

# Social Performance Start-up Fund: *Emerging lessons and challenges*



MICROFINANCE CENTRE

## EXECUTIVE SUMMARY

The Social Performance Fund for Networks, implemented by the Microfinance Centre<sup>1</sup> and supported by the Ford Foundation, is an innovative mechanism designed to respond to two key needs within the microfinance social performance management (SPM) agenda: scale and sustainable local SPM support capacity. On aggregate, its first 24-month project met or exceeded the majority of its targets around outreach to microfinance institutions (MFIs) and results in terms of building the SPM capacity of networks and MFIs (see Table one, overleaf).

This case study has been written with networks in mind: those that are currently supporting SPM integration amongst their membership, and those interested in doing so in future. As such, it reflects on important lessons, including the importance of having a clear understanding of members' needs and priorities, developing an effective plan

to address these, continually building buy-in for the SPM agenda, and using social performance information to support organizational improvement and on-going advocacy work.

Beyond this, clear lessons for MFC (as the implementing agency), also emerge around how to select grantees, help grantees develop effective management oversight structures, and how to deliver effective content support. Finally, we highlight a few key insights of relevance to the industry-at-large, including the key role that networks play in the SPM scale-up process, and the applicability of the SPM agenda to networks themselves.

Practitioners interested in reading about the detailed experiences of selected grantees are directed to the complete Social Performance Start-Up Fund case study series, available on the MFC website<sup>2</sup>.

## INTRODUCTION

### Context

The Social Performance Fund (SP Fund)<sup>3</sup> was designed to respond to key challenges and opportunities within the global social performance management agenda. Firstly, it brought an element of scale to the mainstreaming process, by focusing on networks and leveraging grantees' relationships with their members to raise awareness and build capacity. Secondly, it sought to develop local, on-the-ground capacity to support MFIs through the continuous process of social performance management improvement.

The Fund was launched within the context of an industry in transition: SPM was a clear priority

both for practitioners and support organizations — however gaps in knowledge and practice presented considerable barriers to progress. Based on its own experience working within the Europe and Central Asia (ECA) region (and beyond), the MFC appreciated the important role that networks stood to play in the SPM mainstreaming process. In their view, networks offered access not only to microfinance institutions but also national-level regulatory and support agencies —relationships

1 The Microfinance Centre is a regional network for Europe and Central Asia with headquarters in Poland. Since 2005, MFC has provided SPM and social reporting capacity building to over 30 microfinance networks and 150 MFIs. MFC is a member of the *Imp-Act* Consortium and the Social Performance Task Force. For more information, visit [www.mfc.org.pl](http://www.mfc.org.pl)

2 [www.mfc.org.pl/en/publications/social-performance](http://www.mfc.org.pl/en/publications/social-performance)

3 For more information, visit [www.mfc.org.pl/en/content/sp-start-fund](http://www.mfc.org.pl/en/content/sp-start-fund)

4 The development of this case benefited from the input and insights of Katarzyna Pawlak (MFC), and Kinga Dąbrowska (MFC).

that could be leveraged to build consensus and momentum for the SPM agenda. By working simultaneously with multiple providers, especially those with similar needs/priorities, networks can provide support in a cost-effective way.

Importantly, the Microfinance Centre took the early decision to focus the first round of the SP Fund (so called “SP Start-up Fund”) on networks with little or no prior SPM experience. This decision recognized the fact that while a significant number of national

and regional networks were already linked into social performance management assistance available at the global level (from funders, or the Social Performance Task Force), a number of networks were still “off the radar”, despite their interest and commitment. MFC decided to focus its energies on these more marginalized organizations, understanding that they offered potentially greater returns in terms of strengthening sector transparency and practice improvement.

## Aims and objectives

**Table one : Project targets versus results**

INDICATOR	TARGET	RESULT
<b>Increase # of networks engaged in SPM and build local capacity to support SPM (objectives 1&amp;3)</b>		
# of inexperienced networks supported in SPM	16	20
# of local network staff, board members and local consultants trained	33	50
# of network SPM country-projects supported	11	13
Number of partnerships established by networks around SPM	11	13
<b>Building MFI capacity in SPM through networks (objective 2)</b>		
# MFIs supported in aligning systems/processes to social objectives	110	308
# participants participating in local capacity building events	220	389
# MFIs reporting on SP to MIX	110	286
# MFIs with improved SPM practice	25	87

The ultimate aim of the SP Start-up Fund was to improve industry-wide social performance management and transparency through supporting networks’ SPM work with their members<sup>5</sup>. Its core objectives were to:

1. Increase the number of networks implementing SPM-related activities with their members
2. Increase the number of networks’ member MFIs implementing, or strengthening current, SPM activities
3. Increase the number of staff, local consultants and trainers equipped to support the network and its members in SPM.

Additionally, the Fund worked towards a number of complementary objectives, seen as necessary for effective SPM scale-up, including:

1. Facilitating experience sharing among networks
2. Brokering information to help networks identify relevant SPM support for their members.

<sup>5</sup> The second round, launched in January 2013, will see 10 leading networks worldwide involved in awareness-raising campaigns around the USSPM, and documenting innovative solutions to implement its essential practices.

