



Outcomes Working Group
Brief on Session 16: Fundación Paraguaya's Spotlight Tool and the Truelift Initiative
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FUNDACIÓN PARAGUAYA

Background on Fundación Paraguaya

Fundación Paraguaya (FP) has been working in microfinance since 1985. It remains an unregulated financial institution, by choice, because its strengths are in social entrepreneurship and social innovation. Its focus is on financial services for the poor.

Fundación Paraguaya Philosophy about Poverty

FP seeks to understand multidimensional poverty. Beyond income, what does poverty mean? Some clients that others consider as living in extreme poverty do not consider themselves as living in extreme poverty. How does that inform our work? FP takes an integral approach to understanding poverty, recognizing that the reason(s) for poverty could fall into any one of the following categories:

1. Behavior
2. A structural problem
3. The culture / shared values of the client and her community
4. Personal intention

As an example, imagine a client is missing teeth. Why is this? Possibilities:

- Behavioral – she does not practice good dental hygiene
- Structural – dental health services are not available where she lives
- Cultural – it is not shameful for a woman over 70 in the country of Paraguay to be without teeth
- Attitude – we do not know whether this woman wants to fix her teeth

FP works within six dimension of poverty:

1. Income and employment
2. Health and environment
3. Housing and infrastructure
4. Education and culture
5. Social organization and civic participation
6. Self-awareness and personal motivation

Poverty is very complex. And though the sector often creates indices to simplify how we express poverty, for poor people to get excited about overcoming their own poverty, it is beneficial to disaggregate our measurement of poverty. If you reduce the measure of poverty to how much money a person makes, there is very little that the person can do sometimes. But if you increase the scope and allow them to count their blessings, you and they have a foundation on which to work. FP selected 50 indicators across the six dimensions of poverty listed above. Considering all 50 indicators increases the client's understanding and awareness of her poverty, and makes it easier to identify strategies to address a specific problem. One FP client even proudly displays the results of her poverty assessment in her shop!

FP also believes that every poor person can overcome poverty. It targets poverty elimination. Related to this, it emphasizes the fact that the poor can and should own and control efforts to overcome their own poverty. FP states that the traditional approach to poverty is insufficient, because the government has programs and the private sector offers products and services, but the poor are not included. This classic approach is not good, because the poor are not empty vessels needing to be filled with products and services. Related to this, it is



interesting to consider who measures poverty and who measures impact. In every context, the poor should have agency. FP finds that when people are allowed to measure their own poverty, they proudly show their results. For example, one

Another element of the FP philosophy is a focus on the client *and* her family. FP says it is working with 85,000 families, not 85,000 clients. It would be difficult, for example, for a client to overcome poverty when her child is not vaccinated and/or does not go to school. The unit of analysis is different from just a single individual.

Outcomes data collection and analysis / the Poverty Stoplight Tool

FP developed a tool called the Poverty Stoplight Tool to measure a client's poverty. The tool is composed of 50 indicators, presented on a dashboard. The loan agent administers the survey via a cell-phone-based or tablet-based visual survey platform. Each question has three possible answers, all displayed as illustrations. The red light answer means the client is poor in this area, the yellow light answer means the client has some service/access/capacity, but it is not sufficient, and the green light answer means the client has sufficient service/access/capacity. The loan officer shows the client the illustrations and she selects the answer that best represents her situation. Once the survey is complete, the client receives a dashboard with all of her answers displayed in the form of red, yellow, or green dots. FP randomly assigns to each loan officer a group of clients within their portfolio who must fill out the Poverty Stoplight. Usually it's about 10-20% of the officer's clients.

FP has adapted the Poverty Spotlight in several ways. A version of the tool exists for many different countries (e.g., U.K., Nigeria, Tanzania, Paraguay, China). Some indicators change, and even when the indicator remains the same among various countries, the illustrations that the client sees will differ, because images are adapted to the local context. Furthermore, once FP started doing the Poverty Stoplight with its clients, its loan officers wanted to do it with their own families. So FP adapted the stoplight to create a program called *Companies without Poverty*. All 500 FP employees are now aware of their own poverty, and 85 private companies in Paraguay are doing this with their own workers.

