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This report provides an in-depth analysis of the social performance of Juhudi Kilimo and should be read in conjunction with Inclusion [Africa]'s Global Social Performance Rating Methodology. The methodology is also available at www.inclusionafrica.org.

This report is not a credit rating or other opinion on creditworthiness.

Social Performance Assessment:

JUHUDI KILIMO

KENYA

Figure 1

SP Grade Snapshot

Final SP grade						
-	SP5	SP4	SP3	SP2	SP1	+
	0 - 29	30 - 49	50 — 64	65 - 77	78 - 100	

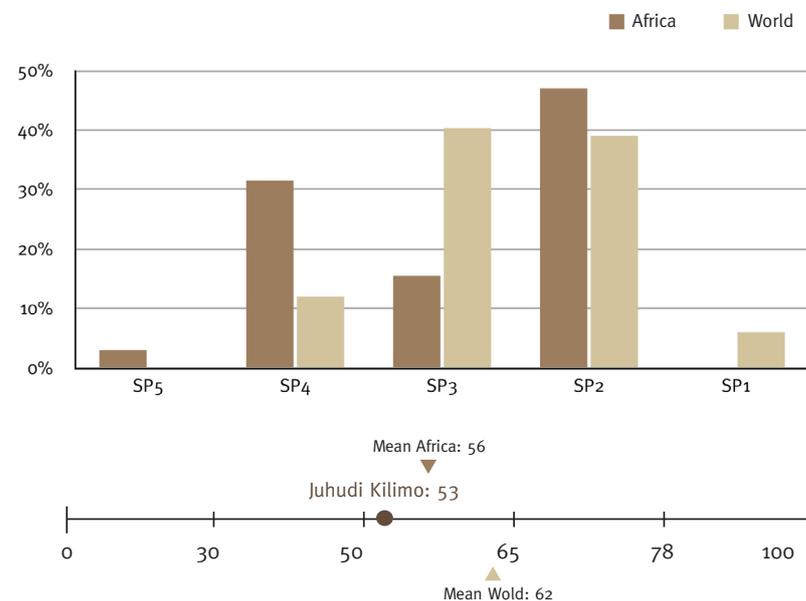
Scorecard-implied grade: SP3/overall score: 53

Juhudi Kilimo Snapshot

Year established	2009
Entity type	NBFI
Gross loan portfolio (US\$)	6,158,492.59
Active borrowers	23,608
Average loan size (US\$)	260.86

Figure 2

Global Benchmarking



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard



Summary of Assessment Rationale

- » A rating of SP₃ has been assigned to Juhudi Kilimo.
- » The assessment committee agreed upon the rating of a low SP₃ based on current weaknesses in incorporating social performance indicators in policy, data collection and analyses, and the lack of implementation of existing environmental impact policies.
- » The mission statement of Juhudi Kilimo incorporates the following aspects of the SPA scorecard: increased access to financial services, poverty reduction, employment or income generation, education, and rural areas.
- » The current mission statement, goals and objectives were formalized in 2009 when Juhudi Kilimo established themselves as an MFI. Previous to this, Juhudi Kilimo had begun operations in 2004 as an agribusiness initiative.
- » The microfinance institution (MFI) demonstrates a commitment to rural farmers, making up the entirety of its customer base.
- » Staff members have a reasonable level of experience in microfinance, though limited experience in social performance management.
- » The board, expertise in diverse relevant fields such as Finance and Banking, Legal, Human Resources, Public Services, Microfinance, and Business. The board is comprised of 1 individual, 1 executive representative, and 3 investor representatives; there is one female on the board. Social performance topics are not regular agenda items during board meetings.
- » Customer awareness of product prices was found to be moderate. Nominal interest rates, amortization schedules and other charges are communicated to customers, though APR and effective interest rates are not provided.
- » Debt-collection policies include a “Delinquency Escalation” process that staff are required to follow. This process relies heavily on internal resolution within the borrower group, and interviews with staff and client confirm that these measures effectively prevent write-offs and external debt collector interventions.
- » The Human Resources manual, however, does not explicitly dictate what appropriate respectful behaviors staff members should adhere to.
- » A formal process to register, track and monitor customer complaints has been attempted using a complaint register. However, field observations indicated an inconsistent use of the register among the branches visited.
- » Data collection on social performance is limited to demographic information (e.g. number of women, number of farmers). Juhudi has created several different mechanisms to effectively communicate to their clients, such as monthly forums, SMS messages, and their website; however, they are not being utilized to disseminate reports and information on social performance.
- » Juhudi’s code of ethics is integrated into the Human Resources manual, and covers topics, including avoidance of discrimination of individuals with HIV, sexual harassment, and anti-fraud policies.
- » Staff satisfaction surveys have just been conducted this past year. Juhudi has a written policy on dealing with staff grievances.
- » Monthly staff incentives are based on a mix of social, financial and operational indicators. Annual performance reviews are based on performance on the same indicators over the entire year.
- » Although an environmental policy had been created in 2013, Juhudi currently does not implement that comprehensive policy in assessing or tracking environmental risk at the customer or organizational level.



