

**PROMOTE  
SOCIAL  
JUSTICE  
& HUMAN  
DIGNITY**



**ANNUAL  
REPORT  
2014**



**ECLOF**  
INTERNATIONAL



# ECLOF INTERNATIONAL IS A SWISS FOUNDATION ESTABLISHED IN GENEVA IN 1946

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**COVER PICTURE**  
ECLOF Bolivia

### IMPRESSUM

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# 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 circumstances 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.

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**PROMOTE  
SOCIAL JUSTICE  
& HUMAN DIGNITY**

# 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.

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# CHAIRMAN'S STATEMENT

**KIMANTHI MUTUA • CHAIRMAN**



Dear friends

On behalf of the board of directors, I am delighted to present this 2014 annual report.

In 2014, we further consolidated and strengthened the organisational and operational changes introduced in recent years. This positions ECLOF (ECLOF International & the 19 ECLOF Member Network) to move forward with a real sense of renewed confidence and vigour to serve our mission of promoting social justice and human dignity through microfinance.

There were positive and strong initiatives around governance, social performance and client training, and we are very grateful to the boards of all our network members and the 1150 ECLOF staff for their leadership and strong commitment to the ECLOF mission and values. Our clients are at the heart of what we do, and we are pleased in the Report to share some of their wonderful stories and how they engage with the network. The Report also highlights how our network is supported by the Churches and their linkages with local communities.

We are proud of our network, which since its foundation in 1946 has remained true to reaching out to vulnerable communities, particularly in rural areas, where over 75 % of the world's poor reside. We are one of the oldest microfinance organisations in the world, and we have from the time of our foundation consistently and actively promoted the need for social justice where we respect the value of every human life.

Our new Strategic Plan for 2014-2016 was rolled out and this provides greater clarity on the specific

roles of ECLOF International and the ECLOF members, it reconfirms the mission & values, and it sets out the strategic framework over this period. This renewed commitment and agreed collaborative approach has been captured in the signing of new Memorandum of Understanding between ECLOF International and the network members, and it will be further enhanced in 2015 with the entry to the ECLOF International Board of three Board members selected by the network members. It is the intention that the ECLOF International board have a balance of professional expertise drawn from within and from outside the network.

We are very appreciative in the confidence and trust of our long standing partners, who continue to support our mission and offer their commitment. ECLOF International was successful in 2014 in raising substantial technical assistance support for the network & the raising of loan funding from new partners such as Mercy Investment Services, Religious Communities Investment Fund and the Council for World Mission. This funding is important as it enables ECLOF International to support its member network, especially those members who do not comfortably fit within the funding criteria employed by the more commercially driven microfinance lenders. We would welcome a stronger commitment by these lenders to reach to the smaller sustainable microfinance organisations, as these organisations often tend to operate in the remote rural areas with vulnerable communities lacking access to finance.

I would also like to convey my thanks to the ECLOF International board and staff for their concerted efforts and dedication during the year.



# OPERATIONS' REPORT

We are pleased with operational progress in 2014 in both ECLOF International and in our network.

In 2014, ECLOF International registered a deficit of CHF 196,410 in comparison to a deficit of CHF 233,153 in the previous year, but this 2014 shortfall was achieved despite a sharp reduction of nearly CHF 150,000 in direct grant income support. Donors re-directed grants to the network and this is the reason why we are committed and working towards returning ECLOF International to sustainability without the need for grant support – and here we made very good progress in 2014.

While there remain individual member challenges, we are now seeing a more consistent sustainable performance level across the network. We can see the positive benefits coming through from earlier initiatives and work programmes funded from technical support, and the benefits associated from a network which is more coordinated and operating as a unified team with clear focus and direction. One of the great successes in 2014 was the opportunities available for network members to benefit from the shared experiences within the network through both exchange visits and also through the interactions between ECLOF International staff and the ECLOF members staff.

The Network client loan portfolio grew by 3 % in 2014 to a level of USD 46.1 M at the year end, with particularly strong growth recorded in our African and Asian regions. We also saw our client numbers grow by 7 % to a level of 127,193 and again this was predominantly in the African and Asian regions.

Our commitment to serving marginalised and lower income clients and to strong social performance is what drives the ECLOF network. This was evident

in 2014 from an average loan per client of USD 360, the 68 % women borrowers, and the 55 % of our clients who live in rural areas. We also in 2014 undertook social audits in 9 members so that we could independently assess and ensure that our mission translates into practice. These social audits will continue in 2015 as we remain fully committed to building a network of client-centered microfinance organizations.

In 2014, ECLOF International was able to raise and provide substantial technical assistance and funding support to the network. The technical support included some specific individual support to members, and also some overall network support in the areas of credit risk and business planning. We also in 2014 increased the profile of ECLOF through representation and presentations at different microfinance forums, and by further development and expansion of our relationships with donors and funders. ECLOF International has a very clear role as the ECLOF representative in building the reputation and awareness of ECLOF among our partners and the wider donor & funding community.

The outlook for 2015 is positive but challenging. ECLOF International will continue to source technical assistance and funding support to build capacity and outreach in the network, particularly in the areas of product development in the rural areas, risk management, governance and providing network wide leadership and management training. There will also be further initiatives in social performance management, where we would like to enhance the formal reporting of ECLOF's work in this key focus area.





# ECLOF NETWORK IN 2014

USD 46 M global portfolio  
9% of portfolio at risk > 30 days

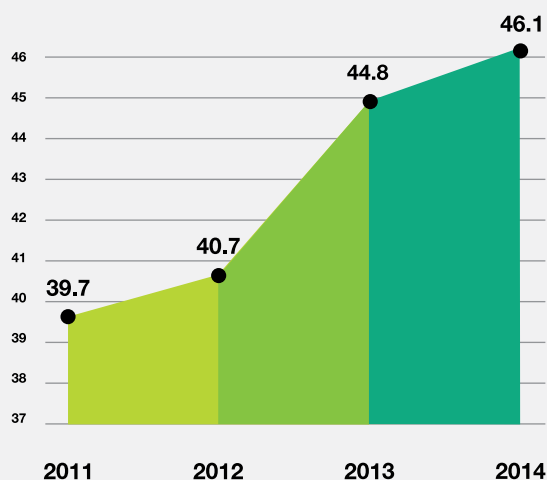
127,193 clients

126 branches

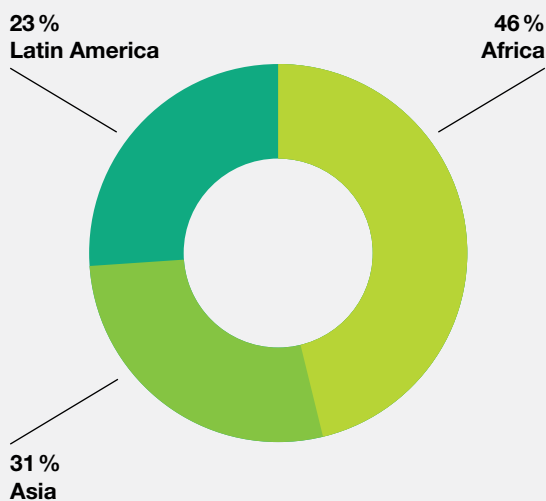
1153 staff

654 loan officers (57 % of staff)

