OIKO CREDIT
investing in people

Social Performance report

Contributing to social change

Facts & Figures

As at 31 December 2013

Total development financing portfolio

- Amounted to € 591 million in 2013
- € 94 million in low-income countries (GNI per capita ≤ $1,035)
- Loans to and investments in 815 partners across 67 countries

Microfinance

Around 82% of the development financing portfolio, € 483 million, is invested in microfinance through 566 cooperatives, non-bank financial institutions or banks offering diverse financial products, small to medium enterprise (SME) financing and wholesale funds.

- Oikocredit continues to invest primarily in small microfinance institutions (MFIs) with less than 10,000 borrowers (53%)
- Our microfinance partners reach 28 million clients and 2.8 million of these through Oikocredit funding
- 81% of those reached are women
- 29% of the clients reached are active in commerce, 24% in agriculture, 24% in services, 10% in production and 12% in other activities
- 47% of clients reached live in rural areas
- 50% of microfinance partners have a gender policy
- 50% of microfinance partners have an environmental policy

Production and services (social enterprises)

Around 18% of the development financing portfolio, € 108 million, is invested in SMEs, production cooperatives focused on agriculture, fair trade, manufacturing and community servicing organizations focused on health and education.

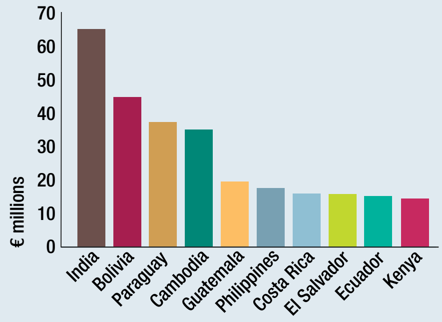
- 249 production and services partners diversified across a number of sectors, with emphasis on agriculture
- 59% agriculture and livestock
- 19% trade and manufacturing
- 12% education and health
- Oikocredit supports 80 fair trade organizations
- 101 production and services partners engage in activities that aim to promote and improve the protection of the environment and climate
- 29% of production and services partners have a gender policy
- 70% of production and services partners have an environmental policy

Cover photo: Mother of four, Rosaline Male is a food vendor in a market of the Commune d'Abomey-Calavi, Benin. She received her first loan from PEBCo in 2010 to expand her business. With the profit, she built several houses to rent and opened other shops. PEBCo is the microfinance department of the NGO BETHESDA. It was established in 1995 to provide savings and loan products as well as non-financial services such as advisory support and capacity building to low-income and economically active small groups and associations of people.

2013 in graphs

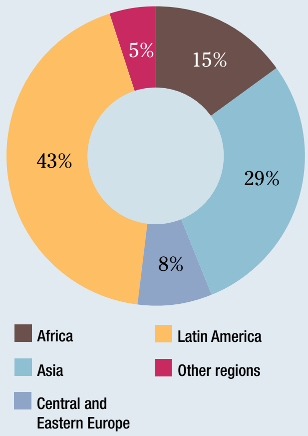
10 countries with highest capital outstanding

As at 31 December 2013



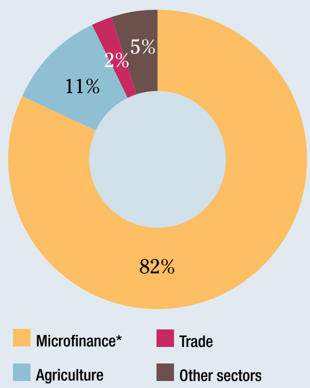
Funding outstanding by region

As at 31 December 2013



Funding outstanding by sector

As at 31 December 2013



* including microcredit, SME finance and wholesale funding

Delivering **real benefits**

Our mission is to help improve people's lives and work together with those who share this objective. We support partners, not only with funding but also by helping to identify areas for improvement and thereafter by facilitating capacity building to address these areas. Our goal: stronger performance management of social and financial goals.

In 2009, we established a dedicated department designed to boost the social performance of our investees and ourselves. Five years later, specialized microfinance rating agency, Planet Rating, rated us as 'excellent' on our social investment strategy, our social performance management and our contribution to bringing about social change. While we are extremely proud of this rating, we acknowledge that there is still much to learn, improve and implement.