### Project activities

Fund grantees followed a standard technical assistance program with their members, provided by the MFC, which was designed to help networks build awareness and capacity in SPM. Networks received a full set of training and support materials for each step of the program (see Box one for details of support made available to grantees). The program included:

- **Awareness-raising workshop:** These two-day events brought together MFI board members, management and “SPM Champions” to promote social performance management and reporting, and to build basic capacity. The workshop introduced the concepts of SPM and client protection, reviewed the new Universal Standards for SPM<sup>6</sup> (USSPM) and social reporting to the MIX, and covered SPM diagnosis, mission deconstruction and developing social goals. Importantly, participants left their workshop with draft action plans for SPM improvement, which were completed in a follow-up process.
- **Social performance reporting training:** Following the awareness-raising event, networks brought members together for another 2-day event, focused specifically on social performance reporting. These hands-on workshops helped MFIs to understand what was needed to comply with reporting requirements: what information was required and how to input it into the template. The training was designed for middle managers tasked by leadership with reporting to the MIX.
- **Social performance reporting lessons learned workshop:** This one-day event brought together MFIs reporting on social performance to the MIX. These events allowed MFIs to share and discuss common challenges and mistakes, and get immediate feedback on how to address them. Afterwards, MFIs completed their reports for final review and input by the network.
- **Individual SPM support to members:** Networks helped MFIs improve SPM processes in line with their action plan, and to apply the skills learned at the reporting training.
- **Project lessons learned workshop:** The final workshop served as a space for MFIs to discuss their SPM successes and challenges, and for

### Box one: Support to Fund grantees - details

The SP Start-up Fund provides a mix of services to national networks, including:

- One-year grants (up to \$50,000) to support the launch of social performance work with members
- Technical assistance to the network on developing and implementing their SPM support strategy
- Capacity building for network staff and local consultants in fundamentals of SPM and social reporting
- Information brokerage on social-performance learning, technical assistance and networking opportunities for grantees and their members.

networks to synthesize members’ results and reflect on next steps. Often, networks chose to also involve external stakeholders such as donors and regulators.

### Additional project activities

In addition to the obligatory project components, grantees had the option to “bolt-on” additional, related, activities of their choosing. In total, five proposals for additional project activities were accepted, ranging from the creation of an online resource center, conducting customer protection assessments or workshops for wider SPM promotion (through meetings, articles and newsletters). Where these additional components succeeded was where they were designed to build on existing skills or work streams. As grantee networks were relatively inexperienced in SPM (and in general were young organizations), they tended to focus more on the obligatory component, which provided a high level of structure and detail around implementation, combined with more “hand-holding” support from MFC. In the context of limited resources and time, grantees sometimes found it challenging to fully pursue their additional activities, which required more independent planning and execution by the network.

<sup>6</sup> Learn more about the USSPM by visiting the Task Force website: [www.sptf.info/spmstandards/universal-standards](http://www.sptf.info/spmstandards/universal-standards)

### MFC’s role

In addition to the initial selection and oversight of project partners, MFC played a hands-on role in supporting grantees to achieve project objectives. This included:

- Building the SPM capacity of grantee networks through the initial kick-off workshop
- Developing a standard project program for grantees to follow, including standardized training materials for networks to use and adapt to their local contexts/languages
- Creating a set of guidelines to help grantees identify “quick wins” for their members, which could facilitate buy-in and momentum for members’ SPM work
- Facilitating a series of global learning meetings to explore and synthesize grantees’ and their members’ experience and insights into good practice
- Remote assistance in project management for networks: helping them to keep on track with deadlines and address barriers as they arose.

## LESSONS FOR NETWORKS

Table two: Key points of resistance and strategies to address them

CHALLENGES	SOLUTIONS
Diagnosing the need for SPM in the country	Through applying the Quick Decision Tree (see Box two), networks can identify national priorities, interested members and other stakeholders to engage in the SPM country project.
Set up a winning project team	Develop clear role and terms of reference for board members, the project coordinator and trainers/consultants. An “SPM Champion” should have the authority, responsibility and the resources, delegated by the Director, to carry out actions in line with the SPM improvement plan.
Developing an effective project plan	Draw on the standard project plan designed by MFC.
Selecting the right partners	Look for commitment above all. Where performance management systems and processes are mature and robust, they should be able to easily adapt to new tasks and priorities involved in SPM.
Building buy-in	Effective communication is critical: constant, clear, with different levels, and on an individual member basis. Use language and examples that resonate with your audience. Be aware that this is not a one-off activity: buy-in and understanding can be built only over time.
Creating realistic expectations	Change takes time — whether in terms of SPM integration, or having complete social performance data for reporting. Keep the long view, or you’ll overwhelm your members. You should break down your objectives into smaller, shorter-term targets so that you can celebrate small successes early on – otherwise your members’ motivation will soon disappear.
Focus on your targets	Keep the “big picture” in mind — what you are trying to achieve, rather than your day-to-day activities to achieve it. For example, some grantees lost sight of a key project objective around helping MFIs improve SPM practice by getting caught up in supporting social reporting to the MIX.
Analyzing lessons learned	Consider up front what experience and lessons you want to capture, and be systematic about capturing stories along the way.

