



Progress out of Poverty Index™

PPI Pilot Training Participant Guide



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Acknowledgements

Throughout this guide, the terms “Progress out of Poverty Index” and “PPI” refer to the client poverty assessment tool developed by Mark Schreiner for Grameen Foundation, Consultative Group to Assist the Poor (CGAP) and the Ford Foundation.

For more information, contact the Social Performance team (spm@grameenfoundation.org) or visit www.progressoutofpoverty.org.

Additional resources can be found at www.microfinance.com.

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Overall Training Objectives

Goal	<p>After completing this training you will:</p> <ul style="list-style-type: none">• Understand the Progress out of Poverty Index (PPI)• Identify PPI features and benefits• Understand the statistical underpinning of the PPI• Have the ability to match PPI scores to poverty likelihoods• Be familiar with basic information systems requirements• Understand some potential uses of PPI data• Identify the role the PPI can play in achieving a social mission• Identify specific responsibilities and skill sets for a PPI pilot• Be familiar with selected cost considerations• Understand the elements necessary to develop a PPI pilot action plan
Supporting Materials	<p>Supporting materials are referenced throughout this training guide.</p> <ul style="list-style-type: none">• <i>PPI Overview Presentation (PowerPoint)</i>• <i>NWTF Case Study (PDF)</i>• <i>Sampling Template (Excel)</i>• <i>Scoring Exercise (Excel)</i>• <i>PPI Pilot Budget Template (Excel)</i>• <i>PPI Pilot Project Plan Template (Excel)</i>• <i>PPI Intake Tool (Excel)</i>• <i>PPI Intake Tool User Guide (PDF)</i>• <i>Technical Overview (PDF)</i>• <i>Technical Design Memo (PDF)</i>• <i>PPI Indicators and Lookup Table (PDF)</i>• <i>Frequently Asked Questions (PDF)</i>

Discussion: Understanding the Progress out of Poverty Index (PPI)

Goal

At the end of this discussion, you will be able to:

- Understand that tracking a Microfinance Institution's (MFI's) social performance benefits both the client and the organization
 - Identify features and benefits of the Progress out of Poverty Index (PPI)
-

Introduction

Many microfinance institutions aim for a double bottom line including financial sustainability and social impact. However, for many of those same institutions, an almost exclusive focus on financial performance overshadows the equally important social mission of microfinance. The provision of financial services and continued demand for these services do not necessarily equate to an improvement in clients' overall wellbeing.

Therefore, for organizations that aim to "lift" people and communities out of poverty, monitoring social performance alongside financial performance is imperative.

$$\begin{array}{c} \textbf{Social Performance Indicators} \\ + \\ \textbf{Financial Performance Indicators} \\ = \textbf{Total Results} \end{array}$$

The Progress out of Poverty Index (PPI) was created to help solve this equation. The PPI is a client poverty assessment tool, an important piece of the puzzle of assessing social performance. It is one of the few objective data based tools designed to measure and track the economic poverty levels of individuals close to the poverty line.

Discussion: Understanding the Progress out of Poverty Index (PPI), Continued

Social Performance and the PPI

Social performance management is defined as “the effective translation of a microfinance institution’s social objectives into practice”¹. The goal is to assist Microfinance Institutions (MFIs) in the accomplishment of their stated social objectives, and not merely the reporting of clients’ poverty levels.

A complete social performance management system would include aspects of strategy, monitoring, and the use of data to inform management decisions.

In an increasingly competitive microfinance industry, Social Performance Management (SPM) can result in client-focused products and services that benefit clients and the communities where they live and work. Social performance tracking should enhance an MFI’s understanding of its clients, their product and service needs, and how they use and benefit from the MFI’s products and services.

The Progress out of Poverty Index is an integral part of Grameen Foundation’s industry-wide effort to assist MFIs in assessing social performance. The PPI helps an organization to monitor the poverty status of its clients, which, in turn, helps to match products and services to different groups of clients. Matching poverty levels to loan repayments or the introduction of new products may also help in determining the effectiveness of programs, how quickly clients leave poverty, and what helps them move out of poverty faster.



¹ From Imp-Act Consortium “Social Performance Management in Microfinance” Guidelines (2005), p. 11.

Discussion: Understanding the Progress out of Poverty Index (PPI), Continued

PPI Features The PPI was developed to provide MFIs with the necessary data to evaluate how well they are meeting their social goals.

The Progress out of Poverty Index is:

- A management and measurement tool
- Simple to use
- Accurate
- A tool that can be used for both internal learning and external reporting

The PPI is country-specific:

- Each index is constructed using income and expenditure data obtained from nationally representative household surveys. This index then serves as a baseline from which client progress is measured for that country, for example:
 - Mexico's Encuesta Nacional de Ingresos y Gastos de Hogares (ENIGH)
 - Pakistan's Integrated Household Survey
 - World Bank's Living Standards Measurement Surveys (LSMS)
- PPIs have been constructed and tested for Bolivia, Mexico, India, The Philippines, Bangladesh, Pakistan, Haiti, Morocco and South Africa, among others.

Discussion: Understanding the Progress out of Poverty Index (PPI), Continued

PPI Unique Features

The PPI is easy to administer:

- Field tests demonstrate that it generally takes field staff an average of **five minutes to:**
 - Conduct the interview
 - Tally the scores
 - Determine the client's target status, as set by the MFI
- This enables quick and easy targeting, as points can be computed immediately in the field with only paper and pencil.

The PPI is accurate:

- Based on national poverty survey data, statistical analyses testing the accuracy of PPI data demonstrate, on average, that at a 90% confidence interval, the PPI is accurate within +/-2% for the aggregate portfolio and +/-12% for individuals. For example, in the Philippines at a 90% confidence interval, the PPI is accurate within +/- 1% for the aggregate portfolio and +/- 6% for individuals.

The PPI is cost-effective:

- Field staff can administer the survey during their regular rounds to clients' homes and can compute scores and probability likelihoods with ease, as scores are positive whole numbers totaling from 0-to-100.
- Data entry requires only a spreadsheet application, pre-installed on most computers.

The PPI, by itself, does *not* address causality.

The PPI captures a snapshot of poverty levels and can be used to track changes in those levels over time, but it cannot detect causality. MFIs must decide individually on the appropriate action to take, based on the information that the PPI provides.

With a control group and deeper analysis, the PPI could be instrumental in determining impact, but that is beyond the scope of this manual.

Discussion: Understanding the Progress out of Poverty Index (PPI), Continued

A Poverty Assessment and Targeting Tool

The PPI is a unique collection of easy-to-collect, country-specific, non-financial indicators such as family size, number of children attending school, housing type, and typical foods the family eats.

The PPI is not merely an assessment and reporting tool, it is an accurate targeting tool that can be used as an effective decision-making tool.

For instance, an MFI can set a specific cut-off score based on its social and financial objectives to make the targeting and selection of clients a more **explicit and efficient** process. As MFIs design, test and integrate social performance assessment within their programs, the PPI can help an MFI with the following:

- Assess how well the mission is translated into action
- Divide clients into distinct poverty bands
- Provide timely and accurate information to socially responsible investors who may want to provide financial resources to their programs

Support management decisions to:

- Improve programs, products, and delivery of services
- Increase competitive edge, profitability, and ability to retain clients

Activity: PPI Overview

Goal

At the end of this activity, you will be able to:

- Recall your knowledge of the Progress out of Poverty Index
-

Instructions

- Working in pairs, answer the following questions.
 - Use available resources to complete the activity.
-

Question 1

For microfinance institutions that claim to lift people and communities out of poverty, what two types of performance should these organizations monitor?

Question 2

What are some benefits of using a tool, like the Progress out of Poverty Index (PPI), when assisting an MFI in assessing their social performance?

Activity: PPI Overview, Continued

Question 3 In what ways can the PPI be both a management and measurement tool?

Question 4 Name some unique features of the PPI.

Discussion: PPI Technical Overview

Goal

At the end of this discussion, you will:

- Understand the construction of the PPI

Source: This discussion section quotes extensively from: Mark Schreiner, *A Simple Poverty Scorecard for the Philippines*; April 27, 2007.

PPI Technical Overview

The Progress out of Poverty Index (PPI) is an easy-to-use, objective, client poverty assessment tool. It estimates the likelihood of an individual falling below the poverty line. Each country's PPI uses the national poverty line, \$1/Day/Purchasing Power Parity (PPP), and/or \$2/Day/PPP international benchmarks.

