

ANNUAL REPORT 2015
PROMOTE SOCIAL JUSTICE & HUMAN DIGNITY



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

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IMPRESSUM

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ECLOF PHILIPPINES ▶

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PROMOTE SOCIAL JUSTICE & HUMAN DIGNITY

OUR MISSION

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

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

ECLOF's relationship with clients must be a partnership of equals, not the one-way relationship between donor and recipient. Our responsibility is to lend capital on reasonable terms appropriate to the 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.

OUR VALUES

HUMAN DIGNITY

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

SOCIAL JUSTICE

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

SOLIDARITY

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

PARTICIPATION

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



CHAIRMAN'S STATEMENT

KIMANTHI MUTUA • CHAIRMAN

On behalf of the board of directors, I am pleased to present this statement which marks significant progress in the year under review.

In 2015 we continued to engage with our members and partners in promoting our mission of social justice and human dignity through microfinance. Our focus on rural livelihoods and reaching out to vulnerable communities remains at the heart of our work, and our commitment to walk with our clients on their journey to the right to food, education, health and a secure livelihood. We are proud that the network reaches out to 56% of people living in rural areas, and that our network continues to serve low income clients with an average loan size of just USD 270 per client.

The ECLOF network strives to provide a range of services to our clients, and we are delighted to share some inspiring client stories in the report. You can read about our work in Armenia where we are supporting Syrian refugees to help them rebuild their lives, our work in Peru to empower the disabled, the financial literacy training provided to our clients in Kenya and our

engagement in Colombia to bring drinking water to the rural areas. There are many other wonderful examples of our work across the network, and we trust they provide a real sense of what we do and how we can have an impact.

We remain grateful and encouraged by the commitment and support provided by our partners, many of whom are long standing partners. We have in recent years been joined by some new funding partners, and we include in the report their thoughts and insights as to why they work with ECLOF. We are humbled by their trust, and we now encourage similar organisations to join with ECLOF in demonstrating their commitment to assisting vulnerable people access financial and non-financial services. ECLOF works to build local client capacity primarily in rural communities, and the support of ecumenically minded institutions would greatly assist in extending outreach and directing these resources to where they are most needed.

The year 2016 is the 70th anniversary of the founding of ECLOF International. It has been a remarkable journey and we are very proud

of the contribution the ECLOF family has made to society over those years! In the last five years alone the network has disbursed over USD 250M in loans to our clients. While we faced many challenges over those seventy years, we remain today true to our original mission and focus of working to improve livelihoods of those less fortunate in society. What lies ahead remains uncertain, but it would be fantastic to envisage a society in 70 years without poverty! It is a dream, but a dream for which we must all strive and commit.

I would like to convey my gratitude to the ECLOF International Board, and thank the ECLOF International team under the leadership of our Managing Director for their dedication and professionalism. I would also thank our network members for their commitment and conviction in reaching out to vulnerable communities. We all move forward together in a spirit of confidence and trust with our clients and our partners.

OPERATIONS' REPORT

2015 was a year of continued progress as we further strengthened ECLOF International and the ECLOF member network. ECLOF International successfully attracted substantial technical assistance support and funding support for the network, we developed our relationship with many new partners, and our underlying financial performance was in line with our targets. The technical assistance support was available to the network in areas such as governance, client and staff training, product development and social performance management. We also in 2015 increased the utilisation of our network to share best practice, with many members providing direct support to other members. This was a real success demonstrating the expertise within the network, and the valued sense of one ECLOF network working together towards a common purpose.

The network portfolio stood at USD 42 M at the end of 2015 with strong growth particularly recorded across Africa and in a number of our Asian members. We also saw the average loan per client fall to a level of USD 270 in 2015, 56 % of our clients live in rural areas and

67% are women borrowers. We continued to see consistent positive performances across most of our members in 2015, though while overall client numbers grew by 13 %, our members are aware of the need for further growth if we are to meet the needs of our clients. We continued to build our non-financial services, we saw further progress in delivering more customer centric products, and there are very clear signs of overall improved governance and management. It was also pleasing to note the progress in some of our smaller members who responded well to new funding and technical assistance support.

Our network is a strong proponent and advocate of social performance management. We recognise and are fully committed to ensuring that our mission is translated into tangible results, and we therefore continued in 2015 to conduct social audits, and work with our members in addressing areas of improvement highlighted in these audits. We have dedicated funds available from our partners to remain actively engaged in this area, and we are now developing social performance reporting with a number of our members. This

report highlights our work in Kenya in this area and it shows a very positive and visible evidence of their success. We engage in poverty tracking in some of our members through the use of the Progress out of Poverty Index as we build a network which lives its mission, a network which reaches out to the marginalised within our societies, a network which is locally rooted in its communities, and a network which operates in accordance with best practice.

We face into our 70th anniversary year in a strong position though we are conscious that we need all our members to deliver sustainability and remain relevant in their countries of operation if they are to continue to ensure best practice in serving their clients.

ECLOF NETWORK IN 2015

USD 42 M global portfolio
11% of portfolio at risk > 30 days

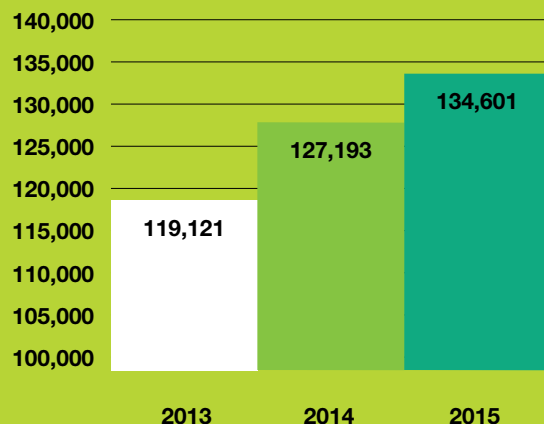
134,601 clients

127 branches

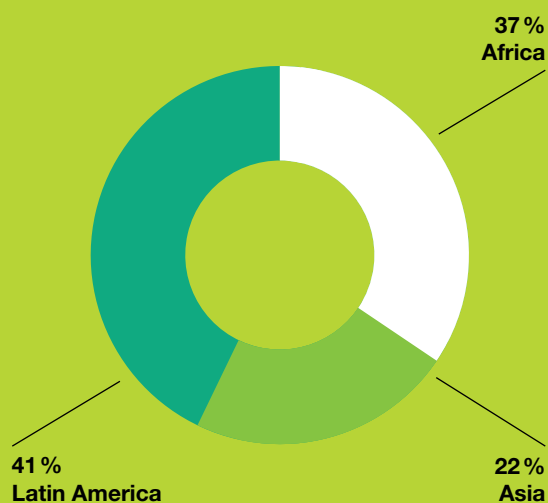
1211 staff

707 loan officers (58 % of staff)

