

International Microfinance Workshop Mumbai & Pune (India)

December 7-15, 2006



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Introduction (Franck Renaudin):

Monday 11th, December 2006

Welcome to all of you, participants to the third edition of our international microfinance workshop. It is a pleasure to welcome you all, and a pleasure to share some time with so many people coming from many different countries.

For most of the persons here today, this is your first time in India. For some of you, it's even the first time out of your country. It is an opportunity to exchange with many different persons and to show your capability to adapt yourself to a different culture.

Of course, we will first of all start by introducing each other, then we want to thank the people who organized this workshop. We sometime hardly guess the huge work that has to be done to organize so many visits in so many places with so many undisciplined people! I would like to thank especially Elise, Fx, Atul, Vijay, Romain, Stéphane and Anne. Thank you also to our Indian partners who have welcomed us all on the field: Navnirman, Parvati, Annapurna and SKS.

The title of this workshop is "Microfinance that makes a difference for the poor". This is a very ambitious programme! Are we sure that we are making the difference for the poor? During the 2001 workshop in Pune, we had no main topic: it was the occasion to have a first overview of many different issues. But no specific activities derived from the workshop were implemented afterwards, probably for lack of tools. In the 2004 edition in Manila, we focused on Information Management and all related topics such as MIS, reporting, and auditing. The good news was that after this Manila Workshop, some big accomplishments were made in all organizations.

For this edition, we felt that we had to focus on social performance. Because we know that to achieve our goal of reaching the very poor, financial performance cannot be enough, even though it is necessary. So when Stéphane Buthaud and myself had the opportunity to attend the Halifax summit last November, we were both surprised and happy to see that social performance was the main theme, and to hear the organizers of the summit say that all efforts should now be to focus on the very poor! We felt it was somehow a recognition of our work, of the choice we have all made to reach out the very poor with some specific services.

But now, our challenge is to grow while maintaining our target: the very poor. Other MFIs have been able to increase outreach at a higher level while providing other services to the poorest, showing that social performance and financial performance are compatible.

This is what this workshop is all about. It will be fruitful if, once we are back to our working places, we implement the tools that were given to us. So I will now let Stéphane give you an overview of the Microcredit Summit Agenda in Halifax (Canada).

A few words on the Halifax Microcredit Summit (Stéphane Buthaud)

Monday 11th, December 2006

In, 1997, the goal set by the first Microcredit summit was to reach **100 millions** of the world's « poorest families » by 2005...

In 2005, 113 millions persons have an ongoing loan. **82 millions** clients were among the poorest when they contracted their 1st loan. But... were these 82 millions really among the poorest? How and from whom was this data collected? Which tools were used to assess the poverty level?

At present, the emerging trend is to increase outreach to the very poor by providing services that are better adapted to this category of clients. Financial sustainability is no longer a goal, it is rather a mean.

Finally, a new deal?

After more than 10 years of focus on financial & institutionnal sustainability of organizations... more and more MFIs want to put the clients at the centre of the social mission, to **improve the financial AND social sustainability of very poor clients**.

In order to ensure that these programs focus on working with the very poor, the US Congress passed the Microenterprise for Self-Reliance Act in 2000, mandating that half of all USAID microenterprise funds go to the very poor. (This level was defined as those living on less than \$1 a day, or the bottom 50% of households living below their country's poverty line.)

Thus, the Microcredit Summit objectives for 2015 are:

175 millions more clients among which... **100 millions** of the world's « poorest families » : the aim is to target the very poor and lead them above the poverty line (US\$1/day/person). To monitor the results, new poverty assessment tools (such as those developed by IRIS¹) must be designed and certified.

And what about our agenda?

<i>Monday</i>	Social Performance and poverty assessment tools
<i>Tuesday</i>	Growth and strategic planning
<i>Wednesday</i>	Micro-insurance
<i>Thursday</i>	Non financial services
<i>Friday</i>	Learning processes & commitments...

...to contribute to 2015 goals?

¹ <http://www.iris.umd.edu/>: IRIS is developing low-cost tools to assess poverty levels of clients in USAID-sponsored microenterprise programs. <http://www.povertytools.org/>

Introduction to Social Performance (Ben Quinones²)

Monday 11th, December 2006

Social performance is the effective translation of an institution's mission into practice in line with social values that relate to:

- reaching poorer and excluded clients;
- improving the lives of clients and their families;
- widening the range of opportunities for communities.

Social performance implies to have a clearly defined mission and objectives, to reach target market, to deliver high-quality and appropriate financial services, to respond to the needs of clients, their families and communities; and to ensure the responsibility of the MFI towards its employees, its clients, and the community it serves.

Operations: actions must be implemented according to mission and objectives and carefully monitored; corrective measures must be taken as soon as necessary, to improve our programs to achieve the social goals we set out in our mission statements.

Systems must be aligned with mission (human resources: leadership, trainings, rewards such as financial and non-financial incentives; marketing; service delivery...)

Deliberately managing to achieve desired results : performance is not *incidental*.

Results must be measurable:

- Reaching target clients
- Meeting client needs
- Creating benefits for clients
- Social responsibility

What it explicitly *defined* and *measured* is what is managed

- Need to *define* desired performance
- Need to *measure* against desired performance

Accountability: MFIs have a responsibility to be transparent about their social performance: Who are our clients? What changes are taking place in their lives?

Strong financial performance is not *the end goal*, it is rather a *necessary means* to accomplish the social mission (the World Bank was responsible for this shift from social performance to financial performance in 1999. Now there is a shift back).

The practical benefits to industry stakeholders are :

- Creates a more client-centered organization
- Demonstrates “blended returns” to donors and investors
- Permits social performance benchmarking
- Facilitates better financial performance

² Benjamin R. Quinones, Jr., Chairman & President, CSR SME Asia, (Coalition of Socially Responsible Small and Medium Enterprises in Asia in Asia)

Ben Quinones powerpoint presentation is on Workshop CD.

Apply a social lens to performance management

- Translate mission into goals and objectives
- Monitor and assess performance towards goals and objectives
- Use information to improve practice

To increase and monitor social performance, one should build on existing systems and processes

- Appraisal, rewards, communication, training
- Monitoring & assessment
- Decision-making processes

More on : **Social Performance Resource Center**

http://microfinancegateway.com/resource_centers/socialperformance

(Management training ; Technical Assistance ; Tools; Rating, audit and other forms of assessment)

Auditing the social performance of Microfinance institutions: testing the Cerise “SP Questionnaire for microfinance institutions”

Thursday 7th, Friday 8th and Saturday 9th December 2006

The Cerise Social Performance questionnaire was tested on the field with Navnirman staff (Mumbai, Thursday Dec 7th, 2006) Annapurna’s and Parvati’s headquarters and branches staff (Pune, Friday Dec. 8th, 2006). The results were put in common on Saturday 9th at Yashada Centre in Pune, and the questionnaire itself was analyzed.

NB: One should note that the objective was to assess the tool, not the NGOs. The questions were just asked to the staff, and the answers were not verified, which has probably lowered the score for some partners in some cases. (The formulation of some questions is not adapted to field staff such as question 1.7 to which some field staff could not answer).

The results of the questionnaire are as followed :	Dimension 1 Outreach (max = 29 points)	Dimension 2 Adaptation of Services (max = 25 points)	Dimension 3 improving clients' social capital (max = 25 points)	Dimension 4 social responsibility (max = 25 points)	Total (max = 104 points)
Annapurna					
Head Office	21	18.5	20	17	77.5
Branches	16	16.66	13.5	15.66	61.82

One can note the difference in rating between the field branches and headquarters: the HO carries the vision, which might not be so well understood at the branch level. The trend is flat. Annapurna’s area of competency is awareness and women empowerment.

The formulation of some questions has probably led us to overestimate by 1 to 2 points some answers in dimension 1 (questions 1.1, 1.3., 1.14.) and by at least 1 point for dimension 4 (4.1.)

Microfinance that makes a difference for the poor

Parvati	Dimension 1 Outreach (max = 29 points)	Dimension 2 Adaptation of Services (max = 25 points)	Dimension 3 improving clients' social capital (max = 25 points)	Dimension 4 social responsibility (max = 25 points)	Total (max = 104 points)
Head Office	23	18	15	11	68
Branches	23	13	8	12.2	56

Parvati : One can note that Dimension 1 gets the same score at the headquarter and branch level; this translates Parvati's pro-poor methodology: the strategy is well understood at the branch level and well implemented. Regarding dimension 2, we can say that there is a will to adapt the products, but it might not be fully developed at the branch level yet. The results of Dimension 4 show a good level of communication between the HO and the branches.

	Dimension 1 Outreach (max = 29 points)	Dimension 2 (max = 25 points)	Dimension 3 (max = 25 points)	Dimension 4 (max = 25 points)	Total (max = 104 points)
Navnirman	22.2	13.8	11.7	9	56.7

Navnirman's results reflect the NGO's pragmatic strategy (business oriented loans and savings programme) and good outreach. The NGO does reach out to the poor and targets very poor areas. There is a good adaptation to the beneficiaries' repayment capacities, but no diversity of loans and savings products. At present there is no participation of the beneficiaries in the decision-making process.

	Dimension 1 Outreach (max = 29 points)	Dimension 2 (max = 25 points)	Dimension 3 (max = 25 points)	Dimension 4 (max = 25 points)	Total (max = 104 points)
Annapurna	18.5	17.5	16.25	16.23	68.55
Parvati	23	15.5	11.5	11.6	62
Navnirman	22.2	13.8	11.7	9	56.7

Analyzing the questionnaire

Inter Aide, Entrepreneurs du Monde and their partners' — Navnirman, Parvati, Annapurna, Disha Bajaj, Disha Kendra, Swahibham, Seed —³ comments on **Cerise SPI questionnaire (version 2.1)** were sent to Cerise on Pune on Dec. 11, 2006 Cerise' answered arrived on Feb.15th, 2007. (see appendix 1).

³ Altogether 15 partners organizations involved in microfinance programmes based in 9 countries. Comments were made by more than 20 persons after 1 ½ days of testing the tool on the field with 3 Indian partner organizations at the branch and HO levels.

Assessing the global performance of an MFI (Stéphane Buthaud)

Monday 11th, December 2006

Several tools are needed to assess the different aspects of microfinance programmes:

	Social issues	Economic / financial issues
Monitoring performance ⇨ intentions and actions	Assessing / auditing tools ⇨ Cerise tool on social performance	Auditing tools
Assessing the impact ⇨ outcomes and change	Impact studies	Impact studies

To monitor social performance, one should look at outreach, services, results and social responsibility. To monitor financial performance, one should look at the productivity, the portfolio at risk, profitability, yield... We used the Cerise tool just by interviewing the staff. We did not go on the field to see if the clients' situation has actually improved: specific indicators are needed to track the changes and improvements. Such indicators can be found in Poverty Assessment Tools (PAT).

Suggested shortlist of indicators for social reporting by MFIs

Monday 11th, December 2006: **A.M. group work** : see Appendix 2.

Presentation of Uplift India's poverty assessment tool (Delphine Chauvet)

Monday 11th, December 2006

It was first designed in India in 2000, by Isabelle Roche with Navnriman's "family form" and by Anne-Claire and FX Hay with Annapurna and Parvati's "leveling tool". It was then exported to Madagascar in 2003 by Isabelle Roche. There, Inter Aide and Cefor's programmes in Antananarivo and Ansirabe improved it (*La fiche familiale*)⁴. In May 2005, further improvements were made in Madagascar to simplify the "fiche familiale", using a tool produced by researchers for ID Bénin credit programme. The improvements were then imported back to India and adapted to the Uplift India partners.

This tool is used for the three types of programmes implemented by Inter Aide's partners in Pune (Family development programme, Health Mutual fund and Microfinance). This tool is the link between the three programmes.

The Impact form is filled in by IGP field staff for every loan, one month after disbursement. (⇨ Pending question : shall we fill in this form before or after disbursement ?). It takes 20 mn on average per form. The service executive can fill 50 to 60 forms per month.

The first page is about living conditions. The second page about the income level of the family.

There are 7 levels defined. The level 1 is the poorest. 50% of first loans are given to families below level 3.

⁴ These tools have been put online on Pratiques website as soon as they had been validated
<http://www.interaide.org/pratiques/microfinance/index.htm#impact>

The impact form mixes **qualitative** as well as **quantitative** elements so as to allow **cross-checking** and **avoid bias**.

The measuring parameters are split into Quantitative & Qualitative Indexes

The tool was tested initially in May & June 2006 in two branches of Parvati and thereafter implemented in the partner NGOs in the month of September 2006.

Parvati Pilot test mainly showed that in 85% of cases studied, there was a discrepancy between the Income level and the Standard of life Index. Sometimes there could even be a difference of two levels. A deeper understanding of the family dynamics revealed that the life standard index is not directly related to the total per capita income as many other factors are at play:

The Life standard level is higher than the Income level when the unit of study (=the family) has external support from their parents/family back home, or when the family owns its house.

The Life standard level will be lower than the Income level when there are external or internal liabilities.

The cases may differ from family to family.

We therefore decided to have two separate levels: the INL (Income Level) and the LSL (Life Standard Index level) to define portfolio quality. In addition to the basic '**population census**' information (age, gender, marital status, education & occupation, etc.) seven **qualitative** indicators are taken into account :

- 1.Food
- 2.Health
- 3.Housing
- 4.Education
- 5.Documentation
- 6.Economic Activity
- 7.Financial Links

And **three quantitative indicators** :

- Income from various sources (⇒ Pending question: as this information has already been asked by CM during the project assessment, we are thinking of dropping the income & expenditure question)
- Expenditure at various levels
- Savings (Total & Monthly).

The choice of the score is based on questions & observations (answers must be validated through cross-checking)

① **Food is the first of the seven qualitative indicators represented in quantitative terms.**

It is the most sensitive question to ask, according to the Service executive (always kept at last)

A single option is to be selected. The four options include:

- Irregular Meals.
- Regular Imbalanced meals.
- Assured and balanced meal, but not diversified.
- Assured, balanced and diversified meals.

Questions:

- No. of times the meal is usually cooked/taken
- Constituents of the meal

Observations:

- Type of uncooked food
- Nature of cooked food
- Does this constitute a balanced meal ?
- Both quantity and quality are assessed

2. The second qualitative indicator is health. The indicator is linked with food and the score is likely to be similar. The options include:

- Frequent non treated ailment
- Frequent irregularly treated ailment
- No frequent ailment, but adequate knowledge of medical service
- No frequent ailment, but adequate knowledge of medical service along with medical insurance.

Questions:

- Do you have an insurance policy?
- Knowledge and access to hospitals around the area of residence.
- Do family members frequently fall ill?

Observations:

- If children or family members in general appear mal-nourished.
- If children are immunized.
- Are they hygiene conscious?

