Social Performance Start-up Fund for Networks

SPS Reporting phase of the project

Guidelines

These are brief guidelines summarizing our discussions during the kick-off workshops on how to implement the project activities related to SPS Reporting of members and preparing them for practice improvement in terms of SPM.

Through our work in this project phase, we want to achieve the following:

- To increase transparency of the sector by sharing Social Performance results of the members with stakeholders
- To make members improve their social results by helping them improving their practice of their social performance management

Thus, we work towards three outcomes of our work:

1. Members submit reports to the MIX every year starting 2012
2. Network is able to present country level information to stakeholders
3. Members use the SP reports to identify weaknesses of their own MFI in terms of social results achievement and improve their practices to address the weaknesses

HOW TO ACHIEVE THE OBJECTIVES?

STEP I: supporting members in individual reporting

The network is a crucial supporter for the MFI to report on SP. Having delivered SPS Reporting Training sessions, the network can work with MFI in different ways. Some of the ideas gathered from among SP Fund grantees are presented below:

- Individual meeting with each member to clarify all issues related to filling in the report with data. As a result, a ready to be submitted report is presented
- Distance monitoring of members: once they fill in the report, they submit the report to the network. The network staff validates the report. In case the following is noticed:

- o Gaps: not all data is filled in (i.e. numbers for certain groups of clients or portfolio size in certain products are not filled in)
- o Misunderstandings: MFI reported wrongly because they did not understand the indicator (i.e. MFI marked all listed development objectives instead of marking only those related to its performance)
- o Mistakes: MFI reported something which is not true (i.e. MFI reported they deliver empowerment trainings but you know the MFI will launch these trainings only in December 2012)

In such a case the network re-sends the report back to the member with request to improve. Some additional assistance (a phone call, visit) might be needed to help MFI understand the issue and identify proper data to be reported.

HOW TO MANAGE THE RISKS?

- It's good to establish deadlines with each member by what date they are going to submit the draft report. Once you agree on the deadline with a member, it will keep the member motivated to deliver on the deadline and will help you monitor.
- The deadlines should be set well in advance before the final deadline, allowing for back and forth communication in order to finalize the report. For example: if you ask a member to submit the filled in report a month before Reporting Lessons Learnt Workshop, it will give you enough time to clarify any issues relate to data accuracy.
- Sending reminders before the upcoming deadlines will help make members remind about the whole process

WHAT ARE THE LEARNING OPPORTUNITIES FOR NETWORK?

The process of accompanying each member in SPS Reporting provides a network with unique opportunity to understand in depth the MFI, its performance, strategies, challenges and aspirations, both in terms of financial and social performance. The gaps common for all members can be easier identified.

This is also another occasion to strengthen the relationship with members, which is not to be overestimated.

STEP II – REPORTING LESSONS LEARNT WORKSHOP

The Reporting Lessons Learnt Workshop plays a crucial role in mid-term feedback collection from members, allowing to draft first lessons learnt in terms of SPM status in the country and next necessary steps for both the network and its members to improve the practice of their social results management.

There are the following objectives of this reflection exercise:

1. To understand the experience and opinion of members on the process of SPS Reporting
2. To understand by all membership and invited stakeholders what is the status of social performance in the country
3. To identify common gaps in social performance of members and to brainstorm solutions for addressing these gaps (especially so called quick wins)

HOW TO ACHIEVE THE OBJECTIVES?

1. **Feedback collection**

In order to understand the opinion of members, a simple session with discussion is needed. The following questions can be asked:

   a. What do members think about the process of reporting?
   b. What was easy for them in reporting? What was difficult?
   c. What are the challenges they face in reporting and how can the network address it?
   d. How beneficial is the process of SPS Reporting to them?

2. **Social performance status in the country**

Basing on the SPS Reports submitted to the network, the network staff is well equipped to prepare a country level report on social performance results and present it during the workshop. What we want to learn from the presentation is the following:

   a. What do the MFIs aim at in terms of social goals?
   b. What are the results of their work in terms of achieving those goals?

