CGAP/Ford Foundation Social Indicators Project

paper

Why Use Social Indicators?

Making the Case to MFIs and Other Stakeholders

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The SEEP Network

CGAP/Ford Foundation Social Indicators Project

December 2009

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"Why Use Social Indicators? Making the Case to MFIs and Other Stakeholders"

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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). While many MFIs and stakeholders believe that social indicators are valuable to MFIs and to the microfinance industry, there are still remaining questions about why to use them. This paper will explore why social indicators are a valuable building block for performance management as well as address why social performance competes with financial performance and why at other times they are complementary. MFIs can benefit from the growing body of resources and experiences of other MFIs that are facing similar challenges developing, implementing and revising social performance measurement processes.

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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 (USAID)
PPI	Progress out of Poverty Index (Grameen Foundation)
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

In microfinance, social performance is often discussed under several topic areas, such as social indicators, social performance management (SPM), social performance assessment, social rating, social investment, impact assessment, and common value frameworks, among others. These terms are sometimes used independently or interchangeably with less clarity on the similarities or differences among them; moreover, much of the discussion tends to remain at a broader conceptual level and does not reach microfinance practitioners or microfinance networks whose social performance capacities need to be built. Impact assessment studies and social ratings are external ways of evaluating an organization's achievement of its social objectives, and measuring social indicators and managing social performance are ways that a microfinance institution (MFI) can integrate more proactively a social bottom line into its routine operations and day-to-day decision making.

In addition, the changing nature of the microfinance industry—now that new players, such as mainstream banks, consumer lenders, and commercial investors are entering the industry—makes it all the more imperative to develop simple and cost-effective ways of measuring and communicating social performance. This technical note attempts to demystify the concept of social performance and discusses the operational and financial implications of integrating such information into MFI operations. The dialogue about MFI social performance goes to the heart of why MFIs exist—to make a difference in the lives of poor and excluded people. Traditionally, social performance has been taken for granted by MFIs. However, the movement of microfinance toward financial sustainability (which began in the mid-1990s) has at times appeared to compromise the social goals of MFIs in one way or another: focusing on social mission can seem to be too expensive a proposition that conflicts with financial sustainability goals.

Despite the emphasis on an MFI's financial performance over the last decade, advocates of social performance have argued that social indicators are essential to keeping the MFI focused on the client and are a key building block for the MFI as an institution. Social indicators help MFIs to assess their social results internally and to report to external stakeholders, especially donors and investors.

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).

Information and examples for this paper were drawn from reports and interviews with these SIP MFIs and other practitioners, as well as from articles by the SEEP Network and the Social Performance Task Force[1].

This paper attempts to answer the following questions:

- Why are social indicators valuable to MFIs? Why are common social indicators valuable to MFIs and the microfinance industry as a whole?
- Why are social indicators a valuable building block for performance management?
- Why does social performance sometimes compete with financial performance, and why at other times are they complementary?

[1] 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.

- Why are social indicators essential to processes used for social performance management in MFIs?
- Why are social indicators valuable to investors?

For a detailed look at how MFIs use social indicators, lessons learned, and recommendations for other MFIs, see one of the companion technical notes, "Microfinance Social Indicators in Practice: Dissecting the SIP Partners' Experience."[2]

2. The Value of Social Indicators to MFIs and the Industry

To answer the question, "why should an MFI use social indicators?" one must consider what social standards microfinance practitioners and the industry hold themselves accountable to, as well as the social performance standards that important external stakeholders, such as investors, want MFIs to meet. As mentioned above, external social audits and ratings have been quantifiable means of evaluating an organization, whereas social indicators help integrate social performance into an organization's operations and define standards they strive to meet. While externally administered social performance tools offer valuable insights to an MFI, social indicators allow an organization to define its social objectives explicitly and to then monitor its progress in achieving them.

For example, poverty outreach and transparency to clients are two indicators that can be used to assess an MFI's social performance. Poverty outreach focuses attention on the poverty level of clients – whether clients live above or below the poverty line (US$ 1 per day or as otherwise established by the national government of the country) – and spurs the MFI to set specific targets for actually reaching very poor clients. Transparency to clients helps an MFI define standards for its communications with clients, in line with good business practices. Other social indicators address other aspects relevant to the MFI's social mission.

Assessing MFI Commitment to Its Social Mission

> As the saying goes, we manage what we measure. That's why well-designed performance indicators are so powerful in microfinance, just as in any other business. They focus a manager's attention on the key dynamics driving a business, making those dynamics easier to understand and less time-consuming to track. [3]

Social performance indicators are metrics for measuring, assessing, and tracking social performance. Well-designed social indicators that are linked to an MFI's social mission and its specific social objectives help it identify the change it intends to bring about and to assess its success in accomplishing these objectives. Knowing how an MFI is performing on its social bottom line can help to guide the

[2] Coleman and Rogers, 2009, "Microfinance Social Indicators in Practice: Dissecting the SIP Partners' Experience," SEEP Technical Note on the CGAP/Ford Foundation Social Indicator Project, no. 2 (Washington, DC: SEEP Network).
[3] Richard Rosenberg, 2006, foreword to *The Challenges of Measuring Client Retention*, by Chuck Waterfield (Washington, DC: CGAP), http://www.seepnetwork.org/Resources/3587_file_ChallengesOfMeasuringClientRetention.pdf.

institution towards its social mission. This can be done by systematically integrating the collection and use of social indicators into MFI operations and incorporating them into management decisions.

Working with the SIP, more than 31 MFIs in 24 countries 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. MFIs participating in SIP were asked to examine whether they were contributing to the Millennium Development Goals (MDGs). The MDGs are eight international development goals that 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. They include reducing extreme poverty and hunger; achieving universal education; promoting gender equity; improving child and maternal health; fighting disease epidemics, such as AIDS; and developing a global partnership for development.[4] The CGAP/Ford Social Indicators Project tracked indicators related to several MDGs from their partner MFIs through three rounds of client surveys.

Moving the Industry Closer to Transparency and Accountability

A recent USAID "Note from the Field" acknowledges the growing acceptance of social performance indicators to demonstrate social effectiveness.

> Most microfinance institutions are committed to improving the lives of clients, their families, and their communities. Up to this point, however, most internal monitoring and external reporting by MFIs have focused on financial indicators of achievement. With growing popular awareness and commercial success, microfinance now faces its strongest imperative to demonstrate not only MFIs' financial, but also their social, effectiveness. In response, MFIs and other stakeholders are increasingly examining processes and tools to better understand how effectively they meet their social missions.[5]

Many MFIs new to social indicators and social performance, including those in the CGAP/Ford SIP, are indeed examining related processes and tools. Already, there is a library of excellent resources and guides developed that MFIs can use to stimulate their thinking, their use of social indicators, and their management of social performance.[6] In a 2006 SEEP Network paper, "Social Rating and Social Performance Reporting in Microfinance: Toward a Common Framework," Frances Sinha, of EDA Rural Systems, outlines a common framework for social rating and social performance that included a provisional list of 11 possible common indicators.

Table 1: Framework for Social Indicators

CONTEXT	PROCESS Policies and strategies	RESULTS Achievement of social goals
- Unique regional characteristics - Unique product offerings	- Mission clarity - Alignment of systems - Social responsibility	- Outreach - Financial services - Client change

Source: Sinha, 1, http://www.seepnetwork.org/Resources/4660_file_Social_Performance_Rating.pdf.

