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## 4<sup>th</sup> SPM Working Group Meeting Sofia, Bulgaria, 30 May 2007

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### Participants

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Jhale Hajiyeva, AMFA  
Nigar Pirmammadova, AMFA  
Blerta Qerimi, AMIK  
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Artur Mesropyan, AREGAK  
Mariam Yesayan, AREGAK  
Irada Mikayilova, CredAgro Non-Banking Credit Organization  
Nika Kutateladze, Credo  
Maria Doiciu, Eurom Consultancy and Studies  
Sevinj Rustamova, FinDev  
Vase Davaliev, Horizonti  
Elena Milanowska, Horizonti  
Allan Bussard, Integra  
Connie Hina – Antonio, KEP  
Silvana Domi, KEP  
Milena Gojkovic, MDF  
Oliviera Bjekic, MDF

Marijo Čačić, MikroPlus  
Mirela Schreiber, MikroPlus  
Sanja Slunjski, MikroPlus  
Janos Bereczki, Opportunity Microcredit  
Daniela Gaga, Opportunity Microcredit  
Selma Jahic, Partner  
Adisa Mujkic, Partner  
Mirza Cehajic, Prizma  
Muamer Halilbasic, Prizma  
Seida Saric, Zene za Zene  
Cocky de Groot, ICCO  
Ben Nijkamp, ICCO  
Sascha Noé, NovibOxfam  
Walter Tounytsky, MFC  
Marta Bogdanic, MFC  
Ewa Bankowska, MFC  
Margarita Lalayan, MFC  
Ragnhild Liljeros, MFC  
Kasia Pawlak, MFC  
Agata Szostek, MFC

### 1. Introduction

*The 4<sup>th</sup> meeting of the SPM WG took place one and a half years after the SPM training, the first meeting of the group that were to become the pioneers of SPM in the region. Since that time, there have been challenges to address. The aim of the working group meeting was to talk about them and get inspired from one another through discussions, practical examples and interesting stories from the participants to share that would speed up each WG member's individual SPM institutionalization.*

The 4<sup>th</sup> SPM WG agenda:

1. Introduction
2. Working Group Members Update
3. The conceptual understanding of SPM
  - 3.1. Partner (Bosnia and Herzegovina) presentation
4. Lessons learnt from SPM institutionalizing so far, experiences from 5 WG MFIs
  - 4.1. MDF (Serbia)
  - 4.2. AgroInvest (Serbia, Montenegro)
  - 4.3. Zene za Zene (Bosnia and Herzegovina)
  - 4.4. Aregak (Armenia)
  - 4.5. Partner (Bosnia and Herzegovina)
5. Planning next steps
  - 5.1. SPM promotional calendar (the MF events in 2007 where the members can promote SPM)
  - 5.2. List of commitment
6. Additional information
7. Closure

## **2. Working Group Member Updates**

*The first part of the meeting is devoted to the participants sharing their experience and progress in SPM institutionalization since the last WG meeting in February 2007 (Warsaw). All the participants shared, in the plenary, their success factors and challenges experienced so far.*

### **AMFA**

#### *Successes:*

- Microfinanza Rating has already rated 7 MFIs in Azerbaijan.
- Committed to provide an interview series in the ACDI/VOCA magazines.
- Successful meetings with donors to fundraise and to start the assessment of social indicators. This will likely start in 2008.
- 3 banks have joined AMFA.

#### *Challenges:*

- Main challenge is the absence of a legal framework for microfinance in Azerbaijan.
- Promotion of SPM. To develop ways to promote SPM to MFIs so they can identify the need of more formal ways to institutionalize SPM, and how SPM can help in the day to day management.

### **Horizonti**

#### *Successes:*

- Horizonti are not hasting, since there is a need for time to get real understanding (Horizonti joined the WG in February this year).
- Successful introduction of SPM and support from all board members: the board is onboard!
- Elena Milanovska, operations manager has joined the SPM team.

