ECLOF INTERNATIONAL

PROMOTE
SOCIAL JUSTICE
& HUMAN DIGNITY

ANNUAL REPORT 2016

ECLOF INTERNATIONAL IS A SWISS FOUNDATION ESTABLISHED IN GENEVA IN 1946

BOARD OF DIRECTORS

Mr Kimanthi Mutua · *Chairman*
Ms Tamar Lebanidze · *Vice Chair*
Mr Beat Dietschy · *Director*
Ms Ana Sofía Franky Silva · *Director*
Mr Vincent Freedom Kaheeru · *Director*
Mr Tigran Hovhannisyan · *Director*
Ms Nina Nayar · *Director*
Mr Nils-Gunnar Smith · *Director*
Ms Ada Wiscovitch · *Director*

MANAGING DIRECTOR

Mr Pat Gleeson

COVER PICTURE · ECLOF MYANMAR

MS. AYE AYE MAW
CLIENT OF ECLOF MYANMAR FROM
EI MA VILLAGE IN KYONPYAW TOWNSHIP

Aye Aye Maw and her husband run a basket production at their family home. After working for many years as a laborer, she started her own workshop in 2013 with an ECLOF loan. The business now employs 15 part-time laborers from the village. The family has re-invested all earnings in the business. Aye Aye Maw frankly says they have been neglecting the upgrading of their house. Besides financing the education of their two young sons, that is one of their plans for the future.

Contributors · ECLOF Network
Design · Patricia Armada
Printer · Imprimerie Graphiscann

Printing under friendly environmental process, paper from sustainable forests & chlorine free.

TABLE OF CONTENTS

PROMOTE SOCIAL JUSTICE & HUMAN DIGNITY

OUR MISSION

ECLOF has a clear mission to promote social justice and human dignity through microfinance.

Microfinance services offer vulnerable and excluded people and groups access to capital resources that enable them to build sustainable livelihoods. This can open up a path from vulnerability to self-reliance and stability.

ECLOF's relationship with clients must be a partnership of equals, not the one-way relationship between donor and recipient. Our responsibility is to lend capital on reasonable terms appropriate to the cir-cumstances of our clients. Their duty is to use it well, and then repay it. Both of us do our utmost, in the language of the Gospels, to be excellent stewards of the resources we share.

Our highest priority is to reach vulnerable communities, particularly in rural areas, which are excluded from access to formal sources of finance. We support them without regard to gender, race, creed or political persuasion.

Human dignity is our goal : a world where all can share the God-given benefits of the Earth in security and without fear for the future.

OUR VALUES

HUMAN DIGNITY

We respect the immeasurable value of every human life. Today inequality denies millions of people the chance to enjoy life in its fullness. We will purposefully work to enhance human dignity, so that everyone has access to resources they need to become providers for their families, employees, churches, and communities.

SOCIAL JUSTICE

Everyone has the right to food, education, health, a secure livelihood and the benefits of community life. We will help our clients to reclaim those rights through earning a living, which can protect them against calamity and build confidence in their capacity to choose their own futures.

SOLIDARITY

As fellow-citizens of one world, we will walk alongside our clients to listen to their concerns and work as partners with them as they act to improve their lives. At the international level, we will join, as members of the act Alliance, with other organizations to call for an end to the global structures and policies that perpetuate poverty and exclusion.

PARTICIPATION

All men and women have a right to shape their own destinies. In our work we will support vulnerable and marginalized groups. However as women, girls, and young people are disproportionately affected by poverty, we will specifically target initiatives that promote their participation and leadership in the economic, social, and political decisions which shape their lives.

CHAIRMAN'S STATEMENT

KIMANTHI MUTUA · CHAIRMAN

On behalf of the board of directors, I am delighted to present this statement in a year which marks the 70th anniversary of the founding of ECLOF International.

The creation of ECLOF International in 1946 was a momentous post war ecumenical initiative inspired by two private Swiss Bankers – Gustav Hentsch and Georges Lombard – together with the first General Secretary of the World Council of Churches, Dr William A. Visser't Hooft. The year 1946 was very symbolic in terms of international development as it also marked the first general assembly of the United Nations, the first meetings of the Board of Governors of the World Bank & the IMF, and the establishment of UNICEF. So, the creation of ECLOF International showed considerable foresight and vision by the Founders.

The journey began by offering financial support to help rebuild & renovate churches and schools throughout Europe, and in 1959 ECLOF opened its first international office in Myanmar followed by offices in Tanzania in 1961 and Argentina in 1962. It was in the late 1960's when ECLOF moved into the traditional field of microfinance which was again in tandem with the international development shift and focus on the eradication of poverty. We are one of the oldest microfinance institutions in the world, and we have reached out to nearly 62 countries over those 70 years.

Our focus on rural livelihoods and reaching out to vulnerable communities remains at the heart of our work, and our commitment to walk with our clients on their journey to the right to food, education, health and a secure livelihood. We are proud that ECLOF continues to serve low income clients with an average loan size of just USD 260 per client, and that 75,500 of people we reach reside in underserved rural areas. It has been a remarkable journey and we are very proud of the contribution the ECLOF family has made to society over those years! In the last five years alone the network has disbursed USD 250M in loans to 400,000 micro entrepreneurs and smallholder farmers. For over 70 years ECLOF has played a key role in promoting social justice and human dignity.

The ECLOF network in 2016 continued to make strong progress in reaching out to our clients and in providing a range of services to meet their needs. We are happy to share client stories in this Report which provide a sense of what our network does and how it positively impacts on our client lives. One of these stories talks about the work in the Philippines where in partnership with the LIFELINE Foundation, ECLOF Philippines clients can benefit from free medical consultations, dental services, and advise on how to maintain a healthy lifestyle. This, together with the other client stories, are good examples of how the ECLOF network responds to our client non financial needs and to ensuring we actively live our commitment to social performance management.

To conclude, I would like to thank the ECLOF Network Boards, the ECLOF Network staff and our donors & funders for their commitment, not only in 2016 but also over our 70 year history, helping to keep alive the spirit and passion to serving vulnerable communities. I would also like to convey my gratitude to the ECLOF International Board, and thank the ECLOF International team for their dedication and professionalism. We continue on our journey, and we remain true and committed to our dream of a world without poverty.

OPERATIONS' REPORT

We continued in 2016 to strengthen and progress our operations in both ECLOF International and throughout our network.

ECLOF International registered a deficit of CHF 126,633 in 2016, which is the fourth year in which we have consistently reduced our operating losses. Over this four year period, direct grant income to ECLOF International has declined by over CHF 275,000 but we have managed to replace this source of income from increased operating income and control over our costs. Our objective has been to return ECLOF International to full sustainability, without the need for any grant support, and we believe this should be achieved within the next 12 to 18 months. 2016 saw ECLOF International successfully raise over USD 570,000 in technical assistance support for our network, and also loan funding to support the lending operations in our network. We are very grateful to our donor and funding partners, whose support is a welcome sign of confidence in our work.

We are pleased with overall 2016 progress as we saw growth across most countries, and a more concerted and focused approach to the management of the quality of the client loan portfolio. We continued in 2016 our engagement and strong commitment to Social Performance Management which saw further social audits conducted and working with Members to develop actual social performance Reports. We have included in this Annual Report an extract from the ECLOF Myanmar Social Report which highlights ECLOF's focus on reaching out to vulnerable rural communities. These Myanmar social performance indicators are consistent with the overall Network Indicators where 67 % of the ECLOF Member loans are to women and 57 % are to clients living in rural areas.

We started in 2017 to review countries in the network where there are particular & difficult challenges in reaching a sustainable scale of operations and achieving operating standards consistent with best international microfinance practices. We have worked with a number of such Members to address such challenges over the past four years, but unfortunately we have not been successful in a few cases and we will therefore be considering possible exit in some countries. While this will result in a lower number of network members, it does not have a material impact on the level of the overall network portfolio or the number of clients served by the network. Indeed, it will actually lead to a stronger network focused on furthering its outreach and on expanding its range of client services, and we would also in due course consider opportunities for moving into new markets.

We are close to having an ECLOF network which is fully sustainable and operating in accordance with best practice. We are now seeking to position the network over the coming three years to meet this challenge of significantly increasing its client outreach and client impact.

