

# ANNUAL REPORT 2009

**ECLOF**  
INTERNATIONAL



# Our Mission

## To finance human dignity

*ECLOF International aims to relieve poverty and restore human dignity. Our means to that end is microfinance.*

*Micro-financial 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 International'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

## An uncompromising belief in justice

### Human dignity

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

### Social justice

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

### Solidarity

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

### Participation

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

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### **The founding fathers of ECLOF International:**

Mr. Gustave Hentsch,  
a Swiss banker from Geneva,  
Dr. Alphonse Koechlin  
a prominent pastor from Basel  
& Dr. W.A. Visser't Hooft,  
a Dutch theologian later to become  
the first General Secretary  
of the World Council of Churches.

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2009

# Chairperson's Message

MARTIN KYNDT

The banking crisis of 2008 has had a profound and lasting impact on the health of our global economy. The 40% fall in the value of global stock markets represents the worst decline ever witnessed since the Great Depression and the credit crunch that resulted pushed many parts of the global economy into recession. The profundity of its impact has been extensive and it has starkly reminded us of the fact that every part of our modern global financial system is entirely interconnected and that what happens in one part of the world can have a dire impact on another part, e.g. a few bad mortgages in the suburbs of Florida in the US that led to the bankruptcy of Iceland's banking system.

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Apart from the structural impact, the global banking crisis has also raised a number of significant ethical issues which have poignancy for the work of ECLOF. The roots of the crisis were essentially triggered by an economic environment that promoted and encouraged people to take on large levels of debt, without due consideration for their ability to repay. Low interest rates and warped bonus incentive schemes within the banking system stimulated a climate of irresponsible lending. People who were less well off in the US and Europe took the opportunity to access finance to buy their own homes, often at levels many times higher than they could possibly repay through their regular incomes. While property prices remained high, defaults on loan repayments were offset by the rising value in property equity. However the level of risk in the system undermined the value of the asset base and the whole system collapsed like a pack of cards.



The financial crisis has called into question the ethics and morals of lending, which are challenging reminders for the work of ECLOF. Our mission to address poverty through the provision of microfinancial services is deeply rooted in and influenced by the Christian values of our heritage. These values drive and shape who we choose as our target audience and how we choose to deliver our support. The rural communities we seek to serve are often marginalized from the provision of mainstream services. They have poor access to basic resources and little influence over political decisions that impact on the quality of their lives. Their day to day existence is often fragile, as they have little capacity to resist unexpected shocks.

Mindful of the vulnerability of the communities and people whom we support, we need to be constantly challenged and guided by the Christian values that underpin our work. In the provision of loans, these values should lead us to always test ourselves against a number of key questions:

- Will the loan strengthen the client's resilience or will it further increase his or her level of indebtedness?
- Is the level of loan appropriate to the client's ability to repay?
- Is the level of interest charged on the loan appropriate to cover both the cost of the service and ensure the operational efficiency of the NEC?
- Will the provision of the loan have wider benefits for the community?

The vulnerability of poor communities is often heightened by the volatility of their income base. Rural communities are particularly dependent on the feast and famine vagaries of variable seasons and climate change. Having the opportunity to save through the good times can often have a significant impact on the capacity to see things through the lean times. The provision of safe savings as a service helps clients build a foundational capacity that can significantly reduce the level of their vulnerability. It can help them strengthen their resilience to the unexpected and it can also help them build collateral to strengthen their capacity to service loans. Increasingly, I believe that we need to explore effective ways of extending our service range to include savings. In doing so, we will need to take on significant added responsibility to ensure the safety of those entrusted funds, which will have implications for the probity and transparency of our operations.

*"ECLOF's mission is to restore human dignity through the provision of financial services.*

*However, these services need to be delivered within the wider context of community needs. So working closely with other community partners is fundamental to our approach and effectiveness. Let the delivery of this mission and the way in which we work with others always be guided by the Christian values that underpin and inspire our work."*

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110000

clients

received aid from  
ECLOF International  
this year.



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# Message from the Chief Executive Officer

IRENE BANDA MUTALIMA

*Times of change can be exciting. Some of us will recall the excitement of our progress with each passing academic year. Indeed, the passing of years marked important steps of change in our lives from one level of academic attainment to the next. Positions of seniority were sometimes attained and when additional responsibilities came with a good title, this only added to the excitement.*

What is not nearly as openly recognized, however, is the price that needs to be paid for change. It calls for a difficult re-positioning in thought and action. It involves breaking old habits that would be detrimental to the new persona as well as learning what it takes to comfortably thrive in the new status created by the exciting change. What we do not consider often enough is the failure that results when the excitement of imminent change is not accompanied by the actions necessary to make the change stick. This is what we need to reflect on in ECLOF.

We have collectively developed a coherent and well-articulated Strategic Framework for the period from 2010 to 2014. The whole document is steeped in the theme of change: change in the way we work with one another, change in the way we partner and in the way we serve, change in the way we practice our values and in the way we exercise stewardship, and generally change in the way we do the business of ECLOF across the world. This message is crystal clear in this important document. I also believe that when we penned its final words, it was with a sense of excitement that we had finally done it. Maybe we need to take a moment's pause at this thought and ask ourselves: What is the real work of implementing the changes called for in the strategy?

I have been privileged in my career to strengthen the structure and architecture of different organizations, helping them to better reposition themselves as leaders in their market. One of the first things I did in these instances was to ascertain where failure occurred in implementing their plan. In these inquiries, I was often disturbed to note that planning documents were at best, promptly filed away and not used to guide the work. At worst, staff could not make a connection between any planning and their day-to-day work. This I found to be the greatest failing in implementing any strategy: the inability to follow through on a strategy and realize adjustments proposed in the plan as concrete events on the ground.

The clarion call now is to hold ourselves accountable to the set of ideals that we espoused in our Strategic Framework. Let us review our work in line with these well thought out strategies. This is about change: we cannot expect to see different results if we continue to do the very same things that we did before we resolved to implement change. It is said that the person who fails to plan, plans to fail. I wish to add here that even the one who plans but fails to execute that plan, is no better.