### Learn your members' needs and priorities

As part of the application process, each grantee went through the “Quick decision tree” process (see Box two) to identify the key SPM drivers and priorities at a country level. Beyond simply understanding the key concepts of, and local demand for, SPM — networks used this tool to tailor their programs to respond to members' needs. While the majority of grantees used the tool as an internal reflection exercise, some (especially in the Asia region) involved some or all of their members in the Decision Tree-based survey, which provided them and MFC with a good indication of the level of commitment and demand for SPM (and the potential for scale-up) in their countries.

However, as the project got underway, one grantee (see the experience of **TAMFI**, Tanzania) found that it didn't know enough about their members' real needs to design an appropriate program of support. This was due to the network being not only inexperienced in SPM, but also a new network without a solid foundation of knowledge about its members. To overcome this, TAMFI designed and conducted a member-wide survey (based on the USSPM) to identify members' strengths and weaknesses in SPM. Beyond informing TAMFI's SPM support plan, this survey also provided a useful baseline for gauging members' practice improvement over time.

### Select your partners with care

In terms of selecting partners, grantees chose members who demonstrated commitment to the project — for example through signing letters of commitment. From this group, and following the initial awareness-raising workshop, grantees worked with an average of 10-20 partners<sup>8</sup>. Those that worked with a sub-set often did so in response to geographic, technical or financial constraints, but in doing so were able to establish a cohort of “SPM role models” to set a positive example for other partners. This also allowed them to negotiate their own learning curve and build the capacity required to support their membership on a larger scale.

Reflecting upon the experience of its grantees, MFC notes that this narrower approach led, in general, to better outcomes. In fact, those with ambitious project targets struggled to achieve them, in some cases failing altogether. In this sense, there are clear parallels with the counsel given to MFIs starting out in SPM: start small, and work up from there. Some

### Box two: The Decision Tree tool

The Decision Tree tool<sup>7</sup>, developed by MFC and CERISE, helps networks develop a coherent framework for their social performance management (SPM) support strategy. The Decision Tree tool offers step-by-step guidance to help networks develop their own strategies and select appropriate tools that respond to local needs and demands. The Decision Tree is designed to empower national and regional networks to support their members in assessing, managing and reporting on social performance. It can also facilitate coordination among different donor initiatives and technical assistance providers working with microfinance networks.

grantees (e.g. **NATCCO**, Philippines) developed stringent partner selection criteria, which included aspects such as management commitment, robust MIS, geographic representation, change management capacity, and connectivity (email, Skype). For NATCCO, this strategy was crucial from the perspective of their membership (cooperatives), who are quite diverse in terms of institutional capacity and maturity levels. Where grantees chose to work with members with less developed systems (especially information systems), certain aspects of the project (e.g. reporting and report verification) took more time.

In terms of outreach to a broader set of stakeholders, grantees also found it useful to involve other local organizations, including NGOs, regulatory agencies, and government officials (see for example the experiences of **CMF**, Nepal and **UCORA**, Armenia). Involving these external stakeholders in their SPM projects from the start held two important benefits. Firstly, by demonstrating to their members the broad relevance of SPM, they were able to create a “choral effect” that provided a power incentive for senior MFI leadership to commit to SPM improvement. Secondly, it was an effective means of building awareness and understanding of issues at the national level. For example, **UCORA** Armenia was able to confront skepticism within the regulatory agency about the value of microfinance. In Rwanda, AMIR's involvement of the Central Bank resulted in the latter including several social performance indicators in national reporting requirements for MFIs. Similarly, in the Philippines, **NATCCO** was able to leverage its experience to help shape national laws around compulsory social audits for cooperatives.

<sup>7</sup> Download the Decision Tree tool from: [www.mfc.org.pl/en/decision-tree](http://www.mfc.org.pl/en/decision-tree)

<sup>8</sup> There was no specific project requirement around numbers of participating members per network. However, networks were obligated to have at least half of their members reporting to the MIX by the end of the project.

## Focus on building commitment

The most important thing that a network can do to help members integrate SPM is to build organizational commitment. In this respect, the key steps for a network are to:

### 1. Communicate the benefits

The starting point for any change management agenda is for the MFI to understand the benefits. The network should present the “big picture” for its members focused on explaining why a balanced approach to performance management is important for clients, for the MFI itself, and even for the industry more broadly

### 2. Get leadership on board

Change doesn't happen in a vacuum. Without the unwavering and visible support of the board and management, the change management process will likely fail. Grantee networks found that involving network board members from the outset in the SPM agenda sends a strong signal to its members' leadership around the importance of the work (especially if the board member is the CEO of a leading MFI, which creates a powerful incentive for buy-in from other MFIs). To make this happen, networks should work hard to make sure that they have the right people in the room for the awareness-raising workshop. In particular, networks that made the effort to ensure that senior leadership attended the first awareness-raising events spent much less time securing the commitment of those MFIs to the project. In contrast, networks that didn't reach out to senior management from the outset found that the time and effort involved in getting leadership on board tripled or quadrupled — owing largely to the need for close individual follow-up.. Once MFI leadership is on board, networks should support them to build broader support across the organization.

### 3. Put together the SPM team

Once broad buy-in has been secured, focus on putting together the right team of people to lead the SPM integration work within the MFI, and build buy-in within this team. Not only should you find the right skills, but networks should make sure that each team member understands their role within the project. Grantees' experience also highlights the importance of having a named “SPM Champion” who is accountable to leadership, empowered by management to lead the team, and who acts as the main point of contact with the network. (Having an SPM Champion was a recommendation in this

round of the Fund, whereas in the second round it has become a requirement).

