



**Integrating  
social goals**

# Key Oikocredit Facts & Figures

As of 31 December 2010

## Total development financing portfolio

- Amounted to € 481 million in 2010
- Loans to and investments in more than 860 project partners in over 70 countries
- 20% of the portfolio invested in 15 of the world's low-income countries (World Bank list)

## Microfinance

Around 80% of the development financing portfolio, € 388 million, is invested in microfinance – through cooperatives, non-bank financial institutions or banks offering diverse financial products, SME financing, wholesale funds and housing loans.

- Focus on the less established microfinance institutions, 83 of 91 new loans were issued to so-called segment 2 and 3 organizations in 2010
- 598 microfinance partners reach 29.3 million clients (over 1.2 million directly with Oikocredit funding)
- 86% of those reached are women
- 14% of the clients reached are active in agriculture, 19% in production, 34% in commerce, 23% in services and 10% in other activities
- 50% of clients reached live in rural areas
- 42% of partners have a gender policy or address gender issues actively
- 57% of loans are in local currency

## Social enterprises

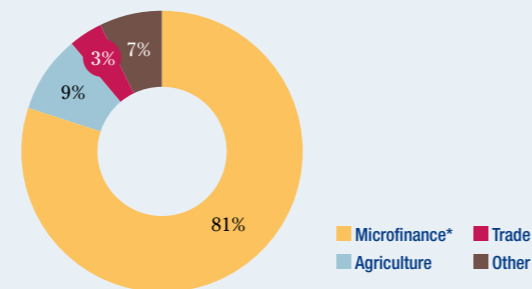
Around 20% of the development financing portfolio is invested in small and medium-sized enterprises (SMEs), production cooperatives focused on agriculture, fair trade and manufacturing and community servicing organizations focused on health and education.

- The portfolio grew from € 80 million in December 2009 to € 93 million in December 2010
- Diversified distribution per sector, with emphasis on agriculture
  - 45% agriculture and fishing
  - 32% trade and manufacturing
  - 14% education and health
- Oikocredit supports almost 50 fair trade organizations with investments amounting to € 19.2 million – 56% of which is in cocoa, coffee and tea enterprises
- 105 production cooperatives in Africa, Asia, Eastern Europe and Latin America

Cover: Próspero Méndez Hernández using recycled water to process coffee beans at CADECH, Guatemala

## Project funding outstanding by sector

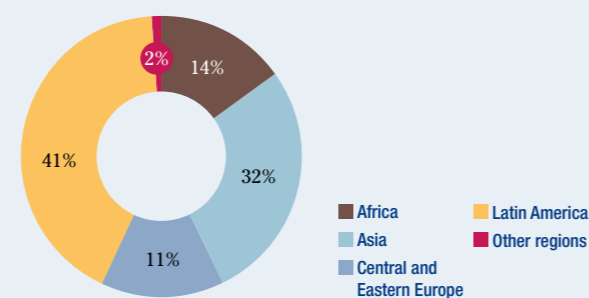
As of 31 December 2010



\* including microcredit, SME finance and wholesale funding

## Project funding outstanding by region

As of 31 December 2010



General and financial indicators	December 2010	December 2009
Total development financing outstanding	€ 481 million	€ 394 million
Total portfolio microfinance investments	€ 388 million	€ 313 million
Total portfolio social enterprises	€ 93 million	€ 80 million
Volume of new loans	€ 214 million	€ 154 million
Average loan size to project partners	€ 769,000	€ 530,000
Number of project partners	863	790
Number of microfinance partners	598	508
Number of countries	71	71

Social performance indicators	December 2010	December 2009
Borrowers reached by MFI partners	29.3 million <sup>1</sup>	17 million <sup>2</sup>
MFI clients reached with direct funding <sup>3</sup>	1,234,605	905,164
Average loan size MFIs to microcredit borrowers	€ 1,023	€ 930
Voluntary savers	9,897,579	-
MFI clients by gender, percentage female	86% <sup>4</sup>	85% <sup>5</sup>
Number of MFI partners with a gender policy	42%	39%
MFI clients rural	50%	53%
People employed by social enterprises	77,671 (60,918 permanent jobs)	26,524 (20,064 permanent jobs)
Social enterprises with environmental policy	55%	57%

