Social performance fund briefing: Key lessons for the industry[1]

INTRODUCTION AND OVERVIEW

This briefing note reflects on the lessons learned throughout the SP Fund project process[2] (see **Box 1**). Specifically, it draws out key lessons for industry level actors (including the Social Performance Task Force). The key question we sought to answer was this: what did we learn about the utility of the Universal Standards as a resource for guiding the awareness and implementation of SPM by MFIs and networks?

The Universal Standards for Social Performance Management ("Universal Standards") are a comprehensive manual of best practices created by and for microfinance professionals as a resource to help financial institutions achieve their social goals. The development of the Universal Standards represents a significant investment in terms of time, experience and resources — facilitated by the Social Performance Task Force, and drawing on the work of countless organizations and global initiatives (including the *Imp-Act* Consortium, the Smart Campaign, MIX, CERISE, MF Transparency, *MicroSave* and the ILO).

The Social Performance Fund ("the Fund") for Networks was created in 2011 to increase awareness and adoption of SPM by microfinance service providers globally. To achieve this, it focused on leveraging the capacity and outreach of national and regional networks to support Universal Standards adoption. Importantly, the Fund also had a number of secondary (more internal) aims. These included:

- Testing the practical utility of the Universal Standards to achieve SPM scale-up across the industry
- Mapping the microfinance industry landscape in a

coherent way to understand the state of practice (by early adopters) and the state of readiness (for new adopters) around SPM
- Understanding the potential of networks in terms of facilitating SPM scale-up using the Universal Standards, as well as identifying the different roles networks currently play
- Gauging the current enabling environment and incentives for SPM scale-up in terms of the priorities of investors, regulators, and others.

See **Table 1** overleaf for a summary of key results, and **Annex 1** for a detailed overview of project aims and activities.

LESSON: THE SPTF AWARENESS-RAISING PACKAGE HELPED NETWORKS WITH THEIR COMMUNICATION ACTIVITIES

All networks engaged in the awareness-raising component used materials prepared by the SPTF on the Universal Standards and found them useful

Their observations were that:

- In some countries (especially in Africa and Asia) we still need to conduct a general "introduction to SPM" to members before they can learn about the Universal Standards in greater depth.

- Networks need more "ready to use" communication tools (e.g. short articles, press releases on SPM and the Universal Standards), as they do not have the capacity to develop good quality materials on their own.

- Networks asked for more practical examples on

> **Box 1: The Social Performance Fund**
> The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

Table 1: Social performance fund project results

Awareness raising component	Implementation component
33 networks supported[3] 12 scholarships for MFIs to participate in annual SPTF meetings 2,523 MFIs participated in Universal Standards presentations 181 awareness-raising activities conducted 20 local language translations 1 video about the Universal Standards.	10 networks support SPM implementation with members[4] 2 scholarships for MFIs and 23 for networks to participate in annual SPTF meetings 37 MFIs submit 133 managerial tools and solutions 21 MFIs fully completing SPM work plans 92 MFIs improving SPM practice introducing 1-3 improvements 28 case studies written to analyze good practice 8 case studies and 1 video translated into English, French, Spanish and Russian.

standards implementation: providing references to concrete tools, good practice descriptions in order to move from awareness-raising to implementation.

- The communication activities helped networks identify next steps: including collection of good practices and identifying their members' primary interests.

- Some networks were interested in documenting local good practices, although they would require support to analyze and document them effectively.

- Networks involved in awareness-raising were, in the main, interested in working on implementation of Dimensions 1 (Defining Social Goals and Objectives)

and 4 (Treating Customers Responsibly) with their members as a next step. For this, they wanted to receive simple "ready-to-use" tools, to help them assess members' compliance to begin this process. Dimension 1 is crucial because without it many other standards cannot be implemented. Dimension 4, related to customer protection (which is considered as minimum good practice to not harm clients) is the first, most urgent to improve from the perspective of networks and MFIs.

- The Universal Standards represent an important effort at "grounding" the concept of SPM, which was seen for a long time to be too academic (see **Box 2**).

