Microfinance Social Indicators in Practice

Dissecting the SIP Partners' Experience

The SEEP Network

CGAP/Ford Foundation Social Indicators Project

December 2009

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This publication of The SEEP Network was made possible with support from the Ford Foundation. The opinions expressed herein are those of the authors and the views of this paper do not necessarily represent those of The SEEP Network, Ford Foundation, or any of the individual organizations that participated in the discussion. Rather, the views in this paper are a compilation of the views presented during this program.

"Microfinance Social Indicators in Practice: Dissecting the SIP Partners' Experience"

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Preface

Much of the conceptual work for using social indicators as part of social performance systems is complete; initiatives such as The SEEP Network's (SEEP) Social Performance Working Group and the multi-stakeholder Social Performance Task Force have played a key role in moving the work on indicators and standards forward. More and more, MFIs are employing measuring tools to define and track their progress toward their social missions—whether by donor mandate, as part of a funded program, or for their own, internal reasons. Social indicators help MFIs define social objectives more clearly, collect data to measure and monitor social results, and assess and report progress. Reporting includes both internal reports that assess and improve decision making and external reports that demonstrate whether social objectives are being achieved. MFIs that use social indicators are also developing processes to incorporate social indicators more systematically into their operations as part of a social performance management (SPM) system.

This paper draws on the experiences of MFIs that participated in the multi-year CGAP/Ford Foundation Social Indicators Project (SIP) as well as other leading MFIs experimenting with social indicators. The experiences of five MFIs are highlighted in "snapshots" to tease out lessons and recommendations; the appendix expands four of these in short case studies written from the perspective of the MFI staff leading the social performance management. While many MFIs believe that social indicators are valuable, there are still questions about how to use them. MFIs that want to increase their use of social indicators and integrate an SPM system into their operations may be at any point of development. Regardless at what stage MFIs find themselves, they can benefit from the growing body of resources on how to use social indicators as well as on how to develop appropriate SPM systems to fit their organization needs, serve their mission and get social results, and ultimately benefit from the experiences of other MFIs.

Acknowledgments

The authors are grateful to Sonali Chowdhary (SEEP), Gary Woller (Woller & Associates), Nigel Biggar (Grameen Foundation USA), and Frances Sinha (EDA Rural) for their helpful comments on earlier drafts of this paper. Thanks also to Kristin Hunter for her invaluable editorial help and to Amna Kazmi for coordinating the research. Finally, the authors and SEEP would also like to thank the following for taking the time to talk about their organizations, and this provides the foundational content of these papers—the MFI experiences:

Alejandra Garcia, Pro Mujer International

Francisco J. Perez, Fondo de Desarollo Local (FDL)

Jeff Toohig, Grameen Foundation

Katie Torrington, FINCA

Lara Storm-Swire, Pro Mujer

Leah Nedderman, Fonkoze

Marceline Obuya, K-Rep Development Agency

Mary Jo Kochendorfer, Grameen Foundation

Radhika Desai, BASIX

Shirley Devraj, Action for Social Advancement (ASA)

Tewabe Wudineh, Amhara Credit and Saving Institution (ACSI)

Vimala Palaniswamy, Trickle Up

SEEP Technical Note Series on the CGAP/Ford Foundation Social Indicators Project

Technical Note 1, “Selecting a Sampling Methodology for Social Indicators”
Technical Note 2, “Microfinance Social Indicators in Practice: Dissecting the SIP Partners’ Experience”
Technical Note 3, “Why Use Social Indicators: Making the Case to MFIs and Other Stakeholders”

SIP Partner Organizations

PARTNERS	COUNTRY
Networks	
Opportunity International - 10 MFIs	
Opportuniti Timor Leste (OTL)	East Timor
Tanaoba Lais Maneka (TLM)	West Timor
Centre for Development Studies (CDS)	India
Dinari Foundation (Dian Bhuana Lestar)	Indonesia
Dian Mandiri (Diman)	
Hagdan sa Pag-uswag Foundation, Inc (HSPFI)	Philippines
Sinapi Aba Savings and Loan (SASL)	Ghana
Oportunidad LatinoAmerica Colombia (OLC)	Colombia
Albanian Partner in Microcredit (PSHM)	Albania
Opportunity Bank Montenegro (OBM)	Montenegro
FINCA - 2 MFIs	
FINCA Ecuador	Ecuador
FINCA Uganda	Uganda
Grameen Foundation - 2 MFIs	
Alternativa Solidaria Chiapas (AlSol)	Mexico
Negro Women for Tomorrow Foundation (NWTF)	Philippines
Pro Mujer - 3 MFIs	
Pro Mujer Nicaragua	Nicaragua
Pro Mujer Bolivia	Bolivia
Pro Mujer Peru	Peru
Trickle Up - 3 MFIs	
TUP Africa: AVS	Mali
TUP Africa: Selle	
TUP Asia: TSHED	India
Ford Foundation Partners	
BASIX	India
Capital Aid Fund for the Employment of the Poor (CEP)	Vietnam
China Foundation for Poverty Alleviation (CFPA)	China
Fondo de Desarollo Local (FDL)	Nicaragua
Fondo de Inversion Social (FIS)	Argentina
Independent MFIs	
Action for Social Advancement (ASA)	India
Amhara Credit and Saving Institution (ACSI)	Ethiopia
K-Rep	Kenya
Nirdhan Utthan Bank Limited (Nirdhan)	Nepal
Prizma	Bosnia
Small Enterprise Foundation (SEF)	South Africa

Abbreviations

CEP	Capital Aid Fund for Employment of the Poor
CGAP	Consultative Group to Assist the Poor
FCAT	FINCA Client Assessment Tool
MDGs	Millennium Development Goals
MFI	microfinance institution
MIS	management information system
MIX	Microfinance Information Exchange
NWTF	Negros Women for Tomorrow Foundation
PAT	Poverty Assessment Tool
PPI	Progress out of Poverty Index
PPP	purchasing power parity
PWR	participatory wealth ranking
SEF	Small Enterprise Foundation
SIP	Social Indicators Project
SPM	social performance management
SPTF	Social Performance Task Force
USAID	United States Agency for International Development

1. Introduction

For MFIs convinced that social indicators are valuable, there are many practical questions about how to use them. It is important that MFIs keep in mind why they are using social indicators as they develop their social performance management systems and become immersed in the "how" of doing this.

One of the papers in this SEEP Technical Note Series on the CGAP/Ford Foundation Social Indicators Project, "Why Use Social Indicators? Making the Case to MFIs and Other Stakeholders," makes the case for the value of using social indicators. Since 2005, the Social Performance Task Force (SPTF; www.sptf.info), SEEP (www.seepnetwork.org), and others have defined social performance and explained the concepts and reasons behind developing and using SPM systems.[1] SEEP's "Social Performance Map", written collaboratively by members of the Social Performance Working Group (SPWG), is a particularly useful source of information with its comprehensive look at the social performance landscape in the microfinance sector and provides links to numerous resources on the subject.[2]

This paper has five sections plus an appendix of short case studies. Section 1 explains the disappearing gap between theory and practice in managing MFI social performance. The four stages of social performance management (SPM) and using social indicators make up section 2. Five snapshots of MFIs that use social indicators make up section 3. Section 4 summarizes the major elements of social indicator use common to the MFIs interviewed for this paper: Fonkoze (Haiti), BASIX (India), FINCA (Jordan), Pro Mujer (Bolivia, Mexico, Nicaragua, and Peru), and Trickle Up (Asia, Africa, Central America). Section 5 concludes with three brief recommendations for getting started. The case studies in the appendix expand on the development of SPM of four of the MFIs in the snapshots.

2. Closing the Gap between Theory and Practice

A significant gap still exists between the theoretical and conceptual reasons for "why" an MFI should use social indicators and develop SPM systems and the state of practice in "how" most MFIs are actually accomplishing this.

A number of MFIs that participated in the CGAP/Ford Foundation Social Indicators Project (SIP) are setting the example for the industry by bringing social indicators and SPM into practice. Their experiences teach that an MFI specifies its social objectives through its choice of indicators and that an MFI tracks its progress in reaching its social objectives by developing SPM systems to assess social performance, improve it, and report on it.

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[1] See, for example, Laura Foose, Gary Woller, Anton Simanowitz, and Koenraad Verhagen, 2006, "Eight Specific Rationales for Managing Social Performance," SEEP Social Performance Progress Brief, vol. 1, no. 2 (Washington, DC: SEEP Network), http://seepnetwork.org/Resources/5121_file_ProgBrief2.pdf. The Social Performance Task Force, initiated after the SIP was underway, has been playing a key role in the development of standards and indicators for SPM. Please see www.sptf.info for more information.

[2] The SEEP Network, "Social Performance Map," Washington, DC, 2008. http://seepnetwork.org/Resources/6033_file_SPMap_final_.pdf. Learn more about the Social Performance Working Group at http://seepnetwork.org/Pages/SocialPerformance.aspx.

Social indicators include such categories as poverty outreach and transparency to clients. Not only do they help an MFI better define its social objectives, but just as importantly, they define which ones are measurable. For example, poverty outreach as a social indicator, when combined with data that distinguishes clients living on less than US$ 1 per day from those living on less than $2 per day, can help an MFI choose a more specific and measurable social objective, such as "serving very poor clients."[3]

Similarly, "transparency to clients" focuses on informing clients about key features of MFI products, such as the full cost of loans. An MFI can use this indicator to monitor how well it is creating easy-to-understand disclosure information or to specify a specific social objective of assuring that at least 90 percent of clients understand MFI product prices.

Increasingly, MFIs are choosing and tracking their social objectives more rigorously by gathering data to measure specific social results and incorporating social performance management into their operations. Although virtually no MFIs say they have completed their SPM systems, some of the MFIs participating in the SIP are making impressive progress.

When the SIP began in 2005, finding consensus on the number and specification of relevant social indicators was a challenge. As a result, MFIs chose the social indicators that seemed most appropriate to their priorities and specific social objectives in their own ways, while trying to link these with certain of the UN's Millennium Development Goals such as ending poverty and increasing children's education. Now, however, there is a body of experience around practical application and consensus on core social indictors, reflected in the 22 indicators for social reporting developed by the SPTF and now being reported by the Microfinance Information Exchange (MIX).[4] Taking advantage of the new work available can make developing SPM far easier for any MFI new to social indicators or in the early stages of using social indicators.

MFIs are naturally—and rightly—sensitive to costs of developing SPM. Different costs are associated with different approaches and indicators. And there can be important trade-offs between practicality and precision in choosing social indicators and collecting data. The MFIs represented in this paper have found ways to address these issues.

3. Stages of an MFI's Use of Social Indicators

MFIs begin using social indicators in a variety ways and from different starting points. Regardless of where an MFI stands in the continuum of use of social indicators (from no use to full SPM), it can find other MFIs at a comparable stage and experiences, and it can learn from the experiences of MFIs that have progressed further and developed effective ways to use social indicators. Some MFIs that have not yet committed to using social indictors or developing an SPM system may find it useful to look at the

[3] "Very poor" clients are defined as those living on US$ 1.25 per day or are in the bottom 50% below the poverty line, as established by the national government of a specific country. (From the most recent World Bank data, the benchmark of $1 per day is now $1.25 per day, based on 2005 data.)

[4] The MIX, 2008, "Social Performance Presentation October 2008," presented at the "Social Performance: How to Optimize, Measure and Promote It" seminar, Washington, DC (http://www.themix.org/publications/social-performance-presentation-october-2008); The MIX, 2009, "Social Performance Report," http://www.themix.org/standards/sp-reports. As of December 2009, the MIX has received more than 200 reports, and they are managing a blog (http://www.spblog.org/) that provides a platform for learning exchange on social performance.

companion technical note, "Why Use Social Indicators? Making the Case to MFIs and Other Stakeholders." For MFIs that have started using social indicators, the following outline of four stages of development may prove useful.

Many MFIs are already working with social indicators, even if only intuitively. An MFI can build on what it is already doing by looking carefully at how social indicators help it 1) be clearer about its social mission and 2) do a better job of tracking (and thus accomplishing) its social mission.

The financial services development described below as stage 0 is not like the other stages. Although none of the MFI participants in SIP were in this stage, it is included here to show that, even from a "financial services for all" perspective, there are still valuable social indicators important to managing overall MFI performance. Stages 1–3 describe a progression in the use of a small group of social indicators focused on client outreach and the tracking and achievement of social goals in clients' lives that were a particular focus of MFIs in the SIP.

Stage 0: "Financial Services for All"

Social indicators are used as a means of achieving better financial performance and demonstrating social responsibility.

Some MFIs (and many investors) see microfinance—providing high-quality financial services to people who lack access to basic financial services—as their social mission, period. While this implies less (or no) emphasis on social indicators related to poverty measurement and client outcomes, it does not mean that they do not use social indicators.

There are many people in the poor majority of the world who have no access, limited access, or poor quality access to mainstream financial services. Microfinance is a way to provide formal financial services to many of these people through strong, profitable, and well-managed financial institutions. This "financial services for all" perspective may appear to ignore social indicators; however, indicators related to corporate social responsibility and customer protection are often pertinent. Social indicators may be used to maintain and improve the quality of customer relations and customer satisfaction. Like a mainstream commercial bank, the MFI may be less interested in tracking the details of clients' lives than in giving them the financial tools to work their way out of poverty. In the eyes of many MFIs, clients' continued and increased participation is the best indicator for achieving these goals.

Socially responsible investors have developed standards and policies for corporate social responsibility to clients, to employees, to the community in which the organization works, and to the environment. They also pay attention to transparency. This may include customer protection and full disclosure for clients about the true cost of microfinance products. All of these indicators may be used by MFIs with a "financial services for all" perspective.

MFIs with this orientation may conduct market research, including focus groups on client preferences and satisfaction. They may also analyze client drop-out rates. At the margin, this use of social indicators may be hard to distinguish from the use of social indicators that specify outcomes for clients and impacts on clients' lives that come from use of MFI products and services.

The MFIs in the multi-year SIP are more aligned with the subsequent three stages in their use of social indicators. The MFIs participating in the SIP focused on a small number of social indicators related to the achievement of specific social goals in their clients' lives, and particularly as they related to four of the eight Millennium Development Goals (MDGs).[5] These are MDG number 1, eradicate extreme poverty and hunger; number 2, ensure universal education; number 3, empower women; and number 7, strive for environmental sustainability. The MFIs chose a small set of social indicators to work with, but focused primarily on the first MDG of cutting extreme poverty in half by 2015.

For these MFIs, "financial services for all" does not capture their sense of a social mission. They add other dimensions of addressing the issues of poverty and vulnerability. MFIs in these more advanced stages are focused not only on the products and services that they provide but on understanding the poverty levels and the socio-economic profiles of the clients who join their programs and assessing outcomes for clients and their families.

Stage 1: Intuitive Stage

This stage includes limited use of data with intuitive problem-solving to improve MFI social performance.

Some MFIs intuitively use social indicators. While the organization may have a passion for producing social results in clients' lives, it may lack well-defined and *measurable* social objectives. This makes the choice and use of social indicators difficult, and it can be tough to know what data to collect. Anecdotal stories—qualitative measurement—are still the primary source for indicating social results.