As we embrace a renewed ECLOF, let us purposefully reflect on all that we do in line with the new course we have charted. All resources need to be focused on a new way of doing the business of ECLOF. We have articulated our strategy so clearly that we will have no excuse for failure. Change must happen.

USD 35  
million:  
the total value of  
the portfolio in 2009.

# Witnessing Change

A reflection by Abigail Nelson,  
member of the Board  
of ECLOF International,  
on the transitional process leading  
to the Strategic Framework

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*Change has been necessary in reviewing the context in which ECLOF International operates and in better positioning our organization in today's microfinance industry. We have an illustrious history, we have a wonderful tradition, and we have important links to the churches. We are thus in a position to reach communities that other microfinance institutions may not be able to. However, we haven't had the knowledge stream to make decisions that are informed from the ground up, all the way from local communities to the Board of ECLOF International. Change was thus necessary.*

What impressed me most in the design and implementation of the new Strategic Framework was its strong participatory engagement process. There's been unanimous agreement from all the levels of the organization that change was necessary. The systematic consultation process that followed really has been impressive. Moreover, this has demonstrated the strong commitment from the NECS' Management Teams and Boards, the communities we work with, and finally the bureaucracy of the whole organization. That participation was and remains key in order for us to create an effective institution.

The other important accomplishments that this change will bring about are a new governance structure for ECLOF International and a clearly defined role for the International Secretariat. Creating a governance structure to oversee a multinational organization working within a very fast paced industry and defining the role of the Secretariat in this process requires great foresight. I really esteem Martin, our Chairman, for guiding us throughout this process.

12%  
increase  
in the number of  
women clients  
from 2008 to 2009.



But what I'm most proud of is the clear focus of the new Strategic Framework on our client base, on the people we serve: rural and marginalized individuals and communities. This will ensure that all of the NECs have strategies designed precisely to target these types of client and that they're equipped to monitor the social impact of their work. For me, it's a tremendous accomplishment. It sounds small but when we look at the sea of need, to focus on where we really want our microfinance activities to make a difference is indeed a great step forward. (AN/AD)

**Abigail Nelson,**

Senior Vice President of Programs  
at Episcopal Relief & Development,  
is currently serving on the  
Board of ECLOF International.

**"WHEN IMAGINING ECLOF INTERNATIONAL IN 2014,  
HERE IS WHAT I SEE.**

First, a much larger client base as we respond to the growing demand for our services in developing countries. Second, some extremely impactful NECs in the countries where we operate. Finally, an active knowledge sharing process within the network that will lead to greater performance globally."

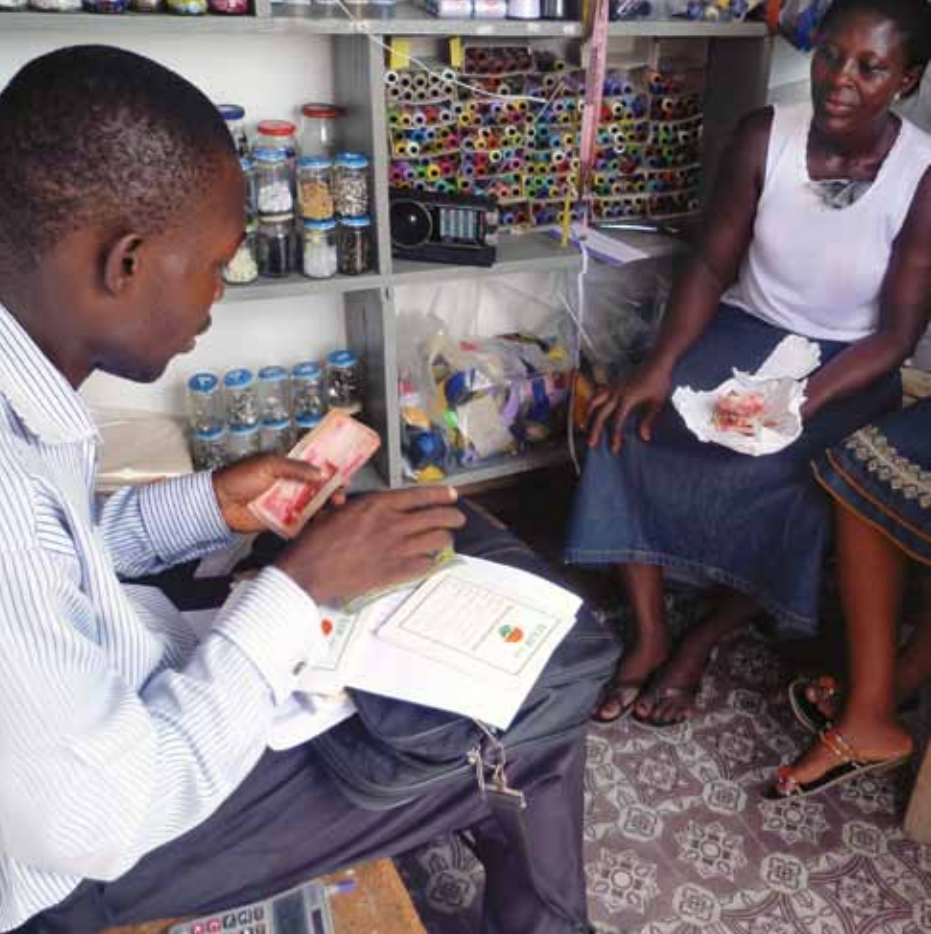
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62%

of ECLOF International's  
clients are women.

"I've been advocating for some years now for the establishment of standardized indicators across the network to monitor the NECs' performance. These performance indicators would ideally be both financial and social, and once entered into a centralized data system they would enable us to compare, analyze, and identify gaps as well as opportunities for learning across the network, for sharing experiences with each other, and then of course for leveraging and mobilizing our resources. All right, we're not totally there yet, but I'm excited to actually see it happen as you read these lines."



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# An Insider's View

Change as seen by  
our Program Officer Roger Said

Mary sells sewing supplies in a market in Accra, Ghana. To increase her business, she formed a group with other women from the same market and together they took a group loan from ECLOF.

