

CIRCLE

THE OFFICIAL NEWSLETTER
ON MCPPI'S SPM ADVOCACY

April 2012
Volume 3 Issue 1

IN THIS ISSUE

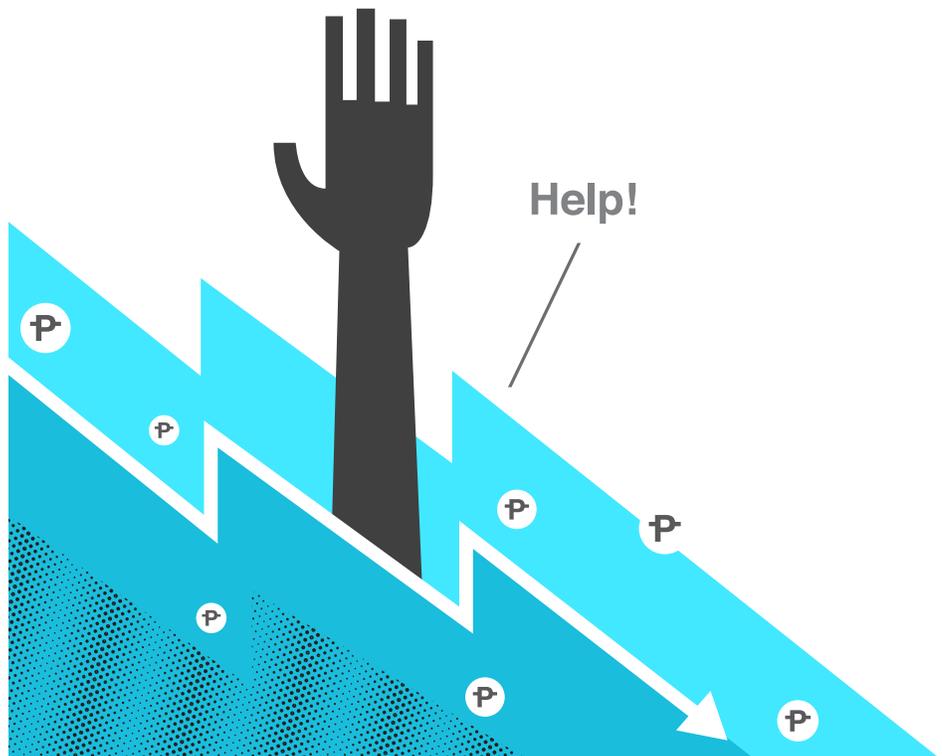
A Work in Progress-
The Six Standards of SPM

ASKI: SPM Starts with the
Right People

Cantilan Bank: Listening
to Clients 24/7

The Poverty Outreach
Report

MicroSave: Making
Clients' Lives Better, not
Bitter



A WORK IN PROGRESS-THE SIX STANDARDS OF SPM



Just last month, the Social Performance Task Force (SPTF) released the revised Universal Standards for Social Performance Management (USSPM), after a year of consultations, drafting and feedback. There are now six standards that establish the understanding of social performance management by microfinance stakeholders across the globe. These universal standards are fundamental requirements for double and triple bottom line MFIs in achieving their social goals.

The emphasis on social goals stems from the need to refocus on the clients. In some microfinance institutions, these goals – a. serving increasing number of poorer and more excluded people sustainably; b. improving the quality and appropriateness of financial services

available to target clients through systematic assessment of their specific needs; c. creating benefits for clients of microfinance, their families and communities in terms of: increasing social capital, assets, income and access to services; reducing vulnerability; and fulfilling basic needs; and d. improving the social responsibility of the MFI towards its clients, its employees, and the community it serves - may have been relegated to the sidelines as efforts are focused on the financial sustainability of the organization. Thus the standards were developed to guide the MFIs as they strive to balance sustainability and social responsibility.

The following is the proposed universal standards for social performance that sets prerequisites for management policies, procedures and operations required of an organization for the achievement of its social goals:

1. Define and monitor target clients and social goals.
2. Ensure Board, Management, and Employee Commitment to Social Performance.
3. Protect Clients' Rights.
4. Design Products, Services, Delivery Models, and Channels that respond to Clients' Needs and Preferences.
5. Treat Employees Responsibly.
6. Balance Social and Financial Returns

Each standard will have supporting information such as Rationale, Diagnostic Indicators, and Benchmarks that are being developed as of this writing. An example of which is the chart below.