3. The third indicator in the first category is Housing, once again with 4 options and a single selection. The category selected will be based purely on observation. The options include:

- *Kachha* housing (katcha means “uncooked”, ie: non permanent housing)
- Water proof *Pucca* Housing (Pucca = brick or cement structure with cement roof)
- *Pucca* housing with electricity or water
- *Pucca* housing with own electricity account, water and toilet.

NB : We are thinking of taking photo of each house in order to facilitate the ranking of SE.

Observations:

- Airation
- Sunlight
- Water seepage
- Space per head
- Access to toilet
- Access to electricity
- Access to water
- Owned/Rented
- Hygiene

4. Education of children

The options include:

- No eligible children are in school
- Only few eligible children go to school
- All eligible children are in school, but performance is not satisfactory
- All eligible children are in school and performance is satisfactory.

Observations:

- all eligible children are in school
- class corresponds with age
- performance is satisfactory
- any indications of some members going in for higher than average education
- all children within 15 years of age are strictly expected to be in school.

5. The fifth indicator for measurement is Documentation.

– Maximum of 4 points

Multiple options are selected here, and the sum of those options is taken as the score.

There are 5 options for selection:

- No papers available
- Birth Certificate for children
- Ration Card ⁵
- Election Card
- PAN Card/IT Receipt

P.S. The only validation would be availability of the documents.

6. The sixth indicator measures the Economic activity of the family.

– Choice of four options, a single selection is allowed. The options include:

- No eligible members / members < 15 years are working.
- Some eligible members are working. Irregular income, no stable business.
- All/Few eligible members are working but income inflow is not assured (no payroll/Hawkers)
- All eligible members are daily working with security (payroll/Market Place)

Questions: (Eligibility: >15 years & above if not enrolled for a regular Education)

- How many of the eligible members are working?
- Regularity of Income

Observation:

- Proof of Employment for instance a payroll slip
- Check if area of work secure / insecure

⁵ The Government of India issues ration cards to the people which allows them to collect rations at a subsidized price from public distribution shops. But not all poor families have a ration card. Families with BPL ration cards (=below the poverty line) get Rice, Wheat, Sugar and Kerosene at subsidized prices. Families with white cards (above poverty line) do not get any subsidized supplies.

7. The last qualitative indicator is Financial links, with four options – only a single option is selected:

- Money lender debts/no eco transaction activity
- No savings/no debts/member of *Bishis*
- Savings <15 000 Rs and access to Coop/MFI
- Savings > 15 000 Rs and access to banks Loan

Questions:

- In case of emergency, how much money can you gather? How (savings/Bish/Money lender...)

Once all this information is computed, a level is calculated for the family. This level ranges between 1 and 7 and corresponds to different levels of living standards.

The levels categorize slum families (households) in 7 categories, level 1 representing the weakest families and level 7, the strongest. Populations outside the slum are not considered for comparison. For a slum outside Pune a field test is required to understand the general level of well being in the concerned slum.

The Income level is determined on the basis of Per capita income per month.

- "Partners" (clients) are not happy with this question as it has already been asked by credit agent during the project (business) assessment,
- Information is different from business assessment and from Impact form
- No place to encode those different data
- The Service Executives (in charge of the Health Mutual Fund activities) do not have the same qualification as Collector-Motivators (credit agents)
- We are thinking of dropping the income & expenditure question.

Encoding has been delayed due to software problem so there are no results yet... The data will be analyzed in 2007.

See tool in Appendix 3.

Presentation of ID- Haiti Poverty Assessment Tool (Gilles Baube)

Monday 11th, December 2006

The objectives of this poverty assessment tool are

- to make sure that we actually serve very poor people
- to have information understandable to the board, funders and even the staff.
- as for now, it is NOT used to measure the clients' evolution.

It is a "photograph" devised to make sure that we are reaching our target. It is not used as an impact tool.

Method

social evaluation on the field, in the course of the business evaluation and address checking evaluation on one case out of two, at random evaluation should:

- be objective, on elements easy to check (observation, simple questions...)
- rely on relevant poverty criteria (discriminating criteria)
- and it should not undermine the credit agents' productivity.

Set up process

Microfinance that makes a difference for the poor

readings and exchanges with other programmes

choice of a system

2 workshops were organized with all credit agents to present, modify and adapt the system, so as to:

- clarify the meaning of the criteria
- make sure that the credit agents are actually able to get a proper answer to the question (to avoid lies and manipulations of information because of the clients' need to obtain a credit)

five months testing phase.

First results:

962 people were assessed. There are no global score given. To analyze the data, all answers must be checked.

A 3-month study was conducted in Haiti by a woman doing a master degree in social science in France, to assess the efficiency and reliability of the tool. The conclusions of the study were that:

- poverty has many different features and cannot be reduced to a figure
- poverty can be objective as well as subjective (people can feel excluded and poor)
- poverty can be hidden, and people might try to hide it
- poverty is a dynamic notion (death in family or illness may precipitate a family into poverty)
- poverty patterns vary from one area to another (even more so from urban to rural areas)

Conclusion 1 : it is very difficult to apprehend poverty as a whole, and summarise into a figure

Conclusion 2 : it might be better to present statistics on the living conditions of the people we serve, rather than a global indicator which is difficult to understand or analyze, or compare to other indicators.

Building on these recommendations, a new social categorisation file has been designed and has yet to be tested on the field. *It is presented in appendix 4.*

Presentation of CEFOR's poverty assesement tool (Guillaume Lacondemine)

Monday 11th, December 2006

CEFOR targets the poorest in the poor areas of Antananarivo. Cefor has developed two main tools to assess its microcredit programme.

- Impact study
- Categorisation tool

A second **impact study** was carried out in March 2005⁶

200 questionnaires were filled with "partners" (clients) in 3rd loan and above. 81% were women. They came from 4 out of the 5 areas of intervention.

The results obtained indicated an increase of benefits for 93% of partners, after their 3rd loan. The average benefit increase is 100% (more for men than for women). There is a Correlation between the increase of revenues and the food/education expense level. 76% of partners have the feeling that their economic & social situation has improved.

⁶ The 2005 Impact study report is online on the Pratiques website:
http://www.interaide.org/pratiques/pages/urbain/credit/Fiche_impact_cefor_06.pdf

The Categorisation Tool was introduced in May 2005. The information collected is systematically analysed with Excel since June 2006. Before 2005, the beneficiaries were initially selected according to their income level, which is a criterion that we consider as too restrictive.

The objectives of this tool is to:

- Select our “partners” (clients) according to their poverty level (and not only their income)
- Assess the improvement of their social and economic situation
- Determine their social and economic profile
- Refer partners to other organizations according to the problems identified
- Design new products and services, to tackle the weaknesses highlighted by this tool

The tool is simple and quick to fill. It is completed by the Credit Agent, at the beneficiary’s home, for each New Loan (selection) and then at the 4th, 7th, 10th and 13th... loan (to measure the clients’ progression)

The Poverty level is measured through 8 criteria:

Criterion 1: Savings & Assets (thresholds based on an impact study carried out in Dec 2003):

- 1 point = 1 single room, 1 bed and cooking gear
- 4 points = 1 sleeping room and 1 common room, television, radio

Criterion 2: Type of activity:

- 1 point = no activity
- 4 points = regular and formal activity

Criterion 3: Income per Consumption Unit (CU consists in giving a different « weight » in terms of consumption, to each family member)

- 1 point = a 5-member family earning less than the minimum legal salary (21 €) (0,20 USD per day per person)
- 4 points = a 5-member family earning more than 3,5 times the minimum legal salary (78 €) (0,70 USD per day per person)

Criterion 4: Food (Malagasy people traditionally eat 3 full meals per day):

- 1 point = 0 or 1 full meal per day
- 4 points = 3 full meals per day plus breaks

Criterion 5. Health (Same criteria as in India/Philippines):

- 1 point = recurrent illnesses not treated
- 4 points = all illnesses treated

Criterion 6. Housing (quite different from India/Philippines):

- 2 criterias taken into account:
- Condition of the roof (=most required maintenance due to rainy weather)
- Space available per person (=national standard)
- 1 point = leaking roof and small space
- 4 point = good roof and large space

Criterion 7. Education of children:

- 1 point = no eligible child sent to school

- 4 points = all eligible children at school, in the normal class level

Criterion 8. Administrative documents (gives a hint on the client's insertion into the society)

- 1 point = no document available for no one
- 4 points = all documents in order

Calculation of the poverty level

The mark for each criteria leads to a global mark, corresponding to a Poverty Level (1 to 8) CEFOR aims at Levels 2 to 6 and actually reaches levels 3 (8%) to 6 (3%), the majority of clients being Level 4 (51%) and 5 (38%) [results for 500 partners - June to August 2006].

Data analysis : All Forms are computerized at HO and analysed on Excel

The data analysed are: the Poverty level per branch, gender per branch and per credit agent; the activity and level of education per "partner" (ie. clients); the savings and assets per partner.

Issues identified :

- There is no criterion taking Indebtedness into account
- Is the « Administrative » criterion relevant?
- Relevance of the « Income » criterion
- Subjectivity of Credit Agent (particularly as far as the evaluation of assets is concerned).

The poverty level can change according to the loan cycle (after the 8th loan, hopefully, a client should be richer than at the time of first loan): this can be measured through this system too.

See tool in appendix 5

U-Impact software presentation, FX Hay (Pune)

Monday 11th, December 2006

Two types of software are used to manage our activities:

- loan management software (LPF and L&CBU) for IGP activities
- Syslist software for HMF schemes

Then we started another database (U-Impact) to compute the results of the social categorization tool. We also wanted to have a link between the IGP and the HMF softwares. For instance a satisfaction survey can be entered in U-Impact and linked to the activity database and to the categorization database. For instance if you have interviewed Deshmuk during the satisfaction survey, and enter this information in the U-Impact, it will then be linked to Deshmuk's loan information file, and to his Family Development database file if Deshmuk's family has benefited from the Family Development programme, and to the training activities if his son for instance enrolled in one of the training programme provided by the NGO. You will thus have all information on Deshmuk's participation in the NGO's services and the results of his participation.

In the future, this will be analyzed according to several factors (time factor, number of loans, participation in the family development programme, to the Health Mutual Fund, and any other relevant factor) to try to get the main explanatory factor that makes the difference for this family.

U-Impact is presently being tested in Annapurna and Parvati. The encoding is underway.

A word of conclusion by Franck Renaudin:

Monday 11th, December 2006

To conclude on Poverty Assessment Tools, we can mention that in Halifax, we met some experts who have been working on and analyzing existing Poverty Assessment Tools (PAT) for quite some time... Their conclusion is that it is not possible to have one universal tool⁷. USAID has approved 12 country tools developed by IRIS, and those tools, accompanying data entry templates, and the implementation manual are now available at the project website. Concerning our countries of intervention, tools are available **for India, Madagascar, Ghana and Vietnam**: they can be downloaded from http://www.povertytools.org/USAID_Tools/USAID_Tools.htm. They are composed of 10 to 20 questions, with most questions on assets and savings, very few on education and no question on health. They recommend not to try to obtain information on income as it is generally unreliable, but to focus on assets and expenditures.

PAT are only meant to assess the level of families at a given time : they are not impact tools. It cannot be used as a selection tool either because the margin of error is too high. PAT are useful to check whether we reach our target and to adjust our services to our target. Consequently, clients should be interviewed regularly (for instance once a year), to better adapt the products to clients, thus improving the retention rate and the overall quality of operations.

7 recommendations to establish a Poverty Assessment Tool (PAT)

Inspired from Halifax's Workshop, November 2006

1. **Don't consider PAT as Impact tool:** PAT just aims at assessing the poverty level of a family at a given time, it cannot evaluate the impact of the services given.
2. **PAT is not designed to select your clients:** as the margin of error is big, the risk of accepting those too rich or rejecting those too poor is quite high. Nevertheless, the consolidated results can be used as a reason to reorient the MFI's target population and/or target area.
3. **Interviewing 100 % of clients is best:** you can also do the assessment on a per sample basis, but this method is less advisable if you plan to measure the evolution of your clients (See point 4), mainly regarding the drop out issue.
4. **Interview your clients once a year:** this will allow you to measure their progress, in some specific fields but also overall.
5. **Don't try to assess the family income** ⇒ **focus on expenses** (assets, housing, schooling...): assessing the family income has proven to be too difficult, too time consuming and too poorly reliable.
6. **Use one of the existing tools, or invent one:** 12 tools have already been developed for 12 developing countries. If you work in a country for which no tool has been developed, dare to develop your own tool.
7. **See PAT as an investment, not a cost:** the time spent to fill a form is nothing compared to the long term benefit to your organisation : impact on your clients, higher retention rate, bigger portfolio, bigger income, sustainability.... Anyway you are supposed to collect already most of the data in your application form, so just rationalise !

For more information...

<http://www.povertytools.org>

<http://www.iris.umd.edu>

⁷ USAID/IRIS review of existing poverty measurement tools, poverty benchmarks, can be found on http://www.povertytools.org/Project_Documents/project.htm

Social Performance Management: a practical road map (LB Prakash)

Monday 11th, December 2006

Social performance consists in putting vision and mission into practices. First, the mission of the organization should be defined, then the procedures to achieve the mission can be set.

The core of Social Performance Management (SPM) is:

- a. Clarify social objectives:** what are they and how do you plan to achieve
- b. Understand clients:** who uses the products, services; who doesn't; exclusion?
- c. Understand why clients leave:** why and when;
- d. Understand social and financial impacts** on clients, families, communities
- e. Review work regularly** so as to maintain and improve quality of systems to answer

Building a system

System is built on social mission; it is based on clear objectives and implemented with definite methods for collecting and analysing data, such as

- how clients are interacting with program
- how to improve relationships with clients
- how & why the program is affecting clients

Build your system slowly!

The costs and Benefits of social performance for managers are :

- Balance financial and Social objectives
- Generate base line information
- Track performance against targets

To improve Outreach, Services & Products:

- Segment your portfolio
- Monitor how clients use services
- Innovate
- Verify results of program changes
- Track impacts on clients' lives – intended and unintended
- Identify problems

The costs and Benefits of social performance for clients are:

- More appropriate services
- More product choices
- Better customer service
- Greater 'voice' in program

This results in better financial performance:

- retention of clients
- program growth
- lower operational costs
- demonstrate social performance

A Road Map:

- ⇒ Developing an SP strategy
- ⇒ Monitoring and assessing SP
- ⇒ Institutionalising and using SP info

⇒ Developing an SP strategy

- Clarify Social Goals: for instance : Improve the well-being of large numbers of poor women and their families by providing long-term access to quality financial services
- Set clear and realistic performance objectives and targets
- Design or modify your program to achieve social performance objectives

⇒ Monitoring and assessing SP

Planning your SPM system: what questions to ask; who should collect information

There are two elements

- routine monitoring
- follow-up research

* Routine information consists in information that can be collected on a regular basis and integrated into MIS. For instance :

- baseline data from client loan applications
- interviews of clients who leave

The objectives of this type of routine information is

- Early warning in case of problem
- Tracking performance against targets
- Portfolio segmentation
- Tracking client use of services

☞ Recommendation about routine monitoring:

* Find the right time for monitoring

Use existing opportunities such as loan applications, savings withdrawal or group meetings to do monitoring activities

Do not collect too much data

Think about how much information you really need for your purposes

* Follow-up research: ☞ Be realistic about the resources you can commit to research. Staff experience is invaluable in the research process

SPM system design

What information is needed? Who needs it?

