Getting to know your members through SPM:
The case of Sharakeh (Palestine)

EXECUTIVE SUMMARY

Sharakeh's Social Performance Start-up Fund project was designed to mainstream social performance management and reporting in the Palestinian microfinance sector. Importantly, this included working with members to develop a common management information system (MIS) to facilitate the collection, analysis and reporting of social performance data. As a result of this project, Sharakeh enjoys universal social performance reporting by its 11 members, as well as a closer relationship with those members, based on a more complete understanding of their individual needs and priorities.

INTRODUCTION

This case study presents the experience of Sharakeh in its work to mainstream social performance management (SPM) within the Palestinian microfinance sector. This project, carried out under the auspices of the MFC[2] Social Performance Start-up Fund (see box one for the information on the Fund), aimed to build awareness and capacity among members for social performance management and reporting, as well as to build Sharakeh's own capacity to support and coordinate its members' SPM work.

The Palestinian Network for Small and Micro Enterprises (Sharakeh) brings together microfinance non-profit institutions and programs providing financial services to small enterprises, and focuses on the growth of microfinance industry in the West Bank and Gaza Strip. Established in 2002, the network's 11 members represent approximately 95% of the whole Palestinian microfinance sector in terms of gross outstanding portfolio. Sharakeh represents and promotes the development of an efficient and transparent microfinance industry, by rigorously advocating for member interests, providing members with high quality services, facilitating appropriate industry policy development, and actively promoting the industry with the general public and potential microfinance partners.

The experience of Sharakeh among other SP Start-up Fund Grantees is unique for its focus on developing a common management information system for its members, and how the network itself used SPM to become more member-focused.

Box one: The SP Start-up Fund

The MFC Social Performance (SP) Start-up Fund for Networks[1] 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 Dąbrowska, Katarzyna Pawlak (MFC), and William Gerousis (Sharakeh).

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MAIN STORY

Context for SPM in Palestine

The Palestinian microfinance industry is growing rapidly, with more and more microfinance institutions(MFIs) entering the market. At the same time, MFIs are feeling top-down pressure (from international partners, donors and investors) towards commercialization. However, the unique political situation in Palestine, coupled with the difficult economic situation, requires MFIs to take more cautious approach to growth, and keep constant sight of their underlying goal: to improve clients' lives. In order to balance the increasing pressure to meet financial performance standards, Sharakeh believes their members should have a strong focus on social performance management, thus ensuring that member practice is in line with the broader (balanced) goals of the microfinance industry. As part of its coordinating and supporting role for partners, Sharakeh is well-placed to take a leading role in SPM scale-up in Palestine.

At the start of the project, levels of SPM awareness and implementation varied between members. A handful of members had independently begun using social performance measurement tools (such as the PPI[3], PAT[4], or home-grown scorecards),two had received social ratings, and one MFI even had a dedicated SPM coordinator (although practice was mixed in terms of using and analyzing social performance information). Broadly, however, member efforts were limited in scope and uncoordinated at a national level. Recognizing barriers in terms of financial and human capacity, as well as a broad interest among members, Sharakeh saw a clear role for itself in facilitating SPM scale-up.

Project Overview

To guide the development of their SPM strategy, Sharakeh applied the Quick Decision Tree tool (see Box two). In doing so, they identified four key sector trends: a lack of technical support for MFIs, incidence of underserved and excluded groups, members' interest in achieving their social missions, and the broader context of the economic/financial crisis. For Sharakeh, these findings highlighted a willingness on the part of MFIs to be more

4 Progress out of Poverty Index. Find out more at www.progressoutofpoverty.org
5 Poverty Assessment Tool. Find out more at www.povertytools.org
6 The Decision Tree and Quick Decision Tree tools can be download from: www.mfc.org.pl/en/decision-tree

Box two: The Decision Tree tool

The Decision Tree tool, developed by MFC and CERISE, helps networks develop a coherent framework for their social performance management (SPM) support strategy. The Decision Tree tool offers step-by-step guidance to help networks develop their own strategies and select appropriate tools that respond to local needs and demands. The Decision Tree is designed to empower national and regional networks to support their members in assessing, managing and reporting on social performance. It can also facilitate coordination among different donor initiatives and technical assistance providers working with microfinance networks.

deliberate about their social performance, as well as a number of key barriers that needed to be addressed.

The Decision Tree also allowed Sharakeh to identify three common SPM weaknesses among its members:

- Intent and design: Strong social missions, but a lack of clearly-articulated objectives and strategy to achieve these

- Information systems:MFIs lacked effective systemsfor collecting, analyzing, reporting on their social performance data for use in decision-making

- Systems alignment: Human resources in particular stood out as a key gap.