Institutional Profile

Mission Statement

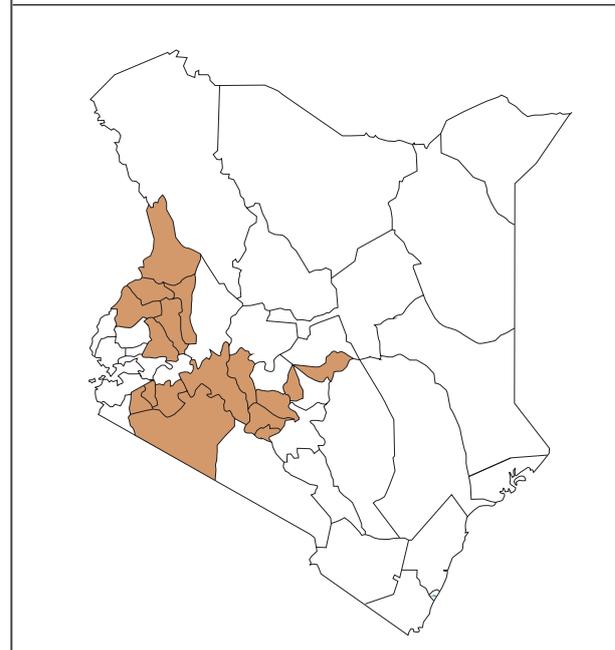
“To elevate the quality of life for rural smallholder farmers and enterprises by providing wealth creating financial solutions for agribusiness.”

Key Data (August 31, 2015)	
Gross loan portfolio (US\$)	6,158,492.59
Average loan size (US\$)	260.86
Products:	Microenterprise, Agricultural, Rural Microcredit, Education, Emergency, Credit Life Insurance, Agricultural Insurance
Number of borrowers	23,608
Number of staff	145
Customers per loan officer	276
Number of branches	20
Country of operation	Kenya
Areas of operation	Central Highlands, Rift Valley, Western Kenya
Urban/Rural	0%/100%
Legal status	NBFI NON-BANKING FINANCIAL INSTITUTION
Regulator	Not regulated

* Exchange rate: US\$ 1 to KES 103.94

Figure 3

Geographic Footprint





SOCIAL INDICATORS	2012	2013	2014
% of rural customers	100	100	100
% of female customers	53	47	48
% of female active savers	47	48	46
% customers below \$1.25 per day	NA	NA	NA
% customers below \$2.50 per day	NA	NA	NA
% customers below poverty line	NA	NA	NA
% customers with no formal education	NA	NA	NA
% Customer Retention rate	73	NA	84
% female employees	48	41	41

FINANCIAL INDICATORS	2012	2013	2014
Portfolio yield (%)	30.8	28.0	28.0
Operating expense ratio (%)	30.3	16.1	33.7
Financial expense ratio (%)	10.5	4.2	3.8
Provision and write-offs (%)	2.0	1.8	8.8
Operational self-sufficiency (%)	70.7	77.5	44.0
Capital/Asset ratio (%)	0.8	16	4
Debt to equity ratio (x)	6.21	3.38	13.75
Return on assets (%)	(0.4)	(1.8)	(14)
Return on equity (%)	(29.4)	(11.4)	(346)

Juhudi is a private company that was established to provide microfinance services and asset-backed financing to smallholder farmers and enterprises in rural Kenya. It was a subsidiary of K-Rep Group, a diversified group of companies that have provided banking and other financial services, consulting and technical services, and research and product development in the Kenyan microfinance sector since 1984. In 2009 Juhudi took over the asset-financing portfolio of K-Rep Development Agency, a K-Rep Group-sponsored non-governmental organization (NGO), to support the growth of the portfolio on an independent basis. Juhudi is majority owned by K-Rep Group, with small percentages owned by three social investment funds and an individual.

Juhudi offers a solidarity group and individual loan product, with flexible terms designed for a range of rural clientele. It also offers livestock and agri-insurance products, which are linked to its loans. These products are offered through self-help groups that Juhudi helps establish. Juhudi also requires cash collateral (currently 15% of the loan value) and facilitates potential customers' ability to provide it by training the self-help groups in maintaining savings accounts at other financial institutions. Non-financial services include training to develop enterprise skills, leadership skills and financial literacy, and technical assistance in establishing and growing businesses.

Juhudi calculates interest rates on a flat, monthly basis. It now relies on a mobile money transfer system, and it uses text messaging to solicit customer feedback.

Juhudi operates in four provinces in the western, central and eastern regions of Kenya. As of 31 August 2015, it had 23,608 active borrowers and a portfolio outstanding of US\$ 6.1 million, and 145 staff.



SPR Factors – Scorecard-Implied Grades

Scorecard Snapshot

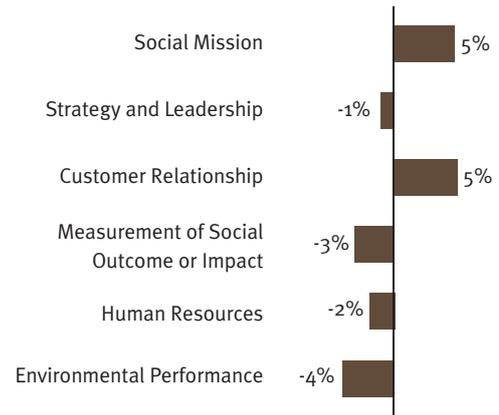
Figure 4

SPR Factor Table

FACTOR	SP5	SP4	SP3	SP2	SP1
Social Mission				68	
Strategy and Leadership			52		
Customer Relationship				67	
Measurement of Social Outcome or Impact		44			
Human Resources		45			
Environmental Performance	27				

