

SPM in Practice

CRECER (Bolivia)



Introduction

Founded in 1999, Crédito con Educación Rural (CRECER) is a Bolivian NGO whose mission is to *deliver integrated financial and non-financial services effectively and sustainably to poor women and their families in rural and marginal urban*

areas in order to support their autonomous actions in favour of the improvement of integrated health, the family economy and the exercise of citizen rights.

CRECER focuses on the poorest and most vulnerable communities, offering microfinance services to women in rural and peri-urban zones using a communal banking methodology. The methodology supports a savings culture, and three different kinds of loans are offered to clients according to their needs and capabilities. In 2005, it started offering an individual product to its most successful and long-standing clients.

CRECER also offers an integrated service which includes education modules in village bank management, integrated health care, business and financial skills and citizens rights. CRECER also facilitates access to different services through linkages with local providers. The services of CRECER are mobile, meaning that loan officers travel to the communal banks meetings in the communities to collect the loan payments and provide non financial services. Staff are based in local field offices, and deliver services in the local language.

CRECER is the fastest-growing MFI in Bolivia, growing in terms of client outreach, portfolio size and geographic coverage. Currently, CRECER serves over 95,000 active clients through nearly 7,000 communal banks.

Approach to managing social performance

CRECER began as a social development project aimed at poor women in rural areas, and has maintained this strong social focus throughout the years. Although the need to be financially sustainable has demanded an emphasis on institutional efficiency, CRECER's social mission has remained an integral part of its development.

At first, CRECER's social performance focus consisted of periodic client-level impact assessments to verify mission compliance. However, CRECER soon realised the importance not only of assessing impact, but of routinely understanding the needs and wants of clients. Thus CRECER began carrying out market research and client satisfaction surveys, the results of which informed decisions on adjustments to products and services, internal procedures, and staff training. CRECER is currently consolidating its client assessment activities into a 'performance management system', which uses routine monitoring and follow-up research to track and understand:

- Financial performance and sustainability
- Outreach to target clients
- Quality of products and services
- Financial capability of village bank clients
- Changes in clients' knowledge/practices
- Life conditions of clients and their families.

Focus on key issues

Social performance management (SPM) is an institutionalised process of translating an MFI's mission into practice. It involves setting clear social goals and objectives, developing a strategy to achieve these, monitoring progress, and using this information to improve performance and aligning organisational systems to the social mission. This section looks in detail at the key elements of CRECER's SPM system.

Strategy to achieve social objectives

To manage its social performance, an MFI must be clear about what it seeks to achieve (its goals), have operational objectives to manage against, and a clear strategy to achieve these. The case of CRECER is interesting because it has developed a clear strategy to achieve its social goals.

Responsible sustainable social entrepreneurship

CRECER understands that social and financial performance generate synergies which are beneficial both to clients and to institutional sustainability. For example, maintaining a competitive position within the marketplace ensures the permanence of the institution as well as the supply of its services. On the other hand, achieving its social mission allows the organisation to be socially sustainable as well as to contribute to strong financial performance.

In this way, CRECER has oriented its strategic plan towards the concept of *responsible and sustainable social entrepreneurship*. The organisation's goals reflect this 'double bottom-line' approach. These are to:

- Provide diverse financial services adapted to the realities of rural and marginal urban families, thus contributing to their capacity to generate income and savings
- Offer innovative non-financial services to support and improve existing practices in health, business skills, family economy and the exercise of citizen rights, and;
- Become a leading entity in social entrepreneurship which has strengthened its organisational management and maintains its financial sustainability.

Based on these goals, CRECER has integrated its social goals into all its strategic and operational documents. The organisation has also taken steps to ensure that social performance forms a

key part of organisational culture — through consistent and supportive communication from the assembly, board of directors and long-term staff members.

Meeting client needs through integrated services

A key part of achieving this strategy is an approach which integrates financial and non-financial services. CRECER understands poverty not only as a lack of money, but also as a lack of access to educational opportunities, adequate health care facilities, economic resources and other elements which affect quality of life. Integrating credit and education into one intervention, rather than offering them in parallel, is key to the cost-effectiveness of providing these services to their target population.

Strategic linkages with local service providers also form an important part of this approach. Last year CRECER was engaged in 48 different partnerships across its operational areas with entities working in health care, citizens rights, business development, alcoholism prevention, and legal documentation. These linkages allow CRECER to create synergies between meeting a broader range of client needs and focusing on direct provision of a small range of services.

Challenges ahead

In relation to its SPM strategy, CRECER faces a number of challenges in the future. Firstly, CRECER needs to define specific objectives in relation to its social goals, and integrate these throughout strategic and operational planning processes. Secondly, CRECER needs to ensure outreach to its target population. Despite using geographic targeting to select outreach areas, current client group formation prioritises ability to repay over poverty level.

