

Focusing on  
people-centred  
sustainable  
development



# Investing in people-centred sustainable development

**Oikocredit is a worldwide cooperative and social impact investor working towards people-centred sustainable development since 1975. We provide funding and capacity building to like-minded partner organisations supporting low-income people in Africa, Asia and Latin America. Our vision is of a just and sustainable global society where all people are empowered with the choices they need to live in dignity.**

We prioritise three sectors where social investment is urgently needed, in countries where our potential for creating positive change is the greatest:

**Financial inclusion:** Worldwide 1.7 billion adults<sup>1</sup> do not hold an account at a financial institution or with a mobile money provider. Our support for financial inclusion aims to reduce inequality, especially by reaching underserved rural communities and supporting women's economic empowerment.

**Agriculture:** Most of the world's poorest communities are rural, relying on farming to meet their needs and often vulnerable to external forces. We provide access to finance and capacity building for farmer-based cooperatives, producers, processors, traders and distributors.

**Renewable energy:** An estimated 1.1 billion people<sup>2</sup> live without access to electricity worldwide. Many more have only a poor-quality supply, while 2.8 billion<sup>2</sup> lack access to clean cooking facilities. We invest in affordable renewable energy, with a preference for off-grid services in underserved regions, helping to address energy exclusion and climate change.

## Our investors support our social mission

Oikocredit's investors and members want to contribute to improving the quality of life of low-income people in a sustainable way, promoting fair-trade practices and respecting the planet's natural resources. Around 50,000 individuals and 6,000 institutions invest with us, including our cooperative society's 567 member organisations.

## Financing our partners

In 2017 we provided funding to 747 partner organisations in 71 countries that together reached more than 36 million people through their products and services. Oikocredit supports partners active in financial inclusion (including microfinance), agriculture and renewable energy. Our global network of local staff keeps us close to our partners and their markets.

Oikocredit also collaborates with a range of institutions in co-funding capacity building activities, promoting best practices

and raising standards across the social impact investment and development finance sectors. In 2017 Oikocredit mobilised € 845,500 of funding (up 53% from 2016) from donors and Oikocredit itself to support 100 organisations in strengthening their operations. Our capacity building engagements are funded by Brot für die Welt Protestant Development Service; Church of Sweden; the Evangelical Lutheran Church of Württemberg; Multilateral Investment Fund, managed by Inter-American Development Bank (IDB); and the Rabobank Foundation.

Oikocredit's development financing portfolio totalled € 981.7 million in 2017. Our portfolio comprises loans to and equity shareholdings in partner organisations.

*Our investors and members want to contribute to improving the quality of life of low-income people in a sustainable way*

## Focus for better impact

After several years of strong growth, 2017 saw a reduction in the number of Oikocredit's partner organisations, in turn resulting in a decline in the total number of people reached. Nevertheless, the quality of our outreach has improved. Of the total microfinance clients our partners reached, the percentage in rural areas increased from 48% in 2016 to 51% in 2017, and the percentage of financial inclusion partners approved for financing that had an excellent or strong environmental, social and governance (ESG) score increased from 34% to 45%.

Our ambition is to continue to improve our social impact. We plan to achieve this by concentrating our efforts, improving efficiency, building our capabilities and developing our role as a catalyst for positive social outcomes.

## About this report

In the following pages we show where our investors' and donors' funds are going, who we work with and how our efforts contribute to better lives for low-income people. Following last year's move to a slightly longer and more in-depth format, this year we have restructured our reporting to look at each of our three focus sectors.

<sup>1</sup> World Bank, Global Findex Database 2017, <http://globalfindex.worldbank.org>

<sup>2</sup> International Energy Agency, <https://www.iea.org/energyaccess>



Oikocredit invests in financial inclusion partners like Caja de Crédito Soyapango, a cooperative in El Salvador that provides loans to micro, small and medium enterprises. Bakery owner Mauricio Gonzalez Alas (pictured) is one of Caja de Crédito Soyapango's clients. Mauricio employs 12 people and sells his products through intermediaries who make a living selling Mauricio's bread.

