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NEWS

The social mission: An MFI's "DNA"

SPM case study of AhonSaHirap Inc. (ASHI), Philippines

MFC, in cooperation with AhonSaHirap Inc. (ASHI) has published a case study that details the development and key features of its approach to social performance management (SPM).

ASHI, the oldest microfinance institution (MFI) in the Philippines, was also one of the first to start working on SPM. Currently, ASHI reaches out to over 24,000 very poor clients (mostly women) with a combination of financial and non-financial services.

The case study describes in detail how an organizational crisis prompted ASHI to start deliberately managing its social performance, how they started, and the role of SPM in the successful functioning of the organization. The case study also provides insights how reporting on social performance benefits the organization, as well as key lessons learned from the process of developing a their internal and external reporting processes.

Among lessons learned by ASHI are:

- **Everything starts with the mission:** Before we could take our first step, we needed to get the compass right. For us, changing our understanding about our target clients was a fundamental shift that resonated throughout our entire strategy and operations.
- **Mission unites staff:** and only a united staff can achieve a mission — so staff buy-in is a key part of achieving your social goals. Mission is a DNA of organization.
- **Success comes from being able to measure poverty:** client-level data is a key which unlocks a lot of doors. If you know who you are reaching and how their lives are changing, you can use this knowledge to inform every aspect of the business (from incentives to product design).
- **Listening is important:** Over the years, ASHI has seen how valuable staff and client feedback can be in terms of how they can improve their approach, especially in terms of product design. The key is to balance information about client wants with a clear understanding of client needs.
- **Balance is everything:** When we were first established, we didn't try to balance our social and financial performance. We can see now that we wasted 5 years, and a lot of portfolio quality, because of this. If we had to do it all over again, we'd start there.

Read more about ASHI's SPM systems, what they did to overcome key challenges, and how they learned from mistakes: <http://www.mfc.org.pl/sites/mfc.org.pl/files/ASHI%20case%202.0.pdf>

Success means knowing your clients' needs

SPM case study of Azerbaijan VF AzerCredit

Following the Kick-off Workshop for SP Start – Up Fund Grantees, held in Azerbaijan — MFC, in cooperation with VF AzerCredit, has published a case study about the development and practice of social performance management (SPM) within AzerCredit.

The case presents the story of how, from its initial participation in the MFC SPM training in 2006, AzerCredit worked to develop its social goals and objectives, eventually becoming an SPM pioneer in Azerbaijan.

Since then, AzerCredit has seen a number of important benefits from integrating a social lens into their performance management system:

- **SPM helps to make good on our mission.** We are able to significantly improve our effectiveness in reducing financial exclusion and poverty.
- **SPM means we're stronger.** It translates into higher client retention and better portfolio quality.
- **SPM enhances reputation, competitiveness, and sustainability.** AzerCredit has formed relationships with new investors who are committed to our social goals.
- **Our customers notice a difference, too.** Understanding their needs and wants enhances our capacity to innovate with our products and services. This is important, because at the end of the day, our success is linked to the success of our clients.
- **SPM is a good foundation for transparency.** We can produce regular and reliable information about our social objectives for our investors, stakeholders and the general public, which, in its turn, opens avenues for more funding sources.
- **SPM is good for staff:** We notice a difference in terms of our staff atmosphere and motivation. You can say “we want to work with poor”, but it's actions, not words, that make a difference. They are proud when AzerCredit receives awards and recognition for its work in SPM.

To read more about social performance management in AzerCredit, download the case study here:

<http://www.mfc.org.pl/sites/mfc.org.pl/files/Case%20Study%20on%20VF%20AzerCredit.pdf>

Non financial services for MFIs which target female clients

Very often microfinance is not only about financial services. MFIs, to achieve their missions, undertake efforts to deliver also non-financial products to their target clients.

MFC has just summarized the 2 year project on gender empowerment non-financial services delivery in Azerbaijan, in cooperation with AMFA and Vision Fund AzerCredit.

To read more about project experience visit MFC website: <http://www.mfc.org.pl/en/content/women%E2%80%99s-empowerment-and-gender-mainstreaming-microfinance-project-results-published>

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Advocacy and transparency in Armenia

One of the challenges faced by the Armenian microfinance sector is that microfinance is not well-recognized by stakeholders (such as Central Bank and regulators) as a separate and unique sector which requires a unique approach. Previous attempts to communicate the social mission of microfinance revealed these stakeholders' perception that “social” means “charity”. As a result of this perception, MFIs were expected to charge very low interest rates, which prevented the sector from developing.

A social performance management (SPM) awareness-raising workshop was organized by the Union of Credit Organizations of the Republic of Armenia (UCORA) in January 2012 in order to explain to representatives of Central Bank and other stakeholders what microfinance is about, including its social mission as the key rationale for its existence.

Participants were positively surprised with the level of advancement of the microfinance sector in terms of social performance management around the world, including initiatives like social performance standards (SPS) reporting to the MIX.

During the event, participants identified to the need develop the definition of microfinance in Armenia, as a first step towards discussing the specific needs and regulations required. As a next step, a meeting of the Central Bank and UCORA will be held in March.

UCORA also works with those members that currently report to the MIX on their social performance. As part of this work, UCORA improves the quality of reports submitted, through data validation.



In next steps, UCORA plans to support its members to improve their SPM practice. This will happen in two ways:

1. **Addressing gaps in client protection:** UCORA members have filled in the client protection self-assessment questionnaire (developed by Smart Campaign), which helps to identify needs for internal improvement around client protection. UCORA will develop a process to help members address those gaps.
2. **Developing social objectives:** By supporting their members to develop SMART social objectives and comparing it to data presented in SP reports, UCORA will be able to identify gaps in members' performance and management practices, and put in place a the process to address those gaps with members.

