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NEWS

Improving Sector Transparency

SPM case study of Azerbaijan Microfinance Association (AMFA)

MFC in cooperation with AMFA has published the case study of one of the most advanced in SPM networks. The case study describes in detail how AMFA started to offer social performance management (SPM) support to members, including its early communication with members, and the introduction of social performance-related services and products for its members. The case study also provides insights on key lessons learned from the process and analysis from AMFA leadership on their experience.

AMFA was one of the first national networks to start working on SPM. Currently, all but one of AMFA's 28 members report on their social performance to the MIX; AMFA offers 7 social performance products to their members.

Among lessons learned by AMFA are:

- When promoting SPM, individual meetings with key MFI staff, prior to the general awareness-raising meeting, brings the best results in terms of winning institutional commitment.
- When starting SPM both in an association and in an MFI, the commitment of the board is vital.
- Creating an external environment to support SPM by involving investors and government representatives helps to motivate MFIs.
- Involving a regional network and seeking opportunities for cooperation, fund-raising and advice allows you to learn from the experiences of others and avoid common pitfalls.

Read more about what SP products AMFA offers, what they did to overcome challenges, and how they learned from mistakes at: <http://www.mfc.org.pl/en/content/tools-networks>

SPTF in process of Universal Standards development

The Social Performance Task Force (SPTF) launched phase two of consultations on Universal Standards for Social Performance Management

As a result of consultation and feedback collected at the autumn 2011, the SPTF, at the beginning of January, published new version of proposed universal standards.

The Standards are organized into the following six categories:

- Define and Monitor Target Clients and Social Goals
- Ensure Board, Management, and Employee Commitment to Social Performance
- Protect Clients' Rights
- Design products, services, delivery models and channels that respond to Clients' Needs and Preferences

- Treat Employees Responsibly
- Balance Social and Financial Returns

From January till April the work is focused on developing the diagnostic indicators and benchmarks for those standards.

To support the process of feedback collection on global level 5 thematic working groups were created: Social Goals, Target Clients, Governance, Products and Service that meet clients' needs, Treat Employees Responsible, Balancing Social and Financial Returns. If you wish to get involve in one of these working groups, please email ameliagreenberg@sptf.info indicating which group you like to join.

In April the SPTF secretariat will review the comments and feedback and later in April and May distribute the reviewed version for public comments. In June, during the SPTF meeting the completed standards should be launched.

The detailed proposal can be found on SPTF website (<http://www.sptf.info/sp-standards>), currently in English, French and Spanish. Russian version will be available soon.

Save the date for the annual Social Performance Task Force (SPTF) Meeting

The 2012 annual SPTF meeting will take place in Jordan from 4th till 8th June 2012. Every year it gathers all stakeholders involved in Social Performance Management. This is a unique opportunity to discuss, share experience and learn.

This year meeting will be focused on Universal Standards for Social Performance; it is planned the new version will be released shortly before the meeting.

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CMF promotes social performance and SPM in Nepal

In December 2011 and January 2012, CMF (the Centre for Microfinance) held two awareness-raising workshops for Nepalese MFIs. The sessions provided an overview of social performance, and why it is important for sustainability within the microfinance industry. Over 61 MFI participants attended, as well as representatives of the Central Bank of Nepal, who presented the opening remarks, and whose active participation helped to “energize” the participants.



The training was divided into seven key sessions: (1) An introduction to social performance, (2) the Universal Standards for Social Performance, (3) Assessing and diagnosing social performance, (4) Mission deconstruction and social goal

development, (5) The Client Protection Principles, (6) Social performance reporting to the MIX (Microfinance Information Exchange), and (7) Action planning for social performance promotion and reporting. During the training, a brief film on social performance management, entitled *Fulfilling the promise: Managing Social Performance*, was shown. This film, produced by the *Imp-Act* Consortium, <http://www.imp-act.org/>



This promotional event will be followed by a training on social performance reporting, which will provide participants with detailed knowledge about how to report to the MIX, what data are required, and what the indicators are. Participants will also have the opportunity to practice filling in the MIX report. To make this practice as concrete as possible, MFIs will bring their institution's internal policies and business plan, information on products and services, and their latest annual progress reports.

Natcco, the Philippines, successfully conducted 2 sets of workshops

Natcco (The National Confederation of Cooperatives) is a network of 456 Filipino cooperatives throughout the regions of Mindanao, Visayas and Luzon, which together serve over 1.7 million members. The majority of these member-cooperatives are based in rural areas.

In November and December 2011, Natcco held a social performance management (SPM) awareness-raising workshop, which was linked with a training course on Social Performance Standards Reporting.

In these events, twelve cooperatives were represented by 24 Board members and MFI managers. Seventeen Natcco staff members also participated in the workshops.



The workshops covered Social Performance basics, the Client Protection Principles, the Universal Standards for Social Performance, in particular how these compare to existing practices within participating organizations. Participants also learned about reporting to the MIX, and how to use reporting data to improve internal decision-making.