#### *Challenges:*

- Get staff buy-in
- Use the right language when introducing SPM to staff and the SPM team
- Keep up the same level of staff's excitement about the concept.
- Full understanding of the concept – time

### **Eurom Consultancy and Studies**

#### *Successes:*

- Finished the benchmarking brochure for 2005 and 2006, with financial and social indicators.
- Two MFIs in Romania will go through social performance evaluation/rating with Microfinanza.

#### *Challenges:*

- More commercialization in the country and in the sector.
- Major challenge to maintain the social mission during the commercialization phase. There is a serious need to institutionalize SPM.

### **AgroInvest**

#### *Successes:*

- Successfully started to institutionalize SPM in the organization.
- Good work and cooperation inside the SPM Team

#### *Challenges:*

- AgroInvest is prepared and aware of the challenges to come.

### **Prizma**

#### *Successes:*

- Strong secure top management buy-in
- Institutionalized SPM form top to bottom going through all systems, HR, SIS etc.

#### *Challenges:*

- The legal environment in the country.

### **MikroPlus:**

*Successes:*

- The staff is "socially conscious", well trained on the necessities and on managing Social Performance, all staff is aware!

*Challenges:*

- The main challenge is the legal framework in Croatia today.
- MikroPlus is looking for the "back door" to be able to keep up their work and do it legally, they will have the answer and the solution by the end of this year.
- Due to the legal framework, there is a need of additional strategic work.

**Aregak**

Artur (Operations Manager) emphasizes the fact that you can not change all in one day, this is simply impossible. It is important to maintain the organizational culture and the values, since they support you whilst growing fast.

*Successes:*

- Internal learning: organizational values are shared and passed on from older staff to newer staff
- True understanding of how time consuming this process is

*Challenges:*

- MIS transformation.
- Full integration of SPM into Business Plan and ongoing activities.
- The legal framework and external regulatory requirements in Armenia

**Zena Za Zene International**

*Successes:*

- Good communication culture between different levels of staff
- Buy-in from the board
- Staff dedication to work with 'social' goals.

*Challenges:*

- Time - there are not much resources to be used
- Introduce Staff Incentive System to fully support SPM.

**Credo**

*Successes:*

- Realizing the importance of SPM.

*Challenges:*

- Figure out a way of institutionalize SPM and implement SPM into the structure of the MFI.
- Increase the awareness of SPM in the MF sector.

**Partner**

*Successes:*

- True understanding that SPM is a process not a project.
- Successful integration in all the whole institution.
- Strong support from the management team.
- SPM has been on the agenda on the last two Board meetings.
- Clearly identified the role and the duties of the members of the SPM team.

**Challenges:**

- Time allocation
- integrating SPM into all functional areas.

**KEP**

*Successes:*

- Understanding of the SPM process.
- Set up the baseline data for social performance information.
- Set up social indicators.
- SPM is integrated into their business plan.

- Board buy-in is secured.

*Challenges:*

- The main challenge for KEP is the transformation's demand on time!
- Staff capacity building.
- Integration of social audit into the internal audit system.

**AMIK**

*Successes:*

- SPM promotion on a country level, with material translated into Albanian.
- Promotion of social audit and social rating.

*Challenges:*

- To successfully secure MFI member motivation.

**MDF**

*Successes:*

- Filled in identified gaps, especially in the information area, effective information usage is in place
- Integrated SPM into the business plan.
- Successfully introduced change indicators.
- Social performance information incorporated in the annual report.
- They have a SPM working team and staff trainings.
- They have also received positive reactions from donors.

*Challenges:*

- The main challenge is staff buy-in. This means additional work and allocating time resources.

To summarize the message learnt from MDF; use the existing systems! There is no need to introduce something new, you can use what you already have.

**3. The conceptual understanding of SPM**

*The experience of some of the WG members shows that it takes time to properly understand the concept of managing the SP. Participants were asked to discuss their understanding of the concept now and the understanding of the concept in the beginning of the working group meetings one and a half years ago and how the concept has evolved in the mind of the participants.*

Question: What you were thinking about SPM initially?

- it is a project
- another donor imposition /donor driven
- this is impact assessment
- charity or grant (the term "social" indicating the possibility of ignoring financial results)
- it's all about information system
- we haven't expected that much resources and time will be required

Question: How is SPM different from impact assessment / project?

