

Institutionalizing Impact Assessment: Case Study on the Philippines¹

*By Lalaine M. Joyas² and Aniceta R. Alip³
April 2003*

Introduction

For most development programs or organizations in the Philippines, impact assessment is still a one-off, donor-driven activity that is done halfway through a program or part of post-program evaluation. In the field of microfinance, most Philippine MFIs still hold the conventional view that IAs, and even market studies, are very expensive to undertake and should be left in the care of donors and external consultants. The availability of tools to assess impact (e.g., AIMS tools, *MicroSave-Africa's* package of PRA tools) did not do much in shedding more light to the importance of auditing and assessing the social performance of MFIs. This is partly due to the limited access to information on these tools for a number of Philippine MFIs. Several MFIs came across these tools through participation in training workshops offered by national networks such as the MCPI or PHILNET⁴. Most importantly, not much attention has been given to IA. Since the time microfinance was established as a strategy that can contribute to poverty alleviation, the local microfinance sector has its eyes focused on scale and operational and financial sustainability.

Nonetheless, tools such as those of AIMS, jumpstarted efforts toward broadening the microfinance sector's view on IA but much still has to be done to raise the consciousness on achieving impact. After all, we are realizing that IA is more than just about tools and methodologies.

The Philippine *Imp-Act* Project

In 2001, an opportunity to bring IA to a higher level of understanding came about through the *Imp-Act* project. The Philippines' involvement in this global program was initiated by the Center for Agriculture and Rural Development (CARD), the leading MFI in the country. The project's immediate objective is to meet the MFI's client information needs for IA and market research (MR) through an information system that clearly defines the IA process and specific aspects in IA such as impact variables, methods of data collection and analysis.

It is hoped that benefits from the project extend beyond CARD, hence, the Microfinance Council of the Philippines (MCPI) was taken in as project implementor. Through MCPI, a national network of 29 microfinance organizations (regular and associate members), the project hopes to

¹ Prepared for the plenary session of the *Imp-Act* Global Meeting, May 5-8, 2003, Polokwane, South Africa, and as contribution to Section 2 of the October 2003 edition of the *IDS Bulletin*. The paper benefited from work to date of Professor Ronald Chua of the Asian Institute of Management (AIM) under *Imp-Act*.

² Lalaine M. Joyas is Research and Information Officer of the Microfinance Council of the Philippines, Inc. (MCPI).

³ Aniceta R. Alip is Research Director of the Center for Agriculture and Rural Development (CARD).

⁴ *Philippine Network for the Hardcore Poor*, a network of GB replicators in the Philippines.

disseminate the goals of the information system, one of which is to institutionalize the conduct of impact monitoring and market research in MFIs. Recognizing as well that national networks can be venues for effective learning and sharing of experiences, MCPI hopes to raise the consciousness among MFIs regarding the benefits and impact of integrating impact assessment into regular monitoring systems. Under the project, MCPI and CARD are also expected to build in-house capacities of MFIs in conducting pro-active IA and MR.

The specific activities involved in the project include the following: (a) development and pilot implementation of a core model of an IA/MR information system, which has CARD as prototype; (b) promotion and advocacy, at least within the MCPI network; and (c) building in-house capacities of MFIs to conduct IA and MR through training workshops.

CARD under *Imp-Act*

A Brief on CARD

Founded as a social development organization in December 1986, CARD has evolved into an outstanding microfinance organization that is presently leading the pack of MFIs in the Philippines. In a country with 5.1 million households (2000 estimate) living below the poverty line, CARD's achievement in microfinance services delivery, which has reached out to more than 100,000 households, has been widely recognized.

Since taking off with its Grameen-style microlending in 1989, CARD has spent considerable time in refining the methodology with the end in view of achieving the twin goals of outreach and sustainability. A major event in CARD's history came in 1997 when CARD NGO obtained from the Central Bank of the Philippines the license to operate as a rural bank. To date, CARD Bank has established 9 branches. Thirty-five (35) branches continue to operate under CARD NGO.

The bank and NGO's combined performance leads other MFIs in the Philippines. CARD services are all over the southern part of Luzon, the biggest and most important island grouping in the Philippines. Most importantly, CARD has its eyes set on the CARD Mutually Reinforcing Institutions by 2009, with the bank, NGO, training center, insurance company, housing development company and marketing center under its fold. This is CARD's answer to the evolving and ever growing needs of its clients.

