Case study of KOMIDA: A Journey to Implement the Universal Standards for Social Performance Management

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Executive Summary

This case study describes Koperasi Mitra Dhuafa's (KOMIDA) journey to improve its implementation of the Universal Standards for Social Performance Management ("Universal Standards"). In this work, KOMIDA received support from Opportunity International (Opportunity) through Ankuram Social Ventures (Ankuram).

KOMIDA is the second largest microfinance institution in Indonesia. It provides financial and non-financial services to low-income and financially excluded women, with the goal that these services will help clients to improve their health, education, and income. KOMIDA is committed to social performance management (SPM) because it understands that it must manage its social performance as carefully as it manages its financial performance if it is to achieve its social goals. In fact, KOMIDA states that SPM is essential for four main reasons:

- To hold itself accountable to its social mission,
- To understand what outcomes KOMIDA's clients are actually experiencing,
- To understand to what extent KOMIDA is compliant with global standards of SPM,
- To respond to social investors' requests for SPM data.

KOMIDA worked particularly intensively on strengthening its SPM in 2015 and 2016. In February 2015, an external consultant helped KOMIDA assess its current practices using the SPI4 social audit tool. This audit took approximately 10 days and involved all departments, and it resulted in a comprehensive report of strengths and weaknesses. KOMIDA built an action plan for improvement based on these results. It was very thoughtful and detailed in its analysis and planning of which activities to prioritize, in which order to implement them, and to whom the responsibility for implementation should fall. It also was careful to involve staff in all departments, and at all levels, in the action planning to ensure buy-in and to develop a realistic and effective plan. Action plan implementation was largely successful but did encounter some challenges, notably the limited time devoted by board members to the work and the tension of balancing the desire to track a large number of SPM indicators with the need to minimize the burden of data collection. By the end of the process, KOMIDA had learned many practical lessons about how to implement an SPM action plan, but it found three to be most important: 1) Adopt an integrated and comprehensive approach to SPM; 2) Go beyond client targeting; 3) Different departments have a role in implementing SPM.

Thanks to KOMIDA's strong and sustained commitment to action plan implementation, its social rating score has improved from "fair" to "good," and KOMIDA is improving its strategic decisions based on insights provided by SPM data.

Introduction

Country Context

There are over 60,000 microfinance institutions (MFIs) in Indonesia reaching more than 50 million people.[1] Indonesia's microfinance sector is characterized by financial institutions with varied legal forms offering mostly loans and savings products. The institutions can be broadly classified as one of the following types of financial service providers (FSP): commercial bank, rural bank, cooperative, venture capital institution, multi finance institution, or other type of financing institution. Currently, all of these are supervised by the government agency Otoritas Jasa Keuangan (OJK). OJK and Bank Indonesia together regulate banking in the country. The cooperatives are also monitored by the Ministry of Cooperatives and Small and Medium Enterprises (SMEs).

The country's population predominantly resides in rural areas, and most of the MFIs operate in rural areas as well.

There is no credit information bureau for microfinance institutions in Indonesia. However, the Indonesian Access to Finance Association (PAKINDO)[2] promotes credit information sharing both informally and through the setting up of a formal information system. PAKINDO is an inclusive association, with members from all the legal types of financial institutions within the Indonesian microfinance sector.

The Organization

KOMIDA was established as a foundation in 2004 under the name Yayasan Mitra Dhuafa (YAMIDA). In 2005, the organization started a microfinance program in Aceh using the Grameen methodology[3] to help tsunami victims. Given the growth of the microfinance program, KOMIDA legally transformed in 2009 into a cooperative. By the end of 2016, KOMIDA had become the second largest microfinance institution in Indonesia, serving 359,000 low-income members in 150 branches from 6 provinces: Aceh, Java, Kalimantan, Nusa Tenggara Barat, Nusa Tenggara Timur, and Sulawesi. KOMIDA's loan portfolio totals 464 billion Indonesian rupiah (IDR), or approximately 35 million USD.

Key Statistics about KOMIDA

Year of Inception	2004
Outreach	Total Members: 359,000 Number of Branches: 150 Number of Provinces: 6
Methodology	Group / Solidarity
Legal Form	Cooperative / Credit Union
Key Financial Products and Services	• Loans: General business loan, water & sanitation loan, micro-enterprise loan • Savings: Mandatory savings, festive savings, voluntary savings, pension savings • Insurance: Risk fund

[1] Statistic reported in a 12 July 2013 blog posting on CGAP's website: http://www.cgap.org/blog/latest-branchless-banking-indonesia

[2] Founded by Indonesian microfinance practitioners, PAKINDO aims to be the leading microfinance association in promoting the principles of responsible and sustainable finance in Indonesia, particularly in the implementation of consumer protection regulation, financial education, and self-regulation.

[3] The Grameen group lending model is a joint liability model where individuals must form a group, receive financial training, and then receive a loan. Multiple groups form a center and meet regularly to repay their loans and meet with field staff. The joint liability creates peer pressure on each group member to repay her loan.

Non-financial Services	Trainings in health, women empowerment
Gross Loan Portfolio (in USD)	34.83 million USD
Savings Mobilised (in USD)	3.57 million USD

KOMIDA offers financial services exclusively to the poor. Below are KOMIDA's mission and vision:

- Vision: To become the leading microfinance savings and loan institution that can provide financial and non-financial assistance in an efficient and timely manner for low-income women to enable them to improve their lives in terms of household income, health, and children's education.
- Mission:
    1. Provide financial assistance in the form of savings and loans to members.
    2. Provide non-financial assistance in the form of health training, motivational education for the children of members, and family financial management.
    3. Provide quality service to members through qualified and high-integrity staff.

Because of its social goals, KOMIDA operates in underserved areas in Indonesia and is strongly committed to managing its social performance.

