



## SOCIAL PERFORMANCE OF FUDECOSUR Costa Rica (March, 2009)

This social audit of Fudecosur uses the Social Performance Indicators (SPI) tool developed by Cerise and its network of partners. An assessment is made of the extent to which an MFI dedicates the means to fulfill its social mission in light of four fundamental dimensions of social performance. Who are the clients and how are they targeted? Are programs and service adapted to clients' needs? How are client capacities reinforced and how does the organization carry out its social responsibility?



### Key data:

Starting year: 1993	Legal form: NGO (not allowed to accept savings)
Active borrowers: 2,109	Number of branches: 36
Active credits: 2,109	Gross loan portfolio: US\$ 1,853,900 (Sep 2008)
Number of staff: 7	Total assets: US\$ 2,102,690
Regulated: no	Return on assets: 4.9 %
Main lending methodology: individual lending	Financial expense ratio: 3.8%
Legal status: non-profit institution	Operating expense ratio: 16.2%
Main zone of intervention: rural	Operational self-sufficiency: 121.8%

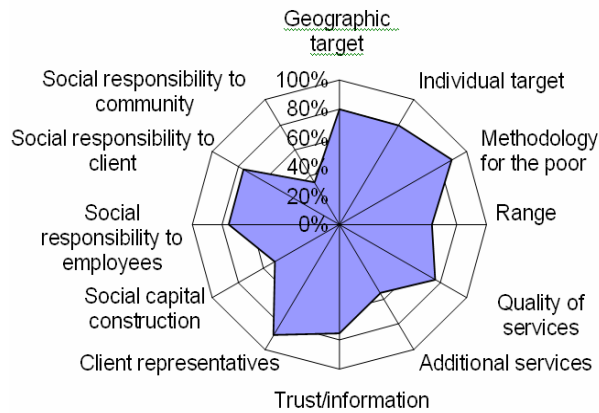
### Social mission and strategy of Fudecosur:

Fudecosur operates under the model of Communal Credit Committees (CCC), which are similar to rural banks. Its mission is to support the social and economic development of the affiliated communities. It provides credit and complementary services to low income Productive Family Units from the Brunca Region (also known as the Southern Region of Costa Rica). There are 36 CCCs serving 78 rural communities who are generally unable to access credit through commercial sources.

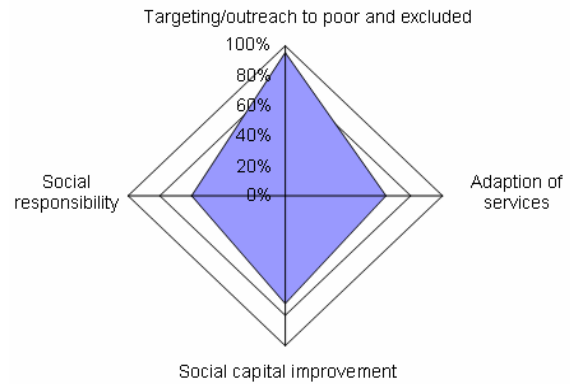
### Summary of results:

The graphs (overleaf) of Fudecosur's social audit scores show its focus on reaching out to the poor and excluded. Fudecosur's target group is composed of low income, rural families and the results show a balanced effort between innovation of products and services and developing social and political capital of clients. A key element in the development of social and political capital of clients is the fact that the clients are also administrators. The CCC model is based on open, communal and democratic participation as well as building confidence, valuing transparency and voluntary work.

## Fudecosur's Social Performance by sub-dimension



## Fudecosur's Social Responsibility by dimension



### Outreach to poor and excluded populations

Fudecosur has carefully and conscientiously selected its target areas for operations. These are in two cantons in the Southern Region, one of them considered one of the poorest cantons in the country. Fudecosur does not assist people from the main city and other important urban zones of this region. Fudecosur also collects information to verify that it is reaching its target market: 90% of its clients are engaged in small scale agricultural activities.

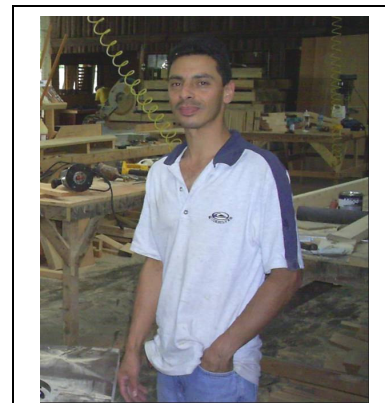
### Innovation of products and services

Through the years, Fudecosur has provided different types of loans. It has tailored repayment schedules according to the cycle of different crops and livestock. It has been flexible on collateral requirements and offers competitive interest rates. Fudecosur tries to always be responsive to clients' needs. An example of this is the flexibility shown in 2008 when many clients were affected by severe flooding caused by a hurricane. Fudecosur rescheduled many loans to assist clients in this difficult period.

Fudecosur is planning to offer credit for basic social needs such as housing. It also plans to provide non-financial services such as seminars and technical assistance to producers. The advantage of Fudecosur is that the CCCs are based in the communities. Feedback is facilitated and the CCCs are able to tune into the needs of the clients in the communities. This also simplifies the credit process and collection, reduces the costs per transaction and facilitates the mobilization of the clients.

### Improvement of social and political capital of clients

The structure of FUDECOSUR is based on the direct participation of community members through the CCCs. Here, decisions are taken and loans are reviewed and approved. The delegates of each CCC are part of the General Assembly of this MFI and the main Board of Fudecosur is appointed by these delegates. The CCCs have autonomy in their decisions, but are guided by the Credit Guidelines of Fudecosur. Through this process of delegated authority and active involvement through the CCCs, Fudecosur hopes to develop communal leaders and to contribute to the communities' development and welfare.



Armando Cordero. He and his brother make furniture, doors and other works in wood. Last year, they lost part of the stock of wood and a warehouse was damaged by heavy floods. Thanks to the facilities given by Fudecosur, they are reconstructing their business again and now have nine employees.



Oikocredit member Heinrich Wiemer with the committee of Pueblo Nuevo de Rivas.

### **Social responsibility of the MFI**

The MFI takes the issue of social responsibility very seriously, but sufficient measures are in place only in relation to the social responsibility towards employees. Labor conditions within the MFI are good and there is a systematic training and human resource development plan for employees. There is also good participation and feedback between employees of the central office of Fudecosur, the Boards of the CCCs and the clients. In relation to the broader community, Fudecosur has not limited its efforts to the development of local community leaders through the participation in the CCCs. Fudecosur intends to give more attention to this dimension in the future by working in collaboration with other NGOs and state institutions to share resources, experiences and outreach.

### **Conclusion**

The model of credit committees is an effective organizational structure for broad-based participation. In the case of Fudecosur, the community members are both clients and administrators of the CCC. The Communal Credit model fortifies the links among all the areas of the organization and promotes the execution of goals around the project of micro-credit, as a tool to achieve the growth on low-income families.

Fudecosur uses geographical targeting to reach the poor and the excluded in rural areas; for many clients, Fudecosur is the only accessible credit facility. The results of the audit highlight the need to pay more attention to taking concrete action in line with social responsibility to the community. With its experience and contact with the towns and villages of the region, Fudecosur can be more influential in the development of the social capital of its clients and before the local authorities. This is an area for possible collaboration with Oikocredit.