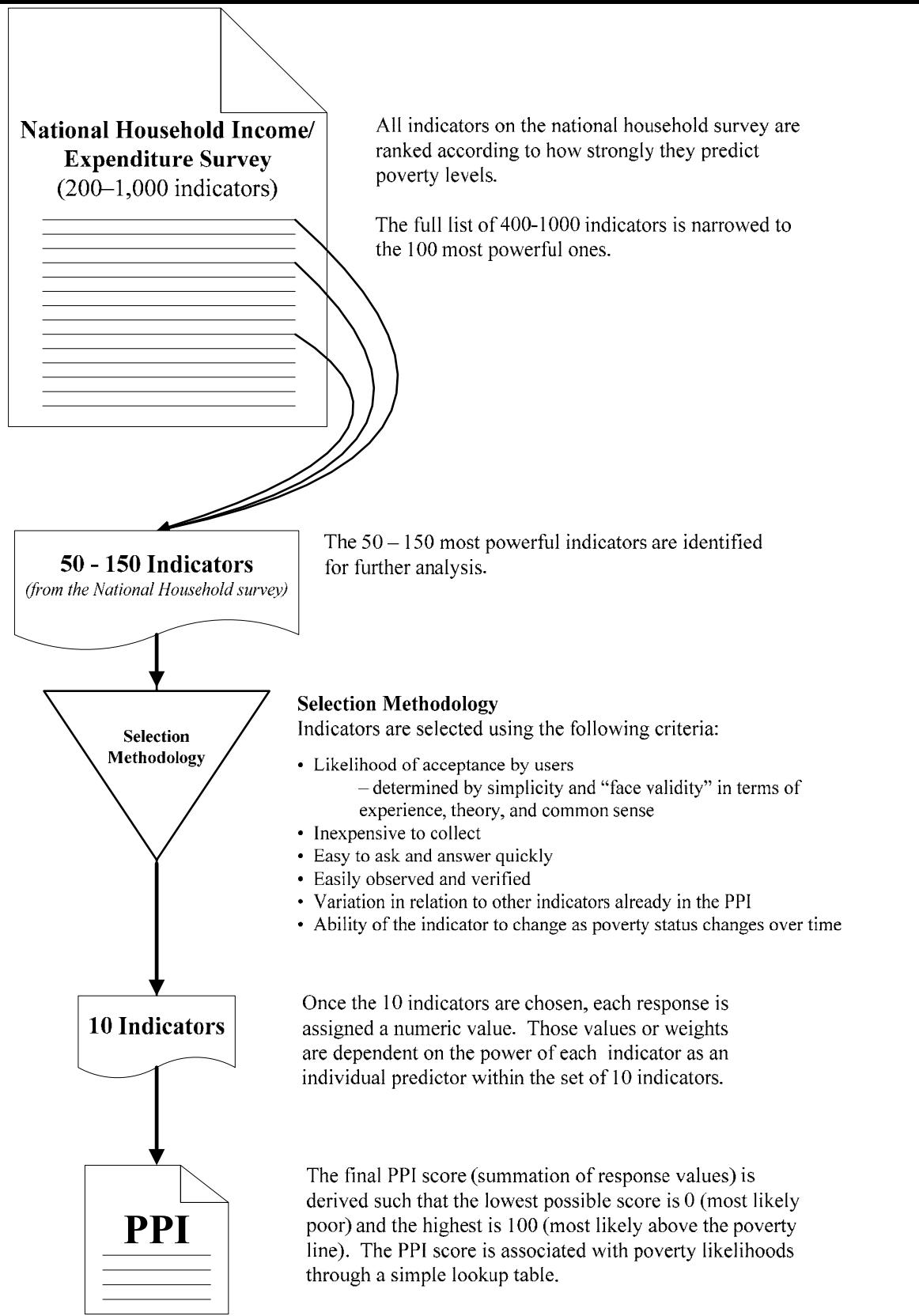
The PPI uses 10 simple indicators that field workers can quickly collect and verify. Scores can be computed by hand, on paper, in real time. Each PPI is country-specific, but on average, can estimate group poverty rates within +/-2 percentage points with 90% accuracy when an appropriate sample size is used. The PPI can help programs target services, track changes in poverty over time, and report poverty rates.

PPI Construction

Indicators in the PPI are derived from the most recent national household income or expenditure survey or the country-specific World Bank Living Standards Measurement Survey, depending upon which dataset has the most complete information for each country. For instance, the Philippines PPI indicators are derived from the 38,014 households surveyed in the 2002 Annual Poverty Indicators Survey (APIS). This is the best, most recent household survey available with income or expenditure data within the Philippines.

Each PPI is developed using the same selection methodology and analysis. Figure 1 demonstrates and describes the PPI construction methodology.

Figure 1: PPI Construction Methodology



Discussion: PPI Technical Overview, Continued

**PPI
Construction
continued**

The selection methodology, illustrated in Figure 1, is applied individually to each indicator before the indicator is selected.

The *variation in relation to other indicators already in the PPI* is an important step within the selection methodology, because frequently many indicators are found to be similar in terms of their link to predicting poverty. For example, most households who have a television also have electricity. If a PPI already includes “has a television”, then “has electricity” is superfluous. Thus, many indicators that strongly link with poverty are not always selected to be in the PPI, because similar indicators are already included.

Also, the *ability of the indicator to change as poverty status changes over time* is a critical component in the selection of indicators.

The PPI aims to measure *changes* in poverty through time.

The PPI aims to measure *changes* in poverty through time. Thus, some powerful indicators (such as education of the female head/spouse), that are unlikely to change as poverty changes, are omitted in favor of slightly less-powerful indicators (such as the number of radios) that are more likely to change.

As Figure 1 demonstrates, the responses are weighted, and scores are derived in the last steps such that the lowest possible score is 0 (most likely poor) and the highest is 100 (mostly likely above the poverty line).

Discussion: PPI Technical Overview, Continued

PPI Use

The central design challenge is not to maximize accuracy but rather to maximize the likelihood of programs using the PPI appropriately. When scoring projects fail, the culprit is usually not inaccuracy but rather the failure of users accepting scoring and using it properly. The challenge is not technical but human and organizational, not statistics but change management.

Accuracy is important, practicality is more important.

The PPI was designed to help users understand and trust it (and thus use it properly). While accuracy matters, it must be balanced against simplicity, ease-of-use, and “face validity”. In particular, programs are more likely to collect data, compute scores, and pay attention to the results if, in their view, scoring avoids creating “extra” work, and if the whole process generally makes sense.

This practical focus naturally leads to a one-page scorecard allowing field workers to score households by hand, in real time, because it features:

- Only 10 indicators
- Only observable indicators (“flooring material”, not “value of house”)
- User-friendly weights (positive integers, no arithmetic beyond simple addition)

The PPI can be photocopied for immediate use. It can also serve as a template for data-entry screens with database software that records indicators, indicator values, scores, and poverty likelihoods.

Tracking Changes

A participant’s score corresponds to a “poverty likelihood”, that is, the probability of being below a poverty line. For a group, the overall poverty rate is the average poverty likelihood of the individuals in the group. For a group over time, progress (or regress) is the change in its average poverty likelihood. A detailed description of tracking changes will be addressed in the next discussion.

Discussion: Introducing the PPI Indicators and Scoring

Goal

At the end of this discussion, you will:

- Be familiar with the indicators and scoring of the PPI
- Be able to apply the PPI and translate the resulting score to a poverty likelihood

Indicators

A sample PPI is used in this section for illustrative purposes only. The country-specific PPI and associated scoring chart for your country should be obtained for all actual pilot testing.

Each PPI consists of 10 indicators, which are in the form of questions, with corresponding predetermined responses (see below). A client's answer to each question must fit within one—and only one—of the responses. Each response has a corresponding score or numerical value.

Figure 2: PPI Indicators

Indicator	Client Response	Numeric Value	Values	Points
1. How many people in the family are aged 0 to 17?	≥5 0	3 or 4 7	1 or 2 16	Zero 27 7
2. Does the family own a gas stove or gas range?		No 0	Yes 13	0

Indicators, continued

Referring to Figure 2 above, if a client has 3 children between the ages of 0 and 17 in the household, the interviewer circles that response (as done above) on indicator #1 and places a "7" in the scoring column. The "7" corresponds to that response, having three individuals between the ages of 0 and 17 in the household, on the PPI.

Each question must be asked precisely as it is presented. (Or in translation, as faithful to the original wording as possible.)

The PPI owes much of its value to the link between the indicators, their weights and the original national level survey. If an indicator is changed, that link is broken and the PPI score is no longer associated with a poverty line.

If an indicator becomes meaningless (due to changing economic conditions for instance), it is possible to substitute a new indicator from the original survey. In that case, all indicator response weights would need to be recalculated.

Client Response Numeric Value

Figure 3: PPI Scoring

Indicator	Values			Points	
1. How many people in the family are aged 0 to 17?	≥ 5 0	3 or 4 7	1 or 2 16	Zero 27	7
2. Does the family own a gas stove or gas range?		No 0		Yes 13	0
3. How many television sets does the family own?	Zero 0	1 9	≥ 2 18		0
4. What are the house's outer walls made of?	Light (cogon, nipa, or sawali, bamboo, anahaw)	0	Strong (iron, aluminum, tile, concrete, brick, stone, wood, asbestos)	4	4
5. How many radios does the family own?	Zero 0	1 3	≥ 2 10		3
6. Does the family own a sala set?		No 0	Yes 9		9
7. What is the house's roof made of?	Light (Salvaged, makeshift, cogon, nipa, or anahaw)	0	Strong (Galvanized iron, aluminum tile, concrete, brick, stone, or asbestos)	2	0
8. What kind of toilet facility does the family have?	None, open pit, closed pit, or other	0	Water sealed	3	3
9. Do all children in the family of ages 6 to 11 go to school?	No 0	Yes 4	No children ages 6-11 6		0
10. Do any family members have salaried employment?		No 0	Yes 6		0
			Total		26

Source: Calculations based on the 2002 APIS.

PPI Score

Discussion: Introducing the PPI Indicators and Scoring, Continued

Scoring the PPI Referring to **Figure 4**, after all 10 questions are answered, the interviewer adds up the responses to calculate the PPI score. All possible scores fall between 0 and 100. The example demonstrates a client with the PPI score of 26.

