



## Capacity building: client welfare top priority

- Social performance mentoring
- Social impacts in Senegal



Cover photo: Mariatou Badji is a member of the women's association in Casamance, Senegal, connected to Copex Sud. Read more on page 5.

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# Editorial

In close to 70 countries, Oikocredit provides financial resources to farmers' cooperatives, fair-trade producers, microfinance institutions and associations or companies engaged in a variety of social enterprises. Support of these enterprises follows a thorough financial, technical and social due diligence to ensure they provide disadvantaged people with a viable and sustainable opportunity to build a better life.

For some of these enterprises, access to financing is all that is needed for them to successfully deliver on the promise of improving the quality of life for those involved. However, in many instances, additional support is needed to strengthen the organization, improve viability and sustainability and deliver on promised social benefits.

Some of the areas where partners need support include strengthening governance, developing new products, improving agricultural technologies, better management of risk, ensuring that credit does not lead to over-indebtedness and assessing changes in clients' lives and reporting on these.

This is where Oikocredit's Capacity Building Programme, in place since 2007, comes into play. With the support of our valued partners ICCO, Church of Sweden and Rabobank Foundation, we have been able to help partners improve operations and practices and thus be in a better position to deliver on promises of a social return.

In this special edition of Oiko Info, we will share with you some initiatives supported under our Capacity Building Programme and the outcomes.

I hope you enjoy this special edition of Oiko Info.

## Ging Ledesma

*Director of social performance and financial analysis*



Ging Ledesma (second from right) and her international social performance team

# Mentoring microfinance

**In 2011, Oikocredit developed a social performance mentoring programme to assist microfinance institutions embed social practices into daily operations. How has the mentoring programme fared and what were some outcomes?**

Since its implementation, the mentoring programme has assisted microfinance institutions (MFIs) improve practices to achieve better outcomes for their clients. Ging Ledesma, director of social performance and financial analysis, developed the programme with Anton Simanowitz, Oikocredit International's social performance specialist and Elikanah Nganga, regional social performance coordinator, who both led its implementation. The programme began with a five day social performance management (SPM) workshop in Nairobi, Kenya, which was attended by five participating MFIs and six experienced consultants who were trained as SPM mentors.

## **Why social performance mentoring?**

MFIs need to find a sustainable balance between social and financial practices and implementing SPM can help MFIs realign social goals and become more responsive to the people they serve. Ging explained that assisting MFIs to embed a client-centred approach in their daily practices will in turn have a positive effect on both the client and the organization. "Experience has shown that strong clients make strong microfinance organizations," said Ging.



*UGAFODE's suggestion box, as part of its customer care service*

## **Realigning daily practices with social goals**

Since the Nairobi workshop, Anton says he's seen many positive changes to MFI practices. One participating MFI which has transformed both socially and financially since the programme began is Ugandan MFI and Oikocredit partner, UGAFODE. At the beginning of the programme, UGAFODE's loan portfolio was shrinking, it had a high portfolio at risk (PAR) rating and profitability was going downhill. Anton explained that during the initial workshop, UGAFODE realised it had lost focus of its social mission and also its original target clients which are economically active poor, women, rural populations and groups. "During the workshop we assisted UGAFODE in refocusing their original social mission and translating this into practice," added Anton.

## **How has UGAFODE implemented SPM?**

To reach out to its original target clients, including women and rural populations, UGAFODE first established rural branches. It then relocated its head office from the financial district of Uganda's capital, Kampala, to a more accessible location for clients. UGAFODE then recruited a manager to review and amend the group lending policy which saw UGAFODE's share in group lending grow from 34% to 69% of total clients; group clients include a greater proportion of poorer people and women.

During the workshop, UGAFODE also realised the necessity to support clients during times of unexpected hardship. To address this, UGAFODE negotiated insurance cover, introduced voluntary savings schemes and reviewed its zero tolerance policy on loan repayments. These changes resulted in over 13,000 new savings accounts and more clients taking out insurance. UGAFODE also retrained loan officers to reschedule late or missed payments. Most importantly, it removed its external debt collection agency and brought the function in-house. UGAFODE further trained its loan officers in assessing client ability to pay, rather than focussing on collateral.