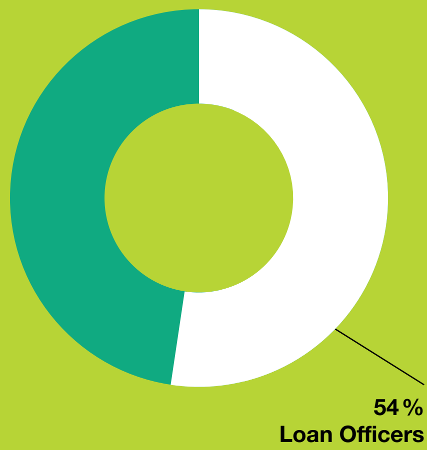
ECLOF NETWORK IN 2016

USD 37 M global portfolio
8 % of portfolio at risk > 30 days

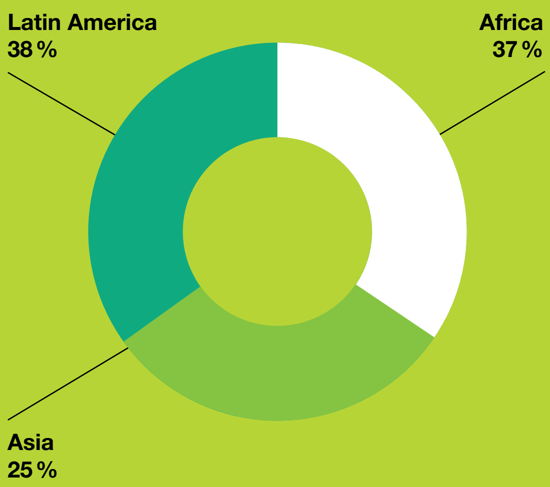
132,223 clients

69 branches
868 staff
468 loan officers (54 % of staff)

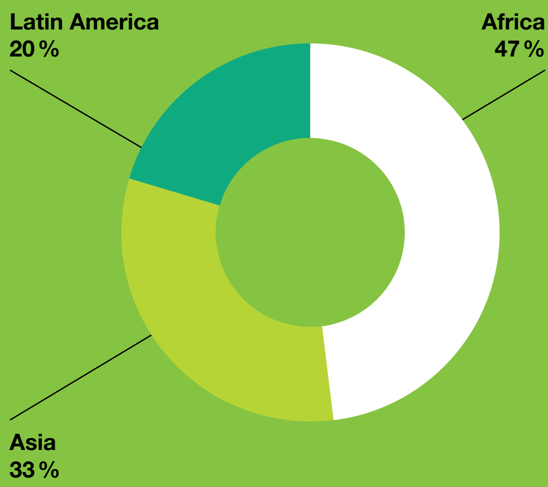
PERCENTAGE OF LOAN OFFICERS



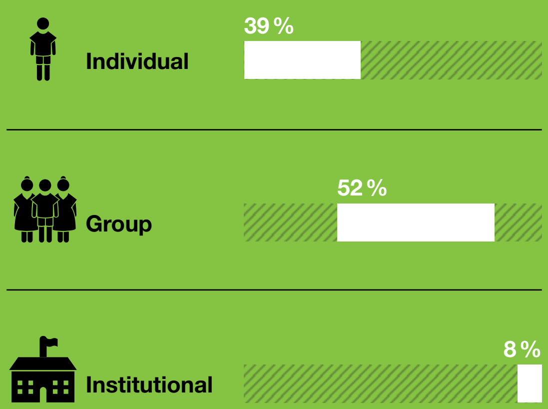
LOAN PORTFOLIO DISTRIBUTION



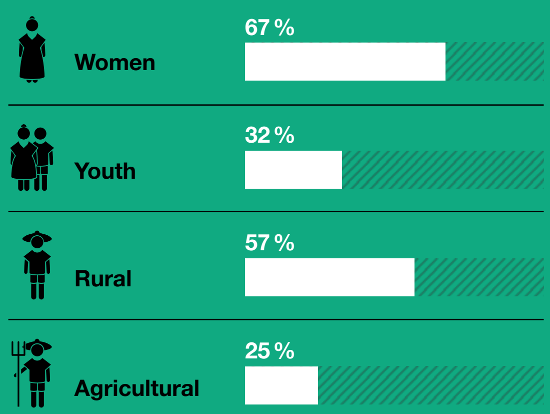
CLIENT DISTRIBUTION



LOAN PORTFOLIO COMPOSITION



SOCIAL OUTREACH TO BORROWERS



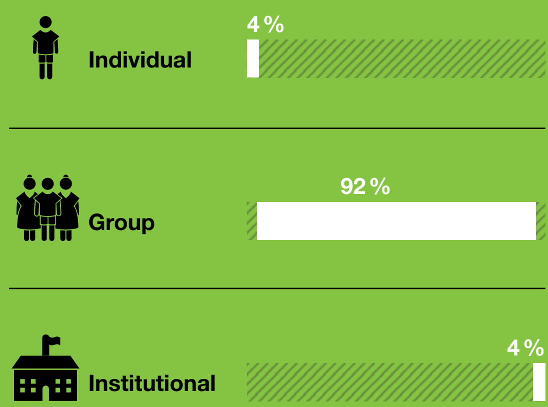
AFRICA

USD 13,65 M global portfolio
6 % of portfolio at risk > 30 days

62,732 clients

27 branches
360 staff
179 loan officers (50 % of staff)

LOAN PORTFOLIO COMPOSITION



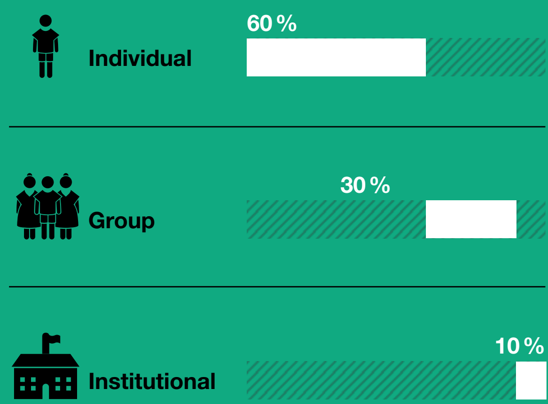
ASIA

USD 9,35 M global portfolio
15 % of portfolio at risk > 30 days

43,030 clients

26 branches
328 staff
200 loan officers (61 % of staff)

LOAN PORTFOLIO COMPOSITION



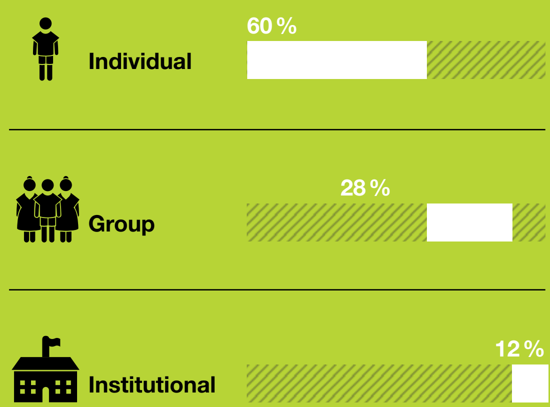
LATIN AMERICA

USD 14 M global portfolio
6 % of portfolio at risk > 30 days

26,461 clients

16 branches
180 staff
88 loan officers (49 % of staff)

LOAN PORTFOLIO COMPOSITION



SOCIAL OUTREACH TO BORROWERS

Women	54 %
Youth	41 %
Rural	56 %
Agricultural	21 %

SOCIAL OUTREACH TO BORROWERS

Women	81 %
Youth	24 %
Rural	82 %
Agricultural	43 %

SOCIAL OUTREACH TO BORROWERS

Women	75 %
Youth	22 %
Rural	21 %
Agricultural	5 %

ECLOF STRATEGIC THEMES

"SINCE MY HUSBAND DIED, I'VE BEEN LIVING WITH MY DAUGHTER'S FAMILY. WITH THE LOAN FROM ECLOF I'VE BEEN ABLE TO PLANT VEGETABLES AND EARN MY OWN INCOME."

MARIA DA GLORIA, BRAZIL

◂ ECLOF BRAZIL

INNOVATIVE CLIENT SERVICES

Designing products and services that meet client needs is not just a main principle of social performance in microfinance, it is also a driver for success and outreach of microfinance institutions. ECLOF therefore places high emphasis on understanding the needs and preferences of different groups of clients and adapting its services to them. At the same time, the right products and services need to be beneficial to clients in progressing not just toward their business but also increasingly their family goals. It is recognized that a combination of access to finance with non-financial services is much more effective in increasing income, building assets and improving livelihoods.

In contrast to traditional microfinance that offered merely standardized credit products, ECLOF takes a more comprehensive approach of looking at its clients lives — and how ECLOF's services can help improve them. This has led us to more tailored financial products, like agricultural value chain loans or education loans, but also to an increasing range of non-financial services: training clients on issues related to their business and family wellbeing, like health, home improvement, or access to water. These services strengthen the resilience of clients to external shocks, as is shown in the example from the Philippines. Furthermore, technology is playing an ever more important role in delivering services to our clients. This year's report features examples where new technology makes clients' lives safer and easier, especially in remote rural areas.

ECLOF KENYA

PROVIDING FINANCIAL INCLUSION TO THE EXCLUDED HOUSEHOLDS THROUGH MOBILE BANKING

With the advent of mobile banking in Kenya, a big unbanked population — especially the rural poor, women and illiterate people — have benefited from an expanding scope of services offered through mobile cash platforms. ECLOF Kenya serves 55,000 clients, about 60 % of them living in rural areas with limited access to formal banking services. Oftentimes clients need to travel long distances to ECLOF Kenya's offices and to a bank branch to withdraw and service their loan.

◂ ECLOF TANZANIA

To improve client care, ECLOF Kenya has started offering mobile banking services to its clients. ECLOF partners with M-PESA, a mobile money service provider that operates over 4000 agents countrywide. Now clients can receive their loan from ECLOF Kenya on their mobile phone instantly and withdraw it in the local M-PESA outlet. The service has no opening cost and only a small transaction-based fee. Equally, loan repayments were made much easier. Up to now, ECLOF Kenya's solidarity groups used to collect loan instalments for all group members and travel to the nearest bank to deposit the instalment. They would then hand over the banking slip to ECLOF staff. This process can be risky and time consuming as the clients travel for long distances. The time wasted on the road and in bank queues is crucial for a micro entrepreneur. Now with mobile banking, the treasurer sends the group's instalment to ECLOF Kenya through the nearest M-PESA agent and submits the transaction number via text message to the ECLOF loan officer. This process is efficient, safe and cost effective to the clients.

