

SOCIAL PERFORMANCE REPORT

ECLOF KENYA



SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

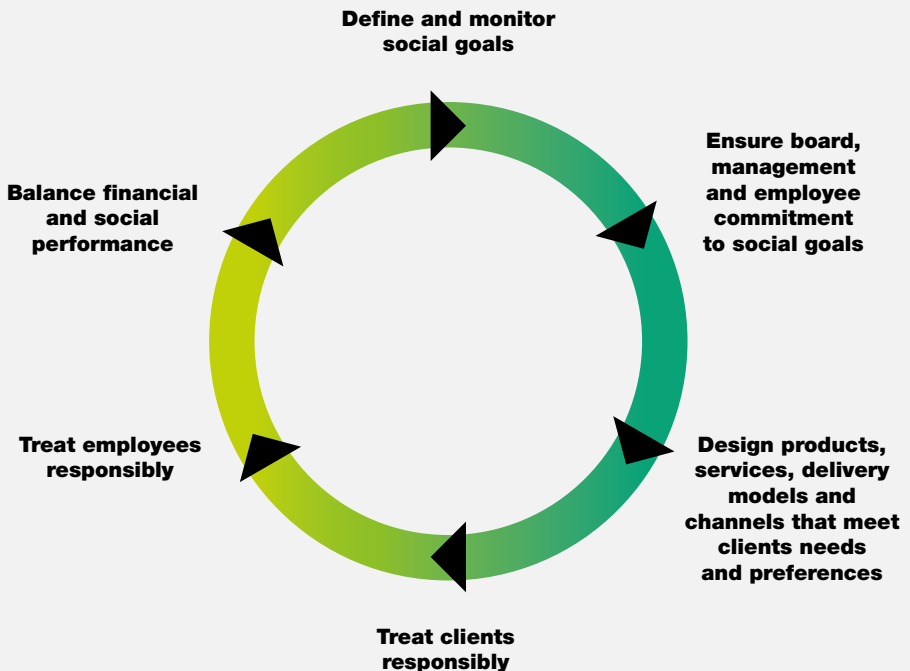
ECLOF attains social impact by targeting those in need and giving them access to financial and non-financial services that empower them and effect positive changes in their lives. Impact evaluations attempt to demonstrate the outcomes of microfinance. They tend to be onerous and costly. Because rigorous research methods like randomized control trials usually track a rather short time-frame of 12-18 months, their findings are often questioned. For obvious reasons it is difficult to clearly attribute improvements in clients' lives to a single (microfinance) intervention. Undertaken by researchers rather than practitioners, their results often are not used effectively to improve institutional performance. SPM on the other hand focuses on those recognized management practices that can be expected to lead an institution toward positive social changes in the lives of their clients, whether these can be "proven" or not.

It is ECLOF's goal to accompany its clients as they graduate, i.e. they rise on the economic ladder from ultra-poor over poor to vulnerable and beyond. Therefore, ECLOF has started to monitor the poverty level of its clients using the Progress out of Poverty index (PPI). With the collected data it will be possible to document how clients graduate over time. It will also help ECLOF to consistently target poor clients.

ECLOF International defines social performance as the effective translation of the ECLOF mission into practice, in line with accepted social values that relate to:

- **Reaching our target market.**
- **Delivering high-quality and appropriate services.**
- **Responding to the needs of clients, their families and communities.**
- **Protecting clients from negative effects of accessing financial services.**
- **Ensuring responsibility towards our employees, clients, the communities we serve and the environment.**

THE SIX DIMENSIONS OF THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT



VISION, MISSION & VALUES OF ECLOF KENYA

VISION

**A world of
human dignity
& prosperity**

MISSION

**To enable clients
realize their dreams and
experience abundance
of life through the
provision of financial
and related non-
financial services**

VALUES

**Integrity
Community
Diligence
Stewardship**

ECLOF International seeks to actively manage the social performance that its network delivers. ECLOF therefore has adopted the Universal Standards for Social Performance Management (Universal Standards for SPM): a set of core management practices that constitute “strong” SPM. In applying the standards, ECLOF members hold themselves accountable to their social mission, facilitate greater social impact and can even boost their operational and financial performance over time.

As part of its strategy to be accountable and transparent in meeting its financial and social goals, ECLOF International conducts social audits of its network members, supports capacity building in the members and monitors the social performance of members through a social performance reporting framework. The framework applies 30 quantitative and qualitative metrics to measure the degree of success of network members in reaching ECLOF’s social mission. This report is the result of the pilot test of the social performance reporting framework at ECLOF Kenya.