The MFI may employ indicators and data readily available from its management information system (MIS), such as loan size as a proxy for depth of client poverty outreach or number of women as a proxy for gender equity. The MFI trusts its ability to identify "poor clients." It may use a targeting tool, such as a housing index or participatory wealth ranking, or it may just depend on staff experience and observations in the community where the MFI works. The MFI may offer some staff training to help assure that all are aware of the social mission of the MFI.

The MFI may have participated in one or more projects involving social outcomes measurement and collection of data on clients or specific social indicators. However, at this stage, the MFI does not systematically continue to collect data on these indicators once the project ends, due to limited commitment, resources, or staff time. Alternatively some MFIs are able to obtain grant funding (participating in a donor program like the SIP) to pay for occasional consultant training on social indicators or sometimes fund an impact study to confirm that the MFI is achieving its social mission. However impact assessment may not be a common approach and only large MFIs with more solid business models as well as clear social missions tend to invest time and money in this as most donors/investors do not prioritize investment in Impact Assessment. E.g., BASIX undertook an impact assessment in 2002 even before it actively participated in the social indicators project and was very pro-active about understand the impact of its microfinance program on the lives of its clients and poverty reduction. So the Stage 1 MFI assesses its social performance from time to time but is unable to track it systematically—a key difference between Stages 1 and 2.

MFIs in this stage of using social indicators run the risk of assuming that they are achieving their social mission without the quantitative data that measure and verify results. For example, many MFIs thought they were reaching high percentages of poor or very poor people, but discovered something different when they began using more accurate poverty measurement tools (such as the "Progress out of Poverty Index"™ (PPI) or the "Poverty Assessment Tool" (PAT), discussed below under Stage 2) and analyzing client data. The measurement tools have pushed them to define what they actually mean by "poor" and "very poor" and to realize that they cater to households from different income/poverty levels and different

[5] See the UN Millennium Development Goals web site, http://www.un.org/milleniumgoals/.

market segments. For example, one MFI claimed that almost all of its clients were very poor. Poverty measurement data told it that 20 percent of its clients lived on more than US$ 2 per day, 60 percent were between $2 and $1 per day, and only 20 percent were under $1 per day.

Some MFIs in this group are consumed with achieving greater financial sustainability. As a result, the MFI may focus only on those social indicators that help improve its financial performance or that can be used at minimal cost. For example, better client targeting using poverty data can reduce expensive client turnover by helping the MFI better match its products to clients, based on client poverty levels.

Stage 2: Evolving Stage

This stage includes a variety of different approaches to selection, collection, and analysis of social indicator data—and its more regular use—to assess and improve MFI performance.

Some MFIs have begun to view social performance as an important aspect of overall MFI management and operations and, in particular, as a means of tracking and measuring the pursuit of its social mission. Unlike the ad hoc data collection of Stage 1 MFIs, Stage 2 MFIs systematically collect and use client data to understand important social indicators, such as client poverty levels or women's empowerment. Furthermore, Stage 2 MFIs pay greater attention to specific and measurable social objectives.

Some of the MFIs at this stage have participated in social indicator projects, such as SIP, or worked with membership bodies, such as SEEP's Social Performance Working Group and the Social Performance Task Force. These MFIs may have used consultants or sent staff to attend workshops or MFI network trainings on social performance management. Some of these MFIs have begun using a poverty measurement tool, such as Grameen Foundation's "Progress out of Poverty Index"™ (PPI) or the IRIS Center's "Poverty Assessment Tool" (PAT) developed for USAID. [6] They may rely mostly or exclusively on the use of these measurement tools or they may be in the process of considering fuller SPM systems that include other social indicators as well. These MFIs may have commissioned one or more social performance assessments or social ratings[7] to assess their effectiveness in achieving their social objectives.

MFIs in Stage 2 often have collected social indicator data in different ways in different years for different reasons. They may not yet have a systematic way of collecting, storing, and analyzing this data in their MIS, but are beginning to deal with the challenges of data accuracy and consistency. Data is analyzed by some staff, but not always used for management decisions. The MFIs in this stage see value in a variety of social indicators, but have not yet come up with a consistent system for prioritizing social indicators or incorporating their data and analysis into decision making on a regular basis. If the MFI is experiencing significant staff turnover or rapid staff growth, there may be significant discrepancies in staff comprehension of why and how the MFI is using social indicators. Staff training on social indicators may still be evolving. Financial incentives for staff performance may be well understood for achieving financial results for the MFI (and only based on financial performance data), but may not be so clear (or may even be contradictory) for achieving social results, especially if there is limited social data.

[6] Learn more about Grameen's "Progress out of Poverty Index" (PPI) at http://www.grameenfoundation.org/what_we_do/microfinance_support/social_performance/the_ppi_tool/; and IRIS Center's Poverty Assessment Tools (PAT) at http://www.povertytools.org/. For a comparison of the two tools, download Chapter 10 of the "Social Performance Map," at http://seepnetwork.org/Resources/6043_file_SPMap_10_Poverty_Assessment_Tools.pdf

[7] See http://www.sptf.info for the various kinds of SPM tools available and a "user review" of many of the tools currently in wide use (e.g., social audit and social rating at http://sptf.info/page/user-reviews-of-sp-tools).

MFIs at this stage may be talking about, making plans to, or taking steps to integrate a fuller SPM system into their operations.

Stage 3: Comprehensive SPM System Stage

MFIs at this stage include most or all of the following elements:

- *Alignment of carefully chosen social indicators with more specific definitions of MFIs' social objectives*
- *Regular, consistent, and systematic use of carefully selected data*
- *Data analysis and interpretation included in management decision making and staff operations to continuously improve MFI effectiveness—at all levels— in achieving well-defined and measurable social performance results*
- *Policies for social responsibility to clients, MFI staff, community, and environment with processes to help assure compliance*
- *Internal and external reports of social results*
- *Validation of social results for investors*

This stage looks the most like the ideal frameworks conceived in the literature on SPM. Not all MFIs with a social performance management system will have identical systems, however.

Some MFIs have a more or less complete framework or social performance management system. Most of the elements of a feedback system are in place, but the MFI may still be developing and refining some elements. For example, Fonkoze described its success in getting management to use social indicator data to match products to clients of different poverty levels, but still had to work on regularly including insights from social indicator data in management discussions.[8]

The MFI at this stage has chosen the most pertinent social indicators—whether they are internally-developed indicators (i.e., CEP's questionnaire for new clients, see Annex 1) or indicators from poverty tools already developed such as the PPI, the PAT, Freedom from Hunger's Food Security Assessment Tool, or the set of 22 indicators recently established by SPTF—for its goals and prioritized the data it wants to collect and maintain for analysis. The MFI has also integrated the social indicator data into its MIS (management information system). It is using analysis of social indicators to make decisions about client targeting, client segmentation, product design for different client groups, and responses to client satisfaction levels. Several MFIs in the SIP reported plans to include social data in their MIS in the future. Only one MFI interviewed for this technical note, Small Enterprise Foundation (SEF) in South Africa, reported that it had included social data in its MIS. Several MFIs in the SIP stated that they had plans to create unique client identity markers necessary to track client data and progress.

The MFI has clear, written values on social responsibility. It has formal policies and procedures for social responsibility to clients, such as customer protection and transparency policies that include full disclosure of total client cost and the effective interest rate on all loan products. The MFI has social responsibility policies for staff, community, and the environment and is implementing processes to check its compliance with all its social responsibility policies regularly.

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[8] Although Fonkoze was not a part of SIP, they did graciously respond to SEEP's questionnaires about collecting data on social indicators and allowed a SEEP team to interview Fonkoze staff for their "snapshot" in this Technical Note. See the Fonkoze web site for more information, http://www.fonkoze.org/.

Note that MFIs that have focused on client outcomes may have done little or nothing with social indicators. There is an important principle here that social responsibility to clients includes transparency and "do no harm" policies (e.g., preventing client over-indebtedness). Also keep in mind that lack of MFI attention to recognizable social responsibility standards does not mean that the MFI is necessarily failing to address transparency or over-indebtedness in some other way or under some other name. "Doing good" in producing positive client changes and "avoiding harm" to clients are both essential to a complete client-centered approach to SPM.

The Stage 3 MFI may be using social ratings or social audits to further refine its SPM and to validate its social performance in reports to investors. (See the "Social Performance Map" for explanations of "social rating" and "social audit."[9]) Reporting to investors may still be the least developed component of the MFI's SPM system. The MFI is aware that different investors have widely different levels of interest in its social performance; some investors are happy with reasonable financial return accompanied by uplifting anecdotes about social results. Other socially responsible investment (SRI) entities are familiar with standards of corporate social responsibility in the mainstream of SRI (treat clients and staff fairly, be a good corporate citizen, and have sensitive environmental policies); they are looking for evidence that the standards have been incorporated. Some social investors are beginning to probe deeper and request detailed social reporting and client-level information.

Stage 3 MFIs are still looking for succinct ways to answer the "social bottom line" question. Some of their investors are also asking for third-party validation of the results the MFIs are reporting. These MFIs may have shared social rating reports and details of client-impact studies with interested investors to validate results and progress toward their specific social objectives. MFI rating agencies may have created templates for them to use for social reporting.

Stage 3, as described here, is an attempt to state the elements of something that does not yet exist—a clear standard for a comprehensive SPM system. While some MFIs are clearly progressing in this direction, good examples of stage 3 MFIs are still developing.

4. Snapshots: Social Indicators in Use

Several MFIs participating in the SIP shared more details of their experiences with social indicators. These snapshots are too short to describe everything that these MFIs are doing with social indicators or SPM. They do, however, offer focused, candid looks at some of their experiences and challenges and some of their solutions.

Snapshot of Fonkoze, Haiti

Fonkoze's approach to microfinance follows the "graduation" model. Envision a ladder with four steps and on each step is an economic (or poverty) level and a corresponding Fonkoze program to meet the needs of that population. Step 1, CLM (Chemen Lavi Miyo, or "Road to a Better Life"), targets the very poorest with time and resource-intensive social protection and microfinance services over an 18-month period. Step 2, Ti Kredi ("Little Credit"), "reaches out to families" who may have graduated from CLM but are not ready for Fonkoze's core solidarity-group credit program, "Solidarity Group." Ti Kredi

[9] http://seepnetwork.org/Pages/SocialPerformance.aspx

families receive smaller loans (US$ 25) with a shorter repayment period and receive additional support; Solidarity Group (Step 3) clients each take out three-month loans of US$ 75 as a group of five "close friends." Solidarity Groups are organized into Credit Centers of 30–40 women, which function in the long term as support associations to the 5-person Solidarity Groups. Finally, Step 4, "Business Development," is a program for clients who have graduated to loans of US$ 1,300 or more and helps support development and job creation in the formal market sector. Fonkoze shepherds its clients through the steps to help them climb out of poverty.[10]

Social Performance Measurement

Social Impact Monitors. One highlight of Fonkoze's use of social indicators is its "social impact" staff. Eight full-time social impact monitors (SIMs) are assigned to eight of Fonkoze's 40 branches, where they collect client data and promote a culture of social performance that is built around its "Six Commitments to Clients." Each SIM is assigned to one branch. SIMs also help other branches solve problems, such as client attendance at Solidarity Group meetings and getting more information from clients about their concerns. SIMs work side-by-side with credit staff and report both to branch managers and a central office manager, who maintains, analyzes, and reports data for management use in making decisions.

Fonkoze's Six Commitments to Clients

The indicators on the poverty scorecard correspond to Fonkoze's goals for their clients or their six "Commitments to Clients" that after five years in the program, the clients will,

- be able to send all of their children to school;
- have a home with a tin roof, cement floor, and latrine;
- be able to put food on the table everyday;
- know how to read and write;
- have assets that they can see accumulating day-by-day (land, buildings, animals, savings); and
- have the confidence to face their future no matter what it holds.

SIMs collect social indicators on one client in each new group of five clients using a poverty scorecard, which includes the PPI. In addition, they also collect client data using nine questions on food security developed by Freedom from Hunger.[11] Since SIMs do not collect money from clients or determine their loan amounts, they can more easily collect this information from clients than credit staff, as clients may be reluctant to share additional personal data with credit staff if they think it might negatively affect their loan access.

The SIMs at Fonkoze also conduct focus group discussions with approximately 200 clients, twice a year. These discussions are recorded, transcribed, and reported to Fonkoze's management. Client responses allow management to understand the experience of clients, as well as get feedback on ideas for new products. Focus group topics in 2008 included the effects of the Haitian food crisis on clients' families and businesses, reasons for low Credit Center meeting attendance by some clients, and clients' responses to a new savings program.

Data collected by SIMs differentiates clients living below US$ 1 per day from clients living between $1 and $2 per day, adjusted for purchasing power parity (PPP).[12] Clients existing on $1 per day have fewer

[10] http://www.fonkoze.org/aboutfonkoze/whoweare/howworks.html

[11] Freedom from Hunger's nine questions "enable implementing organizations to measure incoming poverty levels of clients as well as monitor changes in their poverty status over time." See Freedom from Hunger's "Food Security Assessment Tool" at http://ffhtechnical.org/innovations/performance-management/performance-management.

[12] From the most recent World Bank data, the benchmark of $1 per day is now $1.25 per day, based on 2005 data. For more details, see M. Ravallion, S. Chen, and P. Sangraula, 2008, rev. 2009, "Dollar a Day Revisited," World Bank Policy Research Working Paper Series, no. 4620 (Washington, DC: World Bank);

assets and their children have worse school attendance due to the cost of school fees. Data also reveal that clients qualifying for smaller loans have more food insecurity than clients that qualify for larger loans. Fonkoze has used social indicators, data, and the PPI to help design their Step 1, CLM ultra poor program and target appropriate clients.

Use of Social Indicators: Product Design and Chemen Lavi Miyo (CLM). Fonkoze's new depth-of-poverty outreach program, CLM, is based on BRAC's work with ultra poor people (living on less than US$ 1 per day [PPP], and identified as a priority in the Millennium Development Goals). CLM targets primarily those living on less than $1 per day, as measured by Fonkoze's poverty scorecard ("Kat Evalyasyon"),[13] which incorporates the PPI. Fonkoze uses the international poverty standard of $1 per day instead of the national poverty line in Haiti.

At the end of the CLM pilot period, SIMs will have evaluated members' progress throughout the 18-month program and members' readiness to enter Fonkoze's credit program for new entrepreneurs (Ti Kredi, Step 2). The evaluation process will inform the scale up of this program in 2009.[14]

Lessons Learned

- There are challenges in managing SIM relations with operations staff. SIMs rely on credit agents for information on new and existing clients. Because SIMs do not have credit responsibilities, they can often learn more about client satisfaction than credit agents. Successful collaboration between SIMs and credit agents comes through agents sharing client data with SIMS, who in turn help credit agents improve relations with their clients.
- It is critical to have unique client identifiers (IDs) for managing and analyzing data. Without unique client IDs, longitudinal data can be lost if client names are misspelled or client account numbers are changed or entered incorrectly.
- As use of social indicator data grows at Fonkoze, it will be important to find ways to compare social data with financial data in its MIS. (The two sets of data are maintained separately.) Currently, comparison of social and financial data is limited to financial data collected on the evaluation scorecard. Finding ways to customize the MIS to include social data will be much cheaper than developing a new MIS.

