

**SOCIAL PERFORMANCE
REPORT**
ECLOF Colombia



ECLOF
INTERNATIONAL



SOCIAL PERFORMANCE MANAGEMENT TO ACHIEVE SOCIAL IMPACT

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 creates social impact through the care given to vulnerable population groups who benefit from the financial and non-financial services offered by ECLOF, contributing towards their empowerment and generating positive changes in their lives.

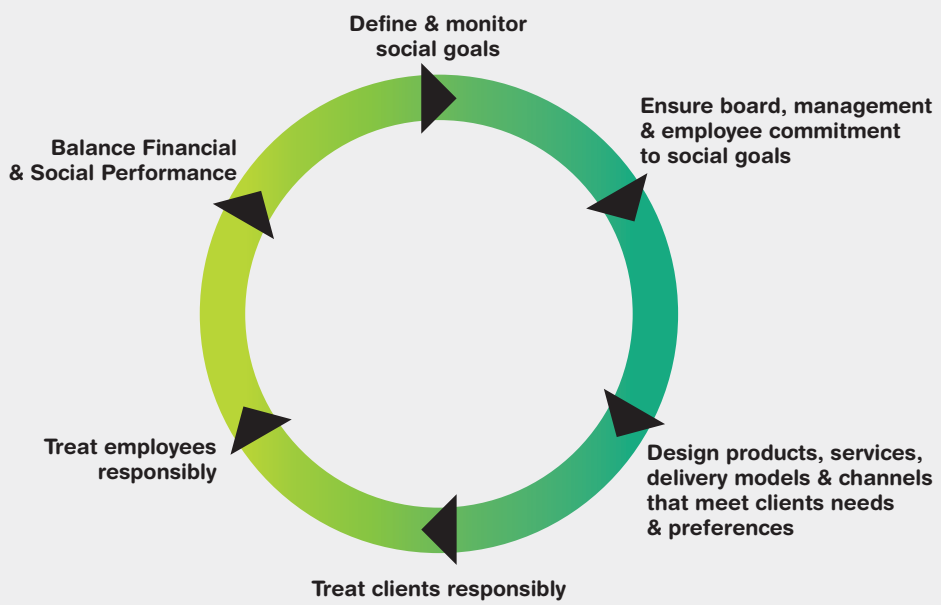
In line with the ECLOF mission, ECLOF Colombia targets specifically women, young people and

rural areas with financial and non-financial services designed according to their needs. In particular the non-financial services create impact and client loyalty.

ECLOF Colombia has seen countless cases where a very significant economic and social impact has been generated with clients who have started as microentrepreneurs and today are proud owners of small businesses, and who have even generated employment for others. This is the case with Ms. Maria Cuarán who is featured on the cover photo.

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 boost their operational and financial performance over time.

UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT



Source: Social Performance Task Force

VISION, MISSION AND VALUES OF ECLOF COLOMBIA

MISSION

To provide comprehensive financial solutions and programs of inclusion and social development that improve the quality of life of the urban and rural population.



VISION

ECLOF Colombia will be recognized nationally and internationally for its specialized micro finance programs that promote productive and economic sustainable development, contributing towards the construction of capital and social fabric in the population served



CORPORATE VALUES

- Commitment to Quality
- Service attitude
- Learning and Development
- Results-focused
- Social and Environmental Responsibility



CORPORATE PRINCIPLES

- Honesty
- Responsibility
- Solidarity
- Respect
- Loyalty

FACTS AND FIGURES

ECLOF Colombia is a medium-sized microfinance institution with 24 staff serving clients through branches in the departments of Cundinamarca and Boyaca. It is especially the non-financial services where ECLOF stands out among the microfinance institutions in the market. To offer those services, ECLOF Colombia enters into strategic part-

nerships with like-minded institutions and companies under the umbrella of their corporate social responsibility. ECLOF Colombia is increasingly expanding towards rural areas or populations that are not being served by most financial institutions, and where there is great potential for their financial inclusion.

YEAR OF FOUNDATION	1986
LEGAL FORM	Sociedad Anónima Simplificada (SAS)
NUMBER OF CLIENTS	2.205
LOAN PORTFOLIO	USD 2.2 million
NUMBER OF BRANCHES	4
AREA OF OUTREACH	URBAN / RURAL
NUMBER OF EMPLOYEES	24

GEOGRAPHIC COVERAGE





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 a result of the social performance reporting framework at ECLOF Colombia.

ECLOF COLOMBIA'S CLIENT PROFILE:

INDICATOR	% OF CLIENTS
GENDER	51% women 49% men
AGE	21% between 18 and 30 years 62% between 31 and 50 years 17% between 51 and 70 years
LEVEL OF EDUCATION	35% have basic primary education.
HOUSING	74% do not own their home.
HEALTH SYSTEM COVERAGE	65% affiliated to the subsidized health system on behalf of the Government.
ECONOMIC SECTOR	49% trade in goods and services. 17% production or manufacturing of goods. 34% agricultural activities.