FACTS & FIGURES

ECLOF Kenya is a medium-sized MFI. Through a country-wide network of branches, it target Kenya’s working poor, particularly women, with financial and related non-financial services.

Year of foundation: 1994

Legal form: Company limited by guarantee

Number of clients: 54,763

Loan portfolio USD: 9.2 million

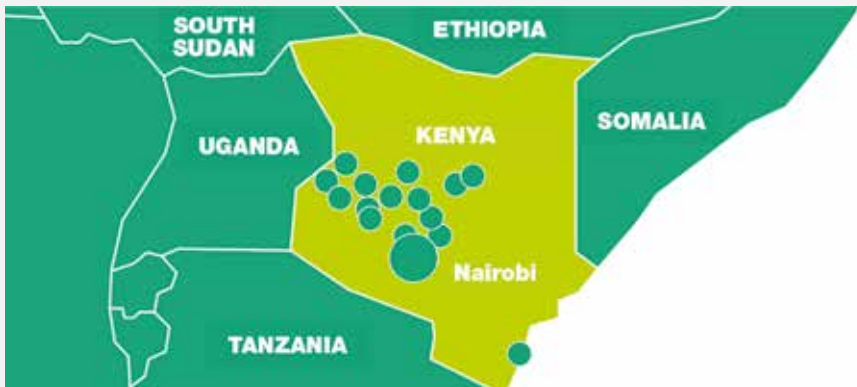
Number of branches: 37

Number of staff: 250

Operational self-sufficiency: 100%

All information as per June 30, 2016.

THE BRANCH NETWORK OF ECLOF KENYA





WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
Number of clients reached	54,763	ECLOF Kenya serves predominantly women and rural communities.
· thereof women	27,955	
· thereof men	26,808	
· thereof urban	22,328	
· thereof rural	32,435	
Number of people reached	273,815	ECLOF's work can have an exponential effect on the families and communities it serves. ECLOF builds local capacity in its clients and its staff, and it nurtures community ties through the solidarity group lending model. The average household size in Kenya is 5.
· thereof urban	111,640	
· thereof rural	162,175	
Geographically poor areas served	50%	ECLOF Kenya serves half of the poorest 24 counties in the country through its branches.
% of vulnerable clients	49% of clients are women 16% of clients work in the agricultural sector	Because of limited access to education and assets, women tend to be more vulnerable than men. Because of precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks.
Average outstanding loan / Gross national income (GNI) per capita	10%	This proxy indicator applied across the whole portfolio indicates that a financial institution reaches poorer clients. MIX Market defines that loans up to 20% of GNI per capita are loans to the lowest income clients.
% of ultra-poor and poor clients	30% of clients live on less than 1.25 USD/day 60% of clients live on less than 2.50 USD/day	Asking a sample of clients 10 simple questions, the Progress out of Poverty index (PPI) computes the likelihood that a household is living below the poverty line. Data stems from ECLOF Kenya's PPI pilot branch Nyeri.

ECLOF Kenya defines its target market as “the economically active poor”, i.e. people who are engaged in economic activities at the lowest level, both in urban and rural areas. While the indicators show that this goal is being reached, further deepening ECLOF’s outreach in the existing areas is an explicit goal in ECLOF Kenya’s 2016 business plan.

ECLOF Kenya set out to enable the poor, especially women, to become economic agents of change. Women tend to be more concerned about their families’ welfare in terms of food, child education, living con-

ditions, and even health. Serving women has a direct effect on the society in that they are able to reinvest the profits of their businesses into their families and the community.

It is important to ECLOF Kenya to demonstrate client-level results to internal stakeholders (such as clients and employees) and external stakeholders (such as investors) not just with anecdotes but also through real data. Therefore ECLOF Kenya has begun to collect poverty data of its clients using the Progress out of Poverty index in one branch, more branches will be included.

CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client retention rate	83%	Only 17% of clients decided to leave the institution in 2015
Client satisfaction score	67%	From a random sample of 200 clients, 67% would recommend ECLOF Kenya to their friends or business partners

Client retention is a proxy indicator for the quality and relevance of ECLOF’s service to its clients. There is evidence that a stable long-term relationship with a finance provider can facilitate the graduation of poor clients to higher in-come levels.

By actively managing its social performance, ECLOF Kenya puts clients at the center of

all strategic and operational decisions. It designs products that help clients cope with emergencies, invest in economic opportunities, build assets and manage their daily and life cycle financial needs. And it constantly reviews and adapts products to better meet client needs.

CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
Adherence to the client protection principles	3	This indicator shows for which of the 7 CPPs (Client protection principles) explicit policies and procedures are in place.
Number of complaints received	1208	Clients can submit queries through suggestion boxes in the branches, the complaints books, and a central customer hotline.

