

Decision Principles - Summary

Revised Proposal

Product Design

Level of user involvement

Timing

Approval of terms, format, approach etc

Approval of staff, staff terms

Staff mobilisation

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Ms. [Name]

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Mr. [Name]



Social Performance Management Through Holistic Approach - Prizma's Perspective -

Overview

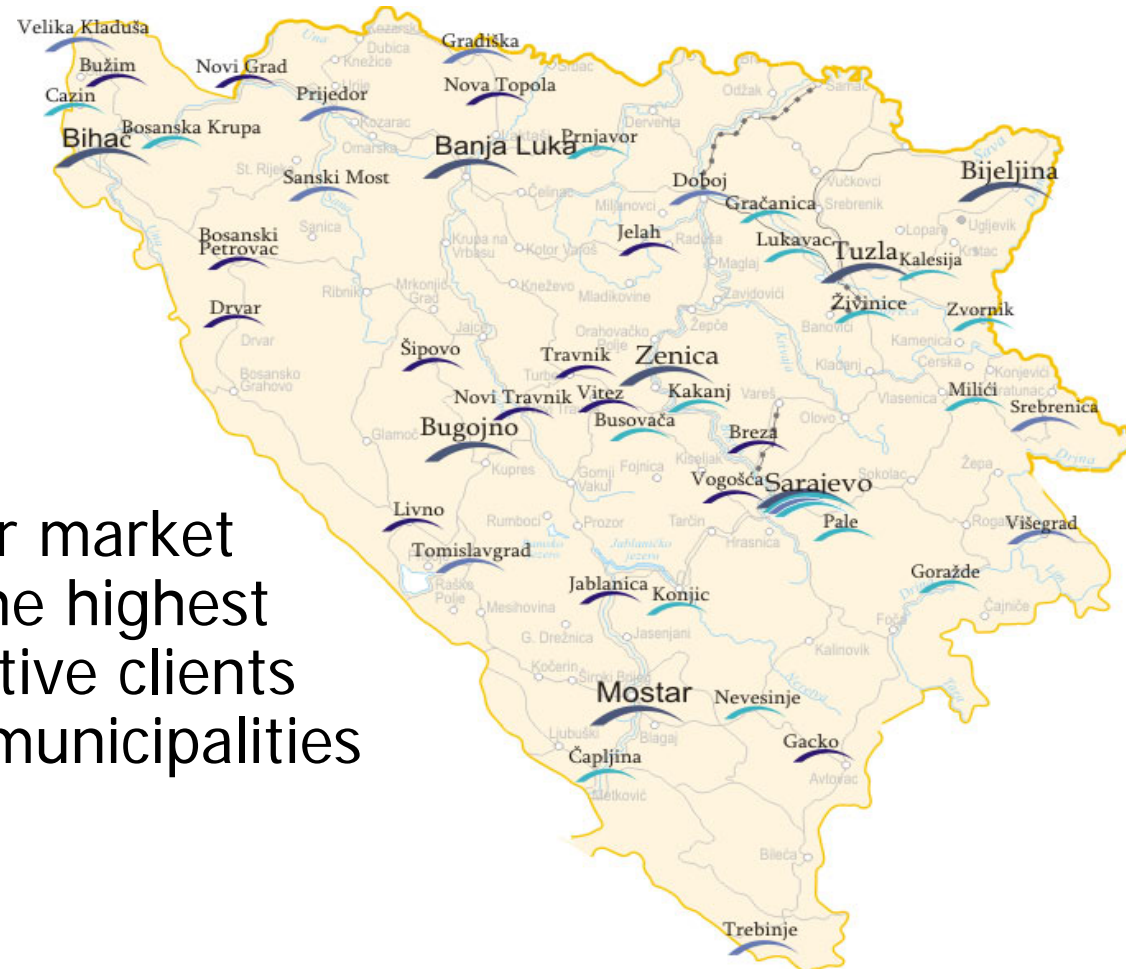
- Country context
- Prizma today
- SPM in Prizma
- Impact of microloans on micro-entrepreneurship
- Concluding remarks

Country context

- Area: 51,197 sq km
- Population: 4,6 million
(estimate)
- Transition country joining EU
- Complicated political and legal framework
- GDP per capita \$6,600 (2010 est.) –135th compared to the world
- Sovereign Credit Ratings: Standard & Poor's B+ /stable outlook
- Currency Board minimize investment risk
- Very competitive microfinance sector
- Overindebtnes issues raised ?

