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PROGRESS OUT OF POVERTY INDEX™ AT PRISMA MICROFINANCE:

Using the PPI to Target and Serve Rural Poor Women

March 2011



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Using the PPI to Target and Serve Rural Poor Women

A Progress out of Poverty Index™ Series

March 2011



Acknowledgments

We would like to thank Diego Fernandez-Concha, co-founder of PRISMA and General Manager of PRISMA Microfinance; Norma Rosas, PRISMA Director of Social Development; Frank Rubio, Regional Director of Oikocredit, South America Pacific Region and Yolirruth Nuñez, Regional Social Performance Management and Capacity Building Coordinator for Oikocredit programs in Peru and Ecuador, for their contributions to this case study. Thanks also to the staff of PRISMA Microfinance for their support and assistance.

This case study demonstrates one microfinance institution's best use of the PPI as a tool to advance its social performance mission, offering valuable lessons for the microfinance community.

This paper is a joint collaboration of PRISMA Microfinance and Grameen Foundation's Social Performance Management Center, which provided editorial direction and technical contributions.

Photos inside provided by PRISMA Microfinance and Grameen Foundation.

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PRISMA's PPI results have repeatedly shown that its rural clients, who consistently make up more than 45% of its portfolio, are the poorest.

Executive Summary

PRISMA Microfinance is a microfinance institution (MFI) that grew out of its parent social development agency, PRISMA, co-founded in 1986 by Diego Fernandez-Concha, M.D. The mission of PRISMA Microfinance is to reach the poor and poorest with credit and other financial services. Since early 2008, PRISMA has used the Progress out of Poverty Index™ (PPI™) to measure poverty, evaluate PRISMA's targeting, and begin to track clients' progress out of poverty. In the process, PRISMA has broken ground in its use of the PPI to inform and manage its programs and services, and to attract investors to its mission. PRISMA has a record of "firsts."

PRISMA was the first Peruvian MFI to complete its PPI pilot and analyze the results. The pilot revealed that 36.55 percent of its total clients were below the national poverty line. Since then, PRISMA has carried out two additional PPI collections, in 2009 and 2010. In addition to surveying both new and "global" (or overall) clients, PRISMA this year is seeking to identify progress made by clients who were new in 2009.

From the beginning, PRISMA also has analyzed its PPI data by urban and rural settings, gender, type of loan, and type of business. The MFI found that the ability to perform data analysis on these categories was an additional benefit of the PPI, enabling the organization to understand what kinds of loans helped some businesses grow, how women-owned businesses were different from men-owned businesses, and how rural businesses compared to urban ones.

PRISMA's PPI results have repeatedly shown that its rural clients, who consistently make up more than 45 percent of its portfolio, are the poorest. While the 2009 survey showed that men were the poorest among PRISMA's **total** client base, they represented only 27 percent of all clients. In addition, both 2009 and 2010 results showed that **new** female clients were poorer than men. Given its mission to focus on the poorest, PRISMA redoubled its efforts to reach women in rural areas as its neediest, therefore most important, clientele. PRISMA found that village banking – which involves regular group meetings – worked best for this target group. In fact, as of August 2010, 46 percent of PRISMA's total clients participated in village banks. With a mandate from its board, PRISMA now seeks to grow village

banking clients to 70 percent of its portfolio.

To move toward this goal, PRISMA has begun to experiment with different kinds of incentives for its loan officers, encouraging them to form and renew more village banks. And to focus on the particular needs of women, bank meetings have included more information on health, nutrition, education, and other gender-based issues.

Since it began demonstrating that it is reaching the rural poor, PRISMA has been able to attract new financing with preferred terms. As of June 2010, PRISMA had 20 investors, representing \$4 million in loans. Among the largest of these loans are those from seven investors who offered preferred terms to PRISMA because its PPI results demonstrated that it was reaching the poorest.

Led by its charismatic director, Diego Fernandez-Concha, PRISMA has been at the forefront of setting – and meeting – goals to effectively reach the rural poor. It has followed a path of incremental growth of PPI use, using its PPI results from the beginning to inform its decision-making on products and services. Now, after 16 years as an NGO, PRISMA Microfinance is planning to become a regulated entity in an effort to expand the benefits it provides. As such, it will be the first primarily communal bank-style institution to be regulated in Peru, and the first regulated MFI with a thorough expertise in village banking methodology and group lending.

PRISMA also is in the midst of a conversion to a new “cloud-based” management information system that will enhance its reporting capabilities as a regulated institution and will also enable it to carry out PPI surveys of its entire clientele on a more frequent basis. Both the MIS conversion and the institutional transformation are scheduled for 2011.



