

# CIRCLE

THE OFFICIAL NEWSLETTER  
ON MCPI'S SPM ADVOCACY

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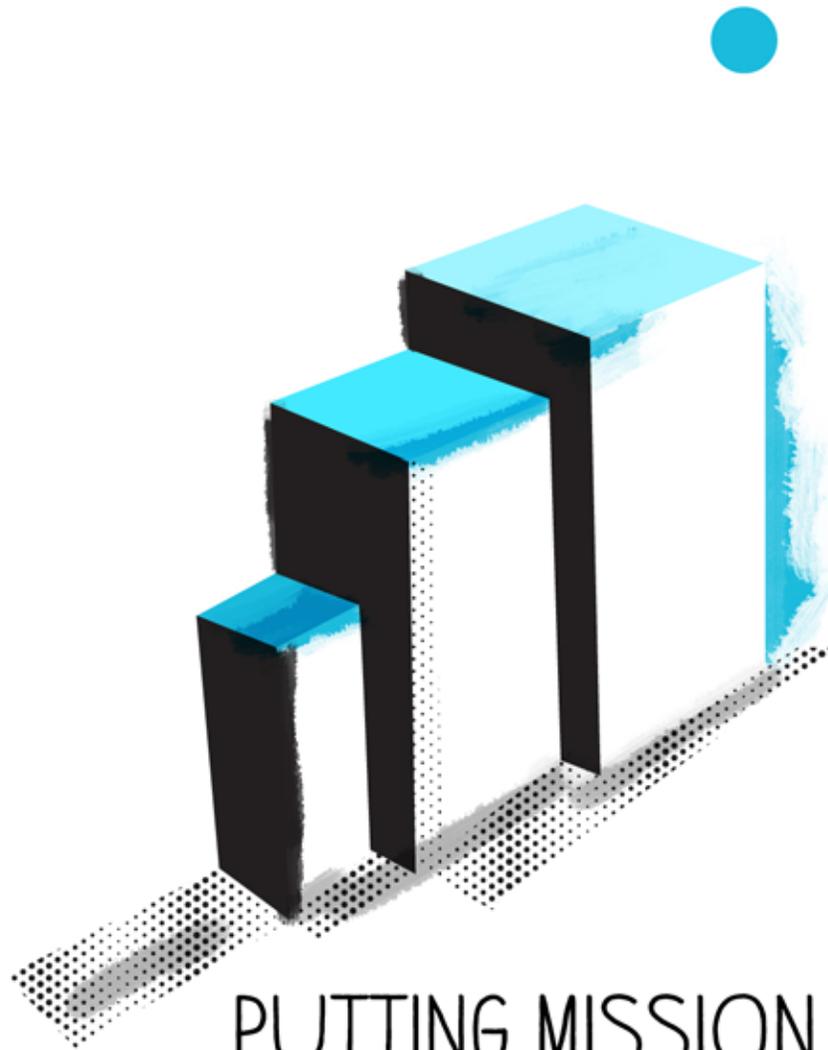
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PUTTING MISSION INTO  
PRACTICE IN MICROFINANCE

# STRENGTHENING SPM THROUGH THE PEER LEARNING COMMUNITY



*The Microfinance Council of the Philippines, Inc. (MCPI)* is committed to promoting and strengthening Social Performance Management (SPM). Through the implementation of several awareness-raising, knowledge-sharing and capacity-building programs, MCPI envisions a significant number of microfinance institutions (MFIs) actively managing their social performance and improving their SPM practices.

In March 2009, MCPI partnered with the Grameen Foundation (GF) and Oikocredit to create an infrastructure for collective learning that would encourage more strategic and mainstreamed SPM practices in the Philippines. Hence, the Social Performance Management Peer Learning Community (SPM-PLC) was formed. MCPI is confident that the learning network will be a leading driver of SPM in the country.

## A COMMUNITY OF LEARNERS

The SPM-PLC is a network of (MFI) practitioners and intermediaries who are committed to strengthening MFIs' SPM capacities and supporting each other's efforts at ensuring that microfinance activities help the poor lead better lives.

