

# CIRCLE

THE OFFICIAL NEWSLETTER  
ON MCPI'S SPM ADVOCACY

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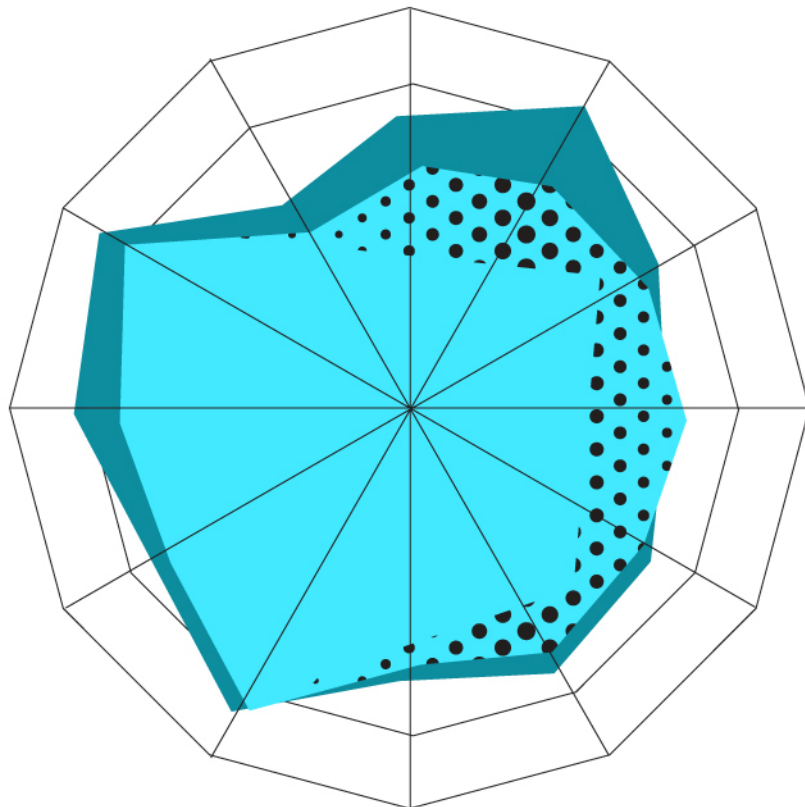
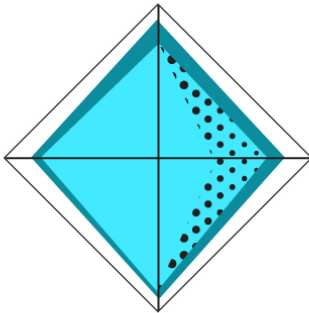
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# OIKOCREDIT HOLDS PPI LEARNING FORUM FOR PPI USERS



Oikocredit, in collaboration with the Microfinance Council of the Philippines (MCPI) and Grameen Foundation, held a Learning Forum on the Progress out of Poverty Index (PPI) last May 19, 2010 at Torre Venezia, Quezon City. Sixteen (16) representatives coming from six microfinance institutions and five cooperatives attended the learning exchange on the management and implementation of the PPI.

The day-long forum aimed to help improve PPI practices among organizations using or piloting the PPI. The activity's specific objective was to identify the concerns and the solutions taken in the management of the PPI pilot and/or implementation, such as the issues and lessons in data gathering and data analysis and the requirements in rolling out the tool throughout the whole organization.

Information shared among forum participants are seen to contribute to the improvement of PPI practices towards maximizing the use of PPI results to strengthen social performance. Pioneering organizations shared about their experiences at different levels of PPI implementation, from the pre-analysis, analysis and post-analysis stages.

MFIs using or piloting the PPI presented their experiences on the different PPI systems starting from Institutional Buy-in, to Training, Data Collection, Data Encoding and MIS integration to Data Analysis, and lastly, Quality Control. The following organizations shared best practice presentations: Alalay sa Kauswagan, Inc. (ASKI), Pag-inupdanay, Inc., Rangtay sa Pagrang-ay (RSPI), Kamayo Mindanao Foundation, Inc. (KMFI), Paglaum Multi-purpose Cooperative (PMPC), and Negros Women for Tomorrow Foundation (NWTF).