Overview of KOMIDA's Social Performance Management (SPM) Journey

KOMIDA has always sought to improve clients' lives, and it was founded with a broad mission of working with poor women to empower them. However, it did not begin with a set of explicitly articulated social goals. Over the years KOMIDA has become significantly more professional, deliberate, and specific in its definition of its goals and in how it manages its performance in order to achieve them.

Early years: 2005-2008

KOMIDA's SPM journey started in 2005 with the inception of a microfinance program that used Grameen methodology. Driven by its strong intent to work with poor women, KOMIDA began using a client targeting tool so that it could identify poor and low-income potential clients. Specifically, it adopted and customised the Cashpor Housing Index (CHI) tool[4] developed by Cashpor, which is an India-based MFI. The original CHI is an index based on the height of the wall and material used in the wall and roof of a house; KOMIDA customized the tool to include additional elements for the housing index (room size, state of the house, roof type, wall height, and type of floor), as well as per capita income, and business / productive asset value.

2009-2014

In 2009, when the microfinance program transformed into a cooperative, KOMIDA drafted a social mission that specifically identified the target clients (poor women) and the type of services (provider of loans). However, the mission remained vague in terms of the client outcomes that KOMIDA wished to achieve; it stated only that KOMIDA sought to "improve [clients'] empowerment." At that time, KOMIDA also did not identify or monitor progress toward specific targets related to its social goals.

2010 was a year of deepened engagement. In 2010, KOMIDA commissioned a social rating and received a score of "fair." Also in 2010, KOMIDA adopted the Progress out of Poverty Index (PPI) tool, which is a tool to monitor clients' poverty levels. KOMIDA began administering the PPI every year, with all clients. It took this step because it had realized that

[4] Please refer to http://www.cashpor.in/chi.html for details on how Cashpor uses the CHI tool.

its loans were having not only a financial impact on clients, but also a social impact. KOMIDA wanted to know to what extent the poverty levels of clients were changing and how clients' standards of living were changing. Indonesia's PPI scorecard has questions on children going to school, sanitation, asset ownership, education levels of the female head of household, and employment levels of the male head of household. With the help of Grameen Foundation, KOMIDA was able to collect, analyze, and report the data regularly to management and funders. Part of this process involved integrating PPI indicators into the management information system (MIS), so that KOMIDA could enter all the PPI data it collected into its database. KOMIDA also continued to use the CHI, which is helpful for targeting and client selection.

To further the work, KOMIDA also decided to form an SPM team. The effort began in 2013, when KOMIDA appointed an SPM Champion from within the senior management team. By 2017, KOMIDA had a three-member SPM team, with the head still being a senior manager. KOMIDA relies on the SPM team to monitor outcomes in clients' lives that are influenced by their use of KOMIDA services. Additionally, the SPM team identifies which poor people among the target client group are not using KOMIDA's services and investigates why not. In this regard, one insight KOMIDA has gained is that changing clients' mindsets so that they are willing and able to engage productively is an important piece of the work. The SPM team is also specifically responsible for ensuring quality poverty tool implementation and data analysis. KOMIDA notes that the work of its SPM team demonstrates that the institution cares about its clients, and therefore contributes to KOMIDA's good reputation.

In the period 2009-2014, KOMIDA also focused on the Client Protection Principles. One key area of work was the creation of a mechanism to receive and address client complaints. This was essential for ensuring good customer service, especially since KOMIDA's client base was growing. With the new mechanism, the primary channel for complaints became an SMS centre number, which was housed at the head office. KOMIDA made all clients aware of this number in various ways, including printing the number in client passbooks. In addition to establishing a complaints mechanism, KOMIDA worked on responsible pricing, launched surveys to gather client feedback for product development, and set formal guidelines for staff behaviour. However, for many of these practices, the policies were insufficiently developed or missing. KOMIDA also took some steps to ensure fair and respectful treatment of employees. Though it had been adhering to local labour laws, and already had quite a few human resources policies related to recruitment, induction, performance appraisal, disciplinary procedures, staff incentives, and working conditions, its policies and processes were not fully compliant with the essential practices in the Universal Standards. It also wished to raise its staff retention rate, which was 69.0% in 2009

<u>Move to the Universal Standards for SPM: 2014 and onward</u>

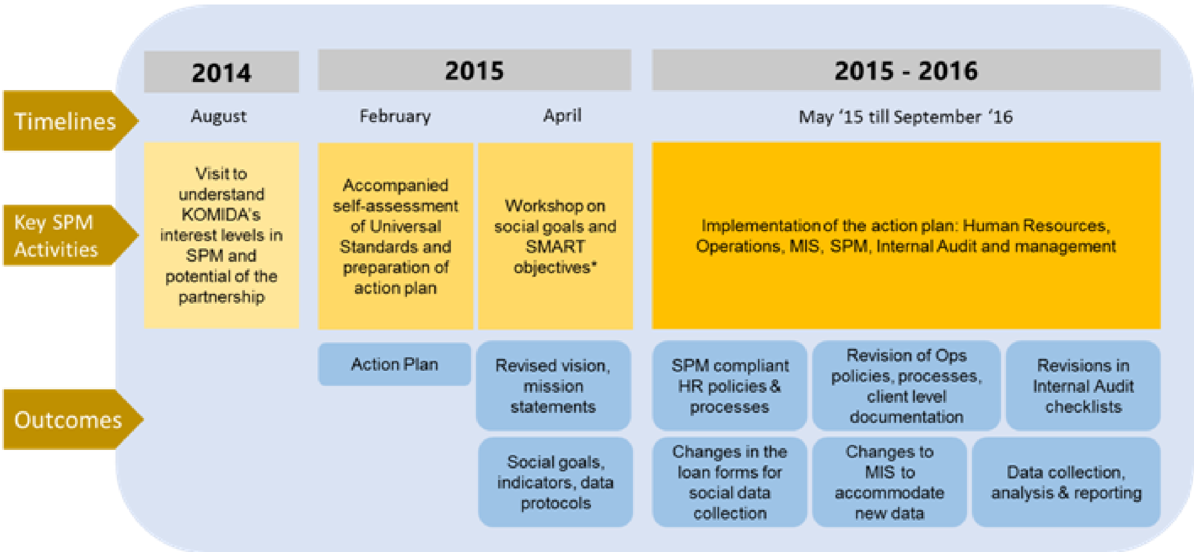
Opportunity International (Opportunity) partnered with KOMIDA in 2014 and offered technical assistance (TA) support to KOMIDA, as per Opportunity's global commitment to SPM. The first step in this TA support was an assessment of the current status of SPM implementation within the institution, conducted using the audit tool SPI4.[5] The SPI4 is fully aligned to the Universal Standards for SPM,[6] and it concludes with a report that shows a summary score for each dimension of the Universal Standards, as well as a score for each standard within

