Vision Fund Uganda: *Piloting and using the PPI*[1]

BACKGROUND

Vision Fund Uganda Ltd. (VFU) is one of the World Vision-owned microfinance institutions working in over 48 countries around the world under the auspices of VisionFund International. VFU's mission is to improve the lives of children by providing low-income entrepreneurs with sustainable and integrated financial services that unlock their potential. VFU also promotes saving and financial literacy so clients attain a better quality of life through increased income, employment creation and improved entrepreneurial skills — thus contributing to poverty alleviation in a sustainable manner.

A typical VFU client is between 18 and 55 years of age, with modest or no formal education, and has a typical household income of less than US$300 per annum. Clients and are served through a network of 16 branches. Approximately 42% of current clients served are women, although VFU has recently set a new target of 80% women.

VFU offers group and individual micro loans, as well as agricultural, school fees, and asset loans. Non-credit financial products include microinsurance and money transfer services. In terms of non-financial services, VFU links with World Vision staff to train its group loan clients in agricultural skills, and it works with community care coalition teams (CCC), developed by World Vision to respond to the HIV/AIDS epidemic in the community.

In terms of poverty outreach over the next three years, VFU aims to reduce clients' poverty levels by moving at least 30% of our clients up one level from their original poverty scale/level.

This case study which has been written with a specific audience in mind; microfinance providers who seek to improve their practice in relation to specific standards of the Universal Standards for Social Performance Management[2] (in this case, essential practice 1B.5). This case study, written as part of the SP Fund (See **Box 1**) provides a practical overview of the process that VFU underwent to implement the Progress out of Poverty Index (PPI) Tool, provides recommendations on improving effectiveness in relation to the Universal Standards, as well as general lessons for practitioners. **Annex 1** presents a full mapping of VFU's PPI implementation to the relevant Universal Standards and practices.

Table 1: Key performance indicators

Area/year	2010	2011	2012	2013
Gross loan portfolio (US$)	2.4M	2.7M	4.0M	5.1M
PAR> 30 days	4.22%	3.81%	3.88%	5.70%
Portfolio at risk 90 days	1.18%	1.08%	1.52%	2.11%
Average loan size (US$)	234	161	238	236
Client dropout rate	1%	0.8%	3.6%	1.23%
Active borrowers	10,687	10,286	16,837	21,609
Women borrowers	3,869	3,961	7,128	9,222

Box 1: The Social Performance Fund[3]

The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

VFU's target clientele are the low income entrepreneurs, and historically VFU's targeting relied on World Vision Uganda's annual Area Development Program (ADP) surveys, which didn't allow it to track child-related indicators (e.g. number of children from client's households, number of children going to school), and client-level outcomes including poverty levels. The surveys were also quite broad, including both clients and non-clients of VFU.

In 2012, when VFU revised its mission, developed its social goals, objectives and indicators, it realised that accurate poverty measurement is essential not only to ensure that it is targeting the right clients, but also that it is designing appropriate services to meet the needs of different poverty groups. As a member of Vision Fund International, VFU is also required to report on the progress of its clients out of poverty. For VFU, the Progress out of Poverty Index (PPI) represented a simple and affordable means to achieve these aims.

PILOT PHASE

Objectives

The Senior Management Team and SPM champion worked together to design a pilot test in four branches. They also defined their objectives for introducing the tool, which were to:

- Ascertain the poverty levels of clients

- Ensure it is reaching the right clients

- Tailor its products and services to the needs of the communities it serves.

After the pilot, the team agreed three additional objectives:

- Assessing the poverty distribution of group clients in order to design products and delivery channels suitable to clients' poverty profile

- Tracking the change in poverty distribution to understand the percentage of clients moving across the poverty line.

Timing and level of effort

The PPI pilot phase kicked off with a training for the SPM Champion and CEO in September 2012, and concluded in March 2013 with a final report. The plan to roll out the tool was concluded in May 2013 after the report was presented to the Board, Management and staff.

Table 2: Level of effort required in pilot phase

Steps	Time
PPI TOT training (SPM Champion and CEO)	2 days
Management education, buy-in and approval	1 hour
Identify PPI pilot objectives and goals	1 week
Define/approve logistics for PPI training in the field	1 day
Identify desired information for data analysis	1 day
Create a detailed logistical plan/budget	1 day
Field staff training on PPI in pilot branches	1.5 weeks
Communicate pilot plans to staff	1 day
PPI data collection during client loan appraisal	5 months
Monitor pilot operations and data collection process	5 months
Compile and analyze PPI data	1 month
Report pilot outcomes to different stakeholders	1 month

Implementation details

The PPI pilot was conducted with a sample of 1,200 in one urban branch (Makerere), one peri-urban branch (Mpigi) and two rural branches (Tororo and Aber). For the pilot, the PPI Tool was administered to only new clients, to enable VFU measure the poverty likelihood of individual clients joining the institution.

The pilot implementation plan was designed to systematically monitor progress of the activities and provide the institution with a clear picture on what is required in terms of time, human resources, MIS and financial resources. See **Annex 5** for the pilot phase budget.

Prior to data collection, VFU trained field staff in the four pilot branches on what the PPI is and why the institution was adopting it, how to use the tool (data collection, analysis and report writing) and how these results would be used to inform decision-making in the organisation. All the senior managers and the Board were also trained to ensure complete buy-in. Data entry was done at branch level by field staff and sent to the head office to be compiled and analysed. The VFU SPM Champion

wrote the pilot phase report with technical support from Vision Fund International and AMFIU. The report was presented to senior management, who agreed on a roll-out plan based on the report findings.