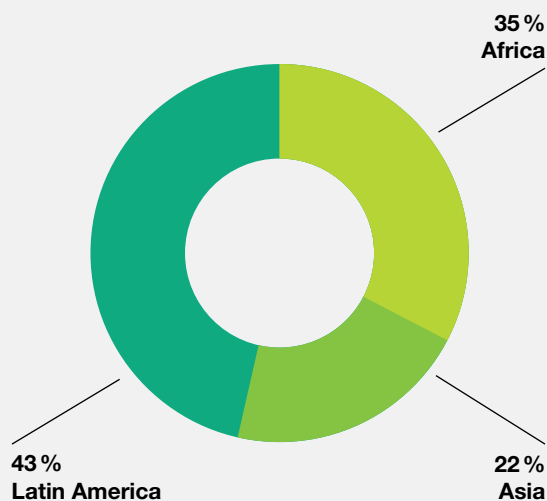
## LOAN PORTFOLIO in million USD



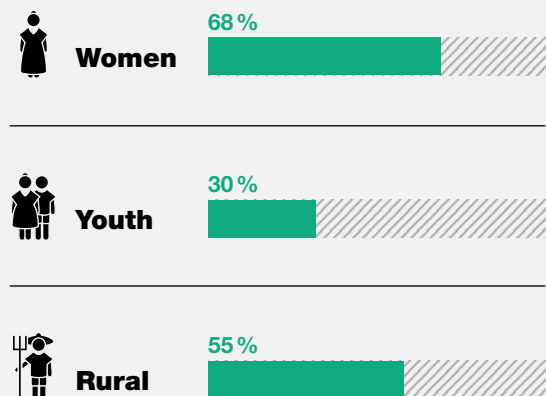
## CLIENT DISTRIBUTION



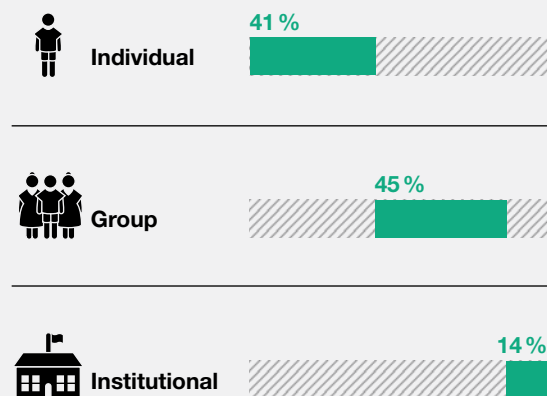
## LOAN PORTFOLIO DISTRIBUTION



## SOCIAL OUTREACH BORROWERS



## LOAN PORTFOLIO COMPOSITION



# ECLOF NETWORK

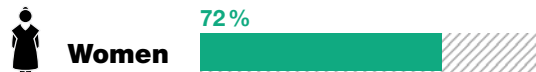


## LATIN AMERICA

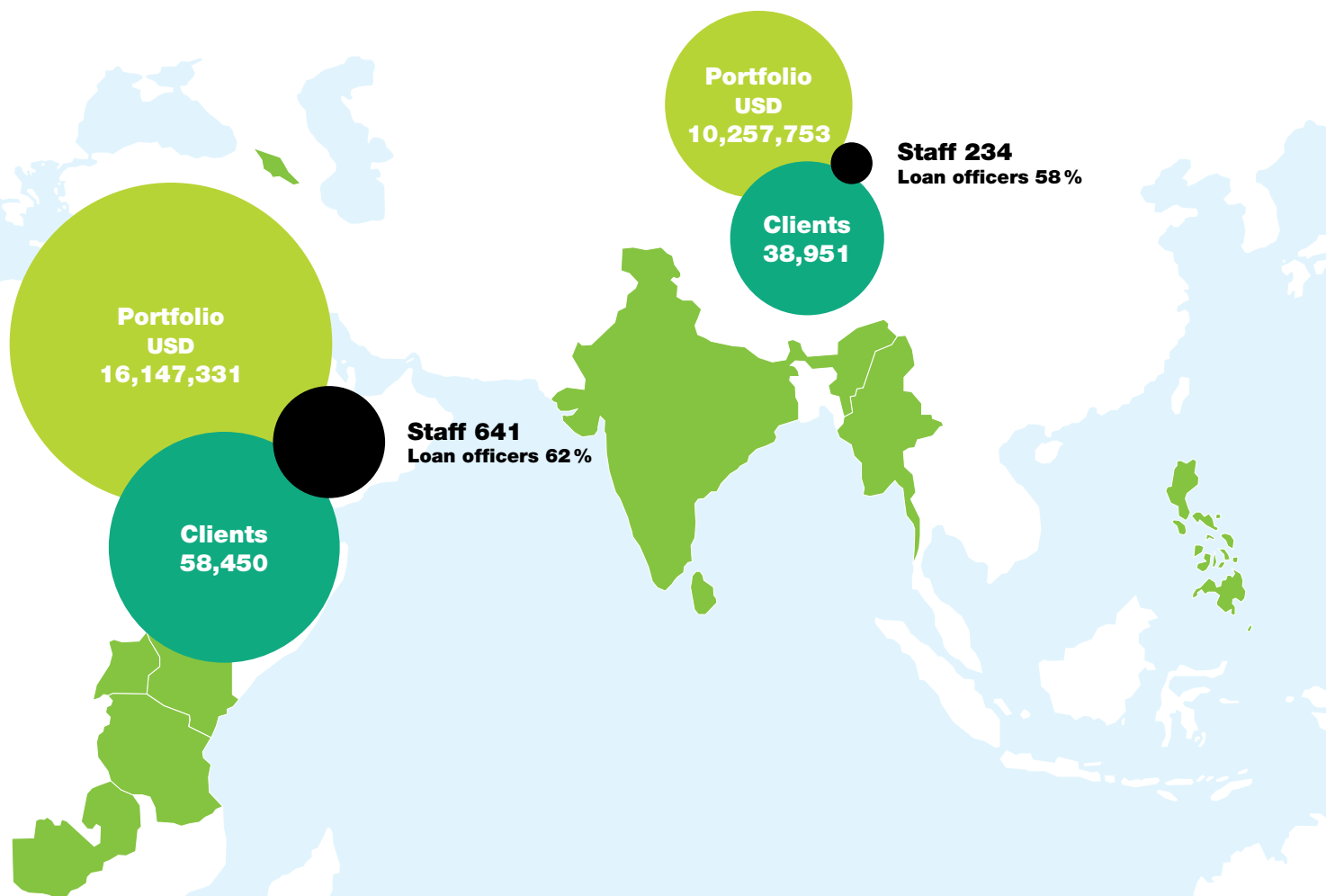
### LOAN PORTFOLIO COMPOSITION



### SOCIAL OUTREACH BORROWERS







## AFRICA

### LOAN PORTFOLIO COMPOSITION



## ASIA

### LOAN PORTFOLIO COMPOSITION



### SOCIAL OUTREACH BORROWERS



### SOCIAL OUTREACH BORROWERS



# ECLOF STRATEGIC THEMES















# FINANCIAL EDUCATION OF CLIENTS

Financial inclusion encompasses easier access to financial services, better products and better use. However, increased access and better choices do not automatically lead to effective use. Lack of experience and information and increasingly sophisticated solutions mean that clients have difficulties making informed financial decisions for their business and personal lives – and sometimes even risk taking on too much debt. Financial education can help poor clients both accept and smartly use the products which they increasingly have access to.

We define financial education as “providing familiarity with and understanding of financial products, their rewards and risks, in order to make informed choices”. Tailored to context and needs of our clients, ECLOF’s programs also cover basic personal finance skills, such as saving, setting economic goals, making a financial plan, managing cash flow and minimizing debt, or business skills such as basic accounting, liquidity management and margin calculation.

ECLOF partners with like-minded organizations to deliver these programs in local languages and culturally appropriate ways. This service supports ECLOF’s social goal of enhancing clients’ capacity to actively manage their personal and business finances, thereby increasing their earning potential. By building trust in microfinance providers, developing a culture of responsible credit use and avoiding over-indebtedness, these courses also make sense for ECLOF and the communities we serve. Financially viable client enterprises repay in time and request new loans for further growth. And they benefit the whole community as money earned is often spent within the community as expenses and taxes.

# ECLOF DOMINICANA GUIDING CLIENTS AMONG MICRO- FINANCE SOLUTIONS



For ECLOF Dominicana, financial education is not only about encouraging customers to spend their money prudently but to provide them with the tools to make the most of their resources. As William Jimenez, CEO of ECLOF Dominicana, puts it: “Our interest is to teach our clients and potential customers about good money management practices, to better understand their financial options and improve their well-being. For financial institutions, informed clients allow them to make better results – socially and financially.”

There is a growth of the financial sector accompanied by the proliferation of service providers and a wide range of products. In response to the challenges faced by the less fortunate populations, microfinance develops an increasing number of solutions. However, it may be difficult for uninformed clients to know what product to consider. ECLOF Dominicana proposes to guide them in their understanding of the market and allow them make better and conscious choices.

ECLOF Dominicana also tools up the clients to run their business more efficiently. The courses cover areas such as basic accounting, sales techniques and business management. For ECLOF Dominicana, these trainings make sense if they are part of a larger framework. That is why they also aim to raise awareness on issues related to family and social problems, covering topics such as communication, gender issues and domestic violence.

The training program is freely provided in each of the branches of ECLOF Dominicana. Since January 2014, 1262 people including customers, their families and potential clients have already benefited from it.

## CLIENT STORY

ECLOF clients welcome the courses with a lot of enthusiasm.

This is the case of Maria Valentina who participated in the training program from the start: “I liked all the subjects we studied. And I appreciated how important it is for a business owner to receive a training that helps to properly manage it and make it more productive in our daily live. I enjoyed learning how to invest my money better to grow and thereby fulfill my professional commitments.”

Rosa thanks ECLOF Dominicana for “the dynamism of its staff”. She likes the fact that “they move within communities to provide the trainings. It is therefore suitable for micro-entrepreneurs who can more easily carry on managing their business.”

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**I LIKE THE FACT THAT ECLOF STAFF  
MOVE WITHIN THE COMMUNITY  
TO PROVIDE THE TRAININGS... SO  
MICRO-ENTREPRENEURS CAN  
MORE EASILY CARRY ON MANAGING  
THEIR BUSINESS.**

**ROSA**

## **ECLOF KENYA SAVINGS & OPTIMAL INVESTMENT DECISIONS ARE NOT A PRESERVE OF THE RICH**

Earning, spending, saving, borrowing and investing: these transactions cannot be avoided and they are all part of even a poor person's life. The introduction of financial literacy helps people to manage these transactions to their advantage. Financial literacy training has been a crucial empowerment tool for ECLOF Kenya's clients, especially women. They learn how to manage their business, money and debts.

The clients have come to realize that a deliberate decision to save money from their income, regardless of the amount makes a difference in their financial status. There is a shift from the concept that savings were a preserve of the rich. Better debt and investment decisions have led to improved incomes and set off the clients on a path to economic freedom.

ECLOF Kenya, too, benefits from the positive outcomes of the program. Better run client businesses result in higher loan portfolio quality, and consequently institutional sustainability. The clients' satisfaction generates satisfaction at ECLOF Kenya and attracts new clients. ECLOF Kenya is also proud to receive high marks in the Social Performance Management ratings.



### **CLIENT STORY**

Robert Mukome does construction work and is a small scale farmer in Nyeri County. He has been an ECLOF client for the last four and a half years and has benefited from the financial literacy program.

He says that previously, he never understood the essence of saving money especially when he thought that what he was earning was quite little. The training raised his awareness of the fact that he could set apart some of his meagre earnings to invest for the future. He also learnt how to minimize on unnecessary spending and drastically reduce waste. From that time, he concentrated on better defining how to purposefully use the money he borrowed, investing exclusively in income generating projects.

He used his loans to invest in dairy cows and poultry for agribusiness, now producing 30 litres of milk per day and 30 trays of eggs per month. In addition, he does part time construction work. With the increased income, he has decided to put up rental houses on a piece of land he had purchased previously with ECLOF Kenya funding.

Robert says that financial literacy changed his view of money. He has acquired the tools to run his business successfully. And he has become a better saver, investor and a wiser spender.





## **ECLOF ECUADOR** **TRAININGS TAILORED** **TO THE NEEDS** **OF ENTREPRENEURS**

ECLOF Ecuador provides loans to customers working in agriculture, handicrafts and services. On the sidelines of the credit, they provide trainings designed to enable the micro-entrepreneurs to best use their funds.

The financial trainings are based on the needs of entrepreneurs. Each business case is investigated stage by stage, from production to marketing. Customers are trained to budget, save, and balance their income and expense. But they also tackle very concrete issues such as optimizing the use of raw materials, billing their customers correctly and timely and enhancing their labor as value added by including their working time in production costs. Craftsmen have testified that it was the first time they were taught how to manage their materials and their money, and they were grateful to ECLOF.