The following statistics can be presented:

What do the MFIs aim at in terms of social goals?

- #or% MFIs with certain types of target markets (i.e. % of members targeting women or rural people)
- #or% MFIs with certain development objectives (i.e. % of members aspiring to reduce poverty or create jobs or other)
- #or% MFIs targeting the very poor/poor/low-income clients

What are the results of their work in terms of achieving those goals?

- #or% MFIs with board members trained in SP
- #or% MFIs with formal committee to monitor social performance
- #or% MFIs with various types of financial and non-financial products
- #or% MFIs meeting certain client protection principles
- #or% MFIs with best practices in social responsibility to staff and environment
- Comparison of MFIs with various development objectives with the products and services offered – how much does the services and products offer fit into development objectives? For example number of MFIs aspiring to outreach to rural clients, with agricultural loans
- #or% MFIs with poverty outreach as development objective compared to #or% MFIs measuring poverty
- % of target clients outreached for each MFI (i.e. if MFI reports they target women, % of women in total number of clients) – comparisons between MFIs only within the same category of target clients (i.e. comparing MFI targeting women with MFI targeting rural clients does not make sense)
- Average % of target clients for MFIs targeting same groups of target clients (i.e. X % of members, who target rural clients, have on average Y% of rural clients, and in total number ZZZ thousands rural clients)

- % of loan portfolio disbursed in certain target group for various MFIs (i.e. % of portfolio disbursed to poor clients for MFIs, which claim poverty outreach as their development objective)
- % of loan portfolio invested in most socially relevant products (i.e. % of portfolio in housing products for poor people, etc)
- % of clients using non-financial services

The presentation should be accompanied by the following statistics, acknowledging members commitment or stimulating members to greater commitment to achieving of the project results:

- % of members committed to submitting SPS report initially
- % of members which submitted SPS report (real commitment)
- % of reports requiring significant corrections / % reports ready to be sent to MIX (quality)
- % of project targets achieved

3. Identifying next steps

The generated results will reveal some common strengths of social performance in the country, as well as common weaknesses. Thus, the strengths should be acknowledged as success of the members. The weaknesses should be discussed; the network and its members should prioritize, which of the weaknesses are key in terms of further market development; for the prioritized weaknesses, the solutions should be developed (i.e. capacity building of members in specific area).

This discussion is crucial for further work on SPM within the project and beyond, because:

- Members identify clear areas, in which they need to improve their practice in order to be more effective in reaching their social goals. For example: lack of social goals clarity will lead MFI to work on mission deconstruction and social goals development. The low rate of female clients (despite they are target clients) will force MFI to implement client feedback collection system in order to improve its offer so that more women are attracted. Next, members can brainstorm how to improve and develop their own individual action plan for improvement.
- Members can identify common areas of weakness. For example, governance and lack of Board Members training in social performance can be an issue for majority of members. Then, it can be agreed the network can deliver the training or bring in the experts to deliver the governance training, which would address the lack of SP understanding.
- KEY SUCCESS FACTOR: identify quick wins! 'Quick wins' mean small scale improvement, which require MFI to invest minimum resources but as a result, there is a significant improvement. For example, MFI, which already calculates its drop-out rate, can start to calculate it for various groups of clients – drop-out rate for rural clients, for clients using specific products etc. In this way, MFI understands better trends in various groups of clients, which empowers the organization to make better decisions. Quick wins are also important from the perspective of keeping the members motivated to improvements: if an MFI experience significant benefit from relatively small effort and resources investment, they will be more willing to continue the work in the future.
- Members and network can discuss, which of the results they want to use in communication with stakeholders like Central Bank, regulating agencies, local investors, etc.

