

**MINUTES OF THE  
SPECIAL SAVINGS & CREDIT FORUM  
19<sup>TH</sup> OF OCTOBER 2007**

## ***Poverty Scorecards***

***A tool to measure poverty presented by Mark Schreiner***

The powerpoint presentation of Mr. Schreiner can be downloaded from the website <http://www.intercooperation.ch/finance/download/#pvsc>.

For the participants of the Savings & Credit Forum  
and other interested persons

Dear colleagues,

The Special Savings & Credit Forum of 19.10.07 discussed the poverty scorecard, a tool developed to measure change in poverty in an effective way and to support the management of development programmes in microfinance (and also in other development sectors). It is also a useful tool for social investors that need to measure their results according to the triple bottom line objectives (i.e. financial, social and environmental results).

Mr. Hansruedi Pfeiffer (SDC) first welcomed the participants and introduced the speaker: Mark Schreiner, Senior Scholar at the Centre for Social Development at Washington University in Saint Louis. His research, based on his involvement in microfinance for more than a decade, focuses on how to help the poor to build assets through savings and loans. Dr. Schreiner is also Director of Microfinance Risk Management, L.L.C., a firm specialized in poverty scoring. In a recent publication he provides empirical evidence to the increasingly accepted hypothesis that poor people can and do save<sup>1</sup>.

### **Poverty scorecard – a presentation by Mark Schreiner**

Poverty Scoring is a tool for measuring poverty, mainly developed for giving practitioners a simple, effective and low cost tool for observing the progress targeted by projects. It is also useful to donors for improving transparency and accountability in regard to the income-related MDG.

The poverty scorecard is based on existing national expenditure surveys from which 10 indicators are selected as proxy for poverty. The indicators are quantitatively summarized through a statistical procedure - adding up 10 non-negative positive integers - to give a score, which represents a probability of being poor. The indicators are simple and inexpensive to collect as well as easily verifiable, such as selected housing features and ownership of consumer items (e.g. type of latrine and roof, radios, kitchen material, etc.).

Proper selection of indicators is relevant, however, their weighting is astonishingly not crucial. The accuracy depends on the recentness and quality of the national expenditure

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<sup>1</sup> Schreiner, M.; and M. Sherraden (2006) *Can the Poor Save? Saving and Asset; Accumulation in Individual Development Accounts*, Piscataway, NJ: Transaction; Publishers, ISBN 0-20-230836-7.

survey upon which the scorecard is based, as well as the quality of data collection by the development organization and the representativeness of the sample.

Based on the obtained scorecard and according to its objectives, the given project/organisation set the cut-off point (limit from where a person is considered as poor, very poor, etc.) and can find out, if required, which percentage of poor clients are targeted (and how many non-poor are reached).

The tool is easy to use once set up and cost-effective: It is possible to use the same scorecard with different baseline (cut-offs) for different poverty lines (1 or 2\$ a day, etc.). The output of the scorecard has the same unit so that they can be compared across organizations, or, for international poverty lines, across countries. Some projects decided to build separate scorecards for urban and rural areas, but, according to tests, the additional accuracy gained was insignificant.

The typical country-specific scorecard can estimate the poverty rate for a given portfolio of clients with a sample size of about 5,000 within a +/-2% range at a 90% accuracy level. For estimating change over time, detecting a 1% change in the poverty rate at a 90% accuracy level would require a sample size of about 10,000 to 15,000. The tool allows observing change. A control group is needed to assess the impact and attribute the changes to the project/organisation.

**Panel discussion with Ruth Egger, Rochus Mommartz and Mark Schreiner, moderated by Hansruedi Pfeiffer:**

Mr. Mommartz stressed that the tool is interesting and user-friendly despite its complexity. It can enhance transparency in the field itself. He asked whether there is a correlation between "having a loan/loan size" and "being poor". In the one organization where Mr. Schreiner was able to test this, there was no correlation. An interesting research question would be whether the loan size related to the lending technology of a particular institution would correlate with the poorness of clients? Ruth Egger stressed that dropout surveys should help in this regard. Another question is whether a link exists between the type of savings and the poverty level of clients.

Ms. Egger's concern was that the field/project staff might have little ownership of the tool, as specialists are needed to help set it up. The field staff needs ownership of the tool so that they can reflect about how to target the poor best. Mark Schreiner explained that the idea is to best adjust the scorecard to the staff requirements. He described a project that will allow them to build their own scorecard. The training could be helpful for people understanding the tool better, and thus become more comfortable with it. But some organizations can pick it up off the web and use it without any help at all.

Mr. Schreiner argued that the tool would spread through the international network because it meets a real need. The tool is free to download from his own website. Assistance is not required for its application, although some/many MFIs will want assistance and/or benefit from it. The total cost of using the scorecard has been estimated by Grameen Foundation at \$0.50 to \$2.00 per application; this is with applying it to all the clients in an organization with each loan. Mr. Schreiner stressed that impact assessment requires a control group to attribute changes to the project and not to the general context.

For measuring trends at national level across time, the poverty scorecard should use more indicators (15 to 20). Furthermore, it could be used for different types of projects and for measuring specific issues:

- E.g. the changes following a 1<sup>st</sup> and 2<sup>nd</sup> loan cycle in comparison with a 4<sup>th</sup> to 5<sup>th</sup> loan cycle on client poverty levels: only one institution has tried this..
- ILO would be interested in adapting the scorecard tool to measure changes in the labour market, such as job creation, etc. This is theoretically possible, however, Mr. Schreiner stated that it is more difficult to measure job creation than poverty status

- To complement the poverty scorecard with other tools to specifically assess empowerment. Maybe a relation can be found between poverty and empowerment.

Ms. Egger further stressed that the poverty scorecard is based on economic measures whereas poverty is multidimensional and includes empowerment, social capital, etc. One should not forget that the poverty scorecard is one of many tools for measuring poverty, each one having its own specific focus (economic, social, etc). Mr. Mommartz cautioned about the vocabulary used (like cut-offs), which reminded him of discussions about 15 years ago when development efforts focused on poor clients without considering financial and institutional sustainability of financial institutions. Why should an institution drop good clients to target only the poorest ones? It definitely needs the good clients in order to be able to target poor clients too. Mark Schreiner confirmed that this tool was developed in another spirit than 15 years ago.

Mr. Pfeiffer thanked Mr. Schreiner for coming and sharing his work and the participants for contributing to the interesting and lively discussions. The Poverty Scorecard is an important innovation to enhance transparency by measuring changes in the poverty level of target groups reached in microfinance and other development sectors in a reliable and cost efficient manner. Further progress and multiple application possibilities have to be observed in the years to come.

On behalf of the Financial Sector Backstopping Team of SDC  
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