The network aims *to encourage and facilitate peer learning through regular face-to-face meetings and conference calls, email lists, stakeholder directories and knowledge sharing* via different forms of media like newsletters and other web-based channels. The SPM-PLC is organized into 3 levels of engagement: the MFIs, technical assistance providers, and donors, networks and funding organizations.

## MFIS: IDENTIFICATION OF BARRIERS

By August 2009, 11 MFIs had already signed engagement letters indicating their commitment to the SPM-PLC. Led by MCPI, these MFIs convened to identify the barriers to effective SPM. During their first meeting, the participants narrowed down the barriers to 3 key priority issues: (1) Integrating Financial Performance and SPM, (2) Integrating Human Resources and SPM and, (3) Progress out of Poverty Index (PPI). Sub-committees were then formed for each key issue. MFI-members of each sub-committee were asked to focus on organizing dialogues and activities for their respective topics over the next months.

## CREATING AN MFI SUPPORT NETWORK

Shortly after the MFI meeting, technical assistance (TA) providers also came together for a discussion on SPM. Using the identified barriers of the MFIs as a starting point, the TA providers were asked about the support they can provide to address the issues.

Taking into account the different stages of development of an MFI in

their operations and in SPM, the group was able to come up with a wide range of support activities for MFIs. They defined possible engagements with MFIs in the startup, growth and maturing stages, as well as those (in terms of SPM) from “start-up” and the “full integration” stage. To date, the framework is still under development.

Participating groups also emphasized the need to promote SPM as a technical discipline, thus the need to organize activities and develop learning tools on SPM. They also talked about the possibility of mapping out existing products and services and identifying possible synergies between different organizations to prevent duplication of efforts.



*For complete proceedings of the core meetings and more information about the SPM-PLC, please contact Kakay Rico at 631-6184 or through e-mail – [kakay.rico@microfinancecouncil.org](mailto:kakay.rico@microfinancecouncil.org).*

In a separate meeting with networks, donors and funding organizations held on September 4, 2009, two organizations shared experiences with the group. Oikocredit talked about how they help MFIs pursue SPM, while Alalay sa Kaunlaran, Inc. (ASKI) shared how an intermediary organization (MCPI) helped them understand the value of doing SPM.

The sharing session was followed by a discussion which led the group to identify key SPM issues. As in the preceding sub-meetings, the group also saw the need to educate MFIs on the technical aspects of SPM. Another issue that was brought up was the lack of supply of local SPM trainers and practitioners.

The funding organizations and prospective donors are also looking forward to conducting promotional workshops to enable them to show potential partners what support their groups can offer.

### MOVING FORWARD

The three initial meetings of the SPM-PLC were able to bring a lot of issues to the surface for further discussion. Despite these issues and challenges, the participants are optimistic that their continuing collaboration will be able to address the barriers and help them achieve their respective social and financial goals.

As of this writing, SPM-PLC member-MFIs have already undergone trainings on the PPI, conducting SPM strategy workshops, and the Quality Audit Tool. Technical assistance providers also attended a Training of Trainers on the SPM Strategy in September 2009. Funding organizations also held promotional workshops with several target organizations.

To facilitate discussions and partnership building among members, a directory of technical assistance providers is being prepared, and an online forum and email list serve has been started. SPM PLC Convenors MCPI, GF and Oikocredit are also planning more activities involving a larger gathering of member MFIs, technical assistance providers, networks, donors and funding organizations.



# SPM PEER LEARNING COMMUNITY PARTICIPANTS

## MICROFINANCE INSTITUTIONS

- Alalay sa Kaunlaran, Inc.
- Center for Agriculture and Rural Development
- Community Economic Ventures, Inc.
- Hagdan sa Pag-uswag Foundation, Inc.
- Jaime V. Ongpin Foundation, Inc.
- Negros Women for Tomorrow Foundation
- Pag-Inupdanay, Inc.
- Paglaum Multi-purpose Cooperative
- Peoples's Bank of Caraga
- Rangtay sa Pagrangay, Inc.
- TSPI Development Corporation

