FocusNote

NO. 41 MAY 2007

BEYOND GOOD INTENTIONS: MEASURING THE SOCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS

There is near unanimous consensus that financial sustainability is a crucial gauge of the success of microfinance institutions (MFIs)—after all, an MFI that can cover its costs can also grow, serving more and more clients. Today, more than 400 sustainable institutions report to the Microfinance Information eXchange (MIX), a leading source for market data. The industry as a whole is growing fast, adding 13 percent more borrowers each year since 1999.

This growth is thanks in large part to the insistence on financial sustainability. But for most microfinance practitioners and funders, it is also important to reach poor and very poor people, to provide quality services, and most important to improve clients' lives. In other words, both financial performance and performance in positively affecting people's lives—social performance—matter. And the two aims are not necessarily at odds with one another. Thus, many funders and financial institutions are seeking more transparent ways to measure social performance in addition to measuring for financial performance.

This Focus Note highlights the emerging emphasis on social performance in microfinance and reviews some of the assessment tools recently developed.

CGAP

Syed Hashemi, senior microfinance specialist at CGAP, wrote this Focus Note with significant contributions from Laura Foose, partner at Alternative Credit Technologies, and Samer Badawi. Hashemi is grateful to Elizabeth Littlefield, Jeanette Thomas, Rich Rosenberg, Alexia Latortue, and Frances Sinha for detailed comments and suggestions on earlier drafts, and to Anna Nunan for copy editing.

Why Social Performance

Much of the passion and commitment to microfinance is anchored in the belief that access to financial services can help clients improve their lives. Though financial sustainability is essential for massively expanding services, it does not automatically ensure that client-level benefits are realized. The increasing interest in social performance seeks to shed more light on how financial services affect the lives of poor people.

Simply put, social performance is about "truth in advertising." Many individuals, donors, foundations, and governments put money in microfinance with the belief that microfinance helps poor people. To be accountable to these funders, MFIs (or those who support them) should be able to report on how (or whether) the stated goals they have promised (i.e., improved earnings, reduced vulnerability, increased empowerment, etc.) are being realized. Many financial institutions that serve the poor, especially those with a development mission, already agree with this approach and themselves want to know whether they are achieving their social missions or drifting away from them.

CGAP Building financial systems for the poor

Assessing and managing an institution's social performance also can be good business: improving the financial bottom line through better retention of clients and reduction of costs. For example, the Small Enterprise Foundation in South Africa maintains that its client-level monitoring system allows it to better understand the reasons for client exit and thereby reduce drop-out rates. This contributed to a significant increase in its returns on investments and decreases in losses, over a three-year period since the monitoring system was introduced (Bauman 2004).

A study on Prizma, in Bosnia, demonstrates that Prizma will be able to recoup the $40,000 in development and implementation costs for its social performance management system (including poverty monitoring, exit monitoring, and client focus group discussions) through retention of only an additional 2.2 percent of their clients. Given that Prizma is actually expecting to increase client retention by 10 percent to 25 percent, the social performance monitoring system will ultimately lead to significant financial returns (Woller 2004).

The move to assess social performance has generated some reservations: Do we really need a new set of reporting standards? Is it even possible to standardize measures of social performance? Will this end up as another cumbersome and costly donor mandate? Opponents of social performance measurement cite high demand among the poor for services (and relative price insensitivity) as sufficient proof that microfinance services are socially useful and therefore additional assessments as unnecessary.

High demand, however, does not automatically imply that people's conditions are improving. In fact, spiraling indebtedness (where clients borrow to pay back other debts) can be one reason clients keep coming back. For most people working in the sector, providing financial services is not an end in itself. Access to microfinance matters because of the possibility it opens up to improve client lives. We cannot assume that such changes occur just because people come back for more credit. We need to look at the quality of services, client satisfaction, and actual improvements in client conditions, especially because there is still a lot of public and charitable funding for microfinance. What if microfinance doesn't improve client lives? Then the focus could be broadened to other efforts, such as education, vaccinations, or agricultural extension, with additional appropriate funding.

Scarce subsidies need to be allocated where they make the most difference. These allocation decisions can be made only on the basis of evidence. It can be difficult and costly to demonstrate impact (that is, that microfinance *causes* client improvements above and beyond what is attributable to other factors). Tracking whether improvements occurred in clients' lives without attempting to attribute those improvements to microfinance, and putting in place the systems that best contribute to that, may be the next best thing. And that is what social performance sets out to do.

The Social Performance Task Force

So what has the microfinance sector—practitioners, donors, and service providers—been doing to promote a "double bottom line," one that holds the field accountable both financially and socially?