Competition context

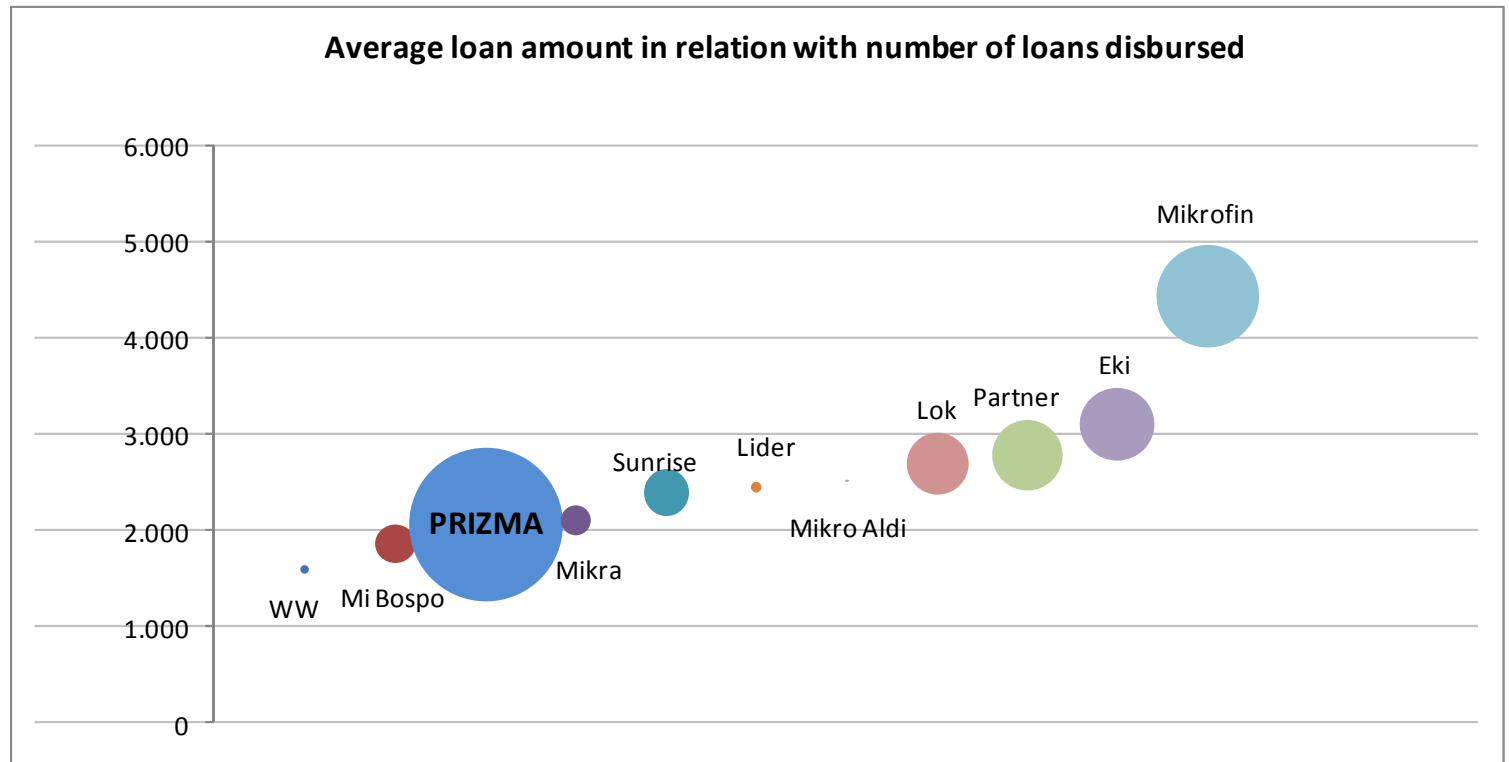
➤ 26 registered MFIs in Bosnia and Herzegovina



➤ Prizma a clear market leader with the highest number of active clients in almost all municipalities

