

Managing Social Performance

CRECER (Bolivia)

Introduction



Crédito con Educación Rural

Originating from a social development programme started by the US NGO Freedom from Hunger, Crédito Con Educación Rural (CRECER) was founded as a Bolivian NGO in 1999.

CRECER works with women in the poorest and most vulnerable communities in rural and peri-urban zones 'to provide, with excellence and quality, integrated financial and development services, to improve the quality of life of our clients and their families'. CRECER works with a village bank methodology ('credit associations'), facilitating savings and offering three different types of loans to clients, according to their needs and capabilities, including an individual product for its most successful and long-standing clients. CRECER's strength in social performance management has been recognised as a level 4 rating.

CRECER's loan officers travel to the village bank meetings, and the same field staff also provide non-financial services, including education modules in village bank management, healthcare awareness, business and financial skills and citizens' rights. CRECER also facilitates access to different services through linkages with local providers, including health referral services.

Bolivia is the second poorest country in Latin America, with 63 per cent of the population living below the poverty line in 2005; it is also one of the most unequal countries on the continent, with rural areas in particular lacking healthcare and basic necessities. After a decade

of moderate economic growth, the broader political and economic climate is now more challenging, with increased political conflict in 2009, and inflation and unemployment on the rise as a result of the global economic crisis and the government's economic policies. This has also led to mass migration of Bolivians to other countries. However, since 2005, with the new government of Evo Morales, the political and economic conditions of Bolivia have become more stable and the financial sector is solid. The new government gives strong political support to the productive sector, including financial support.

The microfinance sector in Bolivia is the most mature in Latin America and is characterised by considerable competition. Amongst both regulated and unregulated Microfinance (MFIs), CRECER operates in 175 of Bolivia's 327 municipalities, across all nine of the country's departments. It has been operationally self-sufficient since 2001 (see Table 1). With an average outstanding loan of US\$343, one of the lowest in the country, CRECER is also the fastest-growing MFI in Bolivia, growing in terms of client outreach, portfolio size and geographic coverage.

Competition for CRECER is also growing, with a considerable variety of different microfinance programmes on offer, and saturation in urban and the most densely populated rural areas. CRECER has responded to this by prioritising its work in remote rural areas, which makes sense not only in terms of poverty outreach but also because competition is lower. Furthermore, CRECER has been able to cross-subsidise its operations, with financial sustainability in older, urban and peri-urban branches being able to

cover the higher costs of serving clients in more remote areas.

In 2008, a change in national legislation required all microfinance NGOs to become regulated, complying with standards regarding organisational structure, information management, systems for capturing savings, and other requirements. Whilst these newly regulated entities are required from now on to provide only financial services, CRECER has succeeded in convincing the regulatory body that NGOs such as themselves should become regulated while keeping both their financial and non-financial roles – reasoning that division is impossible. Indeed, at every level, financial and non-financial services are integrated, and it is the same person who delivers both services. This change in regulation will allow CRECER to accept savings deposits from clients, but has also meant that much of its institutional focus over 2008 has been towards gearing up for regulation, with progress on the social performance management front temporarily left aside until early 2009.

mission has remained an integral part of its development, supported notably by strong strategic planning that balances financial and social objectives. An example of this was its strategy of 'cheaper loans and better services', consisting of reducing the interest rates attached to the credit with education product to better meet the needs of its target clients, at the same time as enhancing product flexibility to allow clients to choose product characteristics that most closely fit their needs (e.g. with respect to terms and repayment frequencies). This strategy brought about greater growth of CRECER's loan portfolio, higher client satisfaction, demand for higher loan amounts, improved client loyalty, and new clients.

