

Session 10: Assessing Social Performance (SP)

Summary of the session

Objectives	<p><u>By the end of the session participants will have:</u></p> <ul style="list-style-type: none"> • Understood the spectrum of the SP assessment tools available • Examined the difference between social audit and social ratings • Understood the use of client feedback and client assessment tools • Discussed the role of a network in supporting MFIs assessment in SP.
Session Structure	<ol style="list-style-type: none"> 1. Introduction (2-3 mins) 2. Assessment tools review (15 mins) 3. Institutional assessment tools and their comparison (15 mins) 4. Social audit and social rating in practice (35 mins, optional) 5. Client level assessment tools review; client exit, client satisfaction tools (15 mins) 6. Poverty assessment tools review and practice (40 mins) 7. Closure and link to the next session (10 mins)
Time/ Duration	150 min
Slides number	1-16
Materials	<ul style="list-style-type: none"> • Internet access to show WebPages of rating initiative, users review at SPTF, • HO 10.1 Social rating executive summary (social rating report – first four pages) • HO 10.2 social audit executive summary • Reading material/HO Users review of assessments tools • HO 10.3 PPI Score and Poverty Likelihood • Flipcharts (blank)
Trainer preparation	<ol style="list-style-type: none"> 1. Familiarize yourself with the websites mentioned to be prepared to show different pages of the site. 2. Read all reading materials to be able to present the tools 3. For further references keep the flipchart from the discussion in point 6.
Session delivery	
1. Introduction: (2-3 min)	<p><u>Say:</u> <i>The purpose of this session is to become acquainted with the overview of assessment tools and their uses. The industry has developed quite a wide spectrum of tools to help MFIs to self-assess their SP as well as to provide external assessments, audits, ratings and other tools.</i></p> <p>Introduce the objectives of the session (slide 3 'Objectives of the session').</p>
2. Assessment tools review (15 min) (Talk)	<p>(5 mins)</p> <p>Show slide # 4 'Assessment tools' and explain: <i>There are SP assessment tools to be used at two levels: client level and institution level.</i></p> <p><i>At the institution level, we evaluate the institution performance and its alignment to its social goals. For this we use diagnostic tools like social audits and social rating, which provide us with the current picture of SPM status in an MFI.</i></p> <p><i>At the client level, we are trying to understand the client performance from the perspective of social goals:</i></p>

- *Client feedback: in this group there are tools which are used to understand how well our products and services answer the needs of the clients. We also use these tools to understand the impact of our products and services on clients.*
- *Poverty assessment: these are very specific tools to assess what is the poverty level of clients*

We are going to discuss the examples of these tools throughout the whole session.

(10 mins)

Show slide 5 'Assessing SP' and explain:

There are a variety of tools available for assessing SP. Let me very briefly introduce the tools to present how they fit into three categories.

1. **Social Audit Tools** – *A social audit is a diagnostic tool that assesses whether or not an MFI has the systems in place to achieve its stated social objectives. It identifies strengths and weaknesses to prioritize areas for improvement. Audits help managers improve performance to achieve better results*
2. **Social Rating Tools** – *A social rating provides an external opinion on an MFI's capacity to put its mission into practice and achieve its social goals. The rating provides a score which MFIs, investors, and donors can use to analyze MFIs. There are four specialized rating agencies to choose from, and the Rating Initiative provides funding for MFIs receiving first- and second-round ratings. (www.ratinginitiative.org). Show the website if possible.*
3. **Client Monitoring Tools** – *Client data tools assess SP outcomes at the client level, including; changes in poverty levels and quality of life indicators as well as satisfaction. They help answer the following questions: Who are our clients? How are we affecting their lives? Are they satisfied with our products and services? Types of client assessment tools: Poverty assessment, food security survey, client satisfaction surveys, exit surveys, focus groups.*

Where the tools fit in the SP framework:

Audit Tools focus on the SP PROCESS – defining the mission, setting goals, and putting systems and activities in place to achieve those goals.

Social Rating Tools (especially the comprehensive version of rating) cover the PROCESS primarily, but also discuss RESULTS – social outputs such as the effectiveness of non-financial services, clients with loans for the first time, and client awareness of loan terms.

Client Data Tools focus on SP RESULTS – social outputs such as the poverty levels of clients, and social outcomes such as the change in client food security over time.

Let us start with a more detailed review of the institutional assessment tools.