WHO DO WE REACH

INDICATOR	VALUE	COMMENT
Number of Customers	2205	ECLOF Colombia serves mainly women and rural communities. Because of limited access to education and assets, women tend to be more vulnerable than men.
Women	1213	
Men	992	
Rural sector	1323	
Urban sector	882	
Geographically poor areas that are served	60%	ECLOF Colombia offers its services in the neediest areas, especially in the Department of Boyacá. This department is one of poorest of the country and it is where ECLOF Colombia has three of its four branches that serve 60% of its clients.
Percentage of Vulnerable Clients	65% of ECLOF Colombia's clients are under the Government subsidized health system.	Most of ECLOF's clients need subsidies to access the government health service.
	29% of clients are engaged in agricultural activities.	Because of precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks. Many of them have no access to drinking water or to basic sanitation.
Average credit value / GDP per capita	17%	This proxy indicator applied across the whole portfolio indicates that a financial institution reaches poorer clients. MIX MARKET defines that loans up to 20% of GNI per capita are loans to the lowest income clients.

ECLOF Colombia's client profile is clearly defined as people who have little or no financial services, with special emphasis on women and rural communities. In this way, financial inclusion is achieved, accompanied by non-financial services that provide training opportunities to clients. This generates bonds of trust between clients and ECLOF Colombia, in addition to a high level of client retention that is reflected in the financial indicators of the institution.

On the other hand, within the strategic lines of ECLOF Colombia, one of its objectives is to

attend the niche market of young people, especially of those living in rural areas. This group of people receive loans and training in different areas. This allows them to strengthen their sense of belonging and permanence in their farms and places of origin, so that they see opportunities to continue growing in their farms and developing new products. In this way, basic agriculture can evolve towards agri-business, contributing with the empowerment of these young people, improving their family income and eventually their quality of life.

CLIENT EXPERIENCE

INDICATOR	VALUE	COMMENT
Client retention rate	92%	Only 8% of clients decided to leave the institution in 2016.
Client satisfaction	90%	Of a total of 611 clients surveyed during 2016, 90% would recommend ECLOF Colombia to their relatives and friends.

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. ECLOF Colombia's tailor-made services particularly to groups with limited access to finance like women, youth and rural dwellers generate a high level of client satisfaction and retention. To measure this, two client satisfaction surveys

were carried out: one for the home improvement loan and another one for non-financial services. Here are the results:

Financial services / home improvement loans

- 82% of surveyed clients intend to apply for a further home improvement loan from with ECLOF.

- 93% of surveyed clients would recommend ECLOF Colombia's services to friends and

family, stating the following reasons: ECLOF Colombia is a great alternative for low-income families to apply for a loan, the process is simple and fast, they have good service, quality and compliance; they offer an affordable and accessible opportunity to carry out home improvements.

Non-financial services / training in different

agricultural topics

90% of the trainees were satisfied with the knowledge acquired in Good Agricultural Practices, as well as in Financial Education, and they would recommend to ECLOF Colombia to friends and family.

CLIENT PROTECTION

INDICATOR	VALUE	COMMENT
Adherence to the principles of client protection	100%	Based on an assessment by evaluators of the SMART Campaign in 2014, ECLOF Colombia is effectively complying with the guidelines of the 7 principles for client protection.

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 clients' data. ECLOF Colombia adheres to these principles.

ACHIEVEMENTS IMPROVING AND APPLYING GOOD CLIENT SERVICE PRACTICES:

CLIENT PROTECTION MECHANISMS

STRATEGIES

DESIGNING AND DISTRIBUTING APPROPRIATE PRODUCTS

Financial and non-financial services have been designed according to the needs of ECLOF's clients.

For example, client satisfaction surveys are applied at the end of each workshop. Once the results are analyzed, the outcomes are used to develop new topics.

FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Client service culture is promoted and it is incorporated within the code of ethics.

In addition, credit analysts receive an economic incentive for promoting non-financial services and ensuring client service culture and client's loyalty.

OVER-INDEBTEDNESS PREVENTION

An over-indebtedness prevention policy is established. This policy is reviewed regularly. The high repayment rates demonstrate that this policy is effective.

TRANSPARENCY

ECLOF delivers clear, accurate and up-to-date information to the client. Every interest rate of a financial service is posted in every office, and at the time of disbursement clients receive all information of their credit in detail so that they have a clear understanding.

RESPONSIBLE PRICES

Prices in the microfinance sector are strictly regulated by government policies.

PRIVACY OF CLIENT DATA

The institution has established a policy for processing personal data which ensures that data and photos of clients are kept secure and private.

