

Delivering  
sustainable  
impact



# Facts & Figures

As at 31 December 2015

## Total development financing portfolio

- Amounted to € 900 million in 2015
- € 132 million in low-income countries (GNI per capita ≤ \$1,045)
- Loans to and investments in 809 partners across 69 countries

## Inclusive finance

Around 82% of the development financing portfolio, € 735 million, was invested in inclusive finance through 544 cooperatives, non-banking financial institutions, banks offering diverse financial products, small to medium enterprises (SME) and wholesale funds.

- Oikocredit continued to invest in small microfinance institutions (MFIs) with less than 10,000 borrowers (44%)
- Our microfinance partners reached 46 million clients with 5.9 million of these through Oikocredit funding
- 86% of those reached were women
- 28% of the clients reached were active in agriculture, 27% in commerce, 24% in services, 10% in production and 11% in other activities
- 51% of clients reached lived in rural areas
- 52% of microfinance partners had a gender policy
- 59% of microfinance partners had an environmental policy

## Production and services (social enterprises)

Around 18% of the development financing portfolio, € 165 million, was invested in SMEs, production cooperatives focused on agriculture, fair trade, manufacturing and community servicing organizations focused on health and education.

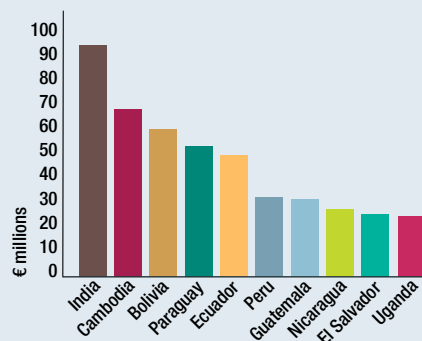
- 265 production and services partners diversified across a number of sectors, with emphasis on agriculture
- 69% agriculture and livestock
- 11% trade and manufacturing
- 8% education and health
- Oikocredit supported 91 fair trade organizations
- 107 production and services partners engaged in activities that aimed to promote and improve the protection of the environment and climate
- 45% of production and services partners had a gender policy
- 73% of production and services partners had an environmental policy

**Cover photo:** Pramodini Behera is a client of Annapurna Microfinance Pvt. Ltd (AMPL), which disburses loans to women in the state of Odissa and neighbouring Chhattisgarh, empowering them to become socially and economically self-sufficient. Pramodini is also a member of the Maa Mangala Self Help Group in the village of Radhacharanpur, eastern India. The group operates food stalls, produces dairy products and grows mushrooms.

# 2015 in graphs

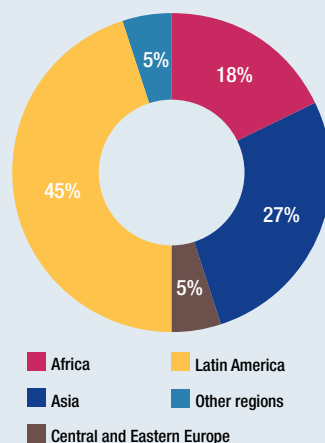
## 10 countries with highest capital outstanding

As at 31 December 2015



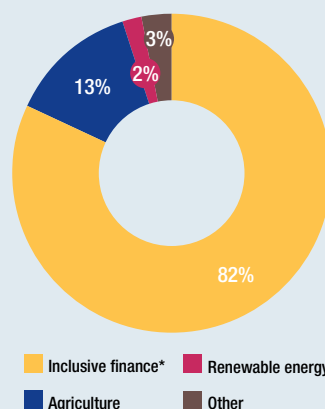
## Funding outstanding by region

As at 31 December 2015



## Funding outstanding by sector

As at 31 December 2015



\* including microfinance, SME finance and leasing

# Knowing, showing, learning and sharing

Oikocredit's approach to social performance and capacity building is founded on our vision of a global, just society where all people are empowered, and on our mission of supporting partner organizations in sustainably empowering low-income earners to realize a better future.

The value of our investments depends on our partners' performance. Prioritizing partners who share our vision and values, and whose social goals align with ours, is the critical first step in our own social performance management. In addition, our 'development finance plus' approach enables us to provide patient capital and local currency lending, and to strengthen partners and potential partners through capacity building support.

Regular assessment and monitoring are important for transparency, accountability and improvement. Oikocredit and its partners need to know, and to show, that resources are used effectively to deliver positive results. Capacity building is essential, too. As a social investor, we are committed to responding to partners' needs – whether to enhance their knowledge and skills, to acquire new technology or to strengthen their governance, planning, client outreach, products and services.

Learning from the challenges we meet is also crucial. A learning culture requires systematic data collection, information analysis, careful reflection and sharing of knowledge and best practice. Externally, as leaders in our

sector, we profile our approach to development financing to help promote socially responsible investing.

