

# SOCIAL PERFORMANCE REPORT

ECLOF MYANMAR



# SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

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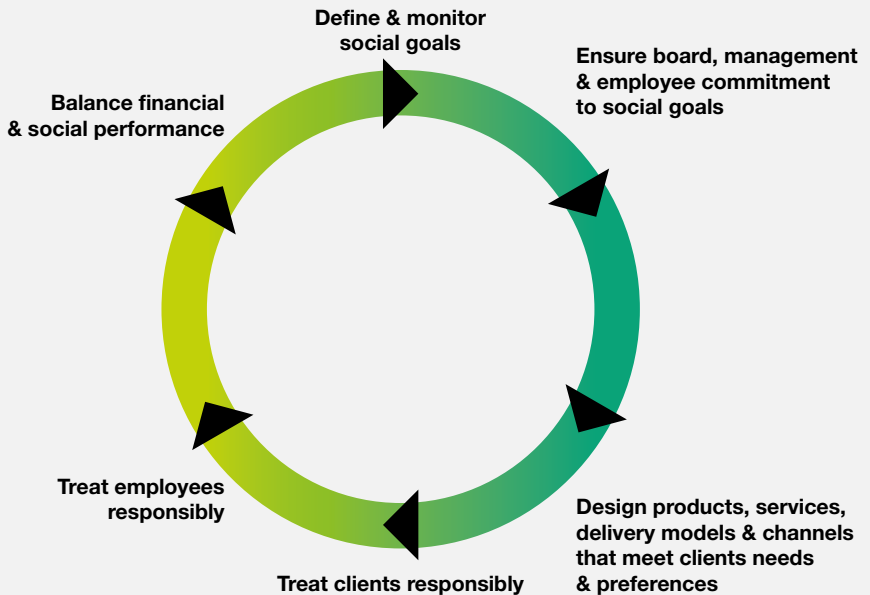
ECLOF attains social impact by targeting those in need and giving them access to financial and non-financial services that empower them and effect positive changes in their lives. Impact evaluations attempt to demonstrate the outcomes of microfinance. They tend to be onerous and costly. Because rigorous 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.

## **UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT**



# VISION, MISSION & VALUES OF ECLOF MYANMAR

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## VISION

**A trusted & sustainable  
microfinance institution  
with empowered  
& resilient clients**

## MISSION

**To provide responsible  
financial services to the socio-  
economically marginalized  
people who do not have access  
to quality finance through  
a program that promotes  
community development  
& well-being of clients**

## VALUES

**Human dignity  
Social justice  
Solidarity  
Participation  
Good 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.



## FACTS & FIGURES

ECLOF Myanmar is a small MFI registered as a microfinance NGO. Via four outlets, 36 staff serve clients in the Magwe, Ayeeyarwaddy and Yangon divisions.

Kyonpyaw is the biggest branch of ECLOF Myanmar, with others located in Yangon and in Seikphyu Township in the Dry Zone. Besides offering access to loans, ECLOF Myanmar promotes savings among clients and builds their financial and business skills through regular training.

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**Year of foundation: 1959**

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**Legal form: Microfinance NGO**

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**Number of clients: 7,217**

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**Loan portfolio USD: 0.8 million**

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**Number of branches: 4**

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**Number of staff: 36**

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**Operational self-sufficiency: 131 %**

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All information as per December 2016



# WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
<b>Number of clients reached</b>	<b>7217</b>	ECLOF Myanmar targets predominantly women living in rural communities.
thereof women	6701	
thereof men	516	
thereof urban	0	
thereof rural	7217	
<b>Number of people reached</b>	<b>39,694</b>	ECLOF's work can have an exponential effect on the families and communities served.
thereof urban	0	ECLOF builds local capacity in its clients and its staff, and it nurtures community ties through the solidarity group lending model.
thereof rural	39,694	The average family size in rural areas is 5.5.
<b>Geographically poor areas served</b>	<b>100 %</b>	ECLOF Myanmar serves exclusively clients located in rural areas.
<b>% of vulnerable clients</b>	<b>93 %</b>	Because of limited access to education and assets, women tend to be more vulnerable than men.
	<b>23 %</b>	Because of precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks.
	<b>68 %</b>	Half of all clients have only 5-year primary education or less.
<b>Average outstanding loan / Gross national income (GNI) per capita</b>	<b>10 %</b>	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**

**31 %**  
of clients live on less than USD 1.25 per day

ECLOF uses the Progress out of Poverty index (PPI) to assess client poverty. Data stems from a representative sample of 363 clients interviewed in 2016.

