

# SETTING UP SOCIAL PERFORMANCE MANAGEMENT SYSTEMS: Case studies from Kashf Foundation and Khushhali Bank Ltd.

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## INTRODUCTION

This MicroNOTE highlights two cases of improved compliance to the Universal Standards for Social Performance Management (the Standards) by microfinance providers (MFPs) in Pakistan. It presents the development and implementation process of a Social Performance Dashboard at Kashf Foundation (KF) and a Social and Environmental Management Systems (SEMS) Matrix at Khushhali Bank Limited (KBL). This Note highlights the value of these tools in increasing SP compliance, examines challenges associated with their use, and culminates with key lessons learnt for other MFPs.

Most MFPs have a social mission. For example, along with providing financial services to specific target markets, they also aim to broaden access to finance, reduce poverty, empower women and/or educate youth/adults etc. The Social Performance Task Force (SPTF)<sup>1</sup> defines social performance as “the effective translation of an institution’s social mission into practice in line with accepted social values”. In 2012, the SPTF launched the first version of the “Universal Standards for Social Performance Management”,<sup>2</sup> a comprehensive manual of best practices for MFPs to monitor and attain institutional social goals. The Standards enable MFPs around the globe to refocus and compare their performance on social objectives to stipulated essential practices, reinvigorating efforts to strengthen their social performance management systems. A similar trend has been witnessed in the Pakistan microfinance industry, where diverse industry practitioners, including microfinance banks, microfinance institutions and rural support programs are gearing towards improving social performance practices at their institutions. Following are two such cases of improved social performance practices in Pakistan.

<sup>1</sup> For more information on the SPTF, please refer to the following URL: [www.sptf.info](http://www.sptf.info).

<sup>2</sup> The Universal Standards can be downloaded from the following URL: <http://sptf.info/spmstandards/universal-standards>

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# DEVELOPMENT OF A SOCIAL PERFORMANCE DASHBOARD BY KASHF FOUNDATION

This case study focuses on the development of a social performance reporting framework called the 'Social Performance Dashboard' at Kashf Foundation (KF). The Dashboard has improved institutional compliance to many essential practices found in Dimensions 1, 2 and 3 of the Standards, namely, *Defining and monitoring social goals, Ensuring board, management and employee commitment to social goals and Design Products, Services, Delivery Models and Channels that meet clients' needs and preferences*. The following sections provide KF's institutional background, state of practice before creation of the Dashboard, its development process and usage, benefits and challenges experienced by the institution thus far, and lessons learnt for other MFPs considering implementation of such a Dashboard.

## Institutional Background

KF was set up in 1996 to demonstrate that economic empowerment of women can be a key enabling factor in moving Pakistan beyond its social and economic standing. KF is a not for profit company set up under Section 42 of the Companies Ordinance, 1984, and is regulated by the Securities and Exchange Commission of Pakistan. Although KF began its journey as a microfinance institution, today it positions itself as a wealth management company for low-income households, offering a range of diverse products and services that cater to the needs of its clients. The institution believes that sustainable solutions to addressing the needs of the poor are mandatory for long term development and poverty alleviation. The vision of the institution is to provide "financial services for all in a poverty free and gender equitable society."

KF's primary target market is women headed households in urban/peri-urban areas with monthly income between PKR 3,500 to 27,500, which is roughly equal to USD 2/day per family member for an average family size of 5 to 7 persons. As of December 2013, KF had 178 branches across all four provinces of Pakistan and an employee base of 1,863 staff with 50 percent female staff across all tiers. The institution offers the following range of financial and non-financial products and services:

- Credit: loans for existing and new microenterprises, low cost private schools, and Shariah compliant products for Khyber Pakhtunkhwa
- Life insurance
- Micro health insurance (pilot phase)– this insurance product covers clients and their families, offering coverage of all pre-existing medical conditions as well as maternity. As of June 2014, over 66,000 lives had been insured
- Financial Education and Business Development services targeting women entrepreneurs
- Vocational trainings in women-focused trades (embellishments, domestic tailoring, beauty salons)

**TABLE 1** presents a snapshot of some key performance indicators for the three year period from 2011 to 2013.

As of June 2014, the institution had trained 710,387 clients in financial literacy, 193,642 in systemized financial education (cumulatively), and 63,592 in gender trainings, which included clients, their husbands, and adolescent boys from the community.

KF's mission and vision is greater economic and decision making roles for women in local society. The institution aims to have a client centric approach in all aspects of its operations, and although loans are disbursed to women, the institution wants to

TABLE 1: KF's Key Performing Indicators (2011-13)

Indicator/year	2011	2012	2013
Number of active borrowers	265,825	300,091	324,139
Gross loan portfolio (PKR Thousands)	2,645,174	3,248,971	4,026,055
PAR $\geq$ 30 days (%)	1.29	1.30	0.63
Client exit (%)	30	30	30
Outreach to women (%)	100	100	100
Outreach to rural clients (%)	21	23	23
Number of employees	1,479	1,477	1,673

Source: Khushhali Bank

ensure that their intended target clients are at the direct receiving end of their services. As an institution whose main goal is to enable women to become active agents of social and economic change, measuring indicators of such change over time is important to the management. While KF had defined its social goals, over time the need was felt to gauge the extent to which their social targets were being met. In response to this need, the institution developed and instituted a Social Performance Dashboard (the Dashboard) which measures and monitors the institution's defined social indicators to evaluate progress against its mission and vision.

## State of practice before development of the Dashboard

Kashf Foundation was established with the view of alleviating poverty through the economic mainstreaming of women entrepreneurs. Hence, it was always considered important at KF to map the development of its clients from this perspective. Over time, individual lending made it possible for KF to map the exact use of its loan against each of its client's business. However, the introduction of the Dashboard helped align the institution wide outcomes with the vision and mission of the organization. It now allows the organization to holistically correlate its two most important ideals; poverty alleviation in the light of women entrepreneurship. Prior to the days of the Dashboard, these two aspects of the programme, though equally important, could not be reviewed at a macro-level.

KF's Social Performance Dashboard, a database initiated in December 2013, provides consolidated information regarding the social performance of KF. The Dashboard records measurements of social indicators important to the institution, in light of the following:

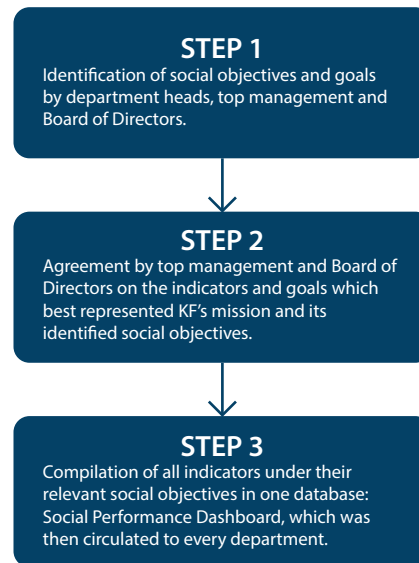
- Depth and extent of outreach
- Appropriateness and relevance of products and services to the client segment
- Impact on the client in terms of transformational aspects
- Responsible finance related to transparency and client relationship
- Gender Equity especially when it comes to promoting gender diversity

A set of indicators under these areas allow the organization to transparently monitor its social performance and closely assess its operations and work towards meeting its social objectives. Data is collected internally via the Operations and Research departments and externally by conducting regular impact assessments through third-party organizations. Future goals are established and current progress is monitored against Key Performance Indicators (KPIs) within various social objectives against all the parameters included in the Dashboard on a semiannual basis.

