SPTF Annual Meeting 2016: Pre-meeting Day Notes

Outcomes Working Group session

In this workshop, participants reviewed and gave feedback on the guidelines for financial service providers and the guidelines for investors on client outcomes data measurement, analysis, and reporting.

Speakers: Frances Sinha, EDA Rural Systems; Lucia Spaggiari, Microfinanza Rating; Calum Scott, Opportunity International; Kate Glynn-Broderick, Women's World Banking

Introduction:
Frances opened the meeting and mentioned three main objectives of the session:

- To review outstanding issues in the current drafts of the guidelines for financial service providers (FSPs) and investors as well as the short list of outcome indicators
- To share perspectives, examples and questions
- To reflect on own practice and next steps

The purpose of the Outcomes Working Group is to develop guidelines and indicators for managing social outcomes that are clear, relevant, practical, useful, and credible.

Discussions held today will be taken as input to revisions to the drafts of the guidelines.

Overview of the draft guidelines:

Frances shared the table of contents of the guidelines for FSPs and for investors and encouraged participants who want to review the full draft documents to reach out to her and Lucia to ask for the full documents.

Table of contents for guidelines for FSPs:
Chapter 1 – Why client outcomes
Chapter 2 – Using outcomes data - To get people excited to measure outcomes, they need to understand how to use outcome data
Chapter 3 – Principles underlying the guidelines
Chapter 4: Nine practical steps for outcomes management
Chapter 5: Conclusion – managing expectations

Annexes include recommended outcome indicators, planning for outcomes management, resources.

Table of Contents for guidelines for investors – similar concepts to guidelines to FSPs:
Chapter 1 – Gap analysis
Chapter 2 – Why do outcomes management
Chapter 3 – How to do outcomes management
Conclusion
Annexes include acronyms and glossary, recommended outcome indicators, map of investor social outcome case studies.

Frances asked the room for their opinions on why two sets of guidelines were necessary. Participants in the room responded:

- The mission of investors and FSPs are different, and hence their objectives differ. Their means to measure outcomes are different. It is right to separate the two.
- Outline of guidelines for investors is oriented towards accountability while the guidelines for FSPs are oriented toward improving clients' lives.
- Guidelines for FSPs should focus on the use of the data. Investors should recognize that one of the major benefits of this data is the benefits of using it – therefore guidelines for investors should be oriented not only toward accountability, but also to the benefits of using data and reporting on it.

Frances asked the room to provide feedback on the table of contents presented, particularly on the following aspects:

- Is it clear?
- Does it make sense?
- What are we missing?
- Do you have examples to share?

Definition of outcomes being used by the group:" **Change for clients** that is plausibly associated with the provision of financial services" -- It is *neither impact nor* output.

Activities – outputs – outcomes – impact – these are all different levels of results.
Many impact investors say they are measuring impact but they are using outputs.
The higher you go on the hierarchy, the harder to measure.
This group is suggesting measuring outcomes and not impact. Impact requires attribution for the change.

Frances asked people in the room if they were ok with measuring **outcomes**.
Participants in the room responded:

- Microfund for Women – if we are capable of measuring impact, why not go all the way? We have lots of data, but if we want to measure outcomes or impact it will be very hard because the way data was collected was not in the mindset of being used for measuring outcomes or impact. If we are going to engage in measuring, we need to make sure we all agree on how to do it.

- Frances agreed that if somebody can measure impact, they should, but such requires a much bigger budget, time, randomized control trials (RCTs), etc.
- We should not embrace the mindset that the use of RCTs is the only way to measure impact. If what distinguishes impact is the question of attribution, it does not necessarily mean a randomized trial. We can ask clients to attribute or not. This would provide another way to going at this without needing an RCT.
- Hierarchy of results (handout provided to participants) is very helpful. Sometimes there is confusion on the differences between outputs, outcomes, and impact. It would be very helpful to define them so that everybody refers to the same.
- Group agreed that guidelines should include an explanation of rationale for not measuring impact as well as definitions for outputs, outcomes, and impact. Frances also suggested adding QUIP to the guidelines (for qualitative attribution being made by clients, to ensure that questions are asked in a neutral way).