Figure 5

Relative Contribution

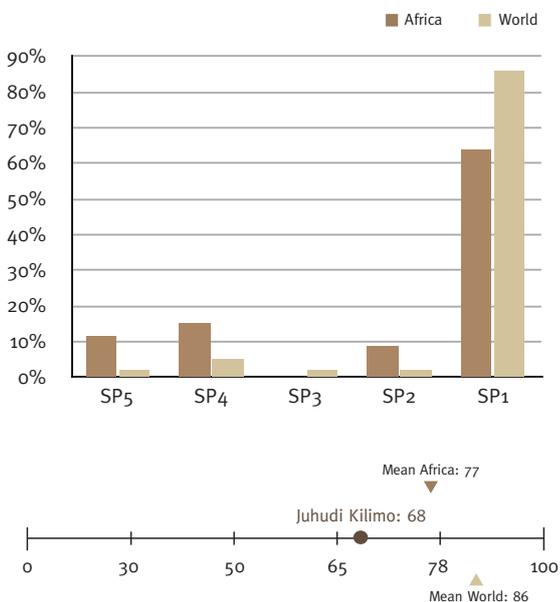




Global and Regional Comparison

Figure 6

Social Mission

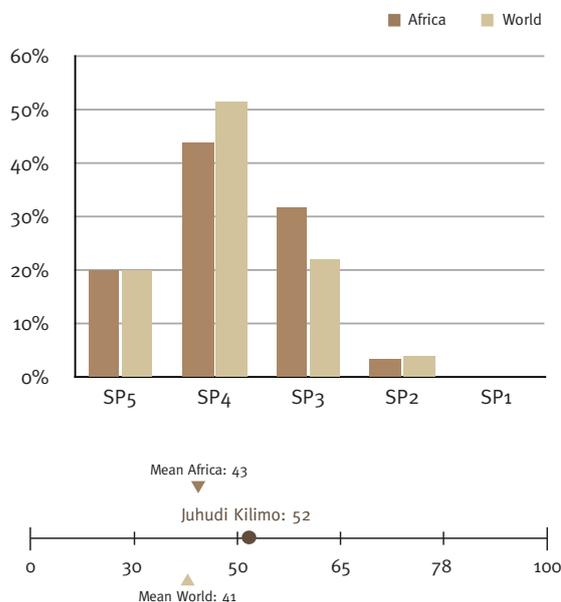


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » The mission statement of Juhudi Kilimo incorporates the following aspects of the SPA scorecard: increased access to financial services, poverty reduction, employment or income generation, education, and rural areas.
- » Juhudi Kilimo has created a strategic plan that identifies six priority areas, each with a goal and multiples sets of objectives.

Figure 7

Strategy and Leadership



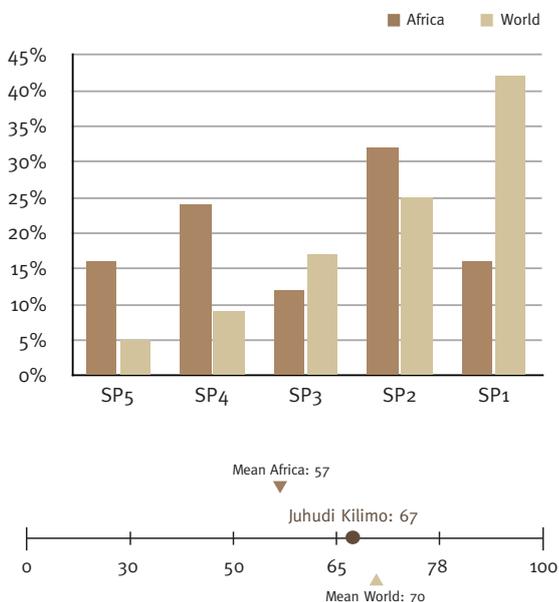
Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Staff members have a reasonable level of experience in microfinance, though limited experience in social performance management. The board has expertise in diverse relevant fields.
- » The board meets four times a year to review the MFI's operational, and financial activities, with little focus on social performance.
- » Approximately half of Juhudi's customers are women, all customers are engaged in agricultural activities, and all live in rural areas.
- » Board members are not remunerated.
- » There is one female Board member out of the total five.



Figure 8

Customer Relationship

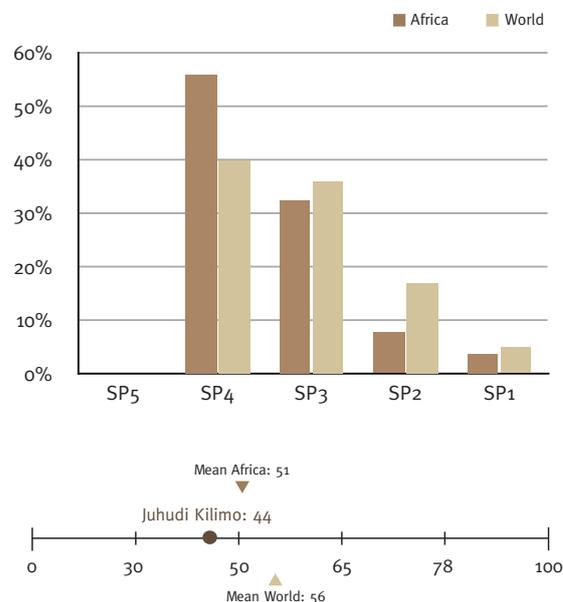


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Customer awareness of product prices was found to be moderate. Nominal interest rates, amortization schedules and other charges are communicated to customers, though APR and effective interest rates are not provided.
- » Debt-collection policies include a “Delinquency Escalation” process that staff are required to follow. This process relies heavily on internal resolution within the group, and interviews with staff and client confirm that these measures effectively prevent write-offs and external debt collector interventions.
- » The Human Resources manual, however, does not explicitly dictate what appropriate respectful behaviors staff members should adhere to.
- » There is no formal process to register, track and monitor customer complaints. Rather, they are informally handled by field officers and branch managers.