[4] http://www.un.org/millenniumgoals/
[5] Anthony Leegwater and Christian Pennotti, USAID, 2008, "Note from the Field: Supporting Social Performance in Microfinance" (Washington, DC: USAID), http://www.microlinks.org/ev.php?ID=26991_201&ID2=DO_TOPIC
[6] See the SEEP Network (http://seepnetwork.org/Pages/SocialPerformance.aspx), Social Performance Task Force (http://www.sptf.info/), and Imp-Act Consortium's SPM Network (http://spmconsortium.ning.com/).

Ms. Sinha concludes that although MFI missions vary, *it is possible to draw up a common framework for social standards and related common social indicators for MFIs.* Practitioners share "certain development values which are widely associated with microfinance"[7] that provide a common base, meaning each institution does not need its own unique set of standards and indicators.

In March 2005, members of the Social Performance Task Force (SPTF) set down the social values shared across the microfinance industry and expressed them with a "common definition (and social value language) of social performance."

Box 1: Social Value in Microfinance as Articulated by the Social Performance Task Force

The social value of microfinance relates to improving the lives of poor and excluded clients and their families, and widening the range of opportunities for communities. To create this value, the social objectives of an MFI may include:

- sustainably serving an increasing number of the poor (and people excluded from financial and other services), and expanding and deepening outreach to poorer people;
- improving the quality and appropriateness of financial services available to the target clients through a systematic assessment of their specific needs;
- delivering such services in a cost-effective way that offers low fees and fair interest rates on loans and deposits;
- creating benefits for the clients of microfinance, their families, and communities, that relate to social capital and social links, assets, reduction in vulnerability, employment creation, income, access to services, and fulfillment of basic needs;
- improving the social responsibility of the MFI towards its employees, its clients, and the community it serves; and
- monitoring and acting upon unintended negative side-effects of microfinance, such as over-indebtedness and multiple loans.

Source: From the common definition (and social value language) of social performance agreed upon by the Social Performance Task Force meeting, Paris, March 2005, as quoted in Sinha, "Box 1," 5, http://www.seepnetwork.org/Resources/4660_file_Social_Performance_Rating.pdf.

Agreement on common social indicators, though, does not preclude MFIs from selecting additional social indicators that address social objectives unique to them. Yet, the acceptance and use of common social performance standards and related common social indicators for MFIs are important for several reasons:

- Common social indicators make it easier for MFIs to compare their social performance and objectives against other MFIs, especially in specific categories (e.g., poverty outreach and transparency to clients).
- Common social indicators make it possible to benchmark MFI social performance against common markers and identify MFI best practices in social performance (e.g., best approaches to reach people living on less than US$ 1 per day or mitigation of environmental damages).
- Common social indicators make it possible for investors and other stakeholders to compare social performance across MFIs in the same country, region or context, and by services (e.g., conflict areas, institutions offering insurance).

[7] Frances Sinha, 2006, "Social Rating and Social Performance Reporting in Microfinance: Toward a Common Framework" (Washington, DC: SEEP Network), 5, http://www.seepnetwork.org/Resources/4660_file_Social_Performance_Rating.pdf.

What Kinds of Social Indicators Are Available?

Some of the most promising indicators have come out of the SPTF. Following four years of development, SPTF members selected a manageable list of social indicators that are *relevant, easy to collect, easy to verify, and can be made public*.[8] The Microfinance Information Exchange (MIX) proposed that MFIs report on a list of 22 common social indicators to MIX along with their financial reporting, which MIX now publishes on its web site.[9] The social indicators fall into four categories that highlight aspects of microfinance where social performance applies. In addition, the categories reflect features of the common framework for indicators, discussed earlier. The four categories are:

1. Intentions—mission and social goals, governance, and values of social responsibility;
2. Strategies and systems—range of services, use of information, training on mission, staff incentives, market research, measuring client retention, poverty assessment, and services for women's empowerment;
3. Policies and compliance—social responsibility to clients, costs to clients, social responsibility to staff, social responsibility to community, social responsibility to environment, and member governance; and
4. Achievement of social goals—geographic outreach, women outreach, poverty outreach, client exit rate, client retention, households in poverty, households out of poverty, outreach to marginal communities, employment, and children in school.

Distributed in April 2009 to all MFIs reporting to MIX, "the uptake of the indicators among MIX MFIs has been brisk. Dozens of completed reports were returned in less than two weeks after distribution, with more arriving steadily, accompanied by thoughtful comments and suggestions."[10] (To see which MFIs have reported to the MIX, see the annex.)

The indicators used in the SIP were outreach indicators representing MFIs' "achievement of social goals" for selected MDGs on poverty, gender, and the environment. Several MFIs, prior to participating in the SIP, used various methods to assess client poverty levels, such as the CASHPOR Housing Index, participatory wealth ranking (PWR), the USAID Poverty Assessment Tool (PAT),[11] Grameen Foundation's Progress out of Poverty Index™ (PPI),[12] as well as their own tools. MFIs already using poverty assessment tools, as well as those who were not, shared an interest in ascertaining which tools best fit their institutions. Other MFIs (e.g., Capital Aid Fund for Employment of the Poor [CEP] in Vietnam) routinely collect baseline data on poverty status and income from all their entry level clients and use such data in decision making and client targeting. MFIs have also expressed interest in and are using other social indicators on gender, education, and health.

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[8] See the Social Performance Task Force web site at http://www.sptf.info.
[9] See the MIX's 22 indicators and review the MFI social reports on the MIX web site at http://www.themix.org/standards/sp-reports.
[10] See http://www.sptf.info/page/social-performance-indicators.
[11] USAID Poverty Assessment Tool, http://www.povertytools.org/
[12] Progress out of Poverty Index, http://www.grameenfoundation.org/what_we_do/microfinance_support/social_performance/the_ppi_tool/ ; http://www.microfinance.com/

3. Social Indicators as a Critical Building Block for Performance Management

Social indicators help MFIs clarify and focus their social objectives to make them measurable; they also help MFIs specify data to collect in order to assess and track over time how well an MFI is achieving its mission—social or otherwise. Take, for example, these two objectives:

1. Broad—serving poor and excluded people
2. Measurable—serving a greater percentage of very poor clients (i.e., those living on US$ 1 per day) than the percentage of the very poor in the country

Such a broad objective is difficult to measure because the metrics (data to collect) are unclear without further defining "poor and excluded." Adopting the second objective, on the other hand, means the data (e.g., how many clients served, how many of those clients are "very poor," the percentage of "very poor" in the country) can be easily collected, analyzed, and verified, using the MFI's management information system (MIS) and a variety of poverty measurement tools. Defining these criteria will help MFIs to articulate their "social bottom line."

The SIP partners underwent a deliberate process with three rounds of surveys to select and refine measurable social indicators and social objectives related to poverty outreach. Other MFIs interested in integrating social indicators into their operations, one hopes, will profit from the lessons and conclusions of SIP, consensus reached in other initiatives like the SPTF, and standards work by the SEEP Network Social Performance Working Group.[13]

SIP produced practical experiences for a number of its participating MFIs in the identification and use of a small number of social indicators. They found that:

1. it was possible to develop and use rigorous, data-based social indicators gauging the achievement of social goals related to client change;
2. using these indicators helped them to better achieve their social objectives; and
3. developing a social performance management system for their MFI was a priority.

