



MISSION FIRST

SPM Advocacy in the Philippines



MICROFINANCE COUNCIL OF THE PHILIPPINES, INC.
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Acronym and Abbreviations

AIMS	Assessing the Impact of Microenterprise Services	MFC	The Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States
APPEND	Alliance of Philippine Partners in Enterprise Development, Inc.	MFI	Microfinance Institution
ASHI	Ahon sa Hirap, Inc.	MICOOP	Microfinance Innovations in Cooperatives
ASKI	Alalay sa Kaunlaran, Inc.	MIS	Management Information System
BMCI	Bicol Microfinance Council, Inc.	MIX Market	Microfinance eXchange Market
BRIDGES	Bridging Resources in Developing Greater Effectiveness of Social Enterprises	MMC	Mindanao Microfinance Council, Inc.
CAMIA	CARD MRI Insurance Agency	NATCCO	National Confederation of Cooperatives
CARD	Center for Agriculture and Rural Development	NGO	Non-Government Organization
CARD MBA	CARD Mutual Benefit Association	NLSF	National Livelihood Support Fund
CARD MRI	CARD Mutually Reinforcing Institutions	NWTF	Negros Women for Tomorrow Foundation
CIBI	Credit Background Investigation	PACAP	Philippines-Australia Community Assistance Program
CBU	Capital Build-Up	PBC	People's Bank of Caraga
CCs	Center Chiefs	PMPC	Paglaum Multi-Purpose Cooperative
CERISE	Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne-Crédit	PPI	Progress out of Poverty Index
CEVI	Community Economic Ventures, Inc.	QAT	Quality Audit Tool
CGAP	Consultative Group to Assist the Poorest	ROE	Return on Equity
CMDI	CARD MRI Development Institute	SEEP	Small Enterprise Education and Promotion
CORDAID	Catholic Organization for Relief and Development AID	SMEs	Small and Medium Enterprises
CRS	Catholic Relief Services	SPACE	Services Provider and Capability Enhancer, Inc.
CSDO	Coalition of Social Development Organizations	SPI	Social Performance Indicator
CSR SME Asia	Coalition of Socially Responsible Small and Medium Enterprises in Asia	SPM	Social Performance Management
CSR	Corporate Social Responsibility	SPM PLC	Social Performance Management Peer Learning Community
FGDs	Focus Group Discussions	SPM WG	Social Performance Management Working Group
FRIEND	Foundation for Rural and Industrial Equipment for National Development, Inc.	SROI	Social Return on Investment
GB	Grameen Bank	ToF	Training of Facilitators
GF	Grameen Foundation	ToM	Training of Mentors
ICCO	Interchurch Organization for Development Cooperation	ToT	Training of Trainers
Imp-Act	Imp-Act Consortium	VFI	VisionFund International
KRAs	Key Result Areas	VMG	Vision, Mission and Goals
MCPI	Microfinance Council of the Philippines, Inc.	VMO	Vision, Mission and Objectives
		WVI	Word Vision International

“Mission First”.

Such is the call of Social Performance Management (SPM) to the microfinance industry. Despite convincing growth from a financial standpoint, the industry has yet to provide equally convincing evidences of improving the lives of a substantial number of the poor and the poorest—its intended target groups. The push for a double bottom line in the microfinance industry, which refers to both the financial performance and the social performance of microfinance institutions (MFIs), has never been stronger.

In the Philippines, there is growing interest in SPM among industry players, propelled in large part by the Microfinance Council of the Philippines, Inc. (MCPI). MCPI is a network of 44 microfinance practitioners and allied service institutions, which is working toward the development of the microfinance industry whose end goal is to reduce poverty in the country.

Ever since MCPI launched its SPM Advocacy Program in 2002, it has reached out to at least 65 MFIs through a series of promotional workshops followed through by the more comprehensive SPM strategy workshops. It has developed a

core of local SPM trainers and mentors, equipped to conduct the SPM strategy workshop and perform social audits using the Quality Audit Tool (QAT). It entered into strategic partnerships with funders such as ICCO and CORDAID; with other networks such as Imp-Act Consortium and The Microfinance Centre (MFC) for



Central and Eastern Europe and the New Independent States; and with regional networks of MFIs, Grameen Foundation, and Oikocredit, in its effort to widen the scope and depth of its advocacy. It formed Peer Learning Communities (PLC) among MFIs and resource institutions to create venues for active dialogue and address common concerns using shared resources.

This report documents MCPI's industry-wide advocacy of SPM.

Through a review of literature and the results of interviews with key stakeholders, namely, representatives from MCPI, 7 microfinance institutions and SPM practitioners, 3 networks, and 4 support organizations engaged in SPM advocacy, the report further maps out how MFIs are integrating SPM into their organizations. It also identifies the milestones and emerging challenges in SPM advocacy and practice. It hopes to shed useful insights on how SPM can be widely mainstreamed in the larger MFI community.

Driving Forces Behind SPM

Several factors facilitate the growth of SPM among MFIs in the Philippines. At the network level, MCPI's advocacy is rooted in the network's commitment to its social mission. The same social orientation drives other networks, such as BMCI and MMC, to encourage their member MFIs to focus on their social performance.

Apart from the very strong social orientation of the MFI networks in the Philippines, a parallel drive exists among donors and social investors for greater accountability among MFIs, in terms of managing and reporting their social results. There is also a concomitant push for SPM from the global microfinance industry and from several international networks (such as VFI), donors and support organizations (such as Grameen Foundation and Oikocredit), to have their local partners adopt SPM in their operations.

At the level of the MFIs, the driving forces behind SPM include:

1. The strong social orientation of microfinance NGOs. Many MFIs in the Philippines started out as social development institutions.
2. ‘Pre-SPM’ social monitoring efforts. According to almost all of the MFIs interviewed, even before ‘SPM’ came about, they had been monitoring their social results using available tools. SPM added value to their efforts by providing a framework enabling them to pursue social performance systematically and in consonance with their social mission, goals, and objectives.
3. The attainment of financial sustainability by established MFIs. Having gained sustainability, established MFIs feel empowered to get into SPM using their own resources.
4. The MCPI SPM advocacy. Many of the MFIs interviewed attribute their interest in SPM to the advocacy efforts of MCPI. The initial exposure of the regional MFI networks, BMCI and MMC to SPM was through MCPI.
5. Exposure to SPM in conferences and workshops on microfinance. The desire of MFIs to know what their colleagues in the industry are doing—which somehow manifests friendly competition among the players—is somehow helping generate interest in SPM.
6. The availability of SPM tools and resources. Many of the MFIs interviewed use tools like the PPI, QAT, and social performance reviews or social ratings to help them monitor their social performance.
7. Push by donors, social investors, networks. External push, which is complemented by funding for attendance in SPM workshops and for testing SPM initiatives, contributes to mainstreaming SPM among many early adopters.

Emerging Results

A. Among the MFIs

In relation to SPM’s essential components, the emerging trends in the MFIs’ current initiatives to pursue SPM are as follows:

Component 1: Defining Social Goals, Objectives, and Strategies

1. SPM has helped MFIs clarify their mission statements and translate these into social goals and objectives conforming to SMART principles. This is easier for microfinance NGOs with a strong social orientation to do. A number of MFIs still find it more challenging to start with SPM as it requires them to dig deep into their intent in getting into microfinance.
2. The review of their respective missions varies across institutions, although those which pursue a more participative track, e.g., they involve all the members of the staff, or even the MFI branches, seem to have been effective in getting organizational ‘buy-in’.

Component 2: Monitoring and Assessing Performance

1. SPM provides a systematic and holistic framework for monitoring the social results of MFIs. It helps them maximize the use of social information in decision-making, thereby resulting in products and systems that are better aligned with the needs and conditions of the poor.
2. Tools, such as the PPI, QAT, and the MIX Social Reporting provide practical starting points in mainstreaming SPM. Almost all of the MFIs use PPI, which enables them to measure and track the poverty levels of their clients.



Component 3: Improving Operations

1. The MFIs collect and integrate PPI data in their MIS, but they have yet to move towards the use of these data in making management and operational decisions. Many of the MFIs are in the pilot stage still.
2. MFIs subject themselves to social audits (QAT) and social ratings (Microfinanza, etc.), but the extent to which they use information generated from these social performance reviews has yet to be determined.

Based on the interviews conducted, it appears that most MFIs go into SPM very carefully, pursuing one initiative at a time, and avoiding major disruptions in their existing microfinance delivery mechanisms. The link between SPM activities, ranging from intent to process and, finally, to results, remains tenuous; whereas the translation of the MFIs' social goals to strategy, operations and results is as yet incomplete.

B. In the Microfinance Industry

At the level of the industry, there are indications of the following:

1. Financial results are not enough to measure an MFI's performance. This lack has increased interest in SPM.
2. There are emerging good practices in SPM. A number of MFIs are demonstrating good SPM practices and providing local models, which other practitioners can emulate.
3. The foundation for building local capacity for SPM is being laid. MCPI has developed a corps of trainers and social audit facilitators. Likewise, infrastructure for lateral learning and peer mentoring among SPM practitioners and other stakeholders is available.

Emerging Challenges in SPM Advocacy and Practice

While much has been achieved, there remain a number of challenges in the promotion of SPM among microfinance stakeholders. At the industry or network level, the emerging challenges are as follows:

1. *How to sustain interest in SPM and expand outreach.* Not all MFI participants in the SPM Strategy Workshops have implemented SPM in their organizations. Within the industry, on the other hand, many have yet to attend SPM training.
2. *How to deepen understanding of SPM and communicate it effectively.* While sometimes described as being ‘instinctive’ or common ‘business’ sense, SPM is often confused with other concepts. Some also view it as a mere impact assessment tool or a corporate social responsibility concept. While these concepts form part of SPM, SPM goes beyond these concepts.
3. *How to continue building the capacity of MFIs and service providers.* MCPI has begun to train a number of SPM trainers and mentors. But as SPM evolves into an industry standard, these trainers and mentors will be very much in demand so that more technical service providers need to develop their SPM knowledge to be able to meet the future needs and demands of MFIs.
4. *There is also a need to build practitioner capacity.* MFIs must develop their own capacity, not only due to the cost of hiring external trainers, but also because SPM is an ongoing process that can take several months or even years to fully integrate into operations.
5. *How to build the local knowledge base.* It is important to document the ongoing SPM-related initiatives and practices of MFIs, in order to continue building the knowledge base. A broader knowledge base can facilitate wider adoption.

6. *How to promote transparency in social performance by getting industry-wide support for social performance reporting.* While there is an available platform for reporting social results, very few MFIs in the Philippines submit reports to the MIX Market.

At the level of the MFIs that are trying to integrate SPM, the following have been identified as priority issues:

- a. ensuring organizational “buy-in” or support for SPM at all levels of the organization (how to effectively communicate SPM from within)
- b. mainstreaming SPM in organizational systems and operations
- c. becoming familiar with the appropriate tools available building staff capacity on SPM

Next Steps

Key stakeholders interviewed proposed the following:

For MCPI, Support Organizations and Social Investors:

1. Continue to engage all stakeholders.
2. Institutionalize SPM in MFIs and support organizations.
3. Come up with incentives for social performance reporting and tracking.
4. Monitor and document the SPM initiatives of MFIs.
5. Sustain efforts to develop and refine performance indicators and tools for SPM.
6. Capacitate service providers (train them more, so they will learn more).
7. Continue to support venues for information exchange like the SPM PLC.
8. Pursue strategic partnerships (e.g., tap regional microfinance networks and support organizations).
9. Come up with industry-wide studies and documentation of experiences, among others, and have these bits of information widely shared with stakeholders.



For MFIs and other microfinance service providers:

1. Go SPM: pursue double bottom lines.
2. Spread the word: those that have integrated SPM should share their experiences and learning so as to generate industry-wide support for SPM.
3. Ensure “buy-in” of SPM at all levels of the organization in order to facilitate the integration process. SPM must be owned by the whole organization, not just by the management, the SPM team, or the focal person.
4. Build on what is in place. Systems can be integrated within the SPM framework: social performance monitoring need not be complicated or difficult. What is important is for MFIs to start somewhere. As shown by the seven MFIs interviewed, a mere review of the VMG goes a long way toward clarifying the MFI’s social objectives and assessing the extent to which its operations are aligned with its social goals.
5. MIS and staff training are necessary: information must be processed systematically, and used in management and operational decisions.