ECLOF Kenya is proud of having embraced technology as a tool to deliver appropriate services to its clients and to have facilitated access to financial services to the economically marginalized population in Kenya.

CLIENT STORY
EUNICE NEKESA

"I am married and a mother of two children. My main source of income is the M-PESA agency, and I earn additional income from a cosmetics sale and saloon business. I started with ECLOF Kenya in 2015 through a group called Kosiana. I took a first loan of USD 600 which came through M-PESA in a very short time. This kind of speed in giving loans is not common in the market.

The loan was very helpful as it came in a timely manner to meet my business needs. At some point, I applied for another loan of USD 300 and to my amazement I received money within 2 days of submitting my loan form.

Our group transactions are done through M-PESA and my group members withdraw and make their payments at my premises. I am so grateful for ECLOF Kenya to have promoted my M-PESA business. Due to demand, I have opened two other outlets within our town hence creating employment opportunities for the locals. Hongera (congratulation) ECLOF Kenya!"

ECLOF ARMENIA

CLOSER TO CLIENTS THROUGH PAYMENT TERMINALS

To stay as close as possible to their needs, ECLOF Armenia constantly listens to its clients and seeks to develop tools to respond to their queries.

Many of ECLOF's clients live and work in remote rural areas of Armenia. As part of its service quality approach, ECLOF Armenia launched a system of payment terminals in September 2016. ECLOF Armenia joined the national system of payments comprising over 750 terminals across the country. ECLOF also installed terminals in its four branches, thereby associating ECLOF with a well-known services brand.

Now clients can make transactions from machines installed in their community at any time. They can repay their loans directly in their community, even if the next ECLOF branch is far, and they can get quick information about their loan balance at any time. Clients can also use the terminals for making other payments such as electricity or gas.

By avoiding long travel to the branch, clients have gained in autonomy and convenience in managing their loans. They can invest the saved time in their business. On ECLOF's side, the staff invests it in improving the depth of ECLOF services. As a result, this technology has clearly shortened the distance between customers and ECLOF.

ECLOF PHILLIPINES

SERVING ITS CLIENTS THROUGH CASH DISBURSEMENT FACILITY AND A CAMPAIGN FOR HEALTH

Two in every three clients of ECLOF Philippines live in rural areas. They often practice one of the most vulnerable activities in the community: agriculture. Farmers and fisher folks are susceptible to natural disasters, they depend on market prices, and they face practical challenges accessing services due to their geographical isolation. ECLOF Philippines continues innovating in order to add value to these communities and deliver relevant and responsive products and services.

One of the issues affecting rural dwellers is a lack of access to finance in general, and to cash retrieval mechanisms in particular. It can make them dependent on people and businesses taking advantage of the situation by charging high fees and commissions. In 2016, ECLOF therefore set up a Cash Disbursement Facility at the Rizal branch offices. Now clients can withdraw cash fast and safe at ECLOF offices in the most remote areas.

Another challenge rural folks face is a lack of access to health services — both primary and preventive care. When affected by minor maladies, many of ECLOF's clients do not consult doctors because of lack of financial means or ignorance. However, diseases that can be benign, if left untreated, can get worse and become so severe that they affect the personal and professional life of a person.

To prevent this, ECLOF Philippines started a campaign for health among clients in December 2016. The first health, medical and dental event was organized for the clients of Calauan and Sta. Cruz branches in South Luzon. In partnership with the LIFELINE foundation, ECLOF gathered interested clients and arranged for doctors, dentists and volunteers to be on-site to consult the clients on their medical issues. Country Bankers Insurance Corporation provided free medicine and the Philippine Bible Society offered its services. 252 clients benefited from free medical consultations, dental services, awareness on issues such as hypertension or diabetes, and advice on how to maintain a healthy lifestyle. With all the positive feedback from clients, ECLOF intends to replicate these events together with its partners in other parts of the country.

These are examples of how ECLOF Philippines lives out its mission to build sustainable livelihoods and communities – economically viable, socially desirable, and environmentally sound.


OCTOR


ECLOP

RURAL & AGRICULTURE OUTREACH

More than three quarters of the world's poor reside in rural areas of developing countries. At the same time, it is these countries where the biggest population growth is forecast. To feed this growing population, developing countries will need to almost double their food production.

There are 500 million smallholder farms world-wide, more than 2 billion people depend on them for their livelihood. Small farms produce around 80 % of the food consumed in Sub-Saharan African and Asia. Enhanced smallholder agriculture can offer a route out of poverty for rural populations while increasing food security. But it needs to be productive, commercially viable and linked to markets – and environmentally sustainable. Yet, smallholder agriculture will not provide a route out of poverty for all rural people. The non-farm economy, too, can provide opportunity and income.

Women play a critical role in running rural households and make major contributions to agricultural production. They typically work 12 more weekly hours than men. Where men have migrated in search of work, women often have the sole responsibility for farming and raising the children. Yet they have less access to resources and services to earn income and increase their productivity.

Slowing the rural exodus, promoting economic growth and reducing rural poverty requires a broad approach, based on a deep understanding of the local economies and communal ties. For long-term impact, the rural economies need continuous funding in combination with capacity building to improve the capability of the borrowers to pay back their loans and improve their living conditions. Rural dwellers need to be able to borrow, save, invest and protect their families against risk. But with little income or collateral, poor people, especially women, are barred from access to loans from banks and other formal financial institutions. And to those willing to bridge the gap, challenges abound: infrastructure is scarce or non-existent in rural areas, clients are far flung, transaction costs are high, and the agricultural yields can fluctuate depending on uncontrollable factors.

ECLOF addresses these issues through locally-rooted financial and non-financial services to rural dwellers and farmers. More than half of ECLOF's clients world-wide are located in rural areas, and one quarter of the loan portfolio is dedicated to agricultural loans. ECLOF offers tailored products and services that are accessible to clients at the bottom of the pyramid, help them build capacities and increase yields through training and market linkages and reduce risks through micro insurance and emergency loans. Hereby ECLOF empowers in particular youth and women.

The following examples illustrate how ECLOF bridges the rural and agricultural funding gap with innovative approaches, promotes sustainable agricultural practices and empowers the local communities by bringing them together and building their capacity.

◂ ECLOF COLOMBIA

ECLOF SRI LANKA

WORKING IN TANDEM WITH LOCAL GOVERNMENT'S WOMEN DEVELOPMENT OFFICERS

ECLOF Sri Lanka stands out from other microfinance institutions in the country because of its proximity to rural populations, particularly women. Whereas the majority of the recognised MFIs concentrate on urban areas, ECLOF counts 80 % of its clients in rural areas where banking facilities are often not available at all. ECLOF Sri Lanka lends almost exclusively to women representing 98 % of their clients. As a result of blatant gender inequality, females in Sri Lanka are deprived of equal access to education and employment. This is why ECLOF addresses them and enables them to create job opportunities. In addition to financial services, ECLOF also provides trainings on finance, management and social matters useful for self-help group management.

ECLOF Sri Lanka benefits from a special relationship with local government administration. In each area, a Women Development Officer (WDO) conducts women health programmes, mothers and child care, sex education programmes, and enlists other competent officers on entrepreneurs' development programmes. ECLOF supports these programmes and the empowerment of their beneficiaries by providing them with loan capital.

ECLOF Lanka was a pioneer in partnering with the government agencies. It gives ECLOF a unique position and creates opportunities to reach places and people that have not had access to other sources of finance.

CLIENT STORY

BARREN LAND TURNED AROUND TO AN INCOME GENERATING GREEN PLANTATION

Mrs. Chandrika Subasinghe, 38 years old, and her husband have 4 children aged 10 to 21 years and live in a remote village in the Kandy District. In this part of the island, the rainy and chilly climate conditions are ideal for tea planting. Chandrika's family was granted 2 acres of abandoned land by the government. The land had been lying unproductive after bad tea planting methods during colonial times. The family had to work hard to make the land fertile again, using proper soil conservation methods and a good tea seeds' selection.

In 2006, Chandrika joined the village group Proboda Kantha Samithiya that was supported by the administrative division of Doluwa's Women's Development Officer in the Kandy District. Through this group, she managed to get 8 consecutive loans from ECLOF. Chandrika's husband is a mason and their children are going to school but they all help her when needed. Her mother aged 70 years also still plucks tea at times. Each loan was used to further extend her tea planting by adding additional plots, and after many years of hard work, they have a total of 1.5 acres of cultivated tea land.

Today, around 60 - 70 kg of raw leaves is plucked weekly, and 90 – 100 kg during the peak season, and they are sold directly to a nearby tea factory. Recently tea prices have increased to approximately USD 18 per kilogram which gives a monthly income around USD 160, completed by the sale of pepper and cloves that they also cultivate on their lands. Thanks to this income, Chandrika is able to afford her children's educational expenses. She says: "This is the joy I have that I was able to give to my children an opportunity I didn't have, now my dream is fulfilled. And I even manage to save money for the future."

As the demand for tea is growing rapidly, Chandrika plans to use her next loan to start a tea plant nursery. And with a broad smile she goes on: "In the 12 past years, the ECLOF funds have helped us turn our gardens greener than the past dry brown earth; and this whole area is now filled with a beautiful aroma. Our lives are brighter and full of hope!"

