OIKO CREDIT
investing in people
40 years

Social Performance Report

2014

Focusing on **client-level outcomes**

Facts & Figures

As at 31 December 2014

Total development financing portfolio

- Amounted to € 735 million in 2014
- € 109 million in low-income countries (GNI per capita ≤ $1,045)
- Loans to and investments in 805 partners across 63 countries

Microfinance

Around 84% of the development financing portfolio, € 614 million, was invested in microfinance through 549 cooperatives, non-banking financial institutions, banks offering diverse financial products, small to medium enterprises (SME) and wholesale funds.

- Oikocredit continued to invest in small microfinance institutions (MFIs) with less than 10,000 borrowers (47%)
- Our microfinance partners reached 37 million clients with 1.5 million of these through Oikocredit funding
- 86% of those reached were women
- 28% of the clients reached were active in commerce, 25% in agriculture, 23% in services, 11% in production and 12% in other activities
- 50% of clients reached lived in rural areas
- 50% of microfinance partners had a gender policy
- 57% of microfinance partners had an environmental policy

Production and services (social enterprises)

Around 16% of the development financing portfolio, € 121 million, was invested in SMEs, production cooperatives focused on agriculture, fair trade, manufacturing and community servicing organizations focused on health and education.

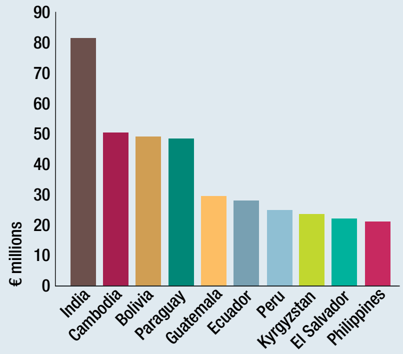
- 256 production and services partners diversified across a number of sectors, with emphasis on agriculture
- 69% agriculture and livestock
- 12% trade and manufacturing
- 11% education and health
- Oikocredit supported 89 fair trade organizations
- 105 production and services partners engaged in activities that aimed to promote and improve the protection of the environment and climate
- 38% of production and services partners had a gender policy
- 73% of production and services partners had an environmental policy

Cover photo: Promotora de Desarrollo Cooperativo de las Segovias SA (PRODECOOP), in Nicaragua, pre-finances the coffee harvests of over 2,000 members of 69 cooperatives. Pictured is the husband of Helena del Socorro Centeno García, a member of one of the supplying cooperatives. PRODECOOP has provided Helena and her husband with loans, technical assistance related to coffee growing, and school materials. PRODECOOP was one of the first cooperatives to work with Cafédirect, a pioneering, grower-focused, hot beverages company, trading fair trade-certified coffee, tea and cocoa.

2014 in graphs

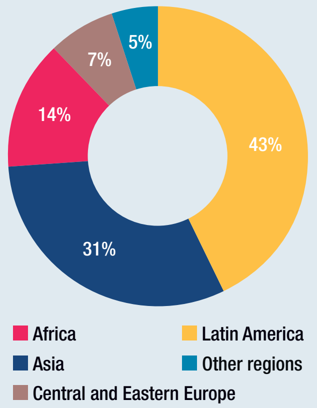
10 countries with highest capital outstanding

As at 31 December 2014



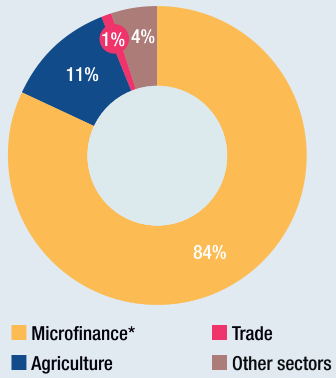
Funding outstanding by region

As at 31 December 2014



Funding outstanding by sector

As at 31 December 2014



* including microcredit, SME finance and wholesale funding

Adding the 'plus' to **development finance**

Supporting our partner organizations in serving the needs of financially excluded people is the essence of Oikocredit's approach to development finance. As a social investor, we are committed to helping partners improve their financial and social performance by empowering low-income earners to realize a better future for themselves and their families. We also strive to be transparent and accountable in meeting our own social, financial and environmental goals.

Our partners need more than finance alone. Improving the quality of life of people and their communities in a sustainable way calls for more than just credit or equity, important as these are. At Oikocredit, we offer a 'development finance plus' approach, which incorporates social performance monitoring and capacity building (CB). Through capacity building, we help our partners acquire new knowledge, skills and technology, strengthen their governance, and improve their business planning, access to markets and overall performance.