- it's not one event, but long lasting process
- we do not only look on the results, it's about the processes – we do SPM in order to improve on our performance
- no research methodology – this is a management approach

Question: Why it's not "charity"?

- we cannot exist without both financial and social issues, they are incorporated and intertwined
- the social aspect is about better understanding our clients and the change we want to see in their lives, it's not enough to be about financial performance only

Question: Why it's not only about the IS?

- we need to do something more with the data we collect: to analyze, to report, to monitor our performance in order to see where we are going
- integrate social indicators into the MIS: it is very important to have a functional MIS in place and this is usually very difficult to achieve. Thus a lot of focus has been put on the IS. That is probably the reason to the misunderstanding.

Question: what about the required resources?

- we were surprised by the amount of effort and time it actually takes
- it involves a lot of people from staff from across the organization

### **3.1 Partner, presentation**

*The representative of Partner was asked to present their experience of the evolution of their SPM concept understanding.*

In the beginning of the SPM process and before the SPM training the representatives from Partner were asking themselves "what we will do for 5 days talking about our mission?" The perception of the staff and coworkers in Partner were that "we are socially focused", "we know our mission and we follow it". This is how most of the MFIs think, and to a large extent this is true, an MFI is a social enterprise, however just by being a social enterprise does not mean that you manage your social part of the mission and/or manage your social performance. The initial processes of managing social performance are to deconstruct the mission, the whole process of SPM starts there, and it takes time to identify the actions needed.

Partner has been working very hard with SPM and during all this time they got closer to fully understanding that SPM is about managing the social performance. It took some time to understand that managing SP is a process, that SPM is on-going – it will never end. Analyzing their daily tasks, they understood each of the activity must be designed using a social lens. This relates to all functional areas: finance, HR, operations, marketing etc. Partner has realized that SPM is rather an attitude towards management, and realizing this, they are now approaching the implementation from a managerial point of view. The performance must be monitored and the decisions must be taken based on information including social results, not only financial.

## **4. Lessons learnt so far, experiences from 5 WG MFIs**

*Five of the WG members were asked before hand to present some aspects of the SPM institutionalizing process in their organizations.*

### **4.1 MDF presented by Milena Gojkovic (ED)**

Milena focused on SP information and the ways how to use it for different purposes.

- the donors/investors really start to show an interest in SP; in the case of MDF the donors ask how MDF have set up and how they use SPM in order to achieve the social aspect of their mission
- the donors wants the reassurance that their money is doing what it is suppose to be doing, to reach the results and expectations. One of the most important aspects of this is the targeting of clients; that the "right" clients are targeted and that change in these people's lives can be shown.

General success factors in MDF:

- Using information to manage the operations: MDF has quarterly meetings with all members of staff, reporting on financial results and now MDF is including SP results. During this information sharing, they also report on the trends in reaching the social results. Milena (ED) points out that it is important to the whole cycle, to be able to observe the change and set up new goals.
- Staff awareness: all members of staff have to be involved in the process of following up the results and the changes in the clients' lives.

- Since MDF started this process many things has improved, especially regarding the implementation, especially the understanding that it is a cycle, that all members of staff feels the improvement.
- Understanding that this is a never ending, ongoing process and that the working group meetings shows this well, when listening to other MFI you realize that there are still more things to do!

Actions done by MDF:

- MDF included social results in the annual report as a first step. They wanted to see the poverty changes, however they did not have any definition of what poverty really means. They started to use national poverty line as a benchmark and now it's added to the annual report.
- One of the challenges for MDF was that they could not track what happened to a client in the first cycle and follow the process to the fourth cycle. The information was in MIS, however the only way to analyze the data was to extract it from the data base and analyze for each of the clients. As some of this work had to be done manually it was not cost effective. That is why MDF decided to use a sample of clients to measure the impact on their lives. However, the improvements in the database would make this process easier. Then again new systems are expensive, therefore MDF chose to use the information they have and are developing new ways to use this information more effectively.
- Exit forms were introduced: 6 months are considered a "sleeping period" and a valid time frame, for leaving the MFI and not taking a new loan. After this period the clients will be given an exit form. MDF uses a sample from the database and loan officers will visit the clients and talk to them and give them the exit form. Another way of approaching the exit forms are during the confirmation of a completely repaid loan, this is a good opportunity to give the clients the exit format.
- As in so many cases allocating time is one main challenge for MDF.