PRISMA Microfinance headquarters in Lima, Peru.

PRISMA AT A GLANCE

History: Founded in 1986

Status: Non-governmental institution

Active clients: 24,133

Loan portfolio: \$12.4 million

Financial products and services: microfinance loans, savings, life insurance, loan insurance

Non-financial products and services: health and nutrition, agriculture, education

Background

When Dr. Diego Fernandez-Concha co-founded PRISMA – a social development agency – in 1986, his goal was to fight against chronic malnutrition in his country. PRISMA continues to provide public health and education services to the poor across Peru. In 1994, Fernandez-Concha expanded PRISMA’s mandate to fight against poverty and food insecurity by focusing on credit and other financial services as an additional means to move the poor out of poverty, creating Microfinanzas PRISMA, or PRISMA Microfinance. Its vision is to become a sustainable rural microfinance institution that is a leader in creating opportunities for enterprising individuals. To do so, PRISMA’s mission is:

To provide integrated financial services to a population with limited opportunities in an effort to strengthen their capacities and promote their sustainable social and financial development.

As a committed entrepreneur, Fernandez-Concha sought every opportunity to grow and strengthen PRISMA. Reaching the poor and poorest was central to its mission. The MFI initially worked with the U.S. Agency for International Development (USAID) on a socioeconomic project geared to reaching the poor, then later focused on identifying poor clients to serve by using Peru’s National Household Survey on Living Standards and Poverty (ENAHO) to measure client expenditures. But the survey took too long and cost too much, says Fernandez-Concha. “It took one to two hours to administer (to each individual) and cost \$125,000 per survey.”

In 2007 PRISMA tried the IRIS Poverty Assessment Tool (PAT). Fernandez-Concha found that though the PAT measured client poverty at a specific point in time, the tool did not lend itself to tracking over time. PRISMA staff sought a more flexible tool that would facilitate data collection.



Diego Fernandez-Concha, co-founder of PRISMA, with a snakeskin he received as a gift when visiting clients.

Introducing the PPI

When Fernandez-Concha heard about the Progress out of Poverty Index™ (PPI™) in late 2007, he thought it could work better for PRISMA. “We are a different animal because we started out as a public health institution,” he says. “We were used to measuring and standardizing. So the PPI seemed like a natural for us. You can compare potatoes with other potatoes. You can trust the results.”

In fact, the PPI – a five-year-old poverty-assessment tool – is based on a universal methodology that is applied on a country-by-country basis.¹ In the case of Peru, it starts with ENAHO, a nationally representative income or expenditure survey that PRISMA had used previously. But the PPI goes further than ENAHO, statistically ranking all of the poverty indicators from that survey according to their correlation with poverty level. The top 50 or so indicators are then filtered according to their verifiability, ease of understanding, and likelihood to change as poverty status changes.

The result for Peru is a “scorecard” made up of 10 questions, or indicators, that can be scored to calculate poverty levels. (See Appendix A of a sample of the Peru PPI “scorecard” of indicators.) Any institution using the PPI can report and manage data according to whichever poverty line or lines are most useful, and can use the PPI for internal management purposes as well as for external reporting. These features appealed to Fernandez-Concha, who was searching for a new way to measure poverty, evaluate PRISMA’s targeting, and to track clients’ progress.

In January 2008, Oikocredit – a social investor and PRISMA supporter – sponsored the first PPI training session for all Peruvian MFIs, conducted by Grameen Foundation.² Fernandez Concha sent a pilot team, headed by its IT manager Miguel Salas, to Puno for the training session. Energized by what they had learned, PRISMA staff spent the next several months planning and carrying out its

¹ This methodology was developed for Grameen Foundation by Mark Schreiner of Microfinance Risk Management, LLC, with support from the Consultative Group to Assist the Poor and the Ford Foundation.

² A pioneer in the field of development financing, Oikocredit is today one of the largest financiers of the microfinance sector. Its commitment to social performance management led Oikocredit to join forces in 2007 with Grameen Foundation, becoming the first social investor to support the use of the Progress out of Poverty Index. Oikocredit has since sponsored the PPI “training of trainers” program in six countries.

“We are a different animal because we started out in public health. We were used to measuring and standardizing so the PPI seemed like a natural for us. You can compare potatoes with other potatoes. You can trust the results.”

