

Integrating SPM into network and member operations: *The case of APSFD, Côte d'Ivoire*



EXECUTIVE SUMMARY

Under the auspices of its Social Performance Start-up Fund project, APSFD-Côte d'Ivoire worked with its 27 members on increasing Social Performance (SP) transparency and help members translate their mission into social goals. The project was designed to respond to the sector crisis in the Ivory Coast, which was marked by: a lack of client confidence in MFIs, lack of access to funding sources for MFIs, widespread portfolio loss due to general rioting, and mission drift in the face of a challenging economic environment.

The network started with a series of events focused on awareness-raising and capacity-building around

social performance reporting and developing social goals from the institutional mission. From a wider group of interested MFIs, four pioneers were eventually selected to receive technical support to develop their social performance management (SPM) strategies.

Key to the network's success was effective communication to promote SPM, establishing a communication feedback loop and ensuring continuous internal MFI buy-in, and a willingness to innovate with capacity building methodologies to convey key learning points.

INTRODUCTION AND BACKGROUND

This case study presents the experience of the Association Professionnelle des Systèmes Financiers Décentralisés de Côte d'Ivoire (APSFD-Côte d'Ivoire) and its work to integrate social performance management (SPM) into microfinance practice in the Ivory Coast. This project, carried out under the auspices of the MFC² Social Performance Start-up Fund (see Box one), aimed to build awareness and capacity for social performance management (SPM) and transparency among members of APSFD-Côte d'Ivoire.

Box one: The MFC SP Start-up Fund

The MFC Social Performance (SP) Start-up Fund for Networks¹ supports 13 national networks from Asia, Africa and Eastern Europe (with limited or no SPM experience) to implement one-year country-level projects on social performance management (SPM). Grantee networks engage local stakeholders around microfinance and social performance, increase sector transparency and help members align internal processes to facilitate more effective fulfillment of their social goals. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

¹ More information can be found at www.mfc.org/en/content/sp-start-fund

² MFC – Microfinance Centre is a regional network for Europe and Central Asia with headquarters in Poland. Since 2005, MFC has provided SPM and social reporting capacity building to over 30 microfinance networks and 150 MFIs. MFC is a member of the *Imp-Act* Consortium and the Social Performance Task Force. For more information visit www.mfc.org.pl

³ The development of this case benefited from the input and insights of Arsene Koffi, Cyrille Tanoé (APSFD-Côte d'Ivoire), Katarzyna Pawlak, and Kinga Dąbrowska (MFC).

APSFD-Côte d'Ivoire was established in 1998 by a founding group of 15 microfinance institutions (MFIs). Today, its membership consists of 27 active MFIs from across the country, the majority of which are credit cooperatives, with the rest being for-profit companies. Due to the current legal regulation compelling all MFIs to become a member of the association⁴, the network finds that its universal representation affords it a great deal of influence over the national microfinance sector.

The network's business model is based on members' contributions and training session fees. In the absence of broader support of donor organizations, APSFD-Côte d'Ivoire often receives ad hoc financial support (donations) from members to cover operational expenses.

APSFD-Côte d'Ivoire's goals are to:

- Promote and facilitate the exchange of best practice among members and provide technical assistance in order to ensure growth and expansion of MFIs
- Develop, promote and ensure compliance with operational and financial performance standards that enhance the effectiveness and credibility of the microfinance sector
- Promote and facilitate relationships among members, authorities, banks, donors and all stakeholders in the public or private sector.

The case study is a story of a network that, over the course of one year, introduced its members to the new concept of SPM. APSFD-Côte d'Ivoire drew on its strengths in capacity building while working on winning the commitment of members, building the transparency at the country level and identifying MFIs willing to become SPM role-models for the sector.

Context for SPM in the Ivory Coast

In the face of political and economic risk and uncertainty in the Ivory Coast⁵, combined with the failure of a few MFIs, the microfinance sector has lost client confidence. This is especially true in the context of an immature market, where MFIs often lack the capacity to communicate with clients to develop products to address their real needs.

