

## Session 3: Introduction to Social Performance Standards Reporting

### Summary of the session

<b>Objectives</b>	<p><u>By the end of the session participants will have:</u></p> <ul style="list-style-type: none"> <li>• Examined the background for SPS Reporting</li> <li>• Reviewed the SPS indicators</li> <li>• Examined the relevancy of SPS indicators for their country/MFI</li> <li>• Discussed the roles of the network in SPS Reporting.</li> </ul>
<b>Session Structure</b>	<ol style="list-style-type: none"> <li>1. Introduction (2-3 min)</li> <li>2. Background to SP reporting (15-20 min)</li> <li>3. Introduction to SP Standard report format (15 min)</li> <li>4. Reviewing SP indicators (35 min)</li> <li>5. Common challenges in SP reporting (10 min)</li> <li>6. The network's role in SP reporting (10 to 40 min)</li> <li>7. Closing and link to the next session (5 min)</li> </ol>
<b>Time/ Duration</b>	<p><b>100-140 mins</b> (Subject to the network's clearance about promoting SP reporting in the country)</p>
<b>Slides number</b>	<b>17 - 26</b>
<b>Materials</b>	<ul style="list-style-type: none"> <li>• Prepare slide #20 with MIX country and/or regional statistics: MFIs reporting on financial data, MFIs reporting on SP, other information.</li> <li>• Prepare some figures on the number of MFIs reporting (globally, regionally and country MFIs)</li> <li>• Internet access to website of the MIX market.</li> <li>• HO 3.1 SPS 11 indicators</li> <li>• HO 3.2 Examples of SPS reports from the country</li> <li>• HO3.3 mix profile update form</li> <li>• HO 3.4 mix SP&amp;FP form</li> <li>• Flipcharts (blank)</li> </ul>
<b>Trainer preparation</b>	<p><u>Before the session starts:</u></p> <ul style="list-style-type: none"> <li>• Familiarize yourself with MIX and MIX Market website, especially with regards to SP reporting, to be ready to show the different pages of the site.</li> <li>• Prepare examples of SPS reports from the country or region – print out from MIX market.</li> <li>• There are several occasions during this workshop where the role of the network and the role of its members are discussed and some provisional steps have to be planned. Perhaps the final list of actions can be done at the end of the workshop, but these decisions should be noted during the sessions. <b>So keep the flipchart from the discussion in point 6.</b></li> </ul>
<b>Session delivery</b>	
<b>1. Introduction: (2-3 mins)</b>	<p><u>Say:</u> The industry discusses a lot about the need to measure SP. Everybody wants to know what the SP of the MFIs is. SPS Reporting is a global answer to these questions. The purpose of this session is to build understanding of the purpose and importance of SP Reporting, as well as the understanding of the indicators. Since this is also a key theme for the SP Fund and for our projects, let's examine the issue in detail</p> <p>Introduce the objectives of the session (slide 18).</p>

## 2. Background to SP Reporting (15-20 mins)

*(Talk, information sharing and webpage demonstrations)*

### Ask:

- What do you know about SPS reporting?
- How many MFIs from our country report to MIX? (check in advance)

Note some answers. It is just a starter question, so it doesn't matter if there is no knowledge of reporting in the audience. Some MFIs may already report. In such cases ask them to elaborate on how they do it: which format do they use, what is the reporting frequency, who prepares the report, etc. This should not become a presentation, but just a couple of sentences in order to get started. Whatever the participants' experience is (reporting to MIX or not), bring the audience around to the idea of standard reporting, which is developed by and for the industry.

Show **the slide 19** 'Rationale for reporting'.

The starting point for the reporting is the mission – we want to be transparent in terms of how well we achieve our social aspirations. It is not only financial results that count in microfinance, but social performance too.

An MFI can position themselves towards investors and donors, depending on their social aspirations and results. Some investors prefer MFIs focused on poverty reduction, others want to invest in rural development. Others, still, are simply interested in investing in a socially responsible institution. Thus depending on the reported intentions by MFIs, investors can choose their preferred partner.

Reporting on the MIX also helps to see your own strengths and weaknesses: MFIs understand what the gaps are by comparing themselves with other institutions and can take action towards improving their performance.

**(15 min)** Talk about SP reporting and MIX:

### Say:

When we talk about reporting, one thing that comes to our minds is indicators. For example, in financial reporting we all know the profitability, efficiency indicators, as well as portfolio and clients numbers. The reporting on SP indicators has been developed by SPTF, so again it was an industry effort. Initially, there were more than 50 indicators!! Within the process of pilot testing and collecting the industry feedback (focus on MFIs feedback) we narrowed it down to ONLY 11 indicators.

- What does it mean if the indicators are standard?

It means that they are the same for all the MFIs in the world. Unlike financial information, information about SP cannot be uniquely applied within all institutions since the missions can be different, as well as strategies to achieve them. Even as we sit here in this group, MFIs differ between the countries. Some MFIs cannot accept savings. Some receive a lot of donor funding, so they offer outstanding non-financial services. Some work with clients with no literacy skills, and vice-versa – in post soviet countries clients are educated. So despite the differences, all the MFIs have to report in the same way. This is for the purpose of comparing different MFIs' performance. Thus, despite differences, all MFIs can report on the SP indicators, developed by the SPTF.