☞ Think about what you need to know, and keep your plan simple

- a). What information will you collect?
- b). How will you collect the needed information?
- c). From whom will you collect the data?
- d). How frequently will the information be collected?
- e). Who will collect, collate⁸, analyse and report?

⁸ ≅ compile

Microfinance that makes a difference for the poor

a) What information will you collect? Track:

- outreach to your target clients
- clients' use of your services
- benefits created for your clients

Indicators measuring outreach to target clients

Indicators measuring effectiveness in meeting client wants and needs

Client satisfaction

Client exit

Design effectiveness

Changes in client status and impact

b) How will you collect the needed information?

Process of indicator selection

Identify sources of information

Map existing data

Build on existing tools and systems

Develop a pool of indicators

Develop selection criteria to narrow the pool

- indicator sustainability (how long will it serve?)
- universality (is it relevant to all clients?)
- sensitive to change (will it reflect progress well?)
- easy to measure (cost, ease of data collection)

Define measures for each indicator

Test and refine indicators and measures

c) Collecting the info you need

Qualitative or quantitative approach?

Choosing tools

For instance to measure outreach to target clients (who uses the services, who is excluded) you can use :

- Client entry form
- Poverty score card
- Focus Group Discussions
- Surveys
- Individual interviews
- Financial Service Matrix
- Wealth ranking
- Client exit tools

To assess intent and design (What are your SP goals? How do you seek to achieve these?) you can use CGAP Poverty Audit or CERISE SPI.

Microfinance that makes a difference for the poor

c). From whom will you collect data?

All clients => too Costly
only for detailed portfolio and performance analysis

How to select sample?

- vary for each tool you use.
- general picture of performance in a small sample
- detailed analysis on a larger sample
- number of different variables on a larger sample
- Introduce additional clients into your sample each year to include new entries into the program

1. Qualitative sampling strategies
2. Extreme or unusual cases
3. Obvious cases that clearly demonstrate the phenomenon you want to assess
4. Differences in client characteristics or variation (rural, urban)
5. Typical cases or the ones that exemplify an average outcome of program participation
6. Typical high- and low- performing client
7. Critical cases to make a specific point very dramatically
8. Client-recommended clients to identify who knows most about a particular phenomenon
9. Confirming and disproving cases to document why an individual or group either follows or does not follow a particular pattern.

d). How frequently will the information be collected?

There are 3 elements: routine monitoring (Information that can be collected on a regular basis and integrated into MIS), baseline data from client loan applications and interviews of clients who leave

e) Who will collect, collate, analyse and report?

Three principle factors influencing decisions

- Cost
- Quality
- Organisational learning

Three models for staffing SPM

- Internal and integrated
- Externally contracted
- Intermediate

Three recommendations:

- Simplify
 - Test
 - Revise
-
- Consider how computerisation can facilitate SPM process
 - Build on what your organisation already has in place
 - Always test your SPM before introducing it across your organisation

Microfinance that makes a difference for the poor

⇒ Institutionalising and using Social Performance information

“Unless you communicate the info. effectively to your staff and other stakeholders, it will not make a difference to your organisation.

“Feedback loop

“You need to align your SPM system with other functions such as HR, Mktg, financial management, budgeting, strategic planning and communication

Advice on institutionalisation

“Make sure you have support from senior management and the board

“Ensure staff buy-in at all levels

“Identify a system “champion”

“Start with small steps

“Try to achieve some useful results quickly

“Find sufficient resources

“Find the appropriate mix of staff and external input

Improving your SPM system

“Identify strengths and weaknesses in the system – Scientific Research Methods

“Assessing the quality of data generated and its findings – Internal Quality Controls

“Reporting on how effectively SPM findings influence and inform practice – External Auditing

Framework for SP review

- 1.What are the MFI’s SP objectives and how does it seek to achieve them?
- 2.How do you monitor who uses and who is excluded from using your services?
- 3.How do you monitor and understand the reasons why some clients leave or become inactive?
- 4.How do you monitor and understand the effect of your services on your active clients?
- 5.How do you use SP info. To improve your services?
- 6.How do you improve the systems through which you answer these Qs?

Growth, outreach and strategic planning

Tuesday 12th, December 2006

When growing, our organization becomes an animal that we do not recognize: we are afraid of losing control. But this is not an emotional problem, it is a professional issue that we will go through today, with two presentations by SKS and Swaddhar and some group work.

Presentation of SKS Microfinance (Deepak and Rashmi)

Mission :

SKS Microfinance empowers the poor to become economically self-reliant by providing financial services in a sustainable manner.

Overview:

Launched in 1998, SKS Microfinance is one of the fastest growing microfinance organizations in the world, having provided over \$ 120 million (Rs 530 crores) and has maintained loans outstanding of \$42 million (190 crores) in loans to nearly 425,963 women clients in poor regions of India . Borrowers take loans for a range of income-generating activities, including livestock, agriculture, trade (such as vegetable vending), and production (from basket weaving to pottery). SKS also offers interest-free loans for emergencies as well as life insurance to borrowers. Its affiliate, SKS Education, provides education services to poor children, including running a government-funded school for girls who have dropped out of school.

SKS currently has 215 microfinance branches in the states of Andhra Pradesh, Karnataka, Maharashtra, Orissa and Madhya Pradesh, Bihar, UP, Rajasthan, West Bengal , Jharkhand, and Chhattisgarh. This year, SKS aims to reach 700,000 clients by March 2007. In the last year alone, SKS Microfinance has achieved nearly 161 % growth, with 98% on-time repayment rate.

sources: <http://www.sksindia.com/>

The scope of increasing outreach in India is both geographic... as monetary

80% of MFI penetration in India is concentrated in 3 southern regions: Tamil Nadu, Andhra Pradesh and Karnataka.

While there has been significant growth in access to finance in the last decade, there is still a huge unmet demand : The finance accessed by poor households is evaluated at US\$ 2.5 billion, whereas the demand from **160 million Poor and Vulnerable Households** in India is evaluated at \$100 billion (Source: World Bank; CGAP - Occasional Paper #8, 2004).

SKS's goal and values : "empowering the poor to become economically self-reliant"

SKS' **target population is the poor and very poor** (below 1US\$ a day). To reach this population, SKS targets clients (segmentation), has specific objectives and designs specific services and standardized tools. SKS also works with existing Self Help Groups.

SKS has chosen to **reach financial sustainability first**. When it is achieved, they might go for non-financial services. Meanwhile, SKS strategic alliances with organizations providing non-financial services to borrowers.

To screen the population SKS uses a **housing index** which is simple to use and accurate to define clients below 1 US\$ and 2 US\$ a day.

This allows SKS to maintain its social goal.

The **core organizational values** of SKS are:

- *Execution* : try to do things in the standard way
- *Innovation* : strive to do things in a better way
- *Ethic* : do things in the right way.

SKS has strong **moral values too**. SKS asks their staff to adhere to these values and behave accordingly. For instance, their staff are not allowed to drink or smoke, even outside working hours...

SKS's methodology

SKS has several financial products : Income Generating Products (business loans), mid-term loans (for housing or education) and emergency loans.

They first conduct surveys in villages, then recruit a group of 10 members to which they provide a 3-day training. After evaluation of the training, they deliver the services directly in the village (release, collection...).

The cost to the borrowers is 23,6% per year. SKS's profit is 1.6%.

But the outreach is presently stagnating; there are no new members, or drop-outs are not compensated by new members.

Key factors of growth

Strategic planning : strategic planning has been conducted at all levels of the organization (Operation; Finance; HR; System & setup)

Fund : Equity and Debt

Human resources: well-trained staff is needed, at the Field level as well as for the Back Office

Systems: the systems and set-ups must be standardised, scalable and cost-effective

Communication: communication must be effective, timely and as per need. Feedback is needed.

Hurdles in growing fast :

At the level of strategic panning: mistake will trickle down to every sphere of organization

At the level of finances, the major risks are unavailability of funds and mismanagement/ improper utilization

At the Human Resources level: Hiring (at different layers). training; retaining

Some risks are structure-related, such as overgrowing size of a certain layer of staff, internal clash of power

At the level of internal communication, the hurdles are the distance of the organization from members, and the distance of the central office from field staff (real or perceived), which might result in fraud.

Example of solutions:

At the Human Resource level : establish factory-style training with the objective of increasing by 10 the velocity of training, and enabling accelerated deployment of large field force.

At the systems level : System and procedure should be standardized, uniform and scalable in every aspect.

Tools for risk identification

Before starting operation, such tools can be

- financial sorecard,
- secondary subjective data collection,
- branch survey.

During operation:

- Internal monitoring: group recognition test ; loan utilisation check; meeting monitoring, clients' feedbacks (helpline number...); internal audit
- External monitoring : media screening; feedback from outsiders; external audit.

Tools to plan development

- Organizational assessment,
- External rating
- Internal continuous formal feed-back systems (to collect feed-backs from field staff as well as from members).

SKS' Key Strengths

SKS identifies their own Key Strengths as:

Customer Focus: Participatory product design; Field staff mirror clients

Professional Management

- Financial services and social development experts
- Transparency and Good Governance
- Broad-based management team with world-class experience (McKinsey, Merrill Lynch)

Standardization: scalable and streamlined business processes for which they received some awards (ABN AMRO Process Excellence Award and Grameen Foundation Excellence Award).

Automation - Technology Infrastructure which has also been rewarded by several organizations (World Bank-CGAP Pro-Poor Innovation Award Winner; Digital Partners SEL Award Winner...)

One noteworthy feature is real-time, online data transfer: all SKS branches transfer portfolio data through the internet within hours of meetings, enabling management to quickly respond to potential problems.

To sum-up the whole process :

1. Organizational assessment
2. SWOT analysis
3. Strategic planning
4. Defining objectives
5. Allocation of resources
6. Implementation

Feedbacks from the staff must be collected at each step of the process.

SKS' business plan for 2007

SKS has a **3-dimension business plan** for the coming year, comprising:

- vertical growth : reaching new clients (the destitutes, graduates...)
- horizontal growth: ie: geographic outreach : spreading from the Southern states to all India,
- lateral growth, designing new products (loans for the destitutes, loans for the graduates...).

The 3 steps to fuel growth:

- Identify new business development opportunities (new products, new segments, new sectors, alternate challenges, strategic alliances)
- Design and implement research projects to evaluate opportunities (market research, pilot projects)
- Evaluate research and assist with roll-out

Each opportunity goes through the same process : market research ⇒ design ⇒ pilot test ⇒ evaluation ⇒ launch.

Elements of SKS' strategy :

SKS also works with existing SHGs .

SKS first goes in areas where there are no competitors. They recruit field staff from the area they work in. For key positions, SKS recruits top-level managers coming from the corporate sector.

<http://www.sksindia.com/>

Presentation of Swadhaar (Director)

One important thing is to **understand** the customer. But it is not enough: one should be able to **anticipate** the customers' needs.

Swadhaar started with a group mechanism, but realized that in Mumbai, there are no pre-existing groups (contrary to rural areas where people group by occupation for instance). Swadhaar will continue group lending but will also start individual loans for which collateral will be required.

Another characteristic of Mumbai is that there is no space and people have very little time.

Swadhaar's approach is to function as a formal bank and to appraise the loan as in the corporate sector, even if Swadhaar's mission is social.

Swadhaar is building the "model branch", with 1 branch-manager, 10 field-agents and 6 administrative assistants. The aim is to have 5 000 accounts / credit agent (presently, each credit agent has 700 clients).

Contrary to formal banks, a zero tolerance is not possible and a PAR of a certain level is inevitable for a microfinance institution.

Important component of savings program in initial phase prior to commencement of lending.

The interest rate is 24% a year (the money lenders' lowest rate is 5% a month, the highest is 10% a day). Swadhaar's average loan size is 5 to 6000 INR. The first loan lasts 6 months and from the second onwards, the duration is 9 months. Presently collection is done at the branch, but Swadhaar will switch to home collection (which will be charged 5 INR per installment) to raise the PAR. The outstanding portfolio per branch is 25 to 30 000 INR. Managing this kind of portfolio requires 10 staff whereas in the corporate sector, 2 to 3 agents would be enough. This implies high costs, to which the cost of the rent, which is very high in Mumbai, must be added.

Staff retention is a challenge : the staff comes from the slum, and after 3 to 4 months training, their market value goes up and they go for jobs where they earn twice as much. Even if they get less satisfaction from these jobs, they go for the money. According to him, social motivation is not a sufficient source of motivation for young people: what can motivate them is the possibility to rise very quickly in the hierarchy.

Swadhaar's strategy : a bank for the poor, presently modifying its strategy to adapt to clients' needs.

Strategic planning (Sonmath Sen⁹)

Strategy is not a one-time process: it is a continuous process.

Definition : "Strategy is a plan, method, or a series of manoeuvres or stratagems for obtaining a specific goal or result".

Strategy should not be too rigid, nor too open. One should keep in mind the following questions: how much into details will I go? How much time I will take?

Jim Collins' Hedgehog concept (or the three circles):

1. *What you can be the best in the world at* (and, equally important, what you *cannot* be the best in the world at). This discerning standard goes far beyond core competence. Just because you possess a core competence doesn't necessarily mean you can be the best in the world at it. Conversely, what you can be the best at might not even be something in which you are currently engaged.

⁹ Senior Consultant, institutional development and strategy

Microfinance that makes a difference for the poor

2. *What drives your economic engine.* All the good-to-great companies attained piercing insight into how to most effectively generate sustained and robust cash flow and profitability. In particular, they discovered the single denominator—profit per x —that had the greatest impact on their economics. (It would be cash flow per x in the social sector.)

3. *What you are deeply passionate about.* The good-to-great companies focused on those activities that ignited their passion. The idea here is not to stimulate passion but to discover what makes you passionate.

Sources : <http://www.jimcollins.com/lab/hedgehog/p2.html>

Try to find what makes a company good. Then try to find what makes a company better. The overlapping of the 3 circles is what makes a good company. The passion is at the mission/vision and goal statement level.

Good Strategy requires “madness”!

ie: Creativity and Innovation **but with real data and accurate numbers please....**

Group work :

1. What business are you in : define your vision / mission and articulate it (1 sentence, 3 activities).
2. What is your measurable goal; break this in 5-10 years / 3-5 years / next 3 years.
3. What are the alternate way of reaching this goal?

One groupwork output :

① Our business is microfinance.

