans to secure institutional buy-in for SPM. They also discussed how to use social performance reporting data to improve internal operations. Importantly, NATCCO involved 17 of its own staff in this workshop, including trainers, area and branch managers, member relationship staff, communications and IT staff. In this way, they were able to ensure that SPM was broadly understood within the organization — which facilitated their on-going SPM work at the network level.

Supporting social performance reporting

Following the initial training workshop, NATCCO members started to complete their social performance reports for the MIX. Members met a number of challenges around “translating” their performance as cooperatives to a reporting format that was largely designed for other types of financial institutions (e.g. should loans taken by cooperative-owned businesses count in the total loan portfolio?).

Strengthening SPM at NATCCO

As a mission-driven organization, NATCCO also used this project to improve its own social performance. At the outset, it defined a number of core goals, including:

- Building NATCCO's internal capacity to support and train SPM and social reporting
- Outreach to members: Increase membership by 70 new members, retain 150 members in good standing

- Meeting members' needs: Create products and services that cater to the needs of smaller co-ops
- Contributing to positive change: Support good social performance results by members
- through documenting and disseminating member-coops' good SPM practice via the NATCCO website and newsletter.

Project achievements

NATCCO made a number of unique decisions which contributed to meeting and exceeding its targets. These were:

Defining clear selection criteria

At the start of the project, NATCCO took a deliberate approach to selecting pilot cases. Clearly-defined criteria required the following of potential partners:

- Committed Board and management (supported by Board Resolution providing staff and funds for SPM)
- Strong management capacity (good portfolio quality, growing outreach, diversified product range)
- Robust MIS (timely and accurate reporting, capacity to accommodate SP data)
- Geographic representation (Luzon, Visayas, Mindanao) to ensure a diverse range of partners
- Linked to reliable communication facilities (email, Skype).

Mitigating operational risks

At the outset of the project, NATCCO identified a number of potential risks to successful project implementation, and devised a number of strategies to overcome these. They included:

- **Low data quality from partners:** NATCCO averted this risk by screening potential members for a robust MIS in the partner selection criteria, providing individual field-based mentoring on SPM, and closely monitoring reporting efforts by partners.

- **Limited availability of management and staff time:** NATCCO ensured buy-in by requiring partners to pass official resolutions allocating personnel (an SP champion at the management level) and funds for SPM, and setting up a peer learning group to provide a space for on-going engagement, sharing and innovation.

Establishing an SPM working group

As stated above, a key concern for NATCCO was to institutionalize an SPM focus in the daily work of the network. Its approach to staffing its SPM work helped to embed SPM at all levels of the organization (as well as to spread project news and ideas to members not participating in the project).

Rather than appoint a single project manager, NATCCO opted to form a cross-institutional SPM working group, comprised of a project coordinator, three MICOOP³ area managers, two training department staff, one staff member each from product development, communications and IT, and the local technical support consultant. The working group had overall responsibility for practical operations of the SPM project, including implementation, monitoring and evaluation, reporting, mentoring to members, facilitating peer learning between members, documenting and disseminating lessons learned to the NATCCO membership.

PROJECT EXPERIENCE IN DETAIL

Getting member buy-in for SPM

NATCCO understood that a key to ensuring organizational buy-in for SPM was making sure that the SPM message made a successful transition from the training workshop to the broader organization. Thus, it made the decision early on to be prescriptive about which staff members should attend the training workshops, ensuring that staff and management from key influential departments (such as training staff, information technology staff, etc.) were around the table. Participants also had time within the workshop for action-planning around how to build buy-in when they went back home to their own organizations, so they had a clear plan around which to catalyze their institutions.

From the outset, NATCCO also knew that its biggest challenge was to change the assumption that social performance management must be costly. It did so by encouraging members to tackle a few “quick wins” (that can be achieved with relatively little time and effort) so that the benefits of SPM would immediately be visible, and buy-in for more long-term change would be easier to secure. These quick wins included, among others: improved member profiling, client satisfaction studies, and product/service adaptation.

Building members’ capacity in SPM

NATCCO took advantage of online and in-person seminars and training opportunities in order to build staff SPM capacity. These included webinars organized by the Social Performance Task Force, as well as Fund grantee trainings delivered by MFC itself. In order to continue creating opportunities to build staff capacity, NATCCO will continue in collaborating with various local, regional, and international actors with the expertise and tools required for the network to support its members.