	PROPOSED STANDARD	RATIONALE	DIAGNOSTIC INDICATORS	BENCHMARKS
<i>Ensure Board, Management, and Employee Commitment to Social Performance</i>				
2a.	Members of the Board of Directors are committed to the institution's social mission	As the ultimate strategy-setting body for the institution, the Board must be fully committed to achieving the institution's social mission.	<ul style="list-style-type: none"> • The Board includes members with expertise in some aspect of social performance (for example, field work, human resources, advocacy, etc.) • Each Board member receives a social performance orientation upon joining the board. • Board members have a mechanism for making contact with clients on a regular basis (for example, field visits, Board meetings with client representatives, etc.) 	<ul style="list-style-type: none"> • 20% of Board members have at least 5 years of field-level experience MIX indicator(s): • Does your Board of Directors have a formal committee that monitors social performance? yes / no

The rationale provides the explanation on why it is important to achieve the standard. The diagnostic indicators are process indicators that assess whether a MFI has implemented the standard, while the benchmarks define the level of performance that an organization would have to meet or exceed in order to achieve the fundamental performance vis-à-vis the standard.

Compliance to social performance standards is not mandatory but it is something that funders, donors, social raters, auditors, and networks will look into - when choosing investees; assessing SPM capacity-building needs of the investees; for rating and auditing processes; and

when evaluating the social performance of partner-MFIs for decisions on capacity-building, partnership agreements and funding purposes.

For the MFI, more than the standards being a tool for self-regulation and strategic social performance management, the practice of which underscores the sincerity of the organization to achieve its “social” bottomline, thereby creating an environment that is beneficial to the MFI AND the client.

The Universal Standards for Social Performance Management is a work in progress. If you want to be involved and contribute to the development of the standards, you may join one of the working groups: 1) Social Goals and Target Clients; 2) Governance; 3) Products and Services That Meet Client Needs; 4) Treat Employees Responsibly; and 5) Balancing Social and Financial Returns. You may e-mail Amelia Greenberg of SPTF (ameliagreenberg@sptf.info) to join any of the working groups.

You may send feedback to the proposed standards for social performance to <https://www.surveymonkey.com/s/SBT2RZM>. Complete discussion of the USSPM is found in the SPTF website www.sptf.info.

“Double bottom line” refers to socially responsible enterprises and investments that measure their performance in terms of positive social impact, as well as the more traditional financial bottom line of financial profit or loss. “Triple bottom line”—also sometimes referred to as “people, planet, profit”—goes further by adding environmental accountability into business—or investor-level performance metrics.
(source: CGAP Focus Note # 73, September 2011)



CANTILAN BANK: LISTENING TO CLIENTS 24/7

Banking on the convenience brought about by the mobile phone technology, and the popularity of social networking sites like Facebook, Cantilan Bank, Inc. (CBI) in Surigao del Sur has been able to address its weakest area in terms of client protection-addressing grievances.

In 2009, when Cantilan Bank underwent a guided-self assessment on Client Protection Principles under the Beyond Codes Project with Accion International, the Microfinance Council of the Philippines, Inc. (MCPI), and Microenterprise Access to Banking Services (MABS), it recognized that it had to strengthen its overall management performance-especially addressing complaints-to retain its position as a leading force in the community banking industry.

The assessment revealed that Cantilan Bank had no written policy on customer complaints-handling; most complaints were received through hearsay; the bank had no grievance committee; complaints were not properly documented; and clients were reluctant to write and drop their comments in the drop box.

In 2010, after developing comprehensive and proactive guidelines in complaints-handling and resolution, CBI launched its Customer Service feedback mechanism which was initially piloted in two branches and was later rolled out to fourteen branches and OBOs.

In getting feedback, CBI uses text messaging and Facebook. SMS Gateway is a two-way communication system where all Cantilan Bank clients enrolled in the system receive bank-related information through their mobile phones; and the bank also receives messages from clients. Cantilan Bank's Facebook account posts updates and retrieves messages and comments from "friends".

Positive comments like "(the bank) has good customer service"; "excellent product and services"; "able to explain loan procedure to clients"; and "employees are accommodating and courteous", give Cantilan bank a clearer idea of its strength.

On the other hand, and the concern that need immediate attention, are the feedback like "no priority number and signage



in the teller's counter for senior citizens"; "additional teller for fast service"; "loan processing is lousy"; and "delay on release of loans". They tell the bank what needs improvement and often times they include how to work on them, in the process also addressing ethical staff behavior.

Even seemingly trivial comments like "clean office" and "aircon is weak" give the bank an idea of the added value that the client would like to experience when doing business with the institution.