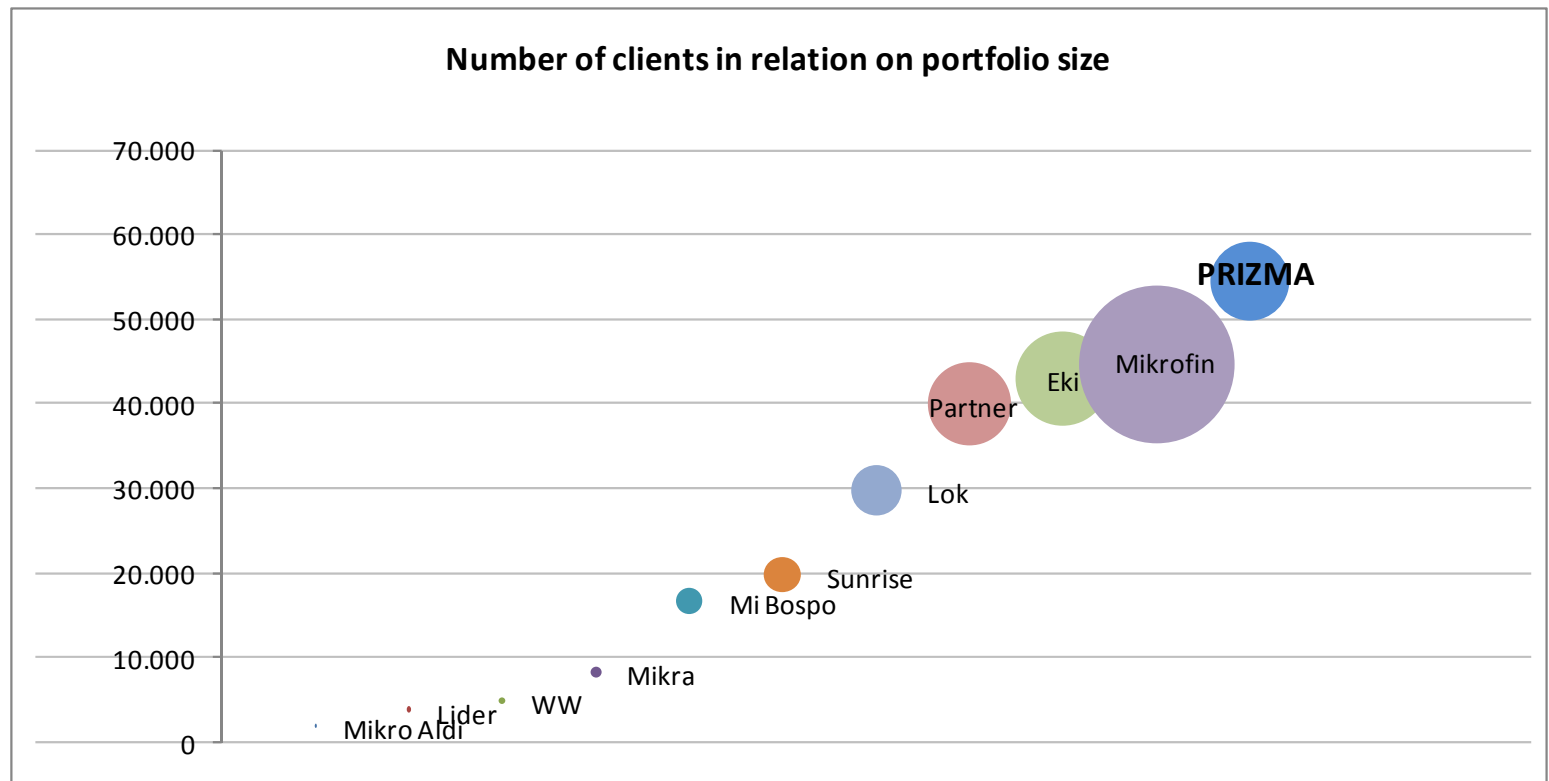
Competition context

- Average loan size in Prizma is one of the lowest in the sector
- Through number of loans disbursed Prizma has impact on the largest number of clients



Competition context

- Difference in strategical positioning clearly outlines the reasoning behind Prizma's great success even in the years of crises, in a sence that every battle is won before it begins.

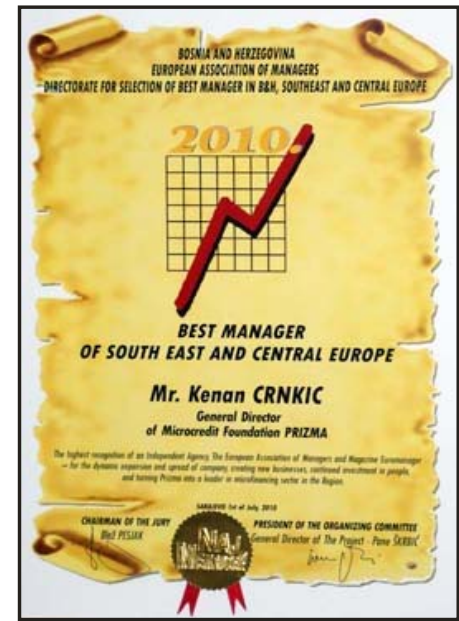
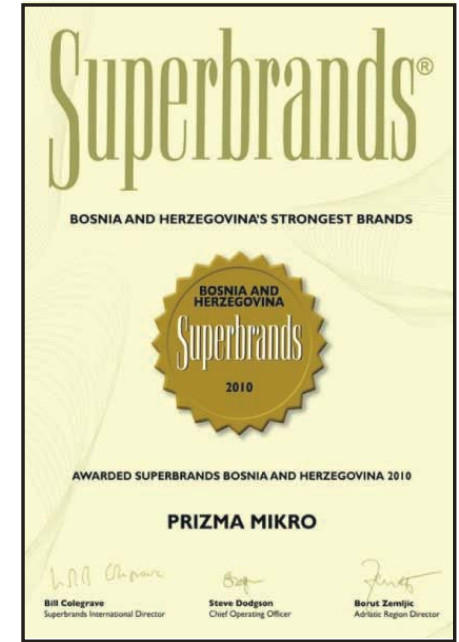


PRIZMA TODAY

- Leading MCF in number of clients, profitability, productivity and innovations
- One of the world leaders and pioneers in terms of SPM
- Since beginning of operations: more than 300.000 disbursed loans totaling over 480 million KM (around 250 million EURO)
- Over 250 employees
- Energetic, experienced and well educated management
- More than 50.000 clients
- 50 registered offices all over Bosnia and Herzegovina
- Presence in over 100 municipalities

PRIZMA - Achievements

- **2004** – UN Award for best practices
- **2004 – 2006** - Prizma received Financial Transparency Award by World Bank three years in a row
- **2005** – (A-) rating with stable trend
- **2006 – 2010** General Manager of Prizma won prestigious award for Manager of the Year and decade in B&H and Southeast Europe
- **2008, 2010** - Award for the Most Desirable Employer by portal www.posao.ba
- **2009** – Transparency in Pricing Endorsement by MF Transparency
- **2009 – 2010** – Social Performance Reporting Award by CGAP
- **2010** – Superbrands Award (first MCF in the world)
- **2011** – First PhD thesis successfully defended on positive impact of microcredit organization on entrepreneurship development



Prizma's specifics compared to other MFIs

Prizma's success is based on:

- Clear down market focus, without compromises
- Diversification and unique delivery channels
- Being ruthless on productivity and efficiency
- Passion about double bottom line long term achievement
- Widely recognized organizational culture
- Strong and visionary leadership
- Analytical, coordinated management focused on implementation
- High motive, energy, team work, passion and commitment of staff (rule 3:1)

Prizma's Future Strategy

- Maintaining focus on down market niche
- Introduction of new financial and non-financial services
- Potential transformation into profitable type of company
- Regional expansion
- Strengthening of institutional infrastructure and capacities

SPM in Prizma

SPM Development in Prizma

- Work under IMPACT
- Focus groups (MSA and AIMS tools)
- CGAP Poverty assessment (PAT tools)
- 'Mining' MIS (coordinated with Kredits)
- Exit interviews (understanding drop out)
- Drawing on important new data through :
 - UNDP,
 - LSMS and other research conducted
- Development of Prizma Poverty Scorecard as a revolutionary tool to measure poverty and improvement in well being over time

Overview

Work under Imp-Act

➤ **Sustaining** Social Performance

Pay for pro-poor agenda and sustained service

➤ **Understanding** Social Performance

Who are we reaching? How can we do better?

➤ **Monitoring** Social Performance

Poverty assessment and impact monitoring over time

➤ **Managing** for Social Performance

Leadership, culture, incentives, systems integrated approach at all levels and functions on day to day basis within organization both vertically and horizontally

Imp-Act Activities

**Sustaining
Social
Performance**

*Pay for pro-poor agenda
and sustained service*

Maintain...

- Outreach to rural and very poor
- Ongoing research
- Eligibility for commercial financing
- Lower the cost to clients

**Understanding
Social
Performance**

*Who are we we
reaching? What's nature
& degree of poverty &
vulnerability?*

Research...

- Focus groups (MSA tools)
- CGAP Poverty assessment
- 'Mining' MIS
- Exit interviews
- Drawing on important new data: UNDP, LSMS et al.

**Monitoring
Social
Performance**

Assess...

- Poverty status
- Outcomes in terms of Impact achieved

**Managing
Social
Performance**

Leadership
Culture
Incentives

Understanding Social Performance

Mitigating Bias Against Poor

Formal Exclusion

MFI

- New and refined product terms
- Support for income smoothing
- Support for start-up / non-enterprise needs
- No 'zero-tolerance' as formal policy

Informal Exclusion

MFI

- Re-orient staff to pursue poor
- Pursue greater rural outreach
- Focus groups w/staff to understand bias
- Focus on PAR >30 rather than <30
- No 'zero-tolerance' as informal practice
- Promotion to poor group 'formers'

Self-Exclusion

Clients

- Smaller group loan size limit
- Focus groups - understand exclusion
- No 'zero-tolerance'

Client Exit

Clients & MFI

- Track drop out among poorer clients
- Exit interviews with poor drop outs
- Follow up drop out w/qualitative research
- No 'zero-tolerance' — retain poor

System Design

Measuring Social Performance

Select indicators...

Indicator Selection	Poverty Status						Change
	Nationally valid (valid different local contexts, urban vs. rural, etc.)	Long time horizon (likely to remain strong proxy in the future)	Supports Targeting (can be observed as well as asked)	Easy to verify (low risk of falsification/error; also possible to verify)	Simple (direct and easy to answer vs. computed information)	Sensitive to Change (captures discrete change in client status poor households over tiem)	
Education	•	•		•	•		
Residence (urban/rural)	•	•	•	•	•		
Employment Status	•	•		•	•		
Family Size	•	•	•	•	•		
Consumption: meat	•	•		•	•	•	
Consumption: sweets	•	•		•	•	•	
Asset: household	•	•	•	•	•	•	
Asset: transport	•	•	•	•	•	•	

System Design

Measuring Social Performance

Design scorecard...

Prizma Poverty Scorecard					
<i>Poor and Very Poor 0-2 * Vulnerable Non-Poor 3-4 * Non Poor 5+</i>					
Indicator		0	1	2	
Poverty Risk	Education	What is education level of female household head/spouse/partner?	<= Primary	> Primary	
	Residence	Where is residence?	Rural/Peri <=10000	Urban >10000	
	Houshold size	What is houshold size?	>=5	<5	
	Change	Houshold Assets	Does houshold possess a stereo CD player?	No	Yes
		Transport Assets	Does Houshold possess a transport vehicle?	No	Yes
		Meat Consumption	On avarega, how often does houshold consume meat each week?	Rarely 0-2 times/week	Sometimes 3-5 times/week
	Sweets consumption	On avarega, how often does houshold consume sweets with main meal each week?	Rarely 0-2 times/week	Sometimes 3-5 times/week	Often 6-7 times/week

System Design

Measuring Social Performance

Automate system...

Portfolio Reports [asim]

Folders	Reports
Audit Trail	P03 - Active Portfolio by Loan Officer
Impact	P04 - Active Portfolio by Fund
Quality	P05 - Monthly disbursements
Productivity	P12 - Active Portfolio by State / Municipality
Accounting	P14 - Client drop-out rate
Account Lists	P20 - Opened Accounts Crossover Rate
Payments Listing	
Custom Grouping	
Export Data	
Custom Excel Rpts	

Report Filters Report Currency

<input checked="" type="checkbox"/> Fund (donor)	=	UNDP	Max Days Btw Acc	90
<input type="checkbox"/> Region 2	=			
<input type="checkbox"/> Branch (Client)	=			
<input checked="" type="checkbox"/> Amount	=	1.500,00 KM		

Individuals Loan Accounts
 Groups Deposit Accounts
 Members

Group By Number of Terms

Start Date: 01.01.2010
 End Date: 31.03.2010

System Design

Measuring Social Performance

Incorporate into broader social and financial reporting...

