



# Reaching the Poor

## through the Progress out of Poverty Index

*Developed by Mark Schreiner of Microfinance Risk Management, the Progress out of Poverty Index (PPI) was commissioned and promoted by Grameen Foundation with the endorsement of the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation. It is a 10-question survey tool composed of country-specific, non-financial indicators such as number of children in school, family size, type of housing and household assets. Responses to each indicator receive a corresponding weighted score. The total score is then derived (from 0 to 100), which is linked to a probability table that indicates whether a client is living below or above certain poverty lines. Based on the score, organizations could choose clients according to poverty bands and measure clients' progress over time.*

# Progress Out of Poverty Index Oikocredit Southeast Asia

**Oikocredit has always wanted to know who its investments are reaching, if there is change in the lives of the poor, and if partners share in this mission. The Progress out of Poverty Index (PPI) is a tool that MFIs can use to assess clients' poverty levels and track poverty movement.**

## Are partners reaching the poor?

In 2007, Oikocredit partnered with Grameen Foundation USA to promote PPI among partners in Southeast Asia. Since then, Oikocredit has assisted 11 partners in the Philippines and Cambodia in using the PPI.

As of end-2011, four of these partners have integrated the PPI into their operations after piloting the tool in 2008. Three other Philippine partners and two Cambodian MFIs have just begun to apply the scorecard to their clients in 2011. Table 1 lists the different partners and the total number of clients who were living below the poverty line<sup>1</sup> as of end-2011.

These nine partners are reaching a total number of 515,858 clients, 36.04% of whom were surveyed with the PPI. Of the total clients surveyed, 51,522 are living below the national poverty line. Philippine partners surveyed a total of 126,422 clients, of whom 30,194 or about 24% were likely below the poverty line. The two Cambodian partner MFIs have surveyed 59,511 clients, of whom 21,328 or 35.84% fell below the poverty line.

## Targeting the Poor

The results that follow are not meant to compare the different partners' performance. The poverty outreach of MFIs is affected by a number of factors such as targeting methods, recruitment policies and areas of operation, among others. The results present a snapshot of the number of poor clients reached by a partner NGO/MFI at a particular point in time. Figure 1 shows the number of new and existing (old) clients partners reached in 2011. A high poverty concentration means that an MFI has more poor people as a percentage of its portfolio.

<sup>1</sup> The poverty line, or poverty threshold, is the minimum income required to meet the food requirements and other non-food basic needs, such as housing. It is determined by computing the total cost of all the essential resources that an average person consumes in one year. Poverty lines are adjusted periodically to account for factors such as inflation.

Pag-Inupdanay, which is still using the 2002 Poverty Scorecard, for instance has the highest poverty outreach. Its operations are concentrated in the rural and upland areas of Negros Occidental province (see Figure 1).

ASKI may register the smallest percentage of clients below the national poverty line but it has surveyed about 77% of its clients. Its programs are aimed at micro and small-to-medium enterprises including farmers' groups. For this reason, it caters to clients from various strata of poverty in regions 1, 2 and 3 of the Philippines. HSPFI, PMPC and OCCCI register a high outreach comparable to the other MFIs due to the small number of clients surveyed to date, about 1% to 8% of its total clients. VFC piloted the PPI in 2010 in one of its branches. In late 2011, it began piloting the tool in additional branches. So far, it has surveyed 13.48% of its clients. Incoming or new clients below the national poverty line (25.45%) is 4.87 points lower than the Cambodian poverty rate of 30.02% based on the results of the 2004 Cambodia Socio Economic Survey. VFC aims to reach 35% of the poor below the poverty line by the end of 2012. TPC, in contrast, has surveyed 43.21% of its clients of which 40.42% are below the national poverty line, about 10.4 percentage points beyond the national poverty rate. TPC only surveys new or incoming clients (see Figure 2).