## TECHNICAL ASSISTANCE PROVIDERS

- Associated Resources for Management and Development, Inc
- Innovations for Poverty Action
- Micro-Credit Ratings International Limited
- Micro Enterprise Development Information and Advocacy, Inc.
- MICRA Foundation of the Philippines, Inc.
- PinoyME
- Planet Finance
- Punla sa Tao Foundation, Inc.
- Rural Bankers Association of the Philippine- Microenterprise Access to Banking Services
- Southern New Hampshire University - School of Community Economic Development Southeast Asia Center
- Service Providers and Capacity Enhancer, Inc.
- VISION Fund

## DONORS, NETWORKS AND FUNDING ORGANIZATIONS

- Alalay sa Kaunlaran, Inc.
- BPI Microfinance Unit
- Coalition of Socially Responsible SMEs in Asia
- Foundation for a Sustainable Society, Inc.
- Mercycorps
- Mindanao Microfinance Council
- National Commission on the Role of Filipino Women
- National Livelihood Development Corporation
- Peace and Equity Foundation
- People's Credit and Finance Corporation
- PLAN International
- TRIAS NGO

# NEGROS WOMEN FOR TOMORROW FOUNDATION: PUTTING MISSION INTO PRACTICE

## The Circle Dossier

MFI: Negros Women for Tomorrow Foundation (NWTF)

Date Established: 1984

Active Borrowers (2008): 84,958

Vision-Mission Statement:

“To be a leading sustainable micro-finance institution renowned for its commitment and professionalism to provide the poorest with meaningful opportunities towards a future where every Filipino is a DUNGGANON.”

When NWTF gathered client information in 2006 using the Progress out of Poverty Index (PPI) Scorecard, they found out that 40 percent of their clients were actually above the poverty line. This raised a concern for the organization: were they really living up to their mission, “to serve the poorest?”

## MEASURING POVERTY

*The PPI scorecard is a simple, 10-question tool which gauges a client’s level of poverty in between loan cycles.* From a framework developed by Grameen Foundation USA (GF-USA), the basic tool was tweaked to fit the Philippines’ economic conditions. The indicators were selected from the Philippines’ Annual Poverty Indicators Survey (APIS) through a participatory process with 4 GF- USA partner MFIs. Sample indicators in the scorecard are number of dependents, number of salaried employees in the household, appliances owned, and material of house’s walls and roof.

According to Mr. Gilbert Maramba, Research and Development Director of NWTF, aside from current client profile, analysis of the data also showed that some of their clients were on a downward trend. Rather than get defensive about the findings, NWTF saw the results as an opportunity for them to review the approach of their client services department and find ways to teach clients how to maximize the benefits from the loan products of NWTF.

## SOCIAL PERFORMANCE MANAGEMENT (SPM)

“SPM basically has three goals. *To help the MFI find the right clients, to meet the needs of the clients – like adjusting loan rates, etc.- and to take them out of poverty.*” Maramba said, “Right now, it has helped us redefine our client targets and we are also hoping to meet all three goals and soon showcase best practices and success stories.”

Based on the PPI findings, NWTF created a new target: over 70 percent of their clients should be below the poverty line. The selection process for clients in the past depended highly on cashflow, “We wanted clients with the ‘capacity to pay’ – *sino ba* ang may capacity to pay, *di yung* above the poverty line! So, through that approach, we really weren’t serving the poor,” said Maramba. Upon making adjustments to the operational procedures and guidelines, Maramba reports that they were able to meet their new target with only 22 percent of clients above the poverty line.

## COSTS VERSUS LONG TERM BENEFITS

Are the benefits of SPM worth the costs involved? Mr. Maramba certainly thinks so. *Gathering of information for the PPI scorecard costs around P23.00 a year per client*, this cost already includes staff time consumed such as the time spent for the loan officers' interviews and encoding of data. *"Hindi sya (SPM) ganoon ka-mahal, MFIs need to change their mindset and look beyond the framework of finance... we are claiming that we are eradicating poverty. The last thing we want to do is contribute to the incidence of poverty, so we need to monitor movements."* Maramba said.

For NWTF, investments in SPM technology and training will be the start for them to also rehabilitate their financial performance. More clients moving out of poverty meant less defaults and dropouts.