Recommendations for Other MFIs

- Consider using separate staff, like the Fonkoze social impact monitors, to collect client data and help branch staff and managers with their social and financial objectives. Information collected by SIMs has included client complaints, which when shared with credit staff have helped them work better with clients. This may lead to cost savings that offset the costs of SIM staff.
- If using the PPI, try to include separately collected additional client data, which may be important, such as Freedom from Hunger's nine-question Food Security Assessment Tool.
- Show upper management's commitment to social performance to the branches. When a SIM first goes to a branch, a manager from headquarters goes with the SIM for a week to help the SIM get

http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64216926&entityID=000158349_20080902095754.

[13] See Fonkoze's "Kat Evalyasyon" [Poverty scorecard] at http://www.fonkoze.org.

[14] Karishma Huda and Anton Simanowiz, 2008, "Abstract of Mid-term (Nine-Month) CLM Evaluation Study," unpublished presentation to Concern Worldwide.

started, build a relationship with branch staff, and let the branch know that Fonkoze management values social performance management.

- Relate focus group and interview questions to the goals of the institution. Data collected from clients must be used purposefully for management decisions and should correspond to the questions and priorities of management.
- Select the database and field methodology carefully. Longitudinal data collection is logistically difficult in certain country contexts. Collecting longitudinal data in a uniform way and allowing for drop-outs over time is key.

Next Steps and Current Challenges

- Fonkoze has built good relationships and trust between SIMs and local branch office staff. Still, local staff and branch managers sometimes question the value of the "research and focus groups" and the time it takes from their credit responsibilities to work with SIMs. However, it is possible for the "social" information to contribute to financial results, through better client follow up and retention, for example. Fonkoze's SIMs have begun to help branch staff address attendance and drop-out issues by talking with clients. SIMs can spend more time with a client and often learn more from a client's perspective because they do not have credit responsibilities. When SIMs help a branch with attendance and drop outs, branch staff often see a direct financial benefit to their work in addition to helping them serve their clients better.
- Fonkoze has had successful ad hoc meetings to discuss social performance with head office management. SIM staff plan to institute regular meetings with headquarters management to discuss social performance data and insights that come in every month from the SIMs in the branches. This should keep management in closer touch and also expedite decisions based on social performance data.
- Fonkoze plans to expand its SIM program to more branches and cover these costs from revenues from its microfinance operations.[15]
- Fonkoze will develop and pilot a measure for a client confidence indicator in 2009.

Snapshot of BASIX, India

BASIX's mission is to promote a large number of sustainable livelihoods for the poor, including the rural poor and women, through a program of integrated financial services and technical assistance. BASIX also strives to yield a competitive rate of return to its investors so that it can steadily access mainstream capital and human resources.

BASIX's livelihoods promotion is an integrated model. It believes that credit is a necessary, but not sufficient, condition to promote livelihoods. Hence, it has adopted a unique tri-level strategy to provide financial inclusion services with agricultural/business development services and institutional development services.

BASIX enjoys excellent rankings in both its financial and social ratings, is among the leading MFIs in India, and is known and respected for its innovation and leadership. BASIX defines itself as a livelihood-

[15] Fondasyon Kole Zepòl and Sèvis Finansye, 2008, "Fonkoze's 2008 Social Performance Report: Measuring Change in the Lives of our Clients" (Washington, DC: Fonkoze), http://www.fonkoze.org/docs/fonkoze_2008_social_performance_report.pdf.

promotion group of companies and not an MFI. Livelihood promotion is its primary aim, rather than poverty and education that is the focus of many other MFIs. Although eradicating the poverty of those living below the poverty line is not its specific mission, 20 percent of the clients BASIX reaches live on *less than* US$ 1 per day (PPP), and 15 percent of its clients live on *more than* $2 per day.

Social Performance Measurement

Database Approach. While BASIX does not have a system of tracking specific social indicators for measuring social performance in each of its programs, it does have 25 indicators across its triple bottom line—the three Ps (planet, people, profit)[16]—which are reviewed and monitored monthly. These include outreach indicators, process indicators, and output indicators. BASIX also assesses its results. In its recent collection of data in the SIP, BASIX examined elements of the wellbeing of its clients, such as access to fuel-wood sources, food security, water, sanitation, and productive assets. In addition to using indicators that are part of the PPI for India to benchmark poverty levels, BASIX collected client-level financial information through survey interviews of clients across several domains, such as household income, savings and credit use, assets, and enterprise growth. On women's empowerment, in addition to indicators on decision making and education, BASIX collected information related to women's economic activities, such as occupation category and nature, management, and location of enterprise. From 2007 onward, data entry was outsourced to a business processing organization, where one of the staff was trained by the BASIX research team in data entry.

Social Responsibility. BASIX is one of very few MFIs that actively measure its social responsibility to clients, staff, gender, community, and environment.

- Clients—Social responsibility to clients comes from additional staff training and guidelines on client protection, transparency, communication, and staff behavior with clients, particularly in case of defaults.
- Staff—It focuses on staff capacity building, beginning with systematic staff induction, benefits, and staff training and development
- Gender—It designs products that cater to women, including consumption loans, enterprise loans as members of joint loan groups, credit and institutional development inputs for women's self-help groups, skill development for enterprise development, and action research for gender mainstreaming
- Community and environment—It actively advocates pro-poor policies and supports the microfinance sector in India. It promotes service and training for other institutions and non-financial services to agriculture and dairy clients that reduce pesticide, fertilizer, water use and increase use of organic materials. It is active in environmental issues through agricultural consulting. BASIX's annual report includes a section on contributions to the Global Reporting Initiative in concert with its investor Triodos.

Lessons Learned

- BASIX's three-pronged strategy for livelihoods is well disseminated and included in training and meetings.
- In spite of its strong emphasis on transparency to clients with training, written materials, and a video shown to clients, about half of its clients did poorly in answering questions about basic

[16] http://www.globalreporting.org/NewsEventsPress/LatestNews/2009/NewsApril09Duurzaam100.htm

information on BASIX products. There is a difference between good communication from the organization and effective receipt of information by clients.

- It is possible to provide a number of non-financial business services to improve client livelihoods at break-even or a profit.

Recommendations for Other MFIs

- Although excellent systems and training are important, it is still necessary to get regular client feedback to verify the results.
- Leading MFIs can do more to serve the microfinance sector with transparency and high standards of performance.

Next Steps and Current Challenges

- BASIX will eventually need a statistician on staff or a consulting statistician for data collection and analysis of social indicator data.
- According to M-CRIL's social rating of BASIX, "BSFL [the largest subsidiary of the BASIX group] is not able to track its exit rate from the portfolio MIS since it lacks a client ID [system]."[17]
- BASIX plans to integrate client data into its MIS.
- BASIX plans further development of external reporting on social aspects of BASIX work.

Snapshot of FINCA, Jordan

FINCA's Client Assessment Tool (FCAT) is the foundation for its collection of extensive client-level data.[18] The FCAT is a comprehensive survey used to collect internationally comparable information about clients' household demographics, access to financial products, expenditures, assets, business activities, and satisfaction with FINCA. As a reliable profile of existing and new clients, it presents a snapshot of FINCA's outreach. The survey includes 115 indicators and takes approximately 20–40 minutes to complete. To reduce time demands on loan officers and allow for objectivity, interviews are conducted by research fellows who are intensively trained in administering the FCAT and have expertise in quantitative research methods. The table below is an example of the client data obtained.

[17] M-CRIL, 2007, "BASIX-BSFL: India (mainly South)," online social rating report, May 2007 (http://www.m-cril.com/pdf/Rating-Reports/BASIX-Social-Rating-2007-M-CRIL.pdf).

[18] Special thanks to Katie Torrington and Alexi Taylor-Grosman at FINCA for reviewing this snapshot. See www.villagebanking.org.

Table 1: Profile of FINCA Jordan Clients

Clients	Household	Standard of living	Business
Average age: 36 years % female: 98% Literacy rate: 94% % married: 78% Head of household: 44% Education - < 4 years: 7% - > 5 years to completion of secondary: 82% - Post-secondary education: 11% Health self-assessment - Very poor: 2% - Poor: 8% - Fair: 30% - Good: 44% - Excellent: 16%	Average no. of persons in household: 5.7 Home ownership: 30% % without health insurance: 60% % without checking/ savings account: 5% Education of children 6–15 years - Males: 94% - Females: 97% % young adults 16–18 years attend school: 63%	National poverty line of Jordan: - 46 JD per month per capita, or 1.5 JD per day per capita (approx. US$ 4 [PPP])* - 23% less than 1.6 JD per day - 61% between 1.6 JD and 4.9 JD/day - 16% more than 4.9 JD per day	Number of businesses household operates – 0 businesses: 19% – 1 business: 74% – 2 businesses: 7% Business sector – Commerce: 82.5% – Production: 8% – Services: 7.5% – Food and beverage: 2% Employment (Non family members) – 87% of clients who operate a business with no employees – 8% employ 1 person – 3% employ 2 people – 2% employ 3 or more people

FINCA Jordan gathers additional data through surveys of client preferences, satisfaction, and loyalty regarding its product design features, specifically client perception of loan amount, duration, and interest rate. These surveys also collect information on client satisfaction and loyalty with respect to loan processes, including application and disbursement, loan officer performance, client recommendation of FINCA to others, and client continuation with FINCA in the next loan cycle. This data is used for management decisions about product design features

Lessons Learned

When data showed that 19 percent of client households had no businesses, FINCA made these management decisions:[19]

- Retrained all credit-officer staff.
- Refocused FINCA's operations management priority more on client business analysis rather than just repayment capacity.
- Emphasized that FINCA's institutional lending activity is for ongoing entrepreneurial activities and not one-time projects or consumption activities.

When data showed that 61 percent of clients surveyed believe their loan amount was too small, FINCA management initiated these new strategies:

- Established new minimum loan amounts and maximum loan terms per product.

[19] The following two points (about businesses and too-small loans) highlight the dual nature—social and financial—of FINCA's research and some financial outcomes that resulted from social performance data collection.

- Focused on new business and cash flow analysis of ongoing business activity, repayment capacity, and adequate loan size.
- Reinforcement of its policy that clients must be informed why their loan was denied and given some explanation as to how their loan size was determined.
- Made efforts to avoid situations (by providing training for credit officers) where good clients who did not receive the loan amount they needed and could repay might go to a second credit provider.

When data revealed that 44 percent of FINCA Jordan clients did not know their interest rate, management made these changes:

- Informed clients about their interest rates, both verbally and in writing.
- Updated its loan agreement so the interest rate was clearly and prominently visible on the front page.
- Held management team meeting with all branch managers and credit supervisors to discuss the problem.
- Established a regular client-feedback process that included a question on the client's interest rate and planned to implement this feedback on credit officer performance evaluations.

FINCA Jordan states that the following outcomes came from its use of client data:

- Its experience revealed that client data findings are actionable and point to immediate next steps.
- Management improved the operational efficiency of the staff through more training and restating priorities.
- Management implemented a regular client-feedback process.
- FINCA affiliates, like Jordan, can use client data to inform new products in such areas as housing, agriculture, and insurance.

Recommendations for Other MFIs

- Ensure access to accurate client data in order to help meet social mission objectives and ensure a competitive edge.
- Relate social performance of the MFI to building a culture of "customer relationship management."

Next Steps and Current Challenges

- Data showing that 60 percent of its clients are without health insurance has led FINCA Jordan to look into a possible health insurance product for 2009.
- FINCA Jordan is improving staff incentives related to social performance.
- FINCA continues to merge social indicators with financial data and objectives including integrating social indicator data into MIS.

Snapshot of Pro Mujer

Pro Mujer has a history of prioritizing social performance and addresses it through client satisfaction studies and impact assessments. Pro Mujer-Bolivia has led the Pro Mujer network in social performance and participated in several industry projects, including CERISE's social performance indicators pilot project, social ratings by M-CRIL and MicroRate, and the SIP.

Central to the missions of Pro Mujer's MFIs have been, client-level social objectives for poverty, outreach to women, women's health, and education of children. Its participation in the SIP and use of the PPI led Pro Mujer to further define its social objectives and its choice of social indicators and to move intentionally toward institutionalizing the use of social indicators as part of an SPM system.

Social Performance Measurement

Client Level Data and Choice of Social Indicators. After applying the PPI and four other social indicators, Pro Mujer conducted a workshop in Lima, Peru, for its directors, chief executive officer, and country/field staff. It laid out the foundation for SPM in Pro Mujer MFIs and disclosed the results of the PPI and other indicators. For the first time, those responsible for SPM and MFI directors not only exchanged their valuable experiences with the PPI but also decided together to institutionalize SPM and the social indicators. In the last few months, Pro Mujer finished selecting its social indicators and continued the process of institutionalizing SPM in its Argentina and Bolivia MFIs. It hired two consultants and designed a model of SPM.

Pro Mujer changed and refined its choice of social indicators during each of the three stages of SIP. (See further details of Pro Mujer's experience in the case study in the appendix.)

Poverty, Women's Empowerment, and Education Indicators. Pro Mujer adopted the 10 indicators in the country-level PPIs and added 9 additional client-level data indicators, including healthcare (women and children), education, and women's empowerment for its MFIs in Bolivia, Mexico, Nicaragua, and Peru. Pro Mujer not only measures the poverty level of clients with the PPI but also gathers more detailed client information to better understand holistic details of client poverty. For example, Pro Mujer added "whether of indigenous community" to its client profile, and information on clients' use of income, as well as level of income. It also notes whether its clients live in a female-headed household and tracks information about attendance and years of school for both daughters and sons.

Lessons Learned

- Pro Mujer ran into difficulties with follow-up visits to clients' homes because it was often hard to locate the homes and verify with the credit assistant that the household had been surveyed initially. The solution that worked best was for a Pro Mujer supervisor to accompany the promoter or credit assistant because the supervisor would have better knowledge of locations of client homes.
- In Pro Mujer-Bolivia, 100 surveys were purged because they were not complete. This situation arose because the staff did not understand some of the questions. Furthermore, when Pro Mujer-Bolivia changed its database software from SPSS to Excel, the need for staff training slowed data entry and analysis. These two factors delayed the final results of the survey.
- Client reactions were different in the five countries where Pro Mujer has MFIs. Some clients felt bothered or uncomfortable; others wondered why Pro Mujer was asking so many questions if they already had the solidarity guarantee. In these cases, the assistants conducting the survey patiently explained the objective of the questions. Furthermore, they emphasized that answering the survey questions would not hurt their credit application and that it would help Pro Mujer improve its services to clients. Once they understood the reasons, most of the hesitant clients answered the questions.

- In Peru and Bolivia, there was a delay in the data collection because some surveys were conducted in places other than the client's home. In rural areas, in some cases, the household was too remote and the client was never at home. Pollsters needed to know the area well and to have their own transportation; in some communities, they needed to know the native language to obtain better information from the client. An additional delay was caused by the data being collected in different software applications.