Summary: this is a good way to begin the first steps, think about what you need and try to use what you got!! This is something many of us can do.

Questions to Milena from the other participants:

- Have the way you are doing business changed?

Today MDF has more clarity in their work, the work right now and in the future work.

- What kind of change indicators are used?

They have identified the change indicators, which in MDF are based on changes in the business and income levels.

If the indicators show more profit in the second than the first cycle, MDF will use the same indicators next year, to further compare the development. Another indicator used by MDF is the number of family employees, along with the average consumption basket.

#### **4.2 AgroInvest, presented by Ana Dragic (HR Manager)**

AI has started with deconstructing the mission into 3 parts and setting up their definitions:

- target clients
- economic development
- social impact

The next step was to identify the change indicators, which will measure the change they expect in their client's lives. They identified the following indicators:

- Change in clients' income and equity for measuring the economic development
- The amount of help per child; reaching the children from the target clients' families (being part of WVI AI programs are focused on delivering help to children)

The change indicators are being incorporated into the regular reports on all the level of the organization. AgroInvest has not yet developed a fully functional reporting system, they are discussing

the timeframe for the reporting format and they will have the first report in September, by next year they will have base information.

AgroInvest have taken in what the other members in the working group have shared, *change takes time*, so they have a realistic view on the time resources needed.

Thanks to the process they are going through, the whole team shares the same goal.

#### **4.3 Zene Za Zene International, presented by Seida Saric (ED)**

Zene za Zene is at the moment looking at what they have concerning the SPM reporting – they have started to include various change indicators, asking the questions:

- What indicators can be created from the existing info?
- What new forms can collect new information needed?
- How can the loan officers collect the information?
- How can the loan offices be trained in order to get this information.

New change indicators: changes in the lives of the clients such as income of the family and of the women. However income might not be the best indicator, and therefore one of the new indicators is to measure the household expenses.

Seida is commenting on her role as executive director in Zene za Zene, is to make sure it is happening! She is a member of the SPM team and she has put SPM on the agenda and made it a high priority. Zene za Zene has formed an SPM team, they have allocated time and they are dedicated. That is one of the reasons that the operationalization of SPM is in progress.

As a summary, the following message was underlined: change indicators and how to measure change is equally important as information systems.

#### **4.4 Aregak, presented by Mariam Yesayan (ED)**

Aregak is keeping the promise! Aregak is now a commercial unit with a social focus (in the process of transformation). We must remember that changes are always stressful except the change in the live of our clients!

A lot have changed in Aregak recently: before the project proposals were prepared for donors, and now business plans are prepared for investors. This is the reality of being a commercial unit.

Now Aregak has a formal five year business plan, but they have made sure that SPM is a part of the business plan, that SPM is absorbed throughout this plan.

Aregak has the orientation to support the mission achievement through balancing client and region/geographic targeting. It is more costly to be a commercial unit than being a NGO, and to keep focus of the target group, which has always been the rural poor, Aregak has to find new ways to secure their incomes. Therefore, Aregak has started to target small entrepreneurs in urban areas; new products and new client niches, and creating new opportunities in order to be economically stronger to be able to keep the rural client focus.

#### **4.5 Partner presented by Adisa Mujkic (IS Manager)**

Partner has started the daunting process of integrating SPM into all functional areas, this is not an easy task and needs encouragement and motivation. That is why Partner found the need to change the Staff Incentive Systems.

Partner also found that the follow up process and cascading SPM into the different branch levels did not pose as many problems as perceived, due mainly to the fact that successful communication has already been done.

Partner managed to get buy-in from all different functional areas by downscaling the idea of SPM to the staff. The SPM team is composed by staff members who all understand the concept of SPM. They come from various functional areas and various levels. In case of loan officers and lower level management it was important to formalize the team through signing a statement letter by their

supervisors, so that they can use the time needed. Thus, all members of staff are shown the importance of the SPM work, this will be a good incentive for further understanding and buy-in among staff members.