# We measure our impact

**For Oikocredit, achieving beneficial social outcomes for partners' clients is critical. We monitor and report on our own and our partners' performance to know, and to show, how our work contributes to people-centred sustainable development.**

## Choosing who we work with

We exclude investments in harmful activities such as arms, exploitative forms of labour and mining. We aim to work with well-managed and financially sound organisations that share our social goals. We use carefully designed environmental, social and governance (ESG) scorecards to screen potential partners. Assessment criteria include a focus on low-income people, commitment to social development and environmental sustainability, job quality, gender awareness and good governance.

## Why and how we monitor partners' performance

To remain accountable and improve where necessary, Oikocredit needs to know how well the organisations we finance support low-income and disadvantaged people and address environmental sustainability challenges. We collect annual social and environmental performance data from most partners with an active loan, credit line or equity investment. Social performance management refers to how partners put

their clients at the centre of their strategy and operations to achieve their social goals.

We monitor partners' outreach to rural and female clients, their products and services, approaches to client protection, contribution to job creation, social responsibility and care for the environment. In gathering information, many of our partners conduct self-assessments and use a poverty tracking tool that helps show whether their clients live below a defined poverty line.

*We monitor our partners' social responsibility and care for the environment*

In 2017 we set out to measure the social performance of 552 of our 747 partners across the sectors in which we invest. Of these, 375 financial inclusion partners, 119 agriculture partners, 13 renewable energy and 23 other production and services partners provided information. We share the key findings in the following pages.



Basket weavers Ung Samern, Tep Hon, Meas Thy and Ex Yat (pictured, left to right) are clients of Kredit Microfinance Institution in Cambodia. Kredit offers loans for small enterprises, group loans and savings products. Oikocredit has been financing Kredit since 2007.

## Safeguarding the environment

Contributing to environmental protection is important for Oikocredit. Besides our selection of, and support for, partners and projects that contribute to environmental sustainability, we strive as an organisation to reduce our impact on the environment.

Our environmental policy commits us to reduce our operations' environmental impact and to compensate for our carbon emissions. In 2017 Oikocredit's central and regional offices monitored their carbon emissions, giving a combined total annual footprint of 1,073 metric tonnes of carbon dioxide (CO<sub>2</sub>). Taking active measures to reduce our footprint at our central office has helped us reduce average emissions per full-time equivalent staff member since 2015. We will continue to track operational CO<sub>2</sub> emissions and strive to reduce them throughout the organisation.

We offset our emissions through the purchase of Fairtrade Gold Standard Carbon Credits with the FairClimateFund. Our first payments will contribute to a carbon-saving biogas cook stoves programme for 12,000 households in India. Burning fermented organic waste, especially cow dung, collected from the streets, the stoves eliminate health-damaging indoor wood smoke, save time and money previously used to collect fuelwood or buy kerosene, reduce forest degradation and produce a beneficial fertiliser residue.

## The Sustainable Development Goals

In 2015 the United Nations adopted the 17 Sustainable Development Goals (SDGs), a call to action to end poverty, overcome inequality and injustice and tackle climate change. Oikocredit works in many areas that the SDGs address, especially *SDG 1: no poverty*, *SDG 2: zero hunger*, *SDG 5: gender equality*, *SDG 7: affordable and clean energy*, *SDG 8: decent work and economic growth* and *SDG 10: reduced inequalities*. As part of Oikocredit's social performance management, indicators are collected that relate directly to the SDGs. This helps us track Oikocredit's contribution to specific goals. We highlight key synergies with these SDGs throughout this report.