Other types of trainings are dedicated to sustain the clients' ability to manage their business optimally. Trainings on the topic of Development and Community address aspects of group management, leadership and communication. Trainings tailored for women tackle issues such as self-esteem and self-affirmation, family-work reconciliation and other challenges related to women-run businesses. The instructors address the management of the household budget in parallel with that of the micro-enterprise. Carmen Flores testifies: "I foresee new opportunities. ECLOF's training allowed me to better understand my income and expenses, and to manage my shop more efficiently. I have also learned to separate the administration of my business budget from that of my household."



Participants show great interest in these courses. They recognize that the subjects studied are directly related to their productive activities, and are very relevant in the development of their business. Fabiola Forge learned how to run her daily accounts and make savings. She says: "I know now how to calculate the value of my work and include it in my costs. I have also learnt to negotiate for my products to be paid the right price."





## ECLOF INDIA

### CLIENTS LEARNING ABOUT GROUP LENDING THROUGH ROLE PLAYS

ECLOF India works exclusively with women groups, mainly in rural areas. Most of them have little or no qualifications and are trained on basic finance and group management skills. Self-help groups operate as a micro bank structure where the group borrows an amount of money from ECLOF which is then distributed among the group members. In addition, savings are collected within the group and are on-lent internally. These operations require a certain level of trust within the group and impeccable group management.

In the training of group members, ECLOF applies role playing to make it more attractive and easier to understand. Aspiring group participants are taught how to keep track of their financial transactions in books of accounts by simulating with “mock” paper money. In turn, they distribute money within the group, recording the transactions to internalize these procedures. They are also trained to manage meetings, write minutes, manage the book of accounts, assign responsibilities within the group and manage on-time repayment. At the end of a training session, each group member can understand and explain the records and books of accounts. Participants are then encouraged to describe the experience, and list the advantages of operations performed. Finally, a group treasurer is elected to ensure that all account books are maintained properly. She is assisted by a coordinator selected among each group and trained by ECLOF.



#### CLIENT STORY

Mrs. Vedavalli has a business of dolls and gift items that she started with an ECLOF loan. When she formed a self-help group, she had no knowledge about group management, accounting, banking or savings. She says: “The Field Officer of ECLOF India asked me to be the coordinator of the group. Though I created the group, I lacked communication and interpersonal skills. I was also not conversant with handling cash and maintaining books. Being women and in a village, we were not exposed to visiting the bank and filling forms for cash or cheque deposits and withdrawals. ECLOF India understood this and trained us on topics such as budgeting, savings, cash books maintenance, bank transactions, interpersonal skills or time management.

Going to the bank and filling forms seemed a mammoth task to us rural women. But ECLOF India staff trained us on how to fill the forms as a game so that we could easily understand and remember when we have to visit a bank. ECLOF India also taught me that the first expense I should budget is my savings. So I am able to save within the budget for the month. Besides maintaining the books of accounts of my group, I am now able to budget our family income, and manage my shop better.

ECLOF India taught us how to relate to our peer group member respecting each one with dignity. We work as a team that allows us to avail loans as a group from ECLOF India. By following the training given by ECLOF India we are able to live in harmony with our family and also our neighbourhood and our peer group.”



**BESIDES MAINTAINING THE BOOKS OF  
ACCOUNTS OF MY GROUP, I AM NOW  
ABLE TO BUDGET OUR FAMILY INCOME,  
AND MANAGE MY SHOP BETTER.**

**MRS. VEDAVALLI**



CATEDRA





BOLIVIA

## ECLOF SUPPORTED BY CHURCHES & COMMUNITIES

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, technical and where possible financial support to ECLOF's work. 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 donor networks; and by connecting ECLOF with potential beneficiaries in the communities. Being at the core of ECLOF, Churches and communities are integral parts of the ECLOF solidarity chain supporting micro entrepreneurs and smallholder farmers.

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## **ECLOF PHILIPPINES ETHICAL INVESTMENT AS AN ALTERNATIVE TO BANK DEPOSITS**

In 2004, ECLOF Philippines made a bold decision to mobilize investments from its member churches. With two branches at the time, ECLOF Philippines had shifted its focus to the agricultural sector which no microfinance institution was seriously targeting. Management assessed the situation and identified the resources required to respond to the clients' needs.

Aware that ECLOF's local member churches had idle bank deposits, ECLOF encouraged them to lend part of these funds to ECLOF. Each church has its own investment committee and bankers. Convincing them was challenging, but ECLOF Philippines had a strong argument in favor: churches aim to help people in need and investing in ECLOF Philippines would allow them to fulfill their mission while earning an interest.

To gain the full confidence of the National Council of Churches of the Philippines (NCCP), ECLOF Philippines relied on the great advantage of ECLOF being a supportive network. ECLOF International issued a letter of guarantee that allowed ECLOF Philippines to obtain their first investment from the NCCP in the amount of USD 23,000. The circle of church investors has grown since. At present, it includes the Episcopal Church, the Methodist Church and the United Church of Christ in the Philippines.



The investments have performed to the full satisfaction of the churches to the effect that they have increased their invested amounts over time to a current investment of nearly one million USD. As EP is considering transformation to a stock corporation, some churches have already signaled interest in being part of this change. Today, EP has grown to a network of 9 branches delivering agricultural loans and training in hard-to-reach areas around the Philippines. It is confident that it can count on the churches' faithful support to continue growing and providing livelihood to the least of their brethren.





## **ECLOF ARGENTINA CHURCHES IN ARGENTINA SUPPORTING THE NASCENT SEWING LADIES**



ECLOF Argentina is active in development at individual and community level. They emphasise work in partnership to provide integrated responses to the needs of people living in the most vulnerable sectors of Argentine society. In 2014, ECLOF Argentina partnered with the Diakonia Evangelical Service Association (SEDI), run by the United Evangelical Lutheran Church and the Evangelical Church of the Rio de la Plata. In partnership with Germany's "Bread for the World", they support small community projects.

Among them, a textile cooperative was born from the initiative of two members of a credit group. Delia and Daiana Barcos have both been beneficiaries of the solidarity loan program of ECLOF Argentina since 2010. They contacted another four women experienced in weaving and sewing and together they formed a production unit enabling them to develop their products and market them collectively.

SEDI jumpstarted the first phase of the project by funding the raw materials needed for starting their business. ECLOF Argentina provided them with financial training and tools for the administration and management of the company. Once the start-up company has established a track-record, ECLOF Argentina provides micro loans for investment in production capacity and working capital.

When a flood hit the community where the sewing ladies live, ECLOF Argentina stepped in with an emergency loan for buying construction material to restore their homes.

Delia says: "The 'madejas' (Spanish for hank) project is a chance to gather in this working group, in order to practice what we do best to meet our needs. We can now weave full time without bothering to do other work to help us survive. We are six resolute women. Most of us for different reasons have raised our children alone, without help from anyone, and we succeeded. This project is a reward to our perseverance and insistence. And of course we are very grateful to all of those who are behind it. We do not want to disappoint them, and we will do everything in our power to reach our goals. We work with joy and dedication."



**THIS PROJECT IS A REWARD TO OUR  
PERSEVERANCE AND INSISTENCE.  
WE WORK WITH JOY AND DEDICATION.**

**DELIA BARCOS**

## **ECLOF ARMENIA THE ARMENIAN APOSTOLIC CHURCH GRANTS AN INCUBATOR TO SUPPORT SOSIK'S CHICKEN BUSINESS**



ECLOF serves Armenia's poor and rural communities, successfully achieving its mission thanks to the support of various partners and churches. Among them, the Armenian Apostolic Church plays an important role in fundraising and partnerships. It widely promotes ECLOF's activities among potential donors and has initiated many of ECLOF Armenia's partnerships. It also provides technical resources. ECLOF Armenia staff worked for many years in offices that were let by the Armenian Apostolic Church, and today benefits from free space that can be used for training staff and clients.



### **CLIENT STORY**

Sosik Babakhanyan and his family have benefited from one of the Armenian Apostolic Church grants. Sosik comes from a socially vulnerable family. He lives with his daughters, whose mother passed away, his second wife, the children of her deceased brother, his daughter's two children who are paternal orphans and his mother. Sosik's business is a family matter. His mother Gohar Aghababayan who is now 87 years old started the business of chicken rearing over 30 years ago.

While the company was flourishing, in 2001 they faced personal difficulties that hampered production. Gohar got her first group loan from ECLOF, being the leader of her group. It served to buy chickens and allowed her to revive the business. When Sosik took over the enterprise, he continued taking up individual loans from ECLOF. To sustain the business, the Armenian Apostolic Church granted him an incubator, an artificial method for hatching eggs. This grant has greatly reduced the seasonality of the business and stabilized the family's income.

Today, Sosik's business is going well. He works a lot helped by his wife and already grown up children. They sell their products in various regions of Armenia. "If everything goes as planned we will repair the building in order to enlarge the production", says Sosik with a big smile on his face. He is proud that despite all the difficulties they encountered, they never quit the family business. With the support of ECLOF and the Armenian Apostolic Church, they managed to overcome many challenges to run their business successfully and offer the family a brighter future.



## ECLOF JAMAICA FROM DRUG ADDICTION TO FINANCIAL INDEPENDENCE THROUGH A CHURCH PROJECT



The Church Evangel Tabernacle Assemblies of God originally took a loan from ECLOF for expanding its facilities to handle the growth of its congregation. Later, Pastor Rev. Michael Grant approached ECLOF with an idea to assist the many unemployed but entrepreneurial members. After a survey had uncovered their potential and needs, ECLOF Jamaica and the Church together developed the program “Evangel Tabernacle United Entrepreneurs” where the Church would train interested members and collect the loan repayments from the borrowers for ECLOF. 30 budding entrepreneurs benefited from this program over a period of four years with loans of an average USD 85 per client. Several clients came back for repeat loans. ECLOF Jamaica then went on duplicating this successful example with four other churches.

### CLIENT STORY

Tony entered the ECLOF program among the ranks of the unemployed. He had started badly in his life. While his whole family had immigrated to the US, he was expelled back to his native Jamaica because of several crimes related to his drug addiction. As he had no relatives left in Jamaica, he had to live on the streets hustling for survival and burdened with his addiction. In this moment of despair, he became a Christian and took control of his life.