The SPM team has regular meetings, which are "compulsory" thus all the SPM team members has a deputy, if the original member can not go to a meeting, then the meeting will take place and the deputy will update the original SPM member, after the meeting.

The facilitator draws attention to the interesting and innovative way Partner has secured the participation of all members during the SPM team meetings. Then, being an MFI in a commercialized environment and still keeping up the MFIs social focus is both a possible and desirable way for the future.

## 5. Planning next steps

The facilitator summarized the successes and challenges:

- The main challenges in the SPM work is staff communication, staff buy-in: securing as well as keeping it up.
- This is a management system, Social Performance Management, or rather managing your social performance. That is why Human Resources is of real importance, as well as the SPM team, its composition, internal communication etc.
- If you do not have the EDs commitment, you must get it.
- The MFI should have a strong SPM team which represents all functional areas in the MFI and that key functional area managers are committed to the SPM process. Ownership of the process is important, so that the staff can feel part of the process and the initiatives and the staff does not feel that SPM is forced upon them.

### 5.1 Promotional Calendar

*Apart from the importance of securing the internal buy-in in the MFIs, the participants are committed to promote SPM on a local country level. Traditionally, they were asked to fill in the SPM Promotional Calendar, which shows the coming events during which the SPM can be promoted by WG members.*

June	July	August	September	October	November	December
Task Force CGAP	Summer School, WVI		AMFA assembly	SEEP Conference		
TG, AgroInvest			10 Year Anniversary Partner			
Rating Conference, AMFA						

### 5.2 List of commitment

*The last part of the meeting concerns the next steps of SPM institutionalization planning. Participants were asked to share one important aspect in SPM implementation to be stated and finished by the next meeting.*

*The participants formulated the following list:*

#### By January 2008 I will:

- MDF: review the indicators in the system, incorporate them in a reporting format
- ZZZ: finish MIS and finalize the report
- Aregak: finish MIS and finalize the report
- Partner: formalize the SPM reporting

- MikroPlus: by the end of this year MikroPlus will get to know their uncertain future. Until then they will finish the IS reporting format.
- Prizma: analyze the data from the poverty scorecard, integrate the poverty scorecard into the MIS, and then identify next steps. Possibly try to publish the results.
- Eurom Consultancy and Studies: 2 MFIs went through an external Social Performance assessment, this report will be reported and distributed to all the MFIs in Romania, these MFIs were asked to develop their own action plans.
- Integra: introduce "market access service", a new client assessment system for different kinds of clients
- ICCO: introduce SPM into the strategic planning process in ICCO
- FinDev: SPM information dissemination, identify key support AMFA, establish SP indicators. Together with AMFA be a part of the Rating Conference in June.
- KEP: standardize SP reports (format, frequency etc.) → conduct client impact assessment
- Horizonti: develop SP objectives and indicators, create a system for SP data collection

MFC will follow up and support the MFIs in this process.

## 6. Additional information

The participants are informed about events relating to SPM and SPM Program run by MFC:

- There is a possibility for 2 MFIs to do the Social Audit with the support of MFC. More information will be sent to the participants soon.
- The new MFC publication *From Mission to Action Management Series for Microfinance Institutions* is completed. This is an outcome of the cooperation between MFC, its project partners and some of the WG members. The publications are available at the MFC webpage [www.mfc.org.pl](http://www.mfc.org.pl)
- There are two workshops planned for MFC conference:
  - Strategic Management, given by Walter and supported by Seida (Zene za Zene), Mariam (Aregak) and Selma (Partner)
  - and the QAT (Social Audit) given by Agata and supported by Ana (AgroInvest) and Aldo (Microfinaza Rating).
 Participants are asked to encourage other conference participants to come to the workshops.
- The next WG meeting will be in Warsaw in the beginning of the next year (2008). This meeting will be focusing on internal assessment, doing the Social Audit with internal capacities.

## 7. Closure

The evaluation forms are distributed and filled in by the participants. The results will be available in a separate document.