Poverty data was segmented by branch, region, business sector, gender and products (see **Annex 3** for more details). This enabled VFU to understand which regions have poorer clients than others, which helped management to review their products and delivery methods. Based on the pilot phase results, VFU took a number of important decisions:

- Management agreed to continue using VFI's definition of $2.5/day as its poverty line to describe their target group. However VFU also now uses the national poverty line.

- VFU used the PPI results to emphasize group loan products and the agricultural products that best suit their clients in rural areas.

- Management agreed to integrate PPI indicators into the client registration form.

- Management has begun to integrate PPI targets into the Business Plan.

- The roll-out plan specifies that VFU collects data from 13 Branches and 2 Field offices (rather than across all branches, for budgetary reasons) for all new clients joining the programme to measure their poverty likelihood, and with each subsequent loan cycle for all clients.

CHALLENGES

VFU encountered a number of key challenges during the pilot phase. These were:

Conducting the pilot in the dry season (between December and early March) meant that fewer new clients joined during the data collection period. In practice, this meant that VFU only collected data from 979 clients (82% of its target of 1,200 clients).

Staff transfers and new hires in pilot branches meant that not all staff had been trained in PPI data collection.

An Excel spreadsheet was used to collect field data, which meant that some information could not be tracked consistently (for instance, correctly categorizing certain business types).

VisionFund Uganda had no budget for PPI implementation in 2013, so whereas full implementation proceeded with immediate effect after the pilot, there was no budget to train all staff.

Data entry errors on a number of PPI score cards meant they could not be used in the analysis, and highlighted the need for more emphasis on data collection techniques during staff training.

The PPI tool includes questions on client loan amount, loan cycle, type of enterprise, etc., which is information that is already collected during the loan appraisal process. During pilot data collection, some questionnaires were returned without data on some of these questions, making them invalid. After the pilot, VFU decided that the field officers should fill in the data that was already available at the office before going out to the field to avoid this.

LESSONS LEARNED

For effective data collection and reporting, all staff must have sufficient knowledge on the PPI and practical administration of the PPI score card.

At the time of the PPI pilot, Vision Fund Uganda needed software that could integrate both financial and social indicators. The current software (Finance Solutions) will soon be replaced by T24 which will help in capturing important social data including the number of children in the households served.

VFU needs to include sessions on the PPI during the new staff induction training.

If possible, each branch should have an SPM/PPI focal person to monitor and follow up on PPI implementation. All data needs to be correctly entered and spot checked at branch level before being sent to head office for analysis.

VFU needs to train its SPM Champion on PPI data analysis and interpretation, to help translate PPI findings into effective decision-making.

CURRENT IMPLEMENTATION STATUS

After Board and Management agreed on the roll-out of the tool, the SPM champion was charged with drawing a roll-out plan that was agreed upon with Management and Vision Fund International. The Business Development Coordinator is the one in-charge of SPM and his job description was up-graded to include all issues to do with SPM.

At least 80% of the existing staff have been trained in the PPI (mainly the field staff and branch managers). SPM and PPI training are part of the MFI's orientation program for new staff joining the institution and therefore, all new staff know that this will be part of their job.

The PPI tool has been integrated in the loan appraisal form and any new loan appraisal is accompanied with a filled PPI score card. Data entry is done by the field officers and sent to the SPM champion at the head office, who consolidates the data from the various field offices. The PPI report will be produced on an annual basis.

The pilot phase was a good learning opportunity for VFU, which used to experience to improve during the full roll-out. In terms of further advice from AMFIU to VFU, a number of additional areas for improvement exist, including:

- Integrating the PPI into the MIS, so PPI data is analysed alongside the other data the institution collects. This will allow for segmentation and correlation to analyse key performance trends. It will also reduce staff fatigue arising from using different data entry tools. VFU is in the process of up-grading their MIS and PPI integration is under discussion.

- Putting more emphasis on quality control and data cleaning at branch level to reduce the number of invalid questionnaires, and monitoring costs for head office to supervise field offices.

- Broadening management's use of PPI data to improve product design and targeting.

ANNEX 1: COMPARING VFU's PPI SYSTEM TO THE UNIVERSAL STANDARDS

STANDARD	PRACTICE	Remarks
Standard 1: DEFINE AND MONITOR SOCIAL GOALS		
1b.The Institution collects, reports and ensures the accuracy of client level data that are specific to the institution's social goals	1b.5 If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.	VFU has embarked on a PPI Tool roll out plan to measure the poverty levels of new clients.
Standard 2: ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS		
2.C. Senior Management sets and oversees implementation of the institutions strategy for achieving its social goals	2c.2 Senior management analyses social performance data, including data on client level outcomes	It is envisaged that the PPI will help VFU achieve its social goals relating to client level outcomes.
Standard 4: DESIGN PRODUCTS, SERVICES, DELIVERY MODELS AND CHANNELS THAT MEET CLIENTS NEEDS AND PREFERENCES		
4A. The institution understands the needs and preferences of different types of clients	4a.1 Does the institution regularly collect and use client data to understand how clients use products and services, by client characteristic (poverty levels, age, gender, product type, methodology – group vs. individual, regions – rural vs urban; occupations, industry / sector they are, household heads, education, size of the family etc.)?	PPI data is very vital in complying with this essential practice. It captures all the mentioned client characteristics and helps segment clients for better service delivery.

For more information:

Download the case study annexes (2-5): **bit.ly/VFUannexes**

VFU on the MIX Market: **www.mixmarket.org/mfi/visionfund-uganda**

AMFIU Network: **www.amfiu.org.ug**

The Microfinance Centre: **www.mfc.org.pl**

Social Performance Task Force: **www.sptf.info**