

Growing economies with agriculture



- **Bulgaria's agricultural model**
- **Environmental education in Bolivia**

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Editorial

One in four of the world's poorest people live in rural areas.

And many of those people – from farmers to seasonal workers – rely on agricultural activities in some way to meet their daily needs.

Cyclical and unpredictable income means credit for farmers can be difficult to obtain which can make saving for specific events, or one-off investments, a challenge. Vital insurance products to protect against floods, droughts and hurricanes are almost non-existent, and a lack of knowledge about new farming methods and regional or international markets results in uneven competition with commercial players.

It is this situation Oikocredit aims to improve by providing support to agricultural partners in developing countries. While we cannot provide financial services directly to small farmers or fishermen, we finance rural microfinance and producer organizations, like agricultural cooperatives, that work to build strong local economies and stronger communities by supporting these individuals.

Our microfinance partners usually offer a variety of services. Among them may be pre-financing in time for harvests, saving facilities or practical training about new farming technologies. Many of our partners also help farmers gain access to markets by coordinating efforts and supporting the value chain.

In this edition of Oiko Info, we cast a wide net over the different aspects, challenges and vision we have on the role of agriculture in poverty alleviation. We are proud to dedicate this magazine to our dear departed friend and colleague, Erik Heinen. Oikocredit's former director of Loans and Investments, Erik, tirelessly championed the role agriculture plays in poverty alleviation. He passed away in March this year, and is missed every day.

I sincerely hope you enjoy reading this edition of Oiko Info.

Ben Simmes, managing director of Oikocredit International



This edition of Oiko Info is dedicated to the memory of our late friend and colleague Erik Heinen, former director of Loans and Investments.

Cover Picture: Agricultural cooperative of farmers, SOKOL, in Bulgaria

Drop by drop: environmental education in Bolivia

Over 100,000 Bolivian women received training on health and environmental issues thanks to a collaborative programme between a Bolivian microfinance institution (MFI) and Oikocredit.

In a bid to improve the basic knowledge of waste, land, water and electricity management, Oikocredit partner CRECER (Crédito con Educación Rural), delivered more than 28,000 training sessions and undertook a widespread awareness campaign in the 'For a Better Life' programme.

CRECER was established by US organization Freedom from Hunger in 1999 to provide loans, insurance and financial training to women in Village Banking Groups, in which individuals borrow as a group. CRECER's 120,000 clients are based in 219 communities across the country. More than half are in rural areas, meaning agriculture and environment are particularly important to improve quality of life.

'Since Bolivia faces some serious environmental challenges and many people rely on agriculture, it's vital we support initiatives that increase environmental awareness,' said Marisol Fernández, Oikocredit country manager Bolivia. 'Not only is it essential for the future of the environment, it's essential for the future health and livelihoods of people in low-income communities.'

The critical threat to Bolivia's environment is deforestation, which has led to a loss in diversity of animal species, an increase in greenhouse gases, soil erosion and degradation, and sedimentation of lakes and lagoons. Water quality has also been compromised as a result of human activity, including poor waste disposal where waste ends up in rivers which are a water source for agriculture downstream.

For a Better Life began three years ago, and aims to encourage more environmentally conscious behaviour among women, employing them as 'agents of change' so knowledge is passed on to peers and family members. The programme has six themes: economic activities, education, health, nutrition, housing and social security.

With a USD 35,000 grant from Oikocredit and USD 19,000 from CRECER, the programme began by hiring health and environmental specialists. The consultants conducted a survey among CRECER clients to assess their environmental knowledge, attitudes and practices.

'The consultant interviewed 400 clients, 240 from the urban areas and 160 from rural areas, covering questions on the management of waste, electricity, water and land,' said Ms Fernández. 'The survey uncovered some specific issues. For



Ms Segunda Flores planting a tree during a 'For a Better Life' training.

example, the majority of rural women said they burnt their rubbish, despite knowing it is damaging to the environment.'

Educational videos were produced for further education along with promotional materials including tents, T-shirts, aprons and rubbish bins to involve other community members at fairs and markets. Training was also provided directly to leaders of the village banking groups, and indirectly to village banking members using a 'Cascade Training System' where training is passed on by those who have completed the course. Other activities included tree planting, cleaning and reforestation organized by CRECER clients and their families.

The programme gave CRECER a more complete picture of its clients' attitudes and practices with waste, energy and water management. As a result, the organization is working to implement a written environmental policy which will make environmental consideration an integral part of its operations.

'CRECER is one of the few Bolivian MFIs that has designated funds to these kinds of social activities, so we were thrilled to be able to support them on this,' said Ms Fernández.