The forum also aimed to encourage participants to maximize the use of the PPI results to strengthen their organizations' social performance. To help participants draw insights on the use of PPI data in strengthening SPM within the organization, Mr. Gilbert Maramba, research manager at Negros Women for Tomorrow Foundation (NWTF), talked about "PPI as a Tool for Social Performance Management". A separate discussion on "Using PPI information: Some Ideas from Efficiency Analyses in the Public Sector" was led by Dr. Erwin Tiongson, associate professor at the Center for Development Management, Asian Institute of Management. Dr. Tiongson's presentation hoped to broaden the perspective of the participants on the use of PPI data in day-to-day management.

The PPI Learning Forum was facilitated by Ms. Meldy Pelejo, SPM Regional Coordinator of Oikocredit and Mr. Christopher Tan, Regional Director for Southeast Asia of Grameen Foundation.

# GRAMEEN FOUNDATION INTRODUCES PPI STANDARDS FOR USE AND CERTIFICATION PROGRAM

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Grameen Foundation recently launched new standards for using the Progress out of Poverty Index or PPI. Developed with inputs from other microfinance stakeholders, the standards seek to streamline the PPI results verification process. The introduction of the standards is seen to enhance the quality of information and help the implementing organizations in effective decision making.

The standards cover the following categories: intent, data collection, training, processing, and reporting, and are available for three levels of users: basic, advanced and tracking over time. The Basic standards enumerate mandatory procedures for PPI use and reporting. To be classified as an “advanced” PPI user, organizations must meet all Basic standards and at least one advanced standard for each category. The Tracking-over-time standards apply to those PPI users who track poverty changes over time.

In line with these standards, Grameen Foundation also introduced a certification program designed to verify an organization’s PPI implementation. This certification adds value to an organization’s PPI data as it serves as a “stamp of approval” that the tool is being used correctly and that data was collected in an accurate and transparent manner. This certification will be recognized by industry bodies such as donors, investors, and rating agencies.



The certification process takes 2-3 days and is available at no cost to the organization. It involves online information gathering and staff interviews regarding the PPI data collection process. Trained professionals from Grameen Foundation’s Bankers without Borders volunteer program may also conduct field visits to gather information and verify compliance to the standards. Certified organizations will be featured in the Grameen Foundation website and highlight its participation through different communication channels.

The standards have been endorsed by key microfinance networks and investors, including Oikocredit, Catholic Relief Services, and Plan International Asia. To date, PPI Certified MFIs include ESAF Microfinance and FINCA Peru.

*To download the new standards, log on to [www.progressoutofpoverty.org](http://www.progressoutofpoverty.org). If you are a PPI user and would like to learn more about being certified by Grameen Foundation please visit, <http://www.progressoutofpoverty.org/certification>*

# REPORTING SOCIAL PERFORMANCE: THE MIX ADVANTAGE



MIX or Microfinance Information eXchange has provided MFIs a forum for reporting important social performance (SP) outcomes since February 2009. MIX is behind the MIX Market™ - a global, web-based, microfinance information platform which serves as an online resource of SP results for potential investors, donors, and the general public.

The reporting framework measures MFI performance according to 22 defined indicators: mission and social goals, governance, range of products and services, training on social performance, staff performance appraisal and incentives, market research on clients, measuring client retention, poverty assessment, social responsibility to clients, transparency on cost of services to clients, social responsibility to staff, social responsibility to community, social responsibility to environment, geographic outreach, women outreach, clients outreach, outreach by non financial services, employment, children in school, and poor and very poor clients at entry. The reporting template can be downloaded from [www.mix.org](http://www.mix.org).

More than being a repository for MFIs' social data, reporting to MIX presents the following advantages:

## 1. Attracting investors

Potential investors now prefer systematic measurement and reporting over anecdotal evidence as evidence of poverty alleviation. Availability of SP results gives investors a full and accurate portrait of the institutions they support.

## 2. Attracting donors

SP data helps donors to report annual results, attract additional sources of funding, and build their public image. Donors will prefer MFIs that supply them with clear, practical data which will be useful in appealing to stakeholders.

## 3. Staying a step ahead

Even when investors or donors do not require an MFI to publish social performance data, it is likely that they soon will. MFIs that voluntarily report to MIX are responding to a changing market.