<sup>1</sup> number of reporting microfinance partners 498

<sup>2</sup> number of reporting microfinance partners 368

<sup>3</sup> as a proxy the number of end borrowers reached by partners is multiplied by the relative share Oikocredit has in the financing of the loan portfolio of the microfinance partners

<sup>4</sup> of the 29.3 million borrowers

<sup>5</sup> of the 17 million borrowers

## More information

For more information on Oikocredit's social performance, please visit [www.oikocredit.org/spm](http://www.oikocredit.org/spm)

# Investing to empower the poor

Dear stakeholders,

As a social investor, Oikocredit mobilizes investments to support project partners create positive change in the lives of the poor. Different developments in microfinance have made it even more essential to keep this aim at the center of our work and to measure our progress in achieving it.

In 2010, Oikocredit's portfolio grew by 22% to € 481 million. With over 860 project partners in more than 70 countries, the number of those supported by our funding has grown. The total number of borrowers reached by our microfinance partners increased to over 28 million with 1.2 million borrowers reached directly by Oikocredit funding. Oikocredit also increased investments in small and medium-sized enterprises (SMEs), fair trade organizations and cooperatives.

Investing responsibly is at the core of Oikocredit's mission, and we do this on different levels. First, we continue to ensure low-income clients are protected from unfair and potentially harmful financial practices. Compliance with the Client Protection Principles is a contractual obligation for our microfinance partners. Next, we have strengthened our due diligence process with the development of a detailed scorecard that enables additional screening of potential partners on their social, environmental and governance performance.

Beyond ensuring clients are not harmed, we support project partners in all sectors to enhance the value proposition for their clients. At all our regional offices, we appointed social performance management coordinators. Their core task is to challenge and support Oikocredit project partners with responsible and effective governance, risk management and to respond to clients' needs beyond financial services.

We not only challenge our partners but also subject our own operations for review against established benchmarks of social responsible investing. Oikocredit was highly recommended for its social orientation in a rating by M-CRIL, a renowned international rating agency for microfinance. In early 2010, we conducted a partner satisfaction survey and formulated recommendations relating to our own products and services based on the results. Later that year, we received the important CGAP award, recognizing our efforts in integrating environmental, social and governance factors into investment decisions.

Within the microfinance sector, we continue to promote social performance management and raise our voice to ensure social goals come first. We collaborated with a few other investors in defining principles for investors in inclusive finance. We also continue to cooperate with Grameen Foundation, MFTransparency and the SMART campaign – organizations that respectively aim to ensure we reach out to the poor, there is full transparency on interest rates, and clients are protected against harmful practices.

This report shows how Oikocredit is implementing these activities and includes social performance results. We continue to work on securing sustainable operations based on solid financial performance while driving the development of services that really matter to the poor.

We hope you find the results inspiring and welcome your feedback.

Tor G. Gull, Managing Director  
Ben Simmes, Director Social Performance & Financial Analysis  
Ging Ledesma, Manager Social Performance



CAURIE MICRO FINANCE, an MFI based in Thies, Senegal, trained their staff and loan officers to use the Progress Out of Poverty Index

# Securing **social return**

**Oikocredit invests in organizations that empower poor people in their efforts to break the poverty cycle. Loans, equity investments and capacity building enable MFIs and social enterprises to reach millions of the world's poor and empower them to expand businesses, acquire better technologies, develop skills and improve their quality of life.**

Oikocredit's social performance strategy consists of selecting the right project partners, monitoring performance indicators, holding partners accountable to their objectives, providing capacity building and seeking feedback from partners to further develop products and services.

## Selection criteria

We screen all project partners on social and financial criteria. Partners must reach out to the disadvantaged, create jobs and take the environment into account. Oikocredit prefers partners with cooperative structures and those which involve women on different levels.