Summary of CARD Operational and Financial Performance, 1998-2002

	1998	1999	2000	2001	2002
Number of branches	16	24	27	30	38
Outreach	20,617	28,531	35,704	49,784	100,288
Portfolio (in US\$)	1.6 M	2.8 M	7.3 M	7.2 M	10.0 M
OSS ratio		102%	104%	139%	149.9%
FSS ratio		95%	102%	114%	125.2%

Source: CARD, MCPI

CARD's Experience under Imp-Act

CARD has hurdled much of what other Philippine MFIs are still facing in terms of scale and sustainability. CARD can now seriously commit to meeting its social objectives by putting in place systems and mechanisms that will track social performance. In embarking on a project under *Imp-Act*, CARD effectively committed itself to the principle that social performance is as important as financial performance. In putting this commitment to practice, CARD can set the best example that while there are trade-offs between social and financial objectives, there are also benefits from meeting both and that MFIs can and do reach impact on the poorest and achieve financial self-sufficiency⁵.

→ *Getting started*

In getting started with the project, it was important for CARD to subscribe to the principles being promoted and advocated by the *Imp-Act* global network. This includes a greater appreciation of the IA process and understanding what the process entails. Part of the process is recognizing that IA and its outcomes are specific both to the context and objectives of the MFI.

As a prelude to the IA process, it was also important for CARD to build up local ownership of the process and cultivate trust between and amongst stakeholders. Hence, even with the presence of external expertise, a number of activities involved CARD's Board, management, staff and clients. The first of these activities was a briefing that oriented CARD staff and management about the *Imp-Act* project.

→ *Review of IA and MR initiatives*

The subsequent activities involved reviewing and making an inventory of impact studies done on CARD and market researches undertaken by CARD. The objectives of these activities were to: (a) make an inventory of MR tools applied and review CARD's experience with the tools; (b) review CARD's impact areas; (c) compare impact assessment frameworks; (d) make an inventory of impact areas, indicators and methodologies used; and (e) review how CARD applied results of studies.

After the impact study review, the following insights and conclusions were arrived at:

- ❑ Conclusions on impact were generally positive.
- ❑ Four out of five impact studies conducted by external parties were in the context of project evaluation/assessments with minimal involvement of CARD staff.
- ❑ Impact studies were undertaken on a per need or per project basis.
- ❑ Mostly were cross-sectional, one-off in nature.
- ❑ The scope of impact studies was limited in geographic scope.
- ❑ Multiple indicators were used.
- ❑ Most data elements are not part of CARD's regular information system.
- ❑ Impact areas include personal, enterprise and household levels.

⁵ "Ensuring Impact: Reaching the Poorest While Building Financially Self-Sufficient Institutions, and Showing Improvement in the Lives of the Poorest Families," by Anton Simanowitz, 2002.

- ❑ None covered impact at community level.
- ❑ Three studies used comparison groups.
- ❑ CARD management effectively draws out study implications for improvement.
- ❑ There was a mix of qualitative and quantitative methods and conclusions.
- ❑ Undertakings of these nature are time and resource intensive.
- ❑ There will be high demand on organization if included as part of regular activities.
- ❑ Value-added to organization has been conscious effort to translate findings into actionable points.

On the other hand, the market research review brought to light the following:

- ❑ There were many market research initiatives undertaken.
- ❑ Applications include: new branches, new products, product/service improvements.
- ❑ Most market studies were conducted in-house, with the Research Unit. There were also some commissioned studies.
- ❑ Tools and methods include: surveys and mini-surveys, in-depth interviews, focused group discussions, participatory rapid appraisals.
- ❑ Most market studies were done on an as needed basis – not integrated as part of regular function of operating units.

→ ***Defining CARD's impact priorities***

An important activity held was a workshop on impact assessment that would help review and define CARD's impact priorities from client and staff's perspectives, re-visit and re-validate CARD's mission and vision, and determine relevant impact indicators and check if these indicators are currently available at CARD. In attendance during the workshop were some members of the Board, management, senior and field staff and CARD clients. In facilitating this process, the following key questions were raised:

- ❑ What, in your experience, have been CARD's impact? What are the main reasons for these impacts?
- ❑ What should be the impact priorities for CARD? Why? How do these compare with CARD's present vision and mission?
- ❑ Based on identified impact priorities, what indicators can be used? Which indicators does CARD already have information on?