Figure 9

Measurement of Social Outcome or Impact



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

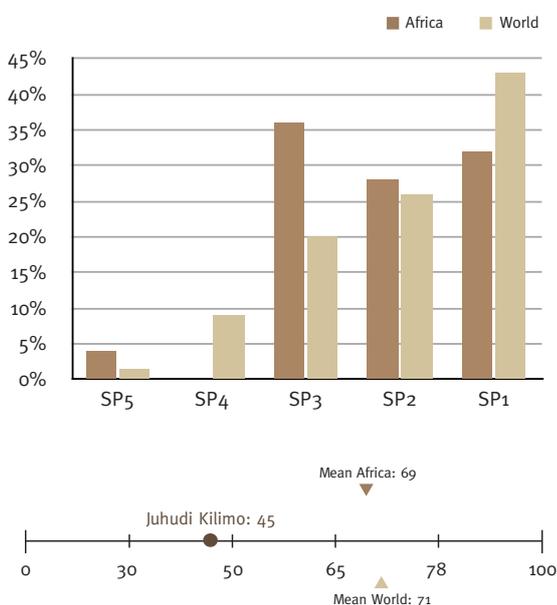
- » Data collection on social performance is limited to demographic information (e.g. number of women, number of farmers). Juhudi has created several different mechanisms to effectively communicate to their clients, such as monthly forums and SMS messages, that can be utilized to disseminate reports and information on their social performance.
- » Juhudi took part in a previous Social Performance Assessment in 2013, however, assessment studies are not conducted annually or on a regular basis. Outcome studies are not conducted.
- » PPI statistics are not currently collected.



Global and Regional Comparison

Figure 10

Human Resources

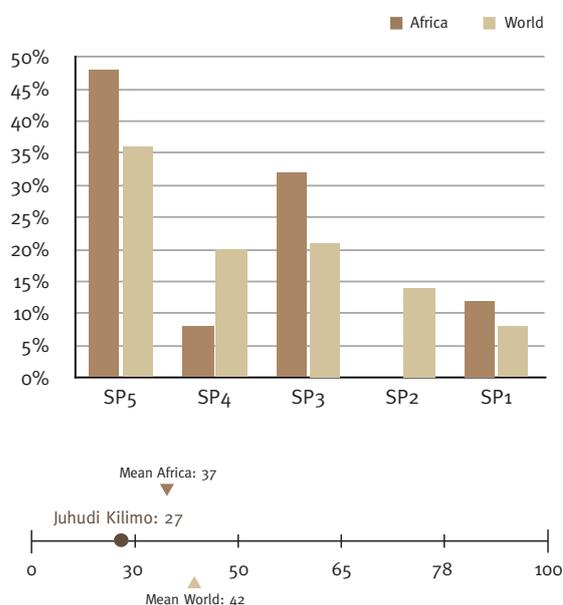


Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Juhudi's Code of Ethics is integrated into the Human Resources manual, and covers topics including customer protection, conflict of interest, corruption, sexual harassment, and equal treatment for individuals with HIV.
- » There is a formal mechanism for monitoring staff and reporting grievances through the Disciplinary Committee. However, knowledge of this process was not apparent by all staff.
- » Staff satisfaction surveys have just been conducted this past year. Juhudi has a written policy on dealing with staff grievances.
- » Monthly staff incentives are based on a mix of financial and operational indicators. Annual performance reviews are based on performance on the same indicators over the entire year.
- » Social performance indicators are not taken into account in staff incentive plans.
- » There is no clear delegation of Social Performance Management responsibilities within the organization.

Figure 11

Environmental Performance



Sources: 2009 and 2010 MIX data and Inclusion [Africa] EPS Scorecard

- » Although an environmental policy had been created in 2013, Juhudi currently does not follow this comprehensive policy that assesses and tracks environmental risk at the customer and organizational level. Instead there is an environmental policy section within the Human Resources manual which addresses the need to consider and improve their environmental impact, yet does not include any objectives or action points. Juhudi does, however, offer green loans.



SPA Factor and Sub-Factor Analysis

Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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History of the social mission, goals and objectives | Focus of the social mission | Plans and communications for achieving social mission, goals and objectives

Scorecard-implied grade – SP2 (68)

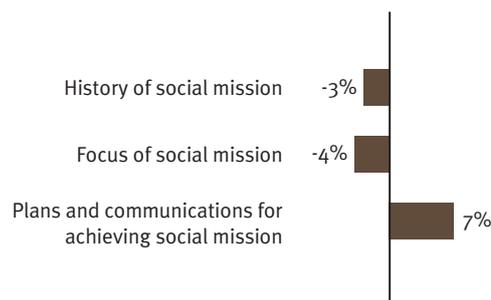
Figure 12

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
History of social mission			55		
Focus of social mission			60		
Plans and communications for achieving social mission					79

Figure 13

Relative Contribution



Key Indicators

- » Juhudi’s mission statement incorporates the following aspects of the SPA scorecard: increased access to financial services, poverty reduction, employment generation, education, and outreach to rural communities.
- » To achieve its mission, Juhudi has created a strategic plan that identify six priority areas, each with a goal and multiple sets of objectives. These are to increase the number of clients, improve operational efficiency, recruit and maintain a talented and engaged workforce, develop client-driven products, accurately identify, measure, and manage the institutional risks, and increase awareness of Juhudi in communities. Each of these goals have measurable objectives with a set of key strategies.
- » The current mission statement, goals and objectives were formulated in 2009. There is not a regular review of this mission.
- » The MFI’s social goals and objectives are communicated to staff through training and internal documents. However, a regular report on social performance is not provided to staff nor regularly with external stakeholders.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Management quality | Governance | Outreach and access | Administrative setup

