

USER REVIEW: PLANET RATING SOCIAL PERFORMANCE RATING

Contents	
Background	1
Tool Description	2
What the Review Team Says	2
User Review	3
Appendix 1: Comparative Review Matrix	7
Appendix 2: Tool Outputs and Requirements	8
Appendix 3: Terms and Scoring Glossary	9

BACKGROUND

About *User Reviews*

User Reviews are evaluations of social performance assessment tools (SPTs) by MFIs that have used them. These “peer” evaluations are specifically intended for potential users of the tools. (See appendix 3 for a glossary of terms and the scoring methodology used in the reviews). Originally, *User Reviews* were meant to include the opinions of a broader range of users, including investors, donors, and network organizations. In practice, however, the user group with the greatest experience with SPTs are MFIs. Therefore, this first round of *User Reviews* mostly reflect their opinions. As the market for SPTs develops, future *User Reviews* will incorporate the opinion of non-MFI users as well.

The *User Reviews* series is funded by the Ford Foundation and managed by Alternative Credit Technologies, LLC. The series is also supported by CGAP, which provided inputs on the project methodology and reviewed the final reports.

Methodology

A team of practitioners, academics, investors, donors, and microfinance specialists designed the review methodology. Because many SPTs are at different levels of development and implementation, standardized selection criteria were used to select tools for which sufficient information could be gathered. Review teams, consisting of consultants with expertise in microfinance, social performance, consumer protection, and client/market research, carried out on- and off-site interviews with MFI users of each tool in at least two regions of the world.

All reviews detail the characteristics of the MFIs that were interviewed, enabling readers to determine whether these users were similar to their own institutions (see bottom of p. 4). MFI staff were surveyed anonymously to encourage frank responses and avoid conflicts of interest, given that certain participating MFIs had ongoing business relationships with the tool developers, the donors that underwrote the series, or other organizations with a vested interest in the project.

Social Performance Tools: Works in Progress

Social performance (SP) is a dynamic field within microfinance. Social performance tools and the market for them have developed rapidly and will continue to do so. The *User Reviews* capture basic differences in existing tools, which are still evolving.

All tool developers who participated in the *User Reviews* did so knowing that evaluators were not reviewing static products or processes. Nevertheless, they agreed that the exercise would give them valuable user feedback. For more information on social performance assessment, including comparisons of various SPTs, as well as updated user comments on this tool and other *User Reviews*, go to the Social Performance link in the Hot Topics section of the Microfinance Gateway:

<http://www.microfinancegateway.org/p/site/m/template.rc/1.11.48260/>

DEVELOPER'S DESCRIPTION OF TOOL

Planet Rating's social performance ratings are designed to provide an opinion on "the capacity of an MFI to achieve its social goals." Specifically, the tool was designed to rate the institution in three general areas: Institutionalization of the social mission; targeting and product offering; Social Responsibility (towards clients, staff, the community and the environment.)

These areas are evaluated by reviewing

1. *Intentions: clarity and consistency*
 - clarity and visibility of intentions (translated into clear and binding documents)
 - relevancy for the given MFI's context and maturity
 - consistency of main decisions with stated goals and intentions
2. *Implementation: efficiency*
 - efficiency of processes
 - availability of necessary resources
 - integration of processes into the control/audit/verification cycle
3. *Results: benchmarks*
 - reliability of indicators
 - comparison with national and/or international microfinance benchmarks
 - comparison with internationally approved corporate social responsibility objectives (i.e., MDGs, or those of the ILO, Global Compact, U.N. Charter)

Planet Rating's Social Performance Rating is based on an audit of an institution's social performance management systems and relies on social accounts available at the MFI level, together with secondary data about the country's social and economic environment. Social performance outcome measurements, when available at the MFI level, are checked for reliability and integrated into the rating report.

Outputs

Planet Rating offers a stand-alone social rating, but typically MFIs request a social rating along with a financial rating. All MFIs interviewed for this *User Review* commissioned a social rating in conjunction with a financial rating. Planet Rating's social performance rating report is typically 10–15 pages. It uses a rating on a scale of 1 to 5, an analysis of an MFI's social performance, and a trend table of social performance indicators. MFIs lacking outcome data cannot receive a rating higher than 3.

Contact information: http://www.planetrating.com/EN/rating_performance.php

Sample Report: http://www.planetrating.com/ratings/PlanetRating_PrismaSocial%20050308_EN.pdf

WHAT THE REVIEW TEAM SAYS. . .

Planet Rating's social rating is appropriate for users seeking an independent, graded review of an MFI's commitment to social goals, as well as its social performance risks, results, and management capacity. The Planet Rating social rating report is concise, yet contains detailed information and analysis on an MFI's performance in each of the SP dimensions covered. SP risks are highlighted for each area and select SP indicators are compared to national and regional benchmarks. Findings are based on information available at an MFI at the time of the rating.