Members of the church directed him to a drug rehabilitation centre to rid him of his addiction to crack and cocaine. In the final stages of treatment each patient was asked to get involved in productive activity. Tony's job was to sell snow cones to raise funds toward the operation of the centre.

Tony went on to complete a diploma at a Church College in three years. He then needed to find a job urgently to cover his daily needs. He had the idea of using the expertise he got at the snow cone stand and start one of his own. His father agreed to finance a machine for crushing ice but Tony lacked capital to buy the rest of the material, such as a cool box, a portable table or the ice-cream ingredients. His pastor eventually connected him to ECLOF Jamaica who assisted Tony in his endeavor through several successive loans.

Tony reported “I started taking baby steps and kept paying my loan on time, I then took a second loan always focused on making my payments. I have now reached a place where I have grown from strength to strength. Recently I moved the business location into an area where traffic is so high that I cannot manage the demand on my own”. As a consequence, Tony now hired an employee.

Tony's business has helped him transform his life and achieve economic independence. He is now happily married and the main breadwinner for his family. Tony explained the joy he feels when he considers his current circumstances: “I am very grateful to ECLOF for the faith they had in me, in starting my business and getting my life back on track. I really hope that anyone who reads my interview will make the first step and ECLOF will become a great help to them as they were to me. ECLOF has made the difference in my life.”

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## **ECLOF PERU**

### **LOCAL CHURCHES CONTRIBUTING TO THE GOVERNANCE OF ECLOF MEMBER INSTITUTIONS: AN INTERVIEW WITH BISHOP GODFREY OF THE ANGLICAN CHURCH OF PERU, MEMBER OF THE BOARD OF DIRECTORS OF ECLOF PERU**

**Which role does ECLOF play in your Church's efforts of fighting poverty in Peru?**

As in other developing countries, in Peru poverty, sometimes extreme poverty, exists alongside great wealth. For example, some areas of Lima are similar to modern cities in the developed world, with expensive apartments, all the electronic gadgetry, the latest models of cars, top class restaurants, etc. But then, close by, like a belt around the ivies, there is sewage where children suffer malnutrition and people cannot afford basic medication. Rural poverty is different, and in some of the central highland areas, like Huancavelica for example where ECLOF works, people live on less than a dollar a day.

In the Lord's Prayer, we ask for the coming of God's kingdom: "on earth, as it is in heaven." That is, we ask for goodness, peace and justice to create an environment where all can live the fullness of life as God's children – which is far from grinding and unforgiving poverty.

Many people in Peru have basic education and the desire and will to take responsibility of their lives. Often what they lack is the basic capital to be able to do that: for example, a cobbler who needs the basic tools to mend shoes, a woman setting up a corner shop needs the capital to get going, a student who needs money to pay for final exams, finish the degree and find work, or a group of farmers seeking to plant a field. The examples are endless. In all these cases, ECLOF can and does help, working with church communities and going where other financing organizations will not tread.

**In which ways do you see ECLOF distinct from other microfinance providers, especially in the rural areas?**

The majority of microfinance providers offer financing only where a client is able to pledge collateral. This excludes almost all those at the 'bottom end' of the economic ladder who have no acceptable collateral to give. ECLOF is willing to look for other sorts of collateral: one's reputation, one's place in a community, one's honesty, vouched for by a priest or pastor.

ECLOF is not in business just to make profit. Its motives are different, and its aims are concerned primarily, as a Christian organization, with justice and dignity for all of God's children, which of course involves good and responsible stewardship. Together with its financing ECLOF provides other benefits, such as training, advice, spiritual support. ECLOF listens to those who work with the people who seek financing, for example, the Church and its clergy, to NGOs, to housing associations and to the communities on the ground. Because of this ECLOF is able to work where other finance providers do not like or dare to work... on the edges of the cities and in rural areas of extreme poverty.

**How inclusive is ECLOF in addressing people of all ethnicities and faiths in the country?**

ECLOF will not tolerate any form of racism, distinction between one faith and another, man or woman. All can benefit from what ECLOF offers.



**ECLOF IS ABLE TO WORK WHERE OTHER FINANCE PROVIDERS DO NOT LIKE OR DARE TO WORK... ON THE EDGES OF THE CITIES AND IN RURAL AREAS OF EXTREME POVERTY.**

**BISHOP GODFREY**

**What is the extent of the Church involvement in ECLOF Peru?**

ECLOF's board is made up of church leaders and representatives of faith-based organizations. We believe that the church is essential to ECLOF's work.

**What role does ECLOF International play for ECLOF Peru?**

ECLOF International has a key role to play: As a bridge between all the national members, providing advice and professional 'know how' to members, holding members accountable to ECLOF's vision, high standards and accepted auditing practice, negotiating on behalf of members in getting financing, providing a link between members and the World Council of Churches, and bringing members together to share standards of 'best practice'.

**What has been the importance of donors for the work of ECLOF Peru?**

ECLOF Peru has come through the most difficult of times in recent years thanks to its donors who have kept the faith.

**What are the areas of focus for ECLOF Peru now?**

Focus is on establishing best practices and putting the house in order; on regaining full confidence of donors and challenging ECLOF International to set achievable goals; establishing a sustainable way of working while keeping the needs of the poor before us. And ultimately, working to keep the values of God's kingdom.











PHILIPPINES

# OUTREACH IN RURAL AREAS

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 third 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 who represent 30% and 68% of our client base.

The following examples illustrate how ECLOF integrates financial services into the agricultural value chain, promotes environmentally sustainable agricultural practices and empowers the local communities by bringing them together and building their capacity.

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## **ECLOF BRAZIL (CEADE) BREAKING PARADIGMS IN RURAL MICROFINANCE**

During 2013/2014 the Brazilian government disbursed over USD 7 billion of credit for family farms through its Pronaf program, reaching about 800,000 families. Interest rates stand at 2 % and can be even negative if loans are repaid in advance. As a result, most financial institutions have withdrawn from this heavily subsidized market. And while the program has been important to keeping Brazil's agriculture going for almost 20 years, it has not succeeded in stopping the migration of millions of young people to the cities in search of a better life. Furthermore, Pronaf sidelines a host of agrarian workers who don't have access to credits or have different requirements.

CEADE fills this gap by offering rural and agricultural loans tailored to the clients' needs: with less bureaucracy, swifter disbursement, smaller amounts and repayment plans appropriate to specific crop cycles or short-term livestock projects. Loans range up to USD 800 per individual and up to USD 1600 for solidarity groups with up to 15 members. CEADE thereby complements the government's loans that serve longer-term investment needs.

As a locally-rooted microfinance institution with a social mission, CEADE knows the reality and needs of its clients. In spite of difficult market conditions, CEADE continuously innovates and tailors its product lineup to adequately serve a growing number of Brazil's active rural poor.

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## ECLOF COLOMBIA REACHING THE NEXT GENERATION OF SMALLHOLDER FARMERS



Rural exodus is blatant in many Latin American countries. But there are strategies to increase the attractiveness of the rural environment for the youth. ECLOF's holistic approach to rural finance addresses not only borrowers but their families and communities, empowering them through association and capacity building. In Colombia's rural Tunja area ECLOF capacitates young people to participate in family farming through training on good agricultural practice and financial literacy. In September, ECLOF hosted a panel discussion at the 17<sup>th</sup> Micro-credit Summit in Merida, Mexico, the world's largest microfinance gathering. ECLOF International's Leonel Roland and María Victoria Aguirre, Managing Director of ECLOF Colombia, discussed innovative approaches to slowing the rural exodus with experts from Opportunity International and Cresol.

### CLIENT STORY

#### Organic quinoa project recognized in the 2014 CITI award competition

For smallholder primary producers to thrive, it is essential to increase the share of value-added they can capture along their value chain. To achieve this, not only financing but association and capacity building are needed. During 2014, ECLOF Colombia conducted numerous trainings in agricultural good practices, development of organic fertilizers and financial education for its farmer clients. It also raised clients' awareness of environmental protection at the individual and community levels.

Among the clients that benefited from these courses, a producer association stood out: The "Quinoa Agroecological Prosumers". The group from Boyacá became one of three finalists in the 2014 CITI award in Colombia. The business was founded eight years ago after a farmer had returned from an agribusiness fair with quinoa seeds and an inspiration. He started the cultivation with his family and began exploring business opportunities. They were joined by five other families over time to develop their own quinoa production unit, jumpstarted by five consecutive loans from ECLOF Colombia. The financing was accompanied by training in business skills and organic fertilizer production.

Today the company is flourishing with a monthly turnover of about USD 2000. Thanks to their ingenuity and ECLOF's support, they have mastered all stages of the production chain, from planting the seed to the sale of processed organic quinoa products like flour, cakes and cookies. They found a niche in marketing their products at family and community festivities, through food fairs and doorstep-sales.

They attribute an important part of their success to the confidence that ECLOF Colombia had in them and to the trainings that allowed them to become organic producers. They also benefited from strong team work and the inclusion of the families' young people in the process. They are confident of the future prospects of quinoa as a local quality product with high nutritional value that can ensure food security in the region. Going forward, they plan to raise their profile through advertising and marketing and improve productivity through the acquisition of new machines.

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## ECLOF MYANMAR CONTRIBUTING TO A SUSTAINABLE RURAL DEVELOPMENT MODEL

Deeply rooted in the communities it serves, ECLOF is a valued partner in holistic projects for sustainable village development. One such initiative is the “Thadar Consortium”, founded in 2008 in the aftermath of cyclone Nargis as a post-disaster recovery program led by ActionAid. The initiative aims to leverage community-led empowerment and engage government and private sector for rural development. In Mi Kan, an agricultural village in Myanmar’s Dry Zone, ECLOF was selected the micro credit and capacity building provider to the initiative addressing food insecurity by improving agricultural livelihoods and incomes of the most deprived people. In partnership with local Project Fellow Myo Min Saw, ECLOF provided community-based trainings in systematic planning, project management, group mobilization and team work as well as micro loans to the established solidarity groups.

