



# Social Performance Indicators

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**Microfinance Information Exchange, Inc.**

Station touristique Duchesnay , October 9<sup>th</sup> 2008



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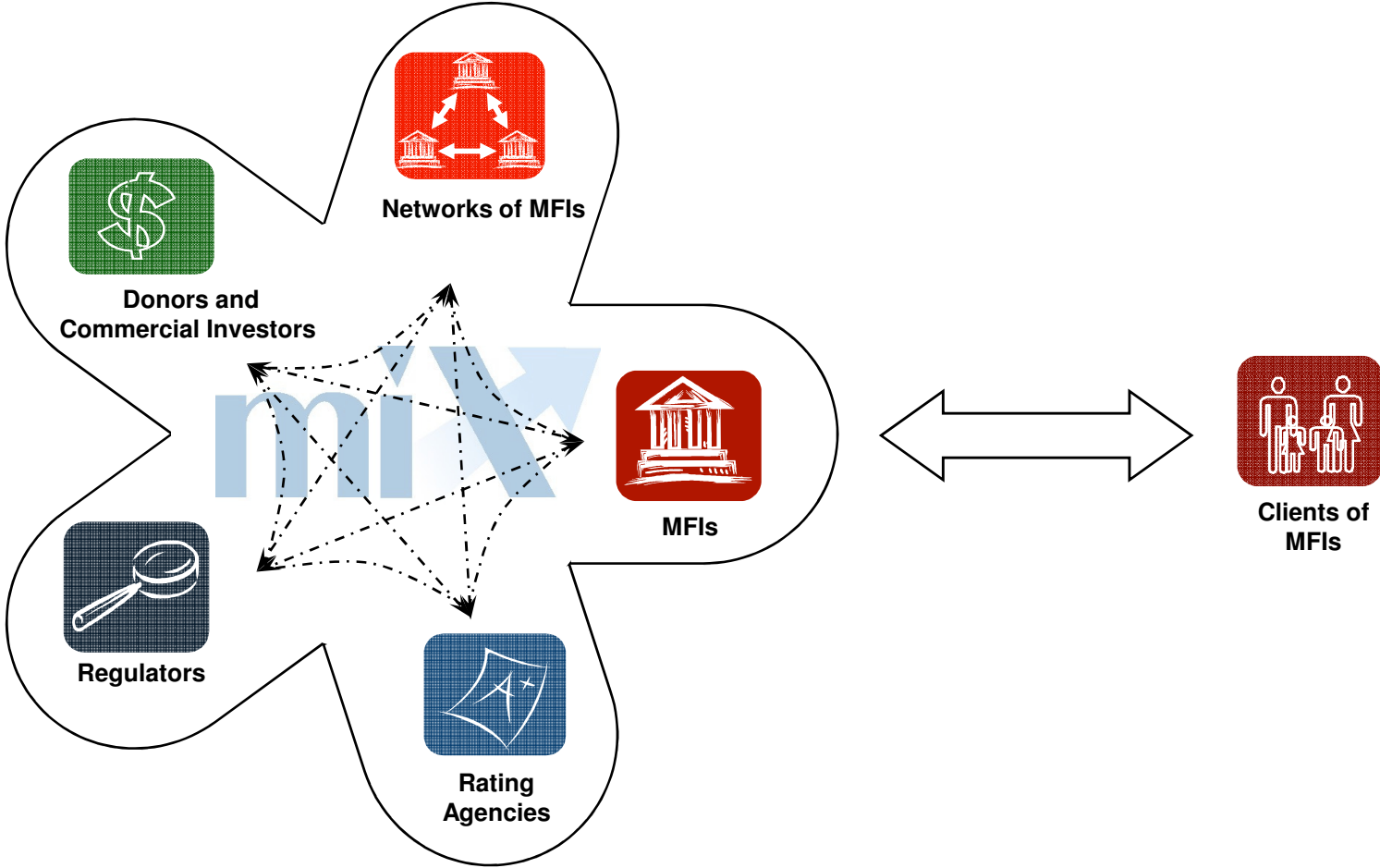
**About MIX:** MIX is a not-for-profit private organization dedicated to promoting *transparency* and *standardization* throughout the microfinance industry and *improving financial and social performance* at the institutional level

