



EUROPEAN DIALOGUE

2nd European Microfinance Award
Social Responsibility in Microfinance



Number 2, May 2009
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N^o2



EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

2nd European Microfinance Award Social Responsibility in Microfinance

European Dialogue Number 2, May 2009

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in collaboration with the e-MFP Social Performance Working Group

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INTRODUCTION

Since its creation, the European Microfinance Platform has been actively involved in promoting social performance and social responsibility in microfinance.

What is meant by social responsibility is that MFIs are concerned with ensuring that their actions are at least transparent (notion of accountability), that they contribute to developing the financial services on offer and that they have no negative effects on stakeholders (decent work of employees, protection of consumers, protection of the environment, etc.). The notion of social performance encompasses the notion of social responsibility, but the meaning is slightly wider as it also takes into account MFIs' actions to fulfil a "social and economic mission" in favour of their clients. The concept of social performance is specific to microfinance, it is defined as the effective translation of an MFI's social mission into practice. This mission is based on four major objectives: serving an increasing number of poor and excluded persons, improving the quality and adaptability of financial services, creating economic and social benefits for clients and improving the social responsibility of an MFI.¹

In November 2007, during the European Microfinance Week, the issue of ethics and social responsibility in microfinance was identified by the European Microfinance Platform (e-MFP) members as a major issue for the microfinance sector to face within the current challenges of the sector (growth, commercialization, risks of over indebtedness, fight against poverty and vulnerability of clients, etc.). The e-MFP Social Performance Working Group focused in 2008 on the role of the investors in promoting social performance (see European Dialogue N° 1) In this publication, cases of some investors who participated in the e-MFP Social Performance Working Group or at the exchanges organized by the Swiss Development Cooperation in Bern are presented. The case studies of the European Dialogue No.1 provide a rich overview on what social investors actually do to make sure they invest in a socially correct way.

The European Microfinance Award was established by the Grand Duchy of Luxembourg to promote Microfinance as an important tool for poverty alleviation. In 2006, the objective of the first European Microfinance Award "Innovation for Rural Outreach"

1 CGAP, 2007. Beyond good intentions: evaluating the social performance of microfinance institutions. CGAP, Note Focus, N. 41, 16 p.

was to highlight and stimulate microfinance initiatives that represented breakthroughs in deepening or broadening rural outreach. The Zakoura Foundation in Morocco was presented in 2006 with the award for its programme on rural tourism.

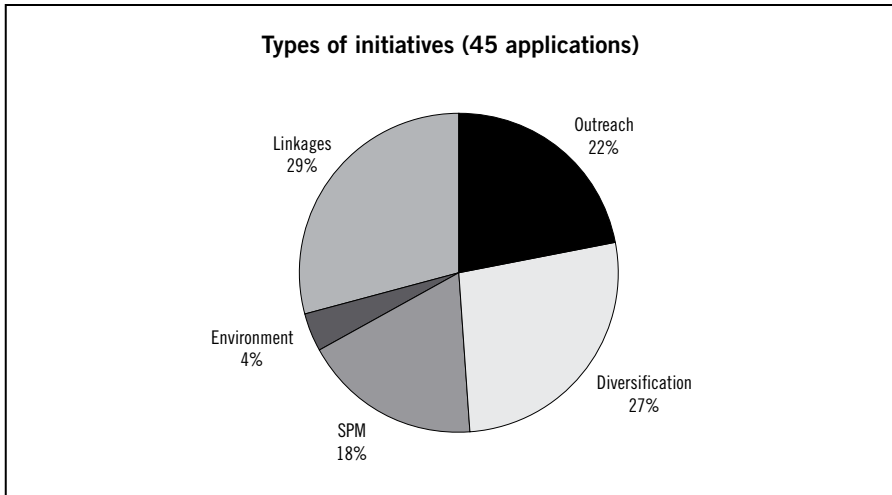
The objective of the European Microfinance Award 2008 “Socially Responsible Microfinance” was to highlight and stimulate microfinance initiatives that represented breakthroughs in promoting social performance in microfinance. Socially Responsible Microfinance includes social responsibility (“do not harm”) (transparent services; developing access to the excluded; avoiding negative effects on the clients, staff, community, environment) and social performance (“do good”), putting a social mission into practice to ensure a positive economic and social impact on the clients and their families.

45 applications for the award were received with a good geographic spread, including a large number of MFIs (regulated and non-regulated) and some networks of MFIs. The initiatives presented dealt with 1) social performance management systems, 2) product diversification, in particular for increasing outreach to the excluded, but also for protecting the environment, or improving the economic and social impact on the clients and 3) linkage of microfinance with other social sectors.

Continent	Total
Africa	17
Asia	11
Europe	3
Latin America	11
Middle East	3
Total	45

	Total
SPM systems	8
Diversification	12
Outreach	10
Environment	2
Linkages	13
	45

Applications were diverse in terms of products, services and methodology, indicating an active interest in these issues. However, environmental issues are still relatively marginal.



Each application went through a rigorous evaluation procedure and the selection was based on a transparent range of indicators (Organisational Performance of the applicant, quantitative and qualitative results of the initiative presented, and innovativeness). e-MFP was responsible for the pre-selection of the first 10 applications. After a careful check of the financial and social performance and with input from the Luxembourg Round Table on Microfinance, three finalists emerged. The three organisations had all incorporated social performance management in their daily operations to improve the impact on their clients.

The High Jury composed of Carmen Velasco (Pro Mujer, Bolivia), President of the Jury; Louis Michel (European Commission); Cyrille Arnould (European Investment Bank); Mamadou Toure (UM Pamecas, Senegal); Frank Wagener (Dexia - BIL); Claude Kremer (Luxembourg Investment Funds Association - ALFI); Kenneth Hay (LuxFLAG) then had the difficult task of selecting a winner from these three finalists.

The 2nd European Microfinance Award was presented on the 12th November 2008 in the new premises of the European Investment Bank (EIB) Luxembourg. Presiding were Her Royal Highness The Grand Duchess of Luxembourg; Mr. Louis Michel, European Commissioner for Development and Humanitarian Aid; Mr. Jean-Louis Schiltz, Minister for Cooperation and Humanitarian Affairs and Mr. Philippe Maystadt, President of the European Investment Bank.

After a welcome by Mr. Philippe Maystadt, President of the European Investment Bank, Her Royal Highness The Grand Duchess spoke and reiterated her commitment to work

to make micro loans accessible to the poorest inhabitants of our world. Minister for Development Cooperation and Humanitarian Affairs, Mr. Jean-Louis Schiltz thanked the Grand Duchess for her contribution to recognising microfinance as an aid to alleviating poverty and he made a commitment to continue the process with a 3rd European Microfinance Award in 2010. A short film about the activities of the Zakoura Foundation was shown after which the European Commissioner Louis Michel, spoke and underscored the film's dual message of shared community spirit and humanity.

The 2nd European Microfinance Award of €100,000 was given to the microfinance institution [MFI], Buusaa Gonofaa, represented by its Director, Mr. Teshome Y. Dayesso for the development of an innovative system for determining customer needs and evaluating changes in their social well-being. Ms. Carmen Velasco also presented certificates to the two other finalists; AMK - Angkor Microfinance Kampuchea of Cambodia and RFR - Red Financiera Rural of Ecuador. Mr Dayesso was enthusiastic in his acceptance and he later referred to his award as the "Hope Award".

The 2nd European Microfinance Award successfully highlighted MFI efforts to manage social performance. However, the e-MFP wanted to push the process a step further and disseminate the experiences of institutions from the South that have designed services, products and procedures with the purpose of improving benefits to clients. In this issue, we present the three finalists as well as seven other institutions. We want to give readers examples of social performance management in action and perhaps encourage them to probe further by consulting websites or contacting the institutions themselves.

The cases are diverse in terms of area of operations (East Africa, West Africa, North Africa, Asia, Latin America), institutional type (NGOs, non-bank financial institutions, networks), type of initiatives and synergies created.

Cases were selected based on their innovative nature. Of course, many others could have been presented here—the Dialogue is open! We hope this issue will inspire MFIs, their networks and their partners to find creative ways to promote socially responsible microfinance.



BUUSAA GONOFAA MFI, ETHIOPIA

Development of a Client Assessment and Monitoring System or “Social Ledger”

Buusaa Gonofaa MFI started its operations in 2000 as a non-bank financial institution with a deposit taking mandate. It provides micro-lending and saving services to the resource poor households in Ethiopia to improve their livelihood, with particular focus on women, landless youth and smallholder farmers.

Key information (Mix Market 31/6/2007)

Nb. of active borrowers: 26247 Nb. of savers: 25552 Nb of personnel : 137 Non-Bank Financial Institution Regulated Established in 1999 Type of products: general-purpose loans provided through self-selected group; savings Women: 80 % - Rural: 75%	Gross Loan portfolio: 2002 KUSD Average Loan Balance per Borrower: 76 USD Savings: 356 KUSD OSS : 111% ROA: N/A ROE: N/A PAR 30: 1% Main European funders and partners: Terrafina/ ICCO, SOS Faim, Pamiga/ CIDR
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Rating per evaluation area

Social Performance Management



Outreach



Service Offering



Social Responsibility



In July 2007, Buusaa Gonofaa had an institutional and social rating by Planet Rating. The social rating stated that the social mission is at the root of the creation of BG. It was identified that the poverty status was not yet being measured but that a poverty scorecard was being developed. This scorecard is now rewarded by the 2nd European Microfinance Award on Socially Responsible Microfinance.

Why start the client assessment system?

The client assessment system was motivated by the need to know and measure the actual poverty level of Buusaa Gonofaa's clients so as to offer products and services that are well suited to the needs and livelihood strategies of the target clients.

How does it work?

Buusaa Gonofaa has internally developed a poverty scorecard or 'social ledger' consisting of 20 indicators that are highly related to the poverty of its clients. Loan officers conduct interviews on an Intake card initially and this serves as a base line data on each client. An assessment is done then on every loan cycle; this scorecard will help track the change/progress in the assets and well being of clients from time to time.

The tool consists of 20 indicators that fall into the following 5 major categories: (a) Housing condition; (b) Household assets; (c) Business growth; (d) Food security; (e) Children's education.

There are two key aspects to this initiative: 1) Do the indicators accurately measure poverty level and capture change over time? Yes: the non-financial indicators of poverty were identified through Participatory Rapid Assessment exercises by the target groups BG serves; they were further refined to fit with Buusaa Gonofaa's social mission. They are common sense indicators and/or simple to observe (number of rooms, ox, cow, tape recorder, TV, size of land, etc). The scorecard was constructed not from national data but from Buusaa Gonofaa's local reality; it certainly fits with Buusaa Gonofaa's operational reality.

2) Is it a practical tool? Yes: food security indicators and financial indicators (working capital, sales, profit, etc) are self-reported by clients and easy to collect. Full scale implementation already started in February 2008 and intake data from over 30,000 clients has been collected. It takes a loan officer on average 7 minutes to complete the intake card and 5 minutes to complete the scorecard.