Frances added that we are not calling the guidelines for outcomes measuring but instead for **outcomes management**. She asked the room for their reactions:

- It means that is not just about conducting a stand-alone study, but consider it as part of a system and a process. Defining a system to decide what data to collect, how to gather the data, and how to use the data gathered.

Change can be positive or negative

- Anthos mentioned that they agree with such concept and consider it “impact risk”. They agree with focus being on impact management, which goes beyond impact measurement, and are trying to push this language in the sector, which has been well received. Anthos is coming up with a publication “More than measurement” regarding this topic.

<u>Gap analysis</u>

Lucia then discussed the gap analysis of the guidelines for investors looking at the differences at three different levels

- FSPs – a lot of progress has been made.
- Fund managers – in the majority of cases there is no theory of change yet. Most of the funds invest on the same institutions. Reporting on outcomes to asset owners is sporadic.
- Asset owners – in the majority of cases, not much exposure to outcomes. Would like to see it but lack of knowledge of how and what to ask for.

This can be a virtuous or vicious circle. There is an unclear sense of who should start. For example, FSPs say they don’t have the resources or staff, microfinance investment vehicles (MIVs) see that other investors who are not reporting on outcomes still get funded, and most asset owners still invest without requiring data on social outcomes. Who should start and who should drive the change? Everybody should at their level.

Triple Jump shared their experience. They have been helping a few FSPs on a case-by-case basis to improve their data gathering and management. They also manage a small- and medium-sized enterprise (SME) fund for the Dutch Ministry. The Ministry is very keen on getting outcome data and provided a list of indicators at the client level that Triple Jump should report on for each SME investment. What Triple Jump has found is that for funds that work with large SMEs, it is usually relatively easy to gather these data. However, when dealing with funds that invest in smaller SMEs that have fewer resources, gathering outcome data is not that easy. Examples of outcomes being asked include number of jobs created and revenue growth of clients. Smaller SMEs do not spend as much time with their clients and hence cannot always gather the data that the asset owner is asking for. Triple Jump explained to the Ministry the situation and they reached an agreement on what was feasible. They now measure samples and provide technical assistance (TA) to help the SMEs collect the data. It's been a learning process for the actors at all levels. Aligning expectations is key.
Participants in the room added:

- When gathering data on a specific outcome is new for the FSP, it is very important to provide assistance, training, and set up systems to be able to do it.
- If gathering data is too overwhelming for the FSPs, they tend to withdraw when funding is no longer there, particularly if the data gathered is not useful to the organization. That is why starting with aligned expectations, asking for things that are doable (e.g.. using a sample), and ensuring that data are relevant, are good practices.
- Emphasis should not be on data gathering or measuring, but on management.
- Ideally, all players should find the information gathered/reported interesting.

Frances wrapped up the discussion by mentioning the importance of aligning expectations and making sure all players do their part (vs. waiting for other party to ask for the information).

Uses of social outcome data
Frances then asked the room about their interest and experience in use of outcomes data/findings.

Participants shared the following uses:

- For external reporting to asset owners.
- To help a partner FSP to review their theory of change (realistic expectations)
- To help launch new products or services (e.g.. training).

Frances added the following uses:

- For FPS – assess overall performance, hold CEO accountable (once expectations are clear), adapt/add services (financial product, training, health), assess results of new services, report back to local stakeholders and clients, improve data collection and reporting

- For investors/networks – demonstrate results/social value from investment, avoid unintended negative outcomes, develop a constructive feedback loop with investees – encourage action decisions by FSPs, establish key performance indicators (KPIs), demonstrate utility of the process to investees.
    - Anthos added the importance of managing expectations between asset owners and asset managers. An asset owner with expectations to increase access to finance will expect different results than one with expectations to alleviate poverty.
    - Incofin added that the discussion of social outcomes will help balance the discussion on financial and social returns. In the future, social indexes should include results of social outcome indicators. At the moment all MIVs have financial mandates, but not always social mandates in terms of what they need to provide to their asset owners. Having social outcomes data will help have the conversation with asset owners on what is realistic to achieve both in terms of financial and social returns.
    - Anthos mentioned that they are introducing a concept called impact fidelity. Frances asked whether the term could be called "outcomes fidelity." Margot mentioned that in the impact world, even when people know that they are not measuring impact, using the word impact makes it easier.
    - Frances added that while the guidelines will not include a social index, they can mention it as a next step.
    - Kiva mentioned that looking at outcomes data is very helpful when doing due diligence on new investees, as well as when assessing increasing funding to partners.