The workshop proved to be effective in establishing ownership of the process as far as various CARD stakeholders are concerned, and in setting the stage for identifying impact priorities for CARD. The following conclusions were arrived at:

- ❑ Perspectives on impact areas across clients, staff, management and Board are more or less similar.
- ❑ Only a few of identified impact areas and indicators are available from CARD's current systems (e.g., membership form, loan application form)
- ❑ CARD founders' philosophy puts heavy emphasis on economic empowerment as means to other forms of empowerment.

- Board prefers only 3 to 4 impact indicators that can be tracked over time.
- Top management and Board have also expressed a strong preference for impact information directly useful for improving organizational performance.
- Current data capture forms (membership form, loan application form) can be improved for standardized and categorized responses to improve quality of data and to allow quantitative comparison over time (e.g., income estimates, sources of income, estimate of total asset value).

The workshop also revealed a number of issues pertaining to impact:

- CARD is committed to efficiency and low costs, engaged in the process of re-engineering and simplification. How should this be reconciled with need for additional information on impact?
- Understanding CARD's impact at the community level.
- Addressing the concern of how to move clients out of poverty and beyond becoming less poor.
- Staff observe that clients face a glass ceiling in growing and moving out of poverty. What are the reasons for this phenomenon?
- Staff perceive constraint to better impact lie in inadequate member skills, and in access to markets.

As a result of the exercise, and in further consultation with CARD stakeholders, the CARD Board approved the use and tracking of indicators in the following core impact areas: ***housing, productive assets, children's education and food security.***

→ *CARD's priorities for market research*

With various market studies undertaken to date, CARD has learned the use of a number of MR tools while selected staff have been trained on the use of these tools. Project effort should, therefore, focus on systematizing MR efforts in: (a) defining which ones are to be regular and which ones should be done on an as needed basis; (b) manualizing existing tools, training and related processes; and (c) further expanding the skills to use selected tools beyond the Research Unit.

→ *The IA/MR information system*

<...brief description of the information system based on manual...>

→ *Work in progress*

A number of parallel activities related to IA and MR have been undertaken by CARD in relation to their research collaboration with Freedom from Hunger (FFH). One of these activities was the Client Assessment Training, held twice, in November 2001 in Quezon 2 area and, more recently, in the island province of Masbate. The training workshops, facilitated by FFH and CARD's Research Unit, was a strategy to expand client assessment capability beyond the Unit, as well as enhance capacity of the Unit to conduct similar training without external assistance. The latter

training likewise served as venue to test the Food Security Survey preparatory to the adoption of food security as one of CARD’s core impact areas.

Other training workshops on the use of qualitative tools were held for field staff in other CARD branches. In building capabilities of the field staff in collection and analysis of client information, CARD hopes to further build ownership of the process and inculcate a culture of learning from clients. However, CARD is also learning that not all field staff has the aptitude for data gathering and analysis and only a subset of them can comprise a core of field staff, who can be fully trained and called upon for these types of work.

As a result of identifying the four (4) impact areas, CARD proceeded in designing an intake capture form that already incorporates food security and children’s education as additional impact indicators. The new form has been pilot tested in several branches and CARD is undertaking its roll out to other branches.

Forthcoming activities with CARD under the project will involve training and pilot testing selected IA/MR tools and systems, which forms part of the client information system for IA and MR.

Role of the MCPI

MCPI is getting a good eyeview of the entire process that is taking place at CARD. Critical to the project will be the documentation of the process and sharing lessons learned with the rest of the industry. Indeed, MCPI is committed to facilitate the process of institutionalizing impact monitoring and assessment within its member MFIs by showcasing the CARD model and experiences. James Copestake described this in his paper⁶ as an intervention model that builds on a piloting process to promote impact monitoring and assessment in microfinance. However, MCPI is also not discounting the possibility of carrying out IA and MR for its members although technical service provision is not a priority program of the network. This possibility is not remote for member MFIs that are still facing sustainability issues and view IAs as externally-driven. Of 15 (out of 22 regular members) reporting members of MCPI, 10 MFIs have not achieved financial self-sufficiency. One of the FSS MFIs in the network is CARD.

