



Strengthening  
people  
and planet



# Facts & Figures

As at 31 December 2016

## Total development financing portfolio

- Amounted to € 1,047 million in 2016
- € 58 million in low-income countries (GNI per capita ≤ \$1,045)
- Loans to and investments in 801 partners across 70 countries

## Inclusive finance

Around 78% of the development financing portfolio, € 815 million, was invested in inclusive finance through 536 cooperatives, non-banking financial institutions, banks offering diverse financial products, small to medium enterprises (SMEs) and wholesale funds.

- Oikocredit continued to invest in small microfinance institutions (MFIs) with less than 10,000 borrowers (42%)
- Our microfinance partners reached 40 million clients, with 5.6 million of these through Oikocredit funding
- 84% of those reached were women
- 27% of the clients reached were active in agriculture, 26% in commerce, 23% in services, 8% in production and 15% in other activities
- 48% of clients reached lived in rural areas
- 51% of microfinance partners had a gender policy
- 60% of microfinance partners had an environmental policy

## Production and services (social enterprises)

Around 22% of the development financing portfolio, € 233 million, was invested in SMEs, production cooperatives focused on agriculture, fair trade, manufacturing and community servicing organizations focused on health and education.

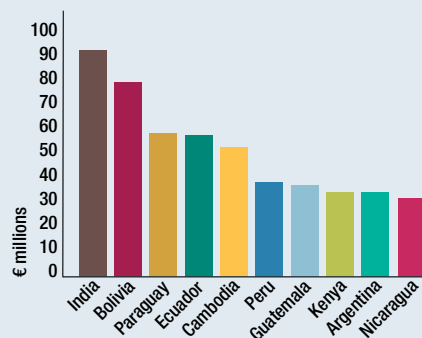
- 265 production and services partners diversified across a number of sectors, with emphasis on agriculture
- 68% agriculture and livestock
- 17% renewable energy
- 4% trade and manufacturing
- 4% education and health
- Oikocredit supported 85 fair trade organizations
- 68 production and services partners engaged in activities that aimed to promote and improve the protection of the environment and climate
- 51% of production and services partners had a gender policy
- 82% of production and services partners had an environmental policy

Photographs: Opmeer Reports (including cover), Phillippe Lisac, Nicolas Villaume

# 2016 in graphs

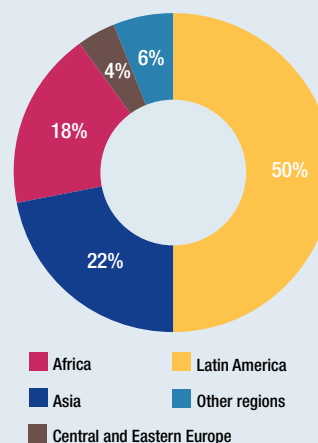
## 10 countries with highest capital outstanding

As at 31 December 2016



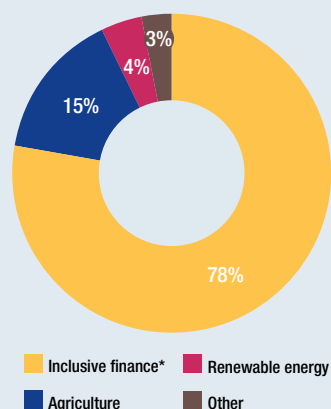
## Funding outstanding by region

As at 31 December 2016



## Funding outstanding by sector

As at 31 December 2016



\* including microfinance and SME finance

# A holistic approach to triple bottom line investing

As a responsible social investor, Oikocredit aims to support partner organizations in helping low-income women and men, households and communities improve their quality of life sustainably. A healthy balance between financial profitability, positive social outcomes and environmental sustainability is, for us, the triple bottom line of 'people, planet and profit'.

The United Nations Sustainable Development Goals, adopted in late 2015 with a commitment that 'no one will be left behind' and their emphasis on environmental sustainability, connect closely to Oikocredit's values and holistic economic development approach.

In practice, this requires a strategically focused portfolio, careful partner selection, effective monitoring of outcomes, a constructive response to challenges, and openness to innovation. We call our long-term commitment to partners and willingness to provide capacity-building support 'development finance plus'. And as a learning organization, we actively share experience and contribute to debates across the development finance and social investment sector.

Oikocredit's portfolio is diversifying. Support for financial institutions that promote financial inclusion remains central to our mission, and we are strengthening our presence in Africa. Concurrently we are building up our lending and investments in agriculture and renewable energy. Small and medium-scale agriculture is important for disadvantaged communities' food sovereignty and as a source of decent rural work. Renewable

energy is crucial to promote energy inclusion and for the low-carbon transition we need to avoid climate catastrophe.

This past year Oikocredit has continued to innovate. We completed the first full year of our thematically structured global capacity building programme and launched new partnerships with institutional donors.

From now on, we will track our environmental performance even more closely. We have updated our environmental assessment guidelines and adapted our carbon footprinting methodology to ISO standards. New monitoring indicators are now in use for projects in our fast-growing renewable energy portfolio, focused on measuring households gaining access to clean energy and on CO<sub>2</sub> emissions avoided.

As part of its work on client empowerment, Oikocredit will pilot financial training specifically geared to combat long-standing gender disparities.

As ever, much has been accomplished and much remains to be done.

**Thos Gieskes**  
*Managing director*

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



*Weighing rice at the plant owned by rice company Société de Développement Agro Pastorale du Rwanda (SODAR Ltd).*

# Achieving a strong social

A strong social return is a key goal for Oikocredit and one that demands effective social and environmental performance management (SEPM). Our SEPM begins with careful partner selection and social covenants, and continues with close monitoring of partner outcomes and support to partners in serving and empowering their clients. Equally important for us are the triple bottom line (people, planet, profit), building our own organizational capabilities and being accountable to our stakeholders.