Planet Rating dedicates a separate team member to conduct its social rating when it is conducted simultaneously with a financial rating. Price discounts are available for MFIs who receive both ratings. The pre-rating process is well organized and communicated; consultants were praised for their professionalism and knowledge of SP. Both the on-site visit and the report finalization process were generally efficient and effective: results were usually available within 2 months

A Planet Rating social rating is not appropriate for users who want a field-level survey as part of a social rating, as it does not incorporate such a survey. Where available, the reliability of field-level surveys and outreach information are checked and integrated into the rating report.

**PLANET RATING
SOCIAL PERFORMANCE RATING
TYPE OF TOOL: SOCIAL RATING
DATE OF REVIEW: JULY 31, 2009**

Summary of user comments: Planet Rating’s social rating is a valuable addition to its financial rating product. The social rating is thorough yet efficient, covering all areas of social performance (SP) and resulting in an accurate final report. The social and financial ratings are usually conducted at the same time, with one member of the rating team dedicated solely to the social performance rating. The evaluation does not include a formal field-level survey, although results of previously conducted surveys are reviewed when available. Half of MFI users that participated in this review received a 100 percent subsidy to implement the social rating, the other half received no subsidy.

Most users reported that the tool met their expectations by providing an outside, objective opinion on how well their institutions were achieving their respective missions and social objectives. Users agreed that the rating established a baseline for measuring future improvements in SP and prioritized areas of weakness in current SP management systems.

Box 1. Snapshot Review of Tool Attributes

<u>Cost</u>		<u>Robustness</u>	
Financial cost:	\$4,000–\$9,000	Use of multiple data sources:	moderate/high
Other requirements:	low/moderate	Level of verification:	high
No. of external consultants:	1	Level of confidence:	high
<u>Duration</u>		<u>Usefulness to MFI</u>	
On-site consultant visit:	4–5 days	Internal:	very useful
Draft report:	1–2 months	External:	mixed
Final report:	1–3½ months	<u>Ability to customize</u>	mixed
		<u>Ease of Use</u>	quite easy

Note: See page 4 for additional comments on these attributes.

Reported Strengths

- thorough review, including all areas of SP and SP management
- accurate results
- easy to implement due to clarity of preparation instructions and on-site execution
- results include benchmarking against industry standards, as well as an analysis of available client poverty data
- depth of analysis, validation, and reporting in the areas of: mission clarity, alignment of systems, and outreach (see appendix 3 for a glossary of terms)

Reported Weaknesses

- short time frame and small review team (1 consultant) does not allow for in-depth verification, particularly in the field
- superficial inclusion of client views

ADDITIONAL USER COMMENTS

Cost: All users surveyed purchased a social rating as a supplement to a financial rating, which allowed them to receive a price discount. Half of the users paid for the social rating out of pocket; the other half were 100 percent subsidized by a donor.

Duration: Planet Rating is responsive in contracting and implementing its ratings. The speed of delivery of the final report depended on the responsiveness of the MFI to both the draft report and follow-up questions. Most users received their final report less than three months after conclusion of the on-site visit.

Robustness: Nearly all users said their level of confidence in the final results and the level of verification of information was high. However, some users commented that data was not as rigorously verified as they would have liked.

Usefulness: Commonly cited internal uses of the social rating included identifying and prioritizing weaknesses in SP and SP management (SPM) systems, establishing a baseline for social performance that allows improvements to be measured. External uses included communicating social performance to stakeholders, such as board members and parent institutions and establishing credibility with an objective, independent review of SP. Some users reported that investors, including social investors, are less familiar with, and less interested in, social ratings. While some request and review rating reports, these reports are not a condition of receiving loans and do not help an MFI receive preferential funding terms.

Ability to customize: Some users believe that the tool may be used by an MFI of any size, type, or operating environment, *provided it has adequate SPM systems and available data on SP indicators*. However, some users believe that the tool is inflexible, using only standard indicators for analysis and ignoring locally developed indicators that may be more relevant to the context at hand.

Ease of use: Users praised Planet Rating's "gentle touch" in conducting its rating. The rating team was well prepared, requested documents ahead of time, did not spend too much time at the institution, asked simple questions, presented their findings, and quickly followed up with a final report. The additional information required for the social rating (beyond the financial rating) was reportedly not burdensome.

Overall satisfaction: All users reported that they were "satisfied" or "completely satisfied" with their social rating and that it had met their expectations. Expectations commonly included gaining an outside, objective opinion on how well an institution was achieving its mission and social objectives, establishing a baseline against which future improvements in SP could be measured, and prioritizing areas of weakness in current SPM systems. Most users reported that they would use the tool again in the future, including the three who paid full price for the social rating.