## 4. Building personal reputation

Stakeholders now demand greater transparency and measurable results that demonstrate the effects of microfinance on the poor. Individual MFIs must now show their commitment to the social outcomes of their work not only to investors and donors, but also to the broader public.

## 5. Building a shared reputation

Reporting to the MIX Market proves claims of social performance. More data available and more MFIs reporting SP data boosts the reputation of the MFI industry as a whole.

## 6. Creating community

Through MIX Market's online sharing platform, MFIs can rely on an easy-to-access support network and interact with other institutions that share similar SP goals and challenges.

## 7. Analyzing performance and trends

The practice of regularly sending in SP data may enhance the quality of reporting for each cycle. This also allows the MFI to compare performance against stated objectives and study progressions over time.

## 8. Justifying investment in SPM

Accomplishment of social objectives and publishing this data may help in showing the significance of the program to stakeholders.

## 9. Gaining publicity by being featured on MIX SP blog

The MIX Social Performance Blog publishes information on SP in microfinance. MIX interviews reporting MFIs and publishes their responses on the blog ([www.spblog.org](http://www.spblog.org)).

*(Source: Reporting Social Performance to MIX: Benefits for Microfinance Institutions. Visit [www.mix.org](http://www.mix.org) to download the full version and for more information on the MIX reporting standards )*

## MCPI seals partnership with MIX, recognizes participating MFIs

As part of MCPI's commitment to improve the understanding and appreciation of social performance management by MFIs, it has partnered with the Microfinance Information eXchange (MIX) to leverage on its expertise on SP reporting. Through this partnership, MCPI encourages its members to accomplish Social Performance Standards Reports to be verified and submitted to MIX.

Last July 2010, MCPI recognized MFIs who exerted the effort to participate in the SP standard reporting during the MCPI Annual Conference in Davao City.

The Gold Award is given to MFIs who completed the report and provided data on poverty rating and who has an available social rating which includes an audit of the poverty tool they used. 2010 recipients of the Gold Award were Alalay sa Kaunlaran, Inc. (ASKI) and Community Economic Ventures, Inc. (CEVI).

The Silver Award is given to MFIs who completed the report and provided full data on poverty measurement. The Silver Awardees were People's Bank of CARAGA and the Philippine Microenterprise Development Foundation.

Other MFIs who completed the SP Standards reporting were Ahon sa Hiras, Inc., GM Bank, Jaime V. Ongpin Foundation, Inc., Kasagana-Ka Development Center, Inc., KFI Center for Community Development Foundation, Inc., and TSPI Development Center.



# OIKOCREDIT RECOGNIZED AS “BEST IN CLASS” FOR SOCIAL COMMITMENT

In recognition of its contribution to socially responsible investing, Oikocredit received the CGAP MIV ESG award from the Consultative Group to Assist the Poor (CGAP), an independent policy and research center dedicated to advancing financial access for the world's poor.

The CGAP MIV ESG Award honors the “best in class” microfinance investment vehicles (MIVs) that exhibit the strongest commitment to Environmental, Social and Governance (ESG) factors by integrating these into the organization's investment decisions. The CGAP MIV ESG Award was developed in partnership with the United Nations' Principles for Responsible Investment initiative (UN PRI), LuxFLAG of Luxembourg, and the European Social Investment Forum (Eurosif). 32 MIVs vied for the award and entries were evaluated in four areas: Transparency of reporting, integration and enforcement, completeness of ESG framework, and engagement and innovation.

According to Xavier Reille, CGAP manager responsible for the Awards, CGAP's 2010 MIV ESG Awards aim to further encourage microfinance asset managers to set ever higher standards for themselves in considering ESG factors, as it will be the people of developing countries and their communities who will benefit from MIVs' consideration of these critical issues.

Two other MIVs - Triodos Investment Management BV of The Netherlands, and the Rural Impulse Fund I managed by Belgium's Incofin qualified for the award.

Oikocredit is one of the world's largest sources of private funding to the microfinance sector in over 70 countries. In Southeast Asia (SEA), Oikocredit provides loans, credit lines, equity investment and technical assistance.