## Selecting and supporting our partners

Oikocredit applies an exclusion list and positive screening criteria to select partners. Our aim is to work with like-minded organizations which share our social values and goals. During the screening process, we use environmental, social and governance (ESG) scorecards – one for financial intermediaries, another for production and services enterprises – to assess potential partners. Selection criteria include a clear focus on low-income communities, commitment to social development and environmental sustainability, ability to create jobs and incomes, good governance, effective management and gender awareness.

In offering ‘development finance plus’ we help partners strengthen their organizations and monitor, report and respond to outcomes. We collect data on partners’ outreach, product and service quality, client protection, jobs created, gender

impacts and sustainability. And we provide capacity building in organizational leadership, financial and risk management, marketing, social performance management, agricultural techniques, environmental protection and knowledge management.

## Social and environmental performance monitoring

Oikocredit collects social performance and environmental data from its partners in the first quarter of each year. This annual monitoring includes most partners with an active loan, credit line or equity investment. Of 801 current partners in 2016, we set out to monitor 606, of which 93% (565 partners: 398 active in financial services and 167 active in production and services) reported against social performance and environmental indicators.

*“Oikocredit has been among our best allies in alleviating poverty, especially among rural women.”*

Financial inclusion partner,  
Central America.

General and financial indicators	2016	2015	2014	2013	2012
Total development financing outstanding	€ 1,047 million	€ 900 million	€ 735 million	€ 591 million <sup>1</sup>	€ 531 million <sup>1</sup>
Total portfolio inclusive finance	€ 815 million	€ 735 million	€ 614 million	€ 483 million	€ 420 million
Total portfolio social enterprises	€ 233 million	€ 165 million	€ 121 million	€ 108 million	€ 110 million
Volume of approved loans and investments	€ 383 million	€ 498 million	€ 384 million	€ 296 million	€ 234 million
Number of partners	801	809	805	815	854
Number of microfinance partners	536	544	549	566	583
Number of countries	70	69	63	67	67

Social performance indicators	2016	2015	2014	2013	2012
Clients reached by MFI partners	40 million	46 million	37 million	28 million	28 million
MFI clients reached with Oikocredit funding <sup>2</sup>	5.6 million	5.9 million	1.5 million	2.8 million	1.7 million
% MFI clients female	84%	86%	86%	81%	84%
% MFI clients rural	48%	51%	50%	47%	56%
% MFI partners with a gender policy	51%	52%	50%	50%	42%
Number of social enterprises	265	265	256	249	271
Number of ‘green’ partners	98	107	105	101	98
Number of cooperatives	214	235	240	262	272
People employed by social enterprises	53,600 <sup>3</sup> (36,200 permanent jobs)	53,000 <sup>3</sup> (34,820 permanent jobs)	124,078 (106,052 permanent jobs)	46,607 (31,144 permanent jobs)	37,438 (20,556 permanent jobs)
Number of farmers reached	566,046	373,693	325,630	315,408 <sup>4</sup>	286,061
% social enterprises with an environmental policy	82%	73%	73%	70%	72%

<sup>1</sup> Adjusted figures from 2012 and 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> Excluding BWDA's bullock cart workers included in the 2014 figure

<sup>4</sup> Excluding data from two partners



# return

## Looking at the longer term

Additional analysis of partners' outreach, client practices, social outcomes, risk exposure and other organizational data informs Oikocredit's SEPM. For example, our claim to support partners over the long term is well borne out, with roughly half the partners we accepted in 2009 continuing with us six years later and very few leaving after only a year. As a pioneering investor, from 2011 to 2014 Oikocredit was increasingly the first international lender in a particular geography or to a particular partner.

Other findings include that Oikocredit's longer-term financial intermediary partners have tended to grow larger in client numbers and portfolio size during their period of partnership. Over time, high-risk partners see an improvement in their risk score, and many partners improve ESG performance. Our partners increasingly endorse the Client Protection Principles (CPPs), and a growing number complete a self-assessment of their client protection performance.

## What our partners say

Oikocredit values its relationships and regularly asks partners for feedback. In early 2017 we conducted a fourth biennial partner satisfaction survey, relating to our work in 2016. The response rate of 283 partners, 41% of those contacted, was higher than two years before (39%). Respondents valued Oikocredit's customer service, loan conditions, flexibility, expertise and capacity building but mentioned product pricing as an area needing improvement. Partners commended us for helping them increase financial inclusion and achieve their social mission.

## Oikocredit and the Sustainable Development Goals

In 2015 the United Nations Sustainable Development Summit adopted the 2030 agenda for Sustainable Development. The agenda calls for action by all countries to promote prosperity while protecting the planet. Comprising 17 Sustainable Development Goals (SDGs) and 169 targets, the aim is to end poverty, overcome inequality and injustice, and tackle climate change. Oikocredit has worked for decades in many areas that the agenda addresses, and our work and mission align with many of the goals, especially with SDGs 1, 2, 5, 7 and 8.



Mao Sina and her husband Phal Phekdey (standing) making brooms with their team of workers. They are clients of Kredit, a Cambodian microfinance institution.

# Monitoring our social

We monitor the social, economic and environmental performance of our portfolio and partners each year. Analysis of trends helps us understand how well we and our partners are advancing our joint mission.

## Growing and diversifying our portfolio

In 2016 Oikocredit maintained strong portfolio growth in its strategic focus areas. Inclusive finance increased in absolute terms, but its portfolio share reduced as our planned diversification continued. Both agriculture and renewable energy increased relative to the total portfolio.

We supported partners in 70 countries, including 104 new partners. Total partner numbers fell slightly to 801. We supported fewer financial services organizations. Average loan size continued to increase as longer-term partners grew.