Recommendations for Other MFIs

- Design a system of information to collect data with standard, user-friendly, and cost-effective software.
- Standardize the SPM reports for top management's review.
- Decrease the time between collecting the data and using it to categorize field, management, and regional progress on client satisfaction, client exits, and external impact.
- Improve the internal communication system.
- Create a culture of measurement and conscious social objectives.
- Establish mechanisms of sending feedback to country MFIs and reports to the Pro Mujer headquarters office and board of directors.
- Standardize and define what "poor" or "socio-economically excluded" means in order to define social goals and objectives with precision.
- Use the information collected on the client to understand different client/market segments better and design better products, especially those oriented to increase retention.
- Monitor and evaluate routinely the application of SPM to the field.

Next Steps and Current Challenges

- Pro Mujer needs to integrate its client social data into its MIS, as well as into all its monitoring and evaluation reports.
- It plans to train staff on the tools and concepts of SPM.
- It is setting up processes to monitor and evaluate the information flowing into the data-base.
- Pro Mujer will continue site visits by the local managers, as well as regional managers responsible for SPM to verify the data and quality.
- It will give regular feedback to the field and regional managers on data collection results.

Snapshot of Trickle Up

Trickle Up targets the very poor and assists (or empowers) them in taking the first steps out of poverty. Trickle Up is not an MFI; rather, it provides people with resources to build livelihood activities for a better quality of life. Its model, in a nutshell, is to reduce extreme poverty through a high-quality, efficient microenterprise development model for sustainable livelihoods that encompasses business training, conditional seed-capital grants, and savings support.

Social Performance Measurement

In the past, Trickle Up reported its social performance by tracking a small set of key social indicators about program participants and their households. These were single-question indicators on food, education, housing, clothing, health, savings, and microenterprise profits. However, the collected data were neither very accurate nor very informative. More importantly, the shortcomings with these social indicators also revealed a lack of clarity in its organizational mission, which focused on helping low-income people take the first steps out of poverty without operationalizing this mission into clear goals and targets.

Realizing the weaknesses inherent in their current system for assessing social performance, Trickle Up resolved to significantly improve its monitoring and evaluation system and clarify its poverty focus. Trickle Up's old mission defined its target group as low-income people worldwide, but its new statement defines its mission as reaching people living on less than US$ 1 per day (PPP). At the same time, Trickle Up has also formalized its commitment to reaching a certain percentage of women and people with disabilities, with minimum targets set at 67 percent and 15 percent, respectively.

The change in its mission statement occurred at the same time that the IRIS Center (on behalf of USAID) and the Grameen Foundation were developing their first poverty measurement tools (based on absolute income-based poverty lines). Trickle Up decided to assess the poverty of all its new clients and began applying these poverty tools (the PAT and/or the PPI) in four of its eight countries of operation, beginning in 2008—Mali, Burkina Faso, India, and Uganda. Trickle Up also added some additional indicators to the core set of PAT and PPI indicators, which were already being monitored by local country offices and partners. This ensured continuity and proved helpful in getting staff buy-in for the new poverty tools.

Early results from surveying new program participants showed a wide range in the proportion of very poor program participants across countries and across partner agencies within a given country. For instance, the proportion of very poor people reached by the India program, as measured by the PPI, was greater than 70 percent—more than twice the proportion of those reached by the Mali and Burkina Faso programs. This was not entirely surprising because the India program had just implemented a much more rigorous poverty selection methodology (including geographic targeting, poverty wealth ranking, and use of inclusion as well as exclusion selection criteria to make a final selection of new program participants). These data helped Trickle Up decide that its other country programs needed more rigorous participant selection procedures.

Lessons Learned

- Even though the PAT and PPI are relatively short questionnaires, implementing them was harder than expected when it came to training people, collecting the data, entering the results, and interpreting the findings. One of the key challenges for Trickle Up is managing its numerous small, relatively low-capacity local partner agencies. Training all of the country offices to implement the PAT and PPI tools is consistently problematic because each office faces different conditions, they must deal with staff turnover, their staffs have different skill levels, etc. Trickle Up needs to add quality control checks, and standardizing them is currently underway.
- After implementing the PAT and PPI in four different countries, management analyzed the results and discovered that there was a wide range of poverty levels among entering program participants by country and by partner agency within countries. In the Mali and Burkina Faso programs, the actual depth of poverty outreach, as measured by the PAT and PPI, was lower than what the country office staff had expected. In India, the depth of poverty outreach was more variable among different partner agencies, but overall was significantly higher than in Mali. Uganda showed a relatively large variation among partner agencies, which may in part reflect the fact that

some agencies were relatively new to the process and were not as familiar with Trickle Up's poverty target and targeting methodology.

- Staffs at both country offices and local partner agencies were at times skeptical about the accuracy of the PAT and PPI results. In some areas with a high incidence of poverty, for instance, the range of scores was relatively narrow and the answers to several of the questions were the same for almost everyone interviewed. In some cases, two households had the same poverty score (and the same result for each question in the tool), but local staff were of the opinion that there was a large difference in poverty between the two households. Such differences between local perceptions of poverty and the PAT- and PPI-measured poverty scores are most likely due to the fact that the PAT and PPI are meant to be representative for varying poverty conditions nationwide. This makes the tool less sensitive to smaller poverty differences in a more homogenous local context.
- In a few cases, partner agencies were resistant to using either tool and to the more stringent poverty targeting methods. The initiative to measure poverty outreach and to improve poverty targeting came from headquarters and created more work for local partner agencies, which must now conduct the PAT and PPI each year with every program participant. They also had to change their existing screening procedures for new program participants. Moreover, working with very poor households requires more resources and time, which has to be managed, than working with less poor people.

Recommendations for Other MFIs

- As mentioned above, training the staff of local partner agencies to consistently implement the PAT or PPI is a challenge. It is a great advantage if the country program staff have previous experience or training in data collection. If the partner field staff do not have any experience, it is extremely important to provide sufficient training in interview techniques.
- While it is possible to calculate an interviewee's poverty score immediately in the field, it is better for interviewers *not* to interpret the results for each interviewee. As mentioned before, field interpretations may cause skepticism and even result in manipulation of the data, if the interviewer does not "agree" with the poverty score obtained for a certain participant. At the same time, it is important for the field office to enter and analyze the data (and have headquarters check it) later, so there is ownership by the field office of the process.
- Trickle Up does not recommend that the PPI be used as a poverty screening tool. The accuracy of a single individual poverty score is seen as much lower than with a large sample, making individual poverty scores unreliable predictors of actual poverty. In fact, since the margin of error of individual poverty scores seems so high, Trickle Up does not track poverty scores of individual participants.
- Since collecting and analyzing client poverty data require additional work by local staff, adequate resources should be provided for partner agencies.

Next Steps and Current Challenges

- The PAT and PPI have dual uses: they check targeting accuracy and also check progress of clients out of poverty over a period of several years. Although Trickle Up staff are still digesting initial poverty measurement results, one-year follow-up poverty measurements have already started. Trickle Up's knowledge that its poverty outreach is not satisfactory in all its programs does not automatically provide answers for improving poverty targeting in the future. The high proportion of very poor people in the India program is believed to be tied to the very rigorous poverty selection methodology employed there. Other country offices have been asked to devise ways to improve targeting effectiveness, without necessarily adopting the India methodology, which may not translate well to other contexts.

- Trickle Up has not set provisional targets for poverty outreach and progress out of poverty because it wants to learn what its programs are capable of doing from longitudinal multi-country outcome assessments over the next few years. It will most likely make additional improvements to its programs, as well as revising its poverty reduction targets, in order to continue to achieve its mission better.
- Client poverty measurement will be instituted in all countries where Trickle Up is active, using either the PPI or PAT, depending on which tool is available in a given country. At the same time, poverty measurement procedures (training, data collection, quality control, etc.) will be standardized. It intends to integrate poverty measurement data in the future via a new program data base that is currently being developed and is expected to be in use by the end of 2009.
- As a result of using the PAT and PPI, Trickle UP plans to "expand the array of program services and improve the program's quality required to make lasting changes in the well being of the program participants."

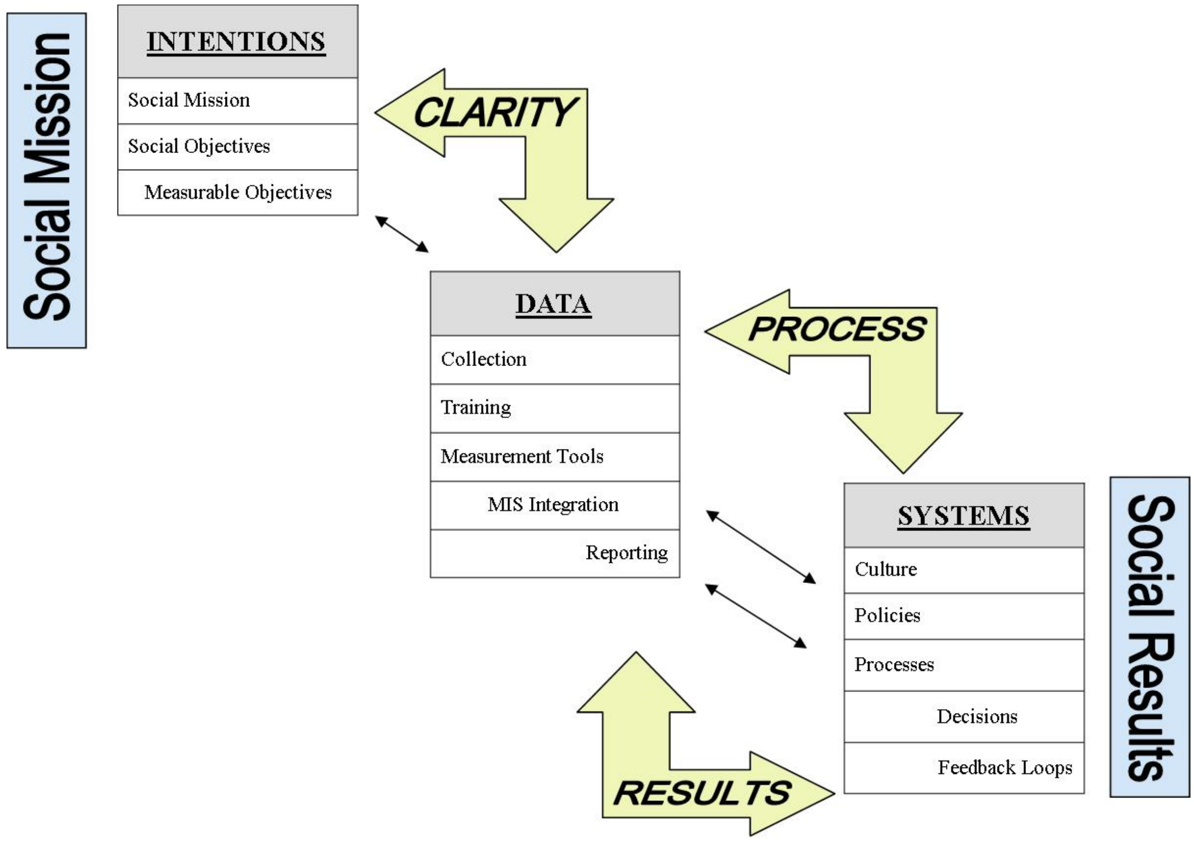
5. Common Elements of SPM Systems

How can an SPM system make social indicators more useful and more effective? Social performance management becomes more rigorous and effective when MFIs systematize their use of social data for decision making and implementation of policies (with checks on compliance) and processes that routinely incorporate social data and feedback into their everyday operations.

Several SIP partners and other MFIs developed resourceful mechanisms to overcome common challenges associated with social indicators. Both common challenges and their solutions provide valuable lessons for other practitioners. The problems faced by some MFIs were identified with the help of social indicators. The solutions to those problems then also become essential pieces of SPM systems. Common challenges and solutions have been identified across MFIs, which can ultimately help build useful SPM models for practitioners to structure social indicators that fit their organizations' needs.

Figure 1 below illustrates the major elements involved in adopting social indicators and implementing social performance management as identified by SIP partner MFIs in reports, questionnaires, and interviews. The model was developed from material collected by the authors and SEEP, particularly from responses to a survey questionnaire and interview notes with FINCA, BASIX, Trickle Up, Fonkoze, and Pro Mujer.

Figure 1: A Social Performance Management Model



The Social Performance Management model above highlights the importance of having a model to map the dynamic process and the complexity of social performance for MFIs. Indeed, how do MFIs develop processes that integrate social indicators into MFI operations and decision making? It starts with clear social objectives, development of strong systems, choice of pertinent social indicators, and data collection and analysis. Once MFIs have selected their social indicators and started to collect data, how do they organize this data, analyze it, and use it for making decisions?

Data Collection and Analysis

Data collection is costly and time consuming, so it is critical to figure out in advance which data will be most useful to the MFI and how it will be actually used for strategic and operational decisions. Questions asked of clients must be relevant and representative, and they must be user friendly for both clients and interviewers. Processes should include analyzing results by individual field officers and comparing them to context benchmarks and performance targets, as well as checking for data quality through internal audits. Data analysis should be as concise, relevant and simple as possible for the most effective use in decision making.

At *Fonkoze,* SIMs ask branch managers what information they need and want to know about clients. SIMs collect feedback on client satisfaction (among other issues) with Fonkoze's products and services to help Fonkoze managers identify areas for improvement. From a sample of more than 300 clients who left Fonkoze in 2008, staff determined that one primary reason for clients' business failures was that they sold their goods on credit without keeping a formal account of their receivables. As a result, Fonkoze has increased efforts to educate clients about bookkeeping techniques to help them avoid losing money when they sell their merchandise on credit.

BASIX, in the first round of SIP's three surveys, found that they insufficiently analyzed their social performance data and made inadequate use of the results of the analysis. It also found that some questions had invalid responses and that some indicators showed no difference across BASIX clients. As a result, these questions and indicators were either dropped or modified in the subsequent two rounds. (The questions and indicators were, respectively, landholding, occupational information, savings, and indebtedness; and access to basic necessities, income, and expenditure.)

Pro Mujer (Nicaragua and Peru) observed that some questions were not relevant or representative to specific country contexts. It has not yet modified the survey, but plans to do so.

Using Measurement Tools

Poverty measurement tools, such as Grameen Foundation's PPI, IRIS Center's PAT, and FINCA's FCAT, help MFIs collect specific data in specific ways to answer questions about client poverty levels and other personal attributes. Different tools are used in different ways by MFIs committed to social performance management. Grameen Foundation's partner, Negros Women of Tomorrow Foundation (NWTF) in the Philippines, replaced its use of a "means test" (which included a housing index) with the PPI. NWTF found that the PPI is more accurate in tracking poverty levels and takes less time than the housing index. In addition, the PPI distinguishes clearer market segmentation for designing more suitable products for NWTF clients. In contrast, Trickle Up uses the PPI to benchmark client poverty data, but continues to use its participatory wealth ranking index for client targeting. Fonkoze uses the PPI, but also collects additional data through questions of its own, including the nine food security questions developed by Freedom from Hunger.