Effective social performance monitoring helps identify where partners need support most. Working with partners, we track their outreach, products and client services as well as the quality of their data. As the data we collect grows and improves, we are able to conduct more meaningful assessments. In 2014 for example, we used monitoring data for the first time to measure social returns on our loans in relation to partner outcomes.

Oikocredit's new 'outcomes' programme focuses on strengthening microfinance partners' capacity to gather information from their own databases on changes in clients' lives over time, enabling better analysis of outcomes and application of findings.

Our social performance management (SPM) mentoring programme, which has run successfully since 2010, is another core element of our CB work.

This report provides an overview of Oikocredit's initiatives that add the 'plus' in our approach to development finance. This would not be possible without the great commitment and engagement of our worldwide network of SP and CB coordinators and the SPM team at the head office in Amersfoort, the Netherlands.

In 2015, Oikocredit will continue to grow, enhance and diversify its portfolio. Social performance and CB will remain priorities, and we will increase our involvement in measuring outcomes to assess the lasting benefits to clients. Amid a changing sustainable development landscape, we will continue to interlink our social, environmental and financial goals, while improving our performance, and sharing our learning and successes with others.

David Woods
Managing director

Ging Ledesma
Social performance & credit analysis director

Ging Ledesma (back centre), visiting Rusizi Specialty Coffee in Rwanda

Partnering for **positive impact**

Social performance management (SPM) is at the heart of Oikocredit's work. Strong SPM starts with careful partner selection, impacting outreach and each stage in the social investment value chain. SPM incorporates monitoring client outcomes as well as providing support and education to partners and their clients.

Partner selection

Selection of the microfinance organizations and producer enterprises that we partner with is a crucial decision. Potential partners' aims and approaches need to be aligned with our own. We must be able to work and learn together as like-minded organizations sharing the same mission of empowering low-income earners, their families and their communities.

In 2010, we introduced an environmental, social and governance (ESG) scorecard for financial intermediaries. We subsequently developed an additional ESG scorecard for production and services partners.

Our ESG scorecards evaluate potential partners in relation to key selection criteria. This includes commitment and ability to create jobs and income for disadvantaged people. For cooperatives, microfinance institutions (MFIs) and small to medium enterprises, we also rate them on their suitability of management structure, proportion of women in management positions, approach to environmental sustainability, actual or potential financial sustainability and the degree of need for investment from overseas. We exclude organizations involved in such activities as child labour or production of arms or other dangerous materials.

Partner and client outreach

With a portfolio of 805 partners across 63 countries, Oikocredit has maintained its strategic focus on inclusive finance, agriculture and renewable energy. In our microfinance portfolio, we have partners who have obtained their fourth or fifth loan with Oikocredit. These partners' need for financing has grown over the years with their operations, contributing significantly to the growth of our microfinance portfolio. We have fewer partners, however a significant number with larger loans.

In 2014, the number of partners in low-income countries (LICs) continued to rise, while numbers of partners in least developed countries (LDCs) increased slightly. The majority of the countries falling under both categories were mainly concentrated in Africa.

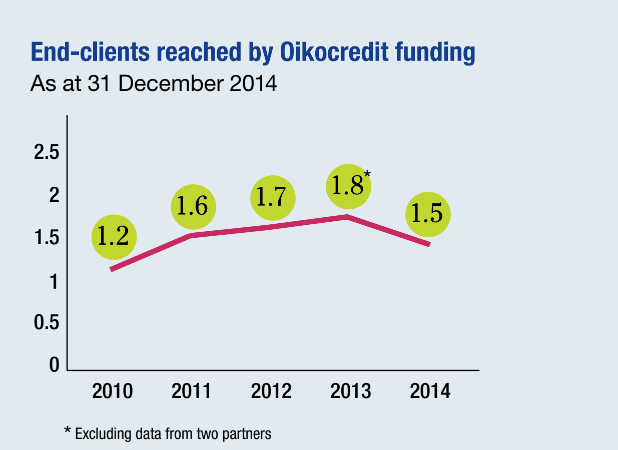
Our African portfolio grew to € 104 million with 205 partners, yet much remains to be done to continue to increase our portfolio in Africa. Latin America and Central and Eastern Europe remain our largest regions in terms of outstanding portfolio.