During the workshop, participants realized that they faced some common challenges, including a lack of clarity about who their target clients are, and how to effectively measure changes in clients' lives. Some participants also realized that SPM is not limited to the cooperative charitable activities, but rather is linked with all internal systems and functions. Most of all, participants agreed that: ***"after this training, we all have homework to do."***

Over the course of these events, **Natcco also learned some important lessons on how to promote, and build capacity on, social performance, including:**

- Using real case study experiences from other institutions is a good way to explain concepts and generate interest among participants.
- It's good to use a computer as a training tool in order to familiarize participants with the MIX website. That way, you can clearly demonstrate where to find reports, how to post them, and where to find analysis.
- Time management may be a challenge when there's a lot of questions and discussions. To address this, some group exercises were cut short, but replaced with other techniques, like plenary discussion. Having a timekeeper can be a potential solution to time management issues.
- It was difficult to facilitate the session on the Universal Standards for Social Performance (USSP), because of an absence of explanation around the benchmarks. A lot of questions and concepts required clarification. Among cooperatives, for instance, there were a lot of questions about defining the target market, because their target is you're the community as a whole, rather than a segment of clients.
- The training methodology for the USSP session was found to be too long. During the second workshop, Natcco decided to give participants homework in order to get them familiar with the USSP, and make the session shorter.

As a result of these workshops, 12 cooperatives drafted and submitted action plans for the period of January-October 2012. They also prepared pro-forma resolutions urging their boards of directors to approve the mainstreaming of Social Performance Management within their organizations.

During the session on mission deconstruction, Natcco staff took the opportunity to look closely at its own mission statement, and drafted a proposal for concrete social objectives and goals, which was sent to the Board for further discussion.

Introducing our grantee: AMFOK, Kazakhstan

The Association of Microfinance Organizations of Kazakhstan (AMFOK) was established in 2004 through the initiative of six leading microfinance institutions (MFIs) in Kazakhstan. AMFOK's mission is *the development of the microfinance sector for sustainable provision of public access to the financial services in order to reduce poverty and to support economic growth.*

Its main goals are to:

- develop the microfinance sector as a part of the financial system of the Republic,

- strengthen the potential, efficiency and productivity of the AMFOK members, and
- improve national microfinance legislation in order to create a sustainable microfinance industry in Kazakhstan.



Sector context

At present, there are approximately 1,700 MFIs operating in Kazakhstan. The sector is growing rapidly, mainly due to new banks and MFIs entering the market. However, most of this growth is happening in urban areas. In the rural areas there is little competition.

Currently, there are several governmental subsidized programs for enterprise finance, which offer loans below-market interest rates. New MFIs entering the market face very low barriers to entry; the minimum required capital is only USD 10,000. Moreover, there is no coordination of MFI activity at the national level.

In this environment, there are many unethical MFIs operating as financial pyramids. This creates a problem for the image of microfinance industry in general, as borrowers have become afraid to use non-banking institutions. In response, the Ministry of Finance has introduced regulation that forbids mobilizing client funds before a loan has been issued.

AMFOK is comprised of 55 organizations, including 50 MFIs, one Credit Union and two Institutes for Development. Together, the members account for more than 50 per cent of the microfinance sector based on portfolio size.

AMFOK provides its members with capacity building, advocacy work and information-sharing. Over the last two years, the Association has held a series of training courses, workshops, and seminars aimed at institutional development of MFIs and strengthening their capacity.

AMFOK plays a key role when it comes to providing information to its members about new tools or products available. For example, in cooperation with the MFC, AMFOK introduced Financial Education in the country, training more than 60 trainers in to deliver Financial Education training modules. To date, these trainers have trained more than 1,400 poor and low-income people.

AMFOK approached the opportunity of SP Start-up Fund to introduce social performance management to its members by first building its own capacity. From the start, its members have been strongly committed to the project; they clearly recognized the importance of social performance due to the attention it receives in industry-level discussions. Moreover, members saw that social performance was an answer to the unregulated and untrustworthy market environment in Kazakhstan. Especially important within this context is the need for transparency and standards for microfinance, thus AMFOK is focusing on developing its capacity in SPM through the SP Start-up fund financial and technical assistance.

SPM project plans in brief:

In the period between January and October 2012, AMFOK will focus on social performance transparency. They will deliver a series of workshops, starting with an awareness-raising workshop, and a workshop on social performance standards reporting. This training will be followed by technical assistance to members in order to help them report on social performance and use issues identified during reporting to help them improve internal practice. The project will end with a series of evaluation meetings, in order to identify lessons learned and steps needed to continue the work on SPM beyond the project. It is expected that at least 22 MFIs will be involved.

As a result of participation in this project, AMFOK hopes that at least half of its members will start social performance reporting to the MIX (currently only 3 MFIs are reporting) and use reporting information to improve their own social performance practice. This will lead to improving the overall quality of the services offered to clients, and products that better respond to clients' needs.

In terms of its own growth, AMFOK hopes that this project will help it to develop and offer new products to its members, and establish new partnerships for further promotion of the social performance agenda within Kazakhstan.