

## Performing in a new perspective

Micro Development Fund experiences in Social Performance Management (SPM)

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Since its founding, MDF has been clear in its social dimension of the mission of targeting socially and economically excluded clients, offering them a chance for self-reliance rather than dependency on social aid, as well as chance for improved living standards rather than poverty.

While following its mission, MDF has paid much attention in achieving a sound financial performance, knowing that it is crucial for sustainable operations. Over the years, MDF was following trend results in financial performance, efficiency and profitability, comparing it to the benchmarks of the microfinance industry and making plans for new challenges. It brought us excellent results that were measurable and transparent.

As has always been the case in microfinance, we realized that, besides financial results we could do much more in tracking social performance goals. The inspiration for setting up Social Performance Management was the training sessions conducted by the MFC in January and June 2006. The idea was to set the Social Performance (SP) objectives, design the system for following up which ensures the MDF fulfils its social part of the mission by incorporating 3 of the core elements of the MDF SPM system:

- targeting poor and economically active clients
- meeting client needs
- measuring the change that our loans make on the clients' lives

MDF decided to incorporate simple, cost effective systems building on what we already have. The poverty measurement categories – poverty line for measuring the change was set as starting point. For each of the SP goals, MDF developed the strategy map, set the SMART objectives, drafted the alignment plan, made an action plan to reach the objectives<sup>2</sup> and communicated the SPM concept with all staff. During the implementation of the system, the MDF assessed available information from the MIS and introduced the new Exit Form (to learn from clients to what extent the MDF's diversified loan products meet client needs).

By including small changes in collecting information, MDF was ready to show the first SPM results, incorporated in the 2006 annual report. In terms of **reaching target clients**, MDF showed indicators related to participation of marginal and vulnerable groups among refugees, former refugees who obtained citizenship and Internally Displaced People; as well as the number of poor clients measured by national poverty lines. Moreover, targeted

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<sup>1</sup> Milena Gojkovic is CEO of Micro Development Fund, located in Serbia. MDF is a sustainable institution with outstanding portfolio of 2,346,712 EUR and 2148 active clients. It offers loans and vocational trainings. More information you will find at [www.mdf.org.yu](http://www.mdf.org.yu).

<sup>2</sup> The tools used by MDF consist on the Toolkit „From Mission to Action. Strategic Management Series for Microfinance Institutions“ developed by MFC and its partnering MFIs.



clients were from areas of southern and central part of Serbia, considered the poorest areas in comparison with the rest of the country. The main indicator for **meeting client needs** was the client exit rate. Loans not meeting client needs were measured by delinquency.

The **change** was measured by business development indicators (such as % of increased business equity, new jobs created, increased profit etc.) as well as improved family living standards (like movement in poverty lines, including both, positive and negative effects).

Additionally, MDF social goals were measured through appropriate services like non-financial services measured by number of implemented Vocational Training courses.

The results were shared with all staff internally, during the staff meeting and externally with our donors. Some of the donors expressed great interest in learning more about our SPM. The SPM results, incorporated into the reports of MDF, were shown as an additional opportunity for promotion, especially during the process of further fundraising with new donors. The whole process was neither costly nor difficult because a lot of information was already available. The cost of the whole process was predominantly in terms of time spent on designing system, introducing small changes in information collection and incorporating it into the reporting system.

In addition to SPM activity, a SPM working group has been formed that aims to encourage active participation of key staff who will continue to facilitate the SPM process in 2007. Building up staff awareness of social goals of the MDF is going to be a regular communication topic at the staff and management meetings, performance appraisal, reporting, sharing news and promotion. All activities help MDF staff to increase awareness of the social dimension of our mission while targeting clients, meeting their needs and offering services that make changes in clients' lives.

Another step will be to further improve the technical capacities of the current MIS in order to enhance reporting. Although, the SP preparations and piloting require some time and resources, it is worth investing for long term effects. Incorporating SP in MDF systems will help MDF to make further plans and manage the goals set which are aligned to the mission.

