



## **Microcredit Summit 2014**

### **Truelift Workshop: How Pro-Poor is your MFI?**

#### **MFI Quiz**

*Imagine you are a staff member at a microfinance institution (MFI) headquartered in Guatemala City. Based on the hypothetical scenario below, how would you answer the following questions?*

*Responses and scores for each answer are provided at the end of the Quiz. Reference to which Truelift Indicators are addressed in each response is also included.*

#### **Scenario:**

*Amelia is a single mom with three children living in a poor, rural area of Guatemala served by one of the branches of your MFI. She walks into the branch office and says she needs a small loan very quickly because part of her workshop burned down. She won't be able to repay her first installment for at least six months because she will need time to create and sell a new inventory of wedding dresses.*

- 1. Do you know what percentage of your MFI's clients live in poor regions like Amelia's?**
  - a. No, but probably a high percentage because we focus on serving people who seem poor.
  - b. Yes, we created our own way to calculate this.
  - c. Yes, we select where we operate based on international definitions of poverty and national poverty lines, and then track our clientele on an ongoing basis.
  
- 2. Do you analyze and report your poverty outreach data?**
  - a. Yes. Our CEO has a nice little book where he can see how the number of poor people we serve over the years goes up and down.
  - b. Yes. Senior management uses the reports to compare our performance against poverty outreach targets and country/regional rates and integrates this information into strategic and operational decisions.

- c. Yes. Both senior management and our Board regularly review performance against poverty outreach targets to provide direction for our strategies on poverty outreach.

**3. Can your existing services help Amelia with her specific needs?**

- a. No. Administering a loan that small is too expensive for us. We doubt she would be willing to pay the interest rate that would cover our costs, let alone make a reasonable profit.
- b. Yes. Our headquarters has created a 1-year term loan with a competitive interest rate, payable in monthly installments. It is a larger principal than she is asking for, which can be used to create even more inventory, and we can get the money to her in about three weeks.
- c. Yes. We offer a low-principal Emergency Loan with small repayment installments that can be dispersed within three days, ensuring its affordability to people with low repayment capacity. We also provide training for women in managing small enterprises, which is combined with health and nutrition sessions. And when she is back on her feet, Amelia could take advantage of our savings accounts that can be opened with very small amounts that can help her save for her children's education and weather the seasonality of her business. She would have quick access to her savings without having to exit or pay penalties.

**4. Amelia ends up taking out a loan from your MFI. One year later, do you have a way of knowing if she is making progress?**

- a. Yes. She paid back the loan and took out another one, so she must have gotten some benefit, right?
- b. Yes. We collect feedback from all clients and staff to understand our clients' experiences. We also track which clients exit and why. Amelia reported that she was happy working with us, and she took out another larger loan.
- c. Yes. We conduct client and employee surveys, analyze transactional data, and segment the results by product and client profile to understand the quality of our services and assess whether they are a good fit for our poorest clients. We also assess our employees on the quality of the data that they collect, the appropriateness of the products they administer to poor clients, and how many poor clients they retain over time. Amelia decided to open up a savings account with us while she continues to pay off her loan because she learned through our loan officers and financial

management classes that this is a sound approach to take with a seasonal business.

- 5. As your client, do you think Amelia would have made progress two years later?**
- a. No. Her store is still not open.
  - b. Yes. She has moved on from her emergency loan to a longer-term loan because our analysis of her business after it re-opened shows an increase in her credit capacity. Her average savings has increased over time as well.
  - c. Yes. We have measured improved credit and savings capacity. In addition, at intake and two years later, we conducted an evaluation of her quality of life using indicators that would apply to life in a poor rural area, and used the Progress out of Poverty Index to assess her poverty level. Her scores in both areas have improved.
- 6. Are your poor clients like Amelia better off in the aggregate than they were two years ago?**
- a. I don't know. What does "better off" even mean?
  - b. Yes. Some clients are better off and some are the same.
  - c. Yes. By analyzing client level data and aggregating it into relevant segments, we are able to see which segments are using and benefitting from which products. We learned that the clients served by the same branch that serves Amelia are our poorest clients, and that overall they were worse off after taking out our single one-year loan. We also learned that they were mostly farmers with seasonal businesses, so we created a new loan product with more flexible repayment terms.



