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MICROFINANCE WEEK 2015

FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

# Managing social performance - SPI4 – ALINUS

## ACAD, Palestine – Case Study

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## CONTEXT AND BACKGROUND

- Transformation of ACAD-Palestine into a **regulated** financial institution and new ownership structure
- SPM work with ACAD was conducted within the framework of TA Project financed by EIB and implemented *by the FSFM* to support the transformation of ACAD NGO into ACAD Finance.
- Assisted by the TA team of experts, ACAD updated its business strategy and built a full set of new policies, procedures and manuals to meet regulatory requirements
- The ESMS component of the project aimed at assisting ACAD to improve its SPM practices, mainly through:
  - Integration of SPM aspects into the new business plan and operational manuals
  - Integration of SPM into ACAD training curricula and coaching of senior management for SPM implementation and monitoring
  - Integration of social indicators into the reporting to the BoD



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## WHY THE SPI<sub>4</sub>?

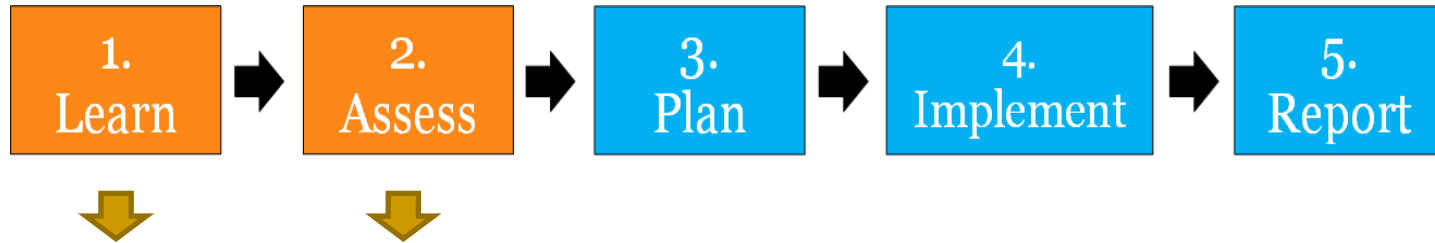
- SPI<sub>4</sub> had just been finalized as the **tool to assess and self-assess the USSPM** and it is recognized as market standard
- It allows **global reporting** to a **growing number of investors** and other possible financial partners and it integrates different initiatives (SMART, ALINUS, environment, etc.)
- Strongly supported by the **BoD of ACAD** and valued by ACAD management
- SPI<sub>4</sub> can facilitate the design of a complete SPM action plan and the prioritization of improvement actions
- It is associated to a full set of documentation and resources for actually improving practices (operational tool)
- Can be internally replicated by ACAD to monitor improvements on SPM practices



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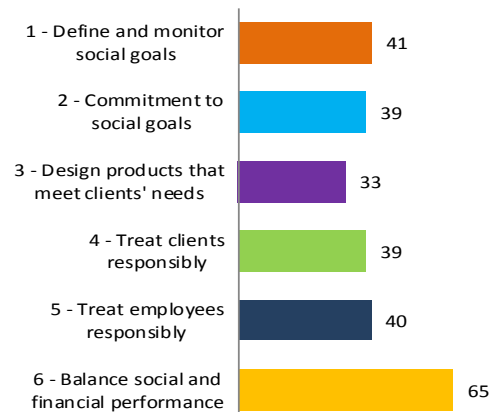
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### THE USE OF SPI 4 - ACAD CASE

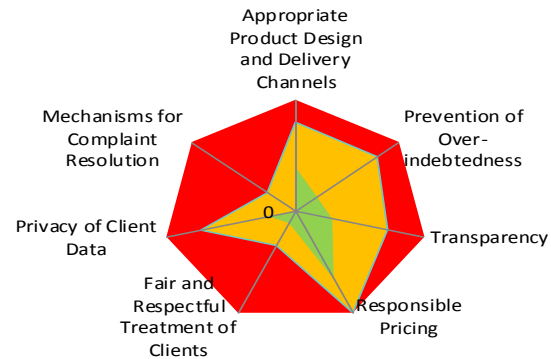


- 2 ACAD employees were coached about SPI4

#### USSPM



#### SMART CAMPAIGN





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ACAD STRENGTHS AND WEAKNESSES

Summary of main USSPM Findings		
<i>Strengths</i>	<i>USSPM 1</i>	Strong BoD social commitment, presence of both financial and social knowledge. Balanced strategy
		Efforts in place to integrate social goals into the business planning process and SPM aspects into manuals
	<i>USSPM 2</i>	Staff sharing the company's values and social commitment
	<i>USSPM 3</i>	Fair variety of Credit Products and credit products offered generally appropriate to clients' needs
	<i>USSPM 4</i>	ACAD corporate culture values high ethical standards
	<i>USSPM 6</i>	Responsible growth strategy and clear and transparent shareholders' exit strategy
<i>Weaknesses</i>	<i>USSPM 1</i>	Lack of a complete set of social indicators
		Weak social reporting to the BoD
	<i>USSPM 2</i>	Social Performance Monitoring Criteria are not yet formally incorporated into performance evaluation, incentive system and training
		Lack of knowledge about SPM and CP within staff. SPM Training curricula not developed yet
		Code of Ethics is lacking
		Poor system to monitor clients satisfaction, investigate clients preferences and develop new products
	<i>USSPM 3</i>	Systems to monitor and mitigate the risk of over-indebtedness need to be strengthen
	<i>USSPM 4</i>	Weak Internal Control and audit of policies to implement CPP
		Procedures for the collection of delinquent loans are not clearly detailed.
		No formal mechanism to collect and resolve clients' complaints (justified by the, as yet, small dimension).
<i>USSPM 5</i>	Improvable internal communication and improvable employees satisfaction	