**Each PPI survey results in a score between 0 and 100.
That PPI score is *not* the poverty likelihood. The score is related to the
poverty likelihood based on the chart below.**

The PPI score (26 in this example) is then associated with the likelihoods of falling into certain poverty classifications as seen in Figure 4.

The PPI score range is located in the left column and the rest of the columns contain corresponding poverty likelihood probabilities.

Figure 4: PPI Category Likelihoods

PPI Score	Below the Poverty Line		Total Below National Poverty Line	Total Above National Poverty Line	
	Bottom Half Below National Poverty Line	Top Half Below National Poverty Line			
0-4	85.0%	14.3%	99.3%	0.7%	
5-9	79.7%	12.8%	92.5%	7.5%	
10-14	61.9%	30.0%	91.9%	8.1%	
15-19	70.5%	22.9%	93.4%	6.6%	
20-24	53.2%	24.4%	77.6%	22.4%	
25-29	42.4%	34.4%	76.8%	23.2%	The client interviewed has a <u>76.8%</u> likelihood of falling below the poverty line and a <u>23.2%</u> likelihood of being above the poverty line
30-34	35.2%	42.6%	77.8%	22.2%	
35-39	23.8%	24.8%	48.6%	51.4%	
40-44	22.2%	26.1%	48.3%	51.7%	
45-49	16.5%	17.1%	33.6%	66.4%	
50-54	12.6%	21.8%	34.4%	65.6%	
55-59	8.4%	14.2%	22.6%	77.4%	
60-64	4.7%	5.4%	10.1%	89.9%	
65-69	2.5%	7.6%	10.1%	89.9%	
70-74	1.7%	5.2%	6.9%	93.1%	
75-79	1.6%	2.2%	3.8%	96.2%	
80-84	0.7%	1.4%	2.1%	97.9%	
85-89	0.0%	0.0%	0.0%	100.0%	
90-94	0.0%	0.0%	0.0%	100.0%	
95-100	0.0%	0.0%	0.0%	100.0%	

Discussion: Introducing the PPI Indicators and Scoring, Continued

Using the PPI to Estimate Group Poverty Rates

An average of the poverty scores for all individuals in a group will yield a score that is associated with the poverty rate for that portfolio.

Referencing the example used in Figure 5, assume there is an MFI with 3,000 clients. Say those clients are tested on January 1, 2007 and found to have the following PPI scores:

- 1,000 clients have a score of 10
- 1,000 clients have a score of 22
- 1,000 clients have a score of 33

To determine the entire population's poverty likelihood you must use the lookup table to find the corresponding poverty probabilities. After identifying those probabilities, the average is taken to obtain what percentage of the population falls under the poverty line. The steps are outlined in Figure 5 below.

The portfolio poverty rate is the participants' average poverty likelihood, that is, $(1,000 \times (91.9\% + 77.6\% + 77.8\%)) \div 3,000 = 82.4\%$.

This means that 82.4% of individuals in this group, or 2,472 clients in total, are estimated to fall below the national poverty line.

Figure 5: Scoring for Groups

For example, an MFI has 3,000 clients	PPI Score	Below the Poverty Line		Total Below National Poverty Line	Total Above National Poverty Line	The poverty distribution for the MFI of 3,000 clients is:
		Bottom Half Below National Poverty Line	Top Half Below National Poverty Line			
• 1,000 clients with scores of 10	0-4	85.0%	14.3%	99.3%	0.7%	
	5-9	79.7%	12.8%	92.5%	7.5%	
	10-14	61.9%	30.0%	91.9%	8.1%	
	15-19	70.5%	22.9%	93.4%	6.6%	
	20-24	53.2%	24.4%	77.6%	22.4%	
• 1,000 clients with scores of 22	25-29	42.4%	34.4%	76.8%	23.2%	
	30-34	35.2%	42.6%	77.8%	22.2%	
	35-39	23.8%	24.8%	48.6%	51.4%	
	40-44	22.2%	26.1%	48.3%	51.7%	
	45-49	16.5%	17.1%	33.6%	66.4%	
• 1,000 clients with scores of 33	50-54	12.6%	21.8%	34.4%	65.6%	
	55-59	8.4%	14.2%	22.6%	77.4%	
	60-64	4.7%	5.4%	10.1%	89.9%	
	65-69	2.5%	7.6%	10.1%	89.9%	
	70-74	1.7%	5.2%	6.9%	93.1%	
	75-79	1.6%	2.2%	3.8%	96.2%	
	80-84	0.7%	1.4%	2.1%	97.9%	
	85-89	0.0%	0.0%	0.0%	100.0%	
	90-94	0.0%	0.0%	0.0%	100.0%	
	95-100	0.0%	0.0%	0.0%	100.0%	

1,000 x $(91.9\% + 77.6\% + 77.8\%)$
3,000

Or the average of all the poverty likelihood percentages
= 82.4% of the 3,000 clients are below the national poverty line (2,472 clients)

Discussion: Introducing the PPI Indicators and Scoring,

Continued

Using the PPI to Track Changes Over Time

Over time, the MFI can track the progress of a group of clients by monitoring the change in the estimated poverty rate. Suppose the same group of clients, from the previous example, is re-tested one year later and the portfolio likelihood is 70.0% below the national poverty line.

The change in the poverty rate is calculated by determining the difference between year one and year two.

$$82.4\%-70.0\% = 12.4\%$$

The group poverty rate has improved by 12.4 percentage points. Since this is a group of 3,000 clients, this result can also be interpreted as 372 out of 3,000 individuals moved out of poverty.

The 12.4 percentage point change is the **improvement in overall poverty rate.**

This result can also be examined in terms of the number of poor clients crossing the poverty line. We would then look at the number of clients moving out of poverty divided by the number of below-the-poverty-line clients in year one.

- 2,472 clients (or 82.4% of the total 3,000) are below the poverty line in year one
- 2,100 clients (or 70.0% of the total 3,000) are below the poverty line in year two,

Therefore, 372 clients have crossed the poverty line from year one to year two (dividing 372 by 2,472 gives us 15.0%).

**15.0% is the percentage of poor crossing the poverty line
from year one to year two.**

Discussion: Interviewing Clients

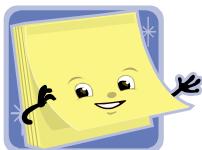
Goal

At the end of this discussion, you will be able to:

- Understand the interview process
-

Conducting the Interviews

The interviewers are usually field staff or loan officers who are familiar to the clients and who can easily conduct the interview during regular client household visits. The training and orientation of interviewers can be completed in a day and should be performed no more than one week prior to conducting the pilot. Supervisors/branch managers can carry out the training.



It is important that the interviewer adhere to the following interview procedures:

1. Administer PPI in clients' homes
2. Strictly adhere to the PPI questions and format. Do not modify, or vary the questions in any way
3. Ensure every question is answered, either by inspection or by verbal response
4. Follow up with any missed clients, that is, one who is scheduled to be interviewed, but, for whatever reason, was not interviewed

Create a simple handout of major points for field staff to remember when administering the PPI. Reference Appendix 3 for a sample memo to staff regarding the PPI roll-out.

Observations

As the interviewer approaches the client's house, he or she can already start answering any questions that have to do with housing materials:

- Consider the materials only
 - Start rating as you approach the house
 - If still not sure, walk around the house for further verification
 - Verify again inside by observation
-

Interacting With the Client

Once inside the client's home, the interviewer should introduce himself/herself and initiate an informal dialogue to make the client comfortable and to build rapport. Some examples of non-threatening questions include:

“How are you?”- “How is your family?”- “How is your health?”

It is important to explain the purpose of the interview to the client without giving the client any reason to alter their answers. Refer to the following sample introduction.

Discussion: Interviewing Clients, Continued

Interacting with the Client, continued

“Good morning/afternoon. We at [MFI name] always want to know if we are helping our clients. That’s why I am here. I would like to ask you 10 questions that can help us see how our services are helping you. Don’t worry, this won’t take more than a few minutes of your time, and it will not affect your relationship with us.”

If at any point during the interview, the client expresses some discomfort with the interview, the interviewer should return to a more informal dialogue to make the client feel at ease, before resuming the interview.

Completing the Survey

Every question should be answered. Interviewers must review their work to make sure that none of the questions have been forgotten or left unanswered. For questions that can be verified by the interviewer through direct observation, care must be taken to assign a score and not leave that section blank.

The total PPI score can then be calculated by adding up all the points obtained for each question and looking for and recording the corresponding poverty likelihood on a lookup table. This can happen in the field or back in the office.

Gathering Information in a Conversational Manner

How will you ask your client the PPI questions in a conversational manner?

Write your ideas on the following lines, referencing the PPI indicators:



Activity: Interview Practice

Goal	<p>At the end of this activity, you will be able to:</p> <ul style="list-style-type: none">• Practice the interview process
Instructions	<p>Use the <i>PPI Indicators and Poverty Likelihood Lookup Table</i>, distributed by the trainer, for the following activity.</p> <p>Working with a participant in class, complete the following activity in pairs. There are two roles for this activity, an interviewer and client.</p> <p>Complete (Part 1) scenarios 1-3 using the PPI Indicators. One person will act as the client and the other as the interviewer.</p> <p>Complete (Part 2) scenarios 4-6 using the PPI Indicators. Reverse roles so that each participant will play the role as a client and interviewer.</p> <ul style="list-style-type: none">• As the interviewer, read each question and use the best practices identified in the <i>Discussion: Interviewing Clients</i>.<ul style="list-style-type: none">○ Take this time to note ways to visually verify some of the PPI indicators. For example, if the question is around toilets, one may ask to use the bathroom to verify the client's response.• As the client, respond to the questions as if you were a client.<ul style="list-style-type: none">○ Take this time to put yourself in the position of the client and pay close attention to how a client may feel or respond to these types of questions.