**95 %**  
of clients live on less than USD 2.50 per day

For targeting, ECLOF Myanmar applies the PRA methodology to assess client poverty and then recruits only clients categorized as poor or vulnerable.

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Myanmar is a country with a prominent rural-urban divide: according to UNDP, 84 % of the total poor live in rural areas. Only 2 in 10 rural households have access to electricity and just 4 in 10 to clean drinking water. ECLOF targets exclusively rural areas; most loans are used for agriculture, livestock rearing and other rural activities. The average loan size is very low at around USD 120 per client.

The areas ECLOF serves are prone to natural disaster and unfavorable weather conditions. Many, particularly the young, are migrating to the bigger cities in search of job opportunities. Distances to health and social services are large, and the infrastructure is weakly developed. Many villages away from the main highway are still reached only by foot and bullock carts; the better ones have a gravel road apt for motorcycles. This limits opportunities for farmers to market their produce and purchase inputs. Access to finance is limited, many villages ECLOF serves were not serviced at all by financial institutions prior to ECLOF's arrival.

Almost all clients are women. ECLOF Myanmar sets out to enable 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 conditions, 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.



# USING DATA TO ASSESS CLIENT POVERTY AND TARGET ECLOF'S SERVICES

Knowing the actual poverty level of its clients is important to ECLOF Myanmar. This serves firstly to target its services at those most in need, and secondly to demonstrate client-level impact to internal stakeholders (such as clients and employees) and external stakeholders (such as donors and potential investors).

For client targeting, ECLOF Myanmar applies the participatory rural appraisal (PRA) methodology to assess client poverty: Before ECLOF enters a new area to serve, the socio-economic status of each villager is established through a village wealth ranking exercise. In a participative approach run by ECLOF Myanmar together with township leadership, government agencies and vil-

lage leaders, the ranking categorizes all villagers into 4 categories, from A for well-off to D for ultra-poor. ECLOF Myanmar then feeds the results back to the villagers and only recruits clients from categories B (low income/vulnerable) and C (poor).

In addition, ECLOF Myanmar has begun to collect poverty data of its clients using the Progress out of Poverty index (PPI). 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. The data demonstrates the clear poverty outreach that ECLOF Myanmar has.

## CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client retention rate	96 %	Only 4 % of clients decided to leave the institution in 2016.

By actively managing its social performance, ECLOF Myanmar puts clients at the center of all strategic and operational decisions. It designs products that help clients cope with basic needs,

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 expectation.

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 income levels. Clients of ECLOF Myanmar show an outstanding degree of loyalty to the institution. Only one in every 100 clients decided to discontinue the relationship in 2016.

## CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
<b>Adherence to the client protection principles</b>	<b>3</b>	This indicator shows for which of the 7 CPPs (Client protection principles) explicit policies and procedures are in place.
<b>Number of complaints received</b>	<b>58</b>	Clients can submit queries through suggestion boxes in the branches.

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. As a member of the Myanmar Microfinance Association, ECLOF Myanmar advocates for sound client protection regulation with the Myanmar Financial Regulatory Department.

ECLOF Myanmar has policies and procedures in place for Prevention of Over-indebtedness, Transparency, and Fair and Respectful Treatment of Clients. A basic Mechanisms for Complaint Resolution is established but will be improved upon in the future. For the

areas Appropriate Product Design and Delivery Channels, and Privacy of Client Data, policies will need to be developed. There is no policy on pricing of loans, as the regulator prescribes the interest rates for micro-finance institutions.

Part of ECLOF's approach to pro-active client protection is the financial education of its clients. Financially literate clients are more likely to use the loan in a beneficial manner and they are much better protected from becoming over-indebted. Before getting access to a loan, each client participates in 5 mandatory training modules given by ECLOF staff over a period of 2-5 weeks. Modules include:

- Group lending process and loan products
- Basic financial literacy and business skills
- Savings culture
- Loan use and risk of over-indebtedness
- Avoiding vices like drinking, gambling etc.

During the training period, clients are required to save small weekly amounts with ECLOF as a reserve fund. Only then are they allowed to take out a loan.

