

SIM Brochure Details

INTRODUCTION

INAFI network of microfinance practitioners has just launched a new research study, Social Impact Measurement (SIM) project that is exploring ways of measuring social impact of microfinance interventions. The SIM project, advancing social impact measurement tools intends to raise awareness on achieving social outcomes through microfinance practice. This research outlines INAFI's contribution to ongoing global studies to define social impact indicators and follow-up efforts in the sector to combine financial performance and social monitoring of poverty dimensions.



The Social Impact Measurement project is a tri-partite co-operation between 3 actors, International Network of Alternative Finance Institutions (INAFI), Oxfam Novib and Ordina. The SIM project is bringing together a unique gathering of sub-global and INAFI member contributors to explore with development experts the practice of measuring social impact of microfinance. Through the project, the experiences and practices on social impact/performance measurement present within INAFI and Oxfam Novib will be linked with the existing knowledge of Ordina on information systems, technologies and consultancy.

The SIM project is using participatory methods and experiences of ten(10) microfinance practitioners who have experimented measuring social impact of clients over the last decade. The ten representative MFIs are drawn from Latin America, Africa and Asia regions. The study explores from bottom-up processes of household survey techniques and microfinance proven financial tracking practices. With the

pilot phase began in 2005-6, the study will be completed in 2007.

It has been concluded through several studies that microfinance has an impact on the poor in many parts of the world. But although this has been proved in financial terms, no successful methodology has been developed so far to capture and track social data in financial reports. Consequently, it is not clear how to measure and assess the social aspects of microfinance so as to allow for a double bottom-line social reporting. Yet the framework for and background of microfinance is full of social mission statements that seek to achieve social goals and objectives. A key G8 'Principle of Microfinance' embraced by the sector states, "*Microfinance works best when it measures - and discloses - its performance; both financial and social information*". The project sponsors hope by promoting measurement of social performance, MFIs will endeavour to put their social mission into practice and achieve commonly accepted goals of development like the Millennium Development Goals (MDGs).

The project hopes to foster the exchange of expertise and the pooling together of experiences on social impact measurement techniques for a better measurement tool. The action research group is at an advanced stage regarding core indicators for monitoring social performance and impact of microfinance, which are within the framework of MDGs. INAFI believes that social impact; especially regarding health, education, social capital and empowerment of women, are important goals of microfinance in their own right. Assessing the impact of microfinance in these social domains through inexpensive and practitioner-led studies can serve to motivate practitioners to design programmes that address social concerns in recognition that poverty is a multi-dimensional problem.

VISION

The SIM project hopes to develop a comprehensive SIM data framework which, amongst other things, will help to disseminate information and promote sound assessment of social mission achievement, and the development of benchmarking information that fosters international comparability. The project is working towards establishment of MFI internal systems where INAFI 200 MFIs and Oxfam Novib counterparts collect social indicators data and submit in a web based application system for on-going measurement of social impact. It is hoped that the system once built after the pilot phase will provide information that can be both rigorous in answering questions about outcomes and impact, as well as useful in its application.



The results of the pilot test will be shared with other INAFI members, refined and finally incorporated in a software system developed by Ordina that will enable MFIs to measure and monitor their impact on the ground. It will also enable INAFI as a network to present a consolidated report/proof of the achievements of the network on social performance.

The system aims to guide donor policies in assessing the social value of different investment choices and MFI practices. And as well draw the attention of all development actors on the importance of social performance monitoring at the institutional level to highlight humanistic agenda, and motivate the sector to place greater emphasis on balancing sustainability with a social mandate.

PROJECT GOALS AND JUSTIFICATION

The overall goal of the SIM project is the development of an efficient and uniform database system for social performance and impact assessment based on basic social indicators. This social impact measurement system will be within the framework of millennium development goals. A key benefit to assessing social performance is that it will enable feedback of information for improved microfinance practice as well as inform decisions that affect both the social and financial performance of practitioner MFIs.

SIM offers a new opportunity for social impact measurement and estimation of social data along side financial information collected by MFIs. This will provide rapid, targeted support to INAFI MFIs with socially oriented programs to accelerate penetration, poverty reduction, and attainment of the Millennium Development Goals (MDGs).



The SIM product and INAFI dissemination system hopefully will become the central source for new and existing social data relevant to policy makers, researchers and MFIs, etc and for sharing views and ideas on social impact of microfinance.

The justification for the project lies in the fact that there are many activities, research, experiences on the issue of social impact measurement, both within and outside the INAFI family, but that little uniformity exists. To date, this has been assessed primarily through one-off impact assessment studies led by external stakeholders, seeking to demonstrate impact. The complexity of the issue plays a major role here as well. Many INAFI members work on social impact, one way or another, but do not exchange

their practices. Many members struggle too independently and do not seem to come further.