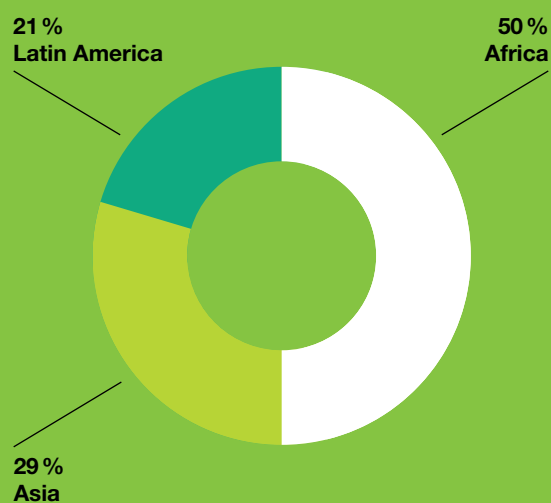
NUMBER OF CLIENTS



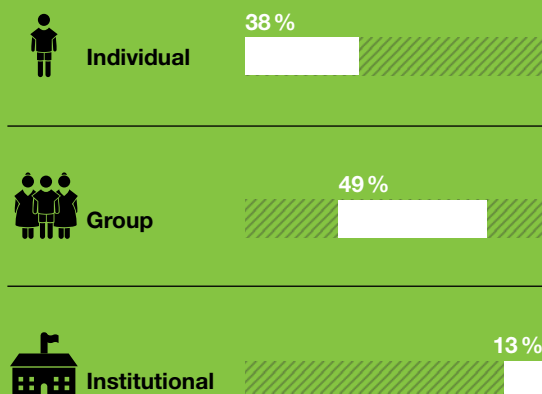
LOAN PORTFOLIO DISTRIBUTION



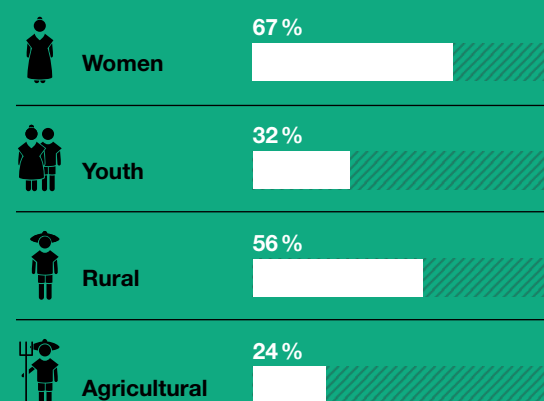
CLIENT DISTRIBUTION



LOAN PORTFOLIO COMPOSITION



SOCIAL OUTREACH BORROWERS



ECLOF NETWORK

Portfolio
USD
17,345,495

Clients
28,534

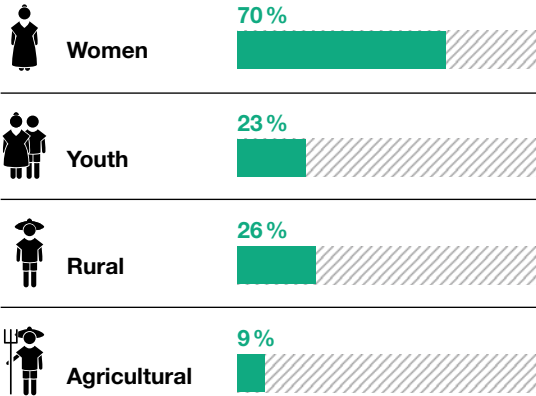
Staff 258
Loan officers 46%

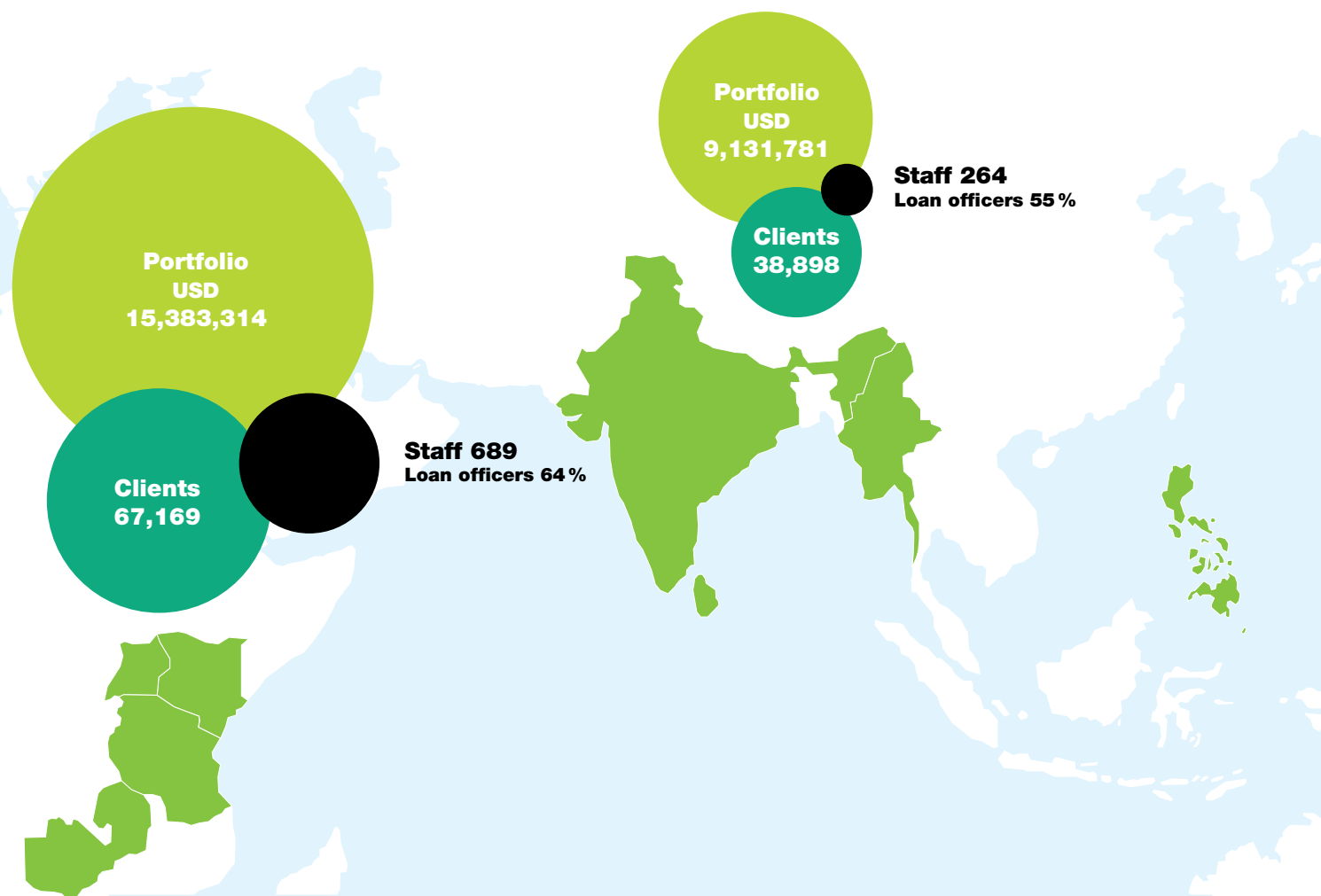
LATIN AMERICA

LOAN PORTFOLIO COMPOSITION



SOCIAL OUTREACH BORROWERS





AFRICA

LOAN PORTFOLIO COMPOSITION

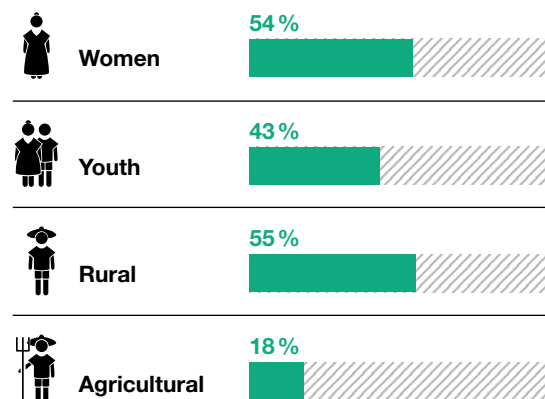


ASIA

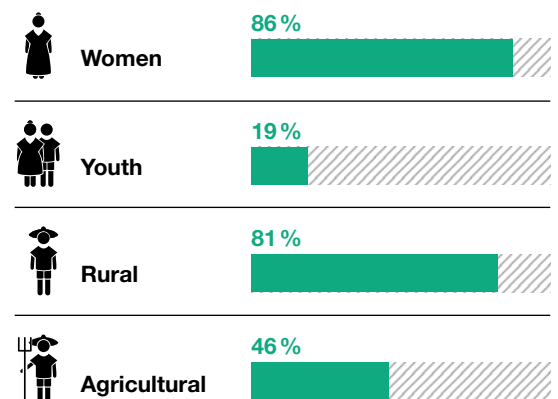
LOAN PORTFOLIO COMPOSITION



SOCIAL OUTREACH BORROWERS



SOCIAL OUTREACH BORROWERS





A woman wearing a wide-brimmed straw hat and a blue and white striped shirt stands in a field of green plants. She is holding a green apple in her right hand. The background shows a dirt path and more greenery.

ECLOF STRATEGIC THEMES

**“ I HAD A MODEST START,
BUT THE SHOP GOT
SUCCESSFUL AND MY FAMILY’S
INCOME HAS GROWN
TREMENDOUSLY TO THE POINT
THAT I CAN SPONSOR
MY GRANDSON STUDYING
AT THE UNIVERSITY OF
TECHNOLOGY. BEFORE, WE
COULD NOT EVEN THINK OF
AFFORDING HIS EDUCATION.”**

DAISY

ECLOF COLOMBIA

INNOVATIVE CLIENT SERVICES

Designing products and services that meet client needs is not just a main principle of social performance in microfinance, it is also a driver for success and outreach of microfinance institutions. ECLOF therefore places high emphasis on understanding the needs and preferences of different groups of clients and adapting its services to them. At the same time, the right products and services need to be beneficial to clients in progressing not just toward their business but also increasingly their family goals. It is recognized that a combination of access to finance with non-financial services is much more effective in increasing income, building assets and improving livelihoods. In contrast to traditional microfinance that offered merely standardized credit products, ECLOF takes a more comprehensive approach of looking at its clients lives — and how ECLOF's services can help improve them.

This has led us to more tailored financial products, like agricultural value chain loans or education loans, but also to an increasing range of non-financial services: training clients on issues related to their business and family wellbeing, like financial education, health, home improvement, or access to water. Another field of innovation can be the group of clients that microfinance targets. In the case of Armenia, ECLOF chose to start serving refugees as a new target group with specific needs. The following pages tell some of the stories that have arisen in this process of on-going renewal and innovation at ECLOF.

ECLOF BOLIVIA ▶





TECHNICAL ADVICE AND CREDIT FOR HOUSING IMPROVEMENT

ECLOF ARGENTINA

Shelter is a basic human need that helps people maintain health and personal safety. But many families in the poorer districts of Buenos Aires province live in precarious conditions: in cramped dwellings made of basic materials and often without access to utilities like gas, water or wastewater. At the same time, money to make a big investment in their home is scarce, as is reliable technical information.

A home improvement loan from ECLOF and its partners offers a solution that fits with the way poor people build: progressively and over time, renovating or adding a room, laying a water or gas pipe, changing a window or replacing a tin roof with a tiled one. Together with the clients, experts from a

local NGO that promotes self-construction (“Fundación Plan Techos”) and volunteers from the university’s architecture department develop an incremental housing improvement plan. Then ECLOF provides advice on how to finance the plan with own means and a micro loan.

So far, 76 vulnerable families have benefited from this partnership. To overcome lack of bank security, neighbors form solidarity groups to co-guarantee each other’s loan. They also actually work together in improving their homes to reduce everyone’s cost of building. In that way, ECLOF and its partners don’t just help build homes, but build a spirit of community.

CLIENT STORY **THE “JUNTOS” GROUP**

Daniela Díaz is the mother of a typical family of Dique Luján, a peri-urban neighborhood north of Buenos Aires. With their three children, they live in a tiny wooden house with two rooms: a bedroom where all family sleeps and a dining room so gloomy everyone was avoiding it. Their wish was to install a bathroom and renovate the dining room and adjacent kitchen. Staff of ECLOF and Fundación Plan Techos visited the family together, helped plan the work and allocate resources, then ECLOF provided a loan to finance the project. Because the family has no collateral to pledge for the loan, Daniela and some neighbors formed a solidarity group they chose to call “Juntos” (Together).

Today the Díaz family has a new common living and cooking area and a real bathroom. This has positively impacted the family life and raised everyone’s self-confidence. Daniela relates: “It’s a dream for me... when we finished the dining room, the first night we sat around the table, nobody wanted to leave after dinner... I was in tears.”

**“IT’S A DREAM FOR ME...
WHEN WE FINISHED THE DINING
ROOM, THE FIRST NIGHT WE SAT
AROUND THE TABLE, NOBODY
WANTED TO LEAVE AFTER
DINNER... I WAS IN TEARS.”**

DANIELA

EMPOWERING LAR HU WOMEN IN MORE WAYS THAN ONE

ECLOF MYANMAR

With support from American Baptist Women’s Ministries, ECLOF Myanmar aimed to promote the livelihoods of a disadvantaged village community.

The Lar Hu Baptist women from Kwe Nar Tauk village belong to a minority group whose living standard is very low compared to other village households. Their main source of income is agriculture and their level of education is low because of late school enrolment. They also lack awareness regarding hygiene and nutrition.

ECLOF Myanmar invited the women to attend trainings on financial literacy to learn how to manage funds and organize themselves into self-help groups. Then ECLOF Myanmar provided micro loans of around USD 150 per woman for livestock breeding, starting or expanding small farm businesses. 12 women decided to form solidarity groups and create a village committee. Through the groups, the women meet regularly and exchange contacts and advice. Working closely to one another, they could overcome business-related and personal challenges by sharing information, ideas and spiritual support. The women and others from the village attended



a training on Nutrition and Health awareness where topics such as nutrition, family and child care, malaria prevention, personal hygiene and hand cleaning and environmental care were raised.

The project was appreciated by the women who felt truly empowered. They felt a sense of community and solidarity among their group, accessed credit to start or grow their enterprise and learned how to sustain it. This gave them control over their resources and increased their feeling of freedom, self-identity, confidence and self-esteem.

“ WE WERE EATING ONLY TO FILL OURSELVES AND DIDN'T REALIZE THAT CHILDREN WERE SUFFERING FROM MALNUTRITION. THANKS TO THE TRAINING, I LEARNED HOW TO COOK HEALTHIER, AND I UNDERSTAND THAT MY FAMILY'S HEALTH DEPENDS ON IT.”

NAW PHAW GAE

CLIENT TESTIMONY **NAW PHAW GAE**

“I live with my husband and three children (11, 15 and 21 years old). 22 years ago we fled the conflict area of Shan State to migrate to the safe Pyin Oo Lwin Township. My family depends on agriculture and we needed money for our farm—but it is not easy around here to borrow money, especially for poor people. Money lenders won't lend us money, they only provide us with seeds or fertilizers. But for the repayment, they only accept our harvest at a very low price they fix. So I pay back with my flowers at a price far below market. In the end, we were working hard the whole year but our living standard was poorer each year!

In that difficult time, ECLOF provided me first with financial knowl-

edge and then gave me a loan of USD 110. I bought farm inputs and I could finally choose the type of fertilizer I wanted. Then I sold my harvest to those who offered the best price. What a difference to before when we were borrowing from the money lender.

From the earned money, we replaced our bamboo hut with a brick one. Since Pyin Oo Lwin is at more than 1000 meters altitude, it gets cold. We live much more comfortably now.

The ECLOF Health Care awareness training I attended was very valuable for my life. Before, we weren't hand washing systematically and we would eat with dirty hands. My family was often suffer-

ing from stomach ache, diarrhoea and other health problems. Now I understand how hygiene works, and I teach it to my children. Our health expenses have gone down since then.

Our Lar Hu children have concentration problems and most of them didn't finish Grade 11. Our family's main food was rice and mustard leaf vegetable. We were eating only to fill ourselves and didn't realize that children were suffering from malnutrition. Thanks to the training, I learned how to cook healthier, and I understand that my family's health depends on it. I am truly happy and grateful to ECLOF and the American Baptist Women Mission for everything they've taught us.”

BUSINESS TRAINING AND LOANS FOR SYRIAN REFUGEES IN ARMENIA

ECLOF ARMENIA

Conflict has forced millions of people out of Syria. More than 20,000 Syrian refugees, most of them ethnic Armenians, have sought shelter in Armenia. While they can access residence and work permits, still 10,000 of them are considered vulnerable. It is them whom a joint project started in 2015 by ECLOF Armenia and the Inter-Church Charitable Round Table Foundation (ART) targets. By combining business training with a start-up loan, the project aims to empower those with entrepreneurial spirit to start their own micro enterprise.

The ART Foundation provides professional skills training, e.g. on hairdressing, cooking or sewing to the budding entrepreneurs. ECLOF staff then teach them courses on business registration in Armenia, management and financial skills, business development and financial education. To let the new immigrants realize their ambition, ECLOF then provides a subsidized business loan. The project is welcomed by the beneficiaries with a lot of enthusiasm. Numerous small businesses have been created.

CLIENT STORY MRS LUSIN

Mrs. Lusin, a cook by profession, escaped Syria with her family to find shelter in Armenia. In the suburbs of Yerevan, Mrs. Lusin and her 27-year old daughter started a small cooking business. But cooking at home and delivering, their earnings did not get them far. After attending an ART training to hone their cooking skills and an ECLOF organized training on Armenian business processes and regulations, they qualified for a small loan from ECLOF. They rented an equipped kitchen and serve customers on-site and through delivery. For Mrs. Lusin, the campaign initiated by ECLOF and ART was the cornerstone of her new life in Armenia. It helped her upgrade her business and increase revenue to a level the family can survive on.