In addition to tackling the strategic planning element through the SPM workshop, Sharakeh prioritized providing members with support in developing their information systems to monitor social performance. They saw this as a pre-requisite for successful alignment of other operational systems (including human resources), given the need for ongoing and reliable information about performance to make effective decisions. They also recognized the importance of information around results not only to efforts around management

and transparency (e.g. reporting to the MIX) but also in terms of successfully making the case for microfinance, both within Palestine and beyond, especially in light of the unique political and economic context.

The project involved series of activities focused on awareness-raising and capacity building in social performance reporting through training and providing individual support to members, as well as increasing overall transparency of the sector through developing country report (see Table one for project plan).

Project experience in detail

Creating buy-in for SPM

The awareness-raising workshop (which included training on social performance reporting) aimed to "sell" the ideas of social performance and SPM—both in terms of annual reporting, but also as an integrated part of the structure, strategy and daily operations of MFIs. Sharakeh encountered a number of challenges in doing so, including:

- Varying levels of prior experience and understanding of the concepts of social performance and SPM

- Varying institutional maturity between members, resulting in different levels of capacity to undertake new work steams

- Different levels of control over organizational strategy — some members are independent entities, others were programs of international organizations.

- Board composition: Some MFIs had boards comprised of expats and international experts that only meet on an annual basis

To address challenges around understanding SPM, Sharakeh intensified its communication with members, conducting individual field visits to members to build awareness and secure buy-in for the SPM agenda. This included extensive one-on-one meetings between Sharakeh's board members and MFI leadership to: facilitate the buy-in process, emphasize the importance of the MFI's SPM champion to the whole the organization.

Providing individual support to MFIs

As mentioned above, throughout this project, Sharakeh provided a high level of one-on-one engagement with its MFI members. Sharakeh realized this additional support was required once the project deadline had passed and not all MFIs had submitted their data for review. In dialogue with the MFIs, it learned that often a lack of buy-in from management resulted in the staff responsible not having sufficient time and support to complete the social reporting exercise. It also found areas where staff had trouble understanding how to complete the report.

In response, Sharakeh staff spent additional time with individual MFI leadership and boards to go over the fundamental concepts and benefits of SPM. It also stressed the importance of SPM to external stakeholders, such as the central bank. Sharakeh also provided support to staff in completing the reporting template. In doing so, they took each of their members through a process of identifying their SPM strengths and weaknesses. As a result, 100 per cent of their members reported to the MIX.To achieve this, Sharakeh found that each MFI required an average of one day of individual input.

Table one: Sharakeh's project plan

STEP	WHEN
SPM kick-off workshop (delivered by MFC)	November 2012
SPM awareness-raising and social performance reporting workshop	January 2012
Ongoing support in social reporting (through visits and phone calls)	Feb-March 2012
Reporting lessons learned workshop	April 2012
Developing country report	April-June 2012
Project lessons learned meeting	October 2012

Improving transparency through a sector-level SPM state of practice report

Sharakeh's focus on both good practice and transparency has led it, in the past, to produce sector-wide reports on the state of microfinance financial performance in Palestine. Given this, it was a natural step for Sharakeh to use the social performance data reported by its members to compile a country-level "SPM State of Practice Report".

This report served a number of aims: internally, it was used to help members reflect on both the challenges of reporting and also share information around good practice (and help them informally benchmark their performance against others). Secondly, it was used for donors and the national regulatory authority (the PMA) to demonstrate the sector's achievements in relation to its social objectives, and map out challenges ahead. A summary of the sector report was launched on the website[6] , which increased Sharakeh's visibility as a provider of cutting-edge services. Following the launch, a number of international organizations contacted Sharakeh to discuss potential funding and collaboration around their SPM agenda.

Importantly, Sharakeh's SPM consultant used the report to make a number of recommendations for improving practice in future — not only for the MFIs, but for the network itself and the national regulatory authority (PMA). See Box three for more details.

For the next country report, Sharakeh plans on taking a deeper, more individual approach: collecting more information from members, and highlighting the unique successes and gaps of different members.

Improving management information systems for SPM

Sharakeh is in the process of developing a common management information system (MIS) for its members, which will be used for monitoring and reporting both social and financial performance information. To date, they have agreed with member MFIs a set of indicators to include in the system, and developed a preliminary agreement

Box three: Taking SPM forward — recommendations

Recommendations for MFIs:

- Ensure balanced board composition and form dedicated committees to lead SPM efforts
- Expand non-financial service offering to leverage client relationship for greater impact
- Use poverty measurement tools to track and manage poverty outreach and change performance.

Recommendations for Sharakeh:

- Use the PPI to update the current national poverty scorecard
- Conduct a market study on MFI effective annual interest rates and profit margins
- Ensure that its members operate with a code of ethics.