Client protection—doing no harm to clients—is the foundation of and an integral part of social performance. There are 7 accepted client protection principles. They range from offering suitable products over preventing client over-indebtedness to protecting clients’ data. ECLOF Kenya has policies and procedures in place for Appropriate Product Design and Delivery Channels, Prevention of Over-indebtedness and Complaint Resolution. For example, to recognize other financial obligations clients have and consider them appropriately in the credit decision, ECLOF Kenya obtains information from two credit bureaus for every credit application.

The remaining CPPs are included implicitly in the current policies and procedures. There are plans to put in place the missing policy documents, e.g. on client data protection, during 2016.

Actively listening to clients is part of client protection. To respond swiftly to client complaints and use the feedback to improve services and products, ECLOF Kenya has introduced a central customer care desk and complaints hotline in addition to the complaints boxes and books in the branches. In 2015, 1208 of ECLOF Kenya’s around 40,000 clients used one of these channels to express queries or complaints.

BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
Number of clients trained	19,186	Clients trained on financial literacy, budgeting, debt management, saving and investing, business management, group dynamics, home improvement, or risk management
% of clients trained	37 %	
Number of services addressing basic client needs	6 loan products and 3 insurance products	Loan products : Health, sanitation, water, shallow well, home improvement, green energy, education, emergency loans Insurance products: Credit life, livestock, funeral cover
% of loan portfolio in those products	10%	
Number of clients benefiting	7489	

For a socially motivated provider of financial services like ECLOF, it is not enough to protect clients from harm. We actively seek positive impact on the lives of our clients: their economic wellbeing, their community integration, and their ability to cover basic human needs. This is achieved by building clients' capacity and through financial products.

Research has shown that the effectiveness of microfinance to reduce poverty is greatly increased when loans are combined with capacity building. ECLOF Kenya regularly trains clients in areas such as financial literacy and business management. Because most clients take out loans together in solidarity groups, these training services are provided very efficiently through the weekly group meetings. ECLOF trains the group leaders as trainers and they in turn train their group members.

Besides loans for micro enterprise and agriculture, ECLOF Kenya offers six loan products addressing basic needs of clients: health, water & sanitation, home improvement, green energy, education and emergency loans. Albeit not in the traditional sense directed at "productive purposes", such loans can facilitate greater social impact beyond the income-smoothing effects of conventional microfinance. We found that offering such products increases client loyalty because clients feel that ECLOF is not just supporting their business but also looking after their personal and family well-being. These loan products make up around 10% of the portfolio, benefiting around 7500 clients annually.

One of the benefits of financial inclusion that receives more and more attention is its potential to improve the resilience of

clients, i.e. their ability to cope with shocks like death of a household member, medical or weather emergencies. To poor people, even small shocks can have disastrous effects on their lives. ECLOF Kenya offers specific credit and insurance products to help clients cope with shocks. According to a study by FSD Kenya published in 2016, the average low-income Kenyan tends to

save quite a lot—but often these savings are illiquid, e.g. invested in a chama or savings club. To bridge the immediate need for money after a (medical) emergency, ECLOF Kenya developed the Health care (emergency) loan. To protect from death or emergency slaughter of livestock, agricultural clients can obtain livestock insurance through ECLOF Kenya.

RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	18%	In a competitive labor market, ECLOF Kenya is a rather attractive employer
Staff satisfaction survey process established	Yes	ECLOF Kenya regularly surveys staff about their job satisfaction
Staff exit interview process established	Yes	When staff leave, they are asked the reasons why.
Share of women	53% in staff 33% in management 45% in board	Women take responsibility in positions across the institution.
% of staff benefiting from training	88%	Most staff benefit from professional training over the year.

In microfinance, employees are an organization's main asset. They have rights, and if treated well they are more likely to treat clients responsibly. Treating staff well also improves service quality and sustainability because more satisfied staff treat clients better; and well treated clients are loyal to the institution. ECLOF Kenya regularly tracks staff turnover and conducts exit interviews with departing staff. There are regular satisfaction surveys among staff.

In an institution like ECLOF Kenya that targets specifically women, women need to be represented at all levels of the institution. More than half of ECLOF Kenya's staff are women, so are one in three managers and half of the board members. To increase the attractiveness of working for ECLOF Kenya, training is essential: 88% of all staff benefited from professional training in 2015.

ECLOF INTERNATIONAL

Route de Ferney 150
1218 Le Grand-Saconnex
Switzerland

CONTACT

+41 22 791 63 12
office@eclof.org
www.eclof.org

AUGUST 2016