We hold ourselves accountable to the promise of improving lives – this goes beyond looking at partner conduct and behaviour and means an increased focus on monitoring what is happening to clients and target groups. Monitoring is therefore an integral part of Oikocredit's social performance management (SPM). For 2013, 609 of our partners submitted social performance data which constitutes the highest compliance rate (94%) to date. Monitoring entails the tracking of partners' outreach, products and services as well as practices with which they serve end-clients.

This report provides aggregated social performance outcomes of Oikocredit's portfolio. It identifies patterns over time in client outreach and SPM practices by examining data collected annually. Recommendations from the Planet Rating report have been included, namely the use of socioeconomic indicators provided by the World Bank and UN. We have also included new indicators on the poverty and employment outreach of our microfinance partners. For production and services partners, there are extra indicators on social objectives, fair trade and green partners.

Looking ahead, we aim to work towards more robust PPI data collection and data use; analyse further the data our partners are already collecting and use that to assess whether or not they are achieving their social objectives; and finally, we will continue to explore and apply approaches of impact assessment and outcome measurement and also build partners' capacity to analyse and use their own data.

David Woods
Managing director

Ging Ledesma
Social performance & credit analysis director

Social performance experts from Oikocredit's international and regional offices

Building a **community**

Our mission is to help improve people's lives and work together with those who share this objective.

Oikocredit's social performance management (SPM) begins with careful partner selection based on shared social values. It extends to helping partners develop capacity to achieve our mutual goals, while also working to improve our own social performance. We aim to achieve a positive triple bottom line: social, environmental and financial results.

Social due diligence

In 2010, Oikocredit introduced an environmental, social and governance (ESG) scorecard for financial intermediaries in order to make the due diligence process more rigorous. Since then, two updates have taken place, resulting in a more refined scorecard. In general, Oikocredit partners performed best in 'client benefit and welfare' and in 'social performance and governance'. More information about the ESG scorecard can be found on the pages about social return on www.oikocredit.coop.

Outreach

Oikocredit aims to increase its presence in Africa because of the continent's low levels of financial inclusion. Africa's share of the outstanding portfolio remained at 15% in 2013. Investment in low-income countries (LICs) and least developed countries (LDCs) increased, both in absolute terms and as a percentage of the total portfolio. In 2013, the outstanding portfolio in LICs increased from € 78 million to € 94 million (14% to 16%) and the portfolio in LDCs increased from € 66 million to € 76 million.

Oikocredit remained one of the biggest investors in the microfinance sector, supporting twice as many partners and countries as other investors. For many years, Oikocredit's microfinance portfolio has been growing at a stable rate without major fluctuation. A possible reason for this is that Oikocredit's inflow continues to come from a large number (52,000) of small and regular investors.

General and financial indicators	2013	2012	2011	2010
Total development financing outstanding	€ 594 million	€ 530 million	€ 520 million	€ 481 million
Total portfolio microfinance investments	€ 483 million	€ 420 million	€ 410 million	€ 388 million
Total portfolio social enterprises	€ 108 million	€ 110 million	€ 110 million	€ 93 million
Volume of new loans	€ 296 million	€ 234 million	€ 211 million	€ 214 million
Average loan size to partners	€ 1,281,965	€ 958,000	€ 828,000	€ 769,000
Number of partners	815	854	896	863
Number of microfinance partners	566	583	616	598
Number of countries	67	67	67	71

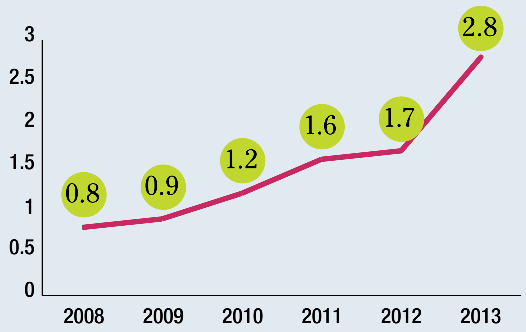
Social performance indicators	2013	2012	2011	2010
Borrowers reached by MFI partners	28 million	28 million	25.5 million	29.3 million
MFI clients reached with Oikocredit funding[1]	2.8 million	1.7 million	1.6 million	1.2 million
% MFI clients female	81%	84%	83%	86%
% MFI partners with a gender policy	50%	42%	38%	42%
% MFI clients rural	47%	56%	53%	50%
Number of social enterprises	249	271	280	265
Number of green partners	101	98	-	-
Number of cooperatives	285	290	272	262
People employed by social enterprises	46,607[2] (31,144 permanent jobs)	37,438[2] (20,556 permanent jobs)	39,323[2] (24,083 permanent jobs)	77,671[3] (60,918 permanent jobs)
% Social enterprises with environmental policy	70%	72%	73%	55%

