

A member-driven SPM strategy: Case study on TAMFI (Tanzania)



EXECUTIVE SUMMARY

In 2012, the Tanzania Association of Microfinance Institutions (TAMFI) implemented a 12-month Social Performance Start-up Fund project, which was designed to bring much-needed social investment to the market through improved social performance management (SPM) and reporting. The network took a strongly a needs-driven approach to its member support, starting with a survey of current member SPM practice. Importantly, TAMFI leveraged the opportunity of this project to improve its *own* SPM — becoming more focused on understanding and meeting its members' needs.

INTRODUCTION AND BACKGROUND

This case presents the experience of the Tanzania Association of Microfinance Institutions (TAMFI) in its efforts to support its members improve their social performance management and reporting practice. For TAMFI, the strongest driver for developing its SPM work was the need to attract social investment into the local market.

The Tanzania Association of Microfinance Institutions (TAMFI) was established in 2001 in order to coordinate microfinance institutions (MFIs) and advocate on national-level issues related to microfinance industry. Its 46 members include commercial banks, community banks, MFIs, cooperatives and service providers. TAMFI's goals are to:

- Promote practice to encourage responsible microfinance, i.e. codes of conduct
- Become a national database for information about MFIs
- Undertake networking, advocacy, and lobbying to promote and strengthen MFIs' initiatives.

TAMFI's experience as grantee of the MFC² Social Performance Start-up Fund (see Box one) is notable because its work was based on an initial survey of members' SPM practice. Not only did this information allow TAMFI to tailor its approach, but

it provided a useful benchmark for reflecting on project achievements. Following this approach, they were able to achieve quite a lot within the space of their 12-month project.

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 Dąbrowska (MFC) Katarzyna Pawlak (MFC) and Joel Mwakitalu (TAMFI).

MAIN STORY

Context for SPM in Tanzania

The Tanzanian microfinance sector is a maturing market, where the primary focus has historically been on financial sustainability. However, investor penetration into Tanzania is more limited than in other markets. Given this, TAMFI saw SPM visibility (through the MIX) and improvement as an opportunity for its members to attract funding from social investors. While understanding and good practice within the sector were both limited at the start of the project, clear incentives for SPM improvement existed. In May 2011, TAMFI enacted a code of practices for its members, which emphasizes client protection principles. In addition, in 2003 the Government of Tanzania had enacted a law on fair competition which also address consumer protection, and in 2009 standards act was enacted emphasizing delivery of services and products that meet set standards, on top of that the banking and financial regulation strongly emphasize transparency (i.e. disclosure on financial reporting, services and products). Within this context, TAMFI saw a clear role for itself in terms of providing SPM support to its members.

Table one: TAMFI's project plan

STEP	WHEN
SPM Inventory report	Dec 2011- Feb 2012
Awareness-raising workshop	February 2012
SP reporting workshop	March 2012
Onsite SPM support	June-July 2012
Reporting lessons learned workshop	September 2012

Project overview

It is important to note that prior to this project, TAMFI had no experience in SPM (similar to other grantees). Because of this, its SP Start-up Fund project was designed not only to build the SPM capacity of its members, but of the network itself. In doing so, it hoped to position its members to attract social investment funds. TAMFI's specific goals were to:

- Strengthen members' understanding of, and capacity for, social performance management
- Increase the number of members reporting on financial and social performance to the Network and the MIX
- Strengthen TAMFI's capacity to engage and coordinate member SPM efforts
- Strengthen the SPM capacity of local consultants
- Support members' ability to raise social investment funds.

The project was divided into a series of linked activities (see Table one), including:

- **SPM inventory report:** TAMFI's first step was to create a picture of the current state of practice of SPM among members. Through in-person interviews and a survey, it looked at a number of issues, including board composition and SPM awareness, targeting, product development, strategic planning, MIS, human resources, and social reporting. The report laid out a general vision of TAMFI's SPM strategy, and made specific short- and long-term recommendations for member MFIs and the Network itself. (December 2011-February 2012)
- **Awareness-raising workshop:** Based on the results of the SPM inventory, TAMFI adapted the awareness-raising workshop materials obtained from the MFC SP Fund for their project partners. Topics covered included the "ABCs of SPM", the Universal Standards for Social Performance Management (USSPM), mission deconstruction, developing social goals and objectives, and social performance reporting. (February 2012)
- **Social reporting training:** Following the awareness-raising workshop, TAMFI ran a two-day social reporting training for members.
- **Social reporting follow-up workshop:** Members gathered for additional half-day training on social reporting, delivered by a staff member of the MIX. This event was seen as an important "value-add" to their initial training, allowing members to pose their questions and concerns directly to the MIX, and get immediate feedback to help them complete their reports. (May 2012)