General and financial indicators	2014	2013	2012	2011	2010
Total development financing outstanding	€ 735 million	€ 591 million[1]	€ 531 million[1]	€ 521 million[1]	€ 481 million
Total portfolio microfinance investments	€ 614 million	€ 483 million	€ 420 million	€ 410 million	€ 388 million
Total portfolio social enterprises	€ 121 million	€ 108 million	€ 110 million	€ 110 million	€ 93 million
Volume of new loans	€ 384 million	€ 296 million	€ 234 million	€ 211 million	€ 214 million
Number of partners	805	815	854	896	863
Number of microfinance partners	549	566	583	616	598
Number of countries	63	67	67	67	71

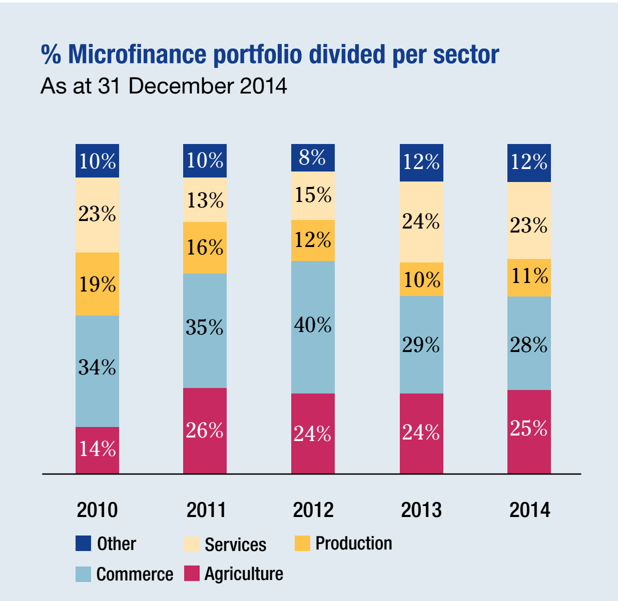
Social performance indicators	2014	2013	2012	2011	2010
Clients reached by MFI partners	37 million	28 million	28 million	25.5 million	29.3 million
MFI clients reached with Oikocredit funding[2]	1.5 million	1.8 million[3]	1.7 million	1.6 million	1.2 million
% MFI clients female	86%	81%	84%	83%	86%
% MFI partners with a gender policy	50%	50%	42%	38%	42%
% MFI clients rural	50%	47%	56%	53%	50%
Number of social enterprises	256	249	271	280	265
Number of green partners	105	101	98	-	-
Number of cooperatives	240	262	272	290	290
People employed by social enterprises	124,078 (106,052[5] permanent jobs)	46,607 (31,144 permanent jobs)	37,438 (20,556 permanent jobs)	39,323[4] (24,083 permanent jobs)	77,671 (60,918 permanent jobs)
Number of farmers reached	325,630	315,408[3]	286,061	292,586	-
Number of cooperative members reached	337,750	1,451,082	1,637,401	355,512	-
% social enterprises with environmental policy	73%	70%	72%	73%	55%

[1] Adjusted figures from 2011, 2012, 2013 in relation to the Social Performance reported 2013
[2] 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
[3] Excluding data from two partners
[4] Definition narrowed to include only direct wage employment
[5] This increase is mainly explained by a partner in India that reported for the first time

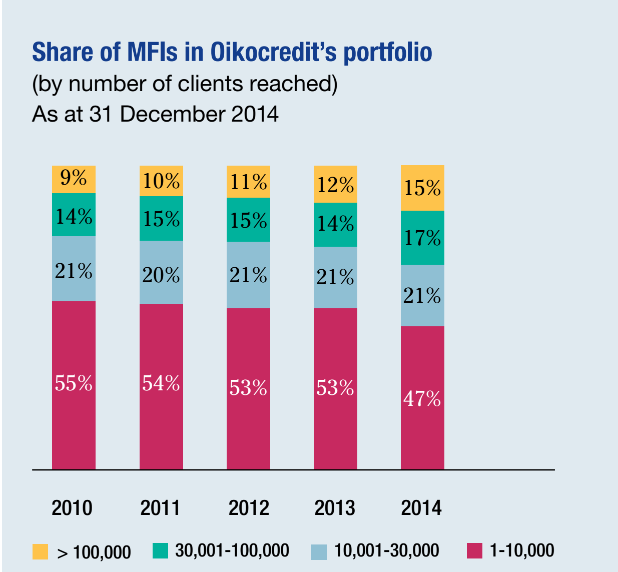
Microfinance client outreach



In 2014, our MFI partners reached 37 million clients, showing a significant increase from 2013, which was mainly due to a large rise in numbers of borrowers in Asia. India is where our partners reach most clients. In 2014, client numbers grew most in Cambodia, Georgia, Indonesia, Kazakhstan and Tajikistan.



In 2014, 28% of borrowers reached through Oikocredit's loans and investments worked in commerce, with 25% in agriculture, 23% in services, 11% in non-agricultural production and 12% in other sectors. The number of borrowers reached directly through our funding declined from 1.8 million in 2013 to 1.5 million in 2014.