### Financial and general indicators

	2017	2016
Total development financing outstanding	€ 982 million	€ 1,047 million
Volume of loans and investments approved within the financial year	€ 375 million	€ 383 million
Total portfolio financial inclusion	€ 755 million	€ 815 million
Total portfolio agriculture	€ 147 million	€ 157 million
Total portfolio renewable energy	€ 49 million	€ 40 million
Total number of partners	747	801
Number of cooperatives	191	214

### Social performance indicators

	2017	2016
<b>Financial inclusion*</b>		
Number of financial inclusion partners	498	536
Clients reached by financial inclusion partners	36 million	40 million
% female clients	84%	84%
% rural clients	49%	48%
% financial inclusion partners with a gender policy	51%	51%

### Agriculture

Number of agricultural partners	183	195
Number of 'green' agricultural partners**	68	69
Number of agricultural cooperatives	74	86
Number of people employed by agricultural partners	39,200	40,500
of which permanent jobs	24,000	24,300
Number of farmers reached	508,000	538,000

### Renewable energy

Number of renewable energy partners	24	20
Households with improved access to energy	15,600	5,400
Greenhouse gas emissions avoided	38,100 tonnes	6,960 tonnes

\* Figures include microfinance partners and other types of financial institutions (SME banks etc.)

\*\* Agricultural partners which actively and intentionally create benefits for the environment through organic farming, energy saving activities, reforestation, waste management, etc.

# We support financial inclusion for

**Supporting partner organisations that serve financially excluded low-income people is central to Oikocredit's mission and our largest focus area. In 2017 we provided loans and investments to 498 financial inclusion partners around the world, representing 77% of our total development financing. These partners are mainly financial institutions that offer affordable loans, savings and insurance products to low-income clients and micro enterprises as well as small to medium enterprises (SMEs).**

SMEs account for an estimated 60%<sup>3</sup> of private sector employment worldwide and usually require larger loans than microfinance clients. Carefully selected SME banks can help alleviate SMEs' credit constraints, create jobs and promote economic development.

### Partner selection

We apply careful financial and social criteria to assess potential partners' suitability, using our environmental, social and governance (ESG) scorecard. We only work with partners that we judge suitable overall in terms of outreach to disadvantaged groups (for example, rural communities), protecting and benefiting clients, effective governance and management, treatment of community and staff, and environmental responsibility.

### Monitoring our partners

As part of Oikocredit's own social performance management and accountability, and to inform our capacity building, we regularly collect social performance, governance and environmental data from our partners.



Marylidia Villagrán (pictured) works at Global Mix, a supplier of construction materials in Guatemala. Global Mix is a client of Comercial Administradora SA Arrend, which provides financial services to SMEs in Guatemala, El Salvador, Honduras and Nicaragua. Arrend is one of Oikocredit's financial inclusion partners.

The following insights are based on feedback from 375 financial inclusion partners responding to our annual survey.

### Partner size

Oikocredit's partners vary in size. In 2017, 38% of Oikocredit's financial inclusion partners were small (10,000 or fewer clients), 24% were small to medium (10,001 to 30,000 clients), 19% medium to large (30,001 to 100,000 clients) and 18% large (over 100,000 clients).

Among SME bank partners, 62% reported supporting 10,000 or fewer businesses, 21% 10,001 to 30,000 and 18% 30,001 to 100,000.

### Clients reached

Oikocredit's microfinance partners served 31.8 million clients at the end of 2017, down from 35.1 million in 2016. This was mainly due to a number of our Indian partners not being part of our portfolio at the time of reporting, having paid back their loans.

Of the total number of microfinance clients, 29% worked in agriculture, 25% in services, 24% in commerce, 9% in non-farm production and 13% in other sectors.

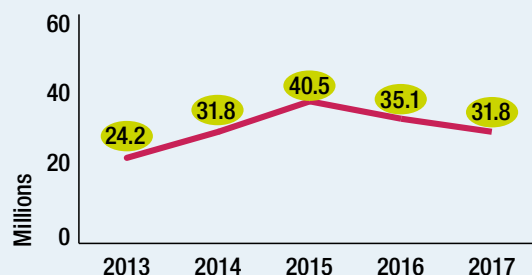
Among our SME bank partners, 38% of their client enterprises worked in commerce, 22% in services, 12% in agriculture, 12% in non-farm production and 16% in other sectors.

### Reaching women and rural communities

Microfinance partners' overall proportion of female clients remained unchanged at 89% in 2017 (the worldwide microfinance sector average is 70%<sup>4</sup>). With two new large partners in India and Mexico, the proportion of rural microfinance clients reported increased from 48% to 51% (sector average: 55%<sup>4</sup>). Clients of our SME bank partners surveyed were far less likely to be female (29%) or rural (30%).