Mission : support the growth of very small businesses so that they create jobs for the destitutes

Activities :

- business counselling
- loans and savings
- train and follow-up employees

② Goal

Objectives in 3 years : 3 000 small business and 10 000 jobs created
Develop savings

Objectives in 5 years : 10 000 businesses have created 30 000 jobs.
3 new areas of intervention are opened
Develop new products (HMF, loans for starting businesses)

Objectives in 10 years : 10 areas of intervention; 100 000 jobs created.

Team is recruited locally

1stexternal replication in 5 years, and then every 3 years

③ Alternate way of doing this:

- Do it ourselves;
- or
- Develop partnership to externalize financial services (loans and savings)

Define activities :

- Street to street PAT survey to select
 - * small entrepreneurs with good potential who are excluded from formal banking system. -
 - * the pool of future employees (level 0 to 2)
- Analysis of market employment in the target area

Microfinance that makes a difference for the poor

Recruit & train staff :

- Credit agents are recruited in the target area.
 - Business counsellors are specialized in a certain type of activities
 - Trainers / counsellors for future business employees
 - Administration and accounting staff.
-
- Train small entrepreneurs (accounting, legal issues, business management, human resource management, business planning and growth...)
 - Train the future employees (working skills, social skills, legal issues, family budget management, family counselling...)

Finances :

The training and counselling activities have to be subsidized. Seek corporate fundings by type of activities.
Microfinance must be sustainable in 5 years (operational costs)

MIS:

- Poverty Assessment Tool
- Social Performance Assessment
- Organizational Assessment
- Impact study in 3 years and then every two years.
- PAT measure & analysis for business employees every year

RISKS :

No fundings
RH rotating
Jobs are created but they are unstable, underpaid jobs.

Strategic Business Planning

Sonmath Sen's entire PowerPoint presentation is in appendix 6

The Nineteen Steps In Strategic Business Planning:

Developing the Strategy

Mission, Values, Vision At The Core Of Your Strategy

- Step 1: Define/Refine the Mission Of The Organisation
- Step 2: Identify The Organisation's Values
- Step 3: Define the Organisation's Vision

Diagnose Current Strategic Position

- Step 4: Conduct Market Analysis
- Step 5: Conduct Competition Analysis
- Step 6: Conduct Institutional Analysis
- Step 7: Conduct Sector and Macro-environment Analysis

Formulate Your Strategy

- Step 8: Pull It All Together With SWOT
- Step 9: Formulate Your Strategy

Developing the Financial Projections

Financial Projections And Budgets

Step 10: Develop Financial Projections

Developing the Business Plan (with KOGMA Analysis)¹⁰

Create Key Objectives and Goals Analysis

Step 11: Identify Key Objectives

Step 12: Set Goals

Create Measures/Targets and Activities Analysis

Step 13: Select Measures

Step 14: Set Targets

Step 15: Define Activities

Step 16: Re-visit Your Financial Projections

Implementing the Business Plan (with KOGMA Analysis)

Implement and Monitor KOGMA Analysis

Step 17: Communicate the Plan!

Step 18: Reporting, Use & Learning

Step 19: Update Your KOGMA Analysis

*The 19 steps are detailed in : **Strategic Planning for Market-led Financial Institutions, Toolkit, Microsave Training (on workshop CD-Rom)***

Growth

- **Vertical growth** = more products and services, innovation

- **Horizontal growth** = quantitative growth, for instance, geographic extension : "I can do more of the same thing" ("MOTS").

For horizontal growth :

⇒ standardize to upscale: make it so simple and effective and routine, that you can replicate it easily;

⇒ systemize the procedures to increase productivity.

- **Lateral growth = Phase transformation (role change):**

Imagine you have competitors that do the same thing but better : they serve the same clients and are less costly. You can transfer your clients to this more efficient MFI and specialize in what you do best : business counselling, for instance.

Other examples : an organization can switch to research or specialize in making software for MFIs, or specialize in organisation of fair trade for MFI clients...

Use relevant **tools**, (such as Kogma analysis) but remember : tools are stupid. They are made to make you think: they cannot answer questions for you.

¹⁰ KOGMA stands for **Key Objectives, Goals, Measures/targets and Activities** – together these provide a clear, simple framework for the implementation of your Strategy.

Micro-insurance: Uplift Health experience in Pune

Wednesday 13th, December 2006

Uplift Health Story

UpLift India Association is a network of 8 NGOs working in Maharashtra and sharing a common vision and values. These NGOs provide Microfinance to urban slum dwellers in Pune and Mumbai.

After a dramatic health event of one of Annapurna Mahila Mandal Pune members, other members felt concerned and expressed their wish to set up a solution.

A study including a review of the insurers and of health experience and behaviors was conducted and revealed a need for a affordable, acceptable, community-owned system, providing Health care Finance and Health Education in favour of better health.

In 2002 a first Health Mutual Fund was implemented in the urban slums of Pune through Annapurna Mahila Mandal.

In 2003 a second one was implemented by another Uplift member, Parvati Swayamrojgar.

Annapurna Health Mutual Fund

Annapurna Parivar Pune is a group of NGOs working in Pune since 1993. It started as a chapter of Annapurna Mahila Mandal, Mumbai, which is an organization working for the inn-runners in Mumbai since 1975.

Annapurna Parivar is working with poor self-employed women and men in urban slums through a comprehensive package of various services:

- a Public Charitable Trust for Day Care centers in slums and educational sponsorship to the children of single mothers,
- a Non Profit Company for microfinance and microinsurance & Health Mutual Fund,
- an Industrial Co.Op.Society for job placement and vocational training activities.

Annapurna governance:

- The members of Annapurna Parivar are the owners.
- The members' representatives are elected every year on all the governing bodies of Annapurna Parivar.
- Monthly Committee meetings: Annapurna members meet every month in the geographical clusters to take decisions : loan sanctioning , Health / death claim settlement & Business Guidance.
- All the organizational decisions are taken with the approval of members in the committee meetings.

Swastyapurna: Health Mutual and Micro Insurance

12 Elected Directors out of around 8 000 members

Contributions kept in Financial Accounts jointly held between Annapurna Staff and Elected Directors

Each claim decision is taken by members during committee meetings

Directors provide guidance to local members towards network health care providers.

The History & Features of Janashri Family Security MicroInsurance & Mutual Fund

- Annapurna Parivar lost 2 members, in 1997, due to sudden death.
- All the group members contributed and repaid the loans
- Annapurna Parivar joined the Group Insurance scheme of LIC (Life Insurance Corporation of India), namely Janashri in 1998.

Janashri Benefits for Rs.100 annual premium per head by LIC

- a) Rs.20,000 for natural death / Rs. 50,000 for accidental death
- b) Rs.25,000 for accidental partial disability / Rs.50,000 for accidental total disability.

by Janashri Family Security Mutual Fund:

- c) Additional benefit for other family members deaths : Rs. 1000 is given
- d) Loans are written off in case of accidental loss of asset

In 2000, one member, Malan, domestic worker died at the age of 29 due to cardiac ailment, leaving behind 3 children and a husband who is a rikshaw driver.

Other members of Annapurna Parivar had similar experience of inadequate medical services resulting into an untimely death or a lifelong handicap.

Members required coverage for them and their families within an affordable insurance premium, but also health guidance.

After a year long discussion process with all the members of Annapurna Parivar this need surfaced.

After exploring the available health insurance schemes, Annapurna Parivar discovered that no commercial insurers offered an affordable package with proper guidance and that insurers were keeping the premium if members were not claiming.

Annapurna Parivar decided to set up a Health Mutual Fund, namely Swasthyapurna in 2003.

The Features of Swasthyapurna

- **Contribution** | 60 Rs /Year / Person, | No benefits to the Alcoholics and Drug addicts | Rs.100 per Person for one member family | Rs.200 for couples.
- **Breakdown** | 40 Rs for Hospitalization Fund | 10 Rs for Enrollment Administration | 10 Rs for services Administration
- **Benefits** Guidance toward best quality care provider regarding ANY HEALTH PROBLEM | Free Health Check ups with Awareness / Prevention talks | 80% Refund for hospitalization up to | 5000 Rs for serious cases (Caesarean, Fracture, Limbs Paralysis, Pneumonia, Critical Surgery) | 2500 Rs otherwise | 1000 Rs for Out-patient department (OPD) level minor surgical procedures | Administrative support for any high cost claims.

Vision Statement

- ⇒ Everybody is able to finance his/her health expenses without financial trouble...
- ⇒ ... through a service based on solidarity AND responsibility...
- ⇒ ... intending to improve his/her own behavior toward health.

Current Position

Number of ongoing policies	2 114
Number of ongoing members	7 612
Cumulative Renewal Ratio	70%
Claims settled during 2006	74
Amount disbursed through claims in 2006	119 963 INR
Number of referrals in 2006	582
Amount saved due to referrals in 2006	198 312 INR

Parvati Health Mutual Fund

Mission : to provide social protection and sustainable access to quality healthcare for the poor.

Concept :

- Mutual fund created by people for themselves to face any uncertain health incidents
- It is a community based micro insurance system and the solidarity among the people is an important principle in it.
- Mutual fund provides not only mutual benefits to its members but it influences them to take preventive and promotive measures for better health
- Mutual fund allows people to come together, pool in resources and bargain with health care providers for quality care with concession.

Context

- 21 Slum pockets of Pune City
- 7 branches spread all over Pune
- Poor people working in unorganized sector mainly
- Primarily Micro credit clients
- Social Economic Categorization of families

How does one become a member

INR.60 per year per person (if the whole family comes)
INR.100 per year per person (for partial family coverage)
INR.100 per year per person (for an alcoholic)
INR.100 per year per person (for a single member family)
INR.200 for couple.
One family photograph

Mutual Benefit

In case of hospitalization the members will receive reimbursement according to the norms laid down in the fund, the max reimbursement being Rs. 5 000

There is an internal categorization according to the intensity of the diseases

Level-0 : Max reimbursement up to Rs-1000 - One day discharge

Level-1: Max reimbursement up to Rs-2500 - With Local Anesthesia

Level-2: Max reimbursement up to Rs-5000 - With General Anesthesia

Maternity benefit is granted for complicated deliveries

Wage loss is insured for Rs. 50 per day from the 3rd day of hospitalization to a max of 15 days

How does it work ? Promotion and orientation

Promote and orient people about the existence and need of such a health fund

Membership to the fund after Collection and Enrolment

Policy starts after the waiting period (1 month) and lasts one year

Distribution of NIDHI (Identity) CARDS to the member.

Mutual Services

24 X 7 Helpline for referral and guidance

Service Executives provide referral services at the Branch offices to network health care providers.

The HMF has tied-up with 60 health care providers providing quality care at concessional rates

Health check up camps are organized according to needs of the community, as well as regular Health talks

The HMF has also created a wide OPD (out-patient department) network to provide good treatment at concessional rates.

When do these services start?

The HMF services start immediately after the policy starts (ie: one month after payment) and last up to end of the policy period i.e. one year.

Claim Servicing : Claim Processing and Claim settlement meeting:

A member must declare that she/he has a claim to the Service Executive or the network doctor within 2 days.

The papers are submitted within 15 days of hospital discharge

The papers are then encoded and processed

The Network doctor verifies the papers and puts the medical classification.

Then, papers are sent to the community for decision on claim amount in a claim settlement meeting

Finally, the claim is disbursed to the claimant by the claim community at the next claim settlement meeting (1 month later).

Governance of the Mutuels

It is a Community Needs Approach : the management is ensured by the Community.

Community Ownership of the fund-in process: the fund actually belongs to the members : "it's your money"!

Claim decision by the member of the fund

How are we organized

The primary organization is the micro credit structure: the Branch offices situated in the slums

One Service Executive /branch along with IGP team to provide frontline services

One Services Coordinator , Encoder, Accountant at HO for coordination and Back office support

Operational Indicators

N° of ongoing members – 13 850

Earned Premium of the month- Rs.32 145

Fund Balance – Rs. 200 505 (Since 2003)

Claims ratio – 75% (Annual)

N° Claims disbursed – 143 (2006)

Amount Claims disbursed Rs. 280417 (2006)

Claim frequency – 0.11% (2006)

Renewal ratio – 46% (2006)

Solidarity between branches : if the claim ratio is below 90%, there is no problem. If it is above, the branch members have to call other branches to check if they would agree to cover the claim if needed.

60% of fees collected go to the Fund, and 40% to administrative costs (45% of administrative costs are covered by fees, 55% by Inter Aide)

600 Rs/person are saved per referral (in other words, each person using the services provided by the HMF saves an average of 600 Rs).

The cost of the HMF that is supported by IA represents about 600 Rs per member (operational costs only).

Services Indicators

N° of OPD (out-patient department) in the month

N° of referrals in the month

Follow-up of the referrals

Amount saved thanks to guidance

N° of health check up camps

N° of health talks

N° of telephonic calls to network doctor

Family Security Fund (Life insurance)

The programme collects the money and pays it back to Life Insurance Corporation of India.

- Rs. 100 per year per person
- Age 18-59 years
- Tie- up with Life Insurance Corporation of India
- Accidental death benefit Rs. 75 000/-
- Natural death benefit Rs. 30 000/-
- Total Disability – Rs. 75 000/-
- Partial Disability – Max Rs. 37 500/-
- Rs. 1 000/- Funeral expenses to close dependents
- Coverage members 2 754
- Claim Ratio – 8%

Micro Insurance and Risk Management - Experience Output from HMF programme in UpLift India Association (FX Hay)

We feel we have made some mistakes and we want to provide you with a road map built on our experience. Uplift Health started with an emotional trigger¹¹ and because of that we started it too quickly: we did not start with the risk mapping as we should have. A baseline survey on 1000 families seems to be a standard. The ILO Guidebooks are very relevant on this subject¹².

Road Map : from needs to products :

Theory	Practice
1. Risk theory basics	- Risk mapping
2. Risk mitigation	- Risk management
3. Risk insurability	- Risk pooling model
4. Product Design	- Management

¹¹ In December 2001, one of the Annapurna members had to go for a very expensive heart operation (>100,000 Rs). With a 3000 Rs monthly income, her husband could not face such an expense, but he did everything he could to gather the sufficient funds including selling his working asset: his rickshaw. Annapurna members also contributed to this fund raising and gave some personal donations. After one month the money was gathered and the operation could take place. Unfortunately, his wife passed away after the operation and her husband was left alone, bankrupted. See **Uplift Health presentation report 2005** on Pratiques Website <http://www.interaide.org/pratiques/microfinance/>

¹² Downloads on ILO / STEP website (STEP : Strategies and Tools against Exclusion and Poverty) <http://www.ilo.org/public/english/protection/socsec/step/>
 Guide pour l'étude de faisabilité de systèmes de micro-assurance santé. Tomes 1 et 2 <http://www3.ilo.org/public/english/protection/socsec/step/download/854p1.pdf>
 In English <http://www3.ilo.org/public/english/protection/socsec/step/download/855p1.pdf>
 Guide de suivi et d'évaluation des systèmes de micro-assurance santé - BIT/STEP, CIDR, 2001: <http://www3.ilo.org/public/english/protection/socsec/step/reslib/publ.php?idpubl=92&lang=EN>

1. Risk theory basics

Main sources of risks : theory

	Micro <i>Idiosyncratic</i>	Meso	Macro <i>Covariant</i>
Natural		Rainfall, landslides, volcanic eruption	Earthquakes, tsunami, floods, drought
Health	Illness, injury, disability	Epidemic	
Life cycle	Birth, old age, death		
Social	Crime, domestic violence	Terrorism, gangs	Civil war, Social upheaval
Economic	Unemployment, Business failure	Resettlement, harvest failure	Financial or currency crises
Political		Ethnic discrimination, riots	War, Political default on social programmes, coup d'état
Environmental		Pollution, deforestation, nuclear disaster	

More frequent ←—————→ *Less frequent*
 ←—————→
Less costly ←—————→ *More costly*

Sources : Adapted from Holzmann and Jorgensten, 1999 World Bank, Preliminary Donor Guidelines

Helping target groups understand their risks: Risk Mapping and prioritizing

- Identify the risks
- Categorize from low costs to high costs for severity
- Categorize low to high frequency
- Prioritize risks to be considered for the entire target group.