In addition to its financial services, Oikocredit has taken the lead in promoting social performance in SEA in collaboration with the Microfinance Council of the Philippines (MCPI). It also actively collaborates with the Grameen Foundation, the Smart Campaign and Microfinance Transparency. Oikocredit also partnered with MCPI and Grameen Foundation in organizing the first SPM Peer Learning Community in 2009.

Oikocredit supports the adoption of social performance management (SPM) tools such as the Progress out of Poverty Index (PPI), the SPI Cerise social audit tool, and the self-assessment tools developed by the Smart Campaign. Oikocredit also worked with the Institute for Social Entrepreneurship in Asia (ISEA) in developing and publishing the book “Measuring Social Enterprise: A Resource Book on Social Enterprise Performance Measurement.”



*To learn more about Oikocredit, please visit their website:  
<http://www.oikocredit.org/en/home>.*



# FIRST ASIA PACIFIC WORKSHOP ON MFI SOCIAL PERFORMANCE TOOLS HELD

The First Asia-Pacific Workshop on Social Performance Indicators (SPI, developed by CERISE) and the Client Poverty Scorecard (CPS, developed by SPACE with support from Entrepreneurs du Monde) was held from Sept 20-23, 2010 at the CSB Hotel and International Conference Center in Malate, Manila. The event was co-organized by Service Provider and Capability Enhancer, Inc. (SPACE), the Microfinance Council of the Philippines (MCPI), and KIVA Microfund.

The workshop aimed to increase awareness of MFIs in the Philippines and Asia on the SPI and CPS as social performance assessment tools, share best practices on SPI implementation in the Philippines, and to build a network of trained users of the SPI and CPS. The event offered 4 full days for the participants composed of MFI heads, research and training coordinators, internal auditors, and Social Performance Management (SPM) coordinators.

CERISE Executive Director Dr. Cecile Lapenu delivered a 2-part talk on the SPI tool and its components: the process flow, data collection, data analysis, and reporting. Representatives from the Gata Daku Multi-Purpose Cooperative (GDMPC) and the SEED Center Philippines shared lessons learned on Social Performance Assessment using the SPI.

Mr. Fidel Castro, SPACE Social Responsibility Manager and Mr. Candidoskie Berdin, IT Consultant, opened the session on CPS through a presentation entitled, “CPS Implementation – The Tool and the System.” It was followed by SPACE Executive Director Mr. Edwin A. Peraz’ presentation on “CPS Implementation: Approaches and Strategies.”

There were also sessions on Qualification and Accreditation of Auditors/ Consultants for SPI, the Importance of SP Assessment to Donors and Funders, Available Technical Assistance on SPM, and on Different Poverty Assessment Tools, among others. Attendees were also given the opportunity to exchange ideas with other participants during workshop discussions and scheduled networking activities.

Service Provider and Capability Enhancer (SPACE) Inc. is a non stock/non profit organization dedicated to support microfinance institutions and other development organizations through a range of non-financial services and provide them technical assistance to improve their social performance and create sustained impact in the community ([www.space-inc.org](http://www.space-inc.org)). KIVA Microfund is an innovative online internet community ([www.kiva.org](http://www.kiva.org)) which provides a platform for individuals to lend to an entrepreneur across the globe. By combining microfinance with the internet, KIVA is creating a global community of people connected through lending.

# CERISE, MCPI DISCUSS DECISION TREE PROJECT AND PROSPERA

CERISE (Comité d'Echanges, de Réflexion et d'Information sur les Systèmes d'Épargne-crédit) is a knowledge exchange network for microfinance practitioners. It was organized by five leading French microfinance organizations for the purpose of exchanging information and learning from each other. These interactions enable CERISE to learn more about the dynamics of MFIs and enable them to develop operational tools that benefit the industry. CERISE's work is focused on four themes, namely: Impact and Social Performance, Agricultural and Rural Finance, Governance and Social Viability and Intervention Methods.

CERISE is also among the founding members of the European Microfinance Platform (eMFP) and the Social Performance Task Force, established to harmonize approaches to social performance and promote its measurement. CERISE also launched ProsperA to promote social performance by building capacity of MFIs and their affiliate networks. ProsperA is a network of MFIs, professional associations, technical assistance providers, donors, social investors, researchers, rating agencies and consultants from all over the world.