Growing economies

A strategy outlined by Oikocredit aims to expand its agricultural portfolio of projects outside micro-finance to 30% over the next five years. An integral part of this objective is to expand financing to agricultural projects. The agricultural strategy, which was launched in 2010, focuses on developing countries with a significant potential for development through agricultural projects.

Several elements make up the strategy, including extending the scope for pre-export financing. This means lending to cooperatives or companies that export commodities like coffee, cocoa, or cotton by buying products from farmers and bringing them to the market.

‘These organizations help small farmers sell their products in Europe or the US, and assist them in securing an income. But they have limited funds to buy from farmers in order to export the agricultural commodities overseas,’ said Oikocredit director Loans and Investments

Florian Grohs. ‘The time between buying the harvested coffee beans, and getting the money for the coffee they’ve sold to an international buyer, can be bridged with an Oikocredit loan.’

Expanding an organization’s potential to deal with organizational and operational tasks also plays a vital role in strengthening Oikocredit’s agricultural portfolio. Partnerships already exist with NGOs including Agriterra and ICCO who work to consult with agricultural partners on practical issues.

‘Often our cooperative partners have difficulty with the financing and accounting side of their operations. For example, the coop is made up of groups of farmers with little formal education, accompanied by a volunteer board, and might be having trouble finding an experienced manager,’ said Mr Grohs. ‘So we hire consultants to look at how we can help them in their financial operations and deal more effectively with international buyers.’

Environmental sustainability is another high priority for the industry, with farming techniques and climate change presenting challenges. While demand for organic produce has grown in the West, traditional farming techniques still make up the overwhelming majority of farming methods in developing countries.

‘The reality is that there are very few organic farms in developing countries at the moment; around 1% or maybe even less. That’s why we work with as many agricultural producers as we can, encouraging transitions to organic where feasible.’

Extra measures in the form of training and education serve to decrease the risk agricultural projects are known to face. ‘The potential of the agricultural sector is very large and it faces risks,’ said Grohs. ‘But weighing the risk against the potential to improve the lives of small farmers and their families, the decision to forge ahead with our agricultural strategy is clear.’

Florian Grohs (center) during a partner visit in Moldova.



with agriculture

Combatting the grab for land

After increasing reports of land-grabbing in many developing countries, Oikocredit is providing funds for cooperatives to buy their own land. Many cooperatives rent land and therefore are directly threatened by local or international companies and individuals buying significant areas to farm.

'Land should be in the hands of the small farmers or the cooperative. If farmers sell their farms, some might be lucky and get jobs in the city, but when they give up their land they lose a sustainable source of income and access to a livelihood,' said Oikocredit director Loans and Investments, Florian Grohs.

'We often hear that when these deals are done, corruption or unethical methods by high-powered groups can play a part. So if cooperatives and small farmers need our means to combat land-grabbing, we will support them.'

Bulgaria's model

The traditional agricultural cooperative model sees cooperatives providing marketing and production services to farmers who cultivate their land individually. But in Bulgaria, cooperatives rent land from small landowners, cultivate it, collect the yield and sell the produce. They then pay members rent and dividends. For many elderly landowners, these cooperatives provide vital income to supplement a pension of around € 70 a month.

Malki Lom is an agricultural cooperative in Sadina, a village with 1,000 inhabitants in Northern Bulgaria. The cooperative is named after the nearby river and was established in 1993, at a time when no bank was willing to provide it with funding. The situation improved in 2000 when Tihomir Todorov was elected chairman. In 2002 Malki Lom secured its first Oikocredit loan and since then has received and repaid five loans.

In May 2012, Oikocredit Study Tour participants travelled to Bulgaria and spoke with Tihomir Todorov, chairman of Agricultural Cooperative Malki Lom.

What was the situation when you took over as chairman?

'When I started, no bank wanted to give us financial support and we needed access to financial sources to renew our machinery. Banks considered - and often still consider - the agricultural sector as too risky and not well enough developed. Our old machinery was not accepted as collateral. On top of this, at that time the crop prices were very low.'

Although Oikocredit is currently not financing Malki Lom, you are still in close contact with the Oikocredit team. How is the cooperative performing financially?

'We are financially stable, thanks to high yields and high prices in 2010 and 2011. Our management team is working smoothly together and, for the time being, we need no further financing. However, agriculture heavily depends on the weather and if 2012 is not a good year, we might need to ask Oikocredit for additional financing.'

What community developments has the cooperative initiated for Sadina?

'The cooperative runs a pensioner's club and a library. We sell discounted bread to our members and we coordinate the only four shops in the village. Further, we support local infrastructure projects and are strict when it comes to water and soil preservation.'

Of the 1,000 inhabitants, only around 90 belong to the working population and Malki Lom employs almost half of them. Many staff are single and the men are finding it hard to find a partner. Most women go to the cities to seek a different life, which contributes to the aging of the village. Our kindergarten had to close its doors in May this year because there are simply not enough new children.'



