

CIRCLE

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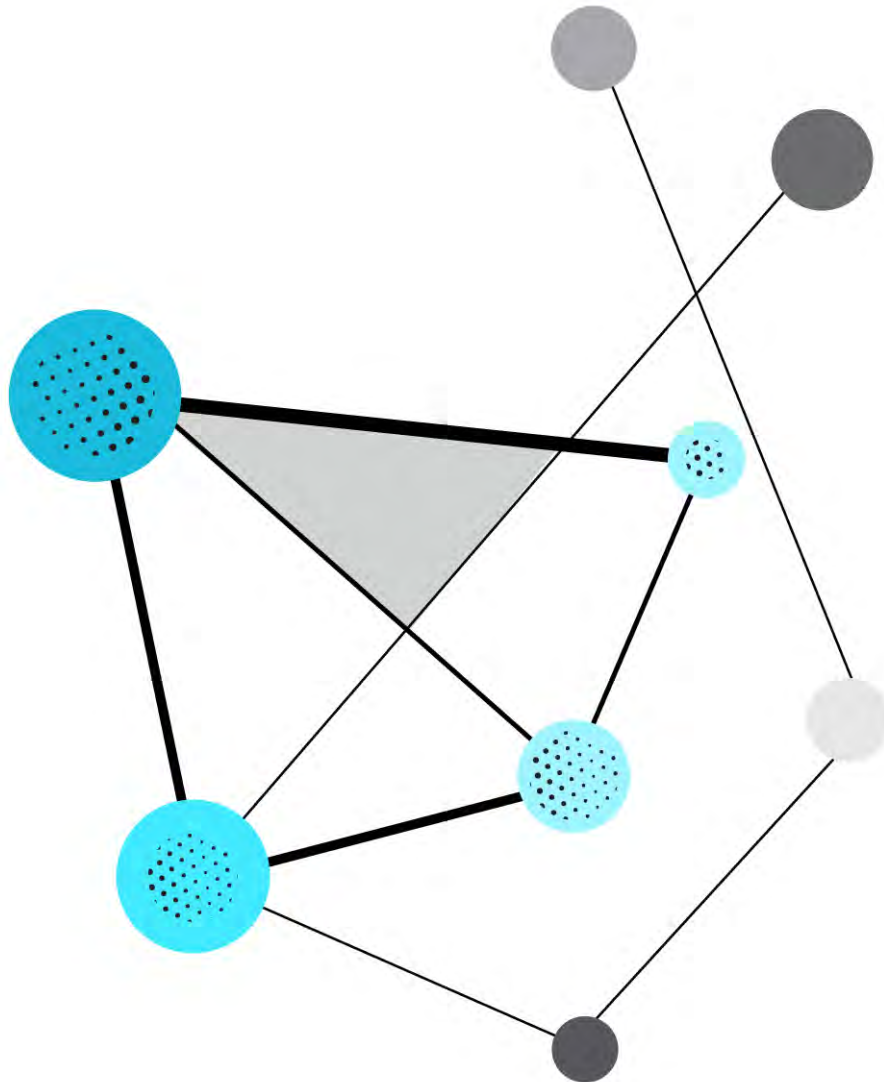
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MEASURING SOCIAL PERFORMANCE: A QUICK LOOK AT THE QAT

For microfinance institutions (MFIs), fulfillment of social goals is as important as financial performance. It is therefore imperative that social performance measurement is given much attention. Aligned with the internationally accepted SPM framework, the Quality Audit Tool (QAT) is a low-cost diagnostic tool specifically designed to evaluate the effectiveness of MFI management processes in achieving social goals. The process engages stakeholders from all levels of the organization, making way not only for an in-depth social audit, but also strengthens understanding and buy-in from the individuals and groups involved.

HOW IS IT DONE?

