



Progress Out of Poverty Index

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Measuring the Impact and Social Performance of
Microfinance

Oikocredit

- Mission of empowering the disadvantaged with credit
- Social ethical investor and Microfinance Investment Vehicle (MIV)
- MIn €393 Portfolio outstanding in 71 countries
- 713 active partners of which 508 financial institutions
- Launched social performance department in 2009

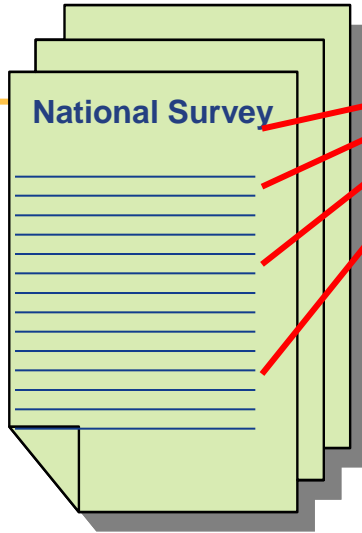
Oikocredit and PPI

- Oikocredit actively promotes the PPI with Grameen Foundation
 - Grameen Foundation designs the tool and provides training and capacity building for the MFI
 - Oikocredit promotes the tool in its network of 508 institutions and provides TA-funding
 - The MFIs implement the tool
- Tool was launched with in Philippines (7 MFIs) and Peru (8 MFIs) in 2007-2008
- After success of the pilot, the tool was also launched in 2009 in Cambodia (4 MFIs), Ecuador (5 MFIs), Mali (2 MFIs), Senegal (2 MFIs)
- Launch in 2010 for Kenya and Colombia

What is the PPI

- PPI is a country specific easy to use single (same for urban and rural) poverty score card that pro-poor programs in Cambodia can use to estimate the likelihood that a household has expenditures below a given poverty line.
- This estimated poverty likelihood can then be used to monitor poverty rates of households.

Construction of Cambodia PPI



100 indicators are selected from the 2004 Cambodia Socio-Economic Survey (CSES) based on simplicity, verifiability and inexpensiveness. These 100 indicators are screened and ranked according to how strongly each predicts poverty.

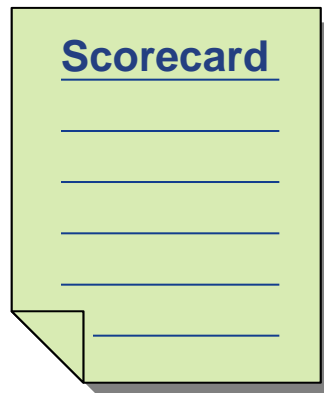
100 indicators

Using both statistics and expert judgment, a 10 indicator scorecard is constructed to predict poverty-levels.

10 indicators

Scorecard is based on the national household survey. The total score (summing from 0 to 100) is linked to likelihood of falling below or above the poverty lines.

PPI



What is the PPI

Progress out of Poverty Index™ for Cambodia

Entity	Name	ID	Date (DD/MM/YY)
Member:	_____	_____	Joined: _____
Loan officer:	_____	_____	Today: _____
Branch:	_____	_____	Household size: _____
Indicator	Value	Points	Score
1. How many members does the household have?	A. Eight or more	0	
	B. Seven	2	
	C. Six	6	
	D. Five	10	
	E. Four	14	
	F. Three	19	
	G. One or two	27	
2. How many children ages 7 to 15 attend school?	A. Not all	0	
	B. All, or no children ages 7 to 15	4	
3. What is the primary construction material of the outer wall of the dwelling unit occupied by the household?	A. Bamboo or thatch, makeshift, salvaged, or improvised materials, other, or no data	0	
	B. Wood or logs, plywood, galvanized iron or aluminum, or fibrous cement	2	
	C. Concrete, brick, or stone	14	
4. What type of fuel does the household mainly use for cooking?	A. Firewood or other	0	
	B. Charcoal, firewood and charcoal, liquefied petroleum gas, kerosene, publicly-provided electricity, gas and electricity, privately-generated electricity, or none/does not cook	6	
5. What toilet facility does the household have?	A. Open land	0	
	B. None	4	
	C. Pit latrine, septic tank, other without septic tank, public toilet, shared toilet, or other	6	
	D. Connected to sewerage	13	
6. How many bicycles and motorcycles does the household own?	A. No bicycles, and no motorcycles	0	
	B. One bicycle, and no motorcycles	4	
	C. Two bicycles, and no motorcycles	7	
	D. Three or more bicycles, and no motorcycles	11	
	E. One or more motorcycles (regardless of bicycles)	13	
7. Does the household own a bed set?	A. No	0	
	B. Yes	4	
8. Does the household own a wardrobe or cabinet?	A. No	0	
	B. Yes	8	
9. Does the household own a water pump?	A. No	0	
	B. Yes	5	
10. Does the household own a television?	A. No	0	
	B. Yes	6	