## **MFI Quiz – Responses, Scoring, and Indicators**

### **(Principle 1: Purposeful Outreach to People Living in Poverty)**

#### **1. Do you know what percentage of your MFI's clients live in poor regions like Amelia's?**

- a. No, but probably a high percentage because we focus on serving people who seem poor.
  - i. *The more well defined an institution's poverty outreach targets are, the better. It is important to establish a robust system for outreach and to monitor on an ongoing basis how many of your clients are living in poor areas so that you can ensure you are reaching the people you are intending to serve. (0 Points).*

**Indicators:**

1-2-6: The institution monitors % clients in poorer regions.

1-3-1: The institution systematically collects data to measure poverty outreach to new clients.

- b. Yes, we created our own way to calculate this.
  - i. *You can reach and serve people in poverty better if you use industry-standard methodologies designed for this purpose. You can learn about these methodologies by joining the Truelift "[Community of Practice](#)" where MFIs across the globe share best practices. (1 point).*

**Indicator:**

1-3-2: The institution has systems to ensure that data collected is of robust quality. [If using PPI] Further, the institution conforms to the PPI Standards of Use.

- c. Yes, we select where we operate based on international definitions of poverty and national poverty lines, and then track our clientele on an ongoing basis.
  - i. *Congratulations! These are best practices for client outreach. Carefully designed targeting tools and ongoing collection of robust and high-quality data are key steps to reaching your target population effectively and precisely. You should be sure to conduct*

*appropriate analysis of the data that you collect and use the findings for strategic decision-making. (2 points).*

**Indicators:**

1-1-1: The institution aims to reach the poorer ~40% of the population.

1-2-6: The institution monitors % clients in poorer regions.

1-3-1: The institution systematically collects data to measure poverty outreach to new clients.

1-3-2: The institution has systems to ensure that data collected is of robust quality

1-6: The institution uses poverty outreach (gap analysis) data for strategic decisions and staff buy-in.

**2. Do you analyze and report your poverty outreach data?**

- a. Yes. Our CEO has a nice little book where he can see how the number of poor people we serve over the years goes up and down.
  - i. *Information about your poverty outreach needs to be easily accessible and interpreted by many more people than the CEO. Furthermore, the percentage of new clients who are poor should be rising over time, if not at least steady. (0 points)*

**Indicator:**

1-6: The institution uses poverty outreach (gap analysis) data for strategic decisions and staff buy-in.

- b. Yes. Senior management uses the reports to compare our performance against poverty outreach targets and country/regional rates and integrates this information into strategic and operational decisions.
  - i. *Great job! You should consider holding senior management responsible for achieving poverty outreach targets, and include this in their formal performance evaluation. You should also consider sharing the information with your Board. (1 point).*

**Indicators:**

1-6-1: The Board regularly reviews poverty outreach data to monitor achievement and to provide direction for the institution's strategies for poverty outreach. Board minutes reflect changes proposed as a result of reviewing poverty outreach data. (USSPM)

1-6-4: The institution holds senior managers responsible for achieving poverty outreach targets, and this is included in their formal performance evaluation. (USSPM)

- c. Yes. Both senior management and our Board regularly review performance against poverty outreach targets to provide direction for our strategies on poverty outreach.
  - i. *Congratulations! These are best practices for using your findings on poverty outreach. Be sure that your Board Minutes reflect changes proposed as a result of reviewing poverty outreach data and that the Board incorporates poverty outreach data into its performance evaluation of the CEO. (2 points).*

**Indicators:**

1-6-1: The Board regularly reviews poverty outreach data to monitor achievement and to provide direction for the institution's strategies for poverty outreach. Board minutes reflect changes proposed as a result of reviewing poverty outreach data. (USSPM)

1-6-3: Senior management compares performance on poverty outreach against stated targets, integrates poverty outreach targets into strategic and operational decisions. (USSPM)

(Principle 2: Services that Meet the Needs of People Living in Poverty)

**3. Can your existing services help Amelia with her specific needs?**

- a. No. Administering a loan that small is too expensive for us. We doubt she would be willing to pay the interest rate that would cover our costs, let alone make a reasonable profit.
  - i. *It is often difficult for MFIs to balance their cost of doing business with their desire to offer useful products and services to their clients. However, an MFI serving very poor clients needs to offer products with a variety of terms and conditions to address their varying financial needs and to reduce their risk and ability to cope with common emergencies. At the very least, you should have a system in place to refer clients out to other organizations that can help them. (0 Points).*

**Indicators:**

2-7-1: The institution adapts products and services to serve identified financial and associated needs of poor clients, at entry and over time. (USSPM)

2-12-1: Financial services. Segmentation of the institution's transactions data shows significant use by poor clients of services intended for them.