## Social goals and indicators

Oikocredit collects data on social performance indicators for both the microfinance portfolio and the social enterprises portfolio. Indicators we monitor relate to outreach, targeting methodology, employment created, sustainability, compliance with client protection principles, care for the environment and products and services offered. For example, of our microfinance partners 46% offer deposits, 47% microinsurance and 59% non-financial services. 55% of our social enterprise partners for instance have an environmental policy.

Financial inclusion remains a key objective. The number of end borrowers reached directly by Oikocredit with its investor funding increased to 1.2 million. The number of people reached by Oikocredit's microfinance partners grew to 29.3 million by the end of 2010. By the same time, the social enterprises supported by Oikocredit funding provided over 60,000 people with a permanent job.

## Reaching women is a priority

We aim to reach out especially to women and clients in rural areas. Extensive research confirms that putting more money in the hands of women yields beneficial results for child nutrition, health, education and general family well-being. Of the total number of clients reached by our microfinance partners, 86% are women; 42% of our partners mention women empowerment as an explicit objective.

## Focus on rural areas

In 2010, Oikocredit renewed its focus on rural areas and agriculture. A majority of the poor in developing countries live in rural areas and work in the agricultural sector. In most cases, rural areas lack basic services and support for small-scale agriculture remains weak. Of the number of clients reached by our project partners, 50% live in rural areas and 14% are agricultural borrowers. The agriculture

sector provides opportunities to go beyond microfinance. A farmer, for example, can buy a cow for milking but the value of the cow will be enhanced if the milk it produces is sold to a dairy plant. Oikocredit therefore finances project partners along the length of the value chain.

## Safeguarding clients

Securing borrowers welfare is our primary goal. Unfortunately, the microfinance sector attracts stakeholders with different motivations. Reports of excesses and unethical behaviour in microfinance make it essential for Oikocredit to continue its efforts to ensure that partners do not engage in unfair and potentially harmful financial practices. In 2010, we brought together more MFI partners than ever before to share best practices and promote client protection principles. Currently, 44% of our microfinance partners have endorsed the client protection principles. We want all of them to do so, and have included adherence to the client protection principles as a condition in contracts.

Transparency and accountability are essential in developing a healthy, responsible microfinance sector. We encourage our partners to report to the MIX Market, a global, web-based source for financial and social performance data on MFIs. In addition, we ask partners to collaborate with MFTransparency to disclose effective interest rates. We also ask them to provide us with the annual interest rate on their main financial product.

Of our project partners, 55% report financial performance to the MIX Market. The number of microfinance partners that were financially rated increased to 241 in 2010 (48% of total number). This increase is substantial when compared to 2008 (26%). The number of project partners with an external social rating increased from 8% in 2008 to 20% in 2010, and 37% reported on their social performance to the MIX Market.

## Increasing social return

Most of our partners strive to reduce poverty (75%), generate employment (69%), support start-up enterprises (51%), promote gender equality (44%) or improve housing conditions (41%). Oikocredit supports efforts to improve operations so that these social returns are secured for clients. This can be done through social audits. The SPI (Social Performance Indicators) audits social performance by evaluating intentions and actions. The results of these social audits are discussed and subsequent plans to strengthen operations agreed upon. In 2010, 41 partners applied to use the SPI, resulting in 120 SPI applications since Oikocredit first introduced the tool to its partners in 2008.

# Targeting **the poor**

**Reaching poor people in need of financial services is the first step in achieving our mission. Measuring change in their lives tells us whether there is progress. Measuring change in people's lives is not easy but tools like the Progress out of Poverty Index are helpful.**

The PPI is a ten-question survey tool developed by Grameen Foundation. This survey tool enables MFIs to accurately select clients that are poor. In addition, implementation of the tool over time provides information whether clients have moved out of poverty. Oikocredit promotes the implementation of PPI among its partners to ensure they reach out to the poor and that MFIs do not shift to other target groups.