[5] CERISE developed the SPI4 audit tool. To learn more, and to download it, go to http://www.cerise-spi4.org.
[6] The Universal Standards for Social Performance Management is a comprehensive manual of best management practices for organizations seeking to achieve a social mission. For more information, please see http://sptf.info/universal-standards-for-spm/start-here.

each dimension. From these results, a financial service provider can easily understand its areas of relative strength and weakness and develop an action plan for improvement.

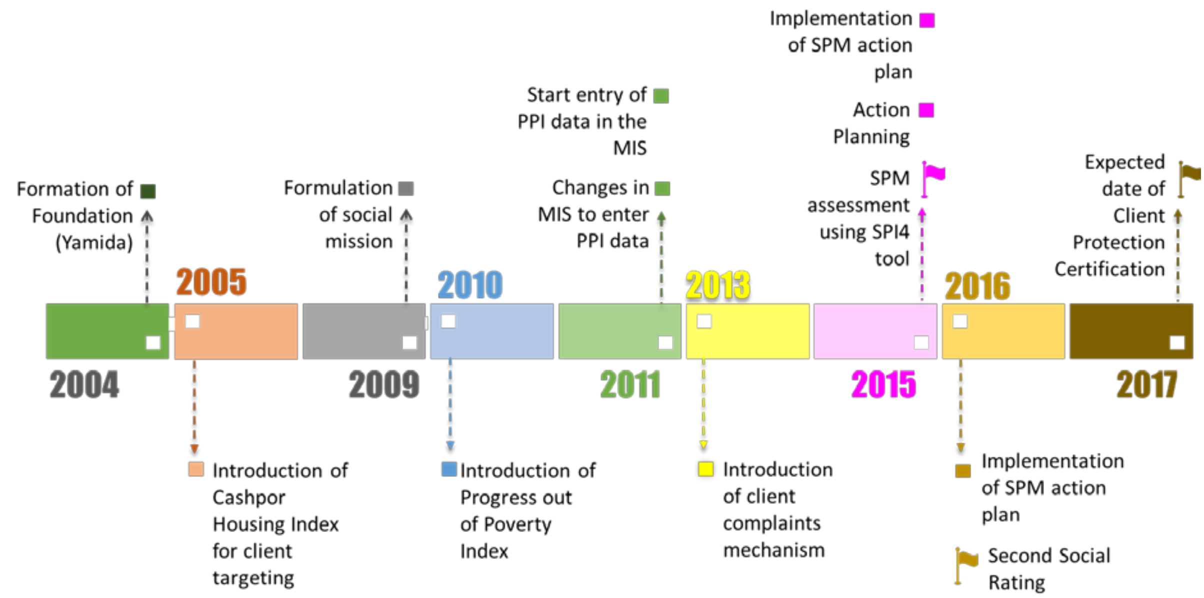
During 2015 and 2016, KOMIDA underwent an SPI4 audit (February 2015) and implemented the resulting action plan. In 2016, KOMIDA commissioned a second social rating and received a score of "good." This represented a significant improvement[7] from its previous score of "fair." Also by 2016, KOMIDA's staff retention rate had improved from its 2009 level of 69.0% to 90.1%.

Overview of the TA provided by Opportunity International through Ankuram to KOMIDA



* SMART refers to Specific, Measurable, Attainable, Relevant and Time-bound (SMART) Objectives

Timeline of KOMIDA's Social Performance Management Journey



[7] The statement made based on the comparison of ratings given by different rating agencies. Please see http://sptf.info/images/social%20rating%20guide_english_nov%202014.pdf (page 8) for reference.

The remainder of this case study details how this SPM journey unfolded for KOMIDA, discusses the main challenges that KOMIDA encountered, and shares lessons learned.

Details on How KOMIDA Improved Its SPM

A. Motivation for Implementing the Universal Standards for SPM

KOMIDA had many reasons for choosing to assess its SPM and subsequently commission TA support to improve practices:

- To hold itself accountable to its social mission. KOMIDA genuinely wanted to create positive effects in clients' lives, and it recognized that good SPM would help it to achieve its goals.
- To understand what outcomes KOMIDA's clients had actually been experiencing. The board, management, and staff felt that there was no proof beyond the anecdotal evidence that they had gathered about how KOMIDA's services were affecting clients' lives. KOMIDA knew that implementing SPM would help the team get a true understanding of how all clients' lives were changing, for better or for worse.
- To understand to what extent KOMIDA was complying with the global standards of SPM. This is a topic of increasing relevance to funders and regulators around the world.
- To respond to social investors' requests for SPM data that went beyond the PPI. While the PPI is a great tool to understand the poverty levels of clients, other SPM data are required to understand all of the changes (meaning, outcomes) taking place. For instance, investors wanted additional data related to children's education, health outcomes, and household income improvements. Furthermore, KOMIDA did not have data on the quality of services, except for the proxy of client exit rate, and it lacked data on client satisfaction and client complaint resolution.

B. Assessment: The Process and Results

Prior to visiting KOMIDA, Ankuram spoke over the phone with the SPM champion to discuss the schedule, support required, and deliverables, and to train the SPM champion on the SPI4 social audit tool. Opportunity also shared with KOMIDA the list of documents it must provide for an SPI4 audit, which come from various departments. The consultant from Ankuram reviewed all of these documents prior to the on-site visit. After this, a certified external auditor conducted the SPI4 assessment on-site. This process took 10 days.