Measurement tools have been an important way for MFIs to refine their use of social indicators, develop more and better client-level data, and define target client market segments. Poverty measurement tools, the PPI in particular, received a great deal of attention from SIP MFIs because they efficiently provide a clear poverty measure and the data is easily obtained and understood. Additionally, the PPI can be compared across countries and continents.

Capital Aid Fund for Employment of the Poor (CEP) uses its own poverty tool to set and monitor its poverty outreach goals. Each branch identifies its own individual targets for poverty levels of new clients, upon which financial incentives for branch managers and loan offices are based.[20]

Integrating Social Indicator Data into the Management Information System

Well-designed and properly-used poverty measurement tools produce valuable data, but it is more efficient and effective to collect data in standardized formats. This can be done as part of the client enrollment process, for example, or through the loan application form or a loan utilization check. When data can be entered into the MFI's MIS, it can easily be compared over time, across MFIs in a network, across countries, and against financial data.

[20] See "Annex: New Client Survey Form" for CEP's poverty tool.

MFIs must be able to compare social indicator data with portfolio data. In practice, it is often expensive to modify an MIS, so MFIs often collect social indicator data separately and maintain it in Excel spreadsheets separate from their MIS. Fully integrating social data into the main MIS for portfolio data is a challenge and many MFIs, such as BASIX, Fonkoze, and Trickle Up, are still implementing this. Of the SIP partners interviewed for this paper, SEF is the only one presently capable of fully integrating its portfolio and social data into a single MIS.

An MFI better may realize how it wants to use social indicator data after it has started collecting it and sees what the data reveal. For example, Pro Mujer had long been committed to using social indicators and had collected social indicator data over several years for a variety of initiatives before it began to systematize its data collection and storage, discard data that was not being used, and better organize useful data for analysis and decision making.

Reporting

Reporting social results utilizes two different types of reports. MFIs prepare *internal reports* containing social indicator data and analysis for staff and management for self-assessment and to inform decision making at the management-level through regular internal discussion. Internal reports may track MFI progress on specific social objectives and targets, as well as progress in implementing processes and systems to manage and use social indicators. The Fonkoze SIMs produce reports every two weeks on, for example, the results of evaluation tools, client issues, and credit issues, which are emailed to the central office. Additionally, the Fonkoze Social Impact Department Director produces monthly reports that review conditions in the field, and focus on problem areas requiring attention. Fonkoze has successfully used social indicator data for a number of decisions about product design and is now crafting a process to get management to use social indicator data in all its monthly meetings. Trickle Up encountered surprising results—that they were reaching far fewer of the very poor than they expected— in its country office reports.

MFIs also produce *external reports* for investors and funders to demonstrate that social performance is part of their mission and to provide evidence of success in achieving social results—results that can be validated by independent third parties, such as rating agencies. Management needs to communicate these same details to staff and use them to inform decision making. Investors want reports with concise, comprehensible summaries of the "social bottom line," that demonstrate the effectiveness of an MFI's policies on social responsibility and that show active monitoring systems and processes that assure the MFI is complying with its own policies on social responsibility. In April 2009, MIX began accepting social reports based on a list of 22 indicators developed by the Social Performance Task Force, and this information now is made public on the MIX website.[21]

A significant number of investors think that any microfinance investment will produce social results. This creates an opportunity for MFIs with superior social results to use data and social indicators to distinguish themselves. External reports provide an opportunity for MFIs to educate interested investors on what to look for in MFI social performance reports and how to detect differences in the quality of MFI social results. Presently, none of the SIP partners has developed an explicit strategy to utilize social data to attract social investors.

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[21] "Created in March 2005, the Social Performance Task Force has been charged with clearly defining social performance and addressing questions about measuring and managing social performance" (Social Performance Task Force web site, "Who We Are: Background," http://www.sptf.info/page/background-1). For more information, see http://www.sptf.info). Download the Social Performance Standards Report from the MIX and review the social reports at http://www.themix.org/standards/sp-reports.

Social data is only effective when it is regularly incorporated into MFI decision making. This includes strategic decisions about locations of new branch offices to better serve targeted clients and orientation of field staff in recruiting new clients. It can influence product design decisions to better serve customer needs and preferences, and should inform decisions about systems components like staff incentives, staff capacity building, and management compensation.

MFI staff—particularly officers and managers working in the field—are the driving force of institutions, and this is particularly true in the context of social indicators.

Staff Buy-in

In order for changes in an MFI's operations to be successful and sustainable, staff opinions and acceptance—particularly the staff whose responsibilities and time will be affected—are crucial. It is therefore important to have "staff buy-in" in order to effectively manage social performance. Developing a social performance culture within management is the first step and should be augmented with continuous feedback and communication to all staff. The process of demonstrating social results through effective and concise reporting is also an important step toward operational buy-in.

The first step is to educate management and staff at all levels to be aware of and fully understand 1) the MFI's social mission, 2) the highest-priority social objectives of the MFI, and 3) how the MFI measures progress towards these objectives. Soliciting staff input and feedback is a vital component in staff buy-in. Incentives to reward staff contributions to specific social objectives also help create and re-enforce a culture of social performance management. When Trickle Up adopted the PPI as its poverty measurement tool in 2008, they included indicators already being monitored by its local country offices and partners. "This ensured continuity with the monitoring of already existing indicators by local country offices/partners, which also proved helpful for getting their buy-in for the adoption of the new poverty tools."[22]

Training Staff to Collect Data Accurately and Consistently

In order to collect client-level data that produces accurate responses, staff may need training on many levels: to collect data from clients in an unbiased fashion, to embody the MFI's social objectives and responsibility, and to excel in customer service and customer protection. For example, Grameen Foundation provides MFI field staff (affiliated and not) with detailed training on how to collect client poverty data with the PPI.[23] FINCA uses research fellows to collect client data for its FCAT to reduce demands on field staff time and to avoid potential bias with data collected on field staff performance.

Fonkoze believes that to have field staff committed to social indicators and a culture of SPM, they must first have branch management buy-in. Branch managers are introduced to the whole system through training conducted by head office management, who work with them at the branch office for a week to make sure that the training is fully understood and assimilated.

Pro Mujer were unable to collect some survey data because clients did not understand some questions, and the credit assistants conducting the interviews were not able to explain the questions because they did not understand them well enough. Pro Mujer realized that proper training was extremely important for the credit assistants as well as staff in general. They developed specific instructions, guidelines with a glossary, and thorough explanations of the uses and value of the survey. Through training tools and the enhancement of staff skills and understanding, the survey became an asset for staff.

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[22] See "Case Study 4: Trickle Up" in the appendix.

[23] http://www.progressoutofpoverty.org/toolkit

In round 1 of the SIP surveys, BASIX discovered that staff capacity for research was insufficient to design and manage the survey process. In the following two rounds, trained research staff observed how each data collection agent filled out the survey form with at least one customer and then discussed the agent's strengths and weaknesses at the outset. Data entry was also outsourced to a business processing organization to ensure better accuracy.

Policies

Written policies help an organization clarify its social objectives—both to internal and external audiences. For example, written policies on consumer protection may include expectations that staff will disclose full costs to customers in easily understood statements of effective interest rates on loans. BASIX has policies on "transparency to customers" and "listening to customer feedback." It provides detailed descriptions of product costs to customers, including a video for customers with limited literacy. However, when BASIX commissioned a social rating, it found out that many of its customers still did not understand the costs of BASIX products. This prompted BASIX to change its client information materials and client communication processes to assure that it is complying with its policy of transparency to clients.

Policies on social responsibility can help remind staff that the MFI is committed to many dimensions of social responsibility—to clients, to staff, to the community, and to the environment. These policies may also be expected by socially responsible investors as a condition of investment. Policies are like any other social objective: they require follow-up processes to assure compliance and to reward success. For example, Capital Aid Fund for Employment of the Poor (CEP) performs random spot checks of their poverty assessment tool and instructs head office supervisors to check on branch managers' implementation of the tool.[24]

Feedback Loops for Communication and Compliance

Collection and analysis of social indicator data create opportunities for different types of feedback. Client satisfaction and exit interviews are now widespread as a standard client feedback tool. Data on client needs, client product preferences, and client actions, such as dropping out, are invaluable to loan officers for improving client service. Feedback—from clients as well as staff—on systems and processes of social performance management can suggest what data to stop collecting and which processes are not working well. Pro Mujer International organized a workshop in Lima, Peru, for its country staff to discuss their experiences implementing social indicators and to enable all levels of staff to give feedback on the SIP experience up to that point. Pro Mujer intentionally promoted an organizational culture of investment and ownership in the social performance management design and implementation process.

Feedback is especially useful when it is communicated to those staff in the best position to respond to it. The organization's skill in determining the proper amount and frequency of feedback is important. Feedback, which should be reinforced by written policies, is as essential to compliance with social performance reporting as with financial reporting. Experienced socially responsible investors may require evidence of MFI compliance with social responsibility policies in addition to written policies.

[24] Information was given in interviews with CEF staff. For more information about CEF, visit their website http://www.cep.org.vn/.

6. Conclusion: How to Get Started with SPM

MFIs can from the start set out to achieve any of the stages described in Section 2, from State 0, "Financial Services for All," to Stage 3, "Comprehensive SPM System." MFIs participating in the SIP repeatedly emphasized three things: prioritize, find an in-house champion for social performance, and foster a social performance culture.

First, prioritize a few social indicators and learn how to collect and analyze data on these indicators. This worked for a number of MFIs participating in the SIP. It provided an opportunity to work through many issues of data collection and analysis and to include different management levels in discussions and agreement on the choice of indicators. At FINCA Jordan, when analysis of the data showed that 19 percent of their clients operated no businesses, management restated FINCA's priority to focus more on the business analysis and not just repayment capacity of clients. BASIX dropped some of its questions on household well being, assets, and details on credit and savings in round 3 of SIP because the data were not being used in decision making.[25]

Next, find a "champion" for using social indicators within the MFI. It may be most effective if the champion is in senior management and supported by the board of the MFI. Using social indicators requires ongoing commitment and resources at all levels. A well-placed champion may be essential until a culture of using social indicators has been established. Dedicated, separate staff working on SPM is often an important indication of its importance to the institution. Fonkoze found that extensive interaction between social performance staff and credit staff worked best for sharing information and solving problems that clients might have. Other MFIs depend heavily on network staff to develop social indicators and measurement tools.

Lastly, it is important to build a culture of social performance within the MFI that includes training staff and management at all levels to understand the organization's social mission and some of the more specific, high-priority social objectives. Within the MFI's operations, SPM needs to address each component of the stated social objectives where interaction with clients is affected, for example, training field staff and managers who supervise field staff, developing clear guidelines for interviewing new clients and conducting client exit interviews, and offering incentives for staff based on quality of client service and client satisfaction.

Through concerted training, Pro Mujer field staff came to understand the value of the social indicators survey and see it as an asset to their regular tasks as loan officers. Pro Mujer-Mexico used funds from the SIP grant to motivate staff and reward performance: centers with the best performance received certificates and new equipment.[26] Trickle Up found that providing sufficient training on the implementation of the PPI to its local partners—nearly all were small-capacity organizations with limited resources—to be a challenge.

MFIs that use social indicators in order to measure social performance face challenges and sometimes even struggle when measuring social performance. While keeping the social indicators in mind, MFIs find it essential to develop appropriate social performance management systems to fit their organizations' needs, serve their mission, and ultimately achieve social results. Performance management systems serves as a key decision making tool for staff and benefits all the organizations' stakeholders and especially the ultimate beneficiary, MFIS' clients.

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[25] See "Case Study 2: BASIX" in the appendix

[26] See "Case Study 3: Pro Mujer" in the appendix.

Annex: New Client Survey Form

Capital Aid Fund for the Employment of the Poor (CEP) uses this form, designed in-house, to target their clients by assessing a "poverty score" of prospective clients based on financial, personal, and other information. CEP has a similar form for current clients as well.[27]

CEP

FORM CODE

Branch code | CLIENT CODE

Code of interviewer | DATE / /

Name of credit officer	
Name of person entering the data	date of data entry

Form 1: NEW CLIENT SURVEY FORM

Name of interviewee	Name of center

Client profile ☐ Labourer ☐ Big trader ☐ Worker (Factory)

Area ☐ Rural ☐ Semi Urban ☐ Urban

PERSONAL INFORMATION Beginning time of survey

Date of Birth

Gender ☐ Male ☐ Female

3a. Identification number 3b: Place of issue

4. Place of Birth____

5. Resident Book:____

6. Address____

7. Education level____

8. Marital status ☐ Single ☐ Married ☐ Widow/er ☐ Divorce

Interviewer Note
Loan cycle
ii. Loan size
iii. Purpose
iv. Loan Duration
v. Other information____
____
____

HOUSEHOLD INFORMATION

9a. Information on number of household members:

9a1. Total number of members___________ Female__________________

9a2. Status: ☐ Head ☐ Member

9a3. No. of persons < 5 years: ________ 9a4. Number of earning members: ____ 9a5. Number of members not working: _____

9b. Dependency ratio:

Indicator	**1 point**	**2 point**	**3 point**
Client classification	***very poor***	***Poor***	***Not so poor***
Dependency ratio = 9a1 / 9a4	> = 3 ☐	2 - 2.9 ☐	< 2 ☐

[27] Reproduced with the permission of CEP.