Financial Performance Standards as a Model

"Common standards allow for microfinance managers and board members to assess more accurately how their institution is performing."[14] With the accepted definitions of financial terms and common indicators that have been standard best practice, microfinance practitioners brought increased transparency to the industry. Financial indicators (e.g., ratios) have helped MFIs focus on the most important aspects of financial performance and report accurate, verifiable financial data internally (e.g., to management) and externally (e.g., to MIX, donors, lenders, and investors). Most significantly, MFI application of financial

[13] For more information, see http://www.sptf.info and http://seepnetwork.org/Pages/SocialPerformance.aspx.
[14] The SEEP Network and Alternative Credit Technologies, 2005, *Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis, and Monitoring* (Washington, DC: SEEP Network and Alternative Credit Technologies, LLC), p. 1 http://communities.seepnetwork.org/sites/hamed/files/Measuring%20Performance%20of%20MFIs%20Framework.pdf.

standards and demonstration of financial performance measured by those standards are now required to attract commercial financing.

In a similar manner, ever more MFIs and practitioners are joining in the social performance "movement," as they increasingly recognize the value of SPM to measure, monitor, and report with rigor on their social transparency and accountability.[15] While these are fundamental ideals to microfinance stakeholders, the elements of the "social bottom line" are still less understood than the "financial bottom line," especially by investors. It also remains to be seen whether there is a driver for social performance standards comparable to the ability to access financing that has driven financial standards. However, as greater numbers of social investors engage *more frequently* with *larger* sums of money—and indicate a clear preference for MFIs that meet rigorous social performance standards— the answer will surely become apparent.

Why Are Social Indicators Useful?

Social performance indicators—and the fact that they are quantifiable—are instrumental in implementing SPM. Application of social indicators to MFIs' operations has been valuable for refining social goals and delineating more clearly measurable objectives, which in turn strengthens SPM systems. In addition, establishing and refining SPM systems are intrinsic to the process of incorporating social indicators into MFI operations. The SIP partners, as they identified the most important elements affecting the successful institutionalization of social indicators, pinpointed several features of social performance management.

SIP MFIs defined two categories of institutionalization of social indicators:

- Human resources—The MFI defines staff roles and responsibilities, provides adequate training, and puts in place effective motivations, such as financial incentives based on social performance. Additionally, support for indicators at all levels of management, from the head office to the field, is a key ingredient of successful implementation.
- Data collection and management—The MFI defines measurement tools (e.g., which social indicators to measure) and puts them in place. These are processes for data collection, internal and external reporting, for decision making, as well as information systems to support data collection and analysis.

Poverty Outreach at Pro Mujer

Pro Mujer,[16] a microfinance and women's development network, has MFIs in Argentina, Bolivia, Mexico, Nicaragua, and Peru. The Pro Mujer network members share the same philosophy and mission, employ similar methodology, and work together to share best practices and innovations. In its short case study written for this series, Pro Mujer described its first lesson learned through the SIP, "In order to define with precision social goals and objectives it is necessary to standardize and define what is poor or socio-economically excluded for the organization. This will enable Pro Mujer to quantify and monitor the improvement in the client's quality of life."[17] This insight led pro Mujer to develop a set of social indicators to monitor client poverty levels. The Pro Mujer MFIs encountered several new challenges in collecting data on this new set of indicators. While tracking portfolio data is comparable for clients across

[15] The SEEP Network, 2008, "Social Performance Map: Introduction," (Washington, DC: SEEP), http://www.seepnetwork.org/Resources/6032_file_SPMap_intro.pdf.
[16] Pro Mujer International, "PPI Pilot Summary Report," https://promujer.org/.
[17] See "Case Study 3: Pro Mujer, Lessons Learned" in appendix.

all cycles, tracking improvement in quality of life requires time-specific data that identifies when the client joined the MFI, what the client's poverty level was at joining, and how it changes over time.

Client Targeting and Product Differentiation at Fonkoze

Fonkoze[18] is Haiti's alternative bank for the poor, with 40 branches across the country. Fonkoze measures its success in terms of achieving poverty reduction and views microfinance as a tool to achieve its broad developmental and poverty reduction goals. Fonkoze's organizational culture is thus characterized by a deep poverty focus. Its dedicated staff of Social Impact Monitors collects data using a poverty scorecard comprised of ten questions from the PPI[19] and nine questions on food security developed by Freedom from Hunger.[20] These data are valuable for client targeting, client monitoring, and product differentiation in Fonkoze's CLM (Chemen Lavi Miyo, or "Road to a Better Life") ultra-poor program and its next step, the Ti-Kredi ("small credit") product for new entrepreneurs.

Transparency of Client Costs at BASIX

BASIX,[21] works with more than a million and a half rural poor households and urban slum dwellers, in 15 states and over 10,000 villages in India. BASIX group companies understand that their mission is to promote a large number of livelihoods for poor people. They believe that financial sustainability is not an end in itself but a critical means to the achievement of the mission. Thus, knowing the impact of its products and services on its clients has always been important to BASIX.

BASIX has a long history of valuing transparency and seeking client input, and one of BASIX's social objectives focuses on transparency of product costs to clients. BASIX has developed both written materials and short videos to disclose costs to clients. Despite these efforts, an M-CRIL social rating revealed that many BASIX customers were not able to explain the costs of the BASIX products they use. By commissioning a third-party rating to test whether its social objective of transparency about costs to clients was being met, BASIX uncovered valuable information about a need for better communication to its clients.

Why Implement Social Performance Management

Social performance needs to be managed for the same reason that financial performance needs to be managed: to get the best possible results, to learn from past mistakes, and to expand and replicate successes. With robust, consistent data on social indicators and conscious management of social performance, it becomes possible to do far more toward improving MFI social performance.

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[18] http://www.fonkoze.org/. Although Fonkoze was not a part of the CGAP/Ford Foundation Social Indicators Project, they did graciously respond to our questionnaires about collecting on social indicators as well as allow SEEP's Social Performance team to interview Fonkoze staff for this Technical Note series. See "Case Study 1: Fonkoze," in appendix.

[19] The PPI's 10 indicator poverty assessment tool is built on the notion that simple, observable indicators can be used as proxies to determine a person's poverty likelihood. See http://www.progressoutofpoverty.org/

[20] See Freedom from Hunger's "Food Security Assessment Tool" at http://ffhtechnical.org/innovations/performance-management/performance-management.

[21] See "Case Study 2: BASIX" in the Appendix and the BASIX website, http://www.basixindia.com/.

SEEP's Social Performance Glossary (2006) defines social performance management as "the process of translating mission into practice, including setting social objectives, tracking social performance, and using this information to improve practice."[22] Inherent in achieving social outcomes is deliberateness on the part of MFIs to develop and implement strategies to measure and manage social performance. The development of social performance standards and management practices are improved with the identification and measurement of socially oriented indicators.[23]

Box 2: Importance and Benefits of Social Performance Management

Social performance management is important for two general reasons: its principle-based commitment to transparency and mission fulfillment, and its practical benefits to industry stakeholders.