How does it help Buusaa Gonofaa?

The results from the initiative give a precise segmentation of target clients, knowing who Buusaa Gonofaa is reaching and allowing to modify/change loan product features to fit their needs by categories. The client satisfaction survey conducted with the use of this tool provides some quantitative results to answer some of these questions (as for example avoiding risks of over indebtedness with poor clients who are satisfied with loan amount versus wealthier clients, or identifying the profile of clients who leave the programme).

Development of a Client Assessment and Monitoring System or “Social Ledger”

This innovative system helps Buusaa Gonofaa in tracking and managing the achievement of its social objectives regularly.

BG MFI - ASSESSMENT SCORE CARD: Branch							
Client's Name		Group.....		Location: Urban ___ Rural ___			
Intake Date		Acct ID #		Credit Agent.....			
<i>Conversion Birr/score: 100</i>							
Indicator Category	Measurable Indicator	Year of Scoring					
		1	2	3	4	5	
Date of Scoring as Month/Year: →		dd/yy	dd/yy	dd/yy	dd/yy	dd/yy	
Household Wealth							
1. Housing Condition	o Roofing material: T=Thatch, I=Iron sheet, Other=O		T	T	T	I	I
	o Number of rooms		2	2	3	4	4
	o Investment on housing construct/improvement		0	5	6	4	9
	Total score for housing :		0	5	11	15	24
2. Household Assets	o # Oxen	18	2	2	3	3	3
	o # Cows	16	0	0	1	1	1
	o # Sheep/goats	2	2	2	3	3	4
	o Type of bed (Metal = 2; Wood = 4)	4	1	1	2	2	2
	o # Tape recorder	2	0	1	1	1	1
	o # TV set	24	0	0	0	0	1
	Total score HH wealth :		44	51	97	101	136
Change in HH Assets			16%	90%	4%	35%	
Household Enterprise							
3. Business growth	Size of land owned (Ha)		0,0	0,0	0,0	0,0	0,0
	Size of land cultivated (Ha.)		0,5	0,5	1,0	1,0	2,0
	Score: Current Working Capital		-	20	15	25	25
	Score: Investment on business assets		-	10	8	25	12
	Score: Total Business Assets	30	30	60	83	133	183
	<i>Deduct:</i> Score for debt/outstanding credit balance		0	-24	-36	-48	-48
	Score: Net Business Assets		30	36	47	85	451
	Total score HH & Business Wealth		74	87	144	186	587
	Growth in total wealth:			18%	66%	29%	216%
	Score: Ave. Monthly Sales (Birr/100)			2,2	5,0	7,5	10,0
Score: Ave. Monthly Profit (Birr/100)			0,5	1,2	1,3	3,0	2,5
Social Responsibilities							
4. Food security	a. Length of hungry period (in months)		4	2	4	2	1
	b. # days/yr your family missed a meal		35	24	10	30	20
	c. # days/yr of meat consumption		3	3	5	8	9
	Food adequacy indicator = (12-a)/12		67%	83%	67%	88%	92%
5. Education	o # of school-aged children (6-12 age)		3	3	2	1	0
	o # of children that attend primary school		2	2	2	1	0
	% of children that attend primary school		67%	67%	100%	100%	100%

Links

Email: bgmfi@ethionet.et

Profile of BG on the MIX: <http://www.mixmarket.org/en/demand/demand.show.profile.asp?ett=1207>

Zoom Microfinance sur Busaa Gonofaa: <http://www.lamicrofinance.org/content/article/detail/19837>

BG rewarded: http://www.microfinance.lu/fileadmin/media/presse/EuropeanMicrofinanceWeek2008/La_Voix_Un_espoir_immense.pdf

Le prêt, la poule et l'oeuf: http://www.artepro.com/fr_fichiers/fichiers/01676022.pdf



ANGKOR MICROFINANCE KAMPUCHEA (AMK), CAMBODIA

Social Performance Committee (SPC): Operating a Social Reporting Framework at the Governance Level

AMK, a non-bank financial institution in Cambodia, is dedicated to help large numbers of poor in Cambodia to improve their livelihood options through the sustainable delivery of appropriate and viable microfinance services.

Key information (Mix Market: 31/12/07)

<p>Nb. of active borrowers: 120111 Nb. of savers: 1842 Nb of personnel : 349 Non-Bank Financial Institution Regulated Established in 1999 Type of products: 5 credit products (3 group-guaranteed loans, 1 individual loan product, 1 emergency loan); flexible voluntary savings products Clients below 2USD/day: 79%</p>	<p>Gross Loan portfolio: 10307 KUSD Average Loan Balance per Borrower: 86 USD Savings: 28 KUSD OSS : 147% ROA: 8.87 ROE: 25.38 PAR 30: 0% Main European funders and partners: Concern Worldwide (Other lenders include: Dexia Microcredit Fund/Blue Orchard, Oikocredit), Imp-Act Consortium</p>
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Social Rating dimensions	Rating
Process / organisational systems	
Mission and Systems	$\Sigma \alpha+$
Responsibility to clients	$\Sigma \alpha-$
Other Social Responsibility	$\Sigma \alpha-$
Results / outputs - client level information*	
Depth of outreach	$\Sigma \alpha++$
Appropriate services	$\Sigma \beta+$

AMK's Social Rating was produced by M-CRIL in 2007 and the score obtained was Alfa (α), reflecting "very good systems and adherence to social mission and values".

*Information collected by AMK's own reserch department, and internal audit.

Why create a Social Performance Committee (SPC)?

The creation of the SPC was motivated by AMK's commitment to developing itself as a successful independent MFI that balances financial and social performance, in line with the expectations of its shareholders – Concern Worldwide – and its own mission. The SPC was created to better integrate social objectives into AMK's overall governance and management strategy. The purpose of the SPC is to advise the Board on whether management is incorporating Social Performance findings into decision-making to achieve AMK goals.

How does it work?

The SPC members are nominated by the Board for a term of two years and currently include five members, four of whom are external to the Board - senior research professionals with academic and consultancy backgrounds. The five main social performance dimensions within AMK, as described in the SPC Charter, include:

- Outreach of financial services in line with stated mission;
- Demand-driven products and services for clients;
- Client protection and transparency;
- Other social responsibilities – corporate culture, policies for staff, etc;
- Impact assessment or transformation effect on clients.

Social Performance Committee (SPC): Operating a Social Reporting Framework at the Governance Level

In order to systematize the SPC role in advising the Board of Directors, AMK has drafted a Social Performance Reporting Framework. Within the framework, the first four dimensions of Social Performance are assessed on a yearly basis through simple and verifiable indicators.

An assessment of impact, however, is more demanding and time/cost intensive, requiring very specific and complex measuring methods. Consequently, the SPC is providing guidance in setting up a social impact framework within a timeframe of 3 to 5 years.

How does it help AMK?

In terms of systems created so far, the main results of AMK's Social Performance efforts include client-level data collected for decision-making by the Research Department which started in 2003. Decision-making at the management level has been linked to Social Performance since 2003. Social Performance was integrated at the Board level through the SPC and has been operational since 2006 while the social reporting framework was developed in 2008 to systematically advise the Board.

As a result, the complete set of AMK's Social Performance Systems includes efficient mechanisms for improving depth of outreach, development of demand-driven products and incorporation of social responsibility in AMK's daily operations.

AMK - Social Performance Reporting Framework					
Regular Monitoring					Periodic Research
Period Evaluated: 2007	Information presented : April 2008				Impact / Transformation effects
Sources of Information	Depth of Outreach	Adequate Products	Transparency & Client Protection	Other Corporate Social Responsibility (CSR)	Impact / Transformation effects
<ul style="list-style-type: none"> - Depth of Outreach report 07 - Evolution Poverty Maps 07 	<ul style="list-style-type: none"> - Client Satisfaction Survey 07 - Exit Survey 07 - Competition Reporting - Client Household Profile 07 	<ul style="list-style-type: none"> - MXX Website, Media Kit (server) - Client Awareness Products - Client Awareness Res (Ch) - Multiple loans vs. over-indebtedness (Insp+Resch) 	<ul style="list-style-type: none"> - Staff Satisfaction Survey 07 - Reasons for resignation of staff - Community (no harm policies) 	<ul style="list-style-type: none"> - Impact analysis (once every 3 to 5 years) 	<ul style="list-style-type: none"> - Not yet available - end 2008
<ul style="list-style-type: none"> - Wellbeing Score (Terciles + Quartile Analysis) - Distribution of future per capita vs. Food Poverty Line in Rural Areas - Geographic targeting - Pro-poor methodology (Colateral, Strep, ...) 	<ul style="list-style-type: none"> - Range of services - Quality of services 	<ul style="list-style-type: none"> - Server access to information - Training - Client Satisfaction Survey (and SPTF Pilot completed) - Results of ad hoc Client Awareness Survey 	<ul style="list-style-type: none"> - Results of Staff Satisfaction Survey - Staff resigning and reasons - HR policies - etc. 		
YEAR OF ASSESSMENT: SOCIAL PERFORMANCE ASSESSMENT - SUMMARY					
Methodology, Process and Reports / Sources of Info	Depth of Outreach	Adequate Products	Transparency and Client Protection	Other Corporate Social Responsibility (CSR)	When applicable... Impact / Transformation effects
Are you satisfied with the accuracy of the methodology and process applied?					
Is this result/finding in line with the mission?					
Based on these findings, are there foreseeable issues in the future?					
Is data or information missing.. at the management level?					
at the Board level?					
Issues to Report					
Any Other					
Other: e.g. Is Framework relevant for current strategy? And for future strategy?					
This Social Performance Reporting Framework is an integral part of SPC meeting minutes					
Signature: SPC members:					

Social Performance Committee (SPC): Operating a Social Reporting Framework at the Governance Level

Links

AMK website: <http://www.amkcambodia.com/default.aspx>

Profile of AMK on the Mix Market

<http://www.mixmarket.org/en/demand/demand.show.profile.asp?token=&ett=1331>

AMK in the Global Learning Programme : Full case study on the initiative

<http://www.amkcambodia.com/Docs/AMK%20Case%20Study%20SPM%20Mgmt.pdf>

AMK on the Cambodian microfinance association (CMA) website:

<http://www.cma-network.org/amk.asp>



RED FINANCIERA RURAL (RFR), ECUADOR

A Social Responsibility System for the Microfinance Institutions

The Red Financiera Rural (RFR) is a not-for-profit civil association. It is the Ecuadorian microfinance professional association, with a network of 40 members including Savings and Credit Unions, Banks, NGOs and local networks. RFR's objectives are strengthening its members, representing common interests, promoting adequate state policies, and promoting social and economic development of the country in a sustainable way.