REVIEW FACTS

Interview Team: Reuben Summerlin, Jacqueline Redondo Rangel, Patrick McAllister, Klimentina Popovska, Corrinne Nguruke

Table 1. Users Interviewed for Review

<i>MFI</i>	<i>No. of borrowers</i>	<i>Loan portfolio (US\$)</i>	<i>Regulatory status</i>	<i>Outreach data available?</i>
AgroInvest (Montenegro)	39,275	91,430,827	Regulated NBF	No
CRECER (Bolivia)	96,185	37,159,487	Unregulated NGO	Yes
EKI (Bosnia & Herzegovina)	53,054	145,031,464	Regulated NBF	No
PRISMA (Peru)	21,455	10,461,655	Unregulated NGO	Yes
SFPI (Ethiopia)	25,294	3,023,428	Regulated NBF	Yes
Wasasa (Ethiopia)	30,749	3,059,493	Regulated NBF	Yes

Source: Mix Market (<http://www.mixmarket.org>, accessed July 2009).

Table 2. Score Card: How Well Does Tool Evaluate Specific Social Performance Goals?

Category	Score	User ratings of evaluation criteria
Mission clarity	[GREEN]	Analysis was in depth: nearly all users Results accurately reflected institutional performance: all users Information used to support findings was verified in depth: nearly all users Frequent comment: consultants took time to really understand mission and institutional culture
Alignment of systems	[GREEN]	Analysis was in depth: nearly all users Results accurately reflected institutional performance: nearly all users Information used to support findings was verified in depth: nearly all users Frequent comment: consultants reviewed a lot of information to arrive at their conclusions
Decision making	[YELLOW]	Analysis was in depth: most users Results accurately reflected institutional performance: nearly all users Information used to support findings was verified in depth: most users Frequent comment: some users thought the level of analysis and verification of information in this area was only superficial
Gender approach	[YELLOW]	Analysis was in depth: most users Results accurately reflected institutional performance: most users Information used to support findings was verified in depth: most users Frequent comment: the tool focused more on statistical analysis than on other aspects of gender approach
Member governance	[NA]	None of the institutions that participated in the review were member-governed
Non-financial services (NFS), including direct services or linkages	[YELLOW]	Analysis was <i>superficial</i> : most users Results accurately reflected institutional performance: all users Information used to support findings was verified: mixed—some users said in-depth, some said superficial, and one said there was no verification in this area Frequent comment: accuracy of the report in this area was high, but based on self-reported data with little validation in the field

SCORING KEY

[Green]

Most user feedback indicated that the tool was *strong* in this area.

[Yellow]

User feedback was *mixed* in this area.

[Red]

Most user feedback indicated that the tool was *weak* in this area.

[Red] *does not necessarily mean failure: not all tools intend to measure all social performance goals.*

[NA]

Category did not apply to the users surveyed.

*** More information on scoring may be found in appendix 3.***

Table 2, continued

Category	Score	User ratings of evaluation criteria
Responsibility to clients (client protection)	[YELLOW]	Analysis was in depth: all users Results accurately reflected institutional performance: all users Information used to support findings was verified in depth: most users Frequent comment: even with little time to verify client views, the consultants and methodology accurately recognized the institution’s performance
Responsibility to community	[YELLOW]	Analysis was in depth: most users Results accurately reflected institutional performance: nearly all users Information used to support findings was verified: mixed—users said in depth, superficial, or in between Frequent comment: raters do a thorough job of analyzing the MFI’s responsibility to the community, although verification could be strengthened through community interviews
Responsibility to staff	[YELLOW]	Analysis was in depth: all users Results accurately reflected institutional performance: nearly all users Information used to support findings was verified in depth: most users Frequent comments: some users thought verification was only superficial
Responsibility to environment	[YELLOW]	Analysis was: mixed—most users said the analysis superficial, others said it was in depth or not addressed Results accurately portrayed performance: all users who believed the tool addressed this area of SP Information used to support findings was verified <i>superficially</i> : most users who believed this area was addressed Frequent comment: some users found the rating increased their understanding of environmental impact and the ways in which they could address this area
Outreach	[GREEN]	Analysis was in depth: nearly all users Results accurately reflected institutional performance: nearly all users Information used to support findings was verified in depth: nearly all users Frequent comment: Planet Rating was praised for its thorough analysis of outreach by users who had a robust MIS and available outreach data
Financial services	[YELLOW]	Analysis was in depth: nearly all users Results accurately reflected institutional performance: most users Information used to support findings was verified in depth: nearly all users Frequent comment: users that offered multiple products said Planet Rating provided high-level analysis and accurate reporting, although some users thought the results only partially reflected their performance

SCORING KEY

[Green]

Most user feedback indicated that the tool was *strong* in this area.

[Yellow]

User feedback was *mixed* in this area.

[Red]

Most user feedback indicated that the tool was *weak* in this area.

[Red] *does not necessarily mean failure: not all tools intend to measure all social performance goals.*

[NA]

Category did not apply to the users surveyed.