FP also participates in RCTs to understand impact. So far, it has had three impact evaluation studies, including one that used a difference in difference methodology (i.e., to determine impact, measure change in a treatment group between baseline and the second measurement date, also measure change in the control group over the same period, and then calculate the difference in the amount of change observed in the two groups.) This study showed that FP clients experience statistically significant better outcomes than the control group. Beginning in 2018, with Opportunity collaboration, FP is going to do an RCT.

Using client outcomes data

The most important part of the Poverty Stoplight is not the measurement, but what the person does with that. After a client fills out the tool, FP works with her to fill out a form called the life map. It asks her to identify five priority areas to work on, and to answer the questions, "Why don't I have that?" and "What am I going to do to attain it?" It has developed 50 strategies to motivate change, one for each of the 50 indicators. It is important to realize that increased income is not always the solution to a poverty-related problem. For example, FP had a client, Mirtha, who was not poor in income but was poor in many other indicators, including that she used an outhouse instead of a modern bathroom. She was not focused, or activated, or aware, so she did not address that problem. But when she used the Poverty Stoplight tool, she got motivated to fix her bathroom.

FP notes that for people to change, they have to believe the answer is yes to these two questions: "Is it worth it?" and "Can I do it?" FP has also studied what it can do to help clients commit to working toward change. It has learned that there are six main areas of influence: personal motivation, personal training, peer pressure, group support, prizes/awards. It tries to use all of these levers. For example, to create influence via awards, FP currently has 13 different competitions going on in Paraguay to reward clients that show development. Examples are the happy smile competition to improve dental care, a competition for clients to improve their



bathrooms, and a competition that motivates families to open savings accounts. FP has found that these competitions are very powerful in motivating changes in behavior, and even children in families get involved.

Results

Fundación Paraguay is profitable. It has excellent results in key financial indicators, including return on assets and return on equity. Its arrears / delinquency rates are the lowest in the country. On top of that, it has gotten 27,000 families out of income poverty and 4400 families out of multidimensional poverty, meaning they have overcome every one of their deprivations.

TRUELIFT

Truelift Overview

Truelift is a volunteer initiative run by an executive committee of four people: Chris Dunford, Carmen Velasco, Larry Reid, and Bridget Doherty.

Truelift's purpose is to promote and assist institutional commitment to achieve positive results for people living in conditions of poverty. The focus is poverty alleviation, which is a modest goal compared with poverty elimination, but it is the goal that seems reasonable for most poverty-focused institutions. Research shows that in the financial inclusion sector, the majority of poor microfinance clients are not so much rising out of poverty as they are improving their ability to cope with poverty. Poverty alleviation is the most common social objective in the financial inclusion sector, though there are others.

Truelift Tool

Truelift developed a tool to assess the pro-poor performance of financial service providers (FSPs), based on three pro-poor principles:

1. Purposeful outreach to people living in poverty
2. Products and services that meet the needs of people living in poverty
3. Tracking progress of people living in poverty

Truelift believes there is a set of observable essential practices for an FSP to implement to facilitate achieving the social goal of poverty alleviation. Truelift has identified these essential practices and developed indicators that an FSP can use to assess its performance related to each essential practice. For each principle, the essential practices address the FSP's intent and strategy, the measurement / data quality / data analysis, and the results.

The Truelift indicators are housed within the SPI4 social audit tool that CERISE developed and manages. To assess your pro-poor performance, download the free SPI4 tool (<http://www.cerise-spi4.org/>) and select the optional pro-poor module you see among the options on the SPI4 home page. You will then see the Truelift indicators in the SPI4 Excel worksheet that you fill out. After filling out the questionnaire, the SPI4 tool can generate reports to show you your results. There are two reports specific to the Truelift indicators: one is a graph that shows the score per principle, and the second is a spider web graph with more granular scoring by essential practice. Note that you do not have to fill out the entire SPI4 questionnaire to get the Truelift question results.

The primary purpose of the Truelift tool is for the FSP itself to understand how it is doing. The Truelift assessment is not a pass/fail test, but intended to help the FSP assess its current level of pro-poor performance and to develop a plan to improve. Truelift has established milestones along the pro-poor pathway: aspirant (just getting started), emergent (making progress but has a long way to go), achiever (doing well, but still struggling in some essential practices), and leader (doing well in all areas, but likely still has some room for improvement). Fundación Paraguaya is a "leader."