Kamran Azim, Chief Operating Officer at KF, explains the importance of the Dashboard, "the Dashboard keeps KF aligned with its mission, ensuring that social impact is at the center of all our operations. It helps us strike a balance between our financial indicators and our social ones by reminding us that our numbers are only one side of

the coin, and that they are only a means to an end. That end is providing customized, sustainable and effective financial solutions to bottom of the pyramid households. Kashf is not just a financial institution, it is an institution with a social mission, and the Dashboard is a great reminder of that. Furthermore, the Dashboard is an effective way of reporting to the Board and all other stakeholders on key performance indicators of the organization”.

**EXHIBIT 1:** Summary of the Dashboard Development Process at Kashf Foundation



## Developing the Social Performance Dashboard

### Resources Employed

The Dashboard development process took approximately two months, which primarily involved a re-evaluation of social indicators which had been monitored up till then and those which needed to be incorporated. This involved very little cost except staff time of existing resources, since the current information system was adequately catering to the information required to set up the Dashboard. The actors involved in the development of the Dashboard included managerial-level staff from Risk and Compliance, Human Resource (HR), Information Technology, Gender Empowerment and Social Advocacy, Research and Product Development, the Managing Director and the Board of Directors. The idea for a Dashboard was introduced by KF's Managing Director in order to represent a holistic view of the organization, while holding the organization responsible to its social mission and drew upon the work that she had undertaken as a member of the Global Agenda Council on Gender of the World Economic Forum.

The development process constituted extensive discussions with line managers and department heads to ascertain what social goals their department considered as key objectives. This led to constant reexamination of objectives, their place in the organization's mission and insight into whether current indicators were measuring progress towards these goals. Board members and management worked together to isolate the most significant indicators of KF's social performance. A summary of the Dashboard development process is given in **EXHIBIT 1**. The development process brought to light different perspectives and opinions amongst key decision makers on the existing social goals, and ultimately six objectives, with 20 indicators were included in the Dashboard based on their consensus. These six objectives were taken out of the existing social goals, considered as areas to be the most significant aspects of social performance that must be regularly monitored to gauge progress towards KF's social mission compliance. Over time, the current set of indicators may be modified, if the organization's mission changes. **TABLE 2** lists these objectives and associated indicators that currently make up the Dashboard.

**TABLE 2: KF's Social Performance Dashboard with six objectives and 20 associated indicators**

Indicators	Department/ Source for Data on Indicator	Indicator Formula
<b>Outreach</b>		
% clients from less developed regions	Operations and Research	$(\text{Clients from less developed regions}) / (\text{Total active clients}) \times 100$
% new clients living below defined poverty line/income level		$(\text{Clients living below poverty line}) / (\text{Total new disbursed clients}) \times 100$
% clients with women-businesses		$(\text{Women clients involved in business}) / (\text{Total active clients}) \times 100$
% of households below 30 on the PPAF's Poverty Scorecard		$(\text{Clients living below 30 on PPAF's Poverty Scorecard}) / (\text{Total active clients}) \times 100$
<b>Appropriate Products and Services</b>		
Client retention rate	Operations and Research	$(\text{Clients repeated}) / (\text{Total completed clients}) \times 100$
% of clients satisfied with the products		$(\text{Clients satisfied with products}) / (\text{Total clients interviewed}) \times 100$
Average loan amount disbursed		$(\text{Total amount of loans disbursed}) / (\text{Total number of loans disbursed})$
Turnaround time		Clients re-disbursed loans within two weeks
Business trainings to clients		Cumulative number of Business trainings delivered
Financial literacy trainings to clients		Cumulative number of Financial Literacy trainings delivered
<b>Responsible Finance</b>		
% of loans utilized for business purpose	Compliance	$(\text{Loans used for business}) / (\text{Total loans physically checked for usage}) \times 100$
% of clients knowing KF policies and procedures		$(\text{Clients knows the policies}) / (\text{Total clients interviewed}) \times 100$
% of Client Protection Code (CPC) violations		$(\text{Number of CPC violations reported}) / (\text{Total active clients}) \times 100$
<b>Impact</b>		
Increase in business income for % of clients	Gender Equality and Social Advocacy	$(\text{Clients whose income increased}) / (\text{Total clients interviewed who attended Business Incubation Lab Program}) \times 100$
Increase in saving for % of clients		$(\text{Clients whose savings increased}) / (\text{Total clients interviewed who attended Systematized Financial Education Program}) \times 100$
Decrease in domestic violence for % of clients		$(\text{Clients who shared that domestic violence decreased}) / (\text{Total clients interviewed who attended Gender Program}) \times 100$
<b>Gender Equality</b>		
Gender balance in staff	Gender Equality and Social Advocacy	$(\text{Total number of female employees}) / (\text{Total number of employees}) \times 100$
% of women staff at different management levels (head office and field levels calculated separately)		$(\text{Number of female employees at management level}) / (\text{Number of total employees at different management positions}) \times 100$
% of female Board members		$(\text{Total number of female Board members}) / (\text{Total number of Board members}) \times 100$
<b>Staff Attrition</b>		
Staff attrition rate	Human Resource	$(\text{Number of employees that left the organization}) / (\text{Average number of employees}) \times 100$

## Costs Incurred

The institution did not incur any direct cost in developing and implementing the Dashboard as no external resource was employed specifically to develop this tool. There were no costs related to gathering of external resources either as they were available to be reviewed without any additional expense (no cost incurred in reviewing third-party assessment reports already conducted). The Dashboard is actually a synthesis and representation of information that was already being gathered by the organization, however it was not being analyzed or collated at an institutional level prior to the initiation of the Dashboard.

## Using the Social Performance Dashboard

### Data Collection Process

Along with the setting of indicators for the Dashboard, it was imperative to identify data protocols to ensure that quality control, analysis and reporting of data were accurate and transparent. For each indicator, the source and method had to be identified and stated (refer to **TABLE 2** for details). Previously, there was a lengthy feedback loop which rendered data collection a time consuming process, as gathering data from concerned departments had revealed certain inefficiencies. Data for populating the Dashboard is gathered from a variety of sources, both internal and external, including the following:

- Long term impact data is obtained from the impact assessment conducted externally by ShoreBank International Pakistan periodically. Such impact assessments are undertaken with new and old clients through household interviews and complemented with a qualitative assessment of impact through Focus Group Discussions (FGDs) and case studies. Data from the latest impact assessment (conducted in 2010) was included in the Dashboard. It was noticed that data from the impact assessment had been given due attention at the time of its introduction but like most data, the results had become 'mere figures' with time. The Dashboard led to a reversal of this phenomenon: a separate database for specifically social goals has led to multiple reviews of this information, giving it requisite prominence vis-a-vis financial performance.
- Other external resources are also used, including the poverty scorecard designed by the Pakistan Poverty Alleviation Fund (PPAF) which helps the institution determine the percentage of households below a score of 30 on the Poverty Scorecard.<sup>3</sup> Previously, the poverty scorecards were being filled as a hard copy but not being entered into a central Management Information System (MIS). The creation of the Dashboard also led to the incorporation of the poverty scorecards into the MIS, known as the Data Research Monitoring System at KF.
- KF's Compliance Department conducts monthly interviews with 3,000 to 3,500 randomly selected clients to check compliance of KF policies and procedures in the field. Each client is requested for roughly ten minutes and in this time the compliance officer gains the client's feedback on client protection related policies and other social performance indicators. The list of questions on the client questionnaire is given in **BOX1**. Once all the interviews for a month are complete, the data is then compiled, analyzed and presented which takes up to five days, and used for relevant Dashboard indicators.
- The Research and Product Development Department at KF conducts customer satisfaction surveys, client exit surveys, product demand assessment, market expansion and identification surveys and need-based product development. Information on the indicator 'Client satisfaction with products' is obtained from Research and Product Development Department via the customer satisfaction report.
- Steps involved in data collection are fairly straightforward for some indicators such as Staff Gender Balance ratios which were being monitored by the HR Department. Prior existence of systems such as Miracleworker, Human Resource Information System – KF's HR database and Oracle Financials allows for easy access to information. Other indicators, such as Women Clients' Involvement in business decision making are deduced by getting clients together for FGDs. The incorporation of these indicators in the Dashboard has reasserted the importance of these FGDs for the institution.
- It is the responsibility of the Compliance Department to compile the data

<sup>3</sup> Pakistan Poverty Alleviation Fund's (PPAF) Poverty Scorecard for targeting clients is a tool that enables analysis on poverty levels of surveyed households in Pakistan. It uses the following cut-offs/score ranges: 0-11 (extremely/ultra-poor); 12-18 (chronically poor); 19-23 (transitory poor); 24-34 (transitory vulnerable); 35-50 (transitory non-poor); and 51-100 (non-poor).

provided by all concerned departments (see **TABLE 2**) onto the Dashboard.

#### **BOX 1: Questions in KF Compliance Department's monthly survey with clients**

Questions/Procedures for the monthly survey of 3,000 to 3,500 randomly selected clients by the Compliance Department include the following:

1. Compliance Officer (CO) asks the clients to show him/her their pass book
2. Who is the loan user?
3. For which business was the loan used?
4. Raw material is checked in case the client herself is doing home based business or when CO is visiting business place?
5. It is verified whether the client is using loan for the same purpose as mentioned on the Loan Application and Business Appraisal Form (LABAF) or not?
6. Estimates of income/ expenses are reconfirmed and in case of inconsistency with LABAF, exact details are recorded.
7. Whether client has taken loan from any other MFP? How much is the loan and what is the recovery amount?
8. Has any staff member ever misbehaved with client for recovery or forced them to sell any asset to make the recovery payment
9. Has any staff member used non-professional language with the client?
10. Did the client face any delay in service on part of branch staff during loan process?
11. Is the client paying her recovery in advance? How many days in advance is she paying?
12. Did the client pay any commission or bribe to any staff member or a client to avail KF loan?
13. Are all the pricing terms disclosed to the client including her documentation fee, insurance premium, interest, pricing etc.
14. Is the client satisfied with KF products and services?
15. Is the client aware of complaint cell and its numbers?
16. Is the client aware of all KF policies and procedures?
17. Is KF staff helpful and efficient in assisting the client?
18. What does the client like about KF and where, in her view, does KF need to improve?

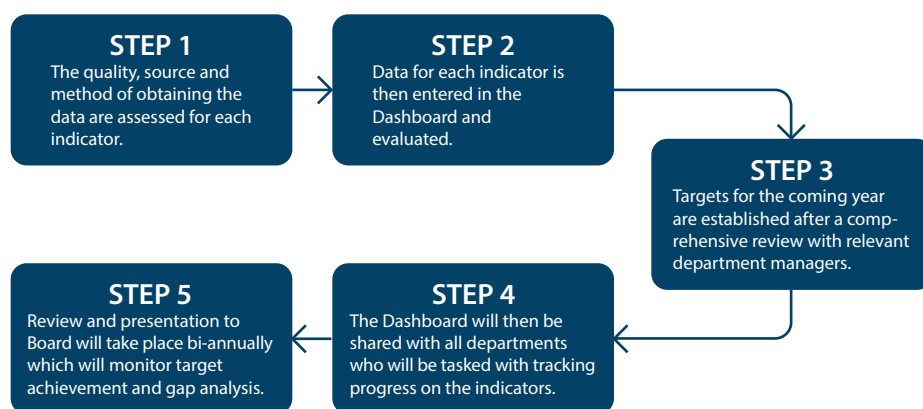
## **Usage**

Each indicator has its own method of calculation, but all information is recorded on the Dashboard, which galvanizes staff to meet KPI targets. For example, the rate of retention of clients has been monitored since the inception of the institution; however, once it was included in the Dashboard, this has been made part of the Business Development Officers' (BDO) annual performance review. BDOs now have to monitor the exit rate of their clients which encourages a renewed focus on the clients' needs in order to prevent them from exiting the program. The requirement of submitting semiannual reports to the Board and management has necessitated a frequent monitoring of social indicators, thus making certain that relevant staff and departments work towards obtaining this data to track KPI targets.

Retrieving information from various departments' systems took time in some cases where the new indicators required a reanalysis of data; however, in most cases the information was readily available in the departments' databases. The Dashboard indicators are reviewed by the Management Committee on a semi-annual basis to evaluate and assess any changes in the key indicators, while outcomes are shared with the Board on a semi-annual basis as per pre-agreed KPIs. Overall, it is expected that emphasis will be placed on creating new strategies in order to enhance customer relationships, based on the Dashboard results thus far. The Programme and Finance Committee of the Board reviews the overall institutional performance inclusive of social and financial results; the Dashboard serves as an important tool for the Committee to holistically review the organization's social outcomes. This analysis is then shared with the Board of Directors for further deliberation on a semi-annual basis.

For KF, the next step is to link results effectively with product development and other operations. This would be a renewed effort to work on Dimension 3 of the Universal Standards, *Design products, services, and delivery channels which meet clients' needs and preferences*. KF has done this successfully in the past and hopes to implement this to a higher degree with the Dashboard. The institution has already taken the initiative to introduce new products based on client feedback; for example the launch of KF's credit product – *Kashf Ibtida-e-Karobar* loan for new businesses, was a direct result of feedback taken from the customer satisfaction survey, client exit reports and the Women Entrepreneurs Council.<sup>4</sup> Along with existing client feedback mechanisms, now the institution seeks to utilize the information from the Dashboard to design or improve products to meet clients' preferences. **EXHIBIT 2** summarizes the steps followed in using the Dashboard at KF.