Oikocredit has developed a new social performance and capacity building strategy for 2016-2020. This includes enhancing our social and environmental due diligence, supporting partners in monitoring client outcomes and delivering benefits to clients sustainably, close attention to environmental performance, and greater emphasis on information management.

As part of the new strategy, we have restructured our approach to capacity building centred on three global programmes: capacity building in financial services, in agriculture, and in assessing client outcomes. These programmes combine new approaches, such as direct provision of support to partners from our pool of specialists worldwide, with the sharpening and scaling up of existing initiatives, systems and tools.

This *Social Performance Report* provides an overview of our work in all the above areas. As always, we welcome comments on our approach from our valued stakeholders.

**David Woods**  
*Managing director*

**Ging Ledesma**  
*Investor relations and social performance director*



*Victor Hugo Bajana is the president of Unión de Organizaciones Campesinas Cacaoteras del Ecuador (UNOCACE), an organic, fair trade cocoa cooperative in south-western Ecuador.*

# The heart of our mission

Helping economically disadvantaged people achieve lives of dignity requires close attention to organizational practice and quality of outcomes. For Oikocredit, this places social performance management (SPM) at the heart of our mission. Effective SPM requires: first, due diligence in selecting partner organizations; second, careful monitoring of partners' outreach to target communities, the products and services offered to end-clients, and resulting changes in clients' lives; and third, support and education for partners and their clients where needed.

## Partner selection and support

In selecting the partners to lend to and invest in, we need to know that their aims and approaches are aligned with ours, and that we will be able to work and learn well together to empower low-income earners and their families and communities sustainably.

We use our environmental, social and governance (ESG) scorecards – one for financial intermediaries, the other for production and services enterprises – to evaluate potential partners against key selection criteria: commitment, ability to create jobs and incomes for clients, management structure, organizational gender balance, approach to environmental sustainability, financial sustainability, and their need for support.

Once selected, our goal is to assist partners in implementing their social mission and to carefully monitor, assess and report outcomes to ensure that our joint efforts are on track. Oikocredit provides on-the-ground support, training and collaboration to help partners build capacity to serve clients better. While there are always lessons to learn and adjustments to make in our fast-changing operating environment, we are proud of our commitment to provide the best possible capacity building for partners.

## Strong progress in strategic areas

In 2015 Oikocredit made good progress in its strategic focus areas of inclusive finance, agriculture, renewable energy and Africa. We achieved a large increase in our total portfolio in both the financial services sector and production and services. Overall partner numbers grew to 809 (from 805 in 2014), with a rise in the number of production and services partners and a slight decrease in financial services partners.

Our investments in low-income countries (LICs) and least developed countries (LDCs) grew by 22% and 49% respectively. Close to nine-tenths of our portfolio in these countries is concentrated in Africa, where our portfolio increased by 52%, mainly resulting from investments in new partners. While Latin America and Asia remain our largest regions in terms of portfolio size, Africa's share has risen to 18%.

General and financial indicators	2015	2014	2013	2012	2011
Total development financing outstanding	€ 900 million	€ 735 million	€ 591 million <sup>1</sup>	€ 531 million <sup>1</sup>	€ 521 million <sup>1</sup>
Total portfolio inclusive finance	€ 735 million	€ 614 million	€ 483 million	€ 420 million	€ 410 million
Total portfolio social enterprises	€ 165 million	€ 121 million	€ 108 million	€ 110 million	€ 110 million
Volume of new loans	€ 498 million	€ 384 million	€ 296 million	€ 234 million	€ 211 million
Number of partners	809	805	815	854	896
Number of microfinance partners	544	549	566	583	616
Number of countries	69	63	67	67	67

Social performance indicators	2015	2014	2013	2012	2011
Clients reached by MFI partners	46 million	37 million	28 million	28 million	25.5 million
MFI clients reached with Oikocredit funding <sup>2</sup>	5.9 million	1.5 million	2.8 million	1.7 million	1.6 million
% MFI clients female	86%	86%	81%	84%	83%
% MFI clients rural	51%	50%	47%	56%	53%
% MFI partners with a gender policy	52%	50%	50%	42%	38%
Number of social enterprises	265	256	249	271	280
Number of green partners	107	105	101	98	-
Number of cooperatives	235	240	262	272	290
People employed by social enterprises	84,000 <sup>4</sup>	124,078	46,607	37,438	39,323 <sup>3</sup>
	(34,820 permanent jobs)	(106,052 permanent jobs)	(31,144 permanent jobs)	(20,556 permanent jobs)	(24,083 permanent jobs)
% social enterprises with environmental policy	73%	73%	70%	72%	73%

<sup>1</sup> Adjusted figures from 2011, 2012, 2013 in relation to the Social Performance reported 2013

<sup>2</sup> As a proxy, the number of end-clients reached by partners is multiplied by the relative share Oikocredit has in the financing of the loan portfolio of the microfinance partners