[1] 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
[2] definition narrowed to include only direct wage employment
[3] includes indirect employment

# of practice

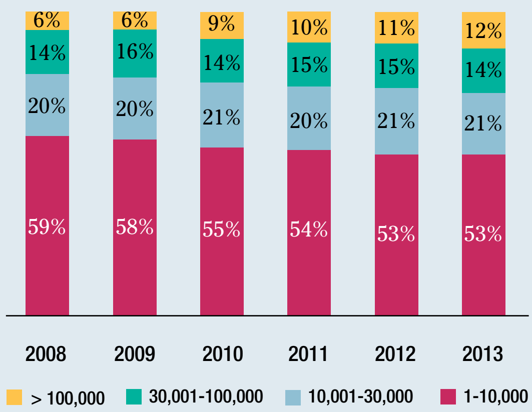
Microfinance client outreach

End-clients reached by Oikocredit funding
As at 31 December 2013



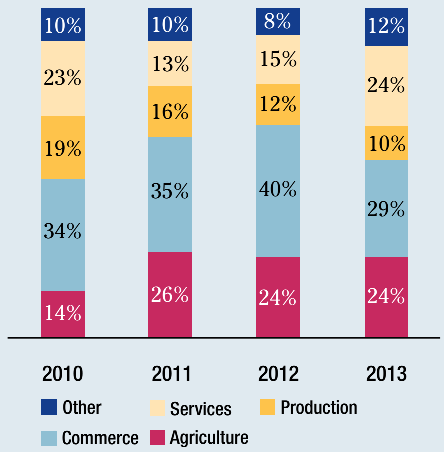
Oikocredit aims to reach out to as many disadvantaged people as possible. In 2013, microfinance partners reached 28 million end-clients. Compared to 2012, the outreach remained fairly stable in all regions. The number of borrowers reached through Oikocredit funding was 2.8 million. The average retention rate for MFIs in 2013 was 71%.

Share of MFIs in Oikocredit's portfolio
by number of clients reached
As at 31 December 2013



Compared with other investors, Oikocredit serves relatively small organizations with a low number of borrowers. In 2013, more than half of the MFIs in which Oikocredit invested had less than 10,000 borrowers.

% Microfinance end-clients per sector
As at 31 December 2013



As part of its social mission, Oikocredit aims to reach out to female clients and people living in rural areas. Nonetheless, the percentage of female clients declined to 81% in 2013 from 84% in 2012. This was mainly due to Oikocredit's African partners, where outreach to female clients dropped by 11% (from 83% to 72%).

Equally, the number of rural clients decreased from 56% in 2012 to 47% in 2013, which is the lowest percentage since 2008. The biggest reduction was seen in India, where rural outreach fell from 61% in 2012 to 44% in 2013; this was the result of a drop in the number of partners with only a rural focus (from 74 to 52 partners).

Oikocredit supports the agricultural sector indirectly through microfinance institutions. In 2013, 24% of the microfinance borrowers reached by Oikocredit's MFI partners were active in agriculture. The shift to more agricultural microfinance borrowers in 2011 stabilized in 2012 and 2013. While the percentage of end borrowers with commercial activities dropped from 39% to 29%, the percentage of end borrowers offering services rose from 14% to 24%.

Social performance monitoring

Development objectives
As was the case in 2012, the MFI partners' most common development objectives in 2013 were business growth (80%), poverty reduction (63%) and employment (42%).

Employment
In 2013, Oikocredit collected data on employment for the first time. This allows us to gain a greater understanding of how our partners contribute to the millennium development goal of decent work. Out of 566 financial intermediaries, 188 defined employment as one of their development objectives, while 108 reported employment data to Oikocredit. On average 77% of end-clients are self-employed. Asia and Latin America had the biggest proportion of self-employed clients (87% and 75%).