**Our sponsors:**

- CGAP
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## WHAT MIX DOES:

- Collect the most up-to-date performance data from MFIs
- Establish benchmarks and trends using historical and current data
- Produce regional and country analyses every year
- Make the data and business information available to the public via **MIX Market** and the **MicroBanking Bulletin** and other publications

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The double bottom line goal of an MFI requires the promotion of both *financial and social performance standards* in the microfinance industry

## **The work of MIX on Social Performance (SP):**

- Lead the process of creation of a core set of indicators for the microfinance industry that can be standardized and reported globally
- Collect data on Social Performance Standards (SPS) from MFIs and make them available to the public via MIX Market
- Improve SP benchmarks for MFIs. These benchmarks will also be integrated into the MicroBanking Bulletin
- Disseminate and promote information sharing and news about SPS in various languages

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**The Social Performance Task Force (SPTF) was created in 2005 with the objectives of:**

- Defining social performance and addressing questions about measuring and managing SP
- Working towards developing standards and guidelines for SP
- Helping MFIs to better manage their SP and be more focused on their social goals
- Improving the quality of services to clients
- Attracting more funds from donors and social investors to the sector.

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## **Task Force priorities in choosing the indicators:**

- Short list: there should only be a limited number of indicators (now 25) to minimize the burden on MFIs. MFIs do not need to report on all indicators, but only those that make sense for them
- Easy to report on for MFIs: ideally, drawing from data already captured by their systems, or can easily be added
- Easy to be verified by third parties, but not need external sources to collect the data
- Globally comparable

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## Challenges for the SPTF:

- Select simple and low-cost indicators, but at the same time rigorous and relevant on a global scale, taking into consideration the different regional and national contexts
- Reach an agreement on the indicators among the actors involved
- Make MFIs report the indicators
- Make Funders/Networks willing to promote SP
- Make Raters willing and able to review SP



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## **Selection of the indicators: a participative process in the SPTF**

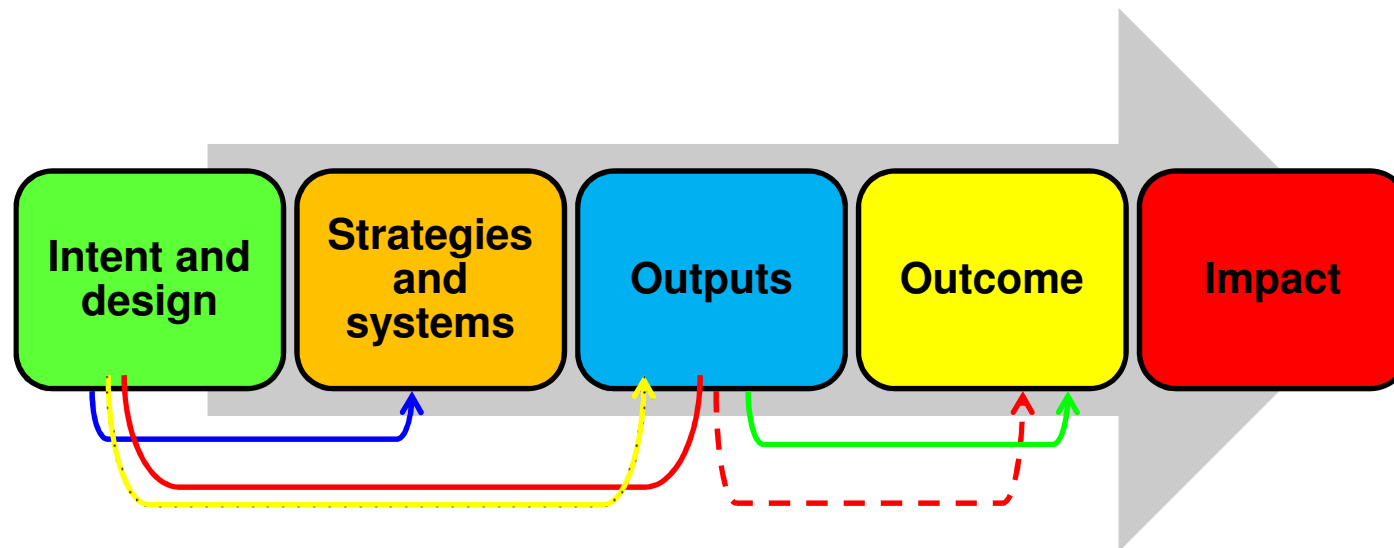
- November 2006: formation of the social performance sub-committees
- April – May 2007: first survey (220 participants).
- June 2007: meeting of the SPTF in Paris.
- July – October 2007: definition of the SP standards
- January - March 2008: pilot survey of the indicators (57 participants)
- June 2008: meeting of the SPTF in Paris