3. Institutional assessment tools and their comparison (15 mins)

(Talk)

Say:

Let's discuss the tools for assessment of MFIs. Why do we want to assess MFIs in terms of SPM? Why do we want MFIs to go through financial rating and financial audit?

Accept some answers. Examples:

- *We want to understand how well the institution manages its portfolio, the risks related to liquidity, delinquency. We want to know if the financial resources are used properly – for issuing the loans, and not buying a Mercedes for the Executive Director.*

Similarly with social ratings and audits, donors, investors, but also the

management of MFIs want to evaluate how well the institution manages the resources to achieve the social goals. We are interested to learn if the resources are used in the best way, which will lead towards the MFI achieving its mission.

Two major types of tools for Institutional assessment are the Social Audit and Social Rating tools. We will discuss them by comparing them.

(5 mins) Show slide 51 “Social Audit vs Social rating” and explain that these are the institutional assessment tools. Explain the difference between social rating and social audit, using the information from the slide:

- Social rating provides the grade (how good an MFI is) and the report is available publicly. Social audit does not provide a grade, and can be made public only when the institution agrees to do so.
- Social rating is the external opinion on an MFI, a regular assessment of an institution. The audience are external stakeholders, like investors, donors, etc. The purpose of a social audit is to help the management of an MFI to improve their practices
- Social audit is good for MFIs at all stages of SPM development, especially for those which are just starting with SPM. Social rating, as it provides an external opinion, is more useful for MFIs with established systems of SPM. Both tools are applicable to MFIs with established systems. The emerging MFIs should seek other ways to diagnose their SPM
- Ideally, social audit helps preparing for social rating

(5 mins)

Show slide 7 “Social Audit vs Social rating” with the list of industry tools. Provide examples of tools uses (examples of different organizations using different social audit or social rating services, perhaps as the participants talk about their experience with these tools); complement with the following:

- Quality Audit Tool (QAT) is very similar to all four ratings. It is used by institutions to define where to start with SPM and what to improve. Very often it is used as a preparatory tool for future social rating.
- Social ratings are read mostly by investors and donors. They serve as a data verification source for SPS Reporting – MIX uses social ratings report to verify data reported by MFIs.
- SPI by CERISE (Social Performance Indicators), although it is called social audit (like the QAT), it is in fact is a very complementary tool. It does not assess systems in depth. Instead, it produces very measurable assessments. It is focused mainly on poverty assessment.

Note: SPI is a name very similar to the phrase “social performance indicators” used for describing any indicators which are used for reporting on SP (including the indicators reported to MIX). It is important to distinguish the SP indicators from a very specific set of indicators and supportive tools developed by CERISE. The common name used within the SP world is to indicate the use of CERISE indicators is ‘CERISE SPI’

Conclude by saying:

- A social rating provides a grade and it is public (available to anyone)
- A social audit leads to recommendations on what to improve
- A social audit is a good entry point for an MFI to SP: it helps staff to understand what SP is in practice
- Social rating is a tool to “show-off”

(5 mins) Refer participants to User Reviews.

Say:

User Reviews were developed by SPTF. Opinions of tools' users were collected – those who commented on the uses, benefits and costs of the different assessment tools. The reviews compare the tools and are available at www.sptf.info.

Download a user review for QAT and present it.

User Reviews are “peer” evaluations of SP assessment tools based on the experiences of those who have used them. The purpose of the User Reviews is to help potential users determine which tool or tools is most appropriate for their needs. Each review presents the following:

- A brief description of the tool
- Consolidated feedback on 7 general tool attributes (cost, duration, robustness, usefulness to the MFI, ability to customize, ease of use and overall satisfaction)
- Consolidated feedback on 12 specific SP goals (mission clarity, alignment of systems, decision making, gender approach, member governance, non-financial services, responsibility to clients, responsibility to community, responsibility to staff, responsibility to the environment, outreach and financial services)
- An overall opinion provided by the review team
- A list of strengths and weaknesses
- Summary tables where similar tools may be compared side-by-side, and
- A glossary of terms.

Conclude by saying that there is a variety of industry tools available for SPM assessments by the MFIs, as well as for self-assessments. The selection of the appropriate tool depends on the need of the MFI and the rationale for SP assessment.

4. Social audit and social rating in practice (35 mins)

(Exercise)

Note: if there is not enough time, stop here and do not do the exercise. Participants may just receive the Handouts (see below) with two samples of the reports to review later. Otherwise, if time permits, go to the next step and conduct the exercise.