Accountability and SPM practices
Although an increasing proportion of partners reported both financial and social data to the MIX, fewer partners were subject to financial and social rating. Nonetheless, the number of partners which endorsed the client protection principles (CPP) and held a client satisfaction survey increased to 71% and 60% respectively. Oikocredit loan agreements contain a requirement that partners who have yet to endorse the CPP, must formally do so within one year.

Over-indebtedness
As a socially responsible investor, Oikocredit wishes to play an active role in encouraging responsible financing. This includes researching over-indebtedness. The International Finance Corporation (IFC) and Oikocredit completed a joint study in Kyrgyzstan to better understand the levels of over-indebtedness and vulnerability of microfinance borrowers there. A total of 4,000 clients were interviewed for the study, which looked not only at the levels of income, debt and arrears of clients, but also asked clients about their repayment concerns. Outcomes illustrated the importance of looking at how loans are being repaid as well as subjective levels of debt.

Interest rates charged to end borrowers
We review the annual percentage rates (APRs) that our microfinance partners charge their clients. The APR data enables us to understand more clearly the drivers behind interest rates and boosts our influence on partners to review their interest rate levels.
It is based on data extracted from the MF Transparency sheets for 351 partners approved in 2012 and 2013. The average APR including all fees and compulsory savings charged by all Oikocredit partners is 35%.

Production and services portfolio
Oikocredit directly invests in social business through its production and services portfolio, (including agricultural producers and importers, cooperatives, universities and hospitals). This part of the portfolio aims to offer more direct support to the local economy, for example by providing opportunities for decent jobs and by supporting fair trade and organic production processes.

Ratings, reporting to MIX and SPM practices of microfinance partners

	2013	2012	2011	2010
Report SP to MIX	52%	45%	43%	37%
Report FP to MIX	62%	55%	53%	55%
Conducted Social Rating	23%	25%	23%	20%
Conducted Financial Rating	48%	52%	48%	48%
Endorsed client protection principles	71%	59%	50%	44%
Held client satisfaction survey	60%	57%	45%	28%


COCAFCAL, Honduras

The production and services portfolio grew from € 71 million in 2006 to € 110 million by 2011, after which growth levelled off. We observed stabilization in the level of agricultural investment in 2013.

Number of wage earners

The social enterprise partners collectively employed around 47,000 wage workers. It is a positive sign that the number of permanent wage workers increased.

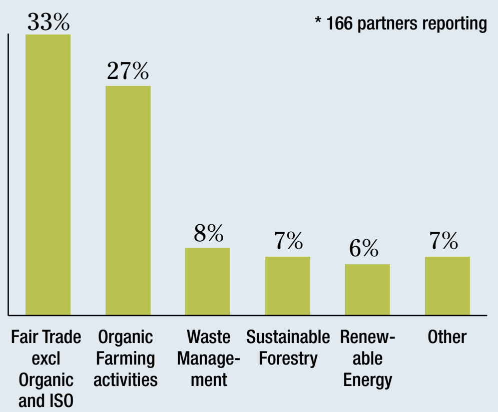
Over the period 2010 to 2013, job creation was found to be strongest in the health care and education sector, followed by trade. We observed a further decline in job creation for the agricultural sector. This might be explained by the fact that in the agricultural sector predominantly self-employment opportunities are created for farmers working in the informal sector. We estimated that around 315,000 farmers were reached by our partners.[1]

Development objective

Employment creation, poverty reduction and environmental development were the most frequently cited development objectives among the social enterprise partners. The agricultural partners in particular, pursued these objectives in combination with fair trade and value chain development.

Green partners

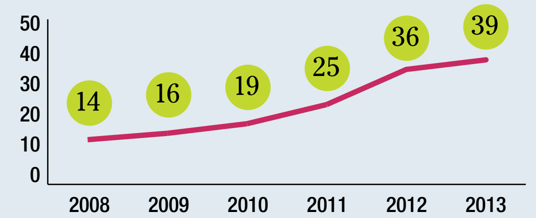
Environmentally friendly partners*



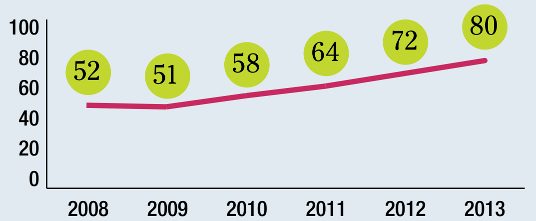
Out of 249 production and services partners, Oikocredit had 101 green partners with activities that aim to promote and improve the protection of the environment and climate. More than one third of the 166 partners reporting monitoring data were green partners. Most of them engaged in fair trade production, followed by organic farming, waste management, sustainable forestry and renewable energy. The category Other includes water and sanitation management.

