Summary of the M-CRIL Truelift Assessment Report

The Small Enterprise Foundation, South Africa

The Small Enterprise Foundation (SEF) is licensed as Non-Profit Company, since 1992. SEF provides financial services: credit and linked savings in local banks. Its delivery model is a modified version of Grameen Lending.

Mission: "SEF's mission is to work aggressively towards the elimination of poverty by reaching the poor and very poor with a range of financial and non-financial services to enable them to realize their potential.''

South Africa

HDI rank (UN, 2015)	113/189
Per capita GNI (World Bank, 2017)	$5,430
GDI (UN, 2015)	High equality
Population (Census, 2011)	51.8 million
Rural-Urban (Statista[a], 2017)	66%-34%
[b]Poverty (2014/15) _Traditional Areas_	
Upper Bound Poverty Line	74%
Food poverty line	33%
Poverty measurement tool	PPI

[a] Statista: Statistics Portal for Market Data
[b] PPI Design Document for South Africa, 2017. Based on the 2014/15 National Income Dynamics Survey and applying the 'BLW' poverty definition.

SEF set up a **SPM Committee** in 2010. This committee (5 members from the board and 2 from the Senior Management team) regularly reviews SEF's social performance data.

This summary of M-CRIL's assessment of the Small Enterprise Foundation (SEF) covers performance on the three Truelift Principles and the Essential Practices (EPs) for implementing each principle. M-CRIL used the streamlined form of the Truelift assessment tool, applying 44 Indicators. This summary discusses each of the 16 EPs of the streamlined tool. The assessment draws on SEF data and research completed during 2019 or before, as well as discussions with the Research and Development Manager. It was conducted alongside a Social Rating, Client Protection Principles Certification and Financial Rating.

In M-CRIL's opinion, this assessment of SEF's pro-poor performance indicates that this institution should be recognized by Truelift at the Leader Milestone, being fully compliant on 15 of the 16 EPS. SEF is also eligible for this milestone, being within profitability parameters and are Smart Certified on Client Protection Principles.

PRINCIPLE 1 - PURPOSEFUL OUTREACH TO PEOPLE LIVING IN POVERTY

EP1 - The institution has a clear and specified intent to serve poorest 40% or nearest equivalent (SEF scores as FULLY MEETS)

- SEF's strategic objectives which are part of the business plan specify targeting clients who are poor and very poor.
- SEF uses the food poverty line to define 'very poor' and the "Upper Bound" line to define 'poor' in the 'traditional areas' of South Africa a term which refers to the rural areas where SEF operates. Based on the 'BLW' definition used in the PPI document, 33% of households in traditional areas are below the Food Poverty Line (2014/15 data). PPI score cards for South Africa have been commissioned by SEF so as to be able to collect reliable poverty outreach data. The latest PPI was developed in 2017, derived from the 2014/15 National Income Dynamics Survey.

EP2 - The institution has systems to support poverty outreach targets (SEF scores as FULLY MEETS)

- SEF staff carry out all activities and transactions with clients at centre meetings. There is never any need for clients to visit the branch office.
- Emphasis on poverty targeting using SEF's Participatory Wealth Ranking (PWR) tool; poverty outreach monitored through the PPI with additional questions on food security.

EP3 - The institution has good-quality data to monitor poverty outreach (SEF scores as FULLY MEETS)

- PPI data for all incoming clients is collected by development facilitators on an ongoing basis. A sample of the data is verified by managers from the operations team.
- SEF is currently updating the PPI with more recent data from the NIDS.

EP 4 - The institution conducts appropriate analysis and reporting of poverty outreach data (SEF scores as FULLY MEETS).

- The Research and Development Team benchmarks poverty data of new clients against the relevant national poverty lines: Upper Bound Line and Food Poverty Line. Food security questions will also be analysed in future.

EP 5 - The institution demonstrates a positive poverty gap (SEF scores as FULLY MEETS)

- SEF records a positive poverty gap for clients at entry: 84% below the Upper Bound Line, and 43% below the Food Poverty Line in December 2018, compared to benchmarks of 74% and 33% respectively.

- The five provinces of South Africa in which SEF operates have poverty rates higher than the national average.

EP 6 - The institution uses poverty outreach (gap analysis) data for strategic decisions and accountability (SEF scores as FULLY MEETS)

- Detailed analysis of the poverty outreach data is presented to the board and is discussed.
- Poverty outreach data is part of the Social Performance dashboard which is used to evaluate the performance of the MD by the board.
- SEF has plans of starting operations in Free State and expanding in KwaZulu-Natal with greater focus on the latter given the high poverty rate and largely rural areas.

PRINCIPLE 2 – SERVICES THAT MEET THE NEEDS OF PEOPLE LIVING IN POVERTY

EP 7 - The institution offers a strategic selection of products and services to meet the needs and constraints of its poor clients (SEF scores as FULLY MEETS)

- SEF's strategy elaborates on aligning the roll out of new products and services based on feedback gathered from the clients.
- All clients are encouraged to save 2% of their loan amount per fortnight in a group account at a nearby bank. The idea is to inculcate a savings culture amongst clients while preparing them for a higher loan.