Key information (RFR website, Sept 2008)

<p>Nb. of members: 40 Types of members: Savings and Credit Unions, Banks, NGOs and local networks RFR established in June 2000 Women: 50% of the clients of the members</p>	<p>Total number of clients reached: 598 000 Total Gross Loan portfolio: 1048372KUSD Total Savings: 512390 KUSD Main European funders and partners: International Institute for Communication and Development (IICD) and Hivos (Netherlands), Cerise (France)</p>
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Why start a Social Responsibility System for RFR?

The main motive for RFR to set up a Social Responsibility System for microfinance institutions was to strengthen the social and economic development of the country in a sustainable way and respond to negative symptoms appearing at the market level at that time. There was a lack of a measurement, follow-up and evaluation frame of the mission, objectives and social goals of microfinance institutions regarding their clients, their employees and the community where they were active. Another driving force was the evidence of bad practices among microfinance institutions and especially regarding the recruitment of new clients and new staff from competitors with a lower level of code of conduct.

How does it work?

The Social Responsibility System is composed of three main activities:

Activity 1: Over-indebtedness prevention

The project is an alliance with credit bureaus allowing access to a credit information service based on the exchange of positive and negative information regarding the creditors. This service allows MFIs to know the level of indebtedness and total credit risk of creditors as well as to have a more general overview of the credit behaviors at a local, regional and national level.

Activity 2: Social performance evaluation for MFIs, using the SPI audit tool

RFR developed, as part of its strategic activities, a Social Performance Evaluation Service for MFIs to complement financial information with social information in order to get a more accurate overview of the work, the progress and the level of outreach made by MFIs.

Using the SPI/Cerise audit tool implemented at the MFI level, RFR facilitates the process of verification and integration of the results of the SPI questionnaire, which includes working sessions with the MFIs, social performance evaluation, reports presentation and feedback to each MFI.

Activity 3: Implementation of a Code of Ethics for RFR

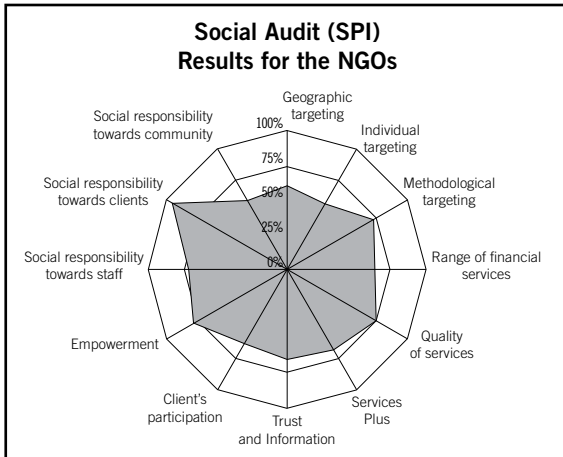
Within its mission to represent the interests of its members and being a reference for microfinance in Ecuador, RFR implemented a Code of Ethics in order to strengthen transparency regarding financial and social information, considered as a step in the development of a loyal and competitive microfinance market.

How does it help RFR and its members?

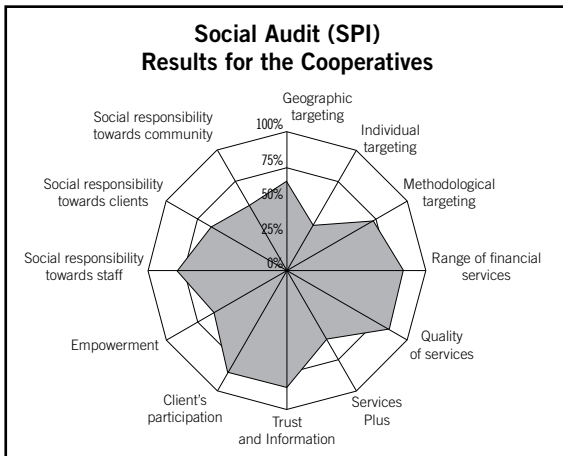
An overall result of this comprehensive approach for responsible microfinance is the creation of a culture of transparency and best practices for the 40 members of the network. The network structure of RFR allowed optimization of time and resources for its members. More specifically, the results are the following:

Regarding over-indebtedness prevention, the activity leads to the existence of a large database with credit information for 175 MFIs and about 230000 credit operations registered for an amount of 320 million USD. It strengthens the importance of transparent information and a growing number of institutions join the service to provide information.

A Social Responsibility System for the Microfinance Institutions



With the use of the SPI tool, improvement plans initiated by 14 MFIs have been defined to work on some key issues related to social performance. Peer Reviews among RFR members have led to horizontal learning about innovative models and management practices such as human resources practices, closer relationships with clients, or new mechanisms that allow client's involvement in the decision making process (see graphical results below).



The Code of Ethics has been approved by the General Assembly of members and all MFIs have signed a contract that specifies the obligation to respect the Code. It has entered into force and some cases have been presented to the Board of RFR. Linkages between institutions are created in order to prevent the emergence of the same kind of bad practices.

Links

RFR website: <http://www.rfr.org.ec/index.php>

Profile of RFR in the Mix Market:

<http://www.mixmarket.org/en/partners/partners.show.profile.asp?ett=624>



ENDA INTER ARABE, TUNISIA

Development of Indicators and Electronic Maps to Target Rural and Vulnerable Areas and to Understand Client's and Potential Client's Features

Enda Inter Arabe, an international NGO, is dedicated to contribute to improving the living standards of all Tunisians through high quality, innovative and inclusive financial services, provided by a socially and environmentally responsible leader institution.

Key information (mix market 31-12-2008 / rating data)

<p>Nb of active borrowers: 94,959 Nb of savers: 0 Nb of personel: 422 NGO Established in 1990 Type of products: individual and group loans for microenterprises, housing and education loans, business development services such as training in bookkeeping and management, product improvement, assistance with exports, promoting networking and providing information on subjects as health, social security etc, training to other micro credit providers</p>	<p>Clients below 2 USD a day: n d Percentage of rural areas served : 22% Women clients: 80% Gross Loan portfolio: 33,968,384 USD Average Loan Balance per Borrower:358 USD Savings: OSS: 147.67% ROA: 9.42% ROE: 26.74% PAR 30: 0.54% Main European funders and partners: EIB, several NGO's from France, Spain and the Netherlands</p>
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Social performance

In 2005, Enda tested with Planet Rating a first pilot on social rating.

More recently, in June 2008, the rating agency Micro Rate rated Enda as very good on social performance thanks to a combination of high social commitment and excellent social results. "It has achieved excellent social results in an uncompetitive market, serving the needs of microentrepreneurs and households that have limited access to

the traditional banking system. While Enda focuses on the lower end of the urban and suburban market, the MFI plans to intensify coverage of more rural areas. Enda is currently segmenting its market and expanding its range of products“ (MicroRate social Rating, June 2008). Enda frequently analyzes its social performance through ratings and other instruments (surveys, impact studies).

Why is Enda Inter Arabe creating a system of indicators and electronic maps?

With Enda’s rapid expansion, information is critical to enhance both its financial and social performance. Yet extensive and detailed information on household living standards, income and expenses, is difficult to obtain in Tunisia; available statistics are not detailed enough for Enda’s requirements. Enda thus has developed their own tools to measure, collect, treat, analyze and report potential clients’ profiles, their living standards, their activities and the Tunisian microfinance market which has not been sufficiently studied.

How does it work?

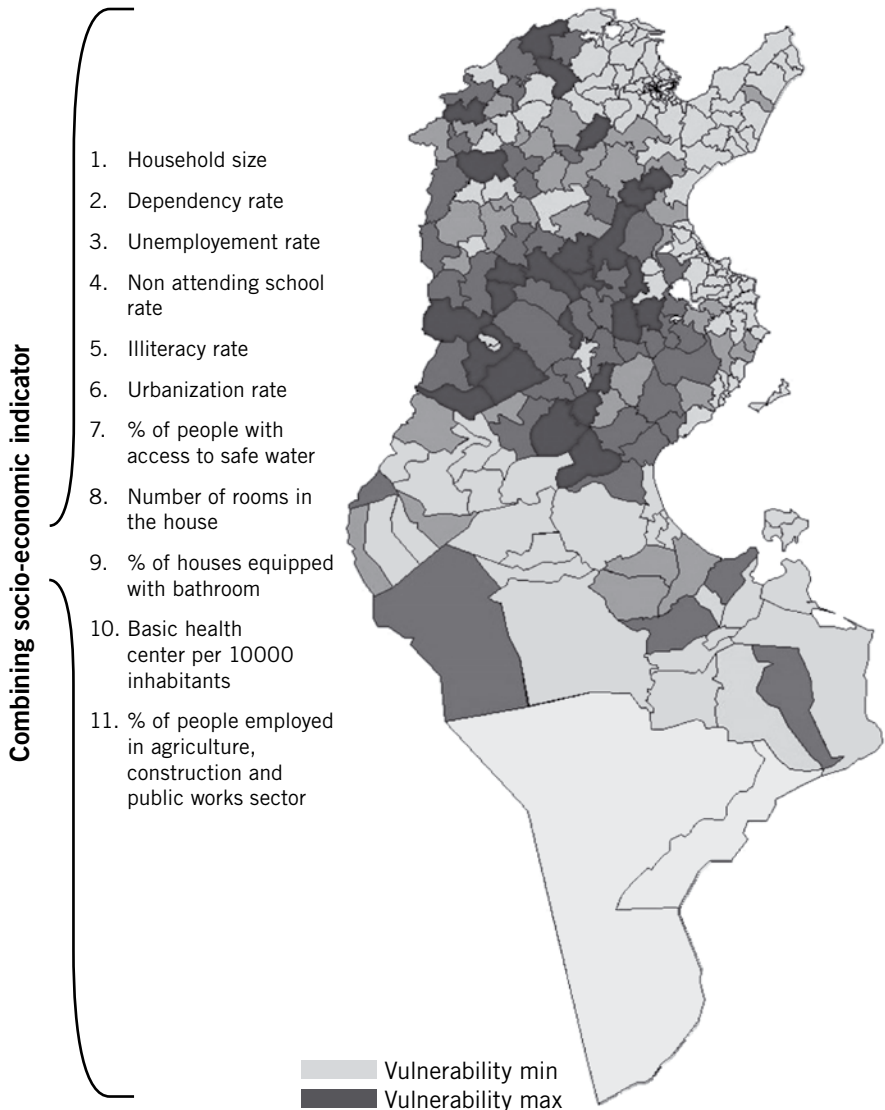
Enda has developed a tool which allows them to visualize on an electronic map the Tunisian population by vulnerability level. The vulnerability level is based on a composite indicator Enda developed which integrates several economic indicators. This geographic vulnerability targeting map goes into a great level of detail.

Another electronic map was developed to visualize data on clients’ and potential clients’ activities and profiles (rural or urban, occupation, sex, required amount) by geographical unit. This is a so called geo-marketing map. The profiles of these segments are identified not only through a literature review but also by monitoring prospects and clients in the branches thanks to an electronic application developed by the Enda team with the Tunisian University. This map allows Enda to analyze clients’ needs and adjust products and methodology.