Risk Mitigation Strategies

* Risk Reducing Strategies :

- Diversify income sources
- Preventive and promotive measures
- Education, Information

* Risk Coping Strategies (individual)

- Accumulate assets,
- Savings clubs
- Reciprocal lending, Gifts, Reserved credit capacity
- Social Capital
- Credit and savings, such as emergency loans

* Risk Coping Strategies: (Pooled)

- Insurance (mutual or private)

Risk Insurability : 7 principles

1. Existence of insurable interest
2. Losses are determinable and measurable, (Claim check)
3. Losses should not be catastrophic
4. Chance of loss is calculable
5. Premiums are economically affordable
6. Large number of similar units exposed to the risk, (beware of adverse selection¹³)
7. Limited policyholder control over the insured event, (beware of moral hazard¹⁴)

Pooling and Responsibility: the Insurance Company Model

- Profit Oriented, at solidarity cost.
- Non profit sharing creates moral hazard, and may create wrong risk-related-behaviours.
- Exclusions a priori
- Profit research process creating further exclusions through individualization of risks.

Pooling and Responsibility: the Mutual Model

- Profit sharing is an incentive to improve risk-related-behaviours
- Transparent governance
- Choice of services & Control by members
- Claim management
- Quality and Price with Services facilities.

The Mutual Models Advantages

- Truly Market led
- For clients' benefits vision (shared profits)
- Best way to align product offer to demand
- Participative Management (4 units)
- Clients ownership is an incentive for better behaviours related to risks
- Natural subsidiarity principle application
- Democratic governance leading to safer decisions

The Mutual Models constraints

- * Limited diversification Geographically & Community wise
 - Pooling mutuals together and diversify risks
- * Difficulty to gather professional insurance skills
 - Resources pooled between various mutuals.
- * Difficulty to access sufficient reserves / Reinsurance
 - Borrowing, or Contribution recall
 - Access to reinsurance is possible.
- * Not yet regulated
 - But not forbidden

¹³ **Adverse Selection:** Risk that the insurer underwrites only on the bad risks and that, as a consequence, an unbalanced portfolio is built: claims become more numerous and/or more expensive than what forecasted in an actuarial computation of the policies prices based on a global population sample.

¹⁴ **Moral Hazard:** Risk that policyholders will have undue influence over the occurrence of an insured event.

The Partner-Agent Model

The insurer takes care of product design and management. The agent takes care of product marketing and servicing.

The Partner-Agent Model Advantages

- Synergies are maximized : partner organizations focus on their core business
- Requires fewer skills for the agent
- Access to adequate reserves and reinsurance through insurance companies: risks are born by insurer. (no need to worry about diversification)
- Agent can change its partner insurer every year
- No need of insurance skills,
- Regulated

Partner-Agent Model constraints

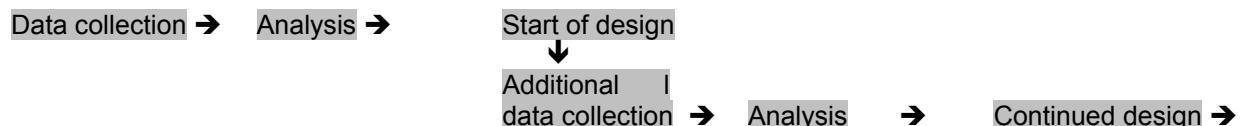
- Lack of adequacy in product offer to demand
- Selective criteria + Long list of exclusions
- Discriminating premiums
- Divergence of incentives/interests between partners
- No profit- sharing incentive leading to wrong behaviours / irresponsibility in a solidarity model
 - . Profit sharing clause
- Operational costs not covered by commission
 - . Better management skills, insurance skills
- Agent's image linked to quality of partner insurer's services: conflicts may occur at claims rejection time

How to chose between the different models ?

If there is solidarity between the people, then you can go for the Mutual Health Fund model.

If there is an Insurance company ready to design a product specially for your clients and include a sharing-profit clause, then you can go for this partner/agent model.

Designing process



Premium calculation

Pure premium		Pure premium is the probable claims of tomorrow. Security loading is related to the number of people in the scheme : if there is only 10 people, it may happen that the 10 fall ill in the same year. If there are 1 million persons insured, the probability is diluted. This has to be calculated and included in the premium calculation.
+ Security loading		
+ Enrolment costs		
+ Servicing costs		
+ Managing cost		

See Premium calculation excel sheet in appendix 7

Product Design check list

- Premium / contribution (with payment options and frequencies)
- Benefits
- Conditions of eligibility and application (age limits, other...)
- Exclusions and waiting periods
- Processes of enrolment,
- Processes of service

How to market?: Delivery mechanisms

- Stand-alone and voluntary vs implicit and compulsory
- Bundled with loan/savings/cooperative product and compulsory
- Think about : Outreach
 - Overhead Costs
 - Upscaling strategy

Marketing is a partnership establishment

- Marketing = Education
- Thinking long term =
 - * Investing in IEC now => automatic renewals
 - * Profit sharing => responsibility / better behaviours
 - * Transparency => trust
- The best is to build the product with clients.

How to Monitor?: Tools & indicators

- Premium collection-Receipts, forms,
- Marketing costs and efficiency
- Servicing costs and efficiency
- Actual collections, Claims declaration
- Claim payments, Claim ratio, claim frequencies,
- Renewals forms/mechanisms & rates
- Beneficiaries monitoring sheet

How to monitor finance?

		Fund allocation for Claim indemnisation											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Set	Oct	Nov	Dec
Administration (30 Rs/ person)	OPD (10 Rs)	IPD Indemnisation Fund											
Contribution collected (100 / person)													

Each month, 1/12th of the fund + the balance of the previous month, can be used.

Partnership for controlling risks

- How to raise responsibility in risk management: is the solidarity among the community strong enough to handle a mutual model?
- What is Non Governmental and Community Based organizations' interest to control adverse selection and moral hazard?

Microfinance that makes a difference for the poor

- How and why a community would enrol together en bloc? (cheaper and better adverse selection control)
- How and why insured would avoid moral hazard behaviours and frauds?
- Which incentive at which level: Moral Incentive ? Social incentive? Economic incentive?

A European Union Study on Microinsurance in India (Pr. David Dror, 2005¹⁵) included Uplift Health and showed that Uplift had the highest rate for satisfaction on claim processing as well as for trust. According to this study, Uplift Health Members were willing to pay 909 Rs / family / year for a certain set of services and drugs (they are paying 60 Rs * 5 members = 300 Rs per year).

UpLift Health : Questions

- * Product
 - Out of pocket expenditures coverage VS capacity to pay in a insurance-illiterate market
 - Primary Health care AND / OR Hospitalization
- * Scale, sustainability, processes, enrolment and service quality
- * Marketing
 - Automatic / compulsory enrolment VS voluntary
- * Adverse selection, awareness, risk to microfinance products...
- * Network of health care providers
 - Need for Cashless Vs Need for discount
 - TPA VS UpLift claim administration
- * Mutual responsibility and scale
 - Local Claim settlement VS automated settlement

The limits of microinsurance - or microinsurance Vs social security

Micro-insurance has its limits : in most cases, the premium is “micro” ... but so are the benefits. It's OK to cover micro-businesses and micro properties.

But what about health? Do people have “micro health needs” or micro needs regarding health? If a poor and a rich have appendicitis, it's the same health problem. If the rich and the poor go to an hospital, they will get the same operation. If they go to a public hospital, they will pay the same price. But the cost will not represent the same proportion of their income.

Pooling of the poor's risk usually results in poor pooling? => There is a need for equity in the contribution and equality in the service.

A Social Security system redistributing between rich and poor as we know it in France is best.

Lessons learned.

The keys of the fund have not been given to the members from the beginning. To build ownership from the start, it may be a good idea to give the name of the area to the Fund.

The money collected by the Health Mutual Fund should be placed on a separate account (not on the loans and savings account). It should be an easily accessible bank account (and not on a saving account where part of the money is blocked).

Linking the microinsurance scheme to the loan programme might seem obvious at first, but the risk is that if a member does not get his claim and disagree with the decision, he might be angry and decide

¹⁵Article résumant l'étude sur http://www.microhealthinsurance-india.org/content/e22/e61/e1114/blob_html?key=file&lang=eng

not to repay his loan. To increase the retention rate, the microinsurance scheme should rather be linked to the saving component of the programme, with an automatic renewal of the policy every year.

Non financial services (*Judith Kerner, Batik*)

Thursday 14th, December 2006

Non financial services can be separated into two groups :

- services related to the business : Business Development Services (BDS)
- social services related to the family of the microentrepreneur : Non-Business Development Services (NBDS)

The general objective of BDS is to enhance business management.

The specific objectives are to increase market information, accounting skills, vocational training...

Non Business Development Services (NBDS) are services not directly linked to the activity, such as: imparting information and advice on various subjects (health, law...), outings, parties, networking. NBDS favour the opening of clients and contribute to women's empowerment. A strong demand for NBDS is expressed by clients.

Both BDS and NBDS contribute to the social goal of micro-credit and are of great support to optimize the positive effect of the latter.

Both BDS and NBDS are called non financial services (NFS)

NON FINANCIAL SERVICES (NFS) include:

- Education and awareness
- Technical Assistance
- Vocationnal training
- Networking
- Mentoring

How do we enhance entrepreneurial skills in microfinance institutions?

This presentation does not pretend to identify the best practices in BDS as each of them has to be adapted to a specific context. The objective of the present day is to propose and illustrate a methodology to build NFS.

BATIK International and ENDA Inter-arabe have built a partnership:
to develop ENDA's Non Financial Services (NFS) department
to conceive, implement and evaluate new BDS

BATIK International provides Set-up, Implementation and Support for International Projects :
in the Areas of Training – Employment – Creation of Businesses - Management of Human Resources
with a geographic focus on Europe, Asia and the Mediterranean

BATIK's OBJECTIVES

- **Develop competencies and skills in populations with low level of qualification**

Microfinance that makes a difference for the poor

- **Preserve and enhance Handicraft (Trades Skills and Traditions):** economic development is often accompanied by a dying out of handicraft traditions. To enhance the economic value to the people practicing these crafts is one of Batik's priority.
- **Accompany local communities, associations and companies in setting up and implementing international projects:** international projects set up by local and regional non-state actors in the field of employment & training are growing in number. BATIK International devotes its know-how and network to maximize such projects' chances of success.

ENDA Inter-arabe is an international NGO located in Tunisia, that has been providing loans in urban and rural areas since 1995.

ENDA reached self sufficiency in 2003, becoming a sustainable financial institution.

ENDA was providing Non Financial Services (training, health education...) before it started into micro credit.

ENDA provides loans for 35 000 clients and aims at serving 135 000 clients by 2010 from 100 branches.

This program led to a new partnership between Egypt, Lebanon, Morocco and Tunisia.

The program called "**FEM**" (business women in Mediterranean) received a grant from the European Union.

The goal is to enhance standards of living and capacity to generate long-term income for women.

This goal is pursued through the following **activities**:

- Capacity building for partner organizations
- Identification of new sectors of activities
- Set up and implementation of BDS
- Information on micro-credit and new sectors
- Networking

Partner organizations:

Enda inter-arabe – Tunisia
EACD – Egypt
Fondation Zakoura – Morocco
Al Majmoua – Lebanon
BATIK International – France
CLEF – France

Methodology : How to launch NFS?

CONCEPTION STAGE

Batik conducted 3 different surveys, one among the Non financial Services Department staff, one among loan officers, and one among clients.

These surveys have resulted in a "**problem tree**" that have shown the main roots of the difficulties faced by clients.

The problem tree is a visual **problem-analysis tool** to specify and investigate the causes and effects of a problem and to highlight the relationships between them. **Analyzing the causes is the first step towards effective sustainable solutions.**



Microfinance that makes a difference for the poor

Main Problems identified :

Ø Competition :

- causes pressure on prices (and profit margins)
- leaves no choice but to sell on credit (everyone else does)

Ø Root of this problem :

- lack of qualification => no choice concerning their professional activity
- a phenomenon of mimetism between clients

Ø Finance problems generated by :

- Sales on credit
- Competition
- negative impact on margins and cash flow
- insufficient cash flow to purchase raw materials/ supplies at attractive prices (small quantities at retail)
- curb on development (inability to respond to demand)

Ø The Interest rates can also have a negative impact on margins

Ø These problems are the main roots of the ultimate problem : **the difficulty to constitute a capital**

Ø This is linked to the stagnation or **a very slow improvement of clients' living standards**

Consequently, priorities for launching NFS are :

- The choice of sectors of activity

- * competition/profitability is central for clients but difficult to solve.
- * need to identify new sectors of activity and to strengthen clients skills

- To optimize the present activities of clients, targeting :

- * Financial problems which are central in the tree
- * Marketing problems => brake to the development of many clients' activities.

The surveys have also revealed categories of clients :

- Clients with high potential for development : the "businessman/woman" profile.

With more effective financial support, individual loans and an appropriate training programme, they are able to become "economic locomotives" for their neighbourhoods.

Microfinance that makes a difference for the poor

- **Clients with weak development potential:** illiterate or with a very low level of education:
 - Ø generally in highly competitive activities with a low added value (grocery, sewing, prêt à porter), they generally face sufficient demand at the moment, but for how long?
 - Ø Basic training needs
 - literacy...
 - awareness-raising: health, education, law...
 - advice for improved management of their business.

Provide different trainings at different stages is important to the businesses and to the sustainability of the Institution.

This is why Client 's segmentation is relevant.