**Combined Outreach and Portfolio Performance of MCPI Members
(15 Reporting MFIs, as of end 2002)**

	Number	Total Outreach	Total Portfolio (in US\$)
FSS MFIs	5	196,626	16.9 M
Non-FSS MFIs	10	186,046	12.6 M
All MFIs	15	382,672	29.5 M

Source: MCPI

⁶ “*The Role of Horizontal Networks in Microfinance Impact Monitoring and Assessment*”, by James Copestake, 2003.

Under the *Imp-Act* project, MCPI will be actively engaged in promoting the IA/MR client information system and in building MFI capacities to undertake IA and MR. The network hopes to extend benefits from the project beyond CARD and MCPI's member MFIs primarily through shared learning. As one of the main sources of information on microfinance, MCPI is also keen on meeting the demand for aggregated impact findings from independent impact studies. Industry-wide information on impact is very scarce and is limited to a few individual MFI-level impact studies. This can then pave the way to a set of quality standards in IA that can significantly improve credibility and reliability of impact information.

Issues and Challenges

Issues and Challenges for CARD

The immediate challenge for CARD is to make the IA/MR client information system work for the institution. Completed activities under the *Imp-Act* project have done so much to jumpstart the institutionalization process at CARD, but making the information system work will be critical in terms of pushing forward the goals of the project. Important to the process of institutionalizing IA and MR are impact assessments, performance monitoring and making better use of current processes as information sources. There should also be efforts to convince staff about benefits of IA and MR activities relative to the costs and staff time as most of them still grapple with the pull of meeting financial performance targets.

Among the list of issues in IA enumerated in a previous section, CARD remains challenged on how to fit its impact goals in the wide scheme of simplification and re-engineering presently taking place at CARD. Furthermore, a number of research questions come to mind:

- ❑ What has been CARD's impact at the community level? How can CARD increase its community impact?
- ❑ What are the constraints to moving CARD clients out of poverty?
- ❑ Why do many clients limit their loan amounts despite eligibility to borrow more?
- ❑ What are constraints to clients' enterprises' further growth? Is it skills and market access?
- ❑ How can CARD better capture info on delinquency and dormancy causes as input to better decisions?

Later on, CARD would want to incorporate client impact information, both qualitative and quantitative, into the MIS. Likewise, CARD is committed to sustain and meet the training needs of field staff, particularly for those who will form the core of the Flying Team⁷.

⁷ A term borrowed from the demand research with Women's World Banking (WWB).

Issues and Challenges for MCPI

How impact monitoring and assessment can be promoted and improved through networks is a glaring challenge for MCPI. Most of the players in the local microfinance industry still narrowly view IA and MR as costly undertakings that should be externally funded and controlled. Their immediate concern is affordability of IA and MR, which explains their inclination to undertake IA out of capital grants and not to bother with MR at all. Critical in this respect is the quality of promotion and advocacy, i.e., how best to share and disseminate CARD's experience in IA and MR under the project, and how best to emphasize that benefits from impact monitoring and market research significantly exceed the costs. Effective promotion of institutionalized IA and MR will also have considerable implications on the level of cooperation from potential MFI partners under the *Imp-Act* project, in as much as the IA/MR client information system, in its generic form, is expected to be adapted to the needs of other MFIs within the network. Correspondingly, adapting the information system to suit the client information needs of MFI partners will require careful study and adherence to the same process that CARD went through.

Building the MFIs' internal capacities to undertake IA and MR will also be an important challenge for the network. Critical to this is raising the level of appreciation of tools and methodologies, and improving skills in data analysis and interpretation.

In the area of collaborative IA, the challenge is making the CARD-MCPI approach work in promoting and supporting impact monitoring and assessment among network members. MCPI is envisioning a membership that is internally capable of undertaking IAs and MRs and is able to share or provide credible impact information that when aggregated can provide industry-wide impact of microfinance.

Concluding Notes

From CARD and MCPI's experience so far under the *Imp-Act* project, there have been many valuable lessons in terms of institutionalizing the IA process within MFIs. CARD and MCPI are also learning that beyond internal capacities, there should be serious commitment on the part of MFIs to institutionalize impact and client monitoring. This commitment must rest on the belief that learning from clients is critical in providing effective microfinance services, improving organizational performance and ensuring institutional growth and sustainability.

On the long haul, MCPI and CARD would want to see a Philippine microfinance industry that sees social performance no differently from financial performance, and that poverty impact can give meaning to achievements in scale and sustainability.