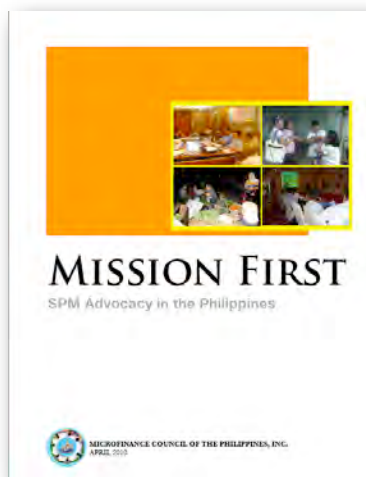
The experience of MFIs in trying to integrate SPM into their operations demonstrates a positive link between financial performance and social performance. So far, voices from the field indicate that SPM could yield the following: (a) more appropriate products and services; (b) better client retention rates; (c) lower operational costs; (d) enhanced reputation; (e) better trained and motivated staff; (f) stronger policies and procedures for human resources; and (g) more efficient operations.

There are indeed a variety of ways of adopting SPM; there is no one correct approach that can be prescribed. MFIs need to consider their own unique context: mission, strategy and business plan, available resources, and organizational culture, among others.

SPM can reach greater heights in its advocacy when concerned players keep working together in building the knowledge base, generating interest among more microfinance practitioners and support institutions, and developing tools and capacities. In so doing, they effectively put **“mission first”** into action.

SPM ADVOCACY IN THE PHILIPPINES: MISSION FIRST

All over the world, there is a push for a double bottom line in the microfinance industry, referring to both the financial *and* the social performance of microfinance institutions (MFIs). Much of the passion and commitment to microfinance is anchored in the belief that access to financial services can help clients improve their lives. Thus, in recent years, an ever-increasing number and diversity of stakeholders—foundations, governments, funders, and institutions—have been pushing microfinance players to be accountable for their social performance. Determining and reporting how or whether their stated goals (i.e., improved earnings, reduced vulnerability, increased empowerment, etc.) are being realized have become important. Many financial institutions that serve the poor, especially those with a development mission, agree with this approach and want to know whether they are achieving their social missions or drifting away from them.



In the Philippines, the Microfinance Council of the Philippines, Inc. (MCPI) is acknowledged as the leading advocate of social performance management (SPM). The Council's

involvement in SPM started in 2002, when it became a participant of the Imp-Act Programme. Later, as a member of the Imp-Act Consortium, it became part of the global movement that calls for social performance management among microfinance players.

In 2006, MCPI embarked on an advocacy program to promote SPM. ICCO and CORDAID provided MCPI with a grant to support its SPM Advocacy Program from 2006 to 2008. The Program was extended in 2009, and plans indicate

that SPM will remain a major thrust of MCPI in the years to come.

Purpose of the Report

MCPI commissioned this report to document its industry-wide advocacy of SPM. Using the results of a literature review and of interviews with key stakeholders, the report maps out how MFIs are integrating SPM into their organizations. It likewise identifies the milestones and emerging challenges in SPM advocacy and practice.

The report presents the experiences and insights of the following: MCPI representatives, 7 microfinance institutions and SPM practitioners, 3 networks, and 4 support organizations engaged in SPM advocacy.

As for the methodology used, the report is more of a documentation of current practices, experiences, and insights on SPM. It does not aim to review the MCPI advocacy program, nor find links or the attribution of current practices to MCPI efforts. Nonetheless, the report will hopefully be of use to MCPI as it plans its future advocacy efforts.

Structure of the Report

This report is divided into five (5) parts.

Part I, the introductory section, presents the scope, structure, and limitations of the report. Part II discusses social performance management in microfinance and covers two chapters: SPM in Brief, and the MCPI's SPM Advocacy Program. Part III focuses on the milestones of SPM advocacy, and outlines the ongoing initiatives of microfinance institutions in managing their social performance. It also identifies the driving factors of SPM, and the emergent results of SPM advocacy and practice. Part IV presents the nascent challenges, and offers recommendations to stakeholders, based on interviews with key informants. Part V summarizes key lessons and the prospects toward sustaining the gains that have been reached in pushing the advocacy for SPM to a higher level.

SPM ADVOCACY IN THE PHILIPPINES: MISSION FIRST

Access to financial services enables the poor to chart their own paths out of poverty. Given that its role in poverty alleviation is now widely recognized, the microfinance industry is enjoying unprecedented growth worldwide. Studies show an increase in the breadth and depth of its outreach to the low income population, heightened competition among MFIs, a broad range of products and services, and the availability of private and commercial funds for microfinance activities. All over the world, the dynamism of the microfinance industry is slowly paving the way for the MFIs' gradual integration into the formal financial system.

The emphasis on growth and financial sustainability, however, has led some sectors to express apprehension over the increasing commercialization of microfinance. In the quest for profitability, some MFIs have drifted from their social mission. Instead of serving those with little or no access to financial services, these MFIs have begun to focus on clients who pose lower credit risk, thereby excluding the poorest of the poor or those who live in hard-to-reach areas.

To be able to maintain good portfolio quality, these MFIs have inflexible collection practices and loan repayment schemes that do not consider the vulnerabilities of poor clients. Competition, the drive for higher rates of return, and increased outreach have also led to credit pollution in most urban centers and to the over-indebtedness of microfinance clients. Many MFIs remain credit-focused because they fail to understand and respond to their clients' complex needs for microinsurance, business development support, and other non-financial services, among others.

A crucial development within the industry emerged in the late 1990s. Industry players—MFIs, funders, service providers—at the time took deliberate steps to develop a framework in pursuit of balanced development. This framework consisted of social and financial bottom lines. The move to track and manage MFIs' social mission, by constantly aligning strategies and systems towards contributing to positive change in clients' lives, evolved into what is now known as Social Performance Management or SPM.

SPM is the effective translation of an MFI's mission into practice in line with commonly accepted social values that relate to: serving increasing numbers of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve



SPM IN BRIEF

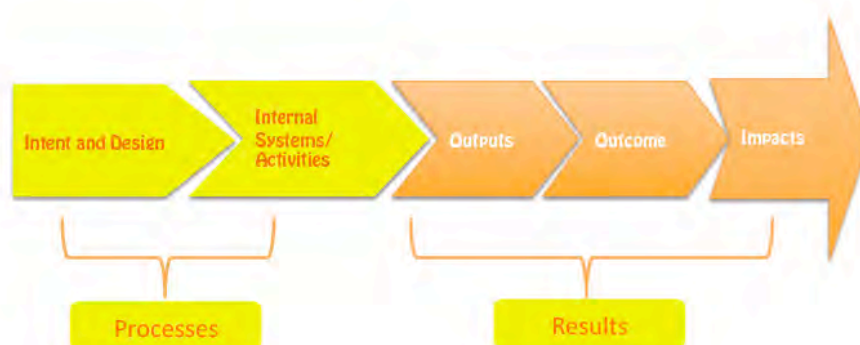


Fig. 1. Dimensions of Social Performance

A common definition of social performance is its being thus:

*the effective translation of an MFI's mission into practice in line with commonly accepted social values that relate to: serving increasing numbers of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve.*¹

The work of translating mission to practice is one of several common challenges to practitioners. There have been parallel attempts to integrate the assessment of social performance into the regular management systems of MFIs. These include the work of the Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne-Crédit (CERISE), the Imp-Act Consortium, and the Consultative Group to Assist the Poorest (CGAP), which have been accomplished with strong support from different donors.

CERISE, a network of four French microfinance support networks with partners throughout Africa, Asia, and South America, first launched the Social Performance Indicator (SPI) initiative in 2002. The Imp-Act Consortium, on the other hand, evolved from

Imp-Act, a global program supported by CGAP, which aimed to improve the quality of microfinance services and their impact on poverty.²

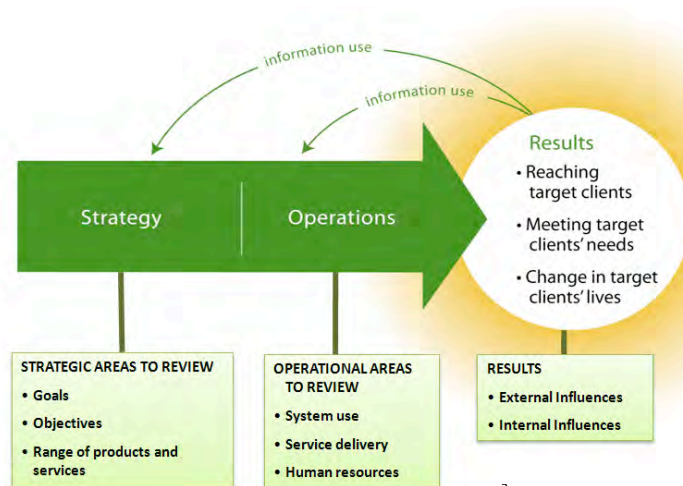
In 2005, the Argidius Foundation, CGAP, and the Ford Foundation brought together more than 30 leaders from various social performance initiatives that focused on microfinance. They were made to share their experiences. Two years thereafter, the Social Performance Task Force was born. Today, its membership has grown to more than 150 organizations.

The members of the Social Performance Task Force have agreed on a common definition of social performance and a framework that spells out its constituent elements. The taskforce has also decided on a common global platform to promote social performance in a way that would complement existing financial performance standards. It focuses on three main areas: intent (Do institutions have a clearly defined social mission and social goals?), process (Do the institutions track achievements pertaining to their social objectives? Do they treat their staff and surrounding communities ethically?), and results (Are they reaching the poorer and more marginalized populations? Are their clients experiencing positive social and economic changes?).

¹ This common definition of SPM was conceived by the Social Performance Task Force. In Syed Hasyemi, Laura Foosse, and Samer Badawi. 2007. *Beyond Good Intentions: Measuring the Social Performance of Microfinance Institutions*, 3 <http://www.microfinancegateway.org/gm/document-1.9.28040/FocusNote_41.pdf> (accessed Jan. 10, 2010).

² The Imp-Act Consortium has seven partners -- CARD Mutually Reinforcing Institutions (CARD MRI), EDA Rural Systems (EDA), Freedom from Hunger (FFH), the Institute for Development, Evaluation, Assistance and Solutions (IDEAS), the Institute of Development Studies (IDS), the Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC), and the Microfinance Council of the Philippines (MCPI).

SPM IN BRIEF

Fig. 2. Social Performance Pathway³

SPM has three essential components:

- setting clear social objectives and creating a deliberate strategy to achieve them;
- monitoring and assessing the progress towards achieving social objectives; and
- using social performance information to identify strengths and weaknesses, thereby improving overall social performance.

The social performance pathway starts with an organization's mission and includes an analysis of its declared objectives, the effectiveness of its systems and services in meeting these objectives, and related outputs, including any positive changes in the lives of its clients. Although development programs are traditionally evaluated on their end results and impact, the concept of social performance is not just about end impacts. It encompasses the entire process that leads up to, and determines, impact.

Practitioners have also developed tools to monitor and assess social performance. For example, the SPI Tool of CERISE measures outreach to poorer clients, quality of services, the social capital of clients, and the social responsibility of institutions. A few specialized rating agencies such as M-CRIL, Microfinanza, and Planet Rating also offer social performance

ratings to complement the credit ratings they conventionally offer. Aside from these tools that focus on the intent and process aspect of social performance, tools that examine results have also been developed. These include the Social Impact Monitoring System, the MicroSave-PRA tools, the Grameen Foundation's Progress out of Poverty Index (PPI), the Quality Audit Tool (QAT) of MFC, and the Social Return on Investment (SROI).

A common reporting format for social performance that includes both organizational and client-level indicators has also been developed. MFIs are encouraged to submit their social performance reports to the Microfinance Information eXchange (MIX) Market, a member of the Social Performance Task Force. The availability of this common reporting format and MFI data in the World Wide Web is indicative of the transparency, accountability, and commitment of microfinance practitioners to this advocacy.

Although operating on a relatively new framework, the global microfinance industry is slowly demonstrating that social benefits are central to the vision of microfinance. The progress made in defining the SPM pathway, developing tools, and adopting a common reporting format illustrates the industry's commitment to social performance.