(1 min) Introduce the exercise.

Say:

You will now receive handouts with the executive summaries from the social rating and social audit reports. Your task is to read, compare and answer the following questions:

- What is the difference between what you learn from both reports?
- How can an MFI use the different reports?

Show slide 8 with the exercise explanation. Distribute the HO 10.1 Social rating executive summary and the HO 10.2 Social audit executive summary and invite participants to start working in pairs sitting next to each other.

(15-20 mins) Participants work on comparing the two reports.

(15 mins) Prepare a flipchart with two columns: one for the social audit, one for the social rating, in order to compare the two tools. While you are discussing the following questions, write the participant's answers on the flipchart:

Ask:

	<ul style="list-style-type: none"> • What is the difference between what you learn from both reports? <p>Note different opinions. Conclude that the audit report addresses the internal issues to a greater extent and depth. It explains internal systems, while the social rating only mentions some of them. On the other hand, the audit report does not contain information about how well or bad the institution achieves its social goals, while the rating report gives a clear picture of social results.</p> <p><u>Ask:</u></p> <ul style="list-style-type: none"> • How can an MFI use different reports? <p>Note different opinions. Conclude that a social rating is more a photo of the current status of the results and is more interesting for investors and other external sides to understand what the MFI's results are while the social audit report might be better used to understand how these results are produced, to see the MFI's own strengths and weaknesses, thus to improve them and produce better social results in the future. The social rating report is published and everybody has access to it. Therefore, usually MFIs use the audit for internal purposes in order to identify areas for improvement, and the rating – for external purposes, to 'prove' where they are in terms of SPM. However, often MFIs also present their audit reports to investors and donors, as additional information about themselves.</p> <p><u>Sum-up:</u></p> <p>Social audits and ratings assess similar institutional areas, but at various levels of depth. The key difference is that a social audit is mostly used for internal purposes. A social rating is more for proving to external stakeholders the status of SPM in the institution.</p> <p>Refer participants to User Reviews at www.sptf.info: SPTF prepared a comprehensive overview of the social audit and rating tools, from the perspective of the user. Reading the material, you are able to compare the tools and select the most appropriate one.</p>
<p>5. Client level assessment tools review; client exit, client satisfaction tools (15 mins)</p> <p><i>(Talk and examples)</i></p>	<p>(10 mins)</p> <p><u>Talk:</u> Review of Client level assessment tools:</p> <p><u>Say:</u></p> <p><i>Now let us go to the client level assessment tools. The purpose of the client level assessment is to assess SP outcomes at the client level. It includes assessing changes in poverty and quality of life indicators as well as satisfaction with the services and the MFI's approach.</i></p> <p><i>There are usually the following motivations of using client level assessment tools: Who are our clients? How are we affecting them? How can we prove it to others? How can we improve our products and services? Are clients satisfied with our work?</i></p> <p>Show slide 9 "Client assessment tools". Present the types, explaining them one-by-one. Types:</p> <ol style="list-style-type: none"> 3. client satisfaction surveys: we try to understand, what the clients like and dislike about products, services and our organization. Understanding this gives us the opportunity to learn what their wants are and which needs are behind their wants. As a result, we can improve our products and services, so that they better meet the target clients needs 4. Exit surveys: nobody wants the clients to stop using the services of an MFI. Clients do leave, and this is our opportunity to understand why they leave, and if their reason for leaving is to do with the MFI. Using the results of exit surveys, we can improve and make more clients stay with our institution for longer.

5. Poverty assessment: many institutions work with poor clients. They use the poverty assessment tool to decide, if the potential client is their target client (a poor one) and to assess how many poor clients there are in the total population of their clients.

(5 mins) Examples of client exit and satisfaction tools:

Say:

As mentioned, measuring client satisfaction allows MFI to understand likes and dislikes of clients in terms of products and services offered. Using the results for improvement will lead to improved clients' satisfaction, an increased number of clients and increased loyalty. Let us see how the MFI used these in practice.

Show slide 10 with the example: Partner from Bosnia and Herzegovina (www.partner.ba) satisfaction survey results.

Say:

- The biggest issue: grace period (26% clients say „definitely bad” or „rather bad”)
- Monthly repayment period - best (82% clients say 'rather good' or 'definitely good')

Knowing about the grace period is a problem, an MFI should follow up with in depth research (usually for example a Focus Group Discussion) to understand what is the reason behind this problem: is it too short? Too long? With the answers to these questions the MFI should then adapt the products accordingly.