- Eventually, the network can use the workshop as the opportunity to review its plan for SPM implementation in the country: by this event, the network will be well informed about the status of SP and practice of SPM – this knowledge can well inform the further strategy and scale-up plan development.
4. **Individual action plans**

In order to motivate members to further work on SPM, the good practice encourages participants to develop their own individual action plans. During this session (usually the last one) each participant is given time to reflect and then to share what they plan to improve when they go back to the institution. It is important they focus on one-two issues, in order to make the plan achievable. The more issues on the agenda, the smaller chances the busy with daily operations MFI will implement them.

Eventually, each MFI participating in the workshop should have written down action plan, specifying:

- What will be done
- By when
- Who is responsible
- Who is involved
- What other resources are needed to implement the activities successfully.

HOW TO DOCUMENT THE WORKSHOP?

In order to build further the work on the results of Reporting Workshop, the good documentation of the workshop is a key to success.

It is key to document the following:

- Early reactions of members to the presented results of SP Reporting
- Identified gaps in social performance and social performance management – to keep track on the needs for SPM improvements, especially the quick wins.
- Ideas for solutions to address the gaps – it will be a network role to help MFIs implement those solutions
- Individual action plans for each MFI – to keep track of what MFI committed to achieve
- Immediate feedback of participants on the workshop – it will help to improve the workshop organization before the next Lessons Learnt Workshop.

It's advisable to keep one project team member fully focused on notes. The evaluation forms for collecting the participants' overall opinion on the workshop should be printed out in advance.

In terms of action plans developed by MFIs, you may xero-copy action plans immediately after the workshop or request your members to submit you in the electronic copy within a week after the workshop.

WHAT TO DO NEXT?

There are two areas of work with members after the Reporting Lessons Learnt Workshop:

1. Continuation of work on SPS Reporting to improve it so that members are ready to submit high-quality reports to MIX by end of Sept 30. It is possible some members will be inspired during the workshop to double check and provide more accurate data.
2. Monitor practice improvement based on the developed action plans.

MFIs can come up with various ideas on which practice they want to improve. These can be:

- Incorporating SPS reporting indicators into standard internal reporting processes: i.e. to include SP data into reports for Board members, management.
- Clarifying target group with top management, board and staff to develop clear characteristics of target clients
- Clarifying development objectives the institution want to achieve
- Finalizing the SMART social objectives for outreach/meeting clients needs / change, including development of measurable indicators and setting targets
- Improvement of client protection practice
- Introducing drop-out rate measurement
- And many more

WHERE TO FIND EXAMPLES OF QUICK WINS?

To understand, what are the possible ways to improve, check out the following:

- Annex 1 – quick wins in SPM
- Imp-Act/MFC Practice Guide
- MFC Social Performance Technical Notes
- www.smartcampaign.org for client protection tools

Annex 1 Quick wins in improving SPM systems in line with the Universal Standards for Social Performance (SP)

Guidelines and benchmarks	Quick fixes
• All board members, management and staff know and understand the mission, social objectives, and target clients. This can be achieved through orientation, training sessions, agenda items at meetings and other communication with staff and the board.	• plan an annual retreat for all your staff and board members during which a short training session on mission, goals and target clients will be held • print out and post mission statements in all branches • print out desk calendars or notebooks with the mission statement on the front page • task for a HR person/department to include short mission training into the orientation process of all new employees • organize a "Mission Day" in your organization when all staff and management are in HQ and branches meet in the morning or afternoon to discuss the organizational mission, goals and target clients • organize a competition among your staff and managers for the best idea on how to promote understanding and awareness of the organization's mission. Award the best idea and put it into practice
• The institution has indicators to measure performance against their social goals. • The institution sets measurable targets and regularly reviews progress at internal management and board meetings. • The institution integrates SP indicators into its internal system for managing information.	• identify which data you already have on your target clients e.g. % of women, % of clients in rural areas and compare it to nation-wide statistics e.g. distribution of adult population by gender or by place of living. Analyze to which extent your MFI contributes to equal access to financial services regardless gender and geography. Set targets for the following year and identify a few simple actions that may help you improve the results. • identify results to date on social goals based on the data available. Include information and targets for the next year in your annual report and disseminate through dissemination channels • identify results to date on social goals based on the data already available. Include regular monitoring of this information into your management report to the board. Engage your board to comment on the results (vis-à-vis country average) and propose setting targets for the organizations for the future period. • set indicators reflecting outreach to **target** clients relevant to the mission • set indicators reflecting the ability of your MFI to meet the needs of **target** clients, e.g. drop out rate, client satisfactions rate, monitor PAR (portfolio at risk) (as a proxy for meeting the needs among target and non-target clients). Compare the results between different groups e.g. by gender, by geographic location, etc. Plan a more in-depth investigation on the reasons for drop-out or dissatisfaction or low-