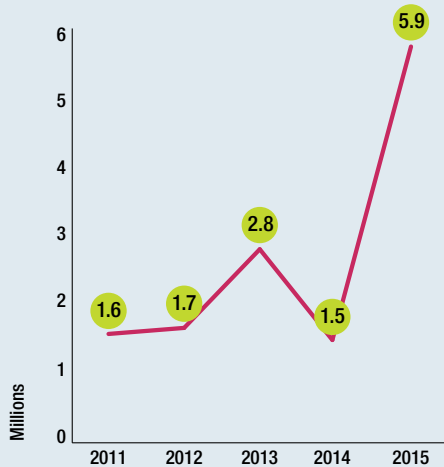
<sup>3</sup> Definition narrowed to include only direct wage employment

<sup>4</sup> Excluding BWDA's bullock cart workers included in the 2014 figure

## Outreach to clients and targeting

### End-clients reached by Oikocredit funding

As at 31 December 2015



Oikocredit's financial services partners (including micro-finance institutions) reached a record 46 million clients in 2015, up from 37 million people in 2014. Indian partners reported a very large increase of 6.7 million borrowers. We aim to reach 55 million people through our financial services partners by 2020.

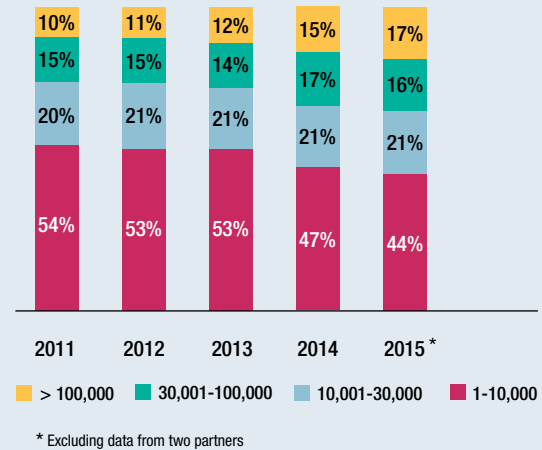
We aim to reach mainly female clients and people living in rural areas. In 2015, our percentage of female clients remained at 86%, outperforming our microfinance investment peers, who reported an average of 66% female clients, as stated in Symbiotics 2015 Microfinance Investment Vehicles (MIV) Survey. Asian countries are the main drivers of this achievement – partners in India, Indonesia, the Philippines, Sri Lanka and Vietnam reported on average more than 90% female borrowers. In Africa, our Kenyan financial services partners reported 92% female clients.

Our proportion of rural versus urban borrowers rose slightly from 50% to 51%. Eastern Europe accounts for our largest share of rural borrowers. We experienced major growth in the share of rural borrowers in Africa (up 8 percentage points to 51%), Latin America (rising 7 percentage points to 48%) and Eastern Europe (up 4 percentage points to 67%). Our outreach to rural financial services clients is slightly above the 49% sector average, as reported by Symbiotics 2015 MIV Survey.

### Share of MFIs in Oikocredit's portfolio

(by number of clients reached)

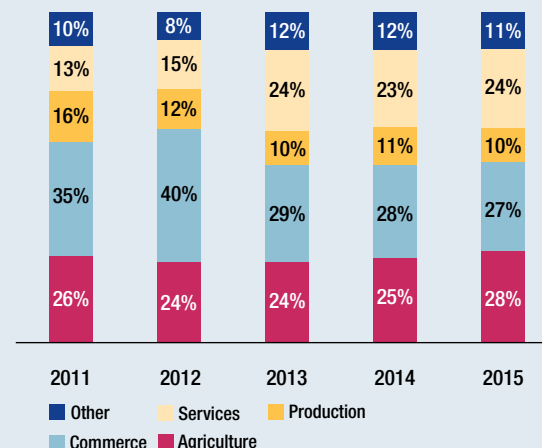
As at 31 December 2015



In 2015, 44% of our financial services partners had fewer than 10,000 borrowers each. This proportion has declined in recent years, so that larger organizations with more than 100,000 borrowers now comprise 17% of our financial services partners. In 2015, this continuing trend was mainly the result of partners' growth.

### % Microfinance portfolio divided per sector

As at 31 December 2015



# Monitoring social performance

## Inclusive finance portfolio

In 2015, the leading development objectives of our partners in inclusive finance were business growth (74%), poverty reduction (62%) and employment (46%). Gender equality, housing, start-up enterprises, education and health are other common objectives. While only about a third of our inclusive finance partners currently use indicators to track progress against objectives, monitoring of client outcomes is increasing.

### Accountability and social performance management

More partners now report social and financial performance data to the Microfinance Information Exchange (MIX), conduct social and financial ratings, and hold client satisfaction surveys. The proportion of inclusive finance partners endorsing the Client Protection Principles (CPPs) rose to 81%. Further information is needed on which partners have conducted a CPPs self-assessment and implemented an action plan.