TRAINING 30,000 LOW-INCOME PEOPLE IN FINANCIAL LITERACY

ECLOF KENYA

ECLOF serves Kenya's working poor in rural and urban contexts across the country. Even though clients are economically active, most of them are illiterate and have no active bank accounts. They often miss basic financial skills to manage their personal and business finances. They don't appreciate how regular savings and insurance can help cope with unexpected shocks.

Therefore ECLOF Kenya started a nationwide campaign to teach clients financial literacy. In 2015, over 30,000 clients were trained through an effective system of train the trainers. After receiving the training, the 4000 solidarity group leaders—clients themselves—trained their peers during the weekly group meetings.

Sometimes clients use part of the loan taken out from ECLOF to buy items non-related to the purpose of their business. In some cases,

these funds are mixed up with the family budget. Through the training, clients learned to use their funds effectively and increase their return for the sustainability and growth of their business. Trained to prepare a budget and cash flow, the clients were also taught the importance of minimizing debt and saving: how savings would make them economically stronger and facilitate their ability to cope with shocks or irregular income.

There were other positive side effects of the financial training. Knowledgeable clients are less likely to become over-indebted. And they can better manage their personal and household finances.

ECLOF Kenya's clients highly welcomed the training. It has contributed to improving customer retention to 84 % and was also a motivation for many of the 19,000 new clients that joined ECLOF Kenya in 2015.

CLIENT STORY ALICE NJERI

Alice Njeri joined ECLOF Kenya in 2013 and has since expanded her dairy farming business from one cow to five. After going through financial literacy training, she appreciated why it is important to use the loan funds for investing in her business. As a consequence, Alice asked for the loan cheque to be drawn in the name of the supplier of the cows directly, in order to reduce the temptations of diverting the money. She says that her debt burden has never felt heavy and that the business pays back the loan very well. Alice can make a living for her family and she is perceived as a role model in the community.

ECLOF KENYA AND COMPASSION INTERNATIONAL: HELPING FAMILIES BREAK THE CYCLE OF POVERTY

In partnership with Compassion International, a child-advocacy organization that supports poor children from birth to young adulthood, ECLOF Kenya empowers the caregivers of Compassion-sponsored children to create sustainable businesses and provide more effectively for their families. After being trained on identifying a business model, business management, accounting and credit management, the participating caregivers start their own enterprise and can apply for a loan from ECLOF Kenya. The loan comes with continuous training.

So far, ECLOF Kenya has trained over 1000 caregivers and is currently serving over 750 caregivers with credit and training. They have effectively made the transition from depending on donations to being economically independent. They are now able to support their families with dignity and show their children a model of sustainable development.

CLIENT STORY

YASILE KILUSU FROM NGONG

Yasile Kilusu of the Maasai tribe is a jovial granny, living deep in the forest in the Ngong area. She gave birth to 15 children, 8 of whom are alive. She also has 62 grandchildren and 6 great grandchildren. Since her husband passed away, she has been taking care of the children. She produces Maasai ornaments, earrings, head scarfs and belts that she sells in Ngong and Matasia towns. Compassion International has been supporting her since 2004 as a “caregiver”, meeting part of her youngest grandson’s school fees, buying his school uniform, shoes, and paying for his medical costs.

After having been trained on financial literacy by ECLOF Kenya in 2013, Yasile joined a solidarity group in Ngong town to apply for a loan of USD 300. But as secu-

rity she had nothing more than 50 dollars worth of stock. To make things worse, since Yasile is from a nomadic community, her group feared she could move away any time without paying back the loans. But the chairman of her group offered his personal household items as collateral for her to take out a loan of USD 100. Yasile purchased more stock and increased her sales. She improved her business to a point that she was able to construct a house and put iron sheets on the roof. Coming from a Manyatta (a traditional Maasai hut made of sticks and mud without windows, a roof or partitions), this was a big step for the family and the children could now read comfortably during the day.

From the earnings of a second loan of USD 300, she connected water to the homestead. The next loan over USD 600—an education loan—allowed her to enrol her daughter for a teaching profession at Maasai College and install a solar package on her house. Thus, she could work at night and the children were able to study. Yasile has recently started to do farming around her homestead where she grows potatoes, onions, maize and beans.

Through Compassion’s support and ECLOF assisting her in her business enhancement, Yasile managed to greatly increase her family’s living standard and open up new opportunities to her children. She also proved to the community that she was able to run her business and service her loans.

**“ KNOWLEDGEABLE CLIENTS
ARE LESS LIKELY TO BECOME
OVER-INDEBTED. ”**

A COMPREHENSIVE APPROACH TO RURAL DEVELOPMENT IN COLOMBIA: ACCESS TO SAFE DRINKING WATER AND PRO-BONO TRAINING FOR MICROFINANCE CLIENTS

ECLOF COLOMBIA

ECLOF Colombia takes pride in assisting its mainly rural clients with services well beyond plain credit: by ensuring access to tailored loans, agricultural training services and targeted technical assistance. In Colombia's rural areas, many people do not have access to drinking water; 25% in the central department of Cundinamarca alone. To address this basic need, ECLOF Colombia in partnership with a regional water project created a loan product to finance the "last mile" of rural water lines that bring drinking water to rural households. After a credit analysis and obligatory training on environmental and water conservation, the financed households get access to safe and convenient drinking water at their home.

Since project start in November 2015, 80 families have benefitted from the

new ECLOF water loan, with an average amount of USD 800. After this successful pilot, ECLOF Colombia plans to roll out the product to the branches in Boyacá during 2016 where half of the population is not connected to drinking water yet.

Targeted technical assistance addressing the everyday needs of its clients is a distinguishing element of ECLOF's services in Colombia. It starts with regular client workshops on good practices in agriculture and livestock breeding, the use of organic fertilizers and home gardening. These workshops are offered at central locations in the rural areas ECLOF serves. To follow up with individual advice to clients at their farm site, ECLOF partners with the governmental National Learning Service (SENA) to send volunteers to the farmers. Those

volunteers are farm management or agronomy students who complete a 6-month internship to gather practical experience. Coordinated by ECLOF staff, they conduct site visits to the clients to advise them on their crops or animals. ECLOF's clients appreciate this service and feel privileged to benefit from the students' knowledge.

Among the beneficiaries of this project, Carlos Rojas was advised on good agricultural practices using mineralized salt for livestock feeding. He learned to make nutritional blocks to feed during hot summers or drought periods. Maria Rivera from Villa de Leyva was trained on good agricultural practices and learned to create organic fertilizer to improve production of her tomato crops. She also received advice on handling and packaging tomatoes ready for sale.



MANAGEMENT TRAINING FOR ECLOF CLIENTS

ECLOF TANZANIA



In Tanzania, ECLOF partners with the International Labour Organization (ILO) to offer its clients a management-training programme. Under the headline “Start & Improve Your Business” (SIYB), it enables potential and actual small entrepreneurs to create and develop their business. 200 ECLOF clients attended the SIYB introductory course. Out of them 11 chose to deepen the subject by participating in the first training week in June 2015. Through brainstorming, role play and case studies, they learned about concrete and efficient tools to enhance their business. First, they worked on the business they already run and found ways to improve it. Then they were asked to

develop a sustainable business idea from scratch and draft a business plan. ECLOF then made loans to eligible entrepreneurs to make their ideas a reality.

9 of the 11 participants observed great improvements in their business: in record keeping, price setting and business planning. As a result, they generated more business, had a greater surplus and attracted more customers than the same period in the previous year. It was a win-win situation for both: ECLOF lent to trained entrepreneurs, and entrepreneurs have increased their chances to run a successful and sustainable business.

CLIENT STORY MR BETHUEL

Mr Bethuel, 54 years old, joined ECLOF Tanzania in 2009 to grow his dairy cow and chicken business. Bethuel states: “I attended two of the management trainings. I gained different skills which lead to a great improvement in my business. I learned how to promote quality products at an affordable price, find out where customers are available, communicate with clients and identify their needs.

Through this training, I saw an opportunity of starting a new business in metal works, since I had skills in this field. To gain experience, I joined a metal works shop at Arusha town for a few weeks. I then opened my own business and hired two men to assist me. We repair and make different metal home items like charcoal cookers, aluminium cooking pots or door grills. It's a small business but it gives some income.

I am grateful for the ECLOF training. I believe it was very practical, I believe everyone who has received this training learned to put priority and apply it in their business. Hopefully they have seen the changes like I have.”

**“ I LEARNED HOW TO
PROMOTE QUALITY PRODUCTS
AT AN AFFORDABLE
PRICE, FIND OUT WHERE
CUSTOMERS ARE AVAILABLE,
COMMUNICATE WITH CLIENTS
AND IDENTIFY THEIR NEEDS.”**

MR BETHUEL

RURAL & AGRICULTURE OUTREACH

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

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

Women play a critical role in running rural households and make major contributions to agricultural production. They typically work 12 more weekly hours than

men. Where men have migrated in search of work, women often have the sole responsibility for farming and raising the children. Yet they have less access to resources and services to earn income and increase their productivity.

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

are high, and the agricultural yields can fluctuate depending on uncontrollable factors.

ECLOF addresses these issues through locally-rooted financial and non-financial services to rural dwellers and farmers. More than half of ECLOF's clients world-wide are located in rural areas, and one quarter of the loan portfolio is dedicated to agricultural loans. ECLOF offers tailored products and services that are accessible to clients at the bottom of the pyramid, help them build capacities and increase yields through training and market linkages and reduce risks through micro insurance and emergency loans. Hereby ECLOF empowers in particular youth and women who represent 32 % and 66 % of our client base.

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

ECLOF ECUADOR ▶



EXPANDING OUTREACH TO RURAL DWELLERS AND FARMERS

ECLOF ZAMBIA



Traditionally ECLOF Zambia has served the urban markets in Lusaka and Kitwe. In order to bridge the agricultural financing gap, tackle rural poverty and open up an underserved market, ECLOF Zambia expanded its operations to rural areas in 2015. Thereby ECLOF Zambia received on-site training and coaching from the Business Development Manager of ECLOF Kenya to empower the local team to serve this traditionally riskier and more challenging market. ECLOF Kenya had itself built a sizable well-performing agricultural loan portfolio a few years back. The advisor guided the local team through an assessment of

products, systems and processes with a view to adapting them to rural clients' needs. He coached the local team in doing research on market and competition and developing adequate loan products. Agricultural loan products were designed to meet the reality of the farming activities, with seasonal cash flow and suitable repayment plans. ECLOF also developed support loans such as emergency loans, school fee loans and home improvement loans for clients with a good credit history.

By the end of the year, a pilot loan portfolio of over 120 rural and agricultural loans of on average USD 190 had been built up. Financed purposes included vegetable gardening, poultry, pigs, or dry fish production. The loan portfolio quality thus far has been outstanding. It became apparent that rural borrower groups are more coherent because they often have prior linkages, e.g. from cooperatives or clubs. Rural dwellers who don't receive much attention from financial institutions also tend to be more appreciative of the services and thus have higher repayment discipline. All in all, the exercise has opened up a new market for ECLOF Zambia and helped put the institution on a path of healthy growth of outreach.

**“ AGRICULTURAL
LENDING—A NEW MARKET
FOR ECLOF ZAMBIA.”**



CLIENT STORY

MS. BRANDINA KANISHA

"My name is Brandina Kanisha, I am a widow and I take care of my 6 grandchildren. I started my farming and poultry business in 2002 on a small scale level at Mbongolo Village, in the Central Province of Zambia. My business needed financing to grow, so I decided to join Kantumpu Group in 2013 to access credit and learn from my fellow group members.

I obtained my first loan of 500 Kwacha (USD 45) from ECLOF Zambia in December 2013 and managed to increase the number of chicken from 40 to 200. In August 2014, I invested my second loan to buy vegetable and maize seeds and pay for labor. But a drought affected the yield of our

group members. Since the crop was not insured against drought, we struggled to repay the second loan and the group stopped getting loans from ECLOF Zambia. My group members learned that with climatic changes, it is risky to rely only on rain-fed farming. As Kuntumpu Group members, we later re-organised ourselves and obtained a third loan. I used my current loan of 1000 Kwacha (USD 90) to invest in poultry and I now rear 300 chickens. I have also continued with vegetable production. This business is helping me pay my grandchildren's school fees, feed them and provide their daily needs. We noticed that ECLOF Zambia adapted their products better to our reality. They intro-

duced the rural entrepreneurship and agricultural value chain loans, and the support loans. With my next loan, I'd like to sink my own bore hole, buy a water tank and drip pipes to improve water supply so that I can expand my poultry and vegetable business."