One of Oikocredit's competitive advantages is that it serves relatively small microfinance organizations with a limited number of clients that are not reached by other investors. In 2008, 59% of our partner MFIs had fewer than 10,000 borrowers. This number has dropped to 47% in 2014, which is still a significant percentage of the portfolio. Investments in larger MFIs increased partly due to existing partners having grown.

As part of our social mission, we strive to reach female clients as well as people living in rural areas. The percentage of female clients remained above target at 86% in 2014, a 5% increase from 2013. In addition, our partners' outreach to female clients remained at a higher level than achieved by other microfinance investment vehicles (MIVs), which reported an average outreach to female clients of 66.5% in 2014.

Our percentage of rural borrowers increased from 47% in 2013 to 50% in 2014. Our largest increase in rural clients occurred in Uganda, Rwanda, Benin, and Bosnia. Our funding to MFIs also supports the agricultural sector indirectly, with 25% of microfinance borrowers reached by our microfinance partners being active in agriculture in 2014.

Social performance monitoring

Microfinance portfolio

MFI partners' development objectives
As in 2013, Oikocredit's microfinance partners' most common development objectives in 2014 were business growth (77%), poverty reduction (66%) and employment (45%). Other development objectives included gender equality, housing and start-up enterprises.

Employment
Oikocredit collects data about the employment statuses of clients of MFI partners, to gain a greater understanding of how such partners contribute to the development goal of 'decent' work. 'Decent' work is defined by the International Labour Organization as work that provides safe conditions, adequate free time and rest, takes into account family and social values, provides for adequate compensation in case of lost or reduced income and permits access to adequate healthcare. Out of 549 microfinance partners in 2014, 50% defined employment as one of their development objectives, with 19% reporting employment data. An overall average of 73% of our MFI partners' clients were self-employed, with Asia having the largest proportion of self-employed clients (85%). The percentage of employed wage-earning clients was highest in Eastern Europe.

Accountability and SPM practices
In 2014 we saw positive developments in terms of the number of our MFI partners reporting to the Microfinance Information Exchange (MIX) and conducting social ratings, yet a decline in the number that underwent financial ratings. A greater percentage of partners endorsed the client protection principles (CPPs) and conducted customer satisfaction surveys than in previous years. This shows that our partners are putting client needs at the centre of their work.

Interest rates charged to clients
Monitoring data for the interest rates charged to clients by 191 microfinance partners in 2014 reveals that the average annual percentage rate (APR) charged, including fees and compulsory savings, was 37%. APRs varied considerably by region and country.

Divine Chocolate, UK and USA

Ratings, reporting to MIX and SPM practices of microfinance partners

	2014	2013	2012	2011	2010
Reported SP to MIX	55%	52%	45%	43%	37%
Reported FP to MIX	64%	62%	55%	53%	55%
Conducted social rating	27%	23%	25%	23%	20%
Conducted financial rating	45%	48%	52%	48%	48%
Endorsed client protection principles	76%	71%	59%	50%	44%
Held client satisfaction survey	64%	60%	57%	45%	28%

What our partners say
Oikocredit values its long-term relationships, regularly asking partners for feedback. We conducted the third partner satisfaction survey on 2014 activities (previous surveys done in 2011 and 2013). The response rate in this round improved slightly to 272 partners (39%), from 34% in 2013. Partners cited customer service and the provision of non-financial services/capacity building as elements they valued most about their relationship with Oikocredit in 2014. As in previous surveys, the interest rate and speed of loan processing were highlighted by respondents as areas for further improvement. Appreciation was also expressed for Oikocredit's support in strengthening partners' social performance management, enabling partners to deliver higher levels of both financial and social benefits to their clients and stakeholders.

Production and services portfolio

Oikocredit invests directly in social businesses through its production and services partners. This part of the portfolio, which includes agricultural producers and importers, cooperatives and universities and hospitals, aims to offer further direct support to the local economy through decent job creation and supporting fair trade and organic production. After increasing steadily from 2008 to 2011, growth in production and services levelled off for three years. We were pleased to see renewed growth in 2014.