During the on-site visit, the auditor conducted interviews with the department heads from operations, human resources, internal audit, MIS, SPM, and finance, as well as with the CEO and a board member. At the end of the visit, the auditor gave a presentation of the preliminary SPI4 audit results to senior

Use of the SPI4 as the assessment tool

Opportunity selected the SPI4 as the social audit tool for several important reasons. First, it is the only social audit tool that is fully aligned to the Universal Standards for SPM, and therefore can give a comprehensive assessment of an institution's SPM practices. Secondly, Opportunity has a strategy that the SPM tools or standards it promotes should be in sync with the industry standards. This avoids duplication of efforts and reduces the burden of reporting on the financial institutions.

KOMIDA agreed with the choice of the SPI4. Having this type of assessment would make KOMIDA's social performance reporting to other social investors easy. By the time the assessment started, KOMIDA's other social investors were already asking if KOMIDA was using SPI4.

management, including two board members. During this meeting, the team also began preparation of a draft action plan. The SPM champion was involved throughout the process, from preparation to facilitating the implementation of the audit to the action planning that occurred after KOMIDA obtained its audit results.

From its initial assessment, KOMIDA's results showed some gap areas as well as several areas of strength. KOMIDA scored above 50% on three dimensions of the Universal Standards:

- Design Products, Services, and Delivery Channels That Meet Clients' Needs and Preferences (dimension 3)
- Treat Employees Responsibly (dimension 5)
- Balance Financial and Social Performance (dimension 6)

KOMIDA scored below 50% in the other three dimensions:

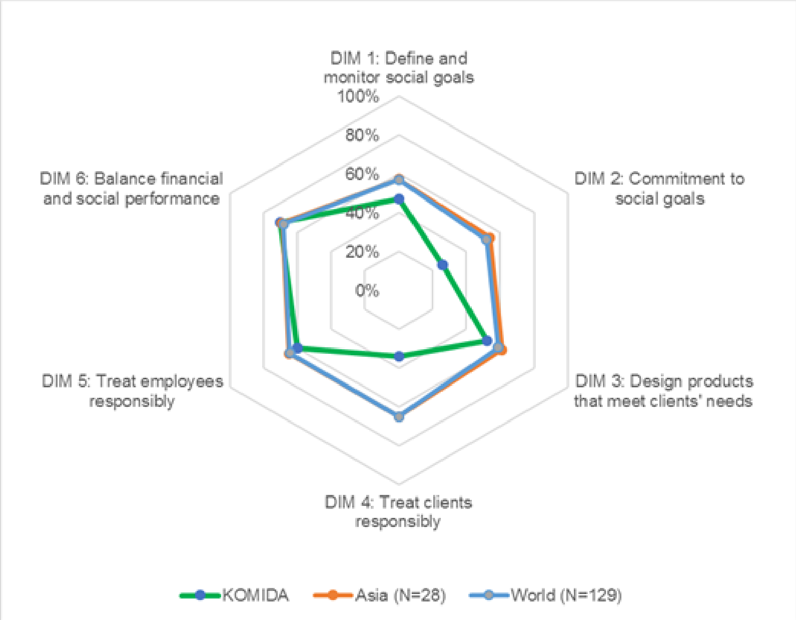
- Define and Monitor Social Goals (dimension 1)
- Ensure Board, Management, and Employee Commitment to Social Goals (dimension 2). In shorthand, the SPI4 results call this dimension "commitment to social goals."
- Treat Clients Responsibly.[8] (dimension 4)

Please see the graphs below for KOMIDA's results, by dimension of the Universal Standards, compared to SPI4 benchmark groups[9] Asia and World.

KOMIDA's SPI4 scores in February 2015 compared to scores for benchmark groups

	KOMIDA	Asia N=28	World N=129
DIM 1	47,0%	57,0%	56,9%
DIM 2	26,0%	54,0%	51,8%
DIM 3	52,0%	61,0%	58,8%
DIM 4	34,0%	65,0%	65,1%
DIM 5	60,0%	65,0%	64,5%
DIM 6	70,0%	69,0%	68,1%
Total	**48.16%**	**61,83%**	**60,8%**

[8] Note that all standards and essential practices in the dimension Treat Clients Responsibly are taken verbatim from Smart Campaign's Client Protection Principles and certification standards for client protection.
[9] Benchmarks computed from the benchmark data provided by CERISE on http://www.cerise-spi4.org/benchmarking/. KOMIDA's scores are from the first external assessment done in February 2015 as a part of the TA provided by Ankuram. Asia and World averages are taken from CERISE for the quality audits done as of September 2016.



C. Action Planning, Part 1 – Choosing Which Activities to Implement

The action plan for KOMIDA was informed by the gaps identified by the SPI4 audit. The SPI4 tool had around 200 indicators (version 1.4) when KOMIDA's assessment was done. For each of the indicators, the assessor identified whether KOMIDA was complying fully (marked as 'yes'), partially, or not at all (marked 'no'). KOMIDA created a list of action items to address all indicators that had partial or no compliance.

In the end, KOMIDA designed an action plan that had 30 action items. It divided the action plan conceptually into SPM- and client protection-related action items and grouped related gaps under a single action item. For instance, one of the action items was to develop social goals and SMART Objectives, social indicators, and targets. This single action item addresses gaps in three essential practices of Universal Standards (1.a.3; 1.a.4; and 1.a.5). Similarly, the action item to integrate SPM criteria into the internal audit manual and processes (e.g., data collection) addressed gaps in several essential practices in which the internal audit role was mentioned (1.b.3; 2.b.4.2; 2.c.3.4; 2.c.3.5; 4.a.4; and 4.e.3.7).