Show slide 11 with the second example: Partner monitoring of clients who dropped out.

Say:

- Only 1% of exits is due to external reasons
- 16% are clients who will come back
- 70% of exits due to Partner related issues – more than the number of clients who left because of the competitor's offer!
- Room to improve – Partner had a direct influence on 70% of existing clients, thus improving services will influence this biggest number of clients who have dropped out. The next step for the institution is to learn what are the specific reasons behind those 70% of dissatisfied clients. How can the institution learn from it? For example through interviewing the exit clients in depth (Focus Groups Discussions)

“Resters”: clients who repaid their loan but declare taking another loan later on (it is often linked with the next business cycle (especially for businesses with seasonality)

You may read more about the “Partner” experience in MFC Spotlight Note #9, page 11 & 13; and MFC Spotlight Note # 10, Annex.

Sum up:

These examples demonstrate the relevance of Client level assessment tools to diagnose SP related issues (e.g. satisfaction with services, retention and drop-out rates) and take further actions to improve operations to influence social aspects in the future.

6. Poverty assessment tools review and practice (40 mins)

(Talks, example and

(10 mins) Talk: Review of poverty assessment tools:

Again show slide 9 “Client level assessment tools”, point out that the client exit and satisfaction tools will now be discussed and the discussion will move to the Poverty Assessment Tool (PAT).

discussion)

Say:

For MFIs, which have poverty reduction as their primary social goal, one of the key issues is how to measure poverty. They need to measure it to understand how poor the clients outreached by Loan Officers; they need to also understand what the poverty levels of all the clients are. For example what is the share of poor clients, very poor clients or low income clients in the total population of the clients?

As poverty is a very complex issue, it is not so easy to measure it objectively.

Show **slide 12 PPI vs PAT** and present their differences and similarities:

There are the two key tools to measure poverty: Progress Out of Poverty (PPI) by the Grameen Foundation and the Poverty Assessment Tool (PAT) by IRIS (USAID funded).

Both tools are very similar. Based on national statistics on household consumptions, statisticians developed a survey with 10-12 questions. The set of questions provides the measurement of the likelihood of a single person to be in a certain poverty group.

Show **slide 13 Poverty scorecard uses** and explain the following:

There are four key uses of poverty tools:

- Screening clients at entry: understanding how poor (likelihood) the clients are who the field Staff reach out to. It allows loan officers to more effectively target the poor
- Understanding clients' performance by poverty segments: segmenting performance indicators like delinquency, loan size, products selected by poverty groups of clients provides information to management about the various trends among clients, produces warning signals and points out opportunities
- Measuring poverty status at the institutional level – a picture of poverty among the clients: The MFI can assess the population of all current clients and understand how many of them are likely to be in certain poverty groups.
- Measuring change: finally, something that so many people would like to understand: poverty changes. The tools can track the changes over time. However, only in theory. In practice, there is not yet a single MFI that would be able to apply this tool to track the changes.

Highlight, that both PPI and PAT are developed for specific countries and they can be used only for the specific country they were prepared for. PPI for Romania cannot be used for Rwanda. The reason for this is that each country has its own specific characteristics of poverty. In one country having an old car would be indication of poverty. In the other country having a bike mean you are pretty well off.

To check the countries, for which PPI and PAT were developed, visit the developers' pages.

(10 mins) Example of poverty assessment tool in practice:

Distribute the **HO 10.3 PPI Score card and Poverty Likelihood**.

Say: *Let us take a look at how an institution can use one of the most popular poverty measurement tools – PPI.*

On the first page you see the scorecard, according to which the clients are assessed. This scorecard example is for one of the clients. Being interviewed, the client received how many points? 31.

- *Take a look at the other side. What can we say about the poverty level*

of the client? Is s/he poor, or rich?

The answer: the score of 31 points is an indicator that the client is poor, as the likelihood of being below the poverty line is very high.

Say:

- Looking at the groups, clients with what kind of scores will belong to the poor category?

Answer: all those below 34 points.

Ask cross-checking questions:

- What if a client receives 60 points? This is a client that lives above the poverty line (with 90% probability)
- What if the result is 15? It is 90% probable that this client is poor (below the poverty line)
- What if 60% of clients in the institution have a score between 50 and 74? It means that 60% of clients lives above the poverty line (with a very high probability)
- What if 60% of clients in the institution have a score between 15 and 44? It means 60% of clients are poor (below the poverty line) – with a high probability

Highlight:

Poverty scorecards do not give us 100% certain answers. They are based on the probability, and we need to remember this. However, they are still the best tools currently available to assess poverty (assess, not measure).