Diego Fernandez-Concha
Co-Founder
PRISMA



pilot program in two sites – Huancayo, a city in the Junin region, and Pampas, a rural area in Huancavelica. External surveyors were hired to conduct interviews of 349 clients randomly selected by Salas, who followed the PPI sampling methodology. As a result of its planning and follow-through, PRISMA was the first MFI in Peru to complete its pilot and analyze the results. The survey revealed that 36.55 percent of clients were below the national poverty line. Of those, 19.62 percent were considered poor (living on less than \$2.50/day) and 16.93 percent were found to be very poor (living on less than \$1.25/day).

PRISMA simultaneously carried out a PAT survey of the same clients, garnering similar results. This reinforced the accuracy of the PPI for Fernandez-Concha, who chose to use the PPI going forward because it was “easier and cheaper.” It took less time to collect and enabled more-efficient tracking and comparisons with other institutions, he said.

PRISMA also chose to analyze the PPI data by urban and rural settings, gender, type of loan, and type of business. The MFI found that the ability to perform data analysis on these categories was an additional benefit of the PPI, enabling the organization to understand what kinds of loans helped some businesses grow, how women-owned businesses seemed different from men-owned businesses, and how rural businesses compared to urban ones.

Expanding PPI Collections

This first pilot was just the beginning of PRISMA’s PPI journey. The MFI has continued and expanded its use of the PPI. In 2009, PRISMA decided to do a PPI survey of new clients as well as existing clients. The MFI wanted to compare the 2008 results to 2009, and also to better assess the quality of life of its clients, based on some of the indicators.

PRISMA conducted this new survey from March to May of 2009. It collected data from 357 new clients and 377 total (a combination of new and existing) clients, doubling the number of its sample. It included visits to all 16 sites where PRISMA operated microfinance programs, including the two pilot sites, Huancayo and Pampas.



In 2008, PRISMA was one of the first recipients of a new Social Performance Reporting Award sponsored by CGAP, the Michael and Susan Dell Foundation and the Ford Foundation, using data supplied by the Microfinance Information Exchange. Here Diego Fernandez-Concha, and Norma Rosas are holding the certificate.

This data collection and analysis revealed the following results:

- 35.30 percent of new clients and 31.80 percent of total clients were below the national poverty line, slightly fewer than the previous year. This is probably due to the expansion of the sample to more diverse areas.
- The poorest were located in Pampas de Tayacaja in the Huancavelica region (one of the two pilot sites), Valle del Rio Apurimac, Huaraz, Ayaviri, Tarapoto, and Tarma, all rural areas. In Pampas, for example, the 2009 survey revealed that 69.29 percent of its total clientele was below the national poverty line. New clients surveyed were 51.97 percent below that line.
- Rural areas had the highest number of poor, with more poor men than women. Forty-five percent of all PRISMA's clients were found in these areas.
- Though men were the poorest among PRISMA's total client base, they represented only 27 percent of all clients, while women were the poorest among new clients.
- The agricultural sector had the highest level of poverty among new and total clients. Most men were in this sector.

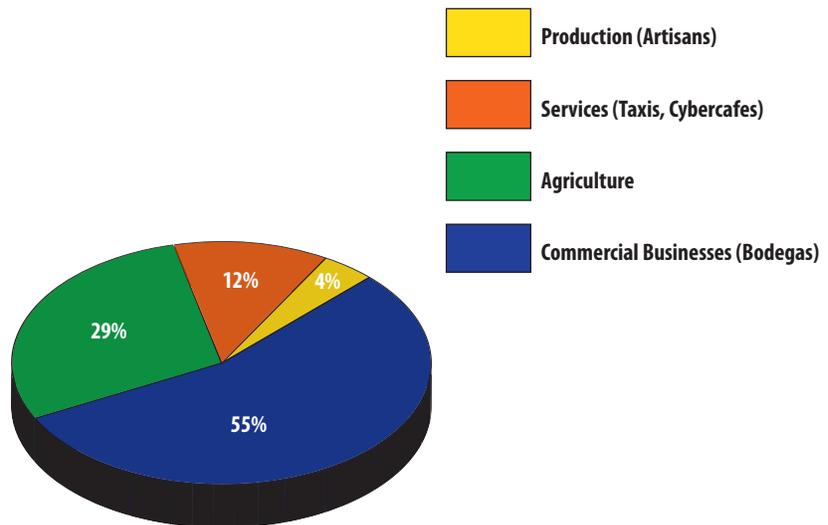
Rural areas had the highest number of poor, with more poor men than women. Forty-five percent of all PRISMA's clients were found in these areas.