Latin America remained our largest regional portfolio, followed by Asia, Africa, and Central and Eastern Europe. In our priority region, Africa, the portfolio grew steadily. Loans and investments decreased in low-income and least developed countries (LICs and LDCs), with contraction in Cambodia, Tanzania and Uganda, and Cambodia's rising economic status to lower-middle income.

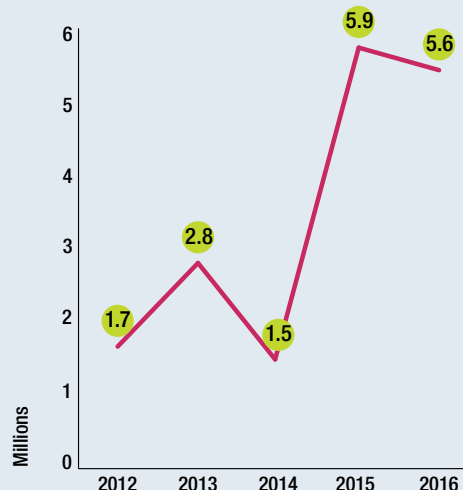
## Client outreach

Oikocredit's financial services partners reached 40 million clients, down from 46.1 million the previous year. Two large Indian partners left the portfolio, while another ceased reporting on its social performance, significantly reducing client numbers despite partners in other regions achieving a net increase in clients.

The proportion of female inclusive finance clients fell by 2% to 84%, largely through decreases in Mexico, Kenya, Nigeria

## End-clients reached by Oikocredit funding

As at 31 December 2016

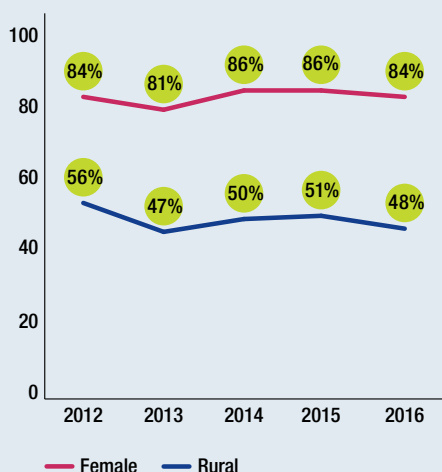


and Togo. Oikocredit still compares well with peer social investors and is ahead of its 2020 target of 75% women clients. Financial services partners' percentage of rural clients declined marginally to 48% because of trends in Ecuador, Mexico and Togo, and here we are below the sector average.

In 2016, 42% of our financial services partners had fewer than 10,000 clients, continuing a gradual reduction in the smallest category. Ten partners grew from small to small-to-medium (10,000 to 30,000 clients). Of 41 new financial services partners that reported, 56% had under 10,000 clients, 20% were small-to-medium, 12% medium-to-large (30,000 to 100,000 clients) and 12% large (over 100,000 clients).

## Rural and female clients reached

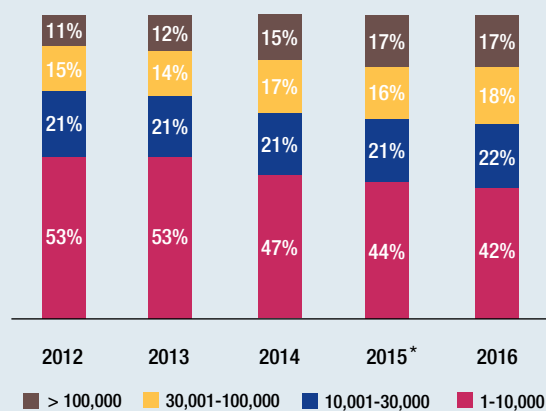
As at 31 December 2016



## Size composition of MFIs in Oikocredit's portfolio

(by number of clients reached)

As at 31 December 2016

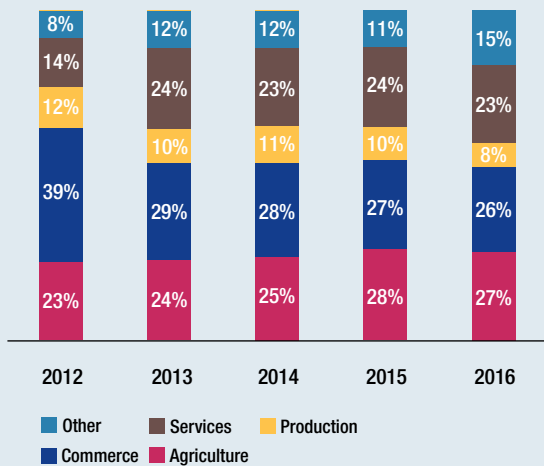


\* Excluding data from two partners



# performance

**Client composition of MFIs in Oikocredit's portfolio**  
As at 31 December 2016



The composition of microfinance clients per sector has remained relatively stable. As in previous years, most clients worked in agriculture (27%), followed by commerce (26%), services (23%) and production (8%).

## Inclusive finance portfolio

### Partners' development objectives

Business growth (73%), poverty reduction (62%) and gender equality (51%) were social objectives most frequently mentioned by inclusive finance partners in 2016. The objective of gender equality has risen above employment creation. Fewer than half the partners citing business growth or poverty reduction use an indicator to monitor performance against these objectives, showing the need to improve tracking of outcomes.

### Poverty outreach

The Progress out of Poverty Index (PPI) measures the probability that a household's members live below a defined income level. For 2016, 83 financial services partners reported PPI data on 6.7 million clients (four more partners and 1.3 million more clients than in 2015). Roughly 1.4 million partners' clients lived on less than US\$ 1.25 per day and about 3 million on under US\$ 2 a day (see table page 11).