ECLOF INDIA

RURAL LOANS FOR WOMEN EMPOWERMENT

ECLOF India has been serving marginalized and underprivileged communities for 52 years. In 2016 ECLOF India disbursed loans to over 5500 clients, all of them women, and 70 % living in a rural environment. 1470 clients engage solely in agriculture and livestock keeping.

ECLOF loans enable women to start up or expand agricultural activities in all seasons and generate regular income for the family. ECLOF India's operational staff, 60 % of whom are women too, visit female farmers in the villages of Southern India, giving them advice on sustainable farming and helping them access micro loans.

ECLOF India used to lend to groups of women only, but as a result of client demand has recently introduced individual loans to women involved in agriculture and livestock activities. To some women, this individual loan provides extra flexibility and autonomy.

CLIENT STORY

FROM A DAILY WAGER TO A PROUD LANDOWNER

Suguna is a 37-year old mother of two teenage daughters. She lives with her husband, a worker in a local steel plant. Although he does a dangerous and strenuous job, he earns only a meagre and inconsistent income. To earn some money for the family, Suguna started working as a wage labourer on neighbourhood farms. So did other women in her community, and later they joined hands in a women's self-help-group.

Suguna took her first loan from ECLOF in 2007. Combined with her savings, it enabled her to buy a small piece of land of 0.2 hectares. She then trained her family members to help her in the cultivation. She cultivates off-season vegetables like bitter guard, ladies-finger or capsicum. That has allowed her to earn a continuous income throughout the year. She started using the latest irrigation technologies and timely pest control to optimize and secure the crops. Vegetable vendors and retailers collect her products directly at the farm, saving her transport cost. Later she used an ECLOF loan to lease more land adjacent to hers. In the meantime Suguna employs three women to work with her.

Today her struggle for mere survival is over. As a successful women entrepreneur, she has gained confidence and determination, and she is planning to expand further. She says with a smile full of pride and hope, "I am so grateful to ECLOF India for its helping hand during these years. I could never imagine that one day, I would have so much income and respect from my community. Coming from a vulnerable group, I am now an example of fierce determination and dignity. And for this, I and my family are thankful forever."

ECLOF BRAZIL

CLIENT STORY CONTINUED : FARMING IN FATHER'S FOOTSTEPS

ECLOF's Annual Report for 2015 featured the story of Romualdo Conceicao dos Santos from the rural outskirts of Alagoinhas in the Northeast of Brazil. A married father of three grown up sons, 47-year old Romualdo struggled for many years working other people's land as a farm hand. Through his hard work and with a loan from ECLOF, Romualdo eventually managed to buy two hectares of land to cultivate. Nowadays the small farm supports the life of the family, their elderly parents and their son Ronaldo who still lives with the family.

In the meantime son Ronaldo has taken up studies of agronomy in nearby Alagoinhas. He has already started applying his new knowledge to the family farm: introducing financial management and current agricultural practices. It was Ronaldo who developed passion fruit production, again with a loan from ECLOF over USD 1500, and arranged a direct contract supplying a juice factory in Alagoinhas. All this has increased the income of the family.

At the moment, the oranges, cassavas, bananas, mandarins and passion fruits are produced through conventional farming. Recently Ronaldo brought up the idea of switching from conventional to organic farming. On the one hand, organic fruits command much higher prices. On the other hand, the switch brings at least three years of reduced income because during that time the harvest will be smaller while the produce cannot be sold as organic yet. Another problem is that the neighbors would have to go organic, too, or the family would need to increase the fallow land between theirs and the neighboring field to avoid spillovers. All this needs to be carefully considered before the family could fully reap the benefits of organic production.

For the time being, Romualdo and his family continue working the soil which provides for the daily income of the family and supports the studies of Ronaldo.

ECLOF COLOMBIA

IMPLEMENTING BIOLOGICAL AGRICULTURE METHODS

It is part of ECLOF Colombia's ethos to offer its clients the most appropriate services to improve their productivity and quality of life. Non-financial services such as trainings and technical assistance for agriculture and livestock farming play an important role in this mission.

On a regular basis, ECLOF Colombia provides agricultural training to its clients. This class-room training is complemented by field consulting to teach client on good agricultural practices. These visits are done by ECLOF staff with an agricultural background or in partnership with the governmental National Learning Service (SENA) who sends volunteer students of farm management or agronomy. They answer a client's questions and give recommendations on efficient, environmental and health-friendly cultivation methods.

This service is offered only at a client's request and it helps them implement what they have learned in the training. The active demand by clients for the field consulting testifies to the high impact of its class-room training programs on the clients.

ECLOF also supports clients in their transition towards sustainable agriculture, coming up with solutions to minimize the use of chemicals and reduce the environmental damage. The practice of organic farming empowers farmers to regain autonomy by stepping away from former reliance on pesticides. This is health friendly not only for the consumer but also for the farmer who is continuously exposed to the pesticides.

CLIENT STORY

MARCO FIDEL'S SHIFT FROM PESTICIDES TO BIOLOGICAL AGRICULTURE

Marco Fidel Hernández Monroy (41) and his wife Mariela Roncancio (45) leave with their two 19-year-old and 5-year-old children in the village of La Concepcion in Boyacá. Previously, the chemical fertilizers and fungicides they were using on their fields had resulted in health problems affecting the family members' lungs. ECLOF trainings and consulting by ECLOF staff and agronomy students sent by the SENA taught them alternative methods in agriculture that avoid the use of chemicals in the breeding of their livestock. And they learned practically how to make organic fertilizers.

In the end they were able to move towards a greener lifestyle, and conserve their health. They say they do not have to go to the doctor anymore. Ecology is present in their agricultural activities, but also in their private life: they have started to practice recycling for example. Their cultivation method is not yet 100 % organic, but they yearn for it and work to get there in the near future.

ECLOF TANZANIA

DEVELOPING AGRICULTURAL LENDING

Accounting for 29 % of GDP and 80 % of employment, agriculture is the backbone of Tanzania's economy. Still, access to finance remains illusionary for most rural borrowers. While some banks have begun extending collateral-free and low interest microcredit to the poor, most serve only urban areas, leaving rural areas largely untapped. Even fewer banks or microfinance institutions offer loans specifically for smallholder agriculture. An alternative for farmers is membership in a Savings and Credit Cooperative (SACCO). SACCOs, however, tend to charge high interest rates and don't always offer repayment plans adequate to the farmers' stream of income.

In recognition of the demand from clients and the potential social impact, ECLOF Tanzania decided in 2014 to venture into agricultural lending. After initial market research in the Moshi and Arusha areas, a dedicated rural office was opened in Bangata.

Loan products and a credit methodology were developed which were geared towards the specific income streams of farmers. By 2015, over 100 farmer clients had become ECLOF clients, as individuals or through solidarity lending groups. To ensure success of the pilot, ECLOF mainly targeted irrigated farms. This reduced the weather risk and ensured good repayment of the loans. Overall, the repayment of agricultural loans has proven to be excellent so far. ECLOF attributes this to the strong social bonds in the rural communities, the loan products tailored to client needs, and the credit process.

Most smallholders among ECLOF clients own half or one acre of land where they cultivate maize, rice or green vegetables like tomatoes, cucumber, fresh beans or potatoes. The average loan amount of USD 500 serves for procuring inputs like seeds, fertilizer and pesticides. During 2016, the agricultural lending program was rolled out to other branches in the country. Dedicated staff with agricultural training was hired. Nowadays, the agricultural portfolio makes up more than 20 % of all loans of ECLOF Tanzania. 25 % of all clients are farmers, and 2 in every 3 clients are women.

DIANA WITH FOUR OF HER FELLOW GROUP MEMBERS (FROM LEFT): BILHUDA, DIANA, MARIAM, ALI OMARI, HASANI

CLIENT STORY

Kahe village, located 50 kilometers out of Moshi, is one of the villages ECLOF serves from its Moshi branch. Residents in this area depend almost exclusively on farming and raising livestock for their livelihood. There is a reasonably reliable irrigation scheme operated by a local cooperative. Although this makes farming less weather-dependent and thus less risky, there are hardly any other finance providers serving the area.

Diana Kimario, 24-year old mother of two young children, is a small scale rice farmer at Kahe village. Her husband is a farmer, too. They live on rented land but own some livestock and a field of half an acre that they cultivate together. Diana is a member of a solidarity group of 8 farmers, 4 men and 4 women, from the same village. She received her first agriculture loan of USD 440 from ECLOF Tanzania in 2016 for buying agricultural inputs. Thus she was able to adequately plant and harvest her entire plot. From the income, Diana improved their home and paid school needs for her children. Together with her group, she recently decided to take a second loan from ECLOF to rent a plot of 10 acres and grow rice there together as a group.

ECLOF was the most attractive finance provider for Diana. The local Savings and Credit Cooperative (SACCO) can provide only small amounts, charges high interest and does not offer a repayment plan that is adequate to her income from farming. An alternative is taking an advance loan from a local miller. However, in return for the loan the miller keeps the valuable outer shell of the rice which she could also sell. Thus, loans from the millers turn out very expensive and farmers consider them a last resort.

SOCIAL PERFORMANCE MANAGEMENT

Social Performance Management is an approach that puts clients at the center of all strategic and operational decisions in a microfinance institution. It begins with a clear social strategy which is carried out by the board, management and employees. MFIs with strong SPM design products that help clients cope with emergencies, invest in economic opportunities, build assets and manage their daily and life cycle financial needs. Such MFIs also treat their employees responsibly and carefully balance the institution's financial and social goals.