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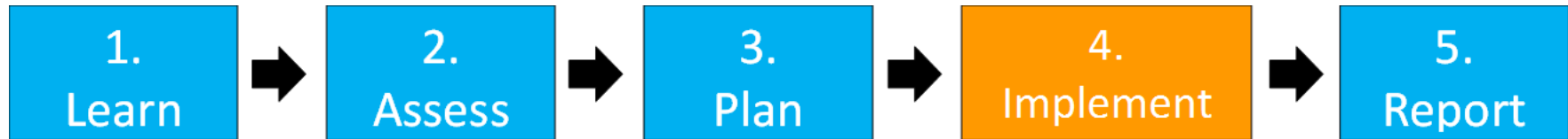


ACTIVITIES	2014	2015				Indicator	Person in charge
	Q4	Q1	Q2	Q3	Q4		
<b>USSPM 4: Treat clients responsibly</b>							
Upgrade the application form with more details	█					Upgraded application forms finally approved and used	IA Experts and Credit Department
Complete the formalization of procedures to avoid over-indebtedness (multiple lending, debt thresholds, etc.).	█	█				Procedures to avoid over-indebtedness drafted	Credit Department Management Committee + SPM Champion
Upgrade the contract with all the terms and conditions and review repayment schedule format to include all costs (fee)	█	█				Upgraded version of the contract and the amortization plan (including fee)	Credit Department and MIS (suggestions can be provided by the ESMS Expert)
Review and upgrade the bad debt recovery procedures with more procedural details	█	█				Detailed bad debt recovery procedures developed	Credit Department and Risk Management officer Credit Manager + MIS, with support of the ESMS TA expert
Put in place at least some rudimentary mechanism to collect and treat clients complaints.	█			█		A simple mechanism to collect and manage clients complaints is in place	PR Manager and Credit Department
Calculate APR and include it in reporting	█	█				APR calculated and included into social reporting	Credit Department + MIS
Review IA processes to ensure compliance with CPP and develop checklist for clients visit	█					A checklist to ensure compliance with CPP is developed	ESMS Expert with Internal Auditor and SPM Coordinator
Train field staff and managers about client protection principles and practices	█					Number of employees trained on Client Protection	ESMS Expert with SPM Coordinator and PR Manager



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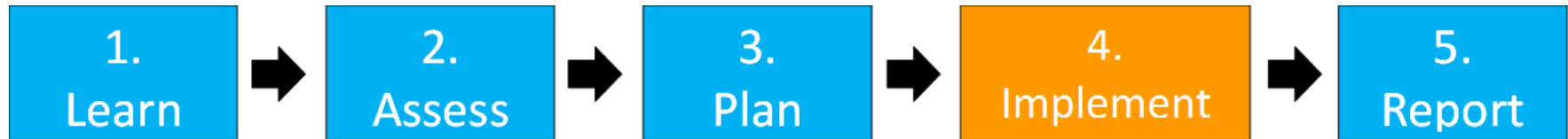
## ○ Social Reporting Development

- Mission Review and Strategic social objectives workshop conducted
- Identification of social indicators for each identified social goals
- Presentation of indicators to the BoD and approval
- Integration of the indicators into ACAD application forms
- First draft of social reporting format design
- ToR for upgrading the MIS system designed



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- Examples of improvements implemented
  - SPM integrated into internal audit operation

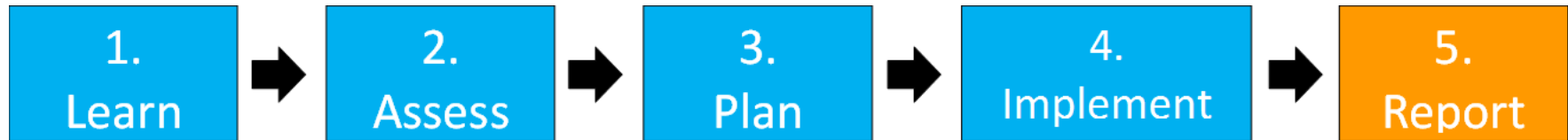
Perform the following audit procedures:		Area	Method
1	Ensure that all the indicators of the SPI4 excel tool are completely filled with reliable data	SPM	Annual review of the SPI and interview with th SPM officer. Compar with previous results
2	Ensure that the exercise is conducted following participatory methods	SPM	Review the SPI implementation proces and interview with SPM officer
3	Ensure that the action plan is updated and follow up about actual implementation of the action items.	SPM	Interview with staff





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- The social report and dashboard will be produced and shared with the BoD members on a quarterly basis.
- BoD will be informed about the progresses in the implementation of the USSPM action plan on a routinely basis
- SPI4 will be update by the SPM officer at the end of every year and BoD will be reported about the changes in the SPI4 results (% of EP met by dimension)



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## Why the project was successful?

- SPM became part of an ACAD's normal business operation: Integration of SPM into operations at all level (HR, Credit, Risk Management, Internal Audit)
  
- ACAD takes ownership of the SPM projects:
  - committing to fill the SPI4 tool and update the action plan on an yearly basis,
  - Designing an action plan for each department
  - Clearly assigning responsibility for implementation and monitoring of SPM
  
- BoD Buy-in



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## THE USE OF SPI 4 - ACAD CASE

*Thank you!*

*Merci!*

*Grazie!*