Scorecard-implied grade – SP4 (52)

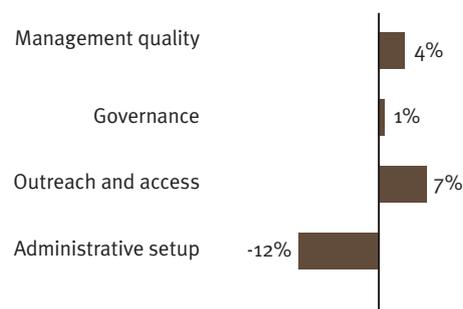
Figure 14

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Management quality			58		
Governance			54		
Outreach and access				67	
Administrative setup	13				

Figure 15

Relative Contribution



Key Indicators

- » Staff members have a reasonable level of experience in microfinance operations. Experience in roles relating to social performance is low. Succession plans are in place to replace key personnel.
- » The board has expertise in diverse relevant fields. Stakeholder representation on the board is limited to investors, an executive staff, and an independent member. The board meets four times a year to discuss operational and financial activities. Social data is not a regular item agenda at these meetings.
- » Rural customers account for all of Juhudi’s customer base, thus all customers fall within the MFI’s targeted segment.
- » There is no separate social performance department. Social performance responsibilities are shared by all staff, with no senior manager responsible specifically for Social Performance management.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Management quality | Governance | Outreach and access | Administrative setup

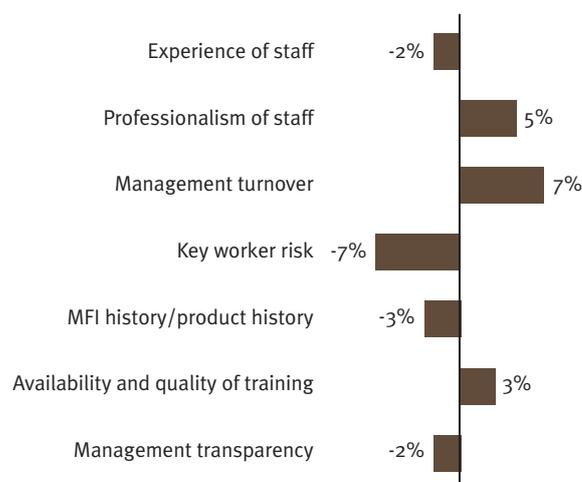
Figure 16

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Experience of staff			50		
Professionalism of staff				76	
Management turnover					92
Key worker risk	29				
MFI history/product history		43			
Availability and quality of training				68	
Management transparency			51		

Figure 17

Relative Contribution



Key Indicators

- » Staff members have a reasonable level of experience in the microfinance industry and within the target area. However, experience with roles in social responsibility is low.
- » In 2015, the CEO was replaced as well as some Branch Managers due to irregularities disclosed in branch operations.
- » Turnover of female staff at these levels is comparable to the overall levels. Exit interviews are conducted at all levels.
- » Juhudi has succession plans in place to replace key personnel when the need arises.
- » Social performance topics covered during training include the MFI’s social mission, the prevention of over-indebtedness, communication with clients about pricing, acceptable payment collection practices, and responsiveness to client needs. Training is conducted both in the classroom and on the job. Staff receive ten days of orientation training, which include these social topics and then have the opportunity to receive more training throughout the year, however, the number of days was unspecified.
- » Monthly or regular social performance reports are not generated. There has been one social performance assessment conducted by an independent assessor, however this is not conducted on a regular basis.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Management quality | **Governance** | Outreach and access | Administrative setup

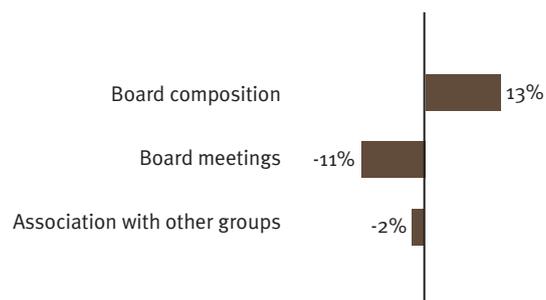
Figure 18

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Board composition				70	
Board meetings		34			
Association with other groups		49			

Figure 19

Relative Contribution



Key Indicators

- » Juhudi’s five-member board has expertise in diverse fields, including finance, microfinance, development sector, human resources, public services, accounting, and business. The board is comprised of three representatives of investor stakeholders, one independent member, and one executive staff. Women comprise 20% of the board.
- » The board meets four times a year to review the MFI’s financial and operational activities.
- » Social performance topics are discussed however it is not a regular agenda item. There is no separate social performance committee.
- » Board members are not remunerated for their services.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Management quality | Governance | **Outreach and access** | Administrative setup

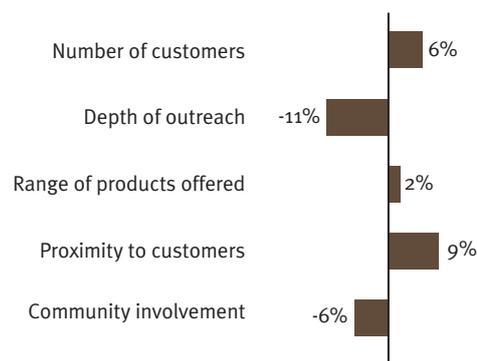
Figure 20

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Number of customers					88
Depth of outreach		37			
Range of products offered				74	
Proximity to customers					100
Community involvement		42			