She is the head of the group and in this role collects repayments from each woman in the group. In this picture, she reimburses part of the group's loan to ECLOF's Loan Officer who records the transaction in the client's loan-book.

*Roger Said has been part of ECLOF International's team since 2007 and has been a privileged witness of the incremental change undergone by the organization in governance, leadership, operational efficiency, and structural architecture. In particular, he's been very active in providing logistical support during the consultation process that led to the global approval of the new Strategic Framework, one of the main achievements of 2009. Responding to our questions, here are some of his thoughts on the transitional process that led to the 2010-2014 Strategic Framework.*

**ECLOF has undergone many changes in the past few months, particularly in governance: what are your thoughts on the matter?**

The new governance model better equips ECLOF's Board to support the Management in its endeavor to deliver financial services that reflect "state of the art thinking" in micro-finance. The focus of the new Board is on policymaking and oversight whereas previously the line between governance and operations was sometimes blurred. I'm particularly supportive of and optimistic about this development.

**Describe to us the development process that led to the current Strategic Framework. What challenges did its authors identify coming in? How did their understanding of ECLOF's needs and objectives develop over the course of writing the Strategic Framework?**

A key characteristic of the process is that it was very inclusive, with about 50 individual stakeholders consulted from three groups: the Board, our Ecumenical Partners (EPAS), and our NECs. However, this also meant that many opposing points of view had to be acknowledged and that some choices had to be made between divergent and sometimes opposing views. This has been addressed by a parallel and ongoing process that attempted to institutionalize "listening mechanisms" to capture concerns from all stakeholders.

**In your view, what are the main achievements of the Strategic Framework?**

To my mind, the main achievements of the Strategic Framework are: a renewed commitment to reach out to more clients and poorer clients; a renewed commitment to financial stability and diversification of funding sources; and the vision of a unified organization in terms of practice, performance standards, and branding.

**Which goal do you believe is most crucial for ECLOF's success?**

For ECLOF's success, it is crucial to create a sustainable increase in income for its clients, to become a financially stable organization, to enter into more strategic partnerships, and finally, to tackle its most urgent challenges – that is: to stop incurring losses at the NEC level and dramatically increase its fundraising.

**37%**

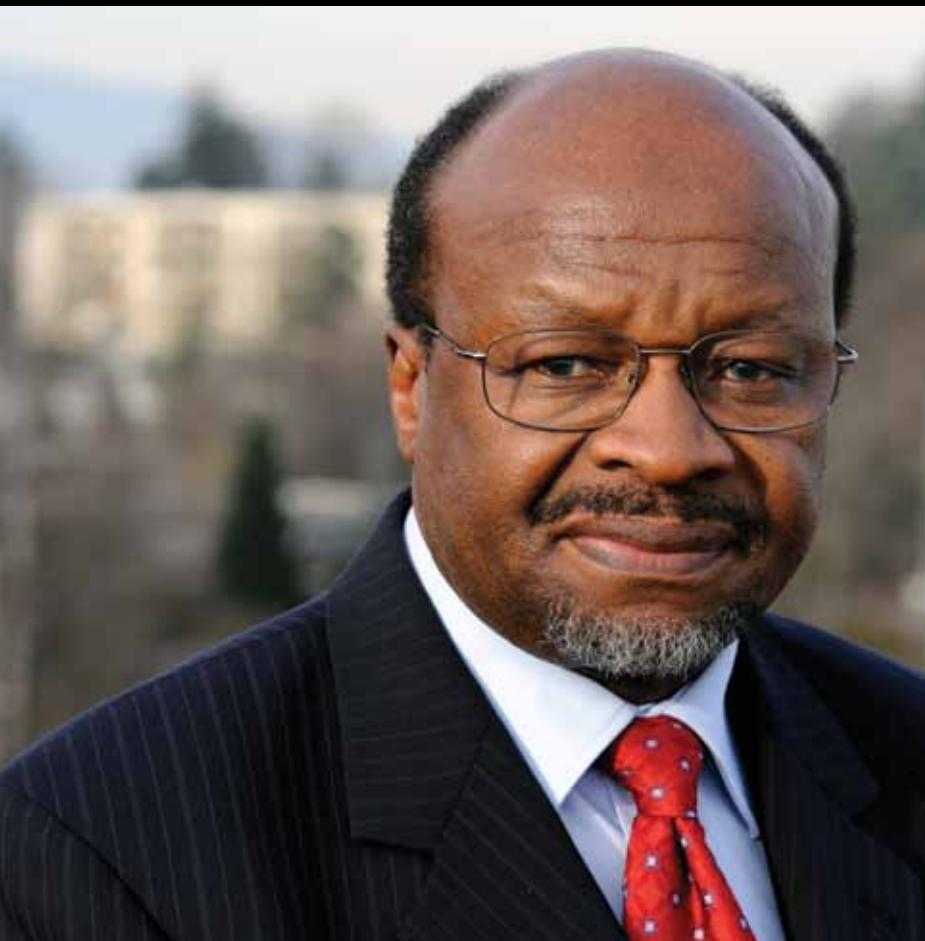
of ECLOF International's  
clients are youth.

# Visions of Change

A conversation with  
Rev. Dr. Ishmael Noko,  
Secretary General  
of the Lutheran World Federation

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*Rev. Dr. Ishmael Noko offered a unique privilege to ECLOF International in granting us his last interview as Secretary General of the Lutheran World Federation on August 30, 2010. The theme of the conversation was “Change”.*

*We asked Dr. Noko how, considering the sea change taking place in our organization, he envisaged our future. What follows are his remarks on this and many other interesting issues.*

## **What can you tell us about the history of the LWF’s collaboration with ECLOF?**

The LWF and ECLOF are very close contemporaries of each other and share a rich fund of common values. While the LWF was founded in 1947 as the successor of the Lutheran World Convention, ECLOF – itself the successor of APIDEP – had arrived on the scene just one year before. What few people recall now is that ECLOF had a twin sister that remains active today: the Commission of the Churches on International Affairs. All three of these organizations responded to a call for solidarity and a global vision within the ecumenical community.

