

# SOCIAL PERFORMANCE REPORT

ECLOF PHILIPPINES



# SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

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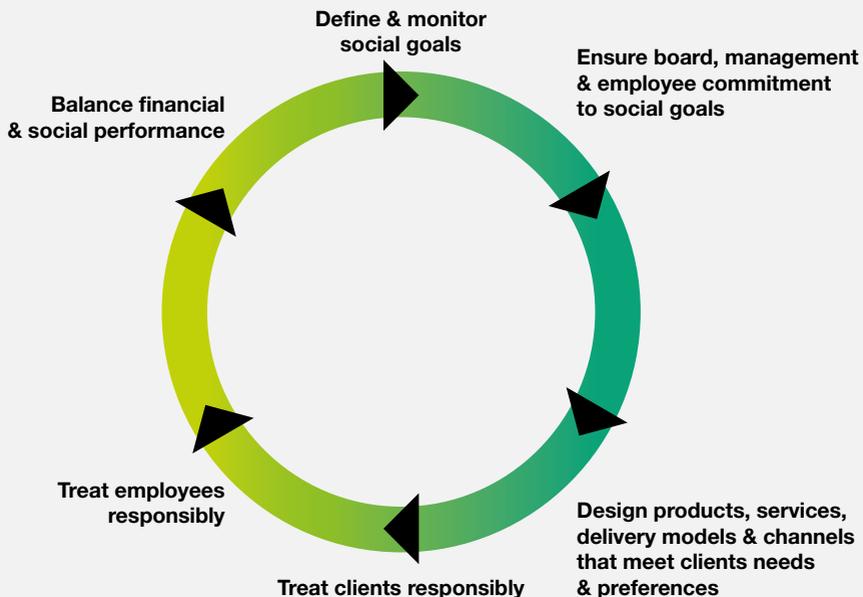
ECLOF attains social impact by targeting those in need and giving them access to financial and non-financial services that empower them and effect positive changes in their lives. Impact evaluations attempt to demonstrate the outcomes of microfinance. They tend to be onerous and costly. Because rigorous 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 Progress out of Poverty 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.

**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.

## **UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT**



# VISION, MISSION & VALUES OF ECLOF PHILIPPINES

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## VISION

**Realizing human dignity**

## MISSION

**ECLOF Philippines is committed to build communities and livelihood which are sustainable, economically viable, socially desirable and environmentally sound**

## VALUES

**Service with teamwork, integrity, excellence, stewardship**

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 Philippines.

## FACTS & FIGURES

ECLOF Philippines is a medium-sized MFI registered as a non-profit NGO. From 20 outlets, 204 staff serve more than 21,000 clients across North Luzon, South Luzon and Palawan. ECLOF Philippines caters predominantly to smallholder farmers who make up 6 in 10 clients.

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**Year of foundation: 1972**

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**Legal form: Microfinance-NGO**

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**Number of clients: 21,569**

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**Loan portfolio USD: 4.7 million**

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**Number of branches: 20**

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**Number of staff: 204**

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**Operational self-sufficiency: 95%**

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All information as per June 2017





# WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
<b>Number of clients reached</b>	<b>21,569</b>	ECLOF Philippines targets predominantly rural communities, with a focus on farmers.
thereof women	15,530	
thereof men	6,039	
thereof urban	5,392	
thereof rural	16,177	
<b>Number of people reached</b>	<b>94,904</b>	ECLOF's work can have an exponential effect on the families and communities served. 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 the Philippines is 4.5.
thereof urban	24,265	
thereof rural	72,795	
<b>Geographically poor areas served</b>	<b>70 %</b>	14 of the 20 outlets of ECLOF Philippines are located in rural or peri-urban areas. The 6 urban outlets serve low income urban communities.
<b>% of vulnerable clients</b>	<b>72 %</b>	Because of limited access to education and assets, women tend to be more vulnerable than men.
	<b>58 %</b>	Because of precarious living conditions in rural areas and often unstable income, smallholder farmers tend to be more vulnerable to external shocks.
<b>Average outstanding loan / Gross national income (GNI) per capita</b>	<b>8 %</b>	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.



Two in every three clients of ECLOF Philippines live in rural areas. Most of them practice one of the most vulnerable activities in the community: agriculture. Farmers and fisher folk are susceptible to weather risk, they depend on market prices, and they face practical challenges accessing services due to their geographical isolation. Making things worse, the Philippines is battered by some 20 typhoons every year that cause significant damage to farming and fishery. ECLOF Philippines continues innovating in order to add

value to these communities, build their resilience and deliver relevant and responsive products and services.

ECLOF sets out to enable especially women to become economic agents of change. Women tend to be more concerned about their families' welfare in terms of food, child education, living conditions, and even health. Serving women has a direct effect on the society in that they are able to reinvest the profits of their businesses into their families and the community.

## A COMPREHENSIVE APPROACH TO RURAL SERVICES: CAMPAIGN FOR HEALTH

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

To prevent this, ECLOF Philippines started a campaign for health among clients in December 2016. The first health, medical and dental event was organized for the clients of Calauan and Sta. Cruz branches in South Luzon. In

partnership with the LIFELINE foundation, ECLOF gathered interested clients and arranged for doctors, dentists and volunteers to be on-site to consult the clients on their medical issues. Country Bankers Insurance Corporation provided free medicine and the Philippine Bible Society offered its services. 252 clients benefited from free medical consultations, dental services, awareness on issues such as hypertension or diabetes, and advice on how to maintain a healthy lifestyle. With all the positive feedback from clients, ECLOF intends to replicate these events together with its partners in other parts of the country.

# CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client satisfaction score	68%	From the 190 clients who gave feedback during the first half of 2017, 68% encircled the “Happy face”.
Client retention rate	72%	28% of clients decided to leave the institution in the first half of 2017.

By actively managing its social performance, ECLOF Philippines 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 constantly reviews and adapts products upon client feedback to better meet clients' expectation.

It is important to systematically track the level of client satisfaction: 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 Philippines offers clients a feedback mechanism. There is a simplified Happy face/Sad face form and suggestion boxes in each office. On a quarterly basis, the Client Service Officer at the Head Office consolidates the information and feeds it back to branch managers for their action and information. This process helps ECLOF improve products and service delivery. 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. In a competitive financial sector, clients of ECLOF Philippines show a moderate degree of loyalty to the institution.

# CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
<b>Adherence to the client protection principles</b>	<b>6</b>	This indicator shows for which of the 7 CPPs (Client protection principles) explicit policies and procedures are in place.
<b>Number of complaints received</b>	<b>65</b>	Clients can submit queries through suggestion boxes in the branches.

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

ECLOF Philippines has policies and procedures in place for 6 of the 7 principles. A basic mechanism to collect client complaints is established but will be formally linked to a future policy on complaint resolution.



# RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
<b>Staff turnover rate</b>	<b>29 %</b>	Nearly one in three staff exited during the last 12 months.
<b>Staff satisfaction survey process established</b>	<b>Partially</b>	There are sporadic staff satisfaction surveys.
<b>Staff exit interview process established</b>	<b>Yes</b>	When staff leave, they are asked the reasons why in a formal process.
<b>% of staff benefiting from training</b>	<b>31 %</b>	One third of staff benefitted from professional training between January and April 2017.

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.

ECLOF Philippines regularly tracks staff turnover and conducts exit interviews with departing staff. To build staff skills and increase the attractiveness of working for ECLOF Philippines, training is essential: 31 % of all staff benefited from professional training in the first half of 2017. There have been satisfaction surveys conducted among staff. The last one revealed that 69 % of employees are satisfied with the organization. Staff evaluated the working environment and relationships within ECLOF positively, while highlighting compensation as an area for

improvement. The plan is to introduce regular annual surveys of this kind in the future.

Staff turnover continues being a challenge for ECLOF Philippines. Reasons for this include the competitive labor market in the financial sector, the need for staff to engage in remote areas to attend clients, and high standards for staff performance. ECLOF Philippines works on raising staff loyalty by improving the staff selection and induction process and offering competitive salaries and career progression. Management and staff adhere to the highest ethical working standards as captured in ECLOF's Code of Ethics. Apart from these tangible things, ECLOF Philippines motivates staff and maintains high team spirit through recognition of top performers during quarterly meetings and annual gatherings, a bi-annual newsletter and team building to build camaraderie.

# BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
Number of clients trained	1316	Since 2012, ECLOF Philippines has trained over 1,300 clients on organic farming, business and management, and health.
% of clients trained	6%	6 in every 100 clients attend trainings by ECLOF Philippines.
Number of services addressing basic client needs	2	Emergency loan product, disaster recovery grants, business development and capacity building.
% of loan portfolio in those products	2%	



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.

In order to strengthen its outreach to the poor unserved by other financial institutions, ECLOF Philippines recently introduced a start-up business loan: the Micro Negosyo at Serbisyo Group Loan. It targets micro entrepreneurs with no prior business experience who have a good idea and skills in their field. Clients can benefit from a combination of startup loan and business skills training from ECLOF.

One of the benefits of financial inclusion that receives more and more attention is its potential to improve the resilience of clients, i.e. their ability to cope with shocks like death of a household member, medical or weather emergencies. To poor people, even small shocks can have disastrous effects on their lives. Therefore, ECLOF Philippines provides loans to its loyal clients that cover their emergency and basic needs in case of personal calamity or natural disaster. Granted swiftly, these loans are used to pay for medical costs, emergency home repair, or education expenses. Albeit not in the traditional sense directed at "productive purposes", such loans can facilitate greater social

impact beyond the income-smoothing effects of conventional microfinance. We found that offering such products increases client loyalty because clients feel that ECLOF is not just supporting their farm or business but also looking after their personal and family well-being. At times of severe disaster, e.g. after typhoon Koppu in 2015, ECLOF Philippines even distributed free-of-charge seedlings to clients to replant their destroyed fields.

Research has shown that the effectiveness of microfinance to reduce poverty is greatly increased when loans are combined with capacity building. ECLOF Philippines trains clients mainly in three areas: organic farming, business skills, and health.

With the majority of clients engaged in agriculture, ECLOF Philippines advocates organic farming as a way of helping the agricultural sector grow income, mitigate climate change, and provide healthier food to every Filipino. Training on basic organic farming is given to farmers and farmer groups through demo farms owned and operated by ECLOF. The farms are a place for learning, research, and demonstrating organic farming techniques. Farmers can learn principles and basic concepts of organic farming and practical skills like the formulation of organic concoctions. ECLOF then offers a loan to successful participants to implement the learned on their farm—eventually going organic.

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