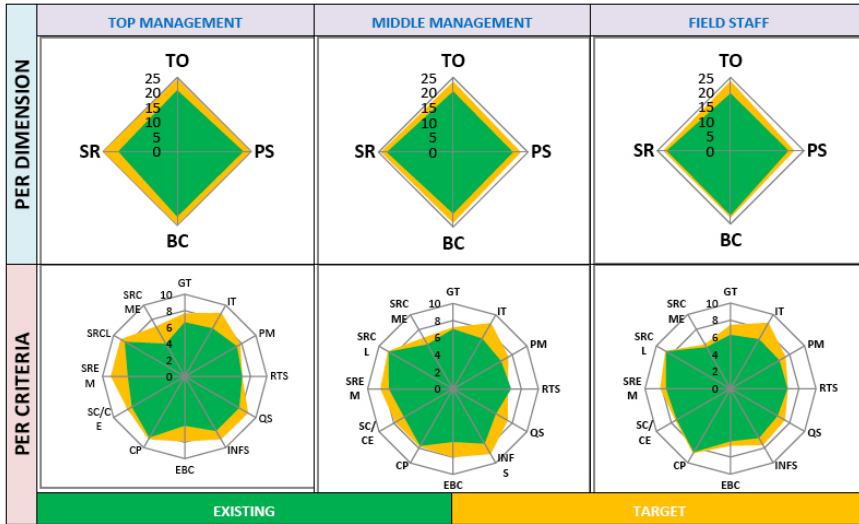
To facilitate better understanding of social performance, CERISE partnered with the Imp-Act Consortium (through MFC, the MicroFinance Center in Poland) to provide tools and solutions for networks in developing social performance-related strategies. The two leaders are co-developing the "Social Performance (SP) Decision Tree" which maps out existing SP activities and tools and guides users in determining which ones are appropriate for their specific needs. The content of the Decision Tree will be based on ongoing initiatives already being practiced by networks all over the world. The tree is projected to be completed by June 2011. In the meantime, the partners are working with several networks in developing the Decision Tree.



As part of the development process, CERISE's Executive Director Cecile Lapenu visited the Philippines to meet with the Microfinance Council of the Philippines and get the local network's inputs for the Decision Tree. The meeting involved a review of MCPI's SPM strategy and how it delivers support to MFIs. Ms. Lapenu in turn gave suggestions on how the network's approach could further be improved, which included the engagement of a full-time SPM trainer who could provide support to members on the different SPM tools and initiatives.

Ms. Lapenu also looks forward to MCPI taking on the role of a ProsperA partner in the Philippines in order to enhance relationships with SP stakeholders and improve MCPI's capacity in the use of the CERISE-SPI tool.

# THE SPI-CERISE TOOL



As more and more organizations compete for the attention of donors, investors and other stakeholders, microfinance institutions (MFIs) are now compelled to prove not only their financial viability, but to also show evidence of their social benefit. Nowadays, success stories should be backed up by social performance data that could be used to gauge success and understood by most in the industry.

Recognizing the need for a standard tool for social performance measurement, CERISE and its partners pioneered a social performance tool for microfinance in 2001. The Social Performance Indicators (SPI)

-CERISE tool was designed using a collaborative and open approach, welcoming inputs from several MFIs and microfinance networks from all over the world. This resulted in an easy-to-use tool which could be adapted to an MFI’s local conditions.

The SPI-CERISE tool helps MFIs assess the effectiveness of their internal processes to achieve defined objectives. The simple questionnaire uses 12 criteria grouped into 4 dimensions, namely (1) outreach to the poor and excluded, (2) adaptation of services and products to target clients, (3) economic and social benefits for the clients, and (4) social responsibility towards staff, clients (consumer protection), communities and environment.

Answers to the standard SPI questionnaire, based on an Excel format, are presented as radar and diamond graphs which illustrate an MFI’s social performance. The tool is reportedly simple enough to be used by the MFIs by themselves for self-assessment. Users may also choose to engage an external partner to help them use the tool and to make recommendations based on the results.