Implementing and Using the PPI

Today, PRISMA Microfinance has 16 branches in 12 regions around the country (see Appendix B).

Forty-seven percent (an increase of two percent since 2009) of its clients live in rural areas; 54 percent in urban areas. Most of PRISMA's clients, 46.4 percent, participate in its village banking program, largely in rural areas. Next, 33.6 percent receive individual loans and, finally, 20 percent form solidarity groups after graduating from village banks. PRISMA's goal for 2010 is to grow its village banking program to 50 percent of its clientele, and to increase that number to 70 percent by the end of calendar year 2011.

PRISMA clients participate in the following economic activities:



A village bank meeting in the middle of a potato field during harvest in May. With their harvest income, clients buy seeds and fertilizer for their next crop. "We always win at harvest time," said one.

In 2010, PRISMA surveyed 1,000 clients, increasing its sample this time by one-third and adding a new category to the usual sample of new and total clients: a comparison of new clients from the previous year. The plan was to follow the new clients from the 2009 survey, even if they had dropped out, to determine any progress this group of 357 clients had made in one year's time.

The 2010 collection revealed that:

- 31.05 percent of new clients and 30.43 percent of total (new and existing combined) clients were below the national poverty line.
- Rural clients continued to be poorer than urban clients, reinforcing PRISMA’s focus on rural areas. See the chart below.

	2009	2010
Global		
Rural	37.7%	37.6%
Urban	26.7%	25.6%
New		
Rural	41.1%	34.8%
Urban	30.4%	28.7%

PRISMA was able to sample 85 percent of the 357 clients who were new in 2009, determining that in 2010 33.5 percent were living under the national poverty line, down from 35.3 percent living below the line in 2009. PRISMA is seeking to further sample this group in three ways: those who remain PRISMA clients, those who were clients in 2009 but are no longer clients, and those who could not yet be reached.

Staffing Is Key

As the collections have expanded, Miguel Salas – PRISMA’s in-house expert on where and whom to sample – remains key to the sampling process, applying what he learned at the pilot training in Puno. Equally key to the PPI process is Norma Rosas, who heads PRISMA’S social development area. She is responsible for ensuring that collections occur in a timely manner, and – perhaps more importantly – for understanding and reporting results to management, then helping to shape programs that address those results.

Rosas is a strong force out in the field. She queries loan officers and clients in a friendly, firm manner, eliciting problems and proposing solutions. She also conducts

“PRISMA has been a proving ground for the PPI among Oikocredit partners in Peru.”

Yolirruith Nuñez
Regional Social
Performance Management
and Capacity Building
Coordinator for Oikocredit
programs in Peru and
Ecuador

“The PPI helps us do better what we have been doing all along.”

Delia Houstein
Co-Founder and Executive
Director
PRISMA

training sessions at PRISMA headquarters, such as a recent session for loan officers that focused on gender issues, key to PRISMA’s outreach to poor women.

“Every MFI needs a Norma to start a SPM implementation, which includes the use of the PPI,” says Yoliruth Nuñez, Regional Social Performance Management (SPM) and Capacity Building Coordinator for Oikocredit’s programs in Peru and Ecuador. Nuñez believes that the working partnership of Salas and Rosas has helped build a strong PPI process at PRISMA.

Applying PPI Results

With critical client information from the PPI collections in 2008 and 2009, PRISMA began to evaluate its products to tailor them to better meet its clients' needs.

Clearly, the deepest poverty occurred in rural areas (the 2010 PPI results continue to show this trend). Given its mission to focus on the poorest, PRISMA redoubled its efforts to reach them – targeting women in rural areas as its most important clientele. PRISMA had found village banking to work best among the rural poor. “Village banking strengthens social networks,” Fernandez-Concha explains. “It is the best way to educate and motivate clients because they can learn from and support each other.”³

To promote village banking, PRISMA began to experiment with different kinds of incentives for its loan officers, encouraging them to form more village banks. And to focus on the particular needs of women, the banking meetings included more information on health, nutrition, education, and gender-based issues.

PRISMA's targeted focus on rural areas was not without its challenges. “It is cheaper to serve urban areas,” says Fernandez-Concha. “Rural areas are harder to reach. The clients are isolated geographically – requiring more time and special transportation, like motorcycles – but also culturally, requiring different kinds of learning programs.” Outreach to rural areas could cost more for these reasons, but Fernandez-Concha has found the data collection itself to be relatively low in cost. “The PPI in PRISMA because of geographical dispersion costs \$7,000 per collection so far,” he says. “This includes payment of the surveyors, per diem/travel, data entry, and time of administrators. It's really cheap. And this becomes an investment rather than an expense when investors reduce interest on loans because we are demonstrating that we reach the poorest.” (See “Attracting Investors,” p.15.)