### 4. Agree on a plan

The network should develop an SPM action plan in collaboration with each member which outlines the objectives and scope of work to be undertaken. The plan should be approved by MFI management and made the formal responsibility of the SPM Champion. Importantly, the network should track key deadlines and follow up with the MFI if they are missed.

### 5. Communicate, communicate, communicate

Networks need to create continuous feedback loops with their members in order to motivate, build capacity and oversee the project. In terms of acting as an “SPM coach”: networks need to constantly reinforce the “big picture” and benefits of SPM, and remind MFIs what they are trying to achieve. Here, some networks found they needed to focus their efforts not just on management but also on the board and other staff of MFIs. (e.g. [NATCCO](#), Philippines and [APSPD-C](#), Ivory Coast).

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**“SPM promotion to members is not a one-off; it's a continual process of delivering, reinforcing and expanding the message around the benefits and practice of SPM”**

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In terms of building members' capacity, networks found that maintaining constant contact with members to address concerns and provide guidance was crucial for keeping the project moving towards its objectives. To achieve this, they used a variety of methods. Firstly, networks brought all project members together for an in-person meeting every 2-3 months in order to deliver support and facilitate experience-sharing. In between, networks relied on email, phone calls, and visits to communicate individually with members. One-on-one meetings proved useful not only for maintaining buy-in at different levels, but also for providing technical assistance and verifying MIX reports. These visits also strengthened the network's relationship with their members, and accommodated members' needs for data sensitivity (allowing them to share information they might not in a group setting). However, networks needed to find ways of managing the cost-heavy nature of the approach (for example by piggy-backing SP Fund visits with other routine visits).

## Take a differentiated approach

Some grantees realized early on that they would need to adapt their support approach to the context of their membership, in different ways. For example, NATCCO found that it needed to adapt the concepts and “jargon” of SPM to the reality of their members (who are cooperatives, rather than MFIs). Others (e.g. CMF, Nepal and Sharakeh, Palestine) found that bringing together institutions of different sizes/maturity levels required a certain amount of individual follow-up afterwards with so-called “weaker” MFIs to ensure that key concepts had been understood and put into practice.

## Translate and adapt support materials

A number of grantees created local-language versions of the training and support materials developed by MFC. From this experience, a number of insights emerge:

- Networks need to dedicate sufficient time and resources for translation — including time for quality control of the translation (involve a practitioner familiar with both the language and the SPM agenda in the quality control process). Networks should also quality control already-translated materials that have been provided to them by external organizations, to ensure they are readily-understood.
- Translators should be familiar with the microfinance agenda, and ideally be familiar with the social performance agenda as well. A glossary of key terms, as well as samples of other reports and/or cases in the target language should be provided by the network.
- Prior to translating the materials for language, networks need to translate SPM concepts and terminology to the local context — whether this be in terms of market characteristics, institutional type and outreach, or key cultural factors that influence members’ strategy and operations.
- Support agencies (such as MFC) also have a coordinating role to play here in terms of sharing already-translated or –adapted materials among grantees and their members.

## Guide and support the social reporting process

Grantee networks followed a standard support process to help their members report to the MIX on their social performance. First, they held a two-day technical training on social reporting for members.

### Box three: Common MFI social reporting challenges

Networks highlight the following common challenges for MFIs completing social reports for the first time:

- Language barriers: in the case of non-native speakers or translation issues
- Data disaggregation: segmenting clients by characteristic or poverty level
- Formulae errors in the spreadsheet
- Gaps in client-level data available
- Non-computerized information systems: created challenges around data aggregation
- Data mismatches: disparities between “idealized” figures reported and observable results

Following this, MFIs completed their draft reports for verification by the network (which involved a field visit). Next, a reporting “lessons learned” workshop brought members together to discuss experiences and challenges from the process.

Some members discovered that a successful training strategy was to make the reporting training as practical as possible. To achieve this, they asked members to come to the event equipped with laptops, copies of key policies, and actual performance data. With these in hand, members were able to start working with the reporting template there and then — entering data and receiving immediate guidance when they ran into a problem. In some cases (e.g. TAMFI, Tanzania), the network even arranged a half-day follow-up meeting to bring members and MIX staff together around a table to work out challenges encountered in the reporting process (see Box three for a list of common challenges).

In terms of ongoing support, all networks found that individual input was required to keep the process running smoothly. In some cases, this simply involved reviewing the report and verifying the data. In other cases, MFIs needed a “push” from the network to meet their reporting deadlines on time. Often, networks found that a lack of buy-in from senior management prevented the SPM Champion (responsible for coordinating the reporting process) from having the authority (to secure data from key departments) and time (away from routine tasks) required to complete the report. Again, a clear

feedback loop with management is useful here, to ensure that commitment to SPM remains high, and that the SPM Champion is empowered in their work.

Grantees found that the reporting lessons learned workshop was a useful mechanism for checking in with members' progress on reporting, discussing their experiences to date and giving input on challenges that had arisen. For this event to be successful, networks need to receive and review draft reports from all or at least majority of members, so they have a complete picture of common errors or stumbling blocks. This event is also an important first opportunity for networks to reflect back to their partners (for example, on common SPM strengths/weaknesses emerging from the data), and to start thinking about potential future SPM support activities flowing out of these.