*** More information on scoring may be found in appendix 3.***

APPENDIX 1: COMPARATIVE REVIEW MATRIX OF SOCIAL RATING TOOLS

	<i>MicroFinanza Rating</i> <i>(with field-level survey)</i>	<i>MicroRate</i>	<i>Planet Rating</i>	<i>MCRIL*</i>
Tool attributes				
Resource requirements				
Financial cost	\$17,000–\$20,000	\$5,000–\$10,000	\$4,000–\$9,000	
Other requirements	mixed	low/moderate	low/moderate	
No. of external consultants	2–3	NA	1	
Duration				
On-site consultant visit	8–10 days	4–5 days	4–5 days	
Draft report	1–2 months	2–4 weeks	1–2 months	
Final report	2–3 months	2–5 months	1–3½ months	
Robustness				
Use of multiple data sources	high	moderate/high	moderate/high	
Level of verification	high	mixed	high	
Level of confidence	high	high	high	
Usefulness to MFI				
Internal usefulness	very useful	useful/very useful	very useful	
External usefulness	useful/very useful	mixed	mixed	
Ability to customize	moderate/high	moderate	mixed	
Ease of use	somewhat easy/quite easy	somewhat easy	quite easy	
Score Card: How well does tool evaluate specific social performance goals?				
Mission clarity	green	green	green	
Alignment of systems	yellow	yellow	green	
Decision making	yellow	yellow	yellow	
Gender approach	yellow	yellow	yellow	
Member governance	NA	NA	NA	
Non-financial services	yellow	yellow	yellow	
Responsibility to clients (client protection)	green	yellow	yellow	
Responsibility to community	yellow	yellow	yellow	
Responsibility to staff	green	green	yellow	
Responsibility to the environment	yellow	yellow	yellow	
Outreach	green	yellow	green	
Financial services	green	green	yellow	

Notes: For an explanation of the color coding, see scoring key on page 5.

* The MCRIL *User Review* is in progress and will be completed once a sufficient number of users of the current methodology have been interviewed

APPENDIX 2: TOOL OUTPUTS AND MFI REQUIREMENTS

	<i>MicroFinanza Rating</i>	<i>MicroRate</i>	<i>Planet Rating</i>	<i>MCRIL*</i>
Outputs				
Social rating (with grade)	√	√	√	
Analysis of national social context	√	√	√	
National or regional SP benchmarks	√		√	
MFI performance measured with standardized SP indicators	√	√	√	
Field-level survey	√			
Identified SP strengths and weaknesses	√	√	√	
Recommendations for improving SP				
Action plans for improving SP				
Regular reports on SP indicators				
MFI user requirements				
Poverty data				
Robust MIS		√	√	
Staff "champion" to implement tool				
Assistance to identify and contract surveyors	√			

Note: * The MCRIL *User Review* is in progress and will be completed once a sufficient number of users of the current methodology may be have been interviewed.

APPENDIX 3: TERMS AND SCORING GLOSSARY

GLOSSARY OF TERMS.....	9
EXPLANATION OF SCORING.....	17

GLOSSARY OF TERMS

Ability to customize (tool attribute). The degree to which a tool can be customized by or for an MFI to suit its particular needs. Grading scale: low, moderate, or high.

Action plans for improving SP (potential tool output). Action plans specifically designate steps, responsible parties, and timelines for capitalizing on an MFI's SP strengths and/or addressing SP weaknesses revealed during a rating process.

Additional user comments. User commentary on tool attributes (p. 4) that are not reflected in the Snapshot Review (p. 3). Comments represent a general summary of common responses.

Alignment of systems (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading include:

- alignment of organizational systems (i.e., market strategy, client targeting, product offerings, product methodology, human resources incentives, MIS, reporting) with an MFI's mission, objectives, and values
- strategic, operating, and departmental plans are appropriately aligned with an MFI's mission, objectives, and values
- allocation of human and other resources to social goals reflects the institution's commitment to these goals

Analysis of national and regional context (potential tool output). Analysis of the national and regional context in which an MFI operates, such as socioeconomic conditions and the level of development of the financial and microfinance sectors.

Assistance to identify and contract surveyors (potential tool requirement). Denotes whether or not an MFI is expected to assist the rater in engaging a team to conduct a field-level survey.

Client protection. See "Responsibility to clients."

Cost (tool attribute). Measured by a tool's financial cost, other requirements, and number of external consultants required to implement the tool.

Date of review. The date that a *User Review* was finalized.

Decision making (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading:

- use of standard and/or appropriate indicators to measure an MFI's performance with respect to achieving its objectives, adherence to its values, avoidance of "mission drift," and service to target group (e.g., poverty scoring, market research, tracking of dropouts, impact studies)
- regular, timely monitoring and reporting (via above indicators) of the achievement of these objectives
- use of defined feedback loops (e.g., market research, client surveys, etc.) to gain client feedback and gauge client satisfaction

- verification of validity of indicators and reports
- use of SPM information for strategic decision making, as evidenced by adjustment of plans and strategies
- use of SPM information for day-to-day management and operational performance management

Draft report (tool attribute). Time required for a user to receive the draft report on social assessment findings. Measured from the last day of the on-site visit to receipt of the draft report by the user.