Activity: Interview Practice, Continued

PART 1

Scenario 1

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below. These responses will be used in the next activity.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create responses to the PPI questions.

Activity: Interview Practice, Continued

Scenario 2

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create new responses to the PPI questions.

Activity: Interview Practice, Continued

Scenario 3

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create new responses to the PPI questions.

Activity: Interview Practice, Continued

PART 2

(Switch roles: Interviewer becomes client and vice versa.)

Scenario 4

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create new responses to the PPI questions.

Activity: Interview Practice, Continued

Scenario 5

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create new responses to the PPI questions.

Activity: Interview Practice, Continued

Scenario 6

Interviewer: Walk up to the home, introduce yourself and ask the client the questions from the PPI Indicators handout. Record the responses in the table below.

Question	Response	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Client:

You welcome the interviewer into your home. Create new responses to the PPI questions.

Activity: Calculating the Poverty Likelihood

Goal

At the end of this activity, you will be able to:

- Calculate the poverty likelihood of each of your clients
-

Instructions

Working with same partner from the *Activity: Interview Practice* exercise, complete the following questions.

Utilize the responses and PPI scores derived from the *Activity: Interview Practice* exercise.

Take the PPI scores from the scenarios, reference the previous activity, and locate the range in which it falls on the Poverty Likelihood Lookup Table. Determine the corresponding poverty likelihoods (percentages) and fill out the tables below.

Scenario 1

PPI score =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=
=

Total below the poverty line

=

Total above the poverty line

=

Scenario 2

PPI score =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=
=

Total below the poverty line

=

Total above the poverty line

=

Activity: Calculating the Poverty Likelihood, Continued

Scenario 3 **PPI score** =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=

Total below the poverty line

=

Total above the poverty line

=

Scenario 4 **PPI score** =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=

Total below the poverty line

=

Total above the poverty line

=

Scenario 5 **PPI score** =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=

Total below the poverty line

=

Total above the poverty line

=

Scenario 6 **PPI score** =

Poverty Likelihood percentages:

- Bottom 50% below the poverty line
- Top 50% below the poverty line

=

Total below the poverty line

=

Total above the poverty line

=

Discussion: Piloting the Progress out of Poverty Index

Piloting the PPI

The remainder of the training guide is designed to guide the MFI as it pretests the PPI and considers the logistical and operational issues of integrating the tool into its operations. For this reason, external uses of the PPI, such as for external reporting to donors, have not been discussed in detail in this manual. As MFIs test the tool and begin integrating it, an instruction manual that better addresses the specific operational context and resources of the organization can be drafted by the MFI's management staff.

The examples provided in this manual are mere illustrations, and not prescriptions. There is *no one way* of testing or implementing this tool. It is the responsibility of the MFI to devise ways in which the PPI can be implemented and used, given its resources and without compromising accuracy or data quality. It is the hope of Grameen Foundation that the PPI will enable *any* MFI to fulfill its social mission to lift the poor out of poverty.

While Grameen Foundation supports microfinance institutions, there is nothing about the PPI that is specific to microfinance. Therefore, the benefit of using the PPI goes beyond MFIs to anyone working with poor individuals.

Discussion: Pilot Phases and Decisions

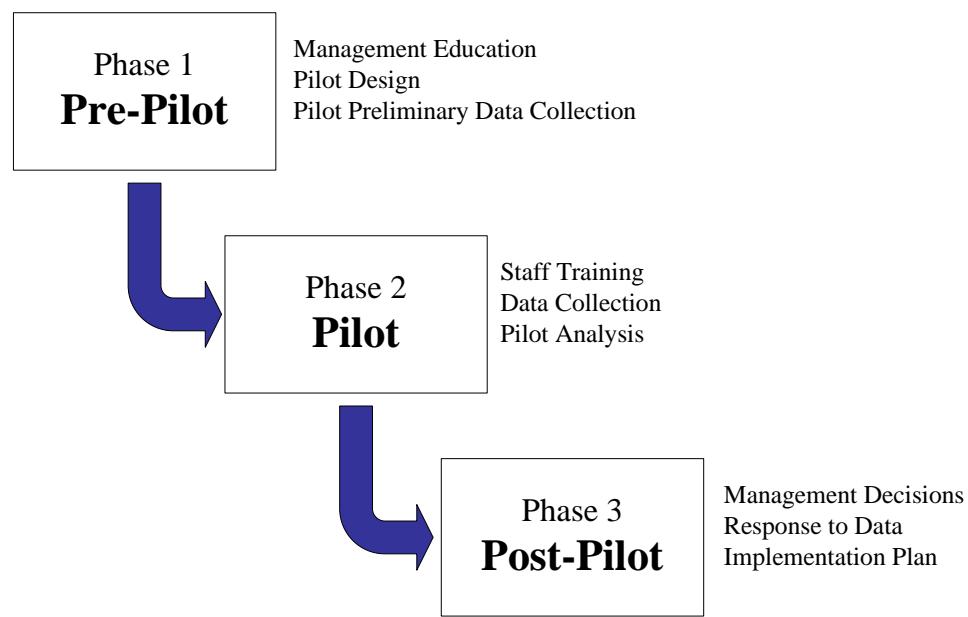
Goal

At the end of this discussion, you will be able to:

- Identify the phases and major decision points of a PPI pilot

Pilot Phases and Major Decision-Making Steps

The diagram below maps out the major decisions in relation to the PPI pilot phases. These checkpoints can be used as a guide to planning and understanding how to set up a successful PPI pilot.



The pilot phases can help guide your organization in creating an action plan. There is an action plan guide at the end of the participant training guide. Please keep in mind that these steps are suggestions and will vary for each organization.

Discussion: Management Education

Goal

At the end of this discussion, you will be able to:

- Identify an approach to introduce the PPI to management
-

**Obtaining
Management
Approval**

The PPI is an effective decision-making tool. Assessing changes in poverty levels over time can guide institutional policy on what targeting cutoffs to set, how to deepen outreach to the poor, and what types of interventions to apply to different market segments. However, a lack of commitment from top management can severely hamper the usefulness of the tool within the organization. Therefore, top management buy-in and support are critical. In addition, endorsement of the PPI and opportunities for staff involvement at all levels can make the difference between a smooth and welcome transition and a forced, unpleasant transition. The former scenario will ensure that the tool is used effectively and to the benefit of both the client and the institution.

There are many ways an organization can introduce social performance and the PPI to management. A good first step is identifying a predetermined process for introducing new projects to management. There is an overview PowerPoint provided in the supporting documents that an organization can customize to use in introducing the PPI to management.

Discussion: Identifying Pilot Objectives

Goal

At the end of this discussion, you will be able to:

- Identify the guidelines that help define and clarify pilot objectives
-

**Identifying
Pilot Objectives**

Piloting the PPI begins with a pilot action plan that defines the goals of the pilot, sets standards for good performance, and identifies information that allows an organization to gage performance according to the chosen standard.

An action plan is unique to the organization undertaking it, as each MFI has different goals and standards for success and different information needs.

Drafting an action plan will ensure the collection of timely and relevant data in a way that minimizes the misuse of material and human resources.

Towards the end of this training guide there is an action plan template that organizations can utilize to help create their action plans.

The first step to planning a PPI pilot is determining the organization's objectives for the PPI pilot.

Sample pilot objectives:

- Obtain PPI data for a representative sample of the organization
- Test logistical operations of using and collecting PPI data

Clear objectives are essential to the success of the PPI pilot and later steps in the pilot design process; for instance, the determination of pilot objectives dictates the sample size and number of branches used in the PPI pilot.

Activity: Identifying Pilot Objectives

Goal

At the end of this discussion, you will be able to:

- Identify the guidelines that help define and clarify pilot objectives

Instructions

- Use the following framework to identify objectives and define desired results
- Write the objectives in the left column
- Identify data sources to achieve the identified objectives

PPI poverty assessment: Objective #1	
<i>List objective</i>	Result:
Example: <i>Produce a sample estimate of poverty levels for entering clients</i>	
Data Source(s):	
PPI poverty assessment: Objective #2	
<i>List objective</i>	Result:
Example: <i>Produce a representative sample of the MFI's clients</i>	
Data Source(s):	
Source: The Small Enterprise Foundation, PPI Pilot Summary	

Discussion: Preliminary Data Collection

Goal

At the end of this discussion, you will be able to:

- Identify preliminary steps and data collection methods
-

**Collecting
Preliminary
Data on
Current
Processes**

Pulling together preliminary data will help an organization plan the PPI pilot. Understanding the current working environment helps an organization to understand how the pilot can be integrated into its existing operations. For example, with the following data, an organization can expect to see how the PPI pilot can be administered in conjunction with current client visits or attached to forms currently used to obtain client information.

Suggested Preliminary Data Collection

Before starting the pilot, collecting a variety of operational information will assist with the pilot design and action plan process. The suggested list is a starting point and will need to be customized to the individual operations of the organization.