*With her second loan as part of a women's loan group, Ms Jovanisi Kiviri built a water tank*

Realising many of its rural clients were paid monthly, it adjusted weekly loan repayments to monthly instalments. UGAFODE also founded a customer care service, which has since proven its value, and has integrated SPM into its five year plan.

## **Outcomes of social performance mentoring**

Elikanah says UGAFODE has come a long way in a relatively short time. "Since the first workshop, UGAFODE's PAR has dropped from 12% to 3%, customer numbers have increased from around 9,000 to 24,000 and it has refocused on its original target groups," said Elikanah. Overall, UGAFODE has made many positive steps to incorporate SPM into its daily practices which in turn strengthened the organization both socially and financially. Initial results from other participants in the programme have also been positive, with other MFIs strengthening loan appraisal processes, introducing flexibility into loan products and reviewing collateral requirements. Oikocredit will be expanding the mentoring programme to Paraguay, Peru, Ghana and Senegal in 2013.

# Keeping a sharp eye on social performance

**For Oikocredit, social returns are as important as financial returns. To assist our partners and the wider microfinance community in maintaining social practices, Oikocredit has a social performance officer in every region. Andrea Domínguez is one of our social performance officers who covers five Latin American countries; Uruguay, Bolivia, Argentina, Paraguay and Brazil. Andrea, who operates from the Uruguayan capital Montevideo, explains what she's been doing in her region and what will be keeping her busy in 2013.**



Andrea Domínguez

**You manage social performance in five countries, what types of organizations do you mostly work with?**

“As we have over 100 partners in our region alone, we focus on assisting those partners with social performance management (SPM) training and also capacity building. As around 80% of our partners are microfinance institutions (MFIs), we (country managers and I) are mainly working with them to mentor and support them on their social practices in their day-to-day operations and long-term goals.”

**How do you manage social performance in your region?**

“One of Oikocredit's due diligence tools for partner selection is an Environmental, Social and Governance (ESG) score card. Our partners all have social goals and missions which are evaluated in the ESG scorecard and part of the criteria is that they are aligned with Oikocredit's own goals and missions. My role is to ensure that our partners, once financed by Oikocredit, continue operating in accordance with those social goals and missions. As I manage five countries, it is of course different for each country and partner, but mostly my role is about raising awareness around initiatives such as the Smart Campaign and providing training to partners about how SPM works and how they can implement it into their day-to-day practices and long-term objectives. We try to continually provide training and education to our partners about social practices and realistic goals they can achieve within their own organization.”

**Can you give us some examples of what you've been doing in your region?**

“In countries like Brazil, Argentina, Paraguay and Uruguay, microfinance is still a relatively new sector, so promoting social performance throughout the

entire sector is very important for us. Last August, the Regional Development Centre, South America Southern Region (RDC SASR) and country office Paraguay organized an SPM workshop for various stakeholders in the MFI sector. It was not just a workshop for Oikocredit partners, but also for policymakers who wanted to know more about SPM. This was a way to provide training about social performance and also promote initiatives such as the client protection principles which can be implemented into an MFI's operations. Through workshops like these, we aim to make an impact on the microfinance sector, not just Oikocredit partners.”

**What's in store for 2013 in your region?**

“The main challenge for 2013 will be implementing the mentoring programme. We will try to implement this programme first in Paraguay whilst also planning SPM workshops in Bolivia and Brazil. We're also managing several initiatives which were approved last year regarding capacity building. For those cases, the impact study will be the main challenge to confirm that these initiatives were successful. A preliminary pipeline for capacity building has already been approved for 2013, so we also have that target to achieve for this year.”

## Oikocredit's € 3.6 million capacity building fund

The origin of funds includes donor grants from ICCO, Church of Sweden and smaller donors. Oikocredit also adds resources to the Capacity Building Fund from its annual net financial result. In 2012, Oikocredit increased disbursement of funds for capacity building, supporting over 90 initiatives with a special focus on the agricultural sector.