- The indicators are reported to MIX. What is MIX?

If possible, show the website of MIX ([www.themix.org](http://www.themix.org)) and mainly – MIX Market ([www.mixmarket.org](http://www.mixmarket.org)). Click on several sections to show how it works, in particular – show regional and country sections, as well as your own country

and MFIs. Show that some institutions report only on financials but some also report on SP as well (a growing number of MFIs).

Supplement by comments:

The Microfinance Information Exchange (MIX) is the platform for microfinance data and analysis. The goal of MIX is ensure microfinance transparency through publishing performance information. The performance information is published on MFIs, investors, networks and service providers associated with the industry. MIX provides also data analysis.

Only this year, **XXX** MFIs reported to MIX on their financial and **XXX** on their SP (add updated figures depending on your country)

Show **slide 21** with the regional and country statistics; highlight the regional and country data. Give an opportunity for participants to identify their institutions (or see whether it is in the list).

Continue:

The main purpose of SPS Reporting is to ensure transparency: what we really do as the industry: who do we serve, how and what are the effects of this work. MFIs reporting to MIX can position themselves globally, as MIX is visited by stakeholders from around the world. Moreover, the investors and raters request this data for their due diligence processes and ratings. Currently, any MFI that wants to be visible internationally cannot afford not to report to MIX. Reporting to MIX also promotes this industry shift to focusing on both financial and SP.

On MIX MFIs can be awarded for their transparency – they can receive a silver or gold award for transparency. This recognizes them even more in the global arena.

Ask:

- Who, in your opinion, might be the users of SP reports?

After accepting some answers, show the **slide 22** 'Users of SPS reporting data'.

Continue:

We mentioned investors and raters using MIX data. More and more investors like Oikocredit or Incofin include the SP data in the information set they collect within their due diligence.

The raters use the data both for financial and social ratings, which are the primary source for desk research of investors.

There are also local stakeholders: governments, central banks, local investors, who might be interested in SP information.

If possible, on the screen show some SP reports from MIX, from your country and from others.

**3. Introduction to the SPS report format (15 mins)**

(Lecture)

**(5 mins) Talk.**

Show **slide 23** with 11 indicators of the SPS report.

Explain the categories of indicators one by one. Show that there are 11 of them.

<b>1. Mission and social goals</b>	MFI's stated commitment to its social mission, its target market and development objectives.
<b>2. Governance</b>	Whether the Board of Directors' members have been trained on SPM and whether there is a formal

	Board committee that monitors SP.
<b>3. Range of products and services</b>	Financial and non-financial products and services offered by an MFI.
<b>4. Client outreach by lending methodologies</b>	Typology of lending methodology offered by the MFI.
<b>5. Client retention</b>	Client retention rate of an MFI.
<b>6. Social responsibility to clients</b>	The seven principles of client protection of The Smart Campaign applied by the MFI: 1. Appropriate product design and delivery; 2. Prevention of over-indebtedness; 3. Transparency; 4. Responsible pricing; 5. Fair and respectful treatment of clients; 6. Privacy of client data; 7. Mechanisms for complaint resolution
<b>7. Transparency of costs of services to clients</b>	How the institution state their interest rate.
<b>8. Human resources and staff incentives</b>	MFI's policy regarding social responsibility to staff, such as its human resources policy in place, board and staff composition, staff turnover rate and staff incentives linked to SP goals.
<b>9. Employment creation and enterprises financed</b>	Number of enterprises financed by the MFI and employment generation opportunities created by the enterprises financed
<b>10. Social responsibility to the environment</b>	Whether the MFI has any policies and initiatives in place to mitigate environmental impacts of financed enterprises.
<b>11. Poverty outreach</b>	Poverty levels of clients at entry and their move out of poverty over time

While presenting the report, point that the report is structured in a way to show:

- Mission/intentions of the MFI
- Its strategy (products, methodologies)
- Some results relevant to SP (outreach, retention; outreach in terms of poverty, jobs or enterprise creation results)
- Information about MFI's social responsibility: to clients, staff, environment (remind participants once again, that social responsibility is the minimum requirement; producing positive social results is more than being just socially responsible).

Distribute the **HO 3.1 SPS 11 indicators**. However, say, that the SPS report is more detailed.

Distribute the **HO 3.2 SPS report** from the country or from the region and ask participants to review it. There is no discussion at this point, the idea is that participants see the format and see the real report right away. Answer questions if necessary, but not discussing the actual performance of the MFI.

**4. Reviewing SP indicators (35 mins)**

**(3-5 mins)** Introduce the exercise (slide 24)

Say:

Now you will work in your institutional groups. Please take a quick look at the indicators, and provide an approximate assessment of the following:

- What can you report on immediately? If not, what do you need to do, in order to report?
- What is the relevancy of the indicators in our country context?