There have been important but separate attempts over the last few years to integrate the assessment of social performance into the regular management systems of financial institutions. These include the work of CERISE,[1] the *Imp-Act Consortium*,[2] and CGAP, with strong support from different donors.

[1] CERISE (Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne-crédit) is a network of four French microfinance support networks with partners throughout Africa, Asia, and South America.

[2] The Imp-Act Consortium partners include CARD MRI (the Philippines), EDA Rural Systems (India), Freedom from Hunger (United States), IDEAS (United States), Institute of Development Studies (United Kingdom), MFC (Poland), and the Microfinance Council of the Philippines.

Box 1. Conflict in Andhra: Would Social Performance Monitoring Have Provided Early Warning?

The state of Andhra Pradesh in India is home to some of the fastest growing MFIs. SPANDANA, founded in 1998, has over 800,000 clients today. SHARE has 1.5 million clients, and SKS has managed to expand to 700,000 clients in just a few years. But this fast growth has led MFIs to run up against a strong rural development program in India: the World Bank funded and government-sponsored Indira Kranti Pratham (previously known as Velugu). Indira Kranti provides a range of services, including savings and credit services, to 12 million women. The program has accused MFIs of charging excessive interest rates and of lacking transparency in dealing with clients. MFIs in turn have felt that their high-quality service was attracting Indira Kranti clients and that hostility toward them stemmed from their competitive edge.

The situation with Indira Kranti and the government was brewing for some time when, in December 2005, it exploded. Women's groups demonstrated against SHARE, and the Telugu language press was full of accusations of harsh collection tactics, unethical and illegal operational practices (such as taking savings, which the MFIs are not permitted to do), high interest rates and profiteering, as well as accusations about governance structures and MFIs being run as "family businesses." In March 2006, the Krishna District collector invoked the state Money Lenders Act to temporarily seize 50 SHARE and SPANDANA branches.

Although the situation has improved since then, the state government's core concerns remain. It believes that MFIs' single-minded focus on profitability and growth leads to a culture of pushing debt and ensuring strict recoveries—a culture where client welfare is inconsequential.

Many in the microfinance field do not believe in the government's characterization of MFIs in Andhra. But they do feel that some of the MFIs lacked transparency in several areas. This ranges from opaque governance structures to interest rate calculations. They observed that whatever social goals MFIs had set for themselves, they were only tracking and reporting on their financial performance. Aligning performance indicators to social objectives would have provided early warning on any problems clients may have been facing. Tracking improvements in client lives would have helped demonstrate an MFI's social mission.

In 2005, the Argidius Foundation, CGAP, and the Ford Foundation brought together more than 30 leaders from various social performance initiatives in microfinance to share their experiences. In the following two years, the work on social performance gained momentum, leading to the formation of the Social Performance Task Force. Its membership now includes over 150 leading microfinance networks, financial service providers, rating agencies, donors, and social investors.[3] These members are committed to regularly assessing, reporting on, and improving the social performance management of their organizations and the organizations they support. The Task Force is promoting a stronger industry focus on social performance through adopting a common definition, coordinating different initiatives, and creating a common reporting format.

Defining Social Performance

The Social Performance Task Force has reached consensus around the following definition:

> Social Performance is the effective translation of an institution's social goals into practice in line with accepted social values; these include sustainably serving increasing numbers of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve.

Traditional evaluation has focused on end results and impact. However impact (which refers to changes in client or community conditions that can be directly attributed to programs) is just one element of social performance. Social performance looks at the entire process by which impact is created.

Figure 1 identifies the different steps in this process. It starts with analysis of the declared social objectives of institutions (intent and design). It asks whether institutions have a social mission and, whatever these social missions may

[3] See annex 2 for a list of taskforce members.

Figure 1. Dimensions of Social Performance*

INTENT AND DESIGN
What is the mission of the institution?
Does it have clear social objectives?

▼

INTERNAL SYSTEMS & ACTIVITIES
What activities will the institution undertake to achieve its social mission?
Are systems designed and in place to achieve those objectives?

▼

OUTPUT
Does the institution serve poor and very poor people?
Are the products designed to meet their needs?

▼

OUTCOME
Have clients experienced social and economic improvements?

▼

Can these improvements be attributed to institutional activities?