Those MFIs that survived the crisis have themselves

⁴ By implication, the law forbids the existence of more than one national association. As a result, APSFD lists additional 38 members who are not currently active.

⁵ Political conflicts in the Ivory Coast, followed by civil war in 2002, have been undermining the country's situation since the late 1999's. In early 2011, due to conflict around the presidential elections, a second civil war erupted, deepening the political and economic crisis. Many MFI's offices were damaged as a result of violence and riots, and many clients have either left the country or died.

suffered from a loss of portfolio quality, and very often the loss of assets due to riots and looting. A lack of access to capital has further exacerbated the situation — neither donors nor investors would risk putting funds into the country. Given this, many MFIs have been abandoning their missions, in search of other more commercial business models, in order to survive. Moreover, the failure of some MFIs to guarantee clients' savings (or disburse them with needed), coupled with the perception of very high bank charges, have further threatened the sector's reputation.

Within this context, the network saw SPM as a key strategy for addressing challenges faced by the sector and most importantly, re-building its image (among clients and other stakeholders) as responsible and trustworthy.

Project overview

Within the project carried, out from December 2011 to November 2012 (see Table one for the list of activities), APSFD-Côte d'Ivoire focused on:

- building own capacity in SPM
- promoting social performance transparency

Table one: APSFD-Côte d'Ivoire's project plan

| STEP | WHEN |
|---|-----------------|
| SPM kick-off workshop delivered by MFC | Nov 2011 |
| Awareness-raising workshop | Dec 2011 |
| Training on social performance reporting (3 events) | Jan - Feb 2012 |
| Training on mission deconstruction and social goal development | April 2012 |
| Additional training on social performance reporting | June 2012 |
| Support in filling in the social performance reports | June - Aug 2012 |
| SPM strategy workshops with 4 selected MFIs | Sept 2012 |
| Reporting lessons learned and project evaluation meeting, scale-up plan development | Oct 2012 |

- supporting its members to develop social performance management strategies.

Building on its strong training capacity, the network held a series of awareness-raising events, followed by training in social performance reporting and social goal development.

Out of all the MFIs participating in this training, those that were most interested were offered the opportunity to apply for technical assistance in social goal and social strategy development.

Within this 10 month project, the network has managed to secure the interest of a majority of its members, and launch social performance reporting on a large scale, thus allowing it to compile results across MFIs at a country-level. Particularly interesting was its work with pioneering MFIs to help them redesign their strategies to strengthen their social focus, and define SMART objectives to use in on-going monitoring.

Helping members develop their social goals and strategies

The network assisted 4 leading MFIs to clarify their missions, develop their social goals and SMART objectives, and strategies to achieve those objectives. This helped them to introduce a more

balanced management approach, correcting what had become an over-emphasis on financial performance.

The network decided to select this smaller “pioneering” group of MFIs in order to allow it to develop its own capacity to support SPM, as well as to build enough MFI-level experience to highlight the business case for SPM. As SPM was a new concept in the country, APSFD-Côte d'Ivoire understood that being able to demonstrate to MFI leadership that SPM was worth the effort was a precondition to full scale-up. To complement the group training, APSFD-Côte d'Ivoire delivered individual support to MFIs to facilitate immediate practical work on developing specific SMART objectives and strategies. Moreover, relying on individual technical assistance allowed APSFD-Côte d'Ivoire to give more in-depth support to members, which also produced quick practical examples (useful for promoting SPM to other members).