## Are clients moving out of poverty?

Without a regular source of income and/or savings to help them cope with emergencies, poor clients are especially vulnerable. When the "unexpected" occurs such as illness, accident, death, calamities and business losses, the poor without coping mechanisms, could sell their business or household assets, or take in more debt. Since poor clients can fall in and out of poverty easily, poverty movement could be positive or negative. Tools like the PPI help MFIs know what is happening to their clients.

Three Philippine partners track their clients' movement out of poverty.

## RSPI clients

In 2010, RSPI began surveying all clients using the PPI. Of the 30,538 clients surveyed, 32.41% or 9,897 clients were living below the poverty line while 67.59% or 20,641 clients were above the poverty line. In 2011, the same clients were surveyed again. Of those living above and below the poverty line in 2010, 14,442 and 6,824 clients dropped out of RSPI's program,



**Cover picture:** Merlinda Alonzo, member of ASHI's Aklan Northwest branch weaving pandan leaves into native sleeping mats and bags.

respectively. Only 5,727 clients above the poverty line and 3,545 below the poverty line remained in RSPI's program. This means 472 clients had fallen below the poverty line in 2011. RSPI is looking into the high number of client dropouts to see what is happening to their clients. The northern area of the Philippines, where RSPI operates, is frequently hit by strong typhoons which often cause flooding and landslides, leading to the destruction of homes and agricultural crops.

#### ASKI clients

After piloting the PPI in 2008, ASKI began applying the tool to renewing clients. Of the 52,259 clients surveyed in 2010, 31% lived below the poverty line. By 2011, however, 25,922 clients have dropped out of the program in 2011. Whether these clients dropped out because they no longer need a new loan or they were not able to pay off their debt need to be looked into more closely through further research.

Of the 36,095 clients who were living above the poverty line in 2010, 17,855 were no longer in ASKI's program in 2011, which should leave 18,240 clients living above the poverty line. The PPI survey in 2011 revealed that 19,853 clients were living above the poverty line, which means that 1,613 clients who were below the poverty line in 2010 moved above the poverty line that year (see Table 2).

**Table 2: ASKI survey**

	2010	2011	2010 Dropouts
Total Clients Surveyed	52,259	26,337	25,922
No. of Clients Below 4.32 Poverty Line	16,164	6,484	8,067
No. of Clients Above \$4.32 Poverty Line	36,095	19,853	17,855
No. of Clients who Crossed the Poverty Line		1,613	
<b>% of Clients with Change in Poverty Levels</b>		9.98%	

#### ASHI clients

When ASHI realized it was not reaching its targeted group of poor, it revised its targeting methodology and policies. Keen to know the poverty levels of incoming new members and to monitor if members are rising above poverty, ASHI started using the tool as part of its expansion to new areas. The initial results show that of the 1,207 new members in Antique and Laguna who joined in 2010, one exited from ASHI's program

**Table 1. Partners' Clients below the National Poverty Line**

MFIs/NGOs	Total Outreach (Dec. 2011)	No. of Clients Surveyed	% of Clients Surveyed	No. of Clients Below the Poverty Line	% of Clients Below the Poverty Line
<b>PHILIPPINES</b>					
Pag-Inupdanay Inc. (PI) <sup>a</sup>	30,105	11,078	36.80%	5,260	47.48%
Rangtay sa Pagrangay Inc. (RSPI) <sup>b</sup>	40,977	28,231	68.89%	8,187	29.00%
Ahon sa Hirap, Inc., (ASHI) <sup>b</sup>	24,000	11,935	49.73%	3,580	28.90%
Hagdan sa Pag-uswag Foundation Inc. (HSPFI) <sup>c</sup>	18,646	1,525	8.18%	440	28.84%
Paglaum Multi-Purpose Cooperative (PMPC) <sup>c</sup>	44,815	603	1.35%	162	26.96%
Metro Ormoc Community Cooperative Inc. (OCCCI) <sup>c</sup>	34,663	712	2.05%	187	26.26%
Alalay sa Kaunlaran, Inc. (ASKI) <sup>b</sup>	94,074	72,338	76.89%	12,377	17.11%
<b>subtotal</b>	<b>287,280</b>	<b>126,422</b>	<b>44.01%</b>	<b>30,194</b>	<b>23.88%</b>
<b>CAMBODIA</b>					
Thaneakea Phum Cambodia (TPC) <sup>d</sup>	96,542	41,716	43.21%	16,862	40.42%
Vision Fund Cambodia (VFC) <sup>e</sup>	132,036	17,795	13.48%	4,467	25.10%
<b>subtotal</b>	<b>228,578</b>	<b>59,511</b>	<b>26.00%</b>	<b>21,328</b>	<b>35.84%</b>
<b>TOTAL</b>	<b>515,858</b>	<b>185,933</b>	<b>36.04%</b>	<b>51,522</b>	<b>27.71%</b>