Example Rows from an Action Plan

Dimension	**Recommendation**	**Months 1….n**	**Expected date of completion**	**Department Responsible**	**Whether TA required (Yes/No)**	**No. of estimated days for TA support**	
						Onsite	Offsite
Define & Monitor Social Goals	Develop social goals and SMART Objectives, social indicators and targets	2	Apr-15	SPM	Yes	2	2
Ensure Board, Management, and Employee Commitment to Social Goals	The board gets an orientation on SPM and decision-making using SPM data	1	Feb-16	MD with support from corporate secretary	Yes	0.5	1

Implementation of the action plan required both external TA support and work done by KOMIDA's own team. Specifically, KOMIDA identified that 10 of the 30 action items required intensive TA support (for example, drafting the detailed complaints procedure, creating the data analysis templates, and creating the client satisfaction survey). For the rest of the action items, KOMIDA felt it could use internal resources to address the gaps. In these cases, KOMIDA's various departments developed the policies (for example, privacy policy, rescheduling policy, code of ethics, and staff grievances policy) and shared these with the consultant for review. The consultant provided the respective departments with existing examples, sample policies, processes, or good practices, and developed outlines. In total, action plan implementation required approximately 60 days of external support. For each action item, the work was an iterative process, during which KOMIDA and the consultant worked through several drafts before finalizing a document.

Implementation of the action plan began in April 2015 and was expected to take just over a year. However, TA support continued for a few of the action items after the planned completion date of May 2016.

D. Action Planning, Part 2 – Choosing in What Order to Implement the Activities
Creating an action plan involves not only choosing *what* to do, but also *when* to do it.

KOMIDA gave careful thought to how it would sequence the activities in its action plan. First, given that the action items were spread across various departments (e.g., SPM, Secretariat, Operations, Training, HR, Finance, CEO), KOMIDA management asked each department to suggest priorities for its own action items, set timelines, and estimate the extent of TA support required. Next, KOMIDA analyzed this feedback while also asking the following key questions:

- Which dimensions / recommendations had dependencies, meaning subsequent activities would build from them?
- Which activities would require changes to the largest number of existing routine operations?
- What are our existing commitments? Consider both routine operations and other planned projects.
- What matters most to us?
- Which recommendations had significant budget implications?
- Which activities would take a long time to implement?
- Which were the low-hanging fruit, meaning relatively easy to implement?

In the end, most of these considerations directly affected action planning, as explained below.

<u>Dependencies</u>:
KOMIDA scheduled first the activities that had what it called "dependencies," meaning these activities would create a foundation on which other actions would be implemented. For instance, without a repayment capacity analysis policy, the staff could not be trained on credit assessment, and KOMIDA could not make changes to its credit policy. Similarly, KOMIDA had to revise its mission before it could identify social goals, after which it could select social indicators to monitor. Only after that could it make changes in its forms to accommodate the new indicators and integrate those indicators into its management information system. And, all of that had to happen before KOMIDA could develop reports on outcomes data for the board.

<u>Whether the action would affect many areas of operations, or only a few</u>:
In determining the sequence and design of the activities in the action plan, KOMIDA also analyzed whether the action would have a significant impact on organization's time and current policies. For these major decisions, as KOMIDA called them, the plan was to discuss them further before committing to specific actions. Some of the major decision areas were

data management, rescheduling policy, and repayment capacity analysis. For example, regarding repayment capacity, KOMIDA's management discussed the following questions:

- Should KOMIDA conduct the repayment capacity analysis for all clients from all loan cycles?
- What should the ideal debt thresholds be to balance both client well-being and competitiveness?
- Should debt thresholds vary by level of market concentration risk?

Existing commitments:
KOMIDA also considered what would be feasible to implement, given the workload required for ongoing, routine activities, as well as work required for any other projects KOMIDA had committed to. Once it had decided on a division of responsibilities that was feasible, KOMIDA integrated the action plan activities within the existing plans and routine of the departments in order to develop a realistic timeline for implementation. For instance, in Indonesia, Ramadan is a major festival, and typically the organizations are closed for two weeks. There are no field level activities, given that clients are busy with celebration of the festival. Therefore, soon after the Ramadan holiday, the operations team is particularly busy with disbursements and collections. Similarly, in November and December when the organization is busy with strategic planning for the next year, KOMIDA planned fewer activities. Major policies were developed before July and permissions were sought and rolled out by November during the strategic plan. These considerations allowed KOMIDA's action plan implementation to be in harmony with the schedule of routine operations.

What matters most to KOMIDA:
KOMIDA's leadership felt strongly that it would like to improve its practices related to social goals (dimension 1), commitment to social goals (dimension 2), and the Client Protection Principles (dimension 4). KOMIDA prioritized implementation of action items related to all of these dimensions simultaneously. Given that there were quite a few gaps in these dimensions, it could easily have been too challenging to address gaps in all the areas at once, but KOMIDA was able to make the process manageable thanks to two principal strategies:

- Dividing responsibilities among departments. The SPM team led implementation of the action items related to dimensions 1 and 2, with some support from the operations team. The operations team had the majority of the responsibility for action items related to dimension 4.
- Careful sequencing. Even though activities generally happened in parallel, KOMIDA carefully sequenced the implementation of its activities, as discussed above, based on the importance and logic. With each visit from Ankuram, KOMIDA would follow a specific agenda and then move to the next action item.

Budget:
KOMIDA bore all costs of implementing its action plan. It was thus careful to design an action plan that matched its available resources. To begin, KOMIDA classified the action items as those that required direct cash expenditure (e.g., increasing the number of papers in the application forms and appraisal forms due to new data, re-printing of passbooks, printing client communication material, holding trainings) versus activities that involved only indirect costs (e.g., staff time spent on making changes or developing policies and processes). Then, management approved budget support for all the activities in the plan. KOMIDA also took steps to make the action plan as affordable as possible. For instance, for revisions to the loan application forms, KOMIDA decided to continue using its existing forms until they were gone and to make changes only when the next batch of forms had to be printed.