### Accountability, SEPM practices and ESG scoring

Over half of Oikocredit's financial services partners report on their performance to the Microfinance Information Exchange (MIX) and have conducted a financial rating, but only a third



*Theresa Tomaro, a member of the Negros Women for Tomorrow Foundation Inc. (NWTF). NWTF is a microfinance institution serving low-income women micro-entrepreneurs, farmers, fishers, and small to medium enterprises in the Philippines.*

have undergone a social rating. The number of partners endorsing the Client Protection Principles (CPPs) and the number conducting CPP assessments have continued to rise steadily.

We use an environmental, social and governance (ESG) scorecard for due diligence and to monitor partners' changing performance over time. This year's average ESG score of 61.8% for 173 financial services partners (new and follow-up investments) was close to recent years' results, with client benefit and welfare the strongest area. 'Very weak' scores have risen a little. We will use a revised ESG scorecard, further aligned with the Universal Standards of Social Performance Management, from 2017.

### Interest rates

Most partners charged clients annual percentage interest rates (APRs) of 20% to 40%. Average APR among reporting partners was 34.8%, compared with 35.6% in 2015. APRs for smaller loans are generally above those for larger loans, reflecting partners' higher pro rata operational costs.

## Production and services portfolio

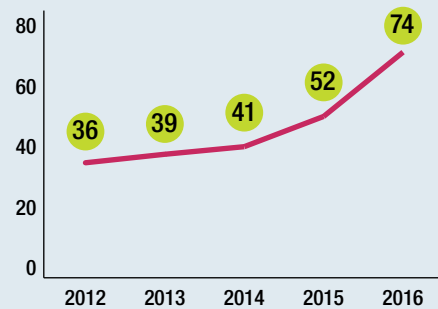
The production and services portfolio, which includes agriculture and renewable energy, aims to support local economies, decent jobs, fair trade, smallholder farmers and access to clean energy.

### Portfolio growth and job creation

Production and services grew by 41% in 2016, reaching 22% of Oikocredit's total portfolio, well above the 7% average of comparable social investors. Agriculture remains our leading subsector (68% of the production and services portfolio), followed by renewable energy (17%). Trade, manufacturing, health care and education reduced in size and portfolio share. The number of fair trade partners slightly decreased, however our investments grew by almost 43% from € 52 million in 2015 to € 74 million in 2016.

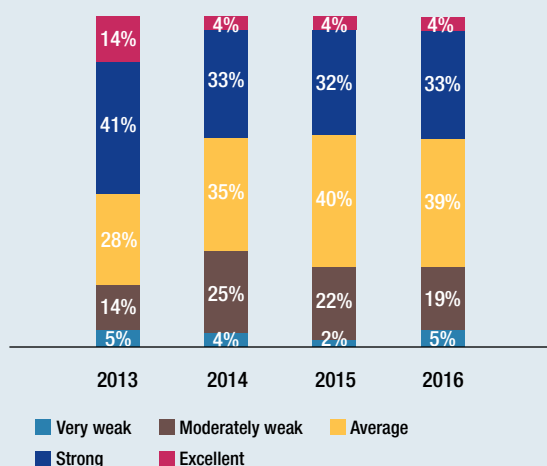
### Fair trade portfolio in € million

As at 31 December 2016



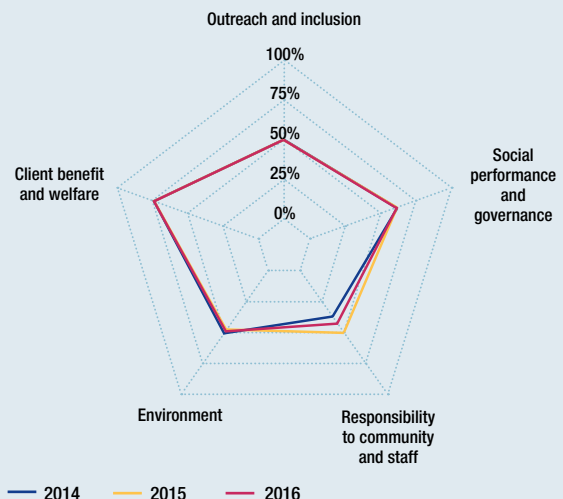
### ESG score classification inclusive finance portfolio

As at 31 December 2016



### ESG scores inclusive finance portfolio

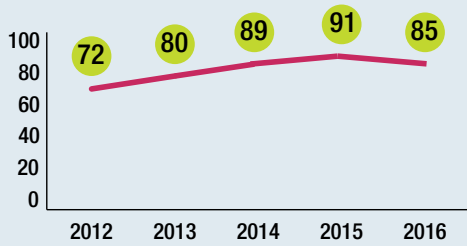
As at 31 December 2016





### Number of fair trade partners

As at 31 December 2016



Production and services partners employed about 53,600 waged workers in 2016, 68% in permanent jobs and 32% temporarily. With more new jobs generated than lost, the number of permanent workers is growing, while the number of temporary workers remains stable.

### Development objectives

Employment creation (79%), poverty reduction (64%), environmentally sustainable development (63%) and value chain development (58%) were the social objectives most frequently mentioned by production and services partners this year. This was broadly the same as the year before. A focus on poverty reduction is decreasing marginally, while the environment is gaining attention.

### Fair trade and organic partners

Of our production and services partners 85 (35%) reported having Fairtrade International (FLO) certification and 28% organic certification – both figures slightly down this year. The share of partners with Rainforest Alliance (14%) and UTZ (11%) certification increased moderately. Most certified



Anastacia Lopez, a client of Cooperativa La Norteña, a production and financial services cooperative located in the Paraguayan department of San Pedro.