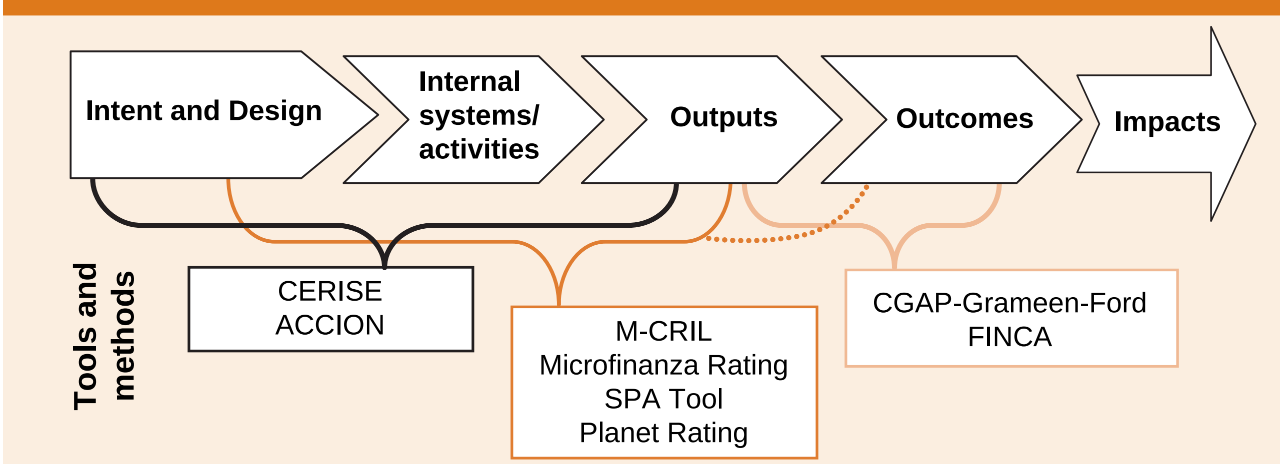
* Agreed to at the Task Force meeting in Paris, March 2005. See also Sinha 2006.

be, whether their goals are clearly defined and articulated to conform to the social mission. Social performance includes assessment of internal systems and activities. Are institutional activities linked to achievement of their social goals? Are appropriate systems in place to meet these objectives? Is progress toward these goals routinely tracked? Social performance is also about outputs. Is the institution reaching large numbers of intended clients (for many MFIs—excluded, poor, and low-income households)? Are products designed to meet the financial needs and capacities of targeted clients? Social performance is also about outcomes—are clients improving their social and economic conditions? And finally social performance also can be about impact; establishing causality between program participation and improvements in client conditions.

Eight Social Performance Assessment Tools

Different social performance tools may focus on different steps in this process. For instance, CERISE focuses on the institutional process and internal systems through assessing intent, activities, and indicators of output. CGAP, Grameen, and Ford Foundation assess social performance at the client level through information related to poverty profiles (outputs) and change outcomes. The M-CRIL and Microfinanza social rating tools cover intent, design, systems, and client-level information on outputs (who are the clients, how appropriate are the financial services). A rating sample can be a baseline, with the same sample followed up after 2–3 years to provide information on outcomes (and dropouts) (see Figure 2).

Figure 2. Tools for Assessing Social Performance



CERISE Social Performance Indicators Initiative

The CERISE tool assesses the social performance of institutions by evaluating their intentions and actions (Zeller 2003). An analysis of internal systems and organizational processes determines whether institutions have the means in place to attain their social objectives. The CERISE tool uses a questionnaire and guide to examine (1) outreach to the poor and excluded populations, (2) adaptation of products and services for target clients, (3) improvement in social and political capital, and (4) corporate social responsibility. Given its focus on organizational systems and process, the CERISE tool determines outreach to the poor through indirect means, rather than through client assessments. It analyzes the mission statement, board and staff commitment, and targeting methods, to approximate whether poor clients are actually being served. Rather than analyzing client empowerment at the household and community level, it assesses the social and political capital of clients by looking at their involvement in MFI decision making and at the transparency of financial transactions. The appeal of the tool lies in its ease of use and the fact that it can be administered by the MFI. See Table 1.

SPA Tool

The Social Performance Assessment (SPA) tool was developed by Gary Woller with funding from USAID. It assumes that much of the financial and client information institutions regularly collect can be used as proxies for their social performance and that new formats and fresh data collection are not essential (Woller 2006). The SPA tool includes a scorecard with a set of indicators under six dimensions of outreach: breadth, depth, length, scope, cost, and worth of outreach to clients and the community.[4] The indictors are selected to favor readily available information.