CBI has an administrator for its SMS Gateway and Facebook account who retrieves messages from clients. He then forwards them to the person tasked to screen and qualify the messages; after which, they are immediately forwarded to the concerned division that in turn recommends proper action. Once recommendation is approved by the management, concerned division undertakes the action and the text messaging and Facebook administrator sends a reply to the message, query, or complaint.

There are instances that feedback is not clear and/or basic information about the customer is not complete thus it becomes difficult to assess the validity of the complaint and solution to it is delayed. But most of the time, text messaging and Facebook provide a fast and widely available platform to air not just grievance but positive feedback about the organization. They work very well for Cantilan Bank that it has continuously listens to and acts on valid complaints of the clients.

Getting feedback from clients is essential for an industry like microfinance to thrive since most of the dealings concern the clients. Having a mechanism to address suggestions and resolve issues allows an MFI to ensure that its products, services, and support to clients are all on the right path. Feedback help in keeping a MFI on track with the decisions that go along with their clients' needs and interests.



MICROSAVE: MAKING CLIENTS' LIVES BETTER, NOT BITTER

The title of this article comes from one of the participants in a Virtual Conference (VC) that set out to spread understanding about multiple borrowing and avoidance of over-indebtedness among microfinance clients. Over 380 participants from all over the world exchanged ideas and experiences on the subject with representatives from the Consultative Group to Assist the Poor (CGAP), the Institute for Financial Management and Research (IFMR), and MicroSave as well as other leading organisations from across the globe; alternately moderating and facilitating the discussion over two days, from 12-13th January 2012. This turned out to be a good way to start a new year – to bring together microfinance stakeholders to reflect and look at how the industry can improve to help clients make their lives better.

It was recognised at the VC that both clients and MFIs contribute to the increasing incidence of over-indebtedness. Offering easy credit in response to aggressive targets may have brought about MFI growth - but for how long? Taking easy credit beyond one's repayment capacity may have provided relief to the client in time of need - but at what cost?

The VC went on to discuss the current ways adopted by MFIs to address over-indebtedness. As is common in many businesses, a resounding call was made to go back to basics in sound lending practices. Regardless of the country you operate, this means being diligent and thorough in the assessment of the client's repayment capacity. Such assessment can take various forms depending on local situation - from cash flow analysis, preparing income projections, performing detailed credit and business investigation, to designing and adopting borrower's risk rating tools.

Moreover, due diligence entails use of more than one but a combination of these tools to provide cross check or to validate elusive information related to the client's overall debt status, business condition and income situation, including that of her household and the seasonality of income. It also implies getting information direct from the client and from her neighbours, family, friends, community elders and leaders, and other creditors.

Participants raised the alarm not to rely solely on the repayment track record of existing clients as basis for granting subsequent and usually higher-sized loans. MFIs that take the effort of knowing where the clients get their loan repayment instalments have learned that it is not always because of having a steady flow of business and household income. More than a few clients make sacrifices to be able to maintain good repayment record - foregoing food or taking additional loans are just two of these.

Measurement of clients' repayment capacity using ratios such as debt to income ratio and debt to asset ratio, and loan threshold in terms of amount or number of loans are likewise considered "useful but imperfect attempts" due to information asymmetry, among others. In cases like these, other participants pointed out the choice of credit methodology as another means to instill credit discipline. A community-based model was highlighted for its transparency of information that enjoins its members to prepare

repayment schedules. This practice makes every member fully aware of who have taken loans and how much. Since the community bears the credit risk, members take it upon themselves to review loan thresholds of borrowers and make informed decisions based on familiarity of members' financial situations. The standard group lending model also provides a mechanism for guarantors to screen the member's character and the capacity to pay, ensuring a check on the credit worthiness of the borrower.

All these measures to apply rigorous analysis on loan applications require time, money and well-trained staff. With the increasing incidence of over-indebtedness of clients however, MFI participants seem to have embraced the need to do this, whatever the loan size and credit methodology. Still, many other MFIs have not made the decision to conduct such rigorous analysis for smaller loan sizes, particularly for clients in the group lending model.

From the rich exchange of ideas and experiences, what has also surfaced is that these responses are not yet enough to help clients avoid over-indebtedness. Responsible financing moreover calls for MFIs to improve their standard and 'rigid' credit features (e.g. fixed and generally small loan size and repayment schedule) and the range of products. This call emanates from the need to better understand the client and her life cycle needs. A better understanding of her cash flow situation and financial needs would help MFIs redesign their credit and complementary products such as financial literacy, insurance, and savings; making them truly client-oriented thus making clients' lives truly better.