Fair trade

Fair trade portfolio in € million



Number of fair trade partners



Fair trade and organic certification ensure that our partners contribute to sustainable development by offering better trading conditions, securing decent work for marginalized producers and workers and promoting environmentally-friendly production processes. Eighty Oikocredit partners (33%) had at least one fair trade certificate.[2] Fifty-three per cent of the certified partners were located in Peru, Guatemala, Nicaragua and Ecuador. The number of fair trade partners grew predominantly in Latin America.

Our partners had a variety of sustainability labels for fair trade, organic, and ISO. Most certified partners had two or more labels, with the most frequent ones being FLO and Organic. At the same time, few partners had their entire product line certified, on average 59% of the production volumes.

ESG practices

Since November 2012, fifty-four partners have completed the second version of the ESG scorecard for social enterprises. We found that social enterprises adhered to a set of practices relating to the environment, outreach and responsibility as well as to the cooperative development and development projects, but to a lesser degree to ownership and governance.[3] More information about the ESG scorecard can be found on the pages about social return on www.oikocredit.coop.

The ESG scorecard allows us to categorize partners on their expected negative environmental impact and vulnerability to the ecosystem. Projects in category A are likely to have an environmental impact significant in scale and/or scope and require additional assessment. Projects in category B have a moderate environmental impact. Projects in category C have only a limited or indirect environmental impact. Fifty-two per cent of the partners are category C, 46% category B and only one partner is in category A.

[1] This excludes the activities of Twin trading and Café Direct who reached 680,000 farmers indirectly.
[2] This includes all partners that have some form of internationally acknowledged certification in fair trade such as FLO, Rainforest Alliance, UTZ, FSC, ECO, Café practices, GAP. It excludes partners which are only organically certified (eg IMO, Biolatina, ECOCERT, Control Union, CERES) and which have ISO 14001 or related classifications [ISO 9001, ISO 20,000, OSHAS, FDA, HCCP].
[3] The lower score for ownership and governance is mainly due to the absence of staff grievance procedures for many production and services partners (74%).

Oikocredit partners **applying PPI**

In 2013, 134 Oikocredit microfinance partners applied a poverty tool and 125 reported data on poverty outreach. An important poverty tool applied was the progress out of poverty index (PPI).

Poverty outreach (PPI) for a subset of Oikocredit partners

	% of borrowers below national poverty line	% of borrowers below international poverty line US$ 1.25 per day	% of low income borrowers US$ 2 per day	Nr of partners reporting 1 PPI indicator	Clients Surveyed
Asia	**16%**	**30%**	**67%**	**32**	**3,720,967**
India	15%	31%	69%	14	3,332,425
Cambodia	18%	21%	55%	5	227,967
Philippines	25%	10%	35%	11	145,689
Latin America	**33%**	**11%**	**28%**	**48**	**188,187**
Colombia	41%	10%	43%	4	77,101
Ecuador	25%	2%	11%	5	32,461
Peru	17%	1%	-	6	8,740
Dominican Republic	9%	0%	1%	2	7,533
El Salvador	38%	44%	77%	5	16,739
Guatemala	21%	2%	6%	6	8,999
Haiti	61%	-	77%	1	20
Honduras	27%	12%	40%	5	2,239
Nicaragua	20%	1%	1%	4	1,462
Bolivia	33%	9%	28%	10	32,893
Africa	**35%**	**42%**	**46%**	**4**	**11,630**
Senegal	35%	42%	46%	4	11,630
Total Dec 2013	**17%**	**30%**	**66%**	**81**	**3,905,916**

In total 4 million borrowers were surveyed.