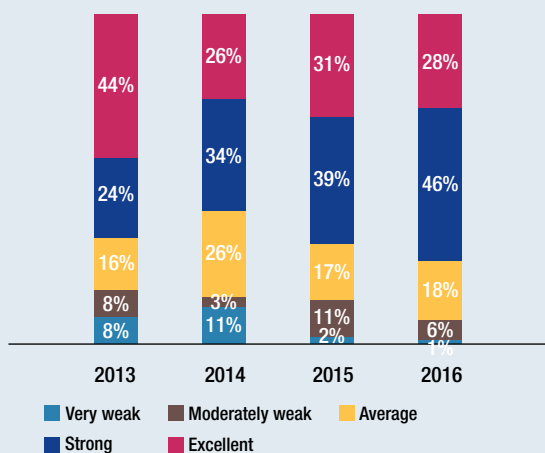
partners had two or more forms of certification, and 34% mentioned certification under other initiatives.

### ESG scoring

We use a tailored ESG scorecard for production and services partners. The average score in 2016 for 67 new and follow-up partners was 72.4%, very similar to 2015. The share of partners assessed as 'strong' or 'excellent' on ESG criteria has increased, with environment the strongest area.

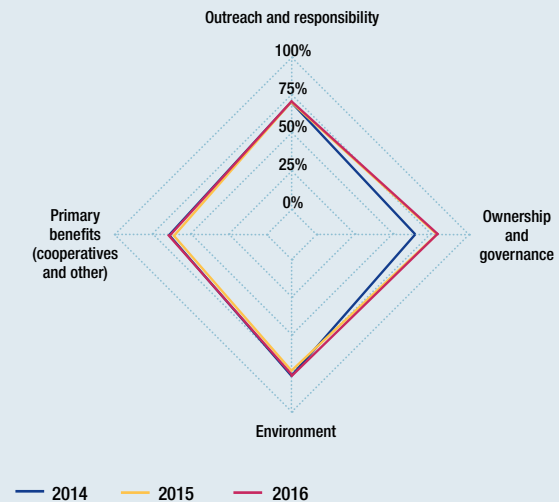
### ESG score classification production and services portfolio

As at 31 December 2016



### ESG scores production and services portfolio

As at 31 December 2016



# Promoting environmental sustainability

Oikocredit's environmental policy and strategy comprise principles relating to natural resource and climate protection, environmental impacts, natural disaster preparedness and awareness raising. In 2016 we updated our environmental assessment guidelines to align more with International Finance Corporation sustainability standards.

## Carbon footprint and offsetting

Oikocredit applies the international ISO protocol for reporting its carbon footprint. Carbon emissions fell in 2016 for the international office (-32%), Mexico, Central America and the Caribbean (-24%) and India (-18%) but increased for Southeast Asia (31%) and the South America southern region (26%).

Our footprints decreased mainly because of a new calculation method. In Mexico, Central America and the Caribbean we also had fewer staff and implemented new energy efficiency measures. In southern South America there was an exceptional rise in air travel and more inclusive reporting. Southeast Asia included its Cambodia office footprint for the first time.

Two renewable energy projects were selected to offset the international office's 2016 emissions: a photovoltaic system at partner Candela's nut processing factory in Peru and solar roof panels at our Indian subsidiary Maanaveeya.

## 'Green' projects, agriculture and renewable energy

In 2016 the reporting production and services partners showed an increase in environmentally friendly activities: 33% (2015: 32%) mentioned organic farming, 16% (2015: 10%) energy conservation or renewables, 15% (2015: 13%)



watershed or waste management and 14% (2015: 10%) sustainable forestry.

Oikocredit's agricultural and renewable energy portfolios are growing. We approach new crops, such as palm oil, with extreme caution and will develop a clear standpoint on this. Our capacity building in agriculture promotes better environmental practices.

New monitoring indicators for renewable energy projects measure the number of households given access to clean off-grid energy (or equivalent of households for on-grid projects) and tonnes of CO<sub>2</sub> emissions avoided. Our projects provided clean energy to approximately 5,400 households in 2016 and avoided 6,960 tonnes of CO<sub>2</sub>. We aim to grow our renewable energy portfolio substantially by 2020.

## Natural disaster preparedness

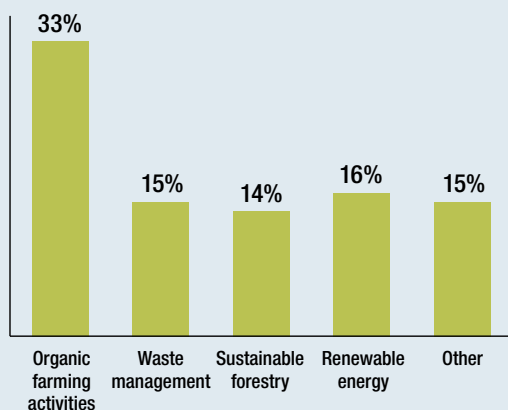
Following workshops in previous years in Southeast Asia, we co-published with Philippine microfinance partner ASKI *Disaster Risk Reduction and Business Continuity Planning for Microfinance Institutions*, a guidebook that introduces '12 steps to resiliency'. Our South America northern regional office is preparing for a similar workshop in Ecuador in 2017.

## Greening inclusive finance

Oikocredit chairs the Dutch Platform for Inclusive Finance working group on green inclusive finance. In 2016 the group commissioned a members' survey to inform its strategy and profiled its work at several conferences.

## Environmentally friendly partners\*

As at 31 December 2016



\* 167 production and services partners reporting



# Building capacity adds value to our mission

Our mission of improving the quality of life of low-income people sustainably calls for more than the provision of credit or equity alone. If Oikocredit's core business of providing access to financial resources is to build resilience and generate positive social impact, its partner organizations and target groups need the best possible knowledge, skills, technology, governance, business planning and market access. We have therefore made capacity building central to our development financing.