	<p>Ask participants to sit down in their institutional groups and review the report. Underline again they should just have a quick look (no in-depth review) in order to provide an approximate view.</p> <p><b>(12-15 mins)</b> Participants are working on the 11 indicators' relevance to their MFIs. Make sure they are going step-by-step and discussing the necessary questions: e.g., is the indicator relevant? Do they have the information? If there are challenges, how to solve them?</p> <p><b>(15 mins)</b> Going through the exercise. <u>Ask:</u></p> <ul style="list-style-type: none"> <li>• Which indicators are you able to report immediately? Which information do you already collect?</li> </ul> <p>Note some comments. Probably, many of participants will agree that major indicators are relevant. For example, mission, governance, range of products – here everybody will have something to report on. Here discuss if everybody has their target clients or development objectives specified and described? Point out, that there will be a separate session on this topic. However, probably all MFIs will have their mission stated.</p> <p>In a similar way discuss other indicators as well. You may also choose to discuss ALL 11 indicators and have the group provide their opinion about their relevance; however in such cases you should plan more time for this discussion,</p> <ul style="list-style-type: none"> <li>• What do you need to report on the other indicators? What challenges do you foresee?</li> </ul> <p>The issue of information systems will pop up, however make sure that management buy-in is discussed, as well as the need to introduce regular SP reporting, a function integrated in someone's job responsibilities. Point out that this work might or might not require a major effort – depending on how the systems are developed. Usually MFIs are quite well positioned to report on some aspects and some efforts might be needed for others. Some challenges might include:</p> <ul style="list-style-type: none"> <li>- Lack of understanding of indicators (we will have a separate training session on this)</li> <li>- No data in the MFI</li> <li>- Data quality</li> <li>- Buy-in and commitment issues</li> </ul> <p>Optionally you can discuss some of the challenges, making sure that all of them can be addressed, focusing on solutions incurring low costs.</p> <p><u>Summarize:</u> Although the indicators may seem straightforward, there may still be various common challenges related to reporting. MFIs should make an effort to understand the indicators, as well as making sure the information provided is correct and accurate. Most MFIs will find opportunities to start SP reporting at low costs.</p> <p>Ask participants to return to their regular sits (not institutional groups).</p>
<b>Benefits of SPS Reporting</b>	<p>Say: <i>We took a quick look into the indicators. We will discuss the reporting in more depth in the other session.</i></p> <p>Now, let us discuss, what are the benefits of SPS reporting?</p>

	<p>Facilitate the discussion, making sure the following are mentioned:</p> <ul style="list-style-type: none"> <li>• MFIs are encouraged to regularly track their SP results (many have never done this before)</li> <li>• MFIs are challenged to clarify their social intention and to be transparent on how well they achieve social goals</li> <li>• MFIs can identify their internal gaps and strengths. Based on this, they can improve their performance</li> <li>• MFIs can benchmark their performance against their competitors</li> <li>• MFIs can use the reported information when communicating their results with their stakeholders and the general public</li> <li>• External stakeholders (like investors, donors) can make informed decisions</li> <li>• The reported information can be used by the network for advocacy</li> </ul> <p>Highlight that SPS reporting is beneficial in equal measures for both the MFIs and the external stakeholders. It is never only a tool for external communication – it is also for internal use by management and staff of the MFI.</p>
<p><b>5. Common challenges in SP reporting (10 mins)</b></p> <p><i>(Talk)</i></p>	<p>Show the <a href="#">slide 25</a> 'Key challenges' and say:</p> <p>Experience shows, MFIs face the following challenges</p> <ul style="list-style-type: none"> <li>• MFIs do not understand the indicators – they don't know how to define them, or they define them in a way not intended for by the SPTF. For example: there are rural and urban clients. What about semi-urban? Which category do they belong to?</li> <li>• MFIs may not have been tracking specific data, for example client retention rate or poverty</li> <li>• Data quality: even if MFIs track data, it may not be of good quality. For example: number of people employed in financed enterprises: loan officers, if not trained or instructed properly, may have various approaches to calculate seasonal workers, family support etc.</li> <li>• MFIs are used to one financial person reporting on financial performance. SPS Reporting requires a cross-functional coordination of the information collected, as the indicators cover HR, operations, governance, strategic planning etc. The bigger the institution, the bigger the need for coordination of a few people who undertake reporting work</li> </ul>
<p><b>6. Closure and link to the next session (5 mins)</b></p>	<p>Sum up with the key lessons from the session:</p> <ul style="list-style-type: none"> <li>• The key need of the industry is to be able to demonstrate the fulfillment of the promise;</li> <li>• Transparency promoted by SPS reporting is about clearly stating who our clients are and how they are served, with what results;</li> <li>• SPS reporting is also about global positioning;</li> <li>• Identifying the internal gaps.</li> </ul> <p>Link to the next session.</p>

### HO 3.1 Social Performance – 11 indicators

INDICATOR CATEGORY	WHAT THE INDICATOR MEASURES
<b>1. Mission and social goals</b>	MFI's stated commitment to its social mission, its target market and development objectives.
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