SEVERAL SERVICES HAVE BEEN DEVELOPED THANKS TO:

- A thorough analysis of ENDA's clients' needs
- Sharing experiences, data and tools with Zakoura Fondation and Al Amana in Morocco

DESCRIPTION OF A FEW SERVICES

Batik started **vocational training** on an exchange basis : a woman gave literacy courses to other women who, in exchange, taught her embroidery. It is a place to learn, but also to socialize and network. Even in a highly competitive context, tailors will need sewers, designers to design patterns... Tailors can get together to buy fabric at a better price, to resist sales on credit...

Creation of a database of wholesalers and promotion of group purchases

Objective: promote group purchases, thus reducing price of supplies => increased benefits of businesses.

Activity: establish a list of wholesalers willing to do rebates for Enda clients.

Set-up a mass action to limit sales on credit

Sale on credit generates "liquidity crisis" periods, severely reduces cash-flow which causes anxiety and results in a strong need to borrow.

Objective: reduce negative effects of sales on credit.

Activity: simple advice can be given during "express training" and/or awareness sessions:

- Do not lend credit on the turnover, but only on the benefit.
- Divide purchases in three parts and recover claims progressively to avoid being out of money
- Ask for partial payment and keep the merchandise until last payment
- Inform other micro-entrepreneurs about clients who do not pay back their debts.
- Do not surpass an amount of lending
- Sell less to more clients to avoid risk of outstanding payments.

Microfinance that makes a difference for the poor

Set up a support fund for families' emergency

Objective: to improve access to medicare, to employment, to welfare.

Activity: Creation of a Psychological Unit. A psychologist, a social worker or a mediator is present at fixed times in the branches. This would help in anticipating or solving family conflicts often causes of failure or bad functioning.

Creation of Clients' Clubs

Objective: encourage clients to use NFS and give them the opportunity to organize outings, parties and networking by themselves.

The Clubs are meeting places for exchange of experience and know-how.

The main task of the club is to coordinate activities and to build and maintain a relationship between the MFIs and clients on one hand and local authorities on the other.

The clients have to be implicated from the start in the creation of a club or a committee. Awareness raising sessions makes it possible to identify volunteers.

Transforming into formal businesses

Objective: accompany selected clients with innovative or high potential projects toward a formal status.

The results of the training, if satisfactory, will give access to individual loans of a sufficient amount to develop the activity.

The risk is high but the effects are double: increase in the number of "large" clients for the MFI and positive impact on the neighbourhood (increase of employment).

Diversification of the activity

Objective: orientate client's activity towards less competitive sectors

Encourage new clients (especially young ones) to change or at least to diversify their activity through training

4 services are detailed in appendix 8: trade fairs, express-training in basic management skills, social guides for loan officers, business diagnosis.

Themes for in-depth trainings :

- Start-up, legal environment, taxation and financing
- Purchase, supply and production management
- Cost calculation, prices and invoicing
- Book-keeping
- Marketing, sales, import-export
- Staff management
- The 7 keys of quality management
- Evolution of assets
- Profitability
- Sales engineering
- Sustainability
- Financial Negotiation

- Entrepise and external environment
- Marketing mix
- What outlook for my enterprise ?
 - Taxation
- Going From informal to formal

Themes for basic trainings

- Supply management and product diversification
- Health
- Market study
- Merchandising engineering
- Group solidarity
- Product quality
- Basic book keeping
- Savings
- Sales on credit
- Supplies
- Cost calculation and competitive but profitable pricing

ORGANISATION STAGE

The organization prepares the launching of NFS by :

- Structuring or restructuring the NFS department
- Developing skills and data
- Preparing logistics for the planned activities

IMPLEMENTATION AND EVALUATION STAGE

A pilot programme including an evaluation of the services is launched on a small scale. In order to facilitate this evaluation, a precise photograph of the client and his family before she/he benefits from one or more services is necessary.

Set up a range of criteria with meaningful indicators (concrete / measurable / verifiable / limited in time)

Evaluation criteria

- Impact: effects of the project on its surrounding
- Efficacy : attainment of objectives
- Efficiency : cost-benefit analysis of achieving objectives (achieve at least cost)
- Relevance : project responds to identified need
- Coherence : management capability & capacity, people resources, financial and material resources, to perform project activities and achieve desired outcomes
- Empowerment: micro-entrepreneurs develop their ability to take decisions directly or indirectly concerning their lives and standards of living

FINANCING NFS

Donor funding from various sources (local, national and international). This requires fund-raising skills, and constantly renewed research.

Client payments only represent a symbolic contribution and cannot cover full cost.

If every client of the IMF joined a "Clients Club" and paid a contribution that would partly finance NFS.

CONSTRAINT OF NFS

Client availability

- Difficult for them to find time to attend courses.
- Often illiterate, little or no experience of school-type training.
- Set-ups, approaches and methodology must be adapted.
- Clients tend to have limited capacity to concentrate

Clients availability is a constraint, and participatory decision on time and frequency of training is a must. Training should be short, and should not be school-like.

Key factors of success:

- * Participatory approach: NSF are supposed to be *demand driven*, and set up only if clients ask for them, to insure services will be used. However, clients are not always conscious of their needs and new services can help to solve unexpressed problems.
- * Create a real department with sufficient human and financial resources
- * Establish categories of clients: client segmentation helps to conceive targeted services.
- * Enhance the importance of NFS in the opinion of all departments
- * Close involvement of financial services is essential
- * Target clients needs : simple questionnaires and time to obtain precise answers
- * Incentive system to gain loan officers' support
- * Promotion through a targeted communication strategy and use of clients' testimony on the impact of training.

CONCLUSION

Some common prejudices are that NFS Department are totally independent from micro-credit:

- Monitoring is not linked to NFS
- Loan officer is not supposed to handle NFS
- NFS department has to do its own promotion

In reality, NFS Department can only function efficiently if it collaborates directly with the other departments. The monitoring of loan impact is part of NFS Department tasks.

The Training unit (including for IMF staff) is part of NFS Department and loan officers are central in the system. But they cannot do it themselves, as their workload is already high. If they are obliged to do it, then the risk is that they will not ensure the promotion well, as good promotion results in more work for them.

It is possible only if you start a new programme or MFI and include promotion and implementation of NFS in their job description from the start.

NSF provide precious data for financial services (development of new financial products).

BENEFITS TO ENTREPRENEURIAL CLIENTS:

Knowledge needed to manage money

- Capacity to use financial services
- Increased self-esteem and confidence as a result of achieving financial goals
- Greater ability to demand higher quality products and services from financial institutions

BENEFITS FOR FINANCIAL INSTITUTIONS:

Attract more clients

- Improve strengthening of the portfolio
- Enhance loan repayment rate
- Increase long-standing and reliable clients
- Develop a deeper knowledge of the client needs
- Improve standards of living in all fields, which is the primary objective of micro-credit (evaluation will have to measure impact on standards of living, repayment ratio and retention rate).

An example : PROJECT FEM

SYNTHESIS OF THE ACTIVITIES

Capacity building for partners organizations:

- Training of trainers
- Training of NGO's executives

Study : Identification of new sectors for micro-entrepreneuses

Set-up of BDS (Business Development Services) dedicated to micro-entrepreneuses:

- Advice and technical assistance
- Diagnosis
- Support for marketing
- Support for supply
- Training
- Training and awareness sessions for micro-entrepreneuses
- Thematic meeting, share of experiences and exchange of good practices between micro-entrepreneuses
- Training of 36 micro-entrepreneuses to acquire necessary competences to invest new sectors

Information on micro-credit and new sectors of activity:

- Development and dissemination of information and communication tools on micro-credit, to inform micro-entrepreneuses about new sectors

Networking:

- Creation of a travelling forum of micro-entrepreneuses through Mediterranean
- The Evaluation of the impact of NFS is strategic.
- As a matter of fact, these activities are non-profitable for the MFIs (beneficiaries will never be in capacity to pay for the whole cost of it).
- Therefore, the proof of the positive impact of NFS on standards of living and loan repayment rate has to be given to donors.

Group work: how to identify clients' needs?

Clients' needs can be identified through home surveys / home visits, business forms, focus group discussions; through other NGOs' information; comparing standards of business with existing practices through direct observation and/or informal discussions.

Examples of clients' needs:

- wholesale
- knowledge about where to buy the raw materials
- money management / accounting skills
- linkages
- market / clients
- hygiene and health
- needs related to domestic violence, alcoholism
- documentation (ration cards, birth certificate...)
- kindergarden or creches for children
- education for children
- education / Skills/ attitude / knowledge / awareness / social skills...
- lack of self confidence and self-esteem
- lack of social integration / social support
- ...

☞ For each problem, ask yourself : is it the root of the problem or is there another cause that can explain it?

The lack of self-esteem and self-confidence is one of the main problem. Lack of motivation is related to fear, mental barriers: people don't go out of their vicinity. MFIs clients, especially among the poorest, are paralysed by fear. In urban India, for instance, lack of market is not a problem in itself. But people do not dare leave their area. One main cause of lack of self-confidence is upbringing, lack of social support and social networking. Education can compensate this lack of self-confidence as it can provide some social networking and some social skills.

The basis of self-esteem are built during childhood; but self-esteem continues to evolve during adult age. Bad family relationships, family violence, divorce, exploitation at work, unemployment will reduce self-esteem. On the contrary, a supportive family and social environment, being part of a community, participating in training sessions, being employed in a good working environment, and/or starting and managing a successful business, will contribute to raise one's self-esteem.

Group work : Family Budget Management

Problems

1. Irregular income
2. No proper knowledge of benefits
3. No vision of unexpected expenses
4. No anticipation of recurrent expenses
5. Lack of prioritization
6. Lack of facilities to save
7. Mindset not directed towards Budget management
8. Unbalanced decision-making process
9. External social pressure & advertising

Objective

1. Family knows how to manage its expenses
2. Raising awareness about family budgeting
3. Define income
4. Define priorities
5. Help overcome superstitions & social pressures / traditions (dowry, marriages...)

6. Families are aware of budget benchmarks
7. Giving tips to manage expenses

Activities

1. Games on priorities (*see below*)
2. How to decide on priority
3. Methods to record each and every expense
4. Promote social clubs to exchange tips and give awards to the best Family budget managers
5. Give them benchmarks on expenses

There should be one compulsory session before each first loan, and 2 compulsory sessions before reload.

Examples of games that can be used:

The stones and water game:

Ask people to fill a glass of water, and then give them some stones (smaller and bigger ones) gravel and sand to put in the glass of water. Of course, the water spills.

Then you explain to them that the stones represent the monthly compulsory expenditures: the rent, electricity bill, food, repayment of loan, savings, school fees... The bigger stones represent the biggest expenses (rent...), the smaller ones the smaller expenses (children school fees...). The water represents the unnecessary or superfluous expenses (going to the movies, bangles, clothes, gambling...).

Then, explain that the stones should be put in the glass first, and after that only you can pour the water. When all compulsory expenditures are covered, some money can be spent on other things.

The carpet game

Give every one except one person, a card to wear, with the name of an expenditure : rent, electricity bill, food, repayment of loan, savings, school fees, religious (or other) celebrations, going to the movies, bangles, clothes, buying a TV, gambling...

Then ask the person who has no card to put all the other persons standing on a carpet (or a mat). Of course the carpet is not large enough for everyone, so the person has to choose which one will stay on the carpet and which one should be taken away: of course, the compulsory expenses must be placed on the carpet first.

NB : Trainings are similar in NSVK

Other ideas of games welcome !

NB: in Pune's programmes, the families' budget is usually composed of

- | | | |
|---|---|------|
| <ol style="list-style-type: none"> 1. Food \cong 73% 2. Housing and electricity \cong 6% 3. Health Clothing \cong 6% 4. Education \cong 6% 5. Transportation \cong 9% 6. Festivals, social events 7. "Vices" (gambling, drinking, smoking...) 8. Loan(s) and savings | } | 100% |
|---|---|------|

Indicators

1. Number of partners trained
2. Repayment ratio (after and before launching the program)
3. Average amount of voluntary savings accounts (& assets?)
4. Feedback from beneficiaries

Group work on Business Development Service: Business Counselling and training¹⁶

Main problems	Objectives	Activities	Indicators	Give 2 difficulties + 2 key factors of success	Resources needed
<p>Problems :</p> <p>① Beneficiaries lack self-confidence and motivation; do not know how to identify their own strengths or to prioritize their needs</p> <p>② Lack of skills: illiteracy; low level of education. Lack of business skills (marketing, stock management, accounting...)</p> <p>③ Lack of tools / resources: lack or no knowledge of distribution channels, no place to stock, leading to wastage...</p> <p>④ Market problems: demand, no network, high competition, no innovative state of mind; procurement at a competitive price.</p> <p>Problems identified by knowledge of area, nb of years of NGO / MFI in slum pocket + information shared by other NGOs or organisations working in the area</p>	<p>The development of the activity is enhanced and the management of activity is improved: turnover and profits are increased.</p>	<p>Business Counselling and training services:</p> <p>① Promotion of the service in the area : the promotion is compulsory; the service is voluntary</p> <p>② Diagnosis on the business place through : - observation; - participatory diagnosis (describe your business; swot analysis of business; tell me what are your needs) - 1 practical advice is given to the entrepreneur, to be implemented asap + meeting is planned for next week</p> <p>③ 1 week later: action plan visit to define next 3 months activities - visits to other successful entrepreneurs - training(s) - networking...</p>	<p>Nb of entrepreneurs interested/ nb of entrepreneurs actually enrolled</p> <p>Diagnosis and Observation form is filled (1 copy stays with client and 1 copy at the branch to be encoded). Picture of entrepreneur is taken</p> <p>Nb of entrepreneurs followed / trained / nb of entrepreneurs using their new skills</p>	<p>Difficulties:</p> <p>① Sustainability of service; cost; time required to implement (entrepreneurs have little time)</p> <p>② Difficulty to assess turnover and profit</p> <p>③ Credit agent workload if they have to provide the service (*)</p> <p>Key factors of success</p> <p>① Good upstream preparation; good promotion; good tools, well-designed and adapted to the public</p> <p>② Skilled and dedicated human resources</p> <p>③ Tailor-made counselling to answer to clients' needs</p>	<p>① Documentation :</p> <p>a) counselling guidelines for field-team + description and usual counselling tips for main type of business identified in area (fruit selling; small grocery stores, cooked food; bicycle repair; tailors...)**</p> <p>b) Diagnosis & Monitoring tools: participatory diagnosis form + observation guidelines + evaluation form</p> <p>c) Catalogue of services provided (networking; trainings in accounting, stock management; family budget; + catalogue of other organizations providing other services to which clients can be referred: literacy classes, family counselling; health...).</p> <p>② Human resources: - entrepreneurs willing to act as peer models - skilled, specialized, trained & motivated team (*)</p> <p>③ Time and money...</p>

¹⁶ Microfinance Workshop, Pune Dec. 12, 2006 –P.M

Microfinance that makes a difference for the poor

<p>+ business visits, market study; family survey, combined with observation to identify families' needs according to their actual situation.</p>		<p>④ Follow-up & evaluation visit, 2 months after training activities are achieved</p>	<p>Turnover and profit are assessed; + qualitative assessment (**) Evaluation form is filled, picture is taken, 2 copies of evaluation form are filled; 1 copy stays with client and 1 copy at the branch to be encoded. Satisfaction surveys</p>		
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(*) **Human resources:** the workload of credit agents is generally too high to ask them to implement another activity, especially as time-consuming as business counselling. Moreover, business counselling requires specific business skills that young employees coming from the slums might not have. It also requires social and human skills: as the main problem identified during several group works is the lack of self-confidence and self-esteem of MFIs clients, a large part of the Business Counselling services will also consist in building up self confidence (by listening attentively to the clients' problems and needs, and translating their needs into concrete and achievable objectives; and by giving them thoughtful tips, advice and encouragements).