- **Onsite SPM support:** To help monitor members' SPM progress and provide support, TAMFI conducted one-on-one technical support visits to MFIs (at least two, and often more). These visits focused on helping them implement their SPM action plans and address key weaknesses. It also helped TAMFI to keep momentum going for SPM by understanding and identifying barriers as they arose. (June-July 2012)
- **Reporting lessons learned workshop:** A one-day workshop brought members together to share and discuss lessons learned in SPM and social reporting. (September 2012)

Project achievements: Key factors for success or failure

Taking a needs-driven approach

Early in its history, TAMFI was not a very active network, owing to the failure of its leadership to effectively engage with members (who in turn derived little benefit from participation). In 2009, a change of leadership brought a much stronger focus on shaping network strategy around a clear understanding of members' needs and priorities. In line with this ethos, TAMFI's approach to their SPM project was to design their program of work based on an inventory of current member SPM strengths, weaknesses and opportunities (the inventory also provided an SPM "baseline" with which to analyze program results).

Using the USSPM to shape the awareness-raising workshop

Throughout this project, TAMFI drew heavily on the (then-draft) USSPM to craft its message to members. For example, their initial SPM inventory was based on the Standards. Further, the Standards were used to promote and describe the "future ideal" state of good practice. By comparing the two, TAMFI was able to provide MFIs with a roadmap for self-improvement.

Reaching out to members

While TAMFI wanted to engage its members broadly in this project, the geographic spread of members presented a key barrier. Not every institution was able to send the required two representatives to each event (in some cases, MFIs didn't even send one). To overcome this, TAMFI relied heavily on individual engagement through field visits. Despite being a more time-consuming approach, this allowed TAMFI to engage *more* staff of each

MFI (not just two), and to openly discuss sensitive aspects of the organization, which might otherwise be aired in a workshop setting (such as strategic plans).

Experience in detail

SPM "inventory"

The survey conducted by TAMFI revealed a number of key SPM weaknesses, but also an available information infrastructure (software) to support social performance monitoring, management and reporting. For TAMFI, this confirmed not only members' need for external SPM support, but also an environment conducive to its implementation. Key findings from the survey of 34 MFIs included:

- Five MFIs had no awareness of SPM, the rest had only a little
- Mission statements covered most elements of social performance, but many MFIs lacked clear social goals and SMART objectives
- Lacking clear development strategies and target markets, many MFIs offered generic products with no targeting
- Women accounted for 35% of board membership
- While no members reported on social performance, 4 had carried out social audits, 7 MFIs had social ratings and 9 reported to the MIX on their financial performance
- Staff incentives represented a key weakness.

Awareness-raising: starting with the mission

Prior to the first workshop, many member MFIs (especially the community banks), had mission statements that were developed to suit central bank requirements, and were often vague in terms of describing the institution's social outlook. Others had simply adopted the mission statement of the organization that created them (e.g. international NGOs) without thinking through their own identity. In this way, taking members through a mission review exercise was a necessary starting point for SPM uptake and improvement.

Importantly, as result of the workshop, participants agreed to address the risk of client over-indebtedness by sharing information on clients with each other. They also agreed that TAMFI should take the lead on this issue, facilitating communication between members. Participants left the two-day event prepared to advocate for SPM in their MFIs,

present their draft SPM action plan, and start collecting social performance data for the 2011 MIX social report (with TAMFI's support).

Reporting on social performance

At the start of this project, only 9 of the 24 project partners were reporting to the MIX on their financial performance. However, those reporting were not always aware why they were reporting, instead doing so to comply with donor requirements. Moreover, data capture was a real challenge for TAMFI. While their initial survey revealed that most members were collecting a great deal of client-level information useful for both social and financial reporting, there were serious gaps in terms of data being captured and analyzed in the information system. Many did not have electronic copies of key policies. So the challenge for TAMFI was not in how to fill out the reporting form, but actually gathering the information and evidence to do so.

Given TAMFI's hands-on and individual approach to data collection, it is unsurprising that when it came time for data validation, TAMFI found few errors in its members' reports. Those that were found were all down to misunderstandings about the question, or calculation errors. Supporting documentation for the data that was reported was readily available (albeit in hard copy), making the validation process go relatively smoothly.