Other than just being a reporting tool, the process of doing social performance analysis encourages MFIs to improve internal processes and open up dialogues on social performance issues, increase organizational transparency, enhance financial efficiency through improved social performance, and improve competitiveness and differentiate itself from others in the industry by adapting a highly social approach. Since scorings are standardized, the results allow comparisons to be done across all MFI using the same tool.

The SPI-CERISE tool is only one among many assessment tools available in the industry. After 10 years of continuous development, SPI is now being supported by several large networks and MFIs. To date, it has been used by more than 300 MFIs in Africa, Asia, Europe, and Latin America. In the Philippines, SPI was tested since 2002, and has now be applied with more than 10 MFIs, either as self-assessment, under the supervision of social investors such as Oikocredit or Kiva, or with light support from technical assistance (Entrepreneur du Monde, SPACE, etc.). A number of MCPI members are already SPI users. The use of SPI also helps MCPI gauge its members’ progress in terms of social performance management. The newest version, which could be downloaded for free from [www.cerise-microfinance.org](http://www.cerise-microfinance.org), has also been designed to match MIX indicators of social performance. SPI users can now easily report to MIX, an online resource of social performance results for potential investors, donors, and the general public.

# SOCIAL PERFORMANCE MANAGEMENT: A HOLISTIC APPROACH TO MANAGING MFIS

CONTRIBUTING WRITER: JESILA LEDESMA



With its market-led solutions approach for financial services, MicroSave is naturally poised to embrace the Social Performance Management (SPM) model in its basket of toolkits. MicroSave seeks to make SPM more client-focused and practical – whereby MFIs become more responsive to clients (and staff) and improve both social and financial performance. Such an approach puts the client or the target group at the forefront in the development framework. Complementing the valuable work on SPM by a global network of MFIs and allied institutions notably the SP Task Force and Imp-Act Consortium, the MicroSave SPM Toolkit, calls on the wide range of more than 30 other

MicroSave toolkits to effect participatory, quick, contextual low-cost and actionable mainstreaming of SPM within the MFI.

## MEASURE TO MANAGE

MicroSave encourages socially-driven MFIs to adopt SPM as a ‘holistic approach’ that will lead to increased level of both social and financial or business performance with utmost worth. Through SPM, MFIs are provided a systematic way to translate its mission into social goals, objectives, indicators and ultimately into action. Indeed, by making the institutional mission measurable, SPM significantly contributes to efforts in providing quality service to the poor. This capacity to better focus and track progress towards the mission encourages the MFIs to develop more responsive products and services, and align the activities and systems. Moreover, relevant information that SPM generates can help management make timely decisions in support of social performance.

In India, MicroSave has worked with six MFIs on mainstreaming SPM in their activities. This typically involves a 5-day visit to perform a SPM diagnostic and action planning exercise that should help MFIs identify steps to improve its social performance in ways that enhance, and do not hurt, its business performance. SPM solutions employed were as unique and varied as incorporating social goals and objectives into the Strategic Business Plan (SBP), reporting on social indicators using the Management Information System (MIS), improving responsibility to staff, better protection mechanisms for clients, or adding customer service to training courses, personnel performance appraisal and incentive systems. Efforts were also directed to integrate SPM in the MFI’s governance, policies, systems, as well as in the day-to-day management of operations, eventually making SPM a part of the MFI’s DNA, and not used as a one-time exercise to satisfy donors and funders.

In the Philippines, TSPI Development Corporation, one of the leading Philippine MFIs with an outreach of a quarter of a million microfinance clients, partnered with MicroSave beginning in the second semester of the year to translate its mission into practice. With active participation by the TSPI’s Central Management Team, MicroSave and TSPI conducted an SPM diagnostic which paved the way for the setting of social goals, objectives and indicators coming from the TSPI mission. The workshop to set social goals and objectives preceded the business planning exercise, with the intention to align future development interventions in the active pursuit of a double bottom line comprising of social responsibility and financial viability.

**“The SPM workshop provides an important input into the strategic business plan (SBP). I see it as a critical stage in our planning process.”**

**-Lyn Galang-Onesa, SEDS Director and SPM Champion, TSPI**

### **THE WAY FORWARD**

The way forward for MicroSave in SPM arena is multi-pronged.