These tools are used:

1. In strategic planning to support decisions on new branch openings and new products
2. At operational level, regions and branches use these maps to monitor the demand in their areas and to adjust their methodologies for better client satisfaction.

Delegations classification based on vulnerability



How does it help Enda?

The importance of this initiative for Enda lies in the way it assists the institution to better manage its social performance and to attain its social goals thanks to objective targeting indicators. The system for monitoring and analyzing demand from potential clients has enabled Enda to improve the efficiency in the pilot branches thanks to better spatial management of loan officers work, to adapt the loan granting methodology and the marketing in the branches, to reduce waiting time in the branches and to for instance make studies of specific loan requests related to certain sectors or activities.

Links

Enda Tunisia website: www.endarabe.org.tn

Enda Tiers Monde, the international organisation : <http://www.enda.sn/> (in French)



CEPRODEL, NICARAGUA

Support Line for Improving the Quality of Life and Protection of the Environment in the Rural Sector

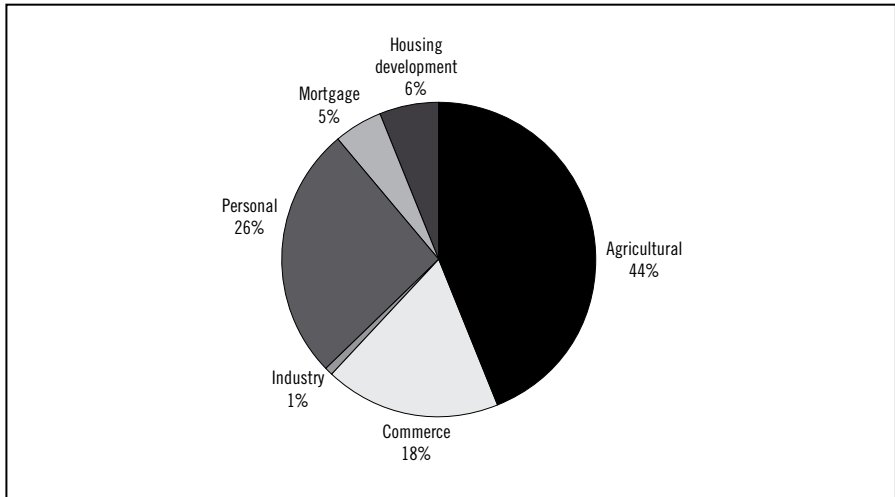
CEPRODEL is a non-profit organization that concentrates on local economic development working in microfinance with the aim of generating conditions for socio-economic development. CEPRODEL also has housing programmes, local development and training and technical assistance for producers.

Vision: Leading institution in the promotion of local development, based on the potential, capacity and initiative of the population, influencing the structural transformations of society.

Mission: To promote local sustainable development, providing the vulnerable population with economic, organizational and technological options in order to overcome poverty based on their creative potential.

Key information (Mix Market 31/12/07)

Nb. of active borrowers: 14 594 Nb. of savers: no Nb of staff : 161 Private non-profit making organization Non Regulated Established in 1991 Type of products: agricultural credits, commerce, housing, family development. Women: 56.4 % - Agriculture: 44%	Gross Loan portfolio: 10 283 KUSD Average Loan Balance per Borrower: 705 USD Savings: no OSS : 111% ROA: 3.14% ROE: 15.23% PAR 30: 3.31% Main European funders and partners: Swiss Cooperative Centre, GVC Italy, Swiss Development Cooperation (SDC), INCOFIN, Blue Orchard.
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Social performance

In accordance with MicroFinanza Rating, CEPRODEL has a social rate of ^s**BB+** (July 2008) in which the commitment of its government bodies stands out, along with its level of social responsibility which is classified as good, the favourable work environment and economic conditions, the involvement of CEPRODEL in various social responsibility initiatives in the community and environment and the cover and accessibility of the services offered. The reports show signs of potential improvement in which CEPRODEL has a commitment to improve its performance and to make investment and social impacts more efficient: to complete the set of indicators for monitoring advances in the fulfilment of the mission, to improve consumer protection measures.

Why was the support line created for the improvement of quality of life and protection of the environment?

The CEPRODEL experience has shown that credit is an instrument promoting positive attitudes to work, the community and the environment, especially when the users contribute to the definition of the final destination of financing, transforming them into active microfinance clients, committing their employees in the search for positive results for participating families. The design of the product comes from experiences in the demand and use which CEPRODEL clients have had in the Family Development line.

CEPRODEL promotes this initiative as a pilot experience in order to encourage other organizations (businesses, governmental and non-governmental) to incorporate social responsibility (environment, health, etc.) in its daily work, without affecting the fulfilment of its particular mission.

How does it work?

There are three components: the first one is a credit for the financing of water storage tanks aimed at guaranteeing the consumption and quality of water, especially in the rural sector of Leon and Chinandega; the second component is to provide access to low cost energy, to contribute to reducing the use of wood as an energy material and therefore promote the use of non-contaminating technologies by means of the introduction of solar panels. The third component is aimed at providing sanitary conditions for women who cook and sell food in 10 markets in the area where CEPRODEL is present, improving the infrastructure conditions which promote hygiene in food processing, favouring the health of the final consumers.

The process was started with the generation of awareness among our employees about the needs expressed by clients. This involves education and training so that the employees explain the promotion of the credit, its financial characteristics and impact on the family and the environment, credit analysis and follow up to the activities developed for installation (tanks, panels, cooking equipment), or construction (in the case of improvement in markets). Moreover, work is done in the establishment of alliances with businesses involved in the production of equipment (tanks, panels, water filters, amongst others) motivating them towards social business responsibility.

In what way are the CEPRODEL clients helped?

In a year of experience, the portfolio has represented an investment which exceeds US\$350,000 with more than 400 families benefiting in Leon and Chinandega. Another 50 have been added in Esteli.

The potential scope of the initiative covers, in the short term, a further 300 families in the rural area of Leon and Chinandega for the storage of water and access to solar panels, while the demand of women who sell prepared food in the market shows a potential of 2,100 clients in the markets. The results until now show that 34% of the users of this initiative are women.

The product corresponds to a strong demand from clients; it is linked to its capacity of income generation, the benefits associated with this effort of Microfinance is seen in the health of the family, better opportunities of use of time, the promotion of a healthy environment in local markets (where there are large numbers of people) rescuing a

tradition that strengthens community outreach - the traditional market. The tanks and water purification filters directly influence the quality of life of families, making an impact on its productive performance; the solar panels present an alternative in reducing family costs, allowing a better and bigger use of potentially productive time and an improvement in the client's quality of life.

The net result is a better relationship between CEPRODEL and its clients and the possibility for other members of the community to take an interest in joining micro finance programmes whose perspective is not limited to the financial profit of a business, but also includes the quality of life of the family.

The initiative tries to change the role of the women and children who are more directly involved in the storage and use of water and the energy supply (obtaining wood) within homes. As far as the markets are concerned, better and more hygienic work conditions are provided for women.

Links

Website CEPRODEL : www.ceprodel.org.ni

CEPRODEL profile in Mix Market :

<http://www.mixmarket.org/en/demand/demand.show.profile.asp?ett=1065&>



PRO MUJER, BOLIVIA

Social Inclusion of Young People

“Pro Mujer” (Pro Woman) Bolivia is an MFI that belongs to the international network Pro Mujer with operations in another four Latin American countries (Nicaragua, Peru, Mexico and Argentina), having started with the Bolivian experience. Pro Mujer Bolivia applies an integrated methodology of communal banking that combines financial services with human development services (training and basic health services) aimed at the empowerment of disadvantaged women.

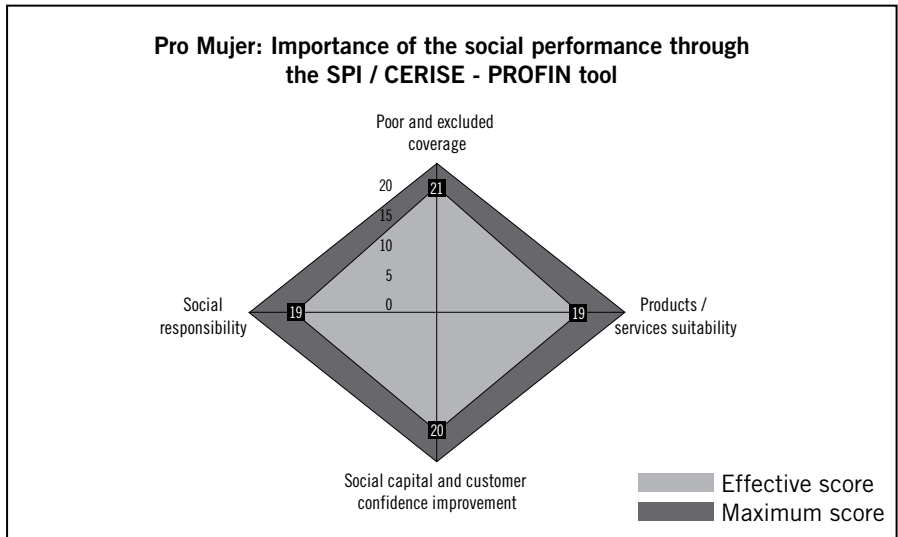
Key information (Mix Market 31/12/07)

Nb. of active borrowers: 90 510 Nb. of savers: no Nb of personnel : 537 NGO Non Regulated Established in 1990 Type of products: working capital loans, loans for education and healthcare. Women: 95 %	Gross Loan portfolio: 21 397 KUSD Average Loan Balance per Borrower: 236 USD Savings: through communal banks : 7.000 KUSD OSS : 134.31% ROA: 6.31% ROE: 13.89% PAR 30: 0.77% Main European funders and partners: Triodos, Symbiotics, Incofin
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Results of social performance:

Promujer has also been very active in the analysis of its social performance. With Profin and Finrural, a social audit has been started with the SPI tool which shows a strong social performance in the 4 dimensions of SPI.

SPI RESULTS FOR PRO MUJER (Profin, I. Aliaga)			
Dimensions	Effective points	Maximum points	%
Cover of disadvantaged and marginalized	21	25	84%
Suitability of products and services	19	25	76%
Improvement of social capital and customer loyalty	20	25	80%
Social Responsibility	19	25	76%
Total	79	100	80%



In 2006, Promujer received a Microrate social rating which shows an excellent social classification, low social risk and a performance qualification of Alpha Minus (MicroRate, December 2006).

Since 2006 Pro Mujer has had a social performance management unit in charge of carrying out a close follow up of customer satisfaction, identification of adjustments in current products and services, development of new initiatives, the monitoring of social management indicators and ensuring the participation and contribution of the institution to the global initiatives of management and social responsibility.

Why did the initiative start with the young people?