Lucia shared examples of investors using outcome results:

- Oikocredit, which is a cooperative, launched an outcomes program that enables them to demonstrate their social performance to external audiences but also members of the cooperative.
- Bamboo Finance used an outcomes program to check that a housing investment project in Brazil (moving people from a favela to better areas) would not produce a negative outcome. Results showed outcomes were actually positive.
- Triple Jump conducted an effort to help some partners improve the use of data they had and take decisions based on this data. For example, an institution in Bolivia discovered that a specific client segment was being over-indebted by having standard payment requirements applied to them. As a result, the institution amended the payment approach for this segment to make it more lenient.

Guiding principles

FSPs: Frances shared the nine key principles/decision points for FSPs (part of the handout that participants had) and asked for feedback from participants in the room – do the steps make sense? Are all of them important? Is there anything missing?

Plan

1. Mission review
2. Select indicators to capture change
3. Select method(s)/ to measure change
4. Allocate funds and responsibilities to implement

Collect data

5. Put systems in place to collect and capture
6. Ensure systems for data quality

Review findings

7. Analyze the data
8. Report and communicate the findings

Reflect and Act

9. Use the outcomes data

Participants suggested adding

- Review (step #10)
- Training on how to collect data (add under step #5), as its not always obvious
- Add clarity on when do we expect change and when data needs to be collected again
- Clarify that evaluation and monitoring is ongoing (not a quick decision) – Frances noted that this is important but might not be a step on its own
- Build the case to ensure buy-in – other participants thought that this might not be a step on its own but agreed that it is absolutely critical to have in place. Also, involve not just the board but also shareholders.

Calum Scott of Opportunity International (OI) noted that all these steps are very important – as well as ensuring buy-in- but also important to keep in mind that it won't always all go well the first time.

Frances acknowledged that sometimes to get buy in we need to start showing the data. And we should not wait to have it all perfectly in place before getting started.

Understanding the steps is critical, but also who should be involved at every step. For example, the board would be involved in beginning at end, not so much in the middle. Whereas management tends to be more involved in the middle.

A participant added that involving people with research expertise is very important to ensure data quality. This knowledge of data being validated would give people confidence to use the data to make decisions. As with reporting on financial data, there should be rigor for social data. Frances mentioned that we would come back to this point later; there are different levels of data quality, and rigor of data might be vary by segments of clients/samples. While data quality is very important, we should also keep in mind that perfect is the enemy of the good.

Investors: Lucia introduced seven decision steps for investors when getting social outcome data:

Objective
1. Coverage
2. Comparability of indicators (this has a trade-off between depth and breadth)

Implementation
3. Approach
4. Robustness of method
5. Source of data

Resources
6. Human resources
7. Budget

She then shared the examples of seven investors (Oikocredit, Triple Jump, BBVA MF, Root Capital, Acumen, Bamboo Finance) and how their approaches map to the seven step decision framework presented. For example, for Triple Jump the driving factor was Approach (step 3) when selecting which investees to work with. With BBVA MF, investees all had compatible MIS so BBVA could compare all indicators across their portfolio. Analysis of data in this case was done centrally by the investor. In the case of Sarona, their objective was to have full portfolio coverage, and so they were able to gather information for only one indicator across the portfolio. Root Capital was able to attract philanthropy funding to measure social outcomes across investees in Latin America and Africa. For Acumen, an important driver was Budget (step 7).

Participants found the approach helpful even for networks. A question was raised about the relevance and quality of method, as they usually move in opposite directions. Lucia agreed and mentioned there usually is a trade off between them.