The implementation of the QAT is led by both internal and external facilitators. The internal facilitator should have an in-depth knowledge of the organization's systems and operations, and should be in a position that would enable him or her to interact with people from all levels of the organization. The external facilitator is expected to bring in specialized skills and an objective external mindset. This team must be able to consolidate and analyze all information objectively in order to present a comprehensive and useful report.

With the team in place, the QAT process can be done within six days of preparation and data gathering. The process starts with the **gap analysis**; an initial audit where senior management is presented with detailed questions concerning social performance. These questions should be answerable by “yes,” “no”, or “partially” and may be related to an MFI's social mission, goals and service targets. Some items may require short explanations as needed.

Next is the **in-depth follow-up**; this involves interviews with key staff and clients and an examination of relevant documents such as management reports, research reports and auditing processes, among others. This detailed follow-up verifies the initial gap analysis and gathers insights from different perspectives across all levels in the organization.

After the in-depth follow-up, the facilitators prepare the **analysis and the draft report**, where all findings from the first two steps are pooled together to highlight the identified strengths and weaknesses of the organization. Finally, this report is presented to the audit panel, where the facilitators present their findings to key stakeholders, including staff and chosen clients.

The **audit panel** engages the attendees in a dialogue about certain issues arising from the QAT report. It is useful in bringing into the open points that need to be addressed and statements that need to be clarified. Following this discussion, the facilitators prepare the final audit report.

THE QAT AND ITS USES

Results of the QAT may be used for external reporting purposes. The final audit report complements external social rating tools (such as compliance audits, benchmark audits and process audits) to provide an objective



“The QAT assesses the status and effectiveness of internal systems in relation to social performance management and identifies action areas where performance can be improved. It can be used as a rough and dirty self-assessment tool; it can be integrated into the organizational internal and external auditor's work or used by external parties to conduct an objective assessment of management processes for the purposes of social rating.”

“From Mission to Action Management Series for Microfinance Institutions”
The Microfinance Centre for Central and Eastern Europe and the New Independent States, Poland

assessment of social performance. Since QAT has been designed to be aligned to other rating methodologies, results of such assessments allow for fair comparison of one MFI to another. Through the reports, potential investors are also given a fair overview of an organization's performance.

Aside from external use, the QAT also helps MFI managers and staff gauge an MFI's social performance to aide in decision-making and address organizational weaknesses.

USERS REVIEW OF QAT

In the users' review of QAT (2009) conducted by the Social Performance (SP) Task Force, it was reported that the primary internal utility of the QAT is that it produces concrete action plans for improving SP, while at the same time educating management and staff on international SP management practices. The user review also revealed that the commonly cited benefits included receiving a thorough introduction to international practices in SP management (SPM), analysis of SPM weaknesses, prioritization of areas for improvement, and the use of participatory methodology to increase MFI buy-in of action plans.

Most users also found that the ease of use of QAT ranges from quite easy to easy to implement. Though one pointed out that translation of terminology into the local language can be challenging in the implementation. Nonetheless, as a result, some of the users suggest the tool as a good first-time SP assessment.

Full text of the **Users Review on QAT** can be viewed through the SP Task Force link: <http://www.sptf.info/page/user-reviews-of-sp-tools>.

The QAT was developed by Anton Simanowitz within the project “Maximizing Social Performance through Deliberately Driven Microfinance” of the Microfinance Centre for Central and Eastern Europe and the New Independent States (www.mfc.org.pl). The project was sponsored by the Ford Foundation and implemented in cooperation with the Imp-Act Consortium, Microfinance Opportunities, MicroSave and Eda Rural Systems India. The tool was pilot tested with two MFIs – AgroInvest (Serbia, Montenegro) and ASHI (the Philippines). For more information, please visit www.mfc.org.pl.

This article is a condensed version of the “Quality Audit Tool for Managing Social Performance Overview” published by the Microfinance Centre for Central and Eastern Europe and the New Independent States as part of the From Mission to Action Management Series.