Sharing experience from the Awareness raising and SPS Reporting workshops by the Sharakeh Network (Palestine)

Based on the Trainer's Report prepared by Ghassan S. Kishek

The Palestinian network for Small and Microfinance, Sharakeh, hosted a three-day training course in January 2012 on social performance management (SPM). The training was divided into two parts: a one-day social performance awareness-raising workshop, and a two-day workshop focused on external reporting. The 29 participants at the one-day event included Board members, Operations Managers and SPM staff. Eleven SPM staff stayed on for the training on reporting.



The main objective of the awareness-raising workshop was to highlight the importance of an integrated approach to social performance management (SPM) and social performance standards (SPS) reporting, in which they both are part of the daily managerial and operational work of the MFI. **Presentation the concept of SPM to a new audience posed a number of specific challenges for the trainers, including:**

- Participating MFIs had different understandings of what the term “social mission” means.
- The MFIs had different levels of experience with SPM. For example, one had more than three years of experience in SPM, and already created an SP department, and had gained recognition from the MIX Market for excellence in SPS Reporting. Other participants could not differentiate between social performance and social responsibility.
- Participating MFIs were at different levels of maturity; some had been operating for many decades, others were only a few years old. These differences influenced their perception and understanding of

microfinance sector specifics.

- Some MFIs were independent and able to make their own strategic and operational decisions, others were programmes of “mother” international organisations. Some MFIs had boards comprised of expats and international experts who can meet only once a year, which has a big impact on their ability to manage the process of change that is necessary for SPM institutionalization.

During this event, there was a lively discussion among participants; the key lessons learned were:

- There is a difference between social responsibility and the social mission.
- Simply being a socially -oriented organization with social aspirations does not mean you will automatically achieve social impact.
- Impact studies are not the same as social performance measurement and indicators; impact studies are an important part of social performance measurement, but can be misleading if not conducted well.
- Is there a contradiction between commercialization and the social mission.
- Can information on social performance outcomes be used to differentiate MFIs from commercial banks?
- The role of regulators and SPS Reporting in to answering the Central Bank’s requirements, and

As a result of this training course:

- Participants during day two and three were convinced of the importance of SPM, not only based on the overall benefits for the market and their MFIs, but more importantly the change in clients’ lives that can be demonstrated to the whole world. They understood the importance and role of Universal Standards for Social Performance Management, client measurement tools, and the tools of measuring social performance.
- Participants understood that the social mission can relate not only to serving the poor, but also to other social goals; SPM is about having certain goals, it’s about deliberately achieving them.
- The training exercises involved ensured that the workshop was lively and interesting, while at the same time delivering important knowledge.
- At the end of the workshop, everyone worked together to develop a general action plan, which will lead to developing more detailed plans by each of participants. Participating MFIs plan to diagnose their MFIs current status, and determine what needs to be improved and how.
- The training served to strengthen both the personal and professional relationships among colleagues and between the different MFIs.

Introducing our grantee: Tanzania Association of Microfinance Institutions (TAMFI)



The Tanzania Association of Microfinance Institutions (TAMFI) was established in 2001 in order to coordinate microfinance institutions (MFIs) and advocate on national-level issues related to microfinance industry. TAMFI’s main goals are to:

- Promote practices that encourage responsible microfinance services, i.e. putting in place codes of conduct
- Become a national database for information about MFIs
- Undertake and promote networking, advocacy, and lobbying with the aim of promoting and strengthening MFIs’ initiatives.

During its first year, TAMFI was not very active. Its leadership failed to connect with members, and no tangible benefits were seen by members. The turning point came in 2009, after a change in leadership resulted in a change of operations. Today, the network has clear goals and plans, and actively engages its members. Moreover, as a result of this engagement, it feels that it truly represents the interests of its members, in contrast to the past. As a result, the membership has increased from 12 to 46 since 2009. Current members include: one Commercial Bank, four Community Banks, three Cooperative MFIs, thirty-four Non Cooperative MFIs and four service providers.

Tanzanian MFIs are still in an emerging phase of maturity, with a primary focus on financial sustainability. Social

performance is not high on MFI's agenda, and practice is still limited. Because this limited understanding of social performance, Tanzanian MFIs have a limited capacity to manage their social performance, and as a result, they have thus far failed to attract social investors. However, last year significant progress was seen. In May 2011, TAMFI enacted a code of practices for its members, which emphasizes client protection principles. This move is well-timed, as the Government has enacted a law on consumer protection, and banking regulation has been updated to emphasize transparency (i.e. disclosure on financial reporting, services and products).

In order to build on these trends, TAMFI decided to focus during the project on:

- Strengthening MFI skills in social performance management (SPM) and reporting
- Using social performance reports to attract social investors to invest in MFIs.

TAMFI hopes that by achieving those goals, it will be able to initiate and coordinate social performance activities, attract more members through MFIs' "success stories", and use social reporting to monitor members' practice in enforcing TAMFI's code of standards. They hope that thanks to this initiative, MFIs will start sharing financial and social data with the network, and that at least 12 additional MFIs will start reporting to the MIX. Through various activities like workshops and consultation, the Network plans to engage at least 24 MFIs around SPM.

To date, TAMFI has conducted a survey among members to find out their needs and existing SPM practice, gaps and strengths. This has helped them to tailor their awareness-raising workshop agenda and Social Performance Reporting training to their members' needs. After these workshops, they will provide technical support to member MFIs as they prepare their Social Performance Standards (SPS) reports and validating data. By the end of the project, they will develop a plan for future support on SPM. They will also publish a report that will capture "success stories" from the project. This report will be disseminated among members and other stakeholders in the country.