**Focus areas for capacity building include:**

- **Social Performance Management**
- **Risk Management and Governance**
- **Market Coverage Analysis and Strategic Positioning**
- **Product Development**
- **Agricultural Value Chain Finance**

# Social impacts in Senegal



Blanca Mendez (far left) with Oikocredit investors and members of Copex Sud in Senegal

Evaluating social returns can be, at times, less straightforward than assessing financial returns. For Oikocredit, seeing the social benefits of its partners' work remains a top priority. Blanca Mendez, communications officer at Oikocredit International, recently visited Senegal with a group of Oikocredit investors and volunteers to see first-hand the impact of Oikocredit's work in the country.

## Why does Oikocredit operate in Senegal?

"Although Senegal is one of the more stable countries in West Africa, it still remains relatively poor, with over half of the country's population living below the poverty line. Despite around 75% of the population working in agriculture, much of the country's rural areas remain underserved in terms of electricity, drinkable water, agricultural equipment and irrigation. For those reasons, Oikocredit opened an office in Senegal, to invest in agricultural businesses and provide inclusive finance throughout the country. So far, Oikocredit has invested almost € 22 million in Senegalese agricultural enterprises and microfinance institutions (MFIs) to provide people with access to finance to improve their lives."

## What were some of the social impacts you saw in Senegal?

"During the visit we flew to Ziguinchor, in the southern region of Casamance, one of the poorest parts of the country. There we visited Oikocredit partner U-IMCEC, a cooperative-based MFI with eight branches in four locations across Senegal. The staff at U-IMCEC told us about the enormous local demand for microfinance in the region, as most of the region's inhabitants can't get loans from banks and don't have savings. We met with U-IMCEC client, Bineta Diallo, who despite being illiterate, runs a fabric and textiles shop employing four other women. Bineta got a loan from U-IMCEC four years ago to start her business, which she has since expanded. The business has enabled Bineta to send her children to school and her eldest daughter to university. For me, it really showed the impact a loan can have on a person's life and their family."

## How is Oikocredit contributing to development in the region?

"In the rural area of Casamance, agriculture remains one of the only sources of income for the low educated local population. Our country manager for Senegal, Sambou Coly, saw that many farmers in the region were growing mangoes with no market to sell their

produce and 75% of the fruit going to waste. Sambou came up with the idea to help unite local growers and build a cooperative, now named Copex Sud. To provide the farmers with access to value chains, Sambou and Oikocredit's equity unit helped set up a company, Les Saveurs du Sud, to process the mangoes for export. With additional capacity building support, the now 2,000 member cooperative hopes to supply fresh mangoes to be processed and dried, providing year-round, sustainable employment for 150 people, majority women. Part of the conditions of Oikocredit working with the cooperative was that women would be entitled to own their own land, which is a big social development for the region."

**As food security and sustainable income are major concerns in Senegal, Oikocredit will remain focussed on investing in agriculture as well as inclusive finance in the years to come. Oikocredit will be expanding into new regions throughout Senegal which will contribute to making a bigger contribution across the country.**

*Read more about the study tour to Senegal: [www.oikocredit.org/en/microfinance-in-the-field](http://www.oikocredit.org/en/microfinance-in-the-field)*

## Oikocredit welcomes David Woods as managing director

**On 1 January 2013, we welcomed David Woods as managing director of Oikocredit, replacing the retiring Ben Simmes.**

David is an Irish national who brings extensive international business and leadership experience to Oikocredit. He's held several senior positions across the banking sector and is an advisory board member to the European Institute of Interdisciplinary Research in Paris.

Before joining Oikocredit, David held leadership positions in various organizations in the United Arab

Emirates, including CEO of a regional investment bank.

David says he looks forward to using his financial and international leadership experience for his new role, while learning all about cooperatives, microfinance and managing an organization with social goals.

"I'm looking forward to helping Oikocredit continue to grow and make an impact on the lives of many around the world," said David. "My aim is to visit as many regions as possible in the coming year to learn more about our work, our partners and the sector," added David.