**EXHIBIT 2:** Steps in using the Dashboard at Kashf Foundation



## Benefits of using the Dashboard

In a short span of time the organization has already enjoyed important benefits as a result of implementing the Dashboard. These include the following:

- The most important impact of the Dashboard has been in terms of tangibly accounting for Kashf's social mission to empower women from low income communities, particularly when it comes to their productive roles and the access of productive loans by women entrepreneurs directly. At the time of the introduction of the Dashboard, Kashf's overall female participation rate in terms of loans use was 34 percent and it has increased to 55 percent (by time of publication).
- With the development of the Dashboard, the institution identified key social indicators to be measured and monitored in order to evaluate institutional progress towards its social mission. This helped clarify the internal thought process with regards to assigning priorities to various social objectives and also helped build consensus within top management and a greater commitment towards the identified institutional and staff KPIs at the same time. For example, the process of creating the Dashboard reminded KF's staff that the long term social objectives, and consequently, departmental and staff KPIs overlapped significantly across departments, leading to greater inter-departmental harmony.
- Periodic review of Dashboard indicators serves to ensure that all KF operations are feeding into the institution's social mission.
- The setting of targets for the year end, a process that has resulted from the creation of the Dashboard, has given clarity to staff in terms of how their own roles and KPIs fit in to the institution's social objectives and institutional KPIs.
- Departments in KF previously had their own way of managing and storing data, which resulted in excess time consumption in accumulating social data from each

<sup>4</sup> KF has instituted a Women Entrepreneurs Council which helps the organization stay abreast with client needs and solicit feedback on all facets of the KF's interventions. The Council conducts quarterly meetings with client representatives from KF's areas of operation to understand overall client needs, issues and highlight initiatives that clients would find value in.



unit. There was no single unified format on which the entire institution could input information on social indicators. The creation and use of the Dashboard helped to homogenize the process of data management by different departments into one common document, allowing greater clarity in evaluating the institution's social impact as a unit in one place.

- Formulation of the Dashboard revealed certain blind spots, for example, the organization had been gathering data for percentage of clients familiar with KF policies and procedures but this data was never included in reports, as it was not considered an important indicator. However, after work began on the identification of indicators for the Dashboard, this indicator was considered in line with the institution's social objectives and was made part of the Dashboard.
- The Dashboard enables the institution to be compliant with Dimension 1 of the Universal Standards, *Defining and monitoring social goals* and helps it get a jump-start on working towards Dimension 2, *Ensuring board, management and employee commitment to social goals* which is already underway.

**BOX 2** provides a detailed mapping of the essential practices in which KF has been able to raise compliance with the implementation of the SP Dashboard.

**BOX 2: Mapping of KF's SP Dashboard to the Universal Standards**

Essential practices from Universal Standards Dimensions I, II and III		Corresponding functions of KF's Social Performance Dashboard
1a.4	The institution's strategy defines measurable social targets for client-level outputs and outcomes.	In the process of developing the Dashboard, KF established clear measurable social indicators, drawing them directly from the institution's social goals. Subsequently, the management also sets targets to be achieved for each social indicator for the financial year.
1a.5	The institution's strategy defines social indicators to measure progress toward social goals.	The Dashboard defines distinct social indicators under six main areas drawn from institutional social goals. Each main area constitutes of measurable indicators which are monitored on a regular basis. (Refer to <b>TABLE 2</b> for Dashboard indicators)
1b.1	The institution collects data for each of its social goals and the MIX social performance data.	The Dashboard essentially consolidates social indicators which come under six main social goals that have been identified as most relevant to the institution's mission. To measure and monitor progress on these social indicators, client level data is collected directly from clients and branches, as well as the HR department. This includes data on women/men, poverty level, demographic characteristics etc.  KF has been consistently reporting to the MIX on social performance data, and with the implementation of the Dashboard the process has become much simpler. This is because the Dashboard requires departments to provide updated data on social indicators on a regular basis and is then consolidated by the Compliance Department. The MIX social performance form can be updated in half the time now as all relevant information is available readily via the Dashboard.
1b.2	The institution has protocols for the collection, quality control, analysis, and reporting of social performance data.	Each concerned department has been informed about data they must provide to the Compliance Department, in relation to the Dashboard. Departmental heads have been made aware of the type and frequency of data they need to provide must abide by the timeline.  The Dashboard has formalized one standardized format on which the units now provide data. The Compliance Department is responsible to gather data from all relevant units, as well as carry out quality checks, and update the Dashboard on a quarterly basis. The results are then shared with the management and the Board.
1b.5	If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.	KF measures client level poverty using the Pakistan Poverty Alleviation Fund Poverty Scorecard. Data collected through this measurement tool is used to calculate poverty outreach indicators part of the Dashboard.  Furthermore, it also uses a business appraisal form to document the income levels of all its clients at the beginning of each loan cycle. This serves as a comprehensive database for assessing the changes in clients' progress, based on income, over time.

*Continued...*

Essential practices from Universal Standards Dimensions I, II and III		Corresponding functions of KF's Social Performance Dashboard
1b.6	The institution discloses social performance information, including the MIX Social Performance data.	Prior to the development of Dashboard, KF was reporting to the MIX on social performance data as well as in its annual reports and/or other publications. However, with the inception of the Dashboard, KF will now be able to present its progress towards social goals in a more formal manner to the Board and other stakeholders on a consistent basis (annually).
2a.2	The board reviews social performance data, including: mission compliance, performance results, human resource policy, social performance related risks, client protection practices, growth, and profit allocation.	The Dashboard is presented to the Board on a periodic basis, so that it can analyze the institutional progress of targets set for each social indicator, and understands any unexpected variances in progress towards social goals. Similarly, the Board analyzes the results and highlights possible social performance related risk and solutions.
2a.3	The board uses social performance data to provide strategic direction, taking into account both social and financial goals.	Analyzing the results of the Dashboard, the Board develops direction and solutions to improve gaps or highlighted risks in relation to social performance.
2b.1	Senior management integrates the institution's social performance goals into business planning.	The senior management uses the Dashboard along with other financial reports while developing business plans. The Dashboard facilitates in highlight areas of social risk that require more attention in the business and operational plans. Responsibilities and duties are then set accordingly.
2b.2	The institutional culture raises awareness and concern about fair and responsible treatment of clients. (Client Protection standard 5.1)	KF has always had a well-defined consumer protection code which is communicated to each staff member and its implementation is ensured through written oath taken by each staff.  Each staff is now evaluated on their role in achieving institutional social goals that form part of the Dashboard. KF Head Office team also visits the field and conducts Customer Satisfaction Surveys to understand any reported mistreatment or dissatisfaction at that level. This data feeds into the Dashboard to track client satisfaction levels. Loan officer behavior with clients is monitored directly through Customer Satisfaction Surveys and indirectly through the results of client satisfaction indicators presented in the Dashboard.
2b.3	Senior management analyzes social performance data to compare the institution's actual performance against its stated social targets.	Senior management along with the Board regularly analyzes social performance by studying the results presented in the Dashboard, against the given targets (at least annually at Board level and quarterly by the senior management).  Change in policies or procedures is expected for 2015 and so forth based on need/trends shown since the inception of the Dashboard.
2b.4	Senior management analyzes and addresses social performance-related risks.	By evaluating the results of the Dashboard, senior management identifies areas of risk. Subsequently, strategies are devised to tackle possible areas which show social performance related risks.
2b.5	The CEO/Managing Director holds senior managers accountable for making progress toward the institution's social goals.	The senior management at Kashf ensures full responsibility/ownership towards the social goals of the organization, and are held accountable by the Managing Director for any unexpected and significant variances in the social indicators. Any such variances are reflected through the results of the Dashboard, which is shared with the Managing Director quarterly for assessment.
3a.2	The institution analyzes client satisfaction by client characteristic.	Although the Research department at KF has been collecting data on client satisfaction and using it for internal policy review and improvement, now client satisfaction is considered a primary social indicator, and included in the Dashboard. This enables the senior management and Board to critically analyse the level of existing client satisfaction over time.  The Research and Product Development Department at KF conducts customer satisfaction surveys, client exit surveys, product demand assessment, market expansion and identification surveys and need-based product development. Information on the indicator 'Client satisfaction with products' is obtained from Research and Product Development Department via the customer satisfaction report.  Furthermore, the Compliance Department also conducts monthly interviews with 3,000 to 3,500 randomly selected clients to check compliance of KF policies and procedures in the field. Each client is requested for roughly ten minutes and in this time the compliance officer gains the client's feedback on client protection related policies and other social performance indicators.  Data from all these instruments is fed into the client satisfaction/retention indicators part of the Dashboard.

