

## Introduction

Oikocredit is a social impact investor and worldwide cooperative with over four decades of experience in promoting sustainable development. The principle of empowering low-income people to improve their livelihoods is central to our work.

Oikocredit supports organisations in developing countries through loans, equity investments and capacity building. Our network of experts responds to the needs of these organisations and the people they serve, offering solutions that go beyond financing.

### Capacity building: our unique approach

Oikocredit provides more than just financing. Through our capacity building support, our partner organisations can access new technology, knowledge, and skills. This helps them grow and improve the products and services they can offer to their clients or members.

We have moved from one-off capacity building initiatives to scalable and replicable support for groups of organisations. Our capacity building activities are structured around three key areas:

Through **agricultural programmes**, we train smallholder farmer organisations in areas such as good governance, crop renovation and financial and risk management. We also develop technical and financial skills at farmer level.

Through our **end-client outcomes programme**, we help financial institutions track, interpret and report changes at their client level. Our partners can then use these insights to improve their businesses and strengthen their offering for the people they serve.

The **financial services programme** supports partners in delivering responsible financial services. We support partners in client protection, financial literacy for end-clients and other aspects of social performance and risk management.

## Capacity Building Activities in 2019

Capacity building is an essential part of Oikocredit's holistic approach to responsible financing. It involves helping partners achieve their social mission and sustainability goals for the benefit of their clients and members. Our capacity building supports partners in building resilience and in generating positive social value.

In 2019, € 700,000 was spent on capacity building provided to 75 current and potential partners in 24 countries (see map below). Of the funds, 79.3% went to support our work in the agriculture sector and 20.7% to build capacity among financial inclusion organisations.



Countries where partners receive our capacity building support

● Financial Services ● Agriculture

## Our donors

In addition to donations from our investors and Oikocredit's own contribution, our capacity building activities are funded by:

- African Guarantee Fund
- Brot für die Welt – Protestant Development Service
- Act Church of Sweden
- Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, Germany
- Multilateral Investment Fund managed by the Inter-American Development Bank (IDB)
- Oikocredit Stiftung Deutschland
- Rabobank Foundation.

## Agriculture

Our price risk management (PRM) project has provided participatory training for smallholder coffee cooperatives in Latin America. The aim of the programme is to enable coffee cooperatives to mitigate the effects of highly volatile coffee prices through financial strategies and tools. Our approach to PRM is focused on the different ways that participants learn and apply what they have learned.

In this collaboration with the Inter-American Development Bank (IDB), the SAFE Platform, Catholic Relief Services, Fair Trade USA and Keurig Dr Pepper, 22 cooperatives have benefited from training and peer-to-peer exchanges in addressing coffee price fluctuation risk. We are securing funding to extend the project for a further year.

Meanwhile in Argentina, we supported 10 small agricultural producers to achieve a certification in responsible agricultural production. The certification is expected to result in increased awareness on environmental issues and improvement in the quality of the work of its certified members. The cooperative contributes to the economic growth of the community by providing employment, regional investment, income distribution, infrastructure and innovation.

In Africa, we supported capacity building projects for smallholder farmers in Kenya, Mali, Rwanda, Uganda and Zambia. A big percentage of the total agricultural output in these countries is produced by smallholder farmers. They face enormous challenges such as inadequate information on good agricultural practices, limited access to farm inputs such as fertilisers and seeds, and limited access to financial services.

In 2019, we supported capacity building training activities in the establishment of agriculture market hubs, marketing and farm management, financial literacy and agricultural business. (See below for an example from one of our partners in Uganda and Rwanda).

### Agriculture in brief

- Train farmer cooperatives and other agricultural enterprises in financial and risk management, trade, governance and environmental protection.
- Develop technical skills at farmer level.

### Results in 2019:

- 41 agricultural partners
- 13 countries
- 9 engagements.

### Building resilience of smallholder farmers' businesses

Access to finance for smallholder farmers continues to be a big challenge in East Africa. Banks and microfinance organisations are not willing to lend funds to smallholder farmers due to risks associated with smallholder farming. If these farmers do not have access to appropriate credit facilities, it means they cannot invest more in their farmers which means low income and high poverty levels. The aim of this project is to change this perception by addressing barriers to financing.

As the CEO of ENCOT, Uganda, a partner in this project said:

*“Before, whenever we would see a farmer we saw a risk.”*

The **objective** is for smallholder farmers to obtain access to finance by developing the following skills:

- financial literacy and management, as part of a larger field of overall business management skills (many smallholder farmers need to develop the skills to produce good quality financial statements and to do proper business and cash flow planning)
- commercial capacity and knowledge to respond in a profitable way to market demands for their produce.