He will visit a number of regions throughout 2013, including Cambodia for the annual general meeting and various partners across Asia, Latin America and Africa.

Oikocredit is very pleased to have someone of David's experience join the organization and looks forward to his contributions as managing director.

Oikocredit would also like to thank Ben for the contributions he made over his 16 years with Oikocredit and wish him every success with his new endeavours during retirement.



David Woods meets board members of Indur MACS Federation and Intivelugu Dairy, in Nizamabad, India

## Kuapa Kokoo launches radio programme

**How do you communicate to 65,000 members, some of whom live deep in the rainforest and can't read or write? This has been a major challenge over recent years for Kuapa Kokoo, a fair trade partner of Oikocredit in Ghana. It seemed the best solution for the farmer's cooperative was to take over the airwaves – just for an hour a week.**

In November 2012, Kuapa Kokoo launched an eight week radio show called 'The Hour' to communicate important issues within the cooperative and also connect current and potential members. Before the launch of the radio

programme, Kuapa Kokoo relied on outreach teams to regularly visit regions to discuss local issues which were then relayed back to the main office. This was often a long and difficult process, which lacked the formation of community and connection between members.

With radio being a popular and accessible medium in Ghana, Kuapa Kokoo thought it would be a good way to provide an open forum to unite its members. The aim of the show was to ensure that members were fully informed about what Kuapa Kokoo does for farmers, aspects that set it aside from other cocoa buying companies in Ghana and the benefits of being a member. With

the help of Divine Chocolate, a Kuapa Kokoo shareholder which also uses its cocoa, the programme was developed to provide maximum appeal and value to its countrywide audience.

For one hour every week, the radio show informed members about the role of fair trade, talked about farming issues and good practice and also raised awareness about Kuapa Kokoo's Child Labour Awareness Programme. Kuapa Kokoo and Divine Chocolate received a lot of positive feedback about the programme and are currently working on a new series of programmes for 2013.

## Key figures

at 31 December 2012

● total assets	€ 723 million
● total capital outstanding	€ 530 million
● total number of partners	854
● microfinance partners (of total number of partners)	583
● number of investments since inception	2,632
● average loan size total portfolio*	€ 744,303
● average loan size to microfinance institutions*	€ 823,078

\*based on approved loan amounts

## Social performance

at 31 December 2011

Social performance management is a priority for Oikocredit. We monitor certain social performance indicators to ensure our microfinance partners reach the right target groups and provide services that work towards a positive change in people's lives.

Clients reached by Oikocredit's microfinance partners	26 million
● % female clients	83%
● % rural clients	53%
People employed by social enterprises	39,323
● of which permanent jobs	24,083

## Latest deals\*

at 31 December 2012

### GHANA – SAVANNA FARMERS - GHS 2 MILLION (€ 815,000)

Savanna Farmers is a marketing company that provides access to markets for farmers in northern Ghana. Its key focus is to organize the entire value chain from production to processors (buyers). The company links low-income, small scale farmers and has around 13,000 members, around half of which are women. By linking small scale farmers together, produce can be grown in a larger quantity which attracts large local and international buyers. Produce cultivated includes sorghum, maize and soybean. Savanna has been a partner of Oikocredit since 2005 and received a credit line in 2012 of GHS 2,000,000 to be used for working capital and to purchase produce from farmers. Oikocredit has financed Savanna in cooperation with ICCO through lines of credit and equity.