	repayment in groups that scored worst.
	• if your strategic/business planning process is going to be soon, include an analysis of the experience to date on social objectives using the data you have in this process as well as set targets for social goals/objectives to be included in the business plan
	• review the indicators that you already have at the branch level. Award the branch with the best performance. Set targets for branches (e.g. each branch to increase outreach to selected groups by x % in the next year/6 months) and monitor how they are doing on a monthly basis communicating the results among the branches.
	• ensure decisions are adopted based on reviewed performance against targets
• Commitment letters tied to the mission statement, which are explained to, and signed by, board members when they join. • SP aspects included as a part of board and management appraisal. • Orientation on SP for Board members. • Patient capital – for investor board members. Aspirational: • Balanced Board Composition - Boards must have an appropriate balance of expertise, including SP, and profiles represented on them. • A SP champion or committee within the board is instrumental in moving boards to focus on SP. • Board member contact with clients. • Clients are represented on board.	• appoint an SMP champion – a member of senior management team to co-ordinate and organize SP management efforts. You will find a TOR (Terms of Reference) for a champion at the SPTF website that will help you to find the appropriate candidate and define his/her tasks (see: www.sptf.info) • include discussion of the mission and social goals of the MFI into the inception process for all new employees • run an exercise with current employees that will help them better visualize a target client and what an MFI wants to achieve by asking them to draw a profile of an incoming client and a client in 5 years time. You may later on use these pictures/profiles in your inception training session with new comers. • discuss the mission and social goals of the MFI at staff meetings (you may use the exercise of drawing client profiles when they first use the MFI services and after 5 years of using the services of an MFI) • create an SPM committee on the board (or – if the board is small – appoint a member specifically responsible for SP) • address SP at each board meeting in the same way financial performance is addressed e.g. include a SP section in the business reports, include analysis of potential SP outcomes of any new investments to be made, etc. • organize client visits for board members at least on an annual basis
• The Board has a system for formal review of the institution's SP, including: mission compliance, performance results, a human resource policy, and profit allocation, as they relate to the social goals of the institution.	• create a SPM committee on the board (or – if the board is small – appoint a member specifically responsible for SP) • address SP at each board meeting in the same way financial performance is addressed e.g. make the

• SP information is reviewed each time the Board meets.	presentation of the SP results vis-à-vis targets a constant point on the board meeting agenda • use SP related indicators and targets as an integral part of staff performance appraisal at all levels • develop a set of values that reflect the mission and include the candidate's fit with them during the hiring process. Develop a set of values and characteristics that will help you recognize those candidates who do not fit the position from the point of view of SP
• The institution has a compensation committee to set top management salary. • The institution transparently reports top management remuneration (includes bonus, non-standard benefits, and share options). (In some cases the information might not be public for safety purposes). • The institution can provide a figure for the equivalent level in the country's private banking sector.	• involve the board/compensation committee of the board in regular review and setting policies of compensation of top management to be in line with the market average salaries in similar organization in your country • involve the board compensation committee/the board in reviewing and setting policies of the maximum compensation ratios (ratios between compensation levels of different types of staff) • develop and make known to all staff salary ranges for all positions in the MFI • disclose remuneration of the board and the CEO in the annual report • the board reviews local levels of compensation of top management in the sector and makes appropriate adjustments
• Management requires specific SP information from specific staff/departments. • This information is required on a regular basis and is reviewed by management for strategic and decision-making purposes.	• segment SP information between target and non-target clients (outreach, PAR, product use, satisfaction, drop out rate, etc) and include this in regular reports • compare and analyze the performance of target and non-target clients regarding what…?; decisions are made to improve performance should target clients perform worse than non-target
• SP monitoring is included in the formal job description and workplace training of pertinent employees. • Employees at all levels are trained on the institution's social goals at entry, and receive ongoing training.	• produce a standard set of materials for the induction training of staff addressing the mission, social goals and client protection • conduct regular discussions of the MFI mission, social goals and client protection during staff meetings at the branch level • organize a staff contest "What does our mission mean to me and my job"
• Employee performance appraisal includes assessment of job duties related to SP. • For employees whose formal job descriptions include SP monitoring, their job performance evaluation includes their SP	• include "soft" qualitative component into staff performance appraisal which addresses staff commitment to the mission, social goals and customer protection • include cut-off requirements for bonus eligibility (e.g. minimum percentage of target clients, PAR among target clients not higher than average across the MFI, retention rate among the target clients)