This is why Judith Kerner from Batik advises to build a **specialized, experienced and carefully-trained team**.

(**) **Qualitative assessment:** the clients' self-confidence can be measured by looking if he/she has improved:

- relationship with his/her clients (bargaining, refusing to sell on credit, taking appropriate decisions, such as giving discounts to good clients...)
- relations with suppliers
- relations with loan agent

(***) Business description forms: SIKAP Business Description forms (Philippines) are available in the URBAN / Credit section of Pratiques Website <http://www.interaide.org/pratiques/microfinance/index.htm#bds>

see Batik forms and tools in appendix 8.

Indebtedness (Marc Roesh¹⁷)

Thursday 14th, Decembre 2006 – Evening

The self-help groups (SHG) as they exist in India (groups of 10 women) is the result of a Government programme started in 1993 : The government gave funds to NGOs to constitute and train groups of 10 women. After having saved during 6 months, the SHG could open a bank account and receive a loan. The scheme was a success, with a 99% repayment ratio.

But there is another government scheme, providing loans to farmers to buy cows. And still another scheme obliging Banks to give 18% to some priority sectors among which are agriculture and the poor. So banks are interested in giving loans to these SHGs, as their repayment ratio is high. Some NGOs and MFIs are similarly interested in giving loans to these groups.

Consequently, some SHGs have more than 6 on-going loans.

Consequently, SHGs' members have become indebted. Their debt can rise up to 5000 Rs, which correspond to half their annual income.

Among them, 22% can pay back, 21% can decrease their debt but cannot repay back entirely. For 24% of them the debt increases by less than 500 Rs and for 33% of them, the debt increases by more than 5000 Rs.

26% of new loans are used to repay previous loans, and 80% of new loans are for non-productive purposes.

A survey of indebted people revealed that their assets are actually increasing in gold (jewels). If they need cash, they go to the pawn brokers. This survey shows that people whose assets decrease also reduce their debts, whereas people increasing their assets in gold also increase their debt.

Capitalizing our experiences and sharing best practices

Friday 15th, December, 2006

A few words on Pratiques Network (Anne Carpentier)

Inter Aide, Essor and Initiative Développement (I.D.) have set up a network of exchanges named "Pratiques" in 1997. Since then, Entrepreneurs du Monde (EdM) and Pro Action Développement (PAD) have joined the network.

Pratiques aims at improving the quality and impact of development programmes implemented by these 5 NGOs and their partners in developing countries, **by facilitating the exchange of ideas and methods** between programme managers and field teams.

There are 3 channels of exchanges:

- **technical notes & tools:** Pratiques has produced 170 notes¹⁸ and shared 226 tools since 1997 (most are on line on Pratiques website)

¹⁷ Agro-economist with the CIRAD – Centre de coopération internationale en recherche agronomique pour le développement – Presently working with the Institut Français de Pondichéry

¹⁸ 142 « fiches pratiques » and 28 short notes

- **field visits:** more than 60 persons have benefitted from field visits in another country than the one they work in
- **thematic workshops:** 9 workshops have been organized since 1997.

A Website was open in 2000: <http://www.interaide.org/pratiques>. In 2006 the Pratiques website has received an average of 20 000 monthly visits.

Now Michaël will present a new version for the microfinance section of the Pratiques website. This new website will hopefully translate the appropriation of Pratiques by the microfinance teams, as indeed, the **key factors of success of such a process of analysing and sharing experiences are quality and appropriation by the users.**

New Microfinance website presentation (*Michael Kazmierzak*)

A new website is under construction. Presently it's online at <http://www.interaide.org/pratiques2/>

Proposition for a common framework (*Hélène Keraudren*)

To provide a comprehensive support to our partners, we propose a common framework for listing policies, processes and tools.

The 9 building blocks of an organisation

The 9 building blocks of and organization ¹⁹
<ul style="list-style-type: none">- Social mission- Governance- Strategic planning- Human resources management- Information system management- Operational management- Finance and administrative management- Risk management- Communication and fund-raising

These 9 building blocks will be discussed and refined in 2007.

Social mission

- Vision mission
- Social performance management
- Social performance assessment (SPA)
- Poverty assessment tool (PAT)
- Partners' satisfaction survey
- Impact study

¹⁹ These 9 building blocks were partly inspired by Microfinanza (Italian rating organization <http://www.microfinanzarating.com/>).

Governance

- Existing charter/principles (based on vision/mission)
- Choice and implementation of appropriate legal structure
- By-laws
- General Assembly and Board of Trustees
- Property of assets
- Partnership agreement
- Transfer of competencies

Strategic planning

- Existence of a business plan
- Breakdown of the business plan into an annual budget and operational action plan
- Process for updating/approving/validating the business plan
- Process for updating/approving/validating the budget
- Process for the follow up of the budget completion and the operational action plan's achievements
- Methodology for starting up new activities
- Existence of a R&D approach

HR management

- Organisation and structure of the HR function
- HR policy
- HR procedures
- Employee handbook and internal rules
- Training plan

IS management

- Adapted software for tracking and managing of financial services
- Adapted accounting software
- Formal follow-up tools for non financial services
- Information management manual
- Monitoring tools

Operational management

- Organisation and structure of the operational team
- Written policies for each product and service
- Operational procedures

Finance and administrative management

- Organisation and structure of the finance and administrative team
- Accounting policy
- Administrative procedures
- Accounting and financial procedures

Risk management

- Organisation and structure of the risk management team
- Risk management policy
- Internal control procedures
- External audit

Communication and fund raising

- communication
- Networking
- Relations with donors

Commitments

Friday 15th, December, 2006

Please sum up the commitments your organisation wants to achieve by the next time we meet (early 2009).

- 1- *Target population description (15 mns)(type, location, with or without an access to similar services today)*
- 2- *Impact and Social Performance (15 mns)*
- 3- *Growth & Outreach quantitative & its key factors to reach there (15mns)*
- 4- *Savings activities and other Microfinance products (15 mns)*
- 5- *Which Business or Non Business Development Services (15 mns)*
- 6- *Risk Management and Micro insurance activities (15 mns)*
- 7- *For each of those give 2/3 key factors of success*

Disha Kendra (Inter Aide's partner)

Disha Kendra commits to

- undertake a Social Performance Assessment
- develop social contribution into the NGO

Disha Bajaj (Inter Aide's partner)

Disha Bajaj has 4 branches where microfinance, vocational training and health awareness services are proposed to rural women and urban men.

Disha Bajaj commits to have 7 500 members in 2007 and 4 times as much in 2010.

Disha Bajaj also commits to increasing the quality of services by introducing HMF, NFS and BDS (business training and counselling).

To have a written vision, mission and objectives approved by management. Also to develop an operational manual for our all operational areas

Parvati (Inter Aide's partner)

Presently 65% of Parvati's clients are below the international poverty line. Parvati commits to increase this proportion to 80%.

Parvati commits to

- undertake a Social Performance Assessment (with the help of the BoD and Partners' committees)
- develop the impact assessment software
- increase portfolio to 3 crores
- increase savings
- think of Non financial service strategy better

Annapurna (Inter Aide's partner)

Annapurna will have 25 000 members below level 3 (= International Poverty Line).

Annapurna works in Pune and Mumbai and commits to extend to nearby villages.

Annapurna commitments are to

- increase staff training
- explore social mapping and wealth ranking / PRA techniques
- increase members' participation in governance
- increase savings under Mumbai credit society structure

Annapurna will also try insurance for business.

Swabhimaan (Inter Aide's partner)

- increase income by 50% after 3 loans in 2008
- develop Cerise SPI tool (March 2007)
- conduct organization assessment for Uplift NGOs in April 07, analyze results and do it again every year
- train 10000 "partners" (beneficiaries) in business training and counselling, 14 000 in family budget and 1 000 in health training.
- Standardize process ; financial, HR, training
- Strengthen our impact tool

CEFOR (Inter Aide's partner)

Extend the programme to the periphery of Tana.

Use the SPI tool internally first, then ask for an external Social Performance Assessment.

Carry out another impact study

In 2009: open 2 new branches in 50 new districts.

Increase outreach from 15 000 loans to 80 000 loans.

Reach 98% repayment ratio at maturity

PAR at 30 days below 4%

15 000 savings accounts, total savings = 100 000 €

CEFOR wants to be a key actor in the launching of a micro-insurance programme by Inter Aide in Madagascar.

Key factors of success :

- commitment and motivation of Cefor's team
- Good collaboration with local Authorities.

Uplift (Inter Aide's and Edm's partner)

Autonomisation of programmes in 2008

Resource centre becomes an NGO like Swabhimaan

SPI tool will be presented to the Board of Director and implemented in 2007

10% growth

More credit discipline

Increase voluntary savings

Start business counselling

Micro-insurance: analyze problem and situation and may be start our own micro-insurance programme

Introduce life insurance

Key factors of success : involvement and commitment of Board and of management.

Easy split between Programme and Resource Network.

Kolkatta programme (Edm's partner)

A new organization is currently being created.

Objectives for 2007 : 6 branches will be started in 2007 for 6 000 families.

Business management training will be conducted

The SPI tool will be used.

Objective for 2008: work with the poorer; reach 15 000 families

work in semi-urban and rural areas.

Start collaboration with banks for voluntary savings

Start social and education loans

“Business passport” : this tool will be designed to assess business
Start a Family Development Programme

In 2009 : start housing loans.

The key factors of success :

- participatory approach
- fundings from Banks (bank loans)

Total (Myanmar) - Edm's partner

The target population of the present programme is the rural poor. The new microcredit programme that will start in 2007 will target 3000 poor families representing 12 000 persons in 25 villages.

The commitments for 2007 are to set up the team and organize a MFI with standardized procedures to be transferred to communities.

Chamroeun (Cambodia) - Edm's partner

Target the poor

SPI in all branches every year

PAT when clients enter the programme + analysis of data once a year

2000 loan clients

5000 savings accounts

500 HMF members

In two years : start business management training and follow-up, skills training and networking.

Binh Minh (Vietnam) Edm's partner

Objective for 2007: Work with the poor in semi-urban Hanoi

2008 : extend to 2 other provinces

Use SPI tool by the end of 2007

Reach 2300 clients in 2007

8000 clients by 2008

Develop micro-insurance

Seed (Philippines) - Edm's partner

Will introduce PAT

2008 : 4000 active loans

2011 : 8 branches

Will start social loans (housing...) for higher level partners

Launch compulsory microinsurance.

ID Bénin

2007:

Extension to rural areas

Set up PAT

Test the Cerise SPI tool

Have an external audit of social performance.

Horizontal and vertical growth:

Go from 4 to 8 branches by 2009

Go from 320 Millions CFA to 640

Extend the pilot “*crédit coup de pouce*” with a zero interest rate to all branches.

Develop savings products

Non financial services : develop a pilot service of Support and counselling to very poor families, and then extend it to all branches.

Risk management : feasibility study to set-up micro-insurance in 2007

Reach 90% operational sustainability by 2009

Institutionalization: ID bénin becomes a formal Benin MFI

Key factor of success: funding support.

ID Ghana

ID Ghana works in Accra and will remain in urban areas but plans to extend to other towns.

ID Ghana plans to

- have 300 “partners” per credit agent;
- develop voluntary savings,
- change the legal status,
- develop Business Development Services (BDS)
- and NBDS: start a Social department with highly qualified staff and implement the PAT
- and set up partnership with local organizations

Micro-insurance is not a short-term goal, but a feasibility study could be planned for 2008.

The key factors of success are :

- the legal status change
- the staff motivation.

ID Port-au-Prince (Haïti)

ID Port-au-Prince plans to increase outreach from 3 000 to 6 500 clients with 6 branches in 2008, and to 9 000 clients with 9 branches by 2011.

A assessment will be conducted in 2007 and an improved version of the PAT tool will be implemented
New products will be studied and designed to be implemented by 2010.

The credit agents will be trained to provide business counselling (marketing, finance management...) to clients.

ID Port-au-Prince also hope to develop micro-insurance.

The key factors of success are :

- use relevant planning tools
- strategic planning
- growth management
- good partnership with funders
- human resource management : multi-skilled and motivated staff and delegation of powers.

Entrepreneurs du Monde (EdM)

Edm plans to open new programmes in rural areas. Social Performance management will be implemented by all programmes. EdM plans to drastically triple outreach from 20 000 now to 60 000 in 2008. for micro-insurance, EdM hopes to have FX's support in developing micro-insurance.

The key factors of success are human resources and finance.

Asie-Tana economic sector (Inter Aide)

Asie-Tana economic sector commits to reaching the very poor. The use of Poverty assessment tool will be systematized at the individual level, and impact studies at the client level will be conducted every 2 or 3 years.

Asie-Tana commits to work in areas that are not covered by any other microfinance organizations offering equivalent services to the poor.

Asie-Tana will support its partners in using the Cerise SPI tool and plan the improvement of social performance. Asie-Tana will also prepare for social rating by external agencies.

Asie-Tana will define a precise strategy to plan growth up to 2010, and then may open new programmes and develop new services.

In the next two years Asie Tana plans to:

- increase outreach in Madagascar
- start microinsurance in Madagascar,
- provide capacity building for growth for India partners,
- develop savings as a stand alone activity,
- help our partners innovate in terms of non-financial services as well as financial products.

The key factors of success are:

- the willingness of our partners to work with us as planned
- work with our partners on the field at the beneficiaries' level
- our own innovation capacity
- human resources and funding sources.

Anne Carpentier, 20.03.2007

Appendixes :

Appendix 1 : analyzing Cerise SPI questionnaire (Pune, Dec.11, 2006)

Appendix 2 : Suggested 'Short' List of Indicators for Social Reporting by MFIs

Appendix 3: Pune Poverty Assessment Tool

Appendix 4: ID-Haïti Poverty Assessment Tool

Appendix 5: Cefor Poverty Assessment Tool

Appendix 6: The 19 steps in Strategic Business Planning (Sonmath Sen)

Appendix 7 : Premium calculation excel sheet in appendix 7

Appendix 8 : 4 Batik services: trade fairs, express-training in basic management skills, social guides for loan officers, business diagnosis.