- Breadth of outreach includes the number of borrowers, the percentage of clients with nonenterprise loans, and voluntary savers as a percentage of borrowers.
- Depth of outreach measures average loan size, percentage of female clients, and percentage of rural clients.
- Length of outreach assesses financial performance—profitability and portfolio quality.
- Scope of outreach includes number of distinct enterprise loan products, number of other financial services, the type of savings offered, and the percentage of clients with three or more products or services.

[4] This is ultimately based on Schreiner 2002.

Table 1. Cerise Tool—Dimensions and Indicators

Dimensions	Indicators
Outreach to poor and excluded *(25 points)*	• MFI mission • geographic and socioeconomic focus • tools for targeting • size of transaction • collateral
Adaptation of services and products to client needs *(25 points)*	• range of services • quality of services • access to nonfinancial services • client participation in product design
Improvement of social and political capital of clients *(25 points)*	• transparency of financial transactions • client participation in MFI decisionmaking • social cohesion • client voice in national and local government
Social responsibility of the institution *(25 points)*	• human resource policy • social responsibility to clients • social responsibility to community

- Cost of outreach calculates the financial costs in providing services, including number of days taken to process loans and number of visits that staff make.
- Worth of outreach measures client retention rate, the loan loss rate, and portfolio growth that can be attributed to clients.

The tool also incorporates 10 indictors to assess outreach to the community, including some that are less readily available but can be collected through staff interviews with clients. The indicators include percentage of operating revenues reinvested back into the community, percentage of employees that have left, female–male employee ratio among professional-level staff, benefits to employees, and transparency and management access for clients.

The scorecard is supplemented by an independent audit that judges the effectiveness of institutional mission, management and leadership, hiring and training, monitoring systems, incentive systems, and strategic planning.

The final social performance report includes both the organizational scorecard results and the findings on internal processes from the audit. Instead of trying to measure social performance directly, the tool determines the extent to which key performance indicators are consistent with social performance, and whether internal processes are designed and implemented in a way that aligns policies, behaviors, and outcomes with an MFI's stated social mission.

ACCION SOCIAL Tool

SOCIAL is an acronym for the six elements of social performance that the ACCION tool seeks to capture: social mission, outreach, client service, information transparency, association with the community, and labor climate. It evaluates the success of an MFI in fulfilling its social mission and its contribution to broadly accepted social goals. It offers a comprehensive social assessment of MFIs to complement the financial assessment provided by CAMEL (see Box 2).[5]

Box 2. Key Components of ACCION's Tool

Social mission
- articulation of mission
- evidence of understanding & commitment to mission
- measurement of fulfillment of social mission

Outreach
- coverage
- depth of outreach
- products and services for underserved clients

Client service
- client satisfaction
- adequacy of products and services being offered
- use of mechanisms to obtain feedback from clients

Information transparency/ Consumer protection
- transparency
- efforts to ensure consumer protection

Association with the community
- relations with surrounding community
- contribution to the wellbeing of the community

Labor climate
- staff satisfaction
- mechanisms to gain feedback from staff

ACCION believes that its tool helps improve organizational effectiveness by highlighting strengths and weaknesses in social performance and revealing how the MFI is perceived by clients, staff, and the community. It fulfills the needs of third parties, such as socially responsible investors or donors, who may require such information. It follows the example of many private businesses by giving shareholders a social performance report that demonstrates increased transparency and decision making that considers more than just financial results. It establishes a baseline against which change or evolution can be tracked and allows MFIs to measure social performance regularly.

[5] ACCION's tool to measure capital adequacy, asset quality, management, earnings, and liquidity of microfinance institutions.

ACCION implements its social performance assessment through interviewing management, staff, board members, and clients and reviewing strategies, business plans, and minutes of board meetings. It analyzes information from MFI client databases and validates them through comparisons with external surveys, national data, MIX data, market studies, and other secondary information. It also creates geographic coverage maps to determine both the breadth and depth of coverage. ACCION has completed four pilot assessments in Latin America and one in Asia as of March 2007.

CGAP–Grameen–Ford Progress out of Poverty Index (PPI)

CGAP and the Ford Foundation sought to develop globally comparable client-level indicators that could identify economic levels of clients and demonstrate changes in their conditions, without any attribution of causality. The challenge was to select indicators that are simple and low cost, yet, at the same time, sufficiently robust and globally applicable. For example, the Cashpor Housing Index (which scores building material of walls and roof and number of rooms) is an excellent predictor of poverty and wealth in rural South Asia but not applicable in urban areas or in many countries. Data on incomes or nutritional intake, on the other hand, are universally understood but are too costly and complicated for MFIs to collect.