Within these two broad rationales, SPM helps:

- account for MFIs' social performance;
- maintain the social mission;
- accrue benefits to MFI clients;
- create a client-centered organization with demand-driven products and services;
- facilitate better financial performance;
- measure and manage the trade-offs between financial and social objectives;
- contribute to social performance benchmarking; and
- demonstrate an MFI's "blended returns" to donors and investors.*

* Blended returns refer to an organization's financial and social returns combined in some way to arrive at a more holistic picture of the organization's total return. Blended returns may also include an organization's environmental returns, which refer to the organization's impact on the natural environment.

Source: Foose et al, 2006, "Social Performance Management," Social Performance Progress Brief, vol.1, no. 2 (Washington, DC: SEEP), http://www.seepnetwork.org/Resources/5121_file_ProgBrief2.pdf.

The gap is closing between theory and practice as a number of MFIs, many of whom participated in the SIP, are advancing the industry by applying SPM, including social indicators, to their operations. While the benefits of SPM have been discussed at length and published in many papers, most MFIs have not integrated deliberate tracking of social indicators into day-to-day operations. MFIs are challenged with cost implications, lack of clarity of financial benefits, and good models to follow.

Cost Implications

While an SPM system can run smoothly once it is put in place, the process of developing a new SPM system can be expensive and disruptive to operations. The ability of local MFIs to use their network resources or to obtain grants to pay outside consultants enables MFIs to benefit from the expertise and guidance of others. Otherwise, they must attempt to implement SPM on their own, which can burden staff already overwhelmed with operational responsibilities.

Pro Mujer has a separate social performance staff, and one of its MFIs took the lead in developing an SPM model for the network. In order to reduce the burden on loan officers and also ensure objectivity, FINCA relies on research fellows to collect social indicator data via its FCAT (FINCA Client Assessment Tool). The research fellows are subsidized by a fellowship program funded by the Templeton

[22] The SEEP Network, 2006, "Social Performance Glossary," (Washington, DC: SEEP Network), http://www.seepnetwork.org/Resources/4728_file_Soical_Performance_Glossary.pdf..
[23] The SEEP Network, 2006, "Conceptual Note on Social Performance," (Washington, DC: SEEP Network), http://www.seepnetwork.org/Resources/4657_file_Conceptual_Note_on_Social_Performance.pdf.

Foundation.[24] Fonkoze has its dedicated Social Impact Monitors, who work in the field on SPM and are supervised from the central office, but coordinate SPM for branch offices to share data and troubleshoot client concerns. A body of expertise at several MFI networks and among consultants and trainers on SPM is rapidly developing.[25]

Despite the agreed upon rationale for developing good SPM practices, MFIs closely weigh costs of implementation against benefits—for which a body of documented experience is still developing. MFIs also face the practical challenge of where to begin or how to expand their development of SPM, and which social indicators to use and how to use them. MFIs that participated in SIP have clearly found ways to overcome their cost hurdles to use social indicators and to develop their SPM systems.

The cost of using social indicators varies with the tools that are used and the kinds of surveys that are conducted. Costs may indeed increase as the organization moves towards integrating social performance in its systems. For MFIs implementing SPM, it is clear that social indicators tracked with poverty tools require significant investment in terms of training staff, adapting indicators (if needed), and analyzing results.

Hoe far an organization is in its progress toward social performance, and the purpose for which it is undertaking a social indicator survey, will determine the overall cost that it will incur. For example, an organization using the PPI on its own for the first time may be able to do so at relatively low cost, as can be seen from the following descriptions of survey budgets submitted for SIP rounds 2 and 3. (The cost of conducting the PPI ranges from US$ 10,000 to $15,000, if a local research team is used.[26])

- Nirdhan, Nepal—This organization, with a more ambitious agenda and a survey sample covering a wide geographic area, needed more than $12,000 for two rounds of surveys.
- BASIX, India—Its commitment to exploring new indicators and information systems to verify its current qualitative methods (e.g., poverty wealth ranking) in conjunction with its SPM development, required more resources for a training workshop and a researcher with expertise in statistical analysis of poverty data. The cost of an external researcher alone could easily come to $4,000.
- Small Enterprise Foundation (SEF), South Africa—Implementing the survey was an additional cost for the organization, which also continued to bear other expenses associated with SPM, such as survey team salaries, travel and accommodation costs, and other miscellaneous costs.
- Negros Women for Tomorrow Foundation (NWTF), Philippines—This organization is well on its way to integrating the PPI into its MIS, and the cost as percentage of its operating budget is about 1.4 percent.[27]

Clarity, Process, and Results: Components in a Proposed Model for SPM

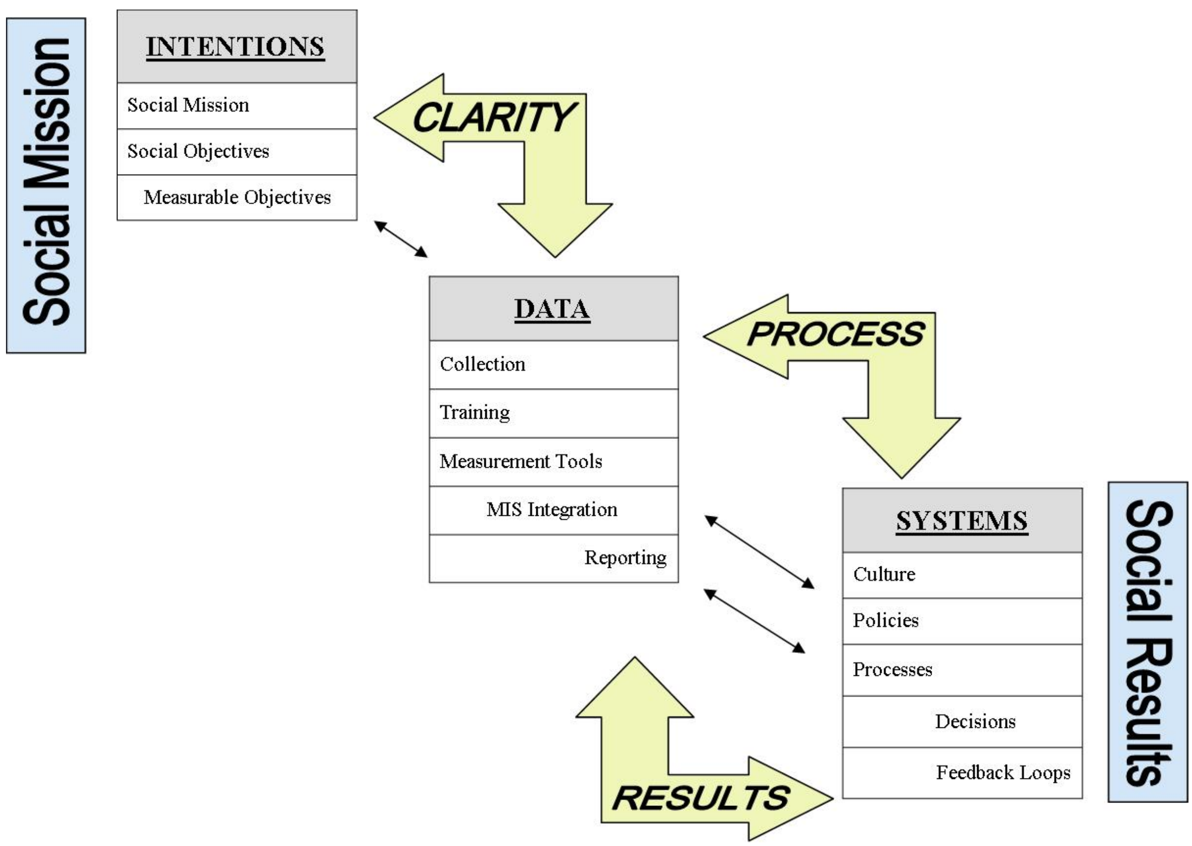
Figure 1 below illustrates the major elements involved in adopting social indicators and implementing social performance management as identified by SIP partner MFIs in reports, questionnaires, and