Box 2: Recommendations for the industry on supporting awareness-raising
- Integrate general information about SPM to the SPTF presentation: How to present the standards to your board and MFI members.
- Develop a PPT presentation with a few concrete bullets and case snippets on the concrete benefits to MFIs of improving their SPM (both social and financial benefits).
- Handouts were helpful but in future, prepare editable and easily-printable versions (in commonly used pro-grams like Word, rather than in uncommon formats used by professional designers) of materials such as the Universal Standards handout, as well as the full Universal Standards manual.
- Include in the existing materials more information about the concrete benefits of implementing the standards.
- Dedicate resources for local translation: a big challenge relates to the lack of SPM-related resources in local languages; networks find it difficult to respond to the needs of MFIs that are interested in learning more after presentations on the Universal Standards (or accessing other communication materials). This relatively small investment translates into significantly greater outreach (e.g. our partner networks translated the Universal Standards into 20 languages for a cost of approximately $23,000, which allowed outreach to 2,523 MFIs within 7-9 months. This is less than $10 per MFI reached.)
- Develop the body of knowledge (cases, guidance, presentations, etc.) on making the business case for SPM, and make this available in a number of languages.
- Integrate a "search" option into the resource center to make it easier for practitioners to find relevant content.
- Continuously add good examples and case studies to the resource center and publicize these widely (e.g. through annual/semi-annual "calls for tools").

[3] The full list of networks is available **here**.
[4] AMFA (Azerbaijan), AMFIU (Uganda), APSFD-IC (Ivory Cost), CMF (Nepal), COPEME (Peru), MCPI (Philippines), MFN (Global), PMN (Pakistan), RFR (Ecuador), and TAMFI (Tanzania).

THE UNIVERSAL STANDARDS ARE USEFUL FOR CLARITY AND ASSESSMENT, BUT LESS USEFUL FOR OPERATIONAL IMPROVEMENT

Lesson: The indicators are the most useful for linking the theory of SPM to concrete practice, but there are still gaps in some areas

To give MFIs an in-depth understanding of what good SPM is, the indicators in the SPI4 tool[5] are the most helpful, since they depict certain practices and features of an SPM-oriented operation. The indicators also provide an effective diagnostic framework.

Nonetheless, use of the SPI4 as a tool for assessment revealed a need for more guidance to assist MFIs in understanding how the essential practices in the Universal Standards are reflected in elements of the everyday business practice of an MFI (e.g., how they affect policies, procedures, specific activities and tasks of different staff). For this purpose, the standards need to be more instructive and practical e.g. through providing a framework to apply indicators on specific functional policies, procedures, activities and tasks of different departments, teams and staff (see **Box 3**).

Lesson: The Universal Standards framework is less useful as a tool for operational improvement

The current Universal Standards framework by dimension is more aligned towards the need of external assessors rather than practitioners, who would use them to support implementation and improvement in key operational areas. Practitioners need guidance structured not around the dimensions, but around the typical operational divisions of an MFI. It would be helpful to be able to present indicators by functional areas (so for example if an MFI is focusing on professionalizing their human resources management (HRM) system, it can integrate SPM elements into the process. Currently this is not possible). During the project process, we found that:

- Different dimensions of the Universal Standards contain interrelated standards (e.g. Treating Clients Responsibly and in the Design Products, Services, Delivery Models and Channels.), making it difficult to analyze (and consequently focus on implementation) only one dimension.

- In particular, Dimension 2 is seen to cross all the other dimensions, therefore working on any other

without implementing standards from Dimension 2 seemed impossible.

- Working on Dimension 1 is crucial in order to work on the rest of the dimensions. Where MFIs chose to work on Dimension 2, they often found they needed to go back Dimension 1 first, before achieving compliance with Dimension 2.

- Given the size of the Universal Standards, cross-dimensional analysis requires a lot of effort.

- The SPI4 tool does not allow for more narrow assessment (except CPP): for example if an MFI is only interested in one specific operational area, it still needs to go through the whole tool and the questions.

- The dimensional framework does not lend itself to a targeted "quick wins" approach to SPM improvement, which will often focus on one operational system or process at a time. The motivation for SPM improvement usually comes from the need to improve a certain system or address a certain problem. This may make it difficult for the MFI to integrate an SPM lens into organizational improvements already in process, or get started with new SPM improvements.