Recommendations for the PMA:

- Integrate poverty outreach indicators into its standard MFI monitoring procedures
- Consider MFIs' social performance alongside regulations on financial performance.

with a software company to develop the actual system. The cost of system development will be shared between the network, MFIs, and the software company (as part of the latter's corporate social responsibility strategy). If everything goes as planned the system will be in place in all 11 MFIs at the end of 2013. In Sharakeh's view, working directly with members on social reporting to the MIX helped them to understand what social performance data should be captured by the new system —so they can achieve a balanced management approach.

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[6] Download the report at www.palmfi.ps or request a copy by emailing info@palmfi.ps

Benefits and next steps

This project resulted in a number of benefits for members and the network alike. These are:

Strengthening the network's relationship with its members

Not only did Sharakeh successfully introduce the concept of social performance management into the Palestinian microfinance sector, but thanks to this project, Sharakeh enjoys a better relationship with its members. Members see the Network as being more service-oriented, and able to provide useful support. Sharakeh will build on this relationship by working with MFIs' SPM champions to continue SPM integration in future.

Next steps for the members and the network

Sharakeh will continue providing SPM support to its members, including reporting to MIX in the coming years. Through continuing to build the capacity of each members' SPM champion, Sharakeh hopes the next round of reporting will go easier and faster. Sharakeh will also repeat the social reporting workshop as a part of its preparation for next year's reporting process. They will also focus on documenting the benefits of introducing various changes related to SPM.

KEY LESSONS

Looking back on key lessons

Reflecting on its project experience, Sharakeh notes that if it had to do it all over again, it would have made a number of different choices, including:

- **A stronger focus on raising awareness and building board and leadership commitment.** This would potentially include a follow-up workshop to the initial awareness-raising event, to address any concerns or questions that arose once managers and SPM champions went back to their MFIs after the first event.

- **Designing the social performance reporting training to be more practical** and hands-on by asking participants to bring actual data with them to the workshop, not only to explain what information should be included, but also where and how to add it to the template.

- **Closely monitoring their members' SPM action plans**, to have a better understanding of barriers and support needed.

Understanding the dynamics of organizational change

This project highlighted the fundamental truth that when it comes to changing MFI practice, change needs to "come from within". That is, networks can initiate and facilitate the change process, but they cannot drive it. Successful change management needs committed and skilled MFI leadership and staff — and that creating those conditions which will enable change should be at the top of a network's list of objectives. For Sharakeh, it found that continuous and targeted individual communication was useful to encourage organizational buy-in.

Supporting members means understanding their needs

Sharakeh estimates that it spent one additional day engaging with each of its members on a one-on-one basis, above and beyond the original project plan. This individual support delivered to MFIs not only allowed Sharakeh to deliver on project objectives, but also to have a more detailed insight into the needs, concerns and priorities of each member (in SPM parlance, it helped the network to be more "client-centered"). It will be able to leverage this knowledge in its other work with members in future, as well as to shape its SPM strategy in future years. More importantly, it provides a broader model for what successful network-MFI collaboration can and should look like.

Involving regulators to underline the importance of SPM

Throughout this process, Sharakeh took a the deliberate step of involving Central Bank staff in each step of the process — from the original awareness-raising workshop to the dissemination of the SPM state of practice sector report. In this way, Sharakeh was able to demonstrate to members that there was broad buy-in for, and commitment to, the SPM agenda on the part of national-level bodies, as a way of increasing MFI buy-in for SPM. Given the plans of the Central Bank to integrate social performance indicators into national regulations, it was also a good opportunity for Bank staff to become familiar with SPM.

Using social performance data to promote and support SPM

Sharakeh used its country-level social performance report to demonstrate the state of practice to its members and other stakeholders. At an MFI level, this type of information can provide an important incentive to continue their SPM integration work — and demonstrate the challenges that still needed to be met. In terms of communicating outwards, having a country-level social performance report as one of the "pillar documents" of a network serves as an important signal to investors and other international organizations around the depth of the network's commitment to the SPM agenda.

Conclusion:

By leveraging the opportunity provided by the Social Performance Start-up Fund, Sharakeh successfully built from scratch, over a 12-month period, the internal knowledge and capacity required to support its members through the process of social performance management and reporting.

Along the way, it met challenges around understanding and buy-in, which it addressed through a strategy of providing one-on-one support to its members. Not only did this help to overcome key barriers, but it helped Sharakeh to grow closer to its members through a deeper understanding of their real needs and priorities.

Importantly, it also published a country-level social performance report, which it used not only to encourage its members to improve individual practice, but also to communicate outwards to key stakeholders (such as investors) the current state of SPM practice in Palestine. The network has developed a plan to build on its successes to date and expand its work with SPM, including a follow-up country report based on next year's data.