E. Monitoring and follow-up

During the implementation of the action plan, the SPM champion and Ankuram monitored progress every month. Jointly, they followed up with various departments and identified areas where it would be helpful for Ankuram to offer support, both on-site and off-site. Monitoring occurred not only at headquarters but also in the field, given that field staff needed to be aware of any new or refined policy or process, as well as any new communication materials, to ensure uniform implementation of the activities.

F. Using SPM data to inform decisions

KOMIDA is still in the early stages of analyzing and using the additional social data it is collecting. Nonetheless, it can share one example of how it has already used these data to inform a decision. As part of the new policy on over-indebtedness, KOMIDA tracks the number of MFIs in all of its operational areas, at the branch level, on a monthly basis. This helps KOMIDA manage concentration risk: the higher the concentration of MFIs, the greater the risk of client over-indebtedness due to multiple borrowing. Analysis of concentration data has led KOMIDA to develop a strategy to expand into newer, less penetrated areas.

Challenges

There were no significant challenges during the assessment, as the process had been participatory from the beginning and the organization was open to hearing an honest presentation of the assessment results. There were likewise no challenges with regard to budgeting, given the commitment of management and the development of an action plan that matched available financial resources. During implementation and in follow-up, however, there were some challenges:

- Board involvement. Getting the board to devote enough time to the project was a challenge. KOMIDA, as per the Indonesian law, has a supervisory board in addition to the management board, with external senior and experienced directors. Board members were largely not involved in the SPM action plan, and this limited their role in providing strategic guidance. The activities where board approval was required (like getting the vision, mission approved) took time, as the board was busy with other agenda items.
- Selecting a manageable number of indicators. It was tempting to select a large number of indicators to monitor, as all indicators seemed important. However, after a few iterations of pilot testing the new data points, KOMIDA was able to select a reduced final list of relevant indicators. From the first draft of 57 proposed indicators, KOMIDA ultimately selected and set targets for 26 indicators. Given that KOMIDA was already collecting information on CHI, PPI, and outreach data, it had to collect data for around 15 new data points. The final list of indicators adopted by KOMIDA is presented in the box below:

*List of Social Indicators Adopted by KOMIDA**

Social Goal 1

Reach women who are from poor & financially excluded households

- % of new clients who are under the target CHI score (< 15)
- % of new clients who are living below poverty line 1.25$ a day
- % of new clients who are financially excluded
- % of clients who are women
- % of all clients who are from rural areas and % of clients who are from urban areas
- Total number of active clients (member)
- Total number of active borrowers (client) : female and male (by product)

Social Goal 2

Provide a range of quality financial services and non-financial services

- Net promoter score
- Client Retention Rate and the reasons for client exit
- % of client complaints resolved
- Average number of days of complaint resolution
- Profitability ratios and targets: ROE, ROA, Portfolio Yield, Operational Self Sufficiency ratio
- The differential compensation levels between the top executives and the loan officers (or comparable field employee)
- Efficiency ratios and targets, with trends (operating expenses ratio, average loan disbursed, client:loan officer ratio)
- Staff satisfaction rate and reasons for staff satisfaction
- % of complaints resolved of staff
- No. of female employees: overall; by position
- Training rates by employee position / level and by gender
- Staff turnover rate: by position, gender, and by the number of years with the organisation
- Reports on disciplinary actions taken against employees

Social Goal 3

Bring better outcomes for clients' households in income, health & education

- % of clients who report an increase in the household incomes after joining KOMIDA
- % increase in the average savings balance of voluntary and festive day savings with KOMIDA
- % of clients who moved to the next level of poverty line
- % of clients who report an increased ability to pay for key household and life cycle expenditure
- % of clients who have access to a toilet (own or community shared)
- % of clients who have access to their own drinking water

*Note: A "net promoter score" is a quantitative measure of client satisfaction. It asks clients to rank on a scale their answer to the question, "How likely is it that you would recommend [brand] to a friend or colleague?" See https://www.netpromoter.com/know/.

- Delays due to reassignment of responsibilities. Improving the complaints mechanism was delayed when the department handling complaints had to be changed. When KOMIDA set up the SMS centre in 2013, the HR team was responsible for handling both client and staff complaints. There was just one mobile number for both clients and staff to use to submit their complaints. The TA provider recommended that KOMIDA separate the systems for managing these two types of complaints. KOMIDA did so, which required the development of new policy and a comprehensive set of procedures, as well as the creation of a dedicated team to handle client complaints.
- Delays due to feeling a lack of urgency to fix certain gaps. KOMIDA decided to include SPM criteria in the CEO / Managing Director (MD) performance evaluation and link CEO compensation to this performance evaluation. But, the MD's performance was already being informally evaluated. This, plus the fact that he is the founder who drives the social mission of the organization, led to a lack of urgency to formalize these aspects of the evaluation process.
- Delays due to processes taking longer than anticipated. Target setting and benchmarking took close to 9 months, as there was no baseline data for outcomes. In addition, timelines were moved a bit here and there depending on the pressure from the operations.

Lessons Learned

KOMIDA reports that it has retained three major lessons from the technical assistance:

1. **Adopt an integrated and comprehensive approach to SPM**. SPM is not a separate project in addition to daily operations. SPM affects all aspects of how an institution works, and therefore is integrated into routine activities.

2. **Go beyond client targeting**. Focusing only on client-targeting tools, such as the CHI or PPI, will help with certain aspects of SPM: getting the right clients, understanding the profile of clients, and monitoring the poverty levels of the clients. However, several aspects of client outcomes get missed with a focus only on targeting, including consumer protection, ensuring client education is clear and useful for clients, and monitoring social indicators to understand if the institution is fulfilling its mission.
3. **Different departments have a role in implementing SPM; it is not the responsibility of the SPM team alone.** Before the TA support, KOMIDA's SPM team alone was responsible for the implementation of social performance management practices, which had been defined narrowly as using the CHI and PPI. With the assessment and action planning, KOMIDA realized that each department had a major role to play in implementing SPM and should own its responsibilities. However, having an SPM champion at the management level does help to ensure that all the loose ends get resolved and all departments work in harmony.