CGAP and Ford funded Grameen Foundation[6] to develop a set of globally comparable client-level indicators. As part of this initiative, Mark Schreiner created a method to construct country-level "poverty scorecards" using techniques similar to those employed in credit scoring.[7] The scorecards are based on statistical analysis of national household expenditure surveys. They use a small set of simple, easily observable indicators to estimate the share of clients who are below an established poverty line.[8] The tool (co-branded by CGAP, Grameen, and Ford) is named the Progress out of Poverty Index (PPI) because it can be used over time to determine improvements in client economic levels and their ultimate graduation out of poverty.

The poverty scorecard or index is simple, inexpensive, transparent, and intuitive. It measures poverty via simple questions (see Table 2) rather than long surveys and complex calculations of income and expenditure. Tests show that a single scorecard works with high accuracy in both rural and urban areas of a given country.

Box 3 presents a five-indicator poverty index for the Philippines. The indicators and the scores for each question were determined through an econometric analysis of national household expenditure data for the Philippines. An MFI or external surveyor visits client homes and obtains answers to the five questions. Actual scores for all responses are written down and averaged for all clients. These scores are then compared with a previously constructed "poverty likelihood" table to determine the percentage of clients falling below the poverty line.

Scorecards for other countries would differ on the questions asked and on the scores for each of the questions, but would remain a statistically rigorous and user-friendly proxy for the same common global indicator: percentage of clients below the national poverty line or living on less than $1–$2 per day. CGAP, Grameen Foundation, and Ford Foundation have created PPIs for a dozen countries.[9] Many more are being created.

FINCA's Client Assessment Tool

FINCA's[10] Client Assessment Tool (FCAT) is a comprehensive tool that includes demographic

[6] Grameen Foundation is a U.S.-based network inspired by Grameen Bank in Bangladesh that has partner MFIs throughout Asia, Africa, and Latin America that use the Grameen methodology.

[7] For a technical understanding of how the scorecards are constructed, read Schreiner 2006.

[8] The project links these proxy indicators to national poverty lines as well as to the international benchmarks of $1 or $2 per person per day.

[9] These include, Bangladesh, Bolivia, Haiti, India, Malawi, Mexico, Nepal, Nigeria, Pakistan, Philippines, South Africa, and Vietnam.

[10] FINCA (Foundation for International Community Assistance) is best known for having pioneered the "village banking method" throughout Latin America and Africa, and more recently, Eurasia.

Table 2. Poverty Scorecard for the Philippines

Indicator	Points	Actual score
1. What are the house's outer walls made of?		
Light materials (*cogon*, bamboo, *sawali*, *nipa*)	0	
Strong materials (aluminum, brick, wood, asbestos)	10	
2. What kind of toilet does the household have?		
Not water sealed	0	
Water sealed	7	
3. Does the household own a gas stove?		
No	0	
Yes	21	
4. Do all children ages 6–17 go to school?		
No	0	
Yes	9	
No children	26	
5. How many TVs does the household own?		
None	0	
One	17	
Two or more	36	

Box 3. M-CRIL Rating Tool: The Framework

Context
- Country and regional development indicators (from secondary sources)
- MFI profile and financial services

Intent and Design
- Social performance management—mission clarity; alignment of systems with mission

Process
- Social responsibility
  1. to clients including, where applicable, gender approach and member governance
  2. to community
  3. to staff
  4. to environment

Results: Achievement of Social Goals
- Outreach—depth and breadth of outreach
- Financial services—variety, appropriateness, and transparency

Change
- Outcomes and impact

information, loan information, household expenditures, asset accumulation, social metrics (health, housing, and education), business metrics, and client satisfaction and exit interview questions.

FINCA has implemented this data collection tool since 2003, with support from the Templeton Foundation. Each summer, research fellows deployed to the field conduct 30–45 minute interviews with clients using handheld devices to capture clients' responses. FINCA is currently updating FCAT and will provide fellows and the tool to eight MFIs during summer 2007.

Social Rating

The specialist rating agencies are introducing social rating as a complementary product to credit rating. There are two types of rating. The comprehensive approach is being implemented by M-CRIL and Microfinanza Rating. An alternative methodology is one that is based on information available from the MFI, focusing on intent, design, and systems. This type of social rating is offered by Planet Rating, Microfinanza Rating, and M-CRIL.

M-CRIL's Social Rating[11]

M-CRIL[12] is piloting a social performance rating tool to assess "the likelihood of an MFI achieving its social mission in line with accepted social values" (see Box 3). It covers both organizational systems and results, including client-level, indicators. It analyzes mission statements, policies, and internal systems of the organization to determine whether they effectively reflect its social mission and whether there are mechanisms in place for staff and client protection.