(10 mins) Use of information from poverty assessment tools:

Ask:

- In what ways could such information be used?

Facilitate discussion.

Note different opinions; make sure the following are mentioned:

- As a targeting tool: clients in certain poverty groups can be defined as targeted clients
- As a tool to segment clientele and provide diversified services: clients in certain groups can be offered certain services. This can lead to greater satisfaction, loyalty, etc.
- As a tool to monitor clients service use: which groups prefer one or other service?
- As a tool to monitor changes in clients lives: the sample can be analyzed over time; dynamics in poverty groups can be served; the sample of those moving from one group to another can be analyzed to provide information useful when forming future strategies.
- Hence the PPI can help in measuring an MFI progress toward the pre-set targets in all areas, such as outreach, satisfaction, positive impact on lives. Of course, this is only if such targets exist.

(10 mins)

Ask participants about their opinion of using such tools in their MFIs?

Take care to filter strictly negative approaches: usually participants may mention that this requires a lot of investment. Balance this with a discussion about the purpose of the whole idea, that it should serve the mission fulfilment, however the models should also be cost-effective.

Some participants might also be over-enthusiastic about the use of these tools, especially small MFIs.

	<p>To sum up, the use of poverty assessment tools can serve to (potentially have the three points underlined on a slide and show it):</p> <p><u>Signal early warnings</u>: When you interact directly with the clients, they will speak to you about the problems they have with your products, and at a more global level, when you aggregate data on poverty, or changes in welfare, you can identify fundamental mistakes that you might be making, so that you can respond to them</p> <p><u>Segment the portfolio</u>: breaking down performance to examine differences by client groups, loan officers or regions. Such segmentation improves the understanding of different markets and allows for targeted responses to specific problems or opportunities – for example, helping you identify and understand the profile of clients with the highest exit rates.</p> <p><u>Analyze clients’ use of services</u>: are the services appropriate to clients’ needs? By monitoring client use and response to services, you can improve the quality of the services provided.</p> <p><u>Note</u>: the exercise itself might not lead to these ideas and conclusions. The trainer should be alerted to facilitate efficiently so that these ideas and conclusions appear from the group. It is recommended to prompt the audience and ask directing questions so that the ideas and conclusions above are discussed in the group.</p> <p>Distribute: the Reading material/HO Client level assessment tools.</p>
<p>8. Closure and link to the next session (10 mins)</p>	<p>Sum up by saying that the session provided an overview of assessment tools (institutional and client level) . It is important to remember that we are interested in understanding who our clients are, and what their needs and wants are. Our primary goal is to address their needs. There is a variety of tools, which can help us out in this task. The tools available are of various levels of sophistication and require various levels of resources investment. An MFI should choose those tools, which are most adequate to serve their purpose and address the resources limitation of an MFI. In other words, everybody can find adequate tools. Use the resources available to seek the information about the tools available:</p> <ul style="list-style-type: none"> - SPTF resource centre - Imp-Act Consortium resource centre <p>Link to the next session.</p>

Handout 10.3 - PPI Score and Poverty Likelihood

Sample PPI and Score

Indicator	Possible response	Points	Total
1. How many people aged 0 to 17 are in the household?	Five or more	0	8
	Four	4	
	Three	8	
	Two	13	
	One	20	
2. What is the household's principal occupation?	None	27	0
	A. Labourers (agricultural, plantation, other farm), hunters, tobacco preparers and tobacco product makers, and other labourers	0	
	B. Others	8	
	C. Professionals, technicians, clerks, administrators, managers, executives, directors, supervisors, and teachers	14	
3. Is the residence all pucca (burnt bricks, stone, cement, concrete, jackboard/cement-plastered reeds, timber, tiles, galvanised tin or asbestos cement sheets)?	A. No	0	4
	B. Yes	4	
4. What is the household's primary source of energy for cooking?	A. Firewood and chips, charcoal, or none	0	5
	B. Others	5	
	C. LPG	17	
5. Does the household own a television?	A. No	0	6
	B. Yes	6	
6. Does the household own a bicycle, scooter, or motor cycle?	A. No	0	0
	B. Yes	5	
7. Does the household own a <i>almirah</i> /dressing table?	A. No	0	3
	B. Yes	3	
8. Does the household own a sewing machine?	A. No	0	0
	B. Yes	6	
9. How many pressure cookers or pressure pans does the household own?	A. None	0	0
	B. One	5	
	C. Two or more	9	
10. How many electric fans does the household own?	A. None	0	5
	B. One	5	
	C. Two or more	9	
1		Total:	31