Supporting people to improve their livelihoods is an inherent part of Oikocredit's mission statement. The progress out of poverty index (PPI) is a poverty measurement tool for organizations with a mission to serve the disadvantaged and serves to indicate the extent to which partners contribute to the millennium development goal of eradicating poverty. The tool consists of a scorecard which uses ten questions on household welfare to indicate that a household lives below a certain income poverty line. These lines are set internationally at US$ 1.25 or US$ 2 per day or follow the national poverty line (NPL).

Oikocredit has been supporting PPI implementation since 2008 through its capacity building programme and as of 2014, partners' poverty outreach is being tracked in our monitoring system. Latin America and Asia have used the PPI most extensively. The microfinance partners that reported PPI data to Oikocredit collectively surveyed almost 4 million clients.

The data shows that 30% of the borrowers reached by Oikocredit partners lived below the international poverty line of US$ 1.25 and 66% lived under the low-income line of US$ 2. Among the Latin American countries, our partners in El Salvador and Haiti served the highest proportion of poor people.

Bharathi Women Development Centre, India

Capacity building

We provide capacity building as an additional service to our partners to strengthen their ability to improve and secure their financial and social performance. Our capacity building programme also aims to facilitate the development of our portfolio by increasing partners' outreach to underserviced groups. As a social investor, the primary focus of our capacity building initiatives is to complement our investments and loans in areas that eventually empower partners' clients not just financially but also socially.

During 2013, Oikocredit approved 130 capacity building applications, for which we provided € 3 million from our own and donors' funds, including € 0.6 million (21%) to partners in Africa. Agricultural producers and other agricultural enterprises received 43% of our capacity building funding; 28% went to enhancing partners' risk management capacity and 21% to improving SPM practices.

Risk management, governance and organizational development are key areas of our capacity building programme. Risk management focuses on addressing major risks for partners in areas such as credit, governance, markets, exchange rates, agricultural production and internal auditing. Our initiatives usually take the form of training. Feedback from the participants on the training was positive with the training programmes generating wider learning and most partners implementing new related activities.

In 2013, we extended our risk management mentoring programme in Africa to Uganda, Tanzania, Ghana and other countries with a focus on reducing portfolio at risk (PAR) and strengthening client services. At the Kuapa Kokoo cocoa cooperative in Ghana, we provided capacity building finance training for non-finance managers and governance training for board directors.

Other initiatives in 2013 were risk management and governance training for MFIs in Bulgaria, Colombia and Russia; risk management support for Southeast Asian non-microfinance partners; micro-insurance product development in six Central American countries; market analysis and strategic positioning support for social housing in Senegal and for microfinance in Vietnam; and organizational development with coffee producers in Central America and the Caribbean.

Agricultural value chains were our main capacity building growth area in 2013, increasing from three initiatives in 2012 to 37 in 2013, with longer term and strategic programmes on agricultural value chain finance in all regions. We provided technical support to 120 small fruit farmers in Paraguay, undertook a study of risks affecting the tomato value chain in Senegal, and supported the training of trainers for a cooperative of small maize producers in Côte d'Ivoire.

Oikocredit Southeast Asia also organized a course on risk management in agriculture in the Philippines, enabling partners to prepare a value chain map of the commodity they produce and to chart major risks from sourcing of inputs, financing and crop production to processing and marketing.

Strengthening partner performance in Bolivia

Fondo de la Comunidad (FONCOM) is an Oikocredit partner and microfinance institution (MFI) in Bolivia which mainly serves low income earners in urban and semi-urban areas of Cochabamba. The majority of FONCOM's clients have set up micro, small or medium enterprises. In addition to providing loans, FONCOM offers its clients other financial services including savings products, utility bill payments and money transfers. FONCOM also provides employment to over 160 people through its seven branches across Bolivia.

In 2011, FONCOM realized that it needed to strengthen its social performance management (SPM) as well as risk management in order to accomplish a planned expansion. In addition, Bolivia's banking, finance and securities regulator, Autoridad de Supervisión del Sistema Financiero (ASFI), required financial entities to increase loan portfolios in productive activities, with a special focus on the agricultural sector. The following year, FONCOM approached Oikocredit for capacity building support in four key areas.