Transparency

Following the social performance reporting training workshop, they asked members to return to their organizations and start filling out the reports with data from 2010 (as members were unable to provide 2011 data until the summer after their AGMs). NATCCO reviewed their draft reports and helped them address errors and gaps. Doing so enabled the network to get a sense of common challenges. These included gaps in member data (e.g. age, gender, income levels), as well a general lack of client feedback. At the lessons learned workshop, members agreed to address these challenges by modifying their information collection and analysis processes.

4 MICOOP - the Microfinance Innovations in Cooperatives

BENEFITS AND NEXT STEPS

Table two: Revising NATCCO’s vision and mission

	ORIGINAL	REVISED (<i>Changes in italics</i>)
VISION	To be the most trusted world-class financial cooperative network.	To be the most trusted <i>integrated</i> financial cooperative network.
MISSION	To deliver superior, relevant and ethical financial products and allied services anytime, anywhere.	<i>To build the socio-economic capabilities of cooperatives through the delivery of superior financial and allied services.</i>

Benefits

For NATCCO, the project has resulted in increased awareness and improved practice around its own social performance. The Board has passed a resolution to integrate SPM into its operations, and to date it has revised its vision, mission and social goals and key performance indicators in its strategic plan (See Table two).

Next steps

In May 2012, the NATCCO national general assembly passed a resolution to create a Social Performance and Gender Equity (SP-GE) Committee in NATCCO’s central office and its member-cooperatives to ensure that SPM is mainstreamed throughout the network. This is important step for the network, as it means that there will be financial resources secured for further work in SPM.

At a network level, NATCCO’s focus in the coming year will be on improving its management information system (MIS) to include both financial and social performance indicators. It will also review members’ data requirements to ensure integration of social performance indicators. To facilitate data integration, it will advocate for the use of a common MIS system. NATCCO will also encourage members to use their MIS to profile and segment their clients in order to define (and meet) the needs of different client groups.

At a member level, NATCCO has secured institutional buy-in for continued SPM integration. At the SPM scale-up workshop in October 2012, NATCCO as a federation and its 10 project partners shared their SPM plans for 2013, and agreed to work together to promote SPM to other cooperatives in the Philippines.

KEY LESSONS

Reflecting on key lessons

Looking back on their one-year project, NATCCO reflects that if they had to begin again, they would invite the Cooperative Development Authority (a regulatory agency for cooperatives) to the awareness-raising workshop. This would have allowed them to integrate the USSPM into the national Social Audit Tool for Cooperatives, currently being developed in the Philippines for launch within the next three years.

Know your members: using SPM data to complete the picture

Collecting social performance information from its members strengthened NATCCO’s understanding of its members’ strategies and operations, their strengths and their needs. Having such detailed information about members is important for any member-driven organization, but also helps them to compare the performance of its member cooperatives to other financial service providers in the marketplace (e.g., MFI NGOs, rural banks, etc.)

Adapting SPM to cooperatives

Early on, NATCCO understood that they would need to adapt the SPM framework slightly to the context of its cooperative members. Firstly, the language around “reaching target clients” in the SPM framework does not resonate with cooperative institutions — as they have members rather than clients. Secondly, the concern with targeting specific clients does not align with the reality of cooperatives, in which any one can become a member. However, challenges still remain in terms of understanding the heterogeneous needs of different types of members — e.g. rural vs. urban, women vs. men, etc.

Improving the Network’s SPM

The NATCCO case highlights the fact that, as an organization that exists to serve its members, SPM is as relevant to the Network as to the members themselves. In this way, NATCCO’s participation in the MFC SP Start-up Fund project was a catalyst to improve its own social performance. As with its members, NATCCO found that strong and visible board commitment to the SPM agenda was key to successful SPM integration — and NATCCO was fortunate to count on this support from the outset.

For other networks integrating SPM into their operations, NATCCO would advise informing external stakeholders about the network’s SPM’s plans. In doing so, networks add an element of external accountability to the organization’s social goals, as well as a source for feedback, guidance and support that may help further improve its SPM practices.

Conclusion:

From the start, NATCCO took a deliberate approach to its work with members: by carefully screening its project partners for commitment and capacity to integrate SPM. Thanks to this, NATCCO achieved the following results:

- 10 member cooperatives were trained in SPM and social performance reporting
- 10 cooperatives provided social performance reports to the MiX by September 2012
- 10 cooperatives improved social performance-related practice during project implementation
- 6 staff and consultants build capacity to support SPM
- 600 and 450 co-ops and individual members (respectively) were informed about social performance

Having integrated SPM firmly into strategy of the network (to achieve its own social goals) as well as in its member support strategy, NATCCO will be continuing and expanding its SPM work in years to come.