### Microfinance clients reached by partners\*

As at 31 December 2017



\* 280 MFIs reporting

# disadvantaged communities



Zarata Kouraogo (pictured) is one of a group of weavers that takes loans from Burkinabe microfinance institution PAMF. PAMF finances low-income earners without access to commercial banking services. Oikocredit supports PAMF with loans.

**Partners’ development objectives**

We ask partners about their development objectives each year. Business growth (76%), poverty reduction (67%) and gender equality (51%) were most reported by microfinance partners as objectives in 2017. Most SME banks mentioned business growth (82%), employment (49%) and gender equality (36%).

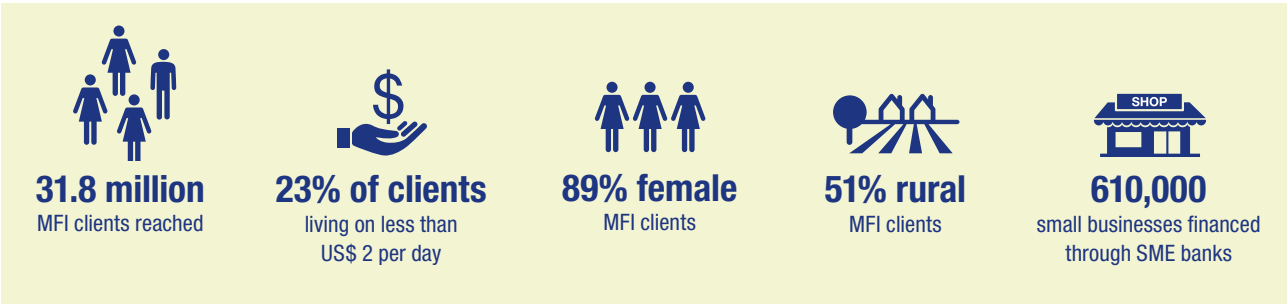
**Poverty targeting**

The Poverty Probability Index (PPI) enables financial inclusion organisations to measure the probability of clients living below a defined income level or poverty line. In 2017, 60 microfinance and six SME bank partners reported PPI data on 4.5 million clients. Over one million (23%) of these clients lived on less than US\$ 2 per day.

**Focusing on client welfare**

Oikocredit encourages partners to conduct self-assessments using the international Smart Campaign’s Client Protection Principles (CPPs) or a similar approach. Financial inclusion partners increasingly (84% in 2017) report endorsing the CPPs, and 61% undertook a self-assessment in 2017. The partners that conducted a self-assessment served over 23 million clients in 2017, contributing to the continual need for responsible financial inclusion.

<sup>3</sup> The World Bank, <http://www.worldbank.org/en/topic/sme/finance>  
<sup>4</sup> Symbiotics, <https://symbioticsgroup.com/news/symbiotics-2017-miv-survey>



# We help strengthen our financial

**Oikocredit's capacity building helps strengthen our partners, enabling us to contribute to positive social and environmental outcomes. For financial inclusion partners we have both a general financial services capacity building programme and a programme focused specifically on examining the probability of changes in clients' lives over time.**

## **Financial services capacity building**

Oikocredit's general capacity building programme for financial inclusion partners aims to strengthen their client protection measures, governance and risk management. We undertook nine financial services capacity building engagements in Africa, Asia and Latin America in 2017.

## **Enhancing client protection**

Oikocredit promotes attention to clients' rights and wellbeing based on the Client Protection Principles (CPPs) or similar

initiatives. In 2017 we worked to assess and improve the CPP practices of partners in Ghana, Kenya, Mali, Senegal and India. Training covers topics such as compliance criteria, due diligence, evaluations, self-assessment tools, action planning and implementation.

## **Improving client retention**

Client retention can be a challenge in financial inclusion. In 2017 we supported a Kenyan microfinance partner in exploring reasons for the loss of many of its farmer-clients. The partner's analysis led to improved loan offerings, new training for clients on their rights, reduced penalty charges, upgraded data protection and the introduction of client exit interviews.