The resulting initiatives included a programme (in association with a non-profit foundation) to help 200 new young entrepreneurs with training, business planning and access to financial services, which are quite limited for this particular market. The second was for FONCOM staff focused on risk management, with the third a pilot project to develop an agricultural credit product. This product was developed to support farming activities that are currently financially underserved. And finally, the fourth area Oikocredit supported was the computerization of FONCOM's management information systems (MIS). These areas of support have assisted FONCOM in reaching more clients, in particular agriculture clients as well as providing better access to finance for entrepreneurs.

Foncom, Bolivia

Achieving impact through **social performance mentoring** in Africa

Oikocredit implemented the second round of its social performance management mentoring programme with partners in Africa from February 2012 to July 2013.

Supporting partner organizations that reach poor and excluded people, provide products and services that bring real benefits to clients and avoid doing harm are key. Our social performance management (SPM) mentoring programme helps partners to deliver client-focused products and services consistently and of high quality, to build their organizational capacity and to achieve a positive balance between financial and social performance. After piloting with microfinance institutions (MFIs) in East Africa in 2011, round two of the programme ran between February 2012 and July 2013 with five partners in Tanzania and Uganda, incorporating significant changes based on lessons from round one.

Alide, Benin

Action plan

The programme starts with the questions 'What do we do to reach, benefit and protect clients?' and 'What can we do better?' Each partner works with a trained external mentor to clarify goals, identify strengths and opportunities, build understanding and commitment, and draw up and implement an action plan. The aim is to focus on clear operational challenges that relate to serving clients more effectively and can be relatively quickly and easily addressed. The programme is rooted in the Universal Standards for Social Performance Management adopted by the global microfinance community.

Outcomes

For all five participating organizations the programme's second round resulted in more actions. Most partners achieved improvements in loan appraisals and in their outreach to disadvantaged people, women and young people. All five MFIs enhanced their code of conduct and collection practice, their capacity to respond to client problems and to address vulnerability by rescheduling repayments, and their pricing of products and services.

SPM workshop in West Africa

Two interviews confirm that MFIs in the programme have enhanced their outreach to hard-to-reach clients, developed more flexible loans and become better at understanding and resolving people's repayment problems. Relationships between field staff and clients have improved. Partners have also developed more client-friendly complaints mechanisms and strengthened support for clients in managing their finances and avoiding multiple borrowing and over-indebtedness.

Board and management awareness and understanding of social performance issues have advanced in every case. The programme trained two mentors from Tanzania and two from Uganda. All four mentors are positive about the programme's impact on their knowledge and skills, with benefits for their other work.

What have we learned?

Oikocredit's mentoring programme has demonstrated that the approach is accessible to a range of MFIs, especially when they are committed and understand that it is about improving effectiveness in delivering value for clients. Ideally, the chief executive and one board member should participate in the initial training workshop, and an internal champion is needed who has an overview of the organization and is respected by board and management. In implementing the programme, each organization should set realistic targets based on a practical focus on strengths and opportunities. This enables the MFIs to take relatively simple steps to improve their social performance in alignment with their current priorities.

Programme design also emphasizes the importance of linking capacity building in SPM to Oikocredit's ongoing relationship with partners. Our country offices play a key role in identifying partners that will benefit from mentoring and in monitoring how well they integrate SPM into their day-to-day work. Country offices also contribute by selecting mentors and helping to position work on SPM in relation to other actors and developments in the sector.

Kenyan agriculture marketing hub advances financial inclusion

Our work with Kenyan microfinance institution Molyn Credit has helped establish a promising marketing hub for smallholder dairy farmers.

Molyn Credit is a microfinance institution (MFI) in Kenya with five branches serving close to 15,000 low and medium income earners. Like most Kenyan MFIs, Molyn's first operations were in urban and peri-urban areas. Finding that clients were sometimes served by other financial organizations and that some were experiencing over-indebtedness and loan repayment difficulties, Molyn decided to shift focus to financially under-served rural areas.

Molyn wanted to develop products to meet the needs of smallholder farmers and to mitigate risks associated with financing agriculture. It asked Oikocredit to help it establish an agriculture marketing hub in the Butere district, a high-poverty area with a local shortage of fresh milk and therefore good potential for marketing local dairy production.

The project's aim was to develop a sustainable local market for local farm production through links with buyers, input suppliers, government agencies, micro-insurance companies and business development service providers. Working with a consultant, Molyn undertook a needs assessment. It developed loan products, mobilized and trained farmers in integrated dairy and horticulture farming, built partnerships and developed branch staff capacity.