As a result, MFIs that actively manage their social performance hold themselves accountable to their social mission, facilitate greater social impact and can even boost their operational and financial performance in the medium-term. Having introduced the SPM framework into its operations since 2011, ECLOF chose to adopt the industry-leading standard – the Universal Standards for Social Performance Management. An interview with social performance expert Laura Foose in this year's report highlights the industry body behind the Standards – the Social Performance Task Force. The report also sheds light on the application of the Standards during institutional transformation in the Dominican Republic and illustrates how ECLOF takes its role as an active community member seriously – even in times of disaster such as the earthquake that hit Ecuador in 2016.

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.

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 TANZANIA

ECLOF's social mission. The framework was developed and tested in 2015. Here are some of the learnings we took on-board in the final framework:

- Adapt the framework to national contexts, leaving out or adding some indicators.
- Build in-house expertise rather than hiring outside resources for every report.
- Limit the number of indicators to what can realistically be collected by the local institution.
- While introducing the framework, it is a good time to also introduce regular board reports on social performance based on selected indicators in the framework.
- Offer technical assistance to institutions struggling with collecting data on indicators, particularly those related to client poverty levels and client outcomes / benefits.
- Integrate the indicators early on in the case of introducing a new MIS locally.

In 2016 the framework was revised and rolled out to a number of ECLOF members. As an example, have a look at the Social Performance Report of ECLOF Myanmar.

ECLOF MYANMAR

CASE STUDY: AN EXTRACT FROM THE SOCIAL PERFORMANCE REPORT OF ECLOF MYANMAR

FACTS & FIGURES ECLOF MYANMAR

Year of foundation: 1959
Legal form: Microfinance NGO
Number of clients: 7,217
Loan portfolio USD: 0.8 million
Number of branches: 4
Number of staff: 36
Operational self-sufficiency: 131 %

All information as per December 2016

BRANCH NETWORK ECLOF MYANMAR

WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
Number of clients reached *thereof women* *thereof men* *thereof urban* *thereof rural*	7217 *6701* *516* *0* *7217*	ECLOF Myanmar targets predominantly women living in rural communities.
Geographically poor areas served	100 %	ECLOF Myanmar serves exclusively clients located in rural areas.
% of vulnerable clients	93 % of clients are women	Because of limited access to education and assets, women tend to be more vulnerable than men.
	23 % of clients are smallholder farmers	Because of precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks.
	68 % of clients have only basic education or less	Half of all clients have only 5-year primary education or less.
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	31 % of clients live on less than 1.25 USD/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 2.50 USD/day	For targeting, ECLOF Myanmar applies the PRA methodology to assess client poverty and then recruits only clients categorized as poor or vulnerable.

ECLOF targets exclusively rural areas; most loans are used for agriculture, livestock rearing and other rural activities. The average loan size is around 120 USD per client. Almost all clients are women. Women tend to be more concerned about their families' welfare in terms of food, child education, living conditions, and even health. ECLOF Myanmar applies the participatory rural appraisal (PRA) methodology to assess client poverty levels and adjust its targeting. In addition, ECLOF uses the PPI tool to assess client poverty.

CUSTOMER EXPERIENCE

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

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.

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	**58**	**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. ECLOF Myanmar has policies and procedures in place for 3 of the 7 accepted client protection principles: 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 microfinance institutions.

Part of ECLOF's approach to proactive 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, covering basic financial literacy and business skills, savings culture, avoiding over-indebtedness and vices like drinking or gambling. 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.

RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	**6 %**	**Only two staff exited during 2016.**
Share of women in staff/management/board	**Staff: 60 % Management: 63 % Board: 71 %**	**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.**

ECLOF Myanmar regularly tracks staff turnover and conducts exist interviews with departing staff. There are regular satisfaction surveys among staff. In a competitive labor market, ECLOF Myanmar has reduced staff turnover to a single digit figure in 2016.

Women are well-represented in the leadership and staff of the institution. 82 % of all staff benefited from professional training in 2016.

BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
Number of clients trained	6159 (85 % of total clients)	ECLOF Myanmar trains clients on basic business skills, financial literacy, savings culture, debt management and loan usage, land rights, healthy food & nutrition.
Number of services addressing basic client needs	2	Education loan product, Health loan product
Number of clients benefiting	1371	Clients benefiting from either education or health loans

ECLOF actively pursues positive impact on the lives of our clients. This is achieved through financial products and by building clients' capacity. For clients affected by disaster, ECLOF offers an insurance mechanism.

Financial products

ECLOF's 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 social loans financing children's school expenses or the cost of medical treatment.

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. Some of the groups have jointly advocated towards local government for greater change and improvement in their community, obtaining e.g. connection to electricity or roads.

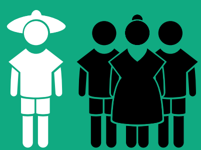
Beneficiary Welfare Program

A self-managed risk-mitigation mechanism, it protects clients from debt after personal misfortune or a natural disaster. The Program is fed jointly by contributions from ECLOF and the clients. Since 2013, the scheme has helped 289 beneficiaries cope with distress by paying out nearly USD 20,000.

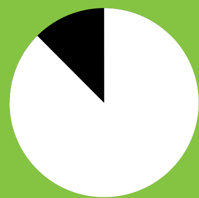
289

clients in distress
benefited from
self-managed
insurance mechanism

9 in 10 clients
are women



1 in every 4 clients
is a smallholder farmer



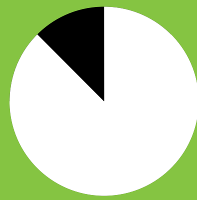
85 % of clients
benefited from business
or other training
through ECLOF

Only

4 %

of clients
left the institution
in 2016

Most staff, managers and board managers are women



82 % of staff benefited from professional training

95 % of clients live on less than USD 2.50 a day

31 % even have less than USD 1.25 a day

More than

100

village households secured land rights after training by ECLOF

2

loan products for basic needs: Education and health

ECLOF ECUADOR

DEALING WITH THE EFFECTS OF THE EARTHQUAKE

On the night of Saturday, April 16, 2016, an earthquake of magnitude 7.8 on the Richter scale affected Ecuador's coastal zone. Cited as the worst natural disaster to hit Ecuador since the 1949 Ambato earthquake, it killed 660 people and injured 20,000. Many ECLOF clients, their relatives and families were directly or indirectly affected by this disaster in the three provinces of Esmeraldas, Los Rios and Manabi. Three ECLOF clients lost their homes completely, 35 suffered serious housing damage, 12 were injured, and many clients lost part of their work equipment, preventing them from practising their professional activity. For example, cracks in a canal have led to the destruction of crops affecting 45 families.

ECLOF Ecuador's social responsibility goes beyond the financial services it offers, and in this crisis situation, the priority was to support its clients in distress. ECLOF's teams carried out numerous reconnaissance visits to the affected areas, organizing support meetings and arranging for direct or indirect aid measures.

Of the 83 clients affected by the earthquake, ECLOF was able to support 57 clients and their families, with a total of 260 beneficiaries. In order to reconstruct or repair housing and workplaces, ECLOF provided the earthquake victims with free material such as concrete blocks, sand, roofing, sanitation, etc. ECLOF also donated agricultural inputs to peasants hit by the disaster. In addition, ECLOF delivered 300 survival kits to emergency shelters for families in need.

ECLOF also adapted the terms of outstanding loans or issued new loans and technical assistance to enable clients to relaunch their economic activities. 22 clients benefited from a credit restructuring. Twelve other clients who had just received their credit had to delay the implementation of their project because of the natural disaster. In order to avoid putting them in further difficulty, ECLOF lowered their loan interest rates and adjusted their terms according to their situation.

All of this was possible only with the solidarity of the ECLOF network and ECLOF International who released grant funds to support the victims. Being much more than a microcredit provider, ECLOF Ecuador stood by its clients in these dramatic circumstances. Today, most customers have rebuilt their lives, reconstructed their homes, revived their professional activities, and overcome the shock of the quake.

ECLOF DOMINICAN REPUBLIC

ACTIVE SOCIAL PERFORMANCE MANAGEMENT WITHIN AN INSTITUTIONAL TRANSFORMATION PROCESS

ECLOF Dominican Republic is currently an unregulated non-profit microfinance institution with a clear social mandate set out in its mission statement: "To contribute to the sustainable development of the population with little resources through financial services, training and education". However, amidst a growing and professionalizing microfinance sector in the country, it has become a real challenge to ensure the sustainability of the institution and remain faithful to the mission bound by the legal framework of a non-profit institution.

To meet this challenge, the Board of Directors has approved the creation of the ECLOF Cooperative (COOP-ECLOF) for savings, credit and related services. This new legal setup will enable ECLOF to improve and expand its existing services and integrate new ones to meet the needs of its clients.

In the cooperative model, the client can shift from being a "borrower" to being a "partner". Involving and empowering clients will strengthen the ties between client and institution. The partnership can also lead to new sources of capital for loans, reduce delinquency through customer service and appropriate products, and improve client loyalty. Clients take a much more active role, and staff must adapt their relationship to them. In the cooperative model where clients gain in responsibility, it makes more sense than even to train them how to better manage their resources. Therefore, the new cooperative statutes will guarantee funds for client training.