CRECER moved from an initial focus on client-level impact assessments, to wanting to also understand the needs of its clients through market research and client satisfaction surveys. It then consolidated its client assessment activities into a 'performance management system' which uses routine monitoring and follow-up research to track and understand:

Table 1: Financial Performance at CRECER

	2004	2005	Dec 06	2007	2008	2009
Number of clients	55,609	74,003	88,515	94,744	96,185	100,411
Number of communal banks	3,421	4,673	5,699	6,491	7,364	8,141
Number of loan officers	124	149	148	179	209	234
Portfolio (total amount) in US\$	8,901,000	15,942,000	23,171,494	27,399,789	37,410,335	41,315,385
Operational self-sufficiency %	132.06%	125.96%	137.13%	132.06%	115.0%	
Financial self-sufficiency %	114.34%	108.09%	115.29%	114.34%	107.4%	
PAR¹ >30 days %			0.91	1.56	1.01	1.36

Approach to managing social performance

Social Performance Management (SPM) is an institutionalised process of translating an MFI's mission into practice. This involves setting clear social goals and objectives, developing a strategy to achieve these, monitoring progress, and using this information to improve performance and align organisational systems to the social mission.

CRECER was born as a social development project aimed at poor women in rural areas, and its strong social focus has been maintained throughout the years. Its need to be financially sustainable has demanded an emphasis on institutional efficiency, but CRECER's social

- financial performance and sustainability;
- outreach to target clients;
- quality of products and services;
- financial capability of village bank clients;
- changes in clients' knowledge/practices;
- living conditions of clients and their families.

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.

CRECER has for some time had a clear strategy to achieve its social goals, based on (1) meeting clients' needs through integrated services, and (2) the concept of responsible and sustainable

¹ – Portfolio at risk

social entrepreneurship. It has also recently stressed its focus on empowering its clients and their families.

CRECER understands poverty not only as a lack of money, but also as a lack of access to educational opportunities, adequate healthcare facilities, economic resources and other elements that affect quality of life. The integration of financial services and education into one intervention is key to the cost-effectiveness of providing these services to CRECER's target population. Strategic linkages with a large number of local service providers also form an important part of this approach, as they allow CRECER to create synergies between meeting a broader range of client needs and focusing on direct provision of a small range of services.

Furthermore, CRECER has long understood that a focus on both social and financial performance generates synergies that are beneficial both to clients and to institutional sustainability. CRECER has been strategically oriented towards the concept of responsible and sustainable social entrepreneurship, with its goals reflecting its 'double bottom line' approach.

Social Performance Management in practice

Strategic performance review

Within the context of the new challenges linked to regulation and competition, and aware that its social targets were 'assumed' rather than explicit and derived from its strategic objectives, CRECER undertook a 'strategic performance review' of its own strengths and weaknesses in 2008. As a result of this review, it has:

Revisited its mission statement

CRECER's mission statement has been pared down to reflect the organisation's broad social goals. The terms 'poor' and 'rural' have been removed, but these remain articulated in the elaboration of target clients. The focus on women is maintained.

Integrated SPM into the strategic plan

Using the 'balanced scorecard' management tool, CRECER has formally integrated SPM into its functioning. The balanced scorecard incorporates social performance alongside five other overall perspectives (financial, clients, internal processes, learning and growth).

According to the new strategic plan, SPM is fundamental to the achievement of institutional objectives, especially in terms of its day-to-day actions. CRECER sees SPM as a coordinated series of actions which will allow them to (1) provide services to a growing number of poor and excluded people, (2) improve the quality and appropriateness of integrated services for clients, and (3) provide a range of mechanisms to ensure social responsibility to clients, their communities and CRECER's staff. An employee was hired to be in charge of the SPM agenda.

Broadly, in terms of operationalising the new strategic plan in the next three years, CRECER will be focusing on defining their target market, on gathering information on client-level impact, satisfaction and retention, and on integrating social performance into institutional strengthening and learning processes. The importance of deliberately and formally integrating SPM into CRECER's strategic planning thus lies not only in accomplishing its social mission, but also in realising the potential market advantage in doing so.