The rating assesses the efficacy of the services in meeting client needs. In addition, short surveys are conducted to determine whether poor and excluded households are being served and whether clients are improving their social and economic conditions.

Finally, existing impact assessments are analyzed for methodological rigor, and the findings are incorporated into the report. The M-CRIL tool is much larger in scope than the others because it encompasses all dimensions (intent, activities, output, outcome, and impact) of social performance. M-CRIL had completed eight ratings as of March 2007.

Microfinanza Social Rating

Microfinanza Rating[13] has created two different types of social rating. The first, the Social Rating Survey, is similar to the M-CRIL rating tool. It too covers the range of social performance dimensions, including the social and economic context in which the institution works; its mission, strategy, and systems; the quality of its services; its social responsibility; and client-level information. In this rating, Microfinanza Rating surveys clients directly.

The second tool, Social Rating, is a simplified version of the first tool and excludes client surveys. Instead, the rating assesses information available at the institutional level, including staff interviews. But it too provides diagnostic information on how well the institution is achieving its social mission by meeting its social responsibility goals and providing quality services to its clients, especially the poor. As of March 2007, Microfinanza Rating had completed eight ratings using its tools.

Planet Rating

Planet Rating conducted pilot evaluations using the CERISE and SPA tools during 2005 and 2006 and then went on to develop its own tool. Planet Rating's tool differs from the M-CRIL and Microfinanza social ratings in that it relies completely on available data at the MFI level. Planet Rating carried out six pilot ratings in Mali with its own tool in July–August 2007; three ratings are available on its Web site. The tool is expected to be available in April 2007, and further social ratings will be conducted soon in East Africa.

Common Reporting Format

The development of a variety of assessments tools, reflecting different dimensions of social performance, is a powerful demonstration of the social origins of microfinance. Some tools focus on organizational process and internal systems. Readily available information at this level is a major reason for this focus. After all, it is simpler and less expensive to ask for the percentage of women staff or whether staff get training and benefits, or if consumer protection policies exist, than to determine clients' socioeconomic status. For others, the ultimate proof of whether social missions are achieved depends on client-level information. The important questions for them include whether institutions are being socially responsible, are reaching target clients (including poorer and excluded clients), and whether these clients are experienc-

[11] M-CRIL's Social Rating: www.m-cril.com/social-rating-microfinance-institutions.html.

[12] M-CRIL (Microcredit Ratings International Limited) is an India-based rating institution that has conducted over 400 credit ratings for 208 MFIs in 16 Asian countries.

[13] Microfinanza Rating is a rating institution that offers social ratings, financial ratings, and impact assessment services to MFIs and stakeholders, such as donors, social and commercial investors, networks, and regulators.

ing positive changes in their lives. However, there is unanimous agreement on the need for institutions to report on their performance.

To bridge the gap in microfinance reporting between institutional and client-level information, the Social Performance Taskforce is developing a common reporting format for social performance reporting that includes both organizational and client-level indicators. The emphasis is on indicators that are conceptually clear, simple, practical, cost-effective, statistically rigorous, and comparable across countries. This has been a difficult process. Unlike financial indicators that have been developed over many years, social performance measurement is fairly new. Important financial indicators are precise—both in what they mean and in their measurement. Whereas, most social performance indicators are inherently less straightforward, especially those that assess social responsibility of institutions to their staff, their clients, and the community at large. The result has been a much larger set of indicators than preferred. The draft indicators are presented in Annex 1. These will be further streamlined.

The taskforce, in creating the common reporting format, is acknowledging flexibility in what institutions choose as their social goals, what tools they use to assess progress on them, and what indicators they report on. Although different institutions will promote different tools and report on partial lists of indicators, the reporting format demonstrates a common commitment from all members of the taskforce to create global transparency on social performance. The MIX, as a member of the taskforce, has agreed to highlight this common reporting format and make social performance data widely available through its Web site. This will allow donors, investors, and others to conduct holistic assessments of institutions encompassing both financial and social performance bottom lines.

Conclusion

The push for a double bottom line encompasses the concerns for both financial *and* social performance. It allows us to shift our energies away from a zero-sum tradeoff between poverty and sustainability and move toward understanding how these two complement each other so that both can be improved. As an ever-increasing number and diversity of governments, funders, and institutions with various motivations become interested in microfinance, it is more urgent than ever to have more transparency on social performance. Such transparency will not necessarily force everyone into having the same social objectives, but will ensure that all actors are accountable for what they advertise. Also, the hope is that greater focus on social performance assessment will in turn result in better actual social performance—in reaching larger numbers of far poorer people, in improving services to help clients reduce their vulnerability and improve their economic conditions, and in positively contributing to the communities in which institutions work.