- b. Yes. Our headquarters has created a 1-year term loan with a competitive interest rate, payable in monthly installments. It is a larger principal than she is asking for, which can be used to create even more inventory, and we can get the money to her in about three weeks.

- i. *This will not be helpful to Amelia because she should not have to pay for a larger loan than she needs. She would have to take out a second loan from another MFI to pay her interest and she could get caught in a cycle of debt. She also needs a much faster turnaround time for the loan and a more flexible payment plan given that she won't be selling her inventory for six months. Also - your organization might want to do some thinking about possibly allowing branches to adapt their products and services to the contexts in which they operate, be it in terms of the main economic activity of the area, client profile, or cultural norms. A standard product offering such as the one you mention could be inappropriate for a lot of people. (1 Point)*

**Indicators:**

2-7-1: The institution adapts products and services to serve identified financial and associated needs of poor clients, at entry and over time. (USSPM)

2-8-1: The institution adapts products and services to serve identified financial and associated needs of poor clients, at entry and over time

2-8-2: The institution provides timely access to sufficient money and services that allow poor clients to reduce their risk and cope with common emergencies.

- c. Yes. We offer a low-principal Emergency Loan with small repayment installments that can be dispersed within three days, ensuring its affordability to people with low repayment capacity. We also provide training for women in managing small enterprises, which is combined with health and nutrition sessions. And when she is back on her feet, Amelia could take advantage of our savings accounts that can be opened with very small amounts that can help her save for her children's education and weather the seasonality of her business. She would have quick access to her savings without having to exit or pay penalties.
- i. *Thank you for offering these products to vulnerable households, who need access to services that bolster their productive capacity and help create wealth, even if this means that they are higher-risk loans to administer. Pro-poor loan sizes match the financial need and business type of poor households, and their repayment schedules correspond with the expected cash flows, such as during wedding season for Amelia. The fact that you have developed an educational curriculum that caters to the specific needs of women indicates a very client-centric approach. Keep up the good work, and make sure that you have systems in place to monitor the utility and quality of all of your services. (2 Points)*

**Indicators:**

2-7-1: The institution adapts products and services to serve identified financial and associated needs of poor clients, at entry and over time. (USSPM)

2-8-1: The institution adapts products and services to serve identified financial and associated needs of poor clients, at entry and over time

2-8-2: The institution provides timely access to sufficient money and services that allow poor clients to reduce their risk and cope with common emergencies.

2-8-3: The institution understands the financial needs and opportunities of women clients and has designed products and services that respond to women's identified needs.

2-8-6: [If Savings] The institution offers savings products that match cash flow of poor households

2-8-7: [If Savings] Poor clients of the institution who have savings can access them in case of emergencies, without having: i) to exit; ii) to pay (high) penalties; or iii) to undergo excessive waiting or processing periods

2-8-8: [If Savings] First deposit size is less than 0.5 % per cap GNI.

**4. Amelia ends up taking out a loan from your MFI. One year later, do you have a way of knowing if she is making progress?**

- a. Yes. She paid back the loan and took out another one, so she must have gotten some benefit, right?
- i. *It can not be assumed that her life improved just because she paid back the loan. She may have borrowed from another person or institution to cover her payments to you, which means she is still in debt and little progress has been made. Furthermore, it is unlikely that a client in Amelia's circumstances would have seen significant change as a result of only one loan cycle. (0 Points)*

Indicator:

2-12-2: Client feedback: examples of practical findings, and analysis relating to poor clients; analysis should include services used to serve intended goal, positive feedback on amounts and terms, areas to adapt are identified.

- b. Yes. We collect feedback from all clients and staff to understand our clients' experiences. We also track which clients exit and why. Amelia reported that she was happy working with us, and she took out another larger loan.
- i. *It is an important first step to collect qualitative reports on the impact of your services so you can continually learn about clients'*

*evolving needs and enhance your offerings accordingly. But you can also do more by systematically collecting and analyzing quantitative data on which products are used and by whom. You might have discovered that the new loan that Amelia took out was not appropriate for someone in her circumstances. (1 Point)*

**Indicators:**

2-9-2: The institution asks field employees for their insights on the needs and preferences of poor clients. (USSPM)

2-9-3: The institution has other mechanisms to obtain client feedback. (USSPM)

2-9-4: The institution analyzes transaction data: client access to and amount of savings, access to different loans and use of loans.

