SEEP Network/Social Performance Task Force

Associations Social Performance Working Group

Donor Strategies for Advancing Social Performance through Microfinance Associations

AUTHOR

Associations Social Performance Working Group





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Introduction

Donors need to find the most effective means of supporting microfinance associations in their efforts to promote social performance. Based upon the consensus opinion of a broad range of experienced microfinance associations that make up the Social Performance Working Group for Associations, this technical note1 outlines the best directions for such support and answers four important questions:

- What makes microfinance associations unique in their ability to advance social performance?
- How can microfinance associations expand and improve the practice of social performance management (SPM)?
- What organizational capacities do microfinance associations need to be successful in this effort?
- How can donor organizations most effectively help microfinance associations build their capacities?

Background

The Social Performance Working Group for Associations was formed during the Social Performance Task Force (SPTF) meeting in June 2009, as a platform for collective action among associations worldwide interested in advancing social performance in microfinance. The group is led by a steering committee made up of regional representatives from Africa, Asia, Europe, Latin America, and the Middle East. Its work is supported and facilitated by The SEEP Network.

One of the first activities of the working group was to survey associations about their interest, experience, and capabilities in social performance. The purpose was to identify common needs for capacity building that, if addressed, could improve an association's ability to promote social performance among its members. Following this research, the working group met to share experiences and further refine objectives for areas of support. A panel of network representatives announced the objectives during the SPTF Annual Meeting in June 2010. This document summarizes the most important points from the discussion.

What Makes Microfinance Associations Unique in Their Ability to Advance Social Performance?

Associations can design social performance initiatives that are locally relevant and flexible enough to meet diverse needs, and have the potential to reach a large number of practitioners. This ability flows from their status as member-based organizations, in which practitioners govern and lead. Their missions and activities are formed in direct response to local demands. The most effective associations are able to represent and serve a varied constituency of financial service providers, including commercial institutions and non-profit and cooperative organizations of different sizes and with different target markets. In doing so, they develop an in-depth knowledge of the experience of individual members and can establish social performance initiatives tailored to the membership.

Equally important is the ability of associations to develop a broad base of influence with industry stakeholders, such as policymakers, investors, funders, technical assistance providers, and other related service providers. Bringing social performance into the mainstream requires a coordinated effort on many fronts, not just changes in the practices of microfinance institutions (MFIs). As representatives of

¹ This paper is a consensus document developed by the Social Performance Working Group for Associations, modeled after SEEP Network Development Services, 2006, "Effective Donor Strategies to Support Microfinance Associations," Technical Note, no. 3 (Washington, DC: SEEP), http://www.seepnetwork.org/Resources/3493_file_NDS_Tech_Note_3_Effective_Donor_Strategies.pdf.

the local microfinance sector, associations can advocate for an environment that embraces both social and financial performance objectives.

How Can Microfinance Associations Expand and Improve the Practice of Social Performance Management?

1. Serve as local ambassadors and implementers of global initiatives.

Many social performance initiatives work to transform the industry by promoting pricing transparency, consumer protection, and social performance measurement. These initiatives are often transmitted to local MFIs and stakeholders via associations.

Associations often begin by sensitizing their members, local governments, and other industry stake-holders to the need for MFIs to embrace social performance as an essential management system. Through advocacy campaigns, education, and training, associations work to build consensus and wide adoption of social performance in their country or region.

2. Require transparency from members.

Associations are experienced in collecting and analyzing data, 2 which contributes to transparency in a country, region, or industry. Many associations regularly produce high-quality analytical reports for members and other stakeholders to use. Additionally, many endorse standard financial reporting practices and, in many cases, require them for membership. Similarly, associations have begun building their own capacity to collect, report, and analyze the social performance data of their members. This important work results in greater accountability and transparency in social reporting.

3. Develop and promote standards of practice.

Microfinance associations play a critical role in the development and promotion of performance standards for MFIs. Traditionally, MFIs have been held to financial performance standards, but this has now expanded to encompass codes of conduct, client protection, responsible finance, and ethical competition. Through advocacy and education, as well as stringent membership criteria and evaluation processes, associations promote the broad acceptance of new standards of practice. Associations also contribute to the development of global standards in social performance by pilot testing the standards in their local context.