- Execution of the Social Performance Management Implementation Project (erstwhile managed by Unitus), funded and supported by Michael and Susan Dell Foundation, the Boeing and the Deutsche Bank Foundation. Under this project, MicroSave will work with a total of eight partners (five new) for Phase I implementation (SPM assessment) and five partners for Phase II implementation (institutionalising SPM).
- Work actively with potential network or funding organisations to implement SPM with various partner MFIs.
- Engage with various organisations in South East Asian countries such as Cambodia, Philippines, Vietnam, Indonesia and others.
- Proactively engage with various stakeholders in the sector for promotion of SPM concept and implementation.

MicroSave believes that better social performance marked by improved customer services, delivery systems, and appropriate products will lead to higher client retention and loan repayment, thus higher growths and overall business performance for a MFI.

# PLANET FINANCE AND MCPI HOLD SPM INTRODUCTORY STRATEGY WORKSHOPS



Planet Finance and the Microfinance Council of the Philippines, Inc. (MCPI) jointly conducted an introductory workshop on Social Performance Management (SPM) for two batches last August. The workshops were held at the Bayview Park

Hotel in Manila from August 16-18 (Batch 1) and August 19-21 (Batch 2).

The SPM Introductory Strategy Workshop was designed to help senior decision makers and operational staff of MFIs to begin translating their social missions into practice through sessions that guided the participants to realign their respective organizations to achieve these critical ends: reaching target clients, meeting target clients' needs, and making a positive change in their lives. Each participant was expected to come up with a workbook that would serve as an outline for SPM integration into their organization's operations.

Each 3-day training provided intensive learning activities that let the participants review their MFIs' vision, mission and goals; formulate new or review existing social objectives; identify key stakeholders and their information needs; establish ways to analyze diverse sources of information to monitor and assess social performance; discuss how to align operational systems with social goals; and use information to make management decisions.

These workshops are part of an ongoing 3-year SPM integration training and technical assistance program entitled "Improving Financial Inclusion and Social Impact towards Food Security in Southeast Asia" (FinInc Asia) which aimed to build the capacity of MFIs and their networks to increase financial inclusiveness in rural areas in order to help farm households improve their food security. Fininc Asia is funded by the European Union. Similar programs are being implemented in Cambodia and Vietnam.



## HOW WELL ARE YOU TRANSLATING YOUR MISSION INTO PRACTICE?

Microfinance institutions (MFIs) in general seek to achieve some of the following social objectives: provide financial services to under-served areas and to people with no access to the banking sector, support micro and small enterprises, address social responsibility issues, contribute to gender equity, reduce poverty and vulnerability among the poor, bring marginal groups into mainstream society, and facilitate job creation. While Social Performance Management (SPM) quantifies MFIs' social benefit claims, Social Rating seeks to report how effective the processes of an MFI are in "translating their mission into practice." by providing an analysis of the steps that

an MFI takes towards achieving its social impact.

## WHAT IS SOCIAL PERFORMANCE RATING?

Social rating provides an external opinion on "the likelihood that the MFI produces significant social impact both now and the future," and complements the more mainstream credit rating which focuses on profitability and institutional capacity. The rating process involves evaluating practices, measuring a set of indicators, and then scoring them against benchmark levels, best practices, or internationally accepted standards.

There are two types of social rating: a "simple" or "thin" rating process which basically relies on information readily available from the MFI (i.e. number of products, average loan size, number of clients served, etc.) and an "enhanced" or "comprehensive" version which collects client-level data through field surveys, interviews, and focus group discussions. Both types involve meetings with program management and a review of internal information to assess the ability of existing processes to achieve social goals.

## BENEFITS: PROCESS IMPROVEMENT, TRANSPARENCY, RISK MITIGATION

An assessment of the quality of social performance systems will help an MFI identify areas for improvement and guide them towards building more capacity to address their weaknesses. Ratings may also be able to provide information on concepts and best practices which MFIs can use as reference to improve their processes.

Ratings also provide transparent, standardized and comprehensive rating reports which are designed to meet the information needs of MFI stakeholders, such as boards, management team, fund providers and policy makers.

The process also decreases the risk that MFIs deviate from their social missions and values which ultimately defeats the purpose of their existence. It is widely expected that social ratings will lead to further development in SPM to achieve greater impact, just as credit ratings have led MFIs to adjust financial practices in order to be more sustainable.