Sample PPI Look-up Table – PPI Score and Poverty Likelihood

PPI Score	Total Below National Poverty Line	Total Above National Poverty Line
0-4	99.3%	0.7%
5-9	92.5%	7.5%
10-14	91.9%	8.1%
15-19	93.4%	6.6%
20-24	77.6%	22.4%
25-29	76.8%	23.2%
30-34	77.8%	22.2%
35-39	48.6%	51.4%
40-44	48.3%	51.7%
45-49	33.6%	66.4%
50-54	34.4%	65.6%
55-59	22.6%	77.4%
60-64	10.1%	89.9%
65-69	10.1%	89.9%
70-74	6.9%	93.1%
75-79	3.8%	96.2%
80-84	2.1%	97.9%
85-89	0.0%	100.0%
90-94	0.0%	100.0%
95-100	0.0%	100.0%

The client interviewed has a _____% likelihood of falling below the national poverty line and a _____% likelihood of being above it.

Poverty Likelihood



Quality Audit Tool Report Executive Summary

IMON INTERNATIONAL Mission statement:

To promote sustainable economic development and improve the quality of life of Tajikistan by ensuring reliable access to financial services for the economically active population.

Based on the discussion and mission analysis preceding QAT, IMON International defined the following social performance components:

- Target Clients – microenterprises, women, and rural population – engaged in agriculture
- Meeting Target Clients’ Needs – wide range of products to meet diverse needs of clients, fast service, proximity to clients, competitive rates (transparency)
- Contributing to Positive Change in Target Clients – client business growth, self employment, improvement of quality of life

Summary of QAT results

Dimension 1: Intent & Design

1.1 Setting goals and objectives	Strength	Institutional goals in the area of meeting clients’ needs are very well understood by all staff – quality and transparency of operations, speed of service
		In the area of meeting clients’ needs, the organization has very strict and well-enforced client service standards
		IMON has intentional and well-designed community responsibility program
	Areas for improvement	Target clients are very broadly defined - actual priorities are dictated by regional conditions and not by the target client definition. As a result staff across the organization do not have a clear understanding of who IMON’s target clients are
		While the mission is well formulated, the organization does not have SMART objectives in the areas of target client outreach, meeting their needs and inducing positive change. Those indicators that exist lack targets of achievement
1.2 Strategy for achieving social performance objectives	Strengths	Currently applied strategy for rural expansion and non-financial service provision to agricultural clients serves well to support outreach to rural clients (one of the target clients categories)
		A wide range of currently offered products (business, agricultural, consumer, express, start-up loans) and lending methodologies (individual and group) ensure meeting the key needs of all three groups (micro entrepreneurs, rural population, women) of target clients.
		Client over indebtedness issue is addressed very effectively
	Areas for improvement	Strategies are informed by high quality market research that includes geographic assessment and competition analysis but lacks solid and reliable client needs assessment
		While IMON is a transparent organization not all relevant information is fully understood by clients; price disclosure has certain gaps

Dimension 2 Information system

2.1 Monitoring and understanding performance	Strength	Existing information systems (MIS, information collection processes, staff qualifications) allow IMON to collect a wide range of high quality on-going monitoring information.
		IMON undertakes significant and successful efforts to monitor and understand the reasons for client drop out
	Areas for	IMON International regularly collects some information relevant to their SP. Other

	improvement	types of SP information are not tracked since social goals and objectives have not been well defined. Some tracked indicators are beyond the defined social goals of IMON
		IMON collects high quality highly segmented client information; however, outreach data collection reflects more portfolio risk management rationale than SP considerations
2.3 Information Analysis and Communication	Strengths	IMON publishes SP information and results on regular basis
	Areas for improvements	Information is not segmented by some SP relevant criteria, which makes managing those aspects quite difficult – e.g. client income levels, jobs created, business assets, etc.
		The quality of SP information communicated internally does not reflect actual SP aspirations and results