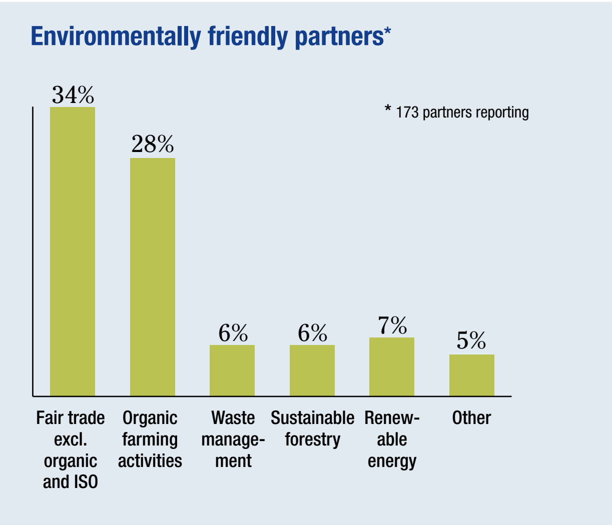
Our number of agricultural partners rose from 158 in 2013 to 179 in 2014, while the number of partners in trade and manufacturing declined. These changes can in part be attributed to the reclassification of seven partners from trade to agriculture (€ 2.8 million). The most marked growth in our production and services portfolio occurred in Argentina, Honduras, Nicaragua and Uruguay in Latin America and in Bulgaria in Eastern Europe.

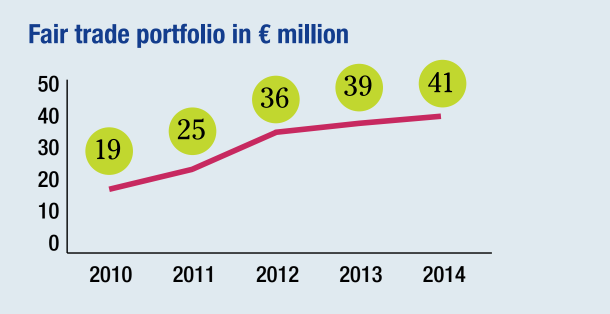
Number of wage earners in production and services

Our production and services partners collectively employed around 124,000 wage earners in 2014, compared with 47,000 in 2013. This large increase can be mainly attributed to our Indian partner, BWDA which reported for the first time, having 77,000 wage earners. On average, each production and services partner created 14 permanent and 10 temporary jobs in 2014, however the distribution was very uneven, with 38% of these partners reducing waged employment, while 62% improving job creation.

Green and fair trade partners

Of Oikocredit's 256 production and services partners in 2014, 105 met criteria for a 'green' classification, taking the total percentage to 41%. This classification involved partners' activities protecting the environment and climate. Most of these partners were engaged in fair trade production, followed by organic farming, waste management, sustainable forestry and renewable energy. Other green activities included water and sanitation management.





Fair trade and organic certification ensures that our partners contribute to sustainable development by offering better trading conditions, securing decent work and promoting environmentally friendly production processes. In 2014, 89 Oikocredit partners (35%) had at least one fair trade certificate. The majority, 62%, were located in Latin America, most notably Ecuador, Honduras, Guatemala, Nicaragua and Peru.

Carbon footprint and compensation fund

Oikocredit's total carbon footprint rose slightly for all four CO_2 calculating entities; the Oikocredit international office in the Netherlands and our regional development centres in Costa Rica, India and the Philippines. Inherent to an international organization is business travel which remained the main contributor to our footprint. CO_2 emissions per full-time staff member remained stable at the international office and in the Philippines compared with 2013, while emissions per € 1 million invested decreased at these two offices. Emissions increased slightly for Costa Rica and India however both countries still remain considerably lower when compared with other regions.

Following the first calculation of our carbon footprint in 2013, the international office set up a CO_2 compensation fund. The aim was to give the funds (around € 20,000 per year) to one of our partners instead of buying credits externally from an organization that would spend the money on its own investments. Our first CO_2 compensation grant was in 2014 to a solar panel project of our partner, COOPETARRAZU, in Costa Rica.

In 2014, Oikocredit hired a renewable energy financing specialist to manage our renewables unit and portfolio. Since this appointment, we have approved seven new projects for an amount totaling € 12.7 million. Our outstanding portfolio in renewable energy reached € 8.4 million in 2014.

Capacity building: **beyond finance**

The value of Oikocredit's financing can be determined by our partners' effectiveness in empowering their clients and communities. Recognizing our share of responsibility for client outcomes, we provide partners with capacity building (CB) as well as financial support, all part of our 'development finance plus' approach.

CB creates value for clients, partners, Oikocredit and its investors. Our support helps partners identify areas for improvement and strengthen their social and financial performance, facilitating our portfolio development by improving outreach to underserviced groups. CB for producer associations, farmer cooperatives and other micro- and small social enterprises, helps them qualify for, and make better use of, financing. We commit to CB programmes of up to three years with particular partners.