### Poverty outreach

Oikocredit supports implementation of the Progress out of Poverty Index (PPI). Seventy-nine inclusive finance partners (six more than in 2014) reported using the PPI to measure client poverty levels. Of the 5.3 million borrowers surveyed, 1.2 million (22%) lived below the international poverty line (US \$ 1.25 per day)<sup>1</sup> and 2.8 million (53%) under the low-income line (US \$ 2 per day).

### Interest rates charged to clients

Among 277 active inclusive finance partners in 2015, most charged interest rates of between 20% and 40%, with an average annual percentage rate (APR) of 36%.

### ESG assessment

We use our environmental, social and governance (ESG) scorecard for financial intermediaries to make the due diligence process more rigorous. In 2015, the average ESG score among 168 new partners was 62%, in line with recent years. Partners tend to score best for client benefit and welfare, and progressively fewer score at extreme ends of the spectrum. We aim to use the scorecard more to monitor and analyse changes in partners' ESG performance.

## Production and services portfolio

Our production and services (P&S) portfolio invests in agricultural producers, cooperatives, small and medium enterprises (SMEs), universities and hospitals to strengthen local economies. P&S partners' most commonly reported objectives were employment creation, poverty reduction, environmentally sustainable development and value chain development. Three-quarters of cooperatives and federations

had a poverty reduction objective, 66% a sustainable development objective.

### Portfolio growth and job creation

Our P&S investments grew by 36% to € 165 million, led by investments in Latin American agricultural enterprises, including about 40% with new partners. The agricultural sector accounted for 69% of the P&S portfolio, followed by renewable energy (12%), rising from virtually zero, trade and manufacturing (11%), which grew by 15%, and health care and education (8%), which remained constant in size.

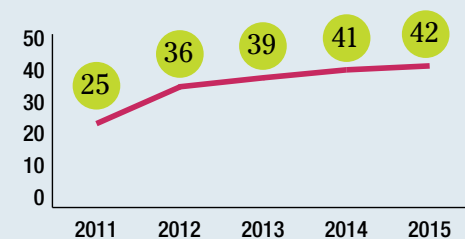
P&S partners employed about 84,000 waged workers, 58% in temporary jobs and 41% permanently. There was a net increase of 37,000 jobs with P&S partners compared with 2014 (adjusted figures), mainly resulting from new partners in Central America adding 29,000 temporary workers. On average, each P&S partner created 57 temporary and 4 permanent jobs.

### Green and fair trade partners

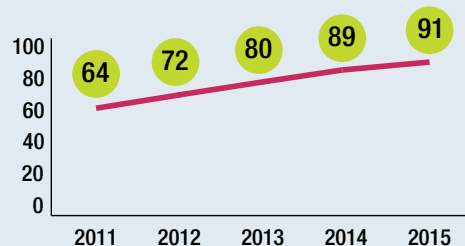
An environmental focus – organic farming, sustainable forestry, waste management, renewable energy, and water and sanitation – was mentioned by 45% of 164 P&S partners providing social performance data in 2015. Our fair trade portfolio grew by 24% to € 52 million, with the number of partners virtually unchanged. Fifteen fair trade partners are new, and most (74% out of 91) are in Latin America.

Organic and fair trade certification helps ensure partners contribute to sustainable development, for example by improving trading conditions, securing decent work and

Fair trade portfolio in € million



Number of fair trade partners



<sup>1</sup> The World Bank updated the international poverty line (IPL) from \$1.25/day to \$1.90/day in 2011. The PPI score and look-up tables are being updated but for now we continue to apply \$1.25/day IPL.

promoting environmentally beneficial production. Certification was reported by 89 (54%) of P&S partners, most commonly possession of the Fairtrade International (FLO) Fairtrade label and organic certification. Volumes of certified produce from organic and fair trade partners rose to 67%.

## Environmental performance

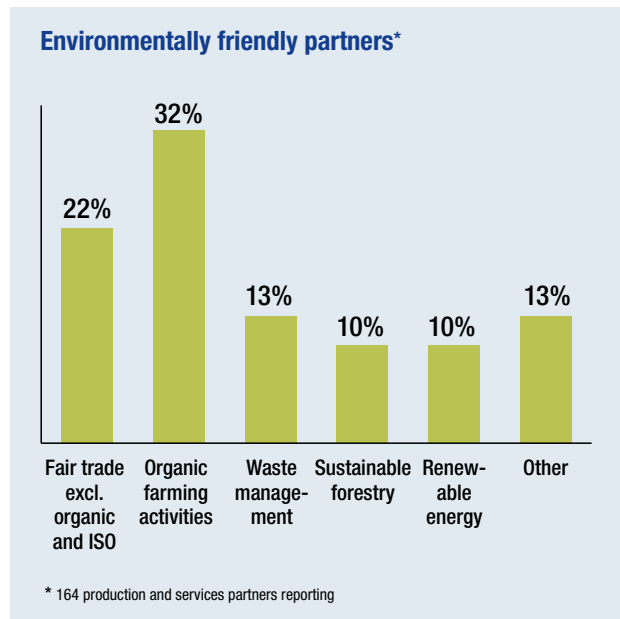
Improving environmental performance is central to Oikocredit's triple bottom line. We strive to operate more sustainably and to understand our own and our partners' impact on the environment better.