Data Points to Collect

- Forms currently being used and the type of information being collected
- Operational data
 - Regions of operation
 - Number of branches
 - Number of clients
 - Number of loan officers
- Technology audit (what type of MIS does the organization operate on, who enters data, what reports are created, etc.)
- Identify new product implementation process (if one exists)

Understanding the current operations can assist management in understanding how the pilot will function within operations.

Discussion: Cost Considerations

Goal

At the end of this discussion, you will be able to:

- Factor in the cost add-ons of piloting the PPI
-

**Cost of
Administering
the PPI**

The costs of administering the PPI, outside of salaries, will be mostly for transportation to and from client households.

Of course, building the PPI data collection into the existing operations can negate any additional transportation costs. If it is already a part of the field staff's regular workload to visit a client's home, there should be no additional transportation costs to factor. There will potentially be an added burden for supervision of field work; the manager may need to get to and from borrower households. This cost will vary depending upon the location of the clients, and the costs required for visiting a sample of households.

There will be an additional cost for office supplies (pens, papers, and copies) for the pre-test and survey that will likely be less than USD 100.

A general pilot cost breakdown template can be found in the supporting documents. Use the template to assist in quantifying the pilot costs. Customize the template to the operations of the organization.

The experiences of AlSol in Mexico and NWTF in the Philippines (see Figure 6) show that the costs of implementing the PPI are relatively low, regardless of the size or scale of an organization. That discussion is for post-pilot PPI implementation, but lessons can be learned for the pilot process, as well.

Discussion: Cost Considerations, Continued

Figure 6: Cost Analysis of the PPI: AlSol and NWTF

AlSol provides financial and non-financial services to approximately 7,000 poor, largely indigenous women through its three branches in Chiapas, Mexico to improve their living conditions.

Negros Women for Tomorrow Foundation (NWTF) serves the poorest in the Visayas region of the Philippines with its credit and savings schemes as well as socio-cultural development programs and services. It serves more than 65,000 clients throughout its 38 branches.

Both organizations used a means test prior to testing the PPI. The following results were obtained from the pilots:

AlSol analyzed costs and found that the annual cost of generating PPI data, encoding it, analyzing it, and feeding it into decision-making processes came to \$8,300, slightly higher than \$1 per client per year. As a percentage of the total annual operating budget, the costs are expected to come to 2.1%. Over time, AlSol expects this cost to become a smaller percentage of the annual operating budget, as the fixed costs for sampling the clients will not increase as the organization grows.

NWTF found that the annual cost of using the PPI for the whole organization comes to approximately \$33,000. The cost per client then is \$0.50 per year. As a percentage of the total annual operating budget, the costs will come to 1.4%.

Surprisingly, in terms of costs, Grameen Foundation found that per client, it is significantly less expensive to use the PPI at NWTF than AlSol. This is despite the fact that NWTF uses the PPI with all clients, while AlSol only uses it with a sample. This cost difference could be due to scale (the fixed costs of report analysis, for example, are a smaller proportion of total costs for NWTF than AlSol).

The cost analysis for AlSol and NWTF, above, does not include the benefits of using the PPI. These benefits need to be quantified. It is expected that as MFIs strengthen social performance management, they will meet clients needs better. This should increase client retention and make MFIs more competitive as they carve out a better-defined market position. Likewise, using the PPI is actually a time saver when compared to the lengthier means testing that the organizations did before. In this respect as well, there likely will be a net savings to the MFIs.

Discussion: Human Resource Requirements

Goal

At the end of this discussion, you will be able to:

- Identify specific responsibilities and skill sets for PPI use
-

The PPI and Assigning Responsibility

The PPI is designed so the organization can use readily available human resources and equipment.

Managers can prepare the sampling frame and train field staff (loan officers) in administering the PPI. Field staff can conduct interviews during routine visits to borrowers' homes and input the data daily into a simple Excel spreadsheet. There is no need to hire people to enter the data or to buy/rent sophisticated software or equipment. Organizations with a separate research department can assign the responsibilities of sampling, analyzing, auditing and reporting to that department.

PPI Activities and Time

The responsibilities and estimated time allotment at each staff level are outlined in the table below. This example assumes a sample size of 800 clients.

Activity	Staff level	Time
Preparing the sampling technique and managing the PPI pilot	Manager	5 hrs
Training loan officers in administering the PPI	Manager	3 hrs per Branch
Training on PPI tool	Field	3 hrs per Loan Officer
Visiting borrower household (800 clients x 5 minutes)	Field	66 hrs (est. 1 week)
Data entry (800 x 1 minute/client)	Field	13 hrs (est. 1 work day)
Analysis (referencing the PPI scores on an Excel table)	Manager	4 hrs
Auditing (one visit by supervisor to 10% of households surveyed): 80 x 5 minutes/client	Manager	7 hrs
Prepare external reports	Executive	4 hrs
PPI interview	Individual Client	5 min

Discussion: Human Resource Requirements, Continued

Ideal Skill Set

At different levels of the pilot implementation, the required skills vary. Here are some minimum skills that staff at different levels should possess to ensure the collection of quality data.

- a. **PPI Project Manager:** Senior level staff member with organizational influence; usually a regional manager or the head of the research department; will act as an internal promoter of the PPI pilot; strong coordination and facilitation skills required.
- b. **Action Plan:** Middle management level (e.g. branch manager); good business planning skills; can negotiate costs, resources and time constraints
- c. **Interview:** Junior level staff (e.g. loan officers, field staff); good rapport building skills, good communication skills; familiarity with clients
- d. **Data Entry:** basic computer skills; familiarity with spreadsheet applications
- e. **Analysis and Reporting:** Statistical knowledge/familiarity; good presentation skills; strong writing skills; critical thinking skills; someone who understands current practices and MFI objectives, proficient in MS Office applications, especially Word and PowerPoint. Research department, if available, can handle this stage of implementation. If not, external contractors can be hired temporarily.

Creating Incentives

The organization can use results from the pilot to identify ways in which staff can be motivated to recruit poorer clients and help them move out of poverty. In most organizations, staff performance is tied to factors such as group or client repayment rates or number of clients recruited.

An organization can integrate social performance factors into the existing incentive structure, e.g. number of entering clients that are below the poverty line.

However, in developing a reward system, one should keep in mind that field staff may also have reasons to distort data on poverty levels, based on expected rewards. Comprehensive training and a sound quality control system can prevent this behavior.

Discussion: Pilot Sample Size

Goal

At the end of this discussion, you will be able to:

- Understand the pilot sample selection process
-

Client Base**Pilot Sample Size:**

The pilot is different from a full-scale implementation, because it is set up to test a specific aspect of the use of the PPI before fully implementing the PPI across all operations. The pilot objectives set by the organization will drive the sampling process. An organization sets the pilot objective, for instance; understanding operational challenges around the use of the PPI. When testing the operational challenges, an organization will want to test the PPI in branches with differing characteristics to make sure to address all potential challenges.

Sampling Process Example:

1. Select branches that are geographically (urban/rural), demographically and programmatically (different program methodologies) representative. **This selection stage is non-random.**
2. From these branches, an MFI can randomly select clients at different cycles (cycle 0 = incoming/new clients; cycles 1-3 = recent clients; cycles 4-5 = old/mature clients).

See Appendix 1 for details on pilot sample construction suggestions. Also, utilize the Sampling Template in the supporting materials for more detailed information.

Based on a statistical formula for estimating sample size and in order to account for data error, Grameen Foundation recommends that MFIs use a sample of 800 clients. For instance, an MFI with a 6-month loan cycle might choose to sample 200 entering or first cycle clients, 200 clients in cycles 2 through 4, and 200 clients in cycles 5 and above. The remaining 200 could come from drop-outs.

A sample of 800 is generally large enough to provide adequate accuracy and allow for errors in data collection. Data errors can arise when questionnaires are improperly filled out or if data is missing (for instance, the client was unavailable). These forms will have to be discarded before proceeding with the analysis of results.

A detailed explanation of the sample size estimation formula can be found in Appendix 2.

Discussion: Quality Control of Survey Information

Goal	At the end of this discussion, you will be able to: <ul style="list-style-type: none">• Identify a quality control process to ensure data quality
Feedback Session	<p>During the initial steps of the pilot and periodically thereafter, it is good practice to check in on loan officers collecting PPI data.</p> <p>For the pilot, following the first set of interviews, the field staff and managers should reconvene at the branch office for a feedback session. The feedback session can address mistakes, areas of confusion, client response and level of comfort with the PPI tool, field staff opinions on its implementation, the time required to administer it, and any other issues that arise during data collection.</p>

Figure 7: Pilot Feedback Session

At one MFI, a feedback meeting was organized immediately after all pilot interviews had been completed. It was observed that most loan officers entered and added scores up correctly, while some had extensive errors and it was felt that **spot-checking was very important**. The staff was asked to carefully tick the correct response and then give the score. The PPI format was modified to avoid arithmetic errors in totaling the score.

Ongoing Follow-up to Surveys	To ensure credibility and accuracy of the data collected, a thorough quality control system must be established prior to conducting the interviews. Supervisors can randomly review completed PPIs brought in by field staff to make sure that all questions are completed and scores are calculated correctly. In some cases, the correct responses to some questions are unclear. For example, what is the correct response if the wall materials are made of both light and sturdy materials, or if the floor is part mud and part cement? The answers to these questions can sometimes be found in the training manual for the original national household survey.
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Discussion: Quality Control of Survey Information, Continued

Recommended Follow-up Guidelines

Grameen Foundation recommends that supervisors/managers/independent interviewers **re-conduct the PPIs with 10% of those interviewed** as a means of verifying the accuracy of responses recorded. These second interviews should be done within a week of the first interview.