The project involves a participatory process in its execution, and has developed close dialogue with the project partners - INAFI, Oxfam Novib and Ordina to ensure mutual congruence of understanding in terms of desired outputs and expectations. The project brings together existing experiences of impact measurement within and outside INAFI network (Latin America, Africa and Asia), building on grassroots initiatives of the regions and as well Oxfam Novib (and Oxfam) counterparts, regional bureaus and the departments of R&D and Q&C.

Acknowledging the fact that impact assessments tend to be too complex, time-consuming and costly, and not to mention methodological challenges; it was necessary to combine effort in developing a simple impact measurement system that can capture on a regular basis 'outcomes' or changes attributable to microfinance. But most importantly is the opportunity to develop a standard set of social impact indicators as well as a mechanism for comparing institutional performance on social impact.

PROJECT OBJECTIVES

Great emphasis has been placed on monitoring and assessing the impact of microfinance intervention. To this end, the project intends to realize the following:

1. A set of social indicators that reflect and embody the social goals and objectives in microfinance and that upon data collection will tell the extent to which those goals are being achieved.
2. A system for measuring social impact, tested with a small group of MFIs before widened usage among a larger number of institutions including both INAFI network, members as individuals, Oxfam Novib as well as the microfinance sector as a whole;
3. Mechanism for benchmarking that allows INAFI as a network to monitor and work towards continuous improvement - both in terms of performance within members as well as ensuring improved client level impact for better practice of microfinance;
4. Team work in microfinance development and sustainable livelihoods for the promoters of this initiative -

donors, corporates and practitioners and target clients.

STRATEGY

The above objectives will be achieved by combining research approaches, analysis, lateral learning (roundtables, conferences, workshops and e-communication), and household survey techniques. The project will not invent new systems or new indicators but will build on practices within INAFI but also experience of research institutes and practices with other Oxfam Novib counterparts working on poverty alleviation, gender equality and social impact.

The SIM project is based on the efforts of more than 10 global experts-IT consultants, development experts, practitioners, and leading academics around the world, who are providing methodological support and review. The 10 pilot MFI's are directly involved in the development of a core set of indicators as users, and in the development of the automated social performance management system that will continuously monitor and enable assessment of client level *outcomes* and *impacts*.

A five-dimensional approach will be followed where **social indicators** will be monitored not only from a MFI/client perspective, but also from a national/regional and global level in the network. Data collection will combine client profiling and household survey information gathering techniques.

The Research action group is looking at ways to capture changes at the client level in the 5 broad social dimensions and their domains: changes in client income status, the client's business, the household expenditure patterns, as well as community-wide impacts (assessing social capital effects). Trial runs will be done on data collection using a variety of both qualitative and quantitative research methods about the outcomes in terms of changes experienced by clients. Availability of information about long term benefits arising to clients and to the wider community as a result of the outcomes achieved will help assess impact.

Global Programme (18 Months)

The project has duration of 2 years (2006 and 2007) and will map existing experiences in the microfinance sector on social impact measurement and bring together 10 Micro Finance Institutions (MFIs), which are members of INAFI, to develop and test a set of basic social indicators.

Over the 18 to 24 months period the action research group that consists of an Overall Project Coordinator at INAFI International and one counter part coordinator each from Oxfam Novib and Ordina will go through a series of 8 phases, including:

1. Inception
2. Mapping
3. Architecture
4. Design
5. Building and Testing
6. Installation and
monitoring
7. Sharing
8. Wrap up

The project will not end after two years but will develop a data dissemination system that can be used by INAFI International for advocacy purposes, social impact measurement of microfinance for growth, development and poverty alleviation. Through the project INAFI management will be able to develop on INAFI International level management systems to this end.

COUNTRIES AND INSTITUTIONS INVOLVED

- **Peru:** IFOC (Instituto de Fomento a la Comercialización Campesina); Mr Alfonso López Roldán, President
- **Bolivia:** FONDECO (Fondo de Desarrollo Comunal); Mrs Maria Eugenia Moreno, Executive Director
- **Nicaragua:** Fundación José Nieborowski; Mrs Araceli Castillo Gutierrez, Executive Director
- **India:** Grameen Development Foundation ; Mr. Amtabh Mishra, Programme Director
- **Bangladesh:** Thengamara Mohila Sabuj Sangha (TMSS); Mr. Azizul Hoque, Deputy Director
- **Nepal:** Centre for Self-help Development: Mr. Ramesh Parajuli, Program Supervisor

- **Philippines:** Center for Community Transformation (CCT); Ms. Prescilla P. Yaun Senior Research and Communications Officer
- **Benin :** Association pour la Promotion et l'Appui au Développement des Micro Entreprises (PADME) ; Mr Mohamed Raquilitou Sadikou, Marketing, Research and Development Manager
- **Zambia:** Micro Bankers Trust (MBT): Mrs Grace Kancheya Nkhuwa, Financial Services Programme Coordinator
- **Ethiopia:** Oromia Credit and Savings Share Company (OCSSCO): Mr Gemechu Dubiso, Executive Director

SIM Project

A partnership of **Oxfam Novib & Ordina**

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