Formalising socially-responsible practice

Social performance relates to who an organisation can serve, how it serves them, and the benefits of these services. It also relates to the way in which an organisation works in terms of its relationship with clients, staff and community, and its impact on the environment.

Currently, CRECER is developing a formal social responsibility code. However, it is important to note that the organisation already has institutional policies and principles in place which address consumer protection, social responsibility with regards to staff, and in relation to the communities served. These include:

Client protection

- Policy towards honesty, transparency, quality and warmth in services offered
- Respect for the cultural practices of clients

- Policies to ensure against client over-indebtedness
- Provision of receipts to clients for all financial transactions
- Providing financial services at the lowest possible cost (including a recent lowering of interest rates, as described later).

Responsibility towards staff

- Non-discriminatory human resources policies
- Staff development opportunities
- Fair remunerations packages.

Responsibility towards community

- Institutional commitment to rural, under-served and poor communities
- Respect for laws and public policies
- Carrying out community educational fairs
- Agreements with local authorities to provide services.

Monitoring and assessing progress towards social goals

An MFI needs reliable and timely information in order to track, understand and manage its progress towards social objectives. An information system needs to collect both routine monitoring and follow-up information, and communicate this effectively to the MFI's different stakeholders. CRECER benefits from a sophisticated computerised management information system (MIS) which allows it to track its social and financial performance.

The strengthening of SPM within CRECER has included participation in the Ford-CGAP social indicators project. Specifically, this has included applying a client impact monitoring tool which uses a mini-survey to track income, food security, preventative healthcare and other well-being indicators. Through yearly information collection from a sample of clients over a three-year period, CRECER was able to focus on only the most cost-effective indicators.

External and internal follow-up assessments also enable CRECER to understand its progress towards its social goals. In the past, external impact assessment and market research studies have been conducted on client loyalty, default, client exit and client use of services. Internal studies have focused on client satisfaction and needs for educational services.

Historically, the combination of routine monitoring data and follow-up studies has allowed CRECER to:

- Establish a baseline to facilitate future improvement of products and services
- Adjust intervention strategies in the credit with education component
- Design new products and services in response to identified needs
- Adjust internal systems to maintain a balance between social and financial performance

Challenges ahead

A number of key challenges, however, remain. These include defining objectives and targets for change at the client level, which will happen in

future as a function of the baseline. Secondly, and perhaps more importantly, is to integrate an information feedback loop within the

organisation, so that all levels are involved in collecting and using social performance information to improve performance.

Using information to improve performance: 'Cheaper loans and better services for clients'

The core of SPM is using information to improve performance. Decision-making at all levels of the organisation needs to be based on a balance between both social and financial performance information. MFIs use information to track social performance against targets, create early warning systems, segment their portfolio, monitor product and service use, and generate baseline information for in-depth research. The case of CRECER highlights decisions taken which balance social and financial priorities.

In terms of adjusting product and service design, CRECER uses a decision-making matrix which emphasises social, financial and strategic concerns (see Table two). An important example of how this matrix works in practice can be seen in the recent decision to adjust its core credit with education product.

A key concern for CRECER in this situation was how to better meet the needs and wants of its clients without sacrificing its competitive market position. Two issues were important here: on the one hand, CRECER's board and management wanted to 'give back' to clients as much as possible. On the other hand, feedback from clients through impact assessments, market studies, and client needs assessments identified the need to improve services.

To balance these needs, a two-pronged strategy was followed: the reduction of interest rates of the credit with education product, and adapting it to better meet the needs of target clients. Key to the success of the strategy was the ability to leverage efficiency gains and portfolio growth (based on better and more affordable services) in order to maintain CRECER's financial performance. In total, the interest rate on the credit with education product fell from 3.5 to 2 per cent. However, the reduction was phased in gradually to allow for a periodic review of financial performance.

The parallel strategy for improving the credit with education product was known as 'flexibilisation', meaning that clients could choose product characteristics that most closely fit their needs and capacities. Thus, in the case of credit, clients were given more options with respect to different terms and repayment frequencies, so as to make the loan more appropriate for the different market segments CRECER works with, in both rural and urban areas.

Similarly, in the case of the education component, flexibilisation meant that non-financial services took into account client demand, geographical distribution, age group, level of schooling, etc. Other non-financial services were also made more flexible, allowing each branch office to design and implement products and services according to the reality and demands of their own clients.

Table two: CRECER's decision-making matrix

Social concerns	Financial concerns	Strategic concerns
<ul style="list-style-type: none"> • Giving back benefits to the client • Meeting client needs • Servicing more clients in less-serviced locations • Measuring changes generated in the lives of clients • Caring for our human resources 	<ul style="list-style-type: none"> • Maintaining competitive financial performance • Generating economies of scale • Improving efficiency and productivity • Cheaper money for the poorest 	<ul style="list-style-type: none"> • Leading the microfinance market • Compliance` with the vision and mission • Mandate of the Assembly and Board • Complementing social and financial performance

As a result of the flexibilisation, CRECER saw a greater growth of its loan portfolio due to a higher client satisfaction, demand for higher credit amounts, and demand from new clients. These changes also improved client loyalty, with clients tending to have a longer relationship with the institution.

