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# **Tools for Measuring the Social Performance of MFIs**

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Microfinance Learning and Innovations After Hours Seminar Series  
August 13, 2008

# Stages in Social Performance

- Stage 1: Impact Assessment
  - Prove impact of microfinance
    - Important but impractical
- Stage 2: Client Assessment
  - If cannot prove, then IMPROVE
    - Useful, but need more tangible information
- Stage 3: Social Performance
  - Seek shortcut & practical ways to measure and manage
    - Social transparency & accountability

# USAID's Long Commitment to Promoting Social Performance Assessment (SPA)

- In early 2000's, USAID supported proposal to develop SPA tool under AMAP
- Objectives:
  1. Industry-Wide Social Transparency
  2. Industry-Wide Social Accountability
    - Commercial Viability
    - Massive Scale

# AMAP & SPA: The Early Days

- Original SPA tool based on Mark Schreiner's 'Six Aspects of Outreach'
  - Objective: Mass adoption of viable 'social audit' tool
  - Approach: Combined *process audit* with proxy indicators
  - Standardized scale to rate overall social performance
  - Pilot tested with PSHM in Albania (2005)

# Evolution of USAID SPA Tool

- PSHM pilot test showed potential viability of USAID SPA tool
- Originally: create a 'public access' tool for assessing SP;  
Later: refocus on social investors as primary market
- Emphasis turns to focus on 'social rating' rather than general SPA tool
- De-emphasize proxy outreach indicators
- Tool now emphasizes
  1. Process audit of (1) mission & management leadership, (2) recruitment and training, (3) incentive systems, (4) monitoring systems, (5) strategic planning, (6) customer services, (7) CSR
  2. Validating existing 'social accounts'

# Pilot Testing of USAID Social Rating Tool

- Additional pilot tests:
  - Planet Rating in Bolivia (ANED) - April 2006
  - MicroRate in Bolivia (Pro Mujer) - December 2006
- PR and MR make revisions, creating own tool
- USAID - from tool development to social rating promotion
- Looking for +opportunities to promote SPA in microfinance
  - Planet Rating in Mozambique (SOCREMO) - April 2007
  - MicroRate in Tunisia (ENDA) - July 2008

# USAID Continues to Promote Social Rating

- USAID surveys social investors about perspectives and demand for social rating
- Findings:
  1. Process audit approach valid
  2. Report format appropriate
  3. Shorter reports preferred
  4. Investors unaware of issues with collection, reporting, and interpretation of client outcomes
  5. Potential market for social rating, but size unknown
  6. Social rating useful but investors not willing to pay much

# From Social Rating to Social Auditing

- USAID transitions to focus on social auditing
  - Social rating targeted primarily to external audiences
  - Social audit target primarily to internal audiences
- Social auditing in MF not developed to same extent as social rating, but has a long and rich history outside MF
- USAID's thinking on social auditing has evolved with experience & exposure to non-MF social auditing experience
- USAID Produces "Social Audit Handbook"



# USAID Social Audit Initiative

- USAID initiated action research on social auditing under GUC funding
- Participants range from commercial banks to self-help groups (Moznosti-Macedonia; Micro Development Fund-Serbia; Finance for Development-Azerbaijan; Xac Bank-Mongolia; HOFOKAM-Uganda; Kasese Women's Desk-Uganda; Asasah-Pakistan)
- Kickoff workshop Istanbul, Turkey - September 2007
- Final workshop Casablanca, Morocco - February 2008

# SPA for Microfinance Investment Funds

- USAID collaborates with AfriCap to develop Environmental and Social Reporting System

## AfriCap ESRS:

- Environmental and Social Support System (ESSS)
- Environmental and Social Management System (ESMS)
- MFI Environmental & Social Charter (MIESC)
  1. Implement ESMS
  2. Operate business consistent with 14 business and social requirements
  3. Abide by Prohibited Activities list

# Proposed Environmental and Social Indicators

1. Client retention
2. % female clients
3. Average loan size/GNI per capita
4. Average new loan size/GNI per capita
5. Average savings size/GNI per capita
6. Staff turnover
7. Economic value added by the company's activities
8. Average hours of training/year/employee
9. Social elements of the CSR policy
10. Institutional mission, vision, values & how to achieve them
11. Governance structures and checks & balances