COMPLAINTS RESOLUTION MECHANISMS

The institution defined channels and mechanisms for complaints, claims, petitions and congratulations.

Actively listening to clients is part of client protection. To respond quickly to client complaints and use feedback to improve services and products, ECLOF Colombia has established different mechanisms for the client to communicate complaints, such as mailboxes in each office, a contact line and the website.

Through text messages and at the time of disbursement, clients are informed of the different mechanisms at their disposal.

In 2016, approximately 20% of ECLOF Colombia's clients used one of these channels to post a complaint

BENEFITS TO CLIENTS

INDICATOR	VALUE	COMMENT
Number of clients trained	1042	Clients trained in financial education, good agricultural practices and livestock practices, animal feeding, home gardening and organic fertilizers.
Percentage of clients trained	47%	Almost half of ECLOF's clients participated in some type of training during the year.
Number of services aimed towards meeting basic client needs	2	Loan products: home improvement and education.
Percentage of portfolio in these products	29%	29% of loans are invested in home improvement projects and education.
Jobs Generated	1702	Clients that received loans generated 1,702 jobs. This figure is obtained from the information provided by the client at the time of the visit and that the analyst verifies, has been registered in the application form and has been entered into the Management Information System.

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, and their ability to cover basic human needs. This is achieved through financial products and by building clients' capacity.

Research has shown that the effectiveness of microfinance in reducing poverty is greatly increased when lending is combined with capacity-building. ECLOF Colombia is regularly strengthening the capabilities of its clients.

Financial services: ECLOF Colombia offers financial products to individuals, micro and small businesses through credit lines for Working Capital, Fixed Assets, Home Improvement and Education.

Non-Financial Services: are an added value that ECLOF Colombia offers to its clients and to the community in general

related to:

- Financial Education Training
- Training in good agricultural practices and livestock practices, animal feeding, home gardening and organic fertilizers
- Individual Technical Assistance in agricultural projects

NON-FORMAL TRAINING PROGRAMS:



During 2016, the following workshops were given to ECLOF's clients (all workshops included financial education):

WORKSHOP NAME	NUMBER OF WORKSHOPS	ATTENDEES
Good Agricultural Practices	6	92
Good Livestock Practices	2	15
Home gardens	16	261
Nutritional feeds	10	144
Organic fertilizers	8	99
Total	42	611

In addition, ECLOF Colombia provides agricultural technical assistance through periodic visits by agronomy students in internship. They help clients in applying the lessons from the classroom training on Good Agricultural and Livestock Practices on their farms. In 2016, 141 technical visits were made.

Another mechanism is individual training given to clients who find it difficult to attend group workshops. These trainings are carried out by the technical assistants. During 2016, 290 individual trainings were carried out.

SOCIAL IMPACT



ECLOF staff have been noticing a clearly visible evolution of the clients, especially after they have attended the training workshops and benefited from agricultural technical assistance. Farmers start using modern practices in their production and operating environmentally sound, more profitable and more sustainable agriculture.

It is important to ECLOF Colombia to demonstrate client-level results to internal stakeholders (such as clients and employees) and external stakeholders (such as investors) not just with anecdotes but also through real data. Therefore, ECLOF Colombia has carried out an analysis to measure the economic impact on its clients in terms of growing income, assets and equity, by analyzing its client data from the past five years.

For a total of 1,946 existing clients, who have had more than one credit with the institution we have documented:

52% have seen a growth in sales by about 10% and 20%;

15% achieved a growth above 50%.

59% increased their assets between 10% and 20%; 18% achieved more than 50% of growth.

67% strengthened their equity by 10% to 20% and 6% had an increase of more than 50%.

These findings show that a majority of clients of ECLOF Colombia have improved their families' economic situation over time.

RESPONSIBILITY TO STAFF

INDICATOR	VALUE	COMMENT
Staff Turnover Rate	20%	In a competitive labor market, ECLOF Colombia is a rather attractive employer.
Elaboration of exit surveys	Yes	When staff leave, they are asked the reasons why.
Participation of women	55% of staff; 80% of managers; 60% of Board of Directors	Women take responsibility in positions across the institution.
Percentage of staff benefiting from training	95%	Most staff benefit from professional training over the year.



In microfinance, employees are an organization's main asset. They have rights, and if treated well they are more likely to treat clients responsibly. 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. Knowing this, ECLOF Colombia has explicit Human Resource standards.

In an institution such as ECLOF that specifically targets women, women must be strongly represented. In ECLOF Colombia, there are

more women than men at all levels of the institution. Both the chair of the board and the managing director are women.

To increase the attractiveness of working for ECLOF Colombia, training is essential: 95% of all staff were benefited from professional training offered in 2016, on topics such as analysis of urban and rural credit, collections, leadership, risk management, finance, avoiding client over-indebtedness, or corporate governance.

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