Thus, by focusing on its social goals, CRECER was able to generate growth in client numbers and portfolio size that allowed it to develop economies of scale which offset the interest rate reductions. The aim is ultimately to

strengthen its position within the marketplace, and further follow-up research will verify if the strategy has achieved this end.

Challenges ahead

Whilst CRECER has not yet incorporated systematic social performance monitoring data into its decision-making, the matrix above has allowed it to take decisions based on its core organisational concerns. A key challenge for the future, however, as its SPM system develops, will be to move from value-based decision-making to information-based decision-making at all levels of the organisation.

Aligning services to client needs: developing a health-care package

CRECER's field agents realised through daily interaction with clients that they needed improved medical services. This informal feedback was verified through research which revealed that over 75 per cent of clients interviewed and/or a family member suffered from chronic illnesses. These and other health emergencies prove to be big challenge, as they often force clients to suspend loan repayments or reduce their business activities (or both).

Based on this, CRECER decided to develop a health protection package which would both improve the well-being of clients and their financial sustainability, as well as contribute to the financial sustainability of the organisation.

The development of this service package was based upon the participation of stakeholders at all levels of the organisation: clients, operations staff, technical staff, management, directors, and linkages with Freedom from Hunger, an international partner of CRECER. The starting point was a market study to assess the demand for health protection services amongst clients.

The study focused on understanding the health challenges faced by clients, levels of knowledge with regards to disease prevention, uses of health protection, and needs and preferences for services. CRECER also carried out focus group discussions with its credit and education officers to further understand

challenges faced by clients, and interviewed local service providers which integrate the areas of microfinance and health.

Based on this study, client needs for services were identified, including: information about health protection issues, the ability to access quality health services, and finally access to financial resources to pay for expenditure related to health. In response to these needs, CRECER designed a services package which includes health education training, credit products designed to address health emergencies, and links to local health services providers to address client needs.

Prior to launch, the package was evaluated at different levels of the organisation:

- At the operational level, the package was evaluated in terms of how it could be adapted to current processes and procedures, as well as how easily it could be incorporated into daily operations.
- At the client level, the 'added value' to clients was considered in terms of how well the package met their needs, and whether the package would benefit the institution in terms of outreach, portfolio growth and client satisfaction.

At the managerial level and board level, the focus was on how well the service package enabled CRECER to balance social and financial priorities, provide innovative services and create an impact in the lives of clients.

Table three: Operational performance at a glance

	Dec 2006	Dec 2005	Dec 2004	Dec 2003
Gross loan portfolio (\$K)	23,171	15,942	8,898	7,025
Savings	0	0	0	0
OSS%	157.55%	136.76%	129.86%	136.10%
PAR > 30 days (%)	0.73%	0.44%	0.41%	0.38%
Staff	292	280	224	177
Clients (K)	88	74	56	45

Conclusions and lessons learnt

One of the most important lessons learnt by CRECER in recent years relates to how their social performance focus has evolved. An initial preoccupation with measuring the impact of their services on the lives of clients meant that the importance of understanding client needs and wants was overlooked. Having developed their information system to include information on client satisfaction and retention, CRECER is now in a much better position to react to client needs in a timely manner by adjusting services.



SPM in Practice aims to capture good practice and lessons learnt emerging from the *Imp-Act* Consortium Global Learning Programme on social performance management (SPM), a two-year project which seeks to gather evidence of effective SPM and understand its organisational value.

This summary is based upon a longer case study of CRECER written by M. A. Patricia Claire Martinez.

Seven microfinance institutions (MFIs) are involved in the global learning programme:

AMK (Cambodia)
CRECER (Bolivia)
FONKOZE (Haiti)
NTWF (Philippines)
PRIZMA (Bosnia)
Pro Mujer (Bolivia)
SEF (South Africa)

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CRECER's deliberate focus on its social performance has also led it to believe that good social performance facilitates improved financial performance. Whilst this has been anecdotally demonstrated by the results obtained by improvements to services and adjustments to internal processes, the challenge remains to document the financial outcomes of social performance management at CRECER.

CRECER has identified several challenges which it must overcome, including:

- Awareness-raising at all levels around strategy for social performance management
- Incorporating SPM into the its strategic and annual operational plans
- Definition and systematisation of verifiable client-level social indicators into all internal processes, such as client intake forms
- Definition of client exit within CRECER, and segmenting exit data for improved analysis
- Strengthening information feedback loop at all organisational levels, including identifying the need for social performance information at each level
- Integrating ongoing social performance monitoring information into decision-making
- Enabling decision-making at all operational levels to improve performance towards social objectives
- Linking SPM to financial performance to ensure cost-effectiveness
- To develop a package of routine social performance reports and internalise their use at different levels of the organisation.