Figure 21

Relative Contribution



Key Indicators

- » As of August 2015 Juhudi served about 23,608 active borrowers. Women account for approximately 53% and residents of rural areas for 100% of the customer base.
- » Juhudi offers individual loans and a wide range of agricultural loan products for groups. Savings products, other than compulsory savings, are not offered, as per Kenyan law. Non-financial services, such as enterprise skills development, leadership training, and agricultural training are offered.
- » Field officers visit customers to promote products, and to assist in group formation and conduct group meetings. Customer evaluation is carried out at prospective borrowers' home and workplaces.
- » Loan amounts are transferred directly to the customer's bank account, using mobile banking systems, and repayments are deposited directly into Juhudi's account.
- » The operational radius of branches is short with branches being easily accessible to customers.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Management quality | Governance | Outreach and access | **Administrative setup**

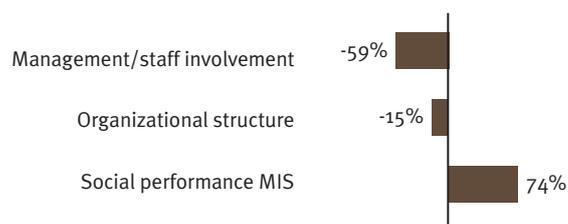
Figure 22

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Management/staff involvement	o				
Organizational structure	o				
Social performance MIS			51		

Figure 23

Relative Contribution



Key Indicators

- » Staff meetings do not cover social performance issues, but focus primarily on financial and operational topics.
- » There is no separate social performance department. Social performance responsibilities are shared by staff at all levels, and accordingly job descriptions list these duties.
- » Although some Social Performance information is collected, not all indicators are effectively tracked.
- » Social performance reports are not generated and little information pertaining to SP is shared with staff. It contains the gender distributions of the loan portfolio and customer base, the distribution of rural and urban customers and the proportion of start-up enterprises financed.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Customer protection | Customer service

Scorecard-implied grade – SP2 (67)

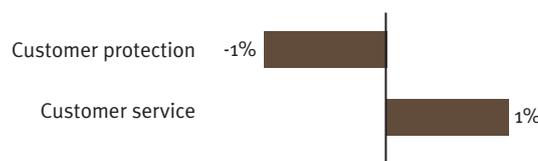
Figure 24

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Customer protection				66	
Customer service				68	

Figure 25

Relative Contribution



Key Indicators

- » There is a strong level of transparency in communicating product prices to customers
- » Juhudi has written policies on key aspects of customer protection, including the prevention of over-indebtedness.
- » Credit is offered for both income generation and education purposes, and loan insurance is compulsory. Savings products are not offered. Juhudi also provides some non-financial services.
- » The waiting time for both individual and group loans is reasonable, and the customer dropout rate is low. Customer exit interviews are conducted.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Customer protection | Customer service

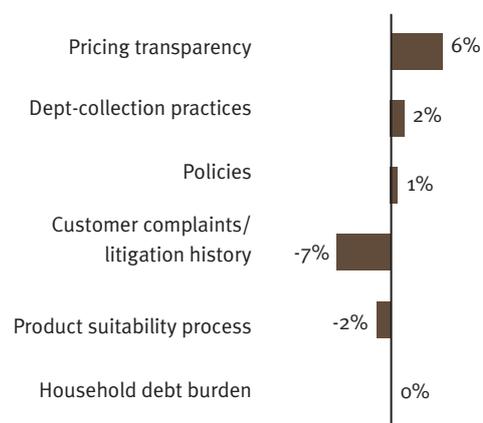
Figure 26

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Pricing transparency					90
Dept-collection practices				73	
Policies				72	
Customer complaints/litigation history	28				
Product suitability process			57		
Household debt burden				67	

Figure 27

Relative Contribution



Key Indicators

- » Interest rates, fees, penalties and other terms and conditions are communicated verbally to borrowers during compulsory group training, and are written on loan application forms and on loan contracts. The APR or effective interest rate is not communicated directly to customers. Total principal and interest to be paid over the tenure of loans is communicated. Amortization schedules are provided.
- » Employees are trained to disclose product prices. Following group training and prior to loan disbursement, customers are tested for their awareness of loan terms and conditions. This was found to be strong.
- » Written policies also cover key several aspects of customer protection, such as the need to treat customers respectfully and to keep their data private, and for transparency around pricing.
- » Customers are informed of debt-collection procedures, including the practice of offsetting mandatory savings against overdue amounts subject to the consent of the borrower concerned and other members of the group.
- » Juhudi has written policies to prevent borrower over-indebtedness. Field officers analyze loan applicants' income, expenses and debt details; consult with group members; visit their homes and workplaces; check with a credit bureau depending on amount; and informally ascertain their background from the local community and the field officers of other MFIs. For repeat customers, they will also check Juhudi's internal database.
- » Senior staff and branch managers conduct regular open forums with groups to inform and receive feedback on issues such as debt-collection practices and other aspects of customer protection. A written policy on delinquency management prescribes the actions to be taken for different categories of overdue loans.
- » Juhudi uses a complaint register to log and track customer complaints. There was evidence, however, that not all branches were utilizing this system and instead, complaints were informally handled. In addition, while disciplinary actions were documented in the Human Resources manual, there was no written policy regarding the complaint register, specifically who has access to it, how often it is checked and how it is used for analysis.