Essential practices from Universal Standards Dimensions I, II and III	Corresponding functions of KF's Social Performance Dashboard
<p>3a.3 The institution monitors the client retention rate by client characteristic and understands the reasons clients exit the institution.</p>	<p>Similar to the previous essential practice, client retention rate has been regularly monitored and in turn the results are critically analysed. Its inclusion in the Dashboard has further facilitated the Board and senior management to hold the operations accountable on social performance progress, with a particular focus on this aspect.</p>

## Challenges with using the Social Performance Dashboard

So far, use of the Dashboard has been without significant challenges. Having re-established the indicators and objectives in one consolidated database, frequent monitoring of progress, and providing semi-annual data is not expected to be a very time consuming process. However, one concern would be to consistently monitor these indicators and ensure that methods of measurement are reliable and consistent over time.

## Lessons Learnt

KF's experience with the Dashboard provides some key insights around developing and implementing a similar tool for social performance monitoring and reporting at other MFPs. These are as follows:

- All MFPs will benefit from greater measurement and monitoring of its social impact regardless of the size of the institution, especially donor funded institutions, as this will enable them to showcase their social performance and commitment to their specific social missions. Dashboards can be easily adapted to reflect the particular social goals of various institutions by altering indicators accordingly. Since the process is not costly, smaller institutions can develop such a resource as well.
- Such a tool facilitates in raising awareness with staff, management and Board about the institution's social goals and implementation within its operations. Converting qualitative social goals into quantitative indicators enables the institution to clearly focus on its core objectives and monitor its impact towards these objectives over time to ensure that the institution stays true to its mission.
- Monitoring and implementation of the goals move the organization towards realization of its overarching mission by creating a unified movement within the organization to achieve its mission according to Dimensions 1 and 2 of the Universal Standards. Each department can track relevant indicators from the Dashboard against its quarterly targets.
- To fully benefit from using a Dashboard, MFPs will require robust compliance and monitoring systems that can provide updated and reliable figures for the Dashboard indicators.
- While most of the indicators can be measured using internal data, if information from external third-party evaluations and/or impact assessments is also used, that will help build credibility of the results being showcased, especially to external stakeholders and donors.

# DEVELOPMENT OF A SP MONITORING AND REPORTING FRAMEWORK AT KHUSHHALI BANK LIMITED

This case study focuses on the development of a social performance monitoring and reporting framework called the 'Social and Environmental Management Systems Compliance Matrix' a.k.a the Matrix, at KBL. KBL's SEMS Compliance Matrix, developed in 2014, has helped KBL improve its compliance to many essential practices found in Dimensions 1 and 2 of the Standards – *Defining and monitoring social goals and Ensuring board, management and employee commitment to social goals*. The following sections provide KBL's institutional background, state of practice before setting up of the SEMS Unit, development and use of the Matrix, its benefits and challenges going forward, and lessons learnt from KBL's experience of employing the Matrix.

## Institutional Background

Khushhali Bank Limited (KBL) came into existence as a corporate body with limited liability in 2000, with the promulgation of the Khushhali Bank Ordinance by the Government of Pakistan as part of its national Poverty Reduction Strategy and Micro-finance Sector Development Program. In 2008, KBL was converted into a public limited company and is regulated by the State Bank of Pakistan (SBP) under the Micro-finance Ordinance, 2001.

As of December 31, 2013, KBL had 110 branches in operation nationwide, in all four provinces, as well as Azad Jammu and Kashmir, making it the market leader in terms of geographic coverage by number of districts covered, as well as by number of active borrowers, holding 18.5 percent of the market. The institution's vision is to "be a premier microfinance bank providing services to microenterprises and low-income households across Pakistan". Its target market includes clients living in rural and urban areas and micro-entrepreneurs. The institution aims "to strengthen the economic base of low-income populace and micro-entrepreneurs by improving their accessibility to financial services." Through its operations, KBL endeavors to achieve its core objectives of outreach and sustainability.

The institution offers the following range of financial products and services:

- Credit: loans for microenterprises and agriculture
- Savings: checking accounts, voluntary savings and fixed term deposits
- Remittances service
- Voluntary health insurance

**TABLE 3** presents a snapshot of KBL's key performance indicators for the three year period from 2011 to 2013.

In 2012, a consortium of investors acquired 67.4 percent equity stake in KBL.<sup>5</sup> The new shareholders signed on to a Shareholders' Agreement that required KBL's commitment and compliance with various social and environmental standards within its core operations.<sup>6</sup>

<sup>5</sup> For more information on the purchase, please refer to the following PMN MicroNote: Ali Basharat and Ammar Arshad (2013) *Case Study on United Bank Limited's Acquisition of Khushhali Bank*. Pakistan Microfinance Network. Retrievable from the following URL: <http://www.pmn.org.pk/assets/articles/MicroNOTE%2020%20-%20Unlocking%20Synergies%20.pdf>

<sup>6</sup> These include the following:  
i. International Finance Corporation (IFC) Microfinance Exclusion List  
ii. The Asian Development Bank (ADB) Social Safeguards Exclusion Criteria  
iii. The ADB Prohibited Investment Activities List  
iv. The ADB's Social Protection Requirements  
v. The European Development Finance Institutions (EDFI) Prohibited Activities List  
vi. International Labor Organization (ILO) Core Labor Standards  
vii. Applicable Social and Environmental Laws  
viii. The Smart Campaign's Client Protection Principles in microfinance

TABLE 3: KBL's Key Performance Indicators (2011-13)

Indicator/year	2011	2012	2013
Number of active borrowers	352,962	364,138	409,010
Gross loan portfolio (PKRThousands)	4,273,802	5,805,576	8,841,692
Savings clients (number of accounts)	301,239	458,612	674,061
Savings portfolio (PKR Thousands)	1,677,010	4,040,647	7,132,919
PAR ≥ 30 days (%)	4.4	1.1	0.8
Client exit (%) using formula: 100% - [(number of clients at end of year / (number of clients at start of year + new clients)]	26.1	26.4	22.7
Outreach to women (%)	26.0	26.9	26.5
Outreach to rural clients (%)	80.8	83.2	84.2
Number of employees	2,161	2,368	2,293