³The exception to the emphasis on village banking in rural areas involved regions where terrorism occurred. In these areas, clients were more comfortable with individual loans, which did not require them to travel to village bank meetings.



PRISMA field staff participate in a training session on gender issues, a key focus for PRISMA.

Challenges & Opportunities

Targeting Loans to More Poor People

Fernandez-Concha sees this as the key challenge facing PRISMA. Yet it offers the MFI an important opportunity as well. “The PPI has helped us develop a baseline of the poor,” he explains. “Now we know we can target our loans to more poor people, building up from that baseline.”

Fernandez-Concha and PRISMA’s Board of Directors agree that increasing the number of village banks will deepen its outreach to the poor. The banks, located mostly in rural areas, attract and retain the poorest as members. And PRISMA has been more successful in reaching them than other MFIs have.⁴

Seeking to build on this momentum, the PRISMA board has set an aggressive goal: increase the percentage of village banking in the PRISMA portfolio from 46 percent in August 2010 to 70 percent by the end of 2011. According to the board, reaching the rural poor is PRISMA’s differentiation – what it can do best. It has instructed management to increase the number of clients in village banking.

To help achieve this, Fernandez-Concha has changed the incentive policies for PRISMA’s loan officers, to encourage the formation and renewal of more village banks. Previous incentives for loan officers were based on delinquency rates and the amount of the portfolio in soles. Fernandez-Concha also plans to assign more loan officers to develop village banks only, rather than splitting their time between village bank clients and individual loan clients, as they do now. In addition, “there are now higher bonuses for loan officers who create more village banks, especially with more than 15 people,” he says.

He worked with his team to consider changes in how the bonus policy would be applied. “We now will pay the bonus when a village bank is renewed rather than organized,” he says. And the amount of the previous bonus – about 70 soles (\$30 per bank) – was raised to 75 soles for a bank with more than 12 clients that is renewed, to 130 soles (about \$48) for a bank with more than 20 clients that is renewed. This emphasis on renewing village banks will no doubt reduce the number of individual loans.

⁴ Equifax data reveal that, in rural areas, more than 80 percent of microfinance clients are exclusive to PRISMA.



Julia de la Cruz is a PRISMA client. She raises cows and sells milk and cheese with her daughter-in-law, Irma Cardenas. They live in Pampas de Tayacaja where 69.29% of total clients were found to fall below the national poverty line.

Fernandez-Concha believes this transition can begin immediately. And he is grateful for the strong stand his board has taken. “An active board can help you support your mission,” he says. “They can be on your side. Our competitive advantage is the board’s support for working in the poorest and rural areas.”

Becoming a Regulated Institution

After 16 years as an unregulated non-government (NGO), PRISMA Microfinance is planning to become a regulated entity in 2011. As such, PRISMA will be the first primarily communal bank-style institution to be regulated in Peru, and the first regulated MFI there with a thorough expertise in village banking methodology and group lending.

Generally, MFIs go through this kind of transformation to grow and become more financially sustainable. This is true for PRISMA as well. The advantages of transformation are many, according to Fernandez-Concha: “We will be able to bring more people into our banking system. Our system will be more transparent. We can do a savings program. We will have more leverage.” And clients’ loan payments will go down, he says, because the current 19 percent tax on interest rates will not exist for a regulated institution.

A ShoreBank International case study on MFI-to-bank transformation explains further:

First, transformed MFIs are often better able to access commercial loan capital, which dwarfs the comparatively small pool of donor and social investor capital. Second, the involvement of private investors, with their own capital at risk, may enhance the internal control and governance of MFIs. Third, transformation can promote higher efficiency and financial performance – which can in turn significantly affect an MFI’s ability to meet its social goals. Finally, since regulation of financial institutions typically involves higher reporting requirements, it can improve financial transparency and accountability.

As a regulated institution, or Caja Rural (rural bank), PRISMA will be under the supervision of the Peruvian Superintendency of Banks and Insurance (SBS). But being a regulated institution will bring challenges to a staff steeped in the NGO tradition. Changing an institution’s culture requires careful management and effective communication. This is the challenge facing PRISMA’s leadership. Branch-level staff in particular, removed from the central office, may

“We will be able to bring more people into our banking system. Our system will be more transparent. We can do more savings programs. We will have more leverage.”