### SEKEM impact study

We published an impact evaluation of our Egyptian agricultural partner SEKEM, whose business model combines economic, social, cultural and ecological value. SEKEM has reclaimed desert land, supports organic smallholder farming and sells organic produce nationally and internationally. Undertaken with Wageningen University in the Netherlands and supported by Heliopolis University in Egypt, the study found that SEKEM's farmers benefit through improved work opportunities, better access to markets and higher incomes – showing that a holistic approach can be financially sustainable, even in challenging circumstances. Recommendations included that SEKEM increases capacity building of its farmer suppliers and monitors changes in farmers' lives to serve them even better.

### Carbon footprint and compensation fund

The Oikocredit International office in Amersfoort and increasingly more regional offices calculate their annual carbon footprint. In 2015, our offices for India (Maanaveeya), South-east Asia, and Mexico, Central America and the Caribbean all reduced CO<sub>2</sub> emissions per full-time equivalent staff member. Our regional office in southern South America calculated emissions for the first time. Per capita emissions at Oikocredit's international office in Amersfoort fell slightly.



Whereas regional offices offset their footprints locally, Oikocredit's international office offsets emissions via its own CO<sub>2</sub> compensation fund by supporting the work of an existing partner each year. In 2015, we made a grant to Indian partner Thrive Solar to provide 750 slum dwelling households and 100 traditional handloom weaver families with solar lighting. Thrive Solar distributes affordable high-quality solar power lights to low-income off-grid communities in Africa and Asia and employs more than 300 people, mainly women.

### Renewables portfolio

Renewable energy is one of Oikocredit's strategic investment targets. We aim to assist the transition from high-carbon fossil fuels to renewable power while providing affordable energy to low-income households. Our renewables portfolio grew substantially during 2015, from € 8.4 million in 2014 to € 15.9 million.



Oikocredit's partner Punam Energy Private Limited provides sustainable off-grid solar energy solutions in rural India.

# Capacity building for resilience

Oikocredit's social mission involves a holistic approach to responsible financing, integrating social, financial and environmental returns. Besides finance, our partners often need long-term commitment and capacity building to develop their resilience and effectiveness for the benefit of their clients and communities. Supporting partners in achieving their social and sustainability goals also enables Oikocredit to fulfil its own mission.

## Engagements during 2015

During 2015, we financed 140 capacity building engagements to the value of € 1.7 million: € 669,000 in Latin America, € 581,000 in Africa, € 307,000 in Asia, and € 152,000 on inter-regional initiatives and work in Eastern Europe and Central Asia. Our largest areas of capacity building were risk management (€ 564,000), agriculture value chain development (€ 510,000) and social performance management (€ 395,000).

We provide training and mentoring with our own in-house staff and external consultants. Support in the inclusive finance sector focuses on risk management, social performance management and the collection, management and use of client data to improve systems, products and services. Our client outcomes programme develops partners' capa-

city to use quantitative poverty analysis to track, interpret and report changes in clients' lives. This programme has to date collected almost two million client records with 11 partners. Other initiatives address governance, market analysis, financial literacy, technical skills and organizational development.

## New programmatic approach

Based on experience gained, and in response to needs expressed by partners at field level, Oikocredit is refining its capacity building work for greater impact. Our new approach is structured around three cross-cutting global programmes: capacity building in financial services, in agriculture and in assessing and monitoring client outcomes. This involves fewer one-off initiatives and, instead, similar engagements supporting several partners over a longer period.

Members of our capacity building team, combining core staff at the international office and regional offices, work closely with our credit and equity staff. We plan to scale up our global capacity building programmes across the regions in which we work. With the completion of a five-year capacity building relationship with a major donor, we will seek new sources of donor funding for this work.