4. Develop member capacity in social performance through training and technical assistance.

Training is a core service area for most microfinance associations. Many have staff skilled at curriculum development, training-needs assessments, evaluation, and accessing and utilizing outside expertise. Topics for social performance training include the use of standard social-performance indicators, consumer protection initiatives, poverty measurement, social audit and rating tools, and best practices in SPM. Just as important is integrating a social performance lens into existing training curricula. Associations are aware of the challenges that members face and can ensure that training programs are developed and/or adapted for greater relevance and impact.

Associations provide technical support to members that want to incorporate social performance into the management of their institutions. Changes of this nature are often made incrementally and require support for extended periods of time. The ongoing relationship between associations and their members can ensure greater consistency and focus in these transition efforts. Associations may provide direct technical assistance and/or facilitate access to technical experts to help set social goals, collect poverty data, design internal reporting mechanisms, use client targeting tools, and develop social performance training for staff. Associations can also facilitate peer learning through working groups, mentoring relationships, and other types of formal and informal exchanges among members.

² Currently, local and regional microfinance associations collect more than 60% of the data reported by the MIX Market.

5. Build the social performance knowledge base.

Associations are a key source of knowledge and information about local microfinance markets. A wide range of stakeholders—members, policymakers, investors, and donors, among others—rely on associations to analyze and report on industry developments and trends. The advancement of social performance depends largely on evidence-based research and documentation. Stakeholders need to learn what is working, why it is working, and how success can be replicated and scaled. Associations are well positioned to add to this growing body of knowledge. They are often the first to witness the growth and experience of MFIs in social performance. They can work closely with their members to synthesize learning in ways that are relevant to practitioners. Likewise, associations can take advantage of a wide range of communication channels, including local conferences, websites, email distributions, and newsletters to inform and educate their market.

What Organizational Capacities Are Required of Associations to Be Successful?

Associations require distinct organizational capacities in order to provide high-quality services, such as successful social-performance programs, on a sustainable basis for their members. The table below lists the principal areas of activity along with the knowledge, skills, systems, and resources required.

Organizational Capacity Framework for Associations and Social Performance

Area of activity	Required organizational capacity			
1. Serving as local ambas- sadors for global initiatives	Knowledge/Skills			
	 Awareness of industry trends globally and in local market Leadership and communication Capacity to convene diverse group of stakeholders 			
	Systems			
	Diverse and representative membershipStrategic planningStrong governance and decisionmaking processes			
	Resources			
	 Board leadership Financial resources for planning (internal and external assessments, focus groups, member events and meetings, facilitation) Financial resources for members to participate in awareness-raising events or opportunities to share experiences locally and internationally Strategic alliances with regional and international support organizations 			

Area of activity	Required organizational capacity			
2. Requiring transparency from members	 Knowledge/Skills Understanding of the dimensions of social performance Tools and methods for assessing social performance Measurement and use of social performance indicators Analytical skills to produce reports and analyses Systems Data collection systems Quality control processes Analysis and report generation capability Resources Staff dedicated to data collection, analysis, and report development Financial resources for staff salaries, travel, support for MFIs, MIS development 			
3. Developing and promoting standards of practice	 Knowledge/Skills Comprehension of the dimensions of social performance, social performance reporting standards, and best practices in SPM Knowledge of member practices and policies Systems Membership criteria Code of conduct for members Evaluation and assessment tools and methods Processes to validate data and ensure compliance Incentives for members Resources Staff or contract personnel to assess performance evaluations Financial resources to develop the standard and evaluation system, subsidies to conduct initial evaluations 			

Area of activity	Required organizational capacity			
4. Training member institutions	Knowledge/Skills			
	 Best practices in SPM Awareness of local, regional, and global initiatives in consumer protection, social audits, and social ratings Poverty assessment tools and methods Demands and needs of members regarding social performance 			
	Systems			
	 Training of trainers programs Training tool curriculums Needs assessment processes Evaluation systems 			
	Resources			
	 Financial resources for training, development, and adaption to local context Subsidies and scholarships for members Access to topic and training experts 			
5. Technical assistance to	Knowledge/Skills			
members	 Knowledge of and experience with social performance tools Systems 			
	Organizational diagnosticsSelection and supervision of technical support			
	Resources			
	 Access to capacity-building opportunities (training by experts) Access to partnerships for delivering technical assistance Staff dedicated to capacity assessment, support, and evaluation of performance Subsidies for members for technical assistance 			