BRANCH	Depth		Breadth		Drop Out		Productivity & Efficiency		Port		
	New Poverty Clients (%)	Active Poverty clients (%)	Active Clients	New Clients (%)	Drop Out	Drop Out Among Poor	Staff Productivity	Administrative Efficiency	1-30 days at risk (PAR)	31-60 days at risk (PAR)	61+ days at risk (PAR)
2012											
Bihac	January		2739	29%	32,74%		203	25,22%	0,51%	0,17%	0,06%
	February		2938	30%	40,36%		218	24,49%	1,11%	0,16%	0,17%
	March		3003	31%	36,63%		222	23,06%	0,41%	0,07%	0,17%
	April		3353	36%	32,97%		248	21,59%	0,77%	0,12%	0,17%
	May		3528	37%	35,17%		261	21,19%	1,09%	0,17%	0,17%
	June										
	July										
	August										
	September										
	October										
	November										
	December										
2012 Objective	22%	35%	3286	30%	30%	25%	243	21%			

Ensure transparency and organization-wide understanding...

System Design

Measuring Social Performance

Compliment Marketing...

Prizma

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Active Loans

Report Nr C2

Printed: 10/20/03 14:38

Kredits LTS, ver 3.51

Client Type = Individuals, Members*

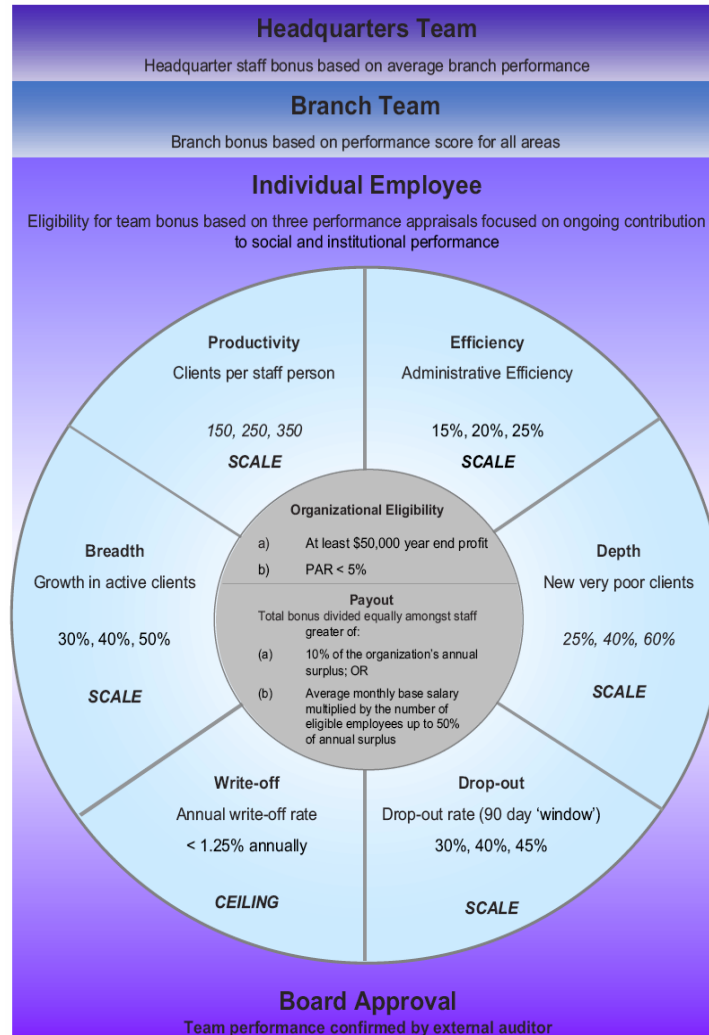
As of 12/31/02

Index Currency DEM

Urban / Rural	Nr Active Clients	Outs Principal	Total Aprvd Ln Amt	Avg Nr of Terms	Non-poor
Large City	978	572,222.67	966,200.00	7.3	W%
Medium Town	126	125,215.73	253,200.00	11.0	X%
Small Town	172	296,795.68	472,100.00	14.9	Y%
Village	885	774,257.88	1,277,000.00	9.2	Z%
Sum Total	2,161	1,768,491.96	2,968,500.00	8.9	60%