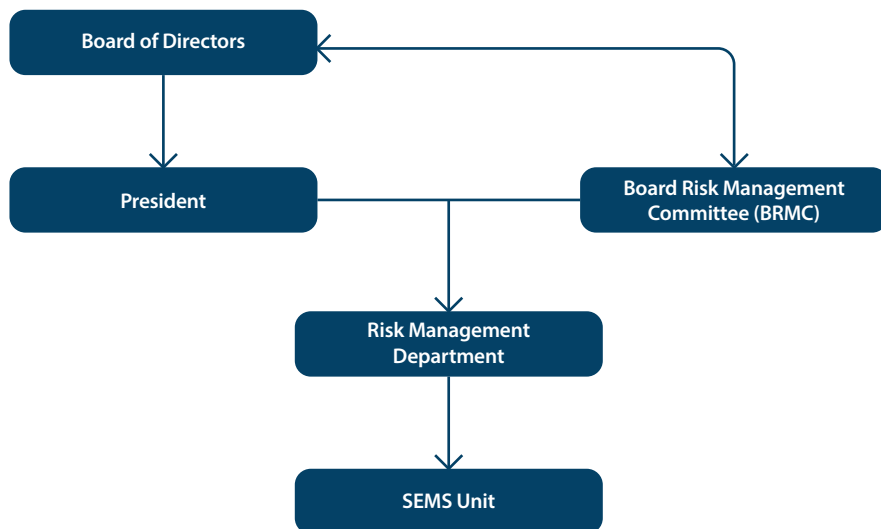
Source: Khushhali Bank

To ensure the institution's compliance with all the requirements listed in the Shareholders' Agreement, the SEMS Unit was created with specific responsibility to monitor and report on these provisions. The primary functions of this Unit were to:<sup>7</sup>

- Drive international best practices in microfinance across all functions, ensuring and managing compliance with all requirements under the Shareholders' Agreement, particularly the Smart Campaign's CPPs.
- Implement adequate social performance and client impact assessment tools with the aim of aligning financial objectives with clients' needs.
- Ensure that a risk management system is in place to monitor compliance with Shareholders' Agreement requirements, including monitoring of the microfinance exclusion list for clients' businesses.
- Track impact on clients and portfolio of product design/concentration.

Initially, the SEMS Unit was envisioned to be an independent department similar to other key departments at KBL, reporting directly to the President. A SEMS Manager was hired who had prior experience with social performance management to ensure smooth establishment of the department. However, in the third quarter of 2013, the Unit was housed under the Risk Management Department. This change was implemented to allow the incorporation of social and environmental risk management into the institutional Risk Policy and to improve coordination of activities with other Units within the Risk Department, particularly the Credit and Operational Risk Units (Credit Risk Unit in terms of compliance with the Smart Campaign's CPPs and environmental covenants, etc. and the Operational Risk Unit in terms of people- and process- related risks, e.g. complaints handling, potential fraud involving client exposure, employee attrition, etc.). This provided enhanced oversight of social performance by the Chief Risk Officer (CRO) and the Risk Committee of the Board. The SEMS Unit is now led by the CRO who reports directly to the President on the periodic performance of SEMS and Risk Management collectively. **EXHIBIT 3** depicts the placement of the SEMS Unit within the institution.

<sup>7</sup> Khadija Ali and Zahra Khalid (2013) *Identifying Good Social Performance Management Practices*. Pakistan Microfinance Network.



Ghalib Nishtar, President of KBL, explained the role of the SEMS Unit in effective monitoring of social performance,

“focusing on social performance as part of our strategy will help ensure that we remain committed to our overall mission of providing financial access to the excluded through the delivery of appropriate products and services. The SEMS function will translate our intent into impact through the institutionalization of acceptable environmental, social performance and governance standards within our policies and procedures, thereby sustainably improving the economic and social condition of clients, employees and the community.”

### State of practice before inception of the SEMS Unit and use of the Matrix

Prior to the change in ownership structure, social performance monitoring and reporting at KBL was the responsibility of the Risk Management Department. Activities included reporting regularly to the Microfinance Information eXchange (MIX), both on financial as well as social performance indicators, and complying with the Asian Development Bank’s Exclusion list for its lending activities. The change in ownership resulted in the current Shareholders’ Agreement, which mandated an extensive list of activities to be abided by to ensure KBL’s compliance with global social and environmental standards. Before the institutionalization of the Shareholders’ Agreement, social performance reporting and monitoring at KBL did not require substantial staff time, therefore they were completed by the Risk Management Department. However, the extensive list of stipulations in the current Shareholders’ Agreement made it necessary to create a separate unit in which dedicated staff monitored and reported on social and environmental indicators. Thus, the SEMS Unit was established.

The tall order of monitoring and reporting on various social and environmental requirements and formats on a regular basis, in addition to the SEMS annual social performance report to the Board, required a method to ensure vigilance over all annual/monthly reporting deadlines, and to gauge and monitor compliance with various requirements, e.g. the Smart Campaign’s CPPs. This became necessary as in some instances, SEMS staff had to put in extra work hours to meet multiple deadlines. Similarly, bits of important information would be missed during data compilation as information would be gathered in haste to meet the respective deadlines, which would sometimes lead to incomplete or erroneous analysis in reports as well.

Keeping in view the diverse data points that had to be kept tabs on throughout the institution, it became imperative that a handy tool be developed that would aid in effective and timely monitoring of all Shareholders' Agreement requirements. With this in mind, the Matrix was developed.

## Developing the SEMS Compliance Matrix

The SEMS Compliance Matrix is the primary resource used by the SEMS Unit to check reporting requirements, their frequency and deadlines, identify gaps in social performance through in-depth comparison of current practice to prescribed best practices and consolidate all relevant data in one tool which in turn facilitates in compilation of performance reports. The Matrix allows the Unit to integrate international best practices in social performance across all functions by consolidating the Universal Standards, specifically the Smart Campaign's CPPs in one document and in turn analyzing the existing practices with these standards. The Matrix is the key tool to collect and assess information on existing institutional practices against the standards, results of which are fed into the reports presented to the management and Board. By evaluating the institution's performance against best practices in the Matrix, the SEMS Unit also makes use of this tool for risk management related to social performance and compliance with requirements listed in the Shareholders' Agreement.

This subsection talks about the development process undertaken to develop the Matrix

### Resources Employed

The Matrix was developed over a period of one month, utilizing the many resources available on the internet, free of cost, from various respected microfinance think-tanks and global initiatives. The Matrix is in the form of an Excel workbook, segregating each requirement category (e.g. the Universal Standards, Smart Campaign's CPPs, investors' exclusion lists and so on) into separate worksheets, and breaking down the CPPs' requirements into actionable indicators, against which the SEMS Unit can then check compliance status of KBL, identify gaps, and assign target dates and responsibilities for achievement of compliance. The Matrix constitutes:

- Separate worksheets to list various reporting requirements and deadlines for the SEMS Unit, thus ensuring that complete reporting is carried out in a timely manner
- A separate worksheet to rigorously assess compliance with the CPPs, highlight gaps, and assign responsibilities and target dates for rectification.
- A separate worksheet to collect compliance information against the Universal Standards, in particular *Dimensions 2, 3, and 4* (at time of publication) selected under the Universal Standards Implementation project.