³ Hasyemi, Syed, Laura Foosse, and Samer Badawi. (2007). *Beyond Good Intentions: Measuring the Social Performance of Microfinance Institutions*, p. 23. http://www.microfinancegateway.org/gm/document-1.9.28040/FocusNote_41.pdf (accessed Jan. 10, 2010).

MCPI'S SPM ADVOCACY PROGRAM

KEY RESULTS: SPM TRAINING AND CAPACITY BUILDING PROGRAM

- ❖ 2 pilot runs of the SPM Training Course for MFIs
- ❖ 2 Training of Trainers Workshops (these catered to SPM trainers from 23 institutions)
- ❖ 6 SPM Strategy Workshops (participants came from 65 MFIs, NGOs, cooperatives, rural banks, and other institutions)
- ❖ 3 Training Workshops on the Quality Audit Tool (participants were from 26 institutions)
- ❖ 1 Training Workshop on the PPI Tool (trained 12 MFIs)
- ❖ The provision of mentoring and technical support to MFIs
- ❖ Ongoing technical assistance to 6 MFIs on the SPM Roadmap



The Philippines has a robust microfinance industry with three major providers of microfinance services: non-government organizations (NGOs), rural banks, and cooperatives. They total an estimated 1,707 MFIs broken down into 300 NGOs, 1,178 cooperatives, and 229 rural and cooperative banks. These MFIs have a combined outreach of nearly three million Filipinos.⁴

There is growing interest in SPM within the sector, propelled in large part by MCPI, a network of 44 microfinance practitioners and allied service institutions, which works toward the development of the microfinance industry in the country. The MCPI membership covers around 70 percent of the aggregate outreach and outstanding loan portfolio of microfinance players in the Philippines.

“We want to reinforce MCPI’s role as a catalyst for change in the Philippine microfinance industry,” relates Ms. Lalaine Joyas, MCPI Executive Director.⁵ According to her, most of MCPI’s members are socially-oriented institutions whose *raison d’être* is to help the poor.

The Council’s vision statement reflects this social focus. MCPI envisions itself as “a world-class national network of microfinance institutions providing sustainable, innovative, and client-responsive solutions to poverty reduction.”⁶

To realize this vision, MCPI has committed to the reduction of poverty by giving the marginalized equitable access to financial and non-financial services. Building the capacity of its members to serve poor households in a sustainable, innovative, and client-responsive manner is also part of MCPI’s mission.⁷

“We believe that microfinance should be client-focused and responsive to the needs of the poor people,” said Ms. Joyas. She underscored the basic difference between MFIs and formal financial intermediaries as follows: “The public sees MFIs merely as small-loan providers. Yes, we do provide credit, but microfinance is more than that. Microfinance aims to transform people’s lives by helping poor people help themselves out of poverty. Its social focus is the distinguishing factor of microfinance.”⁸

The MCPI Development Plan for 2006-2008 has six major thrusts, one of which is the scaling up of SPM in the Philippines and Southeast Asia. Ms. Joyas explains that MCPI’s SPM program builds on the network’s excellent collaboration with the Imp-Act Consortium. It shares the vision of Imp-Act to mainstream social performance management in microfinance.

⁴ Microfinance Industry Assessment, A Report on the Philippines, MCPI, SEEP Network and Citi Foundation, August 2008.

⁵ Interview, Dec. 29, 2009.

⁶ Vision Statement, MCPI <<http://www.microfinancecouncil.org/mission-vision.htm>> (accessed Jan. 10, 2010).

⁷ Mission Statements, MCPI <<http://www.microfinancecouncil.org/mission-vision.htm>> (accessed Jan. 10, 2010).

⁸ Interview, Dec. 29, 2009.

MCPI'S SPM ADVOCACY PROGRAM



The Council's involvement in SPM started in 2002, when it implemented Imp-Act's action research program. Ms. Joyas pointed out that it was not yet called SPM at that time. She recalls that Dr. Jaime Aristotle B. Alip of the Center for Agriculture and Rural Development (CARD) introduced MCPI to Imp-Act, and that MCPI worked with the Imp-Act Programme from 2002 through 2005. MCPI later became a member of the Consortium.

Subsequently, MCPI, in collaboration with CARD, Imp-Act, IDEAS, and CGAP, conducted two promotional workshops and two pilot runs of the SPM Strategy Workshop in the Philippines. These took place in December 2005 and January 2006. The training covered twelve MFIs,⁹ which are now part of a network of institutions that aims to promote SPM in the Southeast Asian region. MCPI's core SPM activities were built on the outcomes of these workshops.

MCPI's advocacy to promote SPM is anchored on the following objectives:

- a. to have a significant number of MFIs actively managing their social performance
- b. to improve the practice of SPM
- c. to provide further evidence of the contribution of SPM towards the financial bottom line of MFIs
- d. to establish SPM as a reliable basis for the reporting of social performance information to external stakeholders
- e. to support and promote the use of SPM within the Philippines and Southeast Asia

A. Core Programs to Promote SPM

The SPM advocacy of MCPI is pursued through five core programs: (a) training and capacity-building; (2) lateral learning, documentation and dissemination; (3) promotion and advocacy; (4) a regional capacity program; and (5) social audit and performance review.

⁹ Cebu MicroEnterprise Development Foundation, Inc. (CMEDFI), Community Economic Ventures, Inc. (CEVI), Visayas Economic Foundation, Inc. (VEFI), FCB Foundation Inc., Negros Women for Tomorrow Foundation (NWTF), People's Bank of Caraga (PBC), Alalay sa Kaunlaran, Inc. (ASKI), Center for Community Transformation (CCT), Jaime V. Ongpin Foundation, Inc. (JVOFI), KAZAMA Grameen, Center for Agriculture and Rural Development (CARD) and TSPI Development Corporation. A 13th participant, Punla sa Tao Foundation, is a training and technical service provider.

MCPI'S SPM ADVOCACY PROGRAM

Training and Capacity-Building

MCPI's training and capacity building program consisted of the following: (a) SPM Strategy Workshops for MFIs; (b) Training of SPM Trainers; (c) Training of Trainers and Facilitators on the Quality Audit Tool; and (d) Training on the PPI Tool.

In 2006, MCPI focused on providing support to the 12 MFIs trained on the integration of SPM within their organizations. From 2007 through 2009, MCPI conducted a five-day SPM Strategy Workshop for other MFIs.

Corresponding technical support for the development of SPM within their organizations was also provided to MFIs that signified their commitment to pursue SPM.

MCPI also trained a cadre of trainers and mentors to complement its efforts in providing support to the MFIs. To build local support and enhance the MFIs' capacities to strategically develop and integrate SPM into their organization, MCPI mounted several Training of Trainers (ToT) workshops from 2007 to 2009. As part of the requirements to obtain a

certification as SPM Trainer from the Imp-Act Consortium, some of the trained SPM Trainers were tapped by MCPI to conduct SPM Strategy Workshops for other MFIs.

Starting 2008, MCPI's capability-building work focused on tools to help MFIs manage their social performance. MCPI trained MFIs on the use of the Progress out of Poverty Index (PPI) and the Quality Audit Tool (QAT). MCPI's training workshop on the PPI was implemented in collaboration with Grameen Foundation and the Negros Women for Tomorrow Foundation (NWTF). The training helped participants: (a) appreciate and understand the usefulness of the PPI in tracking client poverty levels; (b) become familiar with good practices in sampling, data collection, data entry and storage; and (c) develop an action plan and be prepared to conduct a pilot project on the PPI within their institutions.¹⁰ MCPI also conducted a Training of Facilitators (ToF) on the QAT. Those whom MCPI trained as SPM facilitators or mentors now provide mentoring support to MFIs, particularly in diagnosing the strengths and weaknesses of their SPM systems and practices.



¹⁰ The PPI training was attended by representatives of Ad Jesum Development Foundation, ASHI, Alay Buhay Community Development Foundation, BMCI, CEVI, JVOFI, Oikocredit Philippines, Plan International, PinoyME, Planet Finance, Serviamus Foundation Inc., and Surigao Economic Development Foundation, Inc.

MCPI'S SPM ADVOCACY PROGRAM

With the support of the Imp-Act Consortium, MCPI also provided technical support to MFIs on the SPM Roadmap, a tool that maps the SPM implementation process and offers a set of guidelines for MFIs in SPM implementation.

¹¹The six MFIs¹² that were selected on the basis of their strong commitment to SPM, their having SPM champions at hand and some level of implementation of SPM-related initiatives,

were provided technical assistance for 10 months. It was hoped that the collection of experiences and lessons from MFIs and mentors involved in the provision of technical support would improve the SPM Roadmap further.

The table below summarizes the training workshops conducted by MCPI from 2006 to 2009.

TRAINING WORKSHOP	DATE AND VENUE	PARTICIPANTS
2nd pilot run of the SPM Training Workshop	January 9-13, 2006 CMDI, Laguna, Philippines.	Representatives of 7 MFIs from Luzon
Training of Trainers on the SPM Strategy Workshop	May 15 – 18, 2007 Tagaytay City, Philippines.	Representatives of 9 institutions (managers of support organizations and service providers, heads of regional councils, managers of a research center, technical officers of support organizations, research officer/ MFI-SPM practitioner)
	September 28-October 2, 2009 ACCM, Philippines	Representatives of 14 MFIs, networks, funding institutions, and service providers
SPM Strategy Workshops	August 6-10, 2007 Subic, Zambales, Philippines	Representatives of 9 MFIs, NGOs, and a network of cooperatives
	November 19-22, 2007 Quezon City, Philippines	Representatives of 10 cooperatives and the MICOOP Department of NATCCO
	February 18-22, 2008 Sto. Domingo, Albay, Philippines	Representatives of 7 MFIs, NGOs, cooperatives, rural banks, and other funding institutions
	June 22-26, 2009 Cebu City, Philippines	Representatives of 15 MFIs, funding institutions, networks, and service providers
	October 7-9, 2009, Baguio City, Philippines	Representatives of 9 MFIs and funding institutions
	December 8-10, 2009 Phnom Penh, Cambodia	Representatives of 15 MFIs
Training of Facilitators on the Quality Audit Tool (QAT)	August 5-14, 2008 CMDI, Bay, Laguna, Philippines	Representatives of 6 institutions (managers of support organizations and service providers, head of a regional council, managers of a research center, research officer/ MFI-SPM practitioner, technical officer of a network of cooperatives)
Training on the PPI Tool	December 4-6, 2008 NWTF Training Center, Bacolod City, Philippines	Representatives of 12 MFIs, networks, and funding agencies
Training of Trainers on the Quality Audit Tool for MFI	May 4-8, 2009 Pioneer, Mandaluyong City, Philippines	Representatives of 8 institutions (managers of support organizations and service providers, head of a regional council, managers of a research center, research officer/MFI-SPM practitioner, technical officer of a network of cooperatives)
Training on the Quality Audit Tool for MFI	July 29 – 31, 2009 ACCM, Philippines	Representatives of 12 MFIs
Strategic Management Workshop on SPM	December 1 – 5, 2009 PMPC, Plaridel, Misamis Occidental, Philippines	Top management team of the Paglaum Multi-Purpose Cooperative (PMPC)

¹¹ In November 2008, the SPM Roadmap was launched by the Imp-Act Consortium as the SPM Practice-Based Guide for Microfinance.

¹² These MFIs are: ASHI, CARD, CMEDFI, CCT, People's Bank of Caraga and NWTF.

MCPI'S SPM ADVOCACY PROGRAM

Lateral Learning, Documentation, and Dissemination

On August 18, 2006, MCPI conducted a forum on SPM in Pasig City, where case studies on six MFIs with SPM practices were presented.¹³ The forum facilitated the sharing of views and experiences among MFIs, and allowed stakeholders to appreciate the efforts of these MFIs in managing their social performance.

MCPI formed the SPM Working Group in 2007 to promote lateral and peer learning on SPM among institutions.¹⁴ The SPM-WG served as a platform to promote cost-effective and the practical management of social performance among MFIs. It was composed of MFIs that had completed the SPM Strategy Workshop, submitted their SPM action plans, and demonstrated a commitment to pursue social performance management.