2-9-6: The institution monitors the client retention rate. (USSPM)

2-9-7: The institution monitors and understands reasons for client exit. (USSPM)

- c. Yes. We conduct client and employee surveys, analyze transactional data, and segment the results by product and client profile to understand the quality of our services and assess whether they are a good fit for our poorest clients. We also assess our employees on the quality of the data that they collect, the appropriateness of the products they administer to poor clients, and how many poor clients they retain over time. Amelia decided to open up a savings account with us while she continues to pay off her loan because she learned through our loan officers and financial management classes that this is a sound approach to take with a seasonal business.
- i. *Great! So long as you are using methodologies that ensure the quality of the data upon which you are basing your strategic decisions, your clients seem to be in good hands. Both senior management and your board should be well apprised of all results and use them to improve services and respond to any negative findings. (2 Points)*

**Indicators:**

2-9-2: The institution asks field employees for their insights on the needs and preferences of poor clients. (USSPM)

2-9-3: The institution has other mechanisms to obtain client feedback. (USSPM)

2-9-4: The institution analyzes transaction data: client access to and amount of savings, access to different loans and use of loans.

2-9-6: The institution monitors the client retention rate. (USSPM)

2-9-7: The institution monitors and understands reasons for client exit. (USSPM)

2-10-4: The institution assesses employees in a manner that includes quality of client feedback data/responses that they collect. (USSPM)

2-11-1: The institution disaggregates data for poor, vulnerable clients. (USSPM)

(Principle 3: Tracking Progress of People Living in Poverty)

**5. As your client, do you think Amelia would have made progress two years later?**

- a. No. Her store is still not open.
- i. *Even with the intervention of your products and services, Amelia's business does not seem to have weathered the shock of the fire, nor has Amelia been able to find a way to manage her finances. (0 Points)*

**Indicator:**

3-17: The institution demonstrates realistic evidence of positive direction of change; likely to include a range of results for poor clients, depending on service use, client starting point, etc.

- b. Yes. She has moved on from her emergency loan to a longer-term loan because our analysis of her business after it re-opened shows an increase in her credit capacity. Her average savings has increased over time as well.
- i. *You're off to a good start. MFIs can verify improvement or decline in a client's situation by tracking changes to economic status. Even if changes are not directly attributable to the MFI (tracking changes is not the same as measuring impact), they serve as an early-warning system in case of deterioration (pushing the MFI to examine causes). (1 Point).*

**Indicators:**

3-14-1: The institution has defined progress for poor clients and selected relevant indicators in relation to the inputs it provides, within a realistic time scale for progress to occur. (USSPM)

3-16-1: The institution analyzes findings with reference to inputs services and their use.

3-17-1: The institution analyzes relevant key data as defined in its strategy and theory of change, and as useful to improving service to poor clients.

- c. Yes. We have measured improved credit and savings capacity. In addition, at intake and two years later, we conducted an evaluation of her quality of life using indicators that would apply to life in a poor rural area, and used the Progress out of Poverty Index to assess her poverty level. Her scores in both areas have improved.

- i. *You can be commended for your robust and systematic approach to collecting realistic evidence to indicate change in the lives of your clients. Your use of a variety of industry-standard measurements and tools has given you reliable information upon which you can base future decisions. Congratulations on the results you have helped Amelia to achieve. (2 Points)*

**Indicators:**

3-14-1: The institution has defined progress for poor clients and selected relevant indicators in relation to the inputs it provides, within a realistic time scale for progress to occur. (USSPM)

3-14-2: The institution uses a systematic approach to track progress of poor clients.

3-15-3: Scope of data collected is appropriate.

3-16-1: The institution analyzes findings with reference to inputs services and their use.

3-16-2: The institution analyzes findings for poor clients, poor segments.

3-16-3: The institution disaggregates data on other relevant parameters.

3-17-1: The institution analyzes relevant key data as defined in its strategy and theory of change, and as useful to improving service to poor clients.

3-17-1a: [If Savings] Distribution of savings amount shows increase in average savings over time, distribution of loan amount shows increase in credit capacity over time.

3-17-1b: [If PPI - Progress out of Poverty Index] Change in PPI score - and poverty likelihoods - over time.

3-17-1c: Change on indicators of quality of life.

