

USER REVIEW: QUALITY AUDIT TOOL (QAT)

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

The Microfinance Centre (MFC) developed the QAT to be a practical diagnostic tool that supports managers in reviewing the status and effectiveness of an MFI's management processes in achieving social goals. It helps ensure that an MFI is on track towards achieving its social goals. The QAT also helps identify strengths to be built on and gaps needing improvement, while avoiding overload of management and staff. The tool specifically focuses on:

- examining process management
- assessing the status and effectiveness of internal systems in supporting the achievement of social goals
- acknowledging good social performance practice up to date (strengths) and identifying gaps (weaknesses)
- identifying and prioritizing necessary actions to improve social performance

There are four steps of the QAT process.

1. **Gap analysis** conducted with senior management as an initial social audit.
2. **In-depth follow-up** to gather more detailed information in order to verify and better understand the gap analysis.
3. **Analysis and draft report** that examine the material collected in detail and highlight the strengths and weaknesses of the organization in each of the dimensions covered by the gap analysis.
4. **Audit panel**, a forum in which findings are presented to a group of key organizational stakeholders, who agree on the final results and win organizational buy-in for improvement actions. Following detailed discussions on the improvement action plan, a final audit report is produced.

The QAT may be implemented by internal staff or with an external consultant, although the MFC recommends that the tool be implemented for the first time with an external consultant. *For the purpose of this User Review, all surveyed MFIs implemented the QAT with the assistance of an external consultant.*

QAT is aligned with the social performance management (SPM) approach developed by the Imp-Act Consortium.

Outputs

The QAT yields a concise report on the strengths and weaknesses of an MFI in each dimension of social performance management. The report also provides key supporting evidence and prioritizes activities to be undertaken by an MFI in order to improve social performance management (by addressing identified gaps and building on identified strengths).

Contact information: <http://www.mfc.org.pl/spm> or directly Ewa@mfc.org.pl

Sample report: none currently available for downloading

WHAT THE REVIEW TEAM SAYS. . .

The QAT is appropriate for an MFI that wants both an internal review of how well its management processes and internal systems help achieve its social mission, as well as an action plan for improving those processes and systems. The QAT is unique among SPTs for its use of an internal audit panel to review findings. The panel, composed of representatives from various institutional stakeholders, ensures the accuracy of findings and is also useful for increasing institutional understanding of social performance concepts. The QAT final report is in the form of an action plan, complete with implementation deadlines, for addressing identified and prioritized SP strengths and weaknesses.

The QAT may not be appropriate for an MFI that wants a point of comparison for its social performance—indicators, benchmarks, and scoring are not necessarily used in either the tool's analysis or final report.

The QAT focuses on an MFI's stated objectives, rather than defining specific SP dimensions, procedures, and activities that must be undertaken. This feature allows it to be used by MFIs at different levels of SPM development. However, specific SP dimensions (such as gender or environment) may be completely absent from the analysis if they are not stated in an institution's social objectives.

QUALITY AUDIT TOOL
TYPE OF TOOL: SOCIAL AUDIT
DATE OF REVIEW: JULY 31, 2009

Summary of user comments: The QAT is a low-cost, easy-to-use diagnostic tool that helps an MFI assess its strengths and weaknesses in social performance, as well as develop concrete action plans to improve it. Users generally reported that the tool met their expectations by introducing them to social performance assessment, prioritizing their needs in this area, and gaining the institutional buy-in necessary to implement the action plans developed during the QAT process. *For the purpose of this User Review, all surveyed MFIs implemented the QAT with the assistance of an external consultant.*

Box 1. Snapshot Review of Tool Attributes

<u>Cost</u>		<u>Usefulness to MFI</u>	
Financial cost:	\$2,000–\$5,000	Internal:	very useful
Other requirements:	low/moderate	External:	useful
No. of external consultants:	1–3		
<u>Duration</u>		<u>Ability to customize</u>	high
On-site consultant visit:	5 days		
Draft report:	last day of visit		
Final report:	2 weeks–3 months	<u>Ease of Use</u>	somewhat easy/quite easy
<u>Robustness</u>		<u>Overall satisfaction</u>	satisfied/completely satisfied
Use of multiple data sources:	high		
Level of verification:	moderate/high		
Level of confidence:	high		