The workbook is regularly updated manually by SEMS staff, due to the subjective nature of input and scoring for the CPPs as well as the Standards. The following external resources were referenced to consolidate specific essential practices for each requirement:

- Universal Standards for Social Performance Management
- Smart Campaign Client Protection Principles – Getting Started Questionnaire
- Smart Campaign Client Protection Principles – Smart Operations Tool
- Smart Campaign Client Protection Standards Guidance Document
- International Finance Corporation (IFC) Microfinance Exclusion List
- European Development Finance Institution (EDFI) Prohibited Activities List

In addition to these resources, the report from the external Smart Assessment of KBL conducted in April 2013 was also used to develop the tool. Lubna Tiwana, CRO at KBL,

explained that the Matrix is adequate in identifying all SEMS requirements to fulfill, and the format of the document enables easy monitoring of deadlines, control and subsequent reporting. She further elaborated that, “although the resource has successfully consolidated all SEMS requirements, due to the subjective nature of the Smart Campaign’s CPPs and the Universal Standards, measurement of institutional social performance over time is open to personal interpretations”.

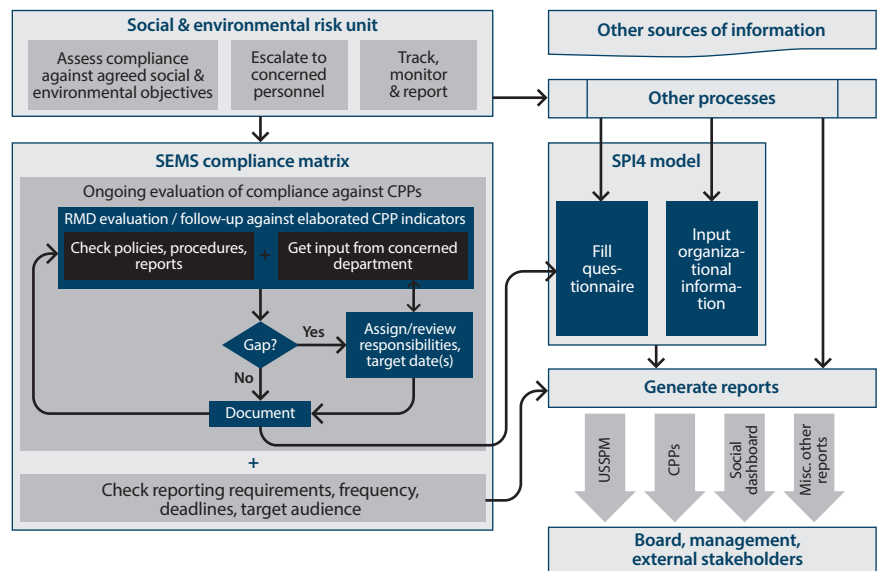
### Costs Incurred

There was no incremental cost of developing and implementing the Matrix, as no external resource was employed specifically to develop the Matrix. There were no costs related to gathering of external resources as they were available on the internet free of cost. However, the outcomes from using the Matrix are expected to necessitate some institutional changes to tackle identified gaps in the Smart Campaign’s CPPs, which the institution expects will raise operational costs in the coming year.

### Using the Matrix

This section explains the data collection process employed and how the Matrix is being used by the SEMS Unit at KBL. **EXHIBIT 4** conceptualizes the process flow of the Matrix for data collection, reporting and usage.

**EXHIBIT 4:** Flowchart describing KBL’s SEMS Compliance Matrix data population and usage



### Data Collection Process

As shown in **EXHIBIT 4**, the SEMS Compliance Matrix is the primary resource used by the SEMS Unit to monitor SP reporting requirements and identify gaps in compliance with the Universal Standards and the Smart Campaign’s CPPs. Information on the current practice on these (at time of publication, the Unit’s focus was on *Dimension 4* of the Universal Standards) is collected through a daily internal meeting with various Units (discussed in more detail in the following sub-section).

Listed SP indicators allow for comparison between current and best practices, and steps to be taken to raise compliance against identified gaps. During these internal meeting, a SEMS staff manually inputs the existing institutional practice against each essential practice, taking feedback from concerned Units and checking related policies, procedures and internal reports.

There are other stipulations to be complied with as (exclusion lists, environmental laws etc.), for which other sources of information are used to fulfill the requirements. However, the Matrix is the key document which consolidates these requirements and their respective deadlines although it does not include these reporting formats



within the Matrix. For example, the MIX SP institutional profile form has not been included as a separate worksheet in the Matrix, as updated information is directly fed into the MIX Form and shared with MIX within the deadline given in the Matrix. On the other hand, it is considered the key document to collect and assess information on compliance to the Universal Standards and the Smart Campaign's CPPs.

## Usage

The Matrix is being used regularly in the SEMS Unit's internal meetings, wherein relevant indicators for the Universal Standards (Dimension 4) and the Smart Campaign's CPPs are studied in turn, and KBL's existing practice is compared with recommended practices. The purpose of these meetings is primarily to compare KBL's on-going practices with given standards, and identify gaps. These meetings comprise of the CRO, one staff member from the SEMS Unit, and one member from another concerned department (depending upon the topic of discussion). Means to raise compliance are discussed and agreed upon, along with target dates for achievement by relevant Units in a consensual manner. This process is depicted in **EXHIBIT 2**. Findings from these meetings are presented at the management RMC level periodically as well, which allows for further brainstorming as well as follow-up on agreed target dates for compliance by respective departments.

The SEMS Unit has also started using the CERISE's latest social audit tool, the Social Performance Indicators a.k.a the SPI4,<sup>8</sup> as a supplementary resource to check compliance against those Universal Standards. Data from the Matrix is exported to the SPI4 to generate data visuals for Standards compliance as the Matrix on its own does not have the capability to generate these. These data visuals form crucial sections of the social performance reports presented to the management and the Board.

## Benefits of using the Matrix

KBL has already experienced some important benefits as a result of implementing the Matrix. These include the following:

- The Matrix has facilitated in organizing social performance related monitoring and reporting in a simple yet effective manner. Especially in the case of KBL, the list of requirements is diverse and vast, so the Matrix helps to consolidate targets, progress and timelines in one document, thereby aiding in efficient time management.
- The Matrix ensures accuracy of data and standardized reporting to the Board and top management in a timely manner. Relevant staff updates this document manually on a periodic basis and subsequently uses the material in this tool to report on requirements stated in the Shareholders' Agreement.
- It serves to promote "continuity of approach" i.e. if key Unit staff leaves the institution, incoming staff can easily transition in by studying the Matrix, as this provides a holistic snapshot of existing practices, the extent to which the institution is meeting Standards and what the timelines and responsible parties are for enhancing compliance.
- The Matrix has also provided an added benefit of raising awareness of the Standards in all departments. This is due to the regular discussions conducted across Units with reference to KBL's current compliance with the Universal Standards and how it can be improved. The Matrix enables the SEMS Unit to show that client protection and social performance is not limited to any particular department, but rather every department needs to play their part in ensuring that their activities do not harm clients and create social benefits for them. In addition, by reviewing global best practices together, staff from every department is now able to identify what constitutes good practice.

