

SOCIAL PERFORMANCE REPORT

ECLOF ECUADOR



ECLOF INTERNATIONAL DEFINES SOCIAL PERFORMANCE AS THE EFFECTIVE TRANSLATION OF THE ECLOF MISSION INTO PRACTICE, IN LINE WITH ACCEPTED SOCIAL VALUES THAT RELATE TO:

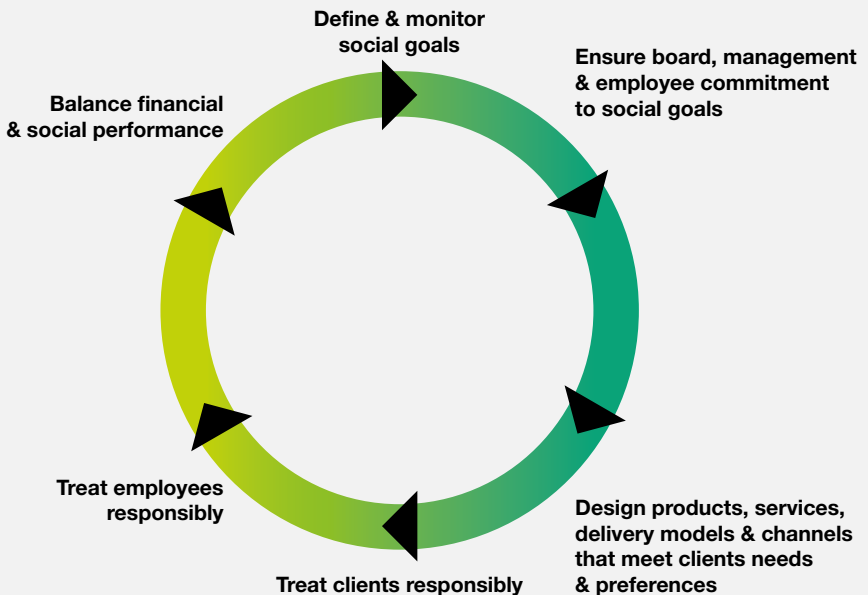
- Reaching our target market
- Delivering high-quality and appropriate services
- Responding to the needs of clients, their families and communities
- Protecting clients from negative effects of accessing financial services
- Ensuring responsibility towards our employees, clients, the communities we 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’s social mission. This report is an outcome of the social performance reporting framework applied to ECLOF Ecuador.

UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT



SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

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

It is ECLOF's goal to accompany its clients as they graduate, i.e. they rise on the economic ladder from ultra-poor over poor to vulnerable and beyond. Therefore, ECLOF has started to monitor the poverty level of its clients using the Poverty Probability Index (PPI). With the collected data it will be possible to document how clients graduate over time. It will also help ECLOF to consistently target poor clients.

VISION, MISSION & VALUES OF ECLOF ECUADOR

VISION

To be an impactful and sustainable microfinance foundation, with a solidarity presence among the most vulnerable communities, which facilitates local development with Christian values.

MISSION

An ecumenical Christian organization that contributes to the development of people with limited access to financial services by offering them micro loans and related services, in order to build a just and sustainable society.

VALUES

Human dignity
Solidarity
Quality service
Warmth
Appropriate attention
Sustainability

FACTS & FIGURES

ECLOF Ecuador is a small MFI registered as a not-for-profit foundation. From its office in Quito, 6 staff serve more than 1300 clients across 8 of the 24 provinces of Ecuador. ECLOF Ecuador caters to urban and rural micro businesses and smallholder farmers, providing financial and related non-financial services.