## Thematically structured programmes

Building on its work over the years in response to partners' needs, Oikocredit has structured its capacity building around three cross-cutting global programmes: client outcomes, financial services and agricultural services.

The client outcomes programme builds financial institutions' capacity to track, interpret and report changes in clients' lives over time. The financial services programme supports partners in client protection and other aspects of social performance management and in risk management. The agricultural services programme trains farmer cooperatives and other agricultural enterprises in financial and risk management, fair trade and environmental protection, and develops technical skills at farmer level.

In 2016, the programme's first full year of operation, we undertook 45 capacity building engagements around the world to the value of € 490,000, financed by the Church of Sweden and other donors, Oikocredit support associations and our own funds.

## Poverty outreach (PPI) for a subset of Oikocredit partners in 2016

	% of clients below national poverty line <sup>1</sup>	% of clients below international poverty line US\$ 1.25 per day <sup>2</sup>	% of clients below low-income line US\$ 2 per day	Number of partners using PPI	Clients surveyed
<b>Africa</b>	<b>43.1</b>	<b>10.7</b>	<b>20.3</b>	<b>14</b>	<b>279,414</b>
Benin	0.8	0.8	46.6	1	133
Burkina Faso	84.0		62.0	1	2,000
Côte d'Ivoire	35.0	29.5	59.0	1	5,223
Ghana	18.8	3.3	19.2	2	39,272
Kenya	0.3	0.3	0.3	2	21,576
Mali	67.0	57.0	87.0	1	37,208
Mozambique	16.9	20.8	56.2	1	1,902
Rwanda	26.0	38.0	64.0	1	2,315
South Africa	57.0			1	138,827
Uganda	14.0	14.6	32.0	3	30,958
<b>Asia</b>	<b>18.5</b>	<b>24.1</b>	<b>49.0</b>	<b>35</b>	<b>5,991,563</b>
Cambodia	7.8	13.2	22.7	7	274,090
India	15.2	31.6	63.8	16	3,867,190
Indonesia	7.3	10.8	67.0	1	336,652
Philippines	32.0	9.7	10.9	6	1,446,057
Kazakhstan	1.0	2.0	11.0	1	4,644
Tajikistan		23.5	49.6	2	42,552
Vietnam	69.0			1	19,378
<b>Eastern Europe</b>	<b>12.1</b>	<b>5.7</b>	<b>7.2</b>	<b>1</b>	<b>1,000</b>
Georgia	12.1	5.7	7.2	1	1,000
<b>Latin America</b>	<b>33.4</b>	<b>6.4</b>	<b>16.6</b>	<b>34</b>	<b>392,949</b>
Bolivia	30.0	3.4	11.0	6	42,490
Colombia	48.3	7.4	28.7	2	67,931
Dominican Republic	12.0	1.0	2.0	1	4,970
Ecuador	15.9	0.2	0.1	6	63,095
El Salvador	35.0	39.8	57.6	2	40,327
Guatemala	38.5	2.1	19.3	7	84,660
Haiti	56.0	22.4	45.8	1	1,019
Honduras	50.7	0.5	0.5	3	49,699
Nicaragua	9.2	0.2	5.4	1	494
Peru	6.9	0.3	1.8	5	38,264
<b>Global 2016</b>	<b>20.4</b>	<b>22.5</b>	<b>45.9</b>	<b>83</b>	<b>6,663,926</b>
<b>2015</b>	<b>17.8</b>	<b>24.1</b>	<b>58.2</b>	<b>79</b>	<b>5,364,469</b>

<sup>1</sup> The National Poverty Line varies for each country.

<sup>2</sup> The World Bank 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; meanwhile we keep working and reporting the \$1.25/day IPL.

## Client outcomes programme: from good intentions to positive results

In 2014 Oikocredit launched its client outcomes programme to develop financial services partners' capabilities in collecting and analyzing data about their clients and thus improve results for clients. In enabling partners to achieve better social outcomes, we also meet our own goals as a social investor.

### Keeping track of change over time

Better access to good-quality financial services such as loans, savings, insurance and remittances can be crucial for people on low incomes. Oikocredit's partners use financial service delivery to help their clients in numerous ways, such as promoting business growth, employment and gender equality, or improving housing, health outcomes and school enrolment. The client outcomes programme, with its focus on tracking change in clients' lives over time, helps partners' good intentions lead to positive results. The Poverty Outreach Index (PPI) is commonly used by partners to report poverty data.

The programme's first goal is to enable partners to use client insights to drive informed innovation. Having data on what happens in clients' lives allows partners to improve their targeting, products, services and systems. It also helps them set and refine their business strategy, report to funders and manage financial and reputational risk. The second goal, supporting the first, is for organizations to improve how they collect, store, analyze and report client information. Better data drives better decision making.

### Training workshops and research study

In 2016 the programme expanded from Asia to Latin America, targeting financial services partners in Bolivia, El Salvador, India, Nicaragua, Peru and the Philippines. We held one-week training workshops for staff of FUNDENUSE in Nicaragua, Annapurna in India and ASHI in the Philippines on the measurement and analysis of changing poverty levels, links between social and financial data, management information systems and data-driven decision making. Each organization produced an action plan to improve its client outcomes management. Early 2017 workshops were held with IDEPRO in Bolivia, ProEmpresa in Peru, Margdarshak in India and Enlace in El Salvador.

Positive feedback from partners affirms the importance of developing good-quality longitudinal client data for strategic and operational decision making, while working with multiple organizations enables us to facilitate a global conversation on solutions to common challenges.