PLC BRINGS SPM TO THE NEXT LEVEL THROUGH THE OPERATIONALIZING STRATEGIES ON SPM WORKSHOP



Led by the Microfinance Council of the Philippines (MCPI), a number of SPM Peer Learning Community (PLC) microfinance institutions (MFIs) representatives gathered last February 9-11, 2010 for the Operationalizing Strategies on SPM Workshop. Seeking to address the barriers to SPM that were identified during the first PLC gathering last August 2009, the workshop was organized in order to help the MFIs gain top management buy-in for SPM, and to guide the MFIs toward identifying areas in their operations that they need to adjust in order to support the implementation of SPM.

The 3-day workshop covered the following topics: **Strategic Framework: A Review, The MFI's Business Strategy and SPM, Applications of SPM in the areas of Operations and Finance, Human Resources and Management Information Systems, and Change Management: Creating an SPM Culture within the MFI.** A wrap-up discussion was conducted at the end of the workshop to outline PLC's next steps and priorities.

The success of the workshop affirmed that SPM-PLC members have gone beyond SPM advocacy and are really committed to SPM implementation. From the experiences shared throughout the event, it was also determined that MFIs were at different levels of SPM in terms of understanding and implementation. This situation called for a subject-specific approach to each MFI.

The 3-day workshop was facilitated by Prof. Ronald Chua (Asian Institute of Management), Dr. Juan Kanapi (Asian Institute of Management) and Marie Valdez (Grameen Foundation).

Complete proceedings of the Operationalizing Strategies on SPM workshop are available through MCPI. Please contact Kakay Rico at 631-6184 or through email, kakay.rico@microfinancecouncil.org

PPI DATA ANALYSIS WORKSHOP

The Progress out of Poverty Index (PPI) scorecard is a simple, 10 question tool which gauges a client's level of poverty in between loan cycles. Sample indicators in the scorecard are number of dependents, number of salaried employees in the household, appliances owned, and material of house's wall and roof. The PPI is a useful tool which supports SPM initiatives.

The Grameen Foundation conducted a 2-day PPI Data Analysis Training Workshop from January 27-28, 2010 for MFI staff responsible for data analysis. The content of the workshop was specifically designed to match the skill levels of the participants which were determined through a pre-workshop survey. The learning methods included lectures and hands-on exercises that taught the participants how to compute for the poverty distribution of a group, interpret PPI tables, conduct PPI data analysis, and how to communicate PPI results.

SPM AND PPI OVERVIEW

The workshop was opened by a short introduction to social performance management (SPM) and a lecture on PPI Overview and Fundamentals. Philippine PPI indicators are selected from the Philippines' Annual Poverty Indicators Survey (APIS). It was emphasized that microfinance institutions (MFIs) should closely manage their Management Information System (MIS) to ensure accuracy and usefulness of their PPI tool since the APIS changes over time. It is also essential that the poverty table an MFI uses must correspond to their chosen benchmark and must be consistent throughout a particular period so that data can be objectively compared.

DATA ANALYSIS

Participants were also given a short lecture on the Data Analysis Cycle. The cycle starts with: (1) defining information needs, followed by (2) collecting accurate data, (3) processing and analyzing data, (4) reporting results, and (5) making decisions and asking questions. A monitoring checklist was also supplied to help the analysts ensure the accuracy of data gathered.

PPI data may be gathered from different groups of clients at one point in time or over different time intervals depending on the type of evaluation an MFI chooses. A special Microsoft Excel program was also made available to compute for the ideal sample size for an MFI's specific need.

Useful data analysis relies on complete and clean data. During the process, MFIs should make sure that all 10 questions of the PPI actually make sense and are answered accurately by the respondents, that sample clients are really "active" clients, and that PPI scores are date-stamped to assist in longitudinal analysis.

After the lecture, participants were given a series of hands-on and take home exercises for practice. The results of the assignments were discussed on Day 2 of the workshop.