# Environmental and Social Indicators (cont.)

12. Social responsibility issues covered in HR policies
13. Employee satisfaction
14. % of portfolio analyzed in terms of environ. & social risk
15. % of portfolio in prohibited industries
14. % of portfolio with and without environ. & social risk
15. % of employees trained in anti-corruption policies & procedures
16. Measures to the eliminate child labor
17. Measures to eliminate forced or compulsory labor
18. # of non-compliance incidents with any law or regulatory code of conduct

# 'Future' Trends in Social Performance

1. Aligning MF 'SP movement' with mainstream business & financial sector
2. De-emphasis of donor and 'external' stakeholder role in developing practitioner performance & reporting standards
3. Increased adoption and use of social rating
4. Increased creation of 'social accounts' at MFI level
5. Development of 'Assurance' standards and systems
6. Increased investor interest in and use of 'social accounts'
7. Limited role for social audit as TBL (and possibly GRI) become standard for assessing social performance



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# Thank you!

For more information on USAID's work in Social Performance, please visit [www.microlinks.org/fs/spm](http://www.microlinks.org/fs/spm)

A screencast of this presentation will be available shortly at [www.microlinks.org/afterhours](http://www.microlinks.org/afterhours)

# AMAP Social Performance Publications & Reports

- 1. Measuring Outreach Conceptual Workshop Proceedings**  
[www.microlinks.org/ev.php?ID=7290\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev.php?ID=7290_201&ID2=DO_TOPIC) – 26k
- 2. Proposal for a Social Performance Measurement Framework in Microfinance: The Six Aspects of Outreach, microREPORT #26**  
[www.microlinks.org/ev\\_en.php?ID=8574\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=8574_201&ID2=DO_TOPIC)
- 3. Evaluating MFIs' Social Performance: A Measurement Tool, microREPORT #35**  
[www.microlinks.org/ev\\_en.php?ID=9940\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=9940_201&ID2=DO_TOPIC)
- 4. Evaluating MFIs' Social Performance: A Measurement Tool, microNOTE #12**  
[www.microlinks.org/ev\\_en.php?ID=9940\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=9940_201&ID2=DO_TOPIC)
- 5. Social Audit Report of PSHM Albania**
- 6. Note from Albania: Measuring Social Outreach**  
[www.microlinks.org/ev\\_en.php?ID=8930\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=8930_201&ID2=DO_TOPIC)
- 7. Pilot Test of the New Social Performance Audit Tool, microREPORT #50**  
[www.microlinks.org/ev.php?ID=13561\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev.php?ID=13561_201&ID2=DO_TOPIC) - 26k
- 8. Pilot Test of a New Social Rating Tool , microNOTE #20**  
[www.microlinks.org/ev\\_en.php?ID=13675\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=13675_201&ID2=DO_TOPIC)
- 9. Note from Bolivia: Commercializing Social Performance Assessment**  
[www.microlinks.org/ev\\_en.php?ID=19076\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=19076_201&ID2=DO_TOPIC)

# AMAP Social Performance Publications & Reports

## **10. From Social Rating to Social Auditing, microNOTE #36**

[www.microlinks.org/ev\\_en.php?ID=20769\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=20769_201&ID2=DO_TOPIC)

## **11. ANED Social Rating**

[www.microlinks.org/ev\\_en.php?ID=13673\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=13673_201&ID2=DO_TOPIC)

## **12. Pro Mujer Bolivia Social Rating**

[www.mixmarket.org/en/demand/demand.show.profile.asp?ett=153#](http://www.mixmarket.org/en/demand/demand.show.profile.asp?ett=153#)

## **13. Taking Stock of Investors' Perceptions of the Social Rating, microREPORT**

[http://microlinks.org/ev.php?ID=23406\\_201&ID2=DO\\_TOPIC](http://microlinks.org/ev.php?ID=23406_201&ID2=DO_TOPIC)

## **14. Social Audit Tool Handbook: Using the Social Audit to Assess the Social Performance of Microfinance Institutions (forthcoming)**

## **15. Results and Recommendations from the AfriCap Social Performance Stakeholder Survey**

## **16. Report by the AfriCap Social Performance Consultant following Meetings at AfriCap Offices during April 22-24 with Recommendations**

## **17. Final Recommendations for the AfriCap Environmental and Social Reporting System**

## **18. SOCREMO Social Rating (forthcoming)**

## **19. ENDA Social Rating (forthcoming)**