Since its creation, the search for social inclusion of traditionally excluded groups, (economically or socially) has been the driving force for institutional action. Vulnerable women and those excluded in peri-urban areas of the country have been their target group. After having reached significant coverage in these regions all around the country, in the present year Promujer plan to get to the rural area, in order to reach vulnerable and excluded women in these regions and also to incorporate a group that generally do not have access to inclusion opportunities through financial services, which is youngsters between the ages of 14 and 23 with limited resources. The work done with these youngsters is presented below.

How does the young people's product work?

Pro Mujer has carried out market studies, external and internal, with participative methodologies, whose results have fed the design of the products included for these specific groups of the population.

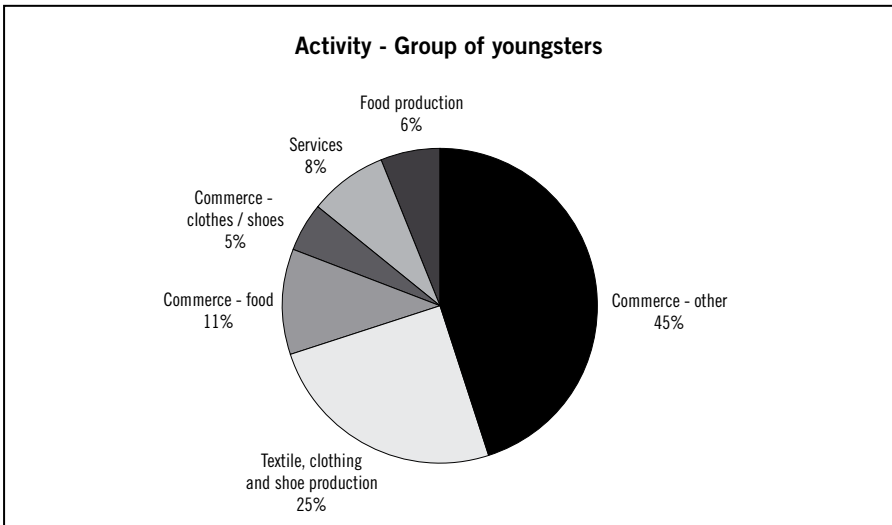
The market studies show that the financial institutions that are found in el Alto, do not offer services to adolescents and young people similar to that offered by Pro Mujer. There are individual flexible credits to young people above 18 years and without any formal training. Equally, there are programmes for the training of young people where work is introduced, but financing is not provided.

With the Promujer product, young people receive training and learn about business administration, money, aspects related to credit and saving, and health services. With respect to education, young people and their parents show that they have acquired skills in relation to the management and administration of money, life skills and some have also acquired technical skills and knowledge about health care.

The methodology determined for the product prototype is a solidarity group of adolescents and young people incorporated in the Municipal Associations with collective guarantee of the Solidarity Group. There is therefore the potential for interaction and mutual support between the Members and the Youngsters. Various alternative methodologies were evaluated, including Municipal Associations of only youngsters, support groups of independent youngsters and individual credit, looking to define which one best defines the optimization of resources and organizational infrastructure and at the same time which meets the needs of the target sector. In the evaluation it was determined that the alternative of Juvenile Support Groups incorporated in "good" Municipal Associations had the best potential of the optimization of resources in order to reach an operational balance. The annual fixed interest rate for young people is 36%.



In accordance with the graph, Activity – Young People’s group, the majority of young people are dedicated to the marketing of various products (cleaning products, cosmetics, games and CDs), followed by textiles (quilts, jackets and clothes) and the marketing of food.



How does this help the Pro Mujer customers?

According to a recent evaluation there has been a positive visible change in the behaviour of young people towards their families and the community. It has been shown that they communicate more with their parents, share what they have learned, their experiences and concerns about the businesses. On the other hand, the parents and the rest of the customers of the institution indicate that there has been a change in the young people in the first Programme cycle; they show an increase in responsibility, are less timid in business terms, more considerate and in some cases more disciplined.

With respect to education, the young people and their parents show that they have acquired skills with respect to the management and administration of money, life skills and some have also acquired technical skills and knowledge about health care.

Links

Pro Mujer website : www.promujer.org

Pro Mujer Bolivia website in Mix Market :

<http://www.mixmarket.org/en/demand/demand.show.profile.asp?token=&ett=153>



**CVECA NETWORKS IN KAYES, MALI
BOUCLE DU MOUHOUN AND SOUM, BURKINA FASO**

Product Diversification in Marginalized Rural Areas of Mali and Burkina Faso

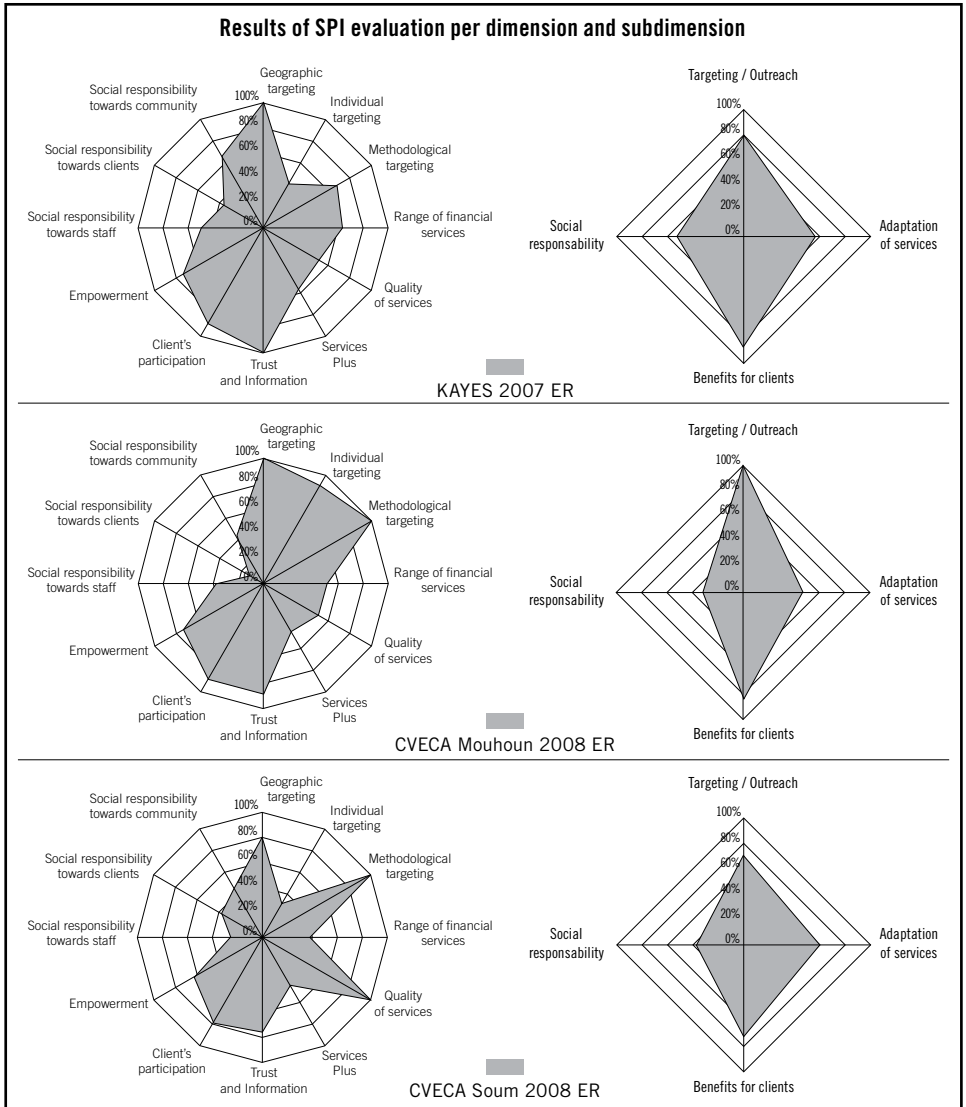
The self-managed village bank networks (caisses villageoises d'épargne et de crédit autogérées, or CVECAs) in Kayes (Mali), Boucle du Mouhoun and Soum (Burkina Faso) aim to foster socio-economic development by making sustainable financial services accessible to the poorest of the poor. The CVECA model encourages user appropriation by making villagers responsible for all operational decisions and relying on volunteers from the village to staff local operations.

Key information Financial performance (data from applicants 31/12/2007)

	Kayes	Boucle du Mouhoun	Soum
Start of operations	1998	2002	1986
Members	23 300	26 308	15 553
Active savers	6 209	13 131	4 335
Active borrowers	8 041	7 477	3 276
OSS	134%	156%	77%
PAR 90	11.4%	0.2%	7.7%
% of women		39.7%	
Gross Loan Portfolio	1 055 138 €	956 954 €	536 583 €
Average Loan Balance per Borrower			
Savings	1 174 609 €	469700 €	444 125 €
ROA			
ROE			
PAR 30			
Main European funders and partners	CIDR, Pamiga, Fondation Philippon, etc.		

Social performance

SPI results for three networks (SPI applied internally with some external assistance)



Product Diversification in Marginalized Rural Areas of Mali and Burkina Faso

All three networks are particularly strong at “geographic targeting”. In Mali, the network operates in the extremely poor Kayes region, home to the majority of Malian migrants residing in Europe. The Boucle du Mouhoun network in Burkina Faso operates in a cotton-producing region where populations are increasingly impoverished despite the region’s strong economic potential. The Soum network is located in northern Burkina, a very poor region that lacks basic infrastructure but where livestock farming holds potential (the region accounts for 50% of all herds in Burkina Faso). Moreover, the high score for the “client participation” indicates the three networks are successful at involving clients in the institution.

Even though these three networks offer simple, accessible products and services, the self-management model hinders product diversification, as the networks are not well-equipped to manage diverse or complex products (see “range of financial services” and “services plus”² indicators).

Why the initiative on product diversification?

After assessing their social performance³, the three networks—convinced that sustainability requires striking a balance between social and financial performance—decided to make some changes. The assessment revealed weaknesses in the areas of adaptation of services and social responsibility. Together with their technical service providers, the three networks set out to improve their product mix to better meet clients’ demands.

How does it work?

The following activities were launched following the social performance assessment:

- In Kayes: the network and its partners conducted a client satisfaction study to determine new needs for credit and savings products. As a result, equipment loans and individual loans for women entrepreneurs are being introduced. In addition, the pilot project “One Loan, One Tree” was launched at the impetus of the network’s technical assistant provider, to promote sustainable development and protection of natural resources. Every woman that takes a loan receives a tree to plant. At the end of the loan cycle, the borrower can take a larger loan: the loan grows as the tree grows (see website link below).

2 Service Plus = Non-financial services and innovative financial services.

3 Assessment conducted with assistance from CIDR and PAMIGA using the CERISE SPI (version 2.1).

- In Boucle du Mouhoun, the network is trying to draw in more women (currently 40% of clients) by making solidarity-group loans accessible to those residing outside the urban area. It is also developing a loan for rural entrepreneurs, which has been tested on a mango-drying factory.