For now, it is too early to see the benefits of SPM. "Starting with the changes (in the selection of) our target clients, right now, we are already analyzing their movement away from poverty. There are still no concrete changes in financial performance- but we are very optimistic," Maramba further added.

## SUCCESS FACTORS AND CHALLENGES

A key factor to the strengthening of SPM in NWTF is the support of the top management and the board. This commitment is affirmed by the existence of an SPM Committee composed of representatives from the Board of Directors, the Research Department, head office and field offices. Members of the SPM committee serve as champions for the organization's social mission and ensure that corporate values and social responsibilities are applied.

As NWTF moves forward to further streamline their SPM strategies, they are also faced with a lot of challenges. Since only a few representatives get involved in the planning processes and formal SPM trainings, getting the information cascaded further down the organization is tricky. The transfer of information from the representative to the field workers were found to be inconsistent, resulting in different levels of understanding. Some loan officers were also not yet serious about data gathering since NWTF has yet to offer incentives for those who are able to meet the MFI's social goals.

"We look forward to the time when the link of social performance to financial performance is understood on the loan officer, branch, area, and regional levels," shared Maramba.

Another big challenge they encountered was maintaining the organization's Management Information System or MIS. NWTF's existing programs had entirely different platforms and were not designed to accommodate the new data that was being generated. NWTF was able to address this by re-designing a new platform that fit their changing needs.

Amidst these challenges, Mr. Maramba says that funding is not, and should not be an issue. He says, *"Kung yun yung vision at mission ng organization mo, and this is what you are claiming to do... bakit ka kailangan bayaran to do that? Kasi yun yung reason na nageexist ka."* He further added that there are a lot of grants available for organizations who want to get serious about SPM.

With tools in place, strategies that are taking shape, and unwavering commitment, NWTF is all set to prove that they are indeed putting their mission into practice.



<sup>1</sup>As compared to baseline data gathered through a previous impact study on NWTF clients sponsored by the USAID (AIMS – Assessing the Impact of Microenterprise Services)

# GLOBAL SPM INITIATIVES

The following organizations are helping MFIs around the world measure and manage their social performance. Some of our local MFIs and intermediaries are already working with them in order to maximize Philippine MFIs' understanding of SPM.

## Imp-act Consortium

<http://www2.ids.uk/impact/index.html>

Formed in 2006, the Imp-act Consortium hopes to scale up good practice and social performance management within the microfinance industry. Their core activities include training of trainers, development of mentoring guidelines and development of guidelines for SPM implementation, and development of guidelines for SPM implementation.

### CONSORTIUM MEMBERS:

- CARD MRI (Philippines)
- Catholic Relief Services/ Project Mision
- EDA Rural Systems (India)
- Freedom from Hunger (USA)
- Grameen Foundation (USA)
- Institute of Development Studies (England)
- Microfinance Center (Poland)
- Microfinance Council of the Philippines, Inc.
- Pro Mujer International

### WHAT THEY DO:

1. Training and support for MFIs on SPM implementation  
Imp-act organizes workshops and provides follow-up support to teach strategies for improving MFIs' SPM. To date, Imp-act has trained over 60 MFIs from all over the world.
2. Capacity building for local SPM players  
The consortium builds local expertise in SPM through trainings for SPM trainers and other support organizations
3. Sharing of lessons learnt and good practice  
Imp-act showcases stories of pioneering MFIs and makes sure that best practices and lessons learned are shared across the industry through the web and other publications.
4. Promote reporting on social performance  
Donors and investors increasingly want to understand the social performance of the MFIs they support. Imp-act works with MFIs to go beyond using SPM for internal info to external reporting.



What can you do to get involved? The consortium's website is constantly updated with news and activities useful to MFIs' development of their SPM capacity. Imp-act offers the following support, visit their website to learn more about the following activities:

- Attend introductory workshops and training courses on SPM
- Find a local, certified trainer in your area (or become one!)
- Download training materials
- Get mentoring or technical support
- Browse online resources
- Join the SPM Network, a virtual community of practitioners committed to learning and achieving their social mission

## The SEEP Network

[www.seepnetwork.org](http://www.seepnetwork.org)

The Small Enterprise Education and Promotion (SEEP) Network connects microenterprise practitioners from around the world to develop practical guidance and tools, build capacity, and help set standards to advance every practitioner's vision: a sustainable income in every household.

