

# Summaries

## 1. Poverty Reduction and Microfinance – Assessing Performance

Martin Greeley

Poverty reduction has always been a main goal of microfinance. This goal is under serious challenge as pressures to demonstrate financial sustainability and to commercialise operations threaten to overwhelm the social mission of microfinance organisations (MFOs). MFOs need to perform on both fronts. There are good ways to measure and monitor financial performance but there are no poverty reduction performance standards to assess how well they are doing on poverty reduction. Increasingly, there is mobilisation within the microfinance industry to correct this omission, which is undermining the development value of the industry. This article reviews these issues and makes some preliminary proposals on the development of poverty performance standards.

## 2. Triangulating Qualitative and Quantitative Approaches to the Measurement of Poverty: A Case Study in Limpopo Province, South Africa

Catherine van de Ruit and Julian May

Reliable poverty assessments are a growing priority for MFOs and the wider donor community. Although the international “\$1 a day” poverty line continues to be the yardstick for poverty measurement in the microfinance sector, the United Nations Millennium Development goals have created an international policy platform which encourages poverty monitoring to go beyond narrow economic approaches and embrace broader

definitions of well-being. Poverty monitoring instruments used by MFOs rarely incorporate money metric measures owing to the cost and complexity of these survey mechanisms. This prevents comparisons to national or international poverty profiles. Most local assessments measure broad dimensions of poverty based upon a basket of locally specific indicators. This article assesses the extent to which poverty measures used in local participatory and quantitative studies may be triangulated with national surveys to attain absolute measures of poverty.

## 3. Sustaining Social Performance: Institutionalising Organisational Learning and Poverty Outreach at Prizma, Bosnia and Herzegovina

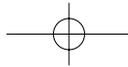
Sean Kline

This article outlines the primary ways in which the MFO Prizma in Bosnia and Herzegovina has set out to strengthen and sustain social performance by institutionalising organisational learning and poverty outreach. Focusing on leadership, organisational culture, incentives, and systems, it argues that institutional design rather than poverty status determines whether people are able to access microfinance services; organisations committed to effective and sustained outreach to and impact on large numbers of poor people must be ruthless about efficiency, transparent about performance, and absolutely clear about their fundamental social purpose. Finally, understanding and differentiating between poor people’s developmental needs and market wants will allow organisations to sustain social performance by effectively balancing developmental and institutional imperatives.

## 4. Poverty Outreach and BRAC’s Microfinance Interventions: Programme Impact and Sustainability

Shantana R. Halder

This article is based on the experience and evolution of a large MFO, BRAC (Bangladesh Rural Advancement Committee), which is working in Bangladesh. The article stresses that poverty is not homogeneous, but is manifested in different ways and in different contexts. It considers BRAC’s



response to this broader understanding of poverty in Bangladesh, referring particularly to the ways in which specific programmes were tailored and adapted to embrace new information about client needs and behaviour. The study goes on to discuss impact assessment studies conducted on BRAC's initial programme – Rural Development Programme – that provided significant data to substantiate BRAC's positive effect on poverty alleviation, as well as providing information that led to subsequent programmatic shifts in emphasis.

### **5. Simple Standards or Burgeoning Benchmarks? Institutionalising Social Performance Monitoring, Assessment and Auditing of Microfinance**

James Copestake

What sort of standards or benchmarks (if any) could help to improve the social performance of MFOs? This article argues in favour of establishing a single universal standard for social performance, but one that is very simple and flexible. It would stipulate that all MFOs should develop a clear policy that addresses the following questions: what are your social performance goals, and what indicators do you use to monitor progress towards them? How do you monitor the status of clients? How do you assess the value added or impact of the services that you provide on samples of clients, including those who leave? How do you audit and seek to improve the quality of systems for monitoring client status and impact?

### **6. Assessing the Impact of PRADAN's Microfinance and Livelihoods Interventions: The Role of the Internal Learning System**

Helzi Noponen

PRADAN (Professional Assistance for Development Action) is an important promoter of user-controlled microfinance services in India, in the form of Self-Help Groups (SHGs). It has also been a pioneer in developing an Internal Learning System (ILS) that has value not only for assessing its own performance but also as an educational tool for staff and group members. This article describes the ILS and explores its actual and potential role in fulfilling

the simple standards for a social performance assessment system, suggested by Copestake (article 5, this *Bulletin*). In particular, it expands on the issue of how to develop a system that is consistent at multiple levels – including users, field staff, senior management and external stakeholders. In so doing, it also provides a case study of a system that combines participatory, qualitative and quantitative data.

### **7. Refining Performance Assessment Systems to Serve Sustainability, Poverty Outreach and Impact Goals: The Case of the Small Enterprise Foundation in South Africa**

Kate Roper

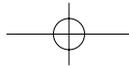
The Small Enterprise Foundation (SEF) is well known for its commitment to poverty-targeted microfinance. It has also been a pioneer in developing an integrated performance assessment system to permit holistic decision-making on both poverty outreach and financial sustainability – known as the “double bottom line” – throughout the organisation. This article presents an outline of the system, then goes on to highlight the need to invest in its continuous review and refinement in order to make it more cost-effective. In particular, it describes the process and outcomes of a review that took place in the context of severe financial pressures.