**6. Are your poor clients like Amelia better off in the aggregate than they were two years ago?**

- a. I don't know. What does "better off" even mean?

- i. *It is very important to have a clear and realistic definition of progress of poor clients and a systematic approach to tracking it. While each institution may have its own theory of change and therefore differing concepts of "progress", a rigorous and consistent approach to collecting and analyzing this information is essential. This involves selecting relevant indicators and a realistic time scale for progress to occur. (0 Points)*

**Indicators:**

3-14-1: The institution has defined progress for poor clients and selected relevant indicators in relation to the inputs it provides, within a realistic time scale for progress to occur. (USSPM)

3-14-2: The institution uses a systematic approach to track progress of poor clients.

- b. Yes. Some clients are better off and some are the same.
- i. *It's great that you are tracking the progress of your clients, but in addition to analyzing findings on individual clients, you should be segmenting your data in order to view results for all of your poor clients in the aggregate to make sure you have the ability to examine what aspects of your products and services work and don't work for this and each of your client segments. (1 point)*

**Indicators:**

3-14-1: The institution has defined progress for poor clients and selected relevant indicators in relation to the inputs it provides, within a realistic time scale for progress to occur. (USSPM)

3-14-2: The institution uses a systematic approach to track progress of poor clients.

3-16-3: The institution disaggregates data on other relevant parameters.

3-16-5: The institution disaggregates data around average findings - and analyzes reasons for both positive and negative variations in findings.

- c. Yes. By analyzing client level data and aggregating it into relevant segments, we are able to see which segments are using and benefitting from which products. We learned that the clients served by the same branch that serves Amelia are our poorest clients, and that overall they were worse off after taking out our single one-year loan. We also learned that they were mostly farmers with seasonal businesses, so we created a new loan product with more flexible repayment terms.
- i. *Your approach to tracking progress of people living in poverty and your thoughtful use of the findings are what pro-poor microfinance is all about. Measuring, learning and changing on an ongoing basis will help you achieve your mission to have a positive impact on the lives of those you serve. (2 points)*

**Indicators:**

3-14-1: The institution has defined progress for poor clients and selected relevant indicators in relation to the inputs it provides, within a realistic time scale for progress to occur. (USSPM)

3-14-2: The institution uses a systematic approach to track progress of poor clients.

3-16-1: The institution analyzes findings with reference to inputs services and their use.

3-16-2: The institution analyzes findings for poor clients, poor segments.

3-16-3: The institution disaggregates data on other relevant parameters.

3-16-5: The institution disaggregates data around average findings - and analyzes reasons for both positive and negative variations in findings.

### Scoring

**0 – 5 Points:** If your organization works in a poor region, or if people affected by poverty are your customer, or if you got into business to help vulnerable people, then you need to become more familiar with the principles, practices and indicators that should be integrated into your operations. A good first step would be a Truelift Assessment, which starts with a statement of commitment and then joining Truelift’s “Community of Practice” to learn how you may improve your pro-poor practices.

**6-9 Points:** Your organization is doing some of what you need to do to benefit people living in poverty. But you can do more. In addition to beginning a Truelift Assessment and joining the “Community of Practice,” you can evaluate yourself with the Truelift Indicators Tool to understand exactly where you are on target and where there is room for you to improve your ability to reach, serve and create positive results for clients living in conditions of poverty.

**10 - 12 Points:** You have demonstrated exemplary performance across the three Pro-Poor Principles. Should you participate in a Truelift Assessment, your organization may be recognized as a “Truelift Leader” and awarded the Pro-Poor Seal of Excellence.

### Key Links to Truelift

[Pro-Poor Principles](http://sealofexcellence.wordpress.com/pro-poor-principles/): <http://sealofexcellence.wordpress.com/pro-poor-principles/>

[Truelift Assessment](http://sealofexcellence.wordpress.com/assessment/): <http://sealofexcellence.wordpress.com/assessment/>

[Truelift Indicators Tool](http://sealofexcellence.wordpress.com/assessment/indicatorstool/):  
<http://sealofexcellence.wordpress.com/assessment/indicatorstool/>

[“Community of Practice”](http://sealofexcellence.wordpress.com/community-of-practice/): <http://sealofexcellence.wordpress.com/community-of-practice/>

*Truelift is a global initiative to push for accountability and learning in pro-poor development. It is a trust mark – in microfinance and other forms of social business – to signify commitment to positive and enduring change for people affected by conditions of poverty. See <http://www.Truelift.org>.*