## **Risk management**

We are undertaking risk management capacity building with microfinance partners in West Africa. In 2017 we worked with



Margaret Karicho (pictured) is the owner of Maggie Fashions and a client of microfinance institution Jitegemea Credit Scheme (JCS). JCS has been an Oikocredit partner since 2004 and provides financial services to micro and small enterprises across Kenya.



# inclusion partners

two Beninese partners to evaluate progress and identified positive risk management outcomes despite local economic and social challenges.

## Gender

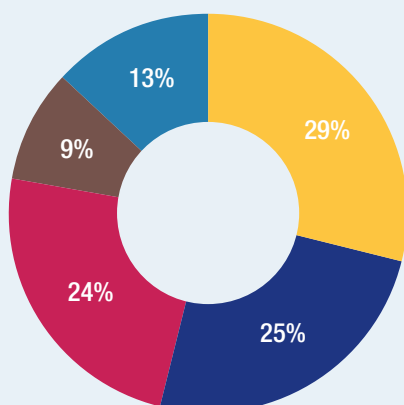
Supported by donor funds from the Church of Sweden, we have launched a new gender-focused pilot project, Bridging the Gender Gap, with two microfinance partners in the Philippines, ASKI and NWTF. The aim is to strengthen partners' financial and business processes and mainstream gender in their design of client products and services.

*Our financial inclusion capacity building aims to strengthen partners' client protection measures*

To date, the pilot has trained 27 staff and 41 clients at ASKI and NWTF. Clients have already reported benefits in their personal lives and in managing their small businesses. Prompted by this initial success, the pilot is being expanded to more of the MFIs' branches and several thousand clients.

## Occupations of microfinance clients\*

As at 31 December 2017



■ Agriculture    ■ Services  
■ Commerce    ■ Production  
■ Other

\* 276 MFIs reporting

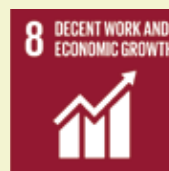
## Financial inclusion and the Sustainable Development Goals



Oikocredit's mission centres on work towards achieving *SDG 1: no poverty* through financial inclusion. Financial inclusion, usually when combined with other factors, can help people progress out of poverty and withstand challenges and shocks, such as unforeseen health problems and medical expenses. Oikocredit supports financial inclusion through its loans, equity investments and capacity building.



*SDG 5: gender equality* is also central to our mission and values. Better access to tailored financial services can help women direct household spending towards necessities such as food and water, child welfare and healthcare.



In working towards *SDG 8: decent work and economic growth* Oikocredit enables low-income people and disadvantaged communities to access credit and other financial services through its support for financial institutions, cooperatives and social enterprises. This helps increase incomes for livelihoods and work opportunities, and promotes inclusive economic development.



We address *SDG 10: reduced inequalities* by promoting economic empowerment and inclusion. We aim to select partners that have more equal salary levels between lowest and highest paid staff, and that provide financial opportunities to people irrespective of background, age or gender.

# We encourage good data for better decision-making

**Oikocredit's financial inclusion partners use financial services to help their clients invest in or insure their small businesses, improve their housing or health outcomes, meet children's educational costs and in other ways. Measuring changes in clients' lives over time (client outcomes) helps ensure our partnerships benefit clients as much as possible.**

## **Partner support and training**

The client outcomes programme builds partners' capacity to collect and analyse data about their clients, and understand better the connections between intentions and outcomes. Good quality and up-to-date client data helps partners improve their decision-making in terms of targeting, products, services, systems and risk management, thereby driving better results.

Since 2014 the programme has helped build capacity at 19 financial inclusion partners. In 2017 we held client outcomes workshops for five more microfinance partners: Margdarshak (213,500 clients) in India, Idepro (11,300 SME clients) in Bolivia, ProEmpresa (55,200 clients) in Peru, Enlace (47,000 clients) in El Salvador, and NWTf (373,000 clients) in the Philippines. Training covered data management and analysis, the Poverty Probability Index (PPI), social objectives, client

outreach and needs-based product development. In 2018 we anticipate conducting five more training programmes in Asia and Latin America.