In 2009, MCPI partnered with Oikocredit and Grameen Foundation to create an infrastructure for collective learning that would encourage more strategic Social Performance Management practices in the Philippines. Superseding the SPM WG was the social infrastructure called the SPM Peer Learning Community (SPM PLC).¹⁵ SPM PLC is a community of practitioners and intermediaries committed to strengthening their SPM capacities and supportive of each other's SPM efforts. It is also a venue for collective learning and peer mentoring.

According to Mr. Christopher Tan, Country Director of Grameen Foundation Philippines, the Foundation's partnership with Oikocredit and MCPI to support the SPM PLC is an important component of its SPM Program. Grameen Foundation advocates SPM in different ways, but its main focus is on the promotion of PPI as a poverty assessment tool for the microfinance industry.

KEY RESULTS: LATERAL LEARNING AND DISSEMINATION PROGRAM

- ✦ The formation of the SPM-Working Group
- ✦ The forging of a partnership w/ Oikocredit and Grameen Foundation to support the SPM Peer Learning Community
- ✦ The forging of a collaboration with Imp-Act, the Social Performance Task Force, the SEEP network, and other SPM advocates

Mr. Tan explained:

To effectively promote SPM, we also have to develop a supportive ecosystem. We have realized that aside from financial and technical support, we can help MFIs as they go through the process of SPM institutionalization, by creating avenues for information exchange and collective learning. Peer mentoring is crucial, as MFIs trust peers (more than experts); their learning from each other can lead to more concrete, actionable results.¹⁶

Mr. Tan said that valuable knowledge can be gathered from the field as MFIs go through the various stages of integrating SPM into their operations. According to him,

It is important to document the learnings on the ground, as well as the conversations among stakeholders. Through the SPM PLC, we are holding these conversations at three levels: (a) among MFIs and their networks; (b) among service providers and intermediaries; and (c) among networks, funders and donors; in order to provide incentives for MFIs to pursue SPM.¹⁷

Aside from supporting lateral learning for local SPM practitioners through the SPM-WG and SPM PLC, MCPI continues to support various groups advocating SPM on a global scale. MCPI is an active member of the Imp-Act Consortium, the Social Performance Task Force, and the Social Performance Working Group of the SEEP Network.

¹³ These MFIs are: Ahon sa Hirap, Inc. (ASHI), NWTF, CARD MRI, CCT, CMEDFI, and KMBI.

¹⁴ Its MFI members include: ASKI, CMEDFI, CCT, CEVI, JVOFI, NWTF, People's Bank of Caraga, Rural Bank of Talisayan, KMBI, and ASHI. The Punla sa Tao Foundation, a technical service provider which attended the pilot run of SPM Training in 2006, is also a member of the SPM-WG.

¹⁵ The SPM PLC currently has the following MFI-members: ASKI, TSPI, CEVI, Rangtay Sa Pagrangay, Inc. (RSPI), Hagdan sa Pag-uswag Foundation, Inc. (HSPFI), Pag-Inupdanay, Inc. (PI), NWTF, JVOFI, CARD, PBC, and Paglaum Multi-Purpose Cooperative (PMPC).

¹⁶ Interview, Dec. 10, 2009.

¹⁷ Ibid.

MCPI'S SPM ADVOCACY PROGRAM



KEY RESULTS: PROMOTION AND ADVOCACY PROGRAM

- ❖ Conduct of 3 SPM Promotional Workshops in the Philippines
- ❖ Participation in 10 other workshops and events

Promotion and Advocacy

The three SPM Promotional Workshops held in the Philippines in 2007 were participated in by 49 MFIs and support organizations. These took place in Manila on May 10, 2007, in Davao City on May 22, 2007, and in Albay on August 17, 2007.

From 2007 to 2009, MCPI also presented SPM in various events, such as:

- Learning Sessions of the Catholic Relief Services (CRS) in June 2007
- Learning Sessions of the National Livelihood Support Fund (NLSF) in Cebu City and Baguio City in 2007
- Asian Forum for Solidarity Economy in October 2007, organized by the

Coalition of Socially Responsible SMEs in Asia (CSR SME Asia) in Quezon City

- Cerise-SPI Workshop in October 2007, organized by the Services Provider and Capability Enhancer (SPACE) in Quezon City
- Partners' Meeting of the Philippines-Australia Community Assistance Program (PACAP) in January 2009 in Ortigas, Pasig
- Network Strengthening Workshop in March 2009 in Palawan
- Annual General Meeting of the Alliance of Philippine Partners in Enterprise Development, Inc. (APPEND) in April 2009 in Cagayan de Oro
- MCPI Annual General Meeting in May 2009 in Manila City
- Coalition of Social Development Organizations (CSDO) Meeting in October 2009 in Koronadal, South Cotabato
- PEF-MMC Meeting in December 2009 in Davao City

The promotional activities undertaken by MCPI have raised awareness and understanding of SPM among MFIs and support institutions. These have also provided opportunities for MCPI to identify institutions where collaborative work on SPM can be established.

In 2010, MCPI plans to develop materials for SPM advocacy. The documentation of best practices, case studies, and publications on SPM will be actively pursued to disseminate and promote understanding of SPM among all stakeholders.

¹³ These MFIs are: Ahon sa Hirap, Inc. (ASHI), NWTF, CARD MRI, CCT, CMEDFI, and KMBI.

¹⁴ Its MFI members include: ASKI, CMEDFI, CCT, CEVI, JVOFI, NWTF, People's Bank of Caraga, Rural Bank of Talisayan, KMBI, and ASHI. The Punla sa Tao Foundation, a technical service provider which attended the pilot run of SPM Training in 2006, is also a member of the SPM-WG.

¹⁵ The SPM PLC currently has the following MFI-members: ASKI, TSPI, CEVI, Rangtay Sa Pagrangay, Inc. (RSPI), Hagdan sa Pag-uswag Foundation, Inc. (HSPFI), Pag-Inupdanay, Inc. (PI), NWTF, JVOFI, CARD, PBC, and Paglaum Multi-Purpose Cooperative (PMPC).

¹⁶ Interview, Dec. 10, 2009.

¹⁷ Ibid.

MCPI'S SPM ADVOCACY PROGRAM



Regional Capacity Program

MCPI hopes to promote SPM, facilitate learning, and provide training and mentoring services to other organizations within Southeast Asia. Ms. Joyas relates that Dr. Aris Alip, MCPI Board Member and Managing Director of the CARD MRI network, played a crucial role in this aspect of their advocacy. According to her, “CARD has established its presence in countries such as Cambodia, Indonesia, and Vietnam where the dynamism of microfinance is slowly building up. Dr. Alip linked us with our counterpart national networks to collaborate on activities promoting SPM among MFIs in these countries.”

In February 2008, MCPI and CARD conducted promotional activities on SPM in Phnom Penh, Cambodia, in collaboration with the Southeast Asia Regional Office of Oikocredit. Twenty-three institutions attended the workshop. In May 2008, another promotional workshop was put up in Bangkok, Thailand, as part of Plan International’s Learning Conference for partners and staff in Asia. Twelve microfinance managers from Plan Asia’s regional offices participated.

MCPI also helped conduct an SPM Strategy Workshop in Phnom Penh, Cambodia from December 8 to December 10, 2009. Fifteen MFIs participated in this workshop.

In the years to come, MCPI and its partners hope to conduct SPM courses, ToTs, ToMs, and tools workshops; and to provide mentoring services to MFIs in various countries in Southeast Asia. This is likely to happen because, as Ma. Theresa Pilapil, Regional Director for Southeast Asia of Oikocredit, observed, “Philippine MFIs have a higher level of awareness and a deeper understanding of SPM compared to other MFI markets.”¹⁸ Mr. Tan of Grameen Foundation agreed with this assessment.¹⁹ Their view was shared by Mr. Jonar Dorado, Executive Director of the Community Economic Ventures, Inc. (CEVI), which received the Silver Award on Social Performance Reporting Award from CGAP in October 2009. According to Mr. Dorado: “MCPI’s support of the peer learning community is a very good strategy to promote SPM and help practitioners learn from each other’s experiences. . . . If we can sustain these efforts, the Philippines could be a leader among microfinance practitioners worldwide, as far as SPM is concerned.”²⁰

¹⁸ Interview, Jan. 11, 2010.

¹⁹ Interview, Dec. 10, 2009.

²⁰ Interview, Dec. 16, 2009.

MCPI'S SPM ADVOCACY PROGRAM

Social Audit and Performance Review

In 2008, MCPI, in collaboration with Imp-Act, began its groundwork on social audit, primarily through the development and testing of social audit tools and criteria for MFIs reporting on social performance. Thus far, five MCPI-assisted MFIs have already undergone a social audit by SPM mentors, as part of their training on QAT.

MCPI is also promoting the conduct of social performance reviews (SPR) among MFIs. SPR takes a comprehensive look at how well an MFI's overall social performance management system is working. Whether carried out internally or with external consultants, on its own or as part of a broader study, SPR entails the following: (a) identifying strengths and weaknesses in SPM systems and processes; (b) assessing the quality of information and findings; and (c) investigating how effectively information is used and how it can be used better.



Partners and Stakeholders

MCPI works with various groups in its SPM advocacy efforts. To help promote SPM globally, MCPI forged strategic partnerships with the Imp-Act Consortium, MFC, the Grameen Foundation, and Oikocredit. The number of MCPI's international partners is expected to increase, as donors and social investors want confirmation that the MFIs they support adhere to their stated mission.

The SPM Advocacy Program of MCPI is primarily funded by Dutch development organizations, ICCO and CORDAID, with counterpart sharing provided by members and MFIs in specific activities. MFIs, the primary stakeholders, are MCPI's most steadfast partners in tracking social performance. To date, MCPI's MFI partners in the SPM PLC are working with intermediaries and other service providers toward mainstreaming SPM in the microfinance industry. The regional networks of MFIs, notably the BMCI and MMC, are also playing key roles in the adoption of SPM by their members. NATCCO, the biggest federation of cooperatives in the Philippines, is also poised to usher in the introduction of social performance management among cooperatives with microfinance programs. NATCCO hopes to do this by example, through SPM's integration into its MICOOP Program.



SPM ADVOCACY IN THE PHILIPPINES: MISSION FIRST

Advocacy for SPM is a multi-stakeholder initiative. While it is difficult at this stage to measure the extent to which MCPI has contributed to the ever-growing interest on social performance among microfinance players, it is, nevertheless, recognized as the prime-mover of SPM in the Philippines.

Mr. Tan of Grameen Foundation describes the crucial role that MCPI has played in promoting SPM thus:

There has been significant growth in awareness and understanding of SPM, compared to when MCPI started its advocacy. The success of MCPI's SPM program is apparent in the fact that the rhetoric has shifted. Before, people just assumed that MFIs were serving the poor and they were satisfied with mere anecdotal evidence (e.g., client stories). Nowadays, practitioners and stakeholders realize that this is no longer adequate. MFIs need to show, using quantifiable, objective indicators, that they are serving the poor, and that the services they provide are responsive to the poor's needs. Further, MFIs are now concerned not just with their financial performance. Before, talk was all about the repayment rate, which

only indicated whether or not an MFI was running a sustainable business. Today, the question being asked is, "Are the poor people's needs being met?"

The industry has recognized that it is not enough to measure an MFI's performance using financial results alone. This development is largely due to the advocacy efforts of MCPI. The network has been the consistent voice for SPM, and it is doing a very good job of advocating SPM for MFIs in the Philippines.²¹

Mr. Dick Pajarillo, Business Development Manager for the Philippines of VisionFund International (VFI), agrees. According to him, MCPI's earnest efforts to promote SPM among MFIs are noteworthy, especially considering that it is working with limited resources. Says Mr. Pajarillo:

What is most impressive is that MCPI has been there from the very beginning, working with Imp-Act and other global microfinance networks. It helped in the development of the common SPM framework and in refining the tools. The global SPM movement is just beginning, and, already, the Philippines is on the map and MCPI is at the heart of this ongoing advocacy.²²

"The industry has recognized that it is not enough to measure an MFI's performance using financial results alone. This development is largely due to the advocacy efforts of MCPI. The network has been the consistent voice for SPM, and it is doing a very good job of advocating SPM for MFIs in the Philippines."

Christopher A. Tan, Grameen Foundation

²¹ Interview, Dec. 10, 2009.

²² Interview, Jan. 8, 2010.