#### Notes:

1. On the methodology and status of implementation: <sup>a</sup> Sampling new clients; <sup>b</sup> Census; <sup>c</sup> Census (initial stage); <sup>d</sup> Census new clients; <sup>e</sup> Pilot
2. Based on the 2004 poverty lines set by the National Statistical Coordination Board, the Philippines' poverty line is equivalent to Php39.52 (estim. \$0.70 in 2004) while the Cambodia National Line is equivalent to KHR1,753 (estim. \$0.45 in 2004 prices) in rural areas. The national line in Phnom Penh and other urban areas is different. Since 90% of those below the national line live in rural areas, the poverty line for rural areas was used as reference.
3. PPIs are country specific and indicators are derived from the latest national household survey. Apart from the national poverty line, each PPI has other poverty lines that serve as international benchmarks to allow results to be compared across countries and across organizations. The Philippines has two versions of the PPI: one based on the 2002 Annual Poverty Indicators Survey (APIS) and one based on the 2004 APIS. These two scorecards are only comparable at the \$4.32/day 1993 PPP poverty line. Among the Philippine partners, Pag-Inupdanay still uses the 2002 PPI version.

Figure 1. Poverty Outreach in Philippines

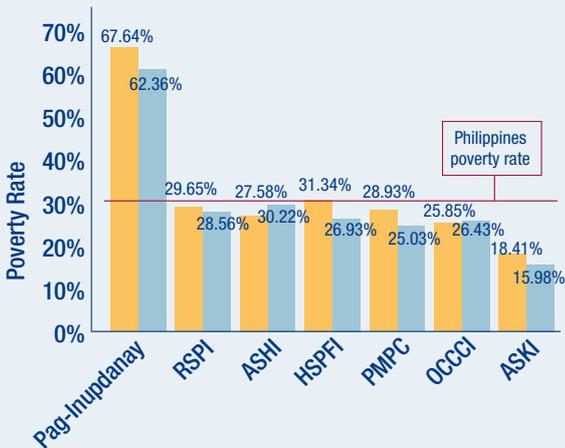


Figure 2. Poverty Outreach in Cambodia

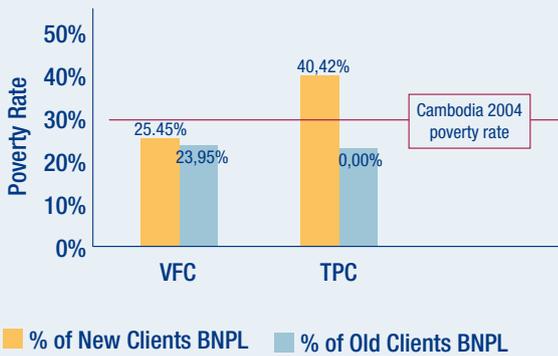
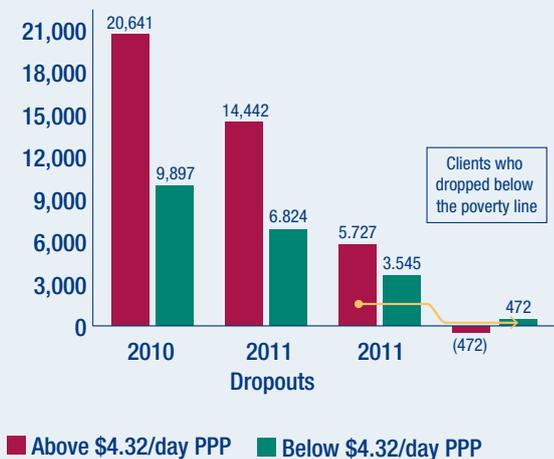