Other lessons:

Implementation of the Universal Standards for SPM is an incremental process. It typically takes years to implement SPM comprehensively, and it is not necessarily a bad thing to implement SPM slowly. What is important is for an organization to improve its SPM at its own pace, keeping in mind that this work affects many different areas of operations (e.g., staff time, financial resources required, changes in processes / policies / documentation, client education, staff training, oversight of board and management).

Getting management buy-in from the beginning is a major benefit. SPM at KOMIDA was driven by the founder and managing director. His commitment and vision drove KOMIDA to engage comprehensively and deeply in SPM improvements:

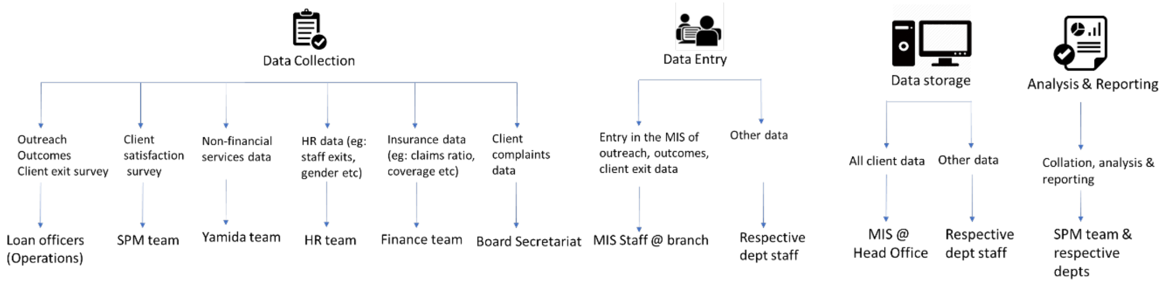
- ***"KOMIDA was established not only to provide access to credit for poor families in Indonesia, but also to use the credit program to bring positive change for them. This thinking differentiates KOMIDA from many other financial institutions in Indonesia that focus on financial performance rather than on client outcomes or their well-being. KOMIDA wanted to change such stereotypes and bring the focus back on poor households. KOMIDA shall ensure that any loans given to the client households should help them achieve a better life. Social performance management (SPM) helped KOMIDA in this aspect as it provided a framework that influenced the development of clear social goals and objectives. The data from SPM also helped KOMIDA in analysing if the social goals (especially client well-being) were met or not."*** - Slamet Riyadi, Founder & MD - KOMIDA

An existing culture of commitment to social goals facilitates buy-in: The vision and mission of KOMIDA are very important to staff members at all levels. Even during the initial assessment and early interactions with staff, Ankuram observed that staff clearly knew why KOMIDA existed. The founder of KOMIDA is involved in a direct way in communicating the mission of KOMIDA and making staff feel valued. The founder himself spends a lot of time in the field visiting the branches and listening to staff. In every induction training, he also leads a few sessions on the mission, the Grameen methodology, and the importance of what is being done for clients. Collectively, this creates an organizational culture of family. Regarding the SPI4 assessment in particular, KOMIDA's previous familiarity with the Client Protection

Principles, the concepts of SPM, and the PPI facilitated buy-in for the proposed changes and support for the action plan.

Implementation of an action plan is an iterative process. There will be debate between the departments and there will be revisions to the policies, processes, and training content. For instance, KOMIDA's operations team has a training manual called the LWK, which staff members use while conducting the group trainings for clients. The LWK underwent at least two changes before the final roll-out. In general, the key is to take one activity at a time and to be open to making changes.

Make the action plan specific and "bite-sized." To ease implementation, KOMIDA divided its action plan into a series of small pieces of work and responsibilities, involving different departments and different levels of staff. For example, the data management was handled by several departments to ensure the burden did not fall on any one particular department. In KOMIDA's system, reporting of most data is done by the respective departments to the management, but the SPM team reports data on outreach and outcomes. The internal audit team verifies the quality of all client data as a part of its routine audit procedures, and the SPM team is responsible for ensuring that everyone is providing his/her part of the data. The graphic below presents the system:



Invest in training and communicating to the staff about all the changes. KOMIDA did not experience non-compliance from its staff. One primary strategy to achieve this was taking all departments and employees at all levels into confidence from the very beginning of the process. In addition, KOMIDA adopted these strategies to strengthen buy-in from the staff:

- Ankuram, along with the SPM champion, conducted master trainings for all policy or process changes. These trainings of trainers created a cross-functional team that consisted of the head of operations, the branch managers, the YAMIDA team (which is responsible for staff training internally), the board secretariat, human resources, and the MIS team. The topics covered included the definition of SPM (mainly the framework of Universal Standards) and why it is important, the social goals and associated social indicators of KOMIDA, how to collect the new data, and changes required in the loan forms.
- Key policy or process changes were explained face-to-face by the head of operations to the staff (mainly to the branch managers and regional staff) during their periodic meetings. As the implementation took place over a year, the Managing Director also discussed SPM implementation during his monitoring visits and during the trainings he conducted.
- All the new changes due to SPM implementation were included in the induction training materials and were communicated through memos to all existing staff. For instance, when

the code of conduct was developed, the HR head sent the new code of conduct to all branches and asked the staff to read and sign the document.
- KOMIDA updated its staff handbook, as explained above, to ensure communication about new policies and processes.
- The SPM champion, as a part of her visits to various branches in different regions, would discuss the changes and provide any support or clarifications that the staff requested.
- KOMIDA did not choose excessive levels for its targets, which contributed to the staff not feeling overly burdened.

Constant monitoring in the field of implementation is essential, as a plan on paper is different from the actual implementation. KOMIDA divided monitoring duties among its SPM team, its operations team, and its internal audit team.