*Innocent Sibó at his father's poultry farm. His father is a client of ENCOT.*

### Partners involved

- ENCOT Microfinance Ltd, founded as an NGO by a group of indigenous community development practitioners in Uganda offers financial and small enterprise business development services.
- Clecam Ejoheza is a microfinance institution in Rwanda that offers savings and credit services to solidarity groups of farmers, women and small entrepreneurs.
- Ebirungi Biruga Omututu Cooperative Society Limited (EBO SACCO) in Uganda is a savings and credit cooperative that offers its members: savings products, loans and training on farming best practices.
- Ecumenical Church Loan Fund (ECLOF) Kenya is a microfinance institution providing financial and related non-financial services to micro, small and medium entrepreneurs, and supports their income generating activities.

### Activities in 2019

- For smallholder farmers (more than 1,000 participants): establishment of an agriculture market hub and marketing strategies, financial literacy, quality production, farm management and governance.
- For MFI and SACCO (more than 120 staff members): agricultural value chain (AVC) financing, AVC products, development of partnership strategies and market linkages.

### Results

- Identified AVC and products developed, for example: sugarcane, sunflower, rice, cassava, maize, fruit and vegetables.
- Developed onboarding documents and partnerships facilitating access to financial services.
- Staff training on AVC financing, agricultural insurance scheme, partnerships and linkages.
- Linkages with farmers to the market, for example: sunflower farmer groups, cassava farmers, fruit and vegetable cooperative farmers.



A client of Clecam Ejoheza at his maize farm in Rwanda.

Change in staff attitude towards AVC lending observed by one of the farmers:

*“There is some change because before they [MFIs] were not believing in farmers, but now they are flexible and believe in what farmers are doing and value them.”*

## Financial services

Our capacity building in financial inclusion applies a mentoring approach. It addresses partners' social performance management (SPM) and risk management (RM). It aims to strengthen organisational performance and to support partners in sustainably improving the quality of life of their clients.

In the Philippines we completed the pilot project 'Bridging the Gender Gap', funded by Act Church of Sweden (see box). Other work in this sector included supporting partners in Africa, Latin America and Southeast Asia, in Client Protection Principles (CPP) self-assessments and remediating the gaps identified. Oikocredit actively endorses CPP which protects end-clients from unfair, non-transparent and unethical practices. We encourage partners to adopt these principles in their institutions, while providing their staff with training on the methodology that they can apply during their social due diligence process.

### Financial services in brief

*Strengthen social performance and risk management of financial service providers.*

*Support provided:*

- *workshops on social performance management and universal standards*
- *workshops and assessments of Client Protection Principles*
- *risk management training and implementation of action plans.*

*Results in 2019:*

- *35 partners*
- *17 engagements*
- *15 countries.*

In the wake of a number of natural disasters in Southeast Asia and in Indonesia in particular, we continued to provide capacity building in disaster risk reduction management. The 'Building Disaster Resiliency' project was completed with three Indonesian financial inclusion partners. The project provides financial service providers with skills on disaster preparedness and rebuilding following a natural catastrophe. Finally, to gain greater insight into our partners' needs relating to financial inclusion digitisation and how we can support them in this area, we undertook a survey.

### **Bridging the gender gap**

This project studied current practices and explored various innovations on the conditions of microfinance delivery of selected partners and institutionalises responsible finance practices that integrate gender empowerment strategies. It aimed to strengthen financial and business process, and mainstream gender empowerment in the design of the products and services of the institution. It also aimed to improve the financial service providers' policies and practices in the context of responsible inclusive finance through the Finance Action Learning System (FALS). FALS is a client-led methodology which "brings clients and financial service providers together as partners in developing empowering and financially sustainable products and services".

The overall **objective** of the project was to enable all end-clients to achieve economic empowerment at the household level and improve gender relationships. In supporting this project, Oikocredit confirmed its commitment to gender equality while the FALS financial empowerment tools helped Oikocredit's partners develop enhanced products tailored to the financial needs of their clients.

#### **MFIs involved**

- Negros Women for Tomorrow Foundation Inc (NWTF) is a microfinance institution (MFI) that provides savings products, loans and other services to low-income women micro-entrepreneurs, farmers, fishers, and small to medium enterprises in the Philippines.
- Alalay Sa Kaunlaran Sa Gitnang Luzon Inc (ASKI) is a microfinance institution providing financial services and training in a number of provinces in the northern Philippines. ASKI offers a wide range of loan types: from group loans and individual loans, to loans for activities such as agriculture.