Microfinance Risk Management, L.L.C.,

Total score

PPI Score	National Poverty Line	
	Total Below the National Poverty Line	Total Above the National Poverty Line
0-4	85.8%	14.2%
5-9	73.6%	26.4%
10-14	68.1%	31.9%
15-19	56.1%	43.9%
20-24	45.3%	54.7%
25-29	34.3%	65.7%
30-34	21.9%	78.1%
35-39	13.4%	86.6%
40-44	9.4%	90.6%
45-49	3.5%	96.5%
50-54	4.0%	96.0%
55-59	2.4%	97.6%
60-64	0.0%	100.0%
65-69	0.0%	100.0%
70-74	0.0%	100.0%
75-79	0.0%	100.0%
80-84	0.0%	100.0%
85-89	0.0%	100.0%
90-94	0.0%	100.0%
95-100	0.0%	100.0%

PPI Portfolio analysis

For example, an MFI has 4,000 clients

- 3,545 clients have scores of 12
- 335 clients have scores of 34
- 120 clients have scores of 50

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25-29	34.3%
30-34	21.9%
35-39	13.4%
40-44	9.4%
45-49	3.5%
50-54	4.0%
55-59	2.4%
60-64	0.0%
65-69	0.0%
70-74	0.0%
75-79	0.0%
80-84	0.0%
85-89	0.0%
90-94	0.0%
95-100	0.0%

Poverty Likelihood

Measurement

Objective: to assess the likelihood that the MFI's clients are poor.

- Scorecard of 7-10 questions
- Scoring of Assets (e.g. house, tv, radio) and consumption patterns (nutrition, schooling)
- Indicators that are correlated with and can be benchmarked to national household surveys
- Tool can be conducted for the total sample of clients, a random sample of clients, or during screening and routine monitoring visits.

Measurement and Analysis

- No control group is used, but comparison of results can be made to National Household Surveys for poverty profiling.
- Before-after analysis can be conducted to measure movements in and out of poverty.
- Analysis of differences between branches, products, geographic areas, new and existing clients.

Question

What are the advantages and disadvantages of the PPI?

- Methodology
- Practical implementation

Advantages of PPI?

- **User-Friendly.** “A 10 questions survey was easier to apply and the questions, in general, were easy to be understood by the survey taker and the clients”. Peru
- **Time saving.** “Filing in the questionnaire did not take longer than 10 minutes. This result is relevant considering that clients do not have enough time.” Peru.
- **Useful information.** “Some talks with MFIs staff show that they feel good to make a visit to their clients, for them this is way to know them better, and that this will help for decision making.” Peru
- **Practical.** “handy, practical and cheap.” (Philippines)
- **Complementarity.** PPI can be supplemented with qualitative data, ethnographic, focus group discussions, (semi-) structured interviews.

Advantages of PPI?

- **Optimal Level of Ignorance.** Balance between costs of data collection and usefulness.
- **Cost-Effective Tool.** Approximate costs are EUR 2,500-16,000 per MFI.
- **Attention for local context of poverty.** Good balance between need for quantitative data and local context of poverty.
- **Potential of the tool to upscale.** Tool is practical and can be easily implemented for several MFIs

Disadvantages of PPI?

- Some Responses from Philippines
 - **Quality of data.** Checks are needed for completeness of data, trainings in the tool, institutionalization of the tool.
 - **Data analysis.** (Mis)understanding of conclusions that can be drawn from PPI related to social impact.

Disadvantages?

- **Limit in poverty measurement.** PPI looks at material assets, it does not measure quality of assets, perception of poverty etc.
- **MFIs scale.** The tool requires a certain scale for implementation, although less is required when compared to an impact assessment.
- **Targeting tool or impact measurement tool?**
- For Several MFIs need more **integration** with overall SPM strategy.

Some Results

MFI	% below the National Poverty Line	
Prisma	32%	Peru
Adra Peru	18%	Peru
Fondesurco	39%	Peru
Finca Peru	47%	Peru
Coac San Jose	15%	Ecuador
Espoir	22%	Ecuador
Diocesis Latacunga	29%	Ecuador

References

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Oikocredit Social Performance Centre

<http://www.oikocredit.org/socialperformance/en/home>

PPI Resource Centre Grameen Foundation

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