Truelift does also provide external recognition. Each recognized institution gets a certificate, is recognized on the Truelift website and in its blog, has the Truelift recognition posted as part of its MIX market profile, is showcased at the SPTF annual meeting, and is mentioned by Truelift in blogs it posts to other websites, such as

Next Billion. Visit the Truelift website (<https://sealofexcellence.wordpress.com/>) for additional resources, available in five languages.

Question and Answer:

- Q: *Fundación Paraguaya relies on qualitative data, reported by the client. How can you be sure your data are accurate, and why do you value it so much?* A: All the qualitative data we collect can be quantified. We have an ordinal system of red, yellow, green. But qualitative data – such as family violence, self-esteem, capacity to work with others, capacity to have entertainment with ones' family – are very important. We did not get these indicators out of thin air; we do a literature review, we consult with our clients, and we consult many indices. The indicators we use are very standard. And, it is very powerful to allow people to self-diagnose. People have to measure their own bathroom, health, capacity to overcome their obstacles, because it leads to awareness. There are many ways in which information can be gathered in a scientific way. We can share our techniques if people wish.
- Q: *What would you say to financial institutions that say that measuring 50 different indicators is more than we can handle? And why measure so many indicators when they are not all directly tied to the products and services we offer?* A: It used to be difficult to measure so many indicators, but now with technology it is not. The survey takes 20 minutes. Second, of course we don't have 50 different interventions. We do only microfinance and financial literacy. We have five different interventions. But we allow the client to self-diagnose with 50 indicators because we want her to be aware of her own situation. We also create an inventory of locally available solutions (e.g., where to get teeth fixed, where to go report family violence, where people appeal to government municipal authorities to fix a bridge, where people can go to get a wheelchair). We did originally think 50 indicators might be too complex but now we see it is not so. Plus, the family owns the data on all 50 indicators, and that allows the family to be a key participant in addressing the problem.
- Q: *Martin mentions that they use diff-in-diff estimation. Please clarify what they consider to be treatment - is it the use of introduction of the Poverty Spotlight? Who is the reference group and what is the identification story for the satisfaction of the common trend assumption? And finally, do they measure the effect on all 50 outcomes?* A: I will share the paper for you to post to the SPTF website, with details on how the control and treatment groups were created. The treatment group is clients who received the Poverty Spotlight.
- Q: *On average, how long does it take to fill out just the pro-poor questionnaires in the SPI4?* A: I don't know the answer. A professional rater would know more precisely. I would guess that someone who knows the institution very well could do it in less than an hour, or it could take as long as half a day.
- Q: *Based on the outcomes data gathered by the Poverty Spotlight Tool, has FP made any strategic or operational changes?* A: Yes, of course. Once we saw this was feasible, we started making alliances with a whole bunch of service providers. And our clients began to see us as a friendly organization. This allowed us to compete successfully with the 5-6 commercial microfinance institutions in Paraguay. The market is very competitive. We compete well because our clients are loyal to us, plus we have a very high level of commitment from our own staff because they feel we are purpose-driven. In fact, some managers from our competitors have come to work with us. Implementing the Poverty Spotlight took a lot of training at the beginning because loan officers had to start worrying about poverty as well as loan recovery, but now it is part of what we do and our loan officers are extremely motivated. It has increased our productivity because we have less turnover. The Spotlight has strengthened our original mission. Counter intuitively, everything has been easier than originally thought.
- Q: *I understand that receiving the Truelift leader milestone recognition had an effect among your staff. Can you provide more details on that?* A: Even though the United Nations says sustainable development goal #1 is to eliminate poverty, we as a microfinance institution do not receive from them any warmth or encouragement. Truelift is an encouraging organization – they care. It has been very educational for us internally. Using the Truelift assessment tool allowed our whole management team to



focus, to understand and reflect who we are, how do we keep commercial viability and our competitiveness in our landscape and keep our mission. We have found it is much easier than we thought. But having Truelift with our funders, with Kiva which is a big funder of ours, it has helped us tremendously. We use it as a badge of honor, thank you Chris. We are very proud and of course we want to be better – perfection is impossible. 50% of the poverty problem is within our clients and 50% of the problem is within ourselves – we were not seeing things that were under our nose, but thanks to Truelift, we are beginning to become more aware of the landscape.

*The working group is open to all stakeholders:
practitioners, networks, TA providers, funders, researchers, support organizations, and others
Contact us to share your experience and views: info@sptf.info*