So it was only natural that when the LWF was created, it had already committed itself firmly to the type of ecumenical financing that ECLOF was offering at the time. It is probably important to note that ECLOF was created in the wake of the Second World War when we found ourselves in a time of crisis. It was a real beacon in a time of darkness when churches were afflicted with poverty and hope was in short supply. To my view, before being a financial institution, ECLOF's role had been first and foremost to bring back hope to devastated churches. This is especially poignant today when we find ourselves again at a critical moment. ECLOF shines most brightly in times of crisis: we're in such a time now and this is when your organization is most needed. I'm particularly keen in seeing how your increased presence and more extensive activity will play out with your sister organizations, among them the LWF. This is a kairos moment for ECLOF and you must not let it pass.

**What was your first contact with ECLOF?  
What was your reaction the first time you heard about Microfinance?  
And what is your opinion about it today?**

When I first heard about microfinance I thought: once again we find someone who wants to get rich by looking for interest and is in no way different from bankers. My reaction was not unique, as it is common among churches to think that when someone lends money they should only expect to get their two dollars back without additional interest. Indeed, churches don't take into account that an organization such as yours simply could not run without charging interest on their loans. I myself rapidly grew out of my initial negative reaction. Moreover, in my view, asking for interest is totally attuned to traditional ways of sharing. In every society, whether we talk of sharing butter, cattle, or chicken, this is the way it works. In the families I know, we say that if you're short on flour and you ask your neighbor for two cups, you naturally give him 2.5 in return. This is the traditional way of doing things and we all know it. Microfinance simply works with a similar philosophy. It is by no means to be confused with what money sharks do. Actually, it is clear that you could not continue to be viable without counting on earnings from interest for next year. However, what is crucial to consider is the amount of the interest that you take. This is where religion and religious leaders should guide and educate people.

And in my opinion, ECLOF distinguishes itself sharply from banks and shines as an ecumenical financing institution by demonstrating that it is first and foremost people-centered – in short, that ECLOF is more interested in the clients it serves and in their well-being than in making a profit for the organization as such. Now, I've known ECLOF for many years and I can say that ECLOF is not making interest for ECLOF. On the contrary, with respect to their mission and values, the interest made is circulated so that they can help others. Moreover, ECLOF stands out by taking big risks in giving loans to people that banks will not help. So, the quality of ECLOF's attitude is what distinguishes it so well from other MFIs and banks.

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"ECLOF rose to respond to the crisis set in motion by the Second World War. In today's troubled times, ECLOF must once again answer the call.

THIS IS A KAIROS MOMENT FOR ECLOF."

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### Where do you see opportunities for partnerships between ECLOF and the LWF?

In particular, what in your view could be possible avenues for strengthening our partnership with the LWF?

Concretely, here are some possible avenues that ought to be explored.

ECLOF International was represented at the LWF's 11<sup>th</sup> Assembly in Stuttgart and I actually thought it was very timely for you to be there with us. The theme of the Assembly was "Give us today our daily bread". Now, what does it take to bring bread to the table?

There are many processes and agents involved, such as rain, farmers, bakers, and bakery systems. Finance is also part of this system and this is where ECLOF comes in. ECLOF's microfinance activities are an ecumenical financial response to those who are seeking to have their daily bread. But to first strengthen the tie between our two organizations, I would suggest that we put in place a better cross-representation. By that I mean that the LWF could be invited to sit on ECLOF's Board – a seat we lost in the 1990s – while your organization would increase its advisory presence at the Mission & Development Committee of the LWF. One of the key benefits of such an arrangement would be the sharing of information between our organizations. This would specifically make it easier to prevent duplication of projects between us, thus making our work, not to mention our resource allocation, more efficient. Finally, micro-credits have a role to play for the LWF's work on the ground. There would definitely be an opportunity for ECLOF to help the LWF manage its microfinance activities. And this is a very practical possibility for joint action.

63% of

ECLOF International's  
clients work in  
rural areas

&

12% are active  
in agriculture.

**As you see ECLOF developing today, what are your hopes for the future?**

My hopes for the future are placed first and foremost in partnerships. And while we can and we must dream them in Geneva, it is at the grassroots level where they must be implemented if they're to last and make a real difference. On one side of the coin, you have ECLOF committees that operate in different countries – on the other side, we have LWF committees that work similarly and there are also National Councils of Churches that are often located in the same countries. These committees are close neighbors, but they work in different corridors. What we need to do today is dismantle these corridors and the walls that divide our organizations.

Indeed, it is interesting to note that when the ecumenical movement was created, organizations such as the WCC and the LWF were very rich. As time passed, we started building walls between our organizations and

this is how it remains today. Now that our economic circumstances have changed, so should we. Indeed, I believe it is now time to break these walls and remember the common roots at the origin of our movement. In short, we must learn once more to work together in one and the same corridor. Here is how I see it: each of our organizations should identify its own niche within the global ecumenical community and position itself clearly *vis-à-vis* its sister organizations. First we need to agree on what we want to achieve together as one, global movement. Only then will we be able to work in such a way that our achievements are owned commonly within the ecumenical family, that our work furthers one, single agenda. Naturally, if we all pursue this we can't all work on the same things. As a consequence, the microfinance services that ECLOF offers will belong to the whole family though only ECLOF carries them out. To sum up, while we all agree on a global niche for the ecumenical movement's activities, we also need to determine clearly which organization from the family holds which specific mandate. ECLOF will then naturally become the microfinance arm of the entire community. And that way, there won't be

**14% increase**  
**in number of**  
**rural loans**  
**from 2008 to 2009.**

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division anymore but we'll ensure that the global movement has the right representation on the right activities. ECLOF won't succeed unless we all agree upon the specific niche that it occupies within the ecumenical community. We thus need to reinvigorate the conversations between our organizations to understand what we do and how we can collaborate. The global situation means that there is less money to go around today. Let's take it as an opportunity to band together and show what solidarity really means in an ecumenical setting.

# Helping Others to Attain Self-Sustainability

An Indian tale of success

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“I can now handle my own finances, independently of ECLOF’s further guidance” says R. Selvi as she looks proudly at her newly purchased loom which brings her and her family an income of USD 30 per sari.