The field staff/loan officer interviewers should also be aware of the quality control measures in place to check any attempts at misrepresenting data.

The data entry system should also be checked regularly for errors. Supervisors or managers randomly select completed PPI questionnaires and crosscheck with data entered into the MIS to make sure that the answers and poverty scores on the forms are identical to the answers entered into the MIS.

Follow-up Steps

An MFI can adopt the following steps in ensuring that it collects accurate and reliable data:

1. Review the number of forms completed daily
2. Randomly select the first three, filled forms per field staff or one out of every four forms to verify before data entry. Sign reviewed forms.
The MFI can choose how it randomly selects the forms to review.
3. Verify the total of all indicators
4. Check the PPI score calculation
5. Complete data entry on the same day

Discussion: Data Collection and Data Entry

Goal

At the end of this discussion, you will be able to:

- Identify data collection and entry methods
-

Data Collection

A field agent collecting data and recording scores on paper would:

- Read each question off the scorecard
- Circle the response and the corresponding points
- Write the points in the far-right column
- Add up the points to get the total score

If an organization is targeting based on the score, the loan officer or branch manager would implement a program policy based on the score at this point.

Data Entry

There are various ways to enter the PPI data; either integrate it with the current MIS/database or use separate software (the *PPI Data Intake Tool*).

For pilot purposes, it is common for MFIs to use the *PPI Intake Tool*, located in the supporting documents, to collect PPI scores and some additional demographic information. The *PPI Intake Tool* is a simple Excel worksheet and is customizable for individual MFI needs.

A *PPI Intake Tool* is a simple standard Excel workbook, which standardizes the intake of PPI data and is customizable to an organization's specific operational needs. Utilize the *PPI Intake Tool* and corresponding User Guide for an existing PPI intake template. Again, the *PPI Intake Tool* can be customized for each organization.

Depending on computer availability, loan officers can input data on their own clients at the branch level. If that does not fit with the MFI's processes, data can be entered at a central location instead.

Discussion: Management Information System Requirements

Goal	<p>At the end of this discussion, you will be able to:</p> <ul style="list-style-type: none">• Understand the MIS requirements and opportunities for PPI integration
Minimum Requirements	<p>The PPI does not require the use of sophisticated software or equipment. The data is simple enough to either be entered into a simple spreadsheet program (<i>PPI Intake Tool</i>) and/or to be incorporated into an existing MIS.</p> <p>Following the pilot, organizations might want to integrate the PPI with current systems or customize a stand-alone database to link with the PPI. MS DOS and Microsoft Access are simple alternatives that allow for easy data organization and analysis. The key to integrating is using a common unique identifier, such as client identification number, for the PPI and financial information within the disparate or connected databases. This common identifier will assist in the ease of integration and analysis.</p>

Figure 8 below describes the data entry systems adopted by AlSol and NWTF for implementing the PPI. Note that AlSol and NWTF used these MIS solutions for the full-scale implementation of the tool and not for the pilot.

Figure 8: MIS Integration

NWTF contracted a local programmer to develop a **simple DOS-based program** that branch encoders use to input PPI data into computer systems. Approximately **18 seconds** are required to input the data for one client. When NWTF completes the implementation of an automated MIS solution in all its branches, the DOS program will be able to take client information from the MIS database to further facilitate portfolio analysis. The data from the DOS solution is consolidated and exported to Excel for easy analysis. This solution is practical and relatively easy for NWTF to use. As the automated MIS solution is rolled out, NWTF will be able to conduct more sophisticated analysis using programs such as Crystal Reports.

AlSol staff created a **Microsoft Access solution** allowing encoders to enter each individual PPI question onto a format, along with the client identification number. The Access solution then retrieves client information from the MIS database, enabling AlSol to segment its portfolio. It takes **38 seconds to enter client data** into the Access solution. As AlSol enters more client PPI data into its system, it will be able to conduct richer and more extensive analysis.

Discussion: Progress out of Poverty Index Data and Analysis

Goal

At the end of this discussion, you will be able to:

- Further identify and interpret the PPI data
 - Review an example of tracking changes in the client base
 - Understand the importance of targeting clients
 - Review how the data collection process leads to market segmentation
-

**Progress out of
Poverty Index**

The PPI can be used:

- To monitor changes in client poverty levels for purposes of internal management and external reporting
 - For targeting specific types of clients or identifying specific population segments for market research and product development
-

PPI Data

The PPI consists of 10 indicators with an individual response for each that is assigned a value. The sum of the scores for all indicators is the PPI score for that household. The PPI score is associated with a poverty likelihood that reflects the probability that the household falls into certain poverty bands.

Once again, a PPI score is *not* poverty likelihood; it is *associated* with poverty likelihood.

Discussion: Progress out of Poverty Index Data and Analysis, Continued

Using the PPI for Targeting and Market Segmentation

The PPI can assist in decision-making regarding the types of clients to accept into the program (targeting) and can help identify and target services to certain populations (market segmentation).

A particular score is associated with probabilities that a client falls within certain pre-determined poverty categories, as defined by the various poverty lines. Each PPI uses the following poverty lines:

- National poverty line
- \$1/Day/PPP
- \$2/Day/PPP

An organization can determine how to segment their clients based on these poverty lines. For example, clients can fall into categories such as:

- Bottom half below the national poverty line
- Top half below the national poverty line
- Above the national poverty line

Low PPI scores (for instance, 1-10) are associated with high poverty likelihoods while high PPI scores (for instance, 90-100) are associated with low poverty likelihoods.

However, any measurement system has some degree of error built in. The PPI is no exception. What this means is that some people who are actually above the poverty line can end up with a low score. Similarly, some people who are, in fact, very poor can end up with a high score.

Discussion: Progress out of Poverty Index Data and Analysis, Continued

Targeting Clients

If an MFI wants to reach as many “very poor” clients as possible, management can set a cut-off poverty likelihood balancing the leakage of “above the poverty line” clients into the group with the recruitment of very poor clients. The MFI can set cut-off at any point and at more than one level to differentiate between different categories of clients.

No poverty assessment tool is perfect, so it is possible that some people who are truly very poor will not be targeted, and some who are above the poverty line will be targeted instead. However, the purpose of targeting is to balance these “costs” according to the goals of the MFI.

Those who score at or below the chosen cutoff are the *targeted group*, while those who score above the cutoff are the *non-targeted group*.

For instance, an MFI may set a cut-off PPI score of 24, and for purposes of targeting will only recruit individuals who fall at or below a PPI score of 24. MFIs may also set more than one cut-off score and at different levels. Those who fall within each of the cut-off ranges can be classified as Class 1, Class 2, Class 3, and so on.

Matching clients with the appropriate products, services and programs

Poverty levels can be used in conjunction with other measurements to classify clients. For example, individuals falling in Class 1 may represent a target group for a specialized loan product; individuals in Class 2 might be targets for a general loan product while individuals in Class 3 may be targets for a business literacy-training program.

Targeting Clients - Poverty Status vs. Targeting Status

Poverty status (expenditure below a poverty line) is distinct from targeting status (score below a cut-off).

Poverty status is a fact whose determination requires an expensive survey. In contrast, targeting status is a policy choice whose determination requires a cut-off score and can be based upon an inexpensive estimate of poverty likelihood.

Discussion: Progress out of Poverty Index Data and Analysis, Continued

**Targeting
Clients -
Poverty Status
vs.
Targeting
Status,
continued**

When monitoring the progress of a household or group out of poverty, *the poverty likelihood* and *estimated poverty rate* are appropriate terms to use. However, for the purpose of targeting, neutral terms (such as Class 1, 2, 3) are best. If an MFI sets a cut-off point at a PPI Score of 24, this does not mean that all individuals below 24 are below the poverty line. The MFI has complete discretion over its cut-off points and, as mentioned before, can set cut-offs at different levels for program entry and for different products and services.

Therefore, each person has one targeting status (for program purposes), one true poverty status (in reality), and various estimated poverty likelihoods (one for each possible poverty status).

To compensate for the nature of probabilities inherent in all scoring systems, an MFI might consider establishing an appeals system whereby field staff can appeal for clients whose scores do not reflect their true poverty status. There can be rules set up outside the PPI, so called gateway questions, which can allow managers to make a decision to recruit that client using supplemental information.

**Market
Segmentation**

In addition to PPI data, an MFI can collect additional information regarding a client's gender, age, marital status, type of occupation/business, number of loan cycles, rural/urban. These types of questions are usually incorporated in the intake form but can also be included in the PPI questionnaire, although these will not be included in the total PPI scoring.

The PPI data (poverty likelihoods) can then be segmented according to each of these different categories to examine differences between groups of clients and potentially gain knowledge of who to target.