Microfinance that makes a difference for the poor

Organizing NGOs



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Appendix 1 : analyzing Cerise SPI questionnaire (Pune, Dec.11, 2006)

Inter Aide, Entrepreneurs du Monde and their partners' — Navnirman, Parvati, Annapurna, Disha Bajaj, Disha Kendra, Swahibham, Seed —²⁰ comments on Cerise SPI questionnaire (version 2.1)
Sent to Cerise form Pune on Dec. 11, 2006

Dear participants on the workshop in Pune !

First of all, CERISE wants to thank you very much for your indepth and relevant analysis of the SPI-CERISE questionnaire. We tried our best to answer all your questions in order to clarify the objectives of each indicators, and we acknowledge that some indicators may need some clarification. The current version of the questionnaire (version 2.1) comes from an indepth work in partnership with the MFIs and practitioners from an Alliance for the Promotion of Social Performance, and the process is still going on. We will keep you informed. We took good notice of all your comments, and by the end of the year, we should have a version 3.0 integrating your comments and those of many other MFIs and practitioners, and also integrating the core Social performance indicators that will be selected by the MIX market for the MFIs to report also on the social performance on the MIX market. We are working closely with the MIX market, and this should be quite easy because we have the same frame (dimensions of SP) and the same principles (intentions and actions).

We hope that the answers provided at this stage can help you using the questionnaire and sharing within your organizations a reflection of the social performance culture of your MFI, strategies, actions. We can provide (light) support to fill up the questionnaire (direct questions to Cerise) and for some countries, you may want to exchange more with our partners who can provide more direct support in the use of the tools, the links with impact studies, with governance tools, etc. in order to improve your social mission and social impact.

For any questions, you can contact CERISE at: cerise@globenet.org.

Best regards, and lets keep in touch!

For CERISE and the partners on the Promotion of Social performance,

Cécile LAPENU

Dimension 1 (maximum score is **29 points**, not 25)

The maximum remains 25 because the idea is that one MFI chooses among the 3 strategies for outreach (geographic=being in poor areas; individual targeting=tools to select the targeted client; methodological targeting=definition of the services to fit the constraints and needs of the targeted clients) In general, an MFI will not focus on the poorest areas, target the poorest in those areas and only offer products for the poorest.

See scoring table in page 53 of the guide: on the targeting actions, there is a max of 15 points out of 18.

1.1 and 1.10 : we feel that they are the same question (even if one is about goals and one about results)

The idea is to make the distinction between goals and results indeed. The 1.1 is more like a yes/no answer, and the 1.10 checks whether the MFI can provide the information on the results.

Question is not precise enough to screen whether the people actually targeted are among the poorest.

Questions 1.1 and 1.10 are on the geographic targeting: does the MFI choose poor geographic areas (whoever is targeted within this area).

1.4. Is it a question about the tool or about the use of the tool? Or on the information given by the tool?

²⁰ Altogether 15 partners organizations involved in microfinance programmes based in 9 countries. Comments were made by more than 20 persons after 1 ½ days of testing the tool on the field with 3 Indian partner organizations at the branch and HO levels.

Microfinance that makes a difference for the poor

This is a question about the use of the tool, the control done by the MFI to ensure that the tool is properly used to screen the right/targeted clients. For ex., if the MFI uses a Housing index, the MFI can verify the accuracy of the information provided by the loan officers, to check that they actually visit the client to check the quality of his/her house.

See in the Guide, p 17, the checks on Accuracy, reliability, formal cross-checking.

1.5. Can guarantors be third party? What about savings as collateral? Should be included in suggested answers. Yes, it can be put on "other, specify" as the guarantor may take more responsibilities than just a recommendation (responsible for repayment in case of default from the client?)

1.7. % of GDP may not be relevant in all contexts: what is the appropriate measure of GDP or Gini index that are going to be used: regional or national?

Of course regional should be more precise, but the information is often not available. As a proxy, we use national data.

1.11 and 1.12. The questions are biased in favour of rural MFIs

Yes; other questions are biased towards those who can collect savings, or who have their clients participating in the decisions.

On the other hand, rural areas remain an important underserved target for MF, and the MFIs that work in rural areas should be able to show their results as they face related costs (low infrastructure, low density of population, risks of the agricultural activities, etc.) This is the principle of the tool: all MFIs are not supposed to have 100 out of 100, but they should see what their own objectives are, and whether they have the means to reach their objectives. If they reach only urban slams, it is OK if they answer 0 on question 1.11 an 1.12.

1.12. It should be rephrased: "where they are no other MFIs or Banks accessible to the poor" (or "where there are no other pro-poor MFIs or pro-poor banks" (or "no other potential competitors")

Dimension 2

2.2. Social and emergency loans should be defined? What about consumption loans? Consumption loans are included in the definition – See Guide p 28.

Short term, very rapid disbursement (1 or 2 days), no specific purpose or officially allowed for consumption, social purpose, any emergency, etc.

2.5. Rephrase in "do the MFI generate voluntary savings"

2.6 The answer for score 1 could be "one or more specific savings products"

2.8. Not relevant for urban programmes.

Maybe we can think about an indicator of decentralization that can fit with the design of urban programmes...

2.11. Rephrase + add one answer "receipt with amount but no other detail" (+ the two answers are both given a score 0)

2.12. The answers given are too wide and not discriminating enough (any MFI could find a reason to answer yes).

OK – In the guide, we can be more precise.

2.15 Reverse 2.15 and 2.14

2.14 Should be "does the MFI conduct a survey to investigate the client drop-out rate"

2.17 and 2.18 suggested answers are not clear.

The idea is 1) that the services should be accessible to all clients 2) that the clients have the choice to participate or not.

Dimension 3

3.3. Is should rather focus on the *net outstanding balance* rather than on the savings *amount collected*: the amount collected may indeed increase while the net outstanding may decrease over the same period? Would then a better indicator be the % of growth of the *average amount of voluntary savings per capita*? Yes

3.4. Clarify "decision making" (at what level): see the guide on page 38 for more details on the decisions by level.

3.8. Suggested answers should be more detailed? (separate "no or only symbolic" from "they exist but are not active")

3.9. It seems that the scoring is quite subjective. This will be more precise in future work on how to define and how to improve "empowerment"

3.12. Is this question relevant for all MFIs? It seems it applies only to MFIs that could be in a situation to increase its clients influence with local or national government but deliberately don't do it.

This could also be seen as a "typical" question from the SPI's approach: maybe most of the MFI don't do it, but they may want to ask themselves why and what is indeed in their social mission. Some MFIs do it and would like to be valued for that.

Dimension 4

- 4.1. This question should specify that the salary table is in line with the minimum legal (or equivalent) salary. There are 2 questions in one (do you have a salary table? and is it updated?) and the possible answer is YES or NO OK (at this stage, it means "an updated salary table" (in the definition of "updated", it should be in line with the minimum legal).
- 4.2. The term 'annual' should be replaced by 'periodic': Training plan can be there but training are not conducted; or: there is no annual plan but trainings are conducted regularly and/or on a per-need basis. It is better to have trainings without a training plan than to have a plan without training.
4.2 is just on plan (more efficient and more transparent if plan exists); 4.3 is on the actual training.
- 4.3. What is the score about? What are we measuring? The question refers to the number of the trainings provided, the answer is about the % of staff concerned?
The question implies the compilation of nb of days by employees to summarize with the % of staff concerned (less than 50% of staff have more than 2 days or more than 50% have more than 2 days). The question can be clarified.
- 4.4. Does it mean at all levels? Or limited to one or more specific area (operations, governance, strategy...)? *It means that the employees' point of view is taken into account in the decisions taken by the senior management (at different levels, in particular on the strategy). The question can be clarified in the guide.*
- 4.5. National health coverage does not exist in all countries (India for instance); the question could be "Does the MFI provide any type of health coverage... (in addition to national health coverage if any)". OK
- 4.12. What is "action" in the answer for score 0? It should be clarified (verification?) as the same term is used in the question but with a different meaning. *OK, the term action is used with 2 different meanings; for score 0 the more appropriate term should be indeed "verification", control, etc.*
- 4.14. Does that mean that a high score is given to MFIs supporting more than 50% risky businesses? Is it really relevant? *One can imagine a diversified policy: 20% of portfolio in risky business, 30% in activities with positive social impact, etc. Maybe wording can be changed.*
- 4.15. Why such options (1% of loans or 5% of profit): it should be specified if the 1% of loans relate to the loans and the 5% of profit to the grants as the order is different between the question and the answers. OK What if it is regular but outside of the options (eg. less than 1% of loans or less than 5% of profit)? *The limits of the scoring remains subjective. The more cases we will have, the more precise we can establish the scoring.*
- 4.17. Measures taken on a case by case basis should get a higher score than no measure at all. *This is the case in the Guide (question 4.17 with 3 options: 0=No, 1=case by case, 2=funds or reserves). The question 4.11 in the guide is only a 0/1 answer. Please refer to the guide for these 2 questions, and not to the questionnaire...*

Appendix 2: Suggested 'Short' List of Indicators for Social Reporting by MFIs

Suggested 'Short' List of Indicators for Social Reporting by MFIs

Source: Frances Sinha, 2006. *Social Rating and Social Performance Reporting in Microfinance Towards a Common Framework: EDAM-Cril, Argidius Foundation, and the SEEP Network*

* Indicators likely to be available in the MIS; may be adjusted to provide client level information rather than loan information or to include reference to secondary information.

#: Indicators that depend on client-level information.

1 CONTEXT

Organisational Profile

- ◆ Legal form; years of microfinance operations; model of microfinance (group type, individual)
- ◆ Total portfolio and total loan accounts
- ◆ Total savings and total savings accounts
- ◆ Total client households *
- ◆ Percent of rural and urban clients (separating semi-rural and urban if possible); percent of women and men *

Financial Services and Access

- ◆ Product information: savings products (compulsory and voluntary), deposit amounts, interest payable, withdrawability
- ◆ Loan products, first loan sizes, costs (fees, declining interest, term)
- ◆ Insurance services—and whether they are the MFI's own or are linked to an insurance company
- ◆ Type of savings: total savings amount, number of accounts, average deposit outstanding
- ◆ Type of loan product: total portfolio, number of accounts, average amount outstanding
- ◆ Number and percent of accounts in different loan cycles (or percent of clients by loan cycle or years with MFI *)
- ◆ Number and terms of insurance policies; percent of clients who applied for, or received, pay-out in previous year
- ◆ Effective interest rate on different loan products (EIR)

2 PROCESS

SPM Social Performance Management

- ◆ Mission statement and date of formulation
- ◆ Target group(s)—how defined or how criteria applied
- ◆ Main parameters on which staff incentives are based
- ◆ Whether MFI uses information about clients to track outreach
- ◆ Whether MFI has conducted, commissioned, or used market research in past years
- ◆ How MFI defines drop-outs; whether it tracks drop-out rate and reasons for exit

SR Social Responsibility

- ◆ Whether MFI has a written formalised code of conduct for client protection
- ◆ What measures MFI has in place to ensure client protection (board review, operational manual, staff training, staff appraisals)
- ◆ Whether MFI provides written statement of repayments to clients that distinguishes principal, interest, and other payments; adapts communication
- ◆ strategy to capabilities of (poorer) clients
- ◆ Average time between approval and disbursal of loan
- ◆ Time between application for insurance pay out and payment
- ◆ Whether MFI monitors client indebtedness (at time of loan appraisal for possible default)
- ◆ Women and men on board of directors, in management, field staff, and support staff
- ◆ Specific strategies to address gender constraints in the local cultural/market environment
- ◆ Any non-financial services provided (directly or through linkages with other NFS providers) and description ,
- ◆ Percent of clients who have accessed these services in each of previous years
- ◆ Percent of operating revenues reinvested in the community during previous year

- ◆ Written, formal code of conduct governing actions towards staff
- ◆ Career and training opportunities: number of days/year per staff category
- ◆ Organisational practices in line with environmental conservation (energy, paper, etc)
- ◆ Description of environmental policies applied to core business lines (where applicable, as for SME finance)

3 RESULTS

Social Goal—Outreach

- ◆ Operational areas ranked—with distribution of clients across areas *
- ◆ Percent of clients belonging to marginal communities (as applicable in different countries) #
- ◆ Percent of [recent] client households with no savings accounts or loans from other sources (bank, cooperative, other) #
- ◆ Percent of recent clients living below US \$ /day and \$ /day at PPP #
- ◆ Percent of clients according to other poverty levels defined by the MFI (with details of how defined)#
- ◆ Number of financial services-supported enterprises by number of hired (non-household) employees (0, 1-2 , 3-5, 6 -9, 10-30, < 30) #
- ◆ Proxies if direct information not available:
 - Average loan size as a percentage of GNI/GDP per capita for new loan clients #
 - Percentage of loans (a) > \$300 in Asia, Africa, and the Middle East; (b) > \$400 in Latin America and the Caribbean; and (c) > \$ 1,000 in Europe and Central Asia # *

Social Goal: Appropriate Services

- ◆ Findings of any market research (in past 2 years with sample details), including if possible: #
 - Percent of clients aware of interest payable on savings
 - Percent of clients aware of full costs of borrowing (fees, declining interest)
 - Percent of clients from households with member in another MFI
 - Percent of clients from households borrowing from informal moneylender in previous year
 - Drop-out rate in previous years (and how defined)
- ◆ Results of any drop-out tracking or survey, if available, including if possible: exit rates within different client categories (poverty level, loan cycle), and reasons for drop-out #

Social Goal: Change—Effects or Impact

- ◆ Findings of any recent (within past 2 years) impact studies of MFI (design details, methodology for, size of sample, method for poverty assessment) #
- ◆ Contribution toward achieving MDGs (indicators being developed by C-GAP Ford Social Indicators Project), for example, percent of clients who have moved out of poverty after 5 years, percent of school-aged children (girls and boys separately) of clients who attend primary school (compared to children of non-clients) #
- ◆ Sustainability of livelihoods and greater financial inclusion: percent of loan clients who have evolved after 5 years from taking loans to making deposits
- ◆ Contribution to employment generation #
- ◆ Total number of credit-supported enterprises, percent of new enterprises started with microcredit and continuing for at least 2 years
- ◆ Increase in number of clients employed in credit-supported enterprises, separately for family and hired: men, women, boys, girls (children defined as younger than 15 years), and for full time and part time (full-time defined as working more than 8 months of the year, and at least 6 hours/day; part-time is less than this, including both seasonal and irregular work)

Source: Frances Sinha, 2006. Social Rating and Social Performance Reporting in Microfinance Towards a Common Framework: EDA/M-Cril, Argidius Foundation, and the SEEP Network

Some comments were made by the participants :

The legal form and type of organization influences the processes : if you are a cooperative, it determines the way you are functioning. Therefore, indicators should be adapted to the type of organisation: if you are a company, communicating with clients is an indicator of transparency, whereas for a cooperative, where communicating with clients is part of the processes, it is not a sign of increased transparency.

The average loan size per collector is a relevant indicator.