Twelve to 18 months are needed to establish a functioning agriculture marketing hub, and continuous farmer training is necessary. Participating farmers in Butere, many of them first-time borrowers and previously unaware of the advantages of dairy farming, benefited from extension services from the Ministry of Agriculture and from opportunities to use dairy animal manure to generate biogas, as cooking fuel, as fertilizer for crops and in some cases to feed fish.

The agriculture hub and Molyn's loans now serve 800 smallholders, contributing to greater financial inclusion. Molyn has adapted the hub model to support farmers in other areas, and new partnerships forged through the project are expected to continue into the future. A similar initiative is planned for Rwanda this year.

Coordinating social performance activities

One of Oikocredit's eight regional social performance management (SPM) experts, Lianna Mora Vargas works from the Oikocredit regional office located in Costa Rica. She coordinates SPM and capacity building (CB) activities for the region covering Mexico, Central America and the Caribbean.

How would you describe your work?
I support country officers in my region with social performance and capacity building. Our goal is to help partners perform better both financially and socially. We aim to strengthen the partners we work with and expand outreach and access to financial resources. We try to integrate SPM activities related to training in risk management in the financial and agricultural sector. For example, we have a risk management programme related to coffee leaf rust (roya) which affects coffee producers. We also have a strategic programme for our partners on how to approach SPM. We are also focused on aligning green businesses with our environmental policy.

What is the added value of CB in your region?
In addition to providing training, we aim to provide the right follow-up for our partners. This is based on an action plan drawn up together with colleagues, consultants and partners. Such follow-up might include improving internal management systems and data collection guidance. We then ensure that mentoring and advice is available. The objective is to contribute to our partners' growth in SPM so that they can provide the right products and services.
Our goal is social impact and we also develop programmes that try to measure impact over time. Currently, we monitor outreach, which means collecting data on borrowers reached in rural areas, women reached and income levels. By tracking this over time, we expect to gain insight into changes in borrowers' welfare. We already conducted a social performance pilot in 2011 with 21 partners.

What do you find particularly rewarding about your work?
That we can initiate activities that benefit not just individual partners. One example of this is where a number of partners scored low on environmental issues. We were able to demonstrate that this was a weakness, so together we set up an action list. We will select two partners to support in becoming CO_2 neutral. The ESG scorecard used for social due diligence enables us to work closely with our partners, engage in a constructive dialogue, and determine next steps.


Lianna Mora Vargas

There is tremendous value in being physically present in the market, understanding the issues and being able to meet face-to-face.
At our office, we are carbon neutral for the fourth year in a row. We are pleased that our region has reduced its carbon footprint by about 20%.

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 dual return to its investors: social 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.

We have 815 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.

With a positive track record spanning almost 40 years, we know that finance for development works.

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. Our experience with these partnerships and initiatives has been immensely positive and many have inspired and guided our approach to SPM.

Client Protection Principles (CPPs)
www.smartcampaign.org

MFTransparency
www.mftransparency.org

Principles for Investors in Inclusive Finance (PIIF)
www.unpri.org/piif

Progress out of Poverty Index (PPI)
www.progressoutofpoverty.org

Social Performance Indicators (SPI)
www.cerise-microfinance.org

Social Performance Task Force (SPTF)
www.sptf.info

Social rating: excellent

Specialized microfinance rating agency, Planet Rating, conducted a social assessment of Oikocredit in 2013. The assessment provided ratings on social performance management, social investment strategy, social responsibility and social change. The agency concluded that "the current strategy and actions of Oikocredit suggest that indeed it is positively contributing to the social change it aims for, and particularly to financial inclusion. Existing data indicates that Oikocredit's contribution to financial inclusion is deeper and larger than that of other microfinance investment vehicles. Moreover, it clearly operates in countries with a low level of socioeconomic development and where financial services are under-developed."

WWW.OIKOCREDIT.COOP

OIKO CREDIT investing in people

Oikocredit International

T +31 33 422 40 40
F +31 33 465 03 36
E info@oikocredit.org

Berkenweg 7
3818 LA Amersfoort
The Netherlands

PO Box 2136
3800 CC Amersfoort
The Netherlands