Tihomir Todorov, chairman of Agricultural Cooperative Malki Lom.

How do you see the future for the village and the cooperative?

'Before, when Sadina was not as abandoned as now (around 300 of the 800 houses have been abandoned) there were a lot of activities throughout the year in which all inhabitants participated. Today, the cooperative still tries to take the lead in organizing a big, annual festival that attracts people from the surrounding villages. But I am an optimistic person and I am sure that people will return to the villages, after having lived in the city, craving to get back to the more relaxed village life.'

Oikocredit and FMO creating opportunities in low-income countries

Dutch development bank FMO and Oikocredit have launched a € 10 million fund to create business opportunities in low-income countries. By providing access to finance, the Low Income Countries (LIC) Loan Fund aims to support micro and small entrepreneurs in countries recognized by the United Nations as low income.

With this fund, FMO and Oikocredit will invest predominantly in Central and Southern African countries through rural-based microfinance institutions and small and medium-sized enterprises (SMEs).

A joint investment

Both FMO and Oikocredit will put € 5 million towards the fund. Micro-finance institutions providing financial services to micro and small entrepreneurs will receive 75% of the loans and the remainder will be used for SME funding. Oikocredit, with its vast

network of local offices and expertise in rural expertise, will act as fund manager.

Focus on micro and small entrepreneurs

Ben Simmes, managing director at Oikocredit: 'Erik Heinen, former director of Loans and Investments of Oikocredit, was one of the initiators and promoters of the fund. Erik sadly passed away in March. He was invaluable in the process of setting up the LIC loan fund, which was literally his last, big project for Oikocredit. FMO and Oikocredit both share the same aim to provide micro and small entrepreneurs in the world's poorest countries with access to finance. FMO invests large amounts in urban areas, while Oikocredit invests smaller amounts in relatively smaller microfinance institutions with a strong focus on rural regions. Combining efforts here can therefore result in a better impact. The LIC Loan Fund also fits Oikocredit's strategy to expand its portfolio in Africa.'

Responding to business expansion needs

Maurice Scheepens, investment officer at FMO: 'The interesting aspect of this concept is its ability to cater for the needs of growing companies. Once the fund has provided its support to companies at the bottom of the pyramid, the respective companies can qualify for a 'regular' Oikocredit loan and subsequently for a larger facility from FMO. Thereafter, the company is well qualified for support from commercial banks. This way, Oikocredit and FMO optimally combine the strengths of their organizations.'

Inclusive finance

With the launch of the LIC Loan Fund, FMO and Oikocredit extend their cooperation in inclusive finance. Both organizations are shareholders in a number of MFIs and Oikocredit has a stake in *The Currency Exchange Fund (TCX)*, co-founded by FMO.

New president for Oikocredit Board of Directors

Oikocredit has named a new president and vice president for the Board of Directors, following its Annual General Meeting in Bälsta, Sweden on 15 June 2012.



Mrs Salome Sengani

Board member Mrs Salome Sengani is now president, replacing Mr Fidon Mwombeki after his term ended.

Mrs Sengani is a South African national, with specific expertise in corporate strategy and banking. She holds an MBA from the University of Pretoria, South Africa. Mrs Sengani has broad experience as a board member and is currently involved with the boards of South African organizations Wizzit Bank and Women's Development Business Micro Finance. She is also executive director of Odandi Properties T/A Business Solutions in Johannesburg.

Mr Matt Christensen is the new vice president of Oikocredit's Board of Directors, bringing his experience as Global Head of Responsible Investment at AXA Investment Managers (France) to the position. Mr Christensen has an MBA from the Wharton School in the

University of Pennsylvania (USA) and his expertise is primarily in investments and fundraising. He is also non-executive director of the Ludgate Environmental Technology Fund and the Munro Fundamental Tracker Fund.

New board members

Two new board members, Jacinta Hamann de Vivero from Peru and Amulike Ngeliama from Tanzania, will join the newly-elected president, vice-president and existing board members in future Oikocredit deliberations.

The former board president Mr Mwombeki and board member Mrs Judith Castaneda made valued contributions to Oikocredit's cause throughout their respective terms on the board. The organization continues to benefit from their hard work and dedication.