Diego Fernandez-Concha
Co-Founder
PRISMA



PRISMA clients at a village bank meeting held at the office in Pampas. From the dozens of clients in attendance, almost all of them owned at least one cow. One client owns 11.

have the most concerns about their evolving reporting roles.

Recognizing the challenge, Fernandez-Concha is already planning solutions. A team from Grameen Foundation's Human Capital Center carried out a two-week assessment of PRISMA's human capital needs in July, creating a report that outlines a change management program to help PRISMA deal with organizational changes as it transitions. It is designed to help PRISMA understand what regulation will bring in terms of new business processes, how PRISMA's staff will be trained or enabled to support these new operational needs, and what regulation will mean for PRISMA's capacity to further its mission of serving the poor.

Upgrading Its MIS System

The third challenge PRISMA faces involves a transition in its MIS system.⁵ The current system, used by several MFIs in Peru, works best with a clientele smaller than PRISMA's 24,000. Fernandez-Concha is reluctant to add more layers of information collection and analysis to this system. Instead, he has opted to work closely with IBM Peru to have PRISMA serve as a test case for a new system that the company is developing. The system is web-based, meaning that MFI managers can connect online with a central IBM data center, eliminating the need for hardware, and even extensive software, on-site.

Until this new platform is introduced sometime in 2011, PRISMA cannot meet its goal to use the PPI for all its clients, because the current system does not have the needed capacity. After the new system is installed, PRISMA plans to do at least two PPI collection cycles every year. The IBM framework also will include the reporting features required by a regulated institution.

Fernandez-Concha is enthusiastic about the new system. "We are the first guinea pig," he says. "This is good because we can introduce the things we need. Peru will be the pilot country, and PRISMA will be the pilot project. You need the systems to support your goals."

Hugo Goicochea, Director of IBM Processing Center for Microfinance Institutions, concurs. "We chose Peru because its regulatory framework is well developed," he explains.

⁵ A recent survey of PPI users worldwide cited as the users' key challenge integration of PPI data within a management information system (MIS).

“And we chose PRISMA because we have common objectives for this product.” IBM’s goal is to provide its new platform to MFIs and other institutions throughout Latin America.

Both the introduction of the IBM system and the transformation to a regulated institution could occur simultaneously, perhaps creating a challenge for the PRISMA team as it works to execute and adjust simultaneously to two significant organizational changes.

“We chose Peru because its regulatory framework is well developed and we chose PRISMA because we have common objectives for this project.”

Hugo Goicochea
Director
IBM Processing Center for
Microfinance Institutions



Attracting Investors

Though use of the PPI is not the sole decision-making criterion for investors, it has become a consideration for those evaluating investment options with a lens that balances social and financial criteria. Some PRISMA investors are an example of this. After PRISMA introduced the PPI in early 2008, Fernandez-Concha and his team began to attract more favorable investments from former – and new – investors.

The first was Oikocredit. In addition to sponsoring the PPI training, Oikocredit loaned the MFI \$1.3 million. As of June 2010, PRISMA had 20 investors, representing \$4 million in loans. Among the largest of these loans are those from seven investors who offered preferred terms to PRISMA because its PPI results demonstrated that it was reaching the poorest, according to Fernandez-Concha. Those investors include the following:

- In December 2008, the Shelby Collum Davis Foundation of Bethesda, MD, loaned PRISMA \$150,000 in local currency, at 8 percent interest (also in local currency), with a balloon payment due in months 12 and 18 – all favorable terms to PRISMA. The foundation designated that the funds be used in Huancavelica, one of the poorest regions in Peru.
- In June 2008, Blue Orchard loaned PRISMA \$1 million in local currency, with a 10.2 percent interest rate and a balloon payoff in 24 months (also in local currency). One year earlier, that investor had loaned \$150,000 at less favorable rates (LIBOR plus 7 percent in U.S. dollars, for a one-year period).
- Etimos, an international financial consortium, has made four loans to PRISMA in increasing amounts. In December 2008, the investor's third loan tripled the amount given in loans one and two, which were \$50,000 each. The third loan was for \$150,000 and the fourth loan in June 2009 was for more than three times that amount: \$500,000.
- Microvest doubled its investment from 2007, when it loaned PRISMA \$750,000 at 11 percent interest. In 2009, the investor loaned \$1.5 million to the MFI, with an interest rate of 10 percent in local currency.



During her five years as a PRISMA client, Luzmila Zorrilla has grown her potato business from cooking and selling simple meals to preparing meals for teachers and students at a nearby school. Now she owns her own store and is known as the food caterer of Pampas.