- » Juhudi gathers customer feedback through several different mechanisms, such as the forums and directly with the loan officer, to use for product design.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Customer protection | **Customer service**

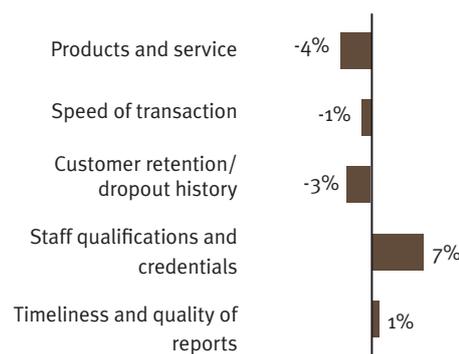
Figure 28

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Products and services			57		
Speed of transaction			63		
Customer retention/dropout history			61		
Staff qualifications and credentials					92
Timeliness and quality of reports				71	

Figure 29

Relative Contribution



Key Indicators

- » There is a moderate level of transparency in communicating product prices to customers.
- » Juhudi has written policies on key aspects of customer protection, including the prevention of over-indebtedness and the need to treat customers respectfully at all times
- » Credit is offered for both income generation and education purposes, and loan insurance is compulsory. Savings products are not offered. Juhudi also provides some non-financial services.
- » The waiting time for both individual and group loans is reasonable, and the customer dropout rate is low. Customer exit interviews are conducted.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Participation in social outcome or impact studies | Explicit tool to measure social outcome or impact | Frequency of data collected on social outcome or impact | Transparency

Scorecard-implied grade – SP5 (44)

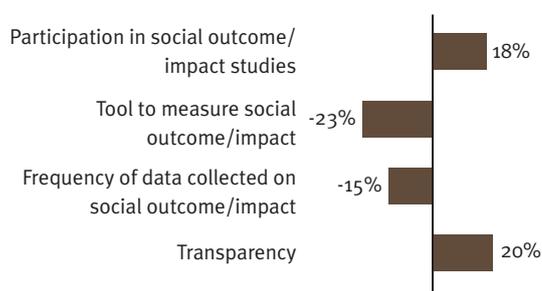
Figure 30

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Participation in social outcome/ impact studies					95
Tool to measure social outcome/ impact	0				
Frequency of data collected on social outcome/impact	4				
Transparency			64		

Figure 31

Relative Contribution



Key Indicators

- » Social outcome and impact studies have not been conducted recently. A Social Performance Assessment was undertaken in 2013 under previous management, however, there has been no follow up study in the interim.
- » Social data such as customer income, gender and geographic location is collected when customers apply for loans.
- » Strong internal communication mechanisms are in place, such as the company intranet and regular monthly meetings, however these are not currently utilized for communicating the MFI's Social Performance.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
----------------	-------------------------	-----------------------	---	----------------	---------------------------

Organization and facilities | Code of ethics | Hiring policies (gender and anti-discrimination policies) | Culture of delegation | Fair compensation | Staff skills and training | Promotion and retention | Staff incentives and audit

Scorecard-implied grade – SP4 (45)

Figure 32

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Organization and facilities					89
Code of ethics			61		
Hiring policies			50		
Culture of delegation	0				
Fair compensation	17				
Staff skills and training				69	
Promotion and retention			50		
Staff incentives and audit	27				

Figure 33

Relative Contribution



Key Indicators

- » Juhudi has recently conducted a staff satisfaction survey this year.
- » The Human Resources department identifies the Disciplinary Committee as the body that reviews complaints with a detailed process of disciplinary steps.
- » Juhudi has a written policy to help ensure staff health and safety. Employees are also covered by work injury benefit insurance, and the MFI will compensate the employee as prescribed in Kenya's Work Injury Benefit Act 2007.
- » The code of ethics includes policies that addresses discrimination, sexual harassment, conflict of interest and corruption. The code is communicated to employees during induction training. Employees are not tested on it, but must agree to abide by it in writing.
- » Written hiring policies relating to women and minority groups do not specifically mandate equal pay and opportunities for equal skills nor do they explicitly prohibit discrimination toward women during the hiring process. There is also no staff quota policy in hiring or one that ensures women's mobility in the field. However, the Human Resources manual's termination policy does explicitly prohibit discrimination on the basis of race, color, gender, disability or tribe.
- » The proportion of women throughout the hierarchy is low. Women account for 29%, 32% and 28.9% of staff at the senior, middle management and loan officer levels, respectively.
- » There is no explicit policy to minimize the pay gap between the lowest- and the highest-paid staff.



- » An employee who has resigned is required to complete an exit interview through their supervisor/HR Department. An exit interview will be conducted before the expiry of the notice period or at the time of exit by an employee who has resigned.
- » On joining the MFI, each employee attends a ten day orientation program at the head office, followed by training in the field. Topics covered in the training include the prevention of over-indebtedness, communication with clients about pricing, acceptable payment collection practices, and responsiveness to client needs. Training is conducted both in the classroom and on the job. Staff have the opportunity to receive more training throughout the year, however, the number of days was unspecified.
- » Monthly incentives and annual performance reviews are based on a mix of operational and financial indicators, but no Social Performance indicators, with the exception of Green Loan approvals, are taken into account.
- » The incentive system is not reviewed annually to check for unintended consequences.