## OPTIONS AND COSTS

There are four microfinance agencies that provide social ratings: M-CRIL, Microfinanza Rating, Planet Rating and MicroRate. Costs of social rating vary by agency and may depend on the dimension of the MFI, geographical coverage, quality of information available, and whether or not the social rating is packaged with a credit rating.

Generally, a simple social rating may cost between 30% and 60% of a credit rating, while a comprehensive social rating may cost between 90% and 150% of a credit rating.

SOCIAL RATING AGENCY	FOR MORE INFORMATION
Micro-Credit Ratings and Guarantees India Ltd. (M-CRIL)	<a href="http://www.m-cril.com">www.m-cril.com</a> <b>Frances Sinha</b> <a href="mailto:francesinha@edarural.com">francesinha@edarural.com</a>
Microfinanza Rating	<a href="http://www.microfinanzarating.com">www.microfinanzarating.com</a> <b>Micol Guarneri</b> <a href="mailto:micol.guarneri@microfinanzarating.com">micol.guarneri@microfinanzarating.com</a>
Planet Rating	<a href="http://www.planetrating.com">www.planetrating.com</a> <b>Eulogio Masilungan</b> <a href="mailto:emasilungan@planetrating.com">emasilungan@planetrating.com</a>
MicroRate	<b>Sebastian von Stauffenberg</b> <a href="mailto:Sebastian@microrate.com">Sebastian@microrate.com</a>

## MFI EXPERIENCES

Two local MFIs, Alalay sa Kaunlaran, Inc. and GM Bank, Inc. underwent Social Performance (SP) Rating and gladly shared their thoughts and experiences.

ASKI decided to get rated in order to know from an external perspective the level of their social performance, to enable them to communicate accurate SP data to donors and other stakeholders, and to serve as a guide for them to reduce the risk of mission drift. After getting the rating results, ASKI saw the need to standardize the definitions of the basic elements of SP to ensure the same level of understanding of all stakeholders, and the importance of integrating social indicators into staff evaluation processes and incentive schemes.

With new lessons learned from the rating, ASKI took action and included additional tools to monitor client satisfaction, integrated social indicators into staff incentive scheme, and designed process maps to improve products and quality of service. They also decided to include SPM in staff and management training and integrated SP indicators into their Management Information Systems (MIS) and included these in their standard reports.

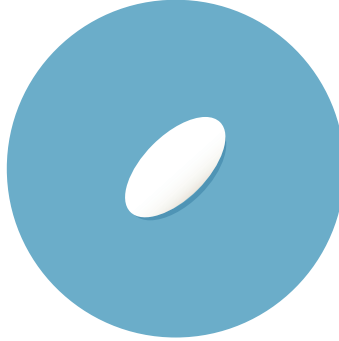
Although ASKI found ways on how to improve their processes, there were still a number of issues that affected their SPM, such as ensuring proper information dissemination on SP across all levels of the organization, monitoring social performance, and focusing on SP without sacrificing financial viability.

For GM Bank, it was the need to differentiate themselves from competitors that prompted them to undergo SP rating. They wanted to prove their social impact through concrete numerical data and also be a step ahead of the others in anticipation for future trends such as consumer protection and mandated SP rating by potential investors.

The rating experience provided GM Bank a greater understanding of their social performance, where they also recognized that there was still so much to be learned. It provided recommendations on how they can improve their SP practices, information that allowed them to measure their performance against other MFIs, and helped identify reputational risks. After the process, the bank appointed an SP champion to ensure that the recommendations from the social rating will be implemented, and also saw to it that selected bank staff attended SP workshops to improve their skills. This need for further learning prompted them to apply for technical assistance in support for SPM, which was fortunately approved.

GM Bank found the social rating process helpful for creating greater awareness and understanding of SP in the organization. However, much work is still needed to gain widespread buy-in and, like ASKI, GM Bank also finds it a challenge to manage resources needed for SPM.

Based on these organizations' experiences, it can be said that SP rating provides a comprehensive assessment which leads an MFI towards self-critique and prompts constructive dialogue on how to improve processes. To maximize SP rating results and recommendations, MFIs must be ready to recognize their weaknesses and allot resources for needed improvements.



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