SPM IN PRACTICE

“Because we were attuned to our clients, we were able to alleviate the situation. In recognition of their efforts in helping CARD maintain the centers, we created a program called “Lakbay-Aral for Center Chiefs,” which had a very positive effect in making the CCs our best salespersons in their communities. We now have Lakbay Aral for CCs and Their Husbands; Lakbay-Aral for Entrepreneurs; and Lakbay-Aral for Staff.”

Aniceta Alip, CARD MRI

Key informant interviews with representatives of seven MFIs that are currently undertaking efforts to integrate SPM within their organizations were conducted from December 2009 to January 2010. The following are the first few SPM adoptors in the country:

1. Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD MRI)
2. Ahon sa Hiras, Inc. (ASHI)
3. Negros Women for Tomorrow Foundation, Inc. (NWTF)
4. Alalay sa Kaunlaran, Inc. (ASKI)
5. Community Economic Ventures, Inc. (CEVI)
6. People's Bank of Caraga (PBC) and its training and research arm, FRIEND Foundation
7. Paglaum Multi-Purpose Cooperative (PMPC)

CARD MRI. CARD is a pioneer and recognized leader in the Philippine microfinance industry. It is a network of social development organizations composed of the following: CARD, Inc. (the non-government organization), CARD Bank and the Rural Bank of Sto. Tomas, Batangas (the rural banks), CARD Mutual Benefit Association or CARD MBA (the microinsurance arm), CARD MRI Development Institute or CMDI (the training

institution), CARD Business Development Service Foundation (the provider of business development services), and CARD MRI Insurance Agency or CaMIA (the provider of life and property insurance). Ms. Aniceta Alip, CARD MRI Research Director, explains the network's SPM initiatives, as follows:

We were already doing some client assessments in 2000, such as exit surveys, client satisfaction focus group discussions (FGDs), and others. As CARD had gained financial sustainability, it was a logical step for us to look beyond the financial imperatives and see whether the lives of our clients were improving.

In integrating SPM, we looked at the data we were already collecting and built on them. For instance, we had been using the Means Test as a targeting tool. When the Poverty Scorecard--now known as the Progress out of Poverty Index--became available, we adopted it as it was touted to be more accurate than the Means Test in classifying clients based on their poverty status. We also became more proactive in seeking to improve the skills of the staff in our Research Unit in their use of the tools for client assessment and market research. Further, SPM Lite became a regular module for the training of new staff and officers so that awareness of SPM would permeate the whole organization.²³

²³ Response to questionnaire, Jan. 2010.

SPM IN PRACTICE

CARD's efforts to manage its social performance have helped it hurdle a major challenge that was experienced by the organization in 2003. Ms. Alip recalls:

In 2003, CARD experienced significant client exodus and repayment difficulties. By listening to our clients and staff, we learned where the discontent lay in terms of products, services, procedures, and policies. One astounding realization was the negative effect of peer pressure. Many Center Chiefs (CCs) resorted to loan sharing so they could pay for the defaults of their co-members. At that time, sanctions were imposed on centers that did not post 100% repayment. This resulted to CCs running up debts they could not manage. We conducted a series of FGDs, and realized that adjustments needed to be made in our systems.

Because we were attuned to our clients, we were able to alleviate the situation. In recognition of their efforts in helping CARD maintain the centers, we created a program called "Lakbay-Aral for Center Chiefs," which had a very positive effect in making the CCs our best salespersons in their communities. We now have Lakbay-Aral for CCs and Their Husbands; Lakbay-Aral for Entrepreneurs; and Lakbay-Aral for Staff.

Because of SPM, we also grew more responsive to our clients' needs. We were able to launch a product in response to their needs, based on our analysis of data from the PPI. This product was the "Loan for the Very Poor", which amounted to PhP 2,000 and was intended for those who wanted to start their own businesses.²⁴

Ms. Alip adds that CARD has also been assisting MCPI in its advocacy by providing resource persons for major conferences on SPM. Its staff has served as trainors in many runs of the SPM course. According to her, *"Even if we have personnel fully qualified to conduct courses on SPM, we have decided not to offer SPM in our own development institute (CMDI) as a full course to other MFIs. This is because we recognize MCPI's effectiveness in doing this for Philippine MFIs, and we support its advocacy."*²⁵

ASHI. ASHI started out as an action-research project that aimed to replicate the Grameen Bank (GB) approach of credit delivery to the poor. It grew into a non-stock, non-profit, NGO in 1991, holding the distinction of being the oldest existing GB replicator in the country.

According to ASHI President Ms. Mila Mercado-Bunker, "ASHI has always been anchored on its social mission. We pursued various initiatives to monitor our social performance even before SPM became a buzzword in microfinance. We have always declared that our mission of 'reaching the poorest' takes precedence over watching out for our financial bottom line."

Ms. Mercado-Bunker is proud to be part of an MFI that has, from the beginning, never anchored its performance on numbers. She relates:

Our consciousness has always been toward "outreach to the poorest". In the 1990s, when many MFIs became focused on their financial performance alongside the global drive for microfinance to be mainstreamed in the formal financial systems, ASHI remained faithful to its social mission. We took steps to sustain our operations, even as we looked into how to improve the lives of our clients. We built our network, guided by the principle of counting costs while serving the poorest, consistent with our dictum, "Significance is impact".²⁶

ASHI's experience in integrating SPM is presented in Box 1.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

SPM IN PRACTICE

BOX 1. AHON SA HIRAP INC.: A LEADER IN SOCIAL PERFORMANCE MANAGEMENT

ASHI's Mission is stated as follows:

- ❖ To inspire the marginalized women and their families to discover their God-given dignity and enable them to rise above all forms of poverty and respond to social and environmental concerns.
- ❖ To deliver excellent professional service with team spirit.
- ❖ To share with other anti-poverty institutions and organizations our expertise grounded on experience.

Institutionalizing SPM. ASHI measured its social performance in terms of four dimensions: (a) outreach to the poor and the excluded; (b) adaptation of products and services; (c) corporate social responsibility; and d) empowerment and participation among the women or leadership in the community. These dimensions were adopted as ASHI's key result areas (KRAs). The indicators of the SPI dimensions were built into ASHI's MIS in 2003.

SPI DIMENSION	ADOPTION BY ASHI
Outreach to the poor and the excluded	ASHI used the following indices: housing, asset, and income of PhP2,000 per capita in administering a Means Test that was usually done upon the client's entry and before each loan cycle.
Adaptation of products and services	Initially, ASHI offered only one loan, the general loan, which clients used for their enterprises. A variety of other loans was offered beginning 2006. These included: educational loans, house repair loans, a market-day loan (a one-day business loan); and a children's savings program. ASHI even launched a housing development project called the "Tulong Pabahay" (housing) Program.
Corporate social responsibility	<p>ASHI's institutional social responsibility is reflected in its human resource policies which provided for the following: (a) the regularization of all employees; (b) a staff competency-based training program for each level; (c) regular staff evaluation; and (d) training needs analysis for its staff. ASHI requires its staff to sign a corporate code of discipline.</p> <p>Strong corporate responsibility was inculcated in both staff and members to foster a sense of ownership. Staff turnover rate was less than 1 percent, with most of its staff having been with ASHI since 1991. ASHI's human resource development program, which reflected its CSR thrust, had one component for the staff and another for the members. Curriculum development covered leadership and empowerment in the community.</p>
Empowerment and participation	<p>ASHI ensured that it had incentives for its members, such as representation in ASHI's board. This mechanism, present also from the start of ASHI, allowed the members to participate in the decision-making process of the organization.</p> <p>ASHI also conducted regional consultations to give members a chance to voice their concerns with regard to issues ranging from change of methodology, to interest rates, etc. ASHI used a social development calendar that defined the various levels and roles of the members. Its Gender Awareness Program covered five elements: subordination, marginalization, multiple burdens, violence against women, and stereotyping. This program was translated into gender awareness training for the staff, the center chief, and members.</p>

ASHI underwent a social performance review by Microfinanza and a social audit by MFC. Microfinanza gave ASHI a social rating of A+.

SPM IN PRACTICE



NWTF. Founded in Negros Occidental in 1984, NWTF's mission is "to provide sustainable financial and client-responsive developmental services to the poor." Mr. Gilbert Maramba, Research Director, explains that NWTF has always had a strong social focus since its inception.

NWTF was one of the first MFIs in the Philippines to use the Grameen Foundation's PPI to monitor the poverty status of its clients. The experience of NWTF in managing its social performance is documented in the article "SPM in Practice: NWTF (Philippines)", which appeared in the Imp-Act Consortium's newsletter.²⁷

NWTF, according to Mr. Maramba,

... [is] fully committed to systematically processing and using the information from the PPI to strengthen our operations. Three persons/consultants are helping us analyze our PPI data: a Manila-based consultant, a US-based rating organization, and someone from Grameen

*Foundation. We use the PPI data for: (a) client targeting; (b) tracking client poverty status; and (c) client profiling. We are also able to use PPI, albeit indirectly, in product development. The PPI data help us in identifying potential problems for our clients and in designing products that are appropriate and responsive to their needs.*²⁸

Right now, NWTF is in the process of upgrading its MIS to fully integrate PPI into the information system and track the organization's social performance. Mr. Maramba shares that they are waiting for the results of a social performance audit undertaken by a rating agency in 2008 to help them address the gaps in their social performance systems.

Recently, the NWTF created the SPM Committee with representatives from all levels, in order to build its buy-in capability, review policies, and ensure the integration of social performance management within the organization.

²⁷ Interview, Dec. 22, 2009.

²⁸ Ibid

SPM IN PRACTICE

CEVI. Mr. Jonar Dorado, CEVI Executive Director, explains that the organization's aim is to help marginalized children and families have "fullness of life" through the provision of both financial and non-financial services. CEVI is part of VisionFund International (VFI), a global microfinance network under World Vision International (WVI). Mr. Dorado adds that because of its humanitarian background, CEVI has always pursued both economic and social objectives in its operations.²⁹ He said,

We provide credit, training, and savings services to the poor to help their small businesses grow and to help enable them to transform their lives. We started in 1988, and although SPM was not pursued consciously or deliberately because there were no tools to track social results at that time, we did an impact evaluation of our microfinance programs. We did impact assessments in 2003, and then, in 2006, because we wanted to see if we were making a difference in the lives of our clients. We started looking at our double bottom line in 2005. We want our microfinance operations to be sustainable, thus we have to look at our financial performance. At the same time, as we also have to focus on our social performance we monitor our impact on our clients.³⁰

While CEVI's initiative to monitor social results started from within the organization, its efforts were reinforced by MCPI and the Grameen Foundation, especially when PPI was introduced.

Mr. Dorado explains:

SPM helps us serve our clients better. The process has helped us define our social mission, and determine ways by which these should be translated for implementation at all levels of the organization. We have an SPM Action Plan and this has the full support of our management. We have hired a staff that monitors our SPM processes fulltime. She monitors SPM implementation and coordinates with all branches. SPM is integrated with the credit background investigation or CBI at the branches, since the

PPI questionnaires are simply added to CEVI's standard questions for clients.³¹

Since 2007, CEVI has been a part of the SPM Working Group and has become an active member of the SPM Peer Learning Community. In October 2009, CEVI received the Social Performance Reporting Award from CGAP, in recognition of its transparency in reporting on its social performance. Reports Mr. Dorado: "CEVI was among the seven VFI MFIs that received the Silver Award".

ASKI. ASKI envisions itself as "a God-centered, model microfinance organization committed to serve the needy in Luzon through socio-economic development and holistic transformation." Adopting the core values of God-centeredness, commitment to serve the needy, excellence, stewardship, integrity, and respect for people, ASKI endeavors to:

- enhance the spiritual life of its stakeholders through daily devotions, retreats, and Christian enrichment activities
- ensure the economic security of its clients by providing financial services and technical expertise
- link up with domestic and foreign partners to realize community development programs and projects
- develop the talents and skills of its Board of Directors/Trustees, managers, and employees
- safeguard the resources, well-being, and prestige of ASKI³²

From a small playing field in Cabanatuan City, ASKI has branched out to other provinces in Central Luzon, Region I, and Region II through its 25 branches. From a handful of clients in 1987, ASKI now serves close to 60,000 individuals.