EFFICIENTLY SERVING RURAL AREAS THROUGH TECHNOLOGY AND CLIENT-CENTERED PRODUCTS

ECLOF UGANDA

The majority of Ugandans live in rural areas which are poorly served by financial institutions. To bring service closer to its clients, Kampala-based ECLOF Uganda operates two satellite offices in the rural towns of Luwero and Kigumba. Challenges in serving those areas range from wide distances between clients over lack of infrastructure and collateral to the fluctuating income of farmers. Here is how ECLOF Uganda has adopted methods to enable it to operate efficiently in that context: As an unregulated institution, ECLOF Uganda needs to work through banks to disburse and collect loans. ECLOF's recently started cooperation with a mobile money provider has made this process a lot easier. Now loans can be disbursed to clients and repaid by them through mobile money. This not only reduces the transaction cost but also the risk to clients, as they don't have to travel long distances anymore to repay their loan. To better reach remote areas, ECLOF staff is equipped with motorcycles.

To smoothen their seasonal incomes, many smallholder farmers run side businesses. ECLOF has recognized this and offers financing for those businesses as well. Fluctuating revenues also

mean difficulties for farmers to pay the recurring school fees for their children. So ECLOF Uganda developed a school fee loan product offered to farmers in addition to an agricultural loan. Its repayment terms are adapted to the farmers' income streams.

Most rural clients have few possessions to pledge as collateral. So that formal institutions won't give them a loan. ECLOF, however, accepts personal guarantees and organizes 10 to 25 clients into solidarity groups co-guaranteeing each other's loans.

CLIENT STORY

THE KAGANGO AKAJJA OBUNAKU SOLIDARITY GROUP

15 members, most of them young farmers, have got together in the Kagango Akajja Obunaku group. As a group they are able to access not only loans from ECLOF but also benefited from trainings on savings and group dynamics. They learned together and from each other how to use financial services and how to access new markets to sell their products. The group members have seen important changes in their lives. They have increased their incomes, paid for their children's school fees and acquired assets.

One of the members, Sepuuya John, 45 years old, expresses his gratitude to ECLOF Uganda, stating: "With the loan I was able to run my farm with success and pay for my children's school fees. I appreciate the lower interest rates and the accurate service I get."

“MOBILE MONEY NOT ONLY REDUCES THE TRANSACTION COST BUT ALSO THE RISK TO CLIENTS, AS THEY DON'T HAVE TO TRAVEL LONG DISTANCES ANYMORE TO REPAY THEIR LOAN.”

DISASTER LOANS TO HELP FARMERS RECOVER AFTER DUAL TYPHOONS

ECLOF PHILIPPINES

CLIENT STORY DULAY GUEDNA

Dulay Guedna from the highland province of Benguet has been a vegetable farmer since the age of 15. On a plot of one hectare that he inherited from his parents, Dulay grows cabbage, lettuce, potatoes and radish. Dulay and his wife live on the farm with their two grown-up children.

To finance his farming, Dulay used to borrow money from middlemen who sell the farmers' produce directly to the buyers. But they charge the farmers half of all earnings. Especially when prices are low, this unfair practice leaves farmers little to bring home to their families.

Dulay took out his first loan from ECLOF in 2012. At the end of 2015, Dulay's vegetable garden was struck by two strong typhoons within a short time. The first one, Kabayan-Mujigae, damaged his potato crop. When he tried to recover by planting radish, the second typhoon, Lando-Koppu, damaged it too. This left the family with practically nothing. But Dulay's family depends on their harvest and they needed to find a way out of this disaster.

ECLOF Philippines was ready to step up to the call with a dedicated loan product: the Client Service Loan. It is a purpose-free loan for clients with good credit history. Dulay had repaid two earlier Client

Service Loans before to fund the education of his children. After the typhoons, ECLOF swiftly approved Dulay's calamity loan of USD 239. He used it to buy chicken manure for fertilizer and was able to plant potatoes and lettuce right away.

It is for people like Dulay that farmers in the Filipino Cordillera are famed for their commitment and perseverance. With ECLOF's support even in rough times, Dulay is able to carry out this commitment despite the climatic challenges.





MRS. ARUVUGAM RISING IN INCOME—AND FAMILY STATUS—THROUGH A SELF-HELP GROUP

ECLOF INDIA

CLIENT STORY MRS. ARUVUGAM

Mrs. Aruvugam comes from a poor family living in the city of Madurai. While most other family members have at least high school degrees, she does not, and thus was not included in her family's decisions and finances. Married to a lorry driver, her only possession was a fallow piece of land. In order to

cultivate it, Mrs. Aruvugam needed starting capital. So she brought together women of her village and created Veerachinnammal self-help group. The group took out a loan from ECLOF for the various businesses the women were running. Mrs. Aruvugam invested her first loan to prepare her land and cultivate chilies. With the earnings she was able to purchase another piece of land. She planted flow-

ers which have a high demand because they are used to flourish the temples. Recently Mrs. Aruvugam began growing cauliflower and eggplants.

Through her leadership she was able to keep the group together for over seven years. The income she now raises for her family has given her a higher position within the family. She is finally included in the family decision making, and those who used to look down upon her respect her. She is proud to send her three children to English medium schools and to own a house. She says: "I was able to use the opportunity given to me by the ECLOF loan and my skills to enhance my economic and social status."

RESETTLING IN POST-WAR MANNAR—A WEEK IN THE LIFE OF A WORKING FAMILY

ECLOF SRI LANKA

CLIENT STORY

MS. MARGARET STANLEY

Just when the civil war had ended in 2009, ECLOF Sri Lanka opened a branch in the devastated area of Mannar. Most of ECLOF's loans went to women to finance the traditional activities practiced in this region: agriculture and fishery. One of ECLOF's clients from the region, Ms. Margaret Stanley, tells her story:

"I am from Adampan and I am 48 years old. Because of the war, we were displaced several times since 1997 to Illupakadavai, Poonahary, Killinochchi and Mullaitivu. We ended up at Vattuwal where we underwent immense hardship, I lost many family members.

When the war ended in 2009, we were forced to remain at Manic Internal Displaced farm at Chettikulam for three years. When the land had been cleared from mines, we were resettled in our native land in Adampan. The government provided a housing scheme and a few NGOs gave us livelihood assistance, but all our lives were shattered.

In 2014 we took out a loan from ECLOF for 25,000 Rupees (USD 200), and later a second loan of 40,000 Rupees (USD 300). I con-

structed a small shop at my road side selling soft drinks and groceries, and earned 5000 Rupees (USD 38) per week. In addition I started rearing country poultry birds and cultivated rice.

My husband goes to the nearby beach Papamottai by bicycle every day to fish. I prepare breakfast that he sells to the fishermen who return from sea. On his way back home he brings fish and prawn that he sells on his way. We use the remaining fish for our meal and give the smallest to our poultry. That way, we earn an additional 7000 Rupees (USD 55) per week.

ECLOF staff come to our place frequently. They have helped us progress in very short time. They do not only give a loan but also friendly

coordination and advice on agricultural, animal husbandry and fishing techniques. We attended ECLOF's marketing and business training.

I have three boys and two girls from 9 to 19 years old, four of them in school. I have a saving for each of them of 7000 Rupees (USD 55). We would like to thank ECLOF for timely assistance that boosted our life. With my husband's little income as a fisherman and mine from the trade and poultry business, we managed to restart our life and to earn enough to run our family peacefully."

“ WE MANAGED TO RESTART OUR LIFE AND TO EARN ENOUGH TO RUN OUR FAMILY PEACEFULLY. ”

MARGARETH

COMMUNITY BUILDING, TRAINING AND LOANS FOR A HIGHLANDS INDIGENOUS COMMUNITY

ECLOF ECUADOR

CLIENT STORY **GATAZO ZAMBRANO**

The indigenous community of Gatazo Zambrano is located in Ecuador's Chimborazo province. Chimborazo is the second poorest province in Ecuador where an estimated 80% of the population live below the poverty line. The majority of the poor stem from indigenous communities of Inca descent. These far-flung mountain communities offer limited access to economic opportunity, education, clean water or health care. Gatazo Zambrano's population is 70% indigenous. Around 300 families make a living from agriculture and breeding small livestock.

ECLOF Ecuador first started to serve the community 14 years ago. At that time the people had no experience in financial management and no loan collateral to offer. But ECLOF stayed and offered close touch service and rigorous loan monitoring. In order to be able to borrow, the community members gathered in an association named "Llankak Runakuna" that was legally recognized. With the first ECLOF loans, they financed land acquisition. Subsequent loans were used to finance seeds, irrigation systems and small livestock. Later the association grew and developed a processing center where they perform quality control, package and

dispatch the harvest to be marketed in the cities of the coastal zone.

In contrast to other finance providers, ECLOF has recently started to include young people for whom it is traditionally difficult to access credit. Besides finance, ECLOF has been providing continuous training to the association members: 58 people were trained in financial education, community management and leadership; 26 women took place in workshops on self-esteem building and empowerment.

From the 300 families in Gatazo Zambrano, 120 families are directly

benefiting from ECLOF's services right now. They have been able to increase their income, food security and access to education. On average, the families have three children. The witnessed rise in living standards has allowed many of them to send their kids to secondary school or even university.

Looking ahead, ECLOF plans an innovative training program on organic farming for 70 community members to learn organic production techniques, improve their product quality, workplace safety and eventually their quality of life.





ROMUALDO CONCEICAO DOS SANTOS – FROM FARM LABORER TO INDEPENDENT FARMER

ECLOF BRAZIL

CLIENT STORY

ROMUALDO CONCEICAO DOS SANTOS

Romualdo Conceicao dos Santos from the rural outskirts of Salvador de Bahia is 45 years old and father of three grown-up children. For years he had been working hard on other people's land as a farm laborer. But he could hardly make a living for his family because he had to give half of his harvest to the land owner. With his wife, he opened a little shop to earn a little extra. But his dream was to have his own land one day.

Thanks to Romualdo's hard work and ECLOF, this dream became a reality. First, he invested in a small plot. He was introduced to CEADe (ECLOF Brazil) for the first time in 2011 when he joined a solidarity group of 10 members and took out

his first loan. He used it for buying inputs such as fertilizer, seeds and labor cost. The whole family helped work the land and eventually managed to generate enough money to buy more land. Nowadays the family farm produces oranges, cassavas, bananas, mandarins and passion fruits. Romualdo is in

his seventh loan cycle with CEADe. He says that thanks to CEADe's continuous support, he was able to increase the productivity of his land and improve his income—and better the living standard of his family. With the next loan, he plans to invest in water tanks, spray and a brush cutter.