Managing Social Performance

Double Bottom Line

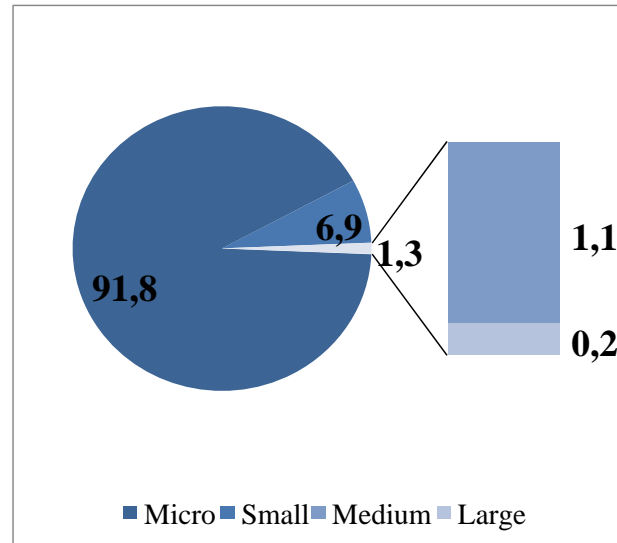


- Depth
 - Drop Out
 - Breadth
 - Long-term Portfolio Quality
 - Productivity
 - Efficiency
- ➔ **Monitor impact**

**Findings of the study
“Impact of microloans on micro-
entrepreneurship”**

Potential impact of microloans on national economy

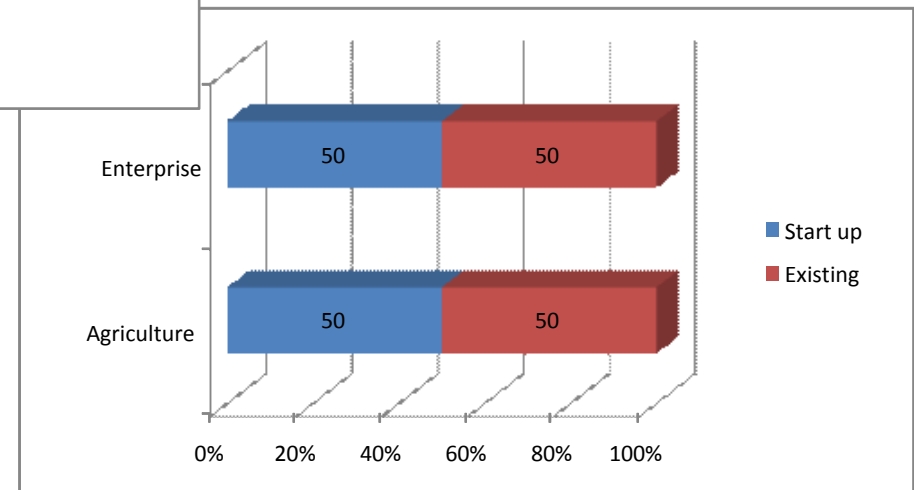
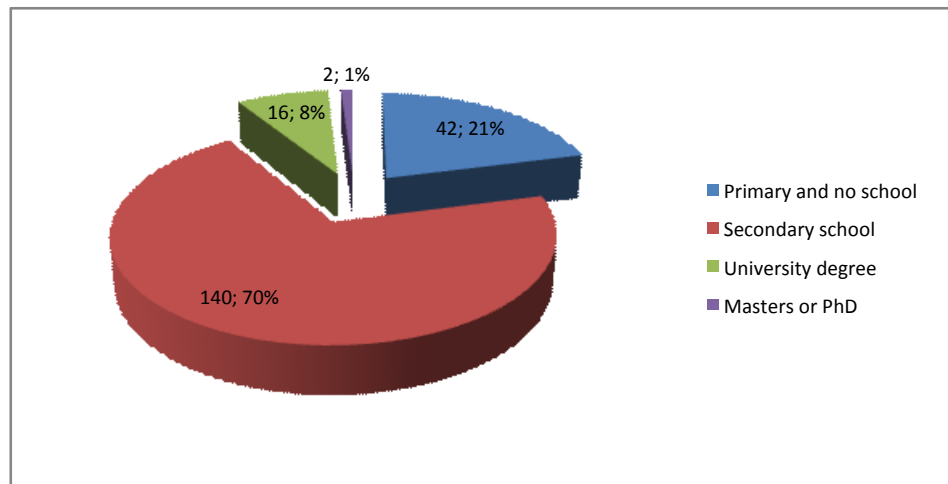
- Entrepreneurship is a backbone, and micro, small and medium enterprises a blood stream of the EU economic development



- Micro enterprises, with **2** employees at average, are the businesses which occupy a dominant share of **92%** out of the total of 20 millions registered enterprises in the EU, with the identical situation in the other developed countries.
- Several studies outline their biggest challenge to be access to finance (particualarly in start up phase)