²⁹ Interview, Dec. 16, 2009.

³⁰ Ibid.

³¹ Ibid.

³² <http://www.aski.com.ph/>. (Accessed January 20, 2010).

SPM IN PRACTICE

ASKI attributes its success to its values-oriented philosophy on entrepreneurial lending. It believes that Return on Equity (ROE) cannot be realized without an informed, responsible, and conscientious clientele. Not surprisingly, ASKI today is one of the leading MFIs in terms of integrating SPM into its organization. (Please refer to Box 2.)

BOX 2. ALALAY SA KAUNLAN, INC. GOING BEYOND MICROFINANCE

Social performance has always been one of the key components of ASKI's programs. Mr. Rolando Victoria, ASKI Executive Director, explains that ASKI's commitment to help clients and communities fight poverty strengthens their interest in SPM. ASKI, through the invitation of MCPI, was able to attend an SPM workshop wherein details such as the SPM rationale, objectives, and framework were discussed. It was then realized that the missing link between the comprehensive implementation of their corporate social responsibility and 'beyond [the] microfinance approach' was SPM.

Institutionalizing SPM. A workshop with the Management Team was conducted after the MCPI-sponsored SPM training workshop. The outputs of the SPM Training Workshop were then presented to the management of ASKI, after which an SPM Committee was formed that became responsible for planning, monitoring, and communicating SPM to ASKI's key stakeholders. The Committee prepared ASKI's SPM Plan. Its highlights included defining the target outreach and results/impacts, reviewing the information system to include SPM indicators, a review of the management system to include the regular study of research results, and the use of these results in designing and managing the different programs and services of the organization.

Mr. Victoria relates that "to date, ASKI is able to elucidate its corporate social responsibility through the following: the adoption of a written policy; a review of HR guidelines and policies, the performance appraisal report, and the staff incentive system; the creation of process maps; the full implementation of the results of the Progress out of Poverty Index (PPI) survey; the inclusion of an exit survey and a satisfaction survey; the inclusion of SPM in the training curriculum of staff; and a social assessment by Microfinanza."

Mr. Victoria reports that SPM has helped ASKI introduce innovations to their lending products. "SPM helps us listen to our clients' comments and suggestions more closely," he explains. He said that ASKI has expanded its programs to reach out to the Igorot communities. Further, ASKI reviewed and revised its staff incentive programs because of SPM. He says that "with SPM, there has been a significant improvement in our information systems, and there is regular use of information results in decision-making."

When asked what key lessons were to be learned from ASKI's experience as an SPM practitioner, Mr. Victoria enumerated the following:

"First, we have to be sure that the MFI's Board of Trustees, officers, and employees are fully committed to and understand the rationale behind SPM.

"Second, that achievement of social objectives and responsibilities will not happen without SPM integration in the microfinance operation and management.

"Third, there is a need to network with other practitioners for continuous innovations."

SPM IN PRACTICE

PBC/FRIEND. PBC's microfinance services was started in 1998, primarily to serve the wives of agrarian reform beneficiaries in the Agusan Resettlement Area. It later served the poor women in the rural areas who wanted to engage in economic activities to augment their household incomes, as well. PBC conceptualized FRIEND (the Foundation for Rural and Industrial Equipment for National Development, Inc.) as early as 1979. FRIEND became operational only in 2002.

Today, FRIEND serves as the research and training arm for PBC's clients and employees. It provides business development services to clients and plays a crucial role in the bank's management of its social performance.

According to Ms. Cristina Bulaon, Executive Director of FRIEND, "When the Foundation became operational in 2002, one of the first things that we did was to determine the impact of PBC's Microfinance Program on its clients, for this information to serve as basis for planning future activities that would assist and support the program. We used the means test and client exit surveys. Those were our initial ventures into social performance management. Of course, we had not yet heard of the SPM at that time; but we had always focused on social development."³³

After attending MCPI's SPM workshops in Cebu City and Bohol in 2005, PBC and FRIEND began institutionalizing SPM. Ms. Bulaon describes the process as follows:

First, during the MCPI workshops and meetings on SPM, we revisited our Vision, Mission and Objectives (VMO). To underscore our social

objectives, we reworded our VMO and even reduced our objective statements from eight to four, because we realized that some objectives could become strategies. The workshops really helped us redefine our social objectives and intensify our SPM efforts.

To ensure SPM integration, PBC employees underwent an orientation on SPM. They were also involved in the revision of the bank's VMO statements. The VMO statements were posted in prominent places in each branch, to remind everybody of the bank's reason for being.

We are now using PPI and, hopefully, by next year, we will be able to use it as a client targeting tool. The process is gradual, but, eventually, we hope that later, PPI will be used for all our clients.

Customer Satisfaction Surveys are also done in all branches. The Development Officers (DO) accomplish the PPI forms, while the Area Project Supervisors (APS) conduct client exit interviews. SPM is also part of the agenda during the meetings of the Board of Directors (BOD) and during branch meetings. Client support services and BDS are regularly being offered in all operating units.³⁴

According to Ms. Bulaon, PBC and FRIEND face the following challenges: incorporating SPM indicators into their MIS; getting all the staff involved in the research, especially in monitoring client exits; and ensuring the internalization of the VMO by all personnel.

The People's Bank of CARAGA was also a recipient of the Silver Awards in the First Social Performance Reporting Award from CGAP.

"To ensure SPM integration, PBC employees underwent an orientation on SPM. They were also involved in the revision of the bank's VMO statements. The VMO statements were posted in prominent places in each branch, to remind everybody of the bank's reason for being."

Cristina Bulaon, FRIEND

³³ Interview, Dec. 21, 2009.

³⁴ Ibid.

SPM IN PRACTICE

PMPC. According to Mr. Gadwin Handumon, General Manager of PMPC, they became interested in SPM upon the encouragement of MCPI. They were also interested in SPM because it was the “talk of the town in recent years and was always discussed during workshops and conferences.”³⁵ However, Mr. Handumon also underscored the fact that even before SPM became a buzzword in the microfinance industry, they had been implementing social programs and services. He explained:

*Our mother organization, the Paglaum Community Development Foundation, Inc., traces its roots to a social development program. Even at the start, we were already engaged in social programs. So, our interest in SPM and our partnership with MFIs and other organizations like Oikocredit, KIVA, and MCPI—in SPM advocacy, are natural. These partnerships have deepened our understanding of, and commitment to SPM.*³⁶

Mr. Handumon relates that when PMPC conducted an SPM Strategic Management Workshop in December 2009, they realized that their strategic plan was not mission-driven, and

that most of their activities, programs, and services focused on the financial aspect. The PMPC is now addressing these concerns through the following activities:

- a re-visitation and refresher courses on the PMPC’s history, VMGO, policies and procedures
- the incorporation of SPM indicators in the MIS
- the use of PPI as an intrinsic part of operations
- the creation of an SPM team to champion SPM within PMPC

PMPC’s commitment to SPM was explained by Mr. Handumon: “PMPC would like to be an active part of the movement/advocacy for SPM. We plan to institutionalize this in all our programs and services. We shall adopt measures to ensure that our programs have significance and a favorable impact on the lives of our members and the communities that we serve.”³⁷

For easy reference, Table 2 plots the SPM practices of the seven above-mentioned MFIs, in relation to the three components of SPM and the Social Performance Pathway (please refer to Figure 2).



³⁶ Ibid.

³⁷ Ibid.

SPM IN PRACTICE

Table 2. MFIs' SPM Initiatives vis-à-vis the SPM Components

COMPONENT ONE		COMPONENT TWO	COMPONENT THREE
Defining Social Goals and Objectives	Adopting Strategy to Achieve Social Objectives	Monitoring and Assessing Performance	Improving Operations
<ul style="list-style-type: none"> ▪ Re-visitation/Re-definition of Vision-Mission Goals (VMGs) ▪ Setting of social objectives ▪ Re-echoing of SPM Workshop with the Management Team ▪ Staff orientation on SPM ▪ Allowing staff to take part in reviewing the VMGs 	<ul style="list-style-type: none"> ▪ Definition of target clients ▪ Preparation/review of the SPM Institutional Action Plan ▪ Refresher courses on VMGs, policies, and procedures ▪ Orientation of all branches on SPM and the new VMGs ▪ Inclusion of SPM in the agenda of the regular board and branch meetings ▪ Creating 'Champions': SPM Team or SPM Point Person 	<ul style="list-style-type: none"> ▪ Use of tools (PPI, QAT, social rating) ▪ Incorporation of SPM projects in the management information system (MIS) ▪ Upgrading of MIS to integrate PPI ▪ Piloting of the Social Performance Assessment Tool for the network ▪ Review of systems (human resources, information, and management systems) ▪ Sharing PPI results with management and staff 	<ul style="list-style-type: none"> ▪ Use of PPI to profile the poverty level of incoming clients and track the poverty status of existing clients ▪ Use of PPI in client targeting and in designing new products ▪ Use of research results in product development ▪ Human resource development (training on the use of tools; staff orientation on SPM; conduct of the 'SPM Lite' course for new staff and managers; review of staff incentives) ▪ MIS development to integrate SP indicators ▪ SPM Dimensions integrated with the organization's Key Result Areas (KRAs) ▪ Pursuit of Corporate Social Responsibility (CSR) as a social performance indicator

DRIVING FACTORS FOR SPM



Several factors are facilitating the growth of SPM among MFIs in the Philippines. At the network level, MCPI's advocacy is rooted in the network's commitment to its social mission. The same social orientation drives other networks, such as the BMCI and MMC, which are encouraging their member MFIs to focus on their social performance.

Apart from the very strong social orientation of the MFI networks in the Philippines, there is also a parallel drive among donors and social investors for greater accountability among MFIs in terms of managing and reporting their social results. There is a concomitant push for SPM from the global microfinance industry, and many international networks (such as VFI), donors, and support organizations (such as Grameen Foundation and Oikocredit) are encouraging their local partners to adopt SPM in their operations.

At the level of the MFIs, the driving factors for SPM include:

1. **A strong social orientation among microfinance NGOs.** Many MFIs in the Philippines started out as social development institutions. Not surprisingly, all of the seven MFIs interviewed said that even before the emergence of SPM as a framework, they had been looking at the impact of their programs on the lives of their clients,

who belong to the socially and economically (financially?) marginalized sectors.

2. **'Pre-SPM' social monitoring efforts.** Almost all of the MFIs interviewed reported that even before SPM came about, they had been monitoring their social results by using tools such as the Assessing the Impact of Microenterprise Services (AIMS) Project tools, *e.g.*, the Impact Survey, the Client Exit Survey, the Loan Use and Savings Strategies over Time, and the Client Empowerment and Client Satisfaction Survey. Many of the MFIs interviewed said that they also commissioned external consultants to conduct impact assessment studies of their programs, while a few mentioned that they have internal research units which document their impact on individual clients or client segments.

It is noteworthy that all of the MFIs interviewed consider these 'pre-SPM' social monitoring initiatives part of their efforts to integrate SPM into their organizations. According to them, SPM rationalized their efforts and provided the framework for these activities to be pursued more systematically, aligned with their social mission, goals, and objectives.

²³ Response to questionnaire, Jan. 2010.

DRIVING FACTORS FOR SPM

3. **Attainment of financial sustainability by established MFIs.** This is true in the case of CARD, which is currently serving 1,073,744 clients nationwide. After starting out with an initial capital of PhP20 and an old typewriter in 1986, its collective assets totalled PhP6.721 billion in October 2009.³⁸ As stated by Ms. Alip, CARD MRI Research Director and SPM focal person, after it gained financial sustainability, CARD naturally turned to examining whether or not its programs were making a favorable impact on the lives of the poor women it had sworn to serve. Its initial efforts to monitor its impact on clients through the AIMS tools became the building blocks for the network's eventual integration of the SPM framework into its operations.
4. **MCPI SPM Advocacy.** Many of the MFIs interviewed attribute their interest in SPM to the advocacy efforts of MCPI. CEVI, PMPC, PBC/FRIEND Foundation, and ASKI stated that MCPI's promotional and training workshops helped raised their awareness and understanding of SPM. They expressed appreciation for the technical support that MCPI has been extending to help them in their integration efforts. ASHI, CARD and NWTf were involved in SPM before MCPI started its SPM advocacy program in 2006 and worked alongside the Council in its advocacy efforts. These six (enumerate the 6) MFIs, except for ASHI, are active members of the SPM PLC. ASHI has not been very much involved in the

SPM Peer Learning Community's activities, but it remains a member of the Consumer Protection Committee.