- In Soum, the network has introduced new products in its urban bank (money transfers in partnership with Western Union, check cashing in partnership with commercial banks in Ouagadougou and Bobo Dioulasso) so that large traders who travel frequently can pay by check rather than cash. The network also plans to introduce solidarity-group loans for urban women.

The three networks are looking into micro-savings and micro-insurance products, to protect clients against unforeseen events, such as health problems or loss of income.

How does it help the clients, the institutions and the country?

- Solidarity-group loans for urban women: Three years after launching this loan product in Kayes, some 2600 clients had been reached (200 solidarity groups). Numbers doubled between the second and third year, and demand continues to grow. A preliminary impact study shows the new loan product is having positive effects on women's activities. Most paid off moneylenders, and grew their activities by increasing production or diversifying. Some small traders are starting to trade in bulk. In Boucle du Mouhoun, the results have been similar.

- Microenterprise loans: Each network is developing a product with high social value-added: rural microenterprise loans. The product was tested successfully in Boucle du Mouhoun (a mango-drying factory that now has 48 employees), and it is high demand in Soum and Kayes. Microenterprise loans reflect the need to encourage the entrepreneurial spirit of rural Africans, and create productive employment in the countryside.

- Savings: Poor populations demonstrate a real need to save both to reduce vulnerability and avoid over-indebtedness.

- Rural and urban: The urban branch of Djibo in Soum is so successful that it is unable to meet client demands for lack of resources. The Djibo branch has increased the network's overall outreach and helped it reach a critical size by serving urban areas. It has helped improve financial performance, suggesting a strong link between social and financial performance. Conversely, thanks to rural diversification, the Boucle du Mouhoun network has deepened its female client base and increased its portfolio.

Product diversification is one way to combine improved financial inclusion and client satisfaction, social responsibility and improved financial performance. Participatory

Product Diversification in Marginalized Rural Areas of Mali and Burkina Faso

rural networks are often too small to engage in new product development alone; working in partnership permits economy of scale and improves chances for successful diversification.

Links

For information on Kayes network: <http://www.camide.org>

For information on Boucle du Mouhoun and Soum networks: <http://www.cidr.org>

PAMIGA, CVECA partner: <http://www.pamiga.org/>

One woman, one loan, one tree:

Blog: <http://aliniha.blogspot.com/>

One of the partners: <http://www.philippsonfoundation.org/index.php?ID=35&langue=fr>



AMFIU

ASSOCIATION OF MICROFINANCE INSTITUTIONS OF UGANDA (AMFIU),
UGANDA

Access to Mainstream Microfinance Services for People with Disabilities

Under the umbrella of the Private Sector Development Programme, the United Nations Development Programme (UNDP) in Uganda initiated various working groups in 1996 dealing with the constraints of Micro Enterprises (MEs). One of these groups was a small focus group discussing the financial needs of Micro Enterprises. Basically, this group consisted of the Ugandan Central Bank, two commercial banks, Micro Finance Institutions, donors and representatives of Micro Enterprises. Microfinance was regarded only as an instrument to overcome the deficiencies of MEs. Over time, more and more MFIs joined and the main focus of the group changed. The group members were discussing the needs of MFIs rather than the needs of MEs. The group was regarded as an instrument for sharing information and experience in the microfinance industry. It became a forum which was felt to be very useful for its members in finding solutions through discussions between MFIs and other stakeholders of the Microfinance Industry. The transformation of this group led to the foundation of AMFIU in 1998.

AMFIU (Association of Microfinance Institutions of Uganda) has currently 116 registered members. AMFIU today is a mayor spokesperson for the Ugandan microfinance industry and takes active part in policy debates and the strengthening of members' capacity including the monitoring of their social and financial results. Increased transparency, consumer education and practicing access for all (including people with disabilities) have been other major focus areas during the last years. AMFIU's mission is to enhance delivery of financial services by the microfinance institutions in Uganda to all economically active people whether they live in rural or urban areas or are disabled or able bodied persons.

Key information

<p>Network with 116 members of which 84 are Ordinary Members whose focus is on direct provision of financial services to the informal, micro, or small enterprise sector in Uganda and 32 members are Associate members (individuals, consultants and donors) with a specific interest in Microfinance.</p> <p>Established in 1996</p> <p>Type of services: spokesman for the Ugandan microfinance sector, active participation in policy debates and the strengthening of members' capacity including the monitoring of their social and financial results.</p>	<p>Main European funders and partners: FSD program (GTZ, SIDA), European Union, Hivos, CORDAID, Norwegian Association of the Disabled.</p>
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Why the initiative on access to mainstream microfinance for persons with disabilities?

Few MFIs have a conscious strategy to reach out to disabled customers resulting in a very low outreach to this market segment. 10% of the world's population has a disability, and when they have access to equal opportunities as their non disabled counterparts, they often experience success as self-employed.

Considering the general misunderstanding within society that persons with disabilities are destitute without the knowledge, skills and opportunities to successfully operate business, it is no wonder that MFIs practicing their sustainable business model shy away from clients with disabilities. However, in doing so, they miss an important business opportunity and fail to practice the double bottom line policy of reaching both financial and social objectives.

A severe situation of asymmetric information was blocking the necessary interaction between the disability world and the microfinance world. New and fresh initiatives were needed.

How does it work?

AMFIU has joined efforts with the National Union of Disabled Persons of Uganda (NUDIPU) in order to mainstream microfinance services for persons with disabilities. The role of AMFIU is to promote inclusiveness in MFI's while NUDIPU is to inform the disabled population about microfinance. The University of Agder brings in technical expertise. The project is funded by the Norwegian Association of the Disabled.

The project actively uses a framework designed by IMP-ACT in order to understand

the exclusion mechanisms that lead to the exclusion of the more vulnerable from microfinance services. These are: exclusion because of low self esteem, exclusion by staff due to prejudices, and exclusion by service design like weekly installments, frequent meetings, lack of grace periods, etc. In addition, the project has added physical and informational exclusion stemming from the disability itself. The assumption has been, and still is, that by understanding the clients, it is possible to gradually remove the barriers for their access to the financial services.

NUDIPU's main activity is to train its members on what it takes to succeed as a micro entrepreneur, the importance of savings and when contracting a loan should be considered. Furthermore, the training stresses the identification of role models and the importance of overcoming low self esteem in order to benefit from microfinance services.

AMFIU's main activities are tailored training for credit officers and the sensitization of MFIs' top managers. The content of the training is divided into four: definition of disability and its causes, the mechanisms hindering the inclusion of persons with disabilities, the market opportunities that the MFIs are missing and the role that MFI's can play in being more proactive in their inclusion efforts.

First results

The project started out targeting 5 MFIs and recently 4 more have been included. All targeted MFI's are among the top players in Uganda. 49 MFIs received a tailored training on the subject and the impact of the training was analyzed on a sample of 8 MFIs. The sample showed that all MFIs increased the percentage of disabled persons among their clients. If the eight branches randomly selected are representative of the 49 branches trained, the project may have contributed to reaching out to 500 new clients. Part of this increase can be contributed to the project. This has happened without special incentives to MFIs, special conditions for persons with disabilities, or special product design.

Furthermore several MFIs have increased their accessibility for the disabled by the installation of wheelchair ramps. Credit officers who participated on the training have expressed their satisfaction as they became more aware of this potential market. Also the attitude of the staff improved and the number of persons with disabilities as customers is growing according to the branch managers and disability issues are integrated in the planning.

The project has been cost efficient and promising, and the lessons learned are probably useful in other contexts too.

How does it help AMFIU?

For AMFIU and for the whole microfinance industry in Uganda, this project helps to maintain a strong focus on social performance and poverty outreach.

Several lessons have already been learned: 1) entrepreneurs with disabilities are an untapped market opportunity for MFIs; 2) to influence MFIs it is important to understand their business model and team up with key actors from the industry; 3) persons with disabilities are often misinformed about MFIs' terms and services and don't know how to tap these opportunities. Gradually a change in attitudes in MFIs and Disabled Peoples Organizations (DPOs) is observed. All MFIs participating in the project now report an increase in the number of clients with disabilities served. This is happening without the use of any economic incentives (from a paper by Mersland, Nakabuye Bwire, Mukasa, 2008, Access to Mainstream Microfinance Services for Persons with Disabilities: Lessons Learned from Uganda)

Further information

Amfiu website: www.amfiu.org.ug

Paper on the experience of Amfiu: Access to Mainstream Microfinance Services for Persons with Disabilities: Lessons Learned from Uganda

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1101701



The First MicroFinanceBank Ltd
Pakistan

THE FIRST MICROFINANCEBANK, PAKISTAN

The Pakistan Post Operations; an Alternative Delivery Channel for Microfinance Products and Services

The First MicrofinanceBank Ltd (FMFB) is the result of the transformation of the microfinance program of the Aga Khan Rural Support Program (AKRSP), with more than twenty years of experience, into a separate, specialised microfinance bank. In 1996, the AKRSP started to streamline its microfinance program separately, with the objective of creating a separate entity, capable of mobilising savings. The First MicrofinanceBank Ltd was established as a non-listed public limited company under the provisions of the Companies' Ordinance in November 2001 and licensed as a Microfinance Bank (MFB) under the provisions of the Microfinance Institutions Ordinance 2001 in January 2002. The main shareholders are the AKRSP (45.5%), the Aga Khan Agency for Microfinance (30.30%) and the IFC (24.2%). FMFB formally started operations in March 2002, taking deposits through its first branch in July 2002.

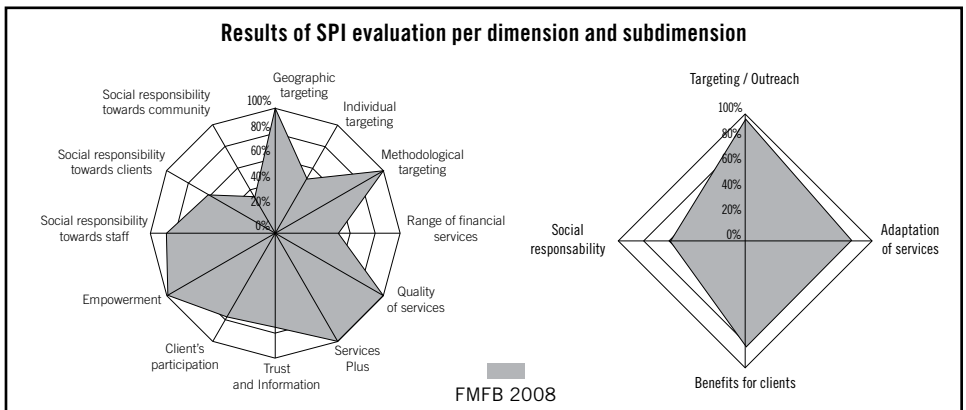
The First MicroFinanceBank Ltd (FMFB) is a regulated microfinance bank which aims to reach out to those who are currently not able to receive adequate financial services, throughout the country, in rural as well as urban areas. The target audience is the poor and underprivileged of Pakistan, especially women.