Impact of microloans on micro-entrepreneurship

- Stratification of the sample that has been subject of research



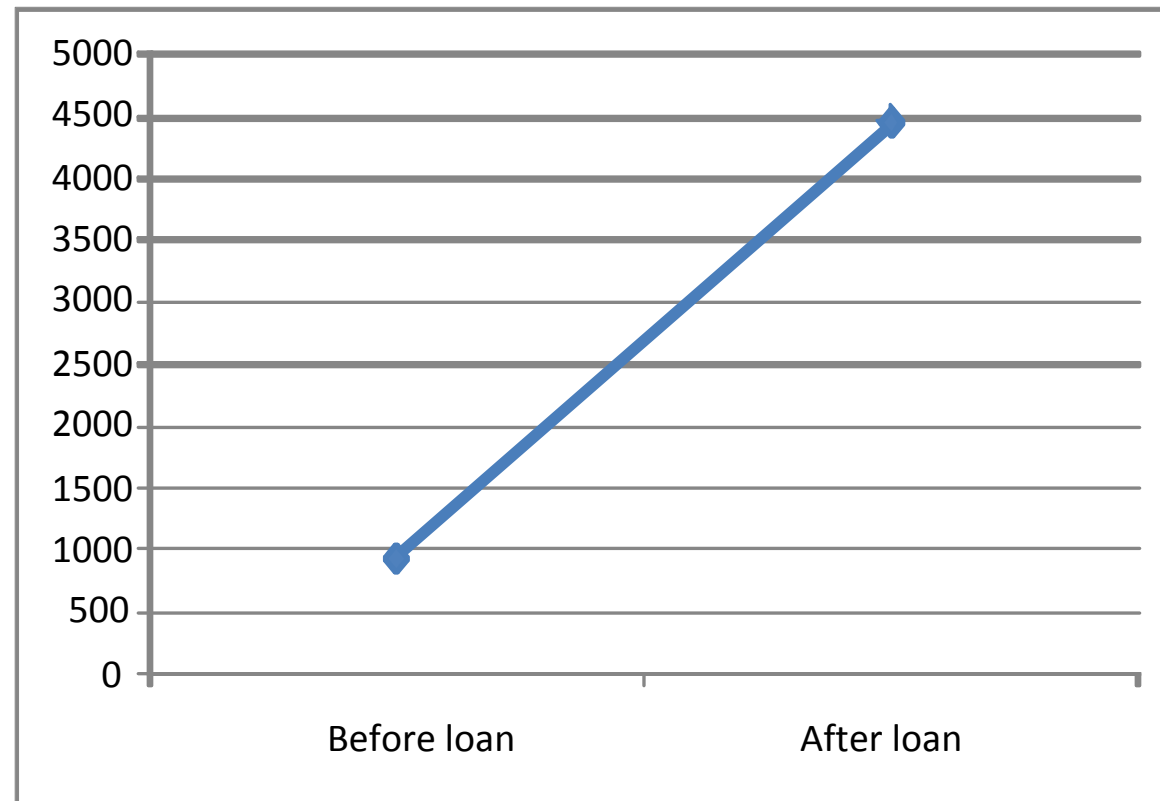
Impact of microloans on clients' businesses monthly sale

- There is statistically significant difference on monthly sale from business before and two years after disbursement of loan

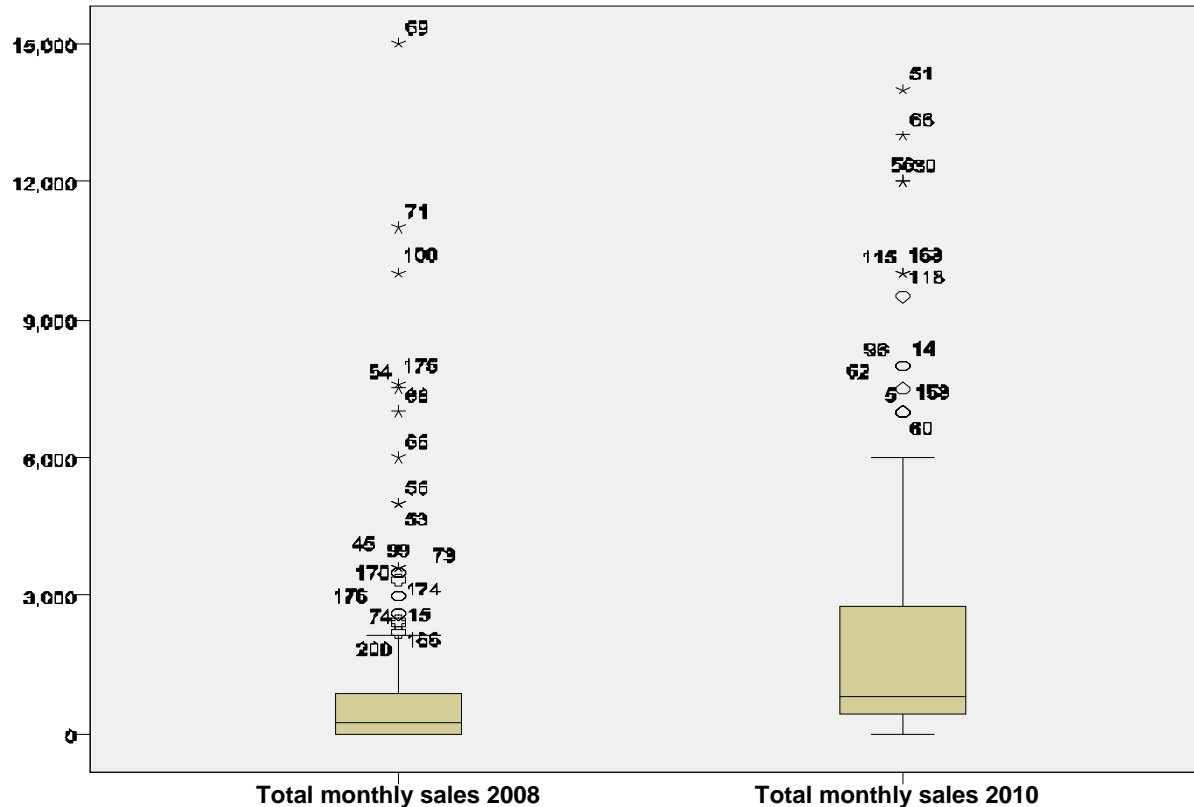
	Sum of squares	df	MS	F	p
Loan	1.230E9	1	1.230E9	5.115	.025
Loan * Loan type	5.669E8	1	5.669E8	2.357	.126
Loan * Business type	1.301E8	1	1.301E8	.541	.463
Loan * Gender	1.258E8	1	1.258E8	.523	.470
Loan * Loan type * Business Type	2.782E8	1	2.782E8	1.157	.283
Loan * Loan type * Gender	7.349E7	1	7.349E7	.306	.581
Loan * Business type * Gender	1.801E8	1	1.801E8	.749	.388
Loan * Loan Type * Business type * Gender	3.839E8	1	3.839E8	1.596	.208
(Loan)	4.618E10	192	2.405E8		