Supporting improved SPM

TAMFI delivered SPM implementation support to its members to help them improve on weaknesses identified through the reporting process. Along the way, they encountered common challenges – such as developing SMART objectives, understanding the relationship between social and financial performance, and interpreting the results from the MIX reporting exercise. To deliver this support, they organized short individual visits with key staff members, as well as regular phone calls — totaling on average 4 hours of meetings and 30 minutes of calls per member per month.

BENEFITS AND NEXT STEPS

Benefits for TAMFI

As a result of this project, TAMFI has experienced a number of benefits. These include:

- Introducing monthly members discussion forum on hot topics
- Seeing the number of MFIs reporting social and financial performance to the MIX increase to 20 (from 9 only reporting financial data)
- Introducing annual members' needs assessments to help them develop appropriate services
- Advocating for the integration of client protection principles as part of the national code of conduct for banks and MFIs, as well as in financial services consumer protection law
- Establishing a monthly "SPM advisory note" as part of its ongoing communication with members.

Next steps

SPM has been integrated into TAMFI's member code of conduct, formally signaling their commitment to on-going SPM improvement and paving the way for future support from TAMFI to its members. TAMFI

has asked members participating in this project to incorporate SPM into their strategic and operational plans and budgets. TAMFI will continue to build its own SPM support skills — including building staff capacity in SPM assessments (such as client protection and the QAT social audit).

At a network level, TAMFI will coordinate various projects in future aimed at helping its members integrate SPM. These are:

- Creating a sample of standard outcome/impact questions to demonstrate how to capture client-level data
- Encouraging members to appoint "champions" to lead their SPM agenda
- Developing board and loan officer SPM trainings for MFIs to increase awareness and build skills
- Developing a guide to communicating with clients about the benefits of SPM (and of sharing their information with the MFI) to ensure reliable information collection
- Organizing meetings with members' management teams to promote SPM and address points to resistance.

KEY LESSONS

SPM isn't just for MFIs

As an institution that is committed to meeting the needs of its clients, TAMFI has benefitted from SPM just as much as its members. By clarifying its strategy, increasing its understanding of members' needs, and having a clear means of tracking their improvement, TAMFI is managing its own social performance.

Using the USSPM to identify quick wins

The newly-launched USSPM provide not only a practical guide to SPM improvement, but also a useful motivational tool for MFIs. Beyond demonstrating what is possible, the Standards can be used to assess an MFI's current level of compliance, and suggest "quick wins" to build organizational momentum for change. Assessment at regular intervals also allows networks to track the level of improvement/change with members.

Creating continuous feedback loops

Throughout the course of this project, TAMFI found that while members missed deadlines they had committed to (such as submitting their draft social reports on time). In this way, they found that constant dialogue (listening and giving input) with partners was needed to keep the project running smoothly.

Ensuring broad buy-in for the SPM agenda

The awareness-raising workshop was a successful event from the perspective of ensuring the buy-in of those in the room. However, participants at the end-of-project "lessons learned" workshop reflected that broader organizational buy-in was still a challenge in terms of lack of time, staff, and strategic prioritization. Board buy-in was a particular challenge — where the perception was that SPM was only useful for attracting social investment (as opposed to achieving its mission by helping clients), Boards tended to be less involved.

In this respect, networks cannot underestimate the importance of complementing awareness-raising with support for managing the process of change. Without spreading the "SPM message" in member institutions, the challenges of practical implementation will likely remain unmet. Certainly, there is a clear role for networks to play here in terms of:

- providing informal support to internal SPM champions to raise board awareness
- helping MFIs to formalize their SPM function (roles and processes)
- developing the tools/resources for SPM champions to use within their own MFIs — to improve organizational processes.

Conclusion:

Though the strongest driver for developing TAMFI's SPM work was the need to attract social investment into the local market, this project has also contributed to important changes at the MFI level as well. Most notably, clients are increasingly becoming the focus of MFIs business and development strategies, particularly in the area of product design. This project has also enabled TAMFI to more effectively deliver on its mission – to serve its members – based on a fuller understanding of their needs and priorities. In this way, TAMFI is confident that it is contributing to the creation of a Tanzanian microfinance sector that sustainably addresses the well-being of its clients — and it plans to further develop and expand its SPM work in future.