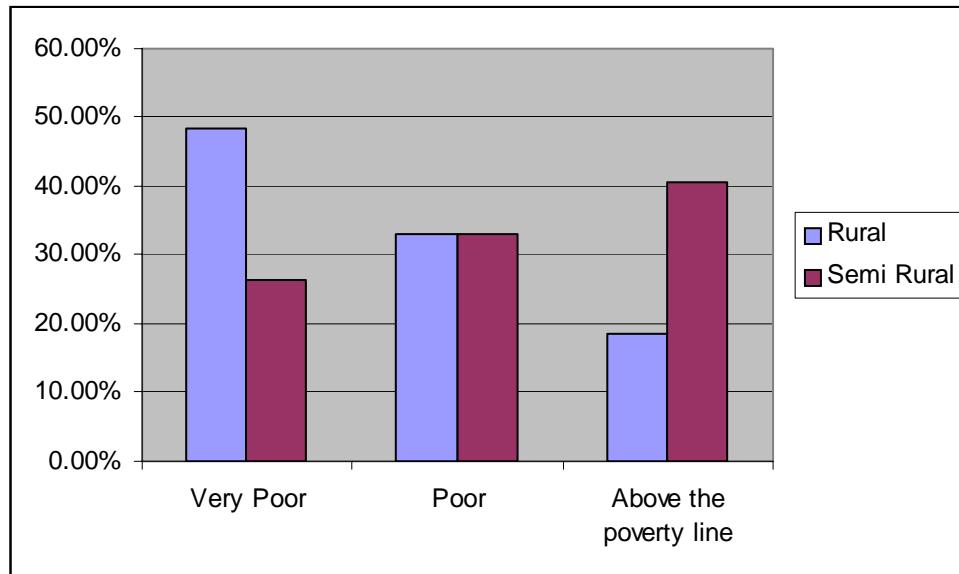
For instance, if an MFI wants to know the poverty status of young clients, (e.g. ages 17-30) as compared to older clients (e.g. 31-50), it can pull up the PPI data for these two groups from its data entry system and either tabulate the data or create a graphical representation (e.g. bar charts, pie charts) of the data. If one group appears to be consistently poorer than the other at all cycles, follow-up studies through focus groups can be used to find out why and to identify products, training, or services that can help the disadvantaged group bridge the gap. More examples of market segmentation from AlSol and NWTF are detailed on the next pages.

Discussion: Progress out of Poverty Index Data and Analysis, Continued

Figure 9: AlSol Poverty Likelihoods by Rural or Semi Rural Community

AlSol collected and organized PPI data according to clients in rural and semi-rural areas:

Zone	Very Poor	Poor	Above the poverty line	Sample size
Rural	48.39%	32.93%	18.67%	319
Semi-rural	26.35%	33.11%	40.54%	122



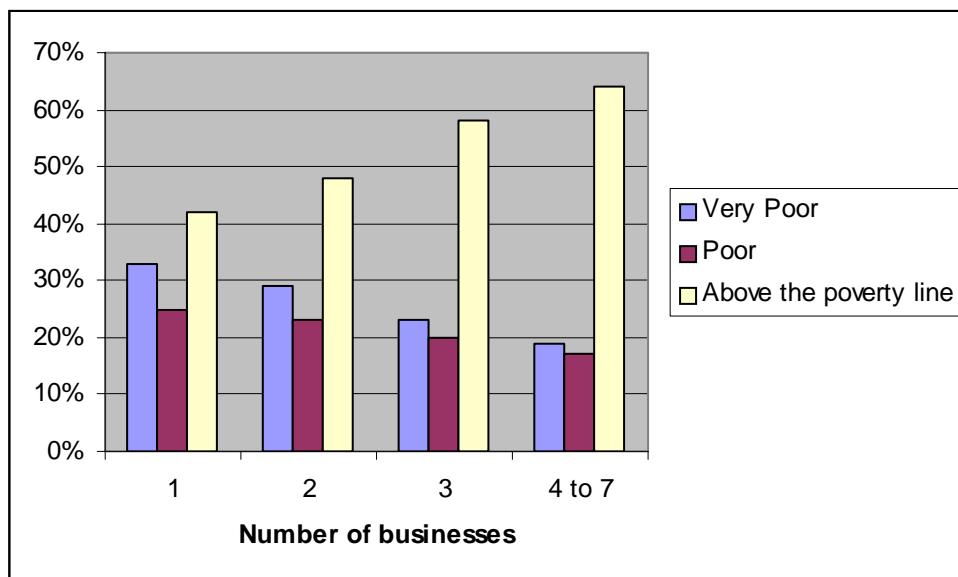
This chart shows the likelihood of clients in rural areas to be very poor and less likely to be above the poverty line than clients in semi-rural areas. This information can help AlSol target its services in order to reach its intended clients.

Discussion: Progress out of Poverty Index Data and Analysis, Continued

Figure 10: NWTF Poverty Likelihoods by Number of Businesses

AlSol collected and organized PPI data according to the number of businesses that clients have:

Number of businesses	Very Poor	Poor	Above the poverty line	Sample size
1	33%	25%	42%	844
2	29%	23%	48%	384
3	23%	20%	58%	104
4 to 7	19%	17%	64%	21



Poverty likelihoods by number of entrepreneurial activities show a steady decrease in the likelihood of being poor and an increase in the likelihood of being above the poverty line as the number of activities increases. This type of data could be supplemented with focus group research in order to understand, in more detail, the size and revenue streams from these informal businesses.

Discussion: Developing an Action Plan

Goal

At the end of this discussion, you will be able to:

- Understand the elements necessary for developing an effective action plan
-

Elements of an Action Plan

An Action Plan is a step-by-step process for implementing the PPI. It will usually include detailed information on:

- Defining the population to be surveyed
- Setting a sampling schedule for the baseline; for example, at intake, re-loan, or exit
- Integrating the PPI into client intake forms
- Assigning responsibilities for the administration of the tool, collection, and analysis of the data
- Training field staff to administer the PPI
- Setting up a system of quality control

The plan will also include a timeline for completing each of the tasks.

An example is provided below.

Activity	Time
Set project pilot implementation plan	½ day
Define sample and generate list of clients for survey	1 day
Train field staff	3-4 days
Integrate PPI into client intake forms	1 hour
Translate PPI into local language as necessary	½ day
Pre-test and review pre-test results	1 day
Prepare PPIs for field staff	1 hour
Conduct client interviews and supervise field staff	1 month
Enter data into Excel sheet and analyze it	1 day
Prepare external report for donors	½ day

Discussion: Developing an Action Plan, Continued

Evaluating the Action Plan

An MFI may need to re-visit and adjust its action plan several times during the implementation of the tool, as it receives feedback from staff and clients. This plan can later be expanded into an operational manual, when the organization is clear about how to better integrate the PPI within its operations.

Here also, it is important for the staff to discuss each of the PPI indicators to clear up any confusion regarding the meaning of the indicator and the different response categories. Any additional indicators that management deems necessary for evaluating a client can be added to the PPI questionnaire but will not be assigned a score and will not be included in the client's final poverty likelihood score.

Activity: Developing an Action Plan

Goal

At the end of this activity, you will be able to:

- Develop an Action Plan for your organization to start the pilot phase of the PPI
-

Instructions

- Working in a small group, generate ideas for your organization's PPI pilot Action Plan.
- Use available resources to complete the activity.
- A portion of the Action Plan has been filled in. You may need to make organizational assumptions for this exercise.

The Action Plan Template

Management Education and Buy-in	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals
	<ul style="list-style-type: none"> • Review PPI materials and guides • Gain full understanding of the tool for presentation 	<i>Tes: Sept 10 Ging: Sept 10 Delle: Sept 10</i>	<i>Determine objectives Assign sections to cover</i>
	<i>Hold management meeting on Oct 12</i>	<i>Rico: Sept 19</i>	<ul style="list-style-type: none"> • Email management to ensure date is appropriate • Arrange any logistical needs

The Action Plan Template

Pilot Design	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals
• Pilot objectives • Pilot scope • Preliminary data collection			

The Action Plan Template

Pilot Training	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals

The Action Plan Template

Pilot Analysis	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals

The Action Plan Template

Management Pilot Decision Tree	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals
<ul style="list-style-type: none"> • Expand pilot • Adjust pilot objectives • Terminate pilot 			

The Action Plan Template

Management Response to Data	Steps to Execute Action Plan Goals	Individual Assigned/Due Date	Individual Goals
<ul style="list-style-type: none"> • Satisfaction with results • Dissatisfaction with results • Short-term decisions • Long-term decisions 			

Key Training Takeaways

Take-aways

- The PPI is a measurement and management tool
- It is highly accurate and practical
- The PPI is based on a universal methodology but applied on a country-by-country basis
- It is meant to be integrated into regular MFI operations to assist with management decision making for improving products and services
- The 10 indicators are simple, verifiable, quick to ask and answer, and liable to reflect change in poverty status over time.
- The PPI can be used to:
 1. Measure the poverty likelihood of an individual
 2. Assess the poverty distribution of a group of clients
 3. Track the change in poverty distribution to understand the percent of clients moving across a poverty line
 4. Target and segment clients
- Field staff can complete a PPI survey in 5-8 minutes.
- Encoders can enter PPI data in less than a minute.
- An automated MIS is important for optimal use of PPI data.
- PPI accuracy relies on quality data collection, therefore, a quality control system should be built into the PPI process.
- An organization's mission will dictate how the PPI is used
- The PPI should fit into a larger social performance management system.
- A pilot is a good way to discover the best way to integrate the PPI into operations.

Appendix 1: Suggested Pilot Sampling Plan

The sampling method is designed to effectively meet the goals of the PPI study pilot.