### **8. Institutionalising Impact-Monitoring and Assessment of Microfinance: Experiences from the Philippines**

Lalaine M. Joyas and Aniceta R. Alip

This article presents a case study of progress in building both demand for and capacity to produce information on client impact in a systematic way. This includes reports of an internal review workshop on impact data needs, and a training workshop on client assessment methods. The article also explains how CARD (Center for Agriculture and Rural Development) plans to share its experiences with other MFOs in the country through the Microfinance Council of the Philippines (MCPI).





## 9. How do Microfinance Organisations Become More Client-led? Lessons from Latin America

Monique Cohen and Katie Wright

The microfinance agenda is increasingly market-driven and, therefore, client-focused. The renewed interest in clients is driven by the industry's concern over competition and drop-outs. This increasing awareness that the customer matters has led MFOs to be more attentive to who their clients are, learning how they use financial services and identifying appropriate products and services that better match the customer's preferences. However, market-led microfinance is not limited to products. For institutions to better serve their clients, organisational restructuring may be required to ensure that their systems and modes of microfinance delivery are more client-responsive. Visits to *Imp-Act* partner MFOs – CAME in Mexico, ODEF and the COVELO network, a national MFO membership organisation, in Honduras – provide the context for a closer examination of the kinds of evolutionary processes that drive institutions to become more client-led, and thereby more effective financial service providers.

## 10. Assessing the “Wider” Social Impacts of Microfinance Services: Concepts, Methods, Findings

Naila Kabeer

Early attempts to assess the social impacts associated with microfinance have focused on changes at the level of individual loanees and their households. This article considers the wider social impacts associated with microfinance. These relate to changes in norms, relationships and activities beyond the domain of the household. The article provides a framework for classifying different categories of impacts, considers some examples of wider social impacts provided by contributions to the *Imp-Act* programme and concludes with methodological observations on the challenge of wider social impacts.

## 11. Microfinance, Social Capital Formation and Political Development in Russia and Eastern Europe

Daniela Olejarova, with Paul Mosley and Elena Alexeeva

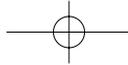
The role of informal social groups is considered important, both in the process of poverty reduction and of democratisation in the transition economies of Central and Eastern Europe and Russia. Lack of social capital, and lack of resources to build it, has led to the creation of a new social class: the “new poor”. Microfinance is viewed as an effective tool for overcoming the social and political exclusion of the poor. This article is based on the results of a research study, conducted in three MFOs in Russia, Romania and Slovakia, which aimed to study the link between microfinance and social capital formation. The results indicate that microfinance appears not to be associated with higher levels of formal, but rather with the development of informal associations, which result in greater levels of trust and more capacity for political participation. Informal associations seem to be more cohesive where there is strong leadership. Political participation itself tends most often to be of an informal nature rather than consisting of formal activism within political parties.

## 12. The Internal Learning System – A Tool for Tracking and Enhancing Empowerment Outcomes and Wider Social Impacts of Microfinance

Helzi Noponen

This article discusses a participant and programme learning tool, the Internal Learning System (ILS) that can assist organisations to track empowerment and wider social impacts over time of microfinance on women members of self-help savings and credit groups. Because of its participatory nature – participants themselves keep their own impact diary not only tracking changes in their lives but also troubleshooting negative outcomes and planning remedies – ILS can also help enhance empowerment outcomes and group efforts to improve area conditions and change social practices. The article presents quantitative results and case study experiences of empowerment outcomes of two Indian MFOs that are currently undergoing field trials.





### **13. Strategies for Poverty Alleviation in India: CYSD's Holistic Approach to Empowerment Through the Self-Help Group Model**

**Anup Dash**

This article discusses the Self-Help Group (SHG) model on which CYSD (Centre for Youth and Social Development), in India, bases its poverty outreach programme. It argues that, in order to effectively reach and have a positive impact on the poorest groups, programmes need to take into account their specific needs and circumstances. The article discusses CYSD's context-based approach, which addresses the complex, multi-dimensional aspects of poverty that characterise the people with whom they work. It emphasises that disempowerment is a central element of poverty, showing how the SHGs act as empowering, confidence-building mechanisms where poor women in particular are given a voice, and where the group wields greater social and political power than individuals. A key point in the article is that, in order to have a sustainable and effective impact on the poor in the specific circumstances outlined, the provision of credit

alone may not be sufficient; rather, financial services should be an integral part of an holistic programme that addresses broader social needs, such as education, health care and empowerment.

### **14. Micro-insurance: Scope, Design and Assessment of Wider Impacts**

**Paul Mosley**

Since risk and the inability to control it is a fundamental cause of underdevelopment, insurance should be an important remedy. The microfinance movement has been slow to move into insurance but is now beginning to develop some useful prototypes, especially in the health and life insurance area; other much-needed forms of insurance such as theft and drought insurance have been slower to develop at the bottom end of the market. This article reports on the initial impact assessment of two health micro-insurance schemes, one operated by BRAC and one operated by FINCA (Foundation for Community Assistance) Uganda. It demonstrates evidence of positive effects on investment, loan growth, and, to a lesser extent, on repayment rates.