The first project supported was the establishment of a community forest. Trainers from the forestry department taught 73 villagers in obtaining certification and establishing nurseries to supply the community forest. ECLOF provided the start-up capital. This resulted in a Community Forest certificate for 300 acres which are now managed by the community. A second project was the construction of a village road with USD 25,000 of government funding. The village contributed labor and a cash contribution of USD 200 to construct a road drainage system. Furthermore, ECLOF’s training of the Village Development Committee (VDC) enabled its members to manage a village electrification project and take care of maintenance. The village contributed a quarter of the investment for electrification in-kind and in cash. Thanks to the training, the VDC devised a clear plan which they used to successfully garner financial support from the local private sector, in particular from wealthy sugarcane farmers.



Where previously the local people did not trust the VDC and departmental officials who were considered inefficient, a mutual trust relationship has been established between villagers and authorities. The local people have earned the respect of the local government officials who are now enthusiastic to continue working with them. Through the Thadar project, the villagers have gained essential management skills and benefited from the opportunity to practice them. They are now able to respond to the needs of the community in a collective way. Even as the project is phasing out, confident and empowered villagers are now planning a series of activities on their own – including renovation of the main water pond and the village school, establishment of pond fish breeding, a rice bank and a revolving fund for livestock management.



**THROUGH THE THADAR PROJECT,  
THE VILLAGERS HAVE GAINED ESSENTIAL  
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TO THE NEEDS OF THE COMMUNITY  
IN A COLLECTIVE WAY.**



## **ECLOF UGANDA LESSONS LEARNED FROM MEETING THE CHALLENGES OF AGRICULTURAL FINANCE**

Having developed an agricultural loan product which was pilot tested, refined and rolled out in its Kigumba satellite office, ECLOF Uganda has had to adjust its product repeatedly to meet the field reality. The major objective had been to increase farmers' access to loans and enable them to move from subsistence to commercial farming. ECLOF cooperated with service providers to equip farmers with technical skills in agronomy, teach them about the best farming practices and provide micro insurance. ECLOF staff was also trained to assist the farmers during the weekly loan monitoring visits. However, the results were not as expected. The pilot phase yield was only 70% for various reasons, such as the lack of ownership by clients, farmers not appreciating the importance of using accurate farming methods, poor seeds and failure by the service providers to deliver. Farmers also suffered from price fluctuations, and at harvest time prices were far below projections. Warehouse receipt systems failed to enable farmers to store and sell on a later date at a better price. Finally, having compensated the clients affected by the drought in Northern Uganda in 2013, the insurance company withdrew from agricultural insurance. A new insurance partner offered much less attractive conditions to ECLOF's farming clients.

At the beginning of 2014, the agricultural loan portfolio represented one third of ECLOF Uganda's portfolio – a share significant enough to affect the entire institution in case of bad performance. To meet these challenges and still be able to serve client in the best way, ECLOF Uganda had to make changes and re-adjust its focus. The new target clients were those with diversified income sources as well as other value chain actors like small traders and processors. To support non-agricultural rural economic activities, new loan products such

### **CLIENT STORY**

#### **Diversifying from staple crops to high value vegetables**

Silvia Kugonza is a farming woman from the Kigumba area of Uganda. Initially engaged in commercial maize cultivation, she faced a severe price drop. As a consequence, her yield turned out 2 million shilling instead of the expected 3 million (USD 900). In order to repay her first ECLOF loan, she had to turn to relatives for help. For her second loan from ECLOF, she decided to venture into tomato growing. The price of tomatoes tends to be more stable, and she can harvest five times in a year. Unlike maize, tomato yields are not negatively affected by excess rains, and drought can be contended using a watering can and covering the plants with grass and dry banana fibers. From the harvest proceeds she managed to buy a milk cow which brings her family additional stable income. Today, she is servicing her loan with ease and is planning to buy another cow after the next tomato harvest.

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as business and education loans were developed. To enhance clients' benefit from their value chain, ECLOF keeps encouraging farmers to organize themselves for processing and refining and has developed products supporting value addition across the chain.

Another decision taken was the development of a hands-on demonstration farm to practically teach farmers improved methods of farming. By challenging itself and readjusting its focus, ECLOF Uganda has turned around its agricultural loan portfolio and laid the foundation for sustainable agricultural finance in support of the communities it serves.

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**TO ENHANCE CLIENTS' BENEFIT FROM THEIR VALUE CHAIN, ECLOF KEEPS ENCOURAGING FARMERS TO ORGANIZE THEMSELVES FOR PROCESSING AND REFINING AND HAS DEVELOPED PRODUCTS SUPPORTING VALUE ADDITION ACROSS THE CHAIN.**

## **ECLOF ZAMBIA TACKLING POVERTY, UNEMPLOYMENT AND ILLITERACY COLLECTIVELY AT MBONGOLO VILLAGE**

Kantupu is a solidarity group from the village of Mbongolo in the central province of Zambia, an area affected by high levels of poverty and illiteracy, and sluggish farming activities for lack of finance.

Organized as an association, the group registered with 48 members in 2013. Under the leadership of the village headman, the group decided to take a loan to boost their farming projects. The group had a hard time finding a financial institution to trust them when they learned of ECLOF Zambia's group solidarity loan. A first batch of ten members successfully completed ECLOF Zambia's solidarity group training. Their first group loan of USD 780 in December 2013 was invested in agricultural inputs like maize seed, animal feeds and vegetable seeds. From the proceeds of the harvest, the members of the group were able to pay their children's school fees and afford three decent meals a day.

ECLOF granted the group a follow-up loan for agricultural inputs of USD 1560 in September 2014. For their third loan, the group plans investing collectively in a hammer mill: a tool used to grind maize to prepare mealie-meal, a type of porridge easy to store without refrigeration that can be sold locally. Additionally, the hammer mill can serve as collateral in their future borrowing.

The livelihood of many young men and women that did not have any source of income has improved through this series of loans. As of today, the group members employ over 100 farmers. Crimes such as stealing of cattle, chickens and maize that prevailed in the community have gone down, and the standard of living of the entire community has improved.



**CRIMES SUCH AS STEALING OF CATTLE, CHICKENS AND MAIZE THAT PREVAILED IN THE COMMUNITY HAVE GONE DOWN, AND THE STANDARD OF LIVING OF THE ENTIRE COMMUNITY HAS IMPROVED.**

## **ECLOF TANZANIA UNAMBWE FACING THE CHALLENGES OF LIFE**

As farmers, Tanzanian women plant, weed and harvest food crops and tend livestock. As caretakers, they look after children and relatives, prepare meals and manage the home. Unambwe Ibrahim Ndossi is such a woman, 45 years old and mother of 5. In the past, the family owned two cows and was supplying milk to the village which allowed them to make a decent living. But in 2011, both of the cows died and her husband had a serious accident, breaking his jaw and fracturing eight ribs. He couldn't work anymore and Unambwe had to quickly come up with a solution to support the family.

Unambwe turned to ECLOF Tanzania with the idea of starting horticulture which would first yield after only three months. From her first loan of USD 170 she began cultivating cucumbers and water melons which she sold at the local market. She used a second loan of USD 390 to expand into rice growing. Having established her small farming activity, she is now able to bear the family costs, afford the school fees for her two school children and even put aside small savings every month. Unambwe appreciates the support by ECLOF for its fair conditions and repayment schedules suitable to her crop cycles.



***ECLOF HAS TRANSFORMED MY LIFE BY  
ALLOWING ME TO START MY OWN BUSINESS  
AND TAKE BETTER CARE OF MY FAMILY.***

***UNAMBWE IBRAHIM NDOSSI***



## **ECLOF SRI LANKA EXTERNAL EVALUATION CONFIRMS POSITIVE CLIENT OUTCOMES OF FINANCING AND COMMUNITY DEVELOPMENT IN RURAL POST-CONFLICT AREA OF MANNAR**

Right after the end of the Sri Lankan conflict in 2009, ECLOF Sri Lanka engaged in the post-conflict zone of Mannar which had been devastated after 30 years of fighting. In partnership with Episcopal Relief Development, ECLOF Sri Lanka began serving the resettled communities in the area, mostly supporting agriculture and fishery, the traditional income sources of these communities.

Special attention was given to developing the promising business of dairy farming through credit and associated training. The government fixes the prices for dairy products, and lately two large commercial milk collection centers were opened to purchase fresh milk in the area. In communities close to the sea, fishing is another trade ECLOF actively supports. In total, 86% of ECLOF's loans in the area support agriculture and fishery.



ECLOF Sri Lanka works almost exclusively with women who organize themselves in solidarity societies upon ECLOF's guidance. With support from local government, ECLOF provides not just loans but communal association and skills development, training women on leadership, self-empowerment, entrepreneurship and marketing before providing loans to develop their livelihood. ECLOF thereby complements the government's reconstruction efforts which have brought much-needed infrastructure investment recently.

In 2014, an external evaluation of ECLOF Sri Lanka's work in the post-conflict zone was undertaken, involving focus group discussions with 75 beneficiaries and individual interviews with 55 beneficiaries. The positive impact of the program was evident. It had enabled women to engage in income generation, taking advantage of profitable investment opportunities and developing micro enterprises. It had also smoothened consumption and reduced reliance on expensive informal sources of credit. 62% found that their living standard had increased: there were improvements in housing (better roofing, water and sanitation), children schooling rates, purchase of agro machinery and enhanced transport with bicycles and motorcycles.

Specifically for women, the greatest changes included greater involvement in family decision making (72% agreement), a bigger role in household cash generation, more sharing of household responsibilities and increased ownership of assets.

88% of respondents noted that credit had been the most important factor for their income generating activities. While not all of these changes can be directly attributed to ECLOF's intervention, it can be concluded that the positive impact of micro credit and associated training and community development has become very visible in the Mannar area.



**88% OF WOMEN FELT THE LOAN HAD BEEN THE KEY FACTOR FOR THEIR STARTING A BUSINESS. AS A RESULT, 72% IMPROVED THEIR ROLE IN HOUSEHOLD DECISION MAKING WHILE ALSO WITNESSING MORE SHARING OF HOUSEHOLD RESPONSIBILITIES AND INCREASED OWNERSHIP OF ASSETS.**

## CLIENT STORY

### Wijayalaxume Sebastian From dependency to self-employment

Mrs. Wijayalaxume Sebastian from Andankulam, Mannar is another victim of Sri Lanka's civil war ended in 2009. Her husband was killed in the war and she lost her house and property. During the conflict she was displaced more than five times in just two years. Before finally resettling in Andankulam, she had to spend another two years in a camp for displaced people.