The 4 MFIs receiving individual support, identified during the awareness-raising phase, were those that:

- Submitted a formal request for technical assistance, proving their commitment to SPM through a letter of commitment signed by the Chairman of the Board. Formalizing the commitment of leadership was to ensure implementation of strategic changes to improve SPM.
- Demonstrated ability to take action based on their participation in the initial trainings and workshops. This helped to identify those MFIs that were more likely to introduce SPM-related improvements following technical assistance by the network.
- Presented a realistic SPM action plan after participating in the introductory SPM workshop, which helped to assess the level of deliberate planning by the management.
- Demonstrated commitment to involving all relevant stakeholders (senior managers, board members) in the technical assistance process, and sharing costs of the technical assistance by covering the room rent, catering and photocopying costs.

Box two: APSFD-Côte d'Ivoire's project results

Through this project, APSFD-Côte d'Ivoire achieved the following:

- 30 MFIs were exposed to SPM awareness-raising
- 29 MFIs represented by 48 people were trained in SPM and social performance reporting
- 19 MFIs provided social performance reports to the MIX
- 4 MFIs have started to develop and implement social strategy based on their social goals
- Social performance reporting results were aggregated at a country level
- 3 network staff were trained in SPM
- The network's SPM scale-up plan was accepted by members

Table two: Examples of trade-offs between social and financial goals

| Examples of decisions | Financial goal | Social considerations |
|---|---|---|
| Strategic decision: The MFI decided to enter a new market by offering individual loans to both men and women | Increase market share and improve viability | What will be the impact on the ability to attract, retain, and empower women who are the existing target clients? |
| Operational decision: The MFI decided to reduce group visits to once per month | Improve effectiveness | How will this affect the cohesion of the group and the mutual support between members it provides? |

For the 4 MFIs, the key motivation to increase SPM effectiveness and achieve better social results was to better position themselves with funders. The opportunity to become standard-setters within the country was also an important incentive for them to get involved.

Each of the four MFIs hosted a 4-day strategic management workshop, delivered by APSFD-Côte d'Ivoire, during which they discussed their missions, clarified their social goals, and developed social objectives and targets. Senior management and Board representatives participated in these events, debating the implications of strategic decisions taken to achieve the mission. The network used a simple format (as presented in Table two) to discuss trade-offs MFI need to address when balancing their performance:

As an output of the workshop, each MFI elaborated its implementation plan to achieve social objectives. Some partners also established management-level social performance committees. Planned activities included:

- Integrating social performance indicators in the management information system (MIS) to monitor progress towards social objectives
- Conducting studies to assess client satisfaction with the MFI's products and services, and to identify areas for improvements
- Training staff in SPM and client protection to improve targeting and increase service
- Conducting a self-assessment to identify SPM strengths and weaknesses; the latter which can be addressed to increase effectiveness of serving target clients
- Developing an SPM communication plan, to ensure broad understanding and buy-in to social goals by staff.

Building social performance transparency

Over the project period, APSFD-Côte d'Ivoire saw the number of members reporting social performance information to the MIX increase from 4 to 18. Despite an initial hesitance on the part of some members, in the end all MFIs were glad to have taken part in reporting, especially after seeing the country-wide social performance results. All of them expressed commitment to continue social performance reporting on annual basis.

The network worked on increasing sector transparency through:

- Training MFI staff in charge of preparing social performance reports
- Reviewing draft social performance reports and the data provided during one-day visits MFIs.

Based on this, APSFD-Côte d'Ivoire aggregated its members' social performance results into a country-level state of social performance management report, which was presented to members in September 2012. Going through the report preparation process also made MFIs realize that their social aspirations are not clearly formulated and have yet to be integrated into strategic and operational processes. This important realization made their other member MFIs especially receptive to discussions around the need to increasing their efforts to manage their social performance.

This willing attitude was welcomed by APSFD-Côte d'Ivoire, which had in interim developed its own capacity and "SPM pioneers" on social goal and SPM strategy development.

Project achievements: Key factors for success or failure

Adapting the SPM message to the country context

According to APSFD-Côte d'Ivoire, linking to social performance reporting to broader industry issues helped to secure members' commitment. They used three key messages around social performance reporting, namely that it:

- Attracts the attention of donors and other supporters
- Helps to protect the industry's reputation in the eyes of the public
- Ensures long-term institutional sustainability by increasing the satisfaction and loyalty of both staff and clients.

