

Summary report

Responsible Finance: assessing Oikocredit's social performance

Building on its pioneering Social Performance Indicators (SPI) tool for Microfinance Institutions (MFIs), CERISE has now developed a tool to evaluate the social performance of social investors like Oikocredit. Do investments in Oikocredit lead to positive changes in the lives of the working poor? The SPI tool for investors challenged Oikocredit to examine its operations and take stock of its strategy, products and potential for social impact.

The audit tool “SPI – Microfinance Investment Vehicles (MIVs)”

Taking into account the environment, social development and governance (ESG) framework and CGAP's work on aid effectiveness, the SPI- MIV tool focuses on four dimensions of socially responsible investment. The tool analyzes an MIV's capacity to:

- 1) target MFIs most in need of external funding;
- 2) adapt services to the needs of MFIs;
- 3) build the capacity of MFIs;
- 4) demonstrate social responsibility to the microfinance sector and to the environment.

Results for Oikocredit by dimension

Dimension 1 - MFI targeting

In terms of geographic exposure, Oikocredit has a strong involvement in Asia and Africa. A CGAP survey of 58 MIVs in 2008 indicates that while the average investment in Asia is 9% of MIV portfolio, Oikocredit has 30% of its portfolio in this continent. Similarly, Oikocredit has 13% of its portfolio in Africa while the average for 58 MIVs surveyed by CGAP is only at 8%. About 30% of Oikocredit's portfolio reaches MFIs serving clients who are in the bottom economic brackets in their countries. Oikocredit finances a wide spectrum of institutions, ranging from small village banks with low, average loan sizes to savings and credit cooperatives and medium and large established institutions. Among Oikocredit MFI partners, on average, women constitute 80% of total clients.

Dimension 2 - Adaptation of services

Most of the portfolio is in loans with maturity over two years and a large share in local currency. Its average low staff productivity (around three and a half project partners per staff) is balanced by strong field involvement and long-term relationships with partners. Oikocredit combines loans with a capacity building fund and this fund has had a broad, demand-driven scope.

Dimension 3 - Governance and strengthening of MFIs

From the beginning, Oikocredit has pushed for client participation in governance, supporting cooperatives and member-based organizations. Links developed with national professional associations, including COPEME in Peru or MCPI in the Philippines, have helped build the local capacity to support the national microfinance sector.

D4 – Social responsibility

Oikocredit has been very active and visible at an international level, signing the Client Protection Principles, the Microfinance Transparency campaign and the Social Performance Management principles, etc. In close interactions with some of its regional offices, innovative social performance assessment tools have been piloted, in conjunction with developers such as the Grameen Foundation. The tools have assessed client poverty¹, social audit (SPI)², social rating³, etc. Regarding social

¹ Progress out of Poverty Index (PPI) developed by Grameen Foundation

² Social Performance Indicators (SPI) developed by CERISE

³ Social Rating by Microfinanza

responsibility towards the environment, Oikocredit conducted an audit on carbon emission and uses exclusion lists of enterprise activities (e.g. child labor, logging, mining, hazardous chemicals) for its microfinance partners.

Main findings

Strategic clarity

The social audit report reveals Oikocredit has a strong social mission and vision and committed human resources. The 2009 internal reorganization in Oikocredit creates the opportunity to fully integrate its social performance approaches and ensure coherence among different entities (headquarters, regional and country offices).

Staff capacity

Staff training on social performance has been developed, but synergy with local professional associations and partners can be further strengthened. This would build local capacity and increase benefits from economies of scale in promoting social performance.

Appropriate instruments

Based on its unique pilot testing experience, Oikocredit can now define an appropriate range of tools to use in due diligence and monitoring systems. Moreover, the capacity-building fund can be aimed at moving from social performance assessment to social performance management, with the aim of supporting microfinance partners improving the ultimate impact on their clients. Key areas of support, aligned with Oikocredit's main values, could be defined as: financial education/client protection, governance/participation, agricultural/rural products, women empowerment and information systems.

Knowledge management

Oikocredit has started to collect and analyze aggregated data and uses it to influence decision making and to engage in dialogue on social performance issues with microfinance partners. Capacity building should be further facilitated.

Accountability for results

Oikocredit is the pioneer in social auditing of investors and capable of giving in-depth data on its partners, thereby meeting requirements of the MIV disclosure guidelines.

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