Figure 3. Poverty Movement in RSPI



while 26 members have moved above the national poverty line in 2011 (see Table 3).

Table 3: ASHI survey

	2010	2011	2011 Dropouts
Total Clients Surveyed	1,207	1,206	1
No. of Clients Below National Poverty Line	433	407	0
No. of Clients Above National poverty line	774	799	1
No. of Clients who Crossed the Poverty Line		26	
<b>% of Clients with Change in Poverty Levels</b>		<b>5.93%</b>	

**Next steps**

The PPI results presented are but a snapshot in time and thus, are not conclusive. Nonetheless, the results show how PPI can be used: to identify the poverty levels of clients or members of MFIs/NGOs relative to the national poverty line of a country and to track client's poverty levels over time. PPI data can also help MFIs understand the poverty levels of groups of clients in relation to various variables such as loan size, savings, poverty by region, by business segment and so on.

Since Oikocredit promoted the use of the tool among project partners, it has been supporting partner-MFIs by investing resources in training workshops and providing technical assistance. This includes training on social performance, helping partners define social goals and situating the use of the PPI within the organization's social performance targets, data analysis and mentoring on data analysis and managing the PPI implementation process.

The focus of assistance for the first batch of Oikocredit PPI partners in the Philippines would be to help these MFIs mine PPI data to improve poverty outreach and client retention among others. For the second batch of PPI partners in the Philippines and for the Cambodian MFIs that are at the initial stages of using the tool throughout their organizations, the focus will be on improving the management of the implementation process, to ensure that these organizations comply with the PPI Standards of use, in the analysis and interpretation of PPI data, particularly in using the PPI results to improve their SPM.

# Improving Targeting and Staff Performance

**The PPI assist MFIs not only in checking if they are reaching the poorest clients; it also shows which operational areas need further investigation to help improve client retention and staff performance.**

Rangtay sa Pagrang-ay Inc. (RSPI) is a small Christian microfinance institution based in Baguio City, Philippines. It was formed in March 1987 to help the poor uplift their lives through micro-credit and other community programs. RSPI learned about PPI when Oikocredit started promoting the tool in 2007. RSPI decided to use PPI in all its branches in 2009, after piloting it in two branches the year before. Oikocredit helped RSPI interpret data gathered.

The results of the first survey shocked RSPI's management and Board of Directors. Out of RSPI's 17,125 clients then, only 5,204 or 30.39 % were found to be below the national poverty line. "Through the years, we've assumed that we were reaching the poor," said Alma Estolas, RSPI Executive Director. "The PPI data showed us that was not always the case." RSPI thus decided to continue using PPI to ensure that their goals matched their outreach.

PPI results in 2010 showed that of the 36,735 clients surveyed, 11,054 or 30.09% were below the national poverty benchmark. It also pointed out other areas for further study: product usage of clients by poverty levels, and actual outreach compared to provincial and national benchmarks to improve client retention.

At present, RSPI loan officers conduct the poverty survey in all its 25 branches in northern Luzon.

PPI data is captured in RSPI's management information system so RSPI can track regularly its total poverty outreach as well as those of any branch and any loan officer in that branch.