Leading the way

Oikocredit was one of the first social investors to provide CB, beginning in 2007. With our support, microfinance institutions (MFIs) have improved client retention and portfolio quality, grown their portfolios, and developed new credit products, particularly for rural areas. Agricultural producer enterprises have benefited from our leadership training, improved financial management and record keeping, and increased productivity through technical assistance in cultivation and post-harvest handling.

We integrate CB into all areas of our portfolio in all regions where we are active, with our specialized global staff working alongside external consultants. CB helps partners achieve their business goals, while ensuring that we deliver on our social, environment and financial commitments. During 2014, we financed 189 CB engagements with financial support from the Church of Sweden, ICCO and our own funds.

CB in practice

Oikocredit's CB programme focuses on three main areas: social performance management (SPM), risk management and governance, and agricultural value chain finance.

Good SPM ensures that partners achieve social as well as financial goals, and, like financial management, requires target setting, monitoring, measuring of outcomes and accountability for results. It helps an organization ensure that clients' rights are protected and that they benefit from the products and services offered by the organization. The SPM mentoring programme which was first launched in 2010 continues to deliver 'quick wins' and longer-term improvements for partners, now extending from East Africa (Kenya, Rwanda, Tanzania and Uganda) and West Africa (Benin, Mali, Senegal and Togo) to Latin America (Ecuador, Paraguay and Peru). Partners who have gone through this programme strongly affirm that putting clients at the centre of their work makes good business sense.

Our experience with partners over 40 years, both those who have succeeded as well as those who have run into difficulty, has proved the importance of good governance and effective risk management. Working with independent consultants has helped partners establish risk committees, identify types of risk (credit, market, exchange, environmental, financial and reputational) and develop risk mitigation action plans. Oikocredit is one of the founders of the Risk Management Initiative in Microfinance (RIM), whose global mission is to contribute to the development of awareness, best practices and appropriate standards for risk management in microfinance.

Identifying how low-income households can better participate and benefit in the agricultural value chain is part of our rural investment strategy. Through workshops and technical training, we support partners to improve productive capacity as well as strengthen business development and management skills.

Omaganhan, the Philippines

Disaster relief risk management pilot project

In implementing Oikocredit's environmental policy, which includes contributing to partners' disaster preparedness in the context of climate change, we piloted a disaster relief risk management (DRRM) project. We partnered with the Corporate Network for Disaster Response to give training workshops for 11 partners in the Philippines. Among participants was Omaganhan Farmers' Agrarian Reform Cooperative, whose members, around 25,000 rural producers in the Leyte province, were badly hit by super-typhoon Yolanda (Haiyan) in 2013. The practical approach adopted in the pilot has worked well and led to real life, positive testing of business continuity plans for three partners whose area was affected by typhoon Ruby in December 2014, immediately after the November workshops. Replication of the approach in other countries will be explored.

Supporting partners: **field examples**

In 2014, with the support of the Church of Sweden, we developed several longer-term partner programmes:

- a programme with cooperatives involved in renovating coffee plantations in Central and South America
- a programme 'incubating' farmer cooperative enterprises in Uganda
- a programme strengthening cooperative governance in Central America

Coffee renovation programme

Coffee contributes to approximately 36% of Oikocredit's total agricultural portfolio in Latin America, making it a focus area for investment. A fast spreading fungal disease, exacerbated by bad weather, struck the coffee sector in 2013, threatening to devastate the industry. The roya amarilla fungus causes coffee leaf rust, infecting the coffee plant's leaves, making them fall off, weakening (in extreme cases killing) the plant. Production levels for small farmers have been falling for several years in the region, with many producers having to make the decision to restore their crops with poorer quality varieties more resistant to leaf rust, sacrificing coffee quality. In addressing the problems of the coffee sector in Latin America, Oikocredit has found an ally in Sustainable Harvest, an international coffee importer.

In response to this 'coffee crisis', Oikocredit launched a programme to support cooperatives in Central and South America. The programme helps coffee producers to develop and implement renovation plans to boost productivity, improve coffee quality as well as the well-being of small-holder coffee farmers.

The programme in Peru was launched in partnership with three farmer cooperatives in the departments (regions) of San Martín, Amazonas and Cajamarca, Ucayali and Huánuco. Rural areas in these departments experience high illiteracy rates, particularly among women, and limited access to public water supplies, waste water systems and domestic sanitary facilities. Following selection of consultants and meetings with staff and board members of the cooperatives, the first workshops took place between October and December in 2014, covering awareness, financial literacy and gender. More workshops are planned for 2015.

