What matters gets measured

The heart of the Social Performance Task Force's work is a seriousness of purpose around social performance management in inclusive finance. We believe the old saying that "what matters gets measured." And we believe its converse, too—that anything an organization refuses to measure is by definition something that organization does not truly value.

SPTF recently launched an Outcomes Working Group to convene stakeholders interested in developing meaningful and consistent indicators for client outcomes. We were inspired to create the Outcomes Working Group in part to counter a viewpoint we thought had been consigned to the dustbin of history, given the actual evidence of our industry's recent history, but which appears to be making a comeback. That viewpoint holds that there is no need to go to the expense and bother of measuring outcomes because if a client uses financial services, that fact alone is proof that he or she is benefiting from doing so.

Perhaps a more realistic interpretation is simply that people will pay what they must to get what they need. But that is hardly the whole story, or even the most important part. In tight housing markets, for example, low-income people may spend more than half of their take-home pay for decent shelter. One might simplistically argue that this is proof that clients "value the product" and that housing leads to a positive social outcome. But the SPTF doubts any thoughtful person would concur with such a narrow conception of social impact.

To say that a consumer's willingness to pay for a product or service means that he or she is *ipso facto* benefiting from it is not an argument from data but rather an assumption that "the market" is an inherently objective, value-neutral, self-correcting force that naturally generates optimal outcomes. SPTF's disagreement with this assumption is based on the evidence of our industry's recent history. In markets as diverse as India, Bosnia, Mexico, Morocco, and Nicaragua, the market generated massive client over-indebtedness which created real human suffering and grave reputational harm to the microfinance industry. All of these markets had their distinct characteristics. But underpinning the debt crises in all of them was precisely this assumption, without any evidence, that clients' willingness to take on loans automatically correlated with consumer benefits.

The Task Force recognizes that no matter how cost-effective, any approach to actually measuring outcomes will always entail more time and cost than the alternative of simply declaring outputs a meaningful proxy. Many of our members believe that measuring outcomes is important to do anyway. As previously noted, there is no evidence to support the position that outputs *are* in fact a meaningful proxy—and in fact, there is evidence to support the opposite view. Second, the labeling of outputs as outcomes, as if there were no more questions to be asked (or

at least none worth tackling in a serious way) sends the wrong signal to a public that has grown more demanding—justifiably so, in our view—of transparency.

The Outcomes Working Group, like the Social Performance Task Force as a whole, is made up not only of financial services providers but also of impact investors committed to placing their portfolios with institutions willing and able to provide credible metrics around both responsible practice and outcomes for clients. The SPTF is proud to be developing practical guidelines to help the industry pursue those goals in a cost-effective way. We are honored to work collaboratively with all like-minded stakeholders to enhance—and measure—our industry's effectiveness, and to safeguard its reputation.

The Board and Secretariat of the Social Performance Task Force
August 2015