[24] http://www.villagebanking.org/site/c.erKPI2PCIoE/b.2628747/k.5407/Dispatches_from_the_Field.htm
[25] For example, see these web sites: http://www.seepnetwork.org, http://www.microfinancegateway.org; http://spmconsortium.ning.com.
[26] http://www.ifad.org/ruralfinance/pub/performance.pdf
[27] To analyze these organizations' financial statements and understand better the cost of the survey in relation to their budget, visit MIX Market: Nirdhan (http://mixmarket.org/mfi/nirdhan), BASIX (http://mixmarket.org/mfi/basix), SEF (http://mixmarket.org/mfi/sef-zaf), and NWTF (http://mixmarket.org/mfi/nwtf/data/income-statements).

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.

Clarity. Social indicators help MFIs define more specific and measurable social objectives. Clarity and specificity help pinpoint the relevant data, which in turn permits measurement. SPM is simple to talk about in theory, but takes work and skill in practice. MFI participants in the SIP refined their social objectives and choices of social indicators several times over the three rounds of the project. By the third round, they had streamlined the data they identified as important, and so were able to focus on a smaller number of indicators.

Figure 1: A Social Performance Management Model



Process. Quantifying social performance increases focus and understanding about social performance. Systems improvements – such as staff training on social mission and objectives, systematic data collection, and staff incentives to reward effective social results – are tools that integrate social performance management into MFI operations and establish a culture and priority of social performance.

Results. MFIs assess and report the results from social performance data analysis to internal stakeholders. Reporting is vital for assessment of staff efficiency and improvement by staff and management in achieving strategic goals and tactical targets. Reports to external stakeholders, such as investors, highlight social performance as being distinct from financial status and can often help attract additional investment. Reporting social performance transparently and validating reported results via third-party social ratings can give MFIs an edge in competing for investments from social investors who care about SPM information and use it to make investment decisions.

In the application of social indicators, clarity, process, and results are touchstones to implementing social performance management and to measuring social results. The MFI begins with a social mission and the intention to achieve social transparency and accountability. Clearly-stated and narrowly-focused social objectives and corresponding social indicators guide the MFI to define what data to collect. Ideally, the indicators are integrated into the MFI's MIS, and the resulting analyzed data are integrated into management decision making. The MFI will require systems and an institutional culture that values processes.

4. Are There Trade-offs between Social Performance and Financial Performance?

A well-run MFI will show both strong financial and social performance. With strong financial performance, an MFI can achieve sustainability and produce profits that can be churned back into its operations in order to—potentially—serve more of the very poor, subsidize the cost of smaller loans, and develop new products that serve social needs of its clients (e.g., microfinance plus). Strong social performance complements financial performance by improving customer satisfaction. Fonkoze found that by collecting better quality client-level data on its poverty outreach and employing it to redesign products and services, they increased client satisfaction. Better client-level information from data on social indicators can lead to better matching of products and services to customer needs, lower dropout rates, greater customer loyalty, and higher portfolio quality. NWTF used the PPI to collect poverty-level client data more accurately and more cheaply than using a participatory wealth ranking approach.

While social and financial objectives often complement each other, the two also may compete. For example, suppose an MFI desires to increase its poverty outreach (the percentage of its total clients that are "very poor") from 30 percent to 40 percent. The MFI will collect and analyze social indicators on poverty outreach[28] to find out if it costs an MFI more on a per-client basis to achieve this goal, as well as the necessary trade-offs, such as the increased cost of greater poverty outreach versus the (probably) lesser cost of serving less-poor clients. Sources of increased costs include the time involved to identify the targeted clients and to service smaller loans (which also generate less income). Weighing these factors, the MFI can make the decisions necessary to balance its financial objective of being financially sustainable with its social objective to serve poorer clients.

Even for an MFI that has a "financial services only" emphasis, there are a number of good reasons to use social indicators and develop SPM. Social indicators for customer preferences and customer satisfaction offer important market-research data on client characteristics and preferences that are useful for client and product segmentation, even from a purely financial perspective. Client-level data can help MFIs better interpret and improve client and staff turnover rates, which can benefit MFI financial performance through higher client retention rates, as well as greater client satisfaction. Social indicators related to corporate social responsibility have been used in many business sectors, including mainstream commercial banks, which do not have a poverty focus, but which do address issues of social

[28] By measuring what percentage of its clients fits this profile of "very poor" and estimating the costs to the MFI per client, the MFI can measure what the cost of serving this group is.

responsibility. For microfinance, the social mission is essential, so cost-effective measures to help achieve the social mission are worth pursuing.

The scale of resources devoted to SPM is highly dependent on each MFI's prioritization of SPM. Fonkoze has found it effective to have a separate staff for collecting social indicator data, but they also help loan officers troubleshoot problems with clients, such as low meeting attendance and elevated drop-out rates. After considering the advantages and disadvantages of using its own staff or hiring outsiders, BASIX decided that it was more expedient to set up its own research department. In the second and third rounds of SIP, specially trained research staff at BASIX managed everything from improving the survey instrument to collecting the data to training other staff to analyzing the data. Everything was done in-house. At the other end of the spectrum, FINCA brings in research fellows (U.S. graduate students) to collect the data.

Several avenues of interesting research related to SPM remain. It would be interesting to compare MFI cost data on the use of separate, designated social performance staff versus regular staff with added responsibilities. It would also be interesting to quantify MFI cost savings attributable to the information that social performance data contributes to credit staff in managing drop-out rates. (However, this may be trickier than it appears.[29]) It could be helpful to quantify the cost of minor but ongoing course corrections stemming from ongoing SPM versus the cost of major changes every few years as the result of external studies.

5. Essential Components for Social Performance Management Processes

Well-designed processes to manage MFI social performance make the difference between using social indicators ad hoc and using social indicators as an integral part of the institution's operations to make decisions and manage the way an MFI achieves its social results. There are many elements to a comprehensive SPM system. (See figure 1 above.) MFIs and MFI networks, including Fonkoze, Pro Mujer, and FINCA, have prioritized the development of SPM systems that include most of these elements: poverty measurement tools, a culture of SPM, staff buy-in and training, data collection incorporated in the MIS, use of social-indicator analysis and results in decision making, reporting and feedback, and social audit and social rating.

Using Measurement Tools

Poverty measurement tools, such as Grameen Foundation's PPI, USAID/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

[29] Chuck Waterfield, 2006, "The Challenges of Measuring Client Retention," Putting Client Assessment to Work Technical Note, no. 2 (Washington, DC: SEEP Network) http://www.seepnetwork.org/Resources/3587_file_ChallengesOfMeasuringClientRetention.pdf.