References

Bauman, Ted. 2004. "Impact Cost Effectiveness Study of Small Enterprise Foundation, South Africa." *Small Enterprise Development*, 15 (September).

Schreiner, Mark. 2002. "Aspects of Outreach: A Framework for the Discussion of the Social Benefits of Microfinance." *Journal of International Development*, 14: 591–603.

———. 2006. "Seven Extremely Simple Poverty Scorecards." Washington, D.C.: CGAP, November.

Sinha, Frances. 2006. "Social Rating and Social Performance Reporting in Microfinance: Towards a Common Framework." EDA/M-CRIL.

Woller, Gary. 2004. "The Cost-Effectiveness of Social Performance Assessment: The Case of Prizma in Bosnia-Herzegovina." *Small Enterprise Development*, 15 (September).

———. 2006. "Evaluating MFIs' Social Performance: A Measurement Tool." *Micro Report* #35.

Zeller, Manfred, et al. 2003. "Social Performance Indicators Initiative: Final Report." Mimeo.

ANNEX 1: Core Social Performance Indicators (DRAFT)*

ACHIEVING SOCIAL OBJECTIVES
INTENT
Describe the mission of the institution (and date of formulation or update)
Identifying Social Objectives
Do your social objectives include …
Outreach to very poor, poor, or low income people; SMEs; underdeveloped areas; women; social marginalized and/or excluded groups or people
Supporting employment (self and hired employment)
Observing a change in the lives of your clients or their households; a change in the local community
Client satisfaction with products
Other social objectives
PROCESS and RESULTS
Do you measure the poverty levels of your entering clients?
How do you measure the poverty levels of your entering clients?
Percentage of very poor, poor or low income entering clients (please answer one or more):
Of the new clients in the last year, what % are below the national poverty line?
Of the new clients in the last year, what % are in the bottom 50% below the national poverty line?
Of the new clients in the last year, what % are earning less than US$1/day per household member?
Of the new clients in the last year, what % are earning less than US$2/day per household member?
If you used another tool/another method, of the new clients in the last year, what % were poor/very poor/low income (include definition used)
What is the geographic distribution of your clients (% urban clients, % semi-urban clients, % rural clients)?
Percent of women/total clients
Percent of clients from socially marginalized and/or excluded groups
Do you track changes in the economic status of your clients?
How do you track changes in the economic status of your clients?
Percent of clients who crossed the poverty line
Percent of school-age children (of clients) who attend school
Have you conducted client satisfaction surveys or focus groups in the last 2 years?
Do you regularly conduct exit surveys of clients? Do you measure drop-outs?
BEING SOCIALLY RESPONSIBLE (SR)
INTENT
Do you have a written, formal social responsibility policy and/or a written, formal code of conduct?
Identifying Social Responsibility (SR) dimensions
Does your social responsibility policy and/or code of conduct address actions of the MFI vis-a-vis its staff, clients, community, the environment?
PROCESS
How do you implement and ensure effective compliance of your social responsibility policy and/or code of conduct governing the actions of the MFIs vis-à-vis its staff, clients, community, the environment?
MANAGING SOCIAL PERFORMANCE
Organizational culture
Does management use social performance data in strategic planning and decision making? If yes, how?
Does the Board use social performance information in evaluating and incentivizing top management? If yes, how?
Alignment of organizational systems
Do you have staff performance incentives?
Do you have staff incentives that specifically address social performance objectives? If yes, please explain.
Do you have a separate staff training module on social performance? For new hires? Ongoing?

* The Social Performance Task Force will be piloting these draft indicators in 2007 and finalizing them in early 2008.