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**Social performance is the effective translation of an institution mission into practice in line with accepted social goals that relate to:**

- Reaching poorer and excluded clients
- Improving the lives of clients and their families
- Widening the range of opportunities for communities



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## The indicators fall into four different types:

- Context indicators: e.g. country and regional development indicators, services offered, MFI institutional profile, client outreach, etc.
- Process indicators: e.g. whether MFI conducts market research, whether MFI discloses effective interest rate, length of group meetings, types of collateral taken, MFI contributions to community, compliance with environmental standards, pay ratio male to female, percentage of females in management, staff turnover, etc.
- Outcome indicators: Millennium Development Goal indicators that measure household, enterprise, or individual outcomes

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## The Pilot Survey

<b>Institutions contacted</b>		
<b>Region</b>	<b>#</b>	<b>%</b>
EAP	15	14%
ECA	14	13%
Latin America	31	29%
MENA	8	7%
South Asia	21	20%
SS Africa	18	17%
<b>Total</b>	<b>107</b>	<b>100%</b>

<b>Participants</b>		
<b>Region</b>	<b>#</b>	<b>%</b>
EAP	7	12%
ECA	5	9%
Latin America	20	35%
MENA	7	12%
South Asia	10	18%
SS Africa	8	14%
<b>Total</b>	<b>57</b>	<b>100%</b>

# Social Performance Indicators

[----- PROCESS -----] [----- RESULTS -----]

## Intent

- Mission & Social Goals
- Governance
- Values of Social Responsibility

## Strategies & Systems

- Range of services (financial and non financial) –
- Use of SP information by Board and Management
- Training on Mission
- Staff Incentives
- Market research: assessing clients satisfaction

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- Measuring client retention
- Poverty Assessment
- Services for women's empowerment

## Politics & Compliance

- Social responsibility to clients
- Cost of services to clients
- Social responsibility to staff

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- Social responsibility to community
- Social Responsibility to environment

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- Member governance

## Social outreach and outcomes

- Geographic outreach
- Women outreach

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- Poor and very poor clients
- Clients exit rate
- Clients Retention
- Households in poverty
- Households out of poverty

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- Outreach of socially marginalized people/communities
- Employment (Family & Hired in credit-supported enterprises)
- Children in school
- Women empowerment

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## PROCESS

### Intent:

#### **Q1 – Mission and Social Goals**

- Mission statement; Social goals included in the mission (outreach to poor and very poor, low income people, SMEs, underdeveloped areas, women outreach, and empowerment, outreach to social marginalized people and communities, employment creation); social marginalized communities/people

#### **Q2 – Governance**

- Experience and background of the management, specific training on SP; independence of the body of directors; executive compensation and achievement of social goals

#### **Q3 – Values of Social Responsibility (SR)**

- Policy for clients protection, social responsibility to community and environment

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## PROCESS

### Strategies and systems:

#### **Q4 – Range of Services (financial and non financial)**

- Financial products, non financial services, lending methodology

#### **Q5 – Use of social performance information by Board and Management**

- Management evaluation, use of data on SP on product development, marketing, strategy planning.

#### **Q6 – Training on mission (Staff training on social mission).**

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## PROCESS

### Strategy and systems:

**Q7 – Staff Incentives** (incentives related to social mission and values).

**Q8 – Market research** (systems for obtaining feedback from clients, clients satisfaction surveys).

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**Q9 – Clients retention** (exit/dropout rates, exit surveys or informal feedback of exiting clients).

**Q10 – Poverty evaluation** (methods of calculation of poverty levels of clients, methods of collection of information).