These messages were communicated during group events (awareness-raising workshops, technical trainings) as well as during individual discussions with MFI management. The delivery of these key messages was supported by details around current global industry efforts to increase the sector transparency, its rationale and benefits.

Using available resources to adapt capacity-building events

APSFD-Côte d'Ivoire underestimated the positive interest in social performance by members. It presented SPM as an engaging and important theme using some creative methods in its training sessions. One of the key methods used was a role-playing technique, which saw MFI staff playing the part of microfinance clients. This helped demonstrate the importance of the client-oriented approach at the heart of SPM. The network also used the *Imp-Act* Consortium film: *Fulfilling the Promise*⁶, which uses staff and client

stories to demonstrate how a social focus can be implemented in everyday practice, including staff-client interactions. The use of practical examples of SPM in different MFIs compiled by the Social Performance Task Force⁷ inspired pioneering MFIs to start discussing changes required in their own management systems.

Box three: Taking SPM forward — recommendations

Recommendations for MFIs:

- Ensure balanced board composition and form dedicated committees to lead SPM efforts
- Expand non-financial service offering to leverage client relationship for greater impact
- Use poverty measurement tools to track and manage poverty outreach and change performance.

Recommendations for Sharakeh:

- Use the PPI to update the current national poverty scorecard
- Conduct a market study on MFI effective annual interest rates and profit margins
- Ensure that its members operate with a code of ethics.

Recommendations for the PMA:

- Integrate poverty outreach indicators into its standard MFI monitoring procedures
- Consider MFIs' social performance alongside regulations on financial performance.

BENEFITS AND NEXT STEPS

Through its SP Start-up Fund project, APSFD-Côte d'Ivoire successfully launched the concept and practice of SPM the Ivory Coast. Its members were proud of the first country-level reporting to the MIX, and are willing to continue. Moreover, the group of "SPM pioneers" established which continue to experiment with SPM-related solutions and inspire other members to follow good practice.

In order to scale up SPM practice, APSFD-Côte d'Ivoire will use the Universal Standards for Social

Performance Management (USSPM) as a foundation for their work with members. In particular, the network will focus on:

- Building organizational commitment (of board, management, staff⁸) to its social goals, the next step after translating mission into social goals (achieved within this project)

6 The short and full versions of this film can be viewed in English, French, Arabic and Spanish here: www.imp-act.org/video

7 www.sptf.info/resources/case-studies

8 Section 2 of the USSPM, see www.sptf.info

- Strengthening members' client protection practices⁹

The work will be built around:

- Expanding the number of members that have clarified their social aspirations through developing measurable social goals and integrating them into the organizational strategy
- Building members' knowledge about standards and good practice

- Providing support to assess MFI's strengths and weaknesses in relation to organizational commitment and client protection.

- Facilitating member experience-sharing around introducing SPM improvements.

The network will also continue promoting social performance reporting to encourage more MFIs to contribute to national sector transparency.

KEY LESSONS

SPM institutionalization is effective with external support

A key lesson for the network is that even MFIs that are committed to SPM improvement can rarely kick-off their SPM work without external support. Despite the number of support materials developed and available on the internet, MFIs need guidance on how to bring the concept of SPM from the theoretical level down to the very practical level of the organization itself. In this way, there's a clear role for an external expert (trained network staff) to structure and facilitate the process, in addition to providing support on key aspects of SPM. Box two lists the key characteristics of an external expert.

Need for regular contact with SPM Champion in MFI

APSFD-Côte d'Ivoire encountered another key challenge in its work with MFIs, namely the commitment of MFI SPM Champions (the MFI staff member assigned with responsibility for SPM). Initially, the network agreed the deadlines for delivering project milestone outputs with SPM champions (i.e. submitting the draft social performance report). As this date passed, part of APSFD-Côte d'Ivoire often found that SPM champions failed to deliver as promised.