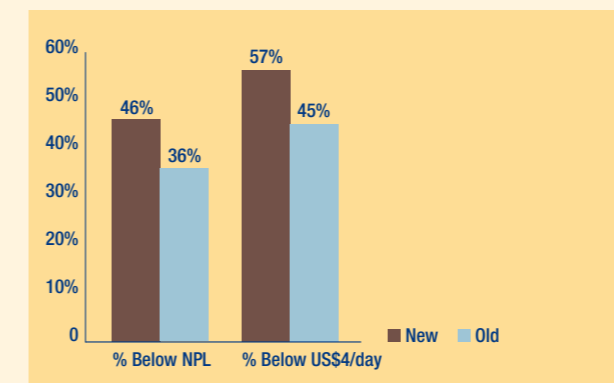
## The PPI in Asia

Three project partners in the Philippines started to use the PPI after piloting the tool in 2008. A year later, six other partners in the Philippines decided to follow. In 2010, Oikocredit introduced the tool to project partners in Cambodia. ASKI, Paginupdanay and RSPI have successfully integrated data collection into their operations and are developing further policies based on the outcome of the PPI. Data from these three MFIs show that clients have moved out of poverty. In total nine project partners in the Philippines and two in Cambodia received assistance to use the PPI.

## Reaching rural women in the Philippines

Paginupdanay, one of the MFIs using the tool, focuses on community development and empowerment to lift the standard of living of the poorest in Negros Occidental. Clients have a choice of products, from agricultural microloans to retirement savings funds, plus health coverage in cooperation with a health insurance organization. The borrowers, mostly poor rural women, also receive support in developing entrepreneurial skills.

## Paginupdanay's clients below poverty line



At the end of 2010, Paginupdanay had 28,652 active borrowers of which 16,885 were surveyed using the PPI. Of those surveyed, over 40% were new clients with about 57% living below the international



RSPI, the Philippines  
Livelihood training for clients

poverty line of US\$4 a day. Of the existing clients 45% lived below the international poverty line. Among the MFI's 9,895 clients who lived below the national poverty line in 2009 and were still clients in 2010, 665 had moved above the national poverty line. While the surveys will need to continue, the early results are encouraging and show there is positive change in the lives of those borrowers.

## Tracking progress out of poverty in Peru

Since 2008, 17 project partners in Peru and Ecuador have piloted the PPI. Some have integrated data collection and monitoring into their operations while others use the tool to reaffirm or adjust their targeting strategies. The MFI partners are of various sizes, the largest is Banco Solidario with 170,000 clients and the smallest is CACMU with 2,000 clients.

Results from three of the MFIs showed that 40% of their clients live below the national poverty line. These include Pro-Mujer Peru, Finca Peru and COAC San José. Pro-Mujer and Finca have strong social missions and excellent track records in providing financial services to women, especially in rural areas. Comparing a sample of 300 clients in 2009 and 2010, results showed the percentage of clients living below the poverty line had dropped slightly.

## Next steps

Following the initial results from MFIs, Oikocredit is committed to further promote use of the PPI. Project partners who use the tool and demonstrate consistently that they are focused on reaching poor people are considered 'preferred partners' who are eligible to receive better terms and conditions on loans from Oikocredit and to access capacity building funds to improve their services to clients. After its introduction in the Philippines, Cambodia, Peru, Ecuador, Mali and Senegal, we plan to roll out the PPI to partners in Guatemala, Honduras, Nicaragua and El Salvador in the near future.

# Committed to **social return**

Oikocredit has been a leader in social performance management for many years and transparency and accountability for the achievement of our social mission remain important elements of our approach.

Oikocredit is committed to social performance and to providing financial products and services that do not contribute to developments such as overindebtedness. The recent appointment of specialists in social performance and capacity building at each of Oikocredit's regional offices enables us to provide partners with even more support and advice. For example, advice on how to implement tools like PPI, and to bring partners together to share best practices and lessons learned in the area of social performance. We also offer financial services such as reduced rates of interest to those partners that clearly provide extra services to the poor. Project partners that need financing in local currency are given that option. We also support partners with capacity building, often in conjunction with other strategic partners.