Duration (tool attribute). Measures the time required to implement the assessment, divided into three components: on-site consultant visit, draft report, and final report.

Ease of use (tool attribute). Measures how an MFI perceives the burden of using a tool. Grading scale: quite difficult, somewhat difficult, somewhat easy, quite easy.

External consultants. Consultants (not employees of the MFI) working on site for the purpose of leading or verifying a rating or assessment. For the purpose of the *User Reviews*, local surveyors that conduct field-level surveys are not included in this definition.

Field-level survey (potential tool output). A formal field-level survey conducted as part of a social assessment in order to gather information for measuring an MFI's social performance.

Final report (duration), a tool attribute. Time required for a user to receive the final report of the findings of a social assessment or rating. Measured from the last day of the on-site visit to receipt of the final report by the user.

Financial cost (tool attribute). Payment made to the developer and/or external consultant for an assessment. Grading: range of reported answers converted into U.S. dollars. *Note: range was shared with Tool Developer for verification purposes.*

Financial services (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading:

- extent to which an organization meets clients' financial needs (e.g., over the life cycle, for emergencies, to seize opportunities) with different types of products and services, as measured by proxy or direct indicators

Frequent comment (see Score Card, pp. 5–6). Users were asked to describe how well the tool evaluated specific SP dimensions. The comments selected were mentioned by multiple users and were selected either to add depth to a consensus opinion or to present a shared minority opinion.

Gender approach (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading:

- institutional gender sensitivity in relation to operational policies and practices
- number and percentage of women members of the organization's board, management, and staff
- whether or not an organization strategically tries to address the social and economic constraints that women face in its local area (e.g., illiteracy, limited access to markets, etc.)

Interview team. The group of people who conducted interviews of MFI users of social performance tools for this *User Review*.

Interviewer. A member of the team that conducted interviews of MFI users of social performance tools for this *User Review*.

Level of confidence (tool attribute). Measures the degree to which a user felt the final report and other outputs of a rating or assessment accurately reflected the user's social performance. *Note: users may have given a high grade based on their confidence in the data given to the assessment team for analysis.* Grading scale: low, moderate, high.

Level of verification (tool attribute). Measures a user's perception of the level to which information used to support the findings of a social assessment was verified by means of documentation or actual implementation. Grading scale: low, moderate, high.

Loan portfolio (US\$). All outstanding principal on all outstanding client loans, including current, delinquent, and restructured loans, but not loans that have been written off, as reported by the Mix Market, an online MFI information data exchange.

Member governance (1 of 12 social dimensions assessed by the *User Reviews*). *Note: this dimension is applicable only to cooperatives, credit unions, or other member-governed organizations.* Aspects measured for grading included:

- board elections in compliance with the institution's by-laws
- training and capacity building to help representatives perform their governance role effectively
- regular all-member meetings and attendance at these meetings
- effective strategies for communicating policy decisions to ordinary members

MFI performance measured with standardized SP indicators (potential tool output). Measurement of an MFI's performance based on standardized indicators that can be compared with those of other MFIs.

MFI user requirements. The resources that an MFI must have in place, or be prepared to offer, in order to implement a tool.

Microfinance institution (MFI). Any institution that offers microfinance services.

MIS. Management information system.

Mission clarity (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- clarity of an MFI's social mission, objectives, and institutional values
- contextual relevance of mission goals that have changed
- basis of the development of the mission, that is, identification and definition of target group (e.g., market study, impact assessment, other studies)
- communication of and commitment to the mission and values at all levels of the institution
- establishment of specific social objectives directly linked to the mission

Mixed (tool attribute rating). A rating used to indicate that user opinions were sufficiently varied so that no conclusion could be drawn.

National or regional SP benchmarks (potential tool output). Comparison of the SP indicators of an MFI with those of other institutions in the same country or region.

Number of borrowers. The number of individuals who currently have an outstanding loan balance with an MFI or are responsible for repaying any portion of the gross loan portfolio, as reported by the Mix Market.

Number of external consultants (cost attribute). Number of external consultants who conducted the social rating. *Note: for social ratings that were conducted in conjunction with financial ratings, the answer reflects only the additional consultants used to conduct the social rating. "0" means that no additional consultants were used to conduct the social assessment, that is, the same consultants conducted a financial and social rating at the same time.*

Non-financial services (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- non-financial services that are not stand-alone products, such as empowerment, literacy, group management services, etc.
- development of non-financial services based on a systematic analysis of client demand and the percentage of clients accessing these services
- tracking of non-financial services by the institution's MIS (i.e., records on client satisfaction, drop-outs, cost of services, self-sufficiency, etc.)

Off-site interviews. Interviews with MFI users of social performance tools that were conducted remotely by phone.

On-site consultant visit (duration), a tool attribute. The number of days that external consultants worked on site with a user while conducting an evaluation.

