

# Key Learnings: Measuring & Managing Impact

In 2016, Kiva and the Mastercard Foundation launched a five-year partnership to test, develop, and scale high-impact loans serving the unique needs of smallholder farmers and rural populations across Africa. This case study highlights key learnings from an external evaluation of the partnership conducted by The Research Base in 2020 - 2021 to identify approaches and products that are suitable to be replicated and expanded.

## Evolving Kiva's Approach to Impact

Learning from impact management has been a critical part of the Kiva and Mastercard Foundation partnership. Over the past five years, Kiva has developed an innovative impact framework to assess, evaluate and effectively support partners across its portfolios, while also ensuring that its finance and partnership support the growth and reach of high impact programs.

Prior to 2016, Kiva's portfolio management approach evaluated lending opportunities based on the popularity of the loan type, the cost of working with the partner and the risk of non-repayment. This resulted in a portfolio consisting of primarily low-risk loans. Yet emerging evidence showed that lending in challenging contexts - for instance, lending to borrowers with no alternative sources of funding or disbursing loans with flexible terms that are aligned with borrowers' cash flows - could generate greater impact.

Recognizing an opportunity to drive greater impact through its partners, and with the support of the Mastercard Foundation, Kiva set to work on an improved impact methodology. This has resulted in key innovations in Kiva's approach to impact that have fed into relationships with partners - both lending partners and social enterprise partners - which have had a knock-on effect on the way these organizations themselves manage impact.

*'This partnership really built an impact function. It provided the basis for [Kiva] to scale and test new things, and I think there's a part of that that's loan design, there's part of that that is how do we help our partners - and why - and then how do we then incorporate that into the way that we look at impact.'*

## Impact Scorecards

The key output of this focused approach has been Kiva's new impact methodology, centered on its impact scorecard. Based on a model designed by the London School of Economics, which seeks to track impact from broader strategic goals to a series of specific indicators, Kiva has an impact scorecard for each of its Labs partners, with the scorecard made up of three discrete components:

### Partner Process

This score is based on a survey conducted with each lending partner, intended to assess how they are performing across both social and environmental best practices.

### Targeting

This score is developed through assessment of client status using the gender-disaggregated Global Multidimensional Poverty Index, Findex, and geocoding.

### Loan Product Evidence

This score, based on sector-focused research and standardized reporting tags, rates the potential impact of a loan product across a number of core criteria.

## Impact on Lending Partners and Social Enterprises

The impact of this innovative approach on Kiva's partnerships and partners has been significant, and can be considered within three broad themes:

### Availability and Terms of Finance

Kiva's 'impact-first' approach has led to improved terms for higher impact organizations and a refined due diligence approach to partnerships. Mapping potential impact allows Kiva to identify which organizations can have the greatest impact with their clients and communities, a process that has allowed Kiva to become very intentional around its investment decisions. This allows for organizations with significant impact potential but a higher level of risk to be considered for and receive financing—an approach that in many cases has served as a catalyst for these organizations to receive further funding from other investors.

#### Case Study: Groital Company

Groital is a socially focused agribusiness based in Ghana that cultivates and processes pineapples for the local and export market. Groital initially applied to Kiva for financing at a time when it was looking to expand its operations, and recognizes Kiva's support as unique not only with regard to its terms, but also for the doors this support has opened since:

'[Accessing other finance] would have been difficult because there's no place in Ghana that you can find an organization to give you an interest-free loan - that doesn't exist - and most loan facilities are so expensive, 30% interest rate, which small businesses can never survive on. So Kiva provided a stepping stone for us to reach other financial support and investment. For instance, when companies want to invest in us today they want to find out who invested in us before, and because Kiva is a very credible organization, whenever we mention the name 'Kiva' they go on the page and they see that we have repaid our loan, and people have trust in us. I think if we hadn't access Kiva's investment we would still be struggling to get our first investment as a business, so it's been a stepping stone for us to get other future investment, which we are blessed to have.'

### Reaching Highly Marginalized Borrowers

By embedding data from the multi-dimensional poverty index and into its impact scorecards, Kiva has been able to support partners that target borrowers experiencing the greatest levels of poverty. This enables partners who are making a difference in their communities to access the finance they need to serve marginalized borrowers and scale impact.

#### Case Study: Babban Gona

A social enterprise working to improve the lives of smallholder farmers in Northern Nigeria, Babban Gona has received funding through the Kiva Labs program since 2015. Babban Gona's mission is to increase farmers' productivity, and thus their income, by providing training, credit, agricultural inputs and market access. Having reached around 100,000 smallholder farmers so far, its goal is to reach 1 million smallholders by 2025. In the 2020 season the average net income of Babban Gona borrowers was twice the national average, at around \$1,000.

'The ultimate goal for us and the ultimate reason for our partnerships with the partners that we have is that we seek funding to be able to increase the living standards of our borrowers. Once we have access to funding we're able to do the things that we want to in the right way, and that will translate into increased productivity for the farmers and then increased income for them as well.'

## Improving Impact Measurement Capacity within Partners

A third key area of impact in partner relationships is the effect that Kiva's approach to impact has had on partners and their own approaches to both measuring and growing impact.

### Case Study: Assilassimé Solidarité

Assilassimé Solidarité is a Togolese microfinance institution offering services to financially excluded individuals. Recognizing the need to ensure its products are having optimum impact, Assilassimé uses a 'Vulnerability Assessment' methodology that helps it determine the impact its support has on the lives of its borrowers: 'Using [the tool], we are able to analyze the various scores in order to assess the changes and identify avenues for improvement.'

This approach has played a part both in Assilassimé's general approach to its work and also in its Covid-19 response. Recognizing that borrowers' needs would change as a result of the pandemic, Assilassimé, with Kiva's support, delivered three surveys to a representative sample of clients across a six-month period. The insights gained through these surveys allowed the organization to better understand the impact of Covid-19 on its client base and tailor its support to meet emerging needs.