ANNEX 2. Social Performance Task Force Members

NGOs
Aadarsha Welfare Society, India
ACIST, Tanzania
ACSI, Ethiopia
Aga Khan Agency for Microfinance, Geneva
AgroInvest- World Vision International, Serbia and Montenegro
Al Sol Chiapas AC, Mexico
Alterfin, Belgium
AMK, Cambodia
AMSSF, Morocco
AMUCCS, Mexico
Aquadev, Belgium
ASAP, USA
ASC Union, Albania
ASEI, El Salvador
ASHI, Philippines
Asmita, India
Asociacion PILARH, Honduras
Association MicFin, France
Bina Swadaya Gema PKM, Indonesia
CARD, Philippines
CARE International, Zimbabwe
CETZAM, Zambia
CIDR, France
CIRAD, France
CNEARC,France
Concern, Ireland
COPEME, Peru
CRS, Peru
CRS, Zimbabwe
CSR SME Asia, Philippines
DEMOS, Croatia
Enda Inter-Arabe, Tunisia
Etimos, Italy
Fademype, El Salvador
FARR, India
FEDAC, Canada
FIE, Bolivia
FINRURAL, Bolivia
FINSOL, Mexico
Fodevi, Ecuador
Fonkoze, Haiti
Forjadores de Negocios, Mexico
Foundation for a Sustainable Society, Philippines
Friendship Bridge, USA
Fundacion Adelante, Honduras
Fundacion CODESPA, Spain
Ghana Coop Credit Union Association, Ghana
GRET, France
Heifer International, Ukraine
iNova Credit Union, Canada
Integra, Slovakia
Inter Aide, France
Intercooperation, Switzerland
IRAM, France
Islami Bank, Bangladesh
KixiCredito, Angola
KMBI, Philippines
Louvain Developpement, Belgium
MDF, Serbia
MicroFinS, Serbia
MikroPlus SKZ, Croatia
Msiatreman Rural Bank, Ghana
ODEF, Honduras
Oromia Credit and Saving Sharing Company, Ethiopia
OXFAM Novib, Netherlands
PEMT, Canada
Planet Finance, Belgium
Prizma, Bosnia
SIFRA, Belgium
SOMED, Uganda
Street Cred Quaker, UK
TRIAS, Belgium
TSPI Development Corporation, Philippines
UM Pamecas, Senegal
Utshanii Fund, South Africa
Vola Mahasoa Madagascar
Women's World Banking, New York NY

Network Organizations
ACCION
AEMFI, Ethiopia
CARE Canada, Ottawa
CARE International, Atlanta GA
CERISE, France
COPEME, Peru
CRS, Baltimore, MD
Dutch Microfinance Platform, The Netherlands
European Microfinance Network, France
European Microfinance Program-ULB
FINCA, Washington DC
FINRURAL- Bolivia
FORO-LAC – The Latin American and Caribbean Forum on Rural Finance
Freedom From Hunger, CA
Global Reporting Initiative, The Netherlands
Grameen Foundation USA, Washington DC
Imp-Act Consortium, UK
Microfinance Centre for CEE and the NIS, Poland
Microfinance Council of the Philippines
MicroFinance Network, USA
Pakistan Microfinance Network, Pakistan
Plan International, USA
Pro Mujer, New York NY
REDCAMIF, Guatemala
Save the Children
SEEP Network, Washington DC
The MIX, Washington DC

Donors/Investors
ABN Amro, The Netherlands
AFD/CEFEB (l'Agence Française de Développement/Centre for Financial, Economic and Banking Studies), France
Alterfin, Belgium
Argidius Foundation
CGAP
CIDA, Canada
CMEF Boston MA
CORDAID, The Netherlands
EU/ACP Microfinance Framework Programme, Belgium
FMO- Netherlands Development Finance Company, Netherlands
Ford Foundation, New York
FPH (Fondation Charles Léopold Mayer pour le progrès de l'Homme), France
Hivos, Netherlands
ICCO, The Netherlands
IFAD, Italy
ILO, Switzerland
Michael and Susan Dell Foundation, Austin, Texas
Oikocredit, The Netherlands
Oxfam Novib, The Netherlands
RaboBank Foundation, The Netherlands
SDC, Switzerland
SIDI, France
Triodos Bank
USAID, Washington DC

Raters
MCRIL, India
MicroFinanza Rating, Italy
MicroRate
Planet Rating

Research programs
Asian Institute of Management, Philippines
IDPM, University of Antwerp, Belgium
IIEDEES Université, France
Imp-Act, Institute of Development Studies
IRIS Center, University of Maryland, USA
Universitaet Hohenheim, Germany
University College Dublin
University of Bath, UK

Consulting Firms
ACT, Washington, DC
Bering Associates, USA
EDA Rural Systems Pvt. Ltd
FACET BV
IDEAS
MEDA, Canada
NFK Felder Consulting, Swiss
SBC Global, USA
Woller & Associates

Please share this Focus Note with your colleagues or request extra copies of this paper or others in this series.

CGAP welcomes your comments on this paper.

All CGAP publications are available on the CGAP Web site at www.cgap.org.

CGAP
1818 H Street, NW
MSN P3 - 300
Washington, DC 20433 USA

Tel: 202-473-9594
Fax: 202-522-3744

Email:
cgap@worldbank.org