Dimension 3 – Management system

3.1. Information Use	Areas for improvements	IMON seems to generate a huge number of internal reports; not all of them are fully used
		Average loan size as a proxy for lower income client outreach is not used systematically at the level of LOs, which makes it less effective for reaching out to the lower income population
3.2. Decision Making	Areas for improvement	SP decisions (strategic and operational) may be accidental due to a lack of reliable and systematic information
3.3 Organization culture	Strengths	Institutional culture strongly supports the second component of SP – meeting clients’ needs - and is strengthened by specific institutional policies and standards
3.4 Alignment of Organizational Systems	Strengths	Staff induction and training, as well as assessment, effectively covers the questions of IMON mission, values, and culture
		IMON has extensive and comprehensive systems to ensure staff compliance with client protection principles
	Areas for improvement	Field staff incentive scheme only partially supports IMON social goals – while balancing outreach and portfolio quality, encouraging client retention (meeting clients’ needs) it does not fully address target client outreach and intended changes
		The system of LO categories and staffing of service outlets limits client access to the full range of products and services

Reading material

Audit Tools

Institutions use social audit tools to evaluate their intentions, systems, and actions, in order to determine how well they are achieving their social objectives and to identify areas of particular strength or weakness. The results of social audits are used internally by management to inform efforts to improve social performance.

Below is a list of some of the leading social audit tools:

- [CERISE Social Performance Indicators](#) (SPI) tool (internally or externally administered)

CERISE developed its Social Performance Indicators (SPI) tool to assess the social performance of MFIs. The tool compares an MFI's intentions and actions by analyzing its internal systems and organizational processes, determining whether or not an institution has the means in place to attain its social objectives. The underlying assumption is that the soundness of internal processes is a reasonably reliable proxy for actual social performance. The SPI tool focuses on process management, looking at an MFI's stated objectives and how effectively its systems achieve them. It analyzes social performance using a wide range of indicators (12 criteria), giving an MFI an exhaustive overview of how its mission and actions size up against a number of common social objectives. Each SPI indicator is simple, directly attributable to an MFI, and based on data that is easily available to an MFI and that can be quickly checked by an external auditor. The indicators are grouped under four dimensions:

- • outreach to the poor and excluded populations
- • adaptation of products and services for targeted clients
- • economic and social benefits for the clients
- • corporate social responsibility

The SPI can be applied to any MFI, making it possible to compare institutions, promote peer group analysis of social performance, and analyze the relationship between social and financial performance. It has been used by 170 MFIs in Africa, Asia, Europe, and Latin America. A user can transmit an MFI's results to a database to receive an additional analysis that compares its SPI scores to those of different peer groups—by country, region, size (clients, portfolio), age, or geographic intervention coverage area (urban, rural, mixed). On an individual level, an institution's results are analyzed against its own objectives, defined in accordance with its stated mission. The SPI tool is designed to be simple enough for so that any MFI wanting to conduct a self assessment can use the tool on its own. However, an external consultant can also be called upon used to help an MFI implement use the tool and make recommendations based on the findings.

Outputs

The results of the SPI are answers to a questionnaire, which can be entered into a downloadable Excel file. This format allows the answers to be presented as radar and diamond graphs that give a clear image of an MFI's social performance. Analysis of results can be carried out via discussion with an MFI's management and other interested stakeholders.

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Sample report: available for downloading by request from CERISE

Further information on CERISE, ProsperA, or the SPI: <http://www.cerise-microfinance.org>

[Read more at
http://api.ning.com/files/S6i7J1FpYVly81vRC6FmVcWU7LJ5dsZdYGxy1ZICZ6zAnySX9BrX7WHZuMaG14g1/UserReviewV0l1No7SPI.pdf](http://api.ning.com/files/S6i7J1FpYVly81vRC6FmVcWU7LJ5dsZdYGxy1ZICZ6zAnySX9BrX7WHZuMaG14g1/UserReviewV0l1No7SPI.pdf)

he QAT is a practical diagnostic tool that supports managers in reviewing the status and effectiveness of an MFI's management processes in achieving social goals. It helps in ensuring if an MFI is on track towards achieving its social goals. The QAT helps identify strengths to be built on and gaps for improvement, while avoiding overloading management and staff. QAT is aligned with the Social Performance Management (SPM) approach developed by the Imp- Act Consortium.