- In April 2009, Global Partnership loaned PRISMA \$750,000 at 7.15 percent interest in dollars, with a balloon payment due in two years.

“With the PPI, funders can have what they want and need,” says Fernandez-Concha. “They can trust the methodology because it is standardized. They need to see that you are working with the poorest of the poor. We have received more funding because of hard data about our presence among the poorest. There is little or no competition in rural areas and we can work more intensively there.

“We are not a brand name among microfinance institutions,” he continues, “but we have the advantage of data. This makes us equal with brand names for fundraising.”

“With the PPI, funders can have what they want and need. They can trust the methodology because it is standardized. They need to see that you are working with the poorest of the poor. We have received more funding because of hard data about our presence among the poorest.”

Diego Fernandez-Concha
Co-Founder
PRISMA



"PRISMA is one of the best models of PPI implementations in Peru."

Yolirruith Nuñez
Regional SPM Coordinator
Oikocredit Peru & Ecuador

Lessons Learned

How does the PPI work for PRISMA, and what does PRISMA's experience say about the efficacy of the PPI?

"PRISMA's experience confirms that the PPI is a valid, integral and flexible tool," says Fernandez-Concha. "It reflects reality and it helps management make more informed decisions." He adds, "Our PPI data reinforce that we are reaching our target populations."

As Oikocredit's social performance monitor for the region, Yolirruith Nuñez is familiar with all the Peruvian PPI users, and she knows PRISMA well. She says that PRISMA has been able to use the PPI successfully because:

- It is committed. Fernandez-Concha and PRISMA's board have embraced the PPI for its targeting and tracking capabilities. It is clear on why it is using the PPI.
- It has the advantage of having key staff members – Salas and Rosas – to support the PPI on an ongoing basis. "We have one specialized unit – Rosas' area – for social activities. We also strengthened this area through incentives and bonuses," Fernandez-Concha notes.
- It has followed a clear, incremental process. For example, it started with a global survey in 2008, then added a sample of new clients in 2009. Now, in 2010, it also tracked the sample of new clients from 2009 in addition to sampling the two other categories.
- It uses its PPI information for decision-making.
- It gives incentives to loan officers.
- It regularly shares PPI information with donors and investors.

"PRISMA is one of the best models of PPI implementations in Peru," says Nuñez. She is pleased that other MFIs using the PPI, some of them "rising stars", can learn some lessons from PRISMA's experience.

Appendix

Appendix A. Progress out of Poverty Index™ (PPI™) for Peru

Appendix B. PRISMA Microfinance Branch Map

Appendix A. Progress out of Poverty Index™ (PPI™) for Peru



Progress out of Poverty Index™ for Peru

Indicator	Value	Points	Score
1. How many household members are 17-years-old or younger?	A. Four or more	0	
	B. Three	5	
	C. Two	9	
	D. One	16	
	E. None	24	
2. What is the highest educational level that the female head/spouse completed?	A. None, pre-school, or kindergarten	0	
	B. Grade school (incomplete)	5	
	C. Grade school (complete)	7	
	D. High school (incomplete)	9	
	E. High school (complete), non-university superior (incomplete) or no female head	10	
	F. Non-university superior (complete) or higher	16	
3. What is the main material of the floors?	A. Earth, wood planks, other, or no residence	0	
	B. Cement	2	
	C. Parquet, polished wood, linoleum, vinyl, tile, or similar	15	
4. What is the main material of the exterior walls?	A. Adobe, mud, or matting	0	
	B. Wattle and daub, wood, matting, brick or cement blocks, stone blocks with lime or cement, other, or no residence	2	
5. Excluding bathrooms, kitchen, hallways, and garage, how many rooms does the residence have?	A. One	0	
	B. Two	1	
	C. Three, four, or five	5	
	D. Six or more	10	
6. What fuel does the household most frequently use for cooking?	A. Other	0	
	B. Firewood, charcoal, or kerosene	5	
	C. Gas (LPG or natural)	9	
	D. Electricity or does not cook	16	
7. Does the household have a refrigerator/freezer?	A. No	0	
	B. Yes	5	
8. How many color televisions does the household have?	A. None	0	
	B. One	3	
	C. Two or more	7	
9. Does the household have a blender?	A. No	0	
	B. Yes	3	
10. Does the household have an iron?	A. No	0	
	B. Yes	2	