## Poverty outreach (PPI) for a subset of Oikocredit partners in 2015

	% of clients below national poverty line	% of clients below international poverty line US\$ 1.25 per day <sup>2</sup>	% of clients below low-income line US\$ 2 per day	No. of partners	Clients surveyed
<b>Asia</b>	<b>16.3%</b>	<b>24.9%</b>	<b>60.6%</b>	<b>35</b>	<b>4,921,136</b>
Cambodia	9.0%	17.0%	27.2%	6	238,937
India	11.2%	26.6%	64.4%	15	3,576,808
Philippines	27.1%	13.9%	40.8%	10	1,009,128
Tajikistan	14.8%	18.4%	39.9%	2	36,459
Kyrgyzstan	15.0%	0.2%	9.3%	1	8,268
Sri Lanka	5.2%	3.2%	5.2%	1	51,536
<b>Latin America</b>	<b>26.5%</b>	<b>13.7%</b>	<b>21.9%</b>	<b>35</b>	<b>261,463</b>
Bolivia	26.7%	12.1%	19.1%	7	12,250
Colombia	24.8%	7.2%	25.3%	3	72,084
Dominican Republic	15.0%	3.0%	3.0%	1	4,150
Ecuador	16.0%	11.9%	6.5%	6	78,161
El Salvador	35.0%	39.8%	57.6%	2	40,327
Guatemala	32.5%	1.1%	8.5%	6	9,404
Haiti	53.0%	0.0%	70.0%	1	1,919
Honduras	49.9%	0.0%	3.6%	2	29,156
Nicaragua	9.2%	0.2%	5.4%	2	487
Peru	16.0%	1.5%	25.2%	5	13,525
<b>Africa</b>	<b>42%</b>	<b>2%</b>	<b>31%</b>	<b>12</b>	<b>181,870</b>
Benin	9.6%	12.1%	59.9%	2	800
Ghana	9.2%	3.4%	17.5%	2	15,903
Kenya	23.0%	21.0%	23.0%	4	276
Mozambique	9.4%	11.9%	44.7%	1	204
South Africa	59.0%	0.0%	0.0%	1	128,234
Uganda	1.7%	0.8%	34.5%	5	36,453
<b>Global 2015</b>	<b>17.8%</b>	<b>24.1%</b>	<b>58.2%</b>	<b>79</b>	<b>5,364,469</b>
<b>Data 2014</b>	<b>20.2%</b>	<b>25.5%</b>	<b>62.6%</b>	<b>73</b>	<b>3,269,594</b>

<sup>2</sup> The World Bank has updated the international poverty line (IPL) from \$1.25/day based on 2005 Purchasing Power Parities (PPP) to \$1.90/day based on 2011 PPP. The PPI score and look-up tables are currently being updated to incorporate the new \$1.90/day IPL; for the time being we continue to apply the \$1.25/day IPL.



# and effectiveness



*Martin Pagipag sorting his sweet potatoes. His wife runs a shop, and the couple has received various loans from Alalay Sa Kaunlaran Sa Gitnang Luzon Inc. (ASKI), a microfinance institution providing financial services and training in a number of provinces in the northern Philippines.*

## Client outcomes programme: better data, better decisions

Oikocredit's partners use financial service delivery to benefit clients in numerous ways: from promoting business growth, employment and gender equality to improving housing, health outcomes and school attendance. As a social investor, Oikocredit does not leave such social impact to chance. Our client outcomes programme – part of our capacity building work with partners – centres on measuring change in clients' lives and on the key question *How can inclusive finance work better for the people it serves?*

### Linking good intentions with positive results

The client outcomes programme forms a critical link between good intentions and positive results. It supports partners in becoming better social businesses by helping them collect, analyze and use client data to drive improved outcomes.

First, the programme supports partners in using client information, such as on income and expenditure, housing and employment status, to drive informed innovation. Real-time data on change in clients' lives helps partners improve targeting, products, services and systems, set and refine their business strategy, report to funders and manage risk. And second, it helps partners collect, store, analyze and report the data more effectively. Better data drives better decision making.

We are expanding the programme with the aim of supporting 50 partners by 2020 and sharing the approach across regions.

### ASKI takes poverty data analysis to the next level

We have invested in Alalay Sa Kaunlaran Inc. (ASKI) since 2002. This microfinance institution serves nearly 102,300 clients through 79 branches in 17 provinces in the Philippines. It offers group and individual loans for income-generating projects and micro, small and medium enterprises, agricultural loans, and consumer loans for education, housing, water and sanitation, and green energy technology. ASKI also provides training in livelihood skills, leadership, financial and business management, good savings habits and gender sensitivity.

ASKI holds Grameen Foundation Progress out of Poverty Index (PPI) certification and was the first Philippines microfinance institution (MFI) to achieve Smart Campaign certification for the Client Protection Principles. Also recognized for its commitment to transparency and social responsibility by MIX (the microfinance industry market data platform), ASKI participated in an intensive training course with Oikocredit in 2014, helping the MFI to raise its data collection and analysis to a new level.

As a result of our training and mentoring, ASKI's new 'poverty data dashboard' is up and running, helping it spot key trends at organization and branch level. It has adapted its data capture to assist loan officers in offering the right products to clients. Internal audit checks maintain data quality, and different departments use relevant real-time poverty data subsets to conduct analysis and improve performance. For example, ASKI took action to improve its client retention and staff receive regular refresher training on collecting and using poverty data.