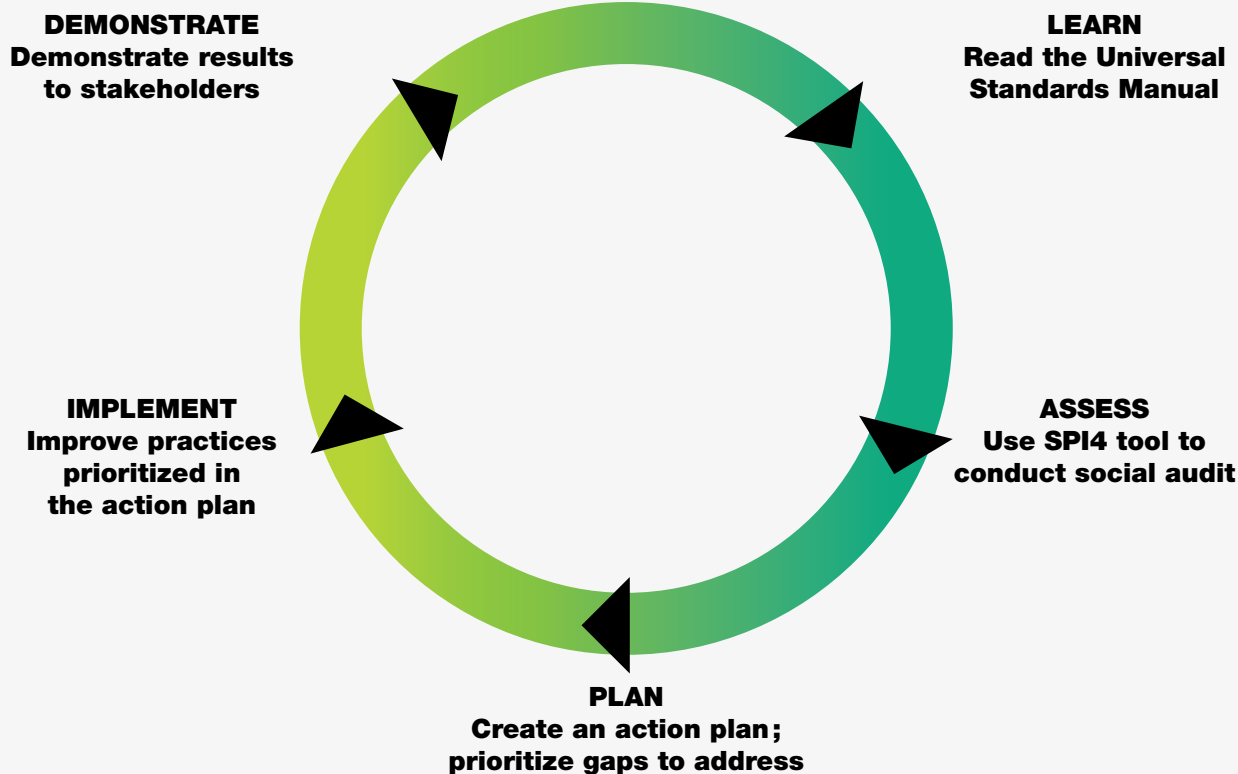
**“ HIS DREAM WAS
TO HAVE HIS OWN LAND
ONE DAY— AND THIS
DREAM BECAME A REALITY. ”**

SOCIAL PERFORMANCE MANAGEMENT

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

As a result, MFIs that actively manage their social performance hold themselves accountable to their social mission, facilitate greater social impact and can even boost their operational and financial performance in the medium-term. Having introduced the SPM framework into its operations since 2011, ECLOF chose to adopt the industry-leading standard – the Universal Standards for Social Performance Management.





THE FIVE STEPS OF IMPLEMENTING THE UNIVERSAL STANDARDS

THE PROCESS SO FAR

ECLOF follows a simple and practical 5-step framework for achieving better social performance management practices at its members.

So far, 11 ECLOF members have been audited on their social performance through accompanied self-audits using the SPI4 methodology. Together with ECLOF International, the audited MFI and the auditor developed an action plan to prioritize and address the issues identified. Then ECLOF International's regional team and where necessary external consultants supported the MFI in implementing the plan. It is important to understand that improvement is an ongoing change process, not a change event.

FOCUS ON DEFINING/ MONITORING SOCIAL GOALS AND CLIENT PROTECTION

ECLOF KENYA

Two priority areas for improvement resulted from the social audit at ECLOF Kenya: dimension 1 which assesses whether an institution has a clear strategy for achieving its social goals and measures its progress towards achieving these goals; and dimension 4 which emphasizes client protection. The Universal Standards contain all 30 of the Smart Campaign's client protection Certification standards. Most of them are included in dimension 4 "Treat Clients Responsibly".

An action plan addressing these and other issues was developed. In the following period, the institution made a number of changes to respond to the findings.

ECLOF Kenya developed a dashboard of social indicators that now receives regular attention by the management and the board. Those indicators measure among others Client outreach, Range of products & services, Client satisfaction, and Social responsibility to staff, clients and the community.

Furthermore, a clear set of targets for socially responsible financial performance indicators was introduced. These targets were then integrated in the score card used for performance management of all staff. In order to present its social performance to external stakeholders, ECLOF Kenya together with ECLOF International then drafted the first social performance report. More detail on this report is given further below in this section.

Given that ECLOF has a mission to serve the poor, it should know the poverty levels of its clients. In order to collect poverty-related information among its clientele,

ECLOF Kenya decided to start using a poverty assessment tool: the Progress out of Poverty Index (PPI). Through a set of 10 simple questions to a sample of clients, the PPI computes the likelihood that a household is living below the poverty line. This information helps ECLOF answer questions such as:

- Are we reaching our target clients?
- Are we meeting our target clients' needs?
- Are we changing the lives of our target clients?

An important element of client protection is to avoid over-indebting

clients. Therefore ECLOF Kenya integrated information from two credit bureaus into the regular credit analysis process. This helps recognize other financial obligations clients have and consider them appropriately in the credit decision.

To respond swiftly to client complaints and use the feedback to improve services and products, ECLOF Kenya also introduced a dedicated customer care desk and phone line.

USSPM DIMENSION 1 AND 4

DIMENSION 1 DEFINE AND MONITOR SOCIAL GOALS

**STANDARD 1A
THE INSTITUTION HAS A STRATEGY
TO ACHIEVE ITS SOCIAL GOALS**

**STANDARD 1B
THE INSTITUTION COLLECTS, REPORTS,
AND ENSURES THE ACCURACY OF
CLIENT-LEVEL DATA THAT ARE SPECIFIC
TO THE INSTITUTION'S SOCIAL GOALS**

DIMENSION 4 TREAT CLIENTS RESPONSIBLY

**STANDARD 4A
PREVENTION OF OVER-INDEBTEDNESS**

**STANDARD 4B
TRANSPARENCY**

**STANDARD 4C
FAIR AND RESPECTFUL TREATMENT
OF CLIENTS**

**STANDARD 4D
PRIVACY OF CLIENT DATA**

**STANDARD 4E
MECHANISMS FOR COMPLAINT RESOLUTION**

Action Plan			Agenda												Output	In charge	
			Year 1														
			M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12			
Preparation	0	Finalise Action Plan													Action plan shared	CEO	
Systematize poverty-related data on clients	1	Verify available information in MIS														IT	
	2	Discuss indicators, potential results to be analysed, use of information														CEO, SP champion	
	3	Generate the indicators chosen														IT	
	4	Discuss which indicators (agregation/ventilation) would be useful														CEO, Department heads	
	5	Adaptation & adjustments														CEO, SP champion	
	6	Draft report based on client information														Annual poverty status report	CEO, SP champion
	7	Finalisation of a social scorecard for the Board & senior management														Social scorecard	CEO, SP champion
Introduce a process for poverty assessment (e.g. PPI) thru a pilot project	1	Management Education														CEO, SP champion	
	2	Pilot Design														CEO, SP champion	
	3	Preliminary Data Collection														CEO, SP champion	
	4	Staff Training														CEO, SP champion	
	5	Data Collection														CEO, SP champion	
	6	Pilot Analysis														CEO, SP champion	
	7	Management Decisions														CEO, SP champion	
	8	Response to Data														CEO, SP champion	
	9	Produce implementation Plan														Implementation plan PPI	CEO, SP champion
Introduce client data privacy policy	1	Analysis of current practices														CEO, COO	
	2	Develop and implement data protection policy into existing policy framework														Privacy policy in place	CEO, COO
	3	Train staff on new policy															CEO, COO
Introduce clear targets for socially-responsible financial performance indicators	1	Analysis of current practices														CEO, SP champion	
	2	Identification of relevant indicators														CEO, SP champion	
	3	Management consultations and recommendation														CEO, SP champion	
	4	Board discussion and decision														Board	
	5	Implementation of changes														List and definition of target financial performance indicators	CEO, SP champion
Review product pricing transparency	1	Analysis of current practices														CEO, SP champion	
	2	Management consultations														CEO, SP champion, Dep. Head	
	3	Implementation of changes														Adequate product pricing	CEO, SP champion

THE DEVELOPED ACTION PLAN FOR ECLOF KENYA

FOCUS ON DEFINING/ MONITORING SOCIAL GOALS AND CLIENT PROTECTION

ECLOF DOMINICAN REPUBLIC

Two priority areas for improvement that resulted from the social audit at ECLOF Dominicana came from dimension 3 and from dimension 4. The tenet of dimension 3 is that understanding client needs is key to ensuring that products and services are actually beneficial to clients in progressing toward their business and family goals. Dimension 4 emphasizes client protection.

As a mission-driven MFI, it was essential to ECLOF Dominicana to embed SPM in the “genes” of the organization rather than making it

a “special project”. Consequently, ECLOF integrated the action plan into the institution’s annual plan for 2015. ECLOF Dominicana then addressed the audit findings by investing substantial own staff time and hiring outside consultancy services.

The institution introduced new client surveys and focus groups for product development. The new approach was successfully tested for developing a housing improvement loan product. While the institution has been making loans for

this purpose, the product had not been developed on the basis of a market study and client survey. The outcome was a revised home improvement loan product with new features: reduced interest rates, longer repayment periods and technical assistance on home improvement as a complementary service to clients in partnership with Habitat for Humanity. Clients now perceive better service as a result of the new product and additional service.

For the first time, ECLOF Dominicana undertook a client satisfaction survey, involving a sample of around 100 clients. The survey showed that the majority of clients consider the loan processing and requirements as simple. Clients were requesting increased loan amounts and additional services such as personal loans. Another interesting finding of the survey was that many of the low-income clients were not aware of ECLOF as a financing option for their housing needs. As a result, investment in marketing and promotion was increased.

**“ 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.”**

USSPM DIMENSION 3 AND 4

DIMENSION 3 DESIGN PRODUCTS, SERVICES, DELIVERY CHANNELS AND MECHANISMS THAT MEET CLIENTS' NEEDS

**STANDARD 3A
THE INSTITUTION UNDERSTANDS
THE NEEDS AND PREFERENCES
OF DIFFERENT TYPES OF CLIENTS**

**STANDARD 3B
THE INSTITUTION'S PRODUCTS,
SERVICES, DELIVERY MODELS AND
CHANNELS ARE DESIGNED TO
BENEFIT CLIENTS, IN LINE WITH THE
INSTITUTION'S SOCIAL GOALS**

DIMENSION 4 TREAT CLIENTS RESPONSIBLY

**STANDARD 4A
PREVENTION OF OVER-INDEBTEDNESS**

**STANDARD 4B
TRANSPARENCY**

**STANDARD 4C
FAIR AND RESPECTFUL TREATMENT
OF CLIENTS**

**STANDARD 4D
PRIVACY OF CLIENT DATA**

**STANDARD 4E
MECHANISMS FOR COMPLAINT
RESOLUTION**



CLIENT STORY

CLIENT-CENTERED LOAN PRODUCT TO BUILD OR IMPROVE DWELLINGS IN THE “BATEYES” OF DOMINICAN REPUBLIC

In the Dominican Republic, a batey is a semi-rural shanty-town where traditionally sugarcane cutters live. Gladis Belén, a micro entrepreneur and single mother of three children, lives in Batey Nuevo, north of Santo Domingo. She was among the first clients of ECLOF Dominicana who took out a new home improvement loan. With the money, she was able to lay the foundation of her own house. She proclaims:

“I am a single mother, pursuing to keep going ahead. With this loan from ECLOF, I have been able to start building my house. My dreams are becoming true, to have my own roof! I am able to leave a legacy to my 3 children.”




THE SOCIAL PERFORMANCE REPORTING FRAMEWORK

ECLOF INTERNATIONAL

After the social audits it became clear that there was a need across many of the ECLOF members to start gathering and analyzing social performance-related information more systematically and on a regular basis. A structure was needed that would enable the network to manage social performance with the same rigor it applies to managing financial performance. ECLOF International therefore started developing a framework which regularizes the collection, review and analysis of information on all areas of social performance.

In a joint effort by ECLOF International, ECLOF Kenya and an experienced outside consultant, a list of social performance indicators was developed. The indicators are based on the mission and values of ECLOF. Then those indicators and the underlying data collection mechanisms were tested in three pilot member MFIs. As a result, social performance reports were drafted for each of the pilot MFIs.