INFORMATION ON HOUSEHOLD INCOME AND ASSETS

10. Source of income

10a. Income level

Stt	Name of family member	Age		Relationship with interviewee	Education level	Job profile	Monthly income
		Male	Female				
10a1. Total family income per month:							
10a2. Per capita family income:							
10a3. Total monthly expenditure:							
10a4. Savings:							

10b. Income score based on per capita income (VNĐ)

Score	**1 point**	**2 point**	**3 point**
Client location	***Very poor***	***Poor***	***Not so poor***
- Rural	<= 300,000 ☐	300,001 - 400,000 ☐	>400,000 ☐
- Semi urban	<= 350,000 ☐	350,001 - 450,000 ☐	>450,000 ☐
- Urban	<= 400,000 ☐	400,001 - 500,000 ☐	>500,000 ☐

11. Household assets

11a. Valuable asset details

Asset Type	**W**	**1 point**	**2 point**	**3 point**
1. Crop land	1	No land ☐	<2.000m^2 ☐	>=2.000m^2 ☐
2. Animal (VNĐ)	1	<= 500,000 ☐	500,001 - 1,000,000 ☐	> 1,000,000 ☐
3. Equipment	1	<= 1,000,000 ☐	1,000,001 - 2,000,000 ☐	> 2,000,000 ☐
4. Transport vehicles	1	<= 3,000,000 ☐	3,000,001 - 6,000,000 ☐	> 6,000,000 ☐
5. Electronic equipment like T refridgerator	1	<= 1,500,000 ☐	1,500,001 - 3,000,000 ☐	> 3,000,000 ☐

11b. Poverty classification

Indicator	**1 point**	**2 point**	**3 point**
Poverty classification	***Very poor***	***Poor***	***Not so poor***
- Rural = (Total score)/8 - Semi Urban = (Total score)/7 - Urban= (Total score)/6	<=1.7 ☐	1.8 - 2.4 ☐	>2.4 ☐

12. Housing condition

12a. Details of housing condition

Details	W	1 point	2 point	3 point
1. Ownership:	1	Rent	Co Owner	Owner
2. Location: - Rural: - Semi urban/urban:	1	Narrow road <2m Small road =2m	Broad road 2 - 6m Broad Road 2-4m	Main road 6m Broader 4m
3. Quality:	1	temporary	Semi permanent	Permanent
4. Area: - Rural: - semi urban/urban:	1	Per capita space $<= 6m^2$ $<= 4m^2$	Per Capita Space $6,1 - 8m^2$ $4.1 - 6m^2$	Per Capita Space $> 8m^2$ $> 6m^2$
5. Water electricity:	1	Share with neighbour	electricity or water	have both

12b. Housing score

Average score	1 point	2 point	3 point
Total housing score/: 5	*Very poor* <=1.7	*Poor* 1.8 - 2.4	*Not so poor* >2.4

OTHER INFORMATION

13. Total capital required for business SXKD: ________________ VNĐ

14. Total income from business: ________________ VNĐ

Thank you for participating *End time:* ______________

Final poverty score(to be calculated at BO)

1. Final Poverty score:

Poverty classification	*Very poor*	*Poor*	*Not so poor*
Final poverty score =(9b + 10b*3 + 11b*2 + 12b*2)/8	<=1.7	1.8 - 2.4	>2.4

2. Advise/ Comment

☐ Approve loan

Amount recomended: ____________________ Duration: __________________

☐ Not approve loan Reason

____

3. Any other comment:

____

____

Date ___ Month ___ Year _____

Branch Manager **Interviewer**

Appendix:
Short Case Studies Written by MFIs

Case Study 1: Fonkoze, Haiti

Special thanks to Leah Nedderman at Fonkoze

Fonkoze is Haiti's largest microfinance organization. It has 55,000 active loan clients, 40 percent of whom are rural, among 40 branches that cover every department in Haiti. Fonkoze's mission is to build a sustainable microfinance institution in order to provide Haiti's poor with the financial and educational services they need to make their way out of the kind of poverty that leaves people without hope, motivation, or courage—and to reverse the decline in Haiti's economy by empowering and motivating families to engage in sustainable economic development.

Fonkoze targets clients living under the US$ 1 per day and $2 per day poverty lines and also serves the extremely poor through a non-credit program, CLM (Chemen Lavi Miyo, or "Pathway to a Better Life").

In 2005, Fonkoze began systematically evaluating the impact of its programs on clients across the country. By the beginning of 2009, its Social Performance Management and Market Research Department (Social Impact) was a team of 14 committed staff members who worked in branches throughout Haiti. The Social Impact department's mandate is to 1) systematically establish client profiles upon entry and track changes over time; 2) research client needs and experiences, focusing particularly on satisfaction and retention; and 3) make recommendations on how Fonkoze can improve existing services and introduce new ones.

Department Organization

Fonkoze's Social Impact department is managed by a director and two supervisors who work from Fonkoze's central office in the capital, Port-au-Prince. Here, data analysis and reporting as well as department coordination takes place. However, the backbone of the department is the field staff—the social impact monitors (SIMs)—who work full time in 10 branch offices and collect information directly from Fonkoze's clients in their home communities.

Basing staff in the field ensures regular collection and analysis of data. This model also allows SIMs to develop relationships with clients that are not based on financial transactions. As a result, SIMs often receive better information from clients than do credit agents, who are primarily concerned with loan disbursement and repayment. Good client relations lead to better quality information. For example, clients can inform SIMs when they are having problems with their credit agent or other members of their solidarity group, issues that they may be hesitant to address with credit agents. Additionally, SIMs visit clients at their homes in order to verify the poverty scorecard information they are collecting. These visits build relationships with clients, and the scorecard interviews give the SIMs the opportunity to speak with clients about other issues, such as natural disasters. After hurricanes destroyed many Haitians' homes and assets in late 2008, clients reported that they were grateful for the home visits from SIMs, saying that they were impressed that Fonkoze cared enough to interview them about their situation.

Basing Social Impact staff in branch offices also has a positive effect on branch culture, as SIMs help keep the credit staff focused on social issues by regularly discussing client concerns with them. SIMs are included in staff meetings at the branches and have regular meetings with branch directors to discuss social performance findings with branch management.

Finally, field-based SIMs are used for more than routine monitoring in the branch area, and are indeed regularly called upon to perform one-time evaluations of Fonkoze programs in the country. Focus group discussions and one-on-one interviews are used to collect information from clients when Fonkoze management has specific market research questions (e.g., whether clients want a new savings product), when Fonkoze needs to know how clients are faring under certain conditions (e.g., what effect the food crisis is having on clients), or when funders ask for specific impact data (e.g., how funds for educational materials have been used to strengthen clients' business practices).

Tools for Collecting Social Indicators and Decision Making

For the past three years Fonkoze has used a comprehensive poverty scorecard to evaluate its members' poverty levels when they join Fonkoze and to follow their progress over time. The "Progress out of Poverty Index" (PPI), developed by the Grameen Foundation is included in the scorecard and the indicators on the scorecard correspond to goals Fonkoze establishes for its clients. After five years in the program clients will be able to send all of their children to school,; will have a home with a tin roof, cement floor, and latrine; will be able to put food on the table every day, will know how to read and write; will have long term assets (land, buildings, animals, savings) and will have the confidence to face their future, no matter what it holds. The evaluation scorecard measures each of these goals with the exception of a confidence indicator. Fonkoze will develop and pilot a measure for this indicator in 2009.

The evaluation scorecard is also used to determine the percentage of clients living under US$ 1 per day and under $2 per day. Fonkoze does not use this information to target individual clients; rather, they regularly monitor the proportion of their clients who fall into these classifications to ensure that the organization continues to target the poorest. For example, in a sample of more than 800 clients in 2008, Fonkoze determined that 57 percent of new clients lived under the $1 per day poverty line and that 72 percent lived under the $2 per day poverty line. Fonkoze also measures clients' progress with this indicator, using a longitudinal study that began in 2006. Each year Fonkoze adds a new cohort of clients who will be interviewed once a year for five years using the same indicators.

In 2008, the Social Impact staff began using a food security survey developed by Freedom from Hunger. This tool allows Fonkoze to classify new and continuing clients as food secure, food insecure without hunger, and food insecure with hunger. The classifications are used to compare different groups of clients. For example, based on a sample of 317 new clients and 100 continuing clients, Fonkoze determined that continuing clients are 42 percent less likely to suffer from food insecurity with hunger than new clients. Comparisons can also be drawn between clients in different loan programs and food security is one measure of how well Fonkoze is targeting clients at different levels of poverty.

As part of the Social Impact staff's process for routine client monitoring, the department interviews a sample of former clients to understand the reasons for client exit and also to assess client satisfaction with Fonkoze's products and services. SIMs encourage interviewees to respond candidly to in order to collect feedback that will help Fonkoze identify areas for improvement. These interviews are also used by Fonkoze to understand the reasons behind clients' business failure. For example, based on a sample of more than 300 clients who left Fonkoze in 2008, Fonkoze determined that one primary reason for business failure was that clients sold their goods on credit without keeping a formal account of their receivables. This finding was corroborated by feedback from focus group discussions indicating that, in 2008, clients were forced to sell on credit more often than in previous years, due to price inflation in Haiti. As a result, Fonkoze has increased efforts to educate clients about bookkeeping techniques that will prevent them from losing money when they sell their merchandise on credit.

Finally, Fonkoze uses focus group discussions to collect in-depth client feedback on specific questions. These questions come directly from management priorities and are designed to produce actionable information. For example, in 2008, Fonkoze asked clients about the condition of their solidarity groups and credit centers. Client responses allowed Fonkoze to understand more fully clients' priorities. For example, clients generally believe that it is more important to have trust within a solidarity group than having the requisite number of group members (five, according to Fonkoze policy). Additionally, clients mentioned several problems with credit center meeting schedules and locations that interfered with center meeting attendance. Fonkoze uses this direct feedback from clients to address areas where organizational policies need to be changed or strengthened in the field.

Decision Making

The Social Impact department moves information from clients to Fonkoze's management staff. SIMs produce reports every two weeks on the results of evaluation tools collected during the past two-week period, client issues, credit issues, observations from the branch office, and other important messages for central office management. In addition to the results of the interviews and pertinent photos from the field, SIMs email their bi-weekly reports to the central office. The department director produces monthly reports that review conditions in the field and focus on problem areas that need attention. For example, in October 2008, SIM reports revealed that several solidarity groups complained that they did not receive new loans in a timely manner. Fonkoze management intervened at the branch level and resolved the situation.

Taken together Fonkoze's suite of tools illustrate for the institution who their clients are and their respective needs. For example, Fonkoze's Ti Kredi ("small credit") program for new entrepreneurs was created as a result of understanding better the needs of poorer clients—they require smaller loans, shorter loan terms, training in business skills, and closer monitoring by a credit agent. Additionally, Fonkoze's Education Program has begun developing and offering new courses based on feedback from clients about what they want to learn. Finally, field reports from the Social Impact department in 2008 reinforced Fonkoze's suspicion that some credit centers were not following Fonkoze's policy of regular center meetings. At the same time, focus group discussions revealed the importance of regular meetings and well-functioning solidarity groups to business success and loan repayment. This information prompted Fonkoze to retrain credit agents on the importance and methodology of center meetings, as well as performing spot-checks to ensure compliance among branches. These are examples of the department's focus on actionable monitoring and research.

Lessons Learned

For a large organization (40 branch offices and more than 800 employees), timely communication of social data is a challenge. Bi-weekly reports from the field summarized into a detailed monthly internal report keep social data moving quickly from clients to Fonkoze management. Furthermore, although upper management is fully committed to integrating social data into decision making, staff at other levels of the organization sometimes fail to see the importance of the department or do not fully understand the purpose of social performance management. Here, efforts akin to internal "marketing" of the Social Impact department—including training, branch visits, and repeated messages at staff meetings are important for buy-in across the organization.

SIMs are required to meet monthly with the branch director in the branch office where they work. This provides the SIM an opportunity to discuss findings, concerns, and suggestions for improvement in branch performance and gives the branch director a direct link to the clients in his or her portfolio.

Communication from the field to the central office and communication between the SIM and the branch director must be managed diplomatically. SIMs rely on collaboration from credit agents at the branch offices in order to get information on new clients, exiting clients, and for other client-related issues. At the same time, one of the roles of the SIM is to report problems brought to them by clients who are unsatisfied with the service they receive from branch offices and credit agents. Branch directors and central office management, not the SIMs, must address problems that are uncovered.

Fonkoze does not currently have an MIS that includes social data. This limits analysis to social indicators and financial indicators that are captured on the evaluation scorecard, such as business expenditures and savings balance. Furthermore, clients do not currently have unique identification numbers and the Social Impact department relies on client account numbers and names to match client records year-to-year in the longitudinal study. When names are spelled differently on follow-up surveys, or account numbers change or are entered incorrectly, client records do not match and longitudinal data are lost. Fonkoze has important improvements to make in their MIS in the future.

Finally, SIMs can be used for more than routine monitoring and program evaluations. Branch directors have begun using SIMs to talk directly to delinquent groups and individual clients who are experiencing problems with credit. Based on the strong relationships that SIMs already have with clients their inquiries into clients' repayment problems often result in brainstorming ways for the client to get back on track.

Case Study 2: BASIX, India

Special thanks to Dr. Radhika Desai and T. Navin at BASIX

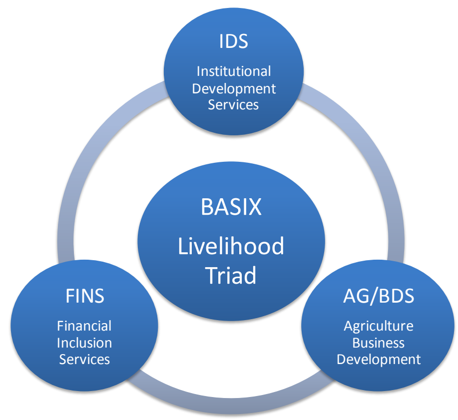
The CGAP and Ford Foundation initiated SIP in early 2005. The goal of the project was to identify a small set of clear, globally comparable, low-cost impact indicators in the MFI sector that would correspond to the five dimensions of the MDGs. The SIP project fit well with BASIX's interest in measuring its impact on clients' livelihoods, thus, BASIX agreed to participate in the study. Between 2006 and 2008, BASIX completed three rounds of surveys as a participant in the SIP. The intricacies of trying to make a social impact and critical decisions that had to be made were apparent from the very outset. Although clarity was required for its mission and goals, there was an equal need for knowledge of social research and statistics.

BASIX: An Overview

BASIX is the umbrella name for a group of companies under the holding company Bhartiya Samruddhi Investments and Consulting Services Ltd (BSFL). BSFL, a non-banking finance company, in the BASIX group, is one of the leading microfinance institutions in India. BSFL has adopted an integrated strategy towards livelihood promotion, the "livelihood triad" (see figure below) and views microfinance as a tool for livelihood promotion.

Summary of BSFL Operations (as of December 2008)					
Operating states	10	Operating units	96	Operating villages	11,586
Active customers	531,120	Average loan	INR 11,498 (US$ 230)	Micro-enterprises insured	33,761
Clients with life and health insurance	1,016,555	Livestock insured	44,558	Cooperatives	149
Total agricultural/business development service clients	191,735	Total common activity groups	2,264	% minority and OBC clients	60%
% of women clients	52%	% of S.C & S.T clients	25%		

Figure 1. Livelihood Triad



Social Impact in BASIX: A Watershed

BASIX group companies understand that their mission is the promotion of a large number of livelihoods and that financial sustainability is not an end in itself but a critical means to the achievement of the mission. Thus, understanding the impact of its products and services on its clients has always been essential to BASIX.

In 2001, five years after it started its operations, BASIX commissioned an impact study by an external agency, Indian Market Research Bureau. It showed that over a three-year period microfinance had had a positive impact on 53 percent of BASIX clients, that there was little change among 24 percent of its clients, and that 23 percent of its clients showed a decline in income. The follow ups, reviews, and reflections, which later followed showed that unmanaged risk of the life and health of borrowers—on top of their livelihood assets, low productivity, and lack of market linkages—were major factors in the decline of clients' income. BASIX made the momentous decision to step away from a microfinance-focused approach and adopted the "livelihood triad" as a strategy for livelihood promotion. The ensuing challenge was then to develop a new model of financial sustainability and realign its structure, systems, staff, processes, practices, and culture for this new livelihood triad strategy.

Social Indicators Project: The Process

BASIX had to decide which of the MDGs it would cover in its SIP survey. While all were important for improving clients' lives, BASIX had to choose which dimension of its clients' lives was most relevant to its mission and on which it expected to have an impact. BASIX decided to study the impact on the following three MDGs:

1. Eradicate extreme poverty and hunger.
2. Achieve universal primary education.
3. Promote gender equality and empower women.