## Building on success

We are excited about our client outcomes programme. Partner feedback affirms the importance of developing good-quality client data for strategic and operational decision making. Partners appreciate Oikocredit's mentoring approach and have taken steps to improve their data capacity by hiring new staff, providing staff training and upgrading information systems. We are also keen to learn from what has worked less well. Working with a large number of partners means we can link them in a global conversation on solutions to common challenges.

## Capacity building for financial services

Investing in organizations that provide inclusive financial services (including microfinance) is the largest strategic area of Oikocredit's portfolio. To stimulate a solid, social and innovative sector, we strengthen partners' performance and support them in improving the quality of life of low-income clients in a sustainable way.

We provide capacity building with an emphasis on social performance management (SPM) and risk management (RM). With our support, partners have reduced client dropout rates, improved portfolio quality, grown their credit and savings portfolios, and developed new financial products, especially for rural areas.

### Social performance management

Financial services organizations often need support and guidance to achieve their social objectives, develop organizational

capacity and meet industry standards. Oikocredit's capacity building in SPM helps facilitate this, applying the client's perspective to all areas of partner operations with the question *How does the client benefit?*

Our SPM support ranges from introductory workshops and assessments focused on the Universal Standards for SPM and the Client Protection Principles to full mentoring with organizational diagnostics, formulation of action plans and support in implementation. To help with client targeting, we encourage the use of poverty profiling tools.

SPM mentoring guides partners in knowing clients' realities better and keeping client welfare at the core of their work to improve their own financial performance. Action plans address 'quick wins' (rapid change with visible impact) alongside longer-term organizational development. We have conducted SPM mentoring with 31 partners in Africa, Asia and Latin America.

Results of SPM capacity building include improved portfolio screening and client information analysis, new products (emergency loans; e-money services), revised collection practices that treat clients more responsibly, establishment of complaint mechanisms, and enhanced outreach.

### Risk management

Experience of projects that run into difficulty has proved the importance of good governance and effective risk management (RM). Oikocredit has developed capacity building training modules and workshops focused on RM for inclusive finance partners.



Smallholder farmers receive training as part of Oikocredit's capacity building programme for agriculture in Uganda.

The approach introduces key concepts via awareness workshops. We then analyze different types of risk – such as credit, market, exchange, environmental, financial and reputational risk – and support partners in drawing up risk scorecards and risk mitigation plans. Mentoring is often part of the process.

Our RM capacity building has benefitted inclusive finance partners in Africa, Eastern Europe, Central America and Asia. Several partners have consequently established board or senior management risk committees.

### **Working with partners in Vietnam and Senegal**

Microfinance institution TYM was established by the Vietnam Women's Union to benefit low-income women, mostly small farmers and petty traders. Our capacity building in SPM has supported TYM's provision of basic financial education as a form of client protection, helping its clients use loans more effectively and assisting TYM in mitigating loan loss risk. Through this project, TYM has delivered 'train-the-trainer' sessions in 12 provinces, with trainers providing financial literacy classes for 20,400 female clients. Additional classes have taken place in more remote and new operating areas, and financial literacy advice is given at repayment collections and monthly meetings. Clients have reported gains in practical knowledge, better savings habits and improved cash flow management.

Oikocredit has undertaken RM capacity building with Senegalese inclusive finance partner UM-PAMECAS, a network of more than 80 savings and credit cooperatives serving small farmers, traders and others across the country. Our support concluded with the production of diagnostic reports, the drawing up of a new business plan, improvement of power sharing between governance bodies and management, and application of RM policies and an operational procedures manual.

## **Strengthening agriculture partners and farmers' livelihoods**

Since Oikocredit's first investment in agriculture four decades ago, our portfolio in the sector has become one of our main strategic areas, supported by a dedicated in-house agricultural unit. Across the globe, we support smallholder farmers by investing in intermediary organizations along the value chain, including input suppliers, agricultural cooperatives, traders and agro-processing enterprises that buy, process and export farmers' produce.

As with our entire portfolio, we recognize that our agriculture partners need support that goes beyond finance, including in business management, technical skills and environmental stewardship. Our capacity building programme in agriculture has developed to address a range of challenges, as we strive to tailor every engagement to each partner's circumstances.

For example, particular crops and subsectors predominate in different regions: coffee, tea, maize and dairy produce in East Africa; cashew, cocoa, sustainable palm oil and maize in West Africa; coffee and palm oil in Mexico, Central America and the Caribbean; coffee, cocoa and palm oil in northern South America; quinoa and maize in southern South America; and

sunflower, maize, wheat and rapeseed in Eastern Europe and Central Asia.

In addition, the different types of agriculture partners we invest in – all of which serve low-income farmers as their end-clients – vary in the support they need. Partners include farmers' cooperatives and associations, small private-sector organizations that work with farmers, and agriculture-focused non-profit organizations and microfinance institutions. Smallholder farmers and their households and communities are the ultimate intended beneficiaries of our capacity building support to agricultural partners.