CB for Ugandan farmer-based organizations

In 2014, Oikocredit Uganda selected four area cooperative enterprises (ACEs) for the first phase of a three-year CB programme supported by the Church of Sweden. All four organizations had expressed the need for a loan to buy a tractor. However, each cooperative clearly needed CB support to become better organized, improve governance, acquire capacity to bulk and sell produce collectively and develop better farming techniques.

The farmer-based organization programme in Uganda incorporated workshops and coaching on leadership, management and governance skills, procurement and distribution of farm inputs, the development of a demonstration farm and training in post-harvest handling.

Changes are already visible following in first harvest following the programme's launch. The general manager of one participating ACE pointed to a clearer definition of roles and responsibilities between board and management, and functional board committees.

The most striking result, according to Oikocredit's Uganda country manager, Edith Tusuubira, has been the increase in productivity. One farmer reported a rise in maize yield from 5 bags to 30 bags in one crop season. A female farmer and mother of seven children, said she can now pay school fees, due to the increased production. "These are real positive changes in people's lives, and that is what our work is all about," commented Ms Tusuubira. "It was my dream, and now it's a concrete capacity building programme," added Ms Tusuubira.

PRODECOOP, Nicaragua

Client outcomes and impact: **where**

For Oikocredit, the ultimate test of the value of our work is the way we impact upon lives and communities. As a responsible investor, we strive to increase our understanding of client outcomes and the impacts achieved. If we and our partners are to be truly accountable, we need to address such questions as: What happens in clients' lives? and Does microfinance make a lasting difference to clients' wellbeing? Hence we have not only promoted that our partners use the Progress out of Poverty Index (PPI) since 2008 but we have also launched the 'outcomes programme'.

Progress out of poverty

Enabling low-income earners to progress out of poverty is inherent to Oikocredit's mission. The Progress out of Poverty Index uses 10 questions on household assets and welfare to measure the probability that someone lives below a certain income poverty line.[1] These lines are often set internationally as US$ 1.25 or US$ 2 per day or equate to the national poverty line (NPL). When applied to borrowers, the tool gives an accurate estimate of the percentage of people living in poverty.

In 2014, 73 microfinance partners reported PPI data. Collectively, these partners surveyed more than 3.2 million borrowers of whom approximately 25.5% live below the international poverty line of US$ 1.25 and 62.6% live under the low-income line of US$ 2.

Outcomes programme: measuring change in clients' lives

Today, Oikocredit has a wealth of information about its partners and their SPM practices. However, we continue to be challenged by the question, What is actually happening in the lives of clients? Therefore, in 2014, we initiated the 'client outcomes' programme with seven microfinance institution (MFI) partners: Fusion, Utkarsh, Sonata and SVCL in India, ASKI in the Philippines, TPC in Cambodia and IMON International in Tajikistan. The programme is a natural next step in Oikocredit's overall approach to social performance management. After focusing on our own partner databases, we are now focusing on our partners' databases on clients.

The outcomes programme enables MFI partners to gain insight into changes in their clients' lives over time. During a training week, we support partners in data collection, analysis and usage and we help them build dynamic prototype dashboards that allow them to track poverty and employment data over time for clients in the portfolio.

[1] For groups of individuals, the tool gives an accurate estimate of the percentage of people living below the poverty lines.

Poverty outreach (PPI) for a subset of Oikocredit partners in 2014

	% of borrowers below national poverty line	% of borrowers below international poverty line US$ 1.25 per day	% of low income borrowers US$ 2 per day	Number of partners reporting 1 PPI indicator	Clients surveyed
Asia	**19.1%**	**26.4%**	**65.4%**	**29**	**2,997,668**
Cambodia	13.3%	15.0%	56.4%	4	306,577
India	19.6%	29.2%	70.7%	12	2,447,960
Philippines	22.6%	13.8%	21.8%	12	211,051
Tajikistan	13.6%	4.8%	13.6%	1	32,080
Latin America	**30.0%**	**11.9%**	**21.0%**	**36**	**237,522**
Bolivia	36.0%	9.3%	23.7%	7	12,199
Dominican Republic	15.0%	3.2%	3.1%	2	4,000
Ecuador	23.9%	1.0%	8.6%	4	38,999
El Salvador	36.0%	46.0%	64.9%	2	44,592
Guatemala	51.8%	5.2%	10.7%	6	14,048
Haiti	57.0%		74.0%	1	2,037
Honduras	46.7%	1.6%	46.9%	2	2,352
Nicaragua	4.1%	3.3%	3.3%	2	1,952
Peru	14.2%	1.4%	3.2%	5	39,842
Colombia	33.1%	0.1%	0.4%	5	77,501
Africa	**50.8%**	**3.9%**	**37.4%**	**8**	**34,404**
Mali	70.0%	0.0%	89.0%	1	4,152
Senegal	24.3%	8.0%	49.7%	4	2,927
South Africa	57.0%	N/A	33.0%	1	23,000
Uganda	0.0%	7.3%	0.0%	1	3,978
Global	**20.2%**	**25.5%**	**62.6%**	**73**	**3,269,594**

More than 3 million borrowers were surveyed.

social performance matters most

IMON International, Tajikistan

We also offer a workshop with management on the use of data, for tracking their social mission, product development and credit operations. Where partners already have strong data, we examine if financial services offered by the MFIs can plausibly be associated with the changes in client lives.