#### **Activities**

- Training of champions to adopt the FALS methodology.
- Field testing, peer sharing and adaptation of toolkit following the catalyst training and workshops.
- Review with champions and MFI, a gender road map, and finalisation of training resources.

#### **Overall results**

- ASKI and NWTF adopted the FALS tool Finance Management Calendar as part of the loan application.
- ASKI adopted selected FALS tools in anti-poverty project.
- NWTF adopted 4 FALS tools in its client incubation programme.
- 41 core-champions and 27 core-staff trained.
- Toolkit for dissemination and capacity building developed

### **Simple but effective tools**

An important ingredient in the success of the FALS project was the appointment and training of project champions among the end-client participants. The success of the FALS project was reflected in the positive feedback and success stories from the project champions. The various FALS training tools introduced to both NWTF and ASKI staff and their clients proved to be highly effective. For example, the tool *Happy Family Tree* required the participants to take a close look at the division of work, spending, assets and decision-making in the family. Participants were initially shy for fear of being laughed at by their peers. But once the goal of the exercise – to show the division of household work within the family – was explained, the participants quickly understood its value and grew enthusiastic.



Thinking that household tasks were only for women, Ka Oting Villanueva, a fisher leader member of NWTf, was surprised when he was offered to participate in a gender awareness training as he assumed such courses were only aimed at women.

Not so long ago, he used to think that a husband's role was simply to provide, and he used to spend all his spare time on raising fighting roosters. His training brought him a whole new perspective:

*“I now take my whole family out for recreation. Leisure time with my family was non-existent before. I even attend my children's school activities – in the past, I had always left that to my wife.”*



Ka Oting during the FALS gender training.

### Mother and son benefitted

Josephine Osorio, a pig farmer and client of NWTf liked another FALS tool which helped her to set and meet her own savings targets, build up capital for her business and double the number of her sows and piglets within one year.

In her role as project champion, Josephine initially shared the FALS tools with 25 members of her association. Then through the sharing of the FALS tools, she was able to attract new members to join the association which has now grown to over 600 members.

One of her sons followed his mother's example by becoming a FALS champion and made such a good impression that NWTf offered him a job at their company.



Project champion Josephine used FALS tools in her business.

*“I was able to have some house repairs done with the income from my business, but I put more effort into constructing a proper pigpen because that is where my money grows.”*

## Client outcomes programme

Our five-year client outcomes programme was completed in 2019. It has provided a total of 20 financial inclusion partners in Asia and Latin America with training in data management and analysis on the outcomes for borrowers.

There were two core activities in 2019: the first one was the consolidation of the information collected in Asia over the past few years, developing and refining the poverty intelligence tool. We created a data analytics dashboard with Power BI visualisation tools to help MFI partners in India and the Philippines track end-client poverty levels using the Poverty Probability Index (see box). The second was to carry out an external evaluation of the programme to identify the extent to which desired outcomes have been achieved, and to have an objective view of the aspects to be improved to increase effectiveness for a next phase.

### Programme in brief

*In-depth research and helping partners collect and analyse data to improve results for end-clients.*

#### Support provided:

- baseline needs assessment
- in-house workshops on data collection and analysis
- distance mentoring
- coaching sessions for senior management.

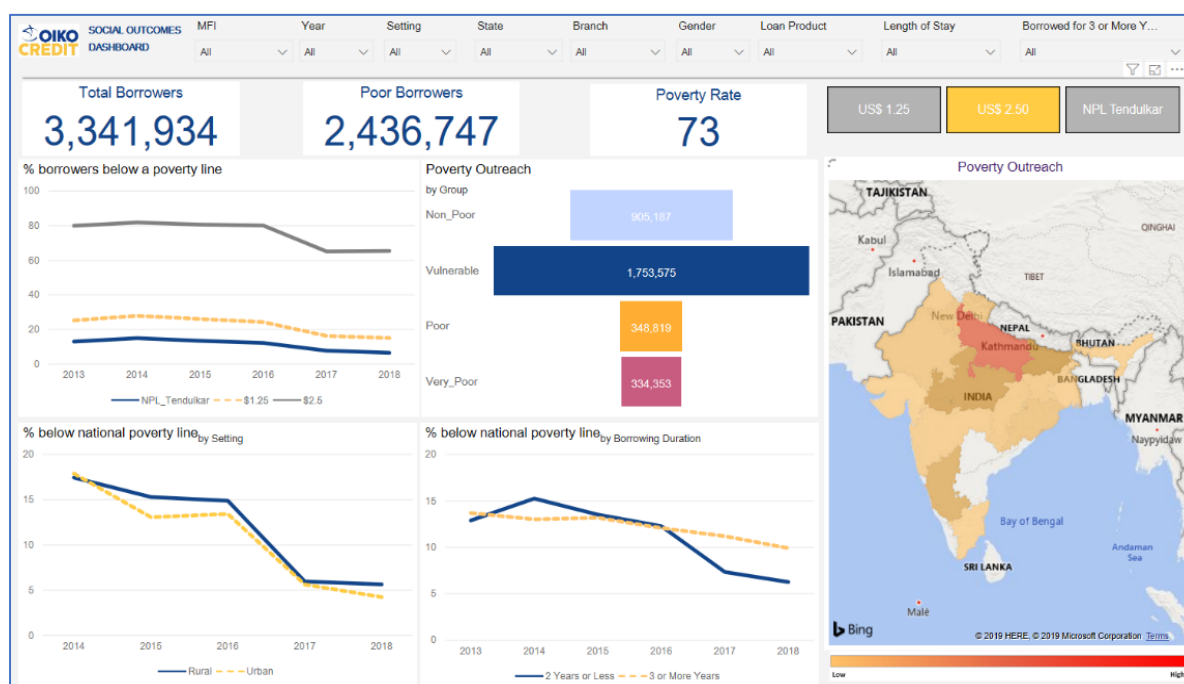
#### Results in 2014-2019:

- data analytics dashboard
- 23 training workshops
- 20 MFIs supported.

With the programme’s completion in 2019, we asked social performance experts Cerise to evaluate the initiative. A key finding was that the 23 training sessions provided by Oikocredit staff and consultants were of high quality and valued by partners. The programme enabled us to access around five million financial inclusion records on two million end-clients. Analysis of this data resulted in papers presented at two conferences and in three master’s theses. Cerise concluded that Oikocredit has been a pioneer in development financing outcome measurement and provided valuable recommendations. The programme was praised as innovative in the evaluation:

***“...data from seven MFIs has been consolidated into a Poverty Intelligence tool to allow for market level analysis and comparisons across sectors to be made available to participating MFIs. This approach is innovative and provides a positive potential output and business case for MFIs to dig into outcome management.”***

The data utilised for India covers the period January 2010 to September 2018 and contains 4.8 million microcredit loans for nearly 3.3 million customers. The Philippines data contains 891,824 loan records of 352,225 end-clients for the period January 2011 to December 2017. The overall data contains details on end-client demographics (such as gender, location, income, branch, borrowing duration), the microcredit loans (loan amount, product, disbursement date) and poverty data (PPI scores and % below national poverty line). The figure below shows an example of what the Indian dashboard contains in its poverty tab.



The dashboard shows that for the Indian sample, a large share of clients reached can be considered vulnerable, poor or very poor with over 60% of clients living below the \$2.5 poverty line in 2018. The poverty likelihood is largest for clients reached in Uttar Pradesh, a state north of India. The information in the dashboard helps the participating MFIs inform and confirm their targeting strategies, as well as benchmark their outreach against peers.

We evaluated the dashboard usefulness to the MFIs through a survey to understand what their impressions are of the current layout, type of information included and what value it would add to each organisation in practice. All four partners would like to continue using the dashboard and are interested in submitting data to the platform. In general, they would like to have the dashboard updated with more recent end-client data and on a more frequent basis. This input will be considered and added to the external evaluation results of the overall COP programme.

Feedback from users included suggestions to add additional data to the dashboard. For example: more regional breakdowns in the maps and to include all the PPI questions separately. Some of the comments received when asking partners what the main use of the dashboard would be were:

- “Monitoring and evaluation of products and services offered.”*
- “Basis for the organisation to expand in other provinces.”*
- “Decision for improvement of current policies and procedures.”*
- “Comparative performance with other players in the industry.”*

In addition to the dashboard, Oikocredit produced a written report where insights that could be drawn from the data were summarised and shared. For example, we find a trend of more individual loans being offered in the Philippines. In India, we see a very consistent group-loan strategy across time with 99% of women borrowers. With respect to poverty, in India, approximately 65% of end-clients live under the US\$ 2.50 poverty line at the end of 2018, and 42% in the Philippines at the end of 2017.

### **Local currency risk fund**

The International Support Foundation and Oikocredit mutually agreed to end the local currency risk fund with effect from 1 December 2019 and to transfer the balance of the local currency risk fund to the balance sheet of Oikocredit.

## **Outlook for 2020**

Oikocredit will continue to provide capacity building support to strengthen organisations in the inclusive finance and the agricultural sector with the aim to improve the welfare of low-income entrepreneurs and smallholder farmers. The Covid-19 pandemic and the resulting economic crisis have hit these stakeholder groups the hardest. Providing capacity building support as a catalyst of development is more relevant than ever.