We shared our approach to client outcomes capacity building with other microfinance practitioners at the European Microfinance Week 2016 in Luxembourg, where we also presented the results of our research study *Do rural microcredit borrowers fare better in reducing poverty than urban borrowers?*

Currently 18 financial services partners are participating in the programme, and we aim to directly support 50 partners by 2020.

### *Fresh insights into rural and urban poverty in Asia*

To know more about how our loans and investments affect the lives of low-income people in developing countries, many of whom would otherwise be among the world's financially excluded people, we produced the discussion paper *Do rural microcredit borrowers fare better in reducing poverty than urban borrowers?*. For this research, we selected three Asian microfinance institutions (MFIs) with long records of collecting Progress out of Poverty Index (PPI) data among the rural poor: ASKI and RSPI in the Philippines and SVCL in India. Together these partners provided a sample of 187,988 borrowers.

Our study found that, for these three partners, rural clients are on average poorer than their urban counterparts but experience greater poverty reduction over time. This confirms that targeting disadvantaged rural people is an effective strategy for mission-focused MFIs and investors to achieve higher social returns. Another finding was that over five years the attrition rate of clients appeared high, requiring further study. We are also keen to undertake longitudinal research into poverty reduction and gender.



Mădălin Bălan oversees the loading of rapeseed for SC Agricom Serv Impex SRL (Agricom), Romania.



## Financial services programme: social performance and risk management

Oikocredit promotes self-sufficiency and economic productivity in low-income economies with the aim of alleviating poverty and achieving a fairer society. The financial institutions we support contribute to strengthening communities, benefitting people at grassroots level, encouraging women's participation, promoting fair trade and protecting the environment.

Our capacity building in financial services programme helps partners, potential partners and networks achieve their social mission by focusing on two key areas where Oikocredit contributes to the development of international standards: social performance management (SPM) and risk management. We adapt the programme to partners' needs, for example beginning with introductory awareness workshops for organizations unsure about SPM.

### Social performance

In 2016 we undertook SPM capacity building in 16 countries. This included training for financial services organizations in eight African countries and one Latin American country on client protection, client data confidentiality and complaint resolution. We undertook mentoring and supported workshops for five partner cooperatives in Ecuador to help build better client relationships and reduce financial risk. Topics covered included product design and delivery, prevention of over-indebtedness, transparent and responsible pricing, collection practices and ethical staff behaviour. We carried out mentoring and supported two Brazilian partners in applying SPI4, a social performance assessment tool. We also supported the *Country Report on SPM in Bolivia* through our work with Finrural and CERISE.

### Risk management

In 2016 Oikocredit provided capacity building in risk management in Central America, Southeast Asia and West Africa.

In Nicaragua we worked with Cooperativa de Servicios Múltiples Sacaclí, which serves more than 500 small-scale vegetable and coffee farmers, to enable it to maintain loan portfolio quality and provide a better service to members. Our support centred on the revision of organizational policies, procedures, forms and monitoring, elaboration of a credit assessment and staff training.

Together with another social investor, Oikocredit initiated a study among Cambodian financial services organizations. Using national credit bureau data and other sources, our research aims to provide a detailed description of the market and the dynamics and dangers of over-indebtedness, making recommendations for a healthier market environment and more sustainable lending culture. Also in Cambodia we carried out capacity building in credit risk management with 12 organizations.

Our training and mentoring in the Philippines helped partners draft or revise their risk registers and risk management manuals and plans. All participating partners have adopted recommendations made during the training.

### Addressing client-related risk in West Africa

A few years ago, Oikocredit piloted risk management training in West Africa to help ensure microfinance clients can repay their loans and avoid over-indebtedness. Selection and training of consultants were followed by training of a Beninese financial services partner's managers and board members, risk mapping, development of risk prevention and mitigation mechanisms, and establishment of a risk management committee. This was followed up in 2016 with support to fully integrate risk management into the organization's systems and procedures, equipping it to regularly update its risk mapping, prevent and mitigate risks and take corrective action when necessary.



Daisy Valdez is the owner of a fish farm and is a member of the Philippines microfinance institution Center for Agriculture and Rural Development (CARD).

## Agricultural services programme: improving lives through farming

Agriculture is one of Oikocredit's strategic focus areas, and support for farmers lies at the heart of our work to improve the lives of disadvantaged rural people and build resilience in rural areas. Our agricultural services capacity building programme advances the sustainable development of agriculture in low-income countries by improving business management and technical production skills, strengthening farmers' capabilities and developing better environmental practices.

### Support for farmers and farmer organizations

The programme works in two complementary ways through engagements ranging from workshops to individual consultancies. First, Oikocredit supports farmer-based agricultural cooperatives and associations – which distribute their income among their farmer members or use it to improve the organization – in enhancing their earnings for members' benefit. Secondly, the programme provides technical and business management training directly to farmers to help them improve their incomes and their approach to environmental management to achieve a better quality of life.

As with all Oikocredit's capacity building, the programme has global scope, benefitting from our presence in Africa, Asia, Eastern Europe, and Latin America and the Caribbean, and it seeks to engage participants' knowledge and attitudes and build their self-confidence. On average the programme supports 35 organizations each year that work in the production, processing and marketing of such crops and produce as coffee, tea, dairy foods, maize, wheat, quinoa and cashew nuts. Results range from better financial decision making to the implementation of organic farming methods.

### Capacity building for coffee cooperatives in Latin America

Implemented by Oikocredit, Catholic Relief Services, Keurig Green Mountain and Fair Trade USA, this three-year project serves approximately 5,000 small-scale coffee growers in up to 16 cooperatives in Latin America. The initiative addresses a key issue confronting small coffee farmers in the region – price risk – by developing cooperatives' capacity to implement price risk management (PRM). Many coffee cooperatives, despite participating in previous training sessions on PRM, do not yet manage price risk effectively and are still exposed to price volatility. The project aims to build skills and achieve improved practices through a step-by-step training process involving organizational strengthening, development of a PRM toolkit, peer-to-peer learning, and financing. Funding is from the Inter-American Development Bank Multilateral Investment Fund's multi-stakeholder Sustainable Agriculture, Food and Environment (SAFE) Platform, managed by the Dutch international development organization Hivos.