BSFL excluded the MDG of reducing child mortality and improving maternal health because it did not have any products that would be a direct proximate cause for improvement in health outcomes.

Methodological Issues

An abiding concern for BASIX during SIP was what methodological steps should it take to reduce the risks to the robustness of the findings, without overextending the resources of BASIX, and keeping in mind that it is an action organization.

Sampling. Sampling was a critical element that needed considerable attention. BSFL clients are spread across southern, central and eastern India and across a variety of agro-climate zones, where the population is distinguished by various tribes, castes, and religions. However, the majority of BASIX clients live in the southern region. So, the question arose about what sampling design to use: a simple random sample or a stratified sample. BASIX also wondered which similarities and differences to give primacy to and what size the sample in each stratum and the total sample should be.

Survey instrument and data collection. The sensitivity of the survey instrument is a case in point. The development of instrument and choice of indicators was not an easy task in itself. The research staff had to develop an instrument that included lessons learned from other impact studies on MDGs, but which satisfied the information needs of BASIX. The survey instrument was in English, but had to be administered in local languages. The rural poor who formed the sample population did not know English and were not familiar with the communication tools of a survey. Given this, BASIX had to make sure that similar responses had the same meaning.

Data quality. The competency of data collection agents is important to the success of a survey. BASIX considered the advantages and disadvantages of using its own staff and loan officers (experience versus bias) or hiring outsiders (cost and concern about adequate training and language). However, good quality data is essential for sound results from any data analysis. BASIX had to design a process for interview training that took into consideration the constraints of time, field staff, and research staff.

Data analysis. The level of detail of the data and the complexity of the analysis also had to be determined. BASIX thought about whether descriptive statistical analysis or advanced statistical techniques would produce the most pertinent results. It also had to consider the worth of allocating additional time, purchasing statistical software, and hiring dedicated staff to perform advanced statistical analyses. Then, there was the question of whether the results would be useful in policy and decision making.

BASIX pondered these questions and several others during SIP implementation and made decisions that balanced the need for rigor in SIP, the availability of resources at BASIX, and the impact BASIX intended to study.

Reflections on SIP Round 1

In spite of the several steps taken to ensure a rigorous process and quality data, BASIX found several inadequacies and problems in the implementation of the first round of the SIP survey:

1. Absence of a social research team and lack of adequate staff with research skills to design and manage the survey
2. Difficulty in getting reliable responses from clients on indicators related to household economic status
3. Too much time needed to complete the survey form
4. Errors in survey data entry from the survey forms themselves and lack of research staff at the field level
5. Errors in data entry by transaction assistants and external data entry specialists

6. Insufficient data analysis and inadequate use of the results of the analysis

SIP Rounds 2 and 3

The shortfalls of the first SIP round were rectified and the process of implementing the survey and its analysis was streamlined in the two subsequent SIP surveys in 2007 and 2008.

Establishment of a social research department. During 2007, an incipient Social Research department was established, and in the next two SIP rounds, trained research staff were able to devote time to developing a better instrument, train in data collection, co-ordinate and organize the survey implementation, supervise data collection at the field level, and analyze the data.

Changes in sample. The size and nature of the sample also changed over the three rounds. In the first round, the time spent with BASIX was not a criterion for sample selection. In the second round, one of the objectives was to compare differences between new and repeat clients and track the same clients to see any difference in their lives. Thus, the sample consisted of a certain proportion of new clients and old clients from the previous sample. In round 3, a proportional stratified random sample was selected, where client occupation was used as a measure of stratification. Also, an appropriately smaller sample size was chosen. Further, in the previous two years, the client sample consisted of either new and/or repeat clients from the same units. In SIP round 3, the entire client sample (except for Jabalpur) was from new units of clients. BASIX changed the sampling design and the sampling units because the objective was no longer to get panel data to study impact. Instead, SIP round 3 tested the new, revised PPI and further refined several indicators that would be incorporated into registration forms.

Changes in the survey instrument. The survey instrument was modified in each of the two subsequent SIP rounds in 2007 and 2008. The first round sought to gain a comprehensive understanding of the socio-economic status of the clients and the impact on client livelihoods. The questionnaire was exhaustive, asking for details on household's composition, occupations of members and education finances (income, expenditure, savings, and credit), assets, access to basic necessities and wellbeing, enterprise status and growth, and women's empowerment.

In the second round, the objective was to refine the instrument and compare differences between new and repeat customers; the questionnaire was comprehensive but asked for fewer details. Thus, in round 2, indicators to assess the financial status, assets, savings, and credit of the household were retained, but those on income and expenditure were dropped. Instead, the PPI was used as proxy indicator to ascertain the economic status of the client. Some questions which did not yield valid responses were modified, such as landholding, occupational information, savings, and indebtedness. Indicators which showed no difference across BASIX clients and to which responses were false or incorrect were dropped, such as access to basic necessities, income, and expenditure.

SIP round 3 provided an opportunity to test the newly revised PPI before it was included in the registration forms. Some questions on household well being, assets, and details on credit and savings were dropped because it was felt that this information was not being used in decision making or that available information in the BASIX client profile was sufficient. Questions on change were dropped because it was recognized that significant change would be not observed in the lives of the clients within a span of one and two years. Thus, the survey instrument in SIP round 3 was short. The PPI score card included only a few questions on assets, household composition, occupation, education levels, enterprise status and growth, and women empowerment.

Changes in data collection process. The most significant change in round 2 was that, unlike in SIP round 1, a member of the research team supervised and provided assistance at least during the first two days of data collection in the unit. In SIP round 2, the research staff observed how each data collection agent filled out the survey form with at least one customer and then discussed the agent's strengths and weaknesses at the outset. The way the agent checked the survey forms for data inconsistencies and gaps was also observed and input was given wherever required. As a result, the problems and gaps in the process of data collection and data quality were addressed on the spot and led to vast improvements in data quality.

There were further improvements in SIP round 3. The training itself was exhaustive and for a longer period. The data collection agents were required to administer the questionnaire to at least two customers while accompanied by an observer. There was an extensive discussion of each and every problem encountered during the pilot survey. Further, during the process of data collection, not only was a member of the research team present, but the research staff themselves checked each survey form for gaps and errors. They were able to identify errors in the beginning, which improved the data collection agents' ability to collect reliable data and enter the correct codes.

Changes in data entry. Beginning 2007, data entry was outsourced to a business processing organization. The processing staff was trained in data entry by a member of the social research team, which made the data entry process relatively error free and quicker. Also, the increased amount of supervision and checking of data collected at the field level over the 3 rounds reduced the errors in survey forms. A more in-depth analysis of 2007 data included measurement of poverty. This increased confidence also led to greater dissemination of results with the senior management and others in the organization as well as with external stakeholders.

Conclusion

The BASIX experience in implementing the SIP surveys suggests that that issues can be resolved and obstacles overcome by a well-staffed, competent research team that is knowledgeable in research design and methodology, sophisticated sampling methods, and statistical analysis. However, the question remains whether it is realistic to expect an MFI to have such expertise and competence among its staff to deal with such issues. After all, an MFI's primary function is not social research per se, but bringing improvement to clients' lives is. Yet, if an MFI does not have staff capable of addressing the issues in an impact study, it runs the risk of not being able to prove that it is making a positive impact or that its methods are sound. One solution is to commission outside experts to do an impact study that can stand up to scientific scrutiny; another way of determining whether the MFI is achieving positive impact in clients' lives is with SPM.

Case Study 3: Pro Mujer

Special thanks to Alejandra Garcia at Pro Mujer

Since 1990, Pro Mujer has offered integrated financial and social development services by combining credit, health services, and client training (health education and business development) through the village banking methodology. Pro Mujer seeks to assist poor Latin American women in expanding their businesses, increasing their families' access to affordable health care, and encouraging their community participation and leadership.

Pro Mujer currently serves 202,000 clients and approximately one million children and extended family members in five countries: Bolivia, Mexico, Nicaragua, Argentina, and Peru.

Approach to Social Performance

Traditionally, Pro Mujer has measured social performance through periodic impact assessment and client satisfaction studies—both externally and internally. These assessments are quantitative *and* qualitative since they consist of surveys, focus groups, suggestion boxes, and consultative groups. Currently the data collected has been on a quarterly or semester basis.

More recently, Pro Mujer has broadened its focus by 1) including tools to understand not only the results but also the process of social performance and 2) externalizing its impact assessments.

The institutionalization of social performance management in all five countries first required socializing the concept, and selecting and identifying our social indicators. Based on Pro Mujer-Bolivia's prior history and experience with social indicator and performance tools, this initial process, concept, and identification of indicators began with staff and clients in Bolivia. In addition to prior experience with tools and evaluations, such as the CERISE Social Performance Indicators tool and Grameen Foundation's PPI, Pro Mujer-Bolivia was committed to the SIP.

Participation in CGAP/Ford Foundation Social Indicators Project

Pro Mujer International partnered with CGAP and the Ford Foundation to develop social indicators in the industry of clients. In SIP round 2, Pro Mujer continued to consider tools to measure access to health, education, and women's empowerment in order to meet its social mission, which covers a scope beyond simply poverty reduction.[28]

Following two rounds of trial and error in selecting indicators, Pro Mujer-Bolivia initiated round 3 of SIP with an identified set of indicators on income, education, health care, and women's empowerment. The approach in round 3 also took into account the fact that prior tools tested were too extensive (i.e., too much detail) and counterproductive for credit assistants.

Table1: Social Indicators Used by Pro Mujer in SIP Rounds 1 and 2

Millennium Development Goals	Social indicators in SIP round 1	Social indicators in SIP round 2
1. Poverty reduction	• Income • Savings	• Income: individual, family, job-generated • Housing conditions • Savings
2. Universal primary schooling	• Education at home	• Education at home
3. Gender equity, women's autonomy	• Women's empowerment • Women's participation	• Gender equity • Individual development of women (participation, leadership, self-esteem, etc).
4. Infant mortality reduction	• Health of children under 5	• Health in the household
5. Improvement of maternal health	• Women's health	• Health in the household

28 In round 2, many MFIs participating in the SIP reduced their scope of measurement to focus on poverty reduction.

During 2008, Pro Mujer redefined its integral services and objectives as: 1) microfinance, to reduce clients poverty levels; 2) health care, to increase access to health care and education for clients and their families; and 3) personal development services, to pay attention to gender with quality services. In order to evaluate the results of both services on the lives of clients and their families, Pro Mujer defined basic indicators that best fit the services and products provided along with the client outcomes desired.

Assisted by Pro Mujer International in round 3, Pro Mujer-Bolivia selected the PPI as its primary poverty measurement tool. To strengthen further the evaluation process of Pro Mujer's impact, three areas with a total of five indicators addressing empowerment, health, and education were added to complement the data from the PPI.

This amalgamated survey was applied in Pro Mujer country offices in Bolivia, Mexico, Nicaragua, and Peru during a four-month period to new clients and incorporated as part of the new client business and home verification process. However, the survey was not a factor in determining whether or not a client would obtain approval for a loan.

Objective of Survey Data and Collection

The purpose was to use the survey to create a baseline profile of new client's socio-economic standing. This baseline would facilitate proper tracking of client progress over time in four areas: income, education, health, and women's empowerment. In addition to assessing Pro Mujer's contribution to changing clients' lives, the data was intended to assess the fulfillment of the institution's social objectives. Not only did Pro Mujer seek to create a baseline for new clients, but it was also interested in learning from staff and client responses to the surveys, training materials, and the application process in order to identify the potential institutional implications. Furthermore, Pro Mujer sought to identify the staff's level of understanding and their capacity to comprehend the target population.

A baseline is a collection of performance indicators for a program or service, measured before starting a service, so that they can be compared to the same indicators measured during and after the services. A baseline permits a systematic evaluation of the service since it permits an institution to answer this question: what levels of the indicators measure performance with this service? A basic evaluation that can be applied to baseline data consists in measuring a performance indicator before and after the application of the service and comparing both during a certain time frame.

Staff Input

Pro Mujer staff expressed the need to include more specific biographical information in the survey, such as the client's age, marital status, number of kids, and total number of family members in the household. They considered it important for long-term impact assessment. However, the purpose of the survey was to obtain a general picture of an entering clients' status.

Through training tools and the development of their skills and understanding, the survey became an asset for staff. Both national office staff and field credit assistants responded that, after their training, they understood the importance of social performance and getting to know clients. They selected a staff leader to be responsible for the execution of the survey and made a commitment to collect quality data. Proper training was extremely important for credit assistants, and they particularly required instructions for conducting the survey, guidelines with a glossary, and thorough explanations of the uses and value of the survey.

Field staff, specifically in Mexico, Bolivia, and Peru, indicated that it was rewarding to see that they were reaching, for the most part, poor clients who lacked good health practices, training, and empowerment.

The survey became an opportunity to engage with clients and receive feedback. The initial and most frequent reaction clients had was curiosity as to why and for what use Pro Mujer was applying the survey. Credit assistants were trained to explain to clients that the survey was a way for Pro Mujer to better serve their needs.

All of the country offices embraced the survey as a necessary tool to apply to new clients and saw a great benefit from having a clear concept and identification of their target populations. They characterized it as simple, easy, and fast to apply. At the management level, staff overcame the challenges of time constraints and staff availability and actually surpassed the sample target goals by at least 50 new clients because they saw a value in familiarizing themselves with the target population.

Incorporation of staff incentives, such in Pro Mujer-Mexico, showed a greater commitment by the field staff to comply with the number of surveys and also commit to the job. Each country was allocated a portion of funds for the survey and had the opportunity to apply it as they thought most convenient.

Mexico was the only country office that used the funds to motivate staff and recognize performance. Funds were used to make certificates and donate equipment to the center that had the most surveys with the best quality. Pro Mujer realized that staff incentives are necessary to motivate and encourage personnel to conduct the surveys.

Staff Challenges

Staff recognized the need to acquire experience or training in data collection and methodology of survey distribution, including guidance on how to deal with clients unwilling to respond. Another challenge encountered by staff was the distance between homes which increased the time commitment considerably. This added 10–20 minutes to the actual verification of house and address before the credit assistants were able to begin to survey the client.

Staff also mentioned the need for an easy and efficient system of data entry beyond Excel and SPSS already being used to collect client data for impact and client satisfaction assessments. Furthermore, it was suggested that a report be produced from the MIS to assist managers in decision making.

Lessons Learned

Once the baseline was established in the four countries, the following valuable lessons emerged:

1. In order to define social goals and objectives precisely, it is necessary to standardize and define the institution's concept of what "poor" or "socio-economically excluded" means. Once determined, Pro Mujer can quantify and monitor the improvement in the client's quality of life.

2. It is vital to encourage an organizational culture of SPM with a focus on reaching poor clients and promoting the importance of the monitoring tools to capture the target population.

3. Build capacity at all staff levels to collect data and to routinely monitor and evaluate the application of any social performance tools in the field.