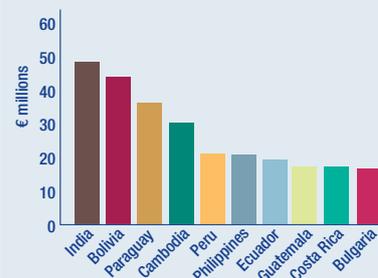
### UKRAINE – KHARKIV CREDIT UNION - UAH 6 MILLION (€ 575,000)

Kharkiv Credit Union (CU) is a medium-sized credit cooperative operating in the Eastern Ukraine region of Kharkiv. The organization has ten branch offices with over 45,000 members and employs around 50 people, over half of which are women. As over half of Kharkiv CU's customers are from rural and poorer areas, majority of loans obtained from the cooperative are used to improve living standards. This includes education costs, medical treatment, installation of modern heating systems and minor home repairs. The loan provided by Oikocredit in 2012 will be used to extend Kharkiv CU's loan portfolio and improve the credit union's liquidity. This new loan will be the fourth loan from Oikocredit since 2008. Each loan obtained has contributed to the credit union's expansion into more rural areas of Kharkiv to reach underserved clients.

\* based on approved loan amounts

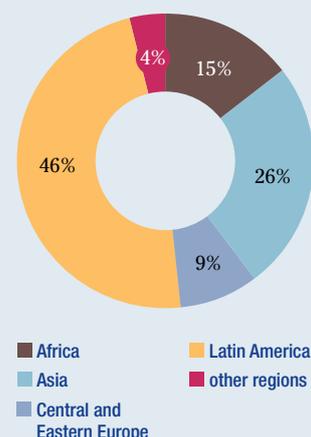
## Countries with highest capital outstanding

at 31 December 2012



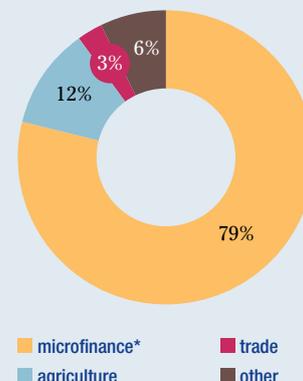
## Funding by region

at 31 December 2012



## Funding by sector

at 31 December 2012



\* including microcredit, SME finance and wholesale funding

# “Just continue doing what you’re doing!”



Martina Schaub, director of SÜDWIND

The SÜDWIND Institute for Economics and Ecumenism based in Bonn, Germany, researches and publishes on issues that contribute to an equal global economy. They also invest in Oikocredit through the SÜDWIND Foundation. SÜDWIND’s director Martina Schaub explains what the institute does and its relationship with Oikocredit.

## What does SÜDWIND do?

“Since its beginning in 1991, SÜDWIND has promoted global economic, social and environmental justice. We believe that there is a direct link between the wealth of a few and the poverty of many and we want to contribute to changing that around the world. We strive for fair economic relations, reveal unjust structures and offer alternatives which contribute to change. Our work combines research with development advocacy. We work in a number of areas, including development cooperation, women and world economy, sustainability in financial markets and social standards in international trade. In 2007, the SÜDWIND Foundation was set up to financially support SÜDWIND for its mission.”

## Why did the SÜDWIND Foundation invest in Oikocredit?

“SÜDWIND Foundation investments are made on the basis of criteria that were established in our investment policy. They are based on the values of the ecumenical movement. The main goals of our capital investments are to further promote the work of SÜDWIND, financial security and a reasonable financial return. For the portfolio, SÜDWIND determined an investment mix that should consist for 5% of shares in Oikocredit or microfinance institutions.”

## SÜDWIND is known for its expertise in socially responsible investments. How do you see Oikocredit in this context?

“Oikocredit is committed to promoting sustainable development, alleviating poverty and fighting injustice. In our opinion, as a cooperative, Oikocredit has chosen the most appropriate form of organization for democratic decision-making. Also, as many of Oikocredit partners are cooperatives, this model fits very well with our aim to contribute to achieving justice around the world.”

## As a leading advocacy organization, what advice can you give on development?

“Sustainable investments and microloans have recently become a new market for conventional banks and financial institutions. At the same time, the microfinance sector continues to be criticised. Oikocredit has dealt with all these sector developments and responded to them in its own way. Our advice would be: just continue doing what you’re doing!”

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## About us

Oikocredit is one of the world’s largest sources of private funding to the microfinance sector. We provide credit and equity to small businesses through microfinance institutions across the developing world and directly to trade cooperatives, fair trade organizations and small-to-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.

## Participation

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