In 2016 we carried out agricultural services capacity building in Bolivia, Guatemala, Honduras, Peru, India, Kenya and Uganda. As always, we tailored engagements to local markets and to the needs of each organization or group of farmers. Between 2017 and 2020 we hope to support 140 agriculture-based organizations through this programme.

### Supporting East African dairy cooperatives

Oikocredit undertook mentoring with four dairy farmer cooperatives in Kenya in 2016 to address governance issues and improve financial systems and marketing strategies. One of these partners, Ol'Kalou Dairy, is a sizeable enterprise that collects, chills and markets raw milk from its members. Ol'Kalou used our engagement to improve its production quality and increase its output, to strengthen its procurement practices and aims to move into milk processing with a newly established processing plant.

Being aware of the need of small farmer-based organizations to improve their performance, we also began working in Kenya with three such organizations comprising around 14,000 members in all. Our capacity building here combines mentoring in leadership and governance, management systems, financial management and marketing with farmer-level business management training and technical support in breed improvement and feed formulation and preservation.



Innocent Sibbo collecting eggs at his father's poultry farm. His father is a client of the indigenous NGO Enterprise Support and Community Development Trust (ENCOT) in Uganda.





Farmer and FAPECAFES member Sandra Romo Moya, harvesting coffee cherries at the Catamayo processing plant in Ecuador.

### **Coffee plantation renovation in Peru**

Since 2014 Oikocredit has worked with Peruvian cooperatives of small-scale coffee growers to help them boost their productivity and improve the quality of their coffee. The project aims to prepare the farmers and their organizations to renovate their plantations, partly in response to a coffee plant disease outbreak in recent years, by developing financially sound, commercially aware and technically optimal work plans.

After completion of the project's first phase, we selected three more partner organizations for capacity building in 2016: CENFROCAFÉ, COOPARM and Cooperativa Selva Andina. Technical trainers, cooperative staff and those growers who also act as promoters were initially trained in facilitation skills and then given responsibility for developing training materials, modules and manuals. Next, nearly 300 coffee farmers received training with modules on financial literacy, gender awareness and renovation planning and budgeting. The project will continue into 2017 until each participating organization has fully developed its renovation plan.

## **Strategic partners and relevant networks**

Oikocredit is an active member of a range of sector-wide initiatives, platforms and networks aimed at defining and raising social and environmental performance standards. Our experience with these partnerships and initiatives has been positive and many have inspired learning and exchanges contributing to improved social performance management.

### **Brot für die Welt**

[www.brot-fuer-die-welt.de](http://www.brot-fuer-die-welt.de)

### **Cerise**

[www.cerise-microfinance.org](http://www.cerise-microfinance.org)

### **Church of Sweden**

[www.svenskakyrkan.se](http://www.svenskakyrkan.se)

### **Evangelische Landeskirche in Württemberg**

[www.elk-wue.de](http://www.elk-wue.de)

### **GIIN, Global Impact Investing Network**

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

### **IDB, Inter-American Development Bank**

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

### **Client Protection Principles (CPPs)**

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

### **Council on Smallholder Agricultural Finance**

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

### **European Microfinance Platform**

[www.e-mfp.eu](http://www.e-mfp.eu)

### **Max-Havelaar-Stiftung (Switzerland)**

[www.maxhavelaar.ch](http://www.maxhavelaar.ch)

### **NpM, Platform for Inclusive Finance**

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

### **Principles for Responsible Investment (PRI)**

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

### **Progress out of Poverty Index (PPI)**

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

### **Social Performance Indicators (SPI)**

[www.cerise-microfinance.org](http://www.cerise-microfinance.org)

### **Social Performance Task Force (SPTF)**

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

## 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 and environmental performance management is a priority for Oikocredit. Measuring and demonstrating related 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 2016, we had 801 partners in 70 countries. Being close to our clients and knowing their markets through our network of local staff is at the heart of our work.

## Darjeeling Organic Tea Estates Pvt

Darjeeling Organic Tea Estates Private Limited (DOTEPL), cover picture, purchases and restores abandoned tea estates in the regions of Darjeeling and Assam in northeast India, where workers have often been left abandoned by the former owners. DOTEPL has been very successful with its first estate, Ambootia, which is internationally known for its delicious high-quality tea. Over the last 12 years, the family business has bought and renovated 15 of the 87 Darjeeling estates. DOTEPL's estates grow organic tea and use seeds from older tea bushes produced on the estate, improving the plants' quality and strength.

Oikocredit entered into partnership with DOTEPL in 2013 because of its focus on redeveloping the estates, supporting its workers, working with local producers and using best ecological practices. We are one of DOTEPL's equity investors and made a further investment in 2016. We have agreed with the company to undertake a joint assessment of social and environmental impacts in the newly acquired estates.

As well as making strides in the quality of its tea, DOTEPL is transforming the lives of the estate workers and their families. Ensuring the workers are well supported and fairly paid is a priority. Besides a living wage, housing and food, workers receive fuel, footwear, protective clothing, winter blankets and basic medical treatment. Free milk is distributed to infants, and each child is entitled to free primary education. Social security includes provident and pension funds, gratuity payments and support for dependants.



*Siwaram Pradhan, the manager of the Happy Valley Tea Estate, tasting tea. The tea estate (located in West Bengal, India) was renovated by the Ambootia Tea Group in 2007.*

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

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