The initial exposure of the regional MFI networks, BMCI and MMC, to SPM was also through MCPI. In fact, the Executive Directors of these two networks belong to MCPI's cadre of trained SPM trainers.

5. **Exposure to SPM in conferences and workshops on microfinance.** Mr. Handumon of PMPC mentioned that one of the reasons why they became interested in SPM was that it was always being mentioned in conferences and workshops. The desire of MFIs to know what their colleagues in the industry were doing--a manifestation of some kind of friendly competition among the players--was somehow helping generate interest in SPM.

Ms. Bulaon also shared how PBC/FRIEND Foundation's participation in the 2004 Microcredit Summit somehow affirmed their decision to pursue SPM. She explained:

In 2004, I, together with our President, attended the Microcredit Summit in Jordan. One of the speakers was former Imp-Act Programme Manager Anton Simanowitz. That was our first exposure to SPM, although at that time, it was not yet called "social performance" but just an "impact study of microfinance". Then, the following year, we were invited by MCPI to their SPM workshops, where Mr. Simanowitz was also one of the speakers. It was providential. When we heard the resource persons talk about SPM, we told ourselves, "That's what we really want to do." That is why we are seriously pursuing SPM.³⁹

³⁸ Based on unaudited figures as of Oct. 31 2009.

³⁹ Interview, Dec. 21, 2009.

DRIVING FACTORS FOR SPM

6. **Availability of SPM tools and resources.** Many of the MFIs interviewed said that they use tools like PPI, QAT, and social performance reviews or social ratings to help them monitor their social performance. CARD also mentioned that it links the information they generate through ‘pre-SPM’ tools, like exit surveys and FGDs, and the results of its various researches to information derived through SPM tools like the PPI, in order to help them improve their operations and respond to client needs. The SPM trainers interviewed for this study also mentioned that the availability of resource materials, like handbooks, manuals and the tools mentioned, previously, are facilitating their adoption of SPM practices.
7. **Push by donors, social investors, and networks.** Representatives of the Microfinance Innovations in Cooperatives (MICOOP) Project of the National Confederation of Cooperatives (NATCCO) attended the SPM Strategy Workshop and defined NATCCO’s social objectives when prodded by one of its donors. Other microfinance providers are examining their impact on clients, as donors and socially responsible investors are requiring them to demonstrate their social performance.

BOX 3. BMCI AND MMC: PROMOTING SOCIAL PERFORMANCE MANAGEMENT WITHIN THEIR RANKS

The Bicol Microfinance Council, Inc. (BMCI) partnered with MCPI in conducting SPM Promotional Workshops in 2007. According to Ms. Noemi Bonaobra, BMCI Executive Director, its current efforts to promote SPM among its members include:

1. Providing technical assistance to one of its members, the Rural Bank of Guinobatan, Inc. (RBGI), which they hope to promote as a role model for other members. BMCI co-funded the conduct of RBGI’s social audit using the QAT. The Council has made known its readiness to provide an SPM mentor if needed by RBGI.
2. Partnering with donors to support the institutionalization of its members’ SPM.
3. Sustaining advocacy and promotional activities, such as the inclusion of SPM in the agenda of their General Assembly; conducting SPM strategy workshops to build SPM champions; and translating the value of SPM in more concrete terms such as: reducing client exits, understanding the clients’ loan use over time, product development, the staff satisfaction/incentive system, client business tracking via cash flow analysis, and poverty tracking via PPI indicators.

The Mindanao Microfinance Council, Inc. (MMC) has its own initiative that emphasizes totality, i.e., the balanced pursuit of social and financial performance. According to Mr. Jeffrey Ordoñez, MMC Executive Director, this capacity building program for members is called BRIDGES, or “Bridging Resources in Developing Greater Effectiveness of Social Enterprises”, where SPM is just one aspect. He clarifies, however, that the framework adopts the SPM framework which has three components:

- intent and design (mission, goals, objectives and strategies)
- MIS (the use of information to make relevant decisions)
- management systems (aligning systems such as HR, marketing, and operations).

According to Mr. Ordoñez, the core program for each of these components was developed by Prof. Ron Chua of the Asian Institute of Management. MMC customized these for its members. For example, in the Strategic Planning Course, MMC put the trainees in a classroom session to gain understanding of the subject, after which they were given time to go back to their respective institutions to apply their learnings. A comeback session was then held for participants to discuss and share what they had learned. At the end of this exercise, the participating institution had its strategic plan developed. Mr. Ordoñez says that this approach promotes active learning among members, where participants become each other’s resource persons.

The MMCI also offers a course to assist its members in the pursuit of SPM. Mr. Ordoñez says, “In HR, we have another mentor, Prof. Juan Kanapi. The course we offer is called ‘Strengthening Human Resource Management’. It is an eight-session course and, so far, we have conducted four sessions in the ongoing pilot. In the coming months, we hope to have specific course offerings per component of, BRIDGES.”

EMERGING RESULTS

Key informant interviews among microfinance providers, SPM practitioners, MFI and cooperative networks, technical service providers, and donors reveal that much has been achieved in the four years since MCPI started its SPM advocacy.

A. SPM in Practice

Again, examined in relation to SPM's essential components, the emerging trends in the MFIs' current initiatives to pursue SPM are as follows:

Component 1: Defining Social Goals, Objectives, Strategies

1. **The MFIs' experiences show that a review of the institutional vision, mission and goals (VMG) is crucial.** Almost all of the MFIs' representatives interviewed stated that SPM affirmed, and in some cases, clarified their social mission. Reviewing their VMGs was deemed important for two reasons: first, to define and refine the social mission and translate this into goals and objectives; and second, to check if the MFI's operations are aligned with its stated mission, goals, and objectives.
2. **The review process of the MFIs' vision, mission, goals, and objectives varied from institution to institution.** Inevitably, the development of the institution's SPM implementation strategies or SPM Action Plan also varied. It is noted that those which pursued a more participative track, e.g., involved all staff, or even the MFI branches, seemed to be getting organizational 'buy-in' at a faster pace.

3. **It was also observed that while microfinance NGOs easily affirmed or re-stated their social goals because of their social development background, the same could not be said of other types of microfinance providers.**

Component 2: Monitoring and Assessing Performance

1. **SPM provided a systemic and holistic framework for monitoring MFIs' social results.** Some of the MFIs interviewed stated that while they had used monitoring tools to assess their impact on clients before SPM came about, the processing of information generated from these 'pre-SPM' tools was not always linked to their social objectives. SPM helps the MFIs maximize the use of social information in decision-making.
2. **MFIs use process tools, such as the PPI and QAT; the level of their use of these tools varies from MFI to MFI.** Although almost all of the MFIs use PPI, majority use it only to profile their clients upon entry and track their clients' poverty movements across time. The MFIs have yet to use data from the PPI to target clients, improve products and services, and improve their systems. Of course, it should be stated that many of these MFIs are in the pilot stage of integrating PPI into their MIS. A few MFIs mentioned that they recently underwent a social audit using QAT, but the steps they were taking after the QAT was conducted had not been clarified. It was also observed that since QAT diagnoses the strengths and weaknesses of the MFI's systems, it should be the first step toward SPM integration.

EMERGING RESULTS

Component 3: Improving Operations

At the level of the MFIs, among the most notable results are:

- 1. The MFIs collect and integrate PPI data into their MIS, but they have yet to move towards the use of these data in making management and operational decisions.** As stated earlier, many of the MFIs are still in the pilot stage. As capacity is built, they are expected to use information generated from the PPI towards the attainment of their social objectives.
- 2. MFIs subject themselves to social audits (QAT) and social ratings (Microfinanza, Planet Rating, etc.); but the extent to which they use information generated from these social performance reviews has yet to be determined.** Perhaps, this is something that the MFI, the MCPI, and the other support groups could look into in the near future.
- 1. The deepening interest in SPM among MFIs and within their organizations.** A number of MFIs in the Philippines have integrated or are trying to integrate SPM tools into their operations. Those who have yet to do so are closely monitoring their efforts. As Mr. Jeffrey Ordoñez, Executive Director of the MMC, SPM trainer, and MCPI consultant puts it: “SPM is an idea whose time has come.”⁴⁰
- 2. MFIs are finding ways to balance their social and financial performance.** Since the SPM framework and many of the tools were developed only around 2005 to 2006, very few MFIs can claim that they are actively managing their social performance at this point. While the number of MFIs with SPM practices has yet to be determined, there are indications that a growing number of MFIs in the Philippines are venturing into SPM.

In summary, after looking at the MFIs’ activities in line with the SPM components, the question is: **Are MFIs following the SPM Pathway?**

Based on the interviews conducted, it would appear that the SPM-related initiatives of the MFIs are not yet systemic. The link of the SPM activities, from intent to process, on to results, remains tenuous, and the translation of the MFIs’ social goals into strategy and operation toward results is as yet, incomplete.

There are indeed issues to hurdle, but what is notable is that, as early as now, initial successes are emerging (please see Box 4).

B. SPM Advocacy

As far as the advocacy for SPM among microfinance players is concerned, there are emerging results at the level of the MFIs and the industry, particularly at the level of the MFIs and the cooperative networks. These are summarized below.

- About eleven (11) MFI-members of the SPM PLC are seriously pursuing SPM integration under MCPI’s tutelage. More MFIs may follow, since they have completed the one-week SPM Strategy Workshop. Some MFIs have, in fact, started drafting their SPM institutional action plans.*
- MFIs are using SPM tools like the PPI. Grameen Foundation estimates that about fifteen to twenty MFIs use PPI to assess and track their clients’ poverty levels. According to Mr. Tan, of the 15 PPI users, GFs assisting ten MFIs that are also Oikocredit partners, while four are direct GF partners. Since the PPI may be accessed free via the Internet, six MFIs have reportedly downloaded the tool and are attempting to integrate it into their systems.*

⁴⁰ Interview and response to questionnaire, Dec. 2009.

EMERGING RESULTS

- *VisionFund International has developed a Social Performance Assessment Tool for use in its network. According to Mr. Pajarillo, this tool is currently being piloted by MFIs affiliated with VisionFund, among them CEVI in the Philippines.*

Clearly, MFIs are interested in SPM for various reasons and are experimenting with different approaches to balance their social and financial performance.

At the level of the industry, i.e., the MFI regional networks, there are indications of the following:

1. **That financial results are not enough to measure an MFI's performance has been recognized.** This is clear from what Mr. Handumon describes as the MFIs' preoccupation with SPM such that it is always being discussed in workshops and conferences by microfinance players.⁴¹
2. **There is increased awareness of SPM among stakeholders.** SPM is becoming a buzzword in the microfinance industry despite the fact that the 'movement' is still young (the

framework was developed only in recent years, and the tools and reporting format are still in the process of refinement).

3. **There is a deeper understanding of social performance, at least for MFIs that are already integrating SPM into their operations.** By providing avenues for MFIs to learn about SPM (e.g., SPM promotional workshops, a one-week SPM course, SPM-WG, SPM PLC, the documentation of learnings from the field), MCPI has contributed to a deeper understanding of social performance. Nowadays, given the existence of SPM tools and indicators, while anecdotal stories may be indicative of social results, they are no longer deemed sufficient to prove that an MFI is fulfilling its mission. MFIs are looking into whether their clients belong to poor households, whether their products and services are responsive to their clients' needs, and whether the lives of their clients have improved.



⁴¹ Interview, Dec. 2009.

EMERGING RESULTS

4. There are emerging good

practices. A number of MFIs are demonstrating good SPM practices, providing local models which other practitioners can emulate.