Visit virtualconference.cgap.org for presentation of ideas, issues and practices shared by participants to understand and avoid over-indebtedness.

THE POVERTY OUTREACH REPORT

The Microfinance Council of the Philippines (MCPI), Grameen Foundation, Oikocredit, and the Mindanao Microfinance Council (MMC) are collaborating on a project that aims to describe the state of the poverty outreach of selected partner microfinance institutions (MFIs) using the Progress out of Poverty Index (PPI) in the Philippines. This initiative focuses on one area of social performance management – reaching target clients.

Through ten participating MFIs, PPI scores on over 800,000 clients across the country were collected and analyzed for this report. It describes the depth and breadth of outreach in terms of extending services to households living below the poverty line. It hopes to inform microfinance practitioners, advocates, and supporters of the current state of outreach, and advance discussions in the industry towards more effective social performance management.

The report is set to be released by June 2012. For further details on the poverty outreach report and the PPI, you may e-mail Cris Lomboy of Grameen Foundation (clomboy@grameenfoundation.org).

ASKI: SPM STARTS WITH THE RIGHT PEOPLE



For Alalay sa Kaunlaran, Inc. (ASKI), human resource is the key element in social performance management. It believes that SPM is not possible without good human resource process. This is the reason why social performance monitoring is integrated in the job description and performance appraisal of its employees. But prior to these, getting the right people for the job already entails an intensive process as it makes sure that the best service is delivered by staff who shares the mission of the institution. After all, as ASKI says, “ang buhay ng organisasyon ay ang tao” (the life of the organization is its people).

During the screening process, an applicant must show her preparedness to do development work. An applicant who passed the basic requirements and who is considered for the job will undergo a 5-day work exposure prior to contract signing. This will give her the feel of the job that would help her decide if it is the job for her.

Once hired, instilling SPM starts with its integration in the training curriculum of the new employee. For permanent staff, SPM is reinforced through refresher courses. Roles in SPM are also discussed in Supervisory and Management training. During HR sessions, “Dos and Don’ts” for ASKI employees are also discussed. After the training, they sign the “Dos and Don’ts” for ASKI Employees, signifying understanding of the importance of said rules.

As ASKI strives to practice SPM, so does it endeavour to give emphasis on the well-being of the most important resource of the organization. Each personnel should be treated with respect and dignity. To strengthen the values and attitudes that are important to ASKI, there are daily devotions, retreat and recollection for employees. ASKI also engages the families of its employees through its family day.

Regular conduct of performance appraisal and interview where strengths, contributions and accomplishments are highlighted; giving appropriate salaries and benefits; meetings to address employee concerns and needs; annual conduct of employee satisfaction survey; and mechanism for employee feedback when they do not feel safe talking to their head

illustrate ASKI's high regard for its human resource. These translate to better performance by staff and the subsequent milestones in SPM, among others, an "A" Social Rating by Microfinanza which describes ASKI as having a good capacity to effectively translate its mission into practice and to promote social values. It has very high likelihood of achieving its social goals.

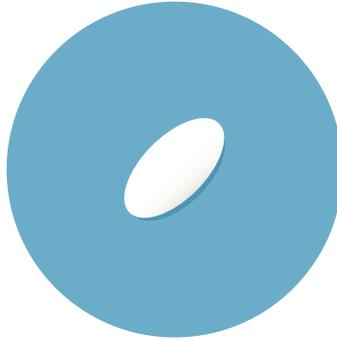
As it makes progress in its over-all SP initiatives, ASKI undertakes review of its products and services; includes SP in Staff Incentive System and Appraisal Report; it reviews monitoring and reporting tools to include SP information; also of MIS to include SP information in encoding and automated reporting; uses PPI to understand profile of and track poverty movement of clients; organizes workshop with the MANCOM and BOT to plot SPM Plan of the organization; and forms its SPM Committee.



Documentation of these processes to ensure compliance also contributes to a successful SPM practice that should be able to address challenges as they come.

Integration of Social Performance in human resource depends on what the organizations want to accomplish. ASKI believes that human resource is the driver of an organization that thrives in a competitive industry. It has incorporated motivations into their human resource processes which are supportive to instilling a pro-poor and client-centered culture.

ASKI finds ways to assess applicants' commitment to ASKI's social mission. It continuously reorient staff on the very essence of ASKI as a microfinance institution. Lastly, ASKI recognizes that it has a social responsibility towards its employees. Happy employees are productive individuals who treat clients properly.



CIRCLE

THE OFFICIAL NEWSLETTER
ON MCPI'S SPM ADVOCACY