Upon return home she had to restart her life from zero. She was assigned a house by the Government Resettlement Program and was donated some kitchen utensils by an NGO. She began making lunch packets and selling them to nearby school teachers and construction workers.

Wijayalaxume then joined a local Rural Women Society and applied for a loan from ECLOF. With the loan of USD 190 she expanded to a catering service providing meals to weddings, funeral houses and school functions. To satisfy the growing demand – on some days she had to prepare 500 meal packets – she has hired four workers since. When recruiting, she specifically considered widows like herself to allow them to make a living. With her savings she has dug a tube well to supply water to her daily needs and to her small fruit and vegetable garden. She emphasized her happiness in seeing that she can now stand on her own feet facing the future in confidence.











# SOCIAL PERFORMANCE MANAGEMENT

The widely accepted concept of responsible inclusive finance means delivering financial services in a way that is transparent, fair, safe and likely to generate benefits for poor clients. It has two key dimensions: client protection and social performance management (SPM).

Client protection is the responsibility of all financial institutions, while SPM is essential for all double bottom-line institutions—those with both financial and social goals like ECLOF. While client protection ensures that MFIs are protecting clients from harm through practices such as transparent pricing (“do no harm”), social performance management makes an organization’s social mission a reality (“do good”).

Thereby social performance is defined as the effective translation of an institution’s mission into practice in line with accepted social values that relate to:

- Reaching its target market
- Delivering high-quality and appropriate services
- Responding to the needs of clients, their families and communities
- Ensuring responsibility toward its employees, its clients, the community it serves and the environment

Actively managing its social performance allows an institution to understand how it is affecting clients and how to provide products and services that clients value. SPM allows the institution to take its social goals into account in concrete ways rather than making financial decisions without understanding the social consequences. Management of social goals also allows the institution to demonstrate client-level results to internal stakeholders (such as clients and employees) and external stakeholders (such as investors) using real data, rather than anecdotes.

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**WHILE CLIENT PROTECTION ENSURES A FINANCIAL INSTITUTION PROTECTS CLIENTS FROM HARM, IT IS SOCIAL PERFORMANCE MANAGEMENT THAT MAKES AN INSTITUTION'S SOCIAL MISSION A REALITY.**

**SPM IN RELATION TO RESPONSIBLE INCLUSIVE FINANCE**



# FREQUENTLY ASKED QUESTIONS

## Why is it important for ECLOF to manage our Social Performance?

Social performance management is about client-centered microfinance, in order to achieve financial inclusion and contribute to positive changes in the lives of our clients. It balances the drive for financial sustainability as the primary goal of a microfinance institution. It is known that strong financial performance alone does not necessarily translate into benefits for clients. To the contrary, increasing commercialization has led to a “mission drift” in some microfinance institutions.

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. SPM is the right thing to do – but it also makes financial sense: More appropriate services lead to better repayment rates and client loyalty, decent working conditions lead to more committed staff, and wider outreach results in risk diversification. But social performance is not assumed an automatic process. It needs to be managed and reported systematically just as financial performance is.

Social performance resonates well with ECLOF's mission to promote social justice and human dignity: Given that it is about client-centered and responsible microfinance services, it promotes the dignity of each client – and each staff member. Social performance also bodes well with ECLOF's strategy: Strong social performance contributes to higher sustainability, entails a variety of tailored services tailored to clients and ensures continued commitment to the poverty focus of ECLOF.

## Are there disadvantages for an MFI?

Of course, implementing SPM has a cost. Delivering tailored services requires investing in processes and systems that can negatively impact productivity. Serving harder-to-reach and more excluded segments of the market can reduce efficiency and increase risk. However, while these changes can affect profit in the short run, in the longer term, they are expected to give the business a competitive edge and a more loyal customer base, grow the commitment of clients and build trust with regulators, donors and investors.

## How is SPM different from impact?

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





# THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT

**THE UNIVERSAL STANDARDS DEFINE PROVEN PRACTICES THAT PUT CUSTOMERS AT THE CENTER OF ALL STRATEGIC AND OPERATIONAL DECISIONS.**

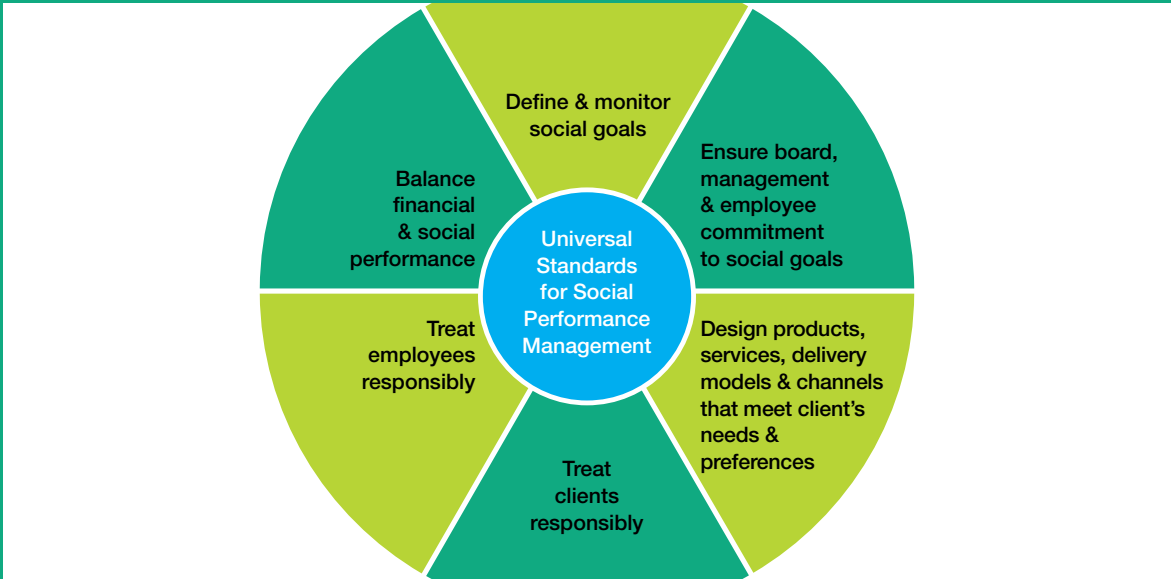
Lately, the microfinance industry has recognized a set of core management practices that constitute “strong” SPM. These practices form the SPTF Universal Standards for Social Performance Management (“the Universal Standards”). SPTF is a global association of microfinance stakeholders that develop, disseminate and promote standards and good practices for social performance management and reporting.

The Universal Standards bring together good practices throughout the industry into one comprehensive manual, helping to clarify and standardize social performance management. The Universal Standards are a resource for financial service providers seeking to achieve social goals. They do not dictate what an institution’s goals should be, but help identify the best way to achieve them.

SPM is an approach that puts an MFI’s customers at the center of all strategic and operational decisions. 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.

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## THE 6 DIMENSIONS OF THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT



## THE SOCIAL AUDIT PROCESS AT ECLOF AND NEXT STEPS

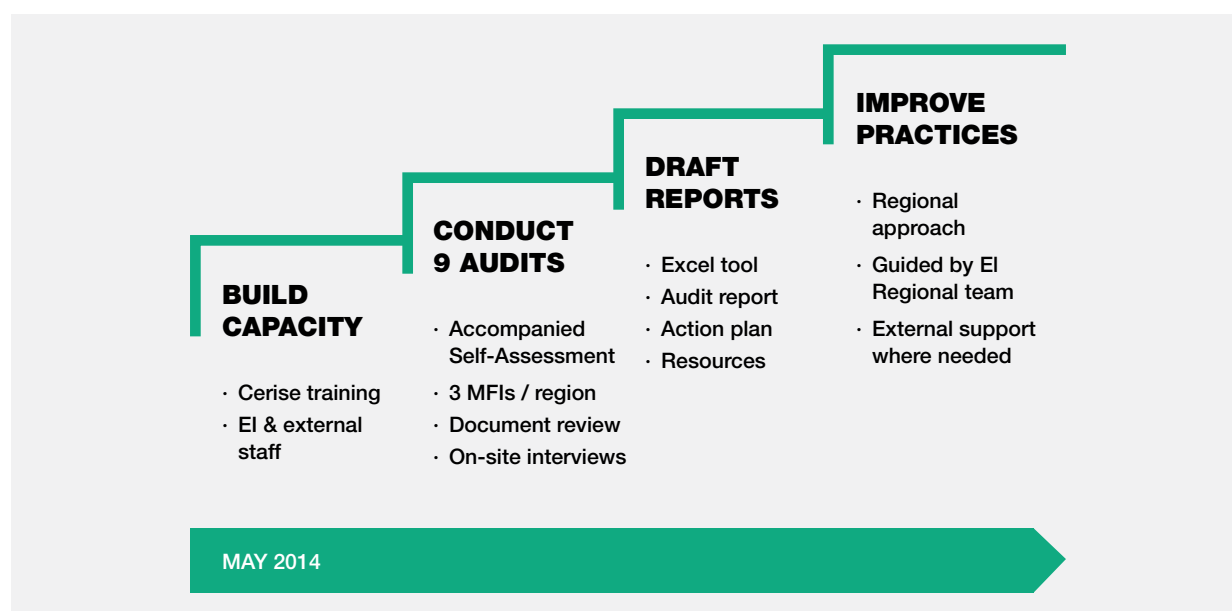
ECLOF has been involved in social performance management since 2009. The network has developed a social performance approach closely resembling what has now become the Universal Standards for Social Performance Management. Boards and staff were trained in SPM and a guide-book was published to facilitate implementation in the members.