*Good quality data helps partners improve their decision-making, thereby driving better results*

## **Research**

A second strand of the client outcomes programme involves research into whether and how far the quality of life of financial inclusion partners' clients is improving. Using data on 187,988 clients from three partners – ASKI (Philippines), Fusion (India) and Chaitanya (India) – our second research study found that rural clients are on average poorer than their urban counterparts but experience greater poverty reduction over time. Targeting low-income rural people therefore appears to be an effective social investment strategy.

Postgraduate students at the International Institute of Social Studies in The Hague are now undertaking further research based on this data.



Basket producer María Juana Flores de Paulino (pictured, centre) is a client of microfinance institution and Oikocredit partner Enlace in El Salvador. As part of Oikocredit's client outcomes programme, Enlace received capacity building to strengthen its approach to data collection and enable better insight into the needs of clients.

# We support smallholder farming communities

**An estimated 78%<sup>5</sup> of the world's poorest people live in rural areas and depend mainly on agriculture for their livelihoods. Smallholder farmers often experience fluctuating incomes, lack access to financial services, and are vulnerable to natural disasters and climate change.**

Oikocredit's agriculture portfolio benefits rural communities by providing small-scale farmer cooperatives, producers, processors and distributors with access to finance and capacity building. Our funding can help strengthen rural economies and food security. In 2017 about 15% of our total development financing was invested in 183 partners active in agriculture.

### Our role in a crucial sector

Agriculture can be challenging for social investors. With other investors often reluctant to support the sector, Oikocredit plays a key role. Along with social benefits and a fair financial return, we prioritise farm-level environmental sustainability.

Our agricultural investments are concentrated in Latin America, with coffee the leading sub-sector. Many of our coffee partners are certified for both fair trade and organic production. We also support cocoa, grain, nut and dairy producers and processors, among others. Collaborating and



Prity Thapa (pictured) is a tea picker with Darjeeling Organic Tea Estates (DOTEPL). Oikocredit chose to invest in DOTEPL because of DOTEPL's commitment to redeveloping abandoned tea estates, using organic and bio-dynamic practices, and nurturing close ties with local producers.

exchanging best practices with peer organisations, such as via the Council on Smallholder Agricultural Finance, adds value to our financing.

In 2017 Oikocredit reached 211,700 cooperative members through the 60 agricultural cooperatives responding to the survey. Democratically owned and run, cooperatives align well with Oikocredit's mission and status as a member-owned cooperative society.

<sup>5</sup> The World Bank, <http://www.worldbank.org/en/news/feature/2014/11/12/for-up-to-800-million-rural-poor-a-strong-world-bank-commitment-to-agriculture>

## Agriculture and the Sustainable Development Goals



Oikocredit's strategic focus on agriculture supports farming to benefit low-income people. In many countries where we operate poverty is predominantly a rural phenomenon; our involvement addresses both *SDG 1: no poverty* and *SDG 2: zero hunger*. Our agricultural lending and investments contribute to *SDG 5: gender equality* by tracking the number of women farmers, and more broadly *SDG 8: decent work and economic growth*.



**508 thousand**  
farmers reached



**59 fair trade**  
certified partners



**43 organic**  
certified partners



**74 agricultural**  
cooperatives

# Choosing and supporting our

**Oikocredit uses an environmental, social and governance (ESG) scorecard to screen potential agricultural partners. The scorecard looks at outreach and responsibility, who the primary benefits go to, ownership, governance and environmental practices.**

The 119 agricultural partners responding to our annual survey collectively reached half a million farmers in 2017, with more than 200,000 farmers served by three large partners operating in Africa. Over a fifth of the farmers were women, including 35% of farmers in Africa. Agricultural partners provided direct employment to about 39,200 permanent and temporary wage workers.

Agricultural partners identifying as either Fairtrade (FLO), UTZ or Rainforest Alliance certified totalled 59 out of 119 partners responding in 2017. Forty-three agricultural partners reported being certified organic producers.