Key information (mix market 31/12/2007)

Nb of active borrowers: 101,394 Nb of savers: 79,827 Nb of personnel: 1,045 Non bank Financial Institution Regulated Established in 2002 Type of products: loan products; as working capital facilities, social loan products and start up business finance. Voluntary savings, insurance and fund transfer services Clients below 1 USD a day: 76% Women: 42%	Gross Loan portfolio: 19,830,549 USD Average Loan Balance per Borrower: 196 Av. Savings balance : 314 USD OSS: 90.43% ROA: -1.87% ROE: -6.03% PAR 30: 2.05% Main European funders and partners: Aga Khan Agency for Microfinance
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Social performance

In applying for the 2nd European Microfinance Award, the FMFB of Pakistan went through a self evaluation with the SPI audit tool. This shows the intents and efforts of the FMFB towards outreach of the excluded, quality of services and empowerment of the clients.



Why is the First MicroFinanceBank starting the Pakistan Post Operations (PPO) – an alternative delivery channel for microfinance products and services?

One of the mayor challenges for any MFI is to reach out in the remotest rural areas of the country to the most vulnerable and the neglected poor who have no access to affordable formal financial facilities due to the high costs of delivery and the respective high rates on credit facilities.

Hence, an alternative delivery channel was explored and identified by FMFB, where it would be capable of not only expanding and deepening its outreach, but also do so in a cost effective manner. Pakistan Post has a network of 13,000 postal offices spread across the country, even in the most remote areas of Pakistan and a partnership between FMFB and the Pakistan Post would significantly increase the outreach possibilities of FMFB. A formal agreement between Pakistan Post and FMFB was signed on October 2007 and the initiative called Pakistan Post Operations was started as an alternative delivery channel for microfinance products and services.

The Pakistan Post Operations; an Alternative Delivery Channel for Microfinance Products and Services

The objective of the Pakistan Post Operations is:

- A) To expand FMFBs outreach to remote rural areas and create access for the rural, the excluded vulnerable and chronic poor to the mainstream financial system
- B) To reduce the cost of delivery of services

How does it work?

FMFB established a formal working relationship with the Pakistan Post. This strategic public private partnership between the two organizations enables FMFB to utilize space at the Pakistan Post's sub-offices (4,000 throughout the country) for positioning its field team in the rural areas. While the marketing of credit facilities, conducting credit appraisals and making a credit decision remains the main function of the FMFB's staff, cash handling i.e. disbursement and recoveries is managed by the Pakistan Post staff. The postmen, having market intelligence, also assist in verifying potential clients in the field. FMFB pays agency charges to the Pakistan Post for provision of space, verification of potential clients, and cash management services; while the FMFB gets the facilitation to operate in a radius of 20-50 km of its licensed hub branch without setting up and operating another brick and mortar office.

Activities carried out under the initiative

- Social Performance Research: SPR is carried out in the sub-office's (SO) area to map resources, conduct need assessment, poverty scoring, and cause and effect assessment under a participatory approach with the members of the community
- Based on the SPR assessment, marketing dialogues of the FMFB's staff at SO are tailored to address the economic needs of the target market with micro credit facilities under its specialized rural finance product. This allows credit facility according to the need, nature and scale of business activity
- Loan disbursement is advised to SO and is made from the counter of the post office. Similarly, loan repayments are made by the client at the post office counter and remitted by the post office to the hub branch. Fund transfers are managed from the hub branch of the FMFB and District General Post Office
- Weekly reconciliations are made to manage the funds movements at both ends

The main beneficiaries (clients) comprise the poor population residing in rural areas of the country, currently excluded from the formal financial system.

First results

The Pakistan Post Operations initiative commenced in February 2008 from 5 SO's in southern Punjab in rural locations. Within a period of 7 months, SO's has increased from 5 to 61 in four regions of FMFB's operations (in Punjab and Sindh). Total number of clients is 11,394. Non-performing loans is nil. One SO at Kehroor Pacca (Punjab) commenced its operations on June 27, 2008 and its loan disbursements have reached 118,998 euro to 857 clients as of August 31st, 2008. The FMFB intends to increase the total number of SOs to 100 by the end of the year 2008 and envisages upgrading SO locations, which have attained 2,000 clients to full scale branches, so that financial intermediation can be initiated.

How does it help FMFB?

Although the initiative is relatively new, the Pakistan Post Operations is significantly increasing client outreach for FMFB on monthly basis i.e. 1,500 per month approx. The impact will be significant once all these SOs have achieved optimal capacity. Additionally, as is evident from the cost comparisons, the administrative cost of SOs is considerably less (cost per borrower is approximately 37% at SO as compared to its Hub branch), making the operations cost effective. The initiative will be significant to future branch expansion network, so that financial intermediation can be fully implemented in these areas. In the pilot testing of the initiative the pilot branches have shown a rapid outreach to clients, low costs and a fast sustainability

Links

http://www.akdn.org/akam_pakistan.asp
www.mfb.com.pk

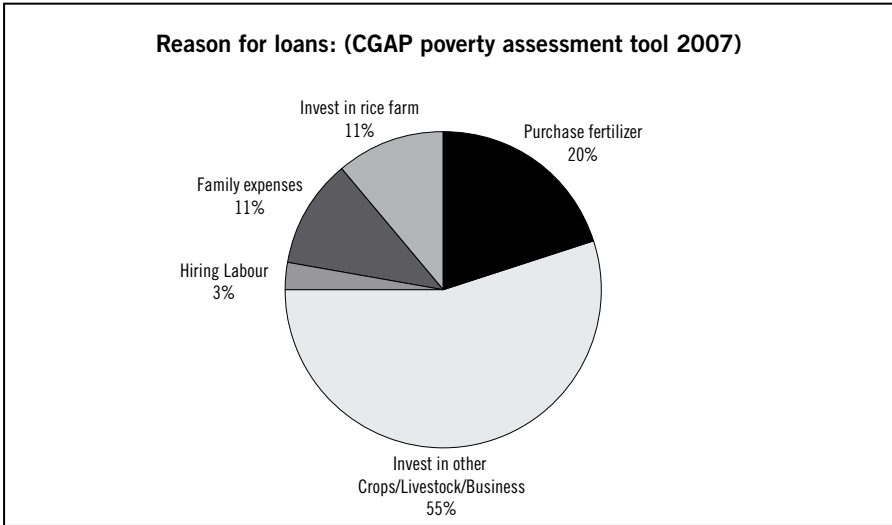


Microfinance Plus

With commitment to poverty alleviation, VisionFund provides all clients with varieties of loans, savings products, micro insurance, and incorporates other development messages such as HIV/AIDS awareness, child rights and child protection, gender and family economic, financial orientation, how to improve small business.

Key information (as of July 2008)

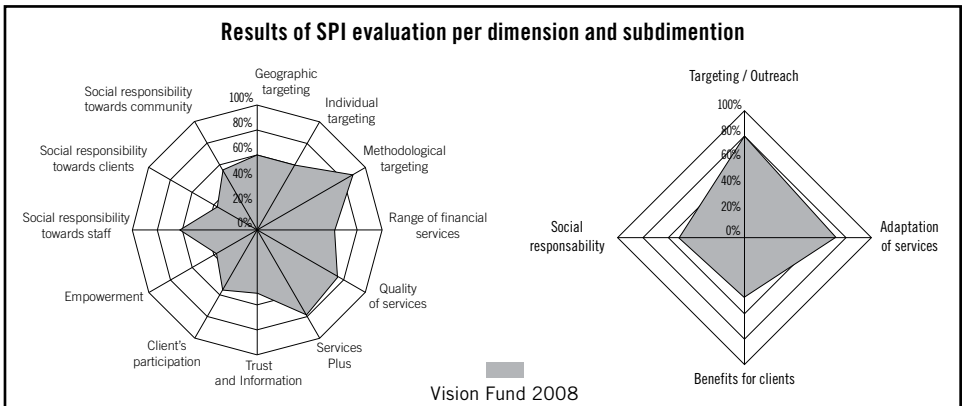
Nb. of active borrowers: 74,907 Nb. of active savings clients: 74 Nb of members/staff : 503 Non Bank Financial Institution Regulated Established in 2001 (formerly, a World Vision program) Type of products: variety of loans, savings, micro insurance Women: 85%	Gross Loan portfolio: \$18,179,417 Average Loan Balance per Borrower: \$243 Savings: \$122,828 OSS : 109% ROA: 2.40% ROE: 9.90% PAR 30: 0.37% Main European funders and partners : Blue Orchard, Oikocredit, PlaNet Finance
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Social performance

In December 2007, a poverty assessment and a poverty audit was conducted by World Vision Australia following the CGAP Poverty Assessment Tool.

The main target is the poor, poorest, and vulnerable people shown by 84% of the total clients receiving loans below USD250. For these poor, poorest, and vulnerable clients, loan transaction is done at the villages; clients do not need to spend time and money to go to the offices.



VisionFund applied a self-assessment of its social performance using the SPI audit tool. It shows the efforts of the institution to reach its target clientele with loans and services adapted to their needs (methodological targeting), and innovative and non financial services (services Plus), which are presented in this case study.

A social rating is planned for 2009.

Why start Microfinance Plus?

Realizing that financial services alone could not move people out of poverty, VisionFund Cambodia partnered with different development NGOs and social agencies for programme integration. In addition to its core financial services, clients now receive other non-financial services (food and water security, education, health and nutrition etc.) from VisionFund's partners. For example, for water security NGO partners dig hand pumps, build latrines and provide water filters for the community. Current VisionFund Cambodia's partners include WVC, PLAN International (Cambodia), ILO, Khmer HIV/AIDS NGO Alliance (Khana) and HAGAR. Wherever VisionFund Cambodia operates, it aims to partner with other NGOs and social institutions to ensure complementary/non-financial services for its clients.

VisionFund's clients are also covered by micro-insurance in the event of death. They are adequately provided with financial education on business management, profit maximization, expense minimization and other social messages on health care, gender, child rights and protection. VisionFund hosts a radio program to enable its clients and other stakeholders to share their concerns, business success and strategies to the success.

How does it work?

Microfinance Plus works through various partnerships: a pilot test is used with each partner in one specific area before rolling out to overall areas. During the pilot period, there are quarterly meetings with partners to ensure coordination and seek better ways to improve the implementation of the partnership project.

Partnership with World Vision Cambodia: VisionFund Cambodia has been working with World Vision Cambodia (WVC) since the 1990s. While WVC carries out programming ministries in food and water security, health and nutrition, HIV/AIDS, education, and peace and justice, VisionFund Cambodia offers financial services for the community poor to complement WVC's non-financial services. This integration approach is fraternally embedded in the two entities – where there is a presence of WVC there is VisionFund Cambodia's operation. Staff share working offices and other facilities both at the national and local level.