Area of activity	Required organizational capacity			
6. Building the social performance knowledge base	Knowledge/Skills			
	 Understanding of the dimensions of social performance, SP reporting standards, best practices in SPM Understanding of the learning priorities of members 			
	System			
	 Action research Documentation and dissemination processes Knowledge management processes Links with research organizations 			
	Resources			
	 Financial resources to design and monitor pilot programs Financial resources to design and distribute publications and for general dissemination Partnerships with research organizations Support for research 			

How Can Donor Organizations Best Support Microfinance Associations Interested in Social Performance?

Advancing social performance in microfinance requires a long-term perspective. Donor organizations and other interested stakeholders have the opportunity to make long-lasting investments in this field by partnering with microfinance associations. Their diverse activities and committed relationships with members and stakeholders at all levels can ensure that social performance has a sustainable, sectorwide development strategy, as opposed to a discrete set of services with more limited impact.

Associations can benefit from donor support in several fundamental areas to increase the knowledge base, skills, systems, and resources required to successfully perform the roles described earlier. While not all associations provide the same types of services, most need support to develop their capacity in these ways:

- Capacity-building programs for associations to increase their knowledge base and portfolio of tools in social performance: Training association staff, offering scholarships for associations to participate in international training programs, supporting exchange visits to more experienced associations or MFIs, and providing grants to support participation in global initiatives (SPTF, ImpAct Consortium, SEEP Network Working Groups, Smart Campaign)
- Training program for association members: Development of training materials, access to existing
 resources, support for adaptation of materials to local context, translation into local language(s),
 market-needs assessments, and scholarships for members to attend external training programs
- Market awareness and advocacy: Communication tools and processes to increase understanding and support of social performance by association members and local stakeholders
- Information systems: Specialized systems and processes that support data collection, reporting, and verification of social performance data at the association level and within member organizations

- Social performance management officer: Creation of a dedicated position within an association, where a staff member is charged with the development and oversight of social performance strategy and service provision to members
- *Knowledge management:* Action research and documentation, publication, and dissemination of knowledge of local experience in SPM, as well as other relevant market information
- Innovation grants: Subsidies for pilot programs by member organizations that represent innovation in social performance practices and support for association monitoring and reporting on pilot activities
- Association planning: Developing a social performance strategy within the association, identifying local needs, choosing the most appropriate approach to capacity building, reporting on social performance, and integrating social performance into the association's strategic plan
- Certification systems: Testing and developing standards of practice for members associated with consumer protection, reporting social performance and/or management practices, and implementing certification processes for members.

Conclusion

Support of microfinance associations is one of the most strategic investments a donor can make. The SEEP Network estimates there are more than 70 microfinance associations in 80 countries, representing institutions that serve over 60 million microfinance clients. Donors benefit from partnering with umbrella organizations that can leverage their investment multiple times through such a large and diverse membership base. However, as the microfinance industry continues to grow and more providers enter the market (many on purely commercial grounds), social performance will only take on increased importance. Associations will be key to ensuring that social performance management becomes a defining characteristic of quality financial service provision for the poor.

About the Social Performance Task Force

SPTF consists of over 800 members from all over the world, from every microfinance stakeholder group: practitioners; multilateral, bilateral, and private donors and investors; global, national, and regional associations; technical assistance providers; rating agencies; academics and researchers; and others.

SPTF's vision is that social performance management becomes standard business practice and is considered fundamental to achieving the social promise of microfinance. The mission of SPTF is to engage with microfinance stakeholders to develop, disseminate, and promote standards and good practices for social performance management and reporting.

About SEEP

The SEEP Network is the largest global community of associations working together to advance the microfinance sector. By strengthening industry associations themselves, developing standards of practice, and connecting peers in a global learning community, SEEP is the leading network of microfinance associations worldwide.

The SEEP Network is a global network of microenterprise development practitioners. Its 80-plus institutional members are active in 180 countries and reach over 35 million microentrepreneurs and their families. SEEP's mission is to connect these practitioners in a global learning environment, so that they may reduce poverty through the power of enterprise.