COMMUNICATING PPI RESULTS

Once data has been processed and analyzed, one must take into account the purpose of the information and its target audience prior to creating the presentation. A useful tool for designing a data presentation was the communication plan template supplied during the workshop. The table outlines an MFI's target audience, information needs, content, how often the information should be provided (frequency), communication channel, and who will present

PEER LEARNING COMMUNITY

The PPI Data Analysis is part of the SPM Peer Learning Community (PLC) Workshop Series. The SPM PLC is convened by the Microfinance Council of the Philippines, Inc. and co-convened by Oikocredit and Grameen Foundation.

The SPM-PLC which started in March 2009, has been a venue for exchange and documentation of learning, experiences and practices in social performance management.



ASHI CONNECTS WITH EMPLOYEES THROUGH “FAMILY TIME”

The Circle Dossier

Ahon sa Hirap Foundation, Inc:

Year started: 1992

Members: 19,049

Target Clients: Women

The Ahon sa Hirap Foundation, Inc. is committed to Social Management Performance – declaring that client welfare should be “protected over and above watching the financial bottomline”. ASHI measures its sustainability on three levels, (1) sustainability of members or clients, (2) sustainability of the institution, and (3) sustainability of the staff.

Ensuring staff sustainability is a big factor in preserving the culture and the quality of service given by an organization. At ASHI, the HR Department is tasked to keep the staff happy and motivated by giving several incentives, encouraging participative discussions, and policy implementation.

At the end of each ASHI management meeting, the ASHI employees stick around for a little bit of “Family Time”. During these informal gatherings, employee suggestions, ideas, and grievances are put out in the open for appropriate action by the organization. According to Ms. Mila Mercado-Bunker, ASHI President, the Family Time is patterned from a labor management strategy which promotes an open line of communication between employees and management. “Nothing can be of conflict if you put everything in the open,” she says.

Most of ASHI’s institutionalized staff incentives stemmed from participatory discussions during Family Time. These include the following: health/ medical benefits, retirement fund, and micro-loans for employees.

TOO MUCH?

However, giving employees too much can also be detrimental to performance. “Because we regularize employees and give across-the-board benefits, sometimes staff do not perform anymore, nagiging kampante na sila,” (they become overconfident) says Ms. Mercado-Bunker. With this, there has to be some checks and balances to the type of incentives given.

Performance based rewards are also given to those who did extraordinary work over one year during the annual ASHI Gawad Parangal. Employees at a certain level are also qualified to avail of the continuing education benefits. Staff has also suggested rewards like team outings and overnight hotel stays for top performers. “Family

Time” allowed the employees to be more vocal about their needs and management to easily access this information. Suggestions given during “Family Time” are thoroughly discussed by management for feasibility, and if approved, are institutionalized in company policies.

ALIGNMENT BETWEEN PERSONAL AND ORGANIZATIONAL GOALS AND VALUES

This ASHI culture of open communication and its 5 core values of integrity, passion, excellence, dignity and honesty are already impressed upon employees during the hiring and training process even before they formally join ASHI. Shares Ms. Mercado-Bunker, “During the training process, we want to know how their personal goals and values match ASHI goals and values.” If personal goals match the organization’s goals, there is a slight assurance that an employee will stay motivated and committed to the organization, “We ask them, why do you want to be in ASHI? What are your goals? How do you see yourself helping the poor? What is your ambition for the poor?” she added.

Aside from early organizational values inculcation, trainees are also exposed to field work and the principles of Social Performance Management. “We weed out (differently-motivated) employees during the training stage. This way, we are assured that those who are left behind are committed to the way we do things,” says Ms. Mercado-Bunker.

A WORK IN PROGRESS

Staff motivation and values education in ASHI or anywhere else is a work in progress. These cannot be achieved through a one time training or through one cycle of participatory discussions. ASHI succeeds in this process by encouraging management to be committed to “transfer” organizational values and culture through modeling, leading by example, and building good relationships with employees through open communication.