monitoring duties. • If the institution uses an employee incentive scheme, the incentive scheme includes criteria related to the institution's social goals. • At least [x%] of the criteria used to judge employee performance is based on the institution's social goals. These criteria may include: ability to attract new clients from target market; outreach to remote/rural communities; outreach to women; quality of interaction with clients, based on formal client feedback mechanism; quality of social data collected; client retention/dropout rate; portfolio quality; or other factors specific to the institution's social mission.	
• Regular market research includes SP goals such as avoiding over-indebtedness, increasing client satisfaction, and outreach to target clients. • Product and service design and delivery features reflect market research/intelligence on client needs. The institution offers flexible repayment terms on loan products, based on client business and family needs. The institution offers diverse products/services (which may include non financial services) within the constraints of the institution's capacity and within the bounds of responsible financial performance.	• strengthen the role of client repayment capacity assessment in the loan underwriting and decision through refresher trainings and developing policies on maximum client debt exposure levels • equip loan staff with practical easy to use instruments for client financial information collection and analysis • conduct cost-effective (limited but adequate sample) client surveys to assess their needs and satisfaction with current products. See MFC Spotlight Note#8 • introduce discussion of clients' reactions and responses during staff meetings to capture client information from loan officers • consider more flexibility of current products, especially loan size, the term and the repayment schedule
• The institution gathers client retention data, and uses the data for decision-making and where appropriate, measuring change. The institution calculates the retention rate at least [quarterly]. The client retention rate is greater than [x-minimum] percent on average, for the measured time period. • develop benchmarks for different products and services. • The institution collects client exit surveys on an ongoing basis.	• use standard client information collected in the regular course of loan renewal (e.g. income, assets) to capture and analyze changes in clients • review the client retention (drop out) rate formula. Make sure it reflects the real picture depending on the product use and dynamics. For more information on drop-out rates see MFC Spotlight Note #11 • include a short client questionnaire administered at the last installment repayment to capture possible exit and/or provide an insight into clients' needs and preferences

• The institution surveys clients on at least: reliability of services and product delivery, convenience of using services, affordability of products, understanding of terms and conditions, and customer service. • Confidentiality is maintained and clients are not discouraged from providing negative feedback.	• include short client questionnaire administered at the last installment repayment to capture possible exit and/or get an insight into clients' needs and preferences • conduct cost-effective (limited but adequate sample) client surveys to assess their needs and satisfaction with current products. See MFC Spotlight Note#8.
• All employees have access to the institution's formal human resource policies, including a formal job description. • At minimum, employee compensation, benefits, and workplace treatment (including discrimination and harassment) comply with local law. • The institution's human resource policy formally and transparently addresses all of the following: employee salary ranges, benefits, how the institution protects employees at work (including, at least, safety and anti harassment); the institution's policies related to equality (including, at least, antidiscrimination and equal pay for men and women with equivalent skill levels); and all others required by local law. • Compensation is on par with local standards for similar institutions.	• conduct regular salary levels analysis in the local sector • review internal HR policies to ensure all mentioned guidelines are complied with • conduct staff satisfaction surveys • have all relevant HR policies and procedures in hard copies available in branches and accessible to staff. Inform staff about access to the policies and procedures at hiring and in writing in the contract. Include short training sessions on rights and responsibilities in the induction process.
• The institution collects employee satisfaction either on an ongoing basis or at least [once per year]. • The institution provides employees with a mechanism for making complaints at any time.	• conduct an anonymous staff satisfaction survey during the annual retreat or annual staff meeting; share results with staff • ensure each member of staff has formal access to "one level up" should they not be able to resolve a conflict or an issue with their immediate supervisor.