Five years down the road, ECLOF International together with the members embarked on a process with the goal of determining the status quo of social performance management in the network and obtaining clear, measurable indicators point-

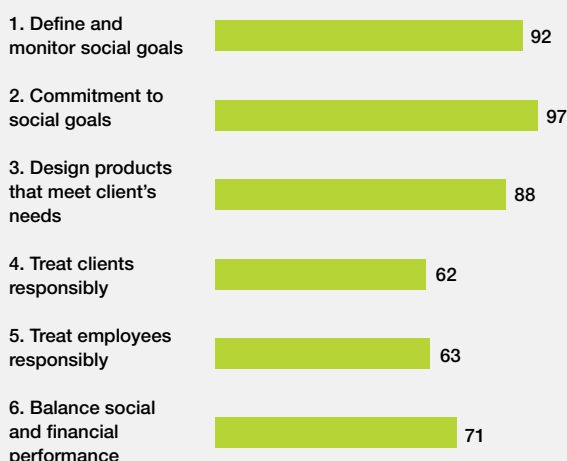
ing to the areas for improvement. We decided to complete an in-depth evaluation of our practices against the established Universal Standards in 9 member MFIs across the network and to develop action plans for improving practices using the SPI4 tool. ECLOF selected the method of a supported self-assessment where trained external facilitators hired by ECLOF International conducted the audits. Albeit more expensive than relying solely on own staff, it ensured a high level of neutrality. Facilitators were able to ask tough questions and identify gaps that would be difficult for the institution's staff to perceive on their own. After thorough document review, the on-site interview phase of 3-5 days per MFI took place. Facilitators explained the standards and indicators and asked probing questions about current practices. While more time-consuming, this approach benefited the MFIs in that the audit process itself brought many relevant issues to the attention of MFI staff and board members and incited intense discussions about social performance.

During the following reporting phase, the facilitators drafted audit reports and together with ECLOF International and local staff developed social performance action plans.

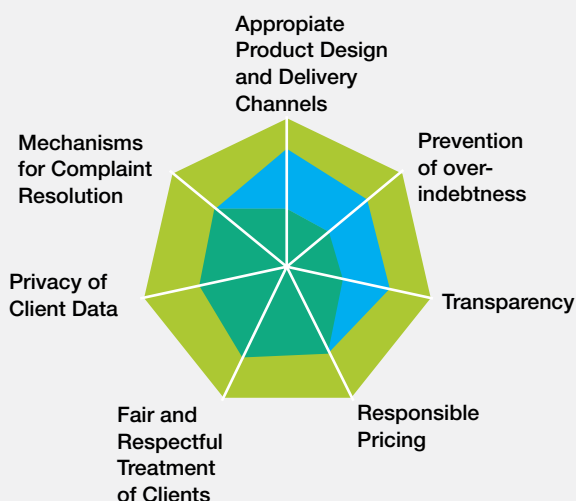
## THE PROCESS OF SOCIAL AUDITS AT ECLOF: LEARN – ASSESS – PLAN – IMPLEMENT



## UNIVERSAL STANDARDS



## SMART CAMPAIGN



## AN EXAMPLE OF THE KEY OUTPUTS OF THE SPI4: UNIVERSAL STANDARDS AND SMART CAMPAIGN SCORES

In designing the action plans, emphasis was laid on a prioritized list of actionable activities with a realistic time frame and on breaking down larger activities into sub-steps to facilitate achievement. The action points identified ranged from more technical issues (introduce a formal client complaint handling mechanism or a client data privacy policy) to the strategic (systematically collect poverty data on target clients and measure their progress, diversify loan products or develop a client training program on financial literacy).

During the following implementation phase, ECLOF members can count on the support of ECLOF International and, where needed, of external consultants in implementing the audit recommendations. ECLOF members will enhance their systems, processes and employee skillsets to more effectively reach their target market, respond to the needs of clients, their families and communities by delivering tailored high-quality services and ensure responsibility towards employees, clients, the community and the environment.

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## WHY WE CHOSE SPI4

Used by more than 500 MFIs worldwide, the SPI4 tool developed by French NGO Cerise is the premier social performance audit tool for microfinance institutions committed to improving the lives of their clients. It is a highly practical social performance assessment tool which is designed to help institutions evaluate their level of implementation of the Universal Standards for Social Performance Management, identify gaps and take action to improve. While based on an excel questionnaire, it is much more than that: a comprehensive learning and management tool that can be used for initial assessment, for making changes and for tracking improvement over time. The tool ensures rigorous quality control and reliability of the audit, generates high quality data for decision making and increases the external credibility of the results.

ECLOF was one of the first microfinance networks to pilot-test the new version 4 of the tool. As the number of SPI4 audits from other MFIs increases, Cerise will be able to benchmark results nationally or globally to contextualize the analysis. And given that the tool is more and more accepted and used by other stakeholder groups—donors, investors, TA providers, raters, potentially regulators—it will be easier for ECLOF MFIs to share the results, thus spending less time on reporting requirements and more time on improving practices, to better serve our clients.

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# EMBEDDING SOCIAL PERFORMANCE IN THE 'GENES' OF ECLOF DOMINICANA

**INTERVIEW WITH GEORGINA THOMPSON,  
HEAD OF HUMAN RESOURCES  
& SOCIAL PERFORMANCE CHAMPION  
AT ECLOF DOMINICAN REPUBLIC**



**What were the strengths and weaknesses the audit identified at ECLOF Dominicana?**

The audit found that the commitment to social performance truly is instilled throughout our institution. From the board over management to our field staff, everyone is held accountable not only to achieve financial but also social goals. ECLOF Dominicana was found to be strong in treating its staff responsibly. This is based on our focus on employee satisfaction and aspiring yet socially balanced growth targets we set for ourselves. And satisfied staff deliver great service to even the poorest of clients fairly and respectfully. So overall, in client protection we comply with the high standards set by the Smart Campaign. Being an NGO, our profits are plowed back right into the institution, to make sure we can support more and more clients with our services. One last point I'd like to mention is that ECLOF has the lowest average loan size of the leading MFIs in the country: just around 200 dollars per group borrower. This indicates our wide outreach to poor clients.

But of course, delivering excellent social performance is an ambitious goal we continue striving for. We need to better understand our clients' diverse needs and respond with tailor-made products with clearly articulated benefits for the clients. High quality research and data collection in the field need to be linked in with reliable data on the different characteristics of our clients, what their actual poverty level is, whether they live in urban or rural areas etc. And we need to start systematically collecting feedback from clients about their satisfaction with our services and systematically address their concerns.

**What was the immediate reaction by the management to the audit results?**

While we were pleased with the strengths found, we also took a good look at the points where we can still improve. To start with, we're conscious that for a mission-driven MFI like ours it is essential to embed SPM in the "genes" of the organization rather than making it a "special project". The audit was timely in the sense that the results came in when we were just about to do our strategic planning for 2015. So we integrated the findings into the new annual plan right away.

**What concrete actions is ECLOF Dominicana taking in response to the audit recommendations?**

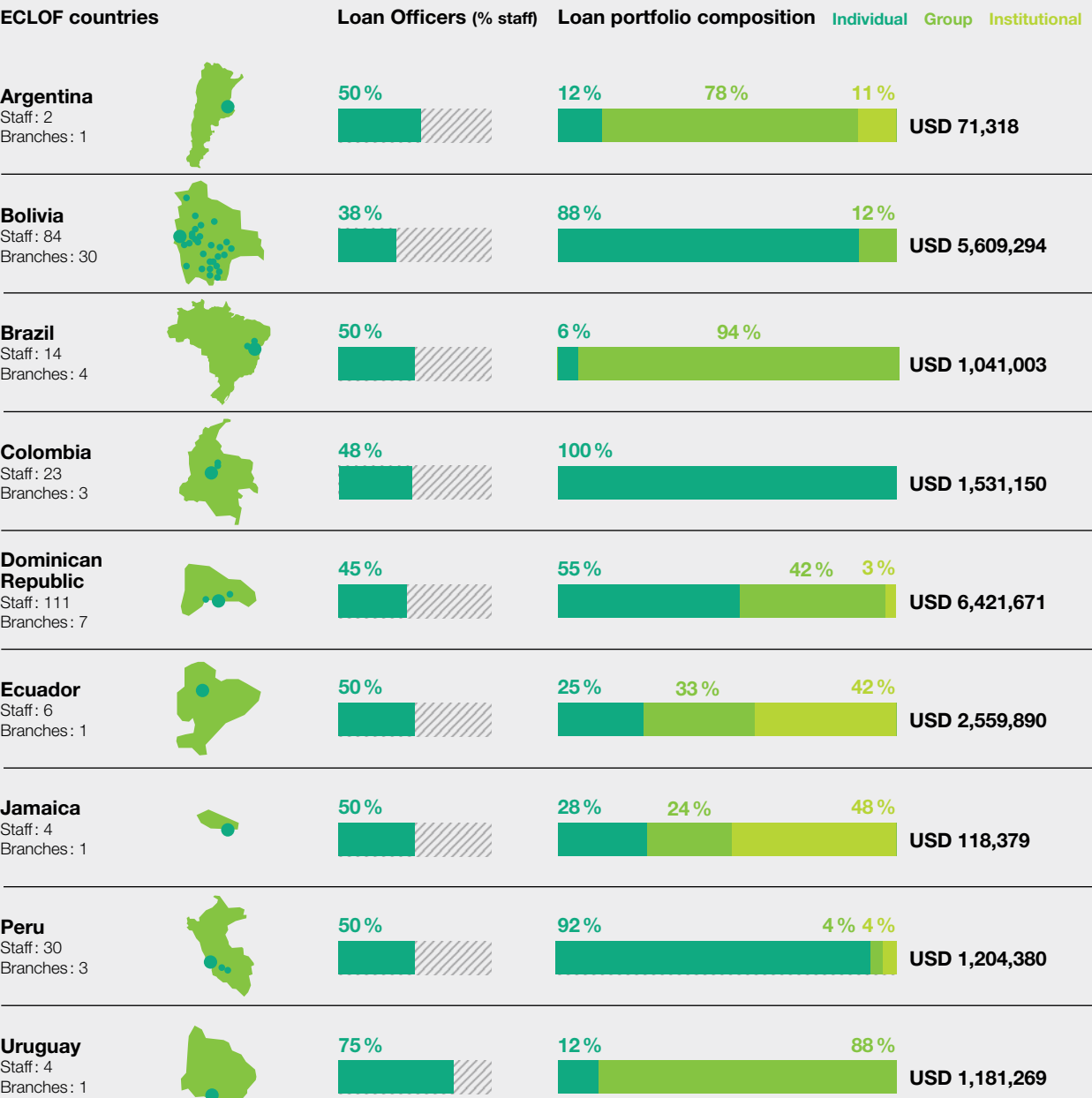
To get the topic on the agenda at each level, we're organizing SPM trainings to board members, and then gradually to all management and line staff. We're looking at social performance indicators and how we can make the data more reliable and link it directly to our social goals. Starting this year, we're diversifying our range of products: we're developing a home improvement loan product on the basis of systematic market research. We're also growing our non-financial services which we started last year. We've set a plan to reach at least one in every ten clients with training courses in areas like financial literacy, basic accounting skills and marketing. And we're introducing regular client satisfaction surveys and a formalized mechanism to react to and learn from client complaints. All of this will move us closer to our vision of being the preferred financial service provider of our clients that contributes sustainably to their personal and economic development.