Following the reporting lessons learned workshop, the report verification process by networks also proved to be useful in two important respects. Firstly, it created another individual "touch point" between networks and their members, which could be used to reinforce the SPM message, explain key points, and diagnose institutional strengths/gaps based on their social performance report. Secondly, and no less importantly, it gave networks a final "check" on data quality, to ensure that evidence lined up with reported figures (avoiding "over-reporting" by MFIs).

A lesson arising from this project is that networks and their members should understand that full compliance with social reporting requirements is a long-term goal. Given the broad range of indicators, as well as the fact that SPM is a work-in-process for many organizations — data gaps are common at the outset. Also common is to see MFIs over-stating their results (in line with their own perceptions of institutional practice). Given this, networks should be clear about their expectations around data gaps, communicate these effectively with networks, and set the "reporting bar" a little higher in subsequent years as MFIs work to develop their internal data collection and reporting systems.

### Use social performance information to your advantage

Throughout the course of this one-year project, MFC saw its grantees using real-time social performance information about their members (either gathered through an initial survey, and/or through the social reporting exercise) in innovative ways:

### Using results data to motivate members

Some grantees used their survey work at the start of the project to motivate their members with a message of what good practice is already in place, as well as highlighting key areas for improvement. Using data to create an informal system network-wide benchmarking also adds an element of "peer pressure" to the SPM improvement process.

In a similar vein, grantees used examples of other networks more experienced in supporting SPM (such as MCPI<sup>9</sup> or AMFA<sup>10</sup>) when promoting SPM with their members. By creating a picture of what's possible, and establishing inter-organizational dialogue around the practical details of SPM, networks were able to create a powerful motivation for their members to start improving their own practice.

### Creating an informed scale-up plan

A few grantees (including TAMFI, Tanzania and Sharakeh, Palestine) discovered that aggregated results on member SPM strengths and gaps (identified through the social performance reporting exercise) can be beneficial when it comes to planning areas for technical assistance in SPM improvement. Again, in this respect, the reporting lessons learned workshop is an important vehicle for networks, so they can start discussing practice strengths and gaps also at the level of membership, not only at the individual member level.

### Using social performance data to support advocacy

Grantee networks found that clear (and well-organized) information about social performance results supported their advocacy efforts to external stakeholders. For some, this meant promoting responsible microfinance amidst an atmosphere of skepticism. For others, it meant raising the profile of their members (as socially-oriented institutions) to a specific stakeholder group — such as donors and social investors. In this respect, many grantee networks (such as Sharakeh<sup>11</sup>, UCORA<sup>12</sup>, and the RMC<sup>13</sup>) found it useful to develop country-level social performance reports, which aggregated social performance results (from the MIX reports prepared by member MFIs) and laid out key opportunities and challenges for the future.

9 Read more about the SPM experience of the Microfinance Council of the Philippines (MCPI) [here](#)

10 Read more about the SPM experience of the Azerbaijan Microfinance Association (AMFA) [here](#)

11 To receive a copy, contact Sharakeh here: [william@palmfi.ps](mailto:william@palmfi.ps)

12 To receive a copy, contact UCORA here: [M.Yesayan@aregak.am](mailto:M.Yesayan@aregak.am)

13 Download a copy of the report in Russian here: <http://rmcenter.ru/analitics/research/detail.php?ID=3937>



### Reaching out to regulators

For some grantees, the SP Fund project and social performance reporting exercise came at a useful time in terms of what was happening at the regulatory level. For example, **NATCCO**, Philippines was able to use its members' experience to inform the development of national-level legislation around mandatory social audits for all cooperatives. In particular, the USSPM can be a useful guide to shape national reporting requirements and standards.

### Help your members improve SPM practice

A second aim of the program was for grantees to help their members start the process of institutionalizing SPM and in particular, to improve practice. To facilitate this, the MFC developed guidelines to help networks work with members on (for example) developing social objectives, analyzing strengths and weaknesses vis-à-vis the USSPM, tackling "quick wins" as well as creating longer-term SPM improvement plans.

While all of grantee networks helped their member MFIs to diagnose SPM strengths and weaknesses and plan improvements, a few of them also succeeded in helping them to introduce significant changes within the project timeline, beyond their primary focus on building institution-wide buy-in and reporting capacity. These practice improvements were usually some so-called "quick wins". Most commonly, these were around: initiating mission and social goals discussions among staff, management and/or board; staff and/or board SPM training; mission review social objective development; introducing client feedback mechanisms; integrating social performance indicators into different MFI reports, etc. The message here to MFIs was clear: start small — achieving early success is instrumental for sustaining buy-in and preparing the MFI for more substantial changes and longer-term SPM-related work.

Two key challenges, namely time and network capacity, prevented a greater number of MFIs introducing a broader range of SPM improvements. Specifically, networks (as well as their members) often have limited capacity to take on multiple work-streams in parallel. This is especially true when an organization is simultaneously developing its own capacity, building and maintaining buy-in, developing SP reports and thinking about the improvements.