Key figures portfolio

at 30 June 2012

● total capital outstanding	€ 522 million
● total number of partners	864
● microfinance partners (of total number of partners)	597
● number of investments since inception	2,483
● average loan size total portfolio*	€ 730,436
● average loan size to microfinance institutions*	€ 808,745

*based on approved loan amounts

Social performance

at 31 December 2011

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

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

Latest deals*

at 30 June 2012

COLOMBIA - ACTUAR EL QUINDÍO - COP 800 million (€ 305,661)

Actuar El Quindío is a non-profit organization founded in 1989. Its mission is to improve life of microentrepreneurs and the most vulnerable people in the department of Quindío, Colombia. This department has one of the highest rates of unemployment in the country at 18.1%, and an underemployment rate of 31.3% (i.e. those not employed to their full capacity in terms of skills or hours). Actuar El Quindío seeks to improve the lives of low-income people through programs of microcredit, training and advising. Health insurance is included in the loan products of the MFI, which also offers training to its clients in the fields of accounting, administration, computers, marketing and banking. This is the organization's second Oikocredit loan, which will be used to expand the reach of Actuar El Quindío's portfolio.

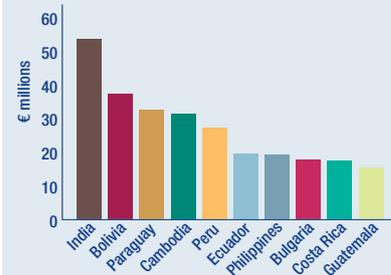
INDIA - RGVN - INR 100,000,000 (€ 1.5 million)

RGVN is a non-banking financial company (NBFC) that provides small loans and non-financial support to people in the North Eastern States of India. The majority of its clients are women, who seek loans as a means to become self-sufficient. The organization's primary objective is to offer financial opportunities to the poor in all areas – rural, urban and semi-urban - who cannot access traditional banking. In addition, RGVN aims to empower women through income generating activities and provide welfare services to improve education and health among clients. This loan will be used primarily to provide microloans to rural clients with farms, using the group lending methodology with the aim of creating income and employment opportunities. The loan will allow RGVN to provide a further 7,000 clients with credit, bringing the organization's total reach to over 135,000 people.

* based on approved loan amounts

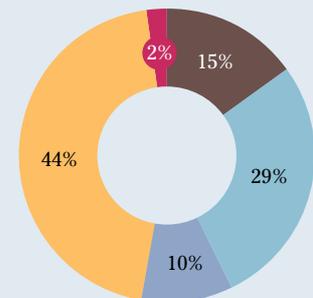
Countries with highest capital outstanding

at 30 June 2012



Funding by region

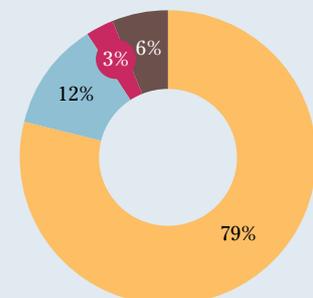
at 30 June 2012



■ Africa
■ Asia
■ Central and Eastern Europe
■ Latin America
■ other regions

Funding by sector

at 30 June 2012



■ microfinance*
■ agriculture
■ trade
■ other

* including microcredit, SME finance and wholesale funding

'I like Oikocredit's transparency and accountability'



Sr Corinne Florek, pictured here after receiving a Lifetime Achievement Award at the 2010 Opportunity Finance Network conference.

For over 30 years, Sr Corinne Florek has worked to promote social justice, supporting initiatives aligned with her values. As a young sister serving on her congregation's Portfolio Advisory Board, she learned that investing for social change could be one such empowerment tool. The funds Corinne now manages go towards community development loan funds, community banks, non-profits and international funds as well. Oikocredit USA is one of those investments.

Over 20 years ago, Corinne worked with the Adrian Dominican Sisters to buy shares in Oikocredit to promote the empowerment of the poor. 'We were leveraging a new awareness of investing for social justice, and Oikocredit was an ideal vehicle,' Sr Florek said. 'Since then, every fund I have managed has

invested in Oikocredit to the maximum possible.'

Oikocredit's commitment to social justice, its unique position as a cooperative that lends to other cooperatives as well as microfinance institutions, appeals to her as both organizational structures address the root causes of poverty, she said.

'I like Oikocredit's transparency, accountability, and how it tracks social impact. I appreciate their efforts to promote diverse strategies such as cooperatives and fair trade enterprises as well as microfinance institutions. Their commitment to empower women is even more important now as we struggle to end poverty worldwide in the new reality of this economy.'

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About us

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

We offer a dual return to our investors: social and financial. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to fight poverty, promote fair trade and respect our planet's natural resources.

Participation

Interested in participating in Oikocredit?
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Photographs: Tom Bamber, Opportunity Finance Network, Clemens Rikken, Oikocredit support associations and members, partners and Oikocredit staff

Editorial team: Holly O'Connell, Aline Uit den Boogaart, Kawien Ziedses des Plantes, Leah Gage

Production and design: Van Santen Productions, Amstelveen, Netherlands

Printing: Atlas - Soest, Netherlands