Active social performance management (SPM) has been an integral part of the path towards transformation. In this sense, the Chairman stated: "The creation of a cooperative as a new entity, in line with the values and mission of ECLOF Dominicana, allows greater coverage and more services to our customers... and customer service has become central to the actions of ECLOF, following the methodology of Social Performance Management".

INTERVIEW

LAURA FOOSE
SOCIAL PERFORMANCE TASK FORCE (SPTF)

Laura Foose is the Executive Director of the Social Performance Task Force (SPTF), a non-profit industry body with more than 3000 member organizations from the inclusive financial services industry. The SPTF develops and promotes standards and good practices for social performance management (SPM): the systems that organizations use to achieve their stated social goals and put customers at the center of strategy and operations.

What is the Social Performance Task Force (SPTF) and how did it come about?

It's a global platform to promote and support a financial services industry that serves the interests of clients, institutions, and investors alike.

We began by having the conversation about what balanced, client-focused finance looks like in theory. Once we'd done this, we worked with partners such as ECLOF to see what it looks like in practice. In 2014, this multi-year, cross-industry development process culminated in the launch of the Universal Standards for Social Performance Management, and the subsequent update in 2016. We like to think of the Universal Standards as a comprehensive manual of best practices to help financial service providers (FSPs) put clients at the center of all strategic and operational decisions, and align their policies and procedures with responsible business practices.

Why is SPM important in microfinance and the overall access to finance sector?

The Universal Standards underpin all the management, reporting, auditing, due diligence and rating frameworks used by different actors across the industry. What this means is that everyone along the financial services value chain is reading from the same page when it comes to social performance management. This is critical, because taking a value chain approach to SPM integration is the only way to ensure that it becomes standard business practice.

How do you view ECLOF as a socially responsible network, its activities and progress so far, and what still needs to happen?

With its clear social focus and commitment to tackling poverty by equipping people with the necessary tools — financial and non-financial — the ECLOF network is a natural ally to the Task Force. SPTF stresses 'improvement' of SPM practice overtime as a key objective for partners in the field. We see ECLOF as a partner who shares this objective of improving practice overtime. ECLOF has made a commitment to working with its members to identify what their current state of practice is, and then help them improve. We are delighted by ECLOF's marked progress implementing strong social performance and by its commitment to transparency, to sharing learning within its network and also with others in the industry. By using the SPI4 tool to conduct analysis on its network members, and then submitting this information to CERISE for benchmarking purposes — this benefits not only ECLOF and its clients but the broader industry. We are conscious, though, that all this work doesn't come for free. It requires resources — and ECLOF needs to make sure they can access and retain these resources.

Please give readers an outlook on what's coming in SPM in the foreseeable future.

Our work isn't just about getting everyone on board the SPM train. We also want to link better management with better results for clients. For this reason, we're particularly excited about the work of our Outcomes Working Group. A precise definition and measure of "social impact" has long eluded industry experts; historically, impact was assumed, so long as clients demanded and repaid their loans. More recently, randomized control trials have taken up the baton on the impact question, with one high-profile review concluding that the impact of microfinance is, on balance, zero. However, when it comes to the business of creating social value, we increasingly recognize that markets, clients, and institutions are rarely so straightforward, and immense variations in product design, delivery quality, and client uptake are always masked by academic averages. For this reason, we're starting a data-driven conversation around the small, tangible, measurable outcomes (like increased business income) that will lead to bigger, longer-term impacts (such as moving out of poverty)—and finding out how better SPM practice can drive these positive outcomes.

Finally, we're trying to expand the conversation around how to create a balanced business model to achieve impact. We recognize that the conversations we (as a microfinance industry) were having ten years ago are the same ones that impact investors and social entrepreneurs are having today. That means that we can be a rich source of insights, as other industries tread the same road towards definitions and frameworks around social performance. In terms of impact investors, this means engaging both the fund managers and asset owners, many of whom believe the common myth that financial inclusion automatically benefits clients. We hope to help fast-track the work of investors in defining, measuring, and improving their impact, e.g. through SPI4-ALINUS, a monitoring and evaluation tool for investors to use in their social due diligence and monitoring of FSPs. Importantly, we've also worked to harmonize our work with similar efforts in the broader impact investment sector–most notably by increasing alignment between the SPI4 and the B Impact Assessment and the IRIS (GIIN) catalogue of metrics.

"OUR INDUSTRY WAS CREATED AROUND THE REVOLUTIONARY IDEA THAT MARKETS CAN, AND SHOULD, WORK FOR POOR AND EXCLUDED PEOPLE. WE MIGHT HAVE BEGUN OUR JOURNEY ARMED ONLY WITH IDEALISM, BUT THANKS TO THE WORK OF THE TASK FORCE AND ITS PARTNERS LIKE ECLOF, WE ARE SEEING THIS THEORY COME INTO PRACTICE."

CHURCHES & COMMUNITIES SUPPORT

The local churches and their national associations are part of the group of stakeholders of ECLOF in every country where we operate. They give guidance as part of the governance of each national ECLOF member and provide logistical and technical support to ECLOF's work. They even invest in ECLOF at a national or international level. ECLOF assists micro entrepreneurs and farmers in their activities in the poorest and most remote areas. Churches and their congregations take a role in the field in several ways: through financial assistance and providing tools and materials to support the entrepreneurs' work, thus enhancing the impact of the loan; through linkages with their network of partners; and by connecting ECLOF with potential beneficiaries in the communities. In some cases, ECLOF joins hands with community development officers to achieve its mission. Being at the core of ECLOF, Churches and communities are integral parts of the ECLOF solidarity chain supporting micro entrepreneurs and smallholder farmers. This year's report highlights an example from Uganda where ECLOF invests in building a community school, but it also showcases churches and related organizations, both from the global South and the North that in turn have invested part of their money in ECLOF.

ECLOF JAMAICA

LOCAL CHURCH ORGANIZATIONS INVESTING IN ECLOF: LITTLE PEOPLE IN TRAINING

The partnership between ECLOF Jamaica and the local congregations has a long history. In 1998, at the initiative of Bishop Otto, ECLOF Jamaica enabled 75 vulnerable church members of the Linstead Pentecostal Tabernacle Church to build their own micro business by providing loans worth USD 61,000.

In order to raise loan capital, ECLOF Jamaica approached churches, church umbrella organizations and church based organizations seeking loan funds to be invested in the development of the portfolio. Three credit facilities totaling USD 47,000 were the result in 2016. One of the investors is the Board of Little People In Training, a kindergarten and preparatory school estab-

◂ ECLOF MYANMAR

lished by the Linstead Pentecostal Tabernacle Church in 1988. It hosts 162 students. The Little People In Training had excess funds to be invested. After careful deliberation the School Board took the decision to invest the money with ECLOF Jamaica, rather than with commercial banks or investment houses. In doing so, they considered the impact of ECLOF's growing portfolio on their own parishioners and poor and disadvantaged persons elsewhere in the country. Another important aspect in the decision of the School Board was the security provided by a guarantee from ECLOF International in Switzerland.

This partnership is a success benefiting both sides. Not only are Little People In Training investing their money safely, but it is being used wisely to help vulnerable people, many of them in their own communities.

ECLOF UGANDA

INVESTING IN EDUCATION TO BREAK THE CYCLE OF POVERTY

Investing in education means equipping children with a view to their future, and can be a chance for some of them to get out of the cycle of poverty. Education has an impact at the individual level, but also at the society level. Numerous studies demonstrate the effects of education in terms of individual and collective well-being, income, demographic transition, maternal and child health, and reduction of inequalities.

Aware of this critical topic, ECLOF Uganda has invested part of its portfolio in school projects. Its products meet the specific needs of schools. For example, the repayment term of the loan is in line with the payment term of school fees. Interest rates are lower than those of other financial institutions. And ECLOF supports the schools' business development, for instance by helping them issue management reports.

CLIENT STORY

MR. KAHWA DAN OF KIGUMBA: BUILDING A COMMUNITY SCHOOL FROM SCRATCH

Mr. Kahwa Dan is teacher by profession. He joined ECLOF Uganda in 2013 to take a loan as a member of an agricultural group. With the loan of USD 275 he started a maize field.

But his dream has always been to start a school in his home community. So he applied for an individual loan from ECLOF. He began with two makeshift classrooms. Thanks to the income from the maize farming and consecutive loans from ECLOF, over the years he was able to build a total of seven classrooms and an administration block for his school.

He appreciates working with ECLOF, he enjoys the suitable payment terms and the low interest rates. Currently Mr. Kahwa Dan is repaying 12-month loan of USD 2750 he used to construct a water-lined pit latrine for students as a requirement by the inspector of schools. He now employs 28 qualified teaching staff and 7 support staff whom he pays on-time as he points out proudly. Student enrollment has increased from 80 to 340. He continues his maize culture, using a part of the crops processed into flour to feed the pupils, which again reduces food costs.

Mr. Kahwa Dan managed to bring his institution up to government standards. He is now aiming to acquire a registration certificate so that the school will become a legal entity. This will ensure continuity of the school and increase parent confidence — and consequently student enrollment.

◂ECLOF UGANDA

INTERVIEW

ANDRÉ BOURQUI
COMMUNAUTÉ DE BEGNINS

André Bourqui is the Council President of the Swiss Roman Catholic congregation of Begnins. The congregation is part of the parish of Nyon which unites over 22,000 Catholics in 27 different villages and towns. Since 2013, the congregation has been placing an interest-free loan of 40,000 Swiss francs with ECLOF.