To the working poor, savings are at least as important as loans because they enable people to cope with irregular incomes and emergencies when

they arise. Therefore it is important for ECLOF Myanmar to promote a savings culture among its clients. It takes various steps to do this :

- Educate clients on the importance and benefits of saving
- Require clients to save 500 kyat per module, i.e. a total of 2500 kyat before receiving a loan
- Issue each client with a savings book as a token
- Pay an attractive interest rate of 15% p.a. on client savings

This approach has evidently increased the propensity to save in the villages where ECLOF works.



# RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	6%	Only two staff exited during 2016.
Staff satisfaction survey process established	Yes	ECLOF Myanmar regularly surveys staff about their job satisfaction.
Staff exit interview process established	Yes	When staff leave, they are asked the reasons why in a formal process.
Share of women	60% in staff 63% in management 71% in board	Women take responsibility in positions across the institution. The Managing Director is a woman.
% of staff benefiting from training	82%	Most staff benefit from professional training over the year.

In microfinance, employees are an organization’s main asset. They have rights, and if treated responsibly they are more likely to treat clients responsibly in return. 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 Myanmar regularly tracks staff turnover and conducts exit interviews with departing staff. There are regular satisfaction surveys among staff. To build staff skills and increase the attractiveness of working for ECLOF Myanmar, training is essential: 82% of all staff benefited from professional training in 2016.

Staff turnover has been a challenge for ECLOF Myanmar in recent years. Due to the history of the country, there is a lack of skilled labor and the few capable candidates are highly sought after. By professionalizing HR management practices and introducing new incentive systems, ECLOF Myanmar has reduced staff turnover to a single digit figure in 2016.

In an institution like ECLOF Myanmar that targets specifically women, women need to be represented at all levels of the institution. More than half of ECLOF Myanmar’s staff are women, so are most managers and board members.



# BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
Number of clients trained	6159	ECLOF Myanmar trains clients on basic business skills, financial literacy, savings culture, debt management and loan usage, land rights, healthy food & nutrition.
% of clients trained	85%	Most clients have benefited from some type of skills training.
Number of services addressing basic client needs	2	Education loan product. Health loan product.
% of loan portfolio in those products	4%	
Number of clients benefiting	1371	Clients benefiting from either education or health loans.

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 through financial products and by building clients' capacity. For clients affected by disaster, ECLOF offers an insurance mechanism – the Beneficiary Welfare Program.

## Financial products

ECLOF Myanmar offers a range of tailored microfinance loan products to finance the needs of farmers and rural businesses. Farming loans are used towards cultivation of rice, banana, sugarcane, cassava or papaya, while non-farming loans finance livestock rearing (pigs, goats, duck, cattle), trade in agricultural products, small shops, service or production. ECLOF Myanmar also offers so-called social loans that do not finance a productive asset but rather a basic need of the client such as education (children's school expenses)

or health (cost of medical treatment). Though small right now, this part of the product portfolio is expected to grow in the future.

### **Training on land rights and other client education**

Nearly all clients benefit from some type of training through ECLOF, most about financial education and basic business skills. In 2016, ECLOF introduced a new type of training in response to client needs: many families living in remote villages were unaware of the process to secure their right to the land they live on. So ECLOF organized awareness training sessions in 7 villages in the Magwe division about land types, land utilization and the authorization process. As a result, more than 100 village households have formally secured their use rights to the land they live on and cultivate.

### **Community building**

ECLOF Myanmar operates a high-touch lending model where borrowers form solidarity groups and meet every other week for training, repayment and monitoring. Because villagers use these frequent meetings as a forum to get together, some of them have jointly advocated towards local government for change and improvement in their villages such as linking their village to

the electricity grid or road network. In some villages, ECLOF loans have enabled villagers to earn additional income which they then used to pay their cost contribution which the government requires from each family before connecting a village to the grid. Without ECLOF providing a forum for villagers to meet and funding to grow their agricultural income, these villages would not have been connected to the energy grid so quickly.

### **Self-managed insurance mechanism**

To protect clients from debt after personal misfortune or a natural disaster, ECLOF operates a risk-mitigation mechanism: the Beneficiary Welfare Program. It cushions many risks clients face, from loss of life over fire, flood, erosion, storm, landslide to loss of livestock, boats, nets etc. If a borrower falls into default due to health problems or natural disaster, then the Beneficiary Welfare Program will cover the write-off of their loan so that the client can re-start their business. This protection mechanism is financed voluntarily by ECLOF, with a small contribution of 1 % of the loan amount coming from the clients. Since 2013, the scheme has helped 289 beneficiaries cope with distress by paying out nearly 20,000 dollars.

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