4. Build capacity at the regional and national staff level to analyze and use this data routinely for decision making.

5. Use the information captured and analysis obtained to improve practices at the operational and management levels.

6. Encourage and verify that the information from the social indicators is assimilated into the institutional culture, at the national and regional offices, and at focal centers. In this way, each level will be able to incorporate the information into its strategic and operational decision-making processes. Decentralization is necessary for SPM monitoring and to serve the needs of clients better. It is necessary for staff and data collectors to know how to process and analyze data at field and operation levels, in order to address issues and make decisions with quality information.

7. Design a system of information to collect data with standard, user-friendly and cost effective software.

8. Standardize SPM reports for top management's review.

9. Train field staff continuously, to reinforce the importance of SPM in the organization.

10. Regular and ongoing staff training will ingrain the methodology and use of SPM tools by the national offices.

Results

Pro Mujer organized and coordinated a workshop in Lima, Peru, to discuss and present the research and analysis obtained through the PPI and other social indicators

During the workshop, in which country directors, chief executive officer, and country non-financial services staff participated, Pro Mujer laid out the platform for what constitutes SPM at Pro Mujer and shared the results of the PPI and other indicators studies. For the first time, the champions of SPM and their directors not only shared valuable experiences, but reached a consensus to institutionalize SPM and the collection of social indicators.

In the end of 2008Pro Mujer concluded the first steps of this process to institutionalize SPM—the selection of social indicators was particularly importance. It has continued the process of institutionalizing SPM in Argentina and Bolivia by designing a model of SPM with two consultants recommended by the Imp-Act Consortium.

SIP was the initial phase in introducing staff to the concept of SPM and to encourage the institutional prioritization of SPM. At present, Pro Mujer is under review and in the process of adjusting social performance tools that will be incorporated into its monitoring and evaluation system across the network. The journey to institutionalizing social performance is slowly moving ahead. Nonetheless, it will be constructed efficiently and at a low cost for the staff and the institution, in order to make positive impacts on the quality of life of its clients.

Case Study 4: Trickle Up

Special thanks to Vimala Palaniswamy, at Trickle Up, and Jan Maes, Facilitator of SEEP's Poverty Outreach Working Group

Seeking to Improve Social Performance

Unlike the other cases, Trickle Up is neither a microlender nor a for-profit institution, and its primary bottom line has always been social instead of financial. Whereas for-profit MFIs have focused increasing attention on their social bottom line, Trickle Up has started to pay more attention to its financial bottom line, but in the sense of cost-efficiency rather than profitability. Interestingly, Trickle Up has also invested heavily in recent years in improving its social performance measurement in much the same way as for-profit microfinance organizations have.

Trickle Up's raison d'être is the reduction of extreme poverty. In 2008, one-fifth of the world's population—1.25 billion people—live in what the United Nations defines as extreme poverty, earning less than US$1 dollar per day.[29] Trickle Up's mission is to empower these people to take the first steps out of poverty, providing them with resources to build livelihood activities for a better quality of life. Trickle Up partners with local (typically private voluntary) organizations worldwide to provide the very poor with resources and knowledge to help build micro-enterprises that enable a sustainable, improved quality of life.

A Mission of Targeting the Very Poor

Trickle Up's model is to reduce extreme poverty (as defined by the Millennium Development Goals) through a high quality, efficient microenterprise development model for sustainable livelihoods that encompasses business training, conditional seed capital grants, and savings support. With a mission tied to MDG 1,[30] Trickle Up was eager to participate in the social indicators project, which envisioned that participating organizations would define social indicators to four MDGs, including reducing extreme poverty. Around the same time, Trickle Up had also started a complete overhaul of its outcome assessment methodology.

In the past, Trickle Up reported its social performance by tracking a small set of key social indicators related to program participants and their households; these were single-question indicators related to food, education, housing, clothing, health, saving, and microenterprise profits. However, the collected data were neither very accurate nor very informative. More importantly, the shortcomings of these social indicators also revealed a lack of clarity in the organizational mission, which until then talked about helping low-income people take the first steps out of poverty, without operationalizing this mission into clear goals and targets.

As a result, Trickle Up began not only to improve its monitoring and evaluation system significantly but also clarified its poverty focus. Whereas Trickle Up's old mission defined its target group as low-income people worldwide, the new mission defines it as people living on less than $ 1 per day (PPP). At the same time, Trickle Up also formalized its commitment to reaching a certain percentage of people with disabilities and women, with minimum targets set at 15 percent and 67 percent, respectively.

The change in the mission statement came at the same time that the IRIS Center and the Grameen Foundation had developed their first poverty measurement tools, which were capable of measuring poverty associated with absolute income-based poverty lines. Trickle Up decided to measure the poverty of all its incoming participants and started implementing both the PAT (developed by IRIS) and Grameen's PPI in four of its eight countries of operation—Mali, Burkina Faso, India, and Uganda—

[29] United Nations, 2008, "Fact Sheet for Goal 1," http://www.un.org/millenniumgoals/2008highlevel/pdf/newsroom/Goal%201%20FINAL.pdf.

[30] The MDGs relevant to the CGAP/Ford Foundation Social Indicators Project are MDG 1, whether MFIs are reaching the very poor; MDG 2, whether client households are increasing incomes and gaining assets; MDG 3, whether greater numbers of children are going to school; MDG 4, whether health conditions are improving; and MDG 5, whether women are becoming more empowered. (See the list of MDGs at http://www.un.org/millenniumgoals/.)

beginning in fiscal year 2008. Trickle Up also added other indicators to the core set of PAT/PPI indicators, most of which were already being monitored by local country offices/partners before they were asked to adopt the new tool. This ensured continuity with the monitoring of already existing indicators by local country offices/partners, which also proved helpful for getting their buy-in for the adoption of the new poverty tools.

The improved monitoring and evaluation system also included a rigorous longitudinal outcome assessment in Trickle Up's core countries, with baseline data collection initiated in 2008 in Mali, Uganda, and India. The major goal of this ongoing exercise is to understand more clearly the changes in the livelihoods in the households of Trickle Up participants in order to make improvements to its programs. Even before outcome assessment results began to emerge, several significant changes were made to expand the array of program services and improve program quality required to make lasting changes in the well being of the program participants. Some of the important changes include a program that lasts longer than one year, which includes formation and strengthening of self-managed savings groups, and increased support (financial and technical) to local partner organizations.

Last, Trickle Up has recently started to envision what a successful Trickle Up participant would look like. This work is still in progress and is intended to produce a set of social indicators beyond just income poverty. These social indicators will be monitored routinely and will inform staff and management to what extent Trickle Up is reaching its mission and what actions are needed to improve on reaching its mission. Besides outreach indicators (based on poverty, gender, etc.), these social indicators will focus on desired outcomes achieved by Trickle Up's programs, including movement out of poverty, improved food security, health, education, confidence, and skills. Trickle Up has not yet defined a full set of social indicators because its multi-year outcome assessment process is still underway and programs are likely to undergo further changes.

So far, most of Trickle Up's experience with social indicators has been related to adopting, testing, and using the PAT and/or the PPI, depending on their availability in Trickle Up's core countries. It has adopted the PPI in Mali, Uganda, and India. Trickle Up pilot-tested the PAT in India, but decided on the PPI because it was easier to use and because it could measure poverty in relation to several poverty lines (not just the international poverty line). This might be useful for measuring progress out of poverty and segmentation of program participants in different poverty categories. Trickle Up also added other indicators to the core set of PPI indicators so it could track specific program. Continuing to track indicators that were already monitored by local country offices (before the advent of the PPI) proved critical for getting buy-in from country offices and local partner agency staff to implement the new poverty tools.

Early results from surveying new program participants showed a wide range in the proportion of very poor clients across countries and across partner agencies within a given country. For instance, the proportion of very poor people reached by the India program, as measured by the PPI, was greater than 70 percent—more than twice the proportion of very poor people reached by the Mali and Burkina Faso programs. This came not entirely as a surprise because the India program had just initiated a much more rigorous poverty selection methodology (including geographic targeting, poverty wealth ranking, and use of inclusion as well as exclusion selection criteria to make a final selection of new program participants). These data helped Trickle Up decide that more rigorous participant selection procedures were also needed in other country programs.

Learning

Implementation challenges. Even though the PPI is a relatively short questionnaire, implementing it was harder than expected when it came to training people, collecting the data, entering the results, and interpreting the findings. One of the key issues for Trickle Up is that it works with numerous small, relatively low-capacity local partner agencies. Training all of them to implement the PPI consistently and accurately is a challenge, as they all face different conditions, have staff turnover, different skill levels, etc. Quality control checks are needed, the standardization of which is currently under way.

Surprising results. After implementing the PPI in four different countries, management analyzed the results and discovered that, in some cases, the actual depth of poverty outreach as measured by the PPI was lower than what the country office staff had expected, especially in Mali and Burkina Faso. In India, the depth of poverty outreach was more variable among different partner agencies, but overall was significantly higher than in Mali. In Uganda, there was a relatively large variation among partner agencies, which may in part be a reflection of the fact that some agencies were relatively new to the process and were not as familiar with Trickle Up's poverty target and targeting methodology.

Staff skepticism of results. Staff at country offices and local partner agencies was at times skeptical about the accuracy of the PPI. In some areas with a high incidence of poverty, for instance, the range of scores was relatively narrow and the answer to several of the tool questions was the same for almost everyone interviewed. In some cases, two households had the same poverty score (and the same result for each question in the tool), but local staff was of the opinion that there was a large difference in poverty between the two households. Such differences between local perceptions of poverty and the PPI-measured poverty score are most likely due to the fact that the PPI is meant to be representative for varying poverty conditions nationwide. This makes the tool less sensitive to smaller poverty differences in a more homogenous local context.

Agency resistance to the tool. In a few cases, there was resistance by partner agencies to using the tool and to making poverty targeting methods more stringent. The initiative to measure poverty outreach and to improve poverty targeting came from headquarters and created more work for local partner agencies. They are now required to conduct the PPI each year with every program participant and must change all existing procedures for screening new program participants. Moreover, working with very poor households presents a much bigger challenge in terms of resources and time than working with less poor people.

Recommendations to Other MFIs

Staff capacity building. As mentioned above, training program staff of local partner agencies to consistently implement the PAT/PPI is a challenge. It is a great advantage if program staff already has previous experience or training in collecting data. If the field staff does not have earlier experience with conducting surveys, it is extremely important to provide sufficient training in interview skills.

When to calculate the score. While it is possible to calculate a client's poverty score immediately in the field, it is better not to do this and avoid having interviewers interpret the results for each interviewee. As mentioned before, this might induce skepticism, and even manipulation of the data, if the interviewer does not "agree" with the poverty score obtained for a certain program participant. At the same time, it is important to have the field office enter and analyze the data at the field office (later checked by HQ), so that they feel ownership of the process.

Not a poverty screening tool. Trickle Up does not recommend that the PPI be used as a poverty screening tool. The accuracy of a single individual poverty score is much lower than that of a large sample, making individual poverty scores unreliable predictors of actual poverty. In fact, since the margin of error of individual poverty scores is so high, Trickle Up does not track poverty scores of individual participants.

Resources and cost implications. Because collecting and analyzing client poverty data requires additional work by staff, adequate resources should be provided for partner agencies.

Next Steps and Challenges

Improving targeting effectiveness. The PAT/PPI has a dual use: it can check targeting accuracy and also check progress out of poverty over a period of several years. While Trickle Up staff is still digesting initial poverty measurement results, one-year follow-up poverty measurements have already started. The knowledge that poverty outreach is not satisfactory in all its programs does not automatically provide answers for improving poverty targeting in the future. The high proportion of very poor clients in the India program is believed to be tied to the very rigorous poverty selection methodology employed by that country office. Other country offices have been asked to devise ways to improve targeting effectiveness, without necessarily adopting the India methodology, which might not translate well in other contexts.

When to set targets. Trickle Up has not set provisional targets for poverty outreach and progress out of poverty because it wants to undertake longitudinal, multi-country outcome assessments over the next few years in order to learn what its program is capable of doing. It will most likely make additional improvements to the program as well as revise poverty reduction targets in order to continue to improve the fulfillment of its mission.

Expanding the use to all country programs. Client poverty measurement will be instituted in all countries where Trickle Up is active, using either the PPI or PAT, depending on which tool is available in a given country. At the same time, poverty measurement procedures (training, data collection, quality control, etc.) will be standardized and it is Trickle Up's intention to integrate poverty measurement data in future within a new program database that is currently being developed and is expected to be in use by the end of 2009.

About the CGAP/Ford Foundation Social Indicators Program

In 2005, the Ford Foundation and the Consultative Group to Assist the Poor (CGAP) initiated the three-phase Social Indicators Project (SIP) to assess the extent to which microfinance institutions (MFIs) are reaching the very poor, as well as how their programs are affecting other social dimensions, such as education and gender equity (i.e., women's empowerment). Partnering with more than 31 MFIs in 24 countries, the SIP developed and tracked indicators that provide insight related to several of the Millennium Development Goals (http://www.un.org/millenniumgoals), especially MDG 1, which aims to halve, between 1990 and 2015, the proportion of people whose income is less than US$ 1 a day.

The phase 1 survey, completed in 2005, captured the range of social indicators used by the participating MFIs in gathering information on the poverty, education, health, and empowerment of their clients. The Phase 2 survey, completed in 2007, saw the consolidation of indicators with a focus on MDG 1—measuring outreach to clients living on less than $1–$2 per day and change in their well-being. The phase 3 survey is an opportunity for partners to attempt to integrate their choice of social indicators or poverty tool in their social performance goals.

About The SEEP Network

The mission of the Small Enterprise Education and Promotion (SEEP) Network is to connect microenterprise practitioners in a global learning community. It brings together microenterprise practitioners from around the world to develop practical guidance and tools, build capacity, and help set standards to advance our common vision: a sustainable income in every household.

In 1985, SEEP was founded by a group of practitioners who believed that sharing practical experiences within a trusting environment would result in improved microenterprise development practices. Today, our members are active in more than 180 countries and reach 23 million microentrepreneurs and their families. SEEP's most valuable resource is the experience of its members and their commitment to collaboration. This exchange utilizes problem solving, experimentation, and peer-to-peer learning in order to identify common obstacles and develop solutions for reducing poverty.

The unique ability to convene practitioners in a global learning network results in credible, practical approaches that increase the power of enterprise to reduce poverty worldwide.

About the Authors

Tom Coleman founded Microfinance Consulting in 1995. For the past 14 years, he has consulted for a variety of networks, MFIs, and other organizations, focusing on the use of capital markets in combination with microfinance that serves the poorest clients effectively. In 2009, he co-founded and incorporated the Bottom Billion Fund to provide financing to MFIs that serve larger numbers of bottom billion people—the poorest people in the world—and can demonstrate that they do so effectively.

Sabina Rogers is Program Manager of Knowledge Exchange at The SEEP Network where she assists members to direct their learning to the most useful and innovative channels through working groups and other member-led initiatives. In this capacity, she supports the development of learning and networking events as well as publications and other learning media. From 2001 to 2004, she served as a Peace Corps Volunteer in Togo as Girls Education and Empowerment Extension Agent working with her host country nationals to increase girls enrolment in school and support female apprentices to establish their careers.

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