**Q11 – Services for women empowerment** (services that promote women empowerment)



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## RESULTS

### Politics and compliance

**Q12 – Social Responsibility to Clients** (fair treatment of clients )

**Q13 – Costs for clients** (transparency in pricing, information disclosure)

**Q14 – Social Responsibility to Staff** (elements included in its SR towards staff)

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**Q15 – Social Responsibility to Community** (elements includes in an MFI's politics of SR towards community).

**Q16 – Social Responsibility to environment** (elements included in an MFI's politics of SR towards environment).

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## RESULTS

### Achievement of Social goals

**Q17 – Geography** (percentage of clients living in different geographical areas).

**Q18 - Women** (percentage of women clients)

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**Q19 – Poor and very poor** (poverty rates according to national and international poverty lines)

**Q20 – Clients exit rate** (client exit/dropout rate)

**Q21 – Clients retention** ( clients still with the institution after 3 or 5 years)

**Q22 – Household in poverty** (clients still below the poverty lines)

**Q23 – Families out of poverty** (clients who moved above the poverty line)

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## CONTEXT

**A – Member governance** (board of elections, communication policies..)

**B – Outreach to socially marginalized people/communities** ( ethnic minorities, people with disabilities, youth, HIV-positive, women households...)

**C – Employment** (Families & Hired in SMEs, new jobs created. . .)

**D – Children in school** (girls and boys at secondary or primary school in countries where attendance is less than 90%)

**E – Women empowerment** (women in decision making position at local level, civic/ political participation...)

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## EXAMPLES OF INDICATORS:

### INTENT

- What is the mission statement of your institution?
- If your goal is outreach to socially marginalized/vulnerable people or communities, which of the following groups does your institution aim to reach? (ethnic minorities, indigenous population, people with disabilities, refugees, women head of families, widowed and divorced, specific tribes or castes, youth, HIV-positive)
- Does your management oversight include policies related to evaluating CEO performance and compensation?
- Do you have policies for “client protection”, social responsibility to staff, to community, to environment?

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## STRATEGIES AND SYSTEMS:

- Which financial and non financial products does your institution offer?
- Which individuals receive training on social mission? (field officers, management, board members, all staff..)
- Do you have staff performance incentives? What's your staff turnover rate?
- How do you obtain feedback from clients?

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## POLICIES AND COMPLIANCE:

- Do you have a grievance procedure for clients?
- Do you have a system to safeguard the privacy of the clients?
- Can you provide the effective interest rate? If yes provide the formula
- Do you have human resources policies or values which are part of operations?

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## ACHIEVEMENT OF SOCIAL GOALS:

- Can you report how many of your clients are poor/very poor? Which poverty line are you considering?
- What is your client exit rate? Client retention?
- How many households are in poverty after 3/5 years?

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## SPECIFIC TOPICS:

- Governance: Do you have regular all-member meetings?
- Children at school: How many daughters/sons of your clients aged 6-14 are going to school?
- Women empowerment: How many of your women clients sit in local councils/decision-making bodies?



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**After Paris: Steps ahead**



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## Next steps of MIX in Social Performance Standards program

- **PHASE 1:** Re-definition and extension of SP indicators
- **PHASE 2:** Having MFIs report to the MIX Market
- **PHASE 3:** Create a web space for SPS with news and link to a blog
- **PHASE 4:** Implementation of a new IT system and database for SP indicators

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## PHASE 1 (June - September 08):

- New version of the SPS report, in different languages, with re-definition and extension of the standards
- Creation of a glossary
- Feedback from the sub-committees

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## PHASE 2 (October - December 08):

- Design of an information packet regarding SPS in various languages
- Creation of a common space of discussion on SPS on the MIX website
- Distribution of the SPS report to MFIs and networks

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## **PHASE 3 (January - March 09)**

- Publication of the first results of the SPS report on the MIX Market
- Continuing with the promotion of the SPS through websites, seminars and training sessions

## **PHASE 4 (April 09)**

- MIX Market 2.0 for SPS and new database

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## Summing up: Goals of MIX in SPS

- Standardization
- Transparency
- In-depth database available to the public via the MIX Market
- Benchmarks to be integrated into the MicroBanking Bulletin

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**Thank you!**

For any question on the MIX Social Performance Programme

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