Ferdinand Jimenez, RSPI loan officer, explaining about anti-cancer foods at a center meeting in Vigan, Ilocos Sur

RSPI's target is to raise poverty outreach in 2014 to 50% of its total client, now numbering around 40,000 clients in Northern Luzon.

Director Estolas admits that finding poor potential clients will mean extra effort for loan officers, both for those working in urbanized areas as well as those posted in the Cordillera, where the poorer communities are scattered over mountain ranges.

### Internalizing the goal

"Now that we have PPI data available, we are also including poverty outreach as a staff performance indicator," said RSPI Executive Director Estolas. Rewards and incentives shall be given to branches and loan officers who meet this target. At present, staff performance is measured only through financials such as number of clients reached (regardless of level of poverty), sustainability and portfolio quality. Once the new performance evaluation system is put in place this year, loan officer and branch performance shall also be rated and rewarded based on the number of poor clients reached.

Director Estolas said that at RSPI, PPI has become part of the loan process. New loan officers are oriented on PPI and it is now normal routine for the loan officers to gather and submit PPI data. Baguio branch manager Glen de Vera, once a loan officer himself, said the tool strengthens credit investigation on a client. "It helps us determine a client's economic status and their capability to pay. The tool is also quite easy to use and takes only 3 to 5 minutes to administer." Encoding is done by the bookkeepers of the branches.

"When I suggested to the Board members that we use PPI, their main question was, how will it benefit RSPI?" Executive Director Estolas recalled. "I told them we can use the tool for client selection, as we are doing now."

# “Success comes from knowing your clients”

Since it underwent an organization-wide mission review in 2008, Ahon sa Hirap Inc. (ASHI) has been using the PPI to ensure it reaches poorer clients and forms stronger groups.

At that time, ASHI decided to focus not only on outreach to the poorest but also on marginalized women and their families - those living in remote and hard to reach areas, those with no access to financial services, and those considered outcasts of society because they were victims of human trade and domestic violence, or were just out of prison.

## Strategy in Targeting

When establishing branches in identified areas, ASHI would get all the branch staff in the area to conduct a survey of the whole community first, using the PPI.

ASHI would then rate residents in a community in terms of their potential (high, medium or low) to become members, based on the PPI's table of probable poverty levels. The lower the PPI score of a resident, the higher is her likelihood of living below the national poverty line and thus, the higher her potential to be an ASHI member. Respondents with a high potential rating are immediately invited to attend an orientation on ASHI's microfinance program. Interested participants are then invited to form groups and apply for membership.

ASHI finds its new approach to targeting the poorest and marginalized women in new areas quite beneficial. First, around 100 or more people would show up at the meetings following a PPI survey, compared to only 3 to 5 people before. Second, potential members get to know each other better, paving the way for smooth group formation and stronger group solidarity. Third, ASHI is able to collect baseline information on



Ruth de Mateo, ASHI member in Aklan North, is engaged in hog raising

new members, enabling it to monitor progress of members over time. ASHI's policy is to interview members once a year.

In June 2010, Grameen Foundation rated ASHI as a certified basic and advanced PPI user. As of December 2011, ASHI's membership totaled 24,000 poor women in 21 branches in Laguna, Rizal, some parts of Metro Manila, Aklan and Antique in the Visayas Region. Eighty five percent of its members live in the rural areas.

## ASHI's vision

ASHI anchors its vision for change on the well-being of its members. Based on these clearer definitions, ASHI has provided access to new products to better meet members' needs, such as supplementary or calamity loans. Its concept of solidarity group was also strengthened; it went "beyond the group as collateral".

"Part of ASHI's goal is to enable members to reach their dreams through their support for one another. Therefore, the loans are also tied up to the performance of the group or the center,"

explained ASHI President Mila Mercado-Bunker. "For ASHI, a declining rate in center attendance may be a signal that the solidarity of members is weak. Therefore, we need to do something to build their relationship."