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

Reported Strengths

- good entry point into social performance (SP) assessment due to low cost, ease of implementation, and thoroughness of assessment of SP dimensions
- strong analysis of SP gaps useful for developing action plans for improvement
- use of an audit panel to review preliminary findings produces an accurate representation of institutional performance in the final report and increases buy-in among staff and management
- depth of analysis, validation, and reporting in the areas of mission clarity, alignment of systems, member governance, outreach, and financial services (see appendix 3 for a glossary of terms)

Reported Weaknesses

- limited client interaction, no field-level survey
- no benchmarking, comparison with other institutions, or use of industry averages
- limited assessment of non-financial services

ADDITIONAL USER COMMENTS

Cost: All users surveyed received a full subsidy for the cost of the external consultant, including salary and travel expenses. Most users reported that the non-financial costs associated with implementing the rating were “low;” the remaining users found them “moderate.”

Duration: The final step of the QAT is a review of initial findings with an audit panel made up of institutional stakeholders, which allows users to review and provide immediate feedback on the findings. Final reports are usually delivered in less than a month.

Robustness: The QAT is an internal tool, therefore results are based on self-reported data. Nevertheless, users commented that the external consultant reviewed the gap analysis prior to the on-site visit and was able to conduct significant verification of information while on-site. Some users commented that verification of information in the field, particularly with clients, was limited. Other users reported that the discussion of results by the audit panel at the end of the consultant’s visit increased their confidence in QAT results.

Usefulness: Users reported that the primary internal utility of the QAT is that it produces concrete action plans for improving SP, while at the same time educating management and staff on international SP management practices. Commonly cited benefits included receiving a thorough introduction to international practices in SP management (SPM), analysis of SPM weaknesses, prioritization of areas for improvement, and the use of participatory methodology to increase MFI buy-in of action plans.

Ability to Customize: Nearly all users believed that the tool was quite customizable, in part because questions that do not apply to an MFI may be removed and because the tool is largely implemented internally. Some users commented that using the tool in translation with field staff and clients requires careful wording of SP terms to get valid results.

Ease of use: Most users found the QAT easy to implement; some rated it as quite easy. As a result, some MFIs recommend the tool as a good first-time SP assessment. One MFI acknowledged that the main difficulty of implementing the tool is the translation and clarification of terminology into local languages (see “Ability to Customize” above.).

Overall satisfaction: Most users said they were “satisfied” with how the QAT met their expectations, the rest were “completely satisfied.” Expectations commonly included identification of strengths and gaps in SPM. Some users found the tool did not meet expectations regarding the use of international benchmarks and verification of information.

REVIEW FACTS

Interview Team: Reuben Summerlin, Klimentina Popovska, Patrick McAllister

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>
Horizonti (Macedonia)	2,853	2,784,446	Unregulated NGO	No
Ahon Sa Hirap Inc. (Philippines)	13,348	3,024,356	Unregulated NGO	No
AzerCred (Azerbaijan)	21,509	17,050,350	Regulated NBF	No
People’s Bank of Caraga (Philippines)	25,251	6,741,426	Regulated rural bank	Yes
Ameen (Lebanon)	11,238	10,639,444	Regulated NBF	Yes

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

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

<i>Dimension</i>	<i>Score</i>	<i>User ratings of evaluation criteria</i>
Mission clarity	[GREEN]	Analysis was in depth: all users Results accurately reflected institutional performance: all users Information used to support findings was verified in depth: all users Frequent comment: tool allows for a very thorough analysis in this area—one of its strongest aspects
Alignment of systems	[GREEN]	Analysis was in depth: all users Results accurately reflected institutional performance: all users Information used to support findings was verified in depth: nearly all users Frequent comment: end results yielded concrete plans for improving alignment of systems
Decision making	[YELLOW]	Analysis was in depth: most users Results accurately reflected institutional performance: all users Information used to support findings was verified <i>superficially</i> : most users
Gender approach	[YELLOW]	Analysis was in depth: mixed—users said no, superficially, and in between superficial and in depth Results accurately reflected institutional performance: yes (half of users)/ no (half of users) Information used to support findings was verified: in depth (half of users)/ superficially (half of users) Frequent comment: verification of information in this area was concentrated at the management level
Member governance	[GREEN]	Analysis was in depth: all users Results accurately reflected institutional performance: all users Information used to support findings was verified in depth: all users <i>Note: this dimension was applicable only to one user</i>
Non-financial services (NFS), including direct services or linkages	[RED]	Analysis was in depth: mixed—users said not addressed, superficially addressed, and in depth Results <i>did not</i> accurately reflected institutional performance: most users Information used to support findings was verified: in depth (half of users)/ superficially (half of users) Frequent comment: the theme of NFS was absent from the final report, although all users reportedly offered some type of NFS, either directly or via partners