Developed SMART objectives

Through a participatory exercise with all levels of staff CRECER has started to define social goals and SMART objectives in line with its new mission – in terms of client outreach, satisfaction of their needs, and change to their lives. SMART objectives relating to social responsibility have also been developed, for responding to client complaints, setting targets for proportions of female staff (at field and managerial levels), and other human resources issues such as turnover, staff training and promotion.

Information system

Tracking, understanding and reporting on whether an MFI is achieving its social objectives is a key SPM principle. An MFI that manages its SP is more effective at reaching its target market, delivering appropriate services and creating positive changes for its clients.

CRECER has for some time had a relatively sophisticated computerised management information system (MIS) with the capacity to track its social and financial performance. CRECER has identified cost-effective indicators for routine monitoring, and external and internal follow-up assessments also enabled CRECER

to understand its progress towards its social goals. CRECER is in the process of fine-tuning its information system to maximise its potential in terms of providing reliable and useful information.

In practice, the use of social performance information remains sporadic, and where information is available, it is not used to its full potential. CRECER does have access to regular client information sources, in the form of periodic educational needs studies, client satisfaction studies, and impact studies. However: (1) this information is derived from biannual evaluations and is not specifically related to SPM; (2) they are external studies and their results are therefore not being internally 'appropriated'; (3) the indicators used in these studies are not specifically aligned with the institution's social indicators, but are instead proposed by the external evaluators; (4) full use does not seem to be made of the information available, either in terms of information feedback within the institution or in terms of its use for decision-making, because of the sheer volume of data delivered by these studies; (5) these studies are mainly driven externally by donors and investors; (6) finally, the studies have clearly not been fully integrated within the institution as they are not mentioned within the Strategic and Operating Plans. These all remain key challenges for CRECER if it is to effectively manage its social performance.

An example of partial use of information is that CRECER occasionally carries out segmentation of its client information based on data from the MIS. However, this is not a regular and institutionalised practice, and it does not compare social performance data according to client characteristics such as activity, gender, poverty level, etc. in order to understand

differences in client needs and capacities, or to track client information for early warning systems. Management is aware that this is a significant weakness which should hopefully be corrected by the creation of a specific internal SPM unit. Also, while the MIS does have the capacity to generate these segmented reports, CRECER needs to bring on board the necessary qualified human resources.

Aligning systems to social goals

All aspects of an MFI's operations affect whether it achieves its social goals, including marketing, recruitment, staff training, incentives, organisational culture and Board composition. Deliberately aligning business processes to achieve both social and financial objectives is a key SPM principle.

A key area of progress for CRECER has been aligning systems with its social goals. Interesting features include the way it plans to strengthen SPM within its organisational culture, as well as the formal and informal mechanisms that it has used to make up for lack of SPM systems.

Organisational culture

CRECER's institutional culture, which has been forged since the inception and has been strengthened through the years, is a factor that has allowed a vision of social and financial performance as complementary elements. Over the last three years, the organisation has nonetheless been taking steps to ensure that social performance forms a key part of the organisational culture – through consistent and supportive communication from the Assembly, Board of Directors and long-term staff (see Box 1). At the beginning, a process to train the Board and staff at all levels in SPM was undertaken by an external consultant. This was the first time that staff at all levels were trained

Box 1: Making the organisational culture SPM-aware

CRECER's new mission was developed with a specific communication plan. The dissemination of the mission and social objectives is formally carried out through printed and visual materials.

A key issue that CRECER recognises is that although the Board and managers do transmit this social focus to staff, they also still prioritise financial results. A positive note is that CRECER has formally assigned responsibilities to different actors within the organisational structure for monitoring progress in aligning systems with social performance – in this case both the internal communication system and the transmission of mission and social objectives are to be monitored by the General Manager's office.

¹ S – Specific; M – Measurable; A – Achievable; R – Relevant; T – Timebound

in SPM, and the first time that the theme was discussed widely in the organisation. Since 2010, staff at all levels (in all branch offices) will be trained and updated periodically in assessment and monitoring SP methodologies by the intern unit created to manage the SP agenda.

Improving alignment of management systems

CRECER has made some progress in aligning some of its managerial systems with its social goals.