Microfinance Risk Management, L.L.C., <http://www.microfinance.com>

Total score

This PPI was updated in March, 2009. For up-to-date PPIs and other information on the Progress out of Poverty Index™ for Peru and other countries go to www.progressoutofpoverty.org



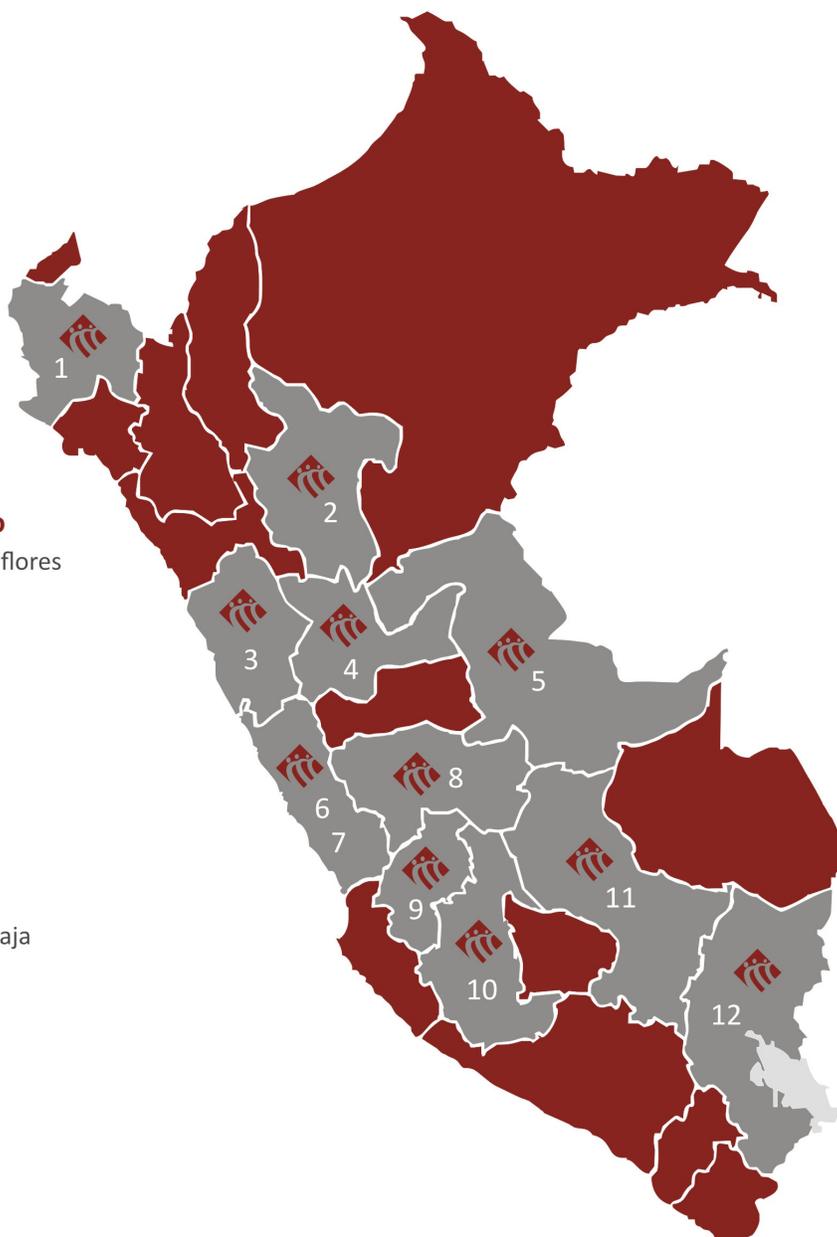
The PPI at PRISMA Microfinance

Appendix B. PRISMA Microfinance Branch Map

Ámbito de Acción de Microfinanzas PRISMA

12 Regiones - 16 Agencias - 09 Oficinas Satélite

- 1. Piura**
Piura
- 2. San Martín**
Tarapoto
Bellavista
San José de Sisa
- 3. Ancash**
Huaraz
Caraz
- 4. Huánuco**
Aucayacu
Tingo María
- 5. Ucayali**
Aguaytía
Pucallpa
- 6. Lima 7. Callao**
San Juan de Miraflores
Ate Vitarte
Puente Piedra
Mala
- 8. Junín**
Huancayo
Jauja
Tarma
La Merced
Pichanaki
- 9. Huancavelica**
Pampas de Tayacaja
Colcabamba
- 10. Ayacucho**
San Francisco
- 11. Cusco**
Pichari
- 12. Puno**
Juliaca
Puno
Ayaviri





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