Our annual survey also asks agricultural partners about their development objectives. This year the objectives that most agricultural partners mentioned were employment creation (74%), environmentally sustainable development (70%), poverty reduction (66%) and value chain development (63%).

Of 119 reporting agricultural partners, 73 stated that they include environmental protection in their production processes, including through organic farming, waste management, sustainable forestry and renewable energy or energy saving.

## **Capacity building for sustainable agriculture**

Agriculture is Oikocredit's largest area of capacity building. Careful monitoring helps show where partners most need support, such as in improving business or risk management, in production techniques or in developing better environmental practices. In 2017 Oikocredit supported 75 agricultural production, processing and marketing organisations with capacity building engagements.

*The project led to better yields, increased sales, higher incomes and improved governance*



Sara Sonia Garcia Perez (pictured) is a beekeeper and member of Miel Mexicana, a cooperative focused on the production of fair trade and organic honey for export from Mexico. Miel Mexicana has a strong social and environmental approach and is a partner of Oikocredit.

We have worked with 10 Ugandan farmer-based organisations since 2014 to improve their financing, productivity, quality control, marketing, organisational planning and gender sensitivity. This project, which includes a revolving credit facility, has led to better yields, increased sales, higher incomes, improved organisational governance and greater equality between women and men in farm management.

Another capacity building project supports six agricultural savings and credit cooperatives in Kenya, Rwanda and Uganda, with the goal of improving their overall performance. The project works with staff, providing training in financial and business management. Farmer members also receive training in financial literacy, business skills and gender sensitivity.

## **Helping coffee farmers manage risks**

Coffee producer cooperatives face many risks, but the biggest threat to their smallholder farmer members is price volatility. Our three-year price risk management (PRM) capacity building project seeks to empower 22 Latin American coffee cooperatives to address price volatility by equipping them with best-practice skills and tools. The project serves approximately 5,000 small-scale coffee cooperative members in Central and South America.

Following a step-by-step training methodology, the project comprises organisational strengthening, development of a PRM toolkit (including policies related to sales, price fixing, purchasing and funding), peer-to-peer learning and financing.

# agricultural partners



Côme Ntamugabumwe (pictured) is a small coffee farmer in Rwanda. Coffee processor Impexor supports farmers like Côme by buying their crops. Oikocredit invests in Impexor because it promotes poverty reduction and economic development.

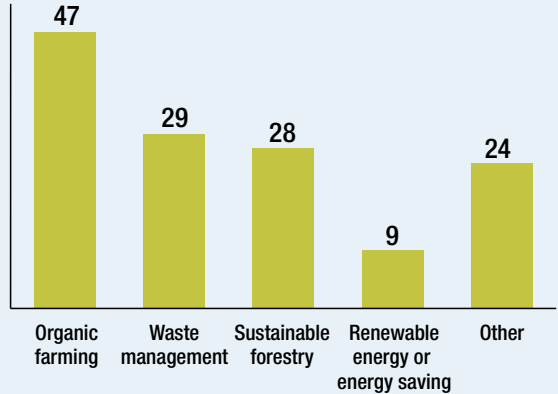
In 2017 we held the first PRM workshop in Honduras for partners from Costa Rica, Guatemala, Honduras and Nicaragua. This introductory-level workshop for board member farmers and staff explored risks facing the coffee sector, price risk and governance. The workshop looked at the participants' experiences and considered the practical application of the content to their daily operations.

The workshops for Peruvian and Colombian cooperatives were held in early 2018. These intermediate-level workshops aimed to develop a deeper understanding of aspects such as inventory management and better communication between commercial, finance and management staff for alignment on PRM strategy. The workshop also covered harvest prediction and evaluation, coffee market fundamentals and financial hedging strategies.

Advanced PRM training is expected to be held by the end of 2018. It will use a simulator designed by Fair Trade USA and Cornell University focused on practical application of the cooperatives' strategies.

## 'Green' agricultural partners\*

As at 31 December 2017



\* Multiple answers possible. 'Green' means actively and intentionally creating benefits for the environment.