Creating a partnership of equals rather than offering charity – this was the principal goal of our founding fathers when they created ECLOF International in 1946, and today ECLOF India can be proud to have helped Selvi and many others to achieve self-sustainability. Indeed, Selvi is a member of the Mercury Self Help Group which comprises thirteen members. As a group, they have total savings of USD 2,260 and they save USD 2 per month. They lend money internally among themselves with an interest rate of 24% per annum, they regularly conduct group meetings, and their bookkeeping is perfect as they have been educated financially. In sum, they are “a pleasure to collaborate with”, according to our Field Officer, C. Jeremiah.

## ECLOF INDIA AT A GLANCE :

- Date of founding: 1964
- Services offered & types of loans:  
Self Help Group Loans
- Number of branches:  
15 branches covering  
5 states in India
- Average amount of first loan:  
USD 90
- Number of active loans  
(as of December 2009): 2,300
- Number of active clients  
(as of December 2009):  
10,650
- Number of loan officers  
(December 2009): 22
- Proportion of women clients:  
100%
- Repayment rates: 91.5%

S.Thangamani, the leader of Mercury SHG, similarly has had a long term partnership with ECLOF. “With ECLOF’s help I was able to boost my business”, she says. Indeed, Thangamani runs an active and busy eatery in Kanchipuram that offers the culinary specialty known as “Idiyappam” (string hoppers), a popular South Indian dish made of rice flour and served sweetened with coconut milk. “With further loans from ECLOF India, I expanded my business which allowed my whole family to get involved in it and also brought harmony in the family”. Self-sustainability, too, as over the course of time, Thangamani was able to buy a small plot of land and build a house. (LC/AD)

"There are many finance institutions which were willing to offer us a loan" says Thangamani, "but we chose to take a loan from ECLOF because the first institution to approach us and educate us about micro loans was ECLOF."

As for Selvi, she was weary of borrowing and of the complexity involved in loan transactions and interest rates. "We did not know about loans, interest rates, etc." she says. "The Field Officer not only told us about self help groups but also educated us about self help group culture and imparted financial literacy to us for about six months, monitoring our progress, before granting each of us our first loan."



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**BOTH SELVI & THANGAMANI  
ARE ON THEIR THIRD LOAN  
WITH US:**

Progression:

1<sup>st</sup> Loan – USD 90

2<sup>nd</sup> Loan – USD 180

3<sup>rd</sup> Loan – USD 270

"The Mercury Self Help Group was created in October 2007. ECLOF's Field Officer, C. Jeremiah, visited Thangamani's and Selvi's village frequently and first got acquainted with the local people. He then formed a group of women and educated them about savings, loans, and interest rates before introducing them to ECLOF's programs. He helped them register their group under the banner of "Mercury SHG" and set up their Management Committee.

Over the course of several weekly meetings, he educated the village women about bookkeeping, trade, and other techniques that would boost their income. To ensure that their savings were regular, he monitored the group for six months and only after that did he offer them their first loan from ECLOF.

Moreover, our Field Officer introduced the members of the group to the training programs made available to women by the Government of Tamil Nadu. Through these programs, the women not only were trained but they also received a monthly incentive from the government. On completion of the training programs, they each were offered a Government Certificate – an extremely useful credential for getting employment."

# Cándido Novo

A vision without limits

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*“With a loan from ECLOF I bought my first hotdog cart. It cost me 350 dollars. As I expanded my business, I was able to acquire 18 carts and to employ 24 persons.*

*However, I felt that I needed to change my business because I was growing, so I went into ice cream sales and distribution. I started with a guagiüita – a small truck in partnership with a friend of mine, but ultimately I bought other trucks and I was also able to buy my associate’s share of the business.”*

After just two years in business, Cándido Novo already has six ice cream carts, his ultimate goal being however to have 25 of them and to get his own ice-making machine. Meanwhile his positive influence has also reached his relatives as some of them, following his example, are now becoming quite successful in the ice cream business.

At first sight you wouldn’t realize it, as he’s so agile and dexterous, but Cándido Novo is blind. However, he only lacks physical sight since his vision to live and excel himself is limitless. An entrepreneur who has been successful in every endeavor he has set himself to achieve, he manages his businesses, has a supremely positive attitude towards life, and says he’ll always work to take care of his family’s needs. (GT/AD)

*“I got my first loan from ECLOF since other institutions wouldn’t lend me anything because I didn’t have any credit background, nor did I have any collateral to back it up.*

*So I am truly thankful to ECLOF as they opened their doors to me, and I have been able to keep my business growing.”*

**CÁNDIDO HAS SEVEN LOANS ON RECORD WITH ECLOF DOMINICANA.**

Starting with USD 415 in 2005, his loans went increasing year by year up to USD 3,200 today.



#### ECLOF DOMINICANA AT A GLANCE :

- Date of founding: 1984
- Services offered & types of loans:  
Joint Groups Loans, Individual Loans, and Institutional Loans
- Number of branches: 6
- Average amount of first loan: USD 135
- Number of active clients (as of December 2009): 9,432
- Number of loan officers (December 2009): 47
- Proportion of women clients: 78%
- Repayment rates: 97.1%

80% average client  
retention rate.

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21 National  
Offices  
& 113 Branches

worldwide are led by  
**ECLOF International.**

In 2009, Cándido Novo won first prize in the "Novice of the Year" category at Micro Enterprise Prizes 2009, an event sponsored by the Citi Foundation.

It was a great joy for the whole Dominican ECLOF family that a client won this Award. This prize has been awarded for more than 20 years around the world.

## OUR PARTNERS IN 2009

In 2009 our Ecumenical Partners (EPAS) were once more loyal to our cause and offered us precious financial support. Without them, we could not possibly have reached out to and made a real difference in the lives of so many across the world.



BREAD FOR ALL



CHRISTIAN AID



BREAD FOR THE WORLD



EPISCOPAL RELIEF & DEVELOPMENT

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EVANGELISCHER ENTWICKLUNGSDIENST (EED)



EVANGELISCHE KIRCHE VON WESTFALEN

# ECLOF International's Supporters & Partners

We would like to take this opportunity therefore to thank them warmly for their continuing aid to our work and appeal to them for the challenges of 2010.



UNITED METHODIST WOMEN



UNITED CHURCH OF CANADA,  
IN PARTNERSHIP WITH  
CANADIAN INTERNATIONAL  
DEVELOPMENT AGENCY (CIDA)



ICCO



HEIFER INTERNATIONAL



CHURCH OF SWEDEN



WEEK OF COMPASSION,  
DISCIPLES OF CHRIST



NORWEGIAN CHURCH AID



PRESBYTERIAN COMMITTEE ON THE  
SELF-DEVELOPMENT OF PEOPLE (SDOP)



ONE GREAT HOUR OF SHARING,  
THE UNITED CHURCH OF CHRIST

10% increase  
in our portfolio  
from 2008 to 2009.

USD 320:  
our average loan size.



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# ECLOF Philippines, a Pioneer in Agri-lending

The Church of Sweden visits ECLOF Philippines:  
observations by Per Söderberg

90% average  
repayment rate.

For more than two decades now the Church of Sweden has been directly involved in microfinance and as such has been able to follow the development and trends of an industry that is becoming mature and confident. However, this industry is still not that well developed in supporting rural communities and meeting the demands of smallholders or subsistence farmers. Indeed, microfinance by and large supplies farmers with credit products developed rather for the urban petty trader.

The visit to ECLOF Philippines came into being because of their focus on relevant microfinance products designed especially for farmers. It was therefore interesting to note on their portfolio the increased focus on agricultural lending, where it seems that ECLOF Philippines has found a good niche to develop its operations. This niche is both providing ECLOF with good returns and furnishing the agricultural communities with relevant and affordable products, thus spurring growth and providing real value to the client. This allows the client to build assets and a greater diversity in his or her income, thus reducing the vulnerability that so often is the albatross that hinders movement out of poverty.

It was interesting to learn about the different practices being developed by ECLOF Philippines, such as agri-leasing. Also worth mentioning is the sense of partnership, rather than a mere creditor-client relationship, that has emerged from developing agricultural products in the portfolio. Knowing your customer is not only knowing about his or her needs but rather about truly understanding how to devise a partnership that is as beneficial to the farmer as it is to the institution providing the loan. Based on what we have observed, ECLOF is a pioneer in the Philippines in the field of agricultural microfinance and we think there is great potential for replication in many other local ECLOFs.

Promoting agricultural lending without also considering the environmental implications is of course a dead end. So we were also happy to learn of ECLOF's ideas and plans to roll out awareness-raising activities and capacity building for environmentally sound practices in farming. We think that this is where there is great potential for strategic partnerships with local and international NGOs to increase the availability, scope, and outreach of agricultural products. (ps)

**Per Söderberg**

is Policy Advisor, Microfinance at the Church of Sweden and served on the Board of ECLOF International from November 2009 until July 2010.



© Christof Krackhardt (Bread for the World)

*“Being a Church working in development, our natural partners in most of our activities are the local churches. From this perspective ECLOF Philippines also merits a visit due to its very interesting, reciprocally beneficial relationship with some of the local churches.*”

*We feel that this relationship very much embodies the core idea of ECLOF. No other MFI enjoys such a global link between churches in the North and churches in the South. This is a feature that we think could and should be replicated even more and even better in other local ECLOFs, as the local churches not only can provide much-needed local financial resources; they also can help ECLOF to become both globally and locally a financially stronger organization in its quest to alleviate poverty and reduce vulnerability.”*

# Perspectives from Loan Officers at ECLOF Philippines

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## Can you describe the programs that ECLOF is offering in your region or area?

Right now in Southern Palawan we offer three loan programs. For business people, we have small-medium enterprise loans; we also have micro-individual loans for middle-class entrepreneurs. Finally, we have a loan program tailor-made by ECLOF to provide Rice Farming Loans and Agri-Leasing Loans. These last two loans were designed specifically to address the needs of the population in Palawan, where the main livelihood is farming.

### ROMEO YAP

*My name is Romeo Yap, Jr. As a satellite officer in southern Palawan, my job is to supervise three satellite offices: Nara, Quezon, and Brookes Point. Altogether these offices have nine loan officers and six assistants.*

## Other than the financial services that ECLOF provides, are there additional services that you give to your clients?

Other than providing financial services, at ECLOF we also provide services that cater to all of our clients' needs, such as training. We have already organized training sessions for the farmers in two towns and this year we are planning to organize training for our clients in Brookes Point. In our program we also encourage farmers to replace conventional farming methods with organic practices and train them in going about this. We're presently cooperating with other NGOs that promote and facilitate organic farming.

## You mentioned a while ago that you work in Southern Palawan; what can you say about the challenges that your loan officers face in your area?

First and foremost, the main challenge that we face is competition from other organizations that provide similar services to our own. This is really about how our loan officers stand out from the crowd. Moreover, global warming greatly impacts our work – not only here in Palawan but also in the whole world. Not that long ago, El Niño devastated the farms of many of our clients. At ECLOF we try to help them as much as possible, but this remains a big problem.



### **ROEL MANAGBANAG**

*I am Roel Managbanag. I am the officer in charge of the Nara satellite office, where I have been working for ECLOF Philippines for the past four years. I am also a loan officer.*

### **Other than the financial services that ECLOF provides, are there additional services that you give to your clients?**

Other than financial services, we facilitate the delivery of fertilizers to our clients, who are often located in isolated rural areas. Upon the release of the loan, the fertilizers are delivered to the clients directly by the supplier. Last year we also held training sessions for farmers here in our town. Moreover, if the clients need personal assistance from me I always help them as I have a degree in agriculture.

### **What are the challenges faced by your clients in your region?**

The challenges that our clients face were first of all the losses that they have incurred due to the effects of El Niño on their farmlands. Second is the cutting of irrigation by the National Irrigation Authority (NIA) for the rice crops that the farmers have planted. These are the challenges that I am seeing in our clients.

### **HECTOR CHAVES**

*I am Hector Chaves, one of the loan officers at the Nara satellite office. I was recently hired at ECLOF Philippines. I am one of the officers who administer loan programs that help farmers. We offer two kinds of loan: Agricultural Loans and Rice Farming Loans.*

### **Tell us about some of the challenges you encounter in your work with your clients.**

One of the challenges that I encountered while looking for clients is the number of competitors. There are many companies who also run the same programs as we do for the same people who would be our clients. We thus need to increase our presence and build a strong reputation for service if we want to be the loan providers of choice in the region. Another challenge is the weather, which our clients have also brought up as a big problem at an orientation I conducted. Global warming has really devastated the crops of the farmers and made it harder for them to get back to business. But when they found out about ECLOF, they were given fresh hope to work their farmland again.

ECLOF addressed these challenges through its Rice Farming Loan Program. We all know that here in Nara rice farming is the primary means of subsistence, and a large amount of capital is indeed needed to operate successfully. ECLOF provided a way out of this difficulty for the farmers, thus allowing them once again to run their business. They have availed of our loans and completed requirements up until now with the assistance of ECLOF. If it weren't for ECLOF, it would be extremely difficult for them to operate again. Before working with us, the farmers had to take high-interest loans, which increased their hardship. But because we charge interest on its loans at a low rate, it becomes that much easier for them to run operations and even maintain their way of life.





The Warehouse Receipt System was inaugurated for the first time in 2006.

ECLOF Uganda works with two warehouses that stock three types of produce: maize, coffee, and vanilla. All produce in the warehouse is sold because these types of crops have a ready market.

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# ECLOF Uganda: an Exemplar for Successful Partnerships

The warehouse receipt system: an astute & innovative way for ECLOF to support farmers in Uganda

*ECLOF International's role involves reaching out to the remotest rural households to offer financial and business development services to marginalized social groups. ECLOF Uganda has found an astute and innovative way to perform this task through the "warehouse receipt system", thus promoting sustainable human development to farmers in Uganda.*

## What is it?

The major problem that Ugandan farmers constantly face is the critical drop in prices at times of harvest due to an over-supply of produce. As a consequence, the farmers' produce is bought at its cheapest by middlemen during abundant harvesting periods only then to be resold at exorbitant prices to the same farmers in times of scarcity. These middlemen have been able to reap huge profits because of the farmers' lack of organization, market information, and capacity to store their produce.

Here is the system that ECLOF Uganda has devised to help farmers against this exploitation. Through an ingenious partnership with agricultural institutions that own certified warehouses, ECLOF Uganda provides storage facilities to farmers during periods when prices are low. In the warehouses, the produce is kept and sold only after three to four months when the market prices have risen again due to the scarcity of the produce. Moreover, these warehouses offer additional security as the produce within is fully insured.

## Where is the loan and how is it repaid?

### How exactly does the system function?

The certified warehouse is chosen by ECLOF Uganda hand in hand with the executive members of the farmers' groups. These warehouses all have established systems and management teams. The management team includes a manager, an accountant, a data entry keeper, and a marketing and business development officer. The last of these is particularly important as she or he is involved in marketing the farmers' produce, in identifying potential buyers that offer better prices, and in anticipating price increases so as to advise the warehouse management, ECLOF and the farmers' leaders when and to whom to sell the produce. Not only with this system are farmers protected from exploitation by middlemen, but they're also put in contact with institutions and companies that will purchase their produce in bulk and thus provide better prices. Actually, most warehouse management partners are institutions that purchase farmers' produce at much better prices, such as Masindi Seed Grain.

What's especially interesting about this system is that there are several built-in safety mechanisms. The farmers obtain advance payment from ECLOF Uganda in the form of a loan. The produce being stored is then held as security, self-insurance, and mandatory savings. The repayment period is usually five months. In the first four months, when the produce is bulked in the warehouse, farmers are expected to pay only interest to ECLOF Uganda. The loan itself is usually repaid in the fifth month, when the produce is already sold.

For the farmers who do not adhere to their loan repayment schedules, ECLOF Uganda deducts its money after the sale of the produce and then gives the farmers any balance that remains. For those who repay on schedule, ECLOF gives them their money after the sale of the produce, plus any gains realized.

All the farmers are aware of the price at which their produce is sold through their leaders who work hand in hand with ECLOF and the warehouse management. A cost-benefit analysis table is developed by ECLOF Uganda to enable the farmers to know exactly what costs they will incur (e.g. storage, security, pesticides, and loan repayments) and what benefits they will realize. Under this arrangement, ECLOF Uganda is able to realize all its revenue and is assured of 100% loan repayment. (RB/AD)

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The uniqueness of certain loan products that ECLOF Uganda provides, such as the warehouse receipt system, allows our organization to stay highly competitive. This system meets the financial needs of a group of clients – the farmers – that other financial institutions have ordinarily neglected due to a lack of collateral security. ECLOF has successfully met the needs of these people by ensuring that their produce acts as security and has designed a credit system to meet the financial needs of the farmers.

Following the path-breaking example of ECLOF Uganda, Centenary Bank – the largest Ugandan-owned commercial bank – is now piloting a similar credit delivery method.

## Story of a successful partnership: ECLOF Uganda & Heifer Project International giving farmers a head start

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*ECLOF Uganda has designed a very interesting loan scheme in partnership with Heifer Project International (HPI), giving farmers a head start. It's a livestock loan product that targets hpi farmer groups and farmer groups affiliated with the Church. This loan product was designed to enhance the living standards of the farmers through the provision of secured livestock loans.*

HPI was founded in 1947, just one year after ECLOF and the two organizations share a rich fund of common values. HPI provides gifts of livestock and training to help families improve their nutrition and generate income in sustainable ways. A signal feature of their work is their view of the animals as “living loans” because in exchange for livestock and training, families agree to give one of their animal’s offspring to another family in need. HPI calls this “Passing on the Gift”.

Through their partnership, ECLOF Uganda allows HPI to expand its reach tremendously, while HPI provides ECLOF with a clear channel for its loans. In particular, the loans from ECLOF are earmarked for the purchase of heifers. The farmers that receive these loans have not received any heifers from HPI either directly or through the “Passing on the Gift” arrangement. The farmers get rapid access to heifers where they otherwise might not and take full ownership of the heifer upon full repayment of the loan. For its part, HPI provides much-needed help in the identification and transportation of quality heifers and assistance through veterinary care. All farmers undergo intensive training in animal husbandry and management. Moreover, HPI also provides special guarantees and recommendations to the groups borrowing from ECLOF Uganda.

### WHAT DOES ECLOF PROVIDE?

- Credit to qualified members within the HPI groups.
- Management and oversight of all lending activities, i.e. appraisal, disbursement, and recovery.
- Best practices to ensure proper functioning of credit and savings operations.
- Basic loan management training and maintenance of client accounts.
- Liaison with HPI executive to ensure that groups’ savings and self-insurance schemes are managed well.



## WHAT DOES THE FARMER HAVE TO DO?

- Adhere to all partnership policies and principals as spelled out in Memorandum of Understanding.
- Ensure timely repayment of loan, insurance, and other installments as agreed upon in loan terms and conditions.
- To engage in training and other related activities organized by both ECLOF Uganda and HPI.



The main risk involved for the farmers is loss of the heifer due to disease. This is why, before receiving their loan, farmers are required to purchase comprehensive insurance for their livestock. 1% of ECLOF's loan thus goes directly to a reputable microinsurance company. The loan itself is repaid based on the sales of milk produced by the heifers. Moreover, most of the groups that receive loans to purchase heifers have milk coolers acquired using ECLOF loans. Group members are required to bring milk to the milk plant and they receive payment at the end of every week for the amount of milk supplied. For those who have ECLOF individual loans, part of the money is deducted by the management of the milk plant to cater for their installments. If there is any balance, this is given to the farmers. (RB/AD)

## WHAT DOES HPI PROVIDE?

- Guarantees and recommendations to the groups borrowing from ECLOF Uganda.
- Information to supported groups about the partnership arrangement (i.e. between ECLOF, HPI, and HPI groups).
- Help for the HPI members in the identification and transportation of quality calf heifers that have been purchased using ECLOF loans.

# Excerpts of Accounts

## Balance Sheet as at December 31, 2009 & 2008

(figures are stated in CHF)

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### Assets

	2009	2008
Long Term Loans to National Committees	33'647'716	32'307'897
Net Provisions on receivables from NECs	(8'258'200)	(2'520'077)
<b>Net Long Term Loans to NECs</b>	<b>25'389'516</b>	<b>29'787'820</b>
Long Term Investments	840'244	450'124
<b>Total Long Term Assets</b>	<b>26'229'759</b>	<b>30'237'944</b>
Current Assets	7'181'519	9'189'073
<b>Total Assets</b>	<b>33'411'278</b>	<b>39'427'017</b>

### Liabilities & Fund Balances

Total Funds	32'714'281	38'721'346
Long Term Liabilities	80'000	563'800
Current Liabilities	616'997	141'871
<b>Total Liabilities &amp; Fund Balances</b>	<b>33'411'278</b>	<b>39'427'017</b>

<u>Funds</u>	FUND BALANCE at January 1	TOTAL REVENUES	TOTAL EXPENSES	GROSS SURPLUS (-DEFICIT) Before transfers between funds	FUND BALANCE at December 31
General	449'755	1'428'841	2'918'274	-1'489'433	-59'070
General Capital	9'584'734	331'757	1'518'909	-1'187'152	8'397'582
Development Capital	23'875'465	952'350	4'189'211	-3'236'861	21'060'981
Technical Assistance	756'554	206'870	399'805	-192'935	563'619
Disaster	1'097'818	-	-	-	1'097'818
Guarantee	1'974'781	100'947	-	100'947	1'653'351
Other Funds	982'239	-	1'631	-1'631	0,000
<b>Total 2009</b>	<b>38'721'346</b>	<b>3'020'765</b>	<b>9'027'830</b>	<b>-6'007'065</b>	<b>32'714'281</b>
<b>Total 2008</b>	<b>46'424'282</b>	<b>4'447'573</b>	<b>12'150'509</b>	<b>-7'702'936</b>	<b>38'721'346</b>

## Income & Expenditure Account

for the Year ended December 31, 2009

(figures are stated in CHF)



Argentina



Dominican Republic



Ecuador



Peru



Bolivia



Colombia



Uruguay Staff & Board

**America**

- Argentina
- Bolivia
- Brazil
- Colombia
- Dominican Republic
- Ecuador
- Jamaica
- Peru
- Uruguay

# Staff of National ECLOFs

2009





*Ivory Coast*



*Kenya*



*Uganda*



*Tanzania* Arusha & Moshi Branch



*Tanzania* Usa River Branch & Head Office



**Africa**

- Cameroon
- Ghana
- Ivory Coast
- Kenya
- Tanzania
- Uganda
- Zambia



Armenia



India



Philippines Manilla & Baguio Branch



Sri Lanka



Myanmar



Philippines GMA Branch



Philippines Palawan & Abatan Branch

**Asia  
& Caucasus**

- Armenia
- India
- Myanmar
- Philippines
- Sri Lanka

# ECLOF International Board & International Secretariat

2009

## International Board

**Martin Kyndt**  
Chairperson

**William Temu**  
Vice-Chairperson

**Guillaume Taylor**  
Treasurer

**Ruth Egger-Tschaeppeler**  
**Albert Essamuah**

**Carmel Goonetilleke**

**Christine Helen Grumm**

**Edgar Guardia**

**Hendrik Aart Johan Moll**

**James Neal**

**Abigail Nelson**

**Alexander Poghossian**

**Karl J. Rechsteiner**

**Roswita Schmidt**

**Per Söderberg**

**María de los Angeles Torres**

**Erlinda Torres-Velarga**

**Hellen Grace Akwii**

**Torres-Velarga**

**Ada Wiscovitch**

**Hielke Wolters**

## International Secretariat

**Irene Banda Mutalima**  
Executive Director  
& Secretary to the Board

**Patrick Dogbe**  
Head of Microfinance  
Programming

**Joy Cadangen**  
Finance Manager

**Beatrice Chibawe**  
Microfinance Projects  
Coordinator

**Roger Said**  
Program Officer

**Victoria Feliu**  
Program Assistant, Finance

**Barbara Doswell**  
Program Assistant, Operations





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