"Focusing on its social mission has been ASHI's strategy. For us the figures speak about, first of all, how well we have served our clients to the best that we have set our mission to be," Mercado-Bunker remarked.

For ASHI, one of the key lessons in effectively managing its social performance is, *success comes from being able to measure poverty and know your clients*. "If you know *who* you are reaching and *how* their lives are changing, you can use this knowledge to inform every aspect of the business (from incentives to product design)," she added.

# Staying focused on its mission

**Since it began in 2003, Pag-Inupdanay Inc. has consistently sought clients in the most remote and underserved areas in Negros Occidental. Ninety percent of its clients are based in the rural areas and more than 50% of its loan portfolio is dedicated to agriculture and farm-related activities.**

Negros Occidental has one of the highest concentrations of poverty and number of malnourished children. To address poverty, Pag-Inupdanay Inc. adopts a community-driven Local Economic Development strategy that nurtures people's participation, optimizes the use of local skills and resources, improves economic productivity and ensures sustainability. It helps build local livelihoods and industries by providing micro-financial services to the poor communities.

## PPI Uses

Pag-Inupdanay uses the PPI to keep its focus on its target group of poor. Based on the PPI score, development officers are guided on who to invite to Pag-Inupdanay's program. Monthly, each development officer must reach out to 30 new members who should be below the national poverty line. "Our loan officers know anyone whose score is quite high-70 or 80 for example-is not qualified to be a client," explained Operations Head Eduardo Puerto.

PPI surveys also form part of client evaluation on top of cash flow analysis and capacity to pay. Pag-Inupdanay collects PPI data on clients twice a year. Accomplished PPI forms are submitted to the head office monthly and returned to the branches after encoding. PPI report generation, however, is still done manually and using a sampling method.

Besides helping Pag-Inupdanay know who it is reaching, the PPI allows the staff to monitor what is happening to the clients. By comparing the baseline data against the current PPI score of clients during the loan renewal process, branch managers and development officers are enabled to know if there are changes in clients' lives.

## Staff social performance measures

"PPI is not difficult for us to implement because social performance is at the core of Pag-Inupdanay's existence," said Pag-Inupdanay Deputy Director Scintilla Patindol. In fact, Pag-Inupdanay measures social performance at all levels by including social indicators in its staff performance appraisal. Development officers are also evaluated based on the number of new clients below the national poverty line they recruit monthly and the number of community leaders and educators they recommend to the Training Team for development. To date, 116 women have undergone the Community Leadership Training. The new evaluation forms which were developed in 2011 helps staff remember Pag-Inupdanay's social goals. An incentive scheme under development would further encourage Pag-Inupdanay staff to focus on their mission.

# Financial literacy on air

"How can I save when my income is not enough?" "How can I record our household expenses when my family is so big?" These are some of the questions that callers phone in when they listen to the radio program *Chi Vit Neng Luy*, which broadcasts weekly in Cambodia. Oikocredit Southeast Asia is co-producing this program on financial literacy with the Cambodian Microfinance Institute (CMI).

The one-hour radio program began airing on January 1 and broadcasts live in 20 provinces in Cambodia every Saturday and Sunday, on River Radio FM 102.5. *Chi Vit Neng Luy* (or *Life and Finance* in Khmer) usually opens with a short drama to introduce the topic for the day. The program educates clients on financial management at the household level, provides practical tips to help clients grow their business or livelihood and increases client awareness on client protection principles. In the annual partners' meeting last year with Oikocredit, Cambodian MFI partners identified financial literacy as a key area for Oikocredit support. Unofficial estimates place the number of Cambodian micro-finance borrowers at 1.3 million people and still growing. Radio remains a popular medium in the country, especially in provinces outside Phnom Penh. According to one study, 62 percent of the population listens to radio regularly. *Chi Vit Neng Luy's* main anchor is Om Seng Borra, president of CMI, an independent consultancy group working with MFIs and NGOs. Borra used to have his own radio program on business and was former General Manager of the MFI Vision Fund Cambodia.