# We promote energy inclusion and

Carbon emissions from fossil fuels are a major contributor to climate change. With atmospheric CO<sub>2</sub> levels at their highest for 650,000 years<sup>6</sup>, the livelihoods of low-income rural people in particular are threatened by droughts and other climate-related extreme weather events. At the same time, more than one billion people globally still do not have access to clean, reliable and affordable electricity<sup>7</sup>.

## Our approach to investing in renewables

Affordable renewable energy is a growing area of investment for Oikocredit. We aim to meet the increasing demand for electricity in underserved regions in an economically, socially and environmentally sustainable way by investing in renewable energy projects that aim to reduce 'energy poverty'.

The number of renewable energy partners in our portfolio is growing. In 2017, 5% of our development financing was invested in 24 renewable energy initiatives. Ten partners were developing or delivering to clients off-grid solar technology, while others were working with on-grid solar, run-of-river hydropower and wind energy. Off-grid projects may be small in terms of power capacity but contribute significantly to our social mission by promoting energy inclusion.

## Natural disaster preparedness

In the Philippines, a country vulnerable to climate-change-induced extreme weather, we initiated a natural disaster risk reduction and management pilot project with financial inclusion partners in 2014. In 2017 we extended the project to South America, where, following an earthquake, our northern regional office organised disaster preparedness workshops for Ecuadoran financial inclusion partners. In 2018 we plan a further workshop in Peru.

## Partner selection and monitoring

As in other sectors, we apply careful due diligence to our selection of renewable energy partners. We use our environmental, social and governance (ESG) scorecard for screening.

Environmental development is the key objective reported by our renewable energy partners in the annual survey. The next most frequently mentioned objectives are employment creation (mentioned by 80% of reporting partners in the sector), supporting start-up enterprises (27%) and education or poverty reduction (both 20%).

In monitoring our renewable energy portfolio, we record the number of households given access to clean off- or on-grid

## Renewable energy and the Sustainable Development Goals



Oikocredit contributes to SDG 7: *affordable and clean energy* through its lending and investments in renewable energy and energy efficiency. We monitor the number of households our partners provide with clean energy, CO<sub>2</sub> emissions avoided, funds invested and partners' compliance with local environmental regulations and certifications.

energy and tonnes of CO<sub>2</sub> emissions avoided through our partnerships. In 2017 our partners provided clean energy to approximately 15,600 households (up from 5,400 in 2016) and avoided the release of 38,100 tonnes of CO<sub>2</sub> (up from 6,960 tonnes in 2017 and roughly equivalent to saving emissions from an average car being driven 150 million kilometres).

We are developing new and more detailed ways to monitor and report on our renewable energy partners' social and environmental performance.

## Examples of our renewable energy partnerships

Among Oikocredit's current renewable energy partners is E-Hands Energy in India. E-Hands provides solar-powered rural banking solutions, solar home systems, solar lanterns and hybrid solar/micro-wind off-grid technologies in 15 states. One E-Hands project improves access to financial services by encouraging Indian banks to operate rural branches using its solar systems.

In Uganda we are providing financing to SolarNow, which supplies off-grid solar systems on credit to communities in remote areas. Its focus is on clients with income-generating activities, such as refrigeration in stores, irrigation and grinding.

<sup>6</sup> Nature, <https://www.nature.com/news/2005/051121/full/news051121-14.html>  
<sup>7</sup> The World Bank, <http://www.worldbank.org/en/topic/energy/overview>



**15,600 households**  
with improved access to energy



**38,100 tonnes**  
of CO<sub>2</sub> emissions avoided

# help combat climate change



Shweta Maheshwari, manager PR & communications (ONergy) holding a prototype of one of ONergy's solar products. ONergy is the brand name for products marketed by Oikocredit's Indian partner Punam Energy Private Limited (PEPL). PEPL provides energy solutions to underserved households and institutions with a range of solar products.

Oikocredit's vision is a global,  
just society in which resources  
are shared sustainably and  
all people are empowered  
with the choices they need  
to create a life of dignity.



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