On-site interviews. Interviews with MFI users of social performance tools that were conducted at the MFI's place of business.

Other requirements (tool attribute). A user's estimation of the non-financial costs associated with undergoing a social assessment, such as preparation for the review, staff time requirements, logistics, etc. Grading scale: low, moderate, high.

Outreach (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- number of households served
- targeting of clients based on poverty and/or exclusion
- percentage of clients belonging to marginal communities
- percentage of clients according to poverty level (e.g., as defined by the microfinance industry, the MFI, or proxies)

Outreach data available? Indicates whether or not an MFI has social outreach data from the Progress out of Poverty Index (PPI), the Poverty Assessment Tool (PAT), or a credible impact evaluation tool.

Overall satisfaction (tool attribute). Measures whether or not a tool met an MFI's expectations and whether the institution was generally content with the process and results of the assessment. Grading scale: completely dissatisfied, mostly dissatisfied, mostly satisfied, completely satisfied.

Poverty data (tool requirement). Indicates whether or not an MFI has available statistics and information on the poverty level of its clients for review by implementers of a social assessment or rating.

Recommendations for improving SP (potential tool output). In addition to evaluating the strengths and weaknesses of an institution's SP performance, a final report may make recommendations to management on how to improve the institution's performance.

Regional/global SP benchmarks (potential tool output). The final report of an assessment may measure the social performance of an MFI against regional and global benchmarks.

Regions (of the world). For the purpose of the first round of *User Reviews* (2009), the four geographic regions of the world were Africa, Asia, Eastern Europe and the Middle East, and Latin America.

Regular Reports on SP Indicators (potential tool output). Indicates whether or not a tool may be used to generate periodic reports using SP indicators.

Regulatory status. The legal form of an MFI (e.g., bank, cooperative, nongovernmental organization, etc.).

Reported strengths/weaknesses. An MFI's perception of the strengths and weaknesses of the assessment process, as reported by a user. In order to be included in a *User Review*, a strength or weakness had to be cited by more than one user.

Responsibility to clients (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- transparency (as demonstrated by client understanding) and fairness of pricing
- cost to clients: cost of products and services, including interest and fees
- effective communication, including client training on financial literacy and inclusion of illiterate clients
- monitoring, sensitivity to over-indebting clients, protection of client security
- ethical behavior of staff, including appropriate debt repayment practices
- pro-active mechanisms for client complaints and redress
- formalized policies and procedures to ensure client protection (including a code of conduct for management that is approved by an MFI's board, as well as specific staff training in client protection)

Responsibility to community (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- policy of promoting positive community values (e.g., job creation, start-up enterprises) and avoiding negative community values (e.g., sale of alcohol or other harmful products; encouragement of full-time child employment)
- percentage of operating revenues reinvested in the community during the previous year (in terms of investments, donations, collective disaster support)
- positive actions to improve local culture (e.g., anti-corruption, public health, ethnic and/or religious tolerance efforts, other social value initiatives)

Responsibility to staff (1 of 12 Social Dimensions assessed by the *User Reviews*). Aspects measured for grading include:

- formal, written code of conduct governing the actions of MFI management toward staff
- transparent, equitable hiring and firing procedures (e.g., anti-nepotism measures, promotions based on qualifications)
- staff career and training opportunities
- percentage of staff trained and number of days of staff training (excluding training of new hires)
- equitable salary structure (and benefits) that is in line with those of comparable sectors
- fairness and transparency of incentive system (as perceived by staff)
- security of working conditions
- conducive communications and organizational climate
- feedback mechanisms for staff and their involvement in institutional decision making

Responsibility to the environment (1 of 12 social dimensions assessed by the *User Reviews*). Aspects measured for grading included:

- organizational practices in line with environmental conservation (e.g., use of energy, paper, etc.; staff training regarding how to address environmental risks and opportunities)
- environmental policies applied to core business lines (e.g., processes for assessing, screening, and monitoring compliance with environmental policies)
- positive policies regarding the environment (e.g., solar power, conducting business with environmentally friendly enterprises)

Robust MIS (tool requirement). Indicates whether or not an MFI has a reliable, flexible information system capable of tracking and reporting SP indicators in such a way that external assessors have all data required to complete an assessment or rating.

Robustness (tool attribute). Measures a user's perception of the thoroughness, depth, and accuracy of a social assessment or rating. Robustness is divided into three components: use of multiple data sources, level of verification, and level of confidence.

Score card (see pp. 5–6). Summary table of MFI user opinions regarding how well a social performance tool evaluated 12 specific social performance dimensions: mission clarity, alignment of systems, decision making, gender approach, member governance, non-financial services, responsibility to clients, responsibility to community, responsibility to staff, responsibility to environment, outreach, and financial services. See "Score Card Grading Methodology" (p. 18) for an explanation of how grading was conducted.