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 dimensions.*
- [NA]** Dimension did not apply to the users surveyed.

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

Table 2, continued

<i>Dimension</i>	<i>Score</i>	<i>User ratings of evaluation criteria</i>
Responsibility to clients (client protection)	[YELLOW]	Analysis was in depth: half of users Results reflected institutional performance: accurately (half of users)/ this dimension was absent from the final report (half of users) Information used to support findings was verified in depth: most users Frequent comment: the rating process involved some interaction with clients, but no formal survey was conducted
Responsibility to community	[YELLOW]	Analysis was <i>superficial</i> : most users Results reflected institutional performance in this area: most users Information used to support findings was verified in depth: mixed—users said no and in between superficial and in depth Frequent comment: MFI work in this area was not captured in the final report
Responsibility to staff	[YELLOW]	Analysis was in depth: nearly all users Results reflected institutional performance in this area: most users Information used to support findings was verified in depth: nearly all users Frequent comments: MFI performance in this area was only partially reflected in the final report
Responsibility to the environment	[YELLOW]	Analysis was <i>superficial</i> : nearly all users Results accurately reflected institutional performance: most users Information used to support findings was verified <i>superficially</i> : nearly all users Frequent comment: most MFIs had only limited policies or indicators in this area
Outreach	[GREEN]	Analysis was in depth: nearly all users Results accurately reflected institutional performance: all users Information used to support findings was verified in-depth: all users
Financial services	[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: use of focus groups in the field enhanced information gathering and validation of information reported by staff

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 dimensions.***[NA]**

Dimension did not apply to the users surveyed.

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

APPENDIX 1 : COMPARATIVE REVIEW MATRIX OF SOCIAL AUDIT TOOLS

	<i>GRI</i>	<i>QAT</i>	<i>SPI</i>
Tool attributes			
Resource requirements			
Financial cost	\$6,000–\$55,000	\$2,000–\$5,000	\$1,000–\$4,000
Other requirements	mixed	low/moderate	low/moderate
No. of external consultants	1	1–3	1
Duration			
On-site consultant visit	0–2 months	5 days	½–5 days
Draft report (initial setup)	(2–9 months)	last day of visit	last day of visit–4 months
Final report	1–5 months	2 weeks–3 months	1–4 months
Robustness			
Use of multiple data sources	high	high	high
Level of verification	moderate/high	moderate/high	moderate/high
Level of confidence	high	high	moderate/high
Usefulness to MFI			
Internal usefulness	useful	very useful	useful/very useful
External usefulness	useful	useful	mixed
Ability to customize	moderate	high	mixed
Ease of use	somewhat easy	somewhat easy/quite easy	somewhat difficult/somewhat easy
Level of overall satisfaction	satisfied	satisfied to completely satisfied	satisfied
Score Card: How well does tool evaluate specific social performance goals?			
Mission clarity	yellow	green	yellow
Alignment of systems	yellow	green	red
Decision making	yellow	yellow	green
Gender approach	green	yellow	yellow
Member governance	NA	green	green
Non-financial services	yellow	red	yellow
Responsibility to clients (client protection)	yellow	yellow	yellow
Responsibility to community	yellow	yellow	yellow
Responsibility to staff	green	yellow	green
Responsibility to the environment	green	yellow	yellow
Outreach	yellow	green	yellow
Financial services	green	green	yellow

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

APPENDIX 2: TOOL OUTPUTS AND MFI REQUIREMENTS

	<i>GRI</i>	<i>QAT</i>	<i>SPI</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			

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