EP 8 - The institution's design of products/services and operational processes reflects a good understanding of the financial needs and vulnerabilities of poor clients and their households, at entry and over time (SEF scores as FULLY MEETS)

- As most of the SEF's clients have had no prior experience of borrowing from a formal source, the first loan offered is capped at R2,500 subject to the clients' business value. Poverty rate of new clients indicates significant poverty outreach and higher than South Africa's benchmarks for African and Coloured households. In December 2018, 64% of all clients had businesses (from SP dashboard).
- SEF field staff have been trained to identify borrowers who are struggling to repay their loans but have the intent to repay. Such borrowers are offered the option to reschedule their loans.
- SEF offers non-financial services in the form of trainings that are designed to assist clients in growing their skills regarding their personal finances and business management.

EP 9 - The institution has systems in place to monitor quality of all services, including effective protection, for poorer clients (SEF scores as PARTIALLY MEETS)

- Training and learning sessions are provided to clients as part of centre meetings.
- Nearly total satisfaction reported however, this feedback is not segmented by poverty level of clients.
- SEF conducts client satisfaction surveys, customer exit interviews and telephonic surveys to determine its "Client Service Score".

- SEF started telephonic survey to obtain feedback from client on Financial Education sessions in early 2019 (random sample of 240 client.

EP 10 – The institution demonstrates relevance, appropriateness, and quality of products and services intended for poorer clients (SEF scores as FULLY MEETS)

- Feedback gathered from clients indicates nearly complete satisfaction on loan tenures, loan size, centre meetings, transparency, fairness and customer service.
- High retention rate, 83% for all clients, 82% for poor clients (FY 2017-18).
- From the telephonic interviews of clients who attended financial education training, 83% and 71% applied the obtained knowledge to their personal finances and businesses, respectively. 67% identified good improvements in their businesses, while 32% identified moderate improvements.

EP 11 - The Board and senior management use the findings to monitor service quality and to improve services, with adequate response to any negative findings (SEF scores as FULLY MEETS)

- Minutes of the Social Performance Committee reflect that members closely follow and scrutinise client feedback data.
- The board has also provided feedback on the new products strategy whose development is reflective of client feedback.

PRINCIPLE 3 – TRACKING PROGRESS OF PEOPLE LIVING IN POVERTY

EP 12 – The institution has a clear and realistic definition of progress for poor clients and a systematic approach to tracking progress (SEF scores as FULLY MEETS)

- SEF's Theory of Change envisages reduction in poverty and business growth from successive loans for microenterprise development coupled with savings services and other non-financial services. Larger/SME loans that are currently being piloted, are expected to generate employment for other segments of the community.
- PPI data obtained at entry is tracked in later years to provide panel data of poverty reduction. This was done for a random sample of 2,340 clients in 2016. Since 2016, the newly developed PPI cannot be compared with the earlier PPI baseline data but will be in future.
- SEF also monitors the average value of clients' business at each loan cycle to track progress.
- For SME loans SEF tracks number of workers at time of loan appraisal and will analyse trends over time.

EP 13 - The institution uses methods to ensure good quality of data collected (SEF scores as FULLY MEETS)

- The data collected is audited for quality by operations managers and the quality and compliance department. There is an audit trail which is being intensified even as SEF expands its scope of data collection for tracking different aspects of Social Performance. Feedback from the SPM committee includes strengthening the Social Performance reporting to arrive at more realistic valuation of clients' businesses.

EP 14 - The institution conducts (or commissions) appropriate analysis (SEF scores as FULLY MEETS)

- SEF has analysed the proportion of clients who moved above the Food Poverty Line and Upper Bound line for each successive year of association with SEF. Results are analysed separately for clients with more positive or negative findings.

EP 15 - The institution demonstrates credible evidence of change in client behaviour and/or living conditions. The evidence is likely to include a range of results for poor clients (positive, no change, negative), depending on service use, client starting point, etc. (SEF scores as FULLY MEETS)

- The 2016 study showed increasing movement above the Food poverty line, at successive cycles: 7% for clients associated with SEF for 1-2 years, 30% for clients associated with SEF for 3-4 years.
- The average (non-longitudinal) snapshot of business values at different loan cycles shows increases of 33% from 6th loan cycle to 9th loan cycle.

EP 16 - The institution uses data and reports to monitor progress of poor clients and to think strategically about further adding value (SEF scores as FULLY MEETS)

- The strategic objective of SEF is to continue to innovate the current business model to provide skill development & capacity building for ultra-poor and poor clients; and to support savings as clients can grow their businesses.
- SEF conducts the study on appropriateness of policies and procedures through regular monitoring of client's behaviours. During July 2019, the survey questionnaire was modified as the overall client service score was high around 85%-90%. The objective for revision of the questionnaire was to make sure that SEF is prompting its clients for true and fair response and based on this SEF can modify its policies and procedures appropriately.
- SEF encourages and provides training to ultra-poor and poor clients to inculcate the saving habit and hence linked a portion of savings to qualify for higher ticket size loans.