Snapshot Review of Tool Attributes. Summary table of user comments on tool attributes (p. 3). See "Grading Methodology for Tool Attributes" (p. 17) for an explanation of how grading was conducted. *Note: while the "Snapshot Review" (p. 3) presents a summary of user responses, readers should consult the "Additional User Comments" section (p. 4) to get a more complete view of user feedback.*

Social audit tool. A SP assessment tool designed to be used by MFI staff with or without external facilitation. Social audit tools included in the first round of *User Reviews* (2009) included GRI, SPI, and QAT.

Social performance (SP). The translation of an MFI's mission into practice, in line with accepted social values.

Social performance assessment. The process by which an organization measures its social performance relative to its social mission and objectives, as well as those of its key stakeholders.

Social performance assessment tool (SPT). A tool designed to evaluate an MFI's social performance. See also "social rating tool" and "social audit tool."

Social performance management (SPM). An institutionalized process that involves setting clear social objectives, monitoring and assessing progress towards achieving these objectives, and using this information to improve overall organizational performance.

Social rating tool. An independent assessment of an organization's social performance, using a standardized rating scale. The social rating process and scale may parallel those used for a financial rating. A comprehensive social rating includes the examination of client-level data to assess an MFI's outreach and the quality of its services. A social rating collects this information as part of the rating exercise if it is not available. A basic social rating relies on available information, which may consist of outputs (e.g., the number of MFI products or average loan size).

Social rating with a grade. A social rating tool that results in a grade, according to the tool's standardized rating scale. In some cases, an MFI may elect not to receive a grade in their final rating report. *Note: all MFIs interviewed for the User Reviews used a social rating tool and received a grade.*

Social rating with field-level survey. A social rating tool that employs a field-level survey as part of the rating process. The tools of both M-CRIL and MicroFinanza Rating offer an optional field-level survey. For the purpose of the *User Reviews*, all MFI users of the M-CRIL and MicroFinanza Rating tools received a rating that included a field-level survey. MicroRate and Planet Rating do not employ a field-level survey as part of their rating methodology, but they do review any field-level survey(s) that an MFI has previously implemented.

Staff "champion." A staff member designated to work as a part of a team, in conjunction with the external consultants performing a social assessment, to conduct interviews with stakeholders, compile results, and generate and present preliminary findings to institutional management. Staff champions typically receive training in tool methodology and may help write the final report.

Tool developer. The organization that developed a social performance assessment tool.

Tool outputs. The final outputs resulting from a social performance assessment or rating, which are included in the final report.

Use of multiple data sources (also identified as "level of triangulation" and "robustness"), a tool attribute. A user's perception of whether a tool made use of all available, relevant data sources on which to base its findings, such as interviews with a range of relevant stakeholders; manuals, policies and procedures; periodic reports; archived information; observation of operations; etc. Grading scale: low, moderate, high.

Usefulness (external). A tool attribute assessed by the *User Reviews*. Measures a user's perception of the usefulness of assessment outputs for communicating or dealing with external entities, such as donors, government agencies, investors, network organizations, etc. Grading: useless, not very useful, useful, very useful.

Usefulness (internal), a tool attribute. Measures a user's perception of the usefulness of an assessment for internal purposes, such as identifying and weaknesses to improve SP. Grading scale: useless, not very useful, useful, very useful.

Usefulness to MFI (tool attribute). Measures an MFI's perception of the utility of a given tool. Usefulness is divided into two components: internal and external (see above).

User. An MFI that has implemented a social performance assessment tool.

User ratings of evaluation criteria. A user's evaluation of the analysis provided by a social assessment. Reviewers solicited user responses by defining each social performance dimension to be considered and the aspects of the dimension that would be measured for grading. Users were then asked to give their opinions on three criteria of how well a tool evaluated the dimension:

- the level of analysis (scoring range: not at all, superficially, in depth)
- whether or not a tool accurately assessed the user's performance in this area (scoring range: no, partially, yes)
- whether the information used to evaluate the user's performance in this area was verified during the assessment process (scoring range: not at all, superficially, in depth.)

What the Review Team Says. This box presents the Interview Team leader's opinion of the tool, based on a synthesis of all reviews.

EXPLANATION OF SCORING

Grading Methodology for Tool Attributes

An advisory committee selected the list of tool attributes that would be graded in the *User Reviews*. The committee chose attributes that members believed would factor most heavily in the decision-making process of potential users.

Tool attributes may be divided into two types: **quantitative** and **qualitative**.

For **quantitative attributes**, the reported range for all respondents is presented.

Example 1:

Six institutions were asked to report the financial cost of implementing Social Performance Rating "X." Recorded answers were:

<i>User:</i>	<i>#1</i>	<i>#2</i>	<i>#3</i>	<i>#4</i>	<i>#5</i>	<i>#6</i>
<i>Response:</i>	<i>\$12,000</i>	<i>\$15,000</i>	<i>Not Sure</i>	<i>\$9,000</i>	<i>\$9,000</i>	<i>\$12,500</i>

Attribute rating: \$9,000–\$15,000.