SEEP was founded in 1985 by a group of practitioners who believe that sharing practical experiences within a trusting environment would result in improved practices. Today, SEEP has members from over 180 countries and has reached over 23 million microentrepreneurs and their families.

SEEP members learn through participating in working groups via internet, telephone and face to face meetings. Facilitators guide these processes where final outputs, such as tools and documents, are shared around the world. Selection of working group topics usually depends on the needs of members. It is then SEEP's role to seek qualified consultants to handle the topics. Current working group topics include:



- Financial Services
- Microfinance Reporting Standards
- HIV & AIDS and Microenterprise Development
- Market Facilitation Initiative
- Poverty Outreach
- Social Performance
- Savings-led Financial Services

The Social Performance working group (SPWG) explores with MFIs all areas of client assessment – particularly impact assessment, impact monitoring, market research, and social performance. Resources and tools for SPM may be downloaded from the SEEP (SPWG) page at <http://communities.seepnetwork.org/edexchange/node/224> and from the SEEP network resources site: <http://communities.seepnetwork.org/edexchange/resources>.

# 15 MFIS IN CAMBODIA MEET TO EXPLORE THEIR MISSION INTO PRACTICE



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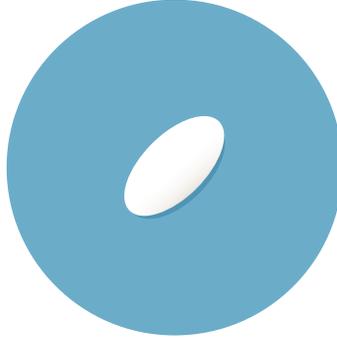
With its drive to promote Social Performance Management among microfinance institutions (MFIs) in the Southeast Asia Region, the Microfinance Council of the Philippines, Inc. together with Oikocredit recently held its first strategy workshop in Cambodia last December 8 to 10, 2009.

*The overall purpose of the workshop was to help the decision-makers and operational management staff of participating organizations translate their mission into practice* — to align all aspects in the organization with its mission in order to achieve three critical ends: reaching target clients, meeting these target clients' needs and thus contributing to positive change in target clients' lives.

The strategy workshop was a 3-day activity. *Its first day delved into what Social Performance is and how it is symbiotic with financial performance.* The first day also tackled the Social Performance Pathway and Social Performance Management (SPM). The succeeding days were devoted to the different components of Social Performance: Social Goals and Objectives Development, Performance Monitoring and Assessment, and Operations Improvement. Learning activities which related the participants' MFI experiences with the concepts discussed were used to help them to further grasp SPM. This particular strategy workshop used the latest training module developed by the Imp-act Consortium —this version integrates social responsibility into SPM.

Chief Executive Officers, Chief Operation Officers and Senior managers from 15 microfinance institutions attended the said workshop. Therepresented MFIs were Amret, Sathapana, Angkor Mikroheranhvatho Kampuchea (AMK), Vision Fund Cambodia (VFC), Seilanithih, Cambodia Rural Economic Development Initiatives for Transformation, CHC Limited, PRASAC MFI, Hattha Kaksekar Limited, Thaneakea Phum Cambodia, First Finance Plc. MFI , Cambodian Community Savings Federation, Entean Akpevath Pracheachun, Intean Poalroath Rongroeurng and MAXIMA Mikroheranhvatho Co. Ltd.

The SPM Strategy Workshop was facilitated by: Chanra Meas (AMK), Vathana Thun (AMK), Vanna Cheang (Cambodia Microfinance Association), Theary Taing (Oikocredit) and Sokha Chea (VFC). The training team was composed of Sovannarath Leng (ACLEDA Bank), Yet Yan (ACLEDA Bank), Meldy Pelejo (Oikocredit), Kao Kok (Oikocredit), Sophea Kuy (Oikocredit), Tes Pilapil (Oikocredit) and Lalaine Joyas (MCPI).



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