In the end, the key lesson for MFC and its grantees is the most sustainable, manageable approach is a more linear process of building buy-in and diagnosing strengths and weaknesses of member MFIs (through the reporting exercise) before they start supporting practice improvement. Within the constraints of a one-year project, however, it was challenging for some grantees' members to complete all three steps. Those that did so successfully were those that began implementation work from the very start (and starting with "quick wins"), or those that were supported with intensive and narrowly-targeted individual technical assistance (for example, **APSF-D-IC** assisted a few of its members to develop their social goals). In future, the MFC notes, as the MIX social reporting format comes into line with the new USSPM (a shift that is in process), it will become a universal tool for networks to support both greater transparency and practice improvement of members.

### Be strategic about your scale-up plan

As a final step, each grantee completed an "SPM scale-up plan". Doing so required networks to reflect on their achievements and hurdles throughout the process. The following key aspects of the project supported the on-going reflection process:

- **Member meetings:** Bi-monthly or quarterly project meetings provided a good opportunity for members to discuss experience and reflect on lessons. Networks used the meetings to facilitate the process of moving from member stories to generalizable insights.
- **SPM team meetings:** Network SPM teams came together on a monthly basis to review progress and propose solutions to emerging challenges.
- **Reporting lessons learned workshop:** Each network held a workshop to help members reflect on the draft social performance reports and the social reporting process. The learning from these events was then fed directly into the report finalization process, which increased the quality of the completed reports.
- **Lessons learned workshop:** This event formed a core part of the standard project activity framework, and included time for the network and its members to reflect on the year's work, assess their achievements and consider next steps.

- **Grantee global meetings:** Two meetings organized by MFC (at the STPF meeting and the SEEP AGM) brought together grantees, and provided an opportunity for peer-to-peer sharing between networks around challenges and lessons. Importantly, the second global meeting provided grantees the opportunity to discuss their draft SPM scale-up plans (and improve them before submitting the final version).
- **Information-sharing between networks:** Following the kick-off meeting, grantee networks remained in informal contact via social media and email. They also learned about each other's progress through updates in the monthly project newsletter. For example, when Sharakeh (Palestine) published its country-level social performance report, a copy was shared amongst grantees, a few of whom used it to inform the development of their own country reports.

**“Networks usually have a good sense of when the “busy season” is for members, and can plan their SPM support work to avoid scheduling key deadlines during these periods.”**

Looking across grantee experience, MFC highlights a number of key challenges:

- **Finishing all project activities on time:** As project milestones became increasingly delayed (such as finalizing the social performance reports) in case of some grantees, too many activities were left to be accomplished at the very end of the project. In the rush to complete their work plans, “late networks” were often unable to devote the time and space needed for effective reflection.
- **Capturing on-going experience:** Some grantees were unable to systematically document their project efforts and experience, and as such arrived at the “synthesis” step (the lessons learned workshop) without useful “raw learning data” to draw on. In this instance, lessons learned were more based on recall evidence, rather than a comprehensive picture of what was done, why and what happened as a result. In the next round of the project, MFC will focus on the learning component in particular by providing networks, as part of its standard support package, guidelines for capturing and reflecting on members' experience on a more on-going basis.

**“Project monitoring requires time and space. By allowing members to miss deadlines, networks create end-of-project bottlenecks for themselves.”**

- **Creating realistic plans, rather than idealistic plans:** MFC reflects that at the end of the project, grantee networks were putting pressure on themselves to develop overly-ambitious scale-up plans, which were unrealistic within a context of limited resources (financial and human). In this vein, MFC counseled its grantees to deepen their work with the same group of MFIs or replicate the process with a new group of MFIs, rather than trying to simultaneously expand the scale and number of SPM processes that they support. Importantly, MFC encouraged its grantees to view SPM integration as a long-term process, so as to avoid the pressure of “doing everything at once”. By starting small, and building on what has already been developed (both in terms of MFI skills and the network's own capacity), grantees can create the space needed to prioritize a small number of objectives that can be effectively achieved with limited resources.

#### Box four: Key benefits for networks

Throughout the course of this project, grantee networks gained a number of benefits from their SPM support work:

- Knowing partners better
- Improved relationships with partners
- Attracting new partners
- Increased visibility for the network on account of its social focus
- Improved relationships with international support organizations that were involved in SPM/reporting.

## LESSONS FOR MFC

Following this project experience, a number of lessons emerge for the MFC itself as an implementing agency. In most cases, these lessons are also of broader relevance to its grantees (who are themselves networks working to support SPM development).

### The importance of careful partner selection

At the outset of the project, the MFC developed a set of criteria to select appropriate grantees (see summary, Table three). The selection process included not only a written application, but interviews with candidate networks and referees (donors, investors, international networks that had established working relationships with applicants). Reflecting on this approach, MFC highlights some important lessons:

- **Where basic SPM skills are concerned, commitment is more important than capacity:** Throughout this process, MFC came to understand that while basic network SPM capacity can be built, commitment to SPM is hard to create from scratch. However, as the SPM work becomes more advanced or experimental, so too does network capacity becomes increasingly important for project success.
- **Look for a solid foundation:** As mentioned above, the MFC opted to engage with networks with limited or no experience with SPM. While can be seen as a more risky strategy, the MFC

sought to mitigate the challenge by ensuring that each grantee had a solid and professional basis of skills such as bookkeeping and financial performance management, to ensure that they could manage the project effectively.