Social Mission	Strategy and Leadership	Customer Relationship	Measurement of Social Outcome or Impact	Human Resource	Environmental Performance
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Customer standards | Internal standards

Scorecard-implied grade – SP5 (27)

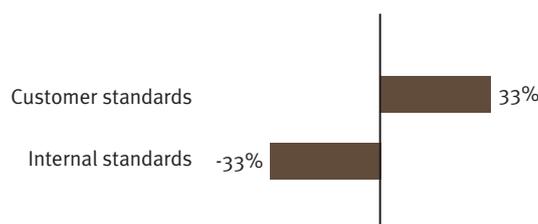
Figure 34

SPR Sub-Factor Table

Sub-Factor	SP5	SP4	SP3	SP2	SP1
Customer standards		49			
Internal standards	12				

Figure 35

Relative Contribution



Key Indicators

- » In 2013 Juhudi developed an environmental policy for both client and internal practice, addressing environmentally unsafe and risky behavior as well as initiatives to reduce energy consumption. This policy, however, is not currently being followed, and environmental risk does not factor into loan-approval decision, except for when client activity conflicts with local law. Enterprises that pose a risk to the environment are not identified and tracked, and customers are not required to report on environmental factors. The environmental risk of the loan portfolio is not gauged.
- » Juhudi does offer credit to existing customers for the purchase of solar devices, via its Green Loan product.
- » There is no indication that the MFI follows its 2013 internal environmental policies.



The Kenya Microfinance Market

Standard & Poors credit rating has assigned Kenya a B+ rating, with a stable outlook.

Figure 36

Kenya: Key Credit Metrics

	2010	2011	2012	2013	2014	2015F
Real GDP (% change)	8.4	6.1	4.6	5.7	5.3	5.9
CPI inflation (% change Dec./Dec.)	5.8	18.9	3.2	7.1	6.0	8.0
Gen. gov. financial balance/GDP (%)	-4.4	-3.6	-4.5	-5.4	-5.9	-8.9
Gen. gov. debt/GDP (%)	49.9	43.1	40.9	42.1	48.0	49.7
Current account balance/GDP (%)	-5.9	-9.1	-8.4	-8.9	-10.4	-9.9

Source: FMI

Key Credit and Macroeconomic Factors

Kenya's economy is of moderate size, with nominal GDP of US\$ 60.94 billion in 2014. Per capita GDP remains low, at PPP US\$ 3,099 in 2014. The economy has proven resilient in recent years owing to continuous efforts to diversify, improve infrastructure and expand communications technology. Recent oil discoveries will add further diversity to Kenya's export base and reduce current account weaknesses.

Electoral reforms mandated by a new constitution in have been relatively successful in preventing a repeat of the 2007-08 post-election violence and political crisis. Nevertheless, overall governance remains "weak" on the World Bank's governance indicators, while ethnic relations are being stressed by increasing terrorist activity in the country.

Public-sector debt and the ratio of government interest payments to revenue are high, at 48% and around 14%, respectively. However, a relatively developed domestic capital market, along with the issuance of euro-bonds totaling US\$ 2.75 billion in 2014, have proved favorable for the government's funding needs.

The recent rise in terrorist attacks in Kenya threatens both tourism and investment. Additionally, the steep fall in oil prices since June 2014 could pose difficulties for the development of the country's recent oil finds if investment falters.

Current Market

Estimates calculated using MIX Market data on Kenyan MFIs suggest a combined outreach of around 1.4 million borrowers and a loan portfolio of about US\$ 3.1 billion as of 30 September 2014. About US\$ 3.4 billion of savings deposits from some 10 million depositors was held by the deposit-taking MFIs at the same date.

Regulatory Environment

Over the past two decades the Kenyan microfinance industry has evolved into a large, commercially driven sector. Banks, savings and credit cooperative societies, the Kenya Post Office Savings Bank and deposit-taking MFIs are regulated by acts of parliament specifying different supervisory authorities. Credit-only MFIs are regulated by the Ministry of Finance. Informal institutions such as rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs) are largely unregulated.

Microfinance banks and deposit-taking MFIs are regulated by the Central Bank of Kenya under the Microfinance Act, 2006. It enables MFIs to transform into deposit-taking institutions, subject to obtaining a license from the central bank. To date, twelve such licenses have been granted. Significantly higher capital requirements and investment in IT infrastructure hinder this transformation. The Act also provides for regulations to be promulgated for non-deposit-taking MFIs (presently under discussion), forbids fraudulent or reckless lending, prescribes know-your-customer requirements and outlines norms related to governance, liquidity and risk management.



Licensed savings and credit cooperatives (SACCOs) are constituted under the Cooperative Societies Act, 1997 and regulated by the SACCO Societies Regulatory Authority.

The Association of Microfinance Institutions of Kenya (AMFI) provides codes of conduct and other guidelines to its members, and monitors their businesses. It has 59 member institutions comprising banks, both deposit-taking and credit-only MFIs, SACCOs, micro-insurance providers and capacity-building institutions.

The central bank rolled out a credit information-sharing mechanism in 2009 and licensed two credit bureaus to collect information on borrowers. Banks conducting microfinance business and deposit-taking MFIs are required to report customers' credit information to these bureaus. In addition, AMFI is undertaking a project to have its credit-only MFI members share relevant data on borrowers.

Competition

Credit-only MFIs in Kenya face increased competition from SACCOs, NGOs, ROSCAs and ASCAs, as well as from bank subsidiaries that conduct deposit-taking microfinance business. Moreover, regulations restrict deposit-taking MFIs from issuing third-party checks and offering current account facilities.

Even though in some pockets of the country competition is high, other areas remain underserved. Overall, inclusion in the financial system is moderate, with 55% of adults holding an account at a formal financial institution at year-end 2014, according to the World Bank.

Juhudi faces stiff competition from other MFIs and SACCOs.

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