## Capacity building

Oikocredit assists project partners in developing skills and expertise to better run their businesses. Support varies from strengthening management skills, to assisting with certification of agricultural products. To improve our capacity building we focus our efforts on social performance management, risk management, product development, market coverage and strengthening of agricultural projects. In 2010, small farmers in Kenya received support to better market their dairy products and crops and negotiate favourable prices for fertilizers. In Ecuador, Oikocredit supported financial literacy training for two MFIs. In Bosnia and Herzegovina, we support a debt advisory centre that helps clients improve their financial management and avoid overindebtedness.

Capacity building activities are conducted in close collaboration with the Dutch development agency ICCO, Church of Sweden, the Dutch Ministry of Development Cooperation, Terrafina, Rabobank Foundation, and the Social Microfinance Foundation. Through our capacity building fund, Oikocredit allocated € 2.35 million to support its project partners in 2010 (2009: € 2 million). In addition to that, we have allocated € 400,000 from our own income over 2010 for capacity building support.

## The bottom and middle segment

Less-established MFIs often face difficulties accessing the financial resources needed for growth and sustainability. Oikocredit considers it important that these MFIs receive support. Our data shows that for many of these MFIs, Oikocredit is often the first non-domestic financier. Oikocredit has developed a system to classify MFIs into three segments. The top segment contains the established MFIs and the bottom segment the least established. Based on Oikocredit's classification system, 83 of the 91 new applicants in 2010 belong to the bottom and middle segment.

## Focus on social MFIs and community enterprises

To better identify our partners' social commitment, we have developed an 'ESG scorecard' that assesses our partners' environmental, social and governance (ESG) performance. The assessment helps us decide whether or not to finance a partner. It also enables us to detect areas for improvement.

In addition to due diligence on social performance in the microfinance sector, we are in the process developing a similar scorecard for social enterprises supported by Oikocredit.

## The Principles for Investors in Inclusive Finance

We do not only ask our partners to act responsibly, we demand the same of ourselves. Princess Máxima of the Netherlands, the UN Secretary-General's Special Advocate for Inclusive Finance for Development, together with a core group of investors, including Oikocredit, developed principles for microfinance investors. Signing the principles is a firm commitment on the part of the investors to responsible financing.

## Taking the microfinance sector further

Oikocredit aspires to play a constructive role as a leading development finance organization promoting integrity and social focus in the microfinance sector. Working with other actors in the sector contributes to improving transparency, accountability and ultimately leads to the best possible products and services for poor and disadvantaged people. For example, by combining our efforts in due diligence we set industry standards and establish coherent approaches to avoid market saturation and overindebtedness.

In 2010, we continued to support several microfinance platforms and networks:

### • Social Performance Task Force (SPTF)

We are one of two investor representatives on the Steering Committee of the Task Force. The SPTF brings together over 1,000 diverse stakeholders including microfinance institutions, investors, rating agencies, regulators, academics and development agencies.

### • SMART Campaign

We are a member of the Steering Committee of the SMART Campaign. This initiative promotes a set of 'Client Protection Principles' for the microfinance sector such as preventing overindebtedness and transparency about interest rates.

### • MFTransparency

Oikocredit has been a supporter of MFTransparency since its launch in 2008. MFTransparency provides a tool to calculate the real costs of microloans over time. With this information, we can determine whether the interest rates MFIs charge are acceptable and whether they go down over time.

### • Imp-Act Consortium

We joined this UK-based international organization in 2010 to support its efforts to make microfinance more effective by promoting social performance management.

## Ratings and recognition

In 2010, Oikocredit was rated financially and socially by Micro-Credit Ratings International Ltd (M-CRIL). The positive rating both on financial and social aspects confirms our stature as a professional, socially oriented investor.

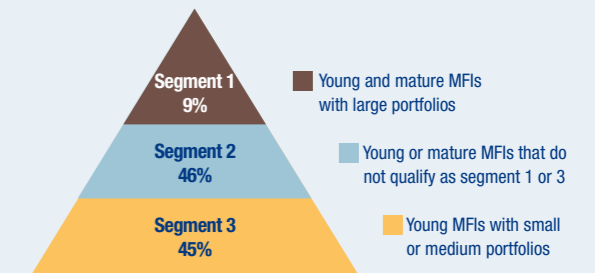
Oikocredit, received the CGAP (Consultative Group to Assist the Poor) award for integrating environmental, social and governance (ESG) factors into investment decisions. CGAP honoured the 'best in class' among microfinance investors, and commended Oikocredit, as one of three winners, for its outstanding achievement in innovation and engagement with its project partners (or investees) and other organizations in the sector.