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.[30]

Institutionalizing the Use of Social Indicators into MFI Culture

SPM works best when staff clearly understands the MFI's social mission and when the social objectives permeate the organization and its operations. A strong culture of SPM means that the MFI has aligned staff, management and board, as well as its operations, to social performance standards. Every decision and operation is carried out in resonance with the organization's social objectives; this shows up in MFI results, staff morale, and measurable benefits to clients. Building a culture of SPM is a common theme among the MFIs that participated in SIP. Written policies help an organization clarify its social objectives—to both internal and external audiences. Written policies for consumer protection may include expectations that staff will use easily understood statements to clients to disclose the effective interest rates and the full cost of loans. For example, BASIX has policies on "transparency to customers" and "listening to customer feedback." It provides detailed descriptions of cost to customers, including a video for customers with limited literacy. However, as noted previously, when BASIX commissioned a third-party 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 processes for communicating costs to customers to assure that it is complying with its policy of transparency to clients.

Policies on social responsibility can remind staff of the MFI's commitment to multiple dimensions of social responsibility—to clients, to staff, to the community, and to the environment. These policies may also be expected by social investors as a condition of investment. Policies are like any other social objective: they require follow-up processes to assure compliance and reward success. For example, CEP has a quota for "random spot checks" of their poverty assessment tool and checks on branch managers by their supervisors.[31]

Buy-In at Top Management Levels and throughout the Institution

If management commits to social performance, it is more likely to undertake decision making and strategic thinking through the lens of a social bottom line. When top management demonstrates its buy-in, staff is assured of support for their efforts (e.g., applying the social indicators, collecting the data, changing processes) to achieve the organization's social objectives. When Fonkoze sends a new Social Impact Monitor to a branch, one of the central office managers goes along and stays with the SIM for

[30] See "Annex: New Client Survey Form" in Technical Note 2, "Microfinance Social Indicators in Practice: Dissecting the SIP Partners' Experience" at http://seepnetwork.org/Pages/Initiatives/FordSIP.aspx.
[31] http://www.cep.org.vn/

several weeks to emphasize to local staff and branch management that Fonkoze is committed to SPM. When Trickle Up adopted the PPI as its poverty measurement tool, it also included indicators already monitored by 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."[32]

Staff Training

Strong social performance, just like strong financial performance, requires staff training—which in turn is a critical element in creating a culture of SPM. Training is also critical in helping staff learn the mechanics of incorporating SPM into MFI operations—whether there is consistent and accurate data collection, full comprehension of MFI priority social objectives, use of feedback and results from analysis, measurement of progress on social indicators, or decisions to modify MFI products and services to better meet client needs. Pro Mujer was unable to collect data because clients could not answer questions, and staff were not able to explain the questions to the clients because they did not understand the questions either. Pro Mujer realized that proper training was extremely important for credit assistants, and that staff required instructions for conducting the survey, guidelines with a glossary, and thorough explanation of the uses and value of the survey. With training, proper tools, and the development of skills and understanding, the survey became an asset for staff.

The Management Information System

Collection of data on social indicators may initially be part of a separate project; it was for many of the MFIs in SIP. As the volume of data grows, it must be organized efficiently. Incorporating social indicator data into the organization's MIS allows the MFI to track trends and compare social indicators to one another and to selected financial data. For example, trends in the percentage of MFI clients living below US$ 1 per day can tell an MFI if it is improving its poverty outreach to new clients. It can also tell the MFI what percentage of the total loan portfolio is serving a priority target client group. If this data is part of the MIS, then it becomes much easier to analyze the data routinely, side by side with financial data. Analysis of social indicators in conjunction with financial results can also facilitate assessment or redesign of products for specific client poverty segments.

In practice, it is often expensive to modify an MIS, so MFIs often collect social indicator data separately and maintain it in separate spreadsheets or databases apart from the MIS. Fully integrating social data into the main MIS is a challenge and still in progress at many MFIs, such as BASIX, Fonkoze, and Trickle Up. BASIX, FINCA, and Pro Mujer indicated that they view the integration of their social indicator data into their MIS as an important priority for the future.[33] However, of the SIP partners interviewed for this technical note, SEF is the only respondent that has integrated its social data into its MIS.

Social Indicators in Decision Making

In addition to measuring MFI progress in achieving social objectives, social indicator data can influence decisions affecting key operational areas, such as design of products, quality of service delivery, client targeting, and strategic planning. For example, if an MFI aims to reach a certain percentage of new clients who live on less than US$ 1 per day, and there are two products offered, which product will attract more of these poorer clients? Instead of making decisions about social objectives in qualitative terms (e.g.,

[32] See "Case Study 4: Trickle Up" in appendix.
[33] See "Case Study 3: Pro Mujer" in appendix.

"smaller loans increase our number of poorer clients"), social indicators add the possibility of quantitatively measuring progress towards specific social objectives (e.g., identifying the poverty levels of new clients). Trickle Up's experience is a prime example of how social indicators are useful in decision making. Previous to the SIP, Trickle Up realized that it was collecting data (on food consumption, education, housing, clothing, health, savings, and microenterprise profits) that were "neither very accurate nor very informative, which reflected a lack of clarity in the organizational mission." As a result, Trickle Up improved its monitoring and evaluation systems and also spelled out its poverty focus by expressly defining its target population as "people living on less than US$ 1 per day (PPP)." All this change occurred just when the PAT and PPI were developed, and Trickle Up decided to measure the poverty of all its incoming participants using either the PAT or PPI, depending on the country. Results included a commitment 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."[34]

Social Audit

Social auditing[35] is a process or means by which an organization accounts for its social performance to its stakeholders and seeks to improve its future social performance[36]. Indeed, it aims to produce social accounts on a regular basis such that the concept and practice become embedded in the culture of the organization and that social accounts are audited by a qualified social auditor (or assurance provider) independent from management and with no vested interests in the outcome of the audit and that audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency. But, it is especially useful for the organization's internal use because it provides a means whereby the organization can compare its own performance year to year and against appropriate external norms or benchmarks (and potentially also provide for comparisons to be made between organizations doing similar work and reporting in similar fashion).

The social audit has a number of potential benefits: it (i) monitors the social and ethical impact and performance of the organization and its impact on stakeholders; (ii) determines how well the organization is living up to the mission and values it espouses; (iii) provides a basis for shaping management strategy in a socially responsible and accountable way and to identify opportunities and potential problems before they arise. Social audit is also a powerful process to enhance an organization's reputation: it can help reorient and refocus priorities; and it can help the organization manage tensions between financial and social objectives or, alternatively, tensions between competing social objectives.

There are four distinct approaches to social auditing. There are two approaches developed outside the microfinance sector: the Social Audit Network and the Global Reporting Initiative (GRI); and two approaches developed inside the microfinance sector: the USAID Social Audit Tool (SAT) and the MicroFinance Centre Quality Audit Tool (QAT).[37]

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[34] See "Case Study 4: Trickle Up" in appendix.
[35] The SEEP Network, 2008, "Social Performance Map", (Washington, DC: SEEP Network) http://www.seepnetwork.org/Resources/6032_file_SPMap_intro.pdf.
[36] The precise definition of social auditing varies significantly depending on the person or organization.
[37] For more information, visit http://sptf.info/page/social-performance-indicators.