Underlying principles for outcomes management

Frances introduced the underlying principles and asked participants for feedback.

- Lean (focused on what is relevant, use of available data, keeping approach practical, ensuring data allows for decision-making)

- Credible (acknowledging that being credible means it will require certain costs to ensure data is reliable, e.g., staff training, MIS, etc).

- End-to-end process – systems (not thinking of outcomes as stand-alone but it being integrated as part of the end-to-end process for SPM, with its own timeframe and a feedback loop to ensure use of the information)

- Culture of measuring and learning (are board and management really open to learning and to discovering that some things are not working properly? Are they ready to "interrogate" the data and get to the bottom of what it means?)

Anthos added importance of communicating confidentiality of data.

Theory of Change

Frances presented an example of Theory of Change (in handout – where credit is being used for business) and then shared the description of Theory of Change.

- A comprehensive description of how a desired change is expected to happen
- Basis for thinking through program strategy includes what are we aiming for, what will lead to what and how, what are the assumptions and risks
- Helps identify indicators directly connected to what we are doing
- Reminds us to monitor use of services and retention (short-term/long-term changes)

Anthos has developed a Theory of Change for each sector they invest in. They shared an example they developed for financial inclusion (Financial technology) where they worked with their partners to develop the framework. The example included key assumptions, defined outputs, defined short term outcomes (clients) and long term outcomes (broader economy), strategies for accomplishing outcomes, key risks, and KPIs being collected.

Frances continued by mentioning the importance of having a framework and how having KPIs is key to be able to achieve the end goals.

Lucia shared an example from Acumen, an investor organization that believes that the Theory of Change should be designed together with clients given that the change that is relevant for the end-clients can be different than what investors at the organization might think is meaningful for the clients. Frances agreed on the importance of involving clients in the process.

Outcome indicators
Frances noted that the SPTF Outcomes Working group also has three sub-working groups working to develop outcome indicators in three themes (according to what was most demanded), which are: business (including employment – being developed by Bobbi Gray), economic poverty, assets, housing (being developed by Bridget Dougherty), and resilience and vulnerability (being developed by Anton Simanowitz).

Frances shared the process the sub groups went through to develop the short lists of outcome indicators in each of the areas listed above and mentioned that the current drafts will soon be finalized after incorporating feedback gathered in the last few months, including at the 2016 SPTF Annual Meeting.

The five criteria used for indicator selection are as follows:
1. Salient / relevant in different contexts
2. Usable
3. Clear
4. Feasible
5. Comparable

Frances shared a reduced set of the draft recommended outcome indicators with participants (full versions of the drafts are available for download on the SPTF website) and asked them to work in small groups to review and discuss the lists (by theme).

Approaches to measure

Tool options
- Institutional Management Data – using existing operations and transactions data
- Additional research – tailored methodology to answer specific research questions
    - Quantitative survey
    - Qualitative – gathering client stories
- Mixed methods – leveraging existing and new data to build a more comprehensive view on client outcomes

Case Example: Opportunity International and KOMIDA (one of the largest microfinance organizations in Indonesia).

Calum Scott introduced the topic by clarifying that currently the intention of OI is to support partners to make better-balanced decisions between financial and social returns. In the future, OI would also like to manage social outcomes across its portfolio, but such is not the objective of its outcome efforts now.

- OI engaged with KOMIDA beginning in February 2015 to support their implementation of SPM. At the time, some outreach data was being gathered but no outcomes data or process data was being collected. Only PPI was being entered in the MIS and PPI analysis was being done with the help of Grameen Foundation. Reporting was only being done on PPI to the management, board, and the social investors. There was no formal SPM report, instead it was more of a narrative of activities.
- The process adopted was the following -- Review mission and vision > Define Social Goals (who are the clients we want to reach? How do we want to achieve the outcomes? How many outcomes do we want to measure?) > Breakdown into SMART objectives > Define outcome indicators (linked to mission and vision of the organizations) > Set targets > Develop a list activities/action plan in order to measure this data

- Currently KOMIDA has started to collect outcomes data and entering it into the MIS. Verification/quality of data checks is being done (but there is much more to do to make it robust).
- The approach defined for data management was very collaboratively and feasible.
- 13 social outcome indicators defined - some existed already, some were added.
- Tools used for data collection were modifying the housing index sheet, PPI and other social indicators included along with the PPI questions.
- The main challenges faced included: overcoming the temptation to select a large list of indicators, setting targets was hard in the absence of baseline data, coordinating with several departments, limited internal skills on the side of team for analyzing and reporting on data and on the side of the board and management for interpreting and using the data.