PHILIPPINE MFIS COME TOGETHER IN SOCIAL INVESTMENT WORKSHOP

Planet Rating and Grameen Foundation, in cooperation with the Microfinance Council of the Philippines and Oikocredit, brought together microfinance investors and practitioners in a regional workshop on the emerging trends of social investments in microfinance. The workshop is the third module of the Capital Access Workshop Series and was held at the AIM Conference Center Makati last January 29, 2010. The event enabled participants to listen to educational discussions and to learn from the experiences of co-participants, organizers, and guests.

The Social Investment Forum Series started with its first module on Evaluating Risks and Performance of MFIs: A Rating Perspective last April 2009, and its second module on An Investment Banker's Guide to Financing your MFI's growth strategy last September 2009, the Capital Access Workshop Series aims to: (1) provide insights on microfinance benchmarks and international best practices; (2) help MFIs think more strategically about their capitalization needs, their fundraising approach and mitigation of market and liquidity risks; (3) highlight newly emerging funding and liquidity challenges specific to the microfinance sector and taking into account the adverse impact of the financial crisis; (4) provide a venue for microfinance practitioners in the Philippines to interact and network with various national and international stakeholders, and; (5) build a vibrant community of microfinance stakeholders committed to promoting viable financial institutions that serve the poor.

Module 3, "Social Investment in Microfinance" specifically aimed to raise awareness on social investment and create understanding of the social investment landscape, facilitate sharing of experiences and best practices on social investment and SPM, and to identify intermediary players who can assist MFIs in embracing their social performance.

During the first half of the workshop, Planet Rating led a presentation entitled the "Overview of the Evolution of the Microfinance Landscape and Reasons behind the Growth of Social Investments." This was followed by a panel discussion on the Role of Social Investors, facilitated by Dina Pons of Planet Rating. The panel was composed of Meldy Pelejo (Oikocredit), Rico Muñoz (Kiva) and Anne Marie Torres (Foundation for Sustainable Society, Inc. - FSSI).

The afternoon session was highlighted by an interactive session where MFIs and technical assistance providers described their activities, experiences and learnings in SPM and in accessing funds from social investors. The experience sharing was facilitated by Christopher Lomboy of Grameen Foundation and participated in by Zoraida Libunao (Alalay sa Kaunlaran, Inc.), Lysette Asombrado (Paglaum Multi-Purpose Cooperative), Tomas Gomez IV (GM Bank), Mary Jo Kochendorfer (Grameen Foundation), Dina Pons (Planet Rating) and Ron Bevacqua (PlaNet Finance). The panel focused on sharing their experiences on motivations and constraints toward SPM implementation. After the wrap-up and synthesis late in the afternoon, MFIs interested in social investment and SPM were given the opportunity to have one-on-one consultations with social investors and technical assistance providers.

A total of 43 participants from 32 organizations attended the event.

Complete proceedings of the Social Investment Forum are available through MCPI. Please contact Kakay Rico at 631-6184 or through email, kakay.rico@microfinancecouncil.org

CLIENT PROTECTION: THE SMART THING TO DO



“Protecting clients is not only the right thing to do, it’s the smart thing to do.” - is the key statement at the heart of the Smart Microfinance Campaign. The advocacy campaign is being led by microfinance leaders from all over the world who aim to promote client protection through six defined Client Protection Principles:

1. Avoidance of Over-indebtedness – Smart Microfinance is working with clients to so they do not borrow more money than they can repay or use products that they do not need.

2. Transparent or Responsible pricing – Smart Microfinance is being fully transparent in the pricing, terms, and conditions of all financial products. Responsible pricing means that pricing and loan terms and conditions are set in a way that is affordable to clients and sustainable for financial institutions.

3. Appropriate Collections Practices – Smart Microfinance employs respectful collection practices. Debt collection practices will neither be abusive nor coercive.

4. Ethical Staff Behavior – Smart Microfinance adopts high ethical standards in the treatment of clients. Adequate safeguards will be put in place to detect and address corruption and mistreatment of clients.

5. Mechanisms for Redress of Grievances – Smart Microfinance gives clients a way to address their complaints so they can be served more effectively.