Incentives and salaries

Previously, the field staff incentive system rewarded the coverage of distant and less-served places, the size of the portfolio, the number of members served, and the quality and warmth of the service delivery. The system has now been adjusted to include social indicators and these are weighted equally with financial indicators. Furthermore, salaries of staff involved with financial duties and social duties have been equalised.

Staff recruitment and induction

Management had identified weakening teamwork and 'team spirit' within the organisation. This was in part due to pressures of growth, as well as the need to improve a number of human resources mechanisms – hiring, induction, remuneration, training, career development, and incentive systems. In terms of staff recruitment, the organisation has developed a number of tools and indicators to evaluate the 'social buy-in' of those applying to work at CRECER, to hire more socially focused staff and reduce the dropout rate of new staff. Recruitment processes now include psychometric tests that investigate values of benevolence, solidarity and social sensitivity. There is also a use of group dynamics and interviews broaching various subjects, and social values are now placed on an equal footing with other capacities in the selection of staff. The induction of new field staff equally comprises a process of transmission of CRECER's mission and values. A strengthened focus on gender, with a marked preference for hiring women, has in practice raised the percentage of women staff. Efforts are also made to hire staff from similar areas and backgrounds as clients, in order to enhance client understanding within the staff body.

Organisational structure

CRECER had identified a number of problems with its organisational structure. Inefficient and ineffective performance was seen to stem from an overly complex organisational structure for planning, management, monitoring and evaluation. Obstacles and bottlenecks were daily problems, hindering the free flow of decisions and actions between products, operations and systems, as well as obstructing communication and coordination between different organisational levels. This was upsetting the necessary balance between 'methodology, pragmatism and control'.

Furthermore, the national coordinators pinpointed a lack of continuous SPM focus coming from the management level, in part because the need to address pressing regulation issues has pushed aside all other considerations. Turnover in management, and the lack of a designated SPM unit, were also highlighted as problems.

In response to these issues, CRECER is currently designing a new structure, which will help to streamline operations, avoid bottlenecks and unnecessary complexity in internal communication, and as the first step, CRECER has formed the research and SP unit.

Internal audit

CRECER's senior management and Board had warned that the internal control, standardisation and monitoring processes were weak, as a result of the sustained and rapid growth undergone by the institution. This was found to be a critical issue and was followed up by an overhaul of the internal audit processes, and relevant training. The internal audit function will now not only oversee financial performance, but also fulfilment of the qualitative social aspects now included in the Strategic Plan.

Decision-making

Ensuring that decision-making considers both social and financial outcomes is a key SPM principle. Awareness of the social and financial consequences of decisions leads to better overall performance management.

CRECER's impact and exit studies, as well as information derived from external studies, have

recently allowed it to take a number of decisions related to new or adjusted services, to better meet client needs. Box 2 details three examples.

- geographical targeting and an incentives system which promotes serving distant geographic areas;

Box 2: New or adjusted services to meet client needs

A health loan

A health loan has been piloted, based on the finding from exit studies that many clients were leaving due to high medical costs. Under the pilot, there are health loans of US\$50 to US\$1,000 with repayment terms of 6–36 months, depending on individual repayment capacity. Credit is available both for treatment and for check-ups (preventive health), and CRECER is putting a system in place to link up with local health centres, and ensure quality treatment at low cost for its clients.

Avoiding over-indebtedness

CRECER actively seeks to protect its clients from over-indebtedness, through: (1) verification in the sector's credit bureau; (2) evaluation of clients by the group; (3) monitoring of payments history; and (4) scaled loan amounts. Findings revealed a high proportion of clients (nearly half) were accessing other microfinance providers. From June 2007 onwards, CRECER established a new set of more strict requirements for accessing credit to avoid over-burdening its clients. These include: (1) obligation to have an identity card; (2) age limits set for clients; (3) debt limits based on information from the national supervisory body.