How did the relationship with ECLOF come about?

As an IT professional I was doing some work for the World Council of Churches in 2012 in Geneva when I heard about ECLOF for the first time. Soon after I visited their office and learned more about ECLOF. I was quite impressed how many people ECLOF could help with just very small loans amounts.

Our congregation has a long history of giving for the benefit of those who are underprivileged. Every year we make small grants to support different social actions and associations with about 400 - 600 francs — but the number of people we could help with this money was relatively limited. In 2013, our congregation had a savings account of around 40,000 francs sitting on a bank account earning us less than 1% interest per year. So I made a quick calculation that if we invested that money into ECLOF as an interest-free loan, it would cost us merely 400 francs per year. But we would be able to support about 500 families per year with the money, given the average loan size and term of ECLOF's micro loans.

What does your congregation think about this investment?

With ECLOF we found a way to help many more people than by making a small donation of 400 francs to a single organization. It feels like multiplying our impact by factor 100. We had the choice to define in which country our money would be used and we chose the Dominican Republic. ECLOF keeps us informed about the projects in this country and we have been seeing a tremendously successful development there.

From a pure financial point of view, we appreciate the security of the loan with ECLOF. Unlike other financial institutions, ECLOF has significant equity that protects lenders like us.

Would you recommend other churches to invest in ECLOF, too?

We would highly recommend other churches to consider placing an investment with ECLOF. Sitting on a bank account, the money certainly won't profit the poor. Churches should look at how many people they could help through a loan or investment in ECLOF, in addition to continuing charitable giving for other causes.

What are the reasons you invest part of your funds in ECLOF International?

There are many microfinance institutions. This is good because it gives poor people access to ethical loans that meet their needs. But ECLOF was among the first to do so and is an experienced organisation. Contrary to a bank that pays out to shareholders, ECLOF reinvests all its income to benefit even more people.

It is important to help people take their future into their own hands and eventually become self-sustaining. But ECLOF is not just about giving loans. Poor people also get technical support and training from ECLOF's local member organization. In combination this helps them succeed with their small project. The repayment ratio is high — which demonstrates the success of the organisation and processes. The micro loans build a micro economy and a local network of farmers or entrepreneurs working together and helping each other. This is also the essence of our Christians churches: bringing love around them and happiness to everybody for the Glory of God.

We are very satisfied and grateful to collaborate with ECLOF and its team in Geneva. We hope that many other churches will take the opportunity to boost and multiply their social investments with the ECLOF "Turbo Engine".


70

ECLOF 70TH ANNIVERSARY

OVER THOSE 70 YEARS, ECLOF HAS CONTINUALLY BEEN REINVENTING ITSELF, BUT IT HAS REMAINED TRUE AND COMMITTED TO THE ECLOF MISSION OF PROMOTING SOCIAL JUSTICE.

◂ ECLOF TANZANIA

CELEBRATING 70 YEARS OF ECLOF

The strength of the ECLOF network lies in its field operations in Africa, Asia, Latin America and Caribbean that directly reach the vulnerable and disadvantaged. This is the reason why the ECLOF board decided to commemorate ECLOF International's 70th anniversary through a series of three regional celebrations organized in the oldest ECLOF offices : Yangon in Myanmar, Buenos Aires in Argentina and Arusha in Tanzania.

The board chair people and managing directors of ECLOF's members and ECLOF International, their friends and partners gathered to celebrate together. Among the guests were ECLOF's clients as well as representatives of local member churches and organisations such as Church of Sweden, ICCO Cooperation, Lutheran World Federation, YMCA and YWCA. This was the opportunity for a look back at common achievements and an outlook of what lies ahead.


ECLOF
ECLOF
ECLOF


ECLOF INTERNATIONAL


ECLOF INTERNATIONAL
70th

ECLOF HISTORY

FROM 1946 TO THE 1950S

REBUILDING CHURCHES IN EUROPE

ECLOF was first registered as Ecumenical Church Loan Fund on April 29, 1946 by two private Swiss bankers – Gustave Hentsch and Georges Lombard – together with Dr. Visser't Hooft, the man who later became first General Secretary of the World Council of Churches. Further capital was endowed by John D. Rockefeller, Jr. and the predecessor to the World Council of Churches. Gustave Hentsch was President until 1962 – when he was succeeded by his son Leonard.

ECLOF was established as a non-profit foundation under Swiss law. The founding members were concerned about postwar Europe and the need to reconstruct damaged or destroyed churches. Initial funding was donated by churches and other organisations. ECLOF actually raised some USD 325,000 in donations in its first three years.

First loans were provided in France to acquire houses for pastors and their families, contribute to the cost of an orphanage and finance housing for homeless youths. Later, loans were made to churches in countries across Europe.

SWITZERLAND, GENEVA, 1946, MR. GUSTAVE HENTSCH, DR. ALPHONSE KOECHLIN AND DR. WA VISSERT'S HOOFT

HUNGARY, 1970, REFORMED CHURCH CEGLED

THE 1960S

EXPANDING TO THE DEVELOPING WORLD

In 1956, ECLOF investigated the possibility of expanding its projects outside Europe. At that time, some European ECLOF offices were returning their capital back to ECLOF International, and it was getting more financial support from churches and institutions around the world. In 1959, the first extra-European office was opened in Burma (Myanmar). It was followed by the founding of offices in Tanzania in 1960 and Argentina in 1961.

It is estimated that ECLOF provided some 1200 loans in its first 20 years in over 20 countries – primarily for building churches, schools and community centres. ECLOF played a key role in those early years in expanding outreach and diaconia of the Churches in the countries where it operated.

▲ BELGIUM, 1948, PRIMARY SCHOOL, METHODIST CHURCH OF COMINES

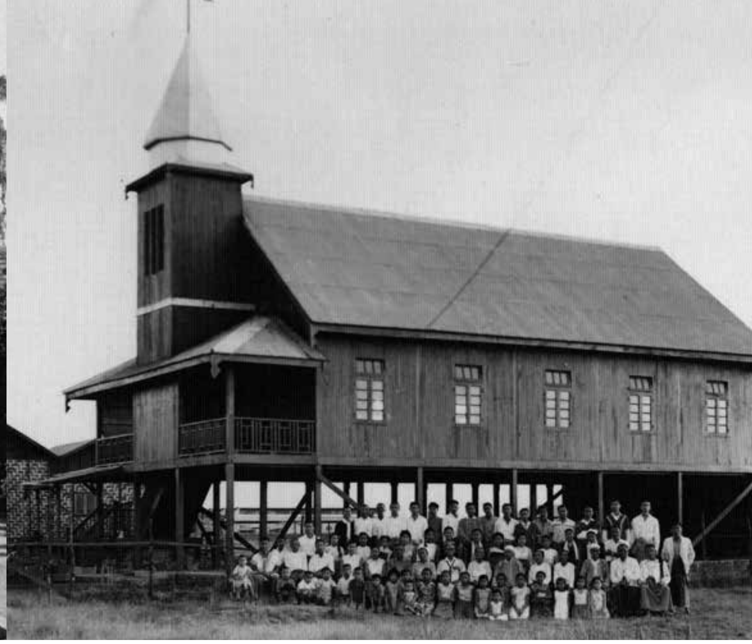
THE 1970S & 1980S

PIONEERING MICROFINANCE

ECLOF's expansion and reorientation to the developing world led to a concern with the root causes of underdevelopment and poverty in the world. Theological reflection in the WCC resulted in a number of commitments to the poor made at the 1968 Uppsala Assembly and the Montreux Conference in 1970. In response, in 1971 ECLOF created a new fund to provide loans to groups of rural and urban poor, aimed at promoting social justice and self-reliance. This was the birth of ECLOF's microfinance activities as we know them today.

By 1976, 3 in every 4 ECLOF loans were made in Non-European countries ; microfinance loans represented more than half of all loans made. But there were challenges in that period : Global economic crises in the 1970s and 80s had catastrophic consequences for many throughout the developing world and particularly across Africa. Economic gains of the 1960s and 70s were wiped out and the world saw growing levels of poverty, especially in rural areas.

▲ AUSTRIA, BAD GOISERN, 1965, EVANGELICAL YOUTH, ECUMENICAL INTERNATIONAL CONSTRUCTION CAMP



THE 1990S AND EARLY 2000S

PRESERVING THE MISSION AMIDST CHANGE AND RENEWAL

By the beginning of the 1990s ECLOF was operating in 62 countries; most of them in the developing world. Financing for ECLOF came from grants by American, Canadian and European churches and related organizations. ECLOF had a clear social focus and a social culture.

The period also saw a changing microfinance landscape. Microfinance became an industry, regulation was introduced, and new products were entering the marketplace. Increased commercial funding was flowing to microfinance. In some countries it was difficult to balance this new “double bottom line” of targeting both social impact and financial sustainability. ECLOF adapted by making changes to the organization, funding sources and governance of its local offices. There was a cultural shift away from grant dependency towards self-sustainability. Some country offices closed, leaving 40 by 1996.

A new ECLOF Model was required. A new smaller board was put in place, composed of people with extensive microfinance and development experience who devised a new strategic framework and approach built around four priorities:

- Build a strong and sustainable EI and network.
- Rebuild relationship between EI and the network.
- Rebuild relationships with partners.
- Preserve mission, spirit and values.