2015 SOCIAL PERFORMANCE REPORT OF ECLOF KENYA

 Social Performance Report 2015  <i>"For a world of human dignity and prosperity"</i>	 Table of contents Introduction 1 Who do we reach & exclude 2 Customer experience 4 Client protection 6 Responsibility to staff 7 Benefits to clients 9 Outlook 10
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The report presents data and facts on client outreach (Who do we reach & exclude), on the Customer experience, Client protection, Responsibility to staff and Benefits to clients. Here are some noteworthy findings in the Social Performance Report of ECLOF Kenya:

**30% OF CLIENTS
OF NYERI BRANCH
LIVE ON LESS
THAN 1.25 USD/DAY;
60% LIVE ON LESS
THAN 2.50 USD/DAY.**

**88% OF
ALL STAFF
BENEFITED FROM
TRAINING
IN 2015.**

**BESIDES LOANS FOR
MICRO ENTERPRISE
AND AGRICULTURE, THERE ARE
6 LOAN PRODUCTS ADDRESSING
BASIC NEEDS OF CLIENTS:
LOANS FOR HEALTH, SANITATION,
HOME IMPROVEMENT,
GREEN ENERGY, EDUCATION
AND EMERGENCY LOANS.**

**THESE
LOAN PRODUCTS
MAKE UP
AROUND 10%
OF THE
PORTFOLIO.**

**THE AVERAGE
OUTSTANDING LOAN SIZE
PER CLIENT IS JUST
10% OF GNI PER CAPITA
(MIX MARKET DEFINES
THAT LOANS UP TO
20% OF GNI PER CAPITA
ARE LOANS TO THE LOWEST
INCOME CLIENTS).**

**16%
OF LOANS
FINANCE
AGRICULTURAL
ACTIVITIES.**

**2 OUT
OF 3 CLIENTS
WOULD RECOMMEND
ECLOF KENYA
TO THEIR FRIENDS
OR BUSINESS
PARTNERS.**

**ECLOF KENYA
BRANCHES
COVER HALF
OF THE POOREST
24 COUNTIES
IN THE COUNTRY.**

**THERE ARE
MORE WOMEN
THAN MEN
EMPLOYED AT
ECLOF KENYA.**

CHURCHES & COMMUNITIES SUPPORT

The local churches and their national associations are part of the group of stakeholders of ECLOF in every country where we operate. They give guidance as part of the governance of each national ECLOF member and provide logistical and technical support to ECLOF's work. They even invest in ECLOF at a national or international level. ECLOF assists micro entrepreneurs and farmers in their activities in the poorest and most remote areas. Churches and their congregations take a role in the field in several ways: through financial assistance and

providing tools and materials to support the entrepreneurs' work, thus enhancing the impact of the loan; through linkages with their network of partners; and by connecting ECLOF with potential beneficiaries in the communities. In some cases, ECLOF joins hands with community development officers to achieve its mission. Being at the core of ECLOF, Churches and communities are integral parts of the ECLOF solidarity chain supporting micro entrepreneurs and smallholder farmers.



ETHICAL INVESTMENT IN ECLOF AS AN ALTERNATIVE FORM OF PURSUING THE SOCIAL MISSION

ECLOF has a clear mission to promote social justice and human dignity through microfinance and related non-financial services. Founded in 1946 by those who went on to conceive the World Council of Churches, ECLOF has always had a close connection with the churches both in the global North and in the South. Now the network of ECLOF offers churches an alternative form of attaining their social mission – by investing their money “mission aligned” under the theme of social justice. Unlike mainstream investments in the financial markets, investment with ECLOF allows investors to physically see the impact of their money on the working poor whom ECLOF serves.

There are other microfinance funds (called microfinance investment vehicles, MIVs) in the market. The advantage of investment with ECLOF is that ECLOF directly provides the services on the ground with own staff through a network of locally rooted institutions closely linked to the church communities in their countries. MIVs mostly finance “large” microfinance investees, those that have more than USD 100 million in total assets.

According to the latest data, only 6 % of the microfinance portfolio of MIVs is allocated to microfinance investees with less than USD 10 million in total assets – while it’s often the smaller, rural-based microfinance institutions that have difficulty attracting funds.

Average loan size to end-clients is considered a good proxy indicator for the clientele a microfinance institution serves. ECLOF provides very small loans to micro entrepreneurs and farmers at the bottom of the pyramid, with an average loan size ranging from just USD 200 to

700 ; while the average client of a microfinance institution funded by MIVs takes out an average loan of USD 1622.

Reputable organizations – including churches themselves, church-related organizations and social impact investors – see ECLOF as a vehicle effectively fighting poverty and inequality. Read about them and why they chose to invest in ECLOF on the following pages :

**“ BEING AT THE CORE OF
ECLOF, CHURCHES AND
COMMUNITIES ARE INTEGRAL
PARTS OF THE ECLOF
SOLIDARITY CHAIN SUPPORTING
MICRO ENTREPRENEURS
AND SMALLHOLDER FARMERS. ”**



REV. REX REYES
GENERAL SECRETARY

THE NATIONAL COUNCIL OF CHURCHES OF THE PHILIPPINES

“The Council and ECLOF share the mission of community empowerment and commitment towards “abundant life” (John 10.10). Therefore ECLOF serves communities in the margins with a clear vision of promoting a viable and sustainable economic base and accountability. It is precisely her Christian orientation that makes ECLOF distinct from other microfinance providers.”

The National Council of Churches in the Philippines (NCCP) is a fellowship of 19 Churches and related organizations. The Episcopal Church, the Methodist Church and the United Church of Christ in the Philippines have been investing part of their funds with ECLOF Philippines via the NCCP since 2004. Financially and socially, the investments have performed to the full satisfaction of the churches to the effect that they increased their invested amounts over time.



SARAH B. SMITH
DIRECTOR

MERCY PARTNERSHIP FUND

“With ECLOF International, the Sisters of Mercy have intentionally put their money “on mission,” helping to create a just world and a sustainable earth. In addition to ECLOF’s steadfast focus on mission, we appreciate the strength of a global network that combines insight from community and church leaders, as well as local staff, to reach those most in need.”

Mercy Partnership Fund is the global community investing program of Mercy Investment Services, the socially responsible asset management ministry of the Sisters of Mercy of the Americas. Since 1995, Mercy’s community investments have benefitted more than 100 organizations, reaching beneficiaries in 66 countries and throughout the United States. Mercy Partnership Fund supports projects that benefit the economically poor, especially women and children, concentrating on those who are unserved or poorly served through traditional financial sources.



SISTER CORINNE FLOREK, OP
EXECUTIVE DIRECTOR

RELIGIOUS COMMUNITIES INVESTMENT FUND (RCIF)

"We invest in ECLOF first, because of its focus on women and rural areas and its commitment to the social mission, then its flexibility to help small farmers and micro entrepreneurs. The network... is an additional strength because of the relationships that last over time. It is important to create strong infrastructure for these communities that will empower people in a variety of ways."

The Religious Communities Investment Fund (RCIF) is a coordinated effort of Catholic sisters who believe, as Gospel people, that they are called to use their financial resources as a ministry to assist in overcoming social and environmental inequities. The Fund is a portfolio of debt and equity investments in projects consistent with the Gospel mission of economic justice for all. RCIF only invests in community development projects worldwide. We require significant social impact data and offer below-market rates so that organizations can help the very poor to become self-sufficient and access credit in order to develop assets for themselves, their families and their communities.



REV. DR. COLLIN COWAN
GENERAL SECRETARY

COUNCIL FOR WORLD MISSION

"CWM seeks to be part of a dynamic movement of building life-affirming communities. ECLOF's focus on (local) congregations is close to CWM's missional priority of expressing our prophetic witness through missional congregations that seek to connect with their communities in a life-affirming manner."

The Council for World Mission is a worldwide partnership of Christian churches committed to sharing their resources globally to carry out God's mission locally. CWM is in 40 countries around the world with 32 member churches representing 50,000 congregations and a population of 21.5 million members globally. CWM is engaged in a cross-section of ecumenical partnerships... guided by its Vision Fullness of life for all creation (Jn. 10:10).

BUILDING ENTREPRENEURS FROM WITHIN THE CHURCH'S COMMUNITY

ECLOF JAMAICA

Brother Onfroy has been the coordinator of the Economic Empowerment Program of Linstead Pentecostal Tabernacle (LPT) since its inception ten years ago. LPT developed the Program as a response to the needs of its Church members. At that time, many members were unemployed or underemployed and looking for funds to start or strengthen a business.

The program targeted the poorest and most vulnerable Church members, like single mothers. They lacked confidence and bank collateral to access loans. To this end, Bishop Otto and the Church injected USD 7500 to serve as security for the poorest members entering the program.

Because of its experience in providing both technical trainings on entrepreneurship and bookkeeping and credit, ECLOF Jamaica was selected to be the Program's partner. Starting six years later, Linstead's new entrepreneurs no longer needed the guarantee of the Church and loans were given on an individual basis. Through this partnership, ECLOF has provided over 100 loans totaling USD 100,000 to budding entrepreneurs in the Linstead area. Today, many of them successfully run their own micro business and have even hired outside labor.

CLIENT STORIES DAISY SMITH

Daisy is a single mother and grandmother who owned a small chicken business. She remembers: "At the time my whole family was depending on the income from the sale of chicken meats. I could only afford to raise 100 chickens and the income was simply not enough to support us."

Through the Economic Empowerment Program, she got her first loan to double the number of chickens. Later she took out loans to invest in crop production on the family farm lands that had been lying idle. In 2015, Daisy decided

that farming was becoming too difficult at her age. Seeing that there was no grocery shop in her community, she built one on her premises. With her fourth ECLOF loan, she bought the first inventory for the business.

She proudly claims: "I had a modest start, but the shop got successful and my family's income has grown tremendously to the point that I can sponsor my 21 years old grandson studying at the University of Technology. Before, we could not even think of affording his education."



ECONOMIC OPPORTUNITIES FOR DISABLED PEOPLE: ECLOF PERU AND THE ANGLICAN CHURCH

ECLOF PERU

In Peru like in most places, people with disabilities are one of the most vulnerable groups, facing discrimination and poverty. And disabled who are economically active are often overlooked by traditional microfinance. Therefore ECLOF Peru—committed to serving the most marginalized communities—has joined forces with the Anglican Church of Peru to serve people with disabilities.

At the San Patricio Mission in the poor area Cerro Cachito Ventanilla north of Lima, The Anglican Church has been working with disabled people for six years. Anglican Reverend Siancas invited ECLOF to engage with the leaders of Cerro Cachito and establish a relationship of communication and trust with the community. As one of the community's needs, better inclusion of its disabled population arose. Those of them who are of entrepreneurial spirit, can now benefit from ECLOF's low-cost loans and training on business skills and financial literacy. Recently ECLOF developed a creative workshop hosted on the Church's premises

where participants learn to create costume jewelry as a basis for their own business. ECLOF has also engaged the National Council for the Integration of Disabled Persons to provide trainings on hydroponics, IT, textile, bakery and pastry. The disabled people attend these courses free of charge, and can benefit from tailored ECLOF loans to apply their newly-gained skills.