These goals are to:

- Gauge the operational and logistical challenges associated with implementing the PPI
- Test the PPI on a representative sample of clients so conclusions derived from the sample can be relied upon for realistic assessment of the tool

A combination of “single stage cluster sampling” and “expert choice” techniques can be used to develop the sample.

Cluster sampling is a technique used generally when a list of all subjects of a population is difficult to acquire and where a simple random selection of subjects would be so widely scattered that surveying them would be prohibitively expensive. Both of these conditions are generally true with MFIs looking to pilot the PPI.

Clients are “naturally” clustered by virtue of belonging to a single branch. With cluster sampling, the population in question (in this case all of an MFI’s clients) is divided into clusters (in this case, branches). A small group of Clusters is then chosen (for instance, four branches) from the full list of clusters.

Clusters can be chosen through “expert choice.” Expert choice is a sampling technique in which a sample is chosen based upon an expert’s judgment rather than randomly. The selection is judged to be typical of the whole population, based on a set of criteria to be met for a site to be included in the sample.

With expert choice sampling, quality is determined through the expert’s skill in criteria definition and site selection. These criteria and site prioritization will vary according to the expert view. This would, in turn, affect the degree of precision or bias of the inference to an extent that is difficult to quantify.

Branch selection should be based on criteria that allow for a representative (in the sense that organizational differences are represented) selection of clients. For instance: 1. Branch size (in terms of client totals), 2. Geographic distribution and 3. Urban vs. rural makeup of clients.

Once the branches are selected, the number of individual clients to be selected from the chosen branches must be decided upon. Details of the sample computation can be seen in Appendix 2.

Credit agents from the pilot branches are then assigned a number of client PPI interviews to perform and instructed to randomly select clients from those they were to see each week. A simple selection system can be used in which credit agents tear up small pieces of paper, one for each client at a center meeting, and mark only a certain number of those papers with an “X”. Those clients drawing a marked paper are to be interviewed by the credit agent. Credit agents should be instructed that PPI interviews must take place at the client’s home.

Appendix 2: Pilot Sample Size Estimation

Sample Size Formula

$$N = \frac{Z^2 \times P \times (1-P) \times D}{E^2}$$

Formula Assumptions

P=	50%
D=	2
E=	5%
Z=	1.96
Bad Data	0.05

Confidence level	Z-score
90%	1.658
95%	1.96
99%	2.58

N=	768
Plus Bad Data Assumption	806

The chart shows some suggestions for variable values for selecting an appropriate sample size.

Where,

Z or z-score is derived from the desired confidence interval.

P is a guess value for the proportion of the population that you anticipate you will measure. A P value of 50% is the most common (and most conservative) estimate.

D stands for design effect, the extent to which the sample deviates from random sampling. D=1 means that the sample is a random sample, while D=10 (range is 1-10) means that the sample is intentionally non-random.

Grameen Foundation recommends a D=1.5 when following the branch and client selection recommendations.

E is the margin of error, the precision with which you want to measure something. A 6% margin of error combined with a 95% confidence level means that 95 times out of 100 you expect the score to be accurate within +/- 6% of the true value.

Appendix 3: Sample Memo to Staff Re: PPI Roll-out

To : All Branch Staff
Thru : Managing Director
From : Research Unit
Date : February 3, 2006
Subject : Roll-out of Poverty Scorecard Forms

The Unit has prepared the following Roll-Out Guide on the Poverty Scorecard for your reference.

MFI X's vision for the Scorecard is a cost effective, accurate and credible method of assessing MFI X clients' poverty status and monitor their change over time.

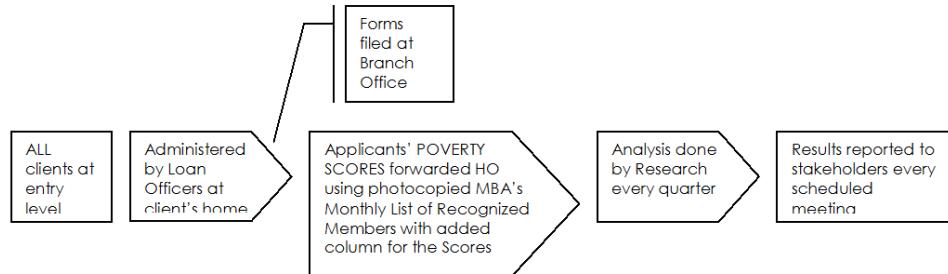
Generally, through the Scorecard, we will be able to:

1. Segment poverty status of clients into Very Poor, Poor and Non Poor and validate if the institution is reaching out to intended clients.
2. Assess clients' poverty status in relation to the national poverty line.
3. Measure changes in clients' poverty status over time and reflect if the institution is achieving its mission.
4. Track client dropouts per poverty status to better understand and respond to their individual needs by developing appropriate products and services.
5. Analyze the portfolio quality at each poverty level

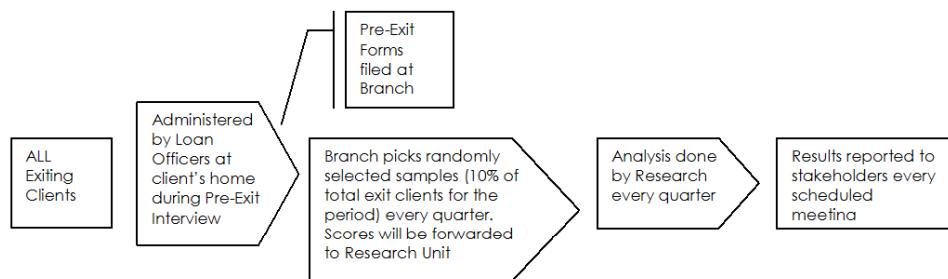
In this regard, *MFI X* will integrate the use of Poverty Scorecard into our system. Please be guided with the following steps of using the Scorecard.

1. Refer to the attached "**Poverty Scorecard Training Guide**". This guide was created to facilitate a standard way of administering the Scorecard. The scorecard uses 10-indicators, some of them should not be asked directly to respondents, thus, should only be observed (ie housing quality, toilet facility). Terminologies (i.e. salaried worker, sala set, household etc) are also clearly defined in the Guide. Please take time to read and understand the training guide first, before administering the scorecard.
2. The Scorecard has been integrated into 3 Forms:
 - a) **Poverty Scorecard for Client Segmentation.**
 - ↳ This form totally REPLACES the MEANS TEST or MEMBERSHIP FORM. It will be used to assess the Poverty Status (very poor, moderately poor, non poor) of newly recruited clients.
 - ↳ It is divided into 3 parts: the Basic Information; the **Poverty Scorecard at Time of Entry**; and Confirmation Statement. It is important to note that the SCORECARD WILL NOT BE USED AS A SCREENING TOOL, the basis for accepting an applicant is if she HAS AN EXISTING BUSINESS. Therefore, even if the applicant is classified as non poor, she can still be accepted in the program given that she runs her own business.
 - ↳ The accomplished forms will still be properly filed at the Branch Office. From time to time, it will be checked and monitored.
 - ↳ Upon completion of the Poverty Scorecard for Client Segmentation form, the POVERTY SCORES for ALL ENTERING CLIENTS WILL BE FORWARDED TO RESEARCH Unit using the MBA's Monthly List of Recognized Members Form because the softwares are related. Once the MBA's Monthly List of Recognized Members has been filled up, photocopy the form and add one column for the POVERTY SCORES. The photocopied list with the Poverty Scores will be forwarded to the Research Unit for analysis.

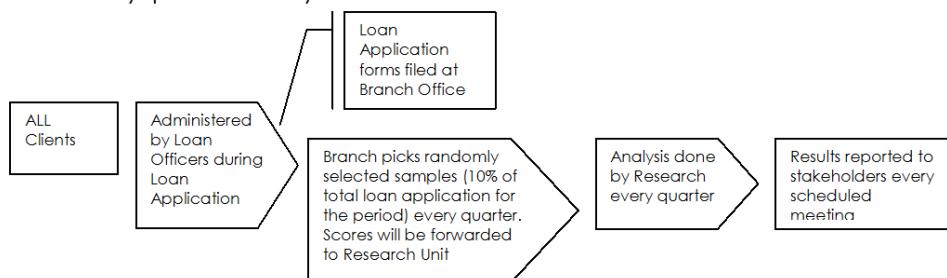
Appendix 3: Sample Memo to Staff Re: PPI Roll-out, Continued



- b) **Pre-Exit Interview Form.** The Pre-exit interview aims to create a dialogue between the exiting client and branch staff and understand their reasons for leaving. **Poverty Scorecard** was integrated into the Pre-Exit Interview to track their poverty status **at time of exit**. This form should be properly filed and kept at Branch Office. Every quarter, the Research Unit may request Branches to submit randomly selected samples. These samples will be analyzed and reported quarterly.



- c) **Loan Application Form.** Integrating/Adding a half-page Poverty Scorecard into the Loan Application Form seeks to analyze the portfolio quality of individual clients per poverty status. This can help management understand at which poverty level the portfolio quality is high or low. Hence, the **Poverty Scorecard at Time of Loan** should be kept and filed at Branch Office. Research Unit will request randomly selected samples every quarter for analysis.



Should you have any clarifications and queries about the Poverty Scorecard, please contact the Research Unit at xxxxxxxx or xxxxxxxx local xxx.

For information and compliance.

Thank you.

By:

MFI X Managing Director