Social Rating

The social rating[38] is an independent assessment of an organization's social performance using a standardized rating scale and carried out by a microfinance rating agency. The social rating assesses both social risk (the risk of not achieving its social mission) and social performance (the likelihood of contributing social value). The social rating evaluates practices; measures a set of indicators; and then scores them against benchmark levels, best practices, or internationally accepted standards. The social rating includes elements of auditing in that it assesses the quality and credibility of social accounts, and it identifies areas for improvement and capacity building.

A social rating does not judge the worthiness of an MFI's social mission, but seeks to convey how effective the MFI has been in translating that mission into practice in line with general social goals. The final rating score represents the rating agency's informed conclusions related to the dimensions of social performance assessed and its analysis of the MFI's social accounts. The primary market for the social rating is social investors who will presumably use the social rating to make investment decisions. Other stakeholders—including the MFI, donors, and policy makers—will also find the social rating a useful tool for assessment, decision-making, and capacity development.

As in the case of performance ratings, the social rating serves several functions and both ultimately aim to facilitate the flow of capital into the microfinance industry. Social rating is ideally placed to facilitate social investment. By participating in the rating process, MFIs develop an understanding of key issues that affect their social performance. The expectation, in fact, is that social ratings will lead to development and improvement in social performance management practices and thereby contribute to deeper outreach, improved quality of services, increased client protection, and greater social responsibility in general. In like manner, performance ratings have led MFIs to adjust their financial practices to better achieve financial sustainability. The data generated through social ratings will also contribute to better social reporting and transparency in the industry informing wider stakeholders, including policymakers, as well as to greater social accountability among MFIs.

Each of the four specialized microfinance rating agencies—M-CRIL, MicroFinanza Rating, PlanetRating, and MicroRate—are developing and piloting social rating products. With substantive testing of social rating over the past three to five years, and drawing on different tools or approaches, all the rating agencies follow a similar conceptual framework—a major achievement coordinated through the Social Performance Task Force.[39]

6. The Investor Perspective on Social Indicators

Social investors are constantly weighing potential investments, as they decide whether to invest in microfinance or in non-microfinance ventures, and (if the former) into one MFI versus another. Without reliable social performance data, an MFI may lose out to competing investment opportunities. Moreover, for MFIs' implementing SPM, it is possible to give social investors more and higher quality social

[38] The SEEP Network, 2008, "Social Performance Map", (Washington, DC: SEEP Network) http://www.seepnetwork.org/Resources/6032_file_SPMap_intro.pdf.
[39] For more information on these initiatives, see the Social Performance Working Group's public information page, http://seepnetwork.org/Pages/SocialPerformance.aspx.

information than they routinely get for other investment alternatives. Microfinance social ratings provide a useful template for what data an MFI should collect data and how to report it to investors coherently.[40]

Collecting information and reporting social indicator data internally for SPM is still being developed by many MFIs. Reporting and summarizing this information for external use, for investors, must be based on solid data and strong internal data and analysis. Until MFIs have more experience with internal assessment of their social results, it is difficult to report those results accurately and effectively to investors. Some MFIs also may be concerned about reporting data on poverty outreach that indicate that the MFI is not reaching as many poorer clients as it had thought. Whether an MFI is comfortable or not, competition for social investors may soon force much more accountability for social results. Investors have historically relied on anecdotal stories and qualitative reports of social results that were often not supported by data or rigorous analysis. Increasingly, social investors care how effectively MFIs bring measurable progress to their clients' lives and expect better data and better reporting on this. The standards are rising for MFIs' self-assessment of measurable social results and transparent reporting of these results.

Social Responsibility

A separate consideration, even with positive global publicity for microfinance, is the increase in negative reports about microfinance producing borrower over-indebtedness, charging "excessively high" interest rates, and tolerating excessive field staff zeal in collecting loan repayments. These negative stories combine to potentially jeopardize the credibility of all MFIs and require them not only to demonstrate that they are doing good but also that they are avoiding doing harm to clients.

Although MFIs are working hard to better measure and report positive social results, there is pressure on MFIs to provide evidence that they have written commitments, policies, and procedures in place to prevent harm to clients. Unlike measuring poverty outreach, poverty impact, or women's empowerment, social responsibility is an area that many social investors know a lot about in other investment contexts.

Understanding Different Types of Investors in Microfinance

Unless MFIs educate themselves about the different kinds of investors and their information needs, it will be difficult for MFIs to report the information that investors want. There are several reasonably distinct types of investors in microfinance: donors, social investors, socially responsible investors (described below), and commercial investors. The boundaries between different kinds of investors are not precise. A single investor may act more like a social investor in one investment and more like a socially responsible investor in another investment. However, these distinctions help explain why different investors seek very different information on MFI social performance.

Donors and Social Investors

Virtually all MFIs have seen the growing interest by many donors in MFI social results—including review of source data and validation of MFI social results. Many MFIs have worked with social investors who want a financial return but are willing to make significant compromises in the amount of financial return for assured social results by the MFI. The social investors in microfinance have often been highly

[40] Social raters and auditors include MicroFinanza Rating (http://www.microfinanzarating.com/), PlanetRating (http://www.planetrating.com/), M-CRIL (http://www.m-cril.com/), MicroRate (http://microrate.com/), and Cerise (http://www.cerise-microfinance.org/homeuk.htm). Access user reviews of these social rating tools on the SPTF website, http://sptf.info/page/user-reviews-of-sp-tools.

sympathetic to MFIs and have been willing to let MFIs decide what to tell them about social performance. Of course, different social investors may also have very different levels of interest in how far to push an MFI in measuring and reporting social results, depending on how much they know about microfinance and microfinance social results.

Commercial Investors

A smaller number of mostly larger and more commercially-oriented MFIs have worked with commercial investors. Commercial investors have intense interest in the details of MFI financial performance, but often show relatively little interest in MFI social performance, although they may appreciate it. However, their very clear first priority is financial performance. Social performance is often more a matter of good public relations for these investors, rather than a criterion that determines investment decisions. Some commercial investors worry that MFI attention to social results may diminish financial returns or increase financial risk, whether this is true or not.

Socially Responsible Investors versus Social Investors

Jed Emerson makes a constructive distinction between *social investors* and *socially responsible investors.*[41] Both kinds of investors care about social results and social return. Social investors are willing to accept lower financial return (sometimes dramatically lower) in order to get more social return. There may be very little agreement among social investors on how to measure or assess social return. Social investors are, in many ways, more like donors than other kinds of investors. The big difference between donors and social investors is that social investors expect to get their principal back with some earnings.

Socially responsible investors (SRI) by contrast are more like commercial investors. Socially responsible investment funds often compete with commercial investment funds. SRI seek competitive commercial financial returns, but they want to get social returns in addition to their financial returns. U.S. church pension funds have a legal requirement to maximize financial returns from their investments, no matter how much they care about social return, and a few have invested in microfinance. Like commercial investors, the primary arena for SRI is listed stocks and bonds that trade on organized national exchanges. Financial issues of liquidity and exit strategies are important. Investment in MFIs is still a very small (but growing) specialty niche market for SRI as well as for commercial investors.