Year of foundation: 1978

Legal form: Foundation

Number of clients: 1352

Loan portfolio USD: 2.5 million

Number of branches: 1

Number of staff: 6

Operational self-sufficiency: 121 %

All information as per June 2017

BRANCH NETWORK ECLOF ECUADOR



WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
Number of clients reached	1352	ECLOF Ecuador targets urban and rural communities.
thereof women	744	
thereof men	608	
thereof urban	798	
thereof rural	554	
Number of people reached	6760	ECLOF's work can have an exponential effect on the families and communities served.
thereof urban	3988	ECLOF builds local capacity in its clients and its staff, and it nurtures community ties through the solidarity group lending model. The average family size in Ecuador is 5.
thereof rural	2772	
% of vulnerable clients	73 % poor or excluded	73 % of clients are classified in quintiles A and B by government definition and thus considered poor or excluded.
	46 % of clients have only basic education	Nearly half of clients have no formal education or only primary education.
	41 % 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.
	37 % of clients are indigenous	It is the indigenous people who face the highest levels of poverty and marginalization in Ecuador.
% of informal businesses	77 %	Most loans finance smallholder agriculture or informal businesses without a registration or license.
% of women headed households	25 %	1 in 4 clients is a single woman.



ECLOF Ecuador targets areas with a high incidence of poverty, and in particular indigenous communities, women and smallholder farmers. 50 % of all clients reside in rural areas in the provinces of Bolivar, Chimborazo, Cotopaxi, Esmeraldas, Los Rios, Manabi, and Santo Domingo. Half of them alone come from Chimborazo province, the second poorest province in Ecuador where an estimated 50 % of the population live below the poverty line. In Cotopaxi and Bolivar provinces where another 14 % of clients reside, about 40 % live below the poverty line. The majority of the poor stem from indigenous communities of Inca descent. They have limited access to education, clean water, economic opportunities, and health care services. Local families sustain their livelihoods from agricultural activities and breeding of small livestock. 37 % of all ECLOF clients stems from those indigenous communities.

ECLOF's loans are used for informal micro business (50 %), farming and animal breeding (27 %), and small-scale confectionery (23 %). Most agricultural clients are organized in farmer associations or agricultural cooperatives. Practicing a highly efficient model, ECLOF Ecuador lends to them through their cooperative structure.

ECLOF empowers in particular women with loans and training to generate income for their families, which in turn raises their self-esteem, their social and economic inclusion.



LONG-TERM SUPPORT TO FARMERS IN THE ANDEAN HIGHLANDS

The rural community of Gatazo Zambrano is located at 3200 meters in the Andean mountains. Gatazo is home to around 1000 families. A typical family owns between 0.5 and 2 hectares of land. They largely sustain their livelihoods from farming and breeding of small livestock. Main crops include broccoli, carrots, cauliflower and cabbage. The average monthly income from farming per family is 200 USD.

Most farmers market their produce in the nearby town of Riobamba, either individually on the market or cooperatively selling to wholesalers. Gatazo's farmers also share a communal collection station and one tractor through their farmer's association.

ECLOF has been serving the community with credit and training services since 2001. Because of this long-term engagement, ECLOF has intimate knowledge of the capacities and the needs of the local communities. Capacity building has included training on financial literacy, organic farming practices and gaining access to markets. Today, 130 families are clients of ECLOF. When ECLOF came to the village, many fields lay fallow. As an effect of the support from ECLOF, all fields are now under cultivation. Villagers' incomes have increased. They invest most of their earnings in developing their farm, financing their children's education or health and in upgrading their homes.

CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client satisfaction score	81 %	In a survey conducted among 200 randomly selected clients in 2016, 81 % said they were satisfied with ECLOF's services.
Client retention rate	80 %	20 % of clients decided to leave the institution in the first half of 2017.

By actively managing its social performance, ECLOF Ecuador puts clients at the center of all strategic and operational decisions. It designs products that help clients cope with basic needs, invest in economic opportunities, build assets and manage their daily and life cycle financial needs. And it reviews and adapts products upon client feedback to better meet clients' expectation.

Agricultural clients are served with dedicated loan products that fit their income streams. ECLOF's interest rate is at the lower end of the market; but more importantly, ECLOF offers access to loans to clients who have little or no tangible collateral.