- **Understand the context:** The MFC found that applicants from countries in crisis required additional consideration. In some instances, on-going political crises (e.g. Côte d'Ivoire) posed no barrier to successful implementation, as the long-running nature of the situation meant that national actors were well-adapted. In other cases, such as in India, key issues (such as changes in regulation) that rose high on the agenda during the project period sapped the resources available for SPM work.

### Creating a strong project team

Prior to launching the project, the MFC reached out to implementing organizations that had managed similar grant/technical assistance programs in the past. The clear message they took away from these conversations was that projects stand or fall on account of project management. Knowing that it lacked the resources to create a large central project management team to do “handholding” with grantees, MFC obliged grantees to create project management and oversight structures within their organization, and provided terms of reference (TORs) and level of effort (LOE) indications for all project team members (which, as mentioned above, was a key consideration in the application process).

**Table three: Grantee selection criteria**

CRITERIA	ASSESSMENT
Demand	Has the network identified a clear need among members for SPM support (using the Decision Tree), and developed an effective plan to meet this need?
Commitment	Is the board on board? Have the members agreed to adopt the SPM integration plan?
Capacity	What is the level and amount of human resources available and dedicated to this project? What is the network’s financial standing and book-keeping practice? What reputation do they have among the industry stakeholders in terms of trustworthiness, and willingness to learn and work hard?
Contribution	Does this project contribute to the overall objectives of the Fund? Is there a commitment from the network and its members to contribute a portion of the project budget?
Feasibility	Is the plan realistic given the time and resources available?

MFC also defined the qualities and competencies required of each project team member, assessment of which formed an important part of the application process (see Box five for details).

Importantly, MFC also required each network to nominate an SPM champion at board level that would take part in monthly project steering committee meetings. Grant monitoring was achieved through MFC grant officers sitting in on these meetings (at a distance). Involving board members also ensured high visibility for the network's SPM work, and helped to create accountability and drive the project forward. In MFC's view, this was especially important in relation to the more inexperienced networks.

In a similar vein, MFC also formed a steering committee for the Fund, whose continuous and constructive input contributed greatly towards the success of the initiative. At the outset, the steering committee was an active part of conceptualizing and designing the initiative — meeting monthly and communicating via email weekly. The committee was formed of SPM experts from across the industry including networks themselves and network support organizations, and brought their experience to bear on all aspects of the project, from partner selection to the analysis of lessons learned.

### Developing support materials

Grantees benefitted from the concrete and practical learning materials developed by MFC. These materials included training materials for the awareness-raising workshop, as well as guidelines for working with partners on the social reporting and SPM practice improvement processes. Basic guidelines for documenting practice improvement were also provided. Those grantees that used the “quick wins” practice improvement guidelines in particular commented on how helpful it was in their work.

Reflecting on this experience, the MFC has identified a number of different choices it would have made:

- Holding mid-term technical assistance meetings to introduce, review and discuss the written guidelines, and build grantees' capacity in facilitating lessons learned workshops and developing their SPM scale-up plans.

### Box five: Project team profiles

In the application, MFC outlined profile specifications for key team members, as follows:

#### SPM Champion qualifications:

- University degree in a suitable area (social sciences or economics)
- At least three years of microfinance experience
- Project management experience
- Excellent communication skills
- Ability to work independently
- Interest in the measurement and management of social performance
- Facilitation skills

#### Board member profile:

- Representative of a strongly socially-oriented MFI
- Recognized leader with a track record of introducing innovation/performance improvements in own MFI or/and promoting new topics/agendas within the network
- Ability and commitment to make own MFI a showcase in SPM improvement to other network members
- Committed to transparency, demonstrated by personal efforts within own MFI in terms of social reporting to the MIX, disclosing data through MFI's website, annual reports, etc.
- Good social networks with key industry stakeholders (policy makers, donors, investors, member and non-member MFIs)

#### Local consultant profile:

- Minimum 3 years microfinance experience
- Minimum 3 years consulting or training experience
- Excellent training and facilitation skills
- Analytical and writing skills
- Good communication skills
- Ability to speak English or French and local language

- Developing a template for grantees to document key project decisions and results as they go along, especially in terms of their members' SPM change and learning processes. Being more deliberate about capturing MFI-level SPM solutions will allow the MFC to feed experience into the growing body of case material around good practice SPM.

### Effective project meetings

Throughout the course of this project, MFC brought its grantees together for a series of in-person events — from the initial kick-off meeting to interim working meetings and global learning events.

Firstly, to build grantees' skills to deliver SPM support, MFC held a "kick-off" meeting (grantees took part in one of three workshops organized: in the Philippines in October and November/December 2011, or in Azerbaijan, in November 2011). Each event was divided into two parts: a five-day training of trainers for the network SPM champion and local consultant, plus a three-day study visit, which also included a board member from each network. The latter in particular gave grantees access to MFIs and networks<sup>14</sup> with experience in SPM, and provided an insight into what SPM involves in practice at different levels.