The program features guest panelists from MFIs and NGOs as well as clients with success stories to share. Calls from listeners are welcomed and the lucky caller gets a prize - a radio or electric fan. A female caller who sells shoes said she was happy to get a prize as well as sound advice. After tuning in to an episode on financial management, she started keeping a daily income and expense record, which she reviews with her husband once a month.

# Empowering clients through education

**“Providing credit to the poor is not enough,” said Rolly Victoria, executive director of Alalay sa Kaunlaran Inc. (ASKI). “Educating people is very important if we want to eradicate poverty.”**



ASKI workshop: from practical tips to long range planning

This realization among ASKI board and staff led to the launching of a financial education program in the Philippines in October 2011. The goal is to help clients learn how to manage their hard-earned finances and to impart skills in running a business.

ASKI's financial education program consists of a 6-module course that covers the following:

- Awareness of one's emotions about money
- Various uses of money
- Formulating financial goals
- Value of savings
- Budgeting and planning for the household and/or business
- The value of investing
- Credit management

The course was designed to fit the clients' schedule and literacy level (grade school graduates for rural clients, high school graduates for urban clients). Sessions are interactive to encourage sharing and active participation in group exercises and workshops.

The two-day course provides practical tips as well as tools for financial long-range planning. There is a session on household budgeting and planning, for instance, where each participant records her detailed daily and monthly income and expense sheet.

Each participant is also guided in setting her five-year financial goal. For the ASKI clients, these include:

redeeming mortgaged farmlands, sending children to college, and expanding the business and number of livestock.

## Savings and credit management

“Through cases studies and success stories, we illustrate the value of savings and implications of having multiple debts,” said ASKI training manager Maribel C. Javate. “We provide tips on how to save, like making a marketing list to avoid compulsive buying, saving first when the money comes rather than saving only what is left-over after expenses. For the session on credit management, we stress proper use of credit and on-time payments to avoid penalties.”

So far, more than 160 clients, mostly women, have attended the course. Center leaders and good clients are being trained first so they can share what they learned with their members. Eventually, the course will reach ASKI clients in all 19 branches and draw in non-clients as well.

Raising clients' financial literacy is one of the measures ASKI has adopted to prevent client over-indebtedness, and only one of the many other services it extends to clients.

## Wholistic development

Although ASKI was formed as an MFI 25 years ago, it has grown to be more than that. “Credit is for us an entry point,” said Executive Director Victoria, “because we at ASKI are for wholistic development.”

ASKI Foundation was formed to focus on community development programs and is partially financed by ASKI's microfinance operations. It implements an outreach and empowerment program with seven indigenous peoples' groups in Southern Luzon and other projects related to health, education and the environment.

ASKI is the first PPI User in the Philippines to be certified in all three levels-basic, advanced and tracking over time. It is active in the SMART campaign for client protection principles and has joined MFTransparency's pricing initiative in the Philippines.

In 2009, ASKI got an A minus social rating from Microfinanza, which meant a “very high likelihood to achieve social goals.” Since then ASKI continues to conduct a series of activities to improve its operations, systems and procedures -market studies to understand client needs and preferences, exit and satisfaction surveys to get client feedback, and the formation of a process compliance committee to ensure that field staff conform with processes developed to prevent client indebtedness.

[WWW.OIKOCREDIT.ORG](http://WWW.OIKOCREDIT.ORG)



### Southeast Asia

Unit 503 Transorient Maritime Building  
No. 66 Timog Avenue  
Bgy. Sacred Heart 1103  
Quezon City, Philippines

T: +63 2 929 32 35 / 410 23 99 / 929 32 29

E: [office.ph@oikocredit.org](mailto:office.ph@oikocredit.org)

I: [www.oikocredit.org/rm/ph](http://www.oikocredit.org/rm/ph)