Partnership with Plan International Cambodia: As part of this initiative to promote business start-up, technical skills and expansion, PLAN has commissioned VisionFund Cambodia to provide financial services for their community beneficiaries. Similar to WVC, Plan International Cambodia provides basic education, improving health and practice, water and sanitation for children's health, building relation-child participation and child protection, livelihood-household economic security to the community.

Partnership with Khana: Vision Fund provides loans to people living with HIV/AIDS by working with Khana who provides home based care service, business training, and counselling services to this specific target group. The result of one-year pilot (108 active clients) shows satisfactory impact on the lives of the beneficiaries, and now Khana and WVC are looking to roll out this method to other areas in Cambodia to remove barriers from the typically marginalized group to access economic opportunities.

Partnership with ILO: ILO forms self-help groups, provides some business training skill, and helps introduce VisionFund to their beneficiaries. Meanwhile, Vision Fund introduces and provides loans to child laborer families and impoverished households to generate income with emphasis on child rights. The partnership enables vulnerable children to enjoy better opportunities including access to education.

Partnership with HAGAR: VisionFund Cambodia has been partnering with HAGAR since early 2008. HAGAR introduced its beneficiaries to VisionFund Cambodia for loan access to grow cassava (tapioca) plants for commercial business. VisionFund Cambodia receives financial support from HAGAR for its operations in selected areas throughout Cambodia. Hagar provides some technical support in relation to water, sanitation and agriculture, animal raising, health, advocacy, mobilizing the community, gender-based violence awareness raising, and education to the poor and poorest people; mainly widows.

Partnership with WING and Cambodia Village Phone: VisionFund Cambodia works with Australia-based firm WING and Cambodia Village Phone respectively. WING enables VisionFund Cambodia's clients to send, save and receive money (wherever and whenever) through their mobile phone at low cost by subscribing to mobile banking service. A partnership with Cambodia Village Phone allows rural villagers in several provinces to access VisionFund loans for the purpose of starting up their own telephone businesses.

Partnership with Radio program: This on-air program raises public awareness on the financial services and products offered by VisionFund Cambodia. It invites successful clients to voice their business experience, success stories, and strategies for success. It also disseminates social messages on health care, domestic violence, family savings, and women's role in development.

Bachelor program in microfinance: This is a four-year program, co-sponsored by VisionFund Cambodia and the International Institute of Cambodia (IIC). It enables staff to pursue a graduate degree in microfinance, while building capacity at VisionFund Cambodia.

How does it help the clients, the institution and the country?

Microfinance Plus is a value-added approach of Socially Responsible Microfinance. This approach is an integral part of VisionFund Cambodia's operations. It greatly benefits poor clients in financial and non-financial aspects. VisionFund Cambodia is technically part of WVC. Both entities work to complement each other. As part of its economic continuum, WVC carries out development projects and programs to move the extreme poor to a higher economic tier, whom VisionFund Cambodia targets by providing them financial access (loans, savings and micro-insurance) to improve their living conditions. In addition, VisionFund Cambodia links with other NGOs and agencies similar to WVC to ensure the efficient delivery of financial and non-financial services.

The clients can get multi services at the same time provided by this initiative (financial services provided by VisionFund and other development services by development partners)

With these partnerships, VisionFund is able to pursue its aims easier than working alone. There is a strong network so it is easy to gain support and do advocacy. As some tasks are implemented by the partners, some operational costs are reduced.

In the country, this initiative plays a critical role and is a good model for other MFIs and development NGOs as an effective way for them to help in fighting poverty and creating sustainable business system.

Links

Vision Fund Cambodia website: www.visionfund.com.kh
Profile of Vision fund Cambodia in the Mix Market:
<http://www.mixmarket.org/en/demand/demand.show.profile.asp?token=&ett=1348>
Hagar International and Hagar Cambodia:
<http://www.hagarproject.org/index.php>
Plan Internacional Cambodia: <http://www.plan-cambodia.org>
World Vision Cambodia: <http://www.worldvision.org.kh>
Khmer HIV/AIDS NGO Alliance (KHANA): <http://www.khana.org.kh/>
Vision Fund on the Cambodian Microfinance Association website:
<http://www.cma-network.org/vision.asp>

CONCLUSION

HOW TO PROMOTE SOCIALLY RESPONSIBLE MICROFINANCE?

Cécile Lapenu

In this issue of European Dialogue, we have travelled to Asia, Latin America and Africa for a glimpse of many ways MFIs and MFI networks are increasing impact on clients and their communities.

Among the diverse initiatives considered for the 2nd European Microfinance Award, the editors selected seven of the most innovative and promising to disseminate alongside the three winners, in hopes of inspiring the microfinance sector.

Two professional associations appear here. Red Financiera Rural (RFR) of Ecuador worked with its members to develop social auditing and an ethical code of conduct for institutions to avoid client over-indebtedness; AMFIU in Uganda partnered with NGOs working with the handicapped to better integrate them along side “traditional” clients. Together, RFR and AMFIU show how networks can effectively encourage balanced growth of MFI affiliates, promoting both financial and social performance. Having spent the last few years strengthening and reinforcing their own capacities, networks have emerged as fundamental players in the microfinance sector, demonstrating, among other things, their effectiveness to support and monitor MFIs, particularly on issues of social performance and responsibility. Sometimes, like with RFR, networks play the role of spokesperson, convincing governments of microfinance’s contributions to the common good and the need to preserve the sector’s financial and institutional stability.

MFIs, with the intention of reaching more clients and meeting their expanding financial needs, also applied for the Award. We presented here the experiences of those driven by social objectives. Buusaa Gonofaa has developed a poverty scorecard to better understand and monitor changes to clients’ situations. AMK in Cambodia has put social performance at the heart of its management information system in order to incorporate social performance into the Board’s decision-making. Promujer in Bolivia is striving to include the excluded by targeting rural women and youth. The CVECA networks in Mali and Burkina Faso are diversifying their product offering after a social audit identified

the need to improve product range. Vision Fund in Cambodia has partnered with actors outside the microfinance sector to increase its product mix, while Pakistan's First MicroFinance Bank (FMFB) has joined forces with the postal network to improve rural access. In Tunisia, NGO ENDA has developed a poverty mapping tool to better serve clients in poor areas. CEPRODEL in Nicaragua aims to promote improved water quality and access to renewable energy (solar panels) through adapted loan products.

Even while management, governance, cost control and staffing remain crucial challenges to microfinance,⁴ many MFIs are innovating to better serve priority groups (poor, women, youth, handicapped, rural populations, etc.), foster financial inclusion and improve clients' living conditions. They are creating synergies and partnerships to develop appropriate products and minimize environmental impacts of clients' economic activities. It is critical to increase the visibility of these social performance efforts, to promote and support MFIs that offer well-adapted services in difficult contexts and put social responsibility at the heart of their operations.

As the examples here show, social performance can now be monitored, assessed and shared publicly using social audit tools like the SPI. Auditing allows MFIs to reflect on their social objectives in terms of targeting, product offering, client capacity building and social responsibility. Several MFIs and professional associations have carried out social audits of their networks (RFR, West African CVECAs, Promujer, many Bolivian MFIs, with Finrural and Profin) and individually (FMFB, Vision Fund). Auditing encourages MFIs to take stock of strategies and operations in place to meet social objectives, and identify, often using a participatory approach, areas for improvement. It helps institutions reflect on the major dimensions of social performance. Social ratings are also on the rise, with five of the MFIs presented receiving ratings from M-Criil (AMK), Microfinanza Rating (CEPRODEL), Microrate (Promujer, ENDA Tunisia) and Planet Rating (Buusaa Gonofaa, ENDA Tunisia). Ratings offer external validation of an MFI's and its partners' social performance efforts.

One of the challenges of the Award selection process was to make sure the jury did not see the forest for the trees — that one good (but anecdotal) socially responsible initiative did not hide questionable practices or unethical behavior towards clients. The advantage of audit and rating tools is to provide a complete vision of an MFI's objectives and activities. The tools offered insurance that applicants were aware of all the dimensions of social performance and had questioned their own position, without necessarily detailing the results of the initiatives presented.

What a long way we have come in assessing social performance...still considered entirely subjective and impossible to measure reliably and simply only a few years ago.

4 Microfinance Banana Skins, 2008, CSFI – CGAP

HOW TO PROMOTE SOCIALLY RESPONSIBLE MICROFINANCE?

Progress has been so considerable that social and financial performance are no longer considered incompatible. Of course, it can be more costly to target the poor and excluded, but AMFIU's work with the handicapped shows that it is possible to carve out new markets among people who are typically excluded but altogether capable of using well-designed financial services. FMFB in Pakistan shows that well-built synergies can reduce operating costs in remote areas and expand the microfinance market. Efforts to diversify products and deepen outreach like those undertaken by the CVECA networks in Mali and Burkina, Promujer, and Vision Fund, through partnerships, are examples of ways MFIs can encourage loyalty, increase client satisfaction, improve repayment, increase activity volume and hone their comparative advantages over competition.

Thanks to the progress in assessing social performance and applying results to decision-making, we now have a solid methodological foundation for improving social performance. Nonetheless, there is a big step in front of us: systematizing the know-how, products and services and management solutions that permit MFIs to improve their practices and social performance. The objective of the 2nd European Microfinance Award, Socially Responsible Microfinance, and of this European Dialogue, was to bring us closer to this step by disseminating successful examples of activities, products and systems designed to improve impact on clients.

There are other initiatives currently underway that will help MFIs and their partners improve social performance. For example, the Mix Market Platform will soon include Social Performance Standards for MFIs, to balance financial indicators, based on a collective work within the Social Performance Task Force. Moreover, various institutions have been working to bring consumer protection to microfinance. Indeed, between rapid growth, increasing publicity and the current financial crisis, microfinance cannot ignore this important concept. A major client protection campaign was launched by CGAP and ACCION in January 2009, encouraging MFIs and investors to adopt and apply the following six principles:

1. Avoidance of over-indebtedness
2. Transparent pricing
3. Appropriate collections practices
4. Ethical staff behavior
5. Mechanisms for redress or grievances
6. Privacy of client data

The campaign aims to develop and implement standards for the appropriate treatment of low-income clients based on these principles. It also aims to create certification standards for MFIs that endorse and adhere to the principles. The initiative has the support of investors and donors, who are expected to encourage their funding partners to adhere to the principles.

For microfinance actors, it will be important to ground social performance in daily operations of MFIs and to widen the range of tools MFIs can use to monitor and promote the social dimension of their activities. Finally, it will be important to encourage MFIs to adopt good practices that will benefit clients and improve financial sustainability.

Creating responsible microfinance is not just the job of MFIs; the whole sector must be involved, by lobbying for regulation that protects consumers and creates incentives to reach excluded populations and sectors. For their part, microfinance's funders are starting to monitor and promote responsible investment, ensuring the neediest MFIs have access to outside funding via appropriate products and technical assistance to improve outreach.

The challenge is to help MFIs to grow and become sustainable in a way that allows them to make a genuine contribution to development, without losing sight of their mission.

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