# ECLOF NETWORK KEY FIGURES

## LATIN AMERICA

9 countries · Total portfolio: USD 19,738,355



Number of clients (of region's total)

Women



Youth



Rural



1 %



229 clients

78 %



15 %



0 %



12 %



3687 clients

56 %



36 %



64 %



7 %



2198 clients

76 %



35 %



55 %



6 %



1801 clients

59 %



16 %



46 %



59 %



17,524 clients

80 %



23 %



14 %



4 %



1189 clients

54 %



15 %



36 %



1 %



80 clients

49 %



5 %



42 %



6 %



1793 clients

61 %



39 %



0 %



4 %



1291 clients

48 %



14 %



25 %





# AFRICA

5 countries · Total portfolio: USD 16,147,331

## ECLOF countries

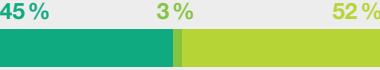
## Loan officers (% staff)

## Loan portfolio composition

Individual Group Institutional

### Ghana

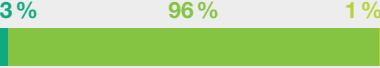
Staff: 354  
Branches: 25



USD 4,709,426

### Kenya

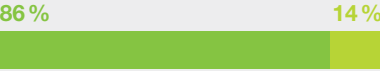
Staff: 196  
Branches: 17



USD 8,288,176

### Tanzania

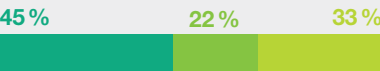
Staff: 53  
Branches: 6



USD 1,782,610

### Uganda

Staff: 25  
Branches: 3



USD 1,172,570

### Zambia

Staff: 13  
Branches: 2



USD 194,548

# ASIA

5 countries · Total portfolio: USD 10,257,753

## ECLOF countries

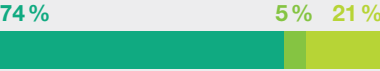
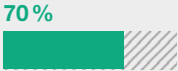
## Loan officers (% staff)

## Loan portfolio composition

Individual Group Institutional

### Armenia

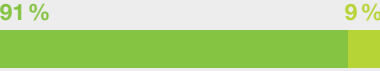
Staff: 30  
Branches: 4



USD 2,852,085

### Myanmar

Staff: 36  
Branches: 3



USD 750,659

### India

Staff: 22  
Branches: 8



USD 709,127

### Philippines

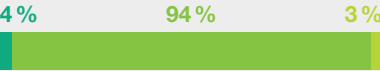
Staff: 113  
Branches: 5



USD 4,488,217

### Sri Lanka

Staff: 33  
Branches: 2



USD 1,457,665

Number of clients (of region's total)

Women



Youth



Rural



15 %



9131 clients

71 %



0 %



62 %



65 %



37,796 clients

47 %



43 %



60 %



13 %



7609 clients

65 %



73 %



22 %



5 %



2984 clients

71 %



29 %



29 %



2 %



930 clients

60 %



45 %



8 %



Number of clients (of region's total)

Women



Youth



Rural



6 %



2192 clients

45 %



22 %



52 %



19 %



7558 clients

93 %



20 %



98 %



17 %



6450 clients

100 %



30 %



70 %



22 %



8766 clients

65 %



11 %



86 %



36 %



13,985 clients

98 %



20 %



80 %



# FINANCIAL STATEMENTS

## BALANCE SHEET

in CHF as at December 31, 2014 and 2013

ASSETS	2014	2013	LIABILITIES & FUND BALANCES	2014	2013
<b>Long term assets</b>			<b>Funds</b>		
Long term loans to National ECLOF Committees (NECs)	24,002,558	23,432,901	<b>Unrestricted funds</b>		
Provision on long term loans	(7,357,120)	(7,516,860)	Capital fund	18,918,050	17,924,647
<b>Net long term loans</b>	<b>16,645,438</b>	<b>15,916,041</b>	General fund	128,225	324,635
Interest receivable from NECs	1,357,341	1,347,003	Currency Risk Fund	446,190	—
Provision on interest receivable	(686,182)	(686,182)	Technical assistance fund	256,033	259,927
<b>Net interest receivable</b>	<b>671,159</b>	<b>660,821</b>	Guarantee fund	488,683	488,683
<b>Long term investments</b>			<b>Total unrestricted funds</b>	<b>20,237,180</b>	<b>18,997,892</b>
Equity investment with NEC, net	771,677	507,660	<b>Restricted funds</b>		
Investment with Oikocredit	12,376	10,896	Technical assistance fund	229,761	217,338
<b>Total long term investments</b>	<b>784,053</b>	<b>518,556</b>	Guarantee fund	419,846	1,164,668
<b>Total long term assets</b>	<b>18,100,650</b>	<b>17,095,418</b>	<b>Total restricted funds</b>	<b>649,607</b>	<b>1,382,006</b>
<b>Current assets</b>			<b>Total funds</b>	<b>20,886,787</b>	<b>20,379,898</b>
Bank balances & short term deposits	2,889,540	3,088,196	<b>Long term liabilities</b>		
Short term loans to National ECLOF Committees (NECs)	613,370	195,374	Loans payable	629,279	—
Management fees & other receivables from NECs	166,095	147,882	<b>Total long term liabilities</b>	<b>629,279</b>	<b>—</b>
Provision on management fees	(132,562)	(128,888)	<b>Current liabilities &amp; provisions</b>		
<b>Net short term receivables from NECs</b>	<b>646,903</b>	<b>214,368</b>	Deferred restricted income	69,947	—
Other receivables & prepaid expenses	136,967	115,054	Provision on foreign exchange fluctuations	71,913	—
<b>Total current assets</b>	<b>3,673,409</b>	<b>3,417,618</b>	Accrued expenses & other liabilities	56,133	73,138
<b>Total assets</b>	<b>21,774,060</b>	<b>20,513,036</b>	Short term loans	60,000	60,000
			<b>Total current liabilities &amp; provisions</b>	<b>257,993</b>	<b>133,138</b>
			<b>Total liabilities &amp; fund balances</b>	<b>21,774,060</b>	<b>20,513,036</b>



# INCOME & EXPENDITURE ACCOUNT

in CHF as at December 31, 2014 and 2013

	2014	2013
<b>General Fund at January 1</b>	<b>324,635</b>	<b>(1,701,561)</b>
<b>Income</b>		
Contributions from donors	198,873	345,737
Management & other fees	280,242	206,370
Interest income on loans	429,511	367,606
Investment & other income	46,182	119,700
<b>Total income</b>	<b>954,808</b>	<b>1,039,413</b>
<b>Expenditure</b>		
Employees, consultants & related costs	799,255	887,009
Operating expenses	282,811	352,350
Other financial & non operating expenses	41,891	23,601
Losses/provision on management fees receivable	13,030	4,269
Exchange losses	14,231	5,337
<b>Total expenditure</b>	<b>1,151,218</b>	<b>1,272,566</b>
<b>Result for the year before fund transfer</b>	<b>(196,410)</b>	<b>(233,153)</b>
<i>Transfer to capital fund</i>	<i>0</i>	<i>1,701,561</i>
<i>Transfer from disaster fund</i>	<i>0</i>	<i>557,788</i>
<b>Result for the year after fund transfer</b>	<b>(196,410)</b>	<b>2,026,197</b>
<i>General fund at December 31</i>	<i>128,225</i>	<i>324,635</i>



DOMINICAN REPUBLIC

# PARTNERS

**actalliance**

American Baptist  
**Women's**  
MINISTRIES

**Brot**  
für die Welt  
Brot für die Welt –  
Evangelischer  
Entwicklungsdienst

**ERISE**

**christian**  
**aid**

**Church of Sweden** 



ÉGLISE DE BEGNINS



Episcopal  
Relief & Development



Evangelische Kirche von Westfalen



**MF** MICROFINANZA  
RATING

**miX**

**OIKO**  
**CREDIT**  
investing in people



**Strømme Microfinance**  
East Africa Ltd.



THE UNITED CHURCH OF CANADA  
L'ÉGLISE UNIE DU CANADA



**water.org**

**World Council**  
of Churches

# ECLOF NETWORK CONTACT DETAILS

## 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**

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

### **ECLOF Dominican Republic**

William Jimenez Santos  
Executive Director  
eclof@tricom.net  
+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**

Jorge Grados  
Executive Director  
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

## 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**

Ben Laseko  
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**

Anthony Munamukuni Moonga  
Executive Director  
eclof@zamtel.zm  
+260 211 23 85 68

## ASIA

### **ECLOF Armenia**

Tigran Hovhannisyan  
Chair of Supervisory Board  
eclof@eclof.am  
+374 60 37 30 60

### **ECLOF India**

D.P.Sundar  
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**

Chrisantha Hettiaratchi  
Programme Manager  
eclof@eureka.lk  
+94 112 34 34 70





**ECLOF International**

Route de Ferney 150  
1218 Le Grand-Saconnex  
Switzerland

+41 22 791 63 12  
[office@eclof.org](mailto:office@eclof.org)  
[www.eclof.org](http://www.eclof.org)