- *SPM permeates the operations of ASHI because it took steps to ensure “buy-ins” at all levels, from the Board down to the field staff. ASHI’s SPM practices have been presented in workshops here and abroad, and have also been featured in several publications, among them the December 2006 issue of Social Performance Progress Brief by the SEEP Network and the Argidius Foundation. ASHI’s systems for managing its social performance are cited in the Social Audit Report of Planet Finance. Microfinanza gave ASHI a social rating of A+ in 2008.*
- *Among 47 MFI networks, CEVI was chosen to pilot the Social Performance Assessment tool of VisionFund, Intl. The VFI has recognized CEVI as one of the leaders in social performance within the network, and is looking at how CEVI’s approach can be replicated by other VFI affiliates. In October 2009, CEVI became one of the recipients of the Silver Award for Social Performance Reporting from CGAP.*
- *NWTF was one of the first MFIs in the country to use the PPI. NWTF uses its PPI data for: (a) client targeting; (b) tracking its clients’ poverty status; and (c) client profiling. According to Mr. Gilbert Maramba, NWTF Research Director, the Foundation is “also able to use PPI, albeit indirectly, in product development. The PPI data help us in identifying potential problems for our clients and in designing products that are appropriate and responsive to their needs.”⁴² The experiences of NWTF in managing its social performance were featured in the Imp-Act Consortium series, “SPM in Practice”.*

5. The foundation for building local capacity for SPM is being laid.

MCPI has trained SPM trainers in its ToT Workshop, and a number have been accredited by the Imp-Act Consortium. Its cadre of SPM facilitators is now providing technical assistance and mentoring support to interested MFIs.

6. There is an infrastructure for lateral learning and peer mentoring among SPM practitioners and other stakeholders.

The SPM Peer Learning Community has been cited by almost all of those interviewed for purposes of this study, as a very important mechanism for information exchange among SPM practitioners and all stakeholders.

BOX 4. INITIAL SUCCESSES: SPM IN PRACTICE

ASHI: has a well integrated SPM, fully adopting SPI indicators into the organization’s KRAs

ASKI: is able to relate all organizational systems and activities with the overall SPM Plan

NWTF: is serving as a model for other MFIs in the use of the PPI

ASKI, CEVI and PBC : received the 2009 CGAP Silver Award for Social Performance Reporting

⁴² Interview, Dec. 2009.

CHALLENGES AND LEARNINGS

1. **How to deepen understanding and communicate SPM effectively.** While sometimes considered ‘instinctive’ or common ‘business’ sense, SPM is often confused with other concepts, such as social measurement or impact assessments. Some MFIs even see it as a special program separate from their operations. Mr. Ordoñez of MMC has observed that for the MFIs, *“the main problem seems to be information management more than SPM integration. It [the phenomenon] stems from the fact that objectives are not clear or well defined. The most important thing is for the MFI to define the objectives, and how they are measured—the rest is decision-making”*⁴³

Ms. Pilapil of Oikocredit, also expresses apprehension that some MFIs tend to equate SPM with tools like the PPI:

*We should burst the myth that SPM is tool-focused. SPM is about using systems to ensure that an organization’s social mission is pursued. PPI is just one of the tools. It helps in client-targeting, in tracking clients’ poverty movements, etc. SPM requires that data from the PPI be processed, and the results communicated at all levels. That way, the PPI data can be used in making management and operational decisions in accordance with the overall mission of the organization. That is SPM.*⁴⁴

Communication and education are crucial to the successful integration of SPM in any MFI, as well as in its adoption by the industry as a whole.

2. **How to expand SPM outreach.** While many MFIs in the Philippines are aware that there is a global push for microfinance practitioners to actively manage their social performance, only a few are integrating SPM. To date, not all of the MFIs that attended MCPI’s SPM Strategy Workshops, have submitted their SPM action plans.

In March 2009, MCPI invited around 40 MFIs to a workshop, with the end in view of evolving a “peer group” of SPM practitioners. Out of the 40, only 11 MFIs eventually signed the engagement letter indicating their commitment to integrate SPM in the next 12 months. These are the MFI members of the SPM PLC.

These numbers seem negligible (considering that there are an estimated 1,707 MFIs in the Philippines), but are also understandable since the SPM movement is in its early stages. Still, Ms. Joyas admits that even within MCPI, convincing all of its 38 members to integrate SPM is difficult. That is why they are pursuing strategic partnerships.

3. **How to continue building the capacity of MFIs and service providers.** MCPI has begun to train a number of SPM trainers and mentors; but as SPM becomes an industry standard, these trainers and mentors will be very much in demand. Technical service providers and support organizations, mentors, training institutes/universities, regional networks and individual consultants or consulting companies, need to develop their SPM knowledge to meet the needs of MFIs. At this point, however, there is but limited demand for consulting services on SPM.

There is also a need to build practitioner capacity. MFIs need to develop their own capacity, not only due to the cost of hiring external trainers, but also because SPM is an ongoing process that can take several months or even years to fully integrate into operations.

Clearly, it is important to document the ongoing SPM-related initiatives and practices of MFIs, in an effort to continue building the knowledge base with regard to social performance management.

⁴³ Response to questionnaire, Dec. 2009.

⁴⁴ Interview, Jan. 12, 2010.

CHALLENGES AND LEARNINGS



4. **How to promote transparency in social performance by getting industry-wide support for social performance reporting.** While there is an available platform for reporting social results, very few MFIs in the Philippines are submitting reports to the MIX Market. This is something that can be looked into by social investors, advocates, and practitioners alike. Perhaps, dialogues can be held to disseminate information on social performance reporting, or incentives can be given to encourage transparency.

At the level of the MFIs that are trying to integrate SPM, the following were identified as priority issues:

- Ensuring organizational “buy-in” or support for SPM at all levels of the organization;
- Mainstreaming SPM in organizational systems and operations;
- Gaining familiarity on appropriate tools available;
- How to communicate SPM effectively; and
- Building staff capacity for SPM.

EMERGING CHALLENGES IN SPM ADVOCACY AND PRACTICES

While gains abound, there remain a number of challenges in the promotion of SPM among microfinance stakeholders. At the industry or network level, the emerging challenges are as follows:

How to sustain interest in SPM. Not all MFI-participants to the SPM Strategy Workshops have proceeded to implement SPM within their organizations. Some have not been able to

complete their SPM action plans. There were also those who were able to develop plans, but for one reason or another, did not push through with implementation. There may be a need to re-visit these organizations, if only to understand why they did not push through with the plan to institutionalize SPM. It could be that they need some form of support to be able to move forward, as in the case of NATCCO's MICOOP Program (please refer to Box 5).

BOX 5. HOW TO MOVE SPM FORWARD: THE DILEMMA OF NATCCO-MICOOP

The National Confederation of Cooperatives in the Philippines (NATCCO) is the biggest federation of cooperatives in the country. It envisions itself as "the most trusted world-class financial cooperative network," whose mission is to "deliver superior, relevant, and ethical financial products and allied services anytime, anywhere." NATCCO launched the Microfinance Innovations in Cooperatives (MICOOP) Project in 2006, which offers a microfinance model to its co-op members.

MICOOP's interest in SPM was brought on through the prodding of its funders. As explained by Ms. Evelia Tizon, MICOOP Program Manager, "SPM is a new concept for us. We first heard about SPM in 2007, when CORDAID required us to attend the MCPI SPM training workshop." MCPI conducted the SPM Strategy Workshop at the NATCCO Office in November 2007. The workshop was attended by the MICOOP staff at the central office, as well as by the managers of the ten MICOOP branches that were being assisted by CORDAID and ICCO.

Social Goals, Not Part of VMG. "The MCPI workshop on SPM was an eye-opener for us," recalls Ms. Tizon. "We had always assumed that we were doing social development work. However, during the SPM workshop, we were astounded to learn that our social objectives have not been articulated in NATCCO's VMG. Our members are coops and we work with the poor. It was shocking for us to realize that our VMG—as presently stated—do not reflect our social mission."

It was a crucial stumbling block. According to Ms. Tizon, "The VMG defines NATCCO and we cannot just change it. So we did what we could within MICOOP: we adopted a Mission Statement that stressed our social objectives. We presented this to our then CEO and he approved it. We are the only unit within NATCCO with an expressly stated mission to help the poorest of the poor."

The MICOOP Program is now described in the NATCCO website as follows:

"MICOOP seeks to extend the reach of co-op microfinance services to the poorest of the poor who desire to engage in micro, small, and medium enterprises but have no access to formal lending institutions and/or are dependent on informal lenders who charge usurious loan rates."

The statement reflects MICOOP's mission of helping the poorest of the poor. In operational terms, this also translates to the selection of areas for branching out: MICOOP is being implemented based on a scheme whereby NATCCO enters into a partnership with a viable and qualified co-op to help the co-op put up new branches or satellite offices in areas of high poverty incidence. The co-op has the option to choose between the build-operate-adapt-transfer (BOAT) or the 50/50 partnership scheme.

Constraints. MICOOP faces several constraints in adopting SPM, the most significant of which is its lack of an institutional action plan. According to Ms. Tizon, "We were very much interested in SPM. Unfortunately, we were not able to finish our action plan during the SPM workshop, and when we returned to our offices, we became caught up in the day to day demands of our jobs."

The challenges facing MICOOP's microfinance operations also put its SPM efforts on hold. Ms. Tizon relates that they are now in the process of enforcing policies and procedures to standardize operations. "We have 62 MICOOP Branches," she says, "but before 2008, there were no uniform policies, which [lack] created a lot of internal control problems. Our priority in 2010 is to look at the rate of compliance to these policies. Since we are still in transition, embarking on SPM at this point would be very challenging."

RECOMMENDATIONS FROM STAKEHOLDERS

The recommendations listed below were generated from interviews with key stakeholders.

For MCPI, Support Organizations and Social Investors:

1. Continue to engage all stakeholders.
2. Support MFIs and other organizations that are institutionalizing SPM.
3. Come up with incentives for social performance reporting and tracking.
4. Monitor and document the SPM initiatives of MFIs.
5. Allocate resources for SPM advocacy.
6. Sustain efforts to develop and refine performance indicators and tools for SPM (like Oikocredit's initiative to do a social audit for a number of its MFI partners in 2010, using the SPI indicators).
7. Capacitate service providers (train more, learn more).
8. Continue to support venues for information exchange like the SPM PLC.
9. Pursue strategic partnership.
10. Come up with industry-wide studies and documentations of experiences, among others.

For MFIs and other microfinance service providers:

1. Go SPM: pursue double bottom lines. As Ms. Alip of CARD puts it: "SPM is the yin and yang of MFIs."
2. Spread the word: those integrating SPM should share their experiences and learnings to generate industry-wide support for SPM.
3. Ensure "buy in" of SPM at all levels of the organization, in order to facilitate the integration process. SPM must be owned by the whole organization, and not just by the management or the SPM team or focal person.
4. Build on what is in place. Systems can be integrated within the SPM framework: social performance monitoring need not be complicated or difficult. What is important is for MFIs to start somewhere. As shown by the seven MFIs interviewed, a review of the VMG goes a long way toward clarifying the MFI's social objectives and assessing the extent to which its operations are aligned with its social goals.
5. MIS and staff training are necessary: information must be processed systematically and used in management and operational decisions. That is the essence of SPM.
6. Document and share learnings. Building the knowledge base is crucial and will contribute to the development of industry-wide standards for SPM.

CONCLUSION

The experience of MFIs trying to integrate SPM into their operations demonstrates a positive link between financial performance and social performance. So far, voices from the field indicate that SPM could yield: (a) more appropriate products and services; (b) better client retention rates; (c) lower operational costs; (d) an enhanced reputation; (e) better trained and motivated staff; (f) stronger policies and procedures for human resources; and (g) more efficient operations.

There are various ways of doing these, and there is no one single correct approach that can be prescribed. The process would depend on the MFI involved. As Ms. Chona Sebastian, SPM trainer and MCPI consultant says, “SPM, as a change process, is organic to the institution.”⁴⁵ In institutionalizing SPM, MFIs need to consider their own unique context: mission, strategy, and business plan; available

resources, and organizational culture, among others.

SPM advocacy and practice in the Philippines are still in their infancy. Several challenges face advocates and practitioners, but what are crucial are for communication to continue, initiatives tried, and lessons learned. MCPI’s advocacy program is getting a much-needed boost from support organizations—MFIs and their networks, service providers, donors, social investors. They are sending a clear message that SPM is an important agenda for the microfinance industry.

As advocacy is a multi-stakeholder initiative, there is a need for all players to continue working together in building the knowledge base, generating interest from more microfinance practitioners and support institutions, developing tools, and putting mission first into action.



⁴⁵ Interview, Dec. 10, 2009.

ANNEX I

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ANNEX II

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