Evaluation feedback reveals that these kick-off workshops were valued highly by grantees. Reflecting on the experience, they recognize that the three-plus-five format was intensive both for the participants and the organizers. For future events, the MFC will explore different options to cost-effectively deliver the right content to grantees at the right time. For example, this might involve shortening the initial meeting, but adding time to subsequent meetings to build grantee capacity in capturing lessons learned, supporting SPM improvement, and creating realistic SPM scale-up plans.

As the project got underway, grantees also valued subsequent grantee meetings (that usually coincided with major industry events such as the SPTF or SEEP AGM) as an opportunity to share experiences, challenges and lessons learned with each other. However, grantees overwhelmingly felt that the time allotted to such activities (half-

or full-day meetings) was insufficient to discuss all learning points in sufficient depth (ideally, the meetings should be extended up to two days, with much more time devoted to experience-sharing). In future, MFC would recommend a "3+3" format for the introductory kick-off meeting (versus an 8-day event), a 3-day interim meeting (versus 1-day), and a 1-2 day closing meeting (versus a half-day event).

### Information brokering

One of the MFC's aims from the start was to act as an "information broker" — not only between grantee organizations, but between grantees and the broader industry. In practice, this meant providing grantees with regular information about industry-level developments of relevance to them: the experiences of other grantees, new events and available resources (though the project newsletter). Certainly, they achieved both aims, although feedback from grantees highlights that they would have benefitted from hearing about more examples of SPM that have been documented at the industry level, as well as a more information around resources available internationally to support SPM.

### Getting the relationship right

As MFC was providing both financial support (in a form of grants) as well as technical support, it felt that members more readily perceived it as a donor, rather than a partner or collaborator. As a result, the instinct of grantees was to share information that put them in a positive light. On the other hand, MFC encountered a certain hesitance on the part of its grantees to share challenges and disappointing results when they arose. To address this, and under the guidance of the Steering Committee, MFC designed the project meeting (linked to the STPF) to focus specifically on challenges and solutions, which are excellent sources of learning.

14 2 networks hosted the study tour AMFA from Azerbaijan and MCPI from Philippines and 2 MFIs: Azercredit from Azerbaijan and ASHI from Philippines as a part of kick off workshop. In addition MFI ENDA hosted study tour during the SPM workshop for Francophone networks in Tunisia in November/December 2012

## LESSONS FOR INDUSTRY AT LARGE

In the process of designing, planning, implementing and evaluating the Start-up Project, the MFC encountered a number of important lessons that relate not just to its own work but the on-going work of the broader industry, including international technical support agencies, donors and investors. These are:

### **Translating concepts to facilitate SPM mainstreaming**

As SPM scale-up continues apace, with more institutions in more countries starting to address key issues, the industry will outgrow its current offering of support materials, which are aimed in the main at English-language microfinance institutions. Beyond these, organizations of different institutional type or language base will need a more diverse range of learning materials. Networks have a key role to play here in terms of:

- Translating learning and training materials
- Translating SPM concepts to the local market and operational context
- Acting as information clearing-houses for their members.

In fact, using funds from the project underspend (with the approval of the Steering Committee), the MFC organized an SPM workshop for seven French-speaking networks (who were not Fund grantees) to introduce the concepts of SPM and social reporting. This experience highlighted for the MFC a key gap in the “SPM knowledge market”: Francophone Africa. Networks there voiced their appreciation for the event, including French-language materials they received. They also shared their perception that they are often “out of the loop” on sector-wide discussions, and unaware of the latest developments — and not just around SPM.

### **SPM isn't just for microfinance providers**

Throughout the process, a few grantee networks saw the direct relevance of SPM to their work as mission-driven and member-focused organizations. Networks can improve the service they provide by clarifying their mission/objectives, understanding the needs of the organizations they reach out to (members), and adapting their services/delivery accordingly. For example, NATCCO's Board has passed a resolution to integrate

SPM into its operations. This work began with a revision of its vision, mission and social goals and key performance indicators in its strategic plan. Likewise, other actors in the microfinance space (donors, investors, international support organizations) have a lot to learn by applying SPM principles to their own work. The message here is: only when all actors along the microfinance value chain operationalize the concept of SPM will the real mainstreaming begin. From this perspective, networks should do all they can to reach out to local organizations and local representatives of global organizations (especially donors and investors) to bring them into the awareness-raising dialogue.

### **The role of networks should not be overlooked**

Working closely with national networks gave MFC an insight into their perceptions around how they fit into the industry at large — and these weren't always encouraging. Grantees often voiced their frustration at being “left out” of broader SPM mainstreaming processes. This exclusion occurs in two key ways: firstly by international support organizations opting to work with larger, more established networks. Secondly, it occurs when national networks are bypassed entirely by international organizations working directly with a network's members without involving or sharing information with the network, and other local stakeholders. The danger of failing to coordinate with national networks lay in creating a greater burden for MFIs: duplicating reporting processes, failing to leverage locally-available resources to create sustainable initiatives, rather than one-off projects.

The MFC learned that involving a range of international support organizations (including networks, funders, technical agencies, and others) on its steering committee was an effective means of bringing heretofore “unknown” networks to the attention of key global players. Beyond this, the MFC and other agencies should continually develop and improve mechanisms to reach out to more and more networks to bring them into the social performance management agenda. Given their potential role in setting the national microfinance agenda for their partners and provide cost-effective technical support in SPM, it is an opportunity that cannot be overlooked.