MFI social results and MFI reporting and validation of social results can be critical in attracting SRI. SRI have a long history of evaluating target investment companies using negative screens, such as involvement in tobacco, armaments, and pollution of the environment. SRI have well-established social responsibility standards for customer protection, fair treatment of employees, good corporate citizenship in the community, and positive environmental approaches. SRI standards often include checking to see if companies have written policies in these areas, as well as internal procedures to make sure these policies are being followed. The current list of social indicators that MIX and SPTF are refining, include several social responsibility indicators. MFIs may need to educate SRI about how social responsibility is applied to microfinance.

In recent years, SRI have begun to positively screen investments. A positive screen is basically the same as actively seeking a positive social result. It could be a green product that uses less energy or a community-development housing investment that helps poorer citizens get housing. While "positive"

[41] Jed Emerson, 2003, "The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation," unpublished paper, http://www.blendedvalue.org/media/pdf-bv-map.pdf.

investments are still a very small part of all SRI investing—perhaps 1 percent—they are growing. Microfinance is one of the SRI investments in this category.

MFIs that seek international investment from SRI need to meet rigorous standards of financial reporting comparable to the standards expected by commercial investors. In addition, SRI expect investees to meet and report on well-established SRI standards of social responsibility. SRI are developing ways to better measure and report positive social return. This is an area where MFIs could work closely with SRI to standardize reporting of significant MFI social results that will be more attractive to those SRI unfamiliar with microfinance. MFIs can also join the consensus that is building between microfinance and socially responsible investors to avoid reporting things in different formats to different investors. In terms of positive screens, some MFI social rating experts argue that microfinance is leading the way in creating standards that the SRI community may want to incorporate.

It is also important for MFIs to be aware that total SRI investment (approximately US$ 2.5 trillion before the global financial crisis that started in 2008) is a hundred times larger than the amount of social investment, according to Emerson's estimates. SRI investment will undoubtedly mushroom into microfinance in the future. The ability of MFIs to produce and report accurate, validated social results in appropriate forms will be vital to this development.

Social Indicators for Attracting Investors

Without reliable social performance reports, investors will be primarily influenced by financial reports. Consider an investor who looks at microfinance investments that provide rigorous financial indicators and concise, comprehensible, and comparable reports on financial performance with third-party validation from an accepted rating agency. Consider the results when the same investor sees only long, qualitative, and anecdotal summaries of MFI social performance unsupported by data and well-defined social indicators. A report on MFI social performance may use practitioner terms, such as outreach and women's empowerment, that the investor is not familiar with, and have no third-party validation of the reported results. Why should the standards be lower for social reporting than financial reporting, especially if microfinance is so committed to achieving social goals?

Many investors will choose to work with MFIs that are able to provide rigorous social as well as financial reporting; some investors may choose to invest in other, non-microfinance social investment alternatives. Even if the MFI financial information is attractive, a social investor or SRI considering alternative investments in other areas, such as community development housing or environmental technologies, may find it difficult to choose the microfinance investment unless MFI social performance information is easy to understand and easy to compare with other investment alternatives and other MFIs.

Without good social performance reports that are geared to different investors' information interests and needs, even microfinance investments with potential for high social return may not attract these investors. The positive side is that many investors are looking to the microfinance industry for guidance on what to look at and how to better understand MFI social performance and MFI social return. This is a huge opportunity for social performance leaders, advocates, and other practitioners to shape how investors view and evaluate the social return of investing in microfinance.

7. Conclusion

Despite the emphasis on an MFI’s financial performance over the last decade, advocates of social performance have argued that social indicators are essential to keeping the MFI focused on the client and are a key building block for the MFI as an institution. Social indicators help MFIs to assess their social results internally and to report to external stakeholders, especially donors and investors.

In microfinance, social performance is often discussed under several topic areas, such as social indicators, social performance management (SPM), social performance assessment, social audit, social rating and social investment among others. This paper highlights the importance of social performance; it aims to bring clarity on the similarities and differences among those variations on the same theme of social performance and to make the discussion available and useful for microfinance practitioners. Social indicators are undeniably essential for an organization to evaluate its achievements in terms of social objectives and to be able to effectively manage social performance.

While social and financial objectives often complement each other, the two also may compete. Strong social performance complements financial performance by improving customer satisfaction. The MFI will collect and analyze social indicators on poverty outreach to find out if it costs an MFI more on a per-client basis to achieve this goal, as well as the necessary tradeoffs, such as the increased cost of greater poverty outreach versus the (probably) lesser cost of serving less-poor clients. Weighing these factors, the MFI can make the decisions necessary to balance its financial objective of being financially sustainable with its social objective to serve poorer clients. Measuring social indicators and managing social performance are ways that a MFI can integrate more proactively a social bottom line into its routine operations and day-to-day decision making.

Annex: SPTF/MIX Social Indicators Reporting

Region	Country	MFI	Report(s) available
Africa	Chad	UCEC/MK	SP Report ● Market Study ● Focus Group Study
Asia	Cambodia	AMK	SP Report ● SP Rating
		Chamroeun Microfinance	SP Report
		Maxima	SP Report
	India	Sonata Finance Private Limited	SP Report ● PPI Report
	Pakistan	Asasah	SP Report
	Philippines	TSPI	SP Report
Eastern Europe and Central Asia	Armenia	INECO	SP Report ● Environment Policy Report
		Nor Horizon	SP Report
	Azerbaijan	Azeri Star Microfinance	SP Report
	Bosnia and Herzegovina	EKI	SP Report ● SP Rating
		Sinergija Plus	SP Report
		Sunrise	SP Report
Latin America and the Caribbean	Brazil	CEAPE - MA	SP Report
	Bolivia	FIE	SP Report ● SP Rating
	Costa Rica	Asociación ADRI	SP Report
	Haiti	SOGESOL	SP Report
	Paraguay	Fundación Paraguaya	SP Report
	Peru	FINCA Peru	SP Report ● SP Rating
		FONDESURCO	SP Report
		Prisma	SP Report ● SP Rating ● Other SP Reports
Middle East and North Africa	Jordan	Microfund for Women (MFW)	SP Report
	Palestine	UNRWA Microfinance Programme	SP Report ● SP Rating
Source: MIX, 2009, http://www.themix.org/standards/sp-reports.			

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

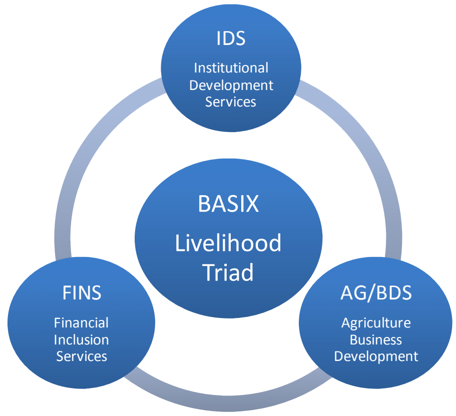
The CGAP and Ford Foundation initiated SIP in early 2005. The goal of the project was to identify a small set of clear, globally comparable, low-cost impact indicators in the MFI sector that would correspond to the five dimensions of the MDGs. The SIP project fit well with BASIX's interest in measuring 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.[42]

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

[42] In round 2, many MFIs participating in 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.[43] 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,[44] 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—

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

[44] 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.

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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.

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