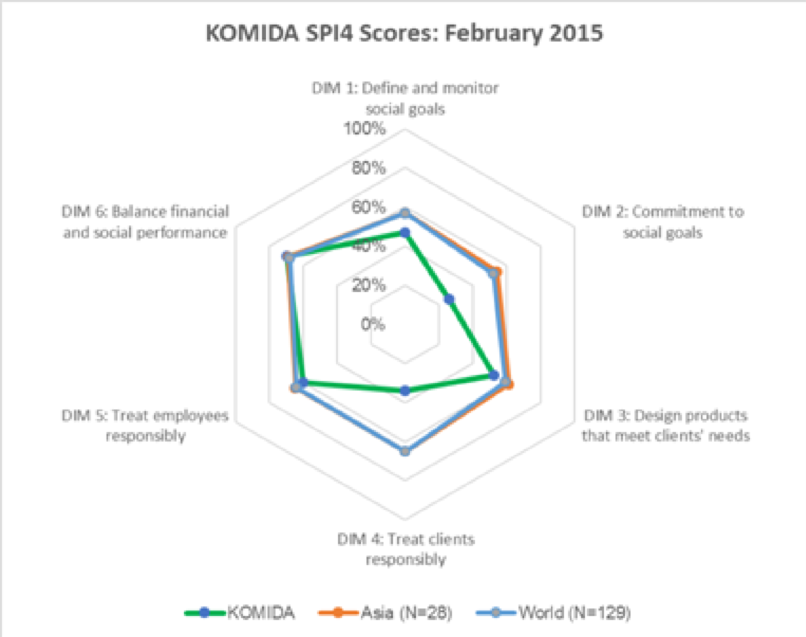
KOMIDA reports many different lessons learned with respect to SPM data management:
- Review the mission and vision before identifying indicators to track. This helps to identify only those data points that would be important from a mission perspective.
- Make the social indicator selection a participatory process. This leads to high involvement of leadership and staff in the management and use of data. To help KOMIDA select which social indicators to monitor, the SPM team and TA provider consulted each department as well as the branch level staff, to ensure that the data chosen to be collected would be relevant and practical.
- Management buy-in and investor support are required to be able to make changes to the forms and spend the resources required in terms of staff and money.
- The staff members who will be responsible for rolling out data collection, likely the operations team, must be supportive and experienced.
- Align data collection with existing tools, investor metrics, and definitions. This will help with uniformity among data that are internally analyzed and externally reported, such as to investors. For example, KOMIDA adopted the definition that Opportunity uses to calculate the client retention and staff attrition rates.
- Invest in an adequate Management Information Systems (MIS). Internal capacity accelerates the process of making changes to the MIS, but if it does not exist, the institution must explain to the vendor why the changes are required and how the organization is going to use the new data. KOMIDA found it helpful to create templates that showed how the SPM team wanted to extract data from the MIS; since KOMIDA's MIS currently does not have a reporting module, the team extracts data into Excel to do its monthly routine analysis.

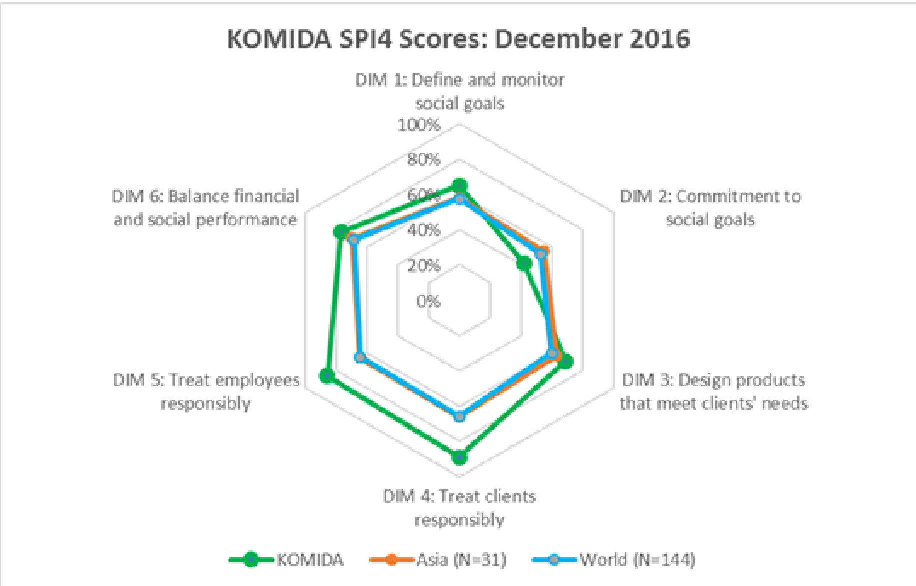
Conclusion

KOMIDA's commitment to its SPM journey has resulted in significant improvements. As part of a social rating conducted in December 2016,[10] KOMIDA again underwent an SPI4 assessment, and its scores rose markedly from the February 2015 levels, as shown below:

[10] The SPI4 scores of KOMIDA as on December 2016 are from the SPI4 social audit tool completed by the rating agency

KOMIDA Social Performance TASK FORCE OPPORTUNITY International





Most importantly, conscious and guided implementation of SPM has helped KOMIDA improve staff and client experiences in several ways. First, KOMIDA now has data available on various aspects related to clients and staff, which it both tracks and uses to make decisions. For example, the data on client outcomes, and client feedback on the quality of services, enable KOMIDA to expand what is working and to improve what is not, thereby offering higher quality services to clients. Second, the clients benefit from greater transparency from the organization. They now are more aware of their rights and responsibilities and can ask more questions or give suggestions for better service. Third, the staff also benefit, as they more fully understand the social goals of the organization and how the services affect clients' well-being. This helps staff members to be conscious about how they are interacting with clients and to understand that compliance to policies is essential. Because of KOMIDA's journey to implement the Universal Standards, it is now more than ever turning its mission into a reality.