Quick follow-up revealed that when it came to their daily workload, some SPM champions simply prioritized other tasks. Often it was because the practical alignment of internal systems to SPM required additional input from a wider group of the staff (beyond the SPM champion), who were busy with their own priorities. Those managing the SPM process were not only taking on additional work, but were required to motivate and encourage other

Box four: SPM external expert key characteristics

- Knowledge and experience in microfinance
- Knowledge of the SPM agenda
- Management theory knowledge, experience in a managerial position
- Training experience and good facilitation skills
- Good communication skills
- Ability to create an open and friendly learning atmosphere

staff members in order to succeed. Given this, when competing priorities arose, SPM was often sidelined.

The network tackled this challenge by directly contacting SPM champions to encourage them to continue, re-emphasizing the importance of their work in SPM. APSFD-Côte d'Ivoire's staff sought a strong argument for motivating SPM champions by framing their work in a broader context: they were leading this pioneering work, helping their organization become a model for other MFIs, and contributing to setting standards of good practice in the industry.

Getting leadership on board

At the same time, without the commitment of MFI leadership, even the most willing SPM champion would be unable to introduce any changes. A committed leadership serves two key roles. On the one hand, it can give the "green light" to staff

⁹ Section 3 of the USSPM, see www.sptf.info

to devote their time to SPM work. On the other hand, if the SPM champion falls behind, APSFD-Côte d'Ivoire could rely on management to provide additional support and encouragement to get the champion back on track. The “pressure” from both management and the network helped to keep SPM champions on track with their work and achieve their stated objectives.

In the end, the network saw the active involvement of all MFIs but one, who dropped out after a change of leadership prompted a change of strategy and a withdrawal of commitment to SPM.

Careful project planning

While project planning, a network needs to consider not only its own capacity and resources, but also the seasonality of its members' work. SPM requires MFI staff to devote extra time to workshops, planning and implementation. For example, the mission deconstruction and social goal development workshop took 4 days of senior management time. If a network knows its members' work cycles, it can avoid “peak times” when management would be unable to focus on strategic-level issues. Such periods include months when reports are due to the

Regulator or Central Bank, the fiscal year end, or simply summer holidays, when many staff are away from the office.

Careful budgeting of translation

The network met a key challenge around the time and cost spent on materials translation. Since most of the materials on SPM (including those provided by the MFC SP Start-up Fund¹⁰), are only available in English, the network needed to spend a significant amount of time and resources to ensure a proper translation. Additionally, due to the novelty of the SPM vocabulary, translators often encountered difficulty developing effective French equivalents. The use of already-available French-language social performance materials (e.g. those developed by CERISE¹¹) proved helpful in the early stages of developing a French-language social performance glossary.

¹⁰ Currently the SPM training materials are available both in English, French and Russian at the MFC SP Start-up Fund website. See more at <http://www.mfc.org.pl/en/content/sp-start-fund>

¹¹ www.cerise-microfinance.org

Conclusion:

The network introduced SPM into national practice and dialogue successfully, on account of the following reasons:

- Members actively engaged in project activities because they saw the link between SPM and the larger problems of the sector
- By starting giving intense support to a small number of members, APSFD-Côte d'Ivoire successfully negotiated its own learning curve in terms of becoming an SPM service provider in the long-term.
- The network developed alliances with the most committed MFIs in order to develop them into “role models” to set practice standards for the rest of the membership.

This 11-month project resulted in established country-level social performance reporting, and the network being equipped with both the tools and processes to support its members implement SPM on an on-going basis. APSFD-Côte d'Ivoire established a group of pioneering MFIs whose SPM work is in progress: thus creating a dynamic incentive and example for other members to follow and improve. Moreover, the need and demand for SPM has clearly been established, and the network has the capacity in place to respond in a timely and effective manner.