Client retention is a proxy indicator for the quality and relevance of ECLOF's service to its clients. There is evidence that a stable long-term relationship with a finance provider can facilitate the graduation of poor clients to higher income levels. Clients of ECLOF Ecuador show a high degree of loyalty to the institution.

Nonetheless, it is important to systematically track the level of satisfaction of clients: a very satisfied client will talk to 3-4 people about the experience while a dissatisfied client will tell 8-9 people. When a client's complaints are received, answered, and solved, there is a 90 % chance that s/he will return to the institution. ECLOF Ecuador has surveyed its clients about their satisfaction with its services. While most clients expressed satisfaction, they also raised interesting points for improvement which ECLOF Ecuador has taken on-board: to increase the loan amounts for micro businesses, to offer an education loan product, and to expand the training offered to clients.

CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
Adherence to the client protection principles	5	This indicator shows for which of the 7 CPPs (client protection principles) explicit policies and procedures are in place.

Client protection—doing no harm to clients—is the foundation of and an integral part of social performance. There are 7 accepted client protection principles. They range from offering suitable products over preventing client over-indebtedness to protecting client data.

ECLOF Ecuador is a signatory to the Smart Campaign’s client protection principles. Formal policies are in place for 5 of the 7 principles. There is no mechanism for complaint resolution at this time and no formal product development process. To protect clients from over-indebtedness, ECLOF Ecuador obtains data from a credit bureau for every loan application. Client interest rates are below market rates.





RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	0%	Staff has been stable for 3 years.
Staff satisfaction survey process established	No	No formal process.
Staff exit interview process established	Yes	When staff leave, they are asked the reasons why in a formal process.
Share of women in staff/management/board	83% in staff 100% in management 25% in board	Women take responsibility in positions across the institution.
% of staff benefiting from training	100%	All staff benefit from regular professional training.

In microfinance, employees are an organization's main asset. They have rights, and if treated responsibly they are more likely to treat clients responsibly in return. Treating staff well also improves service quality and sustainability because more satisfied staff treat clients better; and well treated clients are loyal to the institution. To build staff skills and increase the attractiveness of working for ECLOF Ecuador, training is essential: all staff benefited from some form of professional training during the past year. With 6 staff, ECLOF Ecuador is a small organization. There is no formal process to assess staff satisfaction.

In ECLOF Ecuador, women are represented at all levels of the institution. Most staff are women, so is the Managing Director.

BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
Number of clients trained	234	Since 2015, ECLOF Ecuador has trained over 200 clients on management and leadership, gender equality, financial education and agro-ecology.
% of clients trained	17 %	17 in 100 clients attend trainings by ECLOF Ecuador.
Number of services addressing basic client needs	1	Home improvement loan.
% of loan portfolio in those products	1 %	

For a socially motivated provider of financial services like ECLOF, it is not enough to protect clients from harm. We actively seek positive impact on the lives of our clients: their economic wellbeing, their community integration, their resilience to shocks, and their ability to cover basic human needs. This is achieved through financial products and by building clients' capacity.

ECLOF cooperates with local partners in providing technical assistance to the farmer groups to improve the safety and quality of their produce, gain access to urban markets and increase their income. Trainings cover topics such as agro-ecology, organic production methods, proper handling of soil and cultivation of reliable and sustainable crops. In a recent pilot project, technicians hired by ECLOF Ecuador advised a group of 20 farmers from the Andean highlands in developing a strategy to directly market their produce in one of the country's urban areas. Currently a home improvement loan product is being piloted.

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 practicing 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 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-of-charge 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 then 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 clients have rebuilt their lives, reconstructed their homes, revived their professional activities, and overcome the shock of the quake.

ECLOF INTERNATIONAL

Route de Ferney 150,
1218 Le Grand-Saconnex, Switzerland
P. +41 22 791 63 12
office@eclof.org
www.eclof.org

ECLOF ECUADOR

Avenida Colón E6-12 Y Rabida,
Edificio Ave Maria Quinto Piso, Oficina 5A,
Quito, Ecuador
eclofecuador@eclof.org.ec

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