GAPS REMAIN IN CLARITY AND CONTENT IN SOME DIMENSIONS

Lesson: Clarity gaps remain in terms of definitions, standards, practices and resources available to support each practice

Some dimensions of the Universal Standards are explained better than others in terms of practices and indicators. MFIs should start with dimensions they

Box 3: Recommendations on developing support materials

- Develop guidance materials organized by typical operational areas to enable practitioners to understand standards relevant to specific staff, analyze their practices and plan improvements.
- Develop the body of knowledge (guidance materials, case studies, promotional presentations) around how SPM can be used to tackle key strategic and operational challenges.
- Train networks in the indicators or/and SP4 tool, as the indicators require good understanding for their effective use in institutional assessment.

[5] The CERISE SPI4 is a social audit tool that can be used for reporting and performance management, to assess level of implementation of the Universal Standards. It is available **here**.

understand and are interested in. Client protection practices and indicators are the most well-documented and explained. The majority of the networks and MFIs implementing the SP Fund projects focused on those at the start.

Project partners found that Dimension 6 was the most challenging, and a fewer number of networks and MFIs chose to work on SPM practices related to this dimension. The practices in this dimension were the most confusing, abstract and challenging to implement.

The Universal Standards do not give clear guidelines what mechanisms need to be in place to balance social and financial performance. Having the required systems and practices in place does not position an institution to balance its social and financial performance. Despite implementation of those standards, MFIs still ask questions such as: "how much profit is acceptable for a socially-oriented institution?"

Interestingly, only one network selected to work on Dimension 5 at the outset. However, over time this dimension became one of the most popular to work on. This is unsurprising, since it is common sense that a service organization (such as an MFI) needs to care for and protect staff to ensure that clients are well-treated in turn.

Lesson: We need to provide support to the change management process within MFIs

Improving practice in line with the Universal Standards requires MFIs to undertake a considerable process of operational and strategic change. Without the

appropriate support and guidance on this, the quality of the improvements made can be questionable (see **Box 4**).

Lesson: We need to continue building capacities of local TA providers, networks to make sure that they have capacities to support MFIs in SPM implementation

Networks felt that very few local external providers have a good understanding of SPM and offer services aligned with the Universal Standards for SPM. Networks often struggled to find right service for their members (see **Box 5**).

EFFECTIVE PROMOTION & IMPLEMENTATION OF THE UNIVERSAL STANDARDS REQUIRES THE JOINT EFFORT OF ALL ACTORS

Throughout the SP Fund project process, it was observed that where there was interest from other stakeholders in SPM such as investors, donors, regulator to promote Universal Standards, the networks work to build MFIs commitment was much more effective.

Networks on their own are not able to build incentives for MFIs, this is where investors and/or regulator should step it. However, as the SP Fund experience shows, where those incentives do exist, networks are able to leverage them effectively (see **Box 6**).

Box 4: Recommendations for further knowledge areas to develop

- The Universal Standards Implementation Guide or SPM Resource Center should provide guidance on change management and to support implementation of SPM among MFIs, networks and other players, and develop trainings on change management.
- Since each SPM action plan item becomes a project in itself, it would be helpful to include examples of SPM improvement project TORs for MFIs and networks to draw from.
- It would be helpful to have a list of available TA offerings, with notes on ways in which they are aligned with the Universal Standards.
- Develop materials targeted towards external TA providers, to introduce them to the concept, importance and practice of SPM; create opportunities for the largest TA providers to team up with SPM specialists to adapt their packages as well as develop own consultants' capacity in terms of SPM.
- Organize webinars/video sharing for TA providers, consultants on how to include SPM dimension in typical trainings/consultancy e.g. incentive system, induction training for new staff, market research, etc.
- Develop a database of consultants and TA packages, which would include a rating of the service quality by the users (similar to online comparison websites for hotels).