The QAT focuses on:

- examining process management
- assessing the status and effectiveness of internal systems in supporting achievement of social goals
- acknowledging good social performance practice up to date (strengths) and
- identifying gaps (weaknesses)
- identifying and prioritizing necessary actions to improve social performance

The QAT may be implemented by internal staff or with an external consultant, although the MFC recommends that the tool be implemented for the first time with an external consultant.

There are four steps of the QAT process:

1. **Gap analysis** conducted with senior management as an initial social audit.
2. **In-depth follow-up**, to gathering more detailed information to verify and better understand the gap analysis.
3. **Analysis and draft report** that examines the material collected in detail and highlights the strengths and weaknesses of the organization in each of the dimensions covered by the gap analysis.
4. **Audit panel**, to present findings to a group of key organizational stakeholders, agree on the final results, and win organization-wide buy-in to improvement actions. Following detailed discussions on the improvement action plan, a final audit report is produced.

Outputs

The QAT yields a concise report on the strengths and weaknesses of an MFI in each dimension of social performance management. The report also provides key supporting evidence and prioritizes activities to be undertaken by the MFI in order to improve social performance management by addressing identified gaps and building on identified strengths.

Poverty Assessment Tools

Poverty assessment tools are one type of client assessment tool. MFIs that have a mission and goals to target poor clients must measure the poverty of incoming clients. Similarly, those MFIs with the goal of reducing poverty among clients must measure change in client poverty. Without quantitatively measuring poverty, an institution is either assuming it is achieving its goal, or its progress is unknown. Using poverty assessment tools, an MFI can:

- Measure the relative or absolute poverty level of clients
- Profile clients at entry and exit
- Track changes over time
- Use data to target & place clients into programs

Absolute Poverty Assessment Tools define a client's poverty in terms of a currency amount, most commonly, by measuring client poverty in relation to the international poverty lines established by the World Bank (currently poverty lines are \$1.25/day, which describes the extreme poor, and \$2.50/day which describes the poor). Two widely-used absolute poverty assessment tools are:

- [The Grameen Foundation Progress out of Poverty Index \(PPI\)](#)
- [The Iris Center's Poverty Assessment Tool \(PAT\)](#)

Relative Poverty Assessment Tools measure a client's poverty in relation to other clients or the surrounding community, and do not define a client's poverty as a currency amount (such as \$1.25/day). Participatory wealth ranking is an example of a relative poverty assessment tool.

Rating Tools

A social rating is a process conducted by an external organization and provides an objective opinion on an MFI's degree of success in translating its mission into practice. As of now, different rating agencies use different rating systems.

The audience for a social rating is *external*. The rater does not provide recommendations for improving practice, but reviews documents and assigns a rating based on its findings. One important use for social ratings is to verify data that were self-reported to MIX Market. A good rating may also attract interest from investors and donors.

Below is a list of the primary social rating tools that are currently available:

- [M-CRIL](#)
- [Microfinanza Rating](#)
- [MicroRate](#)
- [Planet Rating](#)

Example of social rating description:

MicroFinanza Rating designed its Comprehensive social rating (with client survey) tool to provide an external, credible assessment of an MFI's institutional capacity to implement its social mission and achieve commonly accepted development goals. The rating tool provides an objective judgment of an institution's social performance, enabling benchmarking with other MFIs worldwide. The main areas covered by the social rating are:

- socioeconomic context: social and economic framework in the country
- mission, strategy, and systems: mission clarity and dissemination, governance and commitment, social strategy, and alignment of systems
- outreach: areas of operation and socio-economic profile of clients reached
- quality of service: variety of services and their appropriateness to client needs
- social responsibility: sensitivity to the needs of personnel, clients (including consumer protection principles), community, and the environment

MicroFinanza Rating offers two kinds of services: a Standard social rating (without client survey) and a Comprehensive social rating (with client survey). The Comprehensive social rating (with client survey) collects and uses detailed and reliable data on the socio-economic profile of clients and their satisfaction using client surveys and focus group discussion. The higher value of the rating is reflected in higher cost. Only Comprehensive social ratings (with client survey) were evaluated for this User Review.

Outputs

MicroFinanza Rating's Comprehensive social rating (with client survey) provides a thorough social rating report of 25–30 pages that provided a rating grade on a scale of AAA to D. The report includes:

- Strengths, weaknesses and concise assessment by area of analysis
- Brief MFI presentation and analysis of the country's socioeconomic context
- Detailed analysis of each area: social performance management system, social responsibility, outreach, and quality of the services
- Annexes with social performance indicators and statistics

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Sample report: www.microfinanzarating.com