• Employee privacy is maintained during the process and employees are not punished for making complaints or providing negative feedback. • Employee turnover is [x] percent or less per annum.	• annually measure the turnover of different levels of staff: field staff, middle management, top management, support staff and discuss these measurements at the management and board meetings to take actions to reduce the turnover. • consider appointing a staff "ombudsman" – a person who shall be responsible for resolution of staff complaints and conflicts. In the induction process for new staff and the labour contract advise that there is such a contact point.
• The institution sets clear targets for achieving their social goals, and has indicators to measure performance against these targets. • Data gathered is stored and reported within the institution. • The data is used to compare targets with actual performance. • Management reviews this information for strategic and decision making purposes.	• review information available in the MFI – there is a high likelihood that it could be used to support social goals without much of a need for additional information • consider using proxies – e.g. dropout rate, PAR as indicators for product fit • ensure organization wide targets are broken down for each level of the organization – MFI, branch, loan officer • include SP targets in the assessment of branch and individual staff performance • include analysis of the SP to date as integral part of operational and strategic planning to set targets for improved SP and plan improvement actions in the business plan
• Do consider differences in salaries and cost of living as one of the main drivers of costs. International benchmarks for average salaries in similar industries would help to analyze differences in efficiency levels across countries. • Do consider differences in loan size, age and scale as the main factors driving operating costs. A universal standard that ignores differences in loan size, age and scale will adversely affect young MFIs, small MFIs and those MFIs disbursing smaller loans, and could incentivize institutions to move up-market to improve efficiency. • Do remember the unknown. Other potentially relevant variables may not have been identified yet, including the effect of other financial and non-financial services.	• compare your efficiency ratios to those of the peer group (use MIX information) • monitor average loan size at disbursement to address possible movement up market and implications for costs to the client

• Do not focus on MFI-level growth in isolation: Growth rates for individual MFIs are not by themselves sufficient to signal problems, except at very high levels. Understanding the context is necessary. • Do look at where growth is occurring: Intensive growth – i.e. adding clients in the same locations, rather than expanding to new markets – is more prone to portfolio quality problems. • Do look at the market as a whole: When markets become saturated, risk increases for all participants, even those with slow growth rates. At the same time, MFIs with high growth rates in under-served markets may be responsibly reaching new clients – a key part of current SP standards.	• monitor growth and compare with peers • monitor and plan both portfolio volume and client number growth • watch out for sacrificing portfolio quality for extremely high growth rates • do not include loans not yet due into portfolio quality calculations • make sure your incentive system for field staff does not prioritise growth indicators over quality and loyalty of clients
• Do examine the profit-driving factors in the institution's control. High and low profits alike are driven by factors with a direct relation to SP (such as pricing and compensation levels). Find a balance between financial and social returns. • The institution's Board has adopted a resolution on appropriate levels and allocation of profits. • The institution's management and Board regularly examine the level and allocation of profits.	• monitor MFI's profitability (and its two key components – portfolio yield and operational efficiency) with peers • involve the Board in setting policies of profit re-distribution back to the clients, community and staff • contribute balanced amounts of profits to improve products for clients/reduce costs, improve benefits for staff, support community in which you work.