2011-TODAY

A NEW ECLOF

During this period, ECLOF continued consolidating its network to 19 countries, all of them in the developing world. The new strategic framework was implemented:

- strengthening local governance and client outreach;
- deepening the relationship between ECLOF International and the network;
- and actively managing social performance and innovating products and services.

The board of ECLOF International welcomed new representatives from the countries. All countries committed to highest professional standards and the mission of ECLOF through a Memorandum of Understanding. ECLOF International began to effectively address the funding and technical assistance needs of the network. New loan funding and technical assistance grants were provided to the network. While all of this was going on, there was no change in mission.

◤ GERMANY, BERLIN, 1957, REFORMED CHURCH

▲ BURMA (MYANMAR), OKKALAPA, 1962, BAPTIST CHURCH

CONCLUSION & OUTLOOK

For the original purpose of rebuilding churches, schools and other infrastructure, it is estimated that ECLOF has disbursed over USD 100 million throughout the years. ECLOF through these loans has made a real contribution to the mission and diaconia of the churches.

For microfinance, ECLOF has disbursed USD 535 million in the last 20 years alone. That is about 1.1 million loans – and assuming an average family unit of 4 people – it has impacted nearly 4.5 million people.

Over those 70 years, ECLOF has continually been reinventing itself, but it has remained true and committed to the ECLOF mission of promoting social justice.

ECLOF's target group – the marginalized and those denied access to finance – shows no sign of declining. ECLOF's mission remains valid, the ECLOF spirit remains alive and strong, so the work continues.

AUSTRIA, 1968, EVANGELISCHE MISSIONSCHULE SALZBURG

AUSTRIA, 1962, EVANGELISCHE MISSIONSCHULE SALZBURG

BURMA, 1961, LETTOKEKONE KAREN BAPTIST CHURCH, HENZADA DISTRICT

FRANCE, PARIS V, 1971, NURSERY OF THE JARDIN DES PLANTES CENTER

ECLOF KEY DATA

"OUR FOCUS ON RURAL LIVELIHOODS AND REACHING OUT TO VULNERABLE COMMUNITIES REMAINS AT THE HEART OF OUR WORK, AND OUR COMMITMENT TO WALK WITH OUR CLIENTS ON THEIR JOURNEY TO THE RIGHT TO FOOD, EDUCATION, HEALTH AND A SECURE LIVELIHOOD."

KIMANTHI MUTUA, ECLOF CHAIRMAN

◂ECLOF ECUADOR

FINANCIAL STATEMENTS

BALANCE SHEET

in CHF as at December 31, 2016 and 2015

ASSETS	2016	2015
Current assets		
Bank balances & short term deposits	2,916,331	2,611,069
Short term loans to		
National Eclof Committees (NECs)		
from NECs in which		
the entity holds an investment	*196,151*	*194,642*
from other NECs	*1,990,169*	*1,077,317*
Short term interest receivable from NECs	24,596	22,819
Management fees		
& other receivables from NECs	100,620	93,851
Provision on management fees	-63,750	-75,288
Net short term		
receivables from NECs	**2,247,787**	**1,313,342**
Other short term receivables	12,878	5,129
Accrued income	118,840	200,879
Other receivables & accrued income	**131,718**	**206,008**
Total current assets	**5,295,835**	**4,130,418**
Long term assets		
Long term loans		
to National Eclof Committees (NECs)		
from NECs in which		
the entity holds an investment	*1,810,933*	*1,950,868*
from other NECs	*17,571,297*	*17,758,313*
Provision on long term loans		
from NECs in which		
the entity holds an investment	*-235,173*	*-243,745*
from other NECs	*-4,147,153*	*-3,890,266*
Net long term loans	**14,999,904**	**15,575,170**

	2016	2015
Interest Receivable from NECs		
from NECs in which		
the entity holds an investment	*25,329*	*27,980*
from other NECs	*678,007*	*707,489*
Provision on interest receivable	-109,629	-177,499
Net interest receivable	**593,707**	**557,970**
Long term investments		
Equity Investment with NEC, net	644,672	662,109
Investment with Oikocredit	13,238	12,650
Total long term investments	**657,910**	**674,759**
Total long term assets	**16,251,521**	**16,807,899**
Total assets	**21,547,355**	**20,938,316**

INCOME STATEMENT

in CHF as at December 31, 2016 and 2015

LIABILITIES & FUND BALANCES	2016	2015
Current liabilities & provisions		
Short term loans	60,000	60,000
Short term interest-bearing loans payable	775,407	–
Deferred restricted income	–	34,974
Accrued expenses	86,616	61,945
Total current liabilities & provisions	**922,023**	**156,919**
Long term liabilities		
Interest-bearing loans payable	1,856,144	1,656,761
Total Interest-bearing long term Llabilities	**1,856,144**	**1,656,761**
Funds		
Unrestricted funds		
Capital fund	17,236,234	17,517,823
General fund	- 126,635	- 28,138
Currency risk fund	446,190	446,190
Technical assistance fund	205,177	215,566
Guarantee fund	488,683	488,683
Total unrestricted funds	**18,249,649**	**18,640,122**
Restricted funds		
Technical assistance fund	99,693	64,669
Guarantee fund	419,846	419,846
Total restricted funds	**519,539**	**484,515**
Total funds	**18,769,188**	**19,124,637**
Total liabilities & fund balances	**21,547,355**	**20,938,316**

	2016	2015
2015 net loss transfer to capital fund		
Contributions from donors	636,531	143,350
Management & other fees	310,123	271,442
Interest income on loans	631,285	558,724
Total operating income	**1,577,939**	**973,516**
Operating expenses	- 292,082	- 269,400
Employees, consultants & related costs	- 825,678	- 798,993
Losses/provision on management fees receivable	- 4,754	0
Allocation of contribution to technical assistance fund	- 533,337	0
Total operating expenses	**- 1,655,851**	**- 1,068,393**
Operating result	**- 77,912**	**- 94,877**
Financial expenses	- 69,619	- 51,131
Financial income	589	274
Exchange gain/(losses)	18,507	- 41,644
Extraordinary, non recurring or prior period expenses	1,800	- 31,015
Loss for the year	**- 126,635**	**- 156,363**
General fund at December 31	**- 126,635**	**- 156,363**

PARTNERS

ÉGLISE DE BEGNINS

THE UNITED CHURCH OF CANADA
L'ÉGLISE UNIE DU CANADA

ECLOF NETWORK CONTACT DETAILS

AFRICA

ECLOF GHANA · CCML
Naa Odey Asante
Executive Director
info@ccmlghana.com
+ 233 204 66 68 00

ECLOF KENYA
Mary Munyiri
Executive Director
info@eclof-kenya.org
+ 254 07 21 34 46 99

ECLOF TANZANIA
Eliamlisi Joseph Mlay
Executive Director
info@ecloftz.org
+ 255 272 54 57 65

ECLOF UGANDA
Jennifer B. Mugalu
Chief Executive Officer
office@eclofuganda.com
+ 256 414 34 42 49

ECLOF ZAMBIA
Bethel Nakaponda
Chairperson
eclof@zamtel.zm
+ 260 211 23 85 68

ASIA

ECLOF ARMENIA
Hayk Petrosyan
Executive Director
eclof@eclof.am
+ 374 60 37 30 60

ECLOF INDIA
Lidwina Cedric
Executive Director
eclof@eclofindia.com
+ 91 44 25 61 16 56

ECLOF MYANMAR
May Aye Shwe
Executive Director
myeclof@gmail.com
+ 95 12 30 42 76

ECLOF PHILIPPINES
Rose Castro
Executive Director
eclofphils@gmail.com
+ 63 29 90 65 32

ECLOF SRI LANKA
Lasantha Fernando
Executive Director
eclof@eureka.lk
+ 94 112 34 34 70

LATIN AMERICA

ECLOF ARGENTINA
Silvina López Pombo
Executive Director
info@eclofargentina.org.ar
+ 54 11 46 37 08 32

ECLOF BOLIVIA · ANED
Patricia Machicado Duran
Executive Director
anedcontactos@aned.org
+ 591 22 41 87 16

ECLOF BRAZIL · CEADE
Adelmo Bittencourt
Executive Director
ceade@ceade.org.br
+ 55 71 33 27 20 21

ECLOF COLOMBIA
María Victoria Aguirre B.
Executive Director
info@eclofcolombia.org
+ 57 13 23 14 21

ECLOF DOMINICAN REPUBLIC
William Jimenez Santos
Executive Director
direccion@eclof.org.do
+ 1 809 333 52 73

ECLOF ECUADOR
Yolanda Montalvo
Executive Director
eclofecuador@eclof.org.ec
+ 593 22 52 32 14

ECLOF JAMAICA
Everton Butler
Executive Director
eclof_jamaica@yahoo.com
+ 1 876 754 67 73

ECLOF PERU
Dra. María Cecilia Flores Bertalmio
Chairperson
eclofperu@eclofperu.org
+ 51 14 63 03 74

ECLOF URUGUAY · FEDU
Claudia Daniella Fiorella Yuane
Executive Director
cf.fedu@adinet.com.uy
+ 598 24 02 88 04/05

ECLOF INTERNATIONAL
Route de Ferney 150
1218 Le Grand-Saconnex
Switzerland

CONTACT
T. + 41 22 791 63 12
F. + 41 22 710 20 05
office@eclof.org

www.eclof.org