**“ ECLOF STAFF AND
THE GOVERNMENT
REPRESENTATIVE BOTH
APPRECIATE THE
COMMON OBJECTIVES
THEY ACHIEVE TOGETHER,
AND RECOGNIZE THE
VALUE TO THE COMMUNITY.”**

A JOINT EFFORT WITH THE STATE FOR GRASS-ROOTS ECONOMIC DEVELOPMENT: ECLOF SRI LANKA AND THE “GRAMA SEVA NILADARI”

ECLOF SRI LANKA

The mission of ECLOF Sri Lanka is to empower vulnerable rural communities, and in particular women who suffer from the absence of fair funding sources for agriculture and micro enterprise. As a locally anchored organization at the grass roots level, ECLOF Sri Lanka works jointly with the State's grass-roots rural administration. In every Sri Lankan village, a government representative, or “Grama Seva

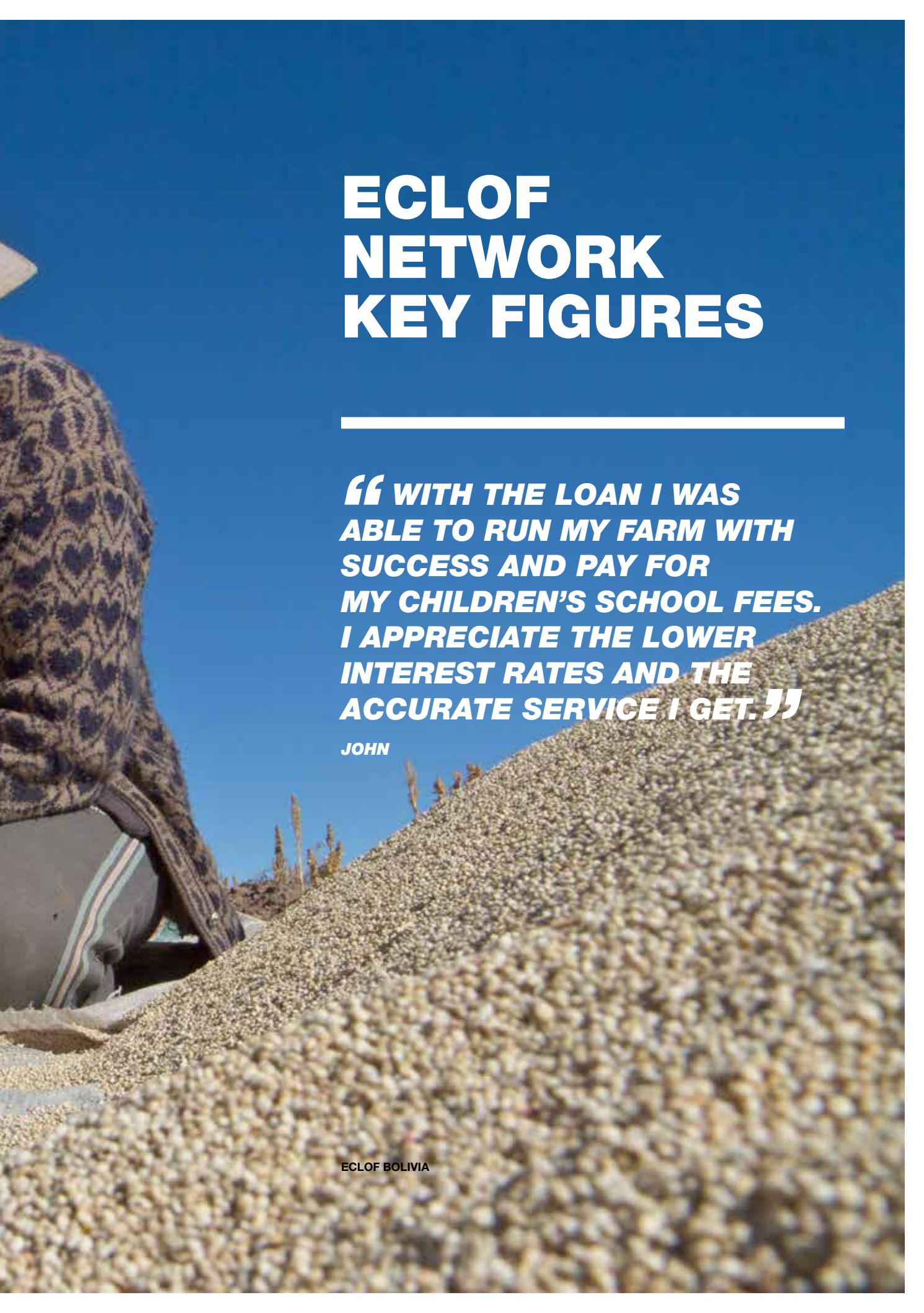
Niladari”, coordinates the village's basic state requirements with a specific focus on the least privileged of villagers. S/he also steers the State's local efforts following disasters like droughts or floods.

ECLOF has long established ties with these public servants. Given that they are charged with reducing the poverty in their districts, they often recommend people to

attend ECLOF's livelihood training programs. Sometimes these people later become ECLOF clients. The “Grama Seva Niladari” register groups of clients as a society so they are legally entitled to borrowing from ECLOF. After approval and disbursement of the loans by ECLOF, they continue playing an important role in hosting regular group meetings and monitoring loan repayment.

The assistance provided by the government is complementary to ECLOF's work. ECLOF staff and the government representative therefore both appreciate the common objectives they achieve together, and recognize the value to the community.





ECLOF NETWORK KEY FIGURES

***“ WITH THE LOAN I WAS
ABLE TO RUN MY FARM WITH
SUCCESS AND PAY FOR
MY CHILDREN’S SCHOOL FEES.
I APPRECIATE THE LOWER
INTEREST RATES AND THE
ACCURATE SERVICE I GET.”***

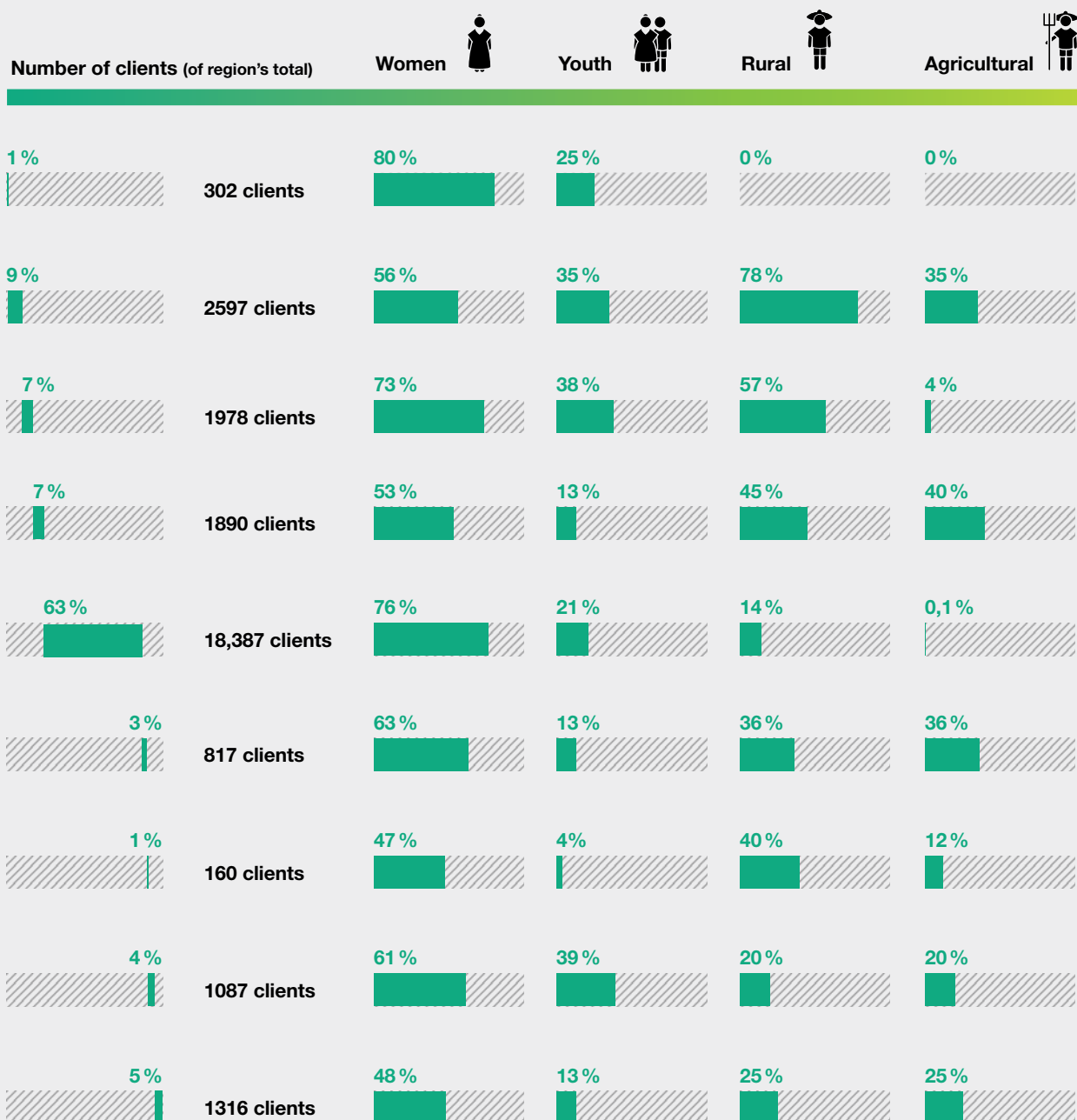
JOHN

ECLOF BOLIVIA

LATIN AMERICA

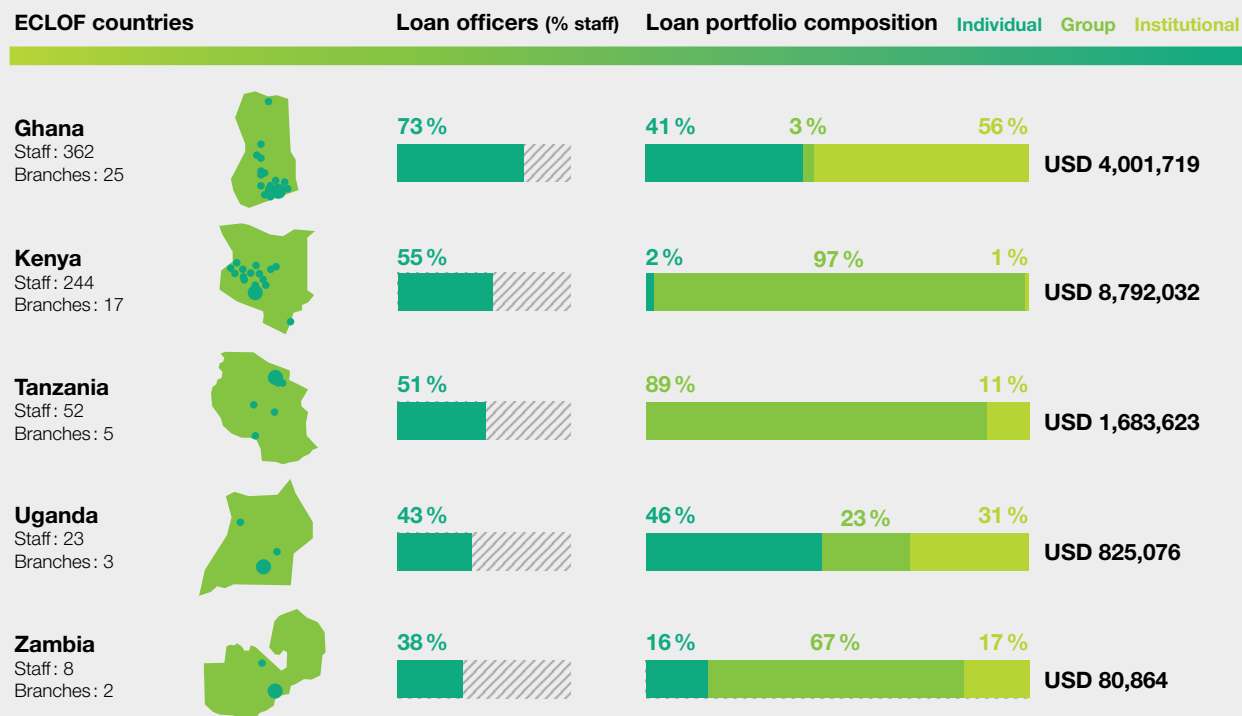
9 countries · Total portfolio: USD 17,345,495

ECLOF countries		Loan officers (% staff)	Loan portfolio composition	Individual	Group	Institutional	
Argentina Staff: 4 Branches: 1		82 % 	93 % 		7 %		USD 103,814
Bolivia Staff: 69 Branches: 25		43 % 	92 % 		8 %		USD 3,791,132
Brazil Staff: 12 Branches: 4		50 % 	4 % 		96 %		USD 574,299
Colombia Staff: 20 Branches: 3		48 % 	100 % 				USD 1,706,580
Dominican Republic Staff: 118 Branches: 7		49 % 	57 % 		37 %	6 %	USD 6,635,364
Ecuador Staff: 6 Branches: 1		65 % 	24 % 		27 %	49 %	USD 2,291,108
Jamaica Staff: 4 Branches: 1		50 % 	72 % 		3 %	25 %	USD 118,379
Peru Staff: 21 Branches: 3		43 % 	100 % 				USD 969,064
Uruguay Staff: 4 Branches: 1		75 % 	11 % 		89 %		USD 1,106,023