Impact of microloans on clients' businesses monthly sale

- Two years after loan disbursement, overall monthly sale has been increased by 370%

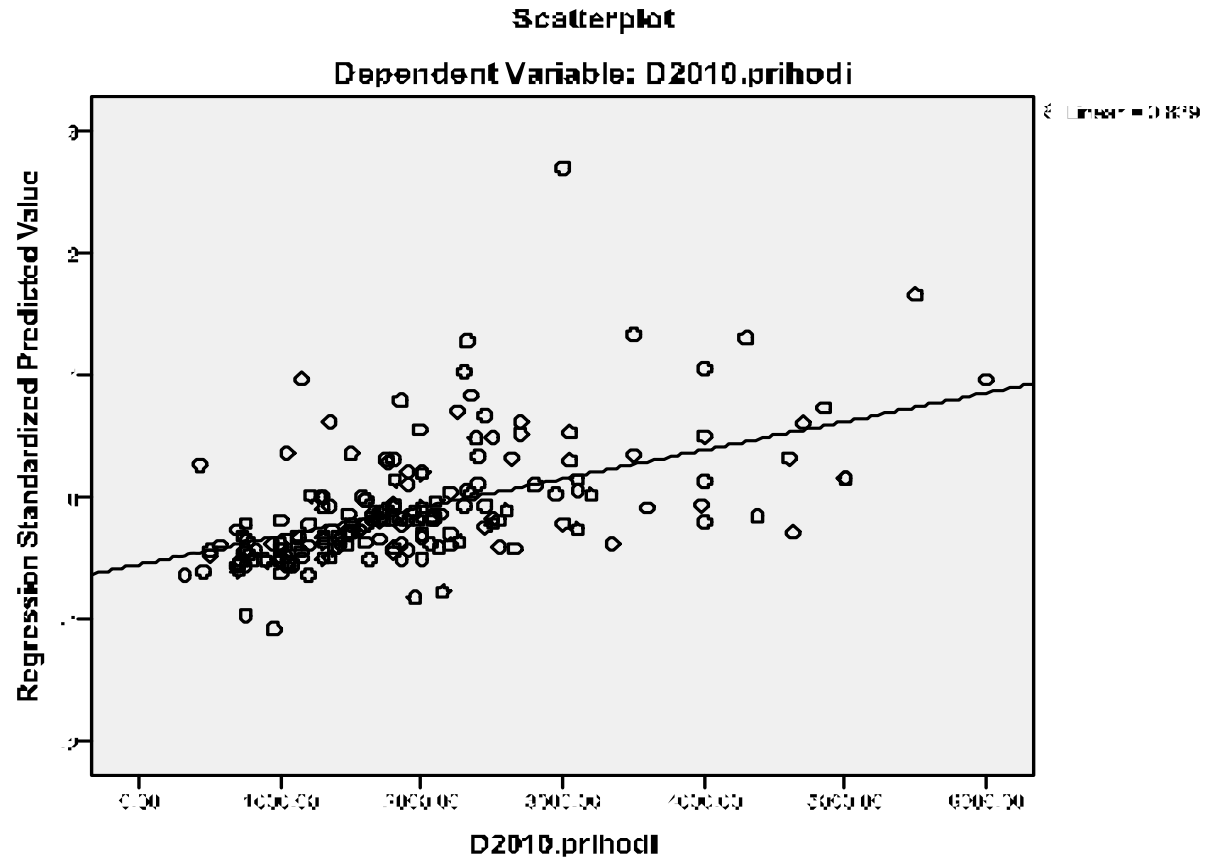


Impact of microloans on clients' businesses monthly sale



- Written-off loans track decrease in the level of monthly sale, also there are some interesting differences in terms of the gender, new vs existing as well as type of business

Impact of microloans on clients' household income



- Two years after loan disbursement, overall household income has been increased by 69%

Concluding remarks

- MCO in B&H have positive impact on entrepreneurship and therefore on overall economic development
- However, in order to achieve above mentioned MCOs have to stay loyal to their initial mission focusing predominantly on microentrepreneurs not SME and consumer lending while maintaining strong SPM focus
- Integration of SPM at all levels and functions within organization is the best approach in evolving from simple measuring to managing Social performances
- Financial and social performances are two sides of the same coin having Prizma as perfect example
- It takes a lot of time, effort and passion to understand, sustain, measure and ultimately manage SPM
- This multidimensional phenomenon needs permanent work accompanied by continuous learning and improvement

Questions?

Thank you for your attention!