<u>Case Examples: Women's World Banking (WWB) projects</u>

WWB set to examine several questions through different methods

Pre/Post Survey – to understand "What are the effects of savings products on women's lives?" (Nigeria)
- Type of data collection: limited admin data, pre-and post surveys of existing clients
- Role of FSP: deep understanding of products and clients, supply admin data, interpretation of results
- Role of WWB: Work with a third-party to administer survey (very large sample), conduct survey development and analysis
- Challenges: typical survey challenges, response rate from pre and post survey

Mixed Methodology – to understand "What are the effects of insurance products on women's lives?" (Jordan)
- Type of data collection: deep admin data (transactions and behavior), focus groups and interviews of existing clients
- Role of FSP: client knowledge, supply admin data, recruitment, interpretation of results and integration
- Role of WWB: Conduct data analysis, conduct qualitative focus groups and interviews, analysis
- Challenges – post ante research -- imperfect indicators

Randomized Control Trials -- to understand "What does it take for women to <u>use</u> digital financial services (DFS)" (Nigeria – currently in process)
- Type of data collection: deep admin data, survey, quantitative studies to understand how people are using the account and other information that is not currently in the admin database, experimentation/lab field testing to understand barriers of using DFS

- Role of FSP: supply admin data and analysis, client/product knowledge, randomization as research continues
- Role of WWB: data analysis, conduct quantitative survey, qualitative work, lab testing
- Challenges: complexity, scale, randomization of research, speed of experiments

Evaluation Model – should you choose internal or external evaluations? – Some considerations to take into account include:

- Frequency and depth of evaluations
- External tends to have higher perceived objectivity (particularly demanded when government funding is involved)
- Internal tends to have deeper knowledge of clients, background, history of organization and clients

<u>Outcomes Analysis</u>

- Outcomes needs clear concise reporting and careful analysis:
    - How to manage quite complex data?
- Reporting should be transparent:
    - Census - what are the actual numbers of clients (exit/attrition issues)
    - Sample – margin of error?

<u>Uses of outcome findings</u>

- Use depends on analysis being clear and based on targets that are realistic

<u>Key takeaways</u>

Participants in the room mentioned the following key conclusions from the day:

- Use of data -- Address the use of data as part of the guidelines
- Value for customers
    - Look at the *value for the customer* (not the value the organization wants to provide, but what the client sees as value in terms of his/her life improving, which might be different)
    - Integrate value into the outcomes discussion (take opportunity of tracking outcomes data to track satisfaction, retention, etc)
- Dig deeper and ensure solid foundation -- It's very difficult to separate the discussion of outcomes from methodology, tools, etc. What we really need to do is find a way to go beneath the surface and ensure that the foundation of what we are doing is solid and addresses the topic of what matters the most to customers.
- Have more informed outcomes conversations with asset owners and fund managers, recognizing what is valuable for clients and realistic and feasible for the FSP.

<u>Next steps</u>

Participants in the room mentioned the following key items as next steps:

- We should integrate value into the outcomes discussion. Use opportunity of tracking outcomes data to track satisfaction, retention, and other information.

Frances also noted that as a next step, SPTF is working to conduct a pilot with several FSPs in Peru to field test the guidelines and indicators developed by the Outcomes Working Group. SPTF would like to expand this pilot to other countries (depending on funding). Anybody interested in participating in the pilot(s) –or having their investees be part of it- please contact Laura Foose at laurafoose@sptf.info or Leticia Emme at leticiaemme@sptf.info