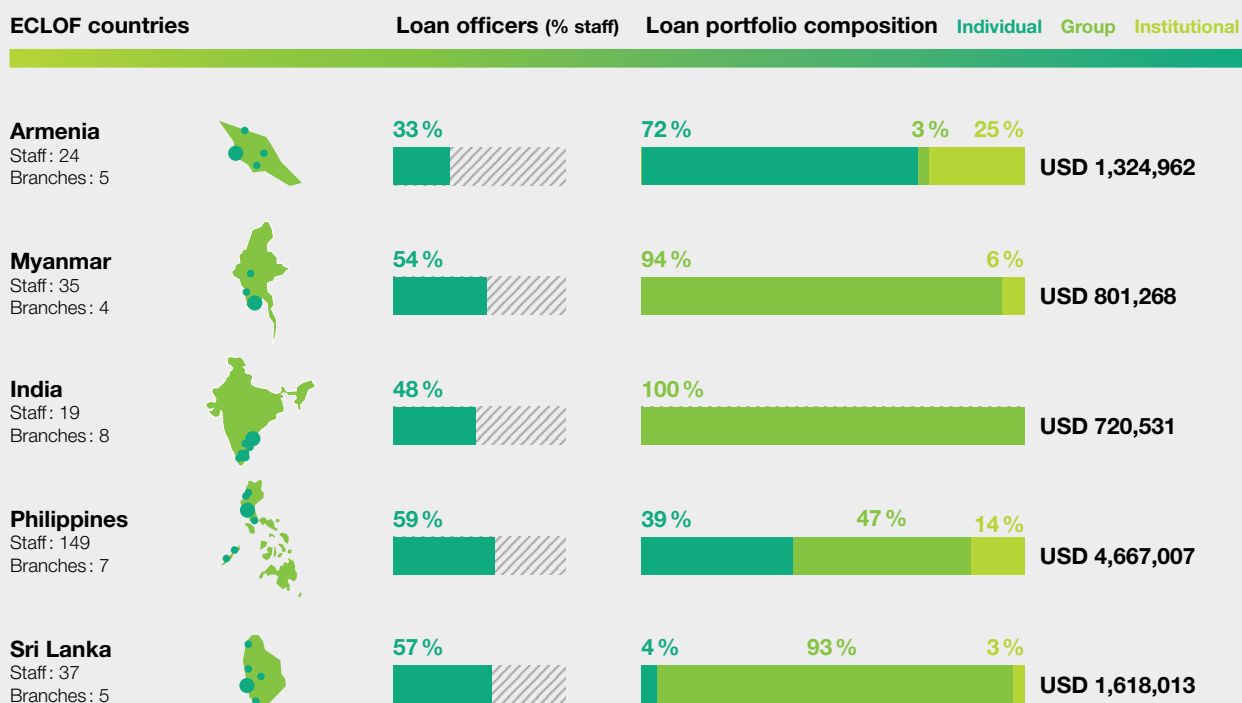
AFRICA

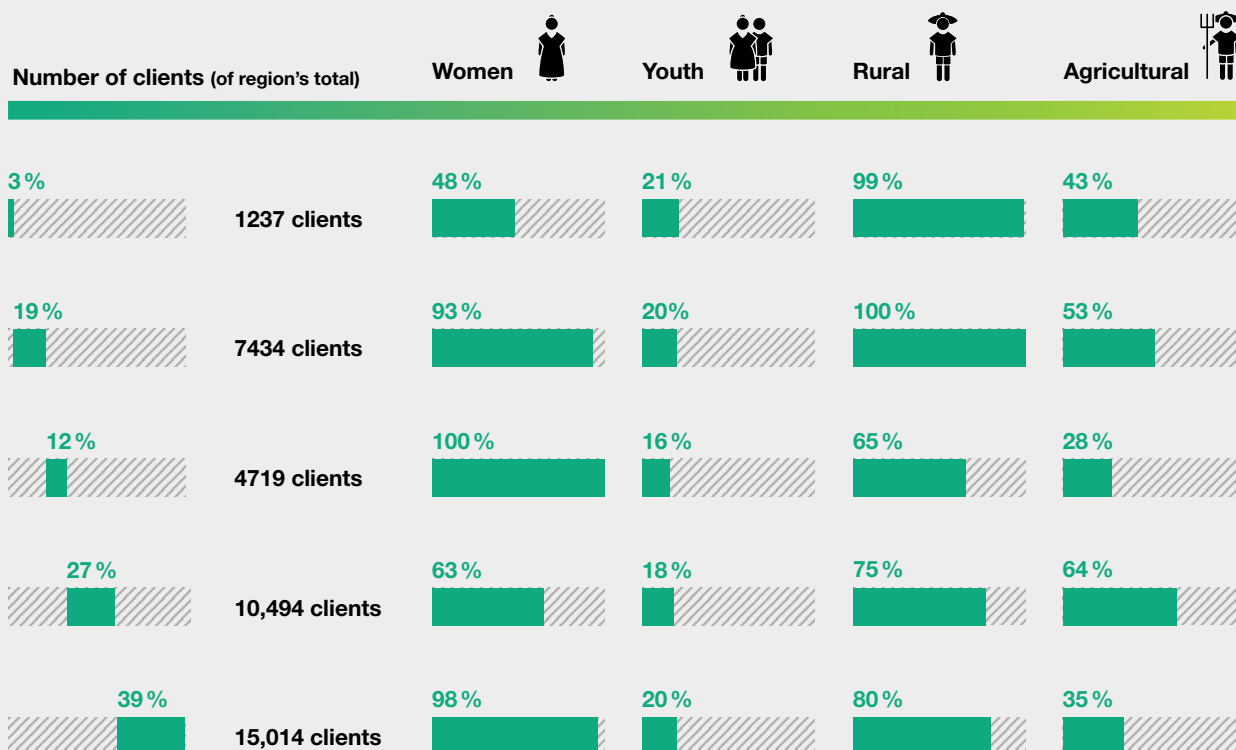
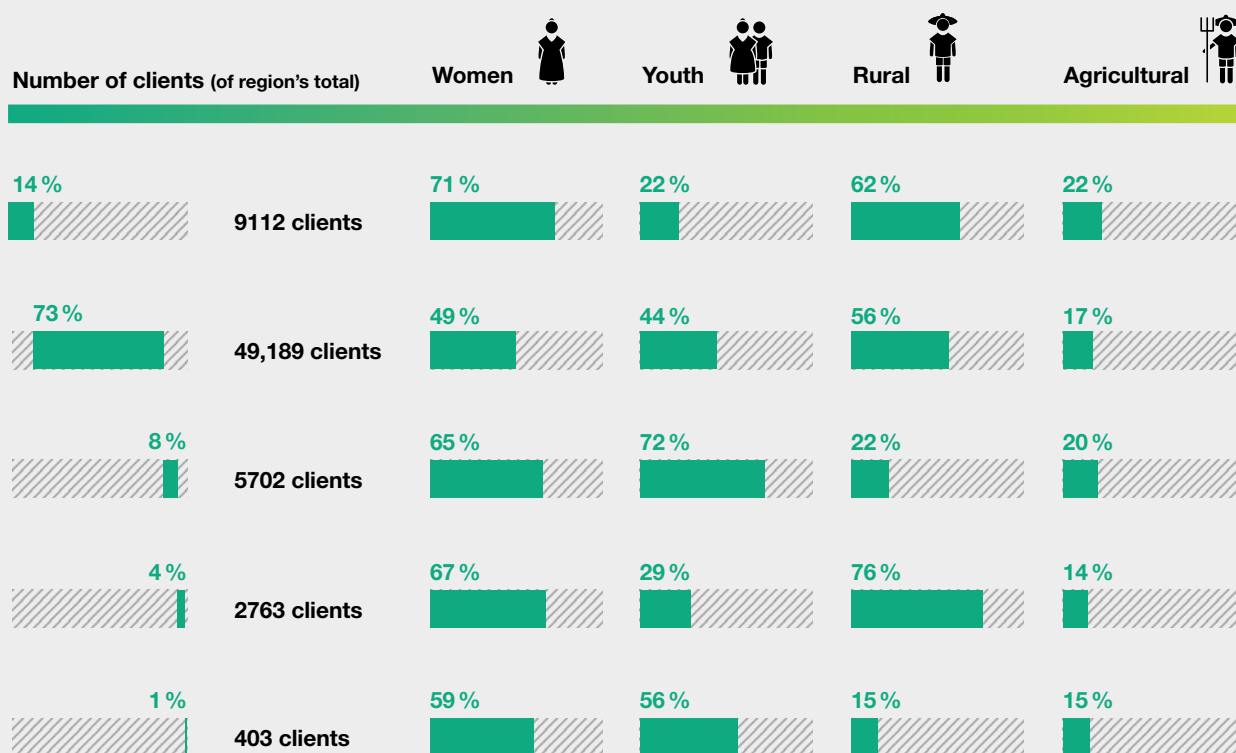
5 countries · Total portfolio: USD 15,383,314



ASIA

5 countries · Total portfolio: USD 9,131,781





FINANCIAL STATEMENTS

BALANCE SHEET

in CHF as at December 31, 2015 and 2014

ASSETS	2015	2014		2015	2014
Current assets					
Bank balances & short term deposits	2,611,069	2,889,540	Interest Receivable from NECs		
Short term loans to			from NECs in which		
National Eclof Committees (NECs)			the entity holds an investment	27,980	31,252
from NECs in which			from other NECs	707,489	1,326,089
the entity holds an investment	194,642	142,634	Provision on interest receivable	(177,499)	(686,182)
from other NECs	1,077,317	445,268	Net interest receivable	557,970	671,159
Short term interest receivable from NECs	22,819	25,468			
Management fees			Long term investments		
& other receivables from NECs	93,851	166,095	Equity Investment with NEC, net	662,109	771,677
Provision on management fees	(75,288)	(132,562)	Investment with Oikocredit	12,650	12,376
Net short term			Total long term investments	674,759	784,053
receivables from NECs	1,313,341	646,903			
Other short term receivables	5,129	21,084	Total long term assets	16,807,899	18,100,650
Accrued income	200,879	115,883			
Other receivables & accrued income	206,008	136,967	Total assets	20,938,316	21,774,060
Total current assets	4,130,418	3,673,409			
Long term assets					
Long term loans					
to National Eclof Committees (NECs)					
from NECs in which					
the entity holds an investment	1,950,868	1,929,522			
from other NECs	17,758,313	22,073,036			
Provision on long term loans					
from NECs in which					
the entity holds an investment	(243,745)	(116,166)			
from other NECs	(3,890,266)	(7,240,954)			
Net long term loans	15,575,170	16,645,438			

INCOME STATEMENT

in CHF as at December 31, 2015 and 2014

LIABILITIES & FUND BALANCES	2015	2014
Current liabilities & provisions		
Short term loans	60,000	60,000
Provision on foreign exchange fluctuations	0	71,913
Deferred restricted income	34,974	69,947
Accrued expenses	61,945	56,133
Total current liabilities & provisions	156,919	257,993
Long term liabilities		
Interest-bearing loans payable	1,656,761	629,279
Total Interest-bearing long term Liabilities	1,656,761	629,279
Funds		
Unrestricted funds		
Capital fund	17,517,823	18,918,050
General fund	(28,138)	128,225
Currency risk fund	446,190	446,190
Technical assistance fund	215,566	256,033
Guarantee fund	488,683	488,683
Total unrestricted funds	18,640,122	20,237,180
Restricted funds		
Technical assistance fund	64,669	229,761
Guarantee fund	419,846	419,846
Total restricted funds	484,515	649,607
Total funds	19,124,637	20,886,787
Total liabilities & fund balances	20,938,316	21,774,060

	2015	2014
General fund at January 1	128,225	324,635
Contributions from donors	143,350	198,873
Management & other fees	271,442	280,242
Interest income on loans	558,724	429,511
Total operating income	973,516	908,626
Operating expenses	(238,733)	(282,811)
Employees, consultants & related costs	(798,993)	(799,255)
Losses/provision on management fees receivable	0	(13,030)
Total operating expenses	(1,037,725)	(1,095,096)
Operating result	(64,209)	(186,470)
Financial expenses	(51,131)	(19,601)
Financial income	274	20,355
Exchange losses	(41,644)	(14,231)
Extraordinary, non recurring or prior period expenses	(30,667)	(22,290)
Extraordinary, non recurring or prior period income	31,014	25,827
Loss for the year	(156,363)	(196,410)
General fund at December 31	(28,138)	128,225

PARTNERS

actalliance

Brot
für die Welt

Brot für die Welt –
Evangelisches
Entwicklungsdienst



ÉGLISE DE BEGNINS



THE UNITED CHURCH OF CANADA
L'ÉGLISE UNIE DU CANADA



Church of Sweden



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