Solidarity micro-insurance for clients

Based on a study of the insurance needs of its clientele, CRECER started implementing micro-insurance from 2008. This decision was made in line with social values and CRECER thus opted for solidarity micro-insurance, including a death insurance, and an accident insurance. CRECER covers the cost of these loans through a formal agreement with an insurance company, and also provides training to its clients on these insurance products. It is currently also designing a health and pensions micro-insurance product.

Despite these changes, the institution has not yet succeeded in fully institutionalising the use of SPM information for its operational decisions. Decision-making continues to be primarily values-driven rather than driven by social performance information, as relevant social information is often not available. When relevant information is available, for example in client impact studies or from the MIS, it is fed directly into decision-making.

CRECER's case is interesting in that it calls on a number of formal and informal mechanisms to make up for the lack of social performance management systems (which are currently in construction):

Formal mechanisms include:

- the communal bank methodology and the integrated service provision focus;
- the Strategic Plan and the transmission of social values, which remain the guiding influence in decision-making;
- the recruitment of personnel with the right socially aware profile and their alignment with cultural values from the working areas, particularly at field level;

- impact studies and other studies carried out by external evaluators;
- maintaining the average loan size to a level that is among the lowest in the national microfinance context.

Its informal mechanisms include:

- observations of personnel;
- transmission of institutional culture.

Future

CRECER's strengths lie in its strong commitment to balancing financial and social objectives, its extensive geographical coverage and rural outreach with cross-subsidisation between branches, and its concept of poverty beyond income, reflected in its integrated provision of financial and non-financial services and effective and widespread development linkages. It has also made good use of research and responds to varying client needs with flexibility and new products, and is now well on the way to building an effective SPM system.

A number of issues remain for CRECER to tackle, as detailed below.

Greater clarity on target clients, and measuring depth of outreach

CRECER's poverty targeting relies on geographic targeting of poor rural and marginal urban areas. While the majority of staff share the same concept of the organisation's target population, in practice the selection of the target population prioritises financial attributes over social ones. Field staff do not have an indicator for evaluating the level of poverty of the members served or a clear way of measuring whether or not they are reaching the target population. This generates a discrepancy between the ideal CRECER target population and the actual population reached. The geographic definition permits rural and poor peri-urban zones to be prioritised, minimising the possibility of reaching a non-poor population, but not ensuring that the organisation is working with the poorest people in each place. Traditionally, CRECER has relied on external evaluations to confirm the successful outreach to target clientele; it is more recent studies such as the Social Rating that have suggested that CRECER is distancing itself from its target group in order to deepen urban and peri-urban outreach. A key issue is therefore for CRECER to now start measuring its depth of outreach, in order to assess whether it is indeed risking mission drift.

Taking further steps for systems alignment

The Strategic Plan for 2009–2011 has a 'call to action', including a number of positive changes and further steps, in terms of further aligning CRECER's systems to its social performance.

Creating credit with education champions

– reaffirming CRECER's distinctive approach to poverty eradication through integrated financial and development services, thereby eliminating any uncertainty surrounding the *raison d'être* of educational and training services within the organisation.

Being open to change and learning as institutional advantages - affirming a 'vocation for innovation' in applying new management tools, operational and administrative practices, and service design and delivery for clients.

Working for the development of women and their families, in a better quality of life – affirming a 'vocation for innovation' in applying new management tools, operational and administrative practices, and service design and delivery for clients.



The Managing Social Performance series captures good practice and lessons learnt from the *Imp-Act* Consortium Global Learning Programme on social performance management. The two-year programme involved seven organisations that strive for **balanced performance management**, making decisions based on an understanding of both social and financial outcomes.

This summary is based upon a longer case study of CRECER written by Patricia Claire with the report prepared by Katherine Knotts and Irina Aliaga.

Seven microfinance institutions are profiled in this series:

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

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See two of the Microfinance Institutions presenting their work in the film Fulfilling the Promise: Managing Social Performance.
<http://www.youtube.com/watch?v=WKesX9KJ-9M&feature=related>