## Looking ahead

Oikocredit will continue to vigorously promote social performance management. With our network of experts firmly in place, we will further strengthen social performance management among project partners. Our challenge is to make expectations and ambitions on social return as explicit as expectations and ambitions on financial return, and to achieve them.

## Oikocredit focuses on segments 2 and 3

New microfinance partners in 2010 per segment

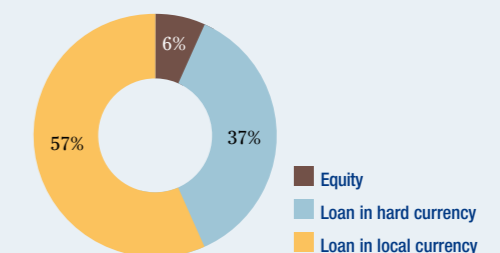


## Outstanding portfolio by charter

Type of institution	2010	2009
Cooperative	33%	21%
NGO	29%	29%
Company	19%	13%
Non-bank financial institution	15%	29%
Bank	4%	8%

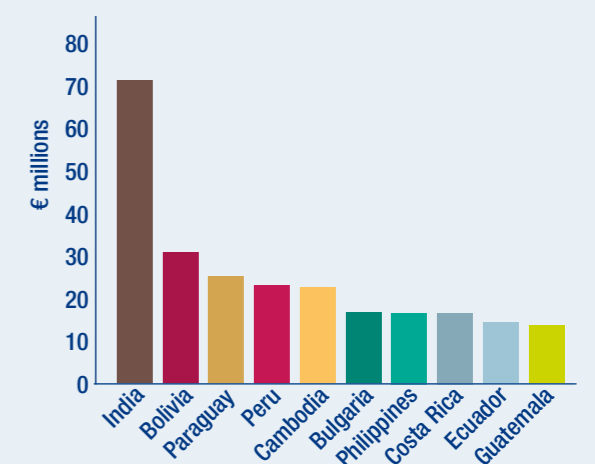
## Breakdown by type of financing

Microfinance portfolio € 388 million as of 31 December 2010



## 10 countries with highest capital outstanding

As of 31 December 2010



## Our approach

Oikocredit is one of the world's largest sources of private funding to the microfinance sector. We provide credit to small businesses through intermediary microfinance institutions across the developing world. We also provide credit directly to trade cooperatives, fair trade organizations and small and medium-sized enterprises (SMEs).

We offer a dual return to our investors: social and financial. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to fight poverty, promote fair trade and respect our planet's natural resources.

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

We have over 860 project partners in more than 70 countries. Being close to our clients and knowing their markets through our network of local staff is at the foundation of our work.

With a positive track record spanning over 35 years, we know that finance for development works.

## Committed to the community and the environment

CADECH (Cooperativa Integral Agrícola 'Adelante Chanmagua' R.L.) was established in 1976 to support farmers from the Guatemalan village of Chanmagua. By 1988, CADECH had started growing coffee, which today is its principal product. The cooperative has remained committed to developing the community and commercializing farmers' produce at a fair price. Every year, at least 10% of CADECH's profits go to charitable initiatives including literacy programmes. The cooperative also provides training in agricultural practices and administrative skills. The organization is committed to protecting the environment. It recycles water (see cover) and has developed a forestry project to increase the forest surrounding the plantations by almost 16 hectares.

CADECH received two loans from Oikocredit in 2010 totalling GTQ 4 million (€ 405,576). Both loans are used as working capital to finance payments to coffee producers, credit operations and improvements to existing infrastructure and operations of the agricultural supply store. The primary beneficiaries of the Oikocredit loan are the cooperative's 248 members, mostly small and medium-sized coffee producers, 35% of which are women.



Pine trees grow among the coffee plants at CADECH, Guatemala

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



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