6. Privacy of Client Data – Smart Microfinance ensures client data remains private and that such data cannot be used without the express permission of the client.

The campaign is pushing these principles to stand as the minimum standards that clients should expect to receive while doing business with an MFI. Knowing the paying capacities of your client and putting in place measures on appropriate treatment not only makes it easier for them but advantageous to the MFI business as well. Alignment with the core principles will enable MFIs to build strong, lasting relationships with clients, increase client retention, and reduce financial risk. Healthier clients also mean better returns and a more robust portfolio for the MFI.

The Smart Campaign is being led by an international steering committee composed of the Consultative Group to Assist the Poor (CGAP) at the World Bank, Deutsche Bank Social Investment Group, the World Savings Bank Institute, WWB Colombia, KfW (Germany), Ujjivan (India), CARD Bank (Philippines), the Microfinance Centre (Eastern Europe and Former Soviet Union), and Fonkoze (Haiti). The Campaign is housed at ACCION International's Center for Financial Inclusion.

GET INVOLVED

The Smart Campaign is inviting MFIs and MFI related institutions such as networks, donors, investors and supporters worldwide to endorse the Campaign and participate in a self assessment based on the Client Protection Principles. The Campaign also serves as a one-stop shop for tools and resources to better help MFIs incorporate the Client Protection Principles into their operations and ensure transparency and fair treatment of clients.

For microfinance institutions, endorsement begins with self assessment and identification of areas for improvement, and the active promotion of Smart Microfinance and six core principles among staff. The assessment, usually conducted with the help of an external consultant to keep things objective, identifies good practices as well as adequate or weak ones and serves as a guide for management review and decision making. The Smart Campaign has crafted a Self Assessment Guide for this purpose.

For networks and associations, endorsement means engaging with other like-minded organizations to promote the Campaign's goals and principles. Investors and donors can participate through their commitment to support providers of financial services that adequately protect their clients by integrating the core principles into their operations. Supporting organizations and individuals are encouraged to personally practice Smart Microfinance within their organizations whenever applicable.

Start getting "smarter" on client protection by visiting the Smart Campaign website at <http://www.smartcampaign.org>.



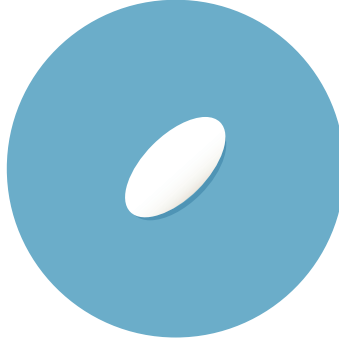
CONSULTATIVE DIALOGUE ON PRICING TRANSPARENCY

A Consultative Dialogue on Pricing Transparency was organized by MCPI and the Bangko Sentral ng Pilipinas last March 17, 2010 at the Diamond Hotel, Manila.

The objectives of the dialogue were to raise the level of awareness and understanding of MCPI members on issues related to pricing transparency, solicit MFI views and perspectives and identify succeeding steps towards achieving a consensus on the network's position on these issues. A number of good practices were revealed during the discussion. All agreed that there needs to be an industry-accepted methodology. The BSP expressed its intention to come up with a regulation unless the microfinance community collectively adopts a common practice. The dialogue ended with MCPI's pledge of taking the lead in building an industry-wide consensus on the pricing transparency.

FORUM ON THE CREDIT INFORMATION SYSTEM ACT

MCPI held a forum on the Credit Information System Act (CISA) last March 17, 2010. The forum served as an opportunity for participants to raise questions and/or issues on the CISA and its implementing rules and regulations. Securities and Exchange Commission Chairperson Fe Barin served as resource speaker. She provided a background and timeline on the status of implementation of the CISA. Although slightly apprehensive, the MFIs present expressed general support for the CISA. The forum ended with MCPI encouraging the microfinance community to participate in the credit information system as a way to enhance efficiency in microfinance operations and to better serve the clients.



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