



**GRAMEEN FOUNDATION**

*Empowering people. Changing lives. Innovating for the world's poor.*

## Social Performance

***Measuring progress out of poverty to help MFIs make better management decisions***



SKS India

Grameen Foundation is committed to ensuring that our partner microfinance institutions move their clients out of poverty within five years of their first loan. Many MFIs, however, do not have the tools to evaluate how well they are fulfilling their mission of reducing poverty. Grameen Foundation's Progress out Of Poverty Index (PPI) is designed to fill that need.

### Progress out of Poverty Index

The PPI allows MFIs to better determine their clients' needs, which programs are most effective, how quickly clients leave poverty, and what helps them to move out of poverty faster. It helps MFIs:

- Determine the extent to which they adhere to and fulfill their mission.
  - Divide their clients into distinct poverty bands (very poor, moderately poor, and non-poor).
  - Improve programs, products, and delivery of services.
  - Increase their competitive edge, profitability, and ability to retain clients by responding more quickly and effectively to changes in their communities and by showing documented results.
- Provide timely and accurate information to socially responsible investors who may want to provide financial resources to their programs.

The PPI is a unique composite of easy-to-collect, country-specific, non-financial indicators such as family size, the number of children attending school, the type of housing, and what the family typically eats. This Index then serves as a baseline from which client movement out of poverty is measured. By using benchmarks and standards of measurement that produce reliable information, managers can build client profiles and track how they change over time.

Grameen Foundation is currently piloting the PPI in Latin America and Asia, and by the end of 2007, PPIs will be available for India, Pakistan, Bangladesh, the Philippines, Mexico, Haiti, Bolivia, Morocco, and Egypt.

As part of the 2004 *Microenterprise Results and Accountability Act*, USAID was mandated to develop and certify at least two tools that measure the poverty status of people served by microfinance. It is our goal to have PPI meet these criteria and be certified by USAID.

To learn more about Grameen Foundation's social performance initiatives, visit:  
[http://www.grameenfoundation.org/what\\_we\\_do/microfinance\\_support/social\\_performance/](http://www.grameenfoundation.org/what_we_do/microfinance_support/social_performance/)