We analyzed the data in collaboration with Dr. Andreas Hoepner from Henley Business School, UK. Two participating MFIs, SVCL in India and ASKI in the Philippines, had particularly strong PPI data sets in 2014 that facilitated the tracking of changes in poverty outcomes over time. Although the data does not allow us to estimate the impact of microfinance, as we lack a control group and data on people who ceased to be clients, we can examine the relationship between credit and poverty by analyzing large sample monitoring data.

For example, SVCL provided clients in seven northern Indian states with small amounts of credit for income-generating activities. In 2014, it reached 272,000 female borrowers, with 68% living in rural areas. SVCL has used the PPI to measure the poverty status of incoming clients since it began its operations and has provided us with a data set of 407,718 borrowers, totaling 649,844 observations over January 2010 to October 2014.

ASKI operates in Northern and Central Luzon and reaches more than 95,000 clients, the majority of which are female (74%) and living in rural areas (83%). ASKI provides a wider range of products including group and individual loans, insurance and non-financial services. For ASKI, we have data on 201,428 clients, totalling 359,550 records over 2011 to 2014.

For SVCL, the econometric analysis suggests that for every INR 10,000 (US$ 157) increase in the amount lent to a client, their PPI score increases on average by 0.6 units. PPI scores can then be translated into poverty likelihood; the higher the PPI score, the lower the chance of being poor. For instance, a borrower with a PPI score of 20 has a 0.9% reduced chance of living below the national poverty line. An average score of 47 means a reduced chance of poverty of 0.2%. Regarding ASKI borrowers, for every PHP 10,000 (US$ 223) increase in the loan amount, the client's PPI score improves on average by 0.5 units. For a borrower with an average PPI score of 58.6, this translates to a reduced chance of 0.9% of living below the national poverty line. Overall, first results show that microcredit has a small positive effect on poverty reduction for both MFI clients. We will continue working with these seven partners in 2015 and expand the 'outcomes' programme to additional MFIs.

Other outcome and impact studies

In 2014, we also took part in collaborative exercises such as the Microfinance for Decent Work research programme led by the International Labour Organization (ILO). This tested microfinance's ability to deliver lasting benefits to low-income entrepreneurs and workers in the informal economy. This programme included an SPM assessment of client outcomes for MFI partner, Bai Tushum, in Kyrgyzstan. Bai Tushum launched a new credit delivery system for small to medium enterprises (SMEs) in the informal economy to promote job creation. Results of the study showed that loan size was weakly correlated with job creation, while other factors, such as the type of work activity were more influential in explaining job creation in SME clients' enterprises.

With a view on long-term effects on microfinance borrowers, we participated in the 2014 edition of the 'A Billion to Gain' report series which featured an impact study of two MFIs in India and Ghana, initiated by ING and the Dutch Platform for Inclusive Finance (NPM). Towards the end of 2014, we embarked on a qualitative impact study of SEKEM, an Egyptian production partner specialized in organic/biodynamic agriculture. These results will be published in 2015.

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 performance management is a priority for Oikocredit. Measuring and demonstrating social 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 2014, we had 805 partners in more than 60 countries. Being close to our clients and knowing their markets through our network of local staff is at the heart of our work.

Supporting sector initiatives and platforms

Oikocredit is an active member of a range of sector-wide initiatives, platforms and networks aimed at defining and raising social performance standards in the industry. Our experience with these partnerships and initiatives has been very positive and many have inspired and guided our approach.

Client Protection Principles (CPPs)
www.smartcampaign.org

Council on Smallholder Agricultural Finance
www.csaf.net

International Labour Organization
www.ilo.org

Principles for Investors in Inclusive Finance (PIIF)
www.unpri.org/piif

Progress out of Poverty Index (PPI)
www.progressoutofpoverty.org

Risk Management Initiative in Microfinance
www.riminitiative.org

Social Performance Indicators (SPI)
www.cerise-microfinance.org

Social Performance Task Force (SPTF)
www.sptf.info

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