Each **qualitative attribute** has its own grading scale, explained in the attribute definition in this Glossary. User responses for each attribute were compared to try to discern a general consensus "grade." The following examples illustrate the process.

In some cases, a clear majority answer existed and the given grade reflects this majority.

Example 2:

Six institutions were asked their opinion of the "ability to customize" Social Audit Tool "A." Recorded answers were:

<i>User:</i>	<i>#1</i>	<i>#2</i>	<i>#3</i>	<i>#4</i>	<i>#5</i>	<i>#6</i>
<i>Response:</i>	<i>High</i>	<i>High</i>	<i>Not Sure</i>	<i>High</i>	<i>Not Sure</i>	<i>Moderate</i>

Attribute rating: High

In some cases, results were evenly or closely split between adjacent grades. The rating then reflects the two most common responses.

Example 3:

Six institutions were asked their opinion of the "ability to customize" Social Audit Tool "B." Recorded answers were:

<i>User:</i>	<i>#1</i>	<i>#2</i>	<i>#3</i>	<i>#4</i>	<i>#5</i>	<i>#6</i>
<i>Response:</i>	<i>High</i>	<i>High</i>	<i>Not Sure</i>	<i>High</i>	<i>Moderate</i>	<i>Moderate</i>

Attribute rating: Moderate to High

In some cases, responses were too varied to select a representative grade. Results were then recorded as "mixed."

Example 4:

Six institutions were asked their opinion of the "ability to customize" Social Audit Tool "C." Recorded answers were:

User:	#1	#2	#3	#4	#5	#6
Response:	High	Low	Not Sure	High	Moderate	Low

Attribute rating: Mixed

It is important to note that while the "Snapshot Review of Tool Attributes" (p. 3) presents a summary of user responses, readers should consult the "Additional User Comments" section (p. 4) to get a more complete view of user feedback.

Score Card Grading Methodology

The **Score Card** is a table that summarizes users' opinions regarding how well a tool evaluated the 12 social performance dimensions assessed by the *User Reviews*. The social dimensions selected were drawn from a common framework developed by the Social Performance Task Force. All the tools evaluated in the first round of *User Reviews* were process-oriented assessments, so the dimensions selected were process- and output-based. Outcome goals (i.e., impacts) were not assessed for these reviews. Additional information on the social dimensions selected for evaluation may be found in Frances Sinha, 2006, "Social Rating and Social Performance Reporting in Microfinance: Towards a Common Framework," SEEP Occasional Paper, SEEP Network, Washington, DC.

Step 1. Reviewers solicited user responses by defining each social dimension and three associated criteria of evaluation. Users were then asked to give their opinions, using one of three possible responses, on how well the tool performed against each criterion. The following table presents the three criteria of evaluation and lists the possible answers that users were asked to choose from:

<i>Criteria of evaluation</i>		<i>Possible responses</i>	
Level at which the tool addressed the dimension	No	Superficially	In depth
Whether the tool accurately assessed a user's performance in this dimension	No	Partially	Yes
Whether information used to assess a user's performance in this dimension was verified during the assessment process	No	Superficially	In depth

Users were allowed to withhold a response if they were unsure, did not remember, or felt that the dimension or criterion was not applicable to their institution.

Step 2. All user responses were compared to determine a consensus opinion for each criterion of each social dimension. The following scale was used to grade each aspect:

All users	100%
Nearly all users	80–99%
Most users	60–79%
Half of users	40–59%
Some users	20–39%
No users	0%

Example 1:

Six institutions were asked to grade the level at which Social Performance Rating "X" addressed the social dimension of Gender Approach. Recorded answers were:

<i>User:</i>	<i>#1</i>	<i>#2</i>	<i>#3</i>	<i>#4</i>	<i>#5</i>	<i>#6</i>
<i>Response:</i>	<i>In depth</i>	<i>In depth</i>	<i>In depth</i>	<i>Superficial</i>	<i>Superficial</i>	<i>In depth</i>

Grade: Analysis was in depth: Most Users.

Step 3: Once all criteria of a social dimension were graded, a grade for the social dimension was assigned according to the following scale:

<i>Color code</i>	<i>Definition</i>	<i>Grade given if...</i>
Green	Most user feedback indicated that the tool was strong in this area	. . . a tool was graded "in depth" for depth of analysis, "yes" for accurately reflecting performance, and "in depth" for verification of information by "all" or "nearly all" respondents (80% or more)
Yellow	User feedback was mixed in this area	. . . a tool received a grade of "in depth" for depth of analysis, "yes" for accurately reflecting performance, and "in depth" for verification of information by "most users" or fewer (79% or less) for any aspect of a social dimension
Red	Most user feedback indicated that the tool was weak in this area	. . . half of all user responses were "superficially," "partially," or "no" for all three aspects
NA	Social dimension did not apply to the users surveyed	. . . all users said that the social dimension did not apply to their MFI