Box 5: Recommendations for developing external support capacity
- International bodies (e.g. the SPTF, Smart Campaign) should pay more attention to building the capacity of local TA providers so their TA includes an SPM lens. This could be achieved by accompanying TA providers in their assignments and helping them to understand where SPM lens should be added.
- Support networks (that provide direct TA) to include SPM in their training packages – e.g. financial education TOTs, balanced scorecard, mission deconstruction, labor climate survey, poverty measurement (PPI), etc.
- Ensure that "off the shelf" training packages available within the market are aligned with SPM (as many still are not).
- Engage with investors (who fund and organize the majority of external TA) to help them apply an SPM lens to the work of their consultants.
- The sector – SPTF should support networks in tool review and analysis, as well as in documenting/analyzing examples they collect from members. This could be done through distance review, such as a "tool help desk".

Box 6: Recommendations for creating a positive enabling environment for SPM
- More work is needed to promote a better enabling environment for adopting Universal Standards in terms of market conduct regulation and investors incentives. As MFIs are part of the value chain, the regulation and investors behavior shape MFI conduct to a large extent. This work should be done at the international, regional and country level alike.
- For donors and investors: when providing support to MFI to improve operations, insist on including an SPM dimension as a part of the improvement.
- Start collecting and promoting guidance for investors on good practice, tools to support client protection and SPM.
- A broader industry effort is required to work with regulators on creating a more pro-SPM enabling environment - this particularly related to the issues of customer protection.
- Monitor and regularly update list of countries where customer protection regulation has been adopted or is in the process/plans [CGAP/Smart].
- Donors when planning exit strategy from institution should take into account that in most cases it means focusing on financial performance therefore ensuring long term social mission and goals implementation should be the focus of such strategy.
- External stakeholders (e.g. investors, donors) that want to see MFIs address their gaps should focus on creating incentives linked to results, rather than the process itself. Linking incentives with a concrete deadline can lead to failure, as the process of organizational change is difficult to predict and unique to each institution.

	Awareness raising component	Implementation component
Aims	Build awareness and commitment around the Universal Standards among a large number of MFIs Identify MFIs ready to adopt the Universal Standards.	Demonstrate that the Essential Practices of the Universal Standards can be implemented.
Activities	Targeted awareness-raising campaigns, including presentations to MFIs, boards and other local stakeholders. Translation of Universal Standards into local languages Experience-sharing events for networks.	Identify at least 50 examples of existing good practices and managerial solutions in place supporting implementation of essential practices described by the Universal Standards Document in more depth at least 20 examples and tools in the form of practical case studies highlighting the operational details and the business case for using them Support practice improvement towards compliance with the Universal Standards in 10 countries with at least 70 MFIs (on average 7 MFIs per network will be assisted towards full/partial compliance with selected dimensions). Facilitate Universal Standards field-testing and contribute to standards refinement by the Social Performance Task Force (SPTF) Contribute to the process of indicators and benchmarks development for the USSPM carried out by the SPTF by identifying concrete solutions being practiced by different types of MFIs operating in different contexts Develop and test practical approaches and tools with advanced networks to roll out more broadly in the longer-term (i.e.: less-experienced networks will initially focus on awareness-raising only).
Support provided	Online trainings on the Universal Standards organized by the SPTF in French, English and Spanish Key communication materials delivered by the SPTF for use by networks in 4 languages Graphic templates of communications materials, for adaptation into local languages. Funds to translate Universal Standards to local languages and/or produce informational materials (small grants of up to USD 2500) Scholarships to participate in SPTF annual meetings.	Funds to networks to implement their work (grants of USD 45,000) Scholarships to participate in SPTF annual meetings Guidelines for discussing the Universal Standards with MFIs and identifying priority improvements Guidelines for identifying good practices, tools, managerial solutions and templates Guidelines for conducting workshops to disseminate tools with members Guidelines for administering award for tools sharing Guidelines for case study write-up.
Key results	33 networks supported 12 scholarships for MFIs to participate in annual SPTF meetings 2,523 MFIs participated in Universal Standards presentations 181 various awareness raising activities conducted 20 local language translations 1 video about the Universal Standards.	10 networks support SPM implementation with members 2 scholarships for MFIs and 23 for networks to participate in annual SPTF meetings 37 MFIs submit 133 managerial tools and solutions 21 MFIs fully completing SPM work plans 92 MFIs improving SPM practice introducing 1-3 improvements 28 case studies written to analyze good practice 8 case studies and 1 video translated into English, French, Spanish and Russian.