<sup>8</sup> CERISE's SPI4 is a social audit tool developed in early 2014 in collaboration with SPTF and other industry experts for the use of MFPS and assessors. This tool is considered as the complete tool for assessing MFPS' adherence to the Universal Standards, the Smart Campaign's CPPs, the Truelift poverty principles, and the Gender Performance indicators. The SPI4 can be downloaded from the following URL: <http://sptf.info/sp-tools/audit-tools>

- Another advantage of developing the Matrix has been that there now exists a mechanism to collect internal data on the institution's social performance, which can be leveraged for use in the recently introduced SPI4 tool and other social performance reporting templates. The release of the SPI4, which includes indicators that are currently not included in the Matrix, presents the results in a comprehensive and visually appealing manner, resulting in the SEMS Unit's decision to use the said tool to generate graphs on Standards compliance to further augment the internal SP reporting template. These graphs form vital parts of the annual Social Performance Report which enables the Board and management to evaluate the institution's progress in social and environmental compliance and provides an opportunity to discuss and generate solutions to recurrent gaps.

**BOX 3** provides a mapping of the essential practices that the implementation of the Matrix at KBL helps with partial compliance of.

**BOX 3: Mapping of KBL's SEMS Matrix to the Universal Standards**

Essential practices from Universal Standards Dimensions I and II		Corresponding functions of KBL's SEMS Compliance Matrix
1b.1	The institution collects data for each of its social goals and the Microfinance Information eXchange (MIX) social performance data	All social goals defined in the Shareholders' Agreement are tracked by the Matrix, which serves as the key tool to track institutional practices and procedures for relevant Universal Standards, as needed for various reporting requirements.
1b.6	The institution discloses social performance information, including the MIX Social Performance data	KBL reports social performance data to the MIX market and its shareholders annually. The Matrix lists SEMS reporting requirements (including the requirement to submit social performance data to MIX) and internal deadlines, thereby helping to ensure timely and complete disclosure of social performance information to its shareholders as well as MIX.
2a.2	The board reviews social performance data, including: mission compliance, performance results, human resource policy, social performance related risks, client protection practices, growth, and profit allocation	Full compliance with the Smart Campaign's CPPs is an institutional social goal for KBL. Therefore, the Matrix is used to assess compliance with the CPPs, the results of which are fed into the SPI4 questionnaire, which in turn is used to generate reports that are reviewed by the Board at least once a year in its quarterly Board meetings. Information on institutional compliance with the Standards is taken directly from the Matrix and presented to the Board in the annual Social Performance Report.
2b.1	Senior management integrates the institution's social performance goals into business planning	Use of the Matrix ensures that compliance gaps are highlighted by the SEMS Unit. The Chief Risk Officer (CRO) plays a lead role in the process to agree upon responsibilities and target dates for rectification of gaps with other concerned senior management members. These responsibilities are documented in the Matrix, so as to maintain a record and enable accountability.  Since CPPs compliance is part of the institution's social goals, the Matrix, by documenting responsibilities and compliance status, ensures that CPPs compliance is transferred into business decisions and/or directly into operations by the relevant departments.
2b.2	The institutional culture raises awareness and concern about fair and responsible treatment of clients	Raising awareness about fair and responsible treatment of clients is mainly addressed through the Code of Conduct (independent of the Matrix). However, by highlighting gaps against the Smart Campaign's CPPs, the Matrix aids in drawing attention to fair and responsible treatment of clients amongst other Units at the institution as well.
2b.3	Senior management analyses social performance data to compare the institution's actual performance against its stated social targets	Information from the Matrix is used to prepare reports for the Board, including the Social Performance Report. These reports are also routed through senior management's Risk Management Committee periodically. The Board analyzes the results in this report at least annually and gives further direction on how compliance levels can be improved.
2b.4	Senior management analyses and addresses social performance-related risks	On-going monitoring of gaps on Standards compliance through the Matrix allows senior management to address social performance-related risks (i.e. inadequate implementation or drift from the entails non-compliance of the Shareholders' Agreement as well as risk of harm to clients). The CRO directly informs senior management on social performance related-risks using the Matrix as a key tool to identify such risks and subsequently reporting them to the Risk Management Committee on the Board and the Board itself in quarterly meetings, as needed.

Essential practices from Universal Standards Dimensions I and II	Corresponding functions of KBL's SEMS Compliance Matrix
<p>2b.5</p> <p>The CEO/Managing Director holds senior managers accountable for making progress toward the institution's social goals</p>	<p>When the SEMS Unit developed the Matrix, a social performance reporting framework was also designed, so that information collected through the Matrix could be displayed in an organized and effective manner to the management and Board on a quarterly basis. The framework includes, inter alia, a social dashboard (currently under development) and Smart Campaign's CPPs compliance report. The reports are meant to facilitate the CEO and Board to review the progress of the institution towards its social goals and further allow the CEO to hold senior managers accountable in this respect.</p> <p>Senior managers are assigned responsibilities for raising compliance to Standards. These responsibilities are listed in the Matrix and performance against these responsibilities is tracked by the CRO and further reported in the Risk Management Committee on the Board.</p>

## Challenges with using the Matrix

- Collecting information on prevailing practices demanded considerable time from Unit staff. It was challenging to assemble staff from other Units regularly due to conflicting schedules; therefore mapping current practice took considerable time.
- The Matrix is largely un-automated, with the exception of a few Excel formulas. This is due to the largely subjective and textual nature of the input.
- The Matrix cannot generate meaningful visuals on its own, which has resulted in the institution utilizing the SPI4 tool for the purpose.

## Lessons learnt

The Matrix is serving a key role in the overall process of raising awareness on SP with staff at all levels about the institution's social goals and implementation within KBL operations, via regular interdepartmental coordination and reporting on the institution's social performance practices. Through this tool, the SEMS Unit has been able to promote among staff, management, and the Board, greater social awareness and knowledge of where the organization stands with respect to social performance management. The reports generated using data from the Matrix are expected to help in decision-making, holding management accountable to the institution's vision and mission, setting future direction and ensuring the institution does not risk mission drift. When the results are disseminated and discussed at appropriate levels on a consistent basis, additional benefits will start to emerge. Some key lessons learnt that can be of assistance to MFPs interested in developing such a tool for increased SP compliance are as follows:

- This tool is suitable for large MFPs which constitute many formalized departments, and has to abide by multiple SP monitoring and reporting requirements. The Matrix ensures vigilance over all annual/monthly reporting deadlines and accuracy of information due to clearly spelled out source departments for information on respective indicators.
- Implementing such a tool in an MFP will not necessarily add more to the costs but could substantially increase the benefits through:
  - Review of existing social performance practices, consistent with global benchmarks, across all departments to identify gaps,
  - Simultaneously analyzing state of practice on the Smart Campaign's CPPs and other aspects of social performance in a single tool, and
  - Deriving analysis that is comparable over time to gauge progress and/or challenges faced by the MFP.
- To fully benefit from such a tool, MFPs will require strong compliance and monitoring departments that can provide up to date information on practices related to client protection and social performance. Without high quality and timely data provision, the analysis may consequently be of little value to the institution.



MicroNOTE: Setting Up Social Performance Management Systems: Case studies from Kashf Foundation and Khushhali Bank Ltd.

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