### **Programme objectives and focus**

Oikocredit's capacity building in its agriculture programme has three main objectives. The first is to improve the business management, efficiency and incomes of farmer cooperatives, associations and other intermediary organizations in low and middle-income countries. Areas of support under this objective include financial and business systems, organizational governance and management, marketing, business negotiation and information systems.

The second objective is to strengthen farmers' individual capacities to help them improve their quality of life, build resilience and develop sustainable livelihoods. Developing farmers' agricultural skills and farming techniques, and management and board member skills, and training in financial literacy, food security, health education and gender awareness are all part of this objective.

Improving environmental practices among intermediary organizations is the third objective. Areas covered include environmental and sustainability education, organic farming techniques, reforestation, and fair trade and organic certification.

### **Supporting small farmer cooperatives in Guatemala**

In Guatemala, with the support of the Church of Sweden, Oikocredit provides capacity building for small rural farmer cooperatives to help them better access direct financing from lenders. With our implementing partner the Guatemalan Export Association (AGEXPORT), we have been working with the first four small producer organizations selected for the programme: ADIBA, AGROSIXIL, APROCAFI and Rabinal Vargas. Together, these cooperatives comprise more than 600 indigenous smallholder farming families in low-income areas. Few of their members have completed primary education or use a computer.

Each organization's directors have formulated a work plan, with an emphasis on strengthening administrative and financial control systems. Working sessions have begun implementing these plans with each partner, focused on areas such as accounting skills, estimating production losses (all the cooperatives have faced crop losses due to climatic variations), the overall financial situation, and strategies to renegotiate debts and obtain new financing. With this programme, we will develop a manual to support partners' administration and accounting. Future support will also cover interpretation of financial statements and strengthen accounting and administrative staff's financial, legal and tax knowledge in line with the needs of small agricultural producer organizations.

# Our approach

Oikocredit is a worldwide cooperative and financial institution that promotes sustainable development by providing loans, capital and capacity building support to microfinance institutions, cooperatives, fair trade organizations and small to medium enterprises.

As a social investor, Oikocredit's work is guided by the principle of empowering people to improve their livelihoods. Oikocredit offers a triple return to its investors: social, environmental and financial. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to improve livelihoods, promote fair trade and respect the planet's natural resources.

Social performance management is a priority for Oikocredit. Measuring and demonstrating social return on investments is essential, as we strive to know that our investments lead to positive change. In particular, we aim to increase our reach to rural, agricultural communities and are committed to women's empowerment.

At 31 December 2015, we had 809 partners in almost 70 countries. Being close to our clients and knowing their markets through our network of local staff is at the heart of our work.

# Supporting sector initiatives and platforms

Oikocredit is an active member of a range of sector-wide initiatives, platforms and networks aimed at defining and raising social performance standards in the microfinance industry. Many of these partnerships and initiatives have inspired learning and exchanges contributing to improved social performance management.

## Client Protection Principles (CPPs)

The CPPs are developing minimum standards that clients should expect when doing business with their microfinance provider. They cover appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful client treatment, privacy of client data and mechanisms for complaint resolution. We aim for our partners to endorse the CPPs, review compliance in our due diligence and include compliance as a contractual obligation for partners.

[www.smartcampaign.org](http://www.smartcampaign.org)

## Council on Smallholder Agricultural Finance

The Council on Smallholder Agricultural Finance (CSAF) is an alliance focused on creating a thriving, sustainable and transparent financial market to serve the financing needs of small and growing agricultural businesses in low and middle-income countries worldwide.

[www.csaf.net](http://www.csaf.net)

## NpM, Platform for Inclusive Finance

The NpM brings together Dutch development organizations, social investors and commercial banks active in the inclusive finance sector to expand access to finance in underserved regions.

[www.inclusivefinanceplatform.nl](http://www.inclusivefinanceplatform.nl)

## Principles for Investors in Inclusive Finance (PIIF)

With a group of like-minded investors and under the leadership of the UN Secretary-General's Special Advocate for Inclusive Finance for Development, Queen Máxima of the Netherlands, we co-developed the PIIF, which provide a framework for responsible investment.

[www.unpri.org/piif](http://www.unpri.org/piif)

## Progress out of Poverty Index (PPI)

The PPI is a poverty profiling tool enabling poverty-focused MFIs to accurately select their clients and monitor whether clients have moved out of poverty.

[www.progressoutofpoverty.org](http://www.progressoutofpoverty.org)

## Social Performance Task Force (SPTF)

As a member of the SPTF, Oikocredit participated in its development of standards for social performance management resulting in the Universal Standards for Social Performance Management